

CHAPTER 5. ARCHITECTURAL ANALYSIS AND INSPECTION SECTION 223(f)

- 5-1. ARCHITECTURAL ANALYSIS. Instructions contained in Chapter 1 shall also pertain to projects insured pursuant to Section 223(f), except as modified herein.
- 5-2. STANDARDS. Eligible properties are existing construction. The criteria for acceptance are not the same as for proposed construction. The objective is to assure an acceptable risk through only necessary repair requirements. The Minimum Property Standards apply in the following manner:
- A. Chapter 2, General Acceptability Criteria, shall be met with the exception of the requirement for a primary entrance readily accessible to the physically handicapped.
 - B. Other Chapters. The property shall comply with the general intent of all other chapters of the MPS.
 - C. Compliance with Statutory and Regulatory Requirements is mandatory. These include:
 - 1. Restrictions on the use of LBP,
 - 2. Flood hazard limitations,
 - 3. Smoke detector for each living unit.
- 5-3. CODES. The Department does not assume responsibility for determining compliance with local codes.
- 5-4. REVIEW DOCUMENTS AND SITE INSPECTION TEAM.
- A. Review Documents. Review the following to assure receipt of all material and for project familiarization.
 - 1. Sponsor's Application, Form HUD-92013 or HUD-92013-NH/ICF.
 - 2. Sponsor's Narrative Program.
 - 3. Certificate of Occupancy or Final Inspection Report, if available, or a statement from the jurisdiction of authority recognizing conforming use.

- (5-4) 4. Municipal code violations report/clear report, and Fire Marshal's report/clear report.
- 5. City/County Health Officer's report/clear report where private water supply or sewage treatment systems are involved.
- 6. Latest State medical/personal care facility agency(s) report on the project's operation, where a medical or care facility

is involved.

7. Sponsor's:

- (a) Repair list and any available drawings and specifications of the proposed repairs, replacements and improvements.
- (b) Preliminary schedule for completion of repairs after loan closing, if applicable.
- (c) Schedule of delayed/interrupted occupancy or income, if applicable.

8. "As Built" Survey; Form HUD-92457, Surveyors Report; and Title Report.

9. Set of as built drawings, if available.

10. HUD Environmental Review Letter. If not complete at this stage, coordinate with the appraiser.

11. Location map.

12. Name and phone number of owner's representative.

13. Names of inspection team members.

B. Inspection Team Members. Coordinate for either a joint or separate site visit(s). The team should always include the design representative, cost analyst, appraiser, and access management specialist, but additional staff may be included by the Director of Housing Development. Technical specialists, e.g., mechanical or structural engineers may be appropriate.

- 1. Arrange for the owner's representative to be present during the entire inspection. Advise the representative of the anticipated inspection pattern so that residents may be given legally required notification and to assure that the means of access (e.g., keys, ladders, etc.) are available for all spaces, roof elements, etc.

12/95

Page 5-2

4460.1 REV-2

- (5-4) 2. Request participation by the controlling code inspection and fire marshal jurisdictions, unless previously arranged by the owner. The owner must specifically arrange for municipal participation, where charges are involved. Municipal inspection fees may be included in the mortgage.

C. Coordinate with the Appraiser.

- 1. Whether estimates of remaining useful life for short-lived building components and equipment, and/or "major movable equipment" are required, or if the formula approach will be used for the initial deposit to the reserve for replacements.

2. The amenities and services to be considered in value based on the sponsor's application, program narrative and list of proposed work. Assure that existing facilities plus the proposed work will achieve the appraiser's assumptions.
 3. Any potential offsite, or on-site environmental issues or hazards indicating the need for special attention or engineering analysis. This is essential whether or not the environmental report has already been prepared.
- 5-5. PROPERTY ANALYSIS. Visit the site and render architectural conclusions for use in determining project eligibility and acceptable mortgage risk. Survey primary and accessory buildings, including mechanical and structural systems; utility systems and lines, including private water and sewage disposal facilities; and off site facilities providing project services, e.g., food preparation facilities for medical or personal care facilities.

A. Determine Project Conditions, especially concerning:

1. Adequacy of existing facilities, including spaces, interrelationship of spaces, equipment, and offsite facilities providing services to the project (e.g., congregate cooking and dining facilities) for the number of projects, residents and participants, and the type of services proposed in the narrative program.
2. Defects, deterioration, remaining useful life of short lived elements, and required repairs, replacements or corrections.

4460.1 REV-2

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3. Required repairs, replacements and corrections are the type and extent of work required to place the property in conformance with the applicable standards, sound operating condition, and program and project objectives.
 - a. Minor maintenance items are not included, unless they constitute extensive deferred maintenance, or if left untended, would result in further deterioration.
 - b. New amenities, facilities or building equipment may not be required where they did not previously exist, except where enhanced or additional services are proposed in the narrative program, or needed to meet requirements of a jurisdictional authority. The criteria also applies to major movable equipment where applicable, e.g., medical or personal care facilities.
 - c. Dated building components and equipment, if operative and functionally sound, may not be used as the basis for replacement work requirements.
 - d. Maintenance and operating expense reduction may not be the basis for making work requirements. Therefore, installation or addition of ceiling insulation, storm

windows or high efficiency equipment may not be made required repairs, even though such work would be cost effective and have a short pay back. However, the work may be proposed by the sponsor.

4. Sponsor's proposed work may include:
 - a. Necessary repairs and replacements.
 - b. New amenities, facilities, or equipment, e.g., air conditioning, project signs, upgraded carpeting, etc., to improve marketability or increase charges.
 - c. Replacement of outmoded items to improve marketability or rents.

12/95
4460.1 REV-2

Page 5-4

- (5-5) d. Installation of additional items, or replacement of items with more cost effective ones in order to reduce maintenance or operating expenses, e.g.:
 - (1) Install storm windows.
 - (2) Convert utilities.
 - (3) Substitute a high efficiency domestic hot water heating system for an inefficient one.
 - (4) Energy conservation improvements proposed by the sponsor, except for attic insulation, caulking and weather stripping work, must be supported by an engineer's recommendations and life-cycle cost analysis.
5. Sponsor's proposed work may not include items which would increase the mortgage risk, e.g., work which would reduce rentability and/or increase maintenance or operating expenses, or increase the mortgage amount without off setting income.

B. Municipal Authorizations. Review permissions to occupy, use permits, etc.; identified violations of zoning ordinances, codes, etc.; and for medical and personal care facilities also review the latest State agency operational reviews in regard to the property's condition and proposed use defined in the Application, Form HUD-92013-NH/ICF, and Narrative Program. Where necessary for complete information or confirmation of submitted information, phone or visit municipal authorities.

C. Unit Inspection. Survey enough units to establish the level of required repairs. The units to be surveyed to determine the level of repairs in each project may range from 100 percent of the units in smaller projects to 40 percent of units in larger projects.

Where applicable, units shall be randomly sampled, except that all vacant units must be examined. The following schedule reflects the

minimum number of units to be surveyed in each project: (At the discretion of the Director, Multifamily Housing, the number of units to be inspected may be varied depending on the age of the project.)

4460.1 REV-2

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|------|----|------------------|-----------------------|-----------|
| 5-5) | 1. | Units in Project | Units to be Inspected | |
| | | 1 to 125 | 100 percent | |
| | | 126 to 225 | 70 percent | (88-158) |
| | | 226 to 325 | 65 percent | (147-211) |
| | | 326 to 425 | 60 percent | (196-255) |
| | | 426 to 525 | 55 percent | (234-289) |
| | | 526 to 625 | 50 percent | (263-313) |
| | | 626 to 725 | 45 percent | (281-326) |
| | | 726 and up | 40 percent | (290+) |
2. Work proposed by the sponsor, specific findings during inspection, or knowledge of problems common to the building type, age, location, mechanical systems, etc., may require a more extensive investigation. Exercise sound professional judgment in determining the exact extent of the physical examination.
 3. Where there is evidence of hard use, accelerated deterioration, or extensive deficiencies - all units must be examined.
 4. The sponsor may be required to employ an architect to make a site inspection of all spaces and prepare the work write-up as set forth in this chapter for properties falling into categories 2) and 3) above, or for large projects.
 5. Use a random inspection pattern dispersed throughout the building(s), where only a portion of the units are examined, and include units:
 - a. Under various roof elements.
 - b. At all exterior building exposures weighted to the side(s) resisting prevalent wind driven rain and snow.
 - c. At different building conditions.
 - d. Throughout the building height.

D. General Project Examination.

1. Examine all project grounds, site facilities, accessory structures, recreational facilities, building exteriors; and common building areas, facilities, equipment, etc.

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2. Examine at random repetitive elements in a high-rise structure, e.g., corridors, trash chute vestibules and hoppers, and exit stairs. Use the instructions for unit inspections, paragraph C.2. above as a guide.
 3. Specifically examine all other building elements even though more than one exists, e.g., roofs, laundry rooms, machine and meter rooms, storage rooms and repair shops, trash compactor and storage rooms, community rooms and similar spaces, congregate facilities, examining and treatment rooms, offices, day care facilities, commercial spaces, etc.
- E. Immediate Project Surrounds must be assessed for potential offsite hazards to the property from sources listed in Form HUD-4128.1, and other physical risks.
- F. Engineering Services or other specialty consultants must be employed by the sponsor, when determined advisable by HUD due to specific findings, the general condition or age of project elements, or other good cause.
1. Identify for the sponsor upon determination of engineering need:
 - a. Specialty desired (mechanical, structural, geotechnical, noise attenuation, termite, toxic and hazardous materials, medical/therapeutic equipment, etc.).
 - b. Systems or components the assessment must address, e.g., space heating system, chiller, DWV, etc.
 - c. Specific tests to be included e.g., pressure or flow tests, cutting and examining line segments, etc., and
 - d. Types of information to be included in the engineering report.
 2. Engineering Report must include:
 - a. Required repairs and replacements,
 - b. Estimate of repair costs, and

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- c. Remaining useful life of short-lived systems or components after repairs.
- 5-6. PROJECT REPORT. Address each of the following report elements in Section 0, Form HUD-92264 (Section P, Form HUD-92264-NH/ICF for medical and personal care facilities). If necessary, prepare the report as a memorandum to the file and reference it in Section 0 or P, as applicable. Also complete Sections A-1 thru 5, 7, and 11 thru 17, and B-25 and 26.

- A. Statement Regarding Substantial Rehabilitation. State whether or not required repairs and the sponsor's proposed work, constitute substantial rehabilitation regarding replacement of more than one major component.
1. Paragraph 4-2.B. defines major components.
 2. The appraiser will address substantial rehabilitation regarding the cost of repairs as a percentage of the total repaired project value.
- B. Estimate of Remaining Useful Life. Coordinate with the appraiser, and if required list the estimates of remaining useful life for the three following categories. Require a specialist's report from the sponsor where required.
1. Short-lived building components and equipment, e.g., mechanical systems and equipment, appliances, resilient flooring, carpeting, window coverings, roofing, and other project features required for establishing the initial deposit to reserve for replacement.
 2. Major movable equipment. (Applicable to medical and personal care facilities.)
 3. Minor movable equipment. (Applicable to medical and personal care facilities.)
 4. Present the estimate(s) in tabular format for each of the required categories. Identify each type of item, the number of each type of item, typical useful life and the estimated expended life for the type item.
 - a. Where certain types of items, e.g., patient room A/C units have been partially replaced in groups, more than one entry may be appropriate
- 12/95 Page 5-8 4460.1 REV-2
- (5-6) for the given item. Generalizing expended ages of a given type of item into a single average based on observations should be acceptable for the intended purpose in many cases.
- b. Identify the location of items, if required for clarification.
- C. Method for Computing the Initial Deposit to the Replacement Reserve (IDRR) Account. A&E/C prepares an analysis of the remaining useful life of short lived building components and systems, and other project features.
1. Eligible items that may be included in the schedule are:
 - a. Replacement of refrigerators, ranges, and other major appliances in the dwelling units.

- b. Replacement of roofing systems, including replacement of gutters, downspouts, and related eaves or soffits.
 - c. Replacement of major plumbing and sanitary systems or components.
 - d. Replacement of central air conditioning and heating systems or components including cooling towers, water chilling units, water heaters, furnaces, boilers, exhaust fans, and fuel storage tanks.
 - e. Overhaul of elevators.
 - f. Major repaving/resurfacing/sealcoating (sidewalks, parking lots, and driveways).
 - g. Replacement of exterior (lawn) sprinkler systems when already included in a project.
2. Ineligible items that may not be included in the schedule are, but are not limited to:
- a. Items proposed to be replaced as part of the work write-up.

4460.1 REV-2

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- b. Items whose estimated remaining useful life exceeds 1/2 the original (first) mortgage term.
 - c. Painting of interior spaces.
 - d. Replacement of individual dwelling unit air conditioning components such as fan motors and window unit compressors.
 - e. Caulking and sealing.
 - f. Window screens.
 - g. Replacement or purchase of maintenance tools and equipment such as lawn mowers or snow blowers.
 - h. Office equipment.
 - i. Replacement of fire extinguishes.
 - j. Items generally considered routine maintenance.
3. Prepare a schedule to estimate the remaining useful life of all eligible short lived building components equipment, etc., included in the project.
- a. To derive the remaining useful life of an item subtract the actual age of the item from the estimated economic

life of the item.

- b. The schedule shall provide a description of the item, actual age and estimated economic life of the item using the format shown below.

Description	Sample		
	Est. Econ. Life	Est. Actual Age	Rem. Useful Life
Refrigerators	15	5	10

12/95
4460.1 REV-2

Page 5-10

- (5-6) c. Rearrange the items in the schedule in ascending order of groups of items in increments of 5-year periods based on the estimate of remaining useful life of items. The group whose useful life is estimated to expire within the first 5-year period will be listed first.
 - d. Estimates of economic life for items are to be developed and updated annually by each FO. Data should be obtained from material manufacturers and suppliers and should be adjusted based on performance under local conditions.
4. Prepare a 100 percent replacement cost estimate (less salvage) for each item in the group whose estimated remaining useful life is expected to expire within 5 years.
- a. Include the sum of the costs of labor/ installation, materials, and appropriate fees, when applicable. Using a cost adjustment factor for time, project the cost of each item from the date (month and year) of the estimate to the expected expiration date. The sum of the estimated cost is the total initial deposit.
 - b. Davis Bacon Requirements are not applicable, therefore, the costs of labor shall not include the provisions of Davis Bacon.
 - c. Identify the location of items, if required for clarification.
5. Evaluation of 10 Year Group. The total initial deposit amount established in C.4. above should be satisfactory to provide for any anticipated replacements which may occur within the first 5-year period. However, to assure that adequate funds are maintained to replace items whose cost may be considered weighty in years 6 through 10, an additional evaluation must be made to determine whether annual deposits to the reserve account are sufficient.

4460.1 REV-2

Page 5-11

12/95

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- a. Review the 10 year group to determine if there are notable items whose replacement costs raises concerns that there may not be ample funds available to cover years 6 through 10.
 - b. Prepare a separate list of notable items and estimated costs to replace them using the instructions of C.4. above. This is only required when notable items that raise concern have been identified.
 - c. The list and cost estimate of notable items must be forwarded to AM.
6. AM Determination of Adequacy of Reserve Account Funds.
- a. AM determines the adequacy of the funds in the existing reserve account. Compare the total initial deposit provided by AE/C with the minimum amounts derived using the method described in HUD Handbook 4350.1 REV-1, paragraph 4-11. It should be noted that the minimum threshold of 144 (12 years) times the initially established monthly deposit prescribed in 4350.1 has been modified to use 60 months (5 years). This is more agreeable with the new methodology. Use the greater of the following to determine the adequacy of the existing reserve account.
 - (1) The initial deposit determined in C.4. above.
 - (2) The initially established monthly deposit times 60 (5 years); or
 - (3) At least 51,000 per unit.
 - b. The amount established in 6(a) above should provide for any anticipated replacements which may occur within the first 5 year period. To provide that adequate funds are maintained for the replacement of high cost notable items in years 6 through 10, an additional evaluation must be made to determine whether annual deposits to the reserve account will be are sufficient.

12/95

Page 5-12

4460.1 REV-2

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- (1) Use the information included in the list of noted items and the cost estimate provided by AE/C to determine what amount, if any, should be considered when determining adequacy of the account.
- (2) Derive the sum of annual deposits to the reserve account made in years 1 through 5 and add them to the amount determined in 6a above.
- (3) Derive the sum of the total estimated costs of notable items and the amount determined in 6a.

(4) Compare the amounts derived in (2) and (3) above. If the amount derived in (2) exceeds the amount derived in (3), the amount derived in (2) above (6a and annual deposits) shall be used to determine if there is a shortfall.

If the amount of (2) does not exceed the amount of (3) above (6a and costs of notable items) the amount of (3) shall be used to determine if there is a shortfall.

(5) The Director of MF Housing must evaluate the decision to increase the amount determined in 6a based on the costs of notable items.

c. The Director of MF Housing must evaluate the determinations made in 6a and b above and be responsible for determining the adequacy of the reserve account including the shortfall amount, if any.

d. Owners must analyze the amounts in their reserve fund in light of anticipated needs on an annual basis for the first 7 years following closing and request appropriate increases to assure that adequate reserve funds are available. Thereafter, owners must perform needs assessments bi-annually. This analysis must also be submitted with any subsequent rent increase request.

(1) The owner follows the requirements of paragraphs 4-10, 11 and 12 of Handbook 4350.1, and provide the results of the analysis to HUD with:

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- (a) A request for appropriate increases, such as annual deposits and/or rental rates, if required.
 - (b) Updated information regarding replacements of eligible reserve for replacement items. The information shall include the name and number of items, when they were replaced, and an estimate of their remaining useful life.
 - (c) Any other information required by HUD.
- (2) AM reviews the information provided by an owner and recomputes the annual deposit to the reserve account to determine the adequacy of reserve funds.
- (a) Decides what action is necessary following its review of all pertinent data including but not limited to project condition, Section 8 amendment availability, resident input, resident affordability, owner/agent past

actions, etc.

(b) May request, if needed, the services of AE/C and valuation.

D. Work Write-Up. List required repairs, replacements and corrections, including that applicable to "major movable equipment". Such work items must be specifically identified whether or not included in the sponsor's list of proposed work. Paragraph 5-5.A.3. defines required repairs, replacements and corrections.

1. General Requirements. List requirements applicable to the property in general. For example:

- a. All site or related work,
- b. Work common to all buildings, e.g., replace flooring in all lobbies and public corridors, or install new roofing throughout, or
- c. Work common to all units, e.g., replace vinyl flooring in all patient rooms and toilets, regrout tile wainscot in all showers.

12/95

Page 5-14

4460.1 REV-2

(5-6) 2. Special Requirements. List any requirements for a specific item, room, space or building which is not required for the project as a whole.

- a. For example, the General Requirements may state that all exterior doors are to be weather stripped. However, if certain exterior doors must be replaced, it should be included as a Special Requirement.
- b. Clearly identify required work and exact location of Special Requirements.

3. Critical Repairs.

- a. List separately or otherwise identify items of the work write-up which are critical repairs, because they are ineligible for completion after endorsement.
- b. Critical repairs are any individual or combination of repairs required to correct conditions that:
 - (1) Endanger the safety or well-being of residents/patients, visitors or passersby,
 - (2) Endanger the physical security of the property,
 - (3) Adversely affect project or unit(s) ingress or egress,

- (4) Render more than 5 percent of the units unsuitable for occupancy, or prevent the project from reaching sustaining occupancy,
- (5) The appraiser identifies as the basis for the project reaching sustaining occupancy.

- 4. Sponsor proposed work in excess of required repairs and replacements must be listed as separate categories of the General and Special Requirements, or by appended referenced lists, or otherwise identified. Paragraphs 5-5.A.4. and 5. define eligible and ineligible sponsor proposed work.

4460.1 REV-2

- (5-6) 5. Requirements must be specific. Phrases such as "repair or replace" or "as required" are unacceptable. The requirement must state what is to be done and where. Requirements must be clear enough for tradesmen to complete the work and inspectors monitor the completed work without further explanation, except for specifications and drawings made a part of the requirements.
 - 6. Include a statement at the end of the work write-up, if the sponsor must provide specifications and/or drawings, that define how the work is to be done.
 - 7. Review and include all required work from engineering surveys and reports before issuing the work write-up. Also review the management specialist's findings for appropriate requirements.
 - E. Interrupted/Delayed Occupancy. Identify any unit(s) for which any delayed repairs will interrupt or delay occupancy or income for any period after endorsement. This information must be sufficiently developed for use in reviewing the sponsor's schedule, where the sponsor has not made an adequate or timely submission. Paragraph 5-8.C. lists information required in the sponsor's schedule, but changes in the sponsor's plans may result in its submission after HUD's site visit.
 - F. Significant Observations. List any salient facts or findings in addition to the above, which should be considered by any of the underwriting disciplines or Director of Housing Development in the performance of their responsibilities.
- 5-7. LIAISON AND REVIEW. Provide liaison to the sponsor and its technical representatives where any of the following are required, and review them for acceptance:
- Engineering/specialty reports required to define required repairs.
 - Specifications and/or drawings required to clearly define repairs.
 - Schedules required for repair completion after endorsement.

- 5-8. REPAIRS DELAYED UNTIL AFTER LOAN CLOSING. Review the following schedules for acceptability, where repairs are to be delayed.
- A. Schedule of Values for periodic, payment (release of escrow) for completed repairs. Any format suitable for the required work that easily accommodates. establishing the value of partially completed work is acceptable.
 - B. Progress Schedule. All repairs must be completed within 12 months of loan closing.
 - C. Schedule of Delayed or Interrupted Occupancy or Income must list:
 - 1. All facilities for which occupancy or income will be delayed or interrupted by repairs delayed until after endorsement.
 - 2. Period of delayed or interrupted occupancy or income.
 - 3. Projected date of substantial completion for each facility having delayed or interrupted occupancy or income.

5-9. INSPECTION OF COMPLETED REPAIRS.

- A. Repair Period. HUD can elect during three processing stages when repairs, replacements and improvements (required repairs) may/must be made. They are:
 - 1. Conditional Commitment. This optional processing stage is typically only used for purchase transactions where the buyer is not known. Follow the same procedures as when required repairs are made at firm commitment.
 - 2. Firm Commitment must always be issued whether or not a conditional commitment is issued.
 - a. The Commitment To Insure Upon Completion Section 207 (Pursuant to Section 223(f)), Form FHA 2453MM must be valid and outstanding until project closing.

4460.1 REV-2

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 - b. Repairs must be completed before closing, except where HUD permits in the firm commitment for completion of repairs (except for critical repairs) to be completed after closing.
 - 3. Closing is always an endorsement of the instrument to insure the permanent mortgage. An escrow is always required for completion of any repairs after closing.
- B. Inspector's Functions. Monitor and report the completion of repairs and compliance with commitment/endorsement/closing document conditions, report any conditions that contribute to mortgage risk, and monitor the contractors' and supervisory architect's performance where they are employed.

1. Make progress inspections where the scope or nature of the work dictates.
2. Make latent defects inspections.

C. Assignment Documents.

1. Conditional or firm commitment, or the Escrow Agreement where endorsement has occurred.
2. Survey, Surveyor's Report and Legal Description.
3. List of Required Repairs. (Work Write-up.)
4. Specification, and drawings, where required.
5. Schedule of Values. (Required only for projects with repairs delayed after endorsement.)
6. Progress Schedule. (Required only for projects with repairs delayed after endorsement.)
7. Schedule of Delayed or Interrupted Occupancy or Income. (Required only for projects with repairs delayed after endorsement.)
8. Agreement and Certification.

5-10. INSPECTION REPORTS must be filed on Form HUD-5379 for each monitoring visit. Complete the report in accordance with outstanding instructions, and report on the following as they may apply.

12/95

Page 5-18

4460.1 REV-2

- (5-10) A. Noncompliance with provisions of the commitment or endorsement, e.g., work write-up, specifications, drawings, etc., including changes to the work without prior HUD approval.
- B. Adverse Conditions e.g., slow work completion, destruction of work, new municipal requirements, disputes, etc.
- C. Availability for Use of facilities listed on the schedule of delayed or interrupted occupancy. Identify by dwelling unit (room numbers for care facilities) or other comprehensive description.
- D. Municipal Authorizations. Permissions to occupy, use permits, etc. Where applicable, these must be issued before endorsement, unless related to work delayed until after endorsement.
- E. Critical Repairs must be completed and reported before endorsement. See paragraph 5-6.C.3. for additional information.
- F. Items of Delayed Completion. Provide a detailed list of any exterior work for delayed completion, the recommended escrow

amount, and the recommended completion date. The date for completion of items of delayed completion may not be later than 12 months after endorsement. See paragraph 5-9 -A. for additional information.

- G. Wage Interviews. Conduct wage interviews for Davis-Bacon wage rate compliance only where a project benefits under 24 CFR Part 511, Rental Rehabilitation Grant Program, or 24 CFR Part 850, Housing Development Grants. Wage interviews are not required for other Section 232/223(f) projects.

5-11.REPAIR COMPLETION. All work must be acceptably completed before the loan closing, except that:

- A. Minor Exterior Work which cannot be completed because of weather conditions, may be completed after endorsement, on projects for which prior provisions were not made for completion of noncritical work after endorsement. Recommend an escrow two and one half (2 1/2) times the repair cost estimate in such instances.

Page 5-19

12/95

4460.1 REV-2

(5-11) B. Noncritical Repairs may be completed after endorsement when the commitment provides for it and a completion escrow, except that:

1. All critical repairs must be completed before endorsement, and
2. A deposit must be made to the Operating Deficit Account for all facilities for which delayed repairs will delay or interrupt occupancy or income for any period.

- C. Repair Monitoring. All work must be monitored and accepted whether it is performed before or after endorsement.

5-12.FINAL REPORT must be made upon completion of all work. The final report must show:

- A. All Work Acceptably Completed in accordance with provisions of the commitment/endorsement and approved changes,
- B. Offsite Work Completed or the municipality has given written assurance of completion,
- C. Utilities Connected
- D. Permanent Facilities for Ingress and Egress Provided, and
- E. Applicable Municipal Inspections, approvals, etc., have been issued.

5-13.CHANGES. Changes in the work, including associated cost changes, must be submitted on Form HUD-92437.

- A. Mortgagor and Lender must sign all changes.
- B. Contractor and Mortgagor's Architect, if employed, must sign all

changes.

5-14.PROGRESS PAYMENTS. If progress payments (partial release of escrow) are to be made for completion of repairs after endorsement, they must be based on the Schedule of Values approved by HUD for release of escrow funds.

12/95

Page 5-20

4460.1 REV-2

5-15.MORTGAGOR'S SUPERVISORY ARCHITECT'S SERVICES. If required by HUD to monitor completion of repairs because of the nature or scope of work, the architect must be employed by use of AIA Document B181 and HUD Addenda. The services must also include approval of changes, and certificates for payment.

5-16.LATENT DEFECTS INSPECTION must be made before the end of 12 months after the completion of work. Make other inspections as conditions require.

Page 5-21

12/95