

CHAPTER 10. ACQUISITION, MANAGEMENT AND DISPOSITION

10-1. GENERAL INSTRUCTIONS

- A. Default after final endorsement. If you cannot cure the default, follow Chapter 10 of HUD Handbook 4566.2 to acquire, manage and dispose of the project.
- B. Default before final endorsement. If you cannot cure the default, follow HUD Handbook 4566.2 as modified by this supplement.

Section I. Acquiring Uncompleted Projects

10-2. NOTICE OF ELECTION TO ACQUIRE AND INTENT TO FILE A CLAIM. Follow paragraph 10-3.a. of HUD Handbook 4566.2 but use HUD Handbook 4561.1's Construction Default Report rather than Form HUD-92426, Multifamily Default Status Report.

10-3. NOTICE OF ACQUISITION. You must inform HUD within 30 days after you acquire title to an uncompleted project. Your report must include:

- A. Project name, address and FHA number
- B. Acquisition date and method (i.e., foreclosure or deed-in-lieu)
- C. Financial data, including:
 - 1) original mortgage amount
 - 2) total insured advances as of the date of acquisition
 - 3) undrawn balance of mortgage proceeds
 - 4) escrow account balances, including:
 - a) on-site and off-site completion escrows
 - b) working capital deposit
 - 5) undrawn balances under any letters of credit accepted in lieu of cash for required escrow deposits
 - 6) value of any surety bonds used to assure completion
 - 7) known liens against the property
 - 8) accrued interest at construction interest rate from default date to acquisition date

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- 9) appraised values determined according to paragraph 10-11 of HUD Handbook 4566.2

D. General condition of the project, including:

- 1) actual percent of project completed
- 2) description of physical condition

E. Description of how the project will be maintained, including:

- 1) how the property will be secured
- 2) maintenance arrangements for building and site
- 3) payment of carrying costs, including taxes and insurance

F. Description of plans to sell the project

Section II. Interim Management

10-4. GENERAL

A. For projects or units that are occupied or ready for occupancy, follow the procedures for interim management in paragraphs 10-5 through 10-10 of HUD Handbook 4566.2.

B. For projects or units that are uncompleted or otherwise not ready for occupancy, follow paragraph 10-5 below.

10-5. MAINTENANCE AND PROTECTION. From the time you obtain control of the project until the EARLIER of the date you sell the project, file a claim or the contract of insurance is terminated, you are responsible for:

A. Security. You must protect the property against theft, vandalism and unauthorized entry that might lead to accidental injury. This may require security guards.

B. Maintenance. You must keep the grass cut, clean up trash and take any other actions required to comply with local codes.

C. Taxes. You must pay all property taxes and any other public assessments that could become liens on the property.

D. Insurance. You must carry insurance that is adequate to protect any improvements and to cover your liability in case of accidents on the property.

10-6. DISPOSITION OF UNCOMPLETED PROJECTS

- A. Follow paragraphs 10-11 through 10-17 of HUD Handbook 4566.2.

- B. Modify the prospectus described in paragraph 10-15a and Exhibit 10-1 by deleting what applies only to occupied projects. Instead, include information that would be useful to a potential purchaser of an uncompleted project, such as:
 - 1) Description of site
 - 2) Description of improvements
 - 3) Percent of project completed
 - 4) Availability of plans and working drawings