

FHA FORM NO. 3423  
Rev. 7/75DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATIONForm Approved  
Budget Bureau No. 65-R-1066**REQUEST FOR PRELIMINARY DETERMINATION OF ELIGIBILITY AS  
NONPROFIT SPONSOR OF MORTGAGE***Under Section 221(4)(3), 231 or 232 of the National Housing Act*

TO: The Federal Housing Commissioner

\_\_\_\_\_  
*Name of Proposed Project*

c/o \_\_\_\_\_

\_\_\_\_\_  
*Location*\_\_\_\_\_  
*Section*  
*(221(4)(3), 231 or 232)*

The instructions on the reverse side of this form have been read and are fully understood. A preliminary determination as to the eligibility of the proposed mortgagor as a nonprofit corporation or association is requested. In order to assist in the determination, the information set forth below and on the attached exhibit is supplied.

1. The \_\_\_\_\_ received its Charter on \_\_\_\_\_  
*(Name of Sponsoring Group)*  
\_\_\_\_\_ pursuant to \_\_\_\_\_ of the laws of the State of \_\_\_\_\_  
*(Date)* *(cite Statute)*

2. Purpose for which the sponsoring group was formed (as stated in its Charter):

3. Motivation of the sponsoring group with respect to the proposed project:

To the best of my knowledge and belief, the foregoing information and that contained in the attached exhibit is true and correct.

\_\_\_\_\_  
*(Signature)*\_\_\_\_\_  
*(Date)*\_\_\_\_\_  
*(Title-Officer of Sponsoring Group)*

**INSTRUCTIONS RELATING TO REQUEST FOR PRELIMINARY DETERMINATION OF  
ELIGIBILITY AS NONPROFIT SPONSOR OR MORTGAGOR**

Sections 221(d)(3), 231 and 232 of the National Housing Act, as amended, provide financing for nonprofit mortgagors. A nonprofit mortgagor is defined in FHA Regulations as follows:

"The mortgagor shall be a corporation or association organized for purposes other than the making of a profit or gain for itself or persons identified therewith and which the Commissioner finds is in no manner controlled by nor under the direction of persons or firms seeking to derive profit or gain therefrom."

The purpose of this form is to obtain the information required to enable the FHA Commissioner to make a determination prior to issuance of a letter of feasibility and acceptance of an application, that the sponsor of a mortgagor and the mortgagor itself, if the mortgagor has been created, is truly nonprofit in accordance with the definition above. The purpose of the preliminary determination is to prevent, as far as possible, unnecessary outlay of funds for FHA fees, plans, etc., by a sponsor or proposed mortgagor, who may be found ineligible. If found ineligible, the application will not be accepted. If tentatively found eligible, sponsor, mortgagor and the parties supplying land and services, in accordance with the terms of the commitment to insure, will be required to formally certify as to motives and relationships prior to initial endorsement of the note for insurance. A determination as to eligibility will be made at that time.

Determination of nonprofit eligibility requires a knowledge of the motivation of the sponsor and mortgagor, relationship between the sponsor and mortgagor, and relationship between the mortgagor or sponsor and the various parties or firms concerned with the project and mortgage transaction. A relationship involving an identity of interest will be considered adverse unless it is one that in the judgment of the Commissioner is beneficial to the mortgagor corporation, the proposed project and the purposes of the legislation. For this reason, it is essential that there be a full disclosure of all relationships and of all facts pertaining to each relationship.

In addition to completing the form on the reverse side, an exhibit giving complete information for each of the items set forth below must be attached. Where arrangements have not been made, it must be so stated and information supplied as to what is contemplated.

- a. List of the officers and directors of the sponsoring group including names, addresses and title of positions.
- b. Relationship between sponsoring group and mortgagor (existing connections or proposed, if mortgagor has not been formed).
- c. Statement as to the source or sources from which the sponsor acquired its capital and acquires its income.
- d. Statement as to the extent and source of subsidy or cash to be made available to the mortgagor.
- e. Statement as to the ability of the sponsoring group to render the support set forth in "d" above.
- f. Detailed statement of the arrangements made or proposed for the following, listing the principals involved, the relationship between such principals and the sponsor and mortgagor, giving the terms of the arrangements and describing the circumstances surrounding each:
  - (1) Land upon which the project is to be built,
  - (2) Construction of the project, including the selection of the general contractor, subcontractors and architect,
  - (3) Legal and organization services,
  - (4) Financing of the project, and
  - (5) Management of the project.