
CHAPTER 4. CONSTRUCTION PERIOD

- 4-1. CONSTRUCTION CONTRACTS.
- a. FHA Form 2442, Construction Contract-Lump Sum.
 - b. FHA Form 2442-A, Construction Contract-Cost Plus.
 - c. See discussion on these contract forms in the Initial Endorsement Chapter of this Handbook.
- 4-2. CONSTRUCTION PROCEDURES. The construction procedures in Reference (1) of the Foreword are applicable.
- 4-3. CONSTRUCTION CHANGE, FHA FORM 2437.
- a. All Requests for Changes in Drawings and Specifications, shall be submitted in an original and six(6) copies on FHA Form 2437, completed upon its face, dated and executed by the mortgagee, the mortgagor, and the contractor. Upon receipt, the request will be routed to the Chief Underwriter for processing in accordance with underwriting procedures. After processing, the ADTS/CU will complete the form and submit it to the Field Office Director.
 - b. In Considering any Change in Drawings and Specifications, the Field Office Director must bear in mind that such changes can be accepted only when they provide for equivalents, betterments or changes due to necessity. In determining the acceptability of equivalents, care should be exercised to prevent establishment of a closed specification which is non-competitive and more costly.
 - c. If a Change Results in any Increase in the Cost of Construction, the Field Office Director will determine that funds are available to defray the increase without further obligation on the part of the mortgagor. If a change, or an aggregate of changes, involves an increase in the cost of the project of \$2,500 or more, the Director will require that funds be placed in escrow with the mortgagee to defray the increase without further obligation on the part of the mortgagor. (Such funds may be treated as donated surplus, or additional stock may be issued with the approval of the Director, Office of Loan Management, Headquarters Washington, D. C.) If a

change, or an aggregate of changes, involves an increase in cost equal to 10% or more of the construction contract amount, the Field Office Director will also obtain the written approval of the surety. In considering any change in drawings and specifications, the Field Office Director will bear in mind that, as a matter of policy, changes are approved only because of necessity or in the event of betterment to the project.

- d. For all Nonprofit Cooperative Mortgagors, as well as Cooperative Mortgagors of Management and Sales Type Projects, care should be taken to make certain the special section at the bottom of the reverse side of FHA Form 2437 is completed.
 - e. When in Accord with Underwriting Determinations, the Field Office Director will execute all copies of FHA Form 2437 and distribute them as follows:
 - (1) Three copies to the mortgagee, (one copy for the mortgagee, one copy for the mortgagor, and one copy for the contractor).
 - (2) Four copies to the Chief Underwriter or Assistant Director for Technical Services, (two copies for use of the HUD-FHA inspector assigned to the project, one copy for use of the Mortgage Credit Section, and one copy for the master set).
- 4-4. CONTRACTOR'S FEE. If the amount of the original contractor's fee is increased pursuant to the provisions of Article 3 of the Construction Contract, Cost Plus, FHA Form 2442-A relating to construction cost savings, the increased amount of the fee should be entered on FHA Form 2330, but the HUD-FHA office should satisfy itself that the computation has been correctly made.