
CHAPTER 12. PROCESSING INSTRUCTIONS FOR MANAGEMENT
FUND FOR SUBSIDIZED INSURED MULTIFAMILY
PROJECTS

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12-1. PURPOSE. This Chapter provides instructions for including in the total replacement cost of a subsidized multifamily project a Management Fund of \$100 per dwelling unit for the development and implementation of certain supplemental management services during the construction and rent-up period. These instructions apply to all mortgagors involved in the following types of subsidized insured multifamily projects: *

- a. Nonprofit mortgagors.
- b. Builder-seller mortgagors.
- c. Limited distribution mortgagors.
- d. Cooperative and investor-sponsor mortgagors.

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12-2. ADMINISTRATIVE PROCEDURES FOR ESTABLISHING FUND. Reference (24) of the Foreword sets forth the Administrative procedures to be followed by Field Office Directors to establish a Management Fund, identifies the sponsor's activities and management services required for fund eligibility, and provides procedures for disbursements from the fund.

12-3. UNDERWRITING PROCEDURES.

- a. Valuation Instructions. An amount of \$100 shall be multiplied by the total number of income producing units, and the product entered on Line G 69 of FHA Form 2264 or Line 77 of FHA Form 2264B. (If Form 2264B is used, Line H 77 is modified by adding the wording "Mgt Fund of \$_____" after the word "Other." Enter in the blank space the amount of the fund and include this amount in the total column.)
- b. Mortgage Credit Instructions.
 - (1) The total amount of the Management Fund, entered on Line G 69, FHA Form 2264, or Line H 77, FHA Form 2264B, shall be included in the following forms as indicated: *

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- * (12-3)
- (a) FHA Form 2264A - Rehabilitation Projects. Add the following wording to Criterion 6d: "& Mgt Fund," and enter the total amount for legal, organizational, consultant's fee, if any, and management fund.
 - (b) FHA Form 2283. Add the following wording to Items 20 and 37 "& Mgt Fund of \$_____." (Enter in the blank space the total amount of the fund from Line G 69, FHA Form 2264, or Line H 77, FHA Form 2264B, and include this amount in the total column.)
 - (c) FHA Form 2283C. Add the wording "Including Mgt Fund of \$ _____" under the existing wording in Item 17. (Enter in the blank space the amount of the fund and include this amount in the total column for Item 17.)
 - (d) FHA Form 2451. Delete the word "Miscellaneous" from the heading of column (M), replace it with "MF" and enter as the first entry in the column the total amount of the fund shown as a remark in Item 37, FHA Form 2283, or as a remark in Item 17, FHA Form 2283C.
 - (e) FHA Form 2331A. The full amount of the Management Fund included in the total replacement cost of the project, whether disbursed or undisbursed, shall be allowed in cost certification as an other expense in Item 13, FHA Form 2331A.
 - (f) FHA Form 2580. A statement shall be included in FHA Form 2580 informing the mortgagor and mortgagee of the amount undisbursed in the Management Fund and advising that such amount, at the time of final endorsement, is to be deposited by the mortgagor in an interest bearing account insured by the Federal Deposit Insurance Corporation.
- (2) In projects involving insurance of advances, requests for advances are to be made on FHA Form 2403 to reimburse eligible expenditures made during the construction period. Procedures for approving payments, both before and after final endorsement, are set forth *

* (12-3) in Reference (24) of the Foreword. This reference also provides the basis for the establishment of the Management Fund from any savings resulting from cost certification in cases of projects not finally endorsed which were processed prior to the issuance of such reference. *