

CHAPTER 7. ASSURANCES AND ADVANCES FOR OFFSITE FACILITIES

7-1. ASSURANCE OF INSTALLATION of offsite public utilities and streets necessary to the project must equal the greater of the mortgagor's or HUD's estimate of the cost of the work.

A. An acceptable assurance may take either of the following forms:

1. Guarantee from public authority or public utility company in a form satisfactory to the Commissioner. The public authority's or utility company's attorney must render an opinion that the guarantee is legally binding on present and all future administrations.

2. Cash escrow deposited with the mortgagee (or with an acceptable trustee or escrow agent designated by the mortgagee).

3. Unconditional, irrevocable letter of credit issued to the mortgagee by a banking institution (accepted solely at the option of the mortgagee).

4. Holdback of excess mortgage proceeds. (Refer to paragraph 8-8.D.1)

B. The Director of Housing Development may also require, as additional assurance, a surety company bond or bonds equal to HUD's estimate of the cost of offsite facilities.

7-2. DISBURSEMENTS FROM ESCROW DEPOSITS may be made as construction of offsite facilities proceeds.

A. Request is made on Form HUD-92464, Request for Approval of Advance of Escrow Funds. Refer to Reference 16 of the Foreword for instructions on completing this Form.

B. Disbursements are based on the percentage of offsite work completed, less a holdback of 10 percent. The holdback may be released 30 days after all offsite work has been inspected and certified complete by the HUD inspection.

7-3. DISBURSEMENTS FROM EXCESS MORTGAGE PROCEEDS. When this funding source is used:

(7-3) A. Specify the amount for offsite work in one of the unused Columns of Form HUD-92451, Financial Record of Mortgage Loan Transaction.

B. Requests for release of funds are made on Form HUD-92403, Application for Insurance of Advance of Mortgage Proceeds.

1. The request must include certifications by the mortgagor, architect and inspector included on Form HUD-92464. These certifications must include the criminal certification contained on Form HUD-92464.

2. Disbursements are subject to the instructions in subparagraph 7-2.B.