
CHAPTER 4. COMMITMENTS

4-1. COMMITMENT REQUIREMENTS.

- a. Commitments issued Under Section 234(d). In developing a project under the Condominium Program a commitment is necessary to bridge the gap between the construction (or conversion) of the project and the issuance of the firm commitments for insurance of the individual mortgages. In projects to be constructed under Section 234(d) Commitment FHA Forms 3283, Insurance of Advances or 3284, Insurance Upon Completion, will be used. Schedule of Units, 3280-A, is to be attached. (See detailed instructions in paragraph 4-1.d. below.)

The Commitment for Insurance of Advances, FHA Form 3283, requires written assurance of financing of the mortgages of the proposed purchasers. This assurance may be in letter form from an approved mortgagee.

- (1) Eligible Mortgage Amount - Mortgage Limitation in Presold Projects. In Section 234 project cases where 80% in value of the units has been sold on a condominium basis prior to initial endorsement, the project mortgage amount may be as much as 90% of the HUD-FHA estimate of replacement cost, as provided in Chapter 9 of this Handbook.
 - (2) Eligible Mortgage Amount - Mortgage Limitation in Projects Where the Units Have Not Been Presold. In Section 234 projects where 80% in value of the units has not been sold before initial endorsement, the project mortgage amount developed under the above underwriting instructions will be reduced at initial endorsement to an amount not exceeding the lesser of (a) or (b) below:
 - (a) 80% of the "Total Estimated Replacement Cost of Project" (Line H-80, Page 2 of FHA Form 2264-B).
 - (b) 85% of the sum of the condominium unit mortgage amounts.
- b. Revision of Commitment Forms. Until the commitment forms have been revised in line with the foregoing, the following sentence shall be typed in at the end of the opening paragraph of Commitment For Insurance of Advances FHA Form 3283 and for Insurance Upon Completion, 3284:

- (4-1) "This amount shall be reduced to if, at the time of initial endorsement, 80% of the total value of all the units shall not have been subscribed to by HUD-FHA approved condominium purchasers."
- c. Method of Amortization. In mortgages insured under Section 234(d) amortization is on a level annuity basis.
- d. Blanket Commitment for Use In Cases Where Project is Not Constructed Under Section 234(d). Upon approval of the proposed Enabling Declaration (FHA Form 3276-A) and completion of processing, the "Blanket Commitment for Insurance of Individual Mortgages," FHA Form 3275-A, will be issued.
- (1) The blanket commitment will have affixed as Exhibit A, a Schedule of Units (FHA Form 3280-A) listing the several units comprising the condominium and will reflect the respective valuations, mortgage amounts, ratio of unit values, and estimated monthly expenses applicable to each unit. This information will have been ascertained during the valuation processing and will be necessary for the sponsor's use in the final preparation of the Enabling Declaration FHA Form 3276-A and the solicitation for purchasers of the family units. The figures listed in Column 1 (Proposed Sales Prices) as submitted by the owner, will not be included. To avoid the necessity of retyping FHA Form 3280-A, it will be permissible to attach to the commitment a photocopy of the original FHA Form 3280-A, Schedule of Units, after blocking out the figures listed in Column 1.
- (2) The amount of the unit mortgages on the Schedule of Units shall be computed pursuant to the provisions and limitations of Section 234.27 of the Regulations.
- (3) In those cases involving existing construction it may be necessary for the mortgagor to submit surveys, site information, zoning regulations and/or other documents which are normally submitted prior to construction. In such cases it will be necessary to impose appropriate additional conditions in the commitment.

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- (4-1) (4) A copy of each blanket commitment issued will be forwarded to the Office of Underwriting Standards.
- e. Assignment of Commitment. A commitment may be assigned by one approved mortgagee to another while it is outstanding or during the reconsideration period in the following manner:
- (1) By the holding mortgagee returning the commitment to HUD-FHA with a letter requesting that the same commitment be re-issued to the approved mortgagee; or,
 - (2) By the holding mortgagee transferring the commitment to the assignee. When a commitment is assigned by one approved mortgagee to another, written evidence of the assignment must be placed on, or attached to, the original commitment by the assignor. The HUD Field Office must be notified of such assignment and such notice will be placed in the Field Office Docket.
- f. Extension of Commitment. A Section 234 blanket commitment may be extended in the discretion of the Director for 60-day periods. No commitment extension fee is required in connection with the initial sale of units in the condominium.