

CHAPTER 1. GENERAL INFORMATION

- 1-1. INTRODUCTION. This guide provides cost certification instructions for mortgagors and general contractors involved in an insured multifamily loan program or a Section 202/811 Capital Advance. Cost certification establishes the actual construction costs incurred by the mortgagor and general contractor.
- 1-2. BACKGROUND. Section 227 of the National Housing Act and HUD Regulations require cost certification for all multifamily projects except for Sales Type projects under Section 213, Section 223(a)(7) projects, Title II Equity loans with or without PCNA repairs and Title VI Equity or Acquisition loans with or without PCNA repairs.
- 1-3. WAIVERS. Under the insured programs, provisions of statutes or regulations may not be waived. The HUD Field office processing a case has the authority to grant waivers to administrative guidelines.
- 1-4. SECTION 202/811 PROJECTS. These instructions apply to Section 202/811 projects except where noted. Chapter 6 is not applicable to these projects. Chapter 7 is applicable only if State Housing tax credits will be provided.
- 1-5. WHO MUST COST CERTIFY?
- A. Mortgagor/Owner.
 - B. General contractor if:
 - 1. An identity of interest exists or comes into being during construction with the mortgagor irrespective of the form of construction contract originally executed, or
 - 2. A cost-plus construction contract is used.
 - C. Subcontractor, equipment lessor, material supplier or manufacturer of industrialized housing if the total of all identity of interest subcontracts, purchases and leases is more than 1/2 of 1 percent of the mortgage, direct loan or capital advance amount and an:
 - 1. Identity of interest exists with the mortgagor, or,
- (1-5) 2. Identity of interest exists with a general contractor who must cost certify.
- 1-6. PRE-COST CERTIFICATION CONFERENCE. The Field office holds a joint pre-cost certification conference before the project is

90 percent complete. The mortgagor, general contractor, their accountants and the mortgagee should attend.

1-7. TOPICS TO BE DISCUSSED at the pre-cost certification conference are:

- A. Final inspection, final/administrative completion date and mortgagor's cost certification cut-off date.
- B. Required documentation.
- C. Necessity for completeness of the documentation and timeliness of the submission.
 - 1. 24 CFR Section 200.230 requires the mortgagor to submit an acceptable cost certification and bring the project to final endorsement/closing within 90 calendar days of cost certification cut-off.
 - a. The mortgagor's and general contractor's cost certifications must be submitted within 45 calendar days of cost certification cut-off and final completion, respectively.
 - b. Final endorsement/closing must be within 45 calendar days of HUD's issuance of Form FHA-2580, (HUD-92580-CA for Section 202/811 capital advance projects).
 - 1) The above time frames may vary from the 45-day period provided the 90-day limitation is not exceeded.
 - 2) The Director of Housing Development may grant two 30-day extensions.
 - c. Failure to meet the timeframes in paragraphs a. and b. may result in the previous participation disapproval of the principals of the mortgagor entity or general contractor, whichever is applicable, in future HUD multifamily projects.

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- 2. If there are any deficiencies in the cost certification package, the HUD Field Office will send a letter within 5 working days to notify the mortgagor, general contractor (if applicable), their accountants, and mortgagee of the deficiencies and request needed information.

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