
CHAPTER 7. COST PROCESSING

- 7-1. PURPOSE. This chapter provides guidelines and instructions for estimating the cost of repairs to be accomplished in connection with project mortgages to be coinsured under this program. Additional detailed information regarding cost processing is contained in Reference 9 of the Foreword.
- 7-2. REPLACEMENT COST ESTIMATE. The replacement cost estimate may be prepared by the lender's cost estimator or by the appraiser. Instructions for estimating replacement cost using Section G of Form HUD-92264 are set forth in paragraph 8-7g of this handbook.
- 7-3. PROPERTY INSURANCE SCHEDULE. Form HUD-92329 or an equivalent satisfactory to the lender shall be prepared to establish the minimum amount of property insurance required in connection with the project. The amount will be established by adding the as-is value of the property established by the appraiser to the estimated cost of repairs, then subtracting the value of the land.
- 7-4. REPAIR COST ESTIMATES. The lender's cost estimator should visit the project site if necessary after reviewing the work write-up in order to prepare the following estimates:
- a. An estimate of the cost of items of repair and/or replacement considered necessary, taking the work write up into account, to place the project in acceptable condition.
 - b. An estimate of the cost of designated short-lived building components and equipment in order to assist in developing the amount of the initial deposit to the reserve fund for replacements.
 - c. Any estimate for specific items (e.g., ranges, refrigerators, etc., and fire safety equipment) shall require the separation of the purchase cost and installation cost to assist in determining whether substantial rehabilitation is involved.