

CHAPTER 10. INSURANCE UPON COMPLETION (IUC)

10-1. ANALYSIS OF FINANCIAL STATEMENTS AND CREDIT INVESTIGATION

are required in IUC projects.

10-2. MIP is not included in Form HUD-92264 nor is it charged until the project reaches final endorsement.

10-3. WORKING CAPITAL DEPOSIT is not required in IUC projects.

10-4. ASSURANCE OF COMPLETION is not applicable to IUC projects. At final endorsement, the general contractor must satisfy latent defects by:

A. Setting up a cash escrow deposit equal to 2-1/2 percent of the mortgage, or

B. Providing a surety bond equal to 10 percent of cost of construction or substantial rehabilitation.

10-5. BREAKDOWN OF FINANCING CHARGES. In IUC projects, before issuance of the firm commitment,

A. The mortgagee must provide:

1. A breakdown of financing charges and discounts by submitting Form FHA-2455, Request for Endorsement of Credit Instrument, Certificate of Mortgagee, Mortgagor and General Contractor, with the Certificate of the Mortgagee portion completed. The balance of the Form is to be completed before final endorsement in lieu of Form FRA-2023.

2. Information relative to the construction and permanent interest rates and mortgage term.

B. Review each item to ensure its reasonableness in relation to comparable projects and market conditions. The approved fees set the upper limit for cost certification purposes.

C. Prepare a letter for the Director of Housing Development's signature informing the mortgagor of the fees that are recognizable for cost certification purposes.

10-6. BUILDING LOAN AGREEMENT, Form HUD-92441, is not applicable to IUC projects.

10-7. CONSTRUCTION CHANGE ORDERS. The procedure for change orders is the same as in Chapter 9 except as modified below:

A. Positive change orders in excess of \$5,000. While the mortgagor must be able to provide the additional funds required, an escrow is not required. The mortgagor must not have any outstanding obligation in connection with construction other than the insured mortgage at the time the mortgage is presented for insurance.

B. Approval of the surety is not required when approved changes increase cost by 10 percent or more.