

APPENDIX 5. FIRM APPROVAL LETTER

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
OFFICE OF HOUSING - FEDERAL HOUSING COMMISSIONER

FIRM APPROVAL LETTER  
Housing Finance Agency Risk Sharing Pilot Program

TO: HUD Mortgagee No:  
(Housing Finance Agency/Mortgagee)

(Project Number)

(Street)

(Name of Mortgagor)

(City and State)

TO WHOM IT MAY CONCERN:

We understand that you, as Mortgagee, have agreed to make a loan to \_\_\_\_\_ (hereinafter called the "Mortgagor"), for \_\_\_\_\_ units of multifamily housing for an estimated mortgage amount of \$ \_\_\_\_\_, to be secured by a credit instrument and security instrument (hereinafter jointly called the "Mortgage") covering the real property situated in the [city/town] of [name] and State of \_\_\_\_\_, at \_\_\_\_\_.

We understand that it is your intention to present the said Mortgage to the Department of Housing and Urban Development for mortgage insurance under Section 542(c) of the Housing and Community Development Act of 1992, and the regulations thereunder now in effect.

We understand that you agree to reimburse the Department of Housing and Urban Development \_\_\_\_\_ per centum of any loss which may occur due to default while the mortgage insurance is in force.

Addendum No. \_\_\_\_\_ to the Risk Sharing Agreement between your Agency and the Department of Housing and Urban Development reflecting the units for this project is enclosed. Changes to the number of units must be made through an additional addendum(s).

The reviews retained by the Department of Housing and Urban Development pursuant to 24 CFR 266.210(a), (b), and (c), and 266.205(b) have been completed and resulted in the following determinations:

(a) The principals of the mortgagor, general contractor, consultant or management agent have been cleared through the Previous Participation and Clearance Review Procedures in accordance with 24 CFR 200.210 through 200.218.

(b) The requirements of 24 CFR 52, Intergovernmental Review have been met and administrative instructions associated with the Housing Finance Agency Risk Sharing Program have been

followed/are not applicable.

(c) The project is not located in a military impact area.

With the firm approval of \_\_\_\_\_ units for the subject project, \_\_\_\_\_ units remain in your Agency's set-aside for use in the Risk Sharing program.

[If the subsidy layering review is required and the review is not delegated to the Housing Credit Agency for the project jurisdiction, include the following:

[Prior to issuance of a firm financing commitment by your Agency, you must submit the documentation for subsidy layering for the review and approval by the Commissioner.]

The Federal Housing Commissioner acting herein on behalf of the Secretary of Housing and Urban Development hereby agrees to insure said Mortgage, absent fraud or misrepresentation by the Mortgagee, subject to a reduction of the mortgage amount (if required), under the provisions of said Act and regulations upon the following conditions:

1. The Mortgagee is in good standing and in compliance with the terms of the Risk Sharing Agreement executed on \_\_\_\_\_, 19 \_\_\_\_.
2. \_\_\_\_\_ A Closing Docket is submitted which meets the terms of 24 CFR 266.420.
3. The title and mortgage meet the requirements of 24 CFR 266.405 and 266.410, respectively.
4. For properties subject to the requirements of the Davis-Bacon Act pursuant to 24 CFR 266.225(a) (i.e., new construction or substantial rehabilitation insured advances cases), the Mortgagee has certified at final endorsement, that the laborers and mechanics employed in the construction of the project involved have been paid not less than the wages determined by the Secretary of Labor pursuant to the Davis-Bacon Act.
5. Other conditions as specified in an attachment to this Firm Approval Letter.

A review of potential adverse impact by this project on existing or proposed Federally insured or assisted projects has been made and comments are attached to this Firm Approval Letter.

Upon endorsement of the Mortgage, the Mortgagee shall pay to the Commissioner, a mortgage insurance premium equal to \_\_\_\_\_ per centum of the principal amount of the Mortgage insured to cover the first year's mortgage insurance premium and shall continue to make payments thereafter as required by the aforesaid regulations.

This Firm Approval Letter tentatively obligates credit subsidy pursuant to the Federal Credit Reform Act of 1990. An amount of

\$ \_\_\_\_\_ in Fiscal Year 19 \_\_\_\_ credit subsidy will be obligated to the subject project upon the acceptance of this Firm Approval Letter in accordance with Department procedures. If the mortgage amount on which this obligation of credit subsidy is based increases subsequent to this Firm Approval Letter and the credit subsidy confirmation letter, your Agency must request an additional credit subsidy allocation to cover the increase amount.

This Firm Approval Letter shall expire 1 year from the date hereof if the subject project has not reached endorsement (initial endorsement for insured advances; final endorsement for existing projects) or construction start (for insurance upon completion cases), unless duly extended in writing by the Commissioner. Upon such expiration all rights and obligations of the respective parties shall cease. Prior to any extension of this letter, the Commissioner may, at his/her option, reexamine the letter to determine whether it shall be extended and under what terms it shall be extended.

It is a condition of this Firm Approval Letter that any change in the Mortgagor upon which this letter is predicated must be requested in writing by the Mortgagee on behalf of the proposed substitute Mortgagor(s), and such request must be approved in writing by the Commissioner.

This Firm Approval Letter and the attachments referred to herein together with the Risk Sharing Agreement (including Addendum No. relative to this project), and the applicable regulations, 24 CFR Part 266, constitute the entire agreement between us, and acceptance of the terms hereof is evidenced by the signature and seals of the Mortgagor and Mortgagee upon the lines provided below.

You must advise the Commissioner of your acceptance of this Firm Approval Letter by signing on the line indicated and returning such executed copy to the Commissioner on or before [insert date 10 business days from the date of the Firm Approval Letter].

This Firm Approval Letter is conditioned upon and shall not be enforceable against HUD until and unless all conditions stated herein have been satisfied.

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Secretary of Housing and Urban Development  
By: Federal Housing Commissioner

Dated:

By:

Authorized Agent

1. The above Firm Approval Letter to insure is hereby acknowledged by the undersigned, and we hereby agree to be bound by the terms thereof.

Attest:

(Mortgagor)

Attest: Housing Finance Agency/Mortgagee

By