



U.S. Department of Housing and Urban Development

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Issue

Mortgage Informational Bulletin #6

Screening of Applications with Paper 2530's:

As you know, current processing allows a five-day screening process by HUD staff to determine that all documents are present in the application package, as required by HUD guidance. This means that if the loan application contained a paper submission of 2530's (in addition to all other necessary documents); we have moved the application into technical processing. Since we have experienced an inordinate number of transactions that have submitted incomplete paper 2530s, which has significantly delayed processing, HUD staff will be reviewing them for completeness prior to putting the application into technical processing. The application will not be put into process until all outstanding screening deficiencies are resolved, and any required corrections to the paper 2530s are addressed. (Use of the electronic APPS systems prevents this delay, as the submission must be complete before the system allows it to be submitted.)

223 F Post Commitment Meeting:

This meeting is to be held for all multifamily facilities insured under HUD 223(f) refinancing. The purpose is to orientate all involved parties to the HUD regulations and procedures involved in servicing the repairs period and managing the reserve for replacement. It is hoped that a clear understanding of the draw process will expedite release of payments to property owners and contractors and bring the construction period to a timely conclusion.

The meeting is to be held soon after the commitment is accepted. The date to be arranged is within five business days of acceptance.

The Housing Programs Representative is responsible for scheduling and facilitating this meeting. This includes;

- Arranging the conference call line.*
- Notifying all participants.*
- Sending a copy of the agenda to each participant, either by mail or e-mail*
- Follow-up on any open item within three business days.*

All participants will be sent a copy of the agenda prior to the meeting and the 'sign-in' sheet with contact information for all participants following the meeting.

1. Introductions and sign-in

- The following representatives are required to attend this meeting:
 - The HUD Housing Programs Representative.
 - The HUD Construction Manager.
 - The HUD Asset Manager assigned to the facility.
 - A representative of the ownership entity.
 - A representative of the Management agent.
 - A representative of lender servicing the loan.

The Multifamily HUB director, Operations Director, Asset Management supervisor and MAP or TAP Team leader must be notified of the meeting.

3. A review of special conditions listed in Commitment.

- Date of commitment
- Explanation of cash to close requirement and necessity of having that cash on account at close.
- Critical and non-critical repairs.
- Reserve deposits.

4. Process for release of Repair escrow funds explained.

- Repair Escrow Release requests should be sent to The Construction Manager: James Bow at U.S. Department of HUD 477 Michigan Avenue Detroit MI 48226 Phone # (313) 226-7900 extension 8130.
- Once a portion of repairs are completed HUD form 92464 "Request for Approval of Advances of Escrow Funds" is completed and sent to the Construction Manager as listed above.
- If, based on the percent of completion, an inspection is required a construction analyst will be assigned to schedule an inspection.
- Currently we are requiring inspections at 35%, 65% and 100% completion. Draw requests outside of these percentages will be approved based on supplied invoices.
- Invoices for completed work must be submitted along with the HUD 92464. (The form must be completely filled out and signed by all parties.)
- Releases can be made only for work in place. HUD guidelines will not allow for down payments on labor or materials. (Releases for large amounts of materials on site may be considered but only with prior approval from the Construction Manager.)
- Once the inspection is complete the Construction Analyst will make any necessary adjustments in the payment amount based on actual completion and deliver the request form to the Mortgage Credit reviewer for processing. This process should take no more than 15 business days.

5. Final Draw.
 - The final draw can only be released once all repairs have been completed and found to be acceptable by the construction analyst.
 - Funds remaining in the escrow account, including the holdback portion, may be released when:
 - a. All repairs have been satisfactorily completed;
 - b. Evidence of clear title has been provided to the HUD office; and
 - c. Latent defects assurances have been provided by.
 - i. An escrow in cash or letter of credit.
 - ii. A Surety Bond for at least 10% of the repair cost
6. Changes in the list of critical repairs will not be allowed.
 - If battery powered smoke detectors are to be installed they must meet all of the requirements of MAP guide FAQ Chapter 5/11a. and 12. (see attached)
7. Changes in Non-critical repairs may be considered, but only with prior approval from the HUD Construction Manager.
 - Requests must be in writing and come through the servicing lender.
8. Items listed as owner electives in the application are considered non-critical repairs once they become part of the commitment.
9. Non-critical repairs must be completed within 12-months of closing. If for some Reason, beyond your control, you are not able to complete non-critical repairs within 12 months you must notify the Construction Manager prior to the end of the 12-month period and request an extension.
10. Draws and deposits from and to the Reserve for Replacement will be based on the reserve schedule prepared for the application and accepted in the commitment.
 - Unpaid invoices submitted after the commitment and prior to closing will not be released.
 - Draws from the Reserve for Replacement which involve items not included in the reserve schedule will be considered, however, the reserve schedule and deposits will have to be adjusted to account for future replacement of the new item at the end of its expected useful life.

