

CHAPTER 4. CONSTRUCTION COST PROCESSING

- 4-1. INTRODUCTION. Applications submitted under this Section of the Act are processed in accordance with reference (3) of the Foreword except as modified herein.
- 4-2. REQUIRED EXHIBITS.
- a. In addition to the information provided on the application, Form FHA-2013, the applicant will submit one set of project plans and specifications for any project which is less than ten (10) years old.
  - b. It is not mandatory for the applicant to submit plans and specifications for projects over ten (10) years old; however, if they are readily available, one set should be obtained to facilitate processing.
  - c. An "as-built" survey showing improvements on site. The survey submitted with the application may be a copy of one several years old. However, a current "as-built" survey showing all improvements on the site will be required prior to closing.
  - d. The applicant is not required to submit Form FHA-2328, (Contractor's and/or Mortgagor's Cost Breakdown of Cost) at any stage of processing.
- 4-3. COST PROCESSING. Processing will be accomplished through the use of Form FHA-2325 and its outstanding instructions to determine a total for all improvements, which assumes a similar project in new condition. No attempt should be made in processing to adjust for structural or material specifications which are no longer typically used in the current building industry. For projects over five (5) years old, a comparable will be selected from the data bank. In this instance, no adjustments will be made except for time and/or location. All conclusions will be transcribed to Form FHA-2264 (Project Income Analysis and Appraisal). Documentation for any supplemental estimates prepared as a result of proposed repairs or maintenance to be accomplished prior to final endorsement will be recorded in Section O "Remarks" of Form FHA-2264.

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- 4-4. PROPERTY INSURANCE SCHEDULE. Form HUD-92329 shall be prepared in the same format as cited in reference (7) of the Foreword. (See instructions for completing Form HUD-92329 on page 2329-2 under the heading, Rehabilitation Projects.)
- a. In the event the cost estimate is prepared by a fee appraiser, the estimate shall be routed to the Cost staff for completion of the property insurance schedule.
  - b. The procedures and format are applicable even though the

Section 223(f) Program is not rehabilitation.

- 4-5. SUPPLEMENTAL ESTIMATES. Members of a joint "write-up" team will be designated by the Director, Housing Development Division. The team will be composed of an appraiser and a design representative. The cost processor will visit the site if he deems it necessary after the joint "write-up", in order to prepare the following estimates:
- a. An estimate of the cost of items of repair and/or replacement considered necessary by the team to place the project in acceptable condition.
  - b. An estimate of the cost of short-lived building components and equipment, designated by Valuation, in order to assist in developing the initial deposit to the reserve fund for replacements.
  - c. An estimate for specific items included in (a) above (e.g. ranges, refrigerators, etc. and fire safety equipment) shall require the separation of the purchase cost and installation cost to assist in determining if substantial rehabilitation is involved. \*