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FHA 4442.1

**RENTAL HOUSING  
FOR  
LOWER INCOME FAMILIES  
( Section 236 )**

**October 1968**

**A HUD HANDBOOK**

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U.S. Department of Housing and  
Urban Development Library Rm. 8141  
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## FOREWORD

The new programs of the Housing and Urban Development Act of 1968 are keyed to the national goal of building or rehabilitating in the next decade enough decent housing to replace almost all substandard dwellings.

Section 236 of the new Act encourages maximum participation by private enterprise to provide good rental and cooperative housing for lower income families. This program will enable many lower income families, including the elderly and the handicapped, to live in decent housing not now within their means. It will be an important factor in the necessary revitalization of America's urban centers.

This Handbook establishes the policy and procedural framework for the Section 236 program of rental housing for lower income families, a cornerstone of the effort embodied in the 1968 Act to help the millions of families now occupying inadequate housing to improve their environment.

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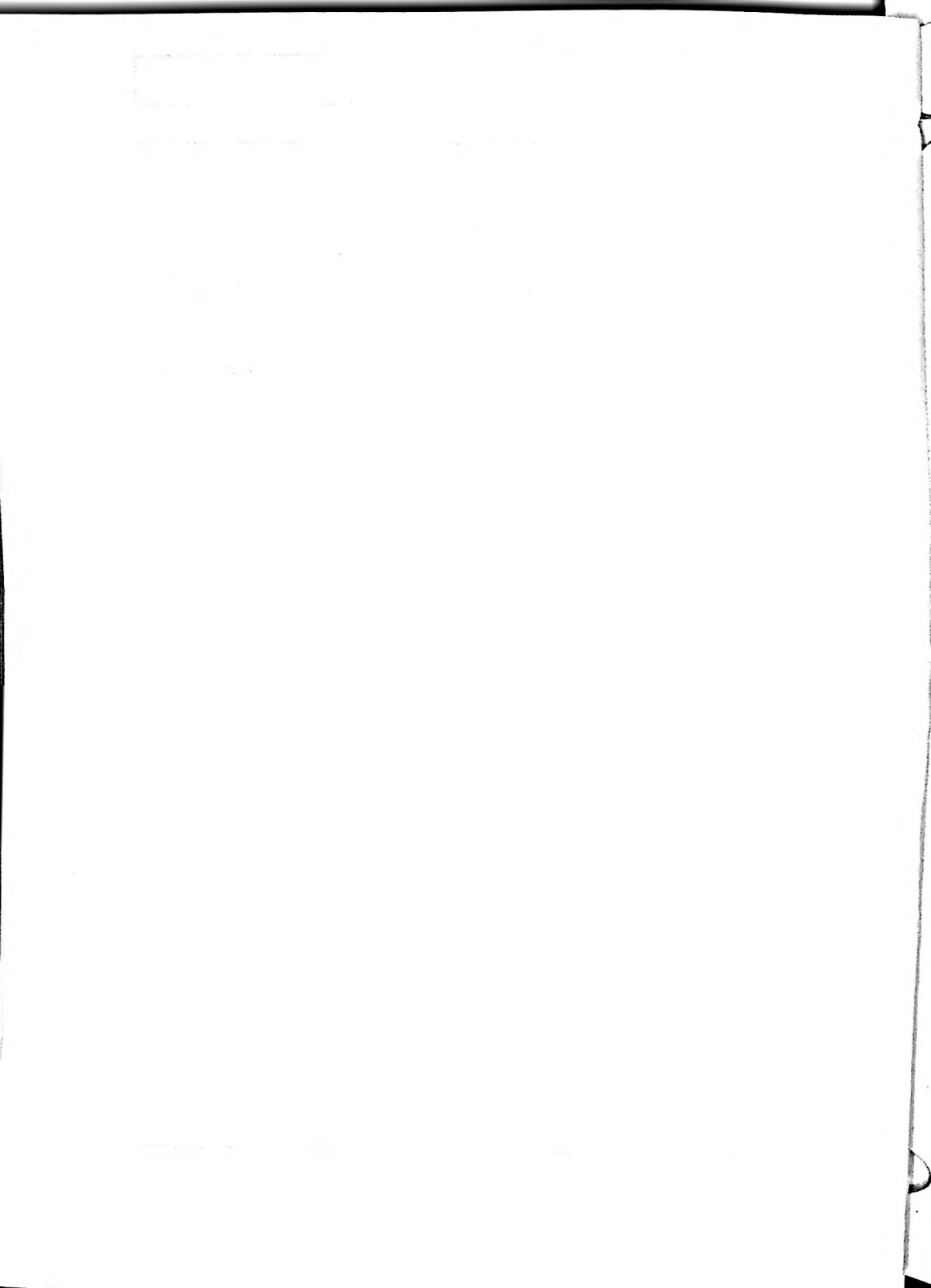
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1. INTRODUCTION. Section 201 of the Housing and Urban Development Act of 1968 established a new Section 236 of the National Housing Act to provide an assistance program for rental and cooperative housing for lower income families. The assistance is provided in the form of monthly payments to the mortgagee to reduce costs to the occupant by paying a part of the interest on a market rate project mortgage insured by FHA. Interest reduction payments may also be made with respect to a rental or cooperative housing project owned by a private nonprofit, limited dividend or cooperative entity which is financed under a state or local program providing assistance through loans, loan insurance or tax abatements. In general, the policies and procedures set forth in this Handbook will apply to State or city assisted projects. However, some modifications may be required. These will be handled on a case by case basis, and significant policy or procedural modifications required should be referred to the Washington office for review and approval.

To bring the monthly rental charges down to a level which lower income families can afford, the periodic assistance payments will reduce payments on the project mortgage from an amount required for principal, interest, and mortgage insurance premium on a market rate mortgage to an amount that would be required for principal and interest if the mortgage bore an interest rate of 1 percent.

A basic rental charge is determined for each unit on the basis of operating the project with payments of principal and interest under a 1 percent interest rate mortgage. The tenant or cooperative member will pay either the basic rental, or 25 percent of his monthly income, whichever is greater. However, his payment cannot exceed the fair market rental which would be charged if the project received no assistance. The family's income must be recertified every two years, and the rent charged the tenant adjusted accordingly. The interest reduction payments will not vary, but rental charges collected by the mortgagor in excess of the basic charges will be returned to HUD for deposit in a revolving fund for the purpose of making other interest reduction payments.

Eligibility for assisted admission to a project under Section 236 is generally limited to families whose incomes are not in excess of 135 percent of the limits established for initial admission to public housing projects in the same area. However, up to 20 percent of the funds authorized for Section 236 may be used to contract for interest reduction payments in connection with rental units occupied during the initial rent-up period by families whose incomes are somewhat higher, but not in excess of 90 percent of the limits prescribed for occupants of projects financed with Section 221(d)(3) below market interest rate mortgages. This 20 percent limitation will not be applicable to tenants

admitted after the initial rent-up. Such tenants who cannot afford the fair market rental within 25 percent of their income must have incomes not exceeding the higher of the two income limits.

Family income includes the stable income of all members of the household except that of minors and \$300 is deducted from gross family income for each minor member of the family living in the household. Some of the units in an assisted project may be occupied by tenants who are able to pay the fair market rental, without reference to the level of their income. Such occupants will not benefit from the interest reduction payments.

Up to 20 percent of the units in a Section 236 project may be occupied by tenants receiving rent supplement assistance under Section 101 of the Housing and Urban Development Act of 1965.

Section 236 projects may be placed in localities which do not have a Workable Program for Community Improvement approved by HUD. No specific approval of the local government body is required for a Section 236 project. However, where the occupants of the project will receive rent supplement assistance, the project must either be a part of a workable program or be approved by local authorities for participation in the rent supplement program.

The benefits of Section 236 will be made available through the Department of Agriculture in rural areas. A special agreement between the Secretary of Agriculture and the Secretary of HUD outlines the procedures for accomplishing this objective.

2. DELEGATION OF AUTHORITY. The Secretary of Housing and Urban Development has delegated to the Assistant Secretary for Mortgage Credit - Federal Housing Commissioner responsibility for the administration of Section 236, including allocation and disbursement of interest reduction payments.



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CHAPTER 1. ASSISTED RENTAL AND COOPERATIVE PROJECTS

3. ELIGIBLE LENDERS OR MORTGAGEES. To be eligible to apply for and receive commitments for FHA-insured loans under Section 236, a lender must be an FHA approved mortgagee, and must also be willing to receive monthly interest reduction payments on behalf of project mortgagors. Mortgagee approval is not required in the case of state or local assisted projects not involving FHA mortgage insurance.
4. FEES AND MORTGAGE INSURANCE PREMIUM. The fees and premiums required for Section 236 transactions are the same as for mortgages insured under Section 207 of the National Housing Act.
5. SPECIAL RISK INSURANCE FUND. Claims arising from mortgages insured under Section 236 will be paid in cash from the Special Risk Insurance Fund, established under Section 238 which was added by Section 104 of the Housing and Urban Development Act of 1968. Under certain circumstances, a mortgagee may be requested to assign its mortgage to FHA. In any such instance the mortgagee will receive as consideration for the assignment, the outstanding balance of principal plus any accrued interest, without the customary deduction of 1 percent.
6. ELIGIBLE SPONSORS AND MORTGAGORS. To be eligible for FHA mortgage insurance under Section 236, a mortgagor must be a nonprofit, limited distribution, or cooperative corporation or entity, as defined by FHA under Section 221(d)(3). The builder-seller arrangement for rental housing and investor-sponsor arrangement for cooperatives are also permitted, as defined by FHA under Section 221(d)(3). Public bodies do not qualify as mortgagors under this program. Insuring office directors will outline the qualifications for each type of private sponsor and mortgagor during the feasibility stage of processing applications.

For detailed discussion of nonprofit sponsors see the instructions accompanying FHA Form 3433 (as revised) "Request for Preliminary Determination of Nonprofit Sponsors or Mortgagors" (See Appendix 3). Details on the sponsorship, organization and operation of cooperative housing projects will be found in HUD's Cooperative Housing Handbook.

7. PROJECTS ASSISTED UNDER STATE OR LOCAL PROGRAMS. Interest reduction payments may be made for a rental or cooperative housing project owned by a private nonprofit entity, a limited dividend corporation or entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans,

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loan insurance, or tax abatement, and which is approved prior to completion of construction or rehabilitation. In these cases the projects need not be financed by FHA insured mortgagees and the FHA will recognize the organization and operation of the project under State or local programs to the extent they are not inconsistent with the National Housing Act.

8. HOUSING CONSULTANTS FOR NONPROFIT SPONSORS. Because some nonprofit organizations sincerely interested in providing multifamily housing often lack the technical staff and other facilities needed to develop a project, FHA may recognize in the mortgage commitment the expense to these organizations of obtaining the services of housing consultants. Consultants' efforts will be directed solely to assisting the nonprofit sponsor.

The consultant services may include:

- a. Assistance in the preparation of an application for project mortgage insurance to be executed by the sponsor and the proposed mortgagee.
- b. Assistance in the selection of a qualified architect and in the negotiations with him for a contract to prepare preliminary and final plans and specifications and to provide architectural supervision during construction, as well as assistance in the selection of and negotiation with a construction contractor and a lender.
- c. Assistance to the sponsor in negotiations with the Local Public Agency when the site is within an approved urban renewal project area.

For a more detailed outline of the type of services that may be provided by a consultant see FHA Form No. 2531-A, "Guide Form of Contract for Housing Consultant Services for Nonprofit Projects under FHA Programs." (See Appendix 5)

The fee for consultant's services is a matter of arrangement between the sponsor and consultant. It should be based on the extent and type of services agreed to. FHA has established maximum fees allowable from mortgage proceeds.

9. SPECIAL ASSISTANCE FOR NONPROFIT SPONSORS. Section 106(b) of the Housing and Urban Development Act of 1968 provides for loans to nonprofit organizations for preconstruction expenses of planning and obtaining federally-insured financing for the construction and



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rehabilitation of low and moderate income housing. This financial assistance is available to nonprofit sponsors of Section 236 projects under the terms set forth in the HUD Handbook, "Financial Assistance for Nonprofit Sponsors of Low and Moderate Income Housing".

Similar loans, authorized under legislation of the Appalachian Regional Commission, are also available to sponsors of housing financed under Section 236 in designated localities in the Appalachian region. The HUD Handbook, "Appalachian Housing Assistance", discusses this program in detail.

10. ELIGIBLE PROJECTS. Projects eligible under Section 236 must consist of five or more units which may be detached, semi-detached or row houses, or may be located in walk-up or elevator multifamily structures. Units need not be located on contiguous sites if they constitute a readily-marketable real estate entity and are located so as to permit reasonable and efficient management. Projects designed exclusively for the elderly or handicapped are eligible. Projects will generally involve either new construction or substantial rehabilitation. They must be of modest design and suitable to the market and selected site. Existing construction will be eligible only in certain exceptional cases. (See sections of this Handbook dealing with conversions and refinancing of projects and sales of projects to nonprofit or cooperative sponsors.)

The sponsor's architect and FHA staff should make every effort to produce maximum livability for the most reasonable expense. This can be accomplished by using construction techniques and materials that will reduce construction costs and by keeping future operating costs to a minimum. Good design should aim to incorporate features that will not cause premature obsolescence.

Cooperative projects are eligible under Section 236 and will be processed generally in the manner described in this Handbook. Members of cooperatives are eligible for the same assistance and subject to the same eligibility requirements as are prescribed in this Handbook for tenants, which the Act defines as including members occupying dwellings in cooperatives insured under Section 236. However, there are certain operational differences between rental and cooperative projects and tenants and cooperative members. Detailed instructions and procedures relating to the organization, formation and operation of cooperatives are set forth in the "Cooperative Housing Handbook."

11. ALLOCATIONS AND RESERVATIONS. Control of contract authority for Section 236 interest reduction payments, within amounts authorized annually by the Congress, will be carried out and records kept and

reported, by the FHA Assistant Commissioner-Comptroller (See Chapter 3, Fiscal Instructions).

Before a feasibility letter is issued, a reservation of funds must be requested by submitting FHA Form No. 3126 (See Appendix 6) through the Regional Administrator to the FHA Assistant Commissioner for Multifamily Housing, for his review and submission to the Assistant Commissioner-Comptroller.

Special attention is directed to the "Project Evaluation" checklist of criteria contained in Form No. 3126. There is no order of priority among these standards, and no one proposal can satisfy each item. Taken together, however, they represent a composite of those features of a Section 236 project considered most desirable and necessary to serve the important social objectives which Congress has assigned to this program. These criteria provide a basis for decisions on allocation of limited federal resources to Section 236 project proposals.

12. IN RESERVE

13. COMMERCIAL AND COMMUNITY FACILITIES. A project may include such non-dwelling commercial facilities as are deemed adequate and appropriate to serve the occupants and surrounding neighborhood, as long as the project is predominantly residential and any non-dwelling facility included in the mortgage is found to contribute to the economic feasibility of the project. Due consideration will be given to the possible effect of the project on other business enterprises in the community. Shopping and community facilities will generally be rented at not less than prevailing rentals in the community for similar facilities. The net lease income should provide a return on cost of the commercial at least equal to the market interest rate.

Projects designed primarily for occupancy by elderly or handicapped families may include for their use such related facilities as cafeterias or dining halls, community rooms, workshops, infirmaries or other in-patient or out-patient health facilities, and other essential service facilities.

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14. EMPLOYMENT OPPORTUNITIES. Lower income residents of the community shall be given, to the greatest extent feasible, opportunities to be employed in the construction or rehabilitation of housing produced under Section 236. Often lower income residents will require training to participate effectively in the employment opportunities created by the construction, rehabilitation, and management of projects. Insuring offices should assist sponsors in developing such employment and training programs.
15. CONTRACT OPPORTUNITIES FOR AREA BUSINESSES. Business concerns or individuals located in or owned by residents of the area in which Section 236 housing is to be built or rehabilitated should, to the greatest extent feasible, be given the opportunity to bid on contracts for planning, design, construction, material supply, maintenance, repair, and management of Section 236 projects. Often neighborhood suppliers and contractors will lack the experience to undertake such work and the financial capacity to meet bonding requirements. The insuring office director should explore with the sponsor ways to utilize neighborhood contractors, suppliers, and other firms. In this connection every effort should be made to encourage larger, more experienced construction, materials, and management organizations to enter into joint ventures with neighborhood firms.
16. PROJECT MANAGEMENT. The management of a housing project for lower income families requires certain skills and services beyond those required for a middle or upper income development.

It is important that there be a realistic plan for providing the socially-oriented management and related human services needed in low and moderate income housing projects. The insuring office must determine that a Section 236 project will be provided with this type of management. In addition to the physical quality of the housing, success of this program in older blighted areas is greatly influenced by the attitudes and responsiveness of the residents, and quality of management provided. Competent public or private agencies or neighborhood organizations may be enlisted to help develop and carry out an effective program of management and project operation. Project occupants can often benefit from homemaker training and other social and economic assistance. These may be provided and funded through OEO programs or through other public or private groups.

- A minimum management program should adequately provide for:
- a. Organization (the relation of the sponsor and working committee to the project manager).
  - b. Adequate personnel (appropriate management and bookkeeping services).
  - c. A method of handling initial occupancy and maintaining full occupancy.
  - d. Method of certification and recertification of the incomes of tenants occupying units at rents below the fair market rental.
  - e. Landlord-tenant relationships and lease provisions.
  - f. Collection policies and actions.
  - g. Program for maintenance and repair.
  - h. Training and employment of residents to the fullest extent possible.
  - i. Accurate records and efficient procedures for determining and refunding to FHA excess rentals collected from tenants over the basic rentals established for the project.
17. SIZE OF UNIT. The project mortgagor is responsible for the assignment of an appropriately sized unit for each eligible tenant, based on the number of persons in the household, their relationship and sex. Care should be taken not to assign a family a larger unit than is needed.

The following is a recommended schedule of unit size:

<u>Number of Bedrooms</u>	<u>Number of Persons</u>	
	<u>Minimum</u>	<u>Maximum</u>
0	1	2
1	1*	2
2	2	4
3	4	6
4	6	8

\* Only if no efficiencies are available.

Although the above recommended limitations should provide for varying needs without overcrowding, the mortgagor must recognize that different needs do exist. For example, a four-person family may need only two bedrooms if both children are of the same sex, but may need three bedrooms if there is one boy and one girl.

18. CONVERSIONS AND REFINANCING.

Section 221(d)(3) BMIR. Mortgages initially endorsed for insurance under the Section 221(d)(3) below market interest rate program which have not been finally endorsed, may be insured under Section 236. Upon receipt of a request for such conversion the mortgage transaction will be reopened and the case reexamined under the feasibility requirements of Section 236. If the request is granted, the insuring office director will issue a letter stating the conditions under which the mortgage will be insured pursuant to Section 236. There will be no change in the construction interest rate. No additional fees will be charged for such conversion. Fees paid to GNMA will be returned.

At the final closing of the mortgage transaction, the director will endorse for insurance under Section 236 the original mortgage note, as modified to comply with the conditions imposed, or a new instrument which satisfies those requirements. The endorsement panel in conversion cases will read as follows:

S A M P L E

STATE OF \_\_\_\_\_  
 LOAN No \_\_\_\_\_

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**NOTE**

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CHANGES AT FINAL ENDORSEMENT

TO

Add new project number - - - No. 000-44003

Strike former project number - - - No. ~~000-56011~~

Insured under Section 221(d)(3) of the National Housing Act and Regulations thereunder of the Federal Housing Commissioner

In effect on October 15, 1967

To the Extent of Advances  
 Approved by the Commissioner

FEDERAL HOUSING COMMISSIONER

By *Richard G. Kent*  
 (Authorized Agent)

Add statement indicating transfer of insurance - - - Date January 10, 1968  
 Insurance transferred to Section 236

A total sum of \$ 1,100,000  
 has been approved for insurance hereunder by the Commissioner

FEDERAL HOUSING COMMISSIONER

By *R. G. Kent*  
 (Authorized Agent)

Date June 21, 1969

Reference is made to the Act and to the Regulations thereunder covering assignments of the insurance protection on this note.

HUD-Wash., D. C.



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Outstanding commitments to insure Section 221(d)(3) BMIR mortgage loans may be reprocessed under Section 236, and the insurance may be under the latter section from initial endorsement.

Top priority will be given conversions. Insuring office directors should encourage conversions of outstanding commitments as well as those mortgage loans already initially insured under Section 221(d)(3).

Section 202. A mortgage given to refinance a loan which was made under Section 202 of the Housing Act of 1959 may be insured under Section 236, if the application for insurance is filed in the insuring office prior to completion of construction of the project, or a reasonable time thereafter. To be insured under Section 236, the mortgage loan may not exceed the amount of the Section 202 loan commitment, or in the case of a fully disbursed loan, the amount outstanding at the time of refinancing.

The procedure established for allocations and reservations of contract authority for new cases (See paragraph 11, above) also applies to conversions and refinancing transactions.

19. SALE OF PROJECTS TO NONPROFIT OR COOPERATIVE MORTGAGORS. Under certain circumstances, a mortgage loan to finance the purchase of an FHA insured limited dividend project by a cooperative or nonprofit organization may be insured under Section 236. The project must have been constructed or rehabilitated under Section 236 by a mortgagor which is other than a nonprofit or cooperative organization. The purchaser's mortgage can be insured in an amount not exceeding the appraised value of the property at the time of purchase. This may make it possible for the purchaser to borrow, under a single mortgage, the funds needed to finance the purchase, and for the seller to realize a net amount (from the proceeds of the sale), sufficient to recover its investment. The appraised value is defined by statute as the amount on which the debt service can be met from the property's income when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves. Where possible, arrangements may be made for modification of the existing mortgage and its assumption by the purchaser.
20. SALE OF INDIVIDUAL UNITS. Mortgages insured under Section 236 may provide that, at any time after final endorsement, the property may be released (in whole or in part) upon payment of that share of the unpaid mortgage balance allocable to the property to be released.

With prior approval of FHA a Section 236 sponsor may sell individual dwelling units to eligible purchasers under Section 235(i) provided

assistance funds are available thereunder for that purpose. (At such time as the occupant is eligible for such purchase every effort will be made to make funds available for this purpose under Section 235.)

Where prospective purchasers are eligible for interest reduction assistance under Section 235, the mortgagor may be released from its liability under the mortgage, or approval may be given to release portions of the mortgaged property from the lien of the mortgage, provided the purchaser assumes individual mortgage liability under Section 235.

21. AVAILABILITY OF SECTION 237 CREDIT ASSISTANCE. Sponsors contemplating sales of individual units should be acquainted with the new Section 237 program of credit assistance for lower income home buyers. Purchasers of units under Section 235 could qualify for this assistance. It is designed to help lower income families who, because of their credit histories or irregular income patterns, could not ordinarily qualify for FHA mortgage insurance but who are considered reasonably satisfactory credit risks and capable of homeownership with the assistance of counseling in budget, debt management, and related areas. For details of this program, refer to the HUD Handbook, Section 237, "Credit Assistance and Counseling for Low and Moderate Income Home Purchasers".
22. SPECIAL PROCESSING CONSIDERATIONS. The urgent social priorities of the Section 236 program make it imperative that FHA underwriting staff evaluate and process proposals with the maximum flexibility, speed, and affirmative cooperation with sponsors made possible by the latest FHA accelerated multifamily processing (AMP) procedures. All new construction applications, therefore, will be processed in accordance with AMP instructions, and all rehabilitation cases will be processed under the provisions of FHA No. 3900, 'Multifamily Rehabilitation Information Guide and Instruction Handbook' which adapts the AMP approach to the special problems of rehabilitation.

Although these requirements are flexible to suit the particular requirements of each sponsor, certain fundamental points are always followed in order that all sponsors will receive the same promptness and responsive cooperation from FHA insuring offices. In each office the Multifamily Coordinator and a design representative work closely with the sponsor and the sponsor's architect and provide liaison to insure that plans and specifications, when submitted, will conform with FHA requirements. Up to date cost data banks are maintained to assure quick cost determinations. To establish a sense of urgency for completing projects on time, the multifamily coordinator sets up schedules for processing decisions which must be

followed not only by FHA but by the sponsor, builder, architect and lender as well. Generally Section 221(d)(3) design and processing instructions will be applicable. Some of the special considerations inherent in the processing of Section 236 applications are:

- a. Market. Market analysis will include estimates of overall need for low and moderate rental housing in the community, distribution of eligible families by income and size and estimates of the number of families who are eligible for admission by reason of maximum family income. These data will be supplemented by insuring office staff to permit competent estimates of effective demand as it relates to the specific proposal under consideration
- b. Maximum Mortgage Amounts and Term. The mortgage may not exceed the lowest of the following:
  - (1) \$12,500,000
  - (2) 90 percent (100 percent in the case of nonprofit or cooperative mortgagors) of the FHA estimate of cost.
  - (3) 90 percent (95 percent in the case of nonprofit mortgagors) of estimated net income (after allowance for vacancy and collection losses and after deduction of estimated operating expenses, taxes and reserves for replacement) divided by the debt service rate. (The debt service rate for a 40 year 6-3/4 percent mortgage with MIP under the level annuity monthly payment plan is 7.740282.) FHA insuring offices will furnish rates for other terms of interest rates upon request.

The gross income will be calculated by using market rents for all space. Estimation of market residential rents will give consideration to the essential cost of producing housing for the market to be served.

In estimating income from space other than dwelling units, only two factors should be considered: (a) the obtainable rents in the market; and (b) whether the obtainable rents, which should be estimated only with regard to market demand will support at least a pro rata share (giving effect to the area covered and any special cost considerations) of expense and taxes plus debt service at the market rate and including the

mortgage insurance premium. If the test set forth in (b) above cannot be met, the nonresidential portion of the project should be eliminated or reduced to a point at which such test can be met.

To give effect to the fact that interest reduction payments will be made for every dwelling unit in the project, and that there will therefore be no vacancy or collection loss applicable to that portion of the funds available for debt service, vacancy ratios, which would in a nonassisted project be, in the judgement of the FHA insuring office director, calculated at 7%, will be calculated at 5%. Similarly, if the vacancy ratio would be calculated at 5% in a nonassisted project, 3-1/2% will be used for Section 236 projects.

- (4) The sum of the Section 221 statutory per unit mortgage limits.
- c. Monthly Rental Charges. The project sponsor, with prior approval, must establish for each dwelling unit based upon a reasonable distribution of cost and value of the individual units:
- (1) A basic monthly rental charge determined on the basis of operating the project with payments of principal and interest on a level annuity plan at 1 percent interest, and
  - (2) A fair market monthly rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium required on a level annuity mortgage at the market interest rate.

The actual monthly tenant rental (which will include all utilities except telephone) will be equal to 25 percent of the adjusted family income, or the amount of the basic rental charge, whichever is greater.

The tenant's payment may not exceed the fair market rental, and may not be less than the basic rental or 25% of the tenant's income, whichever is greater. It is desirable that a tenant not

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pay more than 25 percent of his adjusted income as rent. However, it must be recognized that low income families, particularly, must sometimes pay a disproportionate amount of their incomes for shelter cost and mortgagors should take into account all relevant conditions in determining eligibility. Of primary concern, of course, would be the family's present living accommodations and the amount being paid for them. Substantial increases in shelter cost which may cause difficulty in meeting other financial obligations are cases which mortgagors should review carefully.

Upon recertification of a tenant's income the mortgagor will adjust the monthly rental to take into account any changes in the tenant's income.

- d. Design in Relation to Cost and Rentals. The sponsor's architect is urged to make every effort to achieve modest but attractive design consistent with the needs of the market and reasonable expenses of maintenance and operation. The replacement cost estimate shall result from the application of cost data book information for the type of project proposed in accordance with the AMP procedures. The processing of a Section 236 proposal is based on the requirement that eligible tenants must pay at least 25 percent of the adjusted family income for rent and that the program has income limits for admission. The project should be designed so that the basic rent is less than 25 percent of maximum income limits. If a project is designed so that the basic rent would be more than 25 percent of these limits, then all tenants eligible for assistance would need the maximum supplement and pay more than 25 percent of income for basic rent. This would produce an unfeasible project. The project must be designed to reach as broad a market of income eligibles as possible. It is of the utmost importance that the greatest care be exercised in obtaining the maximum in economy of design, construction and operation.

The sponsor should be discouraged from building to the maximum supportable costs; otherwise the number of eligible families may be so restricted as to endanger the soundness of the project. In those cases where it is not possible to design a suitable project within the basic income limit maximum, 135 percent of public housing admission limits, consideration may be given to the use of the special exception maximum of 90 percent of BMIR limits. FHA's preliminary processing and finding of feasibility involves the calculation of market rents necessary to support a mortgage based on the FHA replacement cost and an apportionment of the mortgage amount to a construction budget. (See 22b(3) for debt service factor)

- e. Computation of Basic Rent. After the maximum mortgage has been determined, the basic rent will be arrived at as follows:
- (1) Multiply the mortgage amount by .047021 (since the interest reduction payment in the first year is \$47,021 on each one million dollars of mortgage amount).
  - (2) Divide the result of step (1) above by the total market rents (arrived at pursuant to paragraph d.) at 100 percent occupancy for residential units.  
  
(Example:  $\frac{\text{subsidy } \$ 47,021}{\text{total residential rents } \$140,000} = 33.59\%.$ )
  - (3) Subtract the result of step (2) from 100%.
  - (4) The result of step (3) (66.41% in the example given) will be applied to market rents to obtain basic rent. A reasonable estimate of basic rents for preliminary discussion purposes can be obtained by using 2/3 of market rents.
- f. Commitment Processing. Each Section 236 commitment shall have added thereto the following special condition:
- "The Commissioner agrees to make annual interest reduction payments not to exceed the sum of \$\_\_\_\_\_. Such payments will be made on a monthly basis in accordance with the FHA regulations applicable to this program."
- This figure represents the total annual interest reduction payments (see FHA Form No. 3106, Appendix 16.)
- g. Cost Estimation. In addition to the permissible 2% financing fee, 1-1/2% of the mortgage amount may be included in the estimated cost for all types of mortgagors, to cover the GNMA or other commitment and placement fee.
- h. Management. Prior to initial endorsement the sponsors are required to submit a management program. An element of major importance in such a program is the proposed rental schedule. The



submission of the proposed rental schedule shall be in addition to the approved "Rental Schedule and Information on Rental Project" (FHA Form No. 2458), setting forth, by unit type, the basic rental as well as the fair market rental. (See Appendix 15)

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CHAPTER 2. TENANTS AND COOPERATIVE OCCUPANTS

23. ELIGIBLE TENANTS. Occupancy by subsidized tenants and cooperative occupants in Section 236 projects is limited to those meeting the specified income requirements, and who are one of the following:
- a. A family, as defined in Section 221 of the Housing Act (two or more persons related by blood, marriage or operation of law, who occupy the same unit).
  - b. A single person at least 62 years of age.
  - c. A single person less than 62 years of age, provided that occupancy by this category of tenants is limited to 10 percent of the dwelling units in the project.
  - d. A handicapped person. A person is handicapped if he has a physical impairment which:
    - (1) is expected to be of long-continued and indefinite duration;
    - (2) substantially impedes his ability to live independently; or
    - (3) is of such nature that his ability to live independently could be improved by more suitable housing conditions.

The above restrictions do not apply to tenants who pay the fair market rental.

The mortgagor is responsible for occupant selection, (which in the case of initial occupants of units in cooperatives is subject to FHA approval), assignment of dwelling units, eviction, and other functions related to management of a housing development. It is expected that the mortgagor will develop a fair system for accepting applications in the order in which they are received. In rehabilitation projects, former tenants should be given first consideration, and every effort should be made to eliminate permanent displacement. Before approval is given to a proposed rehabilitation project an acceptable relocation plan must be developed by the sponsor or mortgagor. Discrimination in the selection of tenants due to race, religion or national origin, or because of children in the family, is prohibited. Preference shall be given to families whose incomes are within the lowest practicable limits for obtaining rental accommodations in assisted projects.

The size of a unit appropriate to an eligible tenant's household is discussed in paragraph 17 of this Handbook.

24. INCOME LIMITS. Generally, to be eligible for assisted admission to a Section 236 project as a tenant who cannot afford the fair market rental, a family must have an adjusted income (after allowable deductions for minor children and exclusion of incomes of such minor children) which is no greater than 135 percent of the limits prescribed for admission to public housing. For purposes of eligibility calculations, adjusted annual income shall include income during the last 12 months from all sources, before taxes or withholding, of all members of the family who propose to live in the unit, excluding unusual or temporary income, except that \$300 shall be deducted for each minor person (under 21 years of age) excluding the tenant or his spouse, who is related by blood, marriage, or operation of law, and who is living in the household; and any earnings of such minors shall not be included in the income of the household. "Unusual or temporary income" may include 5 percent of total family income before deductions for social security withholding and similar payroll deductions, all or part of overtime pay which will be discontinued, income of a secondary wage earner which is expected to terminate, unemployment compensation which does not occur regularly, or other income which will be discontinued.

Up to 20 percent of the interest reduction payments authorized may be made available for projects occupied during the initial rent-up period by tenants with incomes above the 135 percent limit, (provided their incomes are not in excess of 90 percent of the limits prescribed for projects financed with Section 221(d)(3) below market interest rate mortgages), but who are still unable to pay the fair market rental for the unit they occupy. This limitation refers to the total amount of assistance under this section; it does not require an 80 percent-20 percent distribution in each project and a separate allocation is necessary in each project. Compliance with this provision will be determined on the basis of the tenants' income at the time of initial rent-up of the project. This 20 percent limitation will not be applicable to tenants admitted after the initial rent-up. Such tenants who cannot afford the fair market rental within 25 percent of their incomes must have incomes not exceeding the higher of the two income limits.

Requests for exemptions from the 135 percent limits must be submitted by the insuring office through the Regional Administrator to the Assistant Commissioner for Multifamily Housing. Before submitting such a recommendation, the insuring office will satisfy itself that all reasonable efforts have been made to design a project that could be built within the 135 percent limit, and that the sponsor has exhausted all other possibilities such as tax abatement and site cost. Full documentation as to these matters must accompany the insuring office recommendation.

Units in an assisted project may also be occupied by tenants who are able to pay the fair market rental. These tenants do not fall within the 20 percent allowance for families over the 135 percent limits. At such time as the tenant's recertification shows that 25 percent of his income is sufficient to pay the fair market rent, he may continue to live in the project and will not be required to recertify his income.

In calculating the tenant's rent under Section 236, as was done in determining tenant eligibility, \$300 will be deducted from actual income for each minor family member (excluding the tenant or his spouse) who is living with the tenant, and the income of such minors will be excluded.

The Section 236 income limits will vary with the project's locality and the number of persons in the tenant's household. These limits will be set forth in the attachment to HUD Circular FHA 4400.14 and in HUD Handbook FHA 4400.10. The applicable limits will be made available to each sponsor by the insuring office.

25. PREFERENCE FOR DISPLACEDS. Preference for occupancy will be given to those displaced from their homes by urban renewal, government action, or a national disaster determined by the President.

Displacees must submit a "Certificate of Eligibility" (FHA Form 3476) as evidence that they have been displaced from their previous homes in one of the above ways.

26. CERTIFICATION AND RECERTIFICATION OF INCOME. The mortgagor must verify the adjusted income (see discussion in paragraph 24 on Income Limits) certified by prospective tenants for initial occupancy, and by present tenants for continuing subsidized occupancy. The mortgagor will also require tenants to recertify incomes every two years and will make appropriate adjustments in rental charges to reflect changes in the tenant's adjusted income.

The mortgagor's verification of the initial certification and subsequent recertification will be in the form of a letter (or other written certification) from the salaried tenant's employer. Self-employed tenants must submit copies of their latest federal income tax returns, or other acceptable verification. The evidence of tenant income must be kept in the mortgagor's files for three years, and will be subject to review by FHA. Recertification must be on FHA Form 3132. (See Appendix 10)

Certification of income should not be made more than 60 days prior to occupancy of the unit. Recertification of income should be made

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in time to allow the tenant reasonable notice of any increase in rent.

These certifications and recertifications serve as the basis for establishing the initial rental charges for the first interest reduction payment contract year and for adjusting the rental charges for each succeeding contract year to give effect to changes in tenant income and family composition. The interest reduction payments made to the lender on behalf of a mortgagor are contingent upon the mortgagor's obtaining initial certifications and subsequent recertifications of income and family composition for the project tenants at two year intervals. Tenant may request adjustment at any time if tenant income changes, by completing and submitting FHA Form No. 3132 to the housing owner or manager.

27. AVAILABILITY OF RENT SUPPLEMENT ASSISTANCE. Up to 20 percent of the units in a project may be occupied by tenants receiving rent supplement assistance under Section 101 of the Housing and Urban Development Act of 1965. Sponsors will be expected to take full advantage of this provision in order to serve a maximum number of low income families.

These tenants must meet the additional eligibility requirements of the rent supplement program. The rent supplement for each tenant would be the difference between 25 percent of the adjusted monthly family income and the basic rental charge for the dwelling unit. Funds reserved under Section 236 will make up the remaining difference between the basic rental and the fair market rental.

## CHAPTER 3. FISCAL INSTRUCTIONS

28. ASSIGNMENT OF FHA PROJECT NUMBERS. The assignment of FHA project numbers will follow the procedure outlined in 63203 of the Project Fiscal Procedures, Volume VI, Section 32 of the FHA Manual. The block of 5-digit serial numbers "-44001 through -44999" has been designated for assignment to mortgages insured under section 236 covering rental and cooperative housing for lower income families; the block of numbers "-12001 through -12499" has been designated for assignment to supplementary loans insured under section 236 pursuant to section 241(a) of the Act; and the block of numbers "-58501 through -58999" has been designated for assignment to mortgages insured under section 236 pursuant to section 223(e) of the Act. For example, the first number to be assigned by the D. C. Insuring Office for each of the above categories would be 000-44001, 000-12001, and 000-58501, respectively.
29. FEES AND MORTGAGE INSURANCE PREMIUMS. The fees and premiums required for section 236 transactions are the same as for mortgages insured under section 207.
30. APPROPRIATIONS AND REPORTING - GENERAL. The Act provides, under section 236(i) that the aggregate amount of contracts to make interest reduction payments shall not exceed amounts approved in appropriation Acts. With respect to executing contracts for interest reduction payments, and reporting such contractual obligations, it is important to note the provisions of the Anti-deficiency Act, 31 U.S.C. 665, which provides in pertinent part:

"(a) No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; nor shall any such officer or employee involve the Government in any contract or other obligation, for the payment of money for any purpose, in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law."

The above quoted provision of the Anti-deficiency Act imposes the requirement to maintain an accurate record over all contractual obligations.



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- a. Controls. Five basic requirements must be met to comply with the statutes in order to prevent an over-obligation of funds resulting from the total obligations generated by the combined actions of all insuring offices. They are as follows:
- (1) Obtain a preliminary reservation of funds on Form 3126 for all cases before notifying the sponsor of the project feasibility and inviting him to submit a formal application for a commitment. This will assure that funds are reserved in an amount sufficient to make interest reduction payments for all commitments that are issued.
  - (2) Have a "firm obligation of funds" recorded on the FHA Comptroller's official accounting records when the commitment is issued. This will move the funds from the status of being "preliminarily reserved" to a firm contractual obligation.
  - (3) Cancel the preliminary reservation of funds when a firm commitment is issued.
  - (4) Have adjustments made in firm obligations. This will permit adjustments to be made in firmly obligated funds by reason of commitment expiration, cancellations, increases and decreases.
  - (5) Submit accurate and timely weekly reports to the FHA Assistant Commissioner-Comptroller, based on records maintained in each insuring office, which will comply with requirements 2, 3, and 4 above. These reports are the basic source documents for the recordation of firm obligations, adjustments thereto, and reports which must be prepared by the Assistant Commissioner-Comptroller concerning the balance of unobligated funds.
- b. Processing. In order to comply with all of the governing statutory, fiscal, and accounting requirements, summarized above, the following basic processing steps are required:
- (1) Request approval from the Assistant Regional Administrator and Assistant Commissioner for Multifamily Housing and obtain a preliminary reservation of funds on Form 3126 from the FHA Assistant Commissioner-Comptroller for all proposals before notifying the sponsor of approval of the project feasibility and inviting him to submit a formal application for commitment.
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- (2) Cancel the preliminary reservation of funds -
    - (a) if the application is not submitted,
    - (b) if the application is withdrawn,
    - (c) if the application is rejected, or
    - (d) when the commitment is issued.
  - (3) Report a firm obligation of funds -
    - (a) when the commitment is issued and at the same time the preliminary reservation of funds is canceled;
    - (b) when an increase is approved in the amount of a commitment.
  - (4) Report a cancellation of a firm obligation of funds -
    - (a) when a commitment expires,
    - (b) when a commitment is canceled, and
    - (c) when the commitment amount is decreased.

31. AMOUNT OF ANNUAL INTEREST REDUCTION PAYMENT. Form 3126, Request for Preliminary Reservation of Funds, will be used for the purpose of obtaining a preliminary reservation of funds and the recording of same on the records of the Assistant Commissioner-Comptroller. This form is included herein as Appendix 6. The amount of funds approved by the Assistant Commissioner for Multi-family Housing on Form 3126 for the annual interest reduction payment and the annual handling charge and certified thereon by the Assistant Commissioner-Comptroller is the amount of preliminary reservation of funds that will be recorded by the Assistant Commissioner-Comptroller.

The amount of the annual interest reduction payment must be determined at the time Form 3126 is prepared. For the purpose of preliminary reservation of funds, a chart has been prepared which will be used for determining the amount of annual interest reduction payment for all proposals. This chart, Form 3120, has been prepared on the basis of a 40-year mortgage with an interest

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rate of 6-3/4%. The use of this chart and the amount of the commitment to be applied for will assure that adequate funds are reserved for the proposal. Form 3120 is included herein as Appendix 7. The amount of the annual interest reduction payment computed from Form 3120 will be entered in a separate space on Form 3126. The amount of the annual handling charge will be entered as a separate item on Form 3126. The total of the amounts shown on Form 3126 for the annual interest reduction payment and the annual handling charge is the amount that will be reserved for the case on the Comptroller's records. The amount entered by the insuring office on Form 3125 will be the amount of the annual interest reduction payment only. Since the annual handling charge is an established amount for all cases, the total reservation of funds for any case may be readily determined by increasing the amount recorded on Form 3125 for the annual interest reduction payment by the amount of the pre-established annual charge.

It should be noted that interest reduction payments are reserved and obligated in annual amounts. Irrespective of the contemplated date of first payment to principal and interest under the mortgage, all fund reservation and obligations will be for a full 12-month period as computed and entered on Forms 3126 and 3127.

The weekly report (Form 3127), discussed subsequently, will always require separate computations and entries for the amount of the annual handling charge. The total of the annual interest reduction payment plus the amount of the annual handling charge represents the total annual obligation of the government. Since the insuring office will record only the amount of the annual interest reduction payment on Form 3125, it will be necessary to multiply the number of cases in each category being reported on Form 3127 by the amount of the pre-established annual handling charge in order to complete Form 3127.

32. REPORT OF OBLIGATIONS. Controls maintained by the Assistant Commissioner-Comptroller from data accumulated from Forms 3126 and 3127 will enable that office to furnish weekly reports to central office personnel and the Assistant Regional Administrators. One of these reports will show in total for each region and for each insuring office in the region (a) the cumulative amount of preliminary reservations, with separate totals by type of construction and regular and exception income limits, (b) the cumulative amount of firm obligations, with separate totals by type of

construction and regular and exception income limits, and (c) the combined cumulative total preliminary reservations and firm obligations. A separate report will be furnished showing the data indicated above by regions with U. S. totals.

33. REQUEST FOR PRELIMINARY RESERVATION OF FUNDS. Before an approved feasibility report is issued and before a formal application for a commitment is invited, it is necessary that a preliminary reservation of funds be requested and approved by the Assistant Regional Administrator, approved by the Assistant Commissioner for Multifamily Housing and certified with respect to reservation of funds by the FHA Assistant Commissioner-Comptroller. The amount of the preliminary reservation requested will be the total amount of funds requested on Form 3126. The total reservation of funds will consist of the amount of the annual interest reduction payment and the amount of the annual handling charge. These amounts are shown separately on Form 3126. At the time Form 3126 is prepared the director must determine whether the housing will be occupied by (a) families whose income is not in excess of 135% of the income limits established in the area for public housing; (b) families whose income is more than 135% of the income limits established in the area for public housing, but not in excess of 90% of the income limits established for the area by the Secretary for section 221(d)(3) BMIR housing; or (c) a combination of families whose income meet the requirements stated in (a) and (b). Form 3126 has been designed to accommodate the foregoing requirements when requesting a reservation of funds. Housing for families whose income meets the requirements of (a) above are referred to as "regular income limits" and for record and reporting purposes will be coded "R." Housing for families whose income meets the requirements of (b) above are referred to as "20% exception income limits" and for record and reporting purposes will be coded "E."

Upon receipt of Form 3126 from the Assistant Commissioner for Multifamily Housing, the amount of funds requested will be reserved, if funds are available, and certification of same entered thereon by the Assistant Commissioner-Comptroller and the form will be promptly returned to the Assistant Commissioner for Multifamily Housing. The Assistant Commissioner for Multifamily Housing will retain a copy of Form 3126 for his files and will furnish a copy to the director of the insuring office, the Assistant Regional Administrator, and the Research and Statistics Division. Until a certification is received from the Assistant Commissioner-Comptroller that the preliminary reservation has been made, no official of FHA has authority to make a commitment of any kind for the Federal Housing Administration to make interest reduction payments in connection with any proposal.

34. PRELIMINARY RESERVATION OF FUNDS FOR CONVERSIONS AND REFINANCINGS. Chapter 1, paragraph 18, of this handbook contains instructions relating to the conversion of mortgages initially endorsed for insurance under section 221(d)(3) BMIR to section 236 and for the refinancing and insurance of certain loans made under section 202 under section 236. Before approval may be given to either of the foregoing, it is necessary that a preliminary reservation of funds be requested and approval thereof be received. The procedures set forth in 33 above will be followed by insuring offices with respect to the reservation of funds for these transactions.
35. FISCAL INSTRUCTIONS FOR CONVERSIONS AND REFINANCINGS - SECTION 221(d)(3) BMIR. Mortgages which were initially endorsed for insurance under the section 221(d)(3) BMIR program and have not been finally endorsed, may be finally endorsed for insurance under section 236 of the National Housing Act. Upon receipt of a request for such conversion, the mortgage transaction may be reopened for this purpose, and the case reprocessed under the requirements of section 236. If the request is granted, the insuring office director will issue a letter stating the conditions under which the mortgage will be finally endorsed for insurance under section 236. The debenture interest rate applicable, in the event of a mortgagee's claim for insurance benefits, will be the rate in effect as of the date of the commitment under section 221(d)(3) or the date of initial endorsement under section 221(d)(3), whichever is the higher. The conversion to section 236 will in no event affect the debenture interest rate. Fees already paid under the section 221 transaction will be credited to the section 236 transaction. No additional fees will be required unless there is an increase in the amount of the mortgage. The next open project number under section 236 will be assigned and a "no money" official receipt prepared to show the transfer of the fee from section 221 to section 236. The official receipt will be noted as follows: "Fee of \$ \_\_\_\_\_ paid under Project No. \_\_\_\_\_." There is no change in the construction interest rate. At the final closing of the mortgage transaction, the director will endorse for insurance under section 236 the original mortgage note, as modified to comply with the conditions imposed, or a new instrument which satisfies those requirements.

Since no mortgage insurance premiums were due under the section 221(d)(3) transaction, the insuring office must at the time of final endorsement, collect a mortgage insurance premium equal to 1/2 of 1% of the original face amount of the mortgage. The mortgagee should be instructed to establish an escrow for accruing funds to pay subsequent mortgage insurance premiums as billed from Washington.

36. PRELIMINARY RESERVATION OF FUNDS FOR PAYMENTS ON NON-INSURED MORTGAGES. Before a commitment is made to make interest reduction payments under the provisions of section 236(b) for non-insured mortgages, it is necessary that a request be submitted on Form 3126 for a preliminary reservation of funds. For the purpose of providing a project number for these non-insured transactions, the insuring office projective (collection) code will be used as a 3-digit prefix followed by a dash and the serial number from -1 up for each transaction followed by the letters "NI" for non-insured. For example, the first transaction in the New York, New York Insuring Office would be numbered 012-1NI. Form 3120 will be used for determining the amount of funds to be reserved. When the Commissioner makes a binding agreement to make interest reduction payments, in accordance with administrative processing instructions, such agreement will be considered the same as the issuance of a commitment to insure a mortgage for the purpose of reporting a firm obligation on Form 3127. Form 3110, Interest Reduction Payment Certificate for Non-Insured Mortgages Under Section 236(b) of the National Housing Act, will be executed by the insuring office director or his designee as evidence of the contract to make interest reduction payments. The insuring office will deliver the original of Form 3110 to the mortgagee together with a copy of the FHA regulations for section 236 and a copy of the Mortgagees' Guide for Interest Reduction Payments Under Section 236. A copy of Form 3110 must be furnished to the Assistant Commissioner-Comptroller promptly upon its execution. This form will be used as a basis for the making of interest reduction payments by the Comptroller's Division. Form 3110 is included herein as Appendix 14. See special reporting requirements for non-insured projects under paragraph 39.
37. RECORD OF FUNDS RESERVED AND OBLIGATED. At the time a reservation of funds is requested on Form 3126, the initial entries must be made on FHA Form 3125, Record of Funds Reserved and Obligated for Assistance Payments or Interest Reduction Payments Under Section 235(j) or Section 236. This form is included herein as Appendix 12. Maintain a separate form for interest reduction payments to be made for non-insured mortgages. See paragraph 39.

At this time, the project number will be entered in column (1); the amount of funds representing the annual interest reduction payment (excluding the annual handling charge) for which reservation is being requested will be entered in column (2); and the date Form 3126 is forwarded to the Assistant Regional Administrator will be entered in column (3).



As a part of the feasibility determination, the director will have determined the makeup of the housing from the standpoint of income limits of families that may occupy the housing. If the reservation of funds on Form 3126 is a combination of regular and exception income limits, the entry in column (2) must show separate amounts by income codes ("R" and "E"). If all of the housing is for regular or exception income limits, the amount entered in column (2) will be coded "R" or "E," as appropriate. In instances where all the housing is allocated for families whose income is in the exception range, the annual handling charge will also be reported under this category on the Weekly Report, Form 3127. When the housing is for a combination of regular and exception income families and for all regular income families, the annual handling charge will be reported in the regular income category on Form 3127. Upon receipt of Form 3126, certified to show that funds have been reserved, the current date will be entered in column (4).

When an application for commitment is not submitted, or is rejected, or otherwise does not lead to a commitment for insurance, the amount of funds previously reserved must be canceled by reporting to the Comptroller's Division on Form 3127, in Section I, and by entering the date in column (5). This results in the funds that were previously reserved being released. Upon issuance of a commitment for insurance, it is necessary to establish a firm obligation for the amount of funds committed. This is accomplished by reporting the funds previously reserved for the case for cancellation on Form 3127, and by reporting in Section II of Form 3127 the amount of funds that are to be firmly obligated for the case. Enter the date that the funds previously reserved are reported for cancellation in column (5) and the amount of funds to be obligated and the date such is reported in columns (6) and (7), respectively. The amount shown in column (6) must be coded to show the income limits of the housing in the same manner as described above for reservation amounts in column (2).

If the commitment expires, is canceled, or for any reason does not result in insurance endorsement, the amount of funds previously reported and obligated must be canceled in order for such funds to be released. At the time the cancellation of the funds previously obligated is reported on Form 3127, Section III, the date of this action will be entered in column (8). If the amount of funds necessary for the payment of interest reduction payments is to be increased or decreased, such change must be reported on Form 3127 in Section II or Section III, as appropriate. The increase or

decrease amount shown in column (9) or (11) must be coded for income limits in the same manner as described above for column (2). If an increase is required, the amount of the increase will be entered in column (9) and the date reported on Form 3127 will be entered in column (10). The amount of decrease will be entered in column (11) and the date reported on Form 3127 will be shown in column (12). Without exception, all preliminary reservation of funds must be canceled. They are canceled by entries on the weekly report when:

- a. An application is not submitted,
- b. An application is withdrawn,
- c. An application is rejected, and
- d. A firm commitment is issued.

Insuring offices are solely responsible for assuring that all preliminary reservation of funds are timely canceled by appropriate entries on the weekly report. Careful adherence to these procedures for recording all prescribed entries on Form 3125 will permit insuring office supervisory personnel, as well as inspection and audit teams, to readily determine that preliminary reservations of funds are being obtained, promptly and accurately canceled when required, and that amounts transferred to the weekly report are complete and accurate.

38. PREPARATION OF WEEKLY REPORT OF FUNDS OBLIGATED - FHA FORM NO. 3127. The weekly report requires extreme care in its preparation since it is the basic source document used by the Assistant Commissioner-Comptroller to cancel preliminary fund reservations, make firm obligations of funds on the books of account, and to cancel obligations. The total amounts reported by all insuring offices, representing net contract obligations entered into for section 236 housing throughout the United States, must be charged against amounts authorized in appropriation Acts for interest reduction payments. This report will be prepared as of the weekly "cut-off" time established for each office. The original and two copies of the report must be mailed in sufficient time to permit its receipt by the Assistant Commissioner-Comptroller on the Monday following the close of each week. Negative reports are required. All fund reservations and cancellations, all firm obligations, and all adjustments in firm obligations are for a full 12-month interest reduction payment. Further, the amount of such reservations and obligations must always be increased by the amount of the full annual handling charge for each case. Form 3127 is included herein as Appendix 13.

The weekly report consists of two broad categories - regular income limit cases and exception income limit cases. Regular income refers to those cases where the family income is not in excess of 135% of the income limits established for public housing as explained in 33 above. Exception income limit refers to those cases where the family income is more than 135% of the limits set for public housing; but is not in excess of 90% of the income limits set for section 221(d)(3) BMLR housing. Within the two income limit categories, the form has four reporting sections, as follows:

Section I - Cancellation of Preliminary Reservations

Section II - Firm Obligations

Section III - Cancellation or Reduction of Firm Obligations

Section IV - Net Change in Firm Obligations

Within reporting sections II and III and broken down as to regular and exception income categories, there are nine program and/or construction classes:

- (1) Section 235(i) - Proposed Construction and Rehabilitation
- (2) Section 235(i) - Existing Construction
- (3) Exceptions Under 235(i)(3)(A) - Proposed Construction and Rehabilitation
- (4) Exceptions Under 235(i)(3)(A) - Existing Construction
- (5) Section 237/235 - Proposed Construction and Rehabilitation
- (6) Section 237/235 - Existing Construction
- (7) Section 235(j) - Rehabilitation
- (8) Section 235(j) - Standard Existing Construction
- (9) Section 236

Information concerning entries on the weekly report for sections other than section 236 cases is contained in the handbook for section 235(i) or section 235(j), as appropriate.

**NOTE:** Do not include any items for noninsured mortgages on Form 3127. These must be reported on a supplemental form. See paragraph 39.

- a. Weekly Report - Section I. Section I of the report pertains to the cancellations of preliminary reservations. With respect to sections 235(j) and 236, the "feeder" report for this part of the report is from FHA Form 3125, "Record of Funds Reserved and Obligated for Assistance Payments or Interest Reduction Payments Under Section 235(j) or Section 236." Column (5) shows the date of cancellation of the preliminary reservation which must coincide with the date of the weekly report on which it is canceled. Under Section I of the report, following the legend "Section 236," enter in column (2) or column (6) the number of cases where the preliminary reservation is to be canceled; in column (3) or column (7) enter the amount of the annual assistance payment, which will be the amount from Form 3125; and in column (4) or column (8) enter the total amount of the approved annual handling charge multiplied by the number of cases shown in column (2) or column (6). The total of columns (3) and (4) will be entered in column (5) and the total of columns (7) and (8) will be entered in column (9).

It is important to remember that, without exception, all preliminary reservation of funds must be canceled when an application is not submitted, or when an application is withdrawn, or when a commitment is issued. Failure to timely cancel a preliminary reservation of funds results in freezing funds which should be made available for program operation. Directors and insuring office supervisory personnel must be continually alert to see that all cancellations are reported in accordance with the foregoing procedures.

- b. Weekly Report - Section II. Section II of the report pertains to the establishment of firm obligations by reason of issuance of commitments under section 236 or for increases in amounts of commitments. The "feeder" report for this part of the weekly report is FHA Form 3125, "Record of Funds Reserved and Obligated for Assistance Payments or Interest Reduction Payments Under Section 235(j) or Section 236," and reports on commitment increases approved. Separate Forms 3125 must be maintained for section 235(j), for section 236 insured mortgages, and for interest reduction payments to be made in connection with non-insured mortgages. These forms will provide information to develop summary totals on the weekly report for all commitments issued.

All firm obligations will be for standard amounts obtained from Form 3120. From Form 3125, the total number of cases and total annual interest reduction payments must be developed for regular and exception income limits. For each of the two categories enter in column (2) or column (6) the number of cases where a firm obligation is to be established; in column (3) or (7) enter the amount of the annual interest reduction payment, which will be the amount from Form 3125; and in column (4) or column (8) enter the total amount of the approved annual handling charge multiplied by the number of cases shown in column (2) or column (6). The total of columns (3) and (4) will be entered in column (5) and the total of columns (7) and (8) will be entered in column (9). For increases in commitments, enter only the amount of funds to be obligated for annual interest reduction payments as determined from Form 3120 in column (3) or (7), as appropriate. Do not include commitment increases in the "number of cases" entered in column (2) or (6) as this would result in reporting the annual handling charge a second time, or possibly more often. It is not necessary to report annual handling charges for commitment increases because this is a flat per-case amount and not affected by increases or decreases in commitments.

- c. Weekly Report - Section III. Section III of the report requires entries for section 236 cases only for commitments expired or canceled and for decreases in commitments. The "feeder" report for this part of the weekly report is from columns (8) or (11) of FHA Form 3125 and from reports on commitment decreases. Since commitment expiration and cancellations must be reported for the same category as the firm obligation was established, these must be totaled as to number of cases and amount of obligation for regular and exception income housing.

For decreases in commitments, enter only the amount of funds to be canceled as determined from the reduction in the amount of the commitment and from Form 3120 in column (3) or (7), as appropriate. Do not include commitment decreases in the "number of cases" entered in column (2) or (6) as this would result in cancellation of the entire obligation for the annual handling charge for the case.

- d. Weekly Report - Section IV. Section IV of the report represents the net change in firm obligations for each of the nine program and type of construction categories. The amounts under each columnar heading in Section III are subtracted from Section II to determine the net change. Each line item in Section III is subtracted from an identical line item in Section II. For example, line 49 is subtracted from line 39 and the result is entered on line 59. If the amount for any category is greater in Section III than in Section II, the resulting negative figure is to be shown in parenthesis.

After all entries have been made in the report for other sections, as prescribed in the related handbooks, the form will be signed by the employee preparing the report and by the director or his designee. The original and two copies will be mailed to the Assistant Commissioner-Comptroller, and a copy will be retained in the insuring office files.

39. WEEKLY REPORT FOR NON-INSURED PROJECTS. A special weekly report is required in connection with interest reduction payments to be made in connection with non-insured projects. This report is FHA Form 3127 - Supplement, "Weekly Report of Funds Obligated Under Section 236 for Non-Insured Projects."

This report is not required to be submitted by those offices which have not had activity with non-insured transactions. However, once a request for a preliminary reservation of funds has been requested for a non-insured project, a report on Form 3127 - Supplement must be submitted by the office each week, together with the regular Form 3127 report. Negative reports are required.

The report is prepared in the same manner and under precisely the same reporting procedures as the regular weekly report, except that the supplement is devoted exclusively to non-insured transactions.





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APPENDIXES

1. FHA Form 2530 - Previous Multifamily Participation Certificate
2. FHA Form 2010 - Equal Employment Opportunity
3. FHA Form 3433 - Request for Preliminary Determination of Eligibility as Nonprofit Sponsor or Mortgagor
4. FHA Form 2531 - Housing Consultant's Certificate
5. FHA Form 2531A - "Guide Form of Contract for Housing Consultant Services for Nonprofit Sponsors Under FHA Programs"
6. FHA Form 3126 - Request for Preliminary Reservation of Funds
7. FHA Form 3120 - Amount of Funds to be Reserved (Computation)
8. In Reserve
9. FHA Form 3131 - Application for Assistance Payments for Tenants
10. FHA Form 3132 - Biennial Recertification of Tenants' Income
11. FHA Form 3476 - Certificate of Eligibility for Displaced Family
12. FHA Form 3125 - Record of Funds Reserved and Obligated
13. FHA Form 3127 - Weekly Report of Funds Obligated
14. FHA Form 3110 - Interest Reduction Payment Certificate for Non-Insured Mortgages Under Section 236(b) >
15. FHA Form 2458 - Rental Schedule and Information on Rental Project
16. FHA Form 3106 - Factors for Computing Interest Reduction Payments Under Section 236
17. FHA Form 3127 - Supplement - Weekly Report of Funds Obligated Under Section 236 for Non-Insured Mortgages
18. List of FHA Insuring Offices
19. List of HUD Regional Offices

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10/68



FHA FORM NO. 2530

Form Approved  
Budget Bureau No. 63-R1061.2

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

PREVIOUS MULTIFAMILY PARTICIPATION CERTIFICATE

1. Proposed Project Name and Location:			2. FHA Insuring Office:		
4. PREVIOUS PROJECT NAME & LOCATION			3. FHA Case Number		
5. FHA NO.	6. NAME OF PRINCIPAL	7. TYPE & PERCENT OF INTEREST	8. DEFAULT	9. MORTGAGE RELIEF	

10. DATE	11. PRINCIPAL'S SIGNATURE, TYPE AND AMOUNT OF INTEREST IN PROPOSED PROJECT (Please type name under signature line)	12. ORGANIZATION'S EMPLOYER IDENTIFICATION NO. AND INDIVIDUAL'S SOCIAL SECURITY NO.

**WARNING:** Section 1016 of Title 18, U. S. C., "Federal Housing Administration transactions," provides: "Whereas, for the purpose of... and having in any way the terms of such Administration... shall be found not more than \$1,000 or more than two years, or both."

The persons whose signatures appear immediately above as "PRINCIPAL'S" request consideration of the multifamily housing proposal (identified above) under the National Housing Act. The persons, by so signing, do individually and collectively represent that to the best of their information and belief they are the only "PRINCIPAL'S" in the project and they have not had any "INTEREST," by way of financial interest, employment, or otherwise, in an FHA-insured multifamily project, except as shown. The persons signing also agree that any change of the "PRINCIPAL'S" listed herein, or additions thereto, will be reported to FHA and they will inform and advise new "PRINCIPAL'S" of the requirement to file a similar certificate with the appropriate FHA insuring office.

**DEFINITIONS**

The term "PRINCIPAL" includes, but is not limited to, a stockholder having 10% or more financial interest in the proposed project, corporation, partnership, joint venture, general contractor, sponsor, "packager," or "consultant". It also includes any architect or attorney who has any interest in the project other than the normal, "arms-length" fee arrangement for professional services.

The term "PACKAGER" and "CONSULTANT" mean a person or firm, engaged to furnish advisory services in connection with the financing, construction or operation of a multifamily project, including, but not limited to, the selection and negotiation of contracts with a general contractor, architect, attorney or managing agent, securing financing and meeting FHA requirements.

The term "INTEREST" is not limited to a financial interest in the sense of profits, dividends, fees, and legal guarantees, but also includes nonfinancial interests such as a pledge of support, not constituting a legal or financial obligation, given by a parent organization to its member groups or a pledge of other nonfinancial support designed to convince the FHA that a proposal will be feasible.

The term "DEFAULT" includes any FHA-insured mortgage which is or has been in breach of a regulatory agreement or delinquent for failure to meet required payments or, which has resulted in assignment of a mortgage to the FHA, foreclosure of a mortgage or a deed in lieu of foreclosure.

The term "MORTGAGE RELIEF" includes any FHA insured mortgage which involved a modification of the mortgage, a forbearance agreement or other similar relief.

**INSTRUCTIONS TO INSURING OFFICE:**  
1. Enter FHA case no. 2. Detach sheet #1 and file in office docket. 3. Detach sheet #2 and forward immediately to Assistant Regional Administrator for FHA. 4. Complete sheet #3 and forward it together with rest of Form 2530 directly to Executive Assistant Commissioner, Federal Housing Administration, Washington, D. C. 20411.

FORM NO. 2530-1 INSURING OFFICE COPY - FILE IN OFFICE DOCKET

## Appendix 1

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

## PREVIOUS MULTIFAMILY PARTICIPATION CERTIFICATE

This certificate is to be furnished with each Request for Preapplication Analysis, Application for Transfer of Physical Assets or Bid to Purchase filed with FHA. Its purpose is to provide information regarding the previous participation in FHA multifamily projects of the principals involved in a new proposal.

## DEFINITIONS

The term "PRINCIPAL" includes, but is not limited to, a stockholder having 10% or more financial interest in the proposed project, corporation, partnership, joint venture, general contractor, sponsor, "packager," or "consultant". It also includes any architect or attorney who has any interest in the project other than the normal, "arms-length" fee arrangement for professional services.

The terms "PACKAGER" and "CONSULTANT" mean a person or firm, engaged to furnish advisory services in connection with the financing, construction or operation of a multifamily project, including, but not limited to, the selection and negotiation of contracts with a general contractor, architect, attorney or managing agent, securing financing and meeting FHA requirements.

The term "INTEREST" is not limited to a financial interest in the sense of profits, dividends, fees, and

legal guarantees, but also includes nonfinancial interests such as a pledge of support, not constituting a legal or financial obligation, given by a parent organization to its member groups or a pledge of other nonfinancial support designed to convince the FHA that a proposal will be feasible.

The term "DEFAULT" includes any FHA-insured mortgage which is or has been in breach of a regulatory agreement or delinquent for failure to meet required payments or, which has resulted in assignment of a mortgage to the FHA, foreclosure of a mortgage or a deed in lieu of foreclosure.

The term "MORTGAGE RELIEF" includes any FHA insured mortgage which involved a modification of the mortgage, a forbearance agreement or other similar relief.

## COMPLETING THE FORM

- Proposed Project Name and Location** - Enter name of proposed project (existing project where transfer of assets involved or advertised project if this form accompanies a Bid to Purchase) and city and state where located.
- FHA Insuring Office** - Enter location of FHA office.
- Case Number** - Enter FHA case number, where available.
- Previous Project Name and Location** - Enter name of previous FHA multifamily or land development projects and the city and state where located. Enter "None" where applicable. If a certificate has already been filed with FHA, a new listing need not be prepared. You must, however, state the date of such filing and the name of the office in which filed. Any multifamily participation not appearing on the previously filed certificate, or any change in the information previously given, must be reported on the new certificate. If any principal had previously proposed projects to any FHA office which were rejected in preapplication without a case number or formal letter of rejection being issued, the principal should identify the proposals and give the name of the involved FHA office.
- FHA No.** - Enter FHA case number for each previous project, if known.
- Name of Principal in Previous Projects** - Each person signing this certificate must type or print his name opposite each project in which he has had any interest.
- Type & Percent of Interest in Previous Project** - Describe the nature of the interest which was held in each project listed.
- Explanation of Default or Mortgage Relief** - Every person having an interest, as defined above, in the proposal, who also had an interest in a previous FHA multifamily project, where mortgage relief was granted such as a deferment, a waiver of reserves, or default occurred, must attach to the completed certificate a signed statement explaining the circumstances of such default or relief.

## EXAMPLES

4. PREVIOUS PROJECT NAME & LOCATION	5. FHA NO.	6. NAME OF PRINCIPAL	7. TYPE & PERCENT OF INTEREST	8.		9. MORTGAGE RELIEF
				DEFAULT		
Oak Ridge Tower 1234 Main Street Anytown, U. S. A.	123 - 42678	J. P. Smith,	Owner - 100%	None		None
A.B.C. Apartments 529 Main Street Anytown, U. S. A.	012 - 34590	J. P. Smith Jim Jones Paul Brown	1/3 Owner 1/3 Owner 1/3 Owner	None None None		*Explanation Attached
Park Homes 1234 Main Avenue Anytown, U. S. A.	052 - 00001	John Danks	General Contractor 10% Owner	None		None
Plaza Apartments 1234 Main Street Anytown, U. S. A.	031 - 35000	Fraternl Order of Sons of Littleton	Sponsor	*Explanation Attached		None

- 10/11/72 **Date/Signature/Identification** - After each principal has entered the information required on the certificate he must date and sign the original copy, [PLEASE TYPE NAME UNDER SIGNATURE LINE] entering the nature of his interest in the proposal as well as his social security number (Corporations must enter their Internal Revenue Employers Identifying Number.) If more than one certificate is needed to accommodate all interested parties, an additional Form 2530 should be used. Because of the thousands of persons and organizations involved in FHA programs, it is necessary for FHA to use automatic data equipment to check previous records. The purpose of furnishing social security numbers and organization's employers numbers is to assist in fast identification. After the certificate has been completed and signed by all principals, the last copy may be removed and retained. The remainder of the package must accompany Form 2012 (Form 3550 where applicable) when submitted to the FHA insuring office.

**Packager and Consultant** - A packager or consultant, as defined above, must attach a signed statement describing the services he has or will render in the proposed transaction and stating the fee he is to receive. He must also include a statement that he has not and will not receive any fee or other compensation, direct or indirect, from any party connected with the proposed project except as reported for the transaction under consideration.

**Additional Data** - Although principals are required to report only their past involvement in FHA multifamily or land development projects, their records of participation in the programs of the other Department of Housing and Urban Development programs will be considered by FHA. Persons signing this form are requested to attach a separate statement concerning their experience in other HUD programs.

## EQUAL EMPLOYMENT OPPORTUNITY CERTIFICATION

The undersigned understands and agrees that it is the "applicant" within the meaning of § 200.410 of the FHA Regulations and agrees that there shall be no discrimination against any employee who is employed in carrying out work receiving FHA assistance, or against any applicant for such employment, because of race, creed, color or national origin, including but not limited to employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

The applicant further agrees to the following:

- (1) It will incorporate or cause to be incorporated into any contract for construction work, or modification thereof, as defined in the Rules and Regulations of the President's Committee on Equal Employment Opportunity, which is paid for in whole or in part with funds obtained pursuant to an FHA program, the equal opportunity clause set forth in FHA Regulations § 200.420;
- (2) It will be bound by said equal opportunity clause in any FHA assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government;
- (3) It will cooperate actively with the FHA and the President's Committee on Equal Employment Opportunity in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Committee;
- (4) It will furnish the FHA and the Committee such information as they may require for the supervision of such compliance and will otherwise assist the FHA in the discharge of its primary responsibility for securing compliance;
- (5) It will refrain from entering into any contract or contract modification subject to Executive Order 11114 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and Federally assisted construction contracts pursuant to Part III, subpart D of Executive Order 10925;
- (6) It will carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by the FHA or the Committee pursuant to Part III, subpart D of Executive Order 10925; and
- (7) In the event that it fails and refuses to comply with its undertakings, the applicant agrees that the FHA agency may cancel, terminate or suspend in whole or in part any contractual arrangements it may have with the applicant, may refrain from extending any further assistance under any of its programs subject to Executive Order 11114 until satisfactory assurance of future compliance has been received from such applicant, or may refer the case to the Department of Justice for appropriate legal proceedings.

Firm Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

FHA FORM NO. 2010

## EXCERPTS FROM FHA RULES AND REGULATIONS

(Copy of complete FHA Regulations may be obtained from FHA Insuring Office.)

**§ 200.410 Definition of term "applicant".**

(a) In multifamily housing transactions where controls over the mortgage are exercised by the Commissioner either through the ownership of corporate stock or under the provisions of a regulatory agreement, the term "applicant" as used in this subpart shall mean the mortgagee.

(b) In transactions other than those specified in paragraph (a) of this section, the term "applicant" as used in this subpart shall mean the builder, dealer or contractor performing the construction, repair or rehabilitation work for the mortgagee or other borrower.

**§ 200.420 Equal Opportunity Clause to be included in contracts and subcontracts.**

(a) The following equal opportunity clause shall be included in each contract and subcontract which is not exempt: During the performance of this contract, the contractor agrees as follows:

(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, creed, color, or national origin. Such action shall include, but not be limited, to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.

(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided, advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The contractor will comply with all provisions of Executive Order 10925 of March 6, 1961, as amended, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

(5) The contractor will furnish all information and reports required by Executive Order 10925 of March 6, 1961, as amended, and by the rules, regulations, and orders of the said Committee, or pursuant thereto, and will permit access to his books, records, and accounts by the FHA and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the contractor's non-compliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 10925 of March 6, 1961, as amended, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

(7) The contractor will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to Section 303 of Executive Order 10925 of March 6, 1961, as amended, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the FHA may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the FHA, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

(b) Except in subcontracts for the performance of construction work at the site of construction, the clause is not required to be inserted in subcontracts below the second tier. Subcontracts may incorporate by reference the equal opportunity clause.

**§ 200.425 Modification in and exemptions from the regulations in this subpart.**

(a) The following transactions and contracts are exempt from the regulations in this subpart:

(1) Loans, mortgages, contracts and subcontracts not exceeding \$10,000;

(2) Contracts and subcontracts not exceeding \$100,000 for standard commercial supplies or raw materials;

(3) Contracts and subcontracts under which work is to be or has been performed outside the United States and where no recruitment of workers within the United States is involved. To the extent that work pursuant to such contracts is done within the United States, the equal opportunity clause shall be applicable;

(4) Contracts for the sale of Government property where no appreciable amount of work is involved; and

(5) Contracts and subcontracts for an indefinite quantity which are not to extend for more than one year if the purchaser determines that the amounts to be ordered under any such contract or subcontract are not reasonably expected to exceed \$100,000 in the case of contracts or subcontracts for standard commercial supplies and raw materials, or \$10,000 in the case of all other contracts and subcontracts.

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

*Under Section 221, 231 or 232 of the National Housing Act*

TO: The Federal Housing Commissioner.

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

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

\_\_\_\_\_  
*Location*

\_\_\_\_\_  
*Section*

*(221, 231 or 232)*

The instructions relating to this request 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 following information and that 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:



4. Record of achievement in such fields as housing, human rehabilitation, social service, medical assistance, etc. (Describe the projects, give present status and periods in which involved.)
5. In an attached exhibit, furnish complete information for each of the items set forth below. 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. Source and amount of funds for the following expenses requiring cash outlay by the sponsor prior to receipt of the insured loan advances (If borrowed, give terms of the loan):
    - (1) FHA application and commitment fees,
    - (2) Option on project site, and
    - (3) Advance legal, housing consultant, and architect fees.
  - e. 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 housing consultant services,
    - (4) Financing of the project, and
    - (5) Management of the 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, 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 these instructions and 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. It is essential that there be a full disclosure of all relationships and of all facts pertaining to each relationship.

Qualifications for Successful Sponsorship

It is most important that nonprofit sponsors should have continuity, and a serious and long-range desire to provide housing for low and moderate income families and individuals. Well-established institutional sponsors such as churches, labor unions, and fraternal organizations, are more likely to have continuity and a history of community and social service than a group organized for the specific purpose of initiating the project. In certain circumstances, however, a nonprofit group could have been recently formed with a sufficiently broad base of community or neighborhood support so as to assure continuity and successful operation of the proposed project.

A group with deep roots in the community or neighborhood will probably be stronger than a national or regional organization without established roots in the community. Moreover, such a locally oriented sponsor is more likely to produce tenants for the project.

A nonprofit sponsor should be motivated not only by a desire to develop an adequate housing project, but also by a concern for the project's continuing successful operation. The entire membership of the sponsoring organization, not just a few of its representatives, should be thus motivated.

Establishing Eligibility

In order to establish that a nonprofit sponsor is properly qualified to initiate, complete, and operate a housing project for low and moderate income families, FHA requires that:

1. The sponsor is acting on its own behalf and is not, either knowingly or unwittingly, under the influence, control, or direction of any outside party seeking to derive profit or gain from the proposed project, such as a landowner, real estate broker, contractor, or consultant.
2. The sponsor fully understands the responsibilities and obligations that attach to sponsorship of a housing project and its continuing successful operation. The principals and membership of the nonprofit sponsor organization should be prepared to explore in depth with the FHA director problems connected with land acquisition, interim and permanent financing, selection of architects and contractors, construction, rent-up and management.
3. The sponsor is prepared by resolution of its directors or trustees to acknowledge the responsibilities and obligations of sponsorship and continuing ownership and that this position reflects the will of its membership.
4. The sponsor is reliable on the basis of its reputation and past performance or that of its principals. In determining reliability, consideration will be given to any previous experience the sponsor has had in providing housing or related social or community services.
5. The sponsor either has within its own organization or has made arrangements for the necessary professional and management skills which are essential for the successful initiation, development, completion, and operation of the proposed project.

Capacity of Sponsor

The proposed project should not be beyond the capacity of the sponsor.

One would not expect a small bank to take on the underwriting of a major industrial financing venture. Similarly, it would not be reasonable to expect a small church to assume responsibility for a large housing project. The size of the project must be in keeping with the size and capabilities of the sponsoring organization.

If a well-motivated and reliable sponsor proposes a project beyond its capabilities, effort should be made to obtain co-sponsors which will permit the combining of capabilities to the extent necessary to satisfy the requirements of the proposal, or the size of the project should be reduced.

#### Responsibilities of Sponsorship

Some nonprofit sponsors may assume that the responsibility for the project, particularly in time of stress, rests with the government, the builder, or someone other than themselves, and that their role as sponsor is merely to lend their name to the project. If this attitude exists, it must be dispelled. Sponsors must understand that it is their project, and must evidence a serious intent to provide continuing support and an effective management.

The FHA commitment and mortgage insurance are predicated upon FHA's estimate (1) that there will be sufficient mortgage proceeds plus required escrows to build the project, and (2) that the rental or project income will be sufficient to meet all operating expenses and mortgage payments during the full term. Nonprofit sponsors should understand, however, that owning and operating a housing project involves difficult and trying problems, including the possibility that some unforeseen circumstances could cause project funds to run short. They should understand that FHA would expect them to cope with these problems at the time of need by all means at their disposal, such as promotional help, contributive management or services, appeals to membership or affiliated organizations. They are not legally required to provide such support, but any nonprofit sponsor should by definition feel a strong sense of moral duty to help in these circumstances. There is no reason to distinguish between a housing project and any other social purpose asset of a nonprofit organization, such as an elderly home, a medical facility, a convalescent center or a day care facility.

It is stressed, however, that FHA does not insist upon or require a pledge or guaranty, except in rare cases where deficits are anticipated during "rent-up." What is required is a full understanding of responsibility on the part of the nonprofit sponsor. Sponsors must, of course, establish that they have the capabilities to meet expenses prior to the drawdown of mortgage funds, including expenses for architectural services, legal and other professional services, etc. Such expenses need not be covered by the sponsor's funds alone. They may be met through assured advances from such other parties as a bank, a federal, state or municipal fund, a foundation, a church hierarchy, or another nonprofit organization.

It is permissible to borrow funds from the contractor or other parties connected with the project if they are for items to be covered by the insured mortgage and if such sums are paid in full at the time the mortgage proceeds are advanced.

#### Potential Sponsors

Although it is not desirable to attempt to establish rigid criteria for determining eligibility of nonprofit sponsors, certain factors will indicate strength, other factors will suggest weakness, and some factors will make the sponsor ineligible. An evaluation of factors applicable to a particular sponsor will assist in reaching a judgment about the eligibility of the sponsor and his ability to successfully carry out the proposed project.

Among factors which indicate strength are: (1) a serious desire to provide housing for qualified low and moderate income families and individuals, (2) deep roots in the neighborhood and community, (3) previous experience in successfully operating housing projects, (4) widespread support for the proposal within the membership of the nonprofit organization, (5) professional expertise within the nonprofit organization or available to it from qualified outside sources, (6) adequate financial capacity to meet initial expenses and to provide for unforeseen contingencies during construction and operation of the project, and (7) absence of conflicts of interest.

Among factors which suggest weakness are: (1) no previous housing experience, (2) no previous experience or contacts in the neighborhood in which the proposed project would be located, (3) evidence that a builder, landlord, consultant, or some other party expecting to benefit financially had initiated the project and dominates the sponsorship, (4) lack of assured continuity of support by the nonprofit group as a whole, or the support of individuals who may not continue their association with the sponsoring organization, (5) heavy commitments in other fields which would tax the financial capacity of the group and weaken its support of the proposed project in times of stress, and (6) lack of professional competence to build and operate the project successfully.

Eligible nonprofit sponsors will be found among organizations such as:

- A strong local chapter of a national service organization
- A broadly based community action group -- such could be recently formed if there is positive assurance of continuity
- An established church with a good record of social services
- A national or state church organization
- An active charitable foundation of long standing -- such could be a family foundation with unquestionable motivation, continuity and no relationship to profit parties
- A labor union with an active local and full support of the membership
- An outstanding local service organization such as a Junior Chamber of Commerce

Some sponsors are clearly ineligible without considering factors of strength and weakness, such as a nonprofit foundation controlled by the builder or his family, or by any other person or persons who would derive a profit or fee from the project.

#### Special Considerations for Section 221(h) Rehabilitation Sales Sponsorship

The nature of the program, i.e., the rehabilitation and sale of properties to low income purchasers, requires a special type of sponsorship. The responsibility as it pertains to the real estate is relatively short term, whereas the responsibility for continued social services to the individual low income owners is a long term one. The sponsor must have the capacity or ability to arrange for the continued services required to aid the purchasers to become responsible home owners.

A group of public spirited citizens organized specifically for the purposes of the program may be qualified if it can be demonstrated that the group has the motivation, determination and capacity to assemble, rehabilitate and market the properties to qualified purchasers and at the same time provide the required long term services to the new home owners.

FHA FORM NO. 2531  
February 1968

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

HOUSING CONSULTANT'S CERTIFICATE

TO : The Secretary of Housing and Urban Development  
c/o Mr. , Director  
Insuring Office

SUBJECT: Project No.  
Project Name  
Location

The undersigned, as Housing Consultant, hereby certifies:

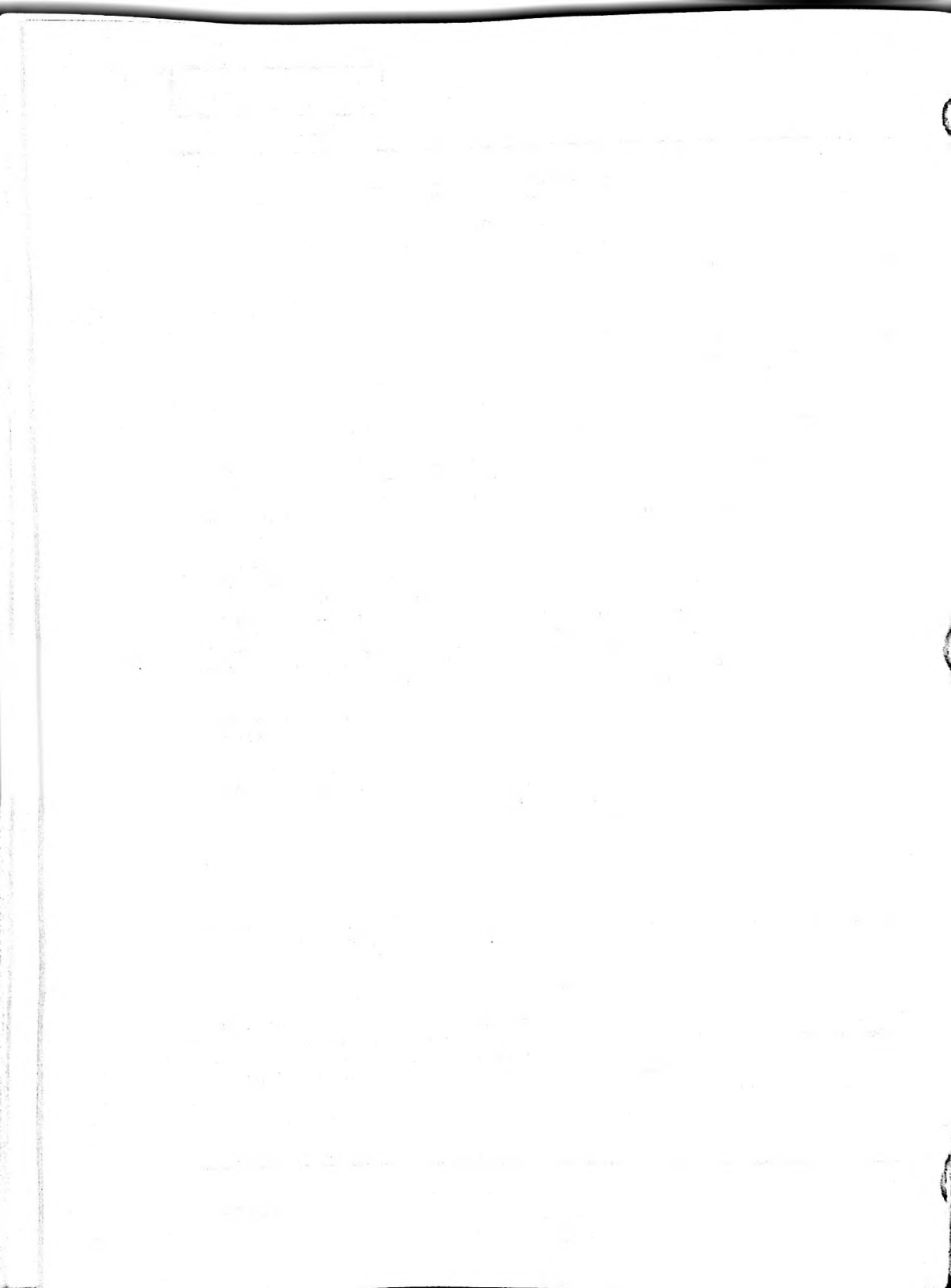
1. That I have not been and will not be during the term of my Contract with the Sponsor an employee, official or member of the Sponsor or Owner of this project except as Housing Consultant, and I have not and will not obtain any financial interest in the operation of the project; and
2. That, except for the fee specified in my contract with the Sponsor, I have neither accepted nor shared and will neither accept nor share any compensation or remuneration, directly or indirectly, in any form whatsoever, from or with any party interested in the development or operation of this project, including, but not limited to, the seller of the land, attorney, architect, mortgagee, surety, title company, general contractor, any subcontractor or materialman or managing agent; and
3. That I have not, nor to the best of my knowledge and belief has any person employed by me to perform Housing Consultant services, accepted compensation or remuneration contrary to the intention of the aforesaid Contract, it being understood the intent of the Contract is to prohibit the Housing Consultant and his employees from any transaction which would create a conflict of interest with other persons or entities participating in the development and operation of the project.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Housing Consultant

WARNING

Section 1010 of Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration . . . makes, passes, utters, or publishes any statement, knowing the same to be false . . . shall be fined not more than \$5,000 or imprisoned not more than two years, or both."



GUIDE FORM OF CONTRACT FOR HOUSING CONSULTANT  
SERVICES FOR NONPROFIT PROJECTS UNDER FHA PROGRAMS

This Agreement made this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by and between \_\_\_\_\_, being a nonprofit entity, (hereinafter referred to as the Sponsor) and \_\_\_\_\_, (hereinafter referred to as the Housing Consultant).

WHEREAS, the Sponsor has formed or intends to form a nonprofit mortgagor corporation or association, (the term "Sponsor" shall also include said mortgagor), to construct, own, operate and maintain a rental housing project, and to make or cause to be made an application to the Secretary of Housing and Urban Development, (hereinafter referred to as Secretary), for a commitment to insure a loan for the development of a housing project under the provisions of the National Housing Act, as amended, and the regulations issued pursuant thereto, and

WHEREAS, the Sponsor desires to avail itself of the services of a Housing Consultant to assist and counsel the Sponsor in matters affecting the initiation, processing, financing, design, construction, equipping, operation and management of the housing project.

NOW, THEREFORE, the parties mutually agree as follows:

1. The Housing Consultant agrees to provide the following services for or on behalf of the Sponsor in a manner satisfactory to Sponsor and acceptable to the Secretary, which may include guidance in the selection of other persons, firms or organizations with the capability of performing one or more of the services required:

- (a) Assist the Sponsor in making an analysis of available market reports and other pertinent data to determine the type of housing suitable for the neighborhood or area where the project is to be located, the number of units planned and appropriate to the zoning applicable to the site and the approximate rentals to be charged and collecting all information required to establish the feasibility of the project;
- (b) Assist the Sponsor in selecting a suitable site for the development of a rental housing project and obtaining, if necessary, appraisals of the land from a qualified appraiser, and obtaining an option to purchase the land or otherwise arranging suitable terms for the purchase of the real property or, where appropriate, obtaining a long-term lease acceptable to the Secretary;
- (c) Assist the Sponsor in negotiations with the Local Public Agency when the site is within an approved Urban Renewal Project area;
- (d) Assist in the conferences and discussions with the representatives of the Secretary to obtain site approval and feasibility approval of the project;
- (e) Assist in the selection of a qualified architect and in the negotiations with him for a contract to prepare preliminary and final plans and specifications and provide architectural supervision during construction;
- (f) Assist in the preparation of an application for project mortgage insurance to be executed by the Sponsor and the proposed mortgagee;
- (g) Assist in obtaining a construction contract, either through a competitive bidding process or negotiation which contract will incorporate the plans and specifications approved by the Secretary and provide for the construction of the project within a period allowed by the Secretary;

## Appendix 5

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(h) Assist in the selection of and arrangements with an attorney, to render to the nonprofit Sponsor such legal services as are necessary to form an eligible nonprofit owner-mortgagor legal entity, to conclude an initial and final closing of the mortgage loan transaction;

(i) Assist in obtaining an acceptable commitment from a qualified lender or lenders to make the construction or interim loan and the permanent loan;

(j) Assist in organizing an eligible nonprofit owner-mortgagor entity to hold title to the real property, in fee or leasehold, and maintain and operate the project over the life of the mortgage in accordance with the requirements of the Secretary, the National Housing Act, as amended, and the Regulations applicable thereto;

(k) Assist the Sponsor in establishing sound management and operating procedures, including the selection of a qualified management agent; and

(l) Assist and counsel the Sponsor in establishing appropriate methods of keeping records and accounting procedures to meet the requirements of the Secretary.

Delete any of the above duties which are inapplicable and insert any other duties which the Housing Consultant will perform.

2. (a) The Sponsor agrees to compensate the Housing Consultant by payment of a fee in the amount of \$\_\_\_\_\_. (Fee may be stated as percentage of project's mortgage.)

(b) The fee provided herein shall be due and payable in the following manner:

(NOTE: Such matters as retainer, if any, and schedule of payments should be recited above. No more than 75% of the fee may be paid at or prior to initial endorsement of the mortgage for insurance by the Secretary.)

(c) The fee shall include all those expenses of the Housing Consultant which are reasonably related to providing the services for the Sponsor as set forth herein, including such items as travel and telephone expenses.

3. The services of the Housing Consultant are to commence upon the execution of this Contract and the work required shall be undertaken and completed in an expeditious and business-like manner. Failure to do so, or violation of any of the covenants, agreements or stipulations of this Contract by the Housing Consultant shall give the Sponsor the right to terminate this Contract provided the Housing Consultant is notified in writing five days prior to the effective termination date. If so terminated, the Sponsor shall have no further liability for payments due under this Contract.

4. The Sponsor agrees to cooperate with the Housing Consultant in carrying out the purposes of this Contract. Failure to do so, or violations of any of the covenants, agreements or stipulations of this Contract by the Sponsor shall give the Housing Consultant the right to terminate this Contract provided the Sponsor is notified in writing five days prior to the effective termination date. If so terminated, the Housing Consultant shall be entitled to reasonable compensation for all work done under this Contract.



-3-

5. If at any time the Sponsor decides not to proceed with the housing project, the Sponsor shall have the right to terminate this contract provided the Housing Consultant is notified in writing five days prior to the effective termination date. If so terminated, the Housing Consultant shall be entitled to reasonable compensation for all work done under this Contract.

6. In the event that the application for mortgage insurance is rejected by the Secretary or the mortgage is not endorsed for insurance by the Secretary, this Contract shall be considered terminated and the Sponsor shall have no further liability for payments due hereunder.

7. The Sponsor may from time to time request changes in the scope of the services of the Housing Consultant to be performed hereunder. Such changes, including any increase or decrease in the amount of the Housing Consultant's compensation, which are mutually agreed upon by and between the nonprofit Sponsor and the Housing Consultant, and are approved by the Secretary, shall be incorporated in written amendments to this Contract.

8. To induce the Secretary to insure a mortgage loan financing the development of the project, the Housing Consultant:

(a) Agrees and avers that the statements certified to on FHA Form No. 2531 under date of \_\_\_\_\_ are true, correct and complete to the best of his knowledge and belief; and

(b) Agrees upon final payment of the fee provided above, to furnish to the Sponsor a certified receipt on a form provided by the Secretary reaffirming the statements made in the aforesaid certificate.

9. In no event shall the parties to this Contract have or assert any claim against the Federal Government or the Secretary by reason of this Contract, or any action taken by the Federal Government with respect to the project or loan application, including disapproval of the loan.

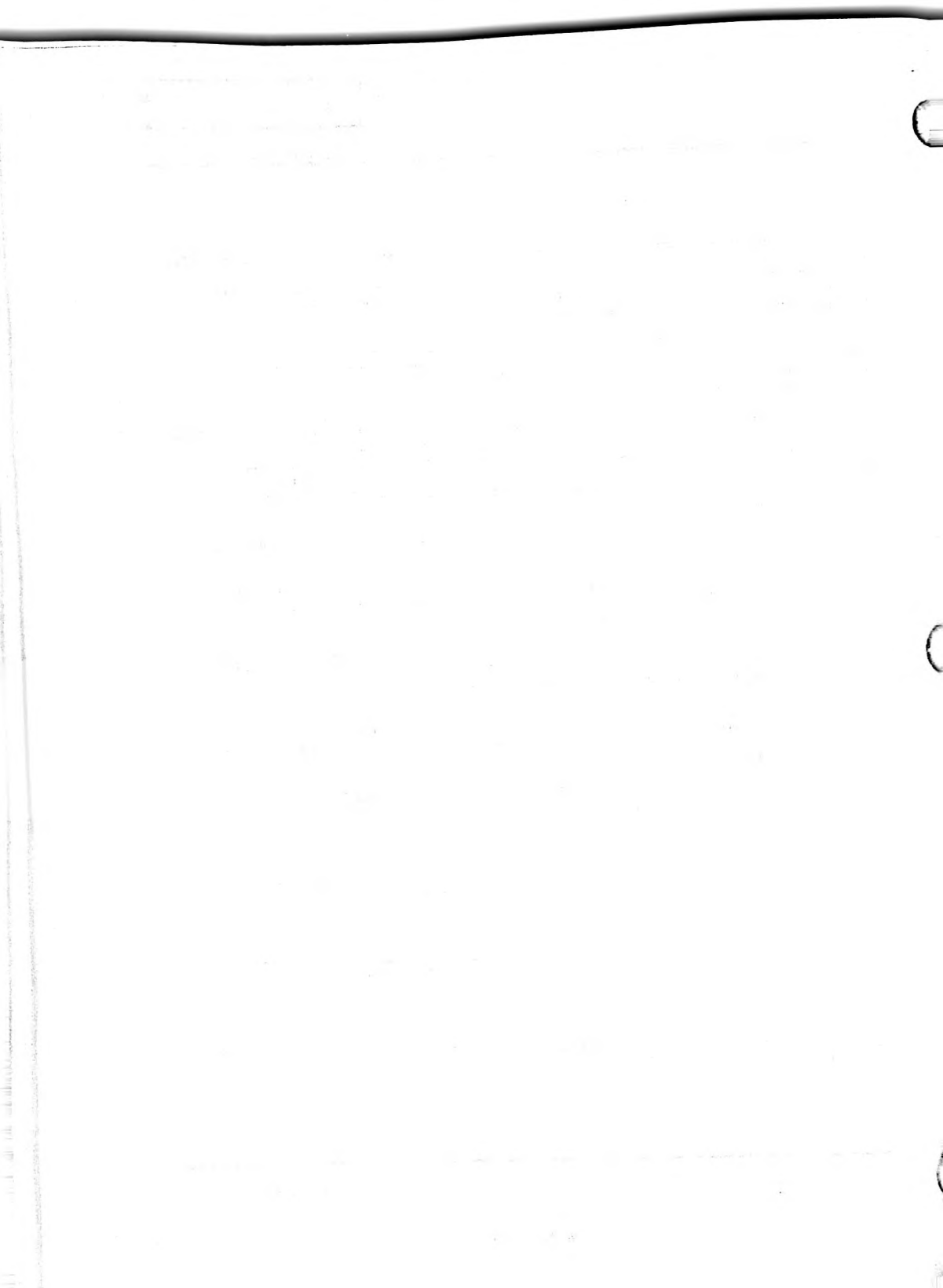
IN WITNESS WHEREOF, the nonprofit Sponsor and the Housing Consultant have executed this Contract the date first above written.

\_\_\_\_\_  
Housing Consultant

\_\_\_\_\_  
Nonprofit Sponsor

(NOTE: Appropriate additional provisions may be added as required and agreed upon by the parties to the Contract.)

10/68



U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
 FEDERAL HOUSING ADMINISTRATION  
**REQUEST FOR PRELIMINARY RESERVATION OF FUNDS**

FHA FORM NO. 3126 Section 236

TO: Regional Administrator FROM: (Insuring Office and Protective Cost Codes)

A PRELIMINARY RESERVATION OF FUNDS IS REQUESTED FOR THE PROPOSED HOUSING PROJECT DESCRIBED BELOW:

Project No. Project Name Location of Project (Street, City and State)

Description of Project (Type of Construction, etc.)

Name and Address of Sponsor Type of Proposed Mortgage

Interest Rate	Total No. Units	Rent Suppl. Units	Amount of Insured Mortgage to be applied for	SEE FACTORS FOR PROJECT EVALUATION ON REVERSE SIDE
%	No.	No.	\$	

UNITS ALLOCATED FOR REGULAR INCOME LIMITS (133% or less of Public Housing Limits)				UNITS ALLOCATED FOR EXCEPTION INCOME LIMITS (More than 133% of Public Housing Limits) but not over 90% of 221(d)(2) BMRK Limits)			
No. of Units	Monthly Rent Per Unit at Market Rate	Monthly Basic Rent Per Unit @ 1% Interest	Monthly Total Basic Rent @ 1% Interest	No. of Units	Monthly Rent Per Unit at Market Rate	Monthly Basic Rent Per Unit @ 1% Interest	Monthly Total Basic Rent @ 1% Interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	\$	\$	\$		\$	\$	\$
TOTAL COLUMN (4) → \$				TOTAL COLUMN (8) → \$			

A. TOTAL BASIC RENTALS FOR "REGULAR" and "EXCEPTION" INCOMES (Col. 4 plus Col. 8) \$

B. PERCENT OF BASIC RENT FOR "REGULAR" INCOME FAMILIES (Col. 4 - A) %

C. PERCENT OF BASIC RENT FOR "EXCEPTION" INCOME FAMILIES (Col. 8 - A) %

D. Amount of preliminary reservation of funds requested for interest reduction payments, based on mortgage amount to be applied for and chart on reverse \$

ITEM	Amount Applicable to Regular Limit Families (% from B. x Line D)	Amount Applicable to Exception Income Families (% from C. x Line D)	TOTAL
INTEREST REDUCTION PAYMENT	\$	\$	\$
ANNUAL HANDLING CHARGE	\$	\$	\$
TOTAL FUNDS REQUESTED	\$	\$	\$

Date Signature of Insuring Office Director

TO: Assistant Commissioner, Multifamily Housing - Approved FROM: Regional Administrator

TO: Insuring Office Director - Disapproved Signatures: \_\_\_\_\_ Date: \_\_\_\_\_

APPROVAL OF ASSISTANT COMMISSIONER FOR MULTIFAMILY HOUSING

TO: Regional Administrator

TOTAL FUNDS APPROVED: \$

When certified below by the Assistant Commissioner-Comptroller, funds will be reserved for a period of \_\_\_\_\_ days. Unless otherwise extended in writing by this office, if construction has not started within this period of time, the insuring office director is to have the preliminary reservation of funds canceled by entry on Section I, Form 3127, Weekly Report of Funds Obligated.

Date Signature (Assistant Commissioner, Multifamily Housing)

RESERVATION OF FUNDS

This is to certify that I have reserved funds in the amount of \$ \_\_\_\_\_ in connection with the housing project described above. Of this amount \$ \_\_\_\_\_ is reserved for regular income limit families, and \$ \_\_\_\_\_ is reserved for exception income limit families.

Date Assistant Commissioner-Comptroller

Appendix 6

FHA FORM NO. 3126

REQUEST FOR PRELIMINARY RESERVATION OF FUNDS

Section 236

(Reverse)

I - FACTORS FOR PROJECT EVALUATION

	Yes	No		Yes	No
1. Can the proposal proceed expeditiously to construction?	<input type="checkbox"/>	<input type="checkbox"/>	8. Will the proposal serve families and individuals displaced by governmental action?	<input type="checkbox"/>	<input type="checkbox"/>
2. Is the proposal located in an urban renewal area?	<input type="checkbox"/>	<input type="checkbox"/>	9. Will the proposal serve a percentage of rent supplement tenants?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the proposal located in a "modal city neighborhood"?	<input type="checkbox"/>	<input type="checkbox"/>	10. Will the proposal provide for awarding contracts for work to be performed to business concerns and individuals residing in the area of such housing?	<input type="checkbox"/>	<input type="checkbox"/>
4. Will the proposal emphasize low cost and modest design?	<input type="checkbox"/>	<input type="checkbox"/>	11. Will the proposal include community facilities in an area not now adequately served or which will provide job and business opportunities for lower income residents of the area?	<input type="checkbox"/>	<input type="checkbox"/>
5. Will the proposal assist in the revitalization of a "core city" blighted area?	<input type="checkbox"/>	<input type="checkbox"/>			
6. Will the proposal primarily accommodate families now located within a blighted area?	<input type="checkbox"/>	<input type="checkbox"/>			
7. Will the proposal provide opportunities for employment of lower income persons residing in the area?	<input type="checkbox"/>	<input type="checkbox"/>			

II - FUNDS TO BE RESERVED, EXCLUSIVE OF HANDLING CHARGES

Amount of Mortgage	Amount to Reserve or Obligate	Amount of Mortgage	Amount to Reserve or Obligate
\$ 100	\$ 5	\$ 45,000	\$ 2,116
200	10	50,000	2,352
300	15	55,000	2,587
400	19	60,000	2,822
500	24	65,000	3,057
600	29	70,000	3,292
700	33	75,000	3,527
800	38	80,000	3,762
900	43	85,000	3,997
1,000	48	90,000	4,232
2,000	95	95,000	4,467
3,000	142	100,000	4,703
4,000	189	200,000	9,405
5,000	236	300,000	14,107
6,000	283	400,000	18,809
7,000	330	500,000	23,511
8,000	377	600,000	28,213
9,000	424	700,000	32,915
10,000	471	800,000	37,617
15,000	706	900,000	42,319
20,000	941	1,000,000	47,021
25,000	1,176	2,000,000	94,041
30,000	1,411	3,000,000	141,061
35,000	1,646	4,000,000	188,081
40,000	1,881	5,000,000	235,102

The above amounts were computed on the basis of the difference between the required monthly payment for principal, interest and MIP on a 40 year, 6-3/4 percent mortgage and the monthly payment for principal and interest if such mortgage were to bear interest at 1 percent, rounded up to the next even dollar. Because of differences in rounding, the total amount of funds reserved or obligated for any given mortgage amount must be determined by use of the highest mortgage multiple shown in the chart, the next highest multiple, etc., until the given mortgage amount is obtained.

The following examples illustrate the use of the table for computing the annual amount of funds to be reserved or obligated under section 236:

(a) Assume \$152,000 mortgage:

Amount of Mortgage	Amount to Reserve or Obligate
\$100,000	\$4,703
50,000	2,352
2,000	95
\$152,000	\$7,150

(b) Assume \$375,000 mortgage:

Amount of Mortgage	Amount to Reserve or Obligate
\$300,000	\$14,107
75,000	3,527
600	29
\$375,600	\$17,663

FHA Form No. 3120

**AMOUNT OF FUNDS TO BE RESERVED OR OBLIGATED ANNUALLY  
FOR ASSISTANCE PAYMENTS UNDER SECTION 235(j) AND INTEREST  
REDUCTION PAYMENTS UNDER SECTION 236, EXCLUSIVE OF HANDLING CHARGES  
(Computed On The Basis Of A 40 Year Mortgage At 6-3/4% Interest)**

<u>Amount of Mortgage</u>	<u>Amount to Reserve or Obligate</u>	<u>Amount of Mortgage</u>	<u>Amount to Reserve or Obligate</u>
\$ 100	\$ 5	\$ 45,000	\$ 2,116
200	10	50,000	2,352
300	15	55,000	2,587
400	19	60,000	2,822
500	24	65,000	3,057
600	29	70,000	3,292
700	33	75,000	3,527
800	38	80,000	3,762
900	43	85,000	3,997
1,000	48	90,000	4,232
2,000	95	95,000	4,467
3,000	142	100,000	4,703
4,000	189	200,000	9,405
5,000	236	300,000	14,107
6,000	283	400,000	18,809
7,000	330	500,000	23,511
8,000	377	600,000	28,213
9,000	424	700,000	32,915
10,000	471	800,000	37,617
15,000	706	900,000	42,319
20,000	941	1,000,000	47,021
25,000	1,176	2,000,000	94,041
30,000	1,411	3,000,000	141,061
35,000	1,646	4,000,000	188,081
40,000	1,881	5,000,000	235,102

Because of differences in rounding, the total amount of funds reserved or obligated for any given mortgage amount must be determined by use of the highest mortgage multiple shown in the chart, the next highest multiple, etc., until the given mortgage amount is obtained.

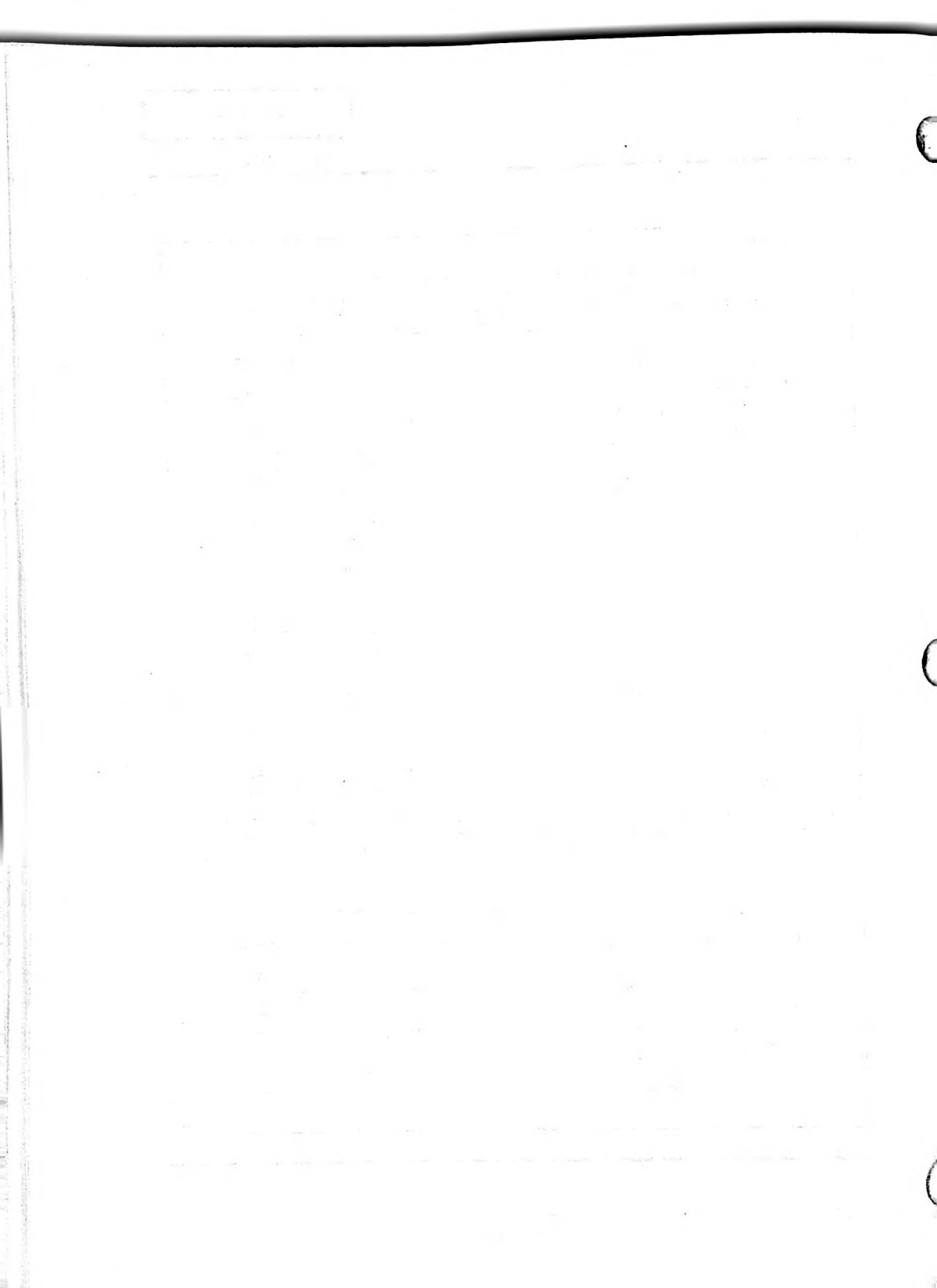
The following examples illustrate the use of the table for computing the annual amount of funds to be reserved or obligated under sections 235(j) or 236 only.

(a) Assume \$152,000 mortgage:

(b) Assume \$375,600 mortgage:

<u>Amount of Mortgage</u>	<u>Amount to Reserve or Obligate</u>
\$100,000	\$4,703
50,000	2,352
2,000	95
<u>\$152,000</u>	<u>\$7,150</u>

<u>Amount of Mortgage</u>	<u>Amount to Reserve or Obligate</u>
\$300,000	\$14,107
75,000	3,527
600	29
<u>\$375,600</u>	<u>\$17,663</u>



FHA FORM NO. 3131

Form Approved  
Budget Bureau No. 63R-1207

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

A. FHA Project No.

APPLICATION FOR TENANT ELIGIBILITY UNDER THE SECTION 236 PROGRAM

B. Project Name and Address

C. Sponsor's Name, Address and Zip Code (Please Type)

D. Name (Head of Family) and Present Address

E. EMPLOYMENT:

1. Occupation: Husband \_\_\_\_\_  
Wife \_\_\_\_\_  
Other \_\_\_\_\_

2. Employer (Name and Address): \_\_\_\_\_

F. HOUSEHOLD COMPOSITION AND FAMILY INCOME:

NAME	Age	Sex	Family Relationship	Social Security Number	INCOME DURING THE LAST 12 MONTHS:							
					Wage or Salary	RETIREMENT Social Security	Other	BENEFIT PAYMENTS Disability	Unemployment	Welfare	Other	
1.			Husband or Head									
2.												
3.												
4.												
5.												
6.												
7.												
8.												
9. Number in Household -----					TOTAL							

- 9. Number in Household -----
- 10. Number of Minors (Under 21) ----
- 11. Number of Handicapped-----
- 12. Total Income (Exclude Minors) --- \$
- 13. Less Unusual Income (See Instr.) --- \$
- 14. Adjusted Annual Income of Adults (F-12 minus F-13) \$
- 15. Less Number of Minors (F-10 x \$300) ----- \$
- 16. Certified Adjusted Annual Income (F-14 minus F-15) \$
- 17. Certified Adjusted Monthly Income (F-16 ÷ 12) --- \$

G. PAYMENT CALCULATIONS:

1. Area Income Limits for this Family ----- \$

2. Based On:  135% of Public Housing  
 90% of Sec. 221(d)(3)

3. Basic Monthly Rental for Unit @ 1% ----- \$

4. Fair Market Rental for Unit at Regular Rate --- \$

5. 25% of Certified Monthly Income (F-17) ----- \$

6. Tenant's Monthly Rental Payments ----- \$  
(G-3 or G-5 whichever is more or G-4 or G-5 whichever is less)

H. IS SPECIAL CONSIDERATION TO BE GIVEN BECAUSE:

- 1.  of Physical Handicap
- 2.  of Age (62 or over)
- 3.  Displaced by Government Action
- 4.  Former Occupant
- 5.  Displaced by Disaster

I. CERTIFICATION:

I/we hereby certify that the foregoing information is true and correct to the best of my/our knowledge and belief. Inquiries may be made to verify the statements herein.

Date \_\_\_\_\_ Signature \_\_\_\_\_ (Husband) \_\_\_\_\_ (Wife)

**WARNING** Section 1001 of Title 18 of the United States Code makes it a criminal offense to make willfully false statements or misrepresentation to any Department or Agency of the United States as to any matter within its jurisdiction.

J. REVIEW AND CERTIFICATION:

The above information has been reviewed and the applicant  is  is not eligible to occupy the dwelling unit designated \_\_\_\_\_ on making a rental payment of \$ \_\_\_\_\_ per month.  
(Apartment Number or Address)

Date \_\_\_\_\_ Signature \_\_\_\_\_ (Housing Owner or Manager)



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

INSTRUCTIONS FOR FILLING OUT APPLICATION FOR TENANT ELIGIBILITY  
UNDER THE SECTION 236 PROGRAM FHA FORM NO. 3131

1. The owner of the property or the project management, is responsible for the preparation of FHA Form No. 3131. Information of a personal nature is to be secured from the applicant. Entries for all other items as well as all computations are the responsibility of the project sponsor or management.
2. In more detail, information on the name, address and zip code of the mortgagee, Item B, and the address of the property, Item C, should be supplied by the project sponsor or management.
3. Information for Item D, Item E, and Item F. Mortgagor(s) Name or Names, Occupation, Years Employed, and Name of Employer should be obtained from the head of the family making application. Similarly, data for each individual member of the family including husband and wife or other eligible head (F-1 to F-8) as to Name, Age, Sex, Family Relationship, Social Security Number, if any, and Income During the Last 12 Months by source of income should be obtained from the applicant.  
**DEFINITION:** "Family" or "household" means (a) two or more persons related by blood, marriage, or operation of law, or (b) a handicapped or elderly (62 or over) single person. "Minor" means a member of the family, except spouse, under 21 years of age, living in the household.  
  
The total amount of income received in the last 12 months should be entered in F-1 to F-8. All income amounts should be entered to the nearest dollar, do not show cents. If there are more than 7 persons in the family, show the same information for these persons on an attached sheet of paper (3 copies). The sum of the income reported in each source of income column for all members should be entered on the TOTAL line after line (F-8).
4. From the entries presented on lines F-1 to F-8 and attachments, if any, the project sponsor or management should develop the entries for Items F-9 through F-17. The Number in Household (F-9) is represented by the number of names listed. The Number of Minors (F-10) is the number of persons whose age is listed as under 21 years excluding the family head and his spouse. The Number of Handicapped (F-11) includes any person who has a physical impairment which is expected to be of continued duration, which substantially impedes his ability to live independently, and which would be improved by more suitable housing.
5. The total amount of family income, excluding the income of minors, F-12 is to be obtained from the entries on lines F-1 through F-8 and attachments, if any, and shall include income received during the last 12 months from all sources, before taxes or withholding, of all adult members of the family who propose to live in the unit, less any Unusual Income (F-13) which may include 5 percent of total family income (before deductions) for Social Security withholding and similar deductions, all or part of overtime pay which will be discontinued, departure of a secondary wage earner, unemployment compensation which does not occur regularly, or other income of a temporary nature which will be or has been discontinued (attach explanation). Adjusted Annual Income of Adults (F-14) is derived by subtracting Item F-13 from Item F-12. This amount is adjusted further by deducting an allowance of \$300 for each minor person (under 21 years of age, excluding the mortgagor or his spouse) (F-15) to obtain the Certified Adjusted Annual Family Income (F-16). This amount is then divided by 12 to obtain the Certified Adjusted Monthly Income (F-17).
6. Assistance Calculations, Item G, are to be completed by the housing owner or manager. Information on the area income limits for the applicant's family (G-1) will be obtained from the FHA insuring office. One of the boxes in G-2 should be checked to show if the limit used is (a) 135 percent of income eligible for occupancy of public housing or (b) 90 percent of income limit for occupancy of Section 221(d)(3) Below Market Interest Rate projects.
7. The amount of basic monthly rental for the unit at one percent, Item G-3, is to be developed by determining the amount of rental income attributable to this unit which is necessary to cover the cost of operating the project on the basis of payments to principal and interest due under a mortgage bearing interest at a rate of one percent per annum with full allowance for all other operating expenses, but without a charge for mortgage insurance. The fair market rental for this unit, Item G-4, is to be developed using the same operating costs as above but making allowance for payments to principal, interest at the mortgage rate, and mortgage insurance premium. A schedule for all units in the project should be developed to obtain the necessary rental income to maintain the project operation. The rent from this schedule is to be entered for Item G-4.
8. 25% of the certified monthly income, Item G-5, is obtained by multiplying the amount of the certified adjusted monthly income (F-17) by 0.25 or by dividing the certified adjusted monthly income by 4. This amount is then used to determine the tenants monthly rental payment, Item G-6, according to the following formula.  
  
The tenants rent will be the amount of the basic rental at one percent (G-3) or 25% of the certified monthly income (G-5) whichever is the larger amount. If in this test Item G-5 is larger than G-4, then a comparison is made between Item G-5 and the fair market rental of the unit (G-4) and the smaller of these entries will become the monthly rent paid by the tenant. This amount is to be entered as Item G-6.
9. In Item H, a check should be entered in each box which may apply, if special consideration has been given the application of this tenant because of one or more of the following reasons: H-1. physical handicap (see paragraph 4 for definition), H-2. age (62 or over), H-3. displaced by government action, H-4. former occupant of property replaced or improved by this project, H-5 displaced by disaster.
10. When the housing owner or manager has completed and checked all items of information on FHA Form No. 3131 and has reviewed the entries with the applicant, the certification (Item I) must be signed by the applicant and his wife.
11. The housing owner or manager shall check in Item J the applicable box indicating whether this applicant is, or is not, eligible. The housing owner or manager indicates the unit designation, then enters the amount of the monthly rent for which the applicant is eligible, dates and signs the certification. He retains the original for purposes of audit and sends two copies of the form to the FHA insuring office. A certified copy of a current FHA Form 3131 or 3132 for each occupied unit must be available for review and audit in the owners or managers file at all times.
12. Upon receipt of the FHA Form 3131 the FHA insuring office retains one copy of the form and sends one copy to the FHA Statistics Section, Division of Research and Statistics, Washington, D. C. 20411, with the weekly FHA Form 2038c.

FHA FORM NO. 3131  
(Instructions)

FHA FORM NO. 3132

Farm Approved  
Budget Bureau No. 63R-1208

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

A. FHA Project No.

BIENNIAL CERTIFICATION OF FAMILY INCOME AND  
COMPOSITION UNDER THE SECTION 236 PROGRAM

C. Sponsor's Name, Address and Zip Code (Please Type)

B. Project Name and Address

D. Name (Head of Family) and Present Address

E. EMPLOYMENT: 1. Occupation— 2. Employer (Name and Address)—

Husband \_\_\_\_\_  
Wife \_\_\_\_\_  
Other \_\_\_\_\_

F. HOUSEHOLD COMPOSITION AND FAMILY INCOME:

NAME	Age	Sex	Family Relationship	Social Security Number	INCOME DURING THE LAST 12 MONTHS:						
					Wages or Salary	RETIREMENT Social Security	Other	BENEFIT PAYMENTS Disability	Unemployment	Welfare	Other
1.			Husband or Head								
2.											
3.											
4.											
5.											
6.											
7.											
8.											
9. Number in Household -----				TOTAL							

- 10. Number of Minors (Under 21) --- \_\_\_\_\_
- 11. Total Income (Exclude Minors) - \$ \_\_\_\_\_
- 12. LESS Unusual Income (See Instr.) \$ \_\_\_\_\_
- 13. Adj. Annual Income of Adults (F-11 Minus F-12) ----- \$ \_\_\_\_\_
- 14. LESS Number of Minors (F-10  $\times$  \$300) ----- \$ \_\_\_\_\_
- 15. Cert. Adjusted Ann. Income (F-13 minus F-14) \$ \_\_\_\_\_
- 16. Certified Adjusted Monthly Income (F-15  $\div$  12) ----- \$ \_\_\_\_\_

- G. PAYMENT CALCULATIONS:
- 1. Basic Monthly Rental for Unit @ 1% ----- \$ \_\_\_\_\_
  - 2. Fair Market Rental for Unit at Regular Rate --- \$ \_\_\_\_\_
  - 3. 25% of Certified Monthly Income (F-17) ----- \$ \_\_\_\_\_
  - 4. Tenants Monthly Rental Payment ----- \$ \_\_\_\_\_  
(G-1 or G-3, whichever is more.  
If G-3 is more, then G-2 or G-3, whichever is less)

H. CERTIFICATION:

I/we hereby certify that the foregoing information is true and correct to the best of my/our knowledge and belief. Inquiries may be made to verify the statements herein.

Date \_\_\_\_\_ Signatures \_\_\_\_\_ (Husband) \_\_\_\_\_ (Wife)

**WARNING** Section 1001 of Title 18 of the United States Code makes it a Criminal Offense to make a willfully false statement or misrepresentation to any Department or Agency of the United States as to any matter within its jurisdiction.

K. REVIEW AND CERTIFICATION:

The above information has been reviewed and the applicant  is  is not eligible for continued reduced rental. The dwelling unit designated \_\_\_\_\_ (Apt. No. or Address) may be occupied by making a rental payment of \$ \_\_\_\_\_ per month which is an  increase  decrease from the amount of the previous rental payment.

Date \_\_\_\_\_ Signature \_\_\_\_\_ (Housing Owner or Manager)

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

INSTRUCTIONS FOR FILLING OUT BIENNIAL CERTIFICATION OF  
FAMILY INCOME AND COMPOSITION UNDER THE SECTION 236 PROGRAM FHA FORM NO. 3132

1. The owner of the property or the project management, is responsible for the preparation of FHA Form No. 3132. Information of a personal nature is to be secured from the applicant. Entries for all other items as well as all computations are the responsibility of the project sponsor or management.
2. In more detail, information on the name, address and zip code of the mortgagee, Item B, and the address of the property, Item C, should be supplied by the project sponsor or management.
3. Information for Item D, Item E, and Item F. Mortgagor(s) Name or Names, Occupation, Years Employed, and Name of Employer should be obtained from the head of the family making application. Similarly, data for each individual member of the family including husband and wife or other eligible head (F-1 to F-8) as to Name, Age, Sex, Family Relationship, Social Security Number, if any, and Income During the Last 12 Months by source of income should be obtained from the applicant.  
  
**DEFINITION:** "Family" or "household" means (a) two or more persons related by blood, marriage, or operation of law; or (b) a handicapped or elderly (62 or over) single person. "Minor" means a member of the family, except spouse, under 21 years of age, living in the household.  
  
The total amount of income received in the last 12 months should be entered in F-1 to F-8. All income amounts should be entered to the nearest dollar; do not show cents. If there are more than 7 persons in the family, show the same information for these persons on an attached sheet of paper (3 copies). The sum of the income reported in each source of income column for all members should be entered on the TOTAL line after line (F-8).
4. From the entries presented on lines F-1 to F-8 and attachments, if any, the project sponsor or management should develop the entries for Items F-9 through F-16. The Number in Household (F-9) is represented by the number of names listed. The Number of Minors (F-10) is the number of persons whose age is listed as under 21 years excluding the family head and his spouse.
5. The total amount of family income, excluding the income of minors, F-11 is to be obtained from the entries on lines F-1 through F-8 and attachments, if any, and shall include income received during the last 12 months from all sources, before taxes or withholding, of all adult members of the family who propose to live in the unit, less any Unusual Income (F-12) which may include 5 percent of total family income (before deductions) for Social Security withholding and similar deductions, all or part of overtime pay which will be discontinued, departure of a secondary wage earner, unemployment compensation which does not occur regularly, or other income of a temporary nature which will be or has been discontinued (attach explanation). Adjusted Annual Income of Adults (F-13) is derived by subtracting Item F-12 from Item F-11. This amount is adjusted further by deducting an allowance of \$300 for each minor person (under 21 years of age, excluding the Family Head or his spouse) (F-14) to obtain the Certified Adjusted Annual Family Income (F-15). This amount is then divided by 12 to obtain the Certified Adjusted Monthly Income (F-16).
6. Assistance Calculations, Item G, are to be completed by the housing owner or manager.
7. The amount of basic monthly rental for the unit at one percent, Item G-1, is to be developed by determining the amount of rental income attributable to this unit which is necessary to cover the cost of operating the project on the basis of payments to principal and interest due under a mortgage bearing interest at a rate of one percent per annum, with full allowance for all other operating expenses, but without a charge for mortgage insurance. Similarly, the fair market rental for the regular rate for this unit, Item G-2, is to be developed using the same operating costs as above but making allowance for payments to principal, interest at the mortgage rate, and mortgage insurance premium.
8. 25% of the certified monthly income, Item G-3, is obtained by multiplying the amount of the certified adjusted monthly income (F-16) by 0.25 or by dividing the certified adjusted monthly income by 4. This amount is then used to determine the tenants monthly rental payment, Item G-4, according to the following formula:  
  
The tenants rent will be the amount of the basic rental at one percent (G-1) or 25% of the certified monthly income (G-3) whichever is the larger amount. If in this test Item G-3 is larger than G-1, then a comparison is made between Item G-3 and the fair market rental of the unit (G-2) and the smaller of these entries will become the monthly rent paid by the tenant. This amount is to be entered as Item G-4.
9. When the housing owner or manager has completed and checked all items of information on FHA Form No. 3132 and has reviewed the entries with the applicant, he has the applicant and his wife sign the certification.
10. The housing owner or manager checks in Item K whether this applicant is eligible or not for continued assistance, (he may continue to occupy the unit without assistance) indicates the unit designation then enters the amount of the monthly rent for which the applicant is eligible, dates and signs the certification. He retains the original for purposes of audit and sends two copies of the form to the FHA insuring office. A certified copy of a current FHA Form 3131 or 3132 for each occupied unit must be available for review and audit in the owner's or manager's file at all times.
11. Upon receipt of the FHA Form 3132 the FHA insuring office retains one copy of the form and sends one copy to the FHA Statistics Section, Division of Research and Statistics, Washington, D. C. 20411, with the weekly FHA Form 2038c.

FHA FORM NO. 3132  
(Instructions)

FHA FORM NO. 3476  
Rev. 4/68

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

**CERTIFICATE OF ELIGIBILITY**  
Under Section 221 of the National Housing Act

**PART I - STATEMENT OF APPLICANT**

**INSTRUCTIONS:** This Certificate should be shown to a lender in making application for mortgage insurance under Section 221, or submitted to the owner or managing agent of a property in applying for occupancy in a rental unit built or rehabilitated with the aid of such insurance. It is to be understood that in the case of a property to be insured under Section 221, the applicant must meet other terms and conditions prescribed by the Commissioner, FHA.

Applicant - Last Name - First - Middle (Print or Type)

(a) Address (Number, Street, City, County and State) from which displaced, or subject to Displacement:

(b) Mailing Address if different from (a):

I hereby Certify to the Federal Housing Administration that the foregoing information is correct, and that I have not been previously issued a Certificate of Eligibility under Section 221 of the National Housing Act.

(Date)

(Signature of Applicant)

Section 1001 of Title 18 of the United States Code makes it a Criminal Offense to make a willfully false statement or misrepresentation to any Department or Agency of the United States as to any matter within its jurisdiction.

**PART II - STATEMENT OF CERTIFYING OFFICIAL**

**NOTE:** This Certificate makes the holder eligible for consideration to receive the benefits of FHA mortgage insurance under Section 221 of the National Housing Act and is issued to assist in financing the purchase or construction of a dwelling or the renting of a dwelling unit constructed under Section 221. This Certificate has no reference or relationship to an applicant's financial qualifications for mortgage insurance. The Certificate is valid for a one-year period beginning with the date of issuance.

I hereby Certify to the Federal Housing Administration, based on information available to me, that the applicant has been or is subject to displacement due to the following Governmental Action, or has been displaced as a result of a major disaster as determined by the President. (See supplement to FHA Form No. 3476 for types (2a, 2b, etc.)) of Governmental action.)

(Signature of Certifying Official)

(Day)

(Month)

(Year)

(Title of Certifying Official)

(Day)

(Month)

(Year)

(Name of Local Agency, Department, Bureau, Organization, Etc.)

(CERTIFICATE EXTENSION, IF ANY, ON REVERSE SIDE)

FHA FORM NO. 3476  
Rev. 4/68

FHA 4442.1

Appendix 11

EXTENSION OF CERTIFICATE

If the holder of this Certificate has been unable to locate a standard dwelling suitable to his needs, the Certificate may be extended for a twelve-month period beginning with the first day after the original expiration date. An extension may be granted by the issuing authority, or similar authority in the new community where applicant proposes to reside.

EXPIRATION DATE EXTENDED TO:

(Day) (Month) (Year)

(Signature of Certifying Official)

(Title of Certifying Official)

(Name of Local Agency, Department,  
Bureau, Organization, Etc.)

FHA FORM NO. 3476 Rev. 4/68

INSTRUCTIONS FOR THE ISSUANCE OF CERTIFICATES OF ELIGIBILITY  
UNDER SECTION 221 OF THE NATIONAL HOUSING ACT  
DEFINITIONS

1. Urban Renewal Area - A slum area or a blighted, deteriorated or deteriorating area in a locality which the Secretary of Housing and Urban Development approves as appropriate for an Urban Renewal Project. The Secretary's approval of an area, as appropriate for an Urban Renewal Project, will be effective as follows:
  - a. For Title I Projects, Federally-assisted under the Housing Act of 1949 as amended, the date of a contract for survey and planning advance (exclusive of a contract for a survey to determine the feasibility of the undertaking of an Urban Renewal Project or for a survey to develop a "General Neighborhood Renewal Plan") or a Letter to Proceed.
  - b. For "non-assisted" Urban Renewal Projects, the date of approval by the Secretary or his delegate, of the Urban Renewal Plan.
2. Governmental Action -
  - a. Direct construction by all instrumentalities of Government, e.g., public buildings, military installations, highways, schools, playgrounds, low-rent projects by local housing authorities, power projects, etc.
  - b. Slum clearance, urban redevelopment and urban renewal activities of all instrumentalities of Government, e.g., land acquisition; site clearance; rehabilitation work both publicly and privately (pursuant to publicly sponsored enforcement of voluntary programs) financed; privately financed new construction on a publicly sponsored clearance site; etc., (publicly financed projects on-site included in (a) above.)
  - c. Enforcement of housing standards and the demolition, closing and improvement of dwelling units through actions of public bodies or courts, e.g., code enforcement, including health and safety ordinances; occupancy ordinances, etc.
  - d. Privately financed construction of public buildings under lease-purchase agreements with Government instrumentalities, e.g., Federal buildings built under such agreements with the General Services Administration and the Post Office Department.
  - e. Slum clearance and urban redevelopment activities and construction on the clearance site by private groups and organizations having the power of eminent domain, e.g., public utilities, limited-dividend housing corporations, etc.
  - f. Construction by quasi-public bodies such as State universities.
  - g. Removal and demolition of publicly owned buildings by all instrumentalities of Government, e.g., publicly owned defense housing, Veterans' Reuse housing, dwellings on grounds of public institutions, etc.
  - h. Removal and demolition of privately owned buildings by a public body in the interest of public health, welfare and safety (not necessarily connected with the code enforcement activities mentioned above) e.g., flood control operations, fire-fighting operations, etc.
  - i. Eviction of over-income tenants in low-rent projects operated by a public body, e.g., projects financed with Federal aid, State-aided projects, etc.
  - j. Displacement resulting from tenants' inability to pay increased rents as a result of publicly sponsored rehabilitation or of improvements made in connection with the enforcement of housing standards.
3. Displaced as a Result of Governmental Action - Loss of occupancy or the existence of a threat of loss of occupancy, in a residential property as a result of Governmental action as defined in Paragraph 2 above.
4. Eligible Applicant - A person who is a resident of an Urban Renewal Area in such community on or after the date established pursuant to Paragraph 1 above; or provided such person, irrespective of whether or not he resides in an Urban Renewal Area, has been or is to be displaced by governmental action in such community, as defined in Paragraphs 2 and 3 above, or has been displaced as a result of a major disaster as determined by the President.

## Appendix 11

TERMS AND CONDITIONS

1. A Certificate of Eligibility may be issued only to an eligible applicant, as defined in Paragraph 4 under "Definitions", who meets the terms and conditions prescribed herein. The public or quasi-public body issuing a Certificate of Eligibility must certify to this effect in Part II of FHA Form 3476.
2. The acceptance of a Certificate of Eligibility may be subject to the establishment of such special priorities and preferences as the FHA deems necessary by giving reasonable notice to the applicable responsible local public agency.
3. Paragraph 1 under "Definitions" establishes the earliest dates on which an applicant, residing in an Urban Renewal Area and wishing to relocate voluntarily therefrom, may become eligible for the issuance of a Certificate of Eligibility. The Local Public Agency may, if it believes such action to be favorable to carrying out an Urban Renewal Project, establish a time of eligibility for such an applicant later than the earliest date established in Paragraph 1. Upon establishment of a date of eligibility, the LPA shall formally notify the appropriate FHA Insuring Office, and such a date will become effective upon this notification. Residency in such an area at any time on or after this date but prior to the Urban Renewal Project completion date, as determined by the HUD Regional Administrator, establishes the eligibility of the individual applicant. An applicant who has lived in such an area between these two dates but who has moved therefrom prior to being issued a Certificate of Eligibility, must, however, make application within a two-year period from date of moving.
4. An applicant, irrespective of whether or not he resides in an Urban Renewal Area, may become eligible by reason of displacement as a result of governmental action such as code enforcement or other activities, projects or programs of a public or quasi-public body, as defined above. Loss of occupancy must be from a residential property personally occupied by the applicant. In the case of an applicant whose displacement had already occurred, a Certificate may be issued if such displacement took place at any time during a two-year period prior to the date of application. In the case of an applicant who is faced with a threat of loss-of-occupancy, a Certificate may be issued if such a loss is reasonably expected to occur within a two-year period from date of application.
5. No more than one Certificate is to be issued to an eligible applicant who is the head of a family or household, except where such a household is actually composed of two or more separate families who are temporarily sharing accommodations or doubling up and who intend to occupy separate dwellings upon relocation. In this instance, a Certificate may be issued to each applicant otherwise eligible who represents himself as the head of a separate family or household which intends to establish separate housekeeping accommodations. If an eligible applicant cannot for one reason or another qualify for FHA mortgage insurance, a certification may be issued to that member of family or household otherwise eligible, who can so qualify. In this instance, the issuing agency shall require the return of the previously issued Certificate for cancellation before a new Certificate is issued in the name of another member of this family or household.
6. The Certificate should be executed by a local public agency responsible for carrying out Urban Renewal Projects or a public or quasi-public body with jurisdiction over the Project, Program or activity which has resulted or will result in the displacement of the applicant. However, the issuance of the certificate may be delegated to a central relocation agency if such an agency is to undertake the rehousing of families from Urban Renewal Areas and/or of families displaced by all types of governmental action in a community. Part II of FHA Form 3476, Statement of Certifying Official, is to be executed by a designated official of: An agency of the Federal, State or local government, or of a division or branch thereof; an authority, commission or other similar body jointly operated under an agreement between two or more instrumentalities of government, or of a quasi-public body with authority to carry out the activities listed on this Form under the definition of governmental action. The issuing agency, if it is other than the one having jurisdiction over the Urban Renewal Project or the Program, Project or activity causing the displacement of the applicant, may, in its discretion, require whatever evidence it deems necessary in support of the applicant's eligibility and may deny a Certificate in the absence of such evidence. This evidence may be in the form of a notice-to-vacate, decision of a Condemnation Board; Court action; notice by a public or quasi-public body that it has acquired or intends to acquire residential property occupied by the applicant, or a statement by such a body that as a result of action by it the applicant has been displaced within a two-year period prior to date of application or is to be displaced within a two-year period after date of application. The issuing agency shall have discretionary authority to deny a Certificate of Eligibility or rescind one previously issued if it is provided with, or has, knowledge that only temporary occupancy in a residential property or temporary residence in an Urban Renewal Area was intended and solely for the purpose of establishing eligibility for Section 221 assistance.
7. Questions which may arise as to an applicant's eligibility should be referred to the appropriate FHA Insuring Office for a ruling.
8. FHA Form 3476 should be prepared in triplicate, the original to be given to the applicant with one copy to be retained by the issuing agency and the other to be forwarded to the appropriate FHA Insuring Office. The issuing agency shall notify the appropriate FHA Insuring Office of any Certificates previously issued which have been cancelled or rescinded in accordance with these Terms and Conditions.





## Appendix 12

INSTRUCTIONS FOR PREPARATION AND MAINTENANCE  
OF FORM 3125, RECORD OF FUNDS RESERVED AND OBLIGATED FOR  
ASSISTANCE PAYMENTS OR INTEREST REDUCTION PAYMENTS UNDER  
SECTION 235(j) OR SECTION 236.

In order to assure accuracy in reserving and obligating appropriated funds for mortgages to be insured under sections 235(j)(1) and 236, each insuring office must maintain a complete record on Form 3125. A separate Form 3125 must be maintained for section 235(j)(1) and for section 236.

No one shall commit funds for the payment of assistance or interest reduction payments under sections 235(j) or 236 except pursuant to the certification of a formal reservation of funds by the Assistant Commissioner-Comptroller on Form 3126 or Form 3129.

The initial entries on Form 3125 will be made at the time a finding of feasibility is made by the insuring office director and a request for a preliminary reservation of funds is made through the Assistant Regional Administrator and the Assistant Commissioner for Multifamily Housing to the Assistant Commissioner-Comptroller on Form 3126 or 3129. At this time, the project number will be entered in column (1); the amount of funds for which reservation is being requested will be entered in column (2); and the date Form 3126 or 3129 is forwarded to the Assistant Regional Administrator will be entered in column (3).

The director must determine the make-up of the dwelling units from the standpoint of "type of construction" and indicate the amount of assistance payments for rehabilitated units and for existing units not requiring rehabilitation. Amounts allocated to units requiring rehabilitation will be coded "RE" in column 2. Amounts allocated to units not requiring rehabilitation will be coded "EX" in column 2. The director must also determine if the housing will be occupied by (1) families whose income is not in excess of 135% of the income limits established in the area for public housing (regular income limits); (2) families whose income is more than 135% of the income limits established in the area for public housing, but not in excess of 90% of the income limits established for the area by the Secretary for section 221(d)(3) BMR housing (20% exception income limits); or (3) a combination of families whose income meet the requirements of (1) and (2). If all the housing will be occupied by families whose income meets the requirements of (1) above, the amount entered in column (2) will be coded "R" for regular income limits. If all the housing is for families whose income meets the requirements of (2) above, the amount entered in column (2) will be code "E" for exception income limits. If the housing is for families whose income limits meet the requirements of (1) and (2) above, the director must determine the amount of annual assistance or interest reduction payment for each income category and separately enter the amount for each category in column (2). The code letters "R" and "E" must also precede the amount for each category. When two or more amounts are to be entered, the insuring office may use two or more lines for each project as necessary to accommodate the coding for type of construction and income limits. If funds are available, the Comptroller's Division will certify on Form 3126 or 3129 that the amount of funds requested has been reserved and will return the original of Form 3126 or 3129 to the insuring office, certified to show that funds have been reserved. Upon receipt of a certification that funds have been reserved, the current date will be entered in column (4) of Form 3125.

If the application is rejected, or otherwise does not lead to a commitment for insurance, the amount of funds previously reserved must be canceled by reporting on Form 3127, in Section I. This releases the funds previously reserved. Upon issuance of a commitment, it is necessary to establish a firm obligation for the amount of funds committed. This is done by reporting the funds previously reserved for the case for cancellation on Form 3127, and by reporting in Section II of Form 3127 the amount of funds that are to be firmly obligated for the case. Enter the date that the funds previously reserved are reported for cancellation in column (5) and the amount of funds to be obligated and the date such is reported in columns (6) and (7), respectively. The amount shown in column (6) must be coded to show type of construction and income limits of the housing in the same manner as described above for reservation amounts in column (2).

If the commitment expires, is canceled, or for any reason does not result in insurance endorsement, the amount of funds previously reported and obligated must be canceled. At the time the cancellation of the funds is reported on Form 3127, Section III, the date of this action will be entered in column (8) of this form. If the amount of funds necessary for the payment of assistance or interest reduction payments is to be increased or decreased, such change must be reported on Form 3127 in Section I or Section II, as appropriate. The increase or decrease amount shown in columns (9) and (11) must be coded for type of construction and income limits in the same manner as described above for column (2). If an increase is required, the amount of the increase will be entered in column (9) and the date reported on Form 3127 will be entered in column (10) of this form. The amount of decrease will be entered in column (11) and the date reported on Form 3127 will be shown in column (12) of this form. This record must be maintained in a current status at all times with respect to every transaction under section 235(j) and section 236.

In accumulating data from this form for entry of totals in Sections I, II, or III of the weekly report, it will be necessary in each instance to total the number of cases and amounts in "Regular" income limit categories and "Exception" income limit categories and by the type of construction for each income limit category.

FHA Form No. 2127

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

WEEKLY REPORT OF FUNDS OBLIGATED (See Instructions on Reverse)

SECTION OF ACT AND TYPE OF CONSTRUCTION	REGULAR INCOME LIMITS (Family Income Not in Excess of 135% of Limit Established for Public Housing)				20% EXCEPTION INCOME LIMITS (Family Income More Than 135% of Public Housing Limit, But Not in Excess of 90% of 221(d)(2) BMR Limit)			
	NO. OF CASES	ANNUAL ASSISTANCE OR INT. REDUCTION PAYMENT	ANNUAL HANDLING CHARGE	TOTAL OF COLUMNS (3) & (4)	NO. OF CASES	ANNUAL ASSISTANCE OR INT. REDUCTION PAYMENT	ANNUAL HANDLING CHARGE	TOTAL OF COLUMNS (7) & (8)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>SECTION I - CANCELLATION OF PRELIMINARY RESERVATIONS</b>								
21	235(i) Proposed/Rehab.							
27	235(j) Rehab.							
28	235(j) Standard Existing							
29	236							
<b>SECTION II - FIRM OBLIGATIONS</b>								
31	235(i) Proposed/Rehab.							
32	235(i) Existing							
33	235(i)(3)(A) Exceptions: Proposed/Rehab.							
34	Existing							
35	237 Pursuant to 235: Proposed/Rehab.							
36	Existing							
37	235(j) Rehab.							
38	235(j) Standard Existing							
39	236							
<b>SECTION III - CANCELLATION OR REDUCTION OF FIRM OBLIGATIONS</b>								
41	235(i) Proposed/Rehab.							
42	235(i) Existing							
43	235(i)(3)(A) Exceptions: Proposed/Rehab.							
44	Existing							
45	237 Pursuant to 235: Proposed/Rehab.							
46	Existing							
47	235(j) Rehab.							
48	235(j) Standard Existing							
49	236							
<b>SECTION IV - NET CHANGE IN FIRM OBLIGATIONS</b>								
51	235(i) Proposed/Rehab. (Line 21 Less Line 41)							
52	235(i) Existing (Line 32 Less Line 42)							
53	235(i)(3)(A) Exceptions: Proposed/Rehab. (Line 33 Less Line 43)							
54	Existing (Line 34 Less Line 44)							
55	237 Pursuant to 235: Proposed/Rehab. (Line 35 Less Line 45)							
56	Existing (Line 36 Less Line 46)							
57	235(j) Rehab. (Line 37 Less Line 47)							
58	235(j) Standard Existing (Line 38 Less Line 48)							
59	236 (Line 39 Less Line 49)							
Signature of Employee Preparing Report		Date Prepared			Issuing Office			
Signature of Director or HUD Designee		Week Ending			Projective Cost Code			

## Appendix 13

INSTRUCTIONS FOR PREPARATION AND SUBMISSION OF  
FORM 3127, WEEKLY REPORT OF FUNDS OBLIGATED

**GENERAL:** Prepare original and 3 copies as of the weekly cut-off time established for each office. Forward original and 2 copies to Assistant Commissioner-Comptroller. Use the special envelopes provided to permit its receipt by the following Monday. Use air mail if necessary. Negative reports are required. Retain copy. Use extreme care in the preparation of this report. This report shall be signed by the person preparing it; then it shall be reviewed and signed by the director or his designee. In the event problems arise which are associated with preparation of this report, information can be obtained from the Procedures Officer, Comptroller's Division, Area Code 202, 755-5293.

**Special Note:** All reservation and obligation of funds will be for the full annual payment and the amount of the handling charge reported will be the full annual amount. Forms 3119 and 3120 show predetermined amounts for these purposes.

**SECTION I - CANCELLATION OF PRELIMINARY RESERVATIONS:** For each application for which a preliminary reservation of funds is requested and reserved, the same amount must be reported on Section I of this form when (1) a firm commitment is issued or (2) an application is not received, is withdrawn or otherwise disposed of without the issuance of a commitment. For 235(1) cases, use Form 3123, and for 235(j) and 236 cases use Form 3125. Enter the number of cases being reported and the amounts for annual assistance or interest reduction payments, annual handling charge and total amounts that were previously reported.

**SECTION II - FIRM OBLIGATIONS:** For each commitment issued on which there was a preliminary reservation of funds, the amount of the preliminary reservation must be canceled when reporting the firm obligation of funds. From Forms 3123, 3124 and 3125, determine the number of cases and the amount of the annual assistance or interest reduction payment on which firm commitments were issued for each category. Separate entries are required, based on the family income. Family income which is not in excess of 135 percent of public housing income limits for the community, is classified as "Regular Income Limits." Family income which is more than 135% of public housing limits but not in excess of 90% of 221(d)(3) BMIR limits, is classified as "20% Exception Income Limits." Because of other exceptions, it is also necessary to report in separate categories amounts obligated under section 235(j) and those exceptions under 235(1)(3)(A).

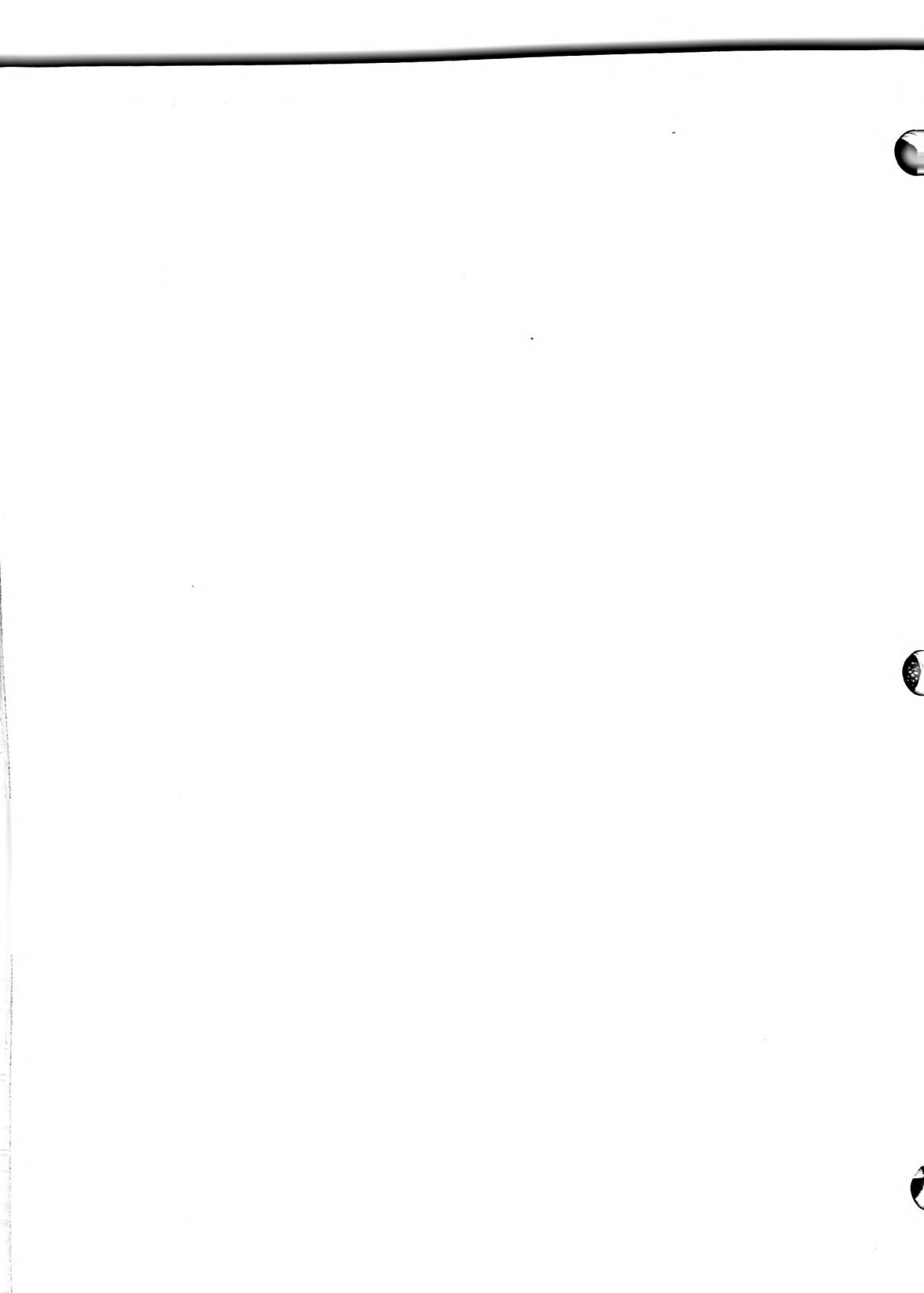
The total number of cases and the total amount of annual assistance or interest reduction payment will be entered in columns 2 and 3, or 6 and 7, as appropriate. Multiply the number of cases by the amount of the annual handling charge, which has been furnished each office, and enter the results obtained in columns 5 or 9, as appropriate. Any adjustment of the amounts reported on this form resulting from expiration or cancellation of the commitment, or for any other reason, must be reported weekly on Sections II or III, as appropriate, so that adjustment of funds previously obligated may be made.

**SECTION III - CANCELLATION OR REDUCTION OF FIRM OBLIGATIONS:** For each commitment for which an obligation of funds has been reported on Section II of this form, a similar amount must be reported on this form when (1) the commitment expires, (2) is canceled, or (3) for any other reason does not result in insurance by FHA. For section 235(j) and 236 projects only, any decrease in the commitment amount must be shown in Section III by reporting the amount of the net decrease, i.e., the actual difference based on the amount obligated per Form 3120 and the amount of the reduced commitment. Do not include such cases in the "No. of Cases" or make any adjustment in the handling charge, since this is a flat per-case amount and is not affected by decreases in commitment amounts. Complete this form from data maintained on Forms 3124 and 3125 and by entering by category, as previously reported on Section II, the number of cases, amounts of assistance or interest reduction payment, handling charge and total amount for each income category. If for any reason a case for which funds were previously obligated and then canceled and the commitment is reopened, the transaction must again be reported under Section II as a firm obligation of funds.

**SECTION IV - NET CHANGE IN FIRM OBLIGATIONS:** Complete this section of the form by subtracting amounts in Section III from amounts in Section II to obtain the net change in obligations for the week. Each line item in Section III is subtracted from an identical line item in Section II. All computations are to be double-checked for accuracy.

FHA Form No. 3110

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FEDERAL HOUSING ADMINISTRATION  INTEREST REDUCTION PAYMENT CERTIFICATE FOR NON-INSURED MORTGAGES UNDER SECTION 236(b) OF THE NATIONAL HOUSING ACT		
<b>INSTRUCTIONS - INSURING OFFICE:</b> Prepare in triplicate. Forward original to the mortgagee and a copy to the FHA Assistant Commissioner-Comptroller. Retain copy for your records.		
TO (MORTGAGEE):	1. Project No: <div style="text-align: right;">- N.I.</div>	
	2. Name of Project:	
	3. Location of Project:	
	4. Amount of Annual Interest Reduction Payment:	
<p>The issuance of this certificate by the Secretary, HUD, and its acceptance by the mortgagee constitutes an agreement and understanding that the contract of interest reduction payments embodies all the provisions of section 236.501 through 236.599 of the FHA regulations, and the Secretary and the mortgagee are bound by the provisions of such regulations to the same extent and with the same force and effect as if the mortgage on the property described above for which interest reduction payments are to be made were insured by the Secretary under section 236 of the National Housing Act and the regulations promulgated thereunder, and as if the mortgagee were an FHA-approved mortgagee under the provisions of section 203.1 of the FHA regulations, except that the provisions of the FHA regulations governing the assignment of the mortgage or the conveyance of title to the property to the Secretary are specifically excluded from the provisions of the interest reduction payment contract evidenced by this certificate.</p> <p>The mortgagee may bill FHA monthly for interest reduction payments commencing with the due date of the first payment to principal and interest due under the mortgage. Details concerning the billing of FHA for interest reduction payments are set forth in FHA No. 4400.8, Mortgagees' Guide, Assistance Payments Under Section 235 and Interest Reduction Payments Under Section 236.</p>		
FEDERAL HOUSING ADMINISTRATION (Address of FHA Insuring Office):	Signature of Director:	Date:







Appendix 15

- 2 -

RENTAL SCHEDULE FOR INCOME PRODUCING SPACE-DWELLINGS NOT INCLUDING FURNITURE RENTS:									
Type of Unit	Unit Composition (Insert Description)*	Column 1			Column 2			Column 3	
		No. of Units	Rental Rate	Total Monthly Income	No. of Units	Rental Rate	Total Monthly Income	No. of Units	Total Monthly Income
		\$	\$		\$	\$		\$	\$
Efficiency									
0-Bed-room									
1-Bed-room									
2-Bed-room									
3-Bed-room									
4-Bed-room									
TOTALS →			\$			\$			\$
*USE THE FOLLOWING SYMBOLS: LU - LIVING UNIT    K - KITCHEN LR - LIVING ROOM    KETTE - KITCHENETTE DR - DINING ROOM    BR - BEDROOM DA - DINING ALCOVE    B - BATH				TOTALS FROM COL. 1					\$
				TOTALS FROM COL. 2					\$
				TOTAL UNITS AND GROSS MONTHLY DWELLING INCOME					\$
EXAMPLE: LR - DA - K - 2 BR - 1 B				GROSS POTENTIAL ANNUAL DWELLING RENT INCOME					\$

SERVICES AND EQUIPMENT INCLUDED IN RENT: (Check appropriate boxes)

<input type="checkbox"/> Range	<input type="checkbox"/> Garbage Disposal	<input type="checkbox"/> Space Heat	<input type="checkbox"/> Gas	<input type="checkbox"/> Air Conditioning Units
<input type="checkbox"/> Refrigerator	<input type="checkbox"/> Laundry Facilities	<input type="checkbox"/> Water (Hot and Cold)	<input type="checkbox"/> Electricity	<input type="checkbox"/> Power Including
<input type="checkbox"/> Dishwashers	<input type="checkbox"/> Central Heat	<input type="checkbox"/> Water (Cold only)	<input type="checkbox"/> Central Air Conditioning	<input type="checkbox"/>

OTHER INCOME PRODUCING SPACE:

Type	No. in Project	Number of Units @ Unit Rent Per Month					
		Units	@ \$	Units	@ \$	Units	@ \$
Garage							
Stores							
Offices							

NON-REVENUE PRODUCING DWELLING SPACES:

Composition of Unit (Insert Description)	No. of Each Type Unit	Per Annum Rental Value Assigned Unit Type	Use (Janitor, Office, Resident Manager, etc.)
		\$	

I hereby certify that (1) the information contained on page 1 and 2 is complete, correct, is in accordance with the owner's records, and (2) no increases in approved dwelling rentals will be made without prior written consent of the Federal Housing Administration.

Date \_\_\_\_\_, 19\_\_\_\_ Signature \_\_\_\_\_

Title \_\_\_\_\_  
(If corporation, must be executed by President or Vice President)

FACTORS FOR COMPUTING ASSISTANCE PAYMENTS UNDER SECTION 235(i)  
AND  
INTEREST REDUCTION PAYMENTS UNDER SECTION 236

Factors, Per \$1,000 to Compute the Difference Between the Amount of Principal, Interest and Mortgage Insurance Premium on a Mortgage at 6-3/4% and the Amount of Principal and Interest on a Mortgage at 1% for the First through the Tenth Amortization Year

Term in Years	Amortization Year									
	1st. Year	2nd. Year	3rd. Year	4th. Year	5th. Year	6th. Year	7th. Year	8th. Year	9th. Year	10th. Year
20	3.40531	3.39399	3.38187	3.36892	3.35506	3.34024	3.32439	3.30743	3.28929	3.26989
25	3.54664	3.53929	3.53143	3.52302	3.51403	3.50441	3.49412	3.48311	3.47134	3.45875
30	3.67927	3.67434	3.66907	3.66343	3.65740	3.65096	3.64406	3.63668	3.62879	3.62034
35	3.80320	3.79982	3.79622	3.79236	3.78823	3.78382	3.77910	3.77405	3.76865	3.76287
40	3.91835	3.91601	3.91351	3.91084	3.90798	3.90491	3.90164	3.89814	3.89439	3.89039

Divide face amount of mortgage by 1,000.

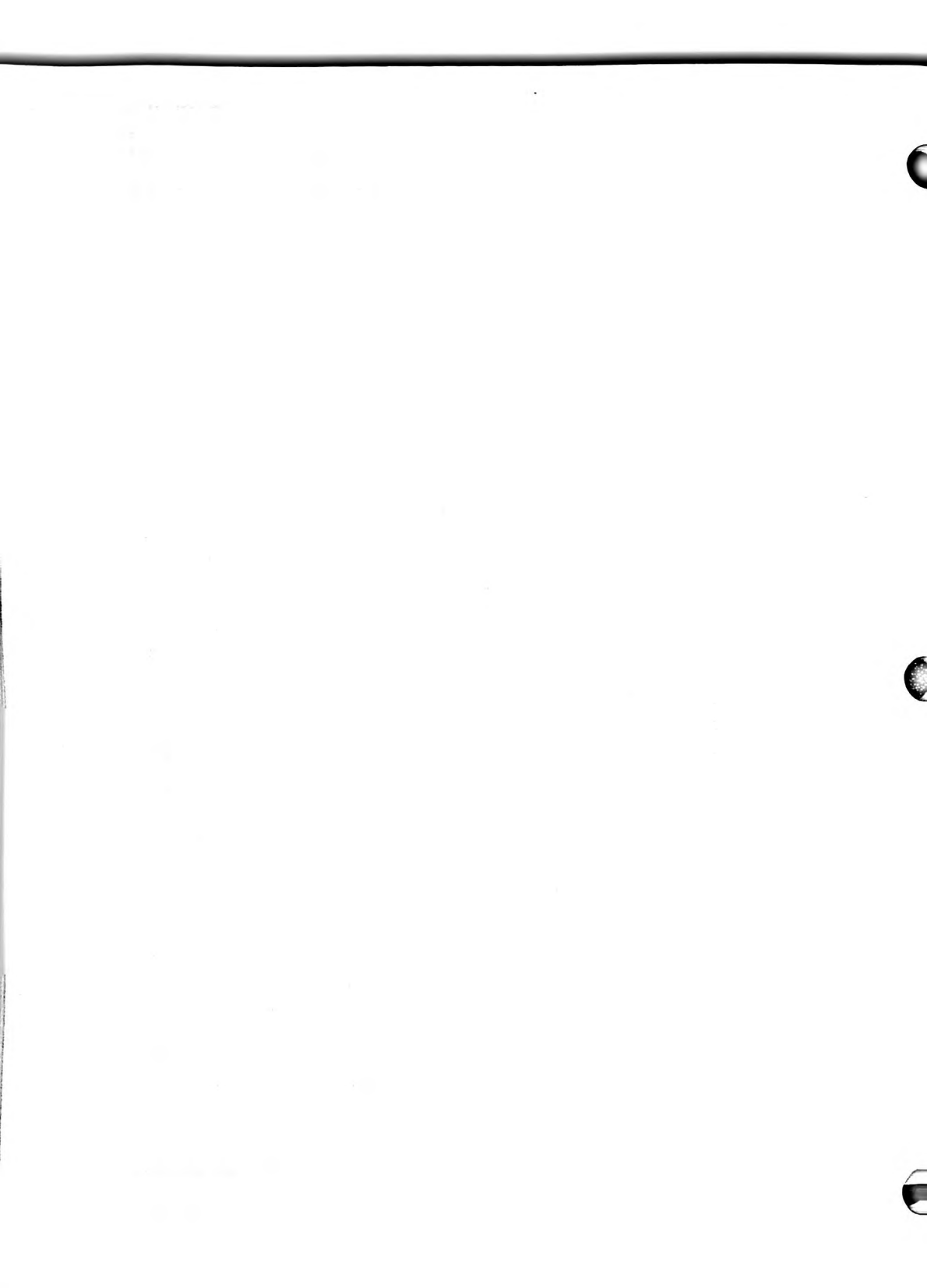
Multiply result by applicable factor shown above.

Result is monthly assistance payment specified in 235(j) or monthly interest reduction payment specified in section 236(c) of the Act for the applicable amortization year.

Additional factors will be developed and furnished for subsequent years. Separate factors for each year are required because of the annual variation in MIP.

Three examples follow:

- (1) Assume: A \$150,000, 6-3/4%, 30-year mortgage in the first amortization year.  
\$150,000 ÷ 1,000 = 150.0 X 3.67927 = \$551.89
- (2) Assume: A \$500,000, 6-3/4%, 30-year mortgage in the fifth amortization year.  
\$500,000 ÷ 1,000 = 500.0 X 3.65740 = \$1,828.70
- (3) Assume: A \$4,575,000, 6-3/4%, 25-year mortgage in the tenth amortization year.  
\$4,575,000 ÷ 1,000 = 4,575.0 X 3.45875 = \$15,823.78



FHA Form No. 3127 (Supplement) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FEDERAL HOUSING ADMINISTRATION

WEEKLY REPORT OF FUNDS OBLIGATED UNDER SECTION 236 FOR NON-INSURED PROJECTS

**INSTRUCTIONS:** Prepare original and three copies as of the weekly cut-off time established for each office. Forward original and two copies to the Assistant Commissioner-Comptroller with Form No. 3127. This report is not required to be submitted by those offices which have not had activity with non-insured transactions. However, once a request for a preliminary reservation of funds has been requested for a non-insured project, a report on Form 3127 - Supplement must be submitted by the office each week, together with the regular Form 3127 report. Negative reports are required. Retain copy.

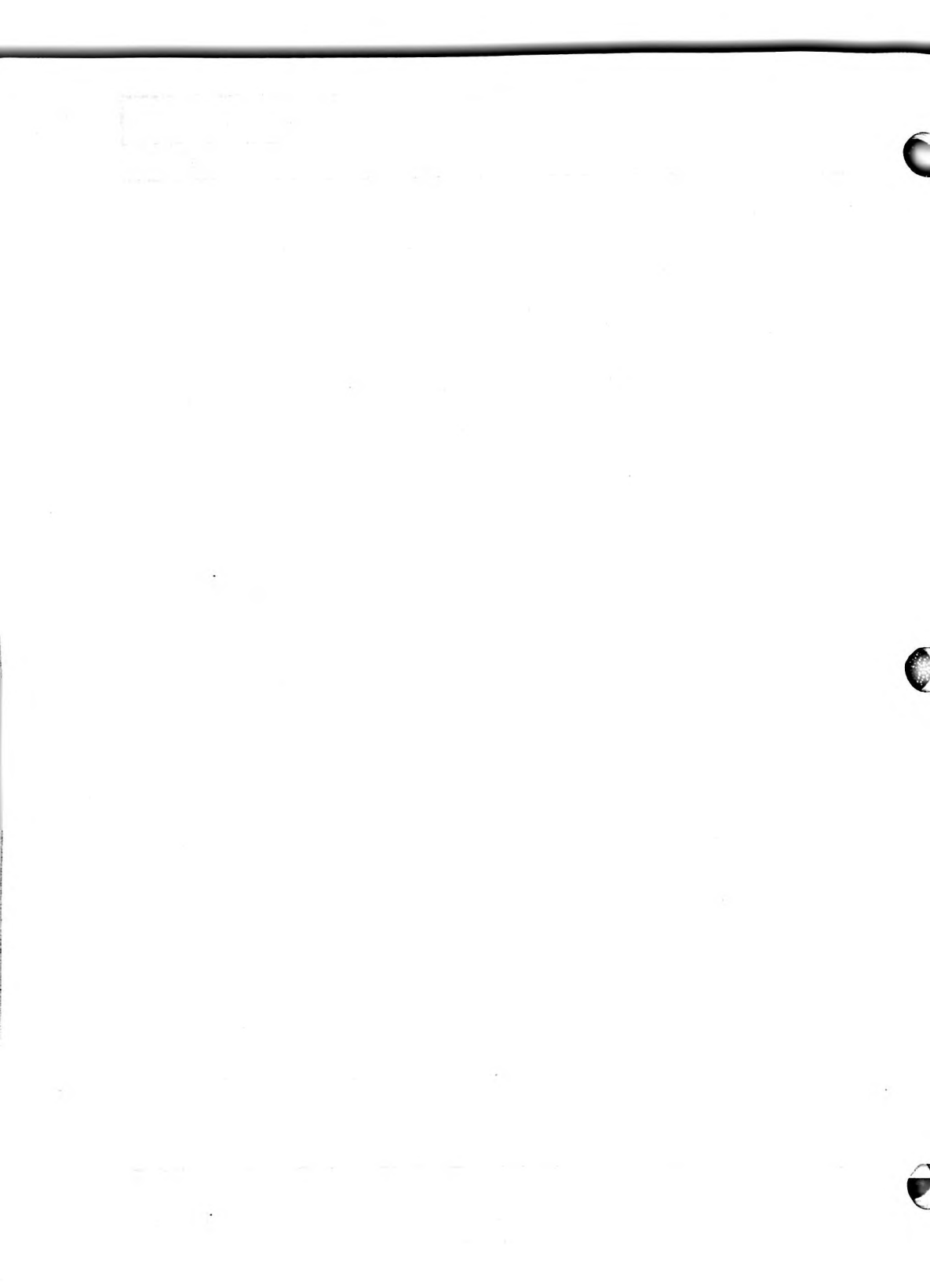
**SECTION I - CANCELLATION OF PRELIMINARY RESERVATIONS:** From data available on Form 3125, enter in this section the amount of funds preliminarily reserved that are to be canceled when a firm obligation to make interest reduction payments on a non-insured mortgage is made or when it is determined that a firm obligation will not be made by the insuring office.

**SECTION II - FIRM OBLIGATIONS:** Report in this section the amount of funds that are to be obligated as a result of the Commissioner entering into an agreement to make interest reduction payments on a non-insured mortgage.

**SECTION III - CANCELLATION OR REDUCTION OF FIRM OBLIGATIONS:** For each project on which a firm obligation of funds has been reported on Section II of this form, a similar amount must be reported in this section when for any reason it is determined that FHA will not make interest reduction payments for the non-insured mortgage transaction.

**SECTION IV - NET CHANGE IN FIRM OBLIGATIONS:** Complete this section by subtracting the amount in Section III from the amount in Section II and entering the results in Section IV. For minus results, show amount in Section IV in parenthesis.

Section of Act and Type of Construction	REGULAR INCOME LIMITS (Family Income Not in Excess of 135% of Limit Established for Public Housing)				20% EXCEPTION INCOME LIMITS (Family Income More Than 135% of Public Housing Limit; But Not in Excess of 90% of 221(d)(3) RMHR Limit)				
	No. of Cases	Annual Assistance or Int. Reduction Payment	Annual Handling Charge	Total of Columns (3) & (4)	No. of Cases	Annual Assistance or Int. Reduction Payment	Annual Handling Charge	Total of Columns (7) & (8)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>SECTION I - CANCELLATION OF PRELIMINARY RESERVATIONS</b>									
291 236 Non-Insured									
<b>SECTION II - FIRM OBLIGATIONS</b>									
391 236 Non-Insured									
<b>SECTION III - CANCELLATION OR REDUCTION OF FIRM OBLIGATIONS</b>									
491 236 Non-Insured									
<b>SECTION IV - NET CHANGE IN FIRM OBLIGATIONS</b>									
591 236 Non-Insured									
Signature of Employee Preparing Report				Date Prepared		Insuring Office			
Signature of Director or His Designee				Week Ending		Projective Cost Code			



FHA INSURING OFFICESRegion I

CONNECTICUT, Hartford 06103  
Federal Ofc. Bldg., 450 Main St.  
Tel. (203) 244-3638

MAINE, Bangor 04401  
202 Harlow St.  
U. S. Fed. Bldg. & Post Office  
Tel. (207) 942-8342

MASSACHUSETTS, Boston 02203  
John Fitzgerald Kennedy Fed. Bldg.  
Tel. (617) 223-7310

NEW HAMPSHIRE, Manchester 03105  
P. O. Bldg., Hanover & Chestnut Sts.  
Tel. (603) 669-7753

NEW YORK

Albany 12206  
Westgate North  
30 Russell Road  
Tel. (518) 472-2460

Buffalo 14202  
304 U. S. Court House, Niagara Sq.  
Tel. (716) 842-3510

Hempstead 11550  
175 Fulton Avenue  
Tel. (516) 485-5000

New York City 10016  
19th Fl., 2 Park Ave.  
Tel. (212) 264-0557

RHODE ISLAND, Providence 02903  
Rm. 300, Post Office Annex  
Tel. (401) 528-4391

VERMONT, Burlington 05402  
Rm. 630, Fed. Bldg., Elmwood Ave.  
Tel. (802) 862-6274

Region II

DELAWARE, Wilmington 19801  
536 Wilmington Trust Bldg.  
Tel. (302) 658-6361

DISTRICT OF COLUMBIA, Washington  
Railway Labor Bldg. 20412  
Sixth Floor  
400 First Street, N. W.  
Tel. (202) 386-3344

MARYLAND, Baltimore 21201  
Room G-13, Federal Bldg.  
31 Hopkins Plaza  
Tel. (301) 962-2121

NEW JERSEY

Camden 08103  
The Parkade Bldg., 519 Fed. St.  
Tel. (609) 963-2301

Newark 07102  
970 Broad St.  
Tel. (201) 645-3010

PENNSYLVANIA

Philadelphia 19102  
Rm. 900 2-Penn Center Plaza  
Tel. (215) 597-2358

Pittsburgh 15222  
Room 2231, 1000 Liberty Ave.  
Tel. (412) 644-2802

VIRGINIA, Richmond 23240  
8th Fl., Fed. Bldg., 400 N. 8th St.  
Tel. (703) 649-2721

WEST VIRGINIA, Charleston 25301  
New Federal Office Bldg.  
500 Quarrier Street  
Tel. (304) 343-1321

## Appendix 18

Region III

ALABAMA, Birmingham 35203  
2121 8th Avenue North  
Tel. (205) 325-3264

## FLORIDA

Coral Gables 33134  
3001 Ponce de Leon Blvd.  
Tel. (305) 445-2561

Jacksonville 32202  
400 West Bay Street  
Box 35009  
Tel. (904) 791-2626

Tampa 33609  
4224-28 Henderson Blvd.  
P.O. Box 18165  
Tel. (813) 228-7510

GEORGIA, Atlanta 30303  
3rd Floor - Peachtree Center Bldg.  
230 Peachtree St., N. W.  
Tel. (404) 526-6595

KENTUCKY, Louisville 40202  
Madrid Bldg., Third & Guthrie Sts.  
Tel. (502) 582-5252

MISSISSIPPI, Jackson 39201  
301 Bldg., 301 N. Lamar St.  
Tel. (601) 948-2267

NORTH CAROLINA, Greensboro 27401  
324 West Market St.  
Tel. (919) 275-9361

PUERTO RICO, San Juan  
P. O. Box 1268  
Hato Rey, Puerto Rico 00919  
Tel. 765-0404, Ext. 210

SOUTH CAROLINA, Columbia 29201  
1515 Lady Street  
Tel. (803) 253-3361

## TENNESSEE

Knoxville 37902  
725 Gay Street, S. W.  
Tel. (615) 524-3144

Memphis 38103  
Rm. 447, Fed. Office Bldg.  
167 North Main Street  
Tel. (901) 534-3141

Region IV

## ILLINOIS

Chicago 60604  
Room 1810, 219 S. Dearborn St.  
Tel. (312) 353-7660

Springfield 62705  
628 East Adams St., P.O. Box 1628  
Tel. (217) 525-4414

INDIANA, Indianapolis 46209  
Architects & Builders Bldg.  
333 N. Pennsylvania St.  
Tel. (317) 633-7188

IOWA, Des Moines 50309  
210 Walnut St., Rm. 259  
Tel. (515) 284-4481

## MICHIGAN

Detroit 48226  
1249 Washington Blvd.  
10th Fl., Book Bldg.  
Tel. (313) 226-6216

Grand Rapids 49503  
921 Division Ave., North  
Tel. (616) 456-2225

MINNESOTA, Minneapolis 55401  
256 Fed. Bldg. & U.S. Court House  
110 South 4th Street  
Tel. (612) 334-2641

NEBRASKA, Omaha 68102  
8th Floor, New Fed. Bldg.  
215 N. 17th Street  
Tel. (402) 221-3740



## Appendix 18

NORTH DAKOTA, Fargo 58102  
700 Seventh Street, South  
Tel. (701) 237-5136

Shreveport 71101  
5th Fl. Ricou-Brewster Bldg.  
425 Milam St.  
Tel. (318) 425-6601

## OHIO

Cincinnati 45202  
Fed. Office Bldg., 550 Main St.  
Tel. (513) 684 3451

Cleveland 44199  
Room 907, Federal Bldg.  
1240 E. 9th St.  
Tel. (216) 522-4065

Columbus 43215  
Columbus Center Bldg., 10th Fl.  
100 East Broad Street  
Tel. (614) 469-7345

## MISSOURI

Kansas City 64106  
New Federal Office Bldg.  
601 E. 12th St., P. O. Box 15568  
Tel. (816) 374-5616

St. Louis 63101  
315 North Seventh Street  
Tel. (314) 622-4761

NEW MEXICO, Albuquerque 87110  
625 Truman Street, N. E.  
Tel. (505) 256-9834

SOUTH DAKOTA, Sioux Falls 57102  
Fed. Bldg., U.S. Court House, Rm. 119  
400 S. Phillips Avenue  
Tel. (605) 336-2224

## OKLAHOMA

Oklahoma City 73103  
1401 North Robinson  
Tel. (405) 236-2293

WISCONSIN, Milwaukee 53203  
744 N. 4th Street  
Tel. (414) 272-3220

Tulsa 74103  
6th Fl., 9 E. 4th St., Bldg.  
Tel. (918) 584-7151

Region V

ARKANSAS, Little Rock 72203  
3433 Federal Office Bldg.  
700 W. Capitol Avenue  
Tel. (501) 372-5401

COLORADO, Denver 80202  
4th Fl., Railway Exchange Bldg.  
909 17th St.  
Tel. (303) 297-4521

KANSAS, Topeka 66603  
700 Kansas Avenue  
Tel. (913) 234-8241

## LOUISIANA

New Orleans 70113  
Fed. Bldg., Rm. T-12028  
701 Loyola Ave.  
Tel. (504) 527-2062

## TEXAS

Dallas 75201  
338 Wilson Bldg., 1621 Main St.  
Tel. (214) 749-2651

Fort Worth 76102  
819 Taylor St., Rm. 9A35  
Tel. (817) 334-3233

Houston 77002  
Rm. 7419 Fed. Bldg., 515 Rusk Ave.  
Tel. (713) 228-4335

Lubbock 79401  
1601 Avenue N.  
Tel. (806) 765-8271

San Antonio 78204  
535 So. Main Ave.  
Tel. (512) 225-4673

Appendix 18

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Region VI

ALASKA, Anchorage 99501  
Rm. 228, Fed. Bldg., P.O. Box 480  
Tel. 272-5451

ARIZONA, Phoenix 85002  
244 W. Osborne Rd., P.O. Box 13468  
Tel. (602) 261-4434

CALIFORNIA

Los Angeles 90013  
5th & Broadway Bldg.  
6th Fl. 312 W. 5th Street  
Tel. (213) 688-5127

Sacramento 95809  
1800 I St., P. O. Box 1978  
Tel. (916) 449-3471

San Diego 92112  
110 West "C" St., P.O. Box 2648  
Tel. (714) 293-5310

San Francisco 94111  
100 California Street  
Tel. (415) 556-2238

Santa Ana 92701  
Santa Ana Freeway Center Bldg.  
1440 E. First Street  
Tel. (213) 543-0401

HAWAII, Honolulu 96801  
333 Queen Street  
P.O. Box 3377  
Tel. 588-554

IDAHO, Boise 83701  
331 Idaho Street  
Tel. (208) 342-2232

MONTANA, Helena 59601  
Steamboat Block, 616 Helena Ave.  
Tel. (406) 442-3211

NEVADA, Reno 89505  
70 Linden St., P. O. Box 4700  
Tel. (702) 784-5213

OREGON, Portland 97204  
Cascade Bldg., 520 Southwest 6th Ave.  
Tel. (503) 226-3963

UTAH, Salt Lake City 84111  
125 S. State St., P.O. Box 11009  
Tel. (801) 524-5237

WASHINGTON

Seattle 98104  
7th Floor, Norton Bldg.  
801 Second Avenue  
Tel. (206) 583-7457

Spokane 99201  
746 U. S. Court House Bldg.  
West 920 Riverside Ave.  
Tel. (509) 838-4203

WYOMING, Casper 82601  
P. O. Box 580  
Tel. (307) 265-3252

FHA 4442.1

## Appendix 19

HUD REGIONAL ADMINISTRATORS and  
ASSISTANT REGIONAL ADMINISTRATORS FOR FHARegion I

Regional Administrator  
Judah Gribetz  
Asst. Reg. Admin. for FHA  
Ralph W. Morhard  
26 Fed. Plaza, Rm. 3309  
New York City, New York 10007  
Tel. (212) 264-3800

Region II

Regional Administrator  
Warren P. Phelan  
Asst. Reg. Admin. for FHA  
William T. Stansbury  
1222 Western Savings Fund Bldg.  
Philadelphia, Pennsylvania 19107  
Tel. (215) 597-2550

Region III

Regional Administrator  
Edward H. Baxter  
Asst. Reg. Admin. for FHA  
Harold Albright  
860 Peachtree-Seventh Bldg.  
Atlanta, Georgia 30323  
Tel. (404) 526-4281

Region IV

Regional Administrator  
Francis D. Fisher  
Asst. Reg. Admin. for FHA  
James L. Smith  
360 N. Michigan Avenue  
Chicago, Illinois 60601  
Tel. (312) 353-5960

Region V

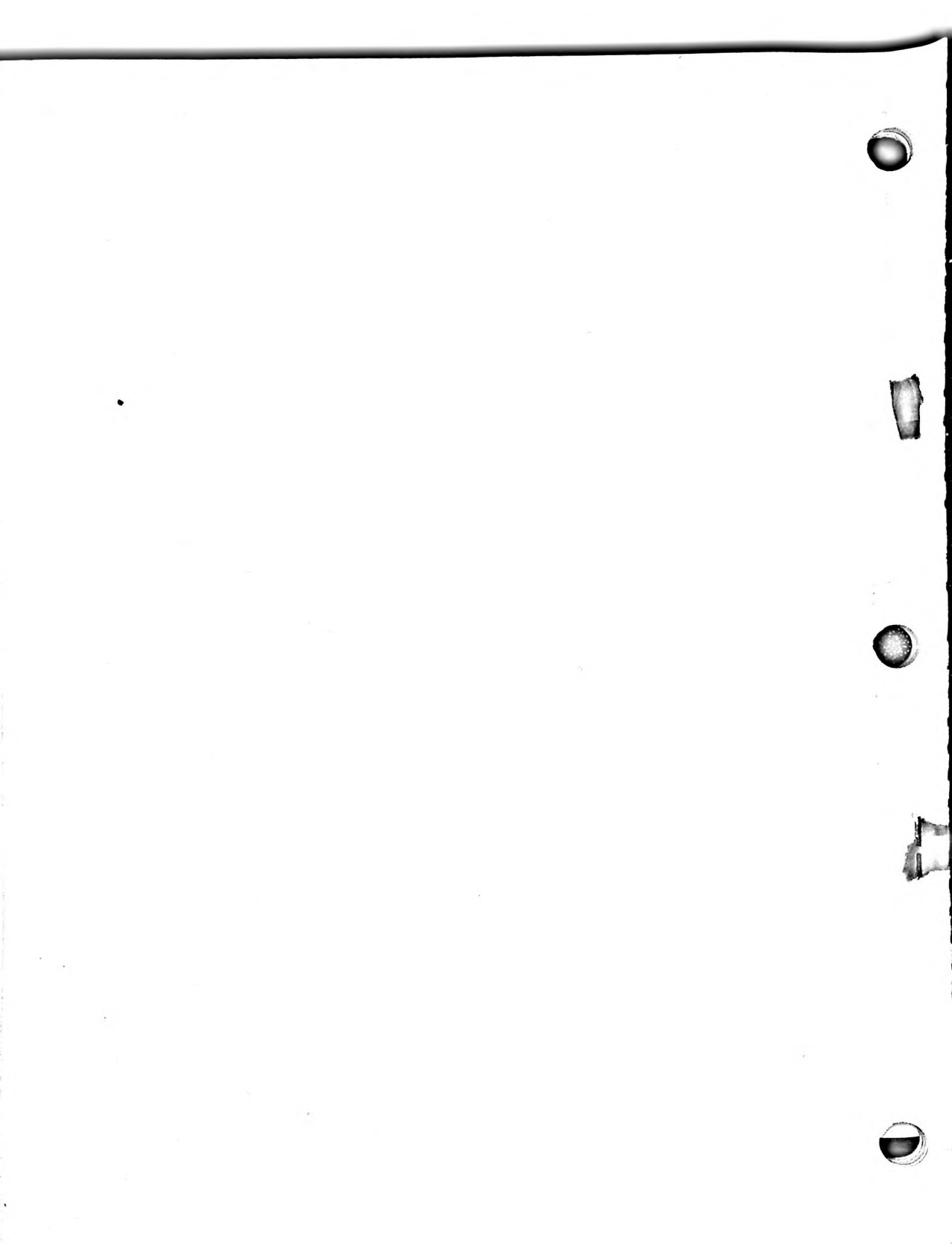
Regional Administrator  
William W. Collins, Jr.  
Asst. Reg. Admin. for FHA  
A. B. Hatcher, Jr.  
Federal Bldg., 819 Taylor Street  
Fort Worth, Texas 76102  
Tel. (817) 334-2891

Region VI

Regional Administrator  
Robert B. Pitts  
Asst. Reg. Admin. for FHA  
Arthur L. Timmel  
450 Golden Gate Ave., P.O. Box 36086  
San Francisco, California 94102  
Tel. (415) 556-4592

Region VII

Regional Administrator  
Jose E. Febres-Silva  
San Juan, Puerto Rico



# CIRCULAR

HPMC-FHA 4442.16

August 13, 1971

**SUBJECT:** COMMENCEMENT OF INTEREST REDUCTION PAYMENTS AND MONTHLY REPORT OF EXCESS INCOME - SECTION 236

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1. PURPOSE. To provide uniform procedures for the commencement of interest reduction payments and to revise procedures for the remittance of excess rental collections by the project owner. This circular applies to all cases that have not been finally endorsed for mortgage insurance..
2. BACKGROUND. Project Mortgage Regulation 236.510 provides that in cases which involve insurance of advances, the interest reduction payments will commence on the date the Commissioner finally endorses the mortgage note for insurance or such earlier date as may be established by the Commissioner. It has been the policy of the Department not to make interest reduction payments until final endorsement.

Section 236(g) of the National Housing Act provides that the project owner shall, as required by the Secretary, accumulate, safeguard and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Both the FHA regulations in Section 236.60 and the Regulatory Agreement signed by the mortgagor contain this requirement. Previous instructions required that these remittances be made beginning with initial occupancy regardless of whether the mortgage was finally endorsed for insurance.

3. COMMENCEMENT OF INTEREST REDUCTION PAYMENTS. Effective with the date of this circular, the term of the interest reduction payment contract shall begin as follows:
  - (a) With respect to mortgages involving insurance of advances, on the cut-off date for cost certification purposes (see Vol. VI, Book 2, Part B of the Manual paragraphs 63608.5 and 63608.6(d)).
  - (b) With respect to mortgages insured upon completion, on the date on which the Commissioner endorses the note for insurance.

In an insurance of advances case, the completion and execution of FHA Form 3107 (copy attached) will constitute the insuring or area office Director's approval of the commencement of the term of the interest reduction payment contract. Instructions for completion and distribution of the form appear on it. A supply of the form is being furnished under separate cover. Interest reduction payments prior to final endorsement will be calculated on the basis of the

advances of mortgage proceeds that have been insured through the cut-off date. Fiscal instructions are included on Form 3107. Interest reduction payments shall be due on the first day of each month following the beginning of the term, and shall be paid upon receipt of a billing from the mortgagee or its authorized agent on FHA Form 3102.

Amortization shall commence in accordance with the terms of the mortgage note. However, if there is more than a 60-day period between final endorsement and commencement of amortization, then at final endorsement, the Director of the insuring or area office should request that the mortgagor and mortgagee amend the mortgage note to provide for commencement of amortization on the first day of the first month following 30 days from the date of final endorsement.

4. EXCESS RENTAL INCOME. Under the present provisions of the Regulatory Agreements for Section 236, project owners must remit each month, beginning with initial occupancy, the amount by which the total rentals collected on the dwelling units exceed the sum of the approved basic rentals for all occupied units. However, for all future cases, excess rental collections shall be calculated from the date of the commencement of the term of the interest reduction payment contract. Any excess rentals collected prior to the commencement of the term of the interest reduction payment contract will be treated in the same manner as other project income prior to final endorsement. The Regulatory Agreements to be used for Section 236 shall be amended as follows:

The clause "beginning with the commencement of the term of the interest reduction payment contract" shall be added at the beginning of

Paragraph 4(i) of FHA Form No. 3135 Rev. 9/69 (Regulatory Agreement for Nonprofit Mortgagors)

Paragraph 4(i) of FHA Form No. 3136 Rev. 9/69 (Regulatory Agreement for Limited Distribution Mortgagors)

Paragraph 7(i) of FHA Form No. 3134 (Regulatory Agreement for Builder-Seller Mortgagors)

Paragraph 6(i) of FHA Form No. 3254-C (Regulatory Agreement for Investor Sponsor Mortgagors)

Paragraph 4(i) of FHA Form No. 3225-A (Regulatory Agreement for Cooperatives)

In those cases where a project owner has entered into a Regulatory Agreement prior to the date of this circular and the mortgage has not been finally endorsed for insurance, the project owner may request the above amendment to the Regulatory Agreement. No excess rentals which have been remitted prior to the amendment of a Regulatory Agreement will be refunded.

- (a) Monthly Report. FHA Form No. 3104, Monthly Report of Excess Income, must be used to report excess rental income. A report must be submitted by the project owner each month, even though there are no excess rental collections for the month. Reports are to be prepared on or before the 10th day of each month, as of the last day of the previous month. A detailed schedule of each occupied unit must be prepared by the project owner as of the close of each month, showing the basic rental charges and the fair market rental charges for each occupied unit, the amount of rental collected for each unit in excess of the basic rental charge, and the amount of the excess income, if any, being remitted to FHA. No offsets of any kind against the excess income are permitted. The original of Form 3104 and the project owner's remittance for all excess income must be mailed each month to the Assistant Commissioner-Comptroller, FHA, with a copy of Form 3104 to the Assistant Commissioner for Subsidized Housing Programs. It is not necessary to include any supporting schedules with Form 3104.
  - (b) Records to be Maintained by Project Owner. The original of the schedule attached to a copy of Form 3104 must be retained by the project owner, together with all other accounting records, and made available to HUD's Office of Audit and GAO auditors upon request.
  - (c) Initial Report. When the term of the interest reduction payment contract commences, a supply of Form 3104's will be furnished the project owner together with instructions that the initial report must cover the period from the commencement of the term of the interest reduction payment contract through the end of the month in which the term commenced and must be filed on or before the 10th day of the following month. Each Director will assure that an adequate supply of Form 3104 is maintained in his office.
5. CANCELLATION OF PRIOR INSTRUCTIONS. Circular FHA 4442.2, dated November 15, 1968, is hereby cancelled.

[Redacted]

The first part of the report deals with the general situation of the country and the progress of the work done during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and a list of the recommendations for the future.

The second part of the report deals with the financial statement of the organization. It shows the income and expenditure for the year and the balance sheet at the end of the year. It also shows the details of the various projects and the amounts spent on each. The financial statement is followed by a list of the names of the donors and the amounts received from each.

The third part of the report deals with the administrative work done during the year. It shows the details of the various projects and the amounts spent on each. It also shows the names of the staff members and the amounts paid to each.

The fourth part of the report deals with the general work done during the year. It shows the details of the various projects and the amounts spent on each. It also shows the names of the staff members and the amounts paid to each.

The fifth part of the report deals with the general work done during the year. It shows the details of the various projects and the amounts spent on each. It also shows the names of the staff members and the amounts paid to each.



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

FHA Form 3107

EFFECTIVE DATE OF INTEREST REDUCTION PAYMENT CONTRACT  
(Pursuant to Commitments for Insurance of Advances)

**INSTRUCTIONS - (For Directors of Area & Insuring Offices):** Prepare original and four copies of this form when the cut-off date for cost certification purposes has been established. Send original and one copy to the mortgagee. Forward one copy to the FHA Assistant Commissioner-Comptroller, Attention: Multifamily Mortgage Branch, one copy to the Assistant Commissioner for Subsidized Housing Programs, and retain a copy for your files.

**INSTRUCTIONS - (For Mortgagees):** Attach original of this form to a separate FHA Form 3102 for each project when billing the FHA Assistant Commissioner-Comptroller for the initial interest reduction payment for the mortgage identified below. Retain the copy for your files. See further instructions on the reverse of this form for computation of interest reduction payments.

TO: (Mortgagee):

Date of This Notice:

The cut-off date for cost certification purposes for the mortgage identified in panels 1 and 2 below is indicated in Panel 3. You are, therefore, authorized to bill the FHA Assistant Commissioner-Comptroller, Washington, D. C. 20412, for interest reduction payments prior to final endorsement based on the amount of insured advances indicated in Panel 4, beginning with interest accruing from the cut-off date, payable on the first day of the month next following the cut-off date, and monthly thereafter until final endorsement. Additional instructions are shown on the reverse of this form.

1. FHA Project No:

2. Name & Location of Project:

3. Cut-Off Date for Cost Certification Purposes:

4. Amount of Insured Advances as of Date in Panel 3:

\$

5. Date Construction Completed:

6. Date Project Had Occupancy:

TO: Assistant Commissioner-Comptroller  
Federal Housing Administration  
Washington, D. C. 20412

I certify the accuracy of the information shown above and that (a) interest reduction payments for periods prior to final endorsement are not duplicating interest payments included in mortgage proceeds, and (b) Forms 3104 and instructions for the submission of such reports and related remittances for excess rental income have been given to the mortgagor.

7. Signature of Director or His Designee:

8. Area or Insuring Office:

INSTRUCTIONS FOR COMPUTING INTEREST REDUCTION PAYMENTS PRIOR TO FINAL ENDORSEMENT FOR MORTGAGES INSURED PURSUANT TO COMMITMENTS TO INSURE ADVANCES:

1. For a partial month, determine the number of days from, and including, the cut-off date indicated in Panel 3 on the face of this form, through, and including, the 30th day of the month. (Note: All computations are based on a 360-day year of twelve 30-day months.)

Multiply the applicable factor indicated below by the amount of insured advances shown in Panel 4 on the face of this form to arrive at the interest reduction payment for a full 30-day month. Prorate this amount based on the number of days as determined above.

2. The amount of insured advances will be used for the computation of interest reduction payments until final endorsement. Thereafter, the amount of the mortgage finally endorsed will be used. Thus, when a mortgage is finally endorsed on a day other than the first of a month, two prorated computations will be required to determine the amount of the interest reduction payment for the month in which final endorsement occurs--the first part of the month based on the amount of insured advances and the second part of the month based on the amount of mortgage finally endorsed.

INSTRUCTIONS FOR COMPUTING INTEREST REDUCTION PAYMENTS FROM DATE OF FINAL ENDORSEMENT TO THE BEGINNING OF AMORTIZATION:

1. For a partial month, determine the number of days from, and including, the date of final endorsement, through, and including, the 30th day of the month.

Multiply the applicable factor indicated below by the amount of mortgage finally endorsed to arrive at the interest reuction payment for a full 30-day month. Prorate this amount based on the number of days previously determined.

2. The amount of mortgage finally endorsed and the applicable factor shown below will continue to be used to compute interest reduction payments prior to the beginning of amortization. When amortization begins, the applicable factors shown in Appendixes 9 through 9-G of the Mortgagees' Guide, FHA G 4400.8, will be used as indicated therein to compute interest reduction payments due after amortization begins.

SHOWN BELOW ARE FACTORS FOR COMPUTING INTEREST REDUCTION PAYMENTS PRIOR TO FINAL ENDORSEMENT AND PRIOR TO THE BEGINNING OF AMORTIZATION FOR VARIOUS INTEREST RATES FOR MORTGAGES HAVING A TERM OF 40 YEARS. FACTORS FOR TERMS OTHER THAN 40 YEARS MAY BE REQUESTED FROM THE FHA ASSISTANT COMMISSIONER-COMPTROLLER:

<u>Interest Rate</u>	<u>Factor</u>	<u>Interest Rate</u>	<u>Factor</u>
9	5.38811		
8-1/2%	4.97144	7-1/2%	4.13811
8-1/4%	4.76311	7-1/4%	3.92977
8%	4.55477	7%	3.72144
7-3/4%	4.34644	6-3/4%	3.51311

**SPECIAL NOTE:** If the mortgage is reduced at final endorsement and the monthly payment to principal and interest is not reduced accordingly, this will have the effect of amortizing the mortgage in a term less than 40 years and the above factors will not be applicable. In these instances, a special computation should be requested from the FHA Assistant Commissioner-Comptroller for such odd-term mortgages.





Special Attention of:

All Section 236 Project  
Mortgages, Managing Agents,  
and HUD Asset Management Staff

## Notice H 98-10 (HUD)

Issued: 2/26/98

Expires: 2/28/99

Cross References:

Subject: **CALCULATING AND RETAINING SECTION 236 EXCESS INCOME**

**APPLICABILITY:** This Notice applies to all Section 236 Projects whose mortgages are insured or held by HUD and to non-insured State Agency projects whose mortgages are assisted under the Section 236 program. All Section 236 projects must use the new Form HUD-93104 attached to this Notice. Only Section 236 projects with mortgages currently insured (not HUD-Held or State Agency non-insured projects) may participate in retaining some Excess Income.

- I. **Purpose:** Section 221(c) of the Department's Fiscal Year 1997 Appropriations Act, P.L. 104-204, amended Section 236(g) of the National Housing Act to require that Excess Income (rent collected in excess of Basic Rent) be computed on a unit-by-unit basis and to permit project owners with mortgages insured under Section 236 to retain some or all of their Excess Income if pre-authorized by HUD and under such terms and conditions as established by HUD. The wording of the statute does not permit State Agency non-insured Section 236-assisted projects or HUD-Held Section 236 projects to retain any Excess Income. The Department is implementing this requirement effective with rent collections for the month of March 1998. While the way Excess Income is computed could result in increased cash remittances to HUD in some instances, the Department will allow eligible projects to retain some portion of their Excess Income and increase the overall benefits to these Section 236 projects.

The Form HUD-93104 dated 2/98 and the accompanying instructions have been simplified and changed to reflect this new legislative mandate. The Form HUD-93104A has been eliminated because the needed information can be taken ~~directly from the rent rolls; eliminating this redundant~~

HMM:TP : Distribution : W-3-1, R-1, R-2, R-3-1(H)(RC), R-3-2, R-3-3, R-6, R-6-2, R-7,  
R-8, ASC

form also will result in significant time and cost savings to the owners of Section 236 projects. **Note:** The instructions on Form HUD-93104 require that the rent rolls must be able to support the calculation of Excess Income for all units in the project. All Section 236-assisted projects are to use the Form HUD-93014 dated 2/98 beginning with rents collected beginning March 1, 1998. Previous editions of this form are obsolete and may not be used.

- II. **Industry Comments:** The Department sought and obtained comments and suggestions from the affected industry groups about what criteria the Department should establish to permit retention of Excess Income. The Department has tried to accommodate the industry to the greatest extent possible in issuing this Notice.
- III. **Revised Procedures:** Excess Income consists of cash collected as rent from the residents by the mortgagor, on a unit-by-unit basis, that is in excess of the HUD-approved Basic Rent. The revised Form HUD-93104 dated 2/98 and its accompanying instructions must be used to show the amounts collected, the amounts authorized to be retained, and the amounts due HUD monthly.

NOTE: For projects with project-based Section 8 assistance, Section 8 vacancy and damages claims are not considered when computing Excess Income.

The Secretary is authorized to allow deserving and reliable owners of projects whose mortgages are presently insured under Section 236 to retain Excess Income in order to maintain adequately the low- and moderate-income character of the projects and for other purposes deemed to benefit the project and its tenants.

Who may participate and retain Excess Income. In general, all Section 236 projects with mortgages insured by HUD may be allowed to retain Excess Income unless:

- A. They owe HUD Excess Income from prior periods. All past due, unpaid Excess Income must be paid in full to HUD before future Excess Income may be retained.
- B. They are subject to administrative sanctions such as debarment, suspension, or any other form of denial of participation. Until sanctions expire or are terminated by HUD, these projects must remit all Excess Income to HUD monthly.
- C. They have major unresolved audit findings or have not complied with requests by HUD to take other corrective actions. Examples include but are not limited to:

Management acceptable to HUD has not been provided, commingled funds have not been separated, loans to or from other projects have not been eliminated, or unauthorized distributions have not been restored to project operating accounts.

Mortgagors meeting the above criteria and who are pre-authorized by their HUD Field Offices to retain some or all of their Excess Income may retain Excess Income to the extent it is or will be used for one of the five purposes shown below. It is necessary to obtain advance approval from HUD to retain Excess Income, which can be used for any or all of the following purposes.

1. Project operating shortfalls, including repair costs;
2. Future repair costs for projects, including increasing deposits to the Reserve Fund for Replacements;
3. Service coordinators;
4. Neighborhood networks;
5. Enhance supportive services for the elderly.

**IV. Requesting HUD's Approval to Retain Excess Income:**

Mortgagors who believe they may be eligible to retain Excess Income and who would use it for one or more of the authorized purposes listed above should request in writing HUD's permission to retain their Excess Income. In the letter to their HUD Field Office they should outline and briefly describe the uses to which retained Excess Income would be put. Whenever the intended purposes to which Excess Income would be used changes, mortgagors should notify their local HUD offices of the proposed changes and obtain HUD's permission for such changes.

- V. HUD Field Office Response:** HUD staff will review the mortgagors' requests and issue letters of permission or denial. If a mortgagor's request is denied, HUD staff must cite the specific reasons for denial and state what would be required of the mortgagor to receive HUD's permission to retain Excess Income. When the mortgagor has corrected the conditions to HUD's satisfaction, the Field Office should inform the mortgagor in writing so that it may begin to retain Excess Income on a prospective basis.

- VI. HUD's Withdrawal of Approval to Retain Excess Income:** The retention of Excess Income by mortgagors is a privilege, not a right, extended by the Department to responsible owners. If a mortgagor becomes ineligible to retain Excess Income for any of the reasons enumerated in the preceding Section



III, the HUD office of jurisdiction may notify the mortgagor in writing that it has become ineligible to retain Excess Income and that all future Excess Income collected is to be remitted to HUD. This letter should be sent via certified mail, and it should indicate a prospective 30-day effective date. The letter also should state the specific reasons for HUD's withdrawal of approval, and it should indicate what actions the mortgagor would need to take in order to participate again in the retention of Excess Income in the future. Additionally, should the mortgagor fail to provide the annual description of its uses of the retained Excess Income as required by Section IX below, HUD may withdraw its approval to retain Excess Income.

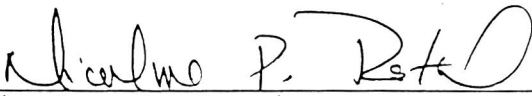
- VII. Remitting Excess Income to HUD: All Excess Income due HUD as calculated in accordance with these revised procedures is the property of the Federal Government. It must be remitted to HUD monthly, without any delay for any reason. Mortgagors are not entitled to keep the Excess Income due HUD that is in excess of any amounts that are authorized by HUD for them to retain. Mortgagors are assuming the role of HUD's fiduciary agent in collecting and remitting Excess Income. HUD may use any lawful means at its disposal, including recovery against the required fidelity bonds, to collect unremitted Excess Income that is improperly retained by mortgagors, their managing agents, or others.
- VIII. Accounting: The collection and retention of Excess Income by the mortgagor of a project with a mortgage presently insured under Section 236 shall be treated as follows in the required audited annual financial statements. Excess Income that is retained by such a mortgagor should be considered as Rent Revenue and should be booked using Account No. 5190, "Rent Revenue, Miscellaneous," until further notice. Nonprofit mortgagors subject to the Single Audit Act and OMB Circular A-133 need to include retained Excess Income in the formula used to calculate expended federal assistance. Excess Income that is to be remitted to HUD should not be considered "revenue" but rather as pass-through cash receipts and disbursements, since the mortgagor entity is only a conduit for the funds remitted to HUD. However, if the retained Excess Income is not used for any of the authorized purposes, this fact must be disclosed by the auditor in the Compliance portion of the annual audit and any such amounts improperly retained and used must be remitted to HUD as Excess Income.
- IX. Other Reporting Requirements: The mortgagor of a project with a mortgage presently insured under Section 236 shall, within the deadlines as may be established by HUD for the submission of their annual audited financial statements, provide annually the local HUD office of jurisdiction with

two copies a *brief* narrative description of the amounts of Excess Income retained during the prior fiscal year of the project and the uses made of that retained Excess Income. The Department does not anticipate that this narrative report would be more than about one page in length. The Department does not wish to receive an unnecessary or superfluous amount of detail about the uses of the retained Excess Income, but failure to submit this brief narrative report could jeopardize the privilege of retaining future Excess Income. Mortgagors are to certify the truth and accuracy of their statements in this report under penalties provided by 18 U.S.C. 1001, 1010, 1012 and 31 U.S.C. 3729, 3802.

- X. Local HUD Office Actions: The local HUD offices should review the annual descriptions for general compliance with the mortgagor's intended uses of Excess Income and ask mortgagors for clarification as necessary. Local HUD offices should forward one copy of the reports to the Deputy Assistant Secretary for Multifamily Housing Programs soon after receiving them.
- X. Effective Date: The effective date of this Notice is the date of the Notice. This Notice is effective for the rents collected for the month of March 1998.

NOTE: Previous editions of Form HUD-93104 are obsolete and may not be used after the effective date of this Notice. Form HUD-93104A is cancelled.

Attachment: Form HUD-93104 dated 2/98, with instructions.

  
\_\_\_\_\_  
Nicolas P. Retsinas  
Assistant Secretary for Housing -  
Federal Housing Commissioner



# Monthly Report of Excess Income

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

OMB Approval No. 2502-0086 (exp. 10/31/99)

## Section 236 Projects

**Instructions:** Follow the instructions on the back to prepare this form.  
Submit this form by the 10th of the month following the month covered by this report.

Project Name and Address FHA Project Number

Reporting Period (mm/yyyy)

Mail this report to: (This form is designed to fit a window envelope.)

**Complete this block only if there is a payment due HUD**

Check Number	Amount
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Excess Rental Income  
P.O. Box 360333M  
Pittsburgh, PA 15250

fold line

Project Owner's Name and Address	Management Agent's Name and Address
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Phone Number	Employer ID Number	Phone Number	Employer ID Number
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Gross rental collections in excess of approved basic rental per unit for all units in the project	\$
Less amount retained for HUD-approved purposes	\$( )
<b>Total Net Excess Income due HUD this month</b>	<b>\$</b>

**Certification:** I certify that the information on this form is true and complete.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Type the Name & Phone No. of the person preparing this report (include area code)	Name of Reviewing Mortgage Official & Phone Number
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Title

Signature & Date	Signature & Date
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X X

Public reporting burden for this collection of information is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is collected to obtain full benefits authorized by the amended section 236(g) of the National Housing Act. The information will enable HUD to ensure that project owners carry out their statutory obligations to remit to HUD all Excess Income that HUD has not authorized them to retain. Responses are required to obtain and retain the benefits authorized and mandated by section 236 of the Act. The information is considered nonsensitive, and there are no assurances of confidentiality.

**Privacy Act Statement:** The Department of Housing and Urban Development (HUD) is authorized to collect this information by Section 236 of the National Housing Act, as amended, and the Employer Identification Number (EIN) by the Housing & Community Development Act of 1987, 42 U.S.C. 3543. The information concerning the monthly reporting of excess income is being collected by HUD to: (1) ensure project owners comply with the program requirements to accumulate, safeguard and pay HUD all rental charges collected in excess of the basic rental charges, (2) recover and enforce collection actions through repayment plans and/or offset of future subsidy billings in accordance with 24 CFR 17, administrative claims, and assess civil money penalties pursuant to Section 416 of the 1987 Housing and Community Development Act, as well as, (3) automate financial reporting needs. The EIN is used as a unique identifier for closer monitoring of owners and agents. HUD may disclose this information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not be otherwise disclosed or released outside of HUD, except as required and permitted by law. Failure to provide the information could affect your future participation in HUD programs.

### Instructions for Preparing form HUD-93104, Monthly Report of Excess Income

This form is designed to fit a window envelope.

The following (and similar) items are excluded from the computations: Late fees, NSF Check fees, utility surcharges, security deposit damage surcharges, Section 8 damage surcharges, Section 8 vacancy payments, local tax surcharges, and separate parking or cable television charges if these amenities are not included in the Basic Rent.

All Section 236 project owners (Insured, Non-insured, and HUD-held) must remit each month all rental receipts in excess of each unit's approved Basic Rental Rate.

All Section 236 mortgagors are to:

1. Prepare and mail form HUD-93104 by the tenth of each month to report the prior month's collections. A report must be submitted each month, whether or not a remittance is required.
2. Forward the original form HUD-93104 to the address shown on the form, and a copy to the local HUD Office that has jurisdiction over the project.
3. Keep copies of the completed forms as part of the books and records of the project for at least seven years from the dates the forms are prepared.
4. Attach a check for full payment of the total amount shown due, indicating the project number and the month and year of the Excess Income

payment on the check.

A prorated amount of Excess Income must be computed and remitted when only a partial month's rent payment is due and paid. Amounts received in the current month for rents due in other months are to be applied to sums due the Operating Account and due HUD for those other months. If the information is not already available or readily extractable from the project's rent rolls or ledger folios, the mortgagor must prepare a detailed monthly schedule of each unit that did not receive Rent Supplement, RAP, or Section 8 Assistance of any type; this schedule (or the rent roll) must show the basic rental charge for each unit and the amount collected as rent in excess of the basic rental charge for each unit. This schedule (or rent roll) must be prepared each month regardless of whether Excess Income is being remitted for that month. This schedule (or rent roll) must show the following information for each unit that does not receive Rent Supplement, RAP, or Section 8 Assistance of any type, and it must be presented to the independent public accountant performing the annual audit of the mortgagor at the time of the audit:

Unit Number	Tenant Name	Basic Rent	Tenant Rental Payment	Excess Above Basic Rent
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HUD Library



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