

**Management Certification for  
Coinsured Projects**  
(with Identity-of-Interest or  
Independent Management Agents)

U.S. Department of Housing  
and Urban Development  
Office of Housing  
Federal Housing Commissioner



- 03530 -

Project Name:	FHA Project No
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City & State:

Acting on behalf of \_\_\_\_\_, the Project Owner, and \_\_\_\_\_, the Management Agent, we make the following certifications and agreements to the Lender and the Department of Housing and Urban Development (hereinafter referred to respectively as Lender and HUD) regarding management of the above project.

1. We certify that:

a. We have executed or will execute, within 30 days after receiving the approval(s) required by paragraph b below, a Management Agreement for this project. The Agreement provides/will provide that Management Agent will manage the project for the term and fee described below. Changes in the term or fee will be implemented only in accordance with Lender/HUD's requirements.

(1) Term of Agreement: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2) Fees:

- a. \_\_\_\_\_% of residential income collected
- b. \_\_\_\_\_% of commercial income collected
- \*c. \_\_\_\_\_% of miscellaneous income collected
- d. Special fees: Yes \_\_\_\_\_ No \_\_\_\_\_  
(If yes, describe in paragraph 4 of Attachment 1.)

(3) Calculation of Estimated Yield. (See Attachment 1.)

b. We will disburse management fees from project income only after:

- (1) We have submitted this Certification to the Lender.
  - (2) Lender has approved the Agent to manage this project.
- and**
- (3) If required by HUD's administrative procedures, Lender has approved the management fee.

c. We understand that no fees may be earned or paid after the Lender or HUD has terminated the management agreement.

d. If the Lender determines that the management fee is excessive, the Agent will:

- (1) Within 30 days of Lender's notice that the fee is excessive, either:
    - a. Reduce the fee to an amount the Lender determines to be reasonable.
- or**
- b. If the Owner concurs, appeal Lender's decision. If the Lender upholds part or all of the required reduction, the Agent will reduce the fee accordingly.

- (2) Refund to the project all excessive fees collected.
  - (3) Reduce any management fees payable by any excessive amounts included in them.
  - (4) Make any required reductions and refunds within 30 days after the date of:
    - (a) Lender's notice that the fee is excessive, if no appeal is filed.
- or**
- (b) Lender's decision letter on the appeal, if an appeal is filed.

2. The Agent certifies that the Management Entity Profile, dated \_\_\_\_\_, 19\_\_\_\_\_, is accurate and current as of the date of this Certification. The Agent agrees to submit an updated profile whenever there is a significant change in the organization or operations of the management entity.

3. We agree to:

- a. Comply with this project's Regulatory Agreement, Mortgage and Mortgage Note, any Subsidy Contract or Workout/Modification Agreement, and any applicable Lender and HUD handbooks, notices or other policy directives that relate to the management of the project.
- b. Comply with HUD requirements regarding payment and reasonableness of management fees and allocation of management costs between the management fee and the project account.
- c. Purchase goods or services from individuals or companies having an identity-of-interest with the Owner or the Management Agent only if the charges levied by those individuals or companies are not in excess of the costs that would be incurred in making arms-length purchases on the open market.

4. The Agent agrees to:

- a. Ensure that all project expenses are reasonable in amount and necessary to the operation of the project.
- b. Exert reasonable effort to maximize project income and to take advantage of discounts and credit the project with all discounts, rebates or commissions (including any sales or property tax relief granted by the State or local government) received with respect to purchases, service contracts and other transactions made on behalf of the project.
- c. Obtain contracts, materials, supplies and services, including the

\*Must not exceed the residential income fee percentage.

preparation of the annual audit, on terms most advantageous to the project and at costs not in excess of amounts ordinarily paid for such contracts, materials, supplies and services in the area such services are rendered or supplies and materials furnished.

- d. Solicit verbal or written cost estimates as necessary to comply with the provisions of this paragraph and document reasons for accepting other than the lowest bid. The Agent will maintain copies of such documentation and make such documentation available for your inspection during normal business hours.
  - e. Invest project funds that HUD policies require to be invested and take reasonable effort to invest other project funds, unless the Owner specifically directs the Agent not to invest those other funds.
5. We certify that the types of insurance policies checked below are in force and will be maintained to the best of our ability at all times. Fidelity bonds and hazard insurance policies will name the Lender and HUD as additional loss payees.
- a. \_\_\_\_\_ Fidelity bond or employee dishonesty coverage for (1) all principals of the Management Agent, and (2) all persons who participate directly or indirectly in the management and maintenance of the project and its assets, accounts and records. Coverage will be at least equal to the project's gross potential income for two months.
  - b. \_\_\_\_\_ Hazard insurance coverage in an amount required by the project's Mortgage.
  - c. \_\_\_\_\_ Public liability coverage with the Agent designated as one of the insured.
- Note: For any line not checked, attach an explanation as to why you cannot obtain that type of insurance. Such situations should be extremely rare.
6. The Agent agrees to:
- a. Furnish a response to Lender's management review reports, physical inspection reports and written inquiries regarding the project's annual financial statements within 30 days after receipt of the report or inquiry.
  - b. Establish and maintain the project's accounts, books and records in accordance with HUD's administrative requirements and generally accepted accounting principles and in a condition that will facilitate audit.
7. We agree that:
- a. All records related to the operations of the project, regardless of where they are housed, shall be considered the property of the project.
  - b. The Lender, HUD, the General Accounting Office (GAO) and those agencies' representatives may inspect any records which relate to the project's purchase of goods or services. This right to inspect extends to records of the Owner, the Agent or companies having an identity-of-interest with the Owner or Agent.
  - c. The following clause will be included in any contract entered into with an identity-of-interest individual or business for the provision of goods or services to the project: "Upon request of the Lender or (name of Owner or Management Agent), (name of

contractor or supplier) will make available to the Lender, at a reasonable time and place, its records and records of identity-of-interest companies which relate to goods and services charged to the project. Records and information will be sufficient to permit the Lender to determine the services performed, the dates the services were performed, the location at which the services were performed, the time consumed in providing the services, the charges made for materials, and the per unit and total charges levied for said services." We agree to request such records within seven days of receipt of the Lender's request to do so.

8. We certify that the Management Agreement will not contain the type of "hold harmless" clause prohibited by HUD. We agreed to be bound by the provisions in Paragraphs a, b and c below and certify that the Management Agreement will obtain these provisions.
    - a. The Lender and HUD have the right to terminate the Management Agreement:
      - (1) for failure to comply with the provisions of this Certification, or other good cause, 30 days after the Lender or HUD has mailed the Owner and Agent a written notice of its desire to terminate the Management Agreement;
    - or
    - (2) in the event of a default under the Mortgage, Note or Regulatory Agreement, immediately upon the Lender or HUD's issuance of a notice of termination to the Owner and Agent.If the Lender or HUD exercises this right, the Owner agrees to promptly make arrangements for providing management that is satisfactory to the Lender and HUD.
  - b. The Lender and HUD's rights and requirements will prevail in the event the Management Agreement conflicts with the Lender or HUD's requirements or restricts the Lender or HUD's rights.
  - c. The Agent will turn over to the Owner all of the project's cash, trust account, investments and records within 30 days of the date the Management Agent is terminated.
9. The Owner agrees to submit a new Management Certification to the Lender before taking any of the following actions:
- a. Authorizing the agent to collect a fee different from the percentage fees and any special fees specified in Paragraph 1 of this Certification.
  - b. Changing the expiration date or renewing the Management Agreement.
  - c. Undertaking self-management or permitting a new Agent to operate the project and/or collect a fee.
10. We agree to:
- a. Comply with the provisions of any Federal, State or local law prohibiting discrimination against any persons on grounds of race, color, creed, sex or national origin, including Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, Executive Order 11063 and all regulations implementing those laws.
  - b. Furnish HUD's Office of Fair Housing and Equal Opportunity

any reports and information required to monitor the project's compliance with HUD's fair housing and affirmative marketing requirements, including Form HUD-949, if applicable.

- c. Not discriminate against any employee, applicant for employment or contractor because of race, color, religion, sex or national origin.
- d. Provide minorities, women and socially and economically disadvantaged firms equal opportunity to participate in the project's procurement and contracting activities.
- e. If the project receives any form of direct Federal financial assistance, comply with Section 3 of the Housing and Development Act of 1968 and the regulations implementing this law. The Agent understands that this law and the regulations require the project to make training, employment and contracting opportunities available, to the greatest extent feasible, to lower-income project area residents and small businesses.

11. We certify that we have read and understand HUD's definition of "identity-of-interest" as defined in HUD Handbook 4601.1 and form HUD-9457, Regulatory Agreement, and that the statement(s) checked and information entered below are true. (Check line a. or lines b. and/or c.)

- a.  No identity-of-interest exists among the Owner, the Agent and any individuals or companies that regularly do business with the project.
- b.  Only those individuals and companies listed in Section 10 of the Management Entity Profile have an identity-of-interest with the Agent.
- c.  Only the individuals and companies listed below have an identity-of-interest with the Owner. (Show the name of the individual or company; list the services rendered; and describe the nature of the identity-of-interest relationship. (Attach additional sheets, if necessary.)

(1) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(3) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. The items checked below are attached.

- Proposed Management Fees.
- Management Entity Profile (Attach a profile only if you are updating a profile or submitting a profile for the first time. Do not attach a profile if the one you previously submitted is still current.)

Other(Specify) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious, or 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.

12 U.S.C. § 1715z-19 provides that: "Whoever, as an owner, agent, or manager, or who is otherwise in custody, control, or possession of property that is security for a mortgage note that is insured, acquired, or held by the Secretary pursuant to section..., 207, ...221(d), ...223(f), ...232, ...244, ... willfully uses or authorizes the use of any part of the rents, assets, proceeds, income or other funds derived from property covered by such mortgage note during a period when the mortgage note is in default or the project is in a non-surplus cash position..., for any purpose other than to meet actual or necessary expenses that include expenses approved by the Secretary (the co-insuring lender), shall be fined not more than \$250,000 or imprisoned not more than 5 years, or both."

Signed By:

Project Owner

Signature

Date

Name

Title

Acknowledged By:

Lender

Signature

Date

Name

Title

# Attachment 1

## Calculation of Estimated Yields

### From Proposed Management Fees

Project Name:	FHA Project No:	Date
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<b>1. Residential Fee</b>	a Monthly residential rent potential from the most recent Lender-approved Rent Schedule)	\$	a
	b Line 1a times .95**	\$	b.
	c. Percentage fee		% c
	d Monthly residential fee yield (line 1b times 1c)	\$	d
	e Total number of residential units (Include rent-free units)		e
	f Residential fee yield per unit per month (line 1d divided by 1e)	\$	PUPM f

**\*\*Note:** estimated at 95% of gross potential If you use a lower percentage, attach an explanation for collections percentage used Make sure that any assumption of a lower collections base does not compensate the Agent for services for which a special fee will be paid

**2. Commercial Fee** (Describe commercial space, how it is used and what services management provides )

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	a. Monthly commercial rent potential (from the most recent Lender-approved Rent Schedule)	\$	a.
	b. Percentage fee		% b
	c Commercial fee yield (Line 2a times 2b)	\$	c

**3. Miscellaneous Fee**

a Percentage fee (not to exceed the residential income fee percentage in Line 1c)

% a

b. List any miscellaneous income on which HUD allows a fee to be taken, but on which you have agreed a fee will **not** be.

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**4. Special Fees.** Show dollar amount(s), purpose(s) and time period(s) covered Describe performance standards and target dates for accomplishment of special tasks (Attach additional sheets, if needed.)

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