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CHAPTER 11. UNDERWRITING

- 11.1. LENDER AUTHORITY. The procedures outlined in the preceding chapters provide for certain conclusions and recommendations by each required discipline. Upon completion of these various processes, the previous participation procedures which HUD will have performed, and such other processing as the lender may require, the lender must make a determination regarding the acceptability of the mortgage risk, taking into account the various technical findings, conclusions and recommendations, the history of the project and the prognosis for its future.
- a. This decision-making function may not be delegated but must be performed by an authorized official of the lender's staff who is among those identified pursuant to the requirements of paragraph 2-2k of this handbook.
  - b. Underwriting techniques are not required to conform to a single rigid underwriting system. However, the lender must have established written operating and underwriting procedures and instructions which will insure that the techniques employed by each required underwriting discipline (Appraisal, Cost, Architectural, Management and Mortgage Credit) are properly applied to produce sound mortgage insurance underwriting.
  - c. Regardless of the procedures and underwriting techniques employed by the lender, the underwriting conclusions must relate to the decisions and judgements reached in each of the required disciplines. The decisions reached must be fully documented and the supporting data permanently maintained in each project file. The lender will be supplied upon request with HUD handbooks dealing with the various underwriting disciplines. These handbooks reflect the Department's on-going policy and underwriting procedures. It is anticipated that the underwriting procedures employed by the lender in operating the coinsurance program will generally parallel those employed by HUD.
  - d. It is possible that, under certain circumstances, a project may be rejected without going through all of the disciplines. For example, if the amount of required repairs exceeds the thresholds defined in paragraph 3-1d, or if the project is presently substandard, does not present provide safe, adequate shelter, or requires substantial rehabilitation, the project is patently ineligible; therefore, further processing is needless.

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- (11-1) e. Conversely, however, a project may not be approved for coinsurance unless, at a minimum, each of the processes discussed in Chapters 6 through 10 of this handbook have been completed and a recommendation reached.
- f. When a lender official determines that a given risk is acceptable for coinsurance, the project file must be so documented. A statement, signed by the official that the project meets sound underwriting criteria (which include but is not limited to the architectural, cost, valuation, mortgage credit, management and market analysis aspects of underwriting), conforms to all statutory and regulatory requirements and setting forth the more salient facts which form the basis for approval, must be placed in the project file. Thereafter, an appropriate commitment may be issued setting forth the terms and conditions under which the mortgage loan will be granted and coinsured.
- (1) The official signing the commitment on behalf of the lender must be properly designated as provided in paragraph 2-2k.
- (2) Note the HUD review requirements which are applicable to the first three projects before a commitment may be issued. See paragraph 12-1.
- 11-2. COMMITMENT FORMAT. Formats of the conditional and firm commitments are shown at Appendices 20 and 21. These may be reproduced by the lender on its letterhead, if desired.
- 11-3. COMMITMENT TERM. While the initial commitment term is the same for the conditional and firm commitments, the extension periods differ.
- a. If a Conditional Commitment is issued, the initial term shall not exceed 90 days from date of issuance. If necessary, the Conditional Commitment may be extended by the lender, not to exceed a maximum of 180 days from the date of original issuance.
- b. If a Firm Commitment is issued, the initial term of the Firm Commitment shall not exceed 90 days. If necessary, and subject to satisfactory information updates, the Firm Commitment may be extended by the lender for two additional 60-day periods.
- c. An expired commitment may be reopened upon the submission of a new application within 90 days of its expiration with a fee not to exceed \$.50 per \$1,000 and updated exhibits.