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CHAPTER 4. ISSUANCE OF INVITATIONS, EVALUATION  
AND SELECTION OF APPLICATIONS

SECTION 1 - INVITATION FOR APPLICATIONS FOR SECTION 202  
FUND RESERVATIONS

- 4-1. GENERAL. Immediately upon completion of the allocation process and the establishment of the allocation plan for inviting Section 202 applications, the MHR shall be responsible for developing an Invitation to be published in newspapers of general circulation serving the Field Office jurisdiction. The Invitation shall be published once a week for two consecutive weeks and shall contain the information required by Section 885.205(c). The format provided in Appendix 2 shall be utilized.
- 4-2. TRANSMITTAL OF COPIES OF THE INVITATION.
- a. At the same time that the Invitation is sent to the newspaper(s), a copy of the Invitation shall be transmitted by Processing Control and Reports staff (PC&R) to the following agencies and organizations serving the area jurisdiction for which the Invitation is published:
- (1) Minority Media;
  - (2) Minority organizations involved in housing and community development and fair share housing groups (the Names and addresses of such organizations and groups shall be provided to the PC&R staff by the Equal Opportunity Division Directors); and
  - (3) Chief executive officers of appropriate units of local government in all instances where there is a local Housing Assistance Plan.
- b. In addition, to the extent feasible, the following are to be notified, .
- (1) Trade association journals;
  - (2) Media serving the handicapped;
  - (3) Associations representing the elderly; and
  - (4) Associations representing the physically handicapped, developmentally disabled and chronically mentally ill, centers for the handicapped; and state agencies such as departments of vocational rehabilitation, human resources, or developmental disabilities.

SECTION 2 - INITIAL APPLICATION PACKAGE

4-3. PREPARATION OF THE APPLICATION PACKAGE.

- a. The MHR shall prepare Application Packages which includes the items specified in Appendix 3 of this Handbook and shall consult as necessary with other Field Office personnel (e.g., EMAD, Valuation, CPD, and FH&EO) in order to complete the Package.
- b. Upon completion of the Application Packages, the MHR shall forward them to the Housing Director for approval.
- c. The PC&R staff shall be responsible for ensuring that sufficient copies of the approved Application Packages are available for distribution to persons responding to the Invitation.

4-4. SUBMISSION OF APPLICATIONS. Responses to the invitation shall be submitted by the Borrower in accordance with the procedures outlined below:

- a. The Borrower shall submit the information specified in paragraph 4-5 of this Handbook. The Borrower entity must be incorporated officially prior to submission of its application.
- b. In cases where the Borrower is dependent upon the experience, reputation, and financial resources of a Sponsor (see paragraph 2-2), the Sponsor identified in the application also must submit the same information requested of the Borrower in Parts 2-4 of paragraph 4-5, below.
- c. Multiple Applications. Since an eligible organization may act as a Borrower, Sponsor, or co-Sponsor on applications for up to 300 units in a single HUD Region and for up to 3,000 units nationwide, it is essential to assure that each Borrower and Sponsor has the financial capacity to permit the successful initiation, development, completion and operation of each of the proposed projects in which it is involved. Therefore, in the event that an organization proposes to provide the financial resources for more than one project, the Field Office shall assume that each of the applications in which the organization is involved will be funded, and evaluate the organization's financial strength with respect to the specific project under consideration on that assumption. It is,

to assure that they submit multiple applications only when they are confident that their financial capacity is such that they are capable of meeting the cash and other requirements for all of the applications they submit.

- \* d. Multiple Applications on Same Site. Borrowers may submit only one application per site. Varying numbers or types of units for the same site in different applications will not be accepted. \*

4-5. CONTENTS OF APPLICATION PACKAGE. Each application shall include all of the materials, forms and exhibits set forth in this paragraph. The Application Package (see Appendix 3 for the format) consists of three Sections: Section I-Project Development Requirements; Section II-Submission Requirements for a Section 202 Fund Reservation; and Section III-General Program Requirements and Attachments. Sections I and III are described in the Application Package. Section II consists of six parts and is described below:

a. Part I - General.

- (1) Exhibit 1: Form HUD-92013 - Application for Multifamily Housing Project completed as follows:
  - (a) Section A - Project Identification: Items 2 and 3 will be completed by the HUD field office.
  - (b) Section B - Purpose of Application: Block 3 will be checked as well as "Direct Loan Section 202." In addition to identifying the Mortgage/Loan Amount, applicants must identify if funds are to be used in a metropolitan or nonmetropolitan area.
  - (c) Section C - Location and Description of Property
    - Projects for the Elderly - Complete in its entirety.
    - Projects for the Handicapped where a site is not identified - Complete only Items 2, 3, 4, 5, 6 and 7.
  - (d) Section D - Information Concerning Land or Property:
    - Projects for the Elderly - Complete in its entirety.
    - Projects for the Handicapped where a site is not identified - Not Applicable.

- (4-5) (e) Section E - Estimate of Income:
  - Projects for the Elderly - All items with the

exception of Items 2, 6 and 7.

Projects for the Handicapped - Not Applicable.

(f) Section F - Equipment and Services and Section F-1:

Projects for the Elderly - Complete as applicable.

Projects for the Handicapped - Not Applicable.

(g) Section K - Names, Addresses and Telephone Numbers: Completed by all Applicants. If the Sponsor and Borrower are the same, complete Item 1. If the Borrower entity is different than the Sponsor, identify the Borrower in Item 2.

In addition, identify if the Borrower organization is minority or nonminority. A minority organization is one in which more than 50 percent of the board members are minority (i.e., American Indian or Alaskan Native, Asian or Pacific Islander, Black, not of Hispanic Origin, or Hispanic).

If members of the development team (i.e., architect, attorney, contractor) are identified, complete where applicable.

(h) Section L - Application (SAMA and Feasibility Letter: Not applicable,

(i) Section M: All applicants check Block 3 and authorized officer of the Borrower must sign and date. The following certification must be submitted with the Application Package and signed by the applicant (i.e., Borrower):

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The Borrower certifies that the Form HUD-92013 and exhibits in this Application Request are true and correct:

\_\_\_\_\_  
(Legal Name of Borrower)

By: \_\_\_\_\_  
(Authorized Officer of the Borrower)

\_\_\_\_\_  
(Title)

Date: \_\_\_\_\_

Note: Section 1001 of Title 18 of the United States Code (Criminal Code and Criminal Procedure, 72 Stat.967) shall apply to such statements. (18 U.S.C. 1001, among other things, provides that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.)

- (2) Exhibit 2: A narrative description of the anticipated occupancy (elderly and/or handicapped physically handicapped, mentally ill or developmentally disabled, i.e., mentally retarded, cerebral palsy, epilepsy or autism ).
- (3) Exhibit 3: A statement as to whether the Borrower (and/or Sponsor) has submitted or is planning to submit an application to any other Field Office in response to the current invitation. If so, indicate the city and state where the proposed project is to be located, the number of units requested, and the Field Office to which the proposal was or will be submitted.
- (4) Exhibit 4: A signed Form HUD-915, Certification in Connection with the Development and Operation of a Section 202 Housing Project for the Elderly or Handicapped.

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- (4-5) (5) Exhibit 5: If a Housing Consultant is to be utilized, the following must be submitted:
  - (a) A resume from the consultant outlining his/her qualifications in detail. The resume may be supported by copies of brochures, studies, reports, or other examples of his/her work which the consultant may submit in support of his/her qualifications.
  - (b) The proposed Consultant's Contract will be prepared in conformance with Form HUD-92531A-EH, Guide Form of Contract for Housing Consultant Services for Nonprofit Projects under Section 202, and will specify all services which are to be provided including the amount of the proposed fee (see paragraph 1-10e).

- (c) Form HUD-2531-EH, Housing Consultant's Certificate. The consultant must verify that he/she has not and will not receive payment from any parties to the transaction other than the consultant's fee specified in the contract with the Borrower.
- b. Part 2 - Establishing Eligibility as a Nonprofit Sponsor/Borrower for Participation in the Section 202 Program.
  - (1) Exhibit 6: Form FHA-3433, Request for Preliminary Determination of Eligibility as a Nonprofit Sponsor and/or Mortgagor, which requires, among other things, copies of the charter including the Articles of Incorporation and by-laws, or constitution, as currently amended, and a copy of a currently effective ruling from the Internal Revenue Service which provides the evidence of the organization's tax-exempt status (exemption under Section 501(c)(3) or 501(c)(4) is not necessary where Sponsor is a separate entity). The Borrower corporation must be duly incorporated prior to submission of its application. In order to make a determination that the Borrower is duly incorporated, a State certification of incorporation must be submitted along with the Articles of Incorporation as required by Form FHA-3433. If the Sponsor and Borrower are separate, the Borrower must have applied to IRS for exemption under Section 501(c)(3) or 501(c)(4) prior to the deadline for

- (4-5) filing applications. If the Sponsor and Borrower are the same, an IRS exemption under Section 501(c)(3) or 501(c)(4) must be in effect before the deadline date for filing applications.
  - (2) Exhibit 7: Evidence of the Borrower's (and/or Sponsor's) local community base and reputation in the neighborhood in which the project will be located, including, but not limited to evidence of any support for the project and the Borrower by the community and any national, state, or local groups and organizations.
- c. Part 3 - Experience and Evidence of Capacity to Carry Through to Long-Term Operation a Project for Housing and Related Facilities:
  - (1) Exhibit 8: Form HUD-2530 on all Officers (President, Vice President, Secretary, Treasurer, etc.) of the governing body of the Borrower organization and on the housing consultant, if any.

- (2) Exhibit 9: A description of all rental housing projects, medical facilities and/or senior centers or centers for the handicapped owned or operated by the Borrower (and/or Sponsor) during a minimum of the past five years. This description shall include the locations of all such facilities; number and types of units; types and sources of financing; and indicators of successful project management such as amenities and services provided, turnover, vacancy and delinquency rates, and rent collection losses. HUD will accept information for a period less than five years if the Borrower satisfactorily demonstrates that information for the five-year period is not available.
- (3) Exhibit 10: A description of any financial default, modification of terms and conditions of financing, or legal action taken or pending against the Borrower (and/or Sponsor), or its officers, directors, or trustees in their corporate capacity for any reason during the past three years.
- (4) Exhibit 11: A description of the Borrower's (and/or Sponsor's) past or current involvement in any programs or of its provision of services other than housing, if any, which would give evidence of its management capabilities.
- (5) Exhibit 12: A statement which indicates whether or not the Borrower (and/or Sponsor) has received a Section 202 fund reservation since April 1, 1976. If so, the statement must identify when the reservation was received

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- (4-5) and give a description of the project (name, location, project number, number of units, and loan amount) and an indication of the current status of the project (construction or rehabilitation not started with an explanation, underway or completed).
- (6) Exhibit 13: A description of the Borrower's (and/or Sponsor's) capability to sponsor, develop, own, manage, and provide special services in connection with housing for the elderly or handicapped, including any special capability in serving the needs of lower income elderly or handicapped families and individuals of all racial, ethnic and religious groups. The description shall include evidence of the Borrower's capability to construct or substantially rehabilitate projects that are specifically designed and equipped with such "related facilities" (as defined in Section 202(d)(8) of the Housing Act of 1959, as amended) as may be necessary to accommodate the special

environmental needs of the intended occupants and shall be in support of and supported by the applicable state plans for comprehensive services pursuant to Section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or state and area plans pursuant to Title III of the Older Americans Act of 1965. Borrowers who intend to serve the chronically mentally ill must show evidence of their ability to provide the necessary supportive services for the residents in order to assure that the total environment supports the goal of integrating such persons into the local community.

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d. Part 4 - Financial Capacity and Ability to Organize, Plan and Complete a Project for Housing and Related Facilities.

- (1) Exhibit 14: A brief narrative description of the financial history of the Borrower (and/or Sponsor).
- (2) Exhibit 15: An estimate of the Borrower's start-up (seed money) expenses and its funding sources to meet those expenses which estimate is required in response to items 3(A) (except "1) and 3(B) on Form FHA-3433, Request for Preliminary Determination of Eligibility as a Nonprofit Sponsor and/or Mortgagor. If the Borrower plans to use a Section 106(b) seed money loan to help meet these expenses, it may submit Form HUD-92290, Section 106(b) Nonprofit Sponsor Assistance "Seed Money" Loan Application, and all required attachments, plus evidence of its capability to meet its required 20 percent investment. If agreements have been made with the architect, consultant, and/or attorney that no payment of their fees will be made until initial closing of the

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Section 202 loan, such written agreements, must be submitted with the application.

- (3) Exhibit 16: Evidence of the nonprofit Borrower's ability to fund the minimum capital investment, which is defined as one half of one percent (0.5%) of the mortgage amount committed to be disbursed, not to exceed the amount of \$10,000. The Borrower (and/or Sponsor) must submit copies of its balance sheet(s) and statement(s) of income and expenses for each of the most recent three years the Borrower (and/or Sponsor) has operated. Although balance sheets need not be submitted on Form FHA-2417, Personal Financial and Credit Statement, and are not required to be audited, balance sheets which are submitted in response to this requirement must contain at a minimum, the information specified on Form FHA-2417, and on the face of the statement(s), the following certification:

I HEREBY CERTIFY that the foregoing figures and the statements contained herein, submitted by me as an agent of the Borrower corporation (or Sponsor) for the purpose of obtaining a direct loan under Section 202 of the Housing Act of 1959, as amended, are true and give a correct showing of the financial condition as of this date:

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

(Name/Authorized Agent) \_\_\_\_\_

Note: Financial statements on existing HUD projects are not sufficient to determine financial capability as required by this paragraph, as the assets of such projects cannot be used to meet the financial requirements for the proposed projects. If the prospective Borrower is the owner of a HUD project, the financial statements for the project must be submitted. However, additional and detailed information must be submitted to explain how the Borrower expects to finance the proposed project and support it over the years. Under such circumstances, most applications probably would be strengthened by the inclusion of a Sponsor as party to the application.

- e. Part 5 - Project Development: Site and Preliminary Project Information. (In the case project proposals to be developed

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- (4-5) exclusively or primarily for the nonelderly handicapped, with the exception of Items 8 and 9, the Borrower is not required to submit the following information at the Fund Reservation Stage, but may do so at its option. If the Borrower chooses to identify a site in the application, all of the following information is required at the Fund Reservation Stage and the application will be processed in the same manner as applications for housing for the elderly. (Applications with unacceptable sites will be rejected and cannot be selected for a Fund Reservation.)
  - \* (1) Exhibit 17: Documentary evidence that the Borrower has control of the site, e.g., a copy of a contract(s) of sale for the site, or a copy of the site option agreement(s), a deed or other legal commitment for the site. (Borrower should assure that option period is sufficiently long to allow time for HUD review and approval.) \*
  - (2) Exhibit 18: A map showing the location of the site and the racial composition of the neighborhood, with areas of racial concentration delineated.

(3) Exhibit 19: A sketch of the site plan showing the general development of the site, including the location of the proposed building(s), streets, parking areas and drives, service areas, and unusual site features. Architectural sketches of the following: \*

- (a) Typical unit plans (including sq. ft. per unit);
- (b) Typical floor plan
- (c) First floor plan or other floor showing any special spaces and accommodations (i.e., common space); and
- (d) Main elevation of each typical building.

Note: Standards limiting size of units and number of baths.

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A. Elderly/Handicapped Independent Apartments

(Bedroom)	0	1	2*	3	4
(Square Feet of Rentable Area)	415	540	800	1050	1150
(Number of Baths)	1	1	1	1-1/2	2

\*No 2 BR units are permitted with the exception of the Resident Manager's unit and no units larger than 2 BR are permitted in housing for the elderly.

B. Group Homes for the Non-elderly Handicapped.

With regard to group homes, the following square feet are applicable in determining the applicable Fair Market Rents and Cost Limits:

- 0 - Bedroom up to 449 sq. ft.
- 1 - Bedroom 450 - 540 sq. ft.

(4) Exhibit 20: Evidence that the proposed construction or rehabilitation is permissible under applicable zoning ordinances or regulations, or a statement of the proposed action to make the construction or rehabilitation permissible and the basis for belief that such action will be completed successfully prior to the submission of a Request for Conditional Commitment for Direct Loan Financing (e.g., a summary of the results of any recent

requests for rezoning on land in similar zoning classifications and the time required for such rezoning, preliminary indications of acceptability from zoning bodies, etc.).

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- (4-5) (5) Exhibit 21: A statement as to whether the proposed project will displace present occupants of any structures on the site. If so, state the number of families, individuals, and business concerns to be displaced (identified by race or minority group status, and whether they are owners or renters), and show that there is a feasible plan for relocation and how necessary relocation payments, if any, will be funded. As a part of the relocation Plan, the Borrower shall demonstrate that advisory services will be provided to persons to be displaced regarding the availability of housing, in standard condition, suitable to their needs and within a price range they can afford. Where displacement of minority and/or low-income persons will occur, the Borrower must take positive steps to promote housing opportunities for such persons outside areas of minority and low-income concentration by providing information on available housing opportunities that includes information concerning units located outside such areas,
- (6) Exhibit 22: Evidence that the application for a specifically identified project site meets any special requirements or restrictions necessary for compliance with the provisions of the local Housing Assistance Plan, if any, as outlined in 24 CFR Part 891, Subpart B, Applications for Housing Assistance with Housing Assistance Plans.
- (7) Exhibit 23: As an alternative to basic OMB Circular A-95 procedures, where HUD submits copies of proposals received to the appropriate clearinghouses, the Borrower may submit a copy of Part 1 (Exhibits 1 and 2) and Part 5 of the Section 202 application directly to the appropriate state and areawide clearinghouses prior to submitting its application to HUD. In such cases, the Section 202 application, when submitted to HUD, shall be accompanied by the comments of the clearinghouses. In instances where comments are not received by the Borrower within the 30-day review period, the Borrower shall include a statement indicating that the State and areawide clearinghouses were notified and no comments were received. If the A-95 comments contain any findings of non-compliance with environmental or civil rights laws, the Borrower must state how it proposes to resolve the finding or state its justification for proposing

to proceed with the project despite the findings developed

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- (4-5) through the A-95 review process. To expedite HUD processing, this procedure is encouraged. A list of the appropriate clearinghouses and their addresses may be obtained from the Field Office.
- (8) Exhibit 24: Section 8 Contract Rents. A statement that gross rents (the sum of the contract rents and allowances for utilities and other services payable directly by the family, if any) will not exceed published Fair Market Rents by more than that allowed by the Fair Market Rent Limits pursuant to Section 880.204(b) (1) or Section 881.204(b) (1) of the Regulations.
- (9) Exhibit 25: For projects exclusively for the nonelderly handicapped, a statement identifying the locality in which the project will be located.
- \* (10) Exhibit 26: For projects for the elderly it may be necessary to design some of the units to permit access and use by a person in a wheelchair. The Borrower should obtain from local government officials a determination of need for accessible units and include this determination in the Section 202 application. \*
- f. Part 6 - Special Submission Requirements Regarding Modest Design and cost Containment.
- (1) Exhibit 27: A list of amenities (e.g., carpets, drapes, air conditioning, etc.) and special spaces and accommodations (e.g., multipurpose rooms, game rooms, libraries, etc.) proposed for the project. Any proposed amenity which is not included on the List of Acceptable Amenities specified in Section 1 of the Application Package may not be included unless the Borrower can evidence its ability to pay for such items outside of loan proceeds. The Borrower must also provide a justification for the special spaces and accommodations as well as approximate sizes of each facility. These common areas may not normally exceed 10 percent of the total project gross square foot area. Moreover, if an application is selected and it is determined at the conditional/firm commitment stage of processing that the common areas exceed 10 percent of the cost not attributable calculation, certain items may have to be deleted and the project redesigned accordingly. Any amenities or special spaces and accommodations (such as dishwashers, greenhouses, excess common area space, etc.) that will have an adverse impact on maintenance and other operating

expenses may not be approved, unless the Borrower provides funds to cover additional operating expenses from nonproject revenues.

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- (4-5) (2) Exhibit 28: A description of any methods proposed which will promote efficient construction or reduce construction costs.
- (3) Exhibit 29: A statement as to whether a congregate dining facility is proposed and the size (sq. ft.) of the facility. Dining space, when provided, should be large enough to seat only 1/3 to 1/2 of the tenant body. The Borrower must also demonstrate that the facility will be self-sustaining and in full use (for at least one meal per day) at initial occupancy. This demonstration could include a survey of the use of other congregate facilities in projects in the area or a demonstration of interest in the use of the project's dining facilities by a local social services agency providing meals for the elderly. If one meal per day is required as a condition of occupancy, this requirement should be noted and will serve as evidence that the dining facility will be in full use at initial occupancy.
- (4) Exhibit 30: A statement as to whether commercial space will be provided in the Project and, if proposed, a description of the space, including size (sq. ft.) and proposed use(s). Commercial spaces such as beauty and barber shops and convenience stores may not be provided unless they are self-sustaining, provide needed services for residents, and do not exceed five percent of the total project-space. The Borrower must demonstrate that any proposed commercial space meets these criteria.

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SECTION 3 - RECEIPT/ACKNOWLEDGEMENT, INITIAL SCREENING AND PRELIMINARY EVALUATION OF APPLICATIONS.

4-6. RECEIPT OF APPLICATIONS.

- a. Log of Applications Received. All applications for Section 202 Fund Reservations submitted in response to a published invitation shall be routed to the PC&R staff which shall date and time stamp each one immediately upon receipt. Each

application will be logged and reported to Headquarters via the automated mode of reporting Section 202 program activity under the Multifamily Insured and Direct Loan Information System (MIDLIS). Within seven working days after the application deadline period, field offices are required to have all data elements programmed into MIDLIS. Regional Directors for Housing are responsible for monitoring their field offices to assure that this schedule is met. All applications from designated allocation areas, as well as, nondesignated allocation areas must be included in this log.

b. Project Numbering. Upon receipt of applications, the PC&R staff shall number all applications in accordance with the following:

(1) Section 202 project numbers are to be composed of eight characters: standard three digit office code, letters "EH" and three digit sequential number assigned to each application received by individual offices. This includes all previous Section 202 application numbers assigned by the office.

(a) Assuming the last Section 202 application number assigned by the Richmond Area Office was 051-EH003, the first application received in response to the invitation would be assigned 051-EH004 as the application number.

(b) Project Suffix Letters. As appropriate, the following suffix letters are to be appended to project numbers:

- 1 L8-----Project involving Housing Assistance Payments under Section 8 of the U.S. Housing Act of 1937, as amended.
- 2 NP/MAN--Nonprofit sponsored project that has been transferred to a cooperative.

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- 3 WAH-----Project designed wholly for the elderly and including housekeeping facilities.
- 4 WAC-----Project designed wholly for the elderly and including central dining facilities for residents.
- 5 WHH-----Project designed wholly for the handicapped and including housekeeping facilities.
- 6 WHC-----Project designed wholly for the

handicapped and including central dining facilities for residents.

7 CMI-----Project designed wholly for the chronically mentally ill.

(2) Section 8 proposal number shall be assigned in accordance with the instructions contained in paragraph 4-9 of HUD Handbook 4050.2, Section 8 Management Information System (MIS), Reporting Instructions.

c. Any application received after the deadline date specified in the invitation will not be accepted and will be returned to the applicant. (A copy of the letter notifying the Borrower of the ineligibility of the application must be forwarded to Headquarters, Attention: Direct Loan Branch. Those applications postmarked on or before the deadline date will be considered as received prior to the deadline date.

4-7. INITIAL SCREENING.

a. Upon receipt of all applications, the PC&R staff immediately shall assign a copy of each application concurrently to the Mortgage Credit, Architectural and Engineering, Valuation, Fair Housing and Equal Opportunity, Housing Management staffs, and the Multifamily Housing Representative (MHR) for screening.

(1) The screening shall be accomplished to determine if the application is lacking any of the required exhibits and forms or if any exhibits are incomplete.

(2) The review shall not constitute an evaluation of the application or any Portion thereof.

b. The Initial Screening Review Checklist provided in Appendix 4, shall be used by all technical staffs to check applications for completeness and to document their findings. Each technical staff representative is responsible for screening the

(4-7) appropriate portion of the application as indicated on the checklist. All technical staffs have one (1) working day to complete their initial screening, and forward the checklist to PC&R. (Applications remain with the staffs identified in subparagraph a above throughout the Fund Reservation Stage processing.)

c. The MHR, with the assistance of the PC&R staff, shall prepare letters for the signature of the Housing Director based upon the above findings. Appendix 5 contains a model letter to be

used.

- (1) For applications found complete, the letter shall acknowledge receipt of the application and indicate that the application was found complete and accented for further processing.
  - (2) For those applications determined to be deficient in accordance with subparagraph a above, the letter shall state the deficiencies and give the Borrower 10 working days from receipt of the letter to remedy the deficiencies. In no event shall additional extensions be granted.
- d. The PC&R staff shall be responsible for controlling all letters pursuant to subparagraph c above.
- (1) In order to enforce the 10 working day response period, all letters shall be mailed Certified Mail-Return Receipt Requested.
  - (2) All resubmissions received within the specified time period shall be forwarded by the PC&R staff to the MHR.
  - (3) If a Borrower fails to submit requested corrections within the time specified, the PC&R staff shall prepare a letter for the signature of the Housing Director to the Borrower returning the application and advising that the application has been rejected. A copy of the letter must be forwarded to Headquarters, Attention: Direct Loan Branch. \*
- e. The MHR shall review the resubmitted items and determine whether the resubmission is acceptable. If the MHR finds the resubmitted items unacceptable, he/she shall prepare a letter to the Borrower for the signature of the Housing Director returning the application and advising that the application has been rejected.

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- (4-7) f. If an application is found complete after the the initial screening, or if the Borrower has made requested corrections within the specified time period, the application is eligible for Preliminary Evaluation.
- 4-8. PRELIMINARY EVALUATION.
- a. For each application found acceptable for Preliminary Evaluation, the PC&R staff shall promptly notify the Mortgage Credit, Architecture and Valuation staffs and the MHR to perform the reviews set forth in subparagraphs c, d and e below

and shall advise them that all reviews must be completed within two weeks.

Note: Depending on Field Office workload, Initial Screening and Preliminary Evaluation may be combined into one step.

- b. In order to be acceptable for technical processing, the application must receive an acceptable recommendation on the following requirements from each reviewing discipline:
- (1) The proposed facilities and intended occupants are eligible under the Section 202 program.
  - (2) The Borrower or the sponsoring organization has previous experience in the development and/or operation of housing, medical or other facilities, such as but not limited to nursing homes or senior or community centers, and/or the provision of services to the elderly, the handicapped, families or minority groups, preferably, but not necessarily among those in the low and moderate income category.
  - (3) It is reasonable to expect the Borrower will be able to meet the minimum capital investment requirement and the preliminary development costs (funds from a Section 106(b) loan, if requested, may be counted in determining whether the Borrower can meet the preliminary development costs).
  - (4) The Borrower is eligible to participate in the Section 202 program.
  - (5) Even without the benefit of a site visit, it is reasonable to expect the proposed site meets site and neighborhood standards requirements for technical processing.
  - (6) The proposed project meets the cost containment and modest design requirements specified in paragraph 1-5h.

- (4-8) (7) The proposed project is responsive to the Invitation and is consistent with the Housing Assistance Plan.
- c. Review by Mortgage Credit Staff. The Mortgage Credit Examiner (MCE) shall make a preliminary analysis of the financial statements submitted by the Sponsor/Borrower for the purpose of determining whether or not there will be sufficient funds available to meet the minimum capital investment requirement and the estimated preliminary (seed money) expenses. The MCE also shall make a preliminary determination with regard to the eligibility of the Borrower to participate in the Section 202

program.

- (1) Analysis of financial statements: The analysis to be completed at this stage will be performed on the most current statement only. The MCE shall not verify any information contained in the statement at this point, but shall only make a determination of available working capital.
- (2) Review of other pertinent data:
  - (a) The Borrower shall submit, on Form FHA-3433, an estimate of its preliminary development costs and the funding sources for these expenses. The MCE shall review these data to determine whether it is reasonable to expect that the Borrower will be able to provide funds to meet the estimated preliminary development costs.
  - (b) It is also possible that the sponsoring organization will provide funds to meet the preliminary development costs and/or the minimum capital investment, that the Borrower will donate all or a portion of the land draw available to it at initial closing to satisfy the required minimum capital investment, or that the architect, consultant, and attorney have agreed to perform preliminary work and defer payment of their fees until the initial closing of the Section 202 loan. In such cases, the MCE shall review and determine the acceptability of the manner in which the Borrower will pay preliminary development costs and provide the minimum capital investment.
- (3) The MCE shall prepare a memorandum to the Housing Director to the attention of the MHR stating whether or not the Borrower, based on a preliminary evaluation of the financial information and data submitted, will be able to provide the minimum capital investment and meet the preliminary development costs.

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- (4-8) d. Review by Area Counsel. To make a preliminary determination regarding the Borrower's eligibility, the Area Counsel shall review the Borrower's Articles of Incorporation to determine:
  - (1) That the Borrower is a private nonprofit corporation or nonprofit consumer cooperative and is incorporated under the appropriate nonprofit laws of the state. It should be noted that Borrowers may be incorporated in a state other than the state where the project is to be located. In

this instance, the Borrower should contact the State Corporation Commission for the state in which the project is to be located to ascertain what is necessary to allow the Borrower to do business in that state. Applications should not necessarily be ruled ineligible if they are incorporated in a state other than the state in which they propose to build the project. The appropriate office of the State Corporation Commission may be contacted to ascertain which incorporation laws apply to nonprofit corporations.

- (2) That the Borrower's purposes include the promotion of the welfare of elderly or handicapped families.
  - (3) That the Borrower is not a public body or instrumentality of any public body. To this end, the Area Counsel shall review the dissolution clause, the manner in which the Board of Directors is elected or appointed, and the manner in which vacancies are filled. The review shall also include a determination as to whether the local or state government or any agency of the local or state government will receive the Borrower's assets upon dissolution of the corporation or plays a role in the selection or appointment of the Borrower's officers and directors.
- e. Review by Valuation Staff. With the exception of those applications for the nonelderly handicapped where the site is not identified, the appraiser shall make a preliminary determination on the proposed project site. The review shall determine if the proposed site is known to have characteristics which, for any reason, would render it unacceptable for technical processing (see paragraph 4-17a). A site visit is not needed for the purpose of this analysis.

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- (4-8)
- (1) Site Analysis. The analysis to be completed at this stage will be based on available site information, such as evidence of site control and permissive zoning, submitted with the application. Previous knowledge that the Field Office may have on the proposed site and other relevant data also shall be used in making this determination.
  - (2) Upon completion of his/her preliminary evaluation, the appraiser shall prepare a memorandum to the HDD/CU to the attention of the MHR, stating whether or not there are any known characteristics of the proposed site which would render it unacceptable.
  - (3) It should be noted that a favorable recommendation and acceptance for further processing at this point shall in no way prohibit rejection of the proposed site as a result

of full technical processing.

- f. Review by Architectural and Engineering. The Design Representative shall make a preliminary determination with regard to compliance of the project with cost containment and modest design requirements relating to limitations on amenities, cost not attributable to dwelling use and commercial space. Exhibits 27, 29 and 30 shall be reviewed to determine that proposed amenities are acceptable and that common spaces and commercial space do not exceed the limitations specified in Chapter 1 of this Handbook.
- g. Review by Multifamily Housing Representative. The MHR shall make a preliminary determination with regard to the eligibility of the proposed facilities to be constructed or rehabilitated, the eligibility of the anticipated occupancy, whether or not the Borrower or Sponsoring organization has previous experience in the development and/or operation of housing, medical or other facilities and/or the provision of services, the responsiveness of the application to the Invitation, including consistency of the project with the locality's HAP (if applicable), and the compliance of the proposed project with certain cost containment and modest design requirements.
  - (1) To make a determination regarding the Borrower's or Sponsor's experience, the MHR shall review the application to determine whether or not the Borrower or Sponsor has any experience in the development and/or operation of housing and/or medical facilities and/or the provision of

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- (4-8) services to low and moderate income elderly or handicapped families, or minorities. Because eligibility criteria for the Borrower include past experience in the provision of services, the MHR should be aware of the specialized experience of Field Office staff with community services responsibility or experience and should consult this staff to the fullest extent feasible in evaluating the service experience of the Borrower.
  - (2) To make a determination regarding the eligibility of the proposed housing and related facilities, the MHR shall review the Borrower's description of the proposed housing as required by the Application Package in terms of the definition of housing and related facilities set forth in Section 885.5 of the Regulations and following the guidelines set forth in Chapter 2 of this Handbook.
  - (3) To make a determination regarding the eligibility of the anticipated occupancy, the MHR shall review Exhibit 2 of the Application in terms of the guidelines set forth in

Chapter 1 of this Handbook.

- (4) To make a determination regarding compliance of the proposed project with cost containment and modest design requirements, the MHR shall review Exhibits 1 and 25 in terms of the guidelines set forth in Chapter 1 of this Handbook. Specifically, the MHR shall determine compliance with unit size and number of bath standards, efficiency units and 2 bedroom unit restrictions.
- (5) To make a determination regarding the responsiveness of the application to the Invitation, the MHR shall assure that the total number of units requested by the Borrower does not exceed the maximum number of units specified in the Invitation. The application must also comply with the local HAP requirements (if any) specified in Section I of the application package.
- (6) Upon completion of the reviews, the MHR shall prepare a memorandum to the Housing Director setting forth the results of the reviews. The memorandum shall state whether or not the anticipated occupancy is eligible, the type of experience, if any, that the Borrower or Sponsor has, and whether the proposed housing and related facilities are eligible.

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- (4-8) h. The MHR shall schedule a meeting with the Housing Director and Chiefs of the Mortgage Credit and Valuation staffs to make a determination with respect to each application, based upon all preliminary evaluation review comments, as to whether the application meets all of the requirements of paragraph 4-8b above. The MHR then shall advise the PC&R staff of those applications found to be acceptable for technical processing and those found unacceptable.
- i. The PC&R staff shall maintain a record of the determination made on each application as to its acceptability or unacceptability for technical processing.
  - (1) For applications found unacceptable for technical processing, the PC&R staff shall request that each reviewing office identified in subparagraph 4-7a, above, return the applications to the PC&R staff. PC&R staff shall prepare a letter for the signature of the Housing Director to the Borrower indicating that the application was found ineligible for further consideration and specifying the basis for that determination. A copy of the letter must be forwarded to Headquarters, Attention: Direct Loan Branch. \*

- (2) For applications found acceptable for technical processing, the PC&R staff shall follow the procedures outlined in paragraph 4-9 below.

4-9. TECHNICAL PROCESSING.

- a. For each application found acceptable for technical processing, the PC&R staff shall, within 2 working days of the finding of acceptability:

- (1) Transmit a copy of Part 1 (Exhibits 1 and 2 only) and Part 5 of the Section 202 application, Site and Preliminary Project Information, to the A-95 clearinghouse (unless previously submitted by the Borrower) and invite a response within 30 calendar days. Proposals in urban areas involving fewer than 50 units and proposals in non-urban areas involving fewer than 25 units are exempt from the notification requirement.

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- (4-9) (2) For the purpose of compliance with Section 213(a) and (c) of the HCD Act of 1974, transmit a notification in the prescribed form to the Chief Executive Officer of the unit of general local government where the housing is to be located. The inclusion by the applicant of local government comments in the application does not relieve the Field Office of the requirements that it notify the local government directly.
  - (a) Where the application is for a site covered by more than one HAP or a site located in the overlapping jurisdictions of more than one local government (e.g., a municipality which is also a county), all local governments must be notified.
  - (b) Generally, the content of the notification is based on whether the local government has an approved HAP.
    - 1 A local government with an approved HAP receives a notification in the format prescribed in Appendix 7, except that applications which involve 12 or fewer assisted units receive notifications as on 2 below.
    - 2 A local government without an approved HAP receives a notification in the format prescribed in Appendix 7-1.
  - (c) For projects for the nonelderly handicapped, if a site is not specified in the application, a notification is not sent to the Chief Executive

Officer until the Conditional Commitment Stage.

- (3) Notify all appropriate staffs indicated below to begin technical processing. Form 2530 RC (Appendix 4, HUD Handbook 4065.1) should also be sent to the appropriate staffs indicated below for review, comment, and completion of the appropriate parts of the Form.
  - (a) Mortgage Credit Staff;
  - (b) Valuation Staff;
  - (c) Fair Housing and Equal Opportunity Division;

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- (4-9)
  - (d) Housing Management Division;
  - (e) Economic and Market Analysis Division;
  - (f) Architectural and Engineering Staff;
  - (g) Multifamily Housing Representative; and the
  - (h) Area Counsel.

b. Procedures for Technical Processing.

- (1) Where a reviewer discovers during technical processing that there are elements needing clarification, in order to complete the review, he/she shall advise the MHR who shall contact the Borrower by telephone (and follow up by a letter) requesting such information. In all instances, communications must be documented and attached to the reviewer's findings' memorandum.
- (2) It shall be the responsibility of the PC&R staff to maintain records concerning the status of all reviews and to assure that reviews are performed in a timely manner. This shall include developing a mechanism for tracking applications through various reviews, providing the appropriate staff with any modifications or corrections requested and received, and alerting staff to impending deadlines for completion of reviews. Any hindrances to timely completion of reviews or any deviations are to be reported immediately to the Housing Director, who shall take appropriate action.
- (3) All reviewing offices shall be responsible for determining whether an application presents any questions that require a further legal determination. The Area Counsel shall respond expeditiously to any specific questions raised by the reviewing offices.

- (4) Technical Processing at the Section 202 Fund Reservation Stage shall be accomplished within 30 days from the date the reviewing office is notified by the PC&R staff that the application is eligible for technical Processing.

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SECTION 4 - MORTGAGE CREDIT ANALYSIS

- 4-10. GENERAL. Mortgage credit procedures and analyses are to be completed in accordance with HUD Handbook 4470.1, except as modified herein. Once an application has been determined to meet the threshold requirements of the preliminary evaluation, the MCE shall begin a full evaluation of the Borrower and Sponsor, if applicable. It should be noted that in many cases the Borrower entity will have been recently formed and will be dependent upon a sponsoring organization for evidence of financial capacity and history, stability, and prior experience in the provision of housing and services to the elderly, handicapped or low income families. In all cases, the Borrower must be identified in the application and all required exhibits must be submitted from such Borrower. In the event that a nonprofit Sponsor is identified also, the MCE shall perform the evaluations, analyses, and investigations on both the Sponsor and the Borrower. Accordingly, unless otherwise specified, all references herein to Borrower shall also apply to the Sponsor. The full evaluation will involve:
  - a. Determination of the Borrower's eligibility as a private, nonprofit corporation (Review of Form 3433).
  - b. Credit investigation.
  - c. Communicating with HM staff and other HUD Field Offices in whose jurisdiction the Borrower or its principals are doing or have done business for summaries of their experiences with the Borrower or its principals.
  - d. Analyses of financial statements for the purpose of determining the Borrower's:
    - (1) Financial history and capacity to carry the project through completion, rent-up, and initial occupancy,
    - (2) Ability to provide the minimum capital investment, and
    - (3) Ability to meet preliminary development expenses.
  - e. Evaluation of the housing consultant, if identified.
- 4-11. A REVIEW OF FORM FHA-3433. In order to establish that a nonprofit Borrower is properly qualified to initiate, complete, and operate a project under the Section 202 program, the MCE shall review Form

FHA-3433 to determine whether all of the following criteria are satisfied.

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- (4-11)
- a. The Borrower is acting on its own behalf and is not, either knowingly or unwittingly, under the influence, control or direction of any outside party seeking to derive a profit or gain from the proposed project, such as a landowner, real estate broker, contractor, architect, attorney or consultant.
  - b. The Borrower has continuity and evidences a serious long-range desire to provide housing for the intended client group. The Borrower's involvement in the community and a favorable reputation of reliability, service, and commitment to the elderly, low-income or handicapped are factors to be considered in the evaluation. HUD's concern is that the Borrower will be in existence as a viable organization throughout the life of the Section 202 project.
  - c. The Borrower fully understands the responsibilities and obligations that are involved in owning and successfully operating a housing project. A Borrower who is well informed about the various housing programs either through previous participation or through having thoroughly investigated HUD's housing programs, should know generally the factors which contribute to project success or failure. On the other hand, a group which is unfamiliar with the housing programs and which has only a vague idea of what it wants to do probably would have a limited understanding of the responsibilities and obligations of sponsorship.
  - d. The Borrower is prepared, by unanimous or majority resolution of its board of directors or trustees, to acknowledge the responsibilities and obligations of sponsorship and continuing ownership, and that this position reflects the will of its membership. In the event a locally oriented nonprofit Borrower has the backing of a national, state, or regional organization, a similar resolution or a declaration of affirmative action and support must be provided by the national, state, or regional organization.
  - e. The Borrower is reliable on the basis of its reputation and past performance or that of its principals. In determining reliability, consideration must be given to any previous experience, including the success and extent of such experience and the type of service furnished (financial, volunteer work, management, etc.) that the Borrower has had in providing housing or related social services.

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- 4-12. CREDIT INVESTIGATION. At the Section 202 Fund Reservation Stage the credit investigation conducted by the MCE shall include the ordering of factual data and/or commercial credit reports on the Borrower to determine basic acceptability of its credit reputation and previous experience. Depending on the high volume of applications received, and in an effort to reduce Program administrative cost, the mortgage credit sections may delay ordering of credit reports until the application is selected for funding. This action does not relieve mortgage credit of its responsibility for determining the financial capacity of the Borrower entity. If credit reports are not ordered during this stage of processing, the notification of selection letter must be conditioned upon receiving a satisfactory credit report. The investigation shall also include checking with the Housing Management Division staff and with other HUD Field Offices in whose jurisdiction(s) the Borrower has done or is doing business.
- \* 4-13. FORMAT OF FINANCIAL STATEMENTS. The Borrower must submit balance sheets and statements of income and expenses for each of the most current three years of its operation. However, if the Borrower has not been in existence for three years, these financial statements shall be submitted for each year since formation of the group. These statements need not be audited or in a specified format. However, the statements must, at a minimum, provide the information contained in Form FHA-2417 to enable the MCE to make a determination of the Borrower's current and past financial condition and must contain, on the face of the financial statements, the certification which appears in paragraph 4-5d(3) of this Handbook.
- 4-14. ANALYSES OF FINANCIAL DATA.
- a. Financial statement analyses are completed with the objective of determining:
- (1) The Borrower's financial history and capacity to carry the project through completion, rent-up and initial occupancy. The MCE shall analyze the financial statements for the most current three years of operations to establish trends in current assets and liabilities, working capital, fixed assets, long-term liabilities, net income, and current ratios (current assets divided by current liabilities) and shall record these determinations on a financial statement analysis worksheet. (See subparagraph 4-14c below.)
  - (2) The Borrower's ability to provide the minimum capital investment which must be escrowed at the initial closing of the Section 202 loan, and which has been established to be one-half of one percent of the loan amount or \$10,000, whichever is lesser. To this end, the MCE shall determine

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- (4-14) whether the Borrower has sufficient working capital and/or assets which can be readily hypothecated to produce the required minimum capital investment.
- (3) The Borrower's ability to provide the necessary funds to meet preliminary development costs. In the event the Borrower plans to use the proceeds of a Section 106(b) loan to meet a portion of these preliminary development costs, it must show evidence of the capability to provide its required 20 percent share. The Borrower also may indicate in its application that it does not anticipate any preliminary development costs and that the architect, attorney, and/or consultant have agreed to defer payment for their services until the initial closing. In such cases, the Borrower must submit documentation (contract, letter of agreement, etc.) to support these claims.
- b. Multiple Applications. In accordance with the requirements set forth in paragraph 4-4c, where organizations submit multiple applications, the MCE must evaluate their financial capacity to provide the minimum capital investment and meet preliminary development costs for each application submitted. For example, if a Borrower has submitted two applications--one to the Greensboro Area Office and the other to the Chicago Area Office--and each contains a request for a loan amount of \$3,000,000, the MCE in each Office shall assume that both projects will be funded. Therefore, to satisfy the requirement outlined in subparagraph a(2) above, the MCE must determine that the Borrower has the ability to put up \$20,000 to fund the minimum capital investment requirement of \$10,000 for each project.
- (1) To ascertain whether a Borrower and/or Sponsor is participating as a Borrower, Sponsor or Co-Sponsor in an application or applications which has or have been submitted or which will be submitted to any other Field Office in response to the invitation for Section 202 applications and/or a Section 8 Notice of Fund Availability (NOFA), first the MCE shall review the statement(s) submitted in response to the Exhibit 3 of the Application Package described in paragraph 4-5a(3) of this Chapter.
- (2) Headquarters will furnish each Field Office via MIDLIS with a complete list of all applications received for Section 202 fund reservations which will identify the Borrower as well as the Sponsor if any. The MCE also shall review this list, to determine whether or not a Borrower and/or Sponsor has more than one application under consideration for a fund reservation.

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- (4-14) c. Appendix 8 contains a suggested format to be utilized to record the final results of the analyses of the financial statements. Basically, the analyses will be completed in accordance with sound analytical credit procedures, however, there are several items to consider in completing the analyses and evaluating these results.
- (1) The entities which will be participating as Borrowers or Sponsors under the Section 202 program are nonprofit and, therefore, may not have as strong a financial position as a profit-motivated entity. For example, a current ratio of 1 to 1 for a nonprofit group may be considered good whereas one might hesitate to buy stock in a profit-motivated corporation with the same ratio. Further, unlike profit-motivated companies and corporations, the income and expense statement of a nonprofit corporation is not expected to reflect a significant profit.
  - (2) The financial statements of nonprofit corporations will often reflect "goodwill" as an asset. Although "goodwill" is an intangible asset and does have value, it and other intangible assets such as patents and trademarks may not be used to satisfy cash requirements on a project, and normally, only serve in business to determine compensation owners may expect to receive when selling a business.
  - (3) Depreciation, the accounting entry made to reflect the decline in the value of a fixed asset, may be reflected on the balance sheet and/or the income and expense statement. Inasmuch as depreciation rates often vary and as in some cases, the amount of the depreciation may have a significant detrimental effect on the corporation's net worth or income, it is important to consider these facts when evaluating the results of the analyses of the financial statements.
  - (4) The size of the project must be in keeping with the size of the sponsoring organization. While cash requirements on a project with a nonprofit mortgagor are normally lower than those on a project with a profit-motivated mortgagor, it would be unreasonable to expect a small group with limited financial capacity to assume the responsibility for a large project.
  - (5) Equities in real estate encumbered by high ratio of loan-to-value mortgages and unlisted stocks must not be considered as a source of funds.

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- (4-14) (6) The financial statements of many large nonprofit organizations will reflect various funds, such as general fund, building fund, etc. In such cases, the MCE must look out for inter-fund receivables and payables which cancel each other out and also must ascertain that use of the funds is not restricted. If use is restricted, the MCE should not consider those funds in his/her analysis.
- 4-15. PREPARATION OF FINDINGS MEMORANDUM. After completing the analysis of Form FHA-3433 (the credit investigation may be deferred until after selections are announced) and the analyses of the financial statements, the MCE shall prepare a memorandum to the Housing Director, Attention: MHR, setting forth all findings and stating whether the Borrower is acceptable or unacceptable. A separate memorandum shall be prepared for each application and shall address each of the items identified in paragraphs 4-11, 4-12 and 4-14.
- 4-16. EVALUATION OF THE HOUSING CONSULTANT. Selection of the housing consultant is the responsibility of the Borrower; however, HUD must pass upon the qualifications and suitability of any proposed consultant and approve the arrangement for services. (See paragraph 1-10.)
- a. Inasmuch as neither the Borrower, the Sponsor, nor any other entity having an identity of interest with the Borrower or Sponsor, may serve as the housing consultant, the MCE must review the application to assure that this requirement is met.
- b. The MCE shall review the proposed Consultant's Contract utilizing Form-2531A-EH, Guide Form of Contract for Housing Consultant Services for Nonprofit Projects Under Section 202, as a guide to determine that the fee is in accordance with the services being provided, that the services being rendered are sufficient to permit the development, completion and successful operation of the proposed project, and that the contract contains no clauses or provisions which violate the Section 202 regulations, the requirements of Form-2531-EH, Housing Consultant's Certificate, or this Handbook.

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(4-16)	Mortgage Amount	Fee
	Up to \$1,500,000	\$20,000*
	From \$1,500,000 to \$3,500,000	\$20,000 plus 1% of excess over

	\$1,500,000
Over \$3,500,000	\$40,000
Maximum Allowable Fee	\$40,000

\*Projects with fewer than 25 units may be eligible for a fee of up to 5% of the mortgage amount, not to exceed \$20,000 at the discretion of the Field Office Manager/Supervisor.

- c. The above represents maximum fees allowable. This does not, however, preclude the Borrower from lowering the fee stated in the Contract based on its determination of nonperformance by the housing consultant of any of the covenants, agreements and stipulations of said Contract. It is expected that the consultant's services will normally duplicate most of the items now included in the organization portion of "Legal and Organization Expenses" on Form HUD-92264. Therefore, where a consultant's fee is included, the organization portion of the legal and organization expenses should be reduced substantially but the organization line may include some reasonable travel and other expenses related to the Borrower's meetings with Field Office personnel.
- d. The MCE shall compare the services specified in the Contract with those listed in Form HUD-92531A-EH. Inasmuch as the maximum allowable fees established in subparagraph b above contemplate the provision of the full range of services set forth in Form HUD-92531A-EH, appropriate reductions shall be made in the allowable fee where the Contract does not include the full range of services.
- e. If the MCE determines that the Contract provides for less than the full range of services, the MCE shall use the following schedule in determining the allowable fee for the services being rendered:

Service to be Performed by Housing Consultant	Percentage of Total Fee
Initial meeting with nonprofit sponsor and formation of nonprofit corporation	6%

(4-16)	Selection of development team	4%
	Preparation and submission of fund reservation application	8%
	Preparation and submission of Conditional Commitment application	22%

Preparation and submission of Firm Commitment application	12%
Initial Closing	8%
Construction Period - site visits, preparation of construction draws, preparation of and advice regarding change orders and application for mortgage increase	15%
Cost Certification	7%
Final Closing	9%
Rent-Up	9%

\*If Borrower chooses to by-pass a phase of processing, the percentage attributable to the by-passed phase will be added to the next phase.

For example: assume that the maximum loan amount is \$4,000,000. Based on this loan amount, the maximum allowable consultant's fee would be \$40,000. If the Contract between the consultant and the Borrower does not provide for participation by the consultant in construction related activities, but includes all other services set forth in Form HUD-92531A-EH, the maximum allowable fee would be reduced by 15%. Accordingly, the upset price would become \$34,000.

- f. Payment of the consulting fee shall be approved by the Field Office in accordance with the criteria set forth below:
- (1) Up to sixty percent (60%) of the consultant's fee at Initial Closing.
  - (2) During the Construction Period, up to seventy-five percent (75%), less any previous payments. This represents an additional fifteen percent (15%) to

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- (4-16) be Paid during the Construction Period. Payment of this portion of the fee shall be made at the time construction draws are made and amount will be based on percentage of completion.
- (3) The balance remaining (25%) at Final Endorsement.
- g. Neither the Borrower, Sponsor, nor any other entity having an identity of interest with the Borrower or Sponsor may earn

any fee for providing services which otherwise would be provided on a fee basis by a housing consultant. Therefore, the MCE must review the application to assure that this requirement is met.

- h. The consultant's efforts must be directed exclusively toward serving the nonprofit Borrower and the tenants. This consultant must certify on Form HUD-92531-EH that no payment has been or will be received either in the form of stock, options to buy stock, or compensatory professional or financial services from any parties to the transaction, including, but not limited to, the seller of the land, attorney, architect, surety, title company, general contractor, and any subcontractor or material supplier other than the consultant's fee specified in the Contract with the nonprofit Borrower. This assures the complete independence of the consultant and precludes any other party from receiving payment for consultant services. As set forth below, an exception may be granted at the discretion of the Area Manager in the case of management services.
- i. Subject to the approval of the Area Manager, a housing consulting firm may also be retained by the Borrower to act as the management agent for the same project. Such approval may be given only after the Field Office has determined that the consulting firm is highly qualified to perform the management services for the project and that a benefit to the project through increased efficiency and/or lower costs will accrue. In cases where the Area Manager approves the consulting firm to act in a dual capacity of consultant and management agent for the same project, the firm will be allowed to collect the separate fees for services rendered. However, that firm will not be entitled to collect the full fee which is included in the Supplemental Management Fund. In such cases, the Supplemental Management Fund will be reduced by \$25 per unit in processing. This reduction takes into consideration that there is an overlapping of certain functions and the management agent, in its role as the consultant, will be duly compensated for reviewing the feasibility of the project and

- (4-16) the management plan during the development stage of the project. Accordingly, the management agent's Contract must be modified, as appropriate, to reflect the exclusion of the \$25 per unit fee attributable to such services.
- j. The MCE shall perform a credit investigation on the housing consultant, as described in paragraph 4-12.
- k. The MCE also shall review the consultant's qualifications contained in Exhibit 5 of the applications. MCE's

recommendation regarding approval or disapproval of the consultant will be handled in accordance with paragraph 1-10(d) of this Handbook.

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SECTION 5 - VALUATION ANALYSIS.

4-17. GENERAL. Valuation procedures and analyses are to be completed in accordance with HUD Handbook 4465.1, except as modified herein. All applicable processing procedures pertaining to Section 8 valuation functions are contained in this Section. In the case of applications for projects with less than all of the rental dwelling units assisted under Section 8, valuation processing should indicate that sufficient market demand is anticipated for the unsubsidized dwelling units in order to assure the feasibility of the project. For applications involving 100 percent Section 8 coverage of the rental units, the extent of the valuation processing during the review and evaluation of the Section 202 application at the fund reservation stage is based on those factors which are necessary to determine the eligibility of the location, acceptability of the design concept and compliance with the Fair Market Rent Limits (FMRLs). It should be noted that a determination of the value of the site fully improved will not be made at the Fund Reservation Stage, but at the Conditional Commitment Stage. Valuation processing will include, except for projects designed exclusively or primarily for the nonelderly handicapped, the following:

- a. An inspection of the site(s) and neighborhood(s) to determine acceptability of the location(s) for housing for the elderly and compliance with the Site and Neighborhood Standards set forth in Section 880.206(a) (e) (g) (h) and (j) of the Regulations, 1/
- b. Initiation of Environmental Clearance and assignment of a Land Use Intensity (LUI) number,
- c. A determination of the marketability of the dwelling units,
- d. A determination that the proposed construction is permissible under the applicable zoning ordinances, or the statement provided by the Borrower of the proposed action to make the construction permissible is acceptable, and
- e. A determination that the Borrower has title to or has submitted other evidence of site control.

1/ In the case of the applications involving substantial rehabilitation, the corresponding sections in the Section 8 Rehabilitation Regulations (Part 881) shall be utilized.

4-18. LOCATION ANALYSIS. Site location is of the utmost importance in the success of any housing development. Proper site location can greatly influence the success or failure of housing for the elderly or handicapped.

- a. Remote or isolated locations are to be avoided.
  - (1) It is essential that residents of projects for the elderly or handicapped have ready access to religious institutions, hospitals or clinics, and other community services, shopping, recreational facilities, and public transportation.
  - (2) Shopping facilities for day-to-day necessities such as groceries and drugs should be within walking distance, or delivery at reasonable cost must be available.
  - (3) Convenience of location to others upon whom the residents of the project may depend also is important. The location should be readily accessible to project employees, some of whom may require public transportation.
  - (4) Steep and uneven topography should be avoided, and sites should be barrier free.
- b. The site criteria set forth in this paragraph represent the ideal situation. However, it should be recognized that all characteristics, such as, proximity to religious, medical, community services, shopping, recreational facilities, and public transportation, will not always be present. These criteria are not intended to rule out housing in rural areas or any metropolitan area which is rural in character. Other factors, such as, the Sponsor's and Borrower's willingness, capacity, and plan to provide needed services to compensate for the lack of facilities in rural areas also should be considered.
- c. The appraiser's overall analysis with regard to acceptability of the location(s) for housing for the elderly shall be made in compliance with the Site and Neighborhood Standards, (Section 880.206(a) (e) (g) (h) and (j)) set forth in Items (1)-(5), below, as well as the Flood Plain Management and Wetlands Protection Requirements set forth in Items (6) and (7), respectively, below.

- (1) The site shall be adequate in size, exposure and contour to accommodate the number and type of units proposed; and adequate utilities (water, sewer, gas and electricity) and streets shall be available to service the site.
- (2) The site shall be free from adverse environmental conditions, natural or manmade, such as instability, flooding, septic tank back-ups, sewage hazards or mudslides; harmful air pollution, smoke or dust; excessive noise, vibration, or vehicular traffic; rodent or vermin infestation; or fire hazards. The neighborhood must not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable elements predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
- (3) The housing shall be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unsubsidized, standard housing at similar market rents.
- (4) Travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, shall not be excessive. (While it is important that housing for the elderly or handicapped not be totally isolated from employment opportunities, this requirement need not be adhered to rigidly for such projects.)
- (5) The project may not be built in an area that has been identified by HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, unless the project is covered by flood insurance as required by the Flood Disaster Protection Act of 1973, and meets any relevant HUD standards and local requirements.
- (6) Notwithstanding Item (5), above, pursuant to Executive Order 11988, Floodplain Management, the project shall not be built with its finished first floor elevation lower than the 100-year (1 percent probability) base flood elevation, nor shall it be built where the project would be significantly adversely affected by the velocity of

- (4-18) moving waters or by wave impact during a 100-year return frequency flood event. Referenced elevations may be

determined in accordance with the procedures set out in the U. S. Water Resources Council's Guidance for Floodplain Management (Federal Register Volume 42, No. 190), which are hereby adopted by reference, or in accordance with other demonstrably sound engineering practice.

- (7) Pursuant to Executive Order 11990, Wetlands Protection, the project shall not be built within wetlands (as defined in Section 7(c) of E.O. 11990), unless (1) there is no practicable alternative to such construction; (2) the project includes all practicable measures to minimize harm to wetlands which may result from such construction; and (3) all of the additional applicable requirements of the Order have been met.

- 4-19. ENVIRONMENTAL CLEARANCE. In conducting the environmental clearance, the instructions contained in HUD regulation in 24 CFR Part 50 and in Chapter 8 and Appendices A, B and C of Handbook 4010.1 CHG, Definitions, Policy Statement and General Rulings, shall be followed. (In the event of an inconsistency between the Handbook and Part 50, Part 50 shall be followed.) Although HUD's general policy on environmental considerations applies to all HUD actions, the procedural requirements for environmental clearances set forth in 24 CFR Part 50 do not apply to HUD actions which do not have a significant effect on the human environment. Therefore, HUD regulations categorically exclude from environmental clearance an individual action on a one-to-four-family dwelling and, under some conditions, rehabilitation and/or modernization projects. In all applicable cases, the appropriate environmental clearance must be completed prior to completion of the findings memorandum.
- 4-20. ASSIGNED RENTS. Although the Borrower's contract rents are not evaluated or approved until the submission of the application for conditional commitment, the appraiser shall check whether the Borrower indicated in Exhibit 24 that the gross rents (the sum of the contract rents and allowances, if any) are within the Fair Market Rent Limits.
- 4-21. MARKETABILITY. Although Section 202 projects are not subject to a rent comparability test, they must be of a quality to compete successfully for unassisted tenants in a balanced market at prevailing rental rates. However, a project which would not be marketable without Section 8 assistance either because of the unattractiveness of its design or because of the relative undesirability of its location within the community must not be approved for financing under Section 202. There must be a sustainable demand for assisted occupancy for the number of

\* EMAD staff in this regard. If the Borrower proposes less than 25 percent efficiencies in a project for the elderly, a determination must be made in conjunction with EMAD staff, as to whether efficiency units are readily marketable in the community. An application for a Section 202 fund reservation should not be approved in locations where there is an over-supply of nonseasonal dwelling units suitable for occupancy by the elderly or the handicapped. In those instances where an applicant is requesting less than 100 percent Section 8 assistance (with the exception of one nonrevenue-resident managers unit), the Field Office shall forward such requests together with its recommendations to Headquarters for review and approval. Such request must be submitted in sufficient time to allow Headquarters to act prior to convening the Field Office Selection Panel. \*

4-22. PREPARATION OF FINDINGS MEMORANDUM. Upon completion of the analyses set forth in this Section, the appraiser shall prepare a memorandum to the Housing Director, Attention: MHR, setting forth all findings and stating whether the following factors are acceptable or unacceptable:

- a. The site(s) meets the Site and Neighborhood Standards of Section 880.206(a) (e) (g) (h) and (j) of the Regulations.
- \* b. The number of assisted units and unit distribution by number of bedrooms at the proposed location are marketable. If less than 25 percent efficiencies are proposed in a project for the elderly, a finding must be made specifically discussing the marketability of efficiencies in the community and whether the number of efficiency units proposed can be justified.
- c. The proposed Contract Rents are within the Fair Market Rent Limits.
- d. The proposed project meets Environmental Clearance requirements.
- e. The proposed construction or rehabilitation is permissible under applicable zoning ordinances or regulations, or a statement of the proposed action to make the construction or rehabilitation permissible and the belief that such action will be completed successfully prior to the receipt of the conditional commitment for direct loan financing (e.g., a summary of the results of any recent requests for rezoning on land in similar zoning classifications and the time required for such rezoning, preliminary indications of acceptability from zoning bodies, etc.) is acceptable.
- f. The Borrower has title to or has submitted other evidence of site control.

SECTION 6 - EQUAL OPPORTUNITY ANALYSIS

4-23. GENERAL. The Fair Housing and Equal Opportunity Division (FH&EO) shall be responsible for reviewing the application with respect to the following:

- a. Acceptability of the site(s) with respect to areas of minority concentration, compliance with civil rights acts, promotion of housing opportunities.
- b. Form HUD 915, Certification in Connection with the Development and Operation of a Section 202 New Construction or Substantial Rehabilitation Project.
- c. Existence of unresolved or pending lawsuits or complaints relating to equal opportunity.

4-24. REVIEW FACTORS.- The following shall be evaluated with regard to the Site and Neighborhood Standards:

a. The site and neighborhood shall be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964. Title VIII of the Civil Rights Act of 1968, Executive Order 11063, and HUD regulations issued pursuant thereto.

b. If the application proposes new construction, the site shall not be located in:

- (1) An area of minority concentration unless (i) sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration, or (ii) the project is necessary to meet overriding housing needs which cannot otherwise feasibly be met in that housing market area.

(a) A determination of overriding need may be made if:

- 1 The Area Manager determines that there are no available sites for new construction outside areas of minority concentration;
- 2 The site is an integral part of an overall local strategy for the presentation or restoration of the immediate neighborhood; or
- 3 The site is located in a neighborhood experiencing significant private investment which is

(4-24) demonstrably changing the economic character of the area (a "revitalizing area").

(b) However, an overriding need may not serve as the basis for determining that a site is acceptable if:

- 1 The use of this standard in recent years has had the effect of circumventing the Department's obligation to provide housing choice; or
- 2 Racial discrimination is the reason why it is not possible to meet that housing need outside areas of minority concentration.

(2) A racially mixed area if the project will cause a significant increase in the proportion of minority to nonminority residents in the area.

4-25. REVIEW OF OTHER PERTINENT INFORMATION. The FH&EO Division also shall review the Sponsor and Borrower to determine:

- a. If the Sponsor and Borrower are on HUD list of ineligible participants;
- b. If there is a pending civil rights lawsuit brought by the Department of Justice;
- c. If, as result of formal administrative procedures, there are outstanding findings of noncompliance with civil rights statutes, Executive Orders or regulations which have not yet been satisfied;
- d. If the Regional Administrator has directed the deferral of applications during the pendency of procedures for effecting compliance with Title VI of the Civil Rights Act of 1964 pursuant to the Attorney General's Guidelines, 28 CFR 50.3, and the HUD Title VI Regulations, 24 CFR 1.8, or
- e. If the Sponsor and Borrower are in compliance with conciliation agreement(s) reached pursuant to Title VIII of the Civil Rights Act of 1968, if any.
- f. If relocation is indicated, Exhibit 21 shall be evaluated to determine whether the information required by paragraph 4-5e(5) is acceptable.

4-26. PREPARATION OF FINDINGS MEMORANDUM. Upon completion of the analysis set forth in this Section, the FH&EO Division shall prepare a memorandum to the Housing Director, Attention: MHR,

setting forth all findings and stating whether the application is acceptable or unacceptable.

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SECTION 7 - HOUSING MANAGEMENT ANALYSIS.

- 4-27. GENERAL. The application shall be evaluated by the Housing Management (HM) staff from an overall management viewpoint. This analysis should cover those portions of the application that have a direct bearing on the Borrower's and proposed management agent's (if identified) management capabilities and previous experience.
- 4-28. REVIEW FACTORS. The following shall be evaluated to determine whether:
- a. HM experience with the Borrower has been satisfactory, if the Borrower proposes self-management;
  - b. HM experience with the management agent has been satisfactory, if the Borrower proposes to contract with a management agent and the identity of the proposed management agent is known;
  - c. Analysis of information furnished by the Borrower in response to Part 3 of the application indicates that the Borrower will be able to provide the required management and maintenance services, and neither the Borrower nor the proposed management agent has had any previous HUD experience; and
  - d. The proposed location(s) of the project would not affect adversely other subsidized housing.
- 4-29. REVIEW OF FORM HUD-2530. If Form HUD-2530 reveals the Borrower has done business previously with the Field Office, the HM staff shall review and summarize its experience with the Borrower. Comments from the HM staff shall be forwarded directly to the Chief, Mortgage Credit Staff, for incorporation into its evaluation of the Borrower.
- 4-30. PREPARATION OF FINDINGS MEMORANDUM. Upon completion of the analysis set forth in this Section, the HM Division shall prepare a memorandum to the Housing Director, Attention MHR, which sets forth all its findings and stating whether the application is acceptable or unacceptable from a management viewpoint.

SECTION 8 - ECONOMIC MARKET ANALYSIS DIVISION ANALYSIS.

- 4-31. GENERAL. EMAD shall review the applications with respect to the project's overall market prospects (including both the assisted and unassisted units), the suitability of the proposed site With respect to an undue concentration of assisted persons in areas containing a high proportion of low-income persons, and consistency of the proposed project with HAP requirements or the need for assisted housing.
- 4-32. MARKET ANALYSIS. EMAD shall conduct a market analysis review to determine whether:
- a. There is demand for the number of assisted housing units proposed.
  - b. There is demand for the number of unassisted units for those proposals with a portion of their units not covered by Section 8 assistance. In accordance with paragraph 4-21 of this Chapter, prior Headquarters approval is necessary for those proposals requesting less than 100 percent Section 8 assistance.
  - c. Efficiency units are readily marketable in the community (if the Borrower proposes less than 25 percent efficiency units in a project for the elderly).
- 4-33. SITE REVIEW. EMAD shall determine, in accordance with Section 880.206(d) Site and Neighborhood Standards, whether the proposed site meets the requirement of avoiding an undue concentration of assisted persons in areas containing a high proportion of low-income persons.
- 4-34. HAP CONSISTENCY AND NEED REVIEWS. EMAD shall perform the analyses required to determine HAP consistency or need for housing assistance as specified in Section 10.
- 4-35. PREPARATION OF FINDINGS MEMORANDUM. EMAD shall prepare a market analysis memorandum to the Housing Director which sets forth the findings and provides a specific recommendation of approval or disapproval of the application.

SECTION 9 - ARCHITECTURAL ANALYSIS

- 4-36. GENERAL. All instructions contained in HUD Handbook 4460.1 relating to developing and processing of projects at the SAMA stage shall be followed. In addition the architectural analysis shall include an evaluation to assure that the design is not excessive in terms of design and cost of materials as required in paragraph 1-5h.

4-37. PREPARATION OF FINDINGS MEMORANDUM. Upon completion of the analysis set forth in this Section, including design concept, suitability of the design for proposed occupancy and acceptability of the architect (if identified), the Architectural and Engineering staff shall prepare a memorandum to the Housing Director, Attention: MHR, setting forth all findings and stating whether the application is acceptable or unacceptable.

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SECTION 10 - HOUSING ASSISTANCE PLAN CONSISTENCY  
AND HOUSING ASSISTANCE NEED REVIEWS

4-38. GENERAL. The Field Office must make an independent review of each application to determine HAP consistency or the need for housing assistance.

4-39. HAP LOCALITIES. For an application for which a notification letter using the format in Appendix 7 was sent (generally in HAP localities), the Field Office must make an independent review pursuant to Subpart B of 24 CFR Part 891, Review of Applications for Housing Assistance and Allocation of Housing Assistance Funds, in order to determine whether the application is consistent with the applicable HAP.

a. EMAD will conduct an analysis and make an initial determination of the proposal's consistency with the HAP based on information in the HAP and the application.

(1) The Field Office cannot approve the proposal if:

- (a) The proposed number of units exceeds the 3-year HAP housing-type or household-type goals for HUD-assisted rental housing, except as provided in (2) below,
- (b) The proposed location is not within the general locations specified in the HAP, and the local government has objected for specified reasons,
- (c) The proposal is inconsistent with any other limiting factors set forth in the HAP,
- (d) Taken together with other proposals previously funded or to be funded simultaneously, the proposal exceeds the 3-year HAP housing-type or household-type goals except as provided in (2) below, or
- (e) Taken together with other proposals Previously funded or to be funded simultaneously, the proposal would result in the housing assistance provided during the 3-year period being disproportionate to the 3-year

HAP household-type goals.

- (2) The Field Office may approve a proposal in excess of the HAP goals if:

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- (4-39) (a) The local government is not required pursuant to Section 570.306(c)(1)(B) to emphasize a household type(s) other than the household type(s) in the proposal; and
- (b) The proposal, taken together with other proposals previously funded or to be funded simultaneously, would not result in the housing assistance provided during the 3-year period being disproportionate to the 3-year HAP household-type goals. (In making this determination, EMAD will give consideration to the anticipated allocation of housing assistance during the balance of the applicable 3-year HAP period.);

And either:

- (c) The local government submits a written statement in accordance with 891.206(a) for a proposal which exceeds the 3-year HAP housing-type or household-type goals for HUD-assisted rental housing by 20 percent or less, and:
- 1 If no local government comments were received during the comment period and the Field Office determined that the proposal was otherwise approvable, the chief executive officer was advised that the proposal could not be approved unless the required written statement was received within 10 calendar days,
  - 2 EMAD review of the statement indicates that it meets the criteria of need for such assistance, availability of facilities and services, and lack of objection to approval of the proposal, and
  - 3 EMAD review of the statement indicates that approval of the proposal is necessary to obtain a project of feasible size and type, to meet urgent unforeseen needs or to utilize residual contract authority and that approval will not create a disproportionate distribution by household type;

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(4-39)

Or:

- (d) The local government submits and the Field Office approves an amendment to the HAP for a proposal which exceeds the 3-year HAP housing-type or household-type goals for HUD-assisted rental housing by more than 20 percent.
- b. EMAD will make a final determination taking into consideration any local government comments received prior to expiration of the comment period.
- (1) Where the local government submitted comments objecting to the proposal on the basis of inconsistency with its approved HAP, the Field Office must concur unless the independent review, based on substantial evidence, resulted in a determination of consistency. The Field Office will consider other comments provided by the local government which are relevant to approvability.
  - (2) Where the local government submitted comments indicating no objection on the basis of HAP consistency, the Field Office may approve the proposal unless the independent review resulted in a determination of inconsistency. The Field Office will consider other comments provided by the local government which are relevant to approvability.
  - (3) Where the local government did not submit comments, the Field Office may approve the proposal unless the independent review resulted in a determination of inconsistency.
- c. EMAD will complete the Independent Review of HAP Consistency (Appendix 9).
- d. Based on the EMAD review, the MHR will prepare a letter for the Area Manager's signature to the local government with a copy to the applicant, indicating the HAP consistency determination, the reasons for the determination and whether the proposal will continue to be processed. A proposal found to be inconsistent with the applicable HAP is not eligible for further processing.
- e. The MHR will forward the completed Review and letter through the Housing Director and the CPD Director to the Area Manager for final approval and signature.

- (4-39) f. The determination must be completed and the local government and applicant notified in writing, within 30 calendar days after receipt of local government comments or the close of the comment period, whichever is earlier.
- 4-40. NON-HAP LOCALITIES. For an application for which a notification letter using the format in Appendix 7-1 is sent (generally in non-HAP localities), the Field Office must make an independent review pursuant to Subpart C of 24 CFR Part 891, Review of Applications for Housing Assistance and Allocation of Housing Assistance Funds, in order to determine whether there is a need for the housing assistance and whether there are or will be adequate public facilities and services to serve the proposed housing.
- a. EMAD makes the Independent Determination of Need for Housing Assistance (Section A of Appendix 9-1).
- b. The Valuation Branch makes the independent Determination of Adequacy of Public Facilities and Services (Section B of Appendix 9-1) based on information obtained for the environmental clearance.
- c. EMAD and the Valuation Branch will consider any local government comments in making their final determinations which they will then attach to the Technical Processing Checklist.
- 4-41. SITE NOT SPECIFIED. For projects for the nonelderly handicapped, if a site is not specified in the application, Section 10 is not completed until the conditional commitment stage.

SECTION 11 - MULTIFAMILY HOUSING REPRESENTATIVE'S ANALYSIS.

- 4-42. GENERAL. The MHR shall review the application to make a determination whether the application as submitted, including any additional information requested by any reviewing office pursuant to paragraph 4-9b(1), is consistent with all program policies.
- 4-43. RELOCATION REVIEW. If the proposed housing will cause relocation, a copy of the applicable portions of the application shall be routed to CPD for review. CPD shall review and submit its comments to the MHR.
- 4-44. EVALUATION OF THE BORROWER'S CAPACITY TO CARRY THROUGH TO LONG-TERM OPERATION A PROJECT FOR HOUSING AND RELATED FACILITIES. The MHR, in consultation with the staff member(s) having community services functions or experience, as appropriate, shall review the quality and the extent of the following factors:
- a. The Borrower's prior housing and/or experience in operating

medical facilities, senior centers, and/or centers for the handicapped, including the nature and scope of such experience, special services provided, and the clientele served.

- (1) Consideration shall be given to: number of units, project type, vacancy rates, length of experience, waiting lists, special services or facilities and numbers and types of persons being served.
- (2) Guide for Determination. The housing or medical facility, senior centers, or center(s) for the handicapped currently must be financially viable, with experience related to the number of units being requested. For instance, 30 units operated successfully, in relation to a 50-unit request would be ideal in terms of capability, while a Borrower with 300 units having vacancies and financial difficulties, would be looked on as questionable. Additional support for an acceptable determination would be low turnover and vacancies, long history of experience, substantial waiting list(s), and a variety of services provided to the project or community residents. An example of a service facility or activities might be a meals-on-wheels program, community clinic, neighborhood facility, referral service, senior center, etc. Here the amount of funding for such programs and number of persons served would be important factors.

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- (4-44) b. The Borrower's experience in providing services for low income persons, including the elderly, handicapped and minority groups, the nature and scope of services, including the commitment of financial and other resources to such services.
- (1) Consideration shall be given to the same factors as outlined in subparagraph a(1) above.
  - (2) Guide for Determination. The factors to be considered are the same as outlined in subparagraph a(2) above, except that they will be evaluated in terms of specific provision of services to low-income elderly, handicapped, families or minority groups.
- c. The Borrower has furnished evidence that by its nature it has continuity and will be able to lend its support the project throughout the life of the loan.
- (1) Consideration shall be given to: the Borrower's ability to elicit community support, provide services through volunteer programs or obtain programs through community service agencies, etc., the extent of activities, period of involvement, and the size of the client group.

- (2) Guide for Determination. Strong evidence of ability to obtain community support, such as donations, successful fund drives (city or another body may be providing land for project), a wide variety of service activities in the community, large number of persons served by housing or related facilities, ability to make use of volunteer services, such as operating a meals-on-wheels program, etc.

4-45. PREPARATION OF FINDINGS MEMORANDUM. Upon completion of the analyses set forth in this Section, including relocation requirements, if any, analysis of comments received by the unit of general local government, and the overall capacity of the Borrower, the MHR shall prepare a memorandum to the Housing Director, setting forth all findings and stating whether the application is acceptable or unacceptable.

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SECTION 12 - SELECTION OF APPLICATIONS AND NOTIFICATION TO BORROWERS

4-46. MHR FUNCTIONS AT CONCLUSION OF TECHNICAL PROCESSING.

- a. All review comments including local government and A-95 comments and any accompanying documentation from technical review staffs shall be forwarded through the PC&R staff to the MHR. The selection process cannot take place prior to receipt of comments from the local government and A-95 clearinghouse, or expiration of the comment periods, whichever occurs earlier.
- b. The MHR shall reconcile any conflicting review comments (normally any problems will have been identified during the course of processing) by obtaining agreement from the affected offices or by referring the matter to the Housing Director for a decision, as appropriate. An application with outstanding adverse A-95 clearinghouse comments may not be selected unless the clearinghouse has been notified in advance and reconsideration procedures, as specified in HUD Handbook 1600.1, A-95 Requirements and procedures for HUD Programs, have been followed.
- c. After resolution of any conflicting comments, the MHR shall combine and review the various technical findings and prepare a Technical Processing Summary Report for each application. The Summary Report as provided in Appendix 10 shall be prepared by the MHR taking into consideration all technical review comments, local government comments and A-95. The MHR's responsibility is that of highlighting significant comments with regard to a specific application's strengths and weaknesses -- not to alter any technical conclusions reached by reviewing offices.

d. For each Application, the MHR shall calculate the total amount of loan authority which would be required, by using the following Procedure:

(1) Multiply the appropriate Section 202 cost limits by the number of units for each bedroom type for elevator or nonelevator structures as requested in Exhibit 1 of each application. See paragraph 5-34b for determination of applicable unit types for group homes. Applicable high-cost percentages shall be used, in accordance with HUD Handbook 4445.1 CHG.

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(4-46) (2) In order to take into account costs not attributable to dwelling use, add to the amount computed in accordance with (1), above, 10 percent of that amount to arrive at the Section 202 fund reservation for each project.

Example: Assume a 100-unit elevator building with the

Bedroom Type	202 Cost Limits 1/	No. of Units	Loan Amount
0 Bedroom	\$26,400	40	\$1,056,000
1 Bedroom	30,550	60	1,833,000
			2,889,000
		plus 10 percent	288,900
			\$3,177,900

e. The MHR shall provide a list to the Selection Panel with the number of units and amount of loan authority allocated to each allocation area. The MHR shall establish a summary of applications received from each allocation area, identifying the application, the number of units, amount of required loan authority, and whether funds are for metropolitan or nonmetropolitan areas.

4-47. DETERMINATION OF APPROVABILITY OF APPLICATIONS.

a. The Housing Director shall convene a selection panel comprised of the MHR and the Chiefs or appropriate representatives of the Mortgage Credit, Valuation, Architectural, EMAD, FH & EO, and HM staffs to determine which applications are approvable, and to rank order approvable applications in order to reach decisions as to which applications are to be funded. The Housing Director also should invite representatives of such State agencies as the Human Resources Administration, Vocational Rehabilitation Administration, and the Developmental Disabilities Council to provide advice and guidance to the

panel, particularly with regard to proposals for projects for the physically handicapped and the developmentally disabled. At least one, but not more than two such persons should be present at all meetings of the panel.

1/ To be adjusted by high-cost percentage, as applicable.

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- (4-47) b. In cases where a waiver of handbook or regulatory requirements is required, the Field Office shall forward the waiver request together with its recommendations in sufficient time to allow Headquarters to act prior to convening the Field Office selection panel. In addition, requests for less than 100 percent Section 8 assistance (with the exception of one nonrevenue-resident manager's unit), must be reviewed and approved by Headquarters prior to convening the panel.
- c. Each application which has received technical processing shall be reviewed by the selection panel in order to determine if it is approvable.
- (1) If loan authority available for an allocation area is insufficient to cover all approvable applications, all applications that the panel determines to be approvable shall be evaluated and ranked based on the criteria described in paragraph 4-48, below.
  - (2) The panel shall document the basis for determining that any application is not approvable. The basis for disapproval shall be contained in a letter to the Borrower for the signature of the Housing Director which advises that the application has been rejected and returns the application. A copy of the letter must be forwarded to Headquarters, Attention: Direct Loan Branch.
- d. In the event of insufficient approvable applications to utilize fully the loan authority indicated in the invitation for designated allocation areas, the Housing Director shall notify the Regional Housing Director immediately, in order that the unused loan authority can be reassigned to other Field Offices within the Region.
- (1) The Regional Office shall be responsible for monitoring all Field Office selection activity to assure timely reassignment to other Field Offices which may have more approvable applications than available loan authority.
  - (2) In the event the Regional Office has exhausted all alternatives in assigning unused loan authority from any of its Field Offices, the Regional Housing Director shall immediately notify the Director, Office of Multifamily

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4-48. RANKING PROCESS.

- a. All approvable applications will be evaluated by the Selection Panel on the basis of their merit relative to those of other approvable applications. The ranking process will consist of the following actions:
  - (1) Separate approvable applications into the following priority categories:
    - (a) Applications received for projects, (i) for the elderly from designated allocation areas and (ii) for the nonelderly handicapped received from either designated or nondesignated areas, (iii) which, in either case, are located in localities which have previously been underfunded relative to their needs and the funding needs of other localities.
    - (b) Applications received for projects (i) for the elderly from designated allocation areas and (ii) for the nonelderly handicapped received from either designated or nondesignated areas (iii) which, in either case, are located in localities which have not been underfunded relative to their needs and the funding needs of other localities.
    - (c) Applications for housing for the elderly received from areas not designated in the Invitation.
  - (2) Assign numerical ratings to each application on the basis Of its merits relative to the merits of other applications within its priority category.
- b. Numerical ratings are to be assigned for each of the following factors:

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Factor

Maximum Points

- (1) The Borrower's capacity to carry through to long-term operation, a project for housing and related

facilities	20
(2) The Borrower's financial capacity	30
(3) Location (Site/Neighborhood)	15
(4) Modest Design/Cost	30
(5) Extent of Displacement and feasibility of relocation	5
Maximum	100

c. The following guidelines are to be applied in determining the numerical rating for each factor. The term "Borrower" when used in this paragraph (4-48) also includes the "Sponsor" for projects that have a separate Sponsor.

- (1) In determining the basis for the Borrower's capacity to carry through to long-term operation a project for housing related facilities, the following factors are to be considered: (20 points maximum)
  - (a) Experience in providing housing or related services to the client group proposed to be served by the subject project. The scope, extent and quality of the Borrower's experience are to be considered. (10 points)
  - (b) Experience in providing housing or related services to lower-income persons or families. The scope, extent and quality of the Borrower's experience are to be considered. (5 points)

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- (4-48) (c) Extent of local community support for the Borrower's activities, including previous experience in serving the area where the project is to be located, and demonstrated ability to enlist local volunteers and local funds for its efforts. (5 points)

Note: In assigning numerical ratings to factor number (1), consideration must be given to evidence provided by the Sponsor or Borrower that it has organizational continuity and will be able to continue its support to the project throughout the life of the loan.

- (2) In determining the nonprofit Borrower's financial capacity, the following factor are to be considered: (30 points maximum)

- (a) Past financial history of the Borrower and the current outlook. (10 points)
  - (b) The Borrower's ability and willingness to provide start-up expenses and/or commit financial resources beyond the initial minimum capital investment. (10 points)  
  
Note: If the Borrower indicated a willingness to provide such funds, do its financial resources support such a commitment?
  - (c) The scope of the proposed project in relationship to the financial capacity and commitment of the Borrower. (10 points)  
  
Note; Other proposed projects by either the Sponsor or the Borrower as well as previous projects in development and/or under management must be reviewed.
- (3) In determining the desirability of the location (site and neighborhood), the following factors are to be considered; (15 points maximum)

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- (a) Proximity or accessibility to shopping, medical facilities, transportation, churches, recreational facilities, and other necessary services for the intended occupants. (5 points)
  - (b) Freedom from adverse environmental conditions (i.e., instability, flooding, mudslides, harmful air pollution, excessive noise or fire hazards) and overconcentration of low-income or assisted families and potential effect on HUD-insured and HUD-assisted projects in the area. (5 points)
  - (c) Reasonableness of the cost per unit and suitability of the property for the intended use and adequacy of utilities and streets (i.e., the proposed site development including number of units, location of building(s), parking, drives, service and recreation areas is suitable for the intended occupants and is cost effective). (5 points)
- Note: Special attention must be given under item (d) to the estimated cost of the site and whether the number of units proposed will result in a cost effective project.

(4) In determining compliance with modest design and cost containment objectives, the following factors are to be considered: (30 points maximum)

- (a) Architectural Treatment - The overall design concept is modest and will result in a project which will be economical to construct and efficient to operate after completion. (10 points)

Note: In assigning a numerical rating to this category, consideration must be given to:

--unusual building configurations not required to provide for the needs of the occupants and which would unnecessarily increase the extent of exterior walls, or which would require special materials or construction methods.

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--the Borrower's proposal to use alternative methods of construction and materials which have been demonstrated will reduce cost (item 7 of Special Submission Requirements).

- (b) Typical Unit Design - The proposed floor layouts and unit designs reflect economical and efficient use of space, suitable for the intended occupants. (10 points)
- (c) Amenities and Special Spaces and Accommodations - Items proposed are needed and suitable for the intended occupants, and modest in concept. (10 points)

Note: Amenities and Special Spaces and Accommodations that are proposed by the Borrower in excess of those items allowed by our cost containment guidelines, may be included if the Borrower can evidence its ability to pay for such items outside of loan proceeds. Therefore, the incremental increase in development cost for any excess amenities will be paid by the Borrower as a "front money" requirement at initial closing. However, any amenities or special spaces and accommodations (such as dishwashers, greenhouse, excess common area space, etc.) that will have an adverse impact on maintenance and other operating expenses may not be approved, unless the Sponsor provides

funds to cover additional operating expenses from nonproject revenues. The reason for excluding such amenities is that Section 8 rents would have to be increased to cover the excess operating expense.

(5) In determining the extent of the displacement, the following factors are to be considered: (5 points maximum)

(a) Projects involving no displacement. (5 points)

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(4-48) (b) Projects involving modest displacement with an adequate relocation strategy, its feasibility and the assistance provided to the displacees; (3 points) or

(c) Projects involving modest to significant displacement, where relocation will be difficult. (1 point)

d. Based on the guidelines set forth above, the standard ranking form (Appendix 11) shall be used by the Selection Panel with no deviations. It should be noted that, in ranking projects for the nonelderly handicapped, criteria 3, 4 and 5 are not applicable unless a site is specified in the application. However, in order to rank nonelderly handicapped projects on an equal basis with elderly projects, the Field Office shall use the percentage of total points possible when scoring nonelderly handicapped proposals. For example, a project for the nonelderly handicapped without a site identified could receive 40 out of a total possible 50 points for projects without sites (criteria 3, 4 and 5 excluded). Forty divided by 50 gives it a score of 80. This percentage of total points (80) would be the score used for comparison with the actual score given to projects which are site specific.

4-49. SELECTION PROCESS.

a. The Selection Panel shall identify, for each priority category established pursuant to paragraph 4-48a(1), the highest ranking applications in descending order which most reasonably approximate the estimated number of units which can be funded for each allocation area.

b. Applications should be selected for funding first from category (a) in paragraph 4-48a(1). Applications in category (c) should be funded only after applications in (a) and (b) have been exhausted.

c. An application in category (b) of paragraph 4-48a(a)1 which is

judged clearly superior to one in category (a) may be selected for funding if there is a minimum of a 5-point differential between competing applications. The minimum 5-point differential must pertain to the criteria dealing with the Borrower's financial capacity and/or modest design/cost. In

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- (4-49) all instances, the basis for selecting an application in category (b) over (a) must be well-documented and included in the Field Office Memorandum of Selection pursuant to paragraph 4-50.
- d. The Selection Panel in making its determinations, shall to the extent possible, assure a broad mix of eligible applicants and project types, including, among others, an appropriate mix of projects (by dollars and by units) for the elderly and nonelderly handicapped.
- e. Once the Panel has selected for funding applications sufficient to exhaust the Field Office's loan authority, including any additional funds received from the Regional Office, it shall determine if there are any additional approvable applications anywhere within the Field Office jurisdiction which cannot be funded due to insufficient Section 202 loan authority. If so, the Panel shall identify such applications and recommend them to Headquarters for approval subject to the availability of funds.

4-50. PREPARATION AND REVIEW OF MEMORANDUM OF SELECTIONS.

- a. MHR Functions. The MHR shall prepare a memorandum from the Area Manager, through the Regional Administrator to Headquarters, Office of Multifamily Housing Development, Attention: Direct Loan Branch. The memorandum shall transmit the list of the applications selected for funding by the Selection Panel and a list of the applications identified pursuant to subparagraph 4-49e, above, and shall be certified correct, on the face of the original, by all members of the Selection Panel. A standard format and instructions for reporting initial field office selections, as well as additional approvable selections to Headquarters, is provided each fiscal year.

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- (4-50) b. Housing Director Functions.

- (1) The Housing Director shall review the list of those applications recommended for selection and the list of those applications not selected, but recommended for selection (if any) if additional funds were made available, in order to assure that selection of such applications will not result in an undue concentration of assisted persons in an area containing a high proportion of low-income persons. If so, he/she shall reconvene the the Selection Panel, so that appropriate modifications to recommended selections may be made.
  - (2) The Housing Director shall request the PC&R staff to initiate Form HUD-2530 clearance for all selected applications. All approvals shall be made subject to clearance under Previous Participation procedures. If any negative comments are received, the HDD/CU shall be responsible for determining whether they are sufficiently serious to warrant withdrawal of the Section 202 fund reservation.
- c. Regional Office Functions. In order to assure that all aspects of the selection process and especially that regarding modest design and cost containment have been administered consistently throughout the Region, selection recommendations will be forwarded to Headquarters through the Regional Offices. In addition, Regional Offices should review the list of additional selections and establish a Regional list of priorities for funding to assure an equitable distribution of back-up selections throughout the Regional Office's jurisdiction in the event additional funds are available from the Headquarters' Reserve (or through unused funds from field offices after initial selection recommendations have been made) to fund such additional applications. To this end, the Regional Administrator shall forward a cover memorandum with appropriate justifications including the Regional Office priority list which identifies the Regional Office's priorities for additional selections.
- d. Headquarters Functions. Director, Office of Multifamily Housing Development shall:
- (1) Review the memorandum to determine if loan authority will be made available to the Region to fund any or all of the applications identified pursuant to subparagraph 4-49e;
  - (2) Prepare a memorandum to the Housing Director with a copy to the Regional Housing Director which identifies those

- (3) Prepare Form HUD-185, assigning to the Regional Office, the loan authority necessary to fund those applications identified pursuant to subparagraph (2), above, and transmit the Form.

4-51. PREPARATION AND NOTIFICATION OF SELECTIONS. For each application selected in accordance with paragraphs 4-49 and 4-50, the following procedures shall be followed:

- a. The MHR shall calculate the total amount of Section 8 annual assistance funds which would be required, using the following formula:
  - (1) Determine the per unit housing assistance funds for each unit size by multiplying twelve times 110 percent of the maximum allowed under the Fair Market Rents as adjusted for projects serving the elderly (i.e. 105% of the published FMR).
  - (2) Determine the funds required for units for which Section 8 assistance is requested, by multiplying the number obtained in (1) above by the number of units in each unit size and add the results to obtain the total.
- b. The MHR shall prepare the Letter of Notification of Selection for Section 202 Fund Reservation (see Appendix 12 and the Form HUD-718, Funds Reservation and Contract Authority.
  - (1) Form HUD-718 shall be prepared in one original, one fully executed copy and three conformed copies as follows:
    - Block 1 A Name and Address of Project Identification: self explanatory
    - B Project Contract, IAA or Purchase order number: Project Number (Direct loan number, see paragraph 4-6-b(1)).

- (4-51) 2 Date of Preparation: self explanatory
- 3 Reservation Number: Number shall consist of program initials "EH", the fiscal year applicable and a sequential number beginning with "1" each fiscal year. Example - EH-78-1
- 4 Name and Title of Source Officer: MHR
- 5 A Appropriation or fund symbol: 86x4115 (01)
- B N/A

- C N/A
- D Reservation Outstanding: Leave blank for initial reservation for a project. For revisions to existing reservations, show amount in column 5F of the last HUD-718 processed for the project.
- E Insert the amount of the initial reservation for a proposed project. Insert increases to existing reservations without brackets and insert decreases with brackets.
- F Amount in column 5D, plus increases in column 5E, less decrease in column 5E equals the amount entered in 5F.
- 6 Purpose of this Action: Check appropriate box(es)
- 7 A Description of Project: Provide a brief description of the project including the number of units and if housing is for the elderly, handicapped or elderly/handicapped.
- B Contract Conditions (if any): Identify if funds are to be used in metropolitan or nonmetropolitan area.

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8 A&B Date and Signature of Source Officer: MHR

9 A Recommended: to be signed and dated by Housing Director.

B Authorized: to be signed and dated by the Area Manager.

C N/A

(2) After the Form HUD-718 has been prepared and signed by the source officer, the PC&R staff shall transmit it to RAD for prevalidation.

(3) RAD shall process the prevalidation request within one day of receipt and return the form to the Area Manager, Attention: Housing Director, immediately.

c. Upon RAD's verification of loan authority reserved on the Form HUD-718, the PC&R staff shall transmit the Notification letter

to the Housing Director for surname, and Form HUD-718 for signature (Block 9A). The Housing Director shall transmit the Notification Letter and Form HUD-718 to the Area Manager for signature (Block 9B).

- d. After the Area Manager signs the Notification Letter and Form HUD-718, the PC&R staff shall prepare, for Section 8 purposes, the Project Accounting Data, Form HUD-52540 (PAD) and Form HUD-52491.2, Section 8 Housing Assistance Payments Program Activity in accordance with Chapter 19 of Handbook 4050.1 and shall notify the MHR to prepare the nonselection letters (see paragraph 4-56).
- e. The PC&R staff shall mail two copies each of the following to the Regional Accounting Division:
  - (1) Conformed copy of Form HUD-718,
  - (2) Form HUD-52540 (PAD), and
  - (3) Form HUD-52491.2.

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f. The RAD shall verify, within 24 hours, by return teletype to the Area Manager, Attention: Housing Director, the project number, the number of units and the amount of Section 8 contract and budget authority reserved for the project.

4-52. CONGRESSIONAL NOTIFICATION: The Office of Congressional Relations will notify Congressional Offices of all Section 202 approved loans simultaneously. The Office of Multifamily Housing Development will coordinate with the Offices of Congressional Relations and Public Affairs to establish the public release date. Field Offices will be notified by telegram of any Headquarters' selections and when notification letters may be released.

4-53. ISSUANCE OF NOTIFICATION LETTER. After Congressional notification has been completed, PC&R will date the Notification Letter with the notification date in RAD's confirmation and will distribute the Letter and Form HUD-718 in accordance with Figure 1:

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DISTRIBUTION OF DOCUMENTATION

Direct Loan

	Program Accounting Division, OFA-CO	Division Office of Loan Origination	Area Office
Notification Letter 1/		copy	copy
Form HUD-718-Funds Reservation and Contract Authority			fully executed original
	Regional Accounting Division	Borrower	ARA for Housing
Notification Letter 1/		original/copy 2/	copy
Form HUD-718-Funds Reservation and Contract Authority	fully executed original		conformed copy

1/ A copy to the State and areawide A-95 Clearinghouse(s).

2/ Not mailed until Congressional notification period has elapsed or action has been cleared by Legislative Affairs. (See paragraph 4-45.) Field Office to mail letter by Certified Mail Return Receipt Requested.

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4-54. DURATION OF SECTION 202 FUND RESERVATION.

- a. The MHR shall be responsible for monitoring the progress of each fund reservation in accordance with the processing time schedules set forth in this Handbook.
- b. If the construction or substantial rehabilitation has not been started, within 1/ months from the date of the fund reservation, the MHR shall advise the Borrower that the reservation will be canceled unless an extension of time pursuant to Section 885.230 of the Regulations is requested and granted by the Area Manager prior to the expiration of the period ending 18 months from the date of the reservation. If granted, the extension will be for a period of six months.

4-55. CANCELLATION OF SECTION 202 FUND RESERVATION AND SECTION 8 CONTRACT AUTHORITY.

- a. When a Borrower either fails to accept its fund reservation within the allotted time period (which may include an extension requested by the Borrower and approved by the Field Office Director) or wishes to return its fund reservation subsequent

to its acceptance, the Field Office shall forward a memorandum to Headquarters, Director, Office of Multifamily Housing Development, Attention: Direct Loan Branch, requesting cancellation of the fund reservation. If Headquarters approves the cancellation, the MHR shall initiate cancellation of the Section 202 loan authority previously reserved. Cancellation shall be obtained through submission of Form HUD-718 by the Field Office to the RAD requesting cancellation of the outstanding fund reservation. The Borrower shall be informed in writing by the Area Manager of the cancellation of any announced fund reservation. A copy of such cancellation letter and Form HUD-718 shall be distributed in accordance with Figure 1, above. A reservation once canceled can not be reinstated. If the Borrower decides to apply again for the project, a new application would have to be submitted in response to subsequent invitations.

- b. Simultaneously with the cancellation of the Section 202 fund reservation, the MHR shall prepare the PAD canceling the Section 8 contract authority previously reserved.

4-56. APPLICATIONS NOT SELECTED

- a. Upon notification from the PC&R staff, the MHR shall prepare for the Housing Director's surname and the Area Manager's signature, a letter to each Borrower whose application was not selected.

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- (4-56) b. Letters to Borrowers shall state that the application was evaluated and found approvable, but not selected as a result of the ranking procedures.
- c. A copy of the letter shall be sent to the State and areawide A-95 clearinghouses.