

FHA FORM NO. 3203  
Rev. April 1967

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION

COMMITMENT FOR INSURANCE OF ADVANCES \*  
(Section 234 - Project Mortgage)

TO: \_\_\_\_\_  
(Mortgagee)

\_\_\_\_\_

(Street)

\_\_\_\_\_

(City and State)

RE: FHA PROJECT NO. \_\_\_\_\_

\_\_\_\_\_

(Name of Proposed Mortgagor)

\_\_\_\_\_

(Location of Project Site)

\_\_\_\_\_

(Name of Sponsor to Whom Correspondence  
should be addressed)

\_\_\_\_\_

(Sponsor's Address)

The Federal Housing Commissioner having considered your application and exhibits submitted therewith for the insurance of a mortgage covering the above project, finds it to be eligible for insurance under the provisions of Section 234 of Title II of the National Housing Act, and the FHA Regulations thereunder now in effect. Subject to such Regulations and to the following conditions, the Commissioner will endorse as insured (but only to the extent of advances approved by the Commissioner) an original credit instrument, secured by a first mortgage upon the land and property included in the project, as hereinafter described, in an amount not to exceed \$ \_\_\_\_\_.

1. The loan shall bear interest at the rate of \_\_\_\_\_ per annum.

Amortization shall commence not later than the first day of the \_\_\_\_\_ month from the date of the mortgage. The loan shall be payable over a period of \_\_\_\_\_ months as follows:

- (1) For the first twenty-four (24) months on a level annuity basis by equal monthly payments of principal and interest of \$ \_\_\_\_\_;
- (2) On the twenty-fifth (25th) month the payment to principal shall be in the amount of \$ \_\_\_\_\_ and thereafter, on the first of each succeeding month until the entire indebtedness has been paid, an installment of principal shall be paid in an amount equal to 100.1 per centum of the principal payment which became due on the first day of the next preceding month, plus interest.

2. This commitment is subject to the following conditions:

- a. The Commissioner will approve for insurance, advances of mortgage proceeds made by you during the course of construction in accordance with a schedule to be agreed upon prior to initial endorsement. Such approval must be obtained on FHA Form No. 2403 prior to the date of each advance to be insured, and will be evidenced by the certificate of the Commissioner on such form. Form 2403-A must also be submitted if payment on account of construction is requested.
- b. During the course of construction, this Administration shall at all times have access to the property and the right for its own benefit to inspect the progress of construction. The inspection of construction by a representative or representatives of the Administration is for the sole benefit of this Administration in its determinations as to the acceptability of the security for mortgage insurance purposes.

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c. Upon completion of the project in accordance with the Drawings and Specifications, the credit instruments will be finally endorsed for insurance to the extent of the total advances of mortgage money approved by the Commissioner.

3. The following requirements must be met prior to initial endorsement of the mortgage:

\* a. The first year's mortgage insurance premium equal to one-half of one percent ( $\frac{1}{2}$  of 1%) of the mortgage amount and an inspection fee equal to one-half of one percent ( $\frac{1}{2}$  of 1%) of the commitment amount shall be paid to the Commissioner by the mortgagee.

b. The mortgagee shall collect from the mortgagor the following sums to be applied to the indicated items:

(1) A working capital deposit of not less than two percent (2%) of the mortgage amount shall be maintained in a depository approved by the mortgagee and the Commissioner to be disbursed by the mortgagee during the course of construction for taxes, mortgage insurance premiums, property insurance premiums and such other payments as may become necessary under the terms of the mortgage. The balance, if any, remaining in this deposit will be returnable to the mortgagor at the time of prepayment in full of the mortgage or voluntary termination of the mortgage insurance contract or if not so prepaid or terminated will be held for two (2) years following completion of the project during which time disbursements may be made with the approval of the Commissioner to meet payments which may become necessary under the terms of the mortgage. At the expiration of the two (2) year period any balance then remaining will be added to the Reserve for Replacements.

(2) Funds required over and above mortgage proceeds for completion of the project in an amount to be indicated by the Commissioner.

(3) Escrow Deposit to cover estimated cost of off-site utilities and streets . . .  
\$ \_\_\_\_\_

c. Copies of the following papers and documents, in form and substance satisfactory to the Commissioner, shall be duly executed and delivered to this Administration.

(1) Participation Agreement, if any, between Mortgagee and participating FHA approved mortgagees based on FHA model form.

(2) Assignment of the within commitment, if any, to an FHA approved mortgagee.

(3) Mortgage Note (or Deed of Trust Note) and Mortgage (or Deed of Trust).

(4) The Master Set and three extra sets of the final "Drawings and Specifications" (and also drawings and specifications for off-site improvements, if any) satisfactory to the Commissioner, including the additional conditions, if any, hereinafter set forth.

(5) Ground Lease, if any, based on the FHA model form, according the Commissioner and the Mortgagor the option to purchase the fee under stated conditions for the sum of \$ \_\_\_\_\_, and providing for an annual rental not in excess of \$ \_\_\_\_\_.

(6) An up-to-date Survey of the property, together with Survey Instructions and Certificate (FHA Form 2457).

(7) Certificate of Incorporation of the mortgagor corporation based on FHA model form. This certificate or the Regulatory Agreement shall contain a requirement for the establishment and maintenance of a Fund for Replacements to be accumulated at the rate of \$ \_\_\_\_\_ per month.

(8) By-Laws of the mortgagor in form satisfactory to FHA.

(9) Minutes of mortgagor's organization meetings, directors' meetings and stockholders' meetings, including resolutions authorizing the execution of the Mortgage Note and related papers.

(10) Building Loan Agreement (FHA Form 2441).

(11) Construction Contract - "Lump Sum" (FHA Form 2442) or "Cost Plus" (FHA Form 2442-A) as designated and modified by the Commissioner.

(12) Assurance of Completion of the project: Contract Bond - Dual Oblige (FHA Form 2452) or Completion Assurance Agreement (FHA Form 2450).

(13) Trade payment Breakdown prepared by the contractor and approved by the Commissioner.

(14) Architect's Agreement in a form acceptable to the Commissioner.

(15) Off-site contract providing for the construction of such off-site facilities and structures as are hereinafter designated in a manner and within such period as are satisfactory to the Commissioner.

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- (16) Escrow Deposit Agreement for off-site facilities (FHA Form 2446) or Off-Site Bond (FHA Form 3213), as designated by the Commissioner.
  - (17) Applicable zoning ordinances, maps and building permits.
  - (18) Mortgagor's Certificate (FHA Form 3212A), with required attachments.
  - (19) Mortgagee's Certificate (FHA Form 3220).
  - (20) Mortgagor's Attorney's Opinion addressed to FHA and mortgagee indicating compliance with all legal requirements in formation of mortgagor and execution of documents.
  - (21) Certificate, if appropriate, from Mortgagee's Attorney in lieu of chattel mortgage. (If a chattel mortgage is required, same must be furnished prior to final endorsement).
  - (22) Contractor's Certification regarding prevailing wage requirements (FHA Form 2482) and General Contractor's and Subcontractor's Statement (FHA Form 2482-A).
  - (23) Agreement and Certification (FHA Form 3305).
  - (24) Mortgagor's Certification as to the cost incurred by it for legal and organization expenses, together with evidence, satisfactory to the FHA, that it has the bona fide intention and the resources to effectuate the formation of the condominium association and the sale of the individual units therein.
  - (25) Written assurance of financing of the mortgages of the proposed condominium purchasers must have been submitted to and approved in writing by the undersigned.
    - d. The following requirements shall be met:
      - (1) Title evidence shall be supplied in a form satisfactory to the Commissioner.
      - (2) This Administration shall be furnished assurances from public authorities and public utilities companies that adequate sewer, water, gas and electric facilities for the project will be installed within a time designated by the Commissioner, as well as necessary public streets, sidewalks and curbing outside the project site.
      - (3) A Regulatory Agreement shall be executed by the mortgagor on a form acceptable to the Commissioner. In lieu thereof the Commissioner may require the mortgagor to issue preferred stock to the Administration.
4. The Mortgagee and Mortgagor shall make application for final endorsement on a form to be designated by the Commissioner. Prior to such endorsement, the Mortgagor shall furnish to the Commissioner evidence of bona fide efforts to effect sale of the units in the project on a condominium basis as contemplated herein.
5. All condominium organizational and solicitation documents must be submitted to the undersigned for written approval prior to public solicitation of condominium purchasers and solicitation must be made only pursuant thereto. All funds collected from prospective purchasers must have been escrowed with an escrow agent and in the manner specified in the Subscription and Purchase Agreement, FHA Form No. 3279.
6. Any variation from the terms of this Commitment, or any change in the Drawings and Specifications or any change in the sponsorship, must be explained in writing or in a supplementary application signed by the Mortgagor and Mortgagee, prior to the original endorsement of the credit instrument or, if made subsequent to such endorsement, prior to the date on which the Commissioner is requested to approve any further advance for insurance, which approval may be subject to such conditions as the Commissioner may prescribe. In the event of any such changes without such approval, the Commissioner reserves the right to refuse endorsement or to withhold approval of any advances pending compliance with the original terms and conditions of this Commitment.
7. This Commitment is conditioned upon the payment of a commitment fee of \$ \_\_\_\_\_ upon its delivery to the mortgagee. If said fee is not paid within thirty (30) days subsequent to the date of this commitment, this commitment shall become null and void and no extension will be permitted. A request for reopening received within ninety (90) days after this commitment becomes null and void will require the payment of customary reopening fee and the commitment fee.
8. This commitment shall terminate on \_\_\_\_\_, 19\_\_\_\_, unless renewed or extended by the Commissioner. Prior to any renewal or extension of this commitment, the Commissioner may, at his option, reexamine the commitment to determine whether it shall be extended in the same amount and under the same conditions.
9. A firm commitment to insure a mortgage within two years from the date of completion of the project on each individual unit listed in the Schedule of Units (Exhibit A attached hereto), will be issued by the Commissioner on FHA Form 3275\*\* upon submission of a Mortgagee's Application (FHA Form 2004a), duly executed by an

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approved mortgagee and a borrower whose credit standing, cash investment and other qualifications are satisfactory to the Commissioner. The amount of each credit instrument shall not exceed the sum set forth in Exhibit A and the mortgage term shall not exceed \_\_\_\_\_ months.

10. Initial endorsement under this commitment is conditioned upon a determination to be made by the Director of the FHA office having jurisdiction that the sale of Project No. \_\_\_\_\_ (Name), on a condominium basis is reasonably assured. \*\*\*

11. Any Principal who is now involved or who may later become involved in this project by way of financial interest, employment, or otherwise, as defined under the FHA Form 2530 procedure and who has not filed a certificate with the Commissioner fully disclosing his previous participation in FHA multifamily programs, shall file such a certificate on the form prescribed by the Commissioner and must be approved under these 2530 procedures prior to the initial endorsement of the mortgage for insurance.

12. Additional Conditions.

FEDERAL HOUSING COMMISSIONER,

By \_\_\_\_\_  
(Authorized Agent)

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

Dated \_\_\_\_\_  
(FHA Insuring Office)

\* In "Rehabilitation" projects, i.e. where 20% or more of the mortgage proceeds are to be used to cover the cost of new physical improvements, it is understood that the conditions of this commitment are revised as follows:

2. a. Advances, Drawings, Specifications and Inspection:

The Commissioner will approve for insurance advances of mortgage proceeds made by you to be applied to the purchase of the project in the amount of \$ \_\_\_\_\_, and approved repairs, improvements, alterations, or additions, hereinafter called improvements in the amount of \$ \_\_\_\_\_, in accordance with a schedule to be agreed upon prior to initial endorsement. Such approval must be obtained on FHA Form No. 2403 prior to the date of each advance to be insured, and will be evidenced by the certificate of the Commissioner on such form. Form 2403-A must also be submitted if payment on account of construction cost is requested.

3. a. The first mortgage insurance premium equal to one-half of one percent ( $\frac{1}{2}$  of 1%) of the mortgage amount and an inspection fee equal to one-half of one percent ( $\frac{1}{2}$  of 1%) of \$ \_\_\_\_\_, being the amount of this commitment allocated to the estimated cost of improvements shall be paid to the Commissioner by the mortgagee.

11. The mortgagor shall have filed with the Commissioner the report of an independent licensed mechanical engineer covering the condition of the premises.

\*\* Mortgagee should consult the form of Commitment for Insurance (FHA Form No. 3275), which sets forth conditions which must be complied with prior to insurance endorsement.

\*\*\* Applicable to all commitments other than the first issued in connection with a project to be developed in several sections.