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Issue

Mortgagee Informational Bulletin #4

I. 202 Refinance Under 223 F:

The Michigan Hub has been reviewing a number of 202 refinances under the 223 F program that contain a repair item titled "Owner Elective Repairs". The PCNA cost analyst has not been reviewing these costs for acceptability, stating these are costs provided by the owner/management agent. The MAP Guide makes no reference to these types of repairs. Therefore, effective immediately, the Michigan Hub is treating these as non-critical repairs and requiring the PCNA provider to review these costs and make an assessment of their reasonableness.

II. 223 F Escrow Releases:

Due to the increasing dollar amounts being submitted for 223 F escrow releases, the Detroit Multifamily Hub is establishing the following guidelines.

At a minimum, HUD staff will conduct inspections when the following overall percentages of work are completed on the project: 35%, 65% and 100%. This does not mean a particular line item must be completed. When the aggregate dollars reflect the respective percentages complete, an inspection can be requested. Lien waivers and invoices must support all monthly requests for payment.

The written request forms for payment and inspections should be sent to James Bow, Construction Coordinator. As the assigned Construction Analyst completes the work, a filed report will be written and submitted to the Construction Coordinator within 5 days of the inspection along with the request form and supporting documentation/invoices. HUD mortgage credit will complete the processing and submit it to the Director of Development for signature and distribution.

As per HUD Map guide 13.17.A4b(2), no mortgage proceeds may be advanced for deposits or stored materials.

While there is not an official change order procedure under 223 F, you are reminded that HUD must approve any change in the scope of work prior to the work being performed or deleted. Please route all change requests to James Bow, Construction Coordinator, Detroit HUD office.

III. Refinancing Existing FHA Mortgage:

We have had several instances where prepayment requests have not been submitted in a timely manner this has interfered with efficient closings. When refinancing an existing FHA-Mortgage, the existing FHA servicing lender must request prepayment approval of the old FHA mortgage no later than the time at which draft closing dockets are submitted to HUD for review. Closings of new mortgage cannot occur until HUD HQ has provided prepayment approval for the existing FHA mortgage.