
CHAPTER 2. APPLICATIONS AND COMMITMENTS

SECTION 1. APPLICATIONS

- 2-1. APPLICATIONS FOR INSURANCE. The form to be used in Management and Investor-Sponsor cases under both Section 213 and 221(d)(3) is the Application for Mortgage Insurance, FHA Form No. 3201. See instructions which are included in the forms appendix of this Handbook.
- 2-2. INSPECTION FEE. In Investor-Sponsor Type projects, the amount is based on the amount committed to the Investor-Sponsor. No additional fee is required when the project is converted to Management Type.
- 2-3. COMMITMENT FEE. In Investor-Sponsor cases the amount is calculated on the commitment amount applicable to the purchasing cooperative.
- 2-4. through 2-10. RESERVED.

SECTION 2. COMMITMENTS

- 2-11. COMMITMENT FORMS. The commitment forms used in the Investor-Sponsor approach are as follows:
- a. FHA Form 3229, Insurance of Advances, Section 213.
 - b. FHA Form 3229-A, Insurance Upon Completion, Section 213.
 - c. FHA Form 3229-B, Insurance of Advances, Section 221(d)(3).
 - d. FHA Form 3229-C, Insurance Upon Completion, Section 221(d)(3).
- 2-12. COMMITMENTS, INVESTOR-SPONSOR TYPE, SECTION 213. Two different maximum mortgage amounts are entered in the opening paragraph, both being taken from the Report of the Assistant Director for Technical Services/Chief Underwriter (ADTS/CU), FHA Form 2438. Calculated as a percentage of the HUD-FHA estimated replacement cost, and subject to the bedroom limitation, they are as follows:
- * investor, 90%; purchasing management type cooperative, 98%. *

- 2-13. AMORTIZATION. The amortization period to be inserted in both subparagraphs 1b and 1c may not exceed 480 months. The purchasing cooperative will be entitled to 480 months, assuming a 40-year mortgage is otherwise desired and in order, provided its loan is closed within the 2-year period following completion of the project.
- 2-14. ESCROW OF LEGAL AND ORGANIZATION EXPENSES. The total amount, available to both the investor-sponsor and the cooperative mortgagor corporation from the legal and organizational expense allocation, is computed in accordance with Underwriting instructions (Reference (12) of the Foreword) and in Chapter 3, paragraph 3-14.b. of this Handbook. This total amount is apportioned into two parts. The first is to cover the legal and organizational expenses of the Investor-Sponsor corporation, which is payable in the first mortgage advance, and is normally in an amount which would be allowable to a Section 207 mortgagor corporation. The second and larger amount is that to be inserted in paragraph 3c(24) of Form 3229 and paragraph 5d(5) of Form 3229A to cover the legal and organizational expenses estimated to be incurred in connection with the purchasing cooperative, including the cost of selling the units in the cooperative. Withdrawal from this latter allocation is by a procedure set forth in the Initial Endorsement Chapter of this Handbook.

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- a. In Lieu of an Escrow Arrangement, the sum may as an alternative be left in undisbursed mortgage proceeds and be subject to later "draw" under the same circumstances as would be applicable under the escrow arrangement.
- b. If Before Final Endorsement the legal and organizational sum attributable to the cooperative has been exhausted by HUD-FHA approved draws against the same, the Investor-Sponsor may deposit additional sums with the mortgagee prior to final endorsement for application against further organizational expenses of the cooperative (as approved by the HUD-FHA) and to the extent that such additional sums are used for this purpose with HUD-FHA approval they can be included in cost certification.
- 2-15. MULTIPLE COMMITMENTS TO PERMIT CONTINUING CONSTRUCTION IN LARGE PROJECTS. In large undertakings the best interests of all concerned may be served by the construction of the development in several sections under a continuous construction operation. This can involve the issuance of a second, third, etc., commitment to the same investor-sponsor corporation prior to the completion

and/or sale of the initial section or sections, subject to the limitations described in the commitment.

- a. The Project Number and Name to be inserted in paragraph 10 of the applicable commitment is that of the previously committed section or sections. For instance, in a project consisting of four sections, commitment number three would be conditioned on reasonable assurance of the sale to a cooperative of sections one and two; and the commitment covering section four would be conditioned on reasonable assurance of sale to a cooperative of section one, two, and three.
- b. The Number of Commitments issued and outstanding to the same sponsors at any one time should be reasonable and prudent, as determined by the Field Office Director.