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## CHAPTER 6. SPECIAL FEATURES FOR NONPROFIT OR PUBLIC MORTGAGORS

6-1USE OF CONSULTANTS. May be used to help nonprofit organizations and public mortgagors that lack the staff and experience to develop a project. Must have residential rental experience and expertise in market evaluation, procurement of financing, evaluation of attorneys, architects, building contractors, etc., and provide assistance in the preparation of applications and related documents. A reasonable fee for such service may be included in the mortgage.

A.Selection and Approval. Responsibility of the mortgagor subject to HUD approval. (See Form HUD-92531A, Standard Contract for Housing Consultant Services.)

B.Consultant's Relationship with the Mortgagor. To make sure the consultant's efforts are directed exclusively toward serving the mortgagor, the consultant must certify on Forms HUD-92531 and HUD-92532B that he/she has not and will not receive payment from any parties to the transaction other than the consultant's fee specified in the contract with the mortgagor. No other party, including the builder, architect, and mortgagor, may receive payment for consultant services in addition to fees from other work for the project.

C.Allowable Consultant's Fee. The actual fee for consultant services is negotiated between the mortgagor and consultant, subject to the limitations in HUD Handbook 4500.1 REV-1. When a consultant's fee is included, the Organization Expense should be reduced accordingly.

D.See HUD Handbook 4500.1 REV-1, Allowance for Making Nonprofit Projects Operational and Use of Housing Consultant.

6-2LOANS AND DONATIONS. Nonprofit mortgagors may borrow funds for project purposes under certain conditions.

A.Loans from Parties Involved with the Project.

1.Funds may be borrowed from the contractors or other parties furnishing supplies and services only for items covered in the mortgage.

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2.Loans must be repaid:

a.For insurance of advances, when mortgage proceeds are advanced for the item for which the loan was made.

b.For insurance upon completion, when the note is endorsed.

B.Loans from Sponsors or Disinterested Third Parties May Be Used for any Project Purpose as long as:

1.The indebtedness does not create a situation where the third party can exercise any direction or control over the mortgagor.

2.Loans for items not included in the mortgage are secured by a promissory note executed by the mortgagor on Form FHA-1710. The form provides for prior written approval by HUD for payments on the loan.