
CHAPTER 6. ARCHITECTURAL ANALYSIS

- 6-1. ARCHITECTURAL PROCESSING. The lender's architect, whether in its direct employ or under contract with the lender, shall have experience in dealing with the repair of existing multifamily structures and have a basic knowledge of HUD requirements in this regard. The architect must have no identity of interest with the mortgagor or contractor.
- a. Purpose. The purpose of architectural analysis is to determine the acceptability of the existing structure to provide architectural conclusions essential to underwriting determinations so as to minimize mortgage risk.
 - b. Site visit. The architect will visit the site and prepare an inspection report on all features that affect project eligibility.
 - c. Scope. The scope of architectural analysis includes the buildings and their mechanical and construction elements. This includes garages, parking, land improvements (including water supply, sanitary sewage disposal system, gas mains, heating tunnels) and all other elements within the property boundaries.
 - d. Standards. Since eligible properties under the 223(f) coinsurance program are existing construction not eligible for substantial rehabilitation the criteria for acceptance are not the same as for new construction or rehabilitation. The objective is to assure an acceptable project through only necessary repairs and replacements.
 - (1) The Minimum Property Standards (see Reference 15 of the Foreword) paragraph titled "General" apply to existing construction. A listing of all applicable paragraphs of this nature is given in MPS paragraph 100-3. Existing construction shall also comply with MPS Chapter 2, General Acceptability Criteria, with the exception of the requirements for a primary entrance readily accessible to the physically handicapped.
 - (2) Compliance with statutory and regulatory requirements is mandatory. These include: (1) restrictions on the use of lead base paints; (2) flood hazard limitations; (3) high pressure gas and liquid petroleum transmission; and (4) a smoke detector in every unit.

- (6-1) e. Codes. The lender is not expected to assume direct responsibility for determining compliance with local codes. The local building inspection unit should be called upon to inspect the structure during the application and repair write-up processing. Any code violations revealed during such inspection will require a second inspection to assure correction of the violation(s). The lender's files should contain a copy of both the initial and final inspection reports.
- f. The fee for the basic inspection service is expected to be absorbed by the lender within the allowable fee structure.
- 6-2. ENGINEERING REPORTS. Where advisable, because of the nature of the project and conditions noted during the inspection, and/or where the age or type of project may dictate, the lender must require sponsors to employ a competent mechanical engineer whose credentials are satisfactory to the lender. The engineer will report on all mechanical elements in the project and their condition, as well as the remaining useful life of various elements and repairs and replacements needed immediately and the probable cost of such work. Structural, geotechnical or other types of engineering or special reports are to be required of the sponsor as deemed necessary by the lender. Any fee associated with such special inspections and reports may be assessed the mortgagor in addition to the usual fees and charges.
- 6-3. INSPECTION. The lender's architect shall inspect a sufficient number of units and the project in general to ascertain any repairs and replacements necessary to place the property in eligible condition. Usually an inspection of one of each typical unit in projects less than 5 years old and 10 percent of typical units for projects over 5 years but less than 10 years old is sufficient. The actual number of units inspected in projects should be based on the condition of the property. Evidence of unusually hard use or accelerated deterioration should lead to the inspection of all units to develop an appropriate list of necessary repairs. An inspection of all units may be advisable in projects more than 10 years old. Additionally, in all projects, the remaining useful life of equipment, mechanical features, appliances, carpeting, resilient floor tiling and window coverings in the units and the project in general must be determined. This estimate will form the basis for the required initial deposit to the reserve for replacement.
- a. The need for engineering surveys or reports on items found during inspection (mechanical, structural, seismic, termite, etc.) should be brought to the immediate attention of the lender and mortgagor.

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- (6-3) (1) The nature of the engineering investigation and items to be covered should be clearly identified.
- (2) Special tests desired, such as pressure or flow tests of plumbing, or the cutting of line segments for examination, should be specified.
- b. The report of inspection is to include a work write-up, an estimate of useful life and a statement that the work to be performed in connection with the loan does not constitute substantial rehabilitation as defined in paragraph 3-1d of this handbook.
- (1) The work write-up (list of required repairs) shall list any requirements for repair or correction of on-site and off-site property improvements. For projects 10 years old or less, where only a portion of the units are inspected, minor nonrepetitive items of deferred maintenance are not to be included in the work write-up. A one-part work write-up of general requirements is acceptable for such properties. For projects more than 10 years old and others for which numerous unit deficiencies are found, items of repair and replacement are to be identified by location and living unit number, if they are not entirely general in their application. A two-part work write-up consisting of general requirements and special requirements is to be prepared for such projects. All requirements must be specific. Phrases such as "Repair or replace" or "As required" are unacceptable. The work write-up is to be headed by the statement "All repairs or alterations must meet the specific requirements contained in Chapters 5 and 6 of the Minimum Property Standards." Work items not attributable to all units within the project should be identified to the unit in which the work is to be performed. For example, if the range hoods are to be replaced in certain units, such units must be identified by apartment number in the write-up.
- (a) General Requirements, work write-up part 1, include work applicable to all elements in the property, for example: site work, exterior work, painting, decorating and caulking. Rehabilitation of kitchens, bathrooms, roofs, mechanical systems, interior walls, floors, windows and doors would apply to properties requiring more extensive work.

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- (6-3)
- (b) Special Requirements, work write-up part 2, describes any special work required for a specific item, room, space or building which is not required for the project as a whole. For example: The General Requirements may state that all floors are to be sanded and refinished. However, if in a particular living room the floor must be removed and replaced, it should be included as a Special Requirement.
 - (c) When an engineer's survey or report is required but has not been completed prior to preparation of the work write-up, the work write-up shall be deferred pending receipt of the engineer's findings and recommendations.
- (2) The Estimate of Useful Life for Projects Over 5 Years Old is to be prepared as the basis for the Initial Deposit to the Reserve for Replacement. List the estimate of useful life of all equipment, mechanical features, appliances, carpeting, resilient floor tile, window coverings and other features required for establishing a reserve for replacement. Items are to be identified by location and living unit number, if not general in location. For properties 5 years old or less, the minimum initial deposit to the replacement reserve will be the amount of the annual deposit to the replacement reserve (cost of structures on line 41 of Form HUD-92264 x .006) multiplied by the age of the building. (See paragraph 8-7r(5) of this Handbook for a more detailed discussion).
 - (3) A statement as to whether required repairs or corrections to the property constitutes substantial rehabilitation, as defined in paragraph 3-1e is to be made part of the inspection report.
- c. Specifications and drawings. If any item in the list of required repairs must have drawings and/or specifications prepared by the mortgagor and accepted by the lender before that item of repair can be accomplished, a statement to that effect shall be included with the work write-up.
- (1) Preparation of the specifications and drawings is the sole responsibility of the mortgagor.
 - (2) The lender's architect performs the following during this portion of the processing:

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- (6-3)
- (a) Provides liaison between the lender and the mortgagor or its technical representatives.
 - (b) Determines that specifications and drawings, if required, are prepared in accordance with requirements of the work write-up.
- d. Inspection of repairs. All of the repair work performed must be inspected and approved by the lender's architect.
- (1) Progress inspections. Where the scope of the repairs dictates, the architect should also inspect the work in progress. If progress inspections are necessary because of the scope of the repair work, a reasonable fee, in addition to the basic fee referred to in paragraph 6-1, may be assessed the mortgagor for this service.
 - (2) Inspection reports. The architect must file a written report of the results of each inspection indicating any non-compliance with the plans, specifications, work write-up, codes or ordinances.
 - (3) Changes in work. Any proposed changes in the work, substitution of materials, etc., must be detailed and submitted in writing signed by the contractor, mortgagor and reviewed and approved by the lender's architect. Copies of all approved change orders must be maintained in the lender's files.
 - (4) Final inspection. Upon completion of the repair work, a final inspection must be made by the architect and a report filed with the lender indicating that the work is satisfactorily completed and in compliance with the work write-up, and plans and specifications, if applicable.
- e. Repairs completed. All items of repair should be complete prior to coinsurance of the loan. If minor exterior repair items cannot be completed because of weather conditions, the lender may determine to accept an escrow in an amount equal to three times the architect's estimate of the cost to complete the work. When such an escrow is accepted by the lender, and the mortgagor fails to complete the required repairs within the time period provided in the escrow agreement, the lender is expected to utilize the proceeds of the escrow to effect completion of the repairs.
- f. HUD Handbook. A detailed discussion of HUD architectural processing is contained in Reference 10 of the Foreword.
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