

KF
623
.A843

HPMC-FHA G 4442.17

Section 236

**HUD PROGRAM GUIDE
FOR
SPONSORS
BUILDERS
LENDERS**

SEPTEMBER 1971

**RENTAL AND
COOPERATIVE
HOUSING
FOR LOWER INCOME
FAMILIES**



U. S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
Washington, D. C. 20410

Distribution: Special



HPMC-FHA G 4442.17

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

Section 236 of the National Housing Act

HUD PROGRAM GUIDE

FOR
SPONSORS
BUILDERS
LENDERS

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

SEP 13 1989

LIBRARY
WASHINGTON, D.C. 20410

SEPTEMBER 1971

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

FOREWORD

This guide has been prepared as an introduction to Section 236 of the National Housing Act. It is intended for use as a rapid reference by potential Section 236 project sponsors, builders, and lenders. Functionally, the guide will enable the program participants to ascertain the appropriate prerequisites as well as the implementation requirements for HUD insured mortgage and construction financial assistance. A further use of this guide may be to serve as a background or information supplement to the regulations.

At the time of initial contact with the HUD Office in the locale of the proposed project, a HUD employee will be designated as the point of contact for the sponsor's future inquiries. If, in the locale of the project, the responsible HUD Office is an Area Office, the point of contact will be referred to as the Multifamily Housing Representative. If the responsible HUD Office is an FHA Insuring Office, the point of contact will be referred to as the Multifamily Housing Coordinator. In either case the point of contact will help the sponsor meet the specific requirements for participation in this program.

It should be noted that interpretive guidance, with regard to actual implementation of processes described in this document are the responsibility of the HUD Office in the locale of the proposed project. Hence, it is not planned to distribute amendments or changes in the act to users of this document in the private sector.

CONTENTS

RENTAL AND COOPERATIVE HOUSING

SECTION 236

PROGRAM GUIDE

- I. OBJECTIVE
- II. PROVISIONS
- III. BASIC REQUIREMENTS
- IV. GO-AHEAD

TABLE OF CONTENTS

<u>Paragraph</u>	<u>Page</u>
CHAPTER 1. OBJECTIVE	
General	1-1
CHAPTER 2. PROVISIONS	
2-0. Provisions	2-1
2-1. General	2-2
2-2. Subsidies	2-2
2-3. Maximum Insurable Mortgage	2-3
2-4. Mortgage Terms	2-4
2-5. Incentives	2-5
2-6. Illustrative Case	2-6
2-7. Summary	2-7
2-8. The Tandem Plan	2-7
CHAPTER 3. BASIC REQUIREMENTS	
3-0. Basic Requirements	3-1
3-1. General	3-2
3-2. Eligible Projects	3-2
3-3. Eligible Sponsors and Mortgageors	3-3
3-4. Eligible Tenants	3-5
3-5. Summary - Project Selection	3-8
CHAPTER 4. GO-AHEAD BASIC REQUIREMENTS	
4-0. Go-Ahead Requirements	4-1
4-1. General	4-2
4-2. Forms Processing	4-2
4-3. Single Stage	4-4
Figure 1a - Section 236 Forms Processing Stages-Multifamily	4-4
Figure 1b - Forms Processing Stages Meeting All HUD Requirements - Single	4-4
4-4. Multiple Stage Processing	4-5
Figure 2 - Multifamily Processing Stages	4-6
4-5. Summary	4-10
4-6. Conclusion - Meeting the Program Objective	4-11

Paragraph

Appendices

- A Rental Projects - Limited Distribution
- B Rental Projects - Nonprofit
- C Cooperative Housing Developments
- D HUD Area and FHA Insuring Offices
- E References

OBJECTIVE



CHAPTER 1. OBJECTIVE

General

The objective of Section 236, as enacted in the Housing and Urban Development Act of 1968 is to "encourage private enterprise to engage in the development of good rental and cooperative housing for lower income families." As an aid in meeting this objective the Department of Housing and Urban Development administers an assistance program. The assistance is provided in the form of monthly payments to the mortgagee, on behalf of the mortgagor, to reduce cost to the occupant by paying a part of the interest on a market rate project mortgage insured by HUD.

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 premiums 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%.

Eligible mortgagors must be either a non-profit, limited distribution, or cooperative entity. In this regard the builder-seller arrangement for rental housing and the investor-sponsor arrangement for cooperatives are permitted. Eligibility for mortgage interest reduction payments is also extended to those mortgagors financed under a state or local program that is providing assistance through loans, loan insurance or tax abatements. Projects should be designed to permit a basic rental charge which is determined for each unit on the basis of operating the project with payments of principal and interest under a 1% interest rate mortgage. The tenant or cooperative member will pay either the basic rental, or 25% of his monthly income, whichever is greater. The assisted occupant's payment, however, cannot exceed the fair market rental which would be charged if the project received no assistance.

PROVISIONS



CHAPTER 2. PROVISIONS

PROGRAM HIGHLIGHTS
SECTION 236 - PROVISIONS

2.0 PROVISIONS.A. SUBSIDY.

.Provides assistance in the form of monthly Federal payments to mortgagee, reducing cost to occupant by paying part of interest on market rate mortgage.

B. MAXIMUM INSURABLE MORTGAGE.
\$12,500,000C. MORTGAGE TERMS.

.Period of Mortgage -
40 years maximum

.Interest Rate - FHA "market rate"

.Fees and Charges -
.FHA -

.Application Fee \$1.50
per thousand of MTGE

.Commitment Fee \$1.50
per thousand of MTGE

.Inspection Fee \$5.00 per
thousand of commitment

.Mortgage Insurance
Premium (MIP) 1/2 of 1%
of mortgage

.Service Charge by Mortgagee - includable in mortgage - Maximum 2% of mortgage amount

.FNMA - GNMA 1 3/4%

D. BUILDER/SPONSOR INCENTIVES.

.Profit - Maximum 10%
BSPRA (BSPRA for eligible
Limited Dividend Sponsors
only)

.Profit - other than LD
Builders Based on profit
margin prevailing in the
area for similar projects

.Income Tax - Tax free
gains via re-investment
in other 221 or 236 projects.

E. FINANCING.

.Limited Dividend Mortgagors

.Private Lenders

.Nonprofit or Nonprofit-
Cooperative Mortgagors

.Private Lenders

.Tandem Plan

.Joint FNMA/GNMA assist-
ance when available

.Public Lenders

.State and Local programs

.Pre-construction "Seed-
Money"

CHAPTER 2. PROVISIONS

2-1. GENERAL.

In order to assist in meeting the nation's housing objectives, the Department of Housing and Urban Development administers an assistance program designed to aid in the construction of suitable housing for lower income families. The provisions of Section 236 permit both new construction as well as the rehabilitation of substandard dwellings.

Special provisions of Section 236 permit conversion of eligible projects initiated under other sections of the National Housing Act. States and Agencies of States are eligible to participate in project management functions. Secondary funding sources are available through the FNMA and GNMA. Interest subsidies are available for eligible projects and a limited number of units may be allocated to eligible rent supplement occupants.

2-2. SUBSIDIES.a. Interest Subsidy.

To reduce monthly rentals to a level that people of lower income can better afford, HUD subsidizes monthly payments on the mortgage. Under the provisions of the Section 236 program, the mortgagee receives an interest assistance payment in an amount not exceeding the difference between payments for principal and interest on a mortgage bearing interest at 1%, and payments for principal, interest and mortgage insurance premium on a mortgage with interest at the FHA "market rate."

b. Rent Supplement.

In addition to the interest subsidy, up to 20% of a project's dwelling units are eligible for rent supplements. (Note: under special circumstances the 20% maximum criterion may be increased to 40% with approval by Central Office.) The maximum rent supplement is equal to the difference between 25% of an eligible family's or individual's income and the HUD approved rental for the dwelling unit. (See para. 3-4e for eligibility requirement.)

c. Special Provisions.

Construction money and the purchase of the mortgage upon completion of construction by the FNMA or the GNMA is available for 236 projects.

FNMA in participation with an originating mortgagee may provide up to 95% of the funds needed during construction. The mortgagee must provide at least 5% of the funding during construction.

Joint FNMA/GNMA assistance may be available under the Tandem Plan (para. 2-8).

As amended by the Emergency Home Finance Act of 1970, Section 236 provides for the making of related interest reduction payments through States or Agencies of States entering into an agreement with the Secretary, Department of Housing and Urban Development.

Section 106b of the National Housing Act of 1968 provides for interest-free loans to nonprofit sponsors of low and moderate income housing for 80% of their pre-construction expenses. The Section 106b loan may act as "Seed Money" for the Section 236 project.

2-3. MAXIMUM INSURABLE MORTGAGE.

a. Maximum Amount. \$12,500,000.

The statutory limit on the maximum mortgage amount insurable for any one project is \$12,500,000. This amount is further limited by a maximum insurable amount per family unit as follows:

Number of Bedrooms	<u>Non-Elevator Const.</u>		<u>Elevator Const.</u>	
	<u>Basic Statutory</u>	<u>Maximum Statutory</u>	<u>Basic Statutory</u>	<u>Maximum Statutory</u>
0	\$ 9,200	\$13,340	\$10,925	\$15,841
1	12,937	18,758	15,525	22,511
2	15,525	22,511	18,400	26,680
3	19,550	28,347	23,000	33,350
4 or more	22,137	32,098	26,162	37,934

In areas where cost levels so require, the Secretary is authorized to increase the basic statutory limits up to 45% in any geographical area as reflected in the maximum statutory columns above. It should be noted, however, that limits for elevator construction cannot exceed the limits for non-elevator construction unless authorized for a specific project by the HUD Area Regional Administrator for Housing Production and Mortgage Credit-FHA. The limits established for any particular locality may not be less than the basic statutory amounts, however, under no circumstances may the limits established for any community exceed the listed maximum statutory limits.

b. Loan-to-cost Ratio Mortgage Limitations.

Private, nonprofit corporations and cooperative mortgagors are eligible for mortgages up to 100% of estimated replacement costs.

Limited distribution mortgagors are eligible for mortgages for 90% of estimated replacement costs.

2-4. MORTGAGE TERMS.

a. Period of Mortgage.

The maximum period of the insured mortgage is 40 years.

b. Interest Rate.

FHA "market interest rate," is the interest rate the Secretary finds necessary to meet the mortgage market. The owner's monthly payment is based on a 1% interest rate. The Department of HUD pays the balance of the market rate mortgage payment.

c. Fees and Charges.

- (1) FHA Fees - Application Fee (with application for conditional commitment) is \$1.50 per thousand of mortgage amount.

Commitment Fee is \$3.00 per thousand dollars of commitment amount, less application fee previously paid.

Inspection Fee is \$5.00 per thousand dollars of commitment amount.

Mortgage Insurance Premium is 1/2 of 1% of mortgage amount.

- (2) Mortgagee Fees - Initial Service Charge - Maximum financing fee included in the mortgage is 2% of the mortgage amount.
- (3) FNMA-GNMA - Commitment Fee - 1 3/4% of the mortgage amount.

2-5. INCENTIVES.

a. Builder's Fees.

A builder's fee consisting of two basic considerations:

- (1) general overhead, which represents expenses necessary for the continued operation of a construction business and
- (2) builder's profit, which is the return typically anticipated by builders performing their services under competitive conditions.

An amount equal to 2% of the subtotal for construction (which includes the cost of land improvements, structures and general requirements) may be used to compute general overhead. This general overhead fee need not be cost certified.

In certain cases, a maximum of 10% Builder-Sponsor Profit and Risk Allowance (BSPRA) may be permitted in lieu of builder's profit.

b. Land Value Increases.

Where the value of the site at the time of the HUD appraisal is in excess of the actual total cost of acquisition, the equity realized can serve to reduce necessary cash requirements the sponsor needs to put into the project.

c. Income Tax Incentives.

Limited dividend mortgagors may benefit from accelerated depreciation with limited recapture as ordinary income for Federal income tax purposes.

The limited distribution projects may be eligible for tax-free re-investment of gains where a project is sold to tenants or occupants or to cooperatives or to nonprofit organizations. The gain must be re-invested in another 221(d)(3) or 236 project within one year and the sale of the original property must be approved by HUD.

Should an existing property be rehabilitated for Section 236 use, the full cost of rehabilitation - up to a maximum of \$15,000 per dwelling unit - may be 'written-off' over a five year period. For specific information regarding favorable tax treatment, consult a tax advisor or the Internal Revenue Service.

2-6. ILLUSTRATIVE CASE.

Assume a project with total cost, excluding land and BSPRA, of \$1,000,000. HUD administratively allows a builder and sponsor profit and risk allowance (BSPRA) of 10% or \$100,000. Assuming a land cost of another \$100,000, we have a total project cost of \$1,200,000. Under HUD regulations the minimum required sponsor's equity is 10% of the total project cost or \$120,000. In the resulting mortgage it should be noted, however, that the \$100,000 allowed for the builder and sponsor profit and risk allowance may be counted towards the required 10% sponsor's equity in the project, thus resulting in a actual cash outlay by the sponsor of only \$20,000 or 2% of the project's construction cost.

A limited distribution sponsor eligible for BSPRA would be limited to 6% rate of return on his equity of \$120,000.

The foregoing example is a very simplified case and does not include the fact that any discount above the 2% financing fee allowable in the mortgage must be included as a part of the sponsor's cash outlay and cannot be paid out of mortgage proceeds. Additionally, there are cash escrows for:

- .Working Capital (2% of mortgage amount)
- .Projected Operating Deficits
- .Leasehold situations
- .Off-site construction expenses
- .On-site demolition expenses

2-7. SUMMARY.

In addition to assisting in the achievement of meeting its housing objective, Section 236 incentives and subsidies are designed to make the production or rehabilitation of low and moderate income multi-family housing economically attractive.

Considering builder/sponsor incentives described in the foregoing illustrative case, when combined with the limited recapture tax advantage, Section 236 offers both social and economic opportunities.

Primarily the program has been designed to alleviate an urgent social need, created by an expanding populace and an existing shortage of decent housing for low income families.

Secondarily, the program offers a reasonable investment return for the risks involved by the builder/sponsor in meeting these social needs.

2-8. THE TANDEM PLAN.

The Tandem Plan is a program which assists in the financing of Section 236 and Rent Supplement (Section 221(d)(3) Market Rate) programs by GNMA committing to purchase eligible mortgages at par value after obtaining a HUD commitment.

If, at any time prior to the final endorsement of the mortgage, FNMA's preferred price for such loan is par, GNMA, under its option, will assign the commitment at that price.

If at the time of final closing, FNMA's preferred price has not reached par, FNMA will take the assignment of the commitment at the FNMA preferred price and GNMA will absorb the discount.

In either case GNMA would transfer the fees collected to FNMA at the formal date of assignment.

Commitments issued by GNMA, prior to January 21, 1971, were limited to nonprofit mortgagors including cooperatives; acceptable profit mortgagors are now eligible to participate in this program.

FNMA will also participate up to 95% in construction advances that are insured by HUD.

For additional details contact FNMA representatives in the locale of the project.

BASIC REQUIREMENTS



CHAPTER 3. BASIC REQUIREMENTS

PROGRAM HIGHLIGHTS
SECTION 236 - BASIC REQUIREMENTS

3-0 BASIC REQUIREMENTS.

A. ELIGIBLE PROJECTS.

- .New construction and rehabilitated projects
- .Five or more units - detached (need not be contiguous), semi-detached, row, elevator.
- .Designed so that basic rent is not more than 25% of maximum income limits for the locality.

B. ELIGIBLE SPONSORS AND MORTGAGORS.

- .Nonprofit Corporations
- .Cooperative Corporations
- .Builder-Seller Mortgagor
- .Investor-Sponsor Mortgagor
- .Public or General Mortgagor-Ineligible (see exceptions)

C. ELIGIBLE TENANTS.

- .Subsidized Occupants
- .Family - Two or more persons related by blood marriage or operation of law.
- .Single - under age 62
Elderly - over age 62
- .Displaced - priorities to those displaced by urban renewal, government action, national disaster.
- .Handicapped - Person with physical impairments.
- .Military Personnel - Commissioner Approval

D. OCCUPANT INCOME LIMITS.

- .Cannot exceed 135% of local public housing admittance limits
- .Exception - In certain cases occupants income may exceed the above, but not above 90%, Sec. 221(d)(3) BMIR limits.
- .Income recertification required every 2 years.
- .Special Subsidy - Up to 40% of occupants may be receiving rent supplement under Section 101 of HUD Act of 1965
- .Non-Subsidized Occupants above do not apply.

E. MONTHLY RENTAL CHARGE.

- .Fair Market Rental - based on market interest rates
- .Basic Monthly Rental - based on 1% interest rate mortgage
- .Eligible Tenant - Pays basic rent or 25% of adjusted income whichever is greater.
- .Over-Income Tenant - Pays fair market rental.

F. UNIT/FAMILY SIZE.

No. Bedrooms	Family Size	
	Min	Max
0	1	2
1	1	2
2	2	4
3	4	6
4	6	8

CHAPTER 3. BASIC REQUIREMENTS

3-1. GENERAL.

To be eligible under Section 236 a mortgagor must meet certain basic requirements. As defined by HUD under Section 221(d)(3) a mortgagor must be a non-profit, limited distribution, or cooperative entity. In this regard the builder-seller arrangement for rental housing and the investor-sponsor arrangement for cooperatives are permitted.

Two categories of projects are considered: these are new construction projects and rehabilitated projects. In either case the project must consist of five or more units. These units may be detached, semi-detached, row houses, or multifamily structures. Units may be located in walk-up or elevator structures. Units need not be located on contiguous sites.

The program is designed to serve the needs of lower income families including the elderly and handicapped. In this latter regard, recent legislation provides for congregate housing under Section 236.

3-2. ELIGIBLE PROJECTS.

The provisions of Section 236 specify the following basic requirements for minimum eligibility:

a. New Construction.

Projects may vary widely in layout, size, and design depending on the type of market to be served.

Units will be designed and constructed at a cost to serve the lowest practicable income levels of eligible families.

As much as 10% of the project gross space may be used for commercial use to serve residents of the project as well as residents of the surrounding neighborhood. Commercial space will not be eligible for any subsidy payment.

b. Rehabilitated Projects.

Rehabilitation of existing residential properties in declining areas is an important social objective. Section 236 offers an ideal tool for stimulating and supporting private efforts in residential rehabilitation.

Approval for rehabilitation projects, in addition to the general requirements established for new construction projects, will emphasize special HUD acceptance criteria:

- (1) Does the project's suitability for rehabilitation satisfy standards of the local area, at rents within the paying capacity of the residents?
- (2) Will the project upgrading be substantial?
- (3) Does the sponsor organization have an effective working rapport with the residents of the neighborhood?
- (4) Are adequate open space and public facilities available to the project?
- (5) Have adequate relocation sources been provided?

3-3. ELIGIBLE SPONSORS AND MORTGAGORS.

a. Nonprofit Corporation.

A corporation or association that is organized and chartered for purposes other than making a profit or gain for itself or persons identified with the corporation and which the HUD determines is not controlled by nor under the direction of persons or firms seeking to derive profit or gain by its operation. Local philanthropic or community-improvement organizations must legally constitute themselves as a non-profit association in order to be approved by appropriate state agency and HUD Area Office or HUD-FHA Insuring Office.

b. Limited Distribution Corporations.

A corporation, partnership, association, or other entity, or individual that is limited as to distribution of income and is regulated as to rents, charges, rates of return, and

methods of operations. The limited distribution corporation is limited to a return of 6% of its investment in a project, but may benefit from the right to use an accelerated depreciation with limited recapture for income tax purposes.

c. Cooperative Corporations.

A cooperative corporation is a nonprofit cooperative ownership organization approved by HUD. The charter of the cooperative organization must restrict permanent occupancy of a project to the members of the corporation and require membership eligibility and transfer of membership in a manner approved by HUD. Prospective cooperative management organizations are advised that a Sales Program must be formulated and the related sales documents be approved by HUD before actual solicitation for members can be instituted. A 90% pre-sale of memberships is required before initial endorsement of the project.

d. Builder-Seller Mortgagor.

A builder-seller mortgagor is a special type of mortgagor approved by HUD, that constructs or rehabilitates a multi-family project after entering into a written agreement with a private nonprofit corporation to sell the project, upon completion and final endorsement of HUD insurance, to the nonprofit corporation.

e. Investor-Sponsor Mortgagor.

An investor-sponsor mortgagor is a HUD approved organization that has been chartered to construct or rehabilitate a multi-family project and transfer same to a cooperative mortgagor within 2 years from the date of completion. In the event of inability by the investor-sponsor mortgagor to convey the project to a cooperative mortgagor within the 2-year period he must be organized in such a manner as to permit him to operate the project as a limited distribution mortgagor.

f. Public or General Mortgagors.

Public or general mortgagors are not eligible under the Section 236 program. However, 236 interest reduction payment may be made on a rental or cooperative housing project, even if it is not insured by HUD, but is financed under a state or local program providing assistance through loans, loan insurance or tax abatement.

3-4. ELIGIBLE TENANTS.

a. Subsidized Tenants and Cooperative Occupants.

The incomes of subsidized tenants and cooperative occupants of Section 236 projects may not exceed specified limits established by HUD (see paragraph c, below). Classification requirements for eligibility are as follows:

- (1) A family...two or more persons related by blood, marriage or operation of law, who occupy the same unit.
- (2) A single person...a person less than 62 years of age. Occupancy by this category of tenants or members shall be limited to 10% of the dwelling units in the projects.
- (3) An elderly person...a person 62 years of age or older. Projects designed for occupancy by elderly persons may be restricted to this category of occupants.
- (4) A handicapped person...a person with a physical impairment which:
 - (a) Is expected to be of long-continued and indefinite duration;
 - (b) Substantially impedes his ability to live independently; and
 - (c) Is of such nature that his ability to live independently could be improved by more suitable housing conditions.
- (5) A displacee...a person who had been displaced from an urban renewal area, or as a result of governmental action or as a result of a disaster determined by the President to be a major disaster.

In all projects preference or priority to occupy dwelling units shall be given to displacees provided that in a project designed for the handicapped or the elderly, preference for displacees shall be limited to those who are within the category for whom the project was designed.

(6) Military Personnel. Whenever the Commissioner determines that a project, because of its location or other consideration, could ordinarily be expected to substantially serve the family needs of military personnel who are serving on active duty and meet the income requirements established by the Commissioner, such preference for occupancy shall be afforded to the family of such military personnel as the Commissioner determines is appropriate.

b. Non-subsidized Tenants.

Units may be occupied by tenants who are able to pay the market rental, without reference to the level of their income. Such occupants will not benefit from interest reduction payments. Preference for occupancy, however, must be given to displacees and to those families whose incomes are within the lowest practicable limits for Section 236 projects.

c. Income Limits.

Adjusted income cannot exceed 135% of limits applicable to public housing locally. Adjusted income is current income from all sources before taxes of all members of the family occupying the unit excluding a 5% deduction for withholding (social security, retirement, health insurance, etc.) and temporary or unusual income, and less \$300 for each minor and less earnings of each minor.

At the discretion of the HUD office in the locale of the project, twenty percent of its payment authority may be allocated towards assisting tenants who have incomes above the 135% limit stated above, provided their incomes are not in excess of 90% of the limits prescribed for projects financed with Section 221(d)(3) BMIR mortgages.

Occupants must recertify their incomes and project management is responsible for obtaining this recertification on a minimum basis of every two years or sooner, such as at lease renewal time. Needed adjustments in rental charges are made at the time of recertification.

d. Monthly Rental Charges.

- (1) Fair Market Rental. The rental rate necessary to cover vacancy and collection loss, and to pay operating expenses and principal, interest, and mortgage insurance premium requirements on a level annuity mortgage at market interest rate.
- (2) Basic Monthly Rental. The rental rate necessary to cover vacancy and collection loss, and to pay operating expenses, principal, and interest on a hypothetical level annuity plan mortgage with interest at 1%. The mortgage insurance premium is not included in the basic rental rate.
- (3) Collection/Disbursement. Collection by project management in excess of basic rental charges will be paid to the Secretary monthly.

e. Rent Supplement Assistance.

For a project to be eligible to receive the additional benefit of rent supplement assistance, it must be located in a community having an approved Workable Program for Community Improvement or be located in a community in which local authorities have given approval for participation in the Rent Supplement Program. Up to 20% of the units in a project may be occupied by tenants receiving rent supplement assistance. In certain cases, and only with the approval of the Commissioner, this 20% limitation may be increased to 40%. Consideration for increasing the 20% limitation will be given on a case-by-case basis by the HUD Central Office.

f. Family Unit Size.

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.

Although the limits shown on page 3-1 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. Also, in cooperative cases, due to the longer periods of occupancy normally involved, young married couples who expect to have children, or who already have children but expect to have more, may occupy a dwelling unit with one more bedroom than needed initially.

3-5. SUMMARY - PROJECT SELECTION.

In addition to the elements broadly discussed in meeting the basic eligibility requirements for Section 236 participation, the local HUD Office must first apply project selection criteria to submitted proposals. The purpose of this selection criteria will be to establish a priority rating for each project to be used in pre-evaluation prior to processing.

Project Selection criteria to establish priority in funding will consider elements such as:

- the need for this type of housing in the areas where development is proposed;
- the housing opportunities for minority families;
- the improved location for lower income families;
- the relationship of the orderly growth and development of the neighborhood;
- the relationship of the proposed project to the physical environment of the neighborhood;
- the capacity of the sponsor to proceed promptly to construction and completion;
- the project potential for creating minority employment and business opportunities; and,
- where applicable, the provisions for a sound housing management program.

Specific project selection criteria guidelines may be obtained from the HUD Office in the locale of the proposed project.

GO-AHEAD



CHAPTER 4. GO-AHEAD REQUIREMENTS

PROGRAM HIGHLIGHTS
SECTION 236 - GO-AHEAD REQUIREMENTS

4-0 GO-AHEAD REQUIREMENTS.

A. FORMS PROCESSING.

.STAGES

.Feasibility Analysis

.Conditional Commitment

.Firm Commitment

.SINGLE STAGE - leads directly to firm commitment.

.MULTIPLE STAGE - sequence of events scheduling:

.Planning Phase - involves project team activity including preparation of appropriate forms and exhibits by builder, sponsor, lender, and HUD representative.

.Implementation Phase - involves continued activity of project team from firm commitment through completion of the project.

CHAPTER 4. GO-AHEAD BASIC REQUIREMENTS

4-1. GENERAL.

The Section 236 program requires that a mortgagee be a HUD-approved lender who is amenable to receiving interest subsidy payments on behalf of the project mortgagor. Congressional funding of the subsidies for these programs involves two stages; first, an authorization of contract authority in a housing act; and secondly, an approval in an appropriations act to use all or a portion of this authorized contract authority. It is important to recognize that the authorized and approved annual contract authority is for the interest assistance or rent supplement payment only, not total mortgage amount. It should be further noted that these appropriations are not for one-shot arrangements. Rather they are an authorization for HUD to sign contracts obligating the Government to pay the amount authorized each year during the life of the mortgage, which could be a maximum of 40 years.

4-2. FORMS PROCESSING.

HUD's multi-family project processing is a flexible approach responsive to the sponsor's preparation and the character of the proposal. There are three basic processing stages as shown in Figure 1a.

a. Feasibility Analysis.

This initial stage analysis provides a determination of feasibility or lack thereof for a sponsor's specific proposal submitted to the HUD office. If funds are available and feasibility is determined - a feasibility letter is issued by the local office.

b. Conditional Commitment.

The second stage involves preparation of exhibits by the sponsor and his architect that conform to the feasibility analysis objectives submitted to the HUD for review. The resulting formal conditional commitment issued assures acceptance of an application for firm commitment provided the conditions identified are satisfactorily assured.

c. Firm Commitment.

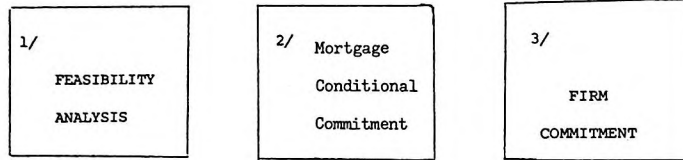
The third stage after review of the architect's working drawings and specifications by HUD culminates in a HUD firm commitment.

4-3. SINGLE STAGE.

Knowledgeable sponsors, familiar with HUD multifamily processing requirements, may achieve a firm commitment in a single stage (Figure 1b). In single-stage processing the sponsor submits, at the first step an exhibit designed to meet all HUD requirements. The sponsors complete case submission may be processed in one stage and a firm commitment issued. Total time between the first submission and HUD's issuance of the commitment will usually not exceed thirty days, assuming availability of subsidy funds in the Area or Insuring office.

SECTION 236
FORMS PROCESSING STAGES

MULTI STAGE

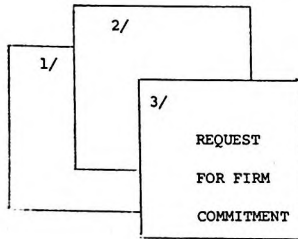


STAGE/SEQUENCE/TIME

Figure 1a

FORMS PROCESSING STAGES
MEETING ALL HUD REQUIREMENTS

SINGLE STAGE



STAGE/SEQUENCE/TIME

Figure 1b

4-4. MULTIPLE STAGE PROCESSING.

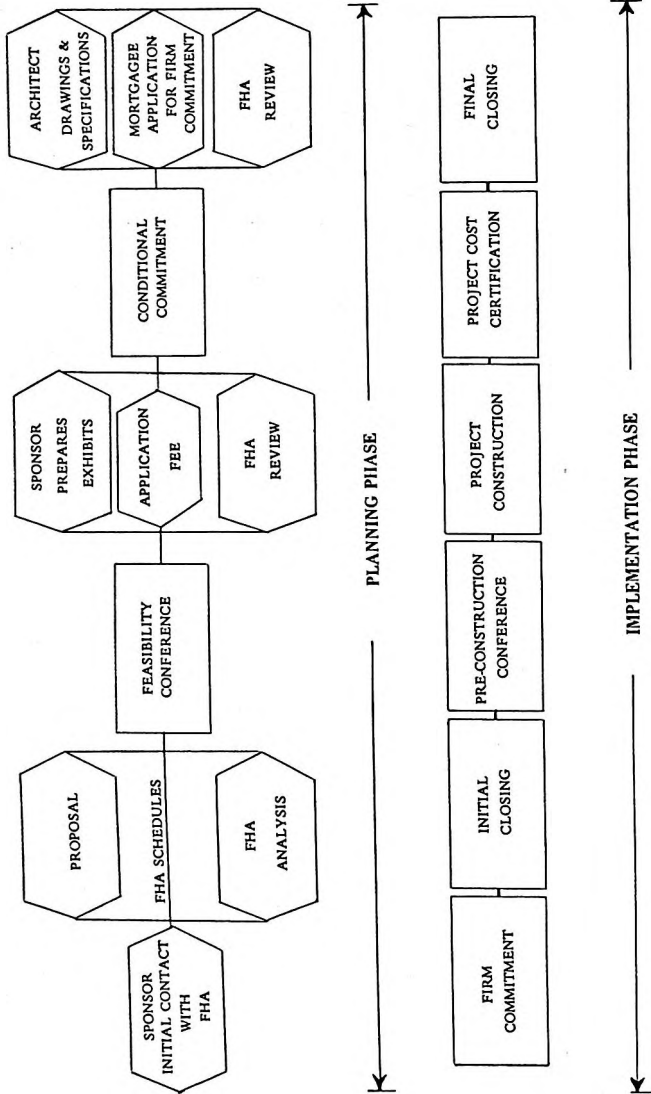
Assuming the sponsor is unable to satisfy all of HUD's requirements in the first step, but the proposal is generally acceptable, the sponsor's application will go through two or three stages. These stages, as demonstrated in Figure 1a lead to a firm commitment. Viewing the actual steps by the sponsor in relation to time/sequence of the multifamily processing stages Figure 2 illustrates the sequence of events. Assuming a definite time frame from initial Sponsor/HUD contact to final closing the total processing procedure may include the following:

- a. Initial Contact. The sponsor makes first contact with the HUD Field Office presenting his proposal for project construction. At this time, the office will assign an individual to serve as project coordinator.
- b. Proposal Preparation. The sponsor prepares the application with related exhibits that outline his proposal. The basic form setting up the processing for the three stages is FHA Form No. 2013 (for LD & nonprofit sponsors) and FHA Form No. 3201 (for cooperatives).

Paragraph I of Form 2013 and paragraph L of Form 3201 entitled "Attachments," identify the required exhibits. The HUD representative will assist the sponsor in identifying the applicable exhibits from this list.

- c. HUD Analysis. The sponsor submits his feasibility application and the cognizant office will make a feasibility determination. In this determination HUD will make a project cost estimate, establish a construction budget, establish the tentative mortgage amount, determine the cash requirements, site selection, permissive zoning, project income, prospective market, proposed project management and the sponsor's acceptability.
- d. Feasibility Conference. A major event or milestone in the project's schedule is the Feasibility Conference.

At this conference the "Go-No-Go" decision is made. Assuming the project status is "Go" the next decision to move to either a 'Conditional' or 'Firm' commitment will be based on the extent of the sponsor's preparation and experience. This review will be made prior to issuing a formal feasibility letter.



MULTIFAMILY PROCESSING STAGES

Figure 2

In the event of a "No-Go" determination by HUD the sponsor is notified and he may come to the HUD office on an informal basis for discussion of reasons for rejection.

- e. Preparation for Conditional Commitment. During this interim period the sponsor, assisted by the HUD Design Representative, prepares the required exhibits including schematic architectural drawings and outline specifications.
- f. Application Fee. Assuming adequate preliminary preparation the sponsor, using Form 2013 or 3201, makes application through his mortgagee for conditional commitment. The fee accompanying the conditional commitment application is \$1.50 per thousand dollars of the proposed mortgage amount.
- g. HUD Review. The HUD will review the conditional commitment application and the related exhibits for consistency with conditions of feasibility. If the project elements are in order, a conditional commitment conference will be scheduled.
- h. Conditional Commitment Conference. This conference represents the second milestone. The project "Go-ahead" determination made at this time will result in the issuance of a conditional commitment to the mortgagee. The mortgagee will be requested to submit a fully completed application for a firm commitment.
- i. Drawings and Specifications. The sponsor's architect assisted by the HUD Design Representative prepares the final drawings and specifications.
- j. Mortgagee Submits Application and Fee. The mortgagee completes the application for firm commitment on Form 2013 and Form 3201 and submits the balance of the commitment fee, a second \$1.50 per thousand of mortgage amount.
- k. HUD Review. The Office begins its review on receipt of the architect's drawings and the mortgagee's completed application. Particular attention will be given by the HUD review team to the architectural design details for consistency with previous determinations and agreements.

1. Firm Commitment. This may be considered the most significant event in the schedule for project development. At this time the participants are in agreement; the project feasibility has been established; the design has been accepted; funding has been allocated; and the joint Government & Private resources have been aligned to "Go-ahead" with a common social objective; i.e., "to provide decent housing for a community's low income families."

With the issuance of a firm commitment the date for initial closing and the date for start of construction are agreed upon by the HUD, the mortgagee, the sponsor and his architect. The preconstruction conference (for both Insurance of Advances and Insurance Upon Completion cases) and the initial closing (Insurance of Advances-only) usually occur within 30 days after the firm commitment is issued.

- m. Initial Closing. This milestone in the schedule signifies the culmination of the planning events. At this time personnel representing the principal participants are identified and a working relationship is established to expedite the project's completion. A close rapport between the sponsor, mortgagor, mortgagee, architect, builder and HUD representatives will facilitate completing the project in the balanced best interest of Section 236 objectives.

A summary of closing requirements include:

- (1) Mortgagor's formal agreement to certify actual cost of construction,
- (2) Assurance of completion by bond or escrow deposit,
- (3) Assurance that off-site facilities will be completed - in the form of cash deposit and/or irrevocable letter of credit in the amount of at least 100% of such cost,
- (4) The regulatory agreement between the mortgagor and HUD,
- (5) The building loan agreement between the mortgagor and the mortgagee governing advances of mortgage proceeds,

-
- (6) The credit instrument and mortgage forms furnished by HUD and amended by the mortgagee with regard to prepayment and rate charges as allowed by HUD,
 - (7) Title evidence and the mortgagor's and mortgagee's certificates,
 - (8) Complete working drawings and specifications.
 - (9) The construction contract (cost plus or lump sum) (See Exhibit 8, Appendix A; or Exhibit 10, Appendix C for applicable closing requirements.)
- n. Pre-Construction Conference. Construction must not commence before closing and recording of the insured mortgage and a pre-construction conference, unless prior approval is secured from the HUD. Among the prerequisites for HUD insured multi-family project construction are the following:
- (1) Equal opportunity in housing,
 - (2) Prevailing wage requirements,
 - (3) Fair employment practice.
- o. Project Construction. The project construction will be aided by the close working rapport of the principals. HUD will assist the project team in completing this milestone. Construction advances by the lender will be insured after receiving HUD approval. The insurance of advances (or construction draws) is for work completed and materials delivered minus a 10% holdback.
- p. Project Cost Certification. The 10% holdback from construction advances (draws) made during the project construction phase are accumulated until the cost certification has been made and the mortgage is finally endorsed for insurance.
- q. Final Closing. This event signifies the culmination of the project team's activities in meeting the construction objectives of Section 236. The date for final closing will usually be set for 30 days after the HUD final construction inspection and acceptance. This 30-day period is required to permit sufficient time for clearance of any liens and cost certification. (See Exhibit 8, Appendix A; or Exhibit 10, Appendix C for applicable closing requirements.)

4-5. SUMMARY.

In summary of the stages and forms required for Section 236 Project "GO-AHEAD", the processing of proposals, either in a single stage or multiple stages, will require the preparation of exhibits by the project team. (See attached FORMS KIT.)

a. List of Exhibits Required.

Referring to paragraph 4-3 and as typically required in submitting the APPLICATION - PROJECT MORTGAGE INSURANCE, FHA Form No. 2013 or 3201 the following is a list of exhibits, required where applicable:

INITIAL SUBMITTAL

- (1) Location Map
- (2) Evidence of Site Control (Option or Purchase) and Legal Description
- (3) Form 2010 Equal Employment Opportunity Certification
- (4) Form 3433 Eligibility as Non-Profit Corporation
- (5) Evidence of Last Arms-Length Transaction Price
- (6) Sketch Plan or Site
- (7) Personal Financial & Credit Statement of Sponsors
- (8) Form 2530 Previous Participation Certification.

SECONDARY SUBMITTAL - AFTER FEASIBILITY

- (10) Form 2328 Contractor's and/or Mortgagor's Cost Breakdown
- (11) Architectural Exhibits-Preliminary
- (12) Architectural Exhibits-Final
- (13) Survey
- (14) Evidence of Architect Errors and Omission Insurance Coverage
- (15) Copy of Owner-Architect Agreement
- (16) FHA Form No. 3240 (Cooperative Only).

4-6. CONCLUSION - MEETING THE PROGRAM OBJECTIVE.

a. Project Management Role.

Potential sponsors, builders and lenders are reminded that success in meeting Section 236 objectives will not be based alone on the quality of the effort expended in planning and construction of a specific project; rather, success will rely heavily on continued good management of a project throughout its intended life-cycle.

The sound management of a project from its initial rent-up or cooperative occupancy throughout its useful life-span is akin to the life-cycle of a newly launched naval vessel. Notwithstanding sophistication in design and construction, program performance will likely fall far short of life-cycle objectives without the implementation of a sound maintenance and management plan.

Emphasis in ascertaining that the sponsor has a sound project management plan will be an important factor in HUD's approval of the project. This program should be submitted as early as possible, so that it can be reviewed for adequacy prior to a feasibility determination. Special consideration should be given to tenant counselling and supportive social services.

APPENDICES



A P P E N D I C E S

APPENDICES

- I General
- II Forms Processing Coordination

APPENDIX

- A Rental Projects - Limited Distribution
 - B Rental Projects - Nonprofit
 - C Cooperative Housing Developments
 - D HUD Area and FHA Insuring Offices
 - E References
-

GENERAL



A P P E N D I C E S

I. GENERAL.

Processing through the various stages of project development will require the completion of applicable forms in this kit.

Two major project categories are covered in this kit: the forms generally required for Rental Projects (Appendices A and B) and Cooperative Projects (Appendix C).

Eligible projects may vary in complexity, depending upon the elements comprising a specific project. In this regard the forms identified in the respective appendices are not to be construed as complete mandatory requirements, rather they are included as general guidelines of those forms that may be required.

It should be noted that several of the forms are common to two or more of the project types and may be located by using the table preceding the exhibits in each appendix.

The final determination of the forms required for a specific project will be made by the HUD Office in the locale of the project.

II. FORMS PROCESSING COORDINATION.

For a proposed project the applicable forms should be completed by the Builder/Sponsor through his lender (an approved FHA Mortgagee) and submitted to the responsible HUD Office.

The local HUD Office will provide potential sponsors with current available market studies of community needs for 236 projects. These studies will aid the sponsoring organization in making a preliminary project feasibility determination by ascertaining the timeliness of essential elements; such as, the projects marketability and the availability of funding.

With the establishment of a 236 project team; consisting of the sponsor, lender and HUD representative, preliminary studies should determine the following:

- . the need for this type of housing in the areas where development is proposed;
- . the housing opportunities for minority families;
- . the improved location for lower income families;
- . the relationship of the orderly growth and development of the neighborhood;
- . the relationship of the proposed project to the physical environment of the neighborhood;
- . the capacity of the sponsor to proceed promptly to construction and completion;
- . the project potential for creating minority employment and business opportunities; and,
- . where applicable, the provisions for a sound housing management program.

**RENTAL PROJECTS
LIMITED DISTRIBUTION CASE
(APP. A)**



RENTAL PROJECT

LIMITED DISTRIBUTION

FORMS PROCESSING KIT

APPENDIX A

RENTAL PROJECT - LIMITED DISTRIBUTION SPONSOR

The forms contained in this appendix include those generally required for the processing of a limited distribution sponsor or mortgagor. Several of the forms have been developed using a hypothetical project with project values relevant to an activity in the Washington, D. C. area. The values used should not be construed as applicable criteria nation-wide. It is anticipated that a wide variance in values used will exist between regional areas.

Pending feasibility determination, the sponsor or mortgagor may gain valuable insight relative to the closing preparations required by reviewing the final exhibit in this appendix. This exhibit, while not required for feasibility determination, is provided to illustrate the legal preparations for closing a Section 236 project. FHA Form No. 3618, identifies the required closing documents in three phases. These are:

1. PART A - Insurance of Advances (Initial Closing)
2. PART B - Insurance Upon Completion (Initial-final Closing)
3. PART C - Final Closing in Cases of Insurance of Advances.

Substitutions of forms or changes in these forms must have the concurrence and approval of the designated HUD/FHA representative or HUD Legal Counsel, as appropriate.

TABLE A-1

236 PROGRAM - PROJECT FORMSRENTAL PROJECTS - THE LIMITED DIVIDEND CASE

<u>FHA FORM NO.</u>	<u>TITLE</u>	<u>EXHIBIT NO.</u>
2530	Previous Multifamily Participation Certificate	A-1
2010	Equal Employment Opportunity Certificate	A-2
2013	Application - Project Mortgage Insurance	A-3
2430	Brief Specifications	A-4
2417	Personal Financial and Credit Statement	A-5
3131	Application for Tenant Eligibility - 236 Program	A-6
3136	Regulatory Agreement for Limited Distribution Mortgages under Section 236	A-7
3618	FHA Legal Requirements for Closing Section 236 Projects (except Cooperatives)	A-8
2442	Construction Contract - Lump Sum	B-4
2442-A	Construction Contract - Cost Plus	B-5

PREVIOUS PARTICIPATION CERTIFICATE
FORM NO. 2530

PURPOSE: "...This certificate is to provide FHA with a full disclosure of past multifamily, Title X or Title XI experience of all principals involved in the proposal so that FHA may determine the feasibility of considering the proposal involving these principals. Any doubts concerning applicability should be resolved by a full disclosure of all previous participation"

FHA FORM NO. 2530
Rev. 4/67

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

APPENDIX A
EXHIBIT 1
Form Approved
Budget Bureau No. 43-R1061

PREVIOUS PARTICIPATION CERTIFICATE

(Submit Original and Three Copies to FHA Insuring Office)

The purpose of this certificate is to provide FHA with a full disclosure of past multifamily, Title X or Title XI experience of all principals involved in the proposal so that FHA may determine the feasibility of considering the proposal involving these principals. Any doubts concerning applicability should be resolved by a full disclosure of all previous participation.

FHA Insuring Office Washington, D. C. Project Number Hypothetical 236
Proposed Project Name Crest-Haven Apartments Location 3820 - 13th St., N.W., Washington, D.C.

The undersigned request consideration of a project proposal (identified above) to be financed with a mortgage insured under the National Housing Act. The undersigned, individually and collectively, represent that to the best of their information and belief they are the sole "PRINCIPALS" in the project and they have not had any "INTEREST", by way of financial interest, employment, or otherwise, in an FHA-insured project, except as shown below. The undersigned agree that any change of the "PRINCIPALS" listed herein, or additions thereto, will be reported to FHA and they will inform and advise new "PRINCIPALS" of the requirement to file a similar certificate with the appropriate FHA insuring office.

DEFINITIONS

The term "PRINCIPALS" includes, but is not limited to, corporations, partnerships, joint ventures, general contractors, sponsors, "packagers," or "consultants". It also includes architects and attorneys who have any interest in the project other than the normal, "arms-length" fee arrangement for professional services to be rendered, other than as a "packager" or "consultant", and stockholders having more than 10% financial interest in the proposed project.

The terms "PACKAGERS" and "CONSULTANTS" mean a person or firm, including attorneys, engaged to furnish advisory services in connection with the financing, construction or operation of a 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 transaction which is or has been in breach of a regulatory agreement or delinquent for failure to meet required mortgage 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 transaction which involved a modification of the mortgage, forbearance agreement or other similar relief.

Previous Project Name & Location	FHA No.	Name of Principal	Type of Interest	Default	Mortgage Relief
Oak Ridge Towers 1234 Main Street Downtown, U.S.A.	123-42678	V. Smith	Owner - 100%	None	None
Easo-Verde Apts. 7457 N. Canyon Dr. Anytown, U.S.A.	096-3345	V. Smith S. Dixon P. Gill C. Siefert	½ owner ½ owner ½ owner ½ owner	None None None None	*Explanation Attached
C.B.I. Manor 4572 Occidental St. Anytown, U.S.A.	149-2741	C. Siefert	General Contractor 10% owner	None	None
Park Apts. 1234 Main Street Anytown, U.S.A.	052-4171	Fraternal Order of Friends	Sponsor	*Explanation Attached	None

(With respect to each listed project which resulted in "MORTGAGE RELIEF" or "DEFAULT," as identified above by an ASTERISK in the appropriate column, the interested principal must attach a signed statement explaining the relief or default. "PACKAGERS" and "CONSULTANTS" must attach a signed statement describing the services they have rendered or will render in the proposed transaction and stating their fee. They must also include a statement that they have not and will not receive any fee or other compensation, direct or indirect, from any party connected with the proposed project, except as reported.)

Date	Signature and interest in proposed project	PERCENTAGE	EMPLOYER IDENTIFICATION NUMBER OR SOCIAL SECURITY NUMBER
8/15/70	V. Smith	25%	00 1 01 00 0 1
8/15/70	S. Dixon	25%	10 0 10 10 0 0
8/15/70	P. Gill	25%	01 0 01 0 1 00
8/15/70	C. Siefert	25%	00 2 02 00 0 0
			00 0 00 00 0 0

WARNING: Section 1010 of Title 18, U.S.C., "Federal Housing Administration transactions," provides: "Whoever, for the purpose of... influencing in any way the action of such Administration... makes, poses, 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."

"EQUAL EMPLOYMENT OPPORTUNITY CERTIFICATION"
FORM NO. 2010

PURPOSE: "...the applicant -- agrees that there shall be no
discrimination against any employee who is employed in carrying out
work receiving FHA assistance, or against applicant for such employment,
because of race, color, religion, sex, or national origin...."

APPENDIX A
EXHIBIT 2

FHA FORM NO. 2010
Rev. 7/69
(Supersedes Prior Revisions)

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

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, color, religion, sex, 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 regulations of the Secretary of Labor at 41 CFR Chapter 60, which is paid for in whole or in part with funds obtained pursuant to an FHA program, the equal opportunity clause required by § 200.420 of the Regulations;
- (2) It will be bound by said equal opportunity clause with respect to its own employment practices when it participates in any FHA assisted construction work. Provided, That if the applicant so participating is a state or local government, the said equal opportunity clause is not applicable to any agency, instrumentality or subdivision of such government which does not participate in work on or under the contract;
- (3) It will assist and cooperate actively with the FHA and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor;
- (4) It will furnish the FHA and the Secretary of Labor such information as they may require for the supervision of such compliance, and will otherwise assist the FHA in the discharge of FHA's primary responsibility for securing compliance;
- (5) It will refrain from entering into any contract or contract modification subject to Executive Order 11246 of September 24, 1965, with a contractor debarred from, or who has not demonstrated eligibility for, government contracts and federally assisted construction contracts pursuant to the Executive Order;
- (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 Secretary of Labor pursuant to Part II, subpart D of the Executive Order; and
- (7) In the event that it fails or refuses to comply with its undertaking, the FHA may cancel, terminate or suspend in whole or in part any contractual arrangements the FHA may have with the applicant; may refrain from extending any further assistance to the applicant under any FHA programs 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.

Name of applicant: Crest-Haven Apartments

Address: 3820 - 13th Street, N.W.

Washington, D. C.

Signed By: V. Smith

Title: Sponsor

Date 8/15/70

EXCERPTS FROM FHA REGULATIONS

(Copy of complete FHA
Regulations may be ob-
tained from FHA Insur-
ing Office)

§ 200.410 Definition of term "applicant".

(a) In any mortgage or loan insurance transaction under this chapter where the Commissioner will control the mortgageor either through the ownership of corporate stock or under the provisions of a regulatory agreement, the term "applicant" as used in § 200.415 shall mean the mortgageor.

(b) In any transaction other than one specified in paragraph (a), the term "applicant" as used in § 200.415 shall mean the developer, or the builder, dealer or contractor performing the construction, repair or rehabilitation work for the property owner.

§ 200.415 Agreement of applicant.

An applicant shall, prior to the Commissioner issuance of any commitment or other loan approval, agree (in a form prescribed by the Commissioner) that there shall be no discrimination against anyone who is employed in carrying out work receiving assistance pursuant to this chapter, or against any applicant for such employment, because of race, color, religion, sex, or national origin.

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

(a) The equal opportunity clause prescribed by the Commissioner pursuant to the regulations of the Secretary of Labor (41 CFR Chapter 60) shall be included in each nonexempt contract and subcontract for work receiving FHA assistance.

(b) Subcontracts less than \$50,000 may incorporate by reference the equal opportunity clause.

(c) The equal opportunity clause shall be deemed to be a part of each nonexempt contract or subcontract whether or not it is physically incorporated in such contract.

§ 200.425 Exemptions.

(a) Transactions of \$10,000 or under. Contracts and subcontracts not exceeding \$10,000 are exempt from the requirements of the equal opportunity clause. No contractor or subcontractor shall procure supplies or services in less than usual quantities to avoid applicability of the equal opportunity clause.

(b) Contracts and subcontracts for indefinite quantities. Contracts and subcontracts for indefinite quantities are exempt from the requirements of the equal opportunity clause if the amount to be ordered in a single year under any such contract will not exceed \$10,000.

(c) Work outside the United States. Contracts and subcontracts with regard to work performed outside the United States by employees who were not recruited within the United States are exempt from the requirements of the equal opportunity clause.

(d) Others. Other exemptions set forth in the regulations of the Secretary of Labor at 41 CFR Section 60-1.5 apply to transactions under this subpart.

APPLICATION - PROJECT MORTGAGE INSURANCE
FORM NO. 2013

PURPOSE: "...divided the process of filing an application for project insurance into a maximum of three stages,"

- .Feasibility Analysis
- .Conditional Commitment
- .Firm Commitment

NOTE: As an aid in developing project application the sponsor is referred to Exhibit 3a of this document.

FHA FORM NO. 2013
Rev. 3/70

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

EXHIBIT 3
Form Approved
Budget Bureau No. 63-R0676

APPLICATION - PROJECT MORTGAGE INSURANCE

Project Name: **Crest Haven Apartments** Project No. _____

TO: **Philo Mortgage Company** and the FEDERAL HOUSING COMMISSIONER.

The undersigned hereby requests a loan in the principal amount of \$ **1,260,000** to be insured under the provisions of Section **235** of the National Housing Act, said loan to be secured by a first mortgage on the property hereinafter described.

Insurance of advances during construction is, is not desired, Feasibility Conditional Firm
Type of Mortgage: PM 1-D D-S NP Permanent Mortgage Interest Rate **7 1/2** %.

A. LOCATION AND DESCRIPTION OF PROPERTY:

1. Street Nos. 3920-21-23	2. Street 13th Street	3. Municipality Sometown	4. County Somewhere	5. State Someplace
6. Type of Project <input type="checkbox"/> Elevator <input checked="" type="checkbox"/> Walkup	7. No. Stories 2	8. Check Applicable Box(es) <input checked="" type="checkbox"/> Detached <input type="checkbox"/> Semi-detached		9. Est. Av. Monthly Rental per Unit \$ 117.50 Mo.
10. <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing	11. No. Units 100	12. No. Bldgs. 1	13. List Accessory Buildings or Space:	

SITE INFORMATION		BUILDING INFORMATION	
14. Dimensions 300 ft. by 666.66 ft., or 200,000 sq. ft.	15. Zoning (If revised, changed, submit evidence) RSA (19 FAR)	16. Structural System Masonry-wall bearing	16a. Yr. Built
		17. Exterior Finish Brick	18. Heating-A/C System F.W.A.-Gas

B. INFORMATION CONCERNING LAND OR PROPERTY:

19. Date Acquired 2/22/69	20. Purchase Price \$51,000	21. Additional Costs Paid or Accrued \$ none	22. If Leasehold Annual Ground Rent \$	23. a. TOTAL COST \$51,000	23. b. Balance Outstanding \$10,000	24. Relationship-Business, Personal or Other Between Seller & Sponsor None
25. Utilities: Public <input checked="" type="checkbox"/> Community <input type="checkbox"/>		26. Unusual Site Features: <input type="checkbox"/> Cuts <input type="checkbox"/> Fills <input type="checkbox"/> Rock Formations <input type="checkbox"/> Erosion <input type="checkbox"/> Poor Drainage <input type="checkbox"/> High Water Table <input type="checkbox"/> Retaining Walls <input type="checkbox"/> Other (Specify) _____ <input checked="" type="checkbox"/> None				

C. ESTIMATE OF INCOME:

27. No. of Each Family Type Unit	Living Area (Sq. Ft.)	Composition of Units	Unit Rent Per Month	Total Monthly Rent For Unit Type
10	450	0 Bedroom	\$ 86.00	\$ 860.00
20	600	1 Bedroom	105.00	2,100.00
30	750	2 Bedrooms	122.00	3,660.00
30	910	3 Bedrooms	127.00	3,810.00
10	1090	4 Bedrooms	132.00	1,320.00
TOTAL ESTIMATED RENTALS FOR ALL FAMILY UNITS				\$1,750.00
28. No. Parking Spaces--				
<input type="checkbox"/> Attended				
Open Spaces 150 @ \$ _____ per month				
<input checked="" type="checkbox"/> Self Park				
Covered Spaces _____ @ \$ _____ per month				
29. Commercial Laundry Facility 100 Sq. Ft. @ \$.25 per sq. ft./mo. 25.00				
Other Levels _____ Sq. Ft. @ \$ _____ per sq. ft./mo.				
TOTAL ESTIMATED GROSS PROJECT INCOME AT 100% OCCUPANCY				\$1,775.00
TOTAL ANNUAL RENT (Item 31 x 12 Months)				
				\$11,300.00
33. Gross Floor Area-- 90,482 Sq. Ft.		34. Net Rentable Residential Area-- 77,250 Sq. Ft.		35. Net Rentable Commercial Area-- 100 Sq. Ft.

36. NON-REVENUE PRODUCING SPACE

Type of Employee	No. Emps.	Composition of Unit	Location of Unit in Project
None			

D. EQUIPMENT AND SERVICES INCLUDED IN RENT: (Check Appropriate Items)

37. EQUIPMENT <input checked="" type="checkbox"/> Ranges (Gas or Elec.) <input type="checkbox"/> Disposal <input checked="" type="checkbox"/> Refrig. (Gas or Elec.) <input type="checkbox"/> Dishwasher <input type="checkbox"/> Air Cond. (Equip. Only) <input type="checkbox"/> Carpet <input type="checkbox"/> Kitchen Exhaust Fan <input type="checkbox"/> Drapes <input checked="" type="checkbox"/> Laundry Facilities <input type="checkbox"/> Other (Specify)	38. SERVICES GAS: <input checked="" type="checkbox"/> Heat <input checked="" type="checkbox"/> Hot Water <input checked="" type="checkbox"/> Cooking <input type="checkbox"/> Air Conditioning ELEC.: <input type="checkbox"/> Heat <input type="checkbox"/> Hot Water <input type="checkbox"/> Cooking <input type="checkbox"/> Air Conditioning <input checked="" type="checkbox"/> Lights, Etc., in Unit OTHER FUEL: <input type="checkbox"/> Heat <input type="checkbox"/> Hot Water <input checked="" type="checkbox"/> WATER <input type="checkbox"/> OTHER	39. Special Assessments: a. <input type="checkbox"/> Prepayable <input type="checkbox"/> Non-Prepayable b. Principal Balance \$ None c. Annual Payment \$ _____ d. Remaining Term _____ Years
--	---	--

E. ESTIMATE OF ANNUAL EXPENSE:		G. ESTIMATED REPLACEMENT COST:	
ADMINISTRATIVE-		A 36a. Unusual Land Improvements ----- \$	
A 1. Advertising -----	\$	A 36b. Other Land Improvements -----	\$
A 2. Management -----		A 36c. Total Land Improvements -----	\$ 35,000
A 3. Other -----		STRUCTURES-	
A 4. TOTAL ADMINISTRATIVE -----	\$	A 37. Main Buildings -----	\$
OPERATING-		A 38. Accessory Buildings -----	
A 5. Elevator Main. Exp. -----	\$	A 39. Garage -----	
A 6. Fuel (Heating and Domestic Hot Water) -----		A 40. All other Buildings -----	
A 7. Lighting & Misc. Power -----		A 41. TOTAL STRUCTURES -----	\$ 946,152
A 8. Water -----		A 42. General Requirements -----	\$ 19,673
A 9. Gas -----		FEES-	\$ 1,000,775
A 10. Garb. & Trash Removal -----		A 43. Builder's Gen. Overhead @ 2 % -----	\$ 20,016
A 11. Payroll -----		A 44. Builder's Profit @ % -----	
A 12. Other -----		A 45. Arch. Fee-Design @ 4.5 % -----	\$ 45,936
A 13. TOTAL OPERATING -----	\$	A 46. Arch. Fee-Supvr. @ 1.5 % -----	\$ 15,312
MAINTENANCE-		A 47. Bond Premium -----	\$ 4,400
A 14. Decorating -----	\$	A 48. Other Fees -----	
A 15. Repairs -----		A 49. TOTAL FEES -----	\$ 86,664
A 16. Exterminating -----		50. TOT. for all Imprints. (Lines 36c, 41, 42 & 49) -----	\$ 1,086,139
A 17. Insurance -----		51. Cost Per Gross Sq. Ft. -----	\$ 11.95
A 18. Ground Expense -----		52. Estimated Construction Time -----	12 Months
A 19. Other -----		CARRYING CHARGES & FINANCING-	
A 20. TOTAL MAINTENANCE -----	\$ 5,677	A 53. Int. 12 Mos. @ 7.5 % on \$ of 1,260,000 -----	\$ 17,250
A 21. Replacement Reserve (0.060 x total for structures Line 41) -----	\$	A 54. Taxes -----	\$ 2,500
22. TOTAL EXPENSE -----	\$	A 55. Insurance -----	\$ 5,000
TAXES-		A 56. FHA Mig. Ins. Pre. (0.5%) -----	\$ 6,300
A 23. Real Estate: Est. Assessed Val. \$ ----- @ \$ ----- per \$1000 -----	\$	A 57. FHA Exam. Fee (0.3%) -----	\$ 3,780
A 24. Personal Prop. Est. Assessed Val. \$ ----- @ \$ ----- per \$1000 -----	\$	A 58. FHA Inspec. Fee (0.5%) -----	\$ 6,300
A 25. Empl. Payroll Tax -----		A 59. Financing Fee (2 %) -----	\$ 25,200
A 26. Other -----		A 60. AMPO () -----	
A 27. Other -----		A 61. FNMA/GNMA Fee @ 1.75 -----	\$ 22,050
28. TOTAL TAXES -----	\$	A 62. Title & Recording -----	\$ 7,999
29. TOTAL EXPENSE & TAXES -----	\$ 87,500	A 63. TOTAL CARRYING CHGS. & FINANCING -----	\$ 126,379
F. INCOME COMPUTATIONS:		LEGAL AND ORGANIZATION-	
30. Estimated Project Gross Income (Line C32 Page 1) -----	\$ 141,300	A 64. Legal -----	\$ 7,000
31. Occupancy (Entire Project) Percentage ----- 95 %		A 65. Organization -----	\$ 2,000
32. Effective Gross Income (Line 30 x 31) -----	\$ 134,235	A 66. TOTAL LEGAL AND ORGANIZATION -----	\$ 9,000
33. Total Project Expenses (Line 29) -----	\$ 87,500	A 67. Consultant Fee -----	\$
34. Net Income to Project (Line 32 - Line 33) -----	\$ 46,735	A 68. Builder and Sponsor Profit & Risk -----	\$ 122,182
35. Expense Ratio (Line 29 - Line 32) -----	65.18 %	A 69. TOTAL EST. DEVELOPMENT COST (Excl. of Land or Off-site Cost) (Line 50 + 63 + 66 + 67 + 68) -----	\$ 1,314,000
H. TOTAL REQUIREMENTS FOR SETTLEMENT:		70. LAND (Est. Market Price of Site) sq. ft. @ \$ ----- per sq. ft. -----	\$ 56,000
72. DEVELOPMENT COSTS (Line 69) -----	\$ 1,314,000	71. TOTAL ESTIMATED REPLACEMENT COST OF PROJECT (44 + 69 + 70) -----	\$ 1,400,000
73. LAND INDEBTEDNESS (or Cash required for land acquisition) -----	\$ 40,000	Source of Cash to meet Requirements:	
74. SUBTOTAL (Line 72 + 73) -----	\$ 1,354,000	Mortgagor's Balance Sheet -----	
75. Mortgage Amount -----	\$ 1,260,000	\$ 52,218	
76. Fees Paid by Other Than Cash - (BSPRA) -----	\$ 122,182		
77. Line 75 + Line 76 -----	\$ 1,382,182		
78. CASH INVESTMENT REQUIRED (Line 74 - 77) -----	\$ 1,818		
79. INITIAL OPERATING DEFICIT -----	\$ -0-		
80. ANTICIPATED DISCOUNT -----	\$ 25,200		
81. Working Cap. (2% of Mige. Amount) -----	\$ 25,200		
82. ADD Off-site Construction Costs -----	\$ -0-		
83. TOTAL ESTIMATED CASH REQUIREMENT (Lines 78 + 79 + 80 + 81 + 82) -----	\$ 52,218	TOTAL -----	
I. ATTACHMENTS: (Required Exhibits)		7. Personal Financial & Credit Statement of Sponsors	
1. Location Map		8. Form 2530 Previous Participation Certification	
2. Evidence of Site Control (Option or Purchase) and Legal Description of Property		9.A Form 2328 Contractor's and/or Mortgagor's Cost Breakdown	
3. Form 2010 Equal Employment Opportunity Certification		10.A Architectural Exhibits - Preliminary	
4. Form 3433 Eligibility as Non-Profit Corporation		11.A Architectural Exhibits - Final	
5. Evidence of Last Arms-Length Transaction Price		12.A Survey	
6. Sketch Plan of Site		13.A Evidence of Architect E & O Insurance Coverage	
		14.A Copy of Owner Architect Agreement	

J. NAMES, ADDRESSES AND TELEPHONE NUMBERS OF THE FOLLOWING:

1. Sponsor(s)
V. Smith, S. Dixon, P. Gill, C. Seifert.
3819 - 13th Street, N. W. Washington, D. C. 535-7272

2. General Contractor
A. Raspaitin, O'Reilly, and Karloff, 3908 E. 2nd Street, New York, New York. 476-6774

3. Architect
A. Jose Jimenez, 472 14th Street, N. W. Washington, D. C. 572-0007

4. Sponsor's Attorney
A. Smith, Honram & Brown, 7 Holliday Drive, N. E. Washington, D. C. 572-6008

K. CERTIFICATION:

The undersigned, as the principal sponsor of the proposed mortgage, certifies that he is familiar with the provisions of the Regulations of the Federal Housing Commissioner under the above identified Sections of the National Housing Act and that to the best of his knowledge and belief the mortgage has complied, or will be able to comply, with all of the requirements thereof which are prerequisite to insurance of the mortgage under such Section.

The undersigned further certifies that to the best of his knowledge and belief no information or data contained herein or in the exhibits or attachments listed herein are in any way false or incorrect and that they are truly descriptive of the project or property which is intended as the security for the proposed mortgage and that the proposed construction will not violate zoning ordinances or restrictions of record.

The undersigned agrees with the Federal Housing Administration that pursuant to the requirements of the FHA Regulations, (a) neither he nor anyone authorized to act for him will decline to sell, rent or otherwise make available any of the property or housing in the multifamily project to a prospective purchaser or tenant because of his race, color, religion or national origin; (b) he will comply with federal, state and local laws and ordinances prohibiting discrimination; and (c) his failure or refusal to comply with the requirements of either (a) or (b) shall be a proper basis for the Commissioner to reject requests for future business with which the sponsor is identified or to take any other corrective action he may deem necessary.

Date April 1, 1970 Signed V. Smith
(Sponsor)

REQUEST FOR CONDITIONAL COMMITMENT

TO: FEDERAL HOUSING COMMISSIONER:

Pursuant to the provisions of the Section of the National Housing Act identified in the foregoing application and FHA Regulations applicable thereto, request is hereby made for the issuance of a conditional commitment to insure a mortgage covering the property described above.

After examination of the application and the proposed security, the undersigned considers the project to be desirable and is interested, subject to the issuance of a firm commitment by FHA, in making a loan in the principal amount of \$ _____, which will bear interest at _____%, will require repayment of principal over a period of _____ months according to an amortization plan to be agreed upon.

Insurance of advances during construction is, is not desired.
It is understood that the financing expense in the amount of \$ _____ is subject to adjustment so that the total will not exceed _____% of the amount of your commitment.

Herewith is check for \$ _____, which is in payment of the application fee required by said FHA Regulations.

Signed _____
(Proposed Mortgagee)

(Address of Mortgagee)

REQUEST FOR FIRM COMMITMENT

TO: FEDERAL HOUSING COMMISSIONER:

Pursuant to the provisions of the Section of the National Housing Act identified in the foregoing application and FHA Regulations applicable thereto, request is hereby made for the issuance of a firm commitment to insure a mortgage covering the property described above.

After examination of the application and the proposed security, the undersigned considers the project to be desirable and is interested in making a loan in the principal amount of \$ _____, which will bear interest at _____%, will require repayment of principal over a period of _____ months according to amortization plan to be agreed upon.

Insurance of advances during construction is, is not desired.
It is understood that the financing expense in the amount of \$ _____ is subject to adjustment so that the total will not exceed _____% of the amount of your commitment.

Herewith is check for \$ _____, which is in payment of the application and/or commitment fee required by said FHA Regulations.

Signed _____
(Proposed Mortgagee)

(Address of Mortgagee)

FOR FHA USE ONLY					
Date Rec.	Amount	Code	Schedule	Rec. Br.	

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

INSTRUCTIONS FOR COMPLETION OF FHA FORM NO. 2013-APPLICATION - PROJECT MORTGAGE INSURANCE

FORWARD TO INSTRUCTIONS. FHA procedures divide the process of filing an application for project insurance into a maximum of three stages, the first being a request for feasibility analysis, the second being a request through an approved mortgagee for a conditional commitment, and the third being a formal application through an approved mortgagee for a firm commitment.

Processing flexibility is emphasized under the accelerated multifamily procedures. This will enable a sponsor to by-pass feasibility stage or conditional commitment stage, or both, provided he has plans and exhibits in a sufficient detail to permit processing for a firm commitment.

FHA field office personnel will provide advice and assistance to sponsors and potential sponsors at all stages in connection with the submission of applications.

INSTRUCTIONS

A request for feasibility analysis may be submitted directly to the FHA insuring office by letter or in person. All items except those identified by 4 on Form 2013 must be completed.
A request for a conditional commitment must be submitted by an approved mortgagee on Form 2013 with all items except those identified by A completed and with the sponsor's certification and mortgagee's request executed. All information must be submitted in triplicate. Preliminary architectural exhibits must accompany this application, and architect must be identified.
A request for a Firm Commitment must be submitted by an approved mortgagee on Form 2013 complete in its entirety. All information must be submitted in triplicate.

Section A. Self-explanatory.

Section B. In line 21 insert any cost paid, or contracted, in addition to the stipulated purchase price.

If the site will require demolition expense, or other preparatory expense, this should be indicated and explained on an attached sheet. If the proposed site is leased, indicate the annual dollar amount of the ground rental. All other items in this section are self-explanatory.

Section C. Item 27 - Floor Area (Sq. Ft.) is the area of a living unit measured from the inside faces of corridor and exterior walls and from the center lines of partitions separating living and/or commercial areas.

Feasibility.

Line 33. At Feasibility insert the estimated gross floor area which is the sum of all floor areas of headroom height within the exterior walls when completed for Conditional or Firm Commitment, insert the gross floor area, computed from the plans.
Lines 34 & 35: Net Rentable Residential Area is the sum of all living areas within the exterior walls. Net Rentable Commercial Area is the sum of all commercial areas within the exterior walls measured from the interior faces of exterior and corridor walls and from the center lines of partitions separating commercial and/or living areas. Existing comparable structures should be used as a guide by the sponsor in making these estimates at Feasibility. When completing the request for Conditional or Firm Commitment these areas should be calculated from the plans.

Section D. Self-explanatory.

Section E. Self-explanatory.

Section F. Line 31 - Occupancy percentage is estimated from market experience if data are available; otherwise sponsor's best estimate.

Section G. Line 36a - Enter cost for unusual site preparation such as piling, retaining walls, fill, etc.

Line 36b: Enter cost of other land improvements such as on-site utilities, landscape work, walks and drives.

Line 42: See Uniform System for Construction Specifications, Data Filing and Cost Accounting Pages 1.3 and 1.4.

Line 51 - Enter the estimated cost per gross square foot of building area. (Line 50 - Line C33 Page 1).

Carrying Charges and Financing:

Line 53: Interest is the amount estimated to accrue during the anticipated period of construction. It is computed on one-half of the loan amount.

Line 54: Taxes which accrue during the construction period are estimated on a pro rata basis for the construction period. Special assessments, if any, should be estimated on a similar basis and included in the tax amount.

Line 55: Insurance includes fire, windstorm, extended coverage, liability, and other risks customarily insured against in the community. It does not include workman's compensation, public liability insurance, and architects E & O insurance, which are included in the cost estimate.

Line 56: FHA mortgage insurance premium is the amount to be earned during the estimated construction period. The amount should be computed on the requested loan amount on a yearly basis. If the estimated construction period exceeds one year, the premium will be based on a two-year period. (Fee waived for 221(d)(3) below market interest rate projects).

Line 57: FHA examination fee is computed on the requested loan amount.

Line 58: FHA inspection fee is computed on the requested loan amount when the project involves new construction, and on the estimated cost of rehabilitation when the project involves the rehabilitation of an existing structure.

Line 59: Financing fee is computed at 2% on the loan amount. It is an initial service-charge. This is not to be confused with discounts.

Line 60: A.M.P.O. is an allowance to make the project operational, computed at 2% of the maximum insurable mortgage amount. It is allowable in cases involving non-profit mortgagees, (this does not include cooperative mortgagees).

Line 61: FHMA-GHMA Fee: The local insuring office personnel will advise interested sponsors of the current maximum rate for, and applicability of this expense.

Line 62: Title and Recording Expense. This is the cost typically incurred by a mortgagee, in connection with a mortgage transaction. This cost generally includes such items as recording fees, mortgage and stamp taxes, cost of survey and title insurance including all title work involved between initial and final endorsement.

Line 64 & 65: Legal and Organizational Expense: Estimate will be based upon the typical cost usually incurred for these services in the area where the project is to be located. These items should be recorded separately.

Line 67: Consultant fee, if any, enter amount to be charged the non-profit sponsor by qualified consultant.

Line 68: Builder's and sponsor's profit and risk allowances: This is based on total estimated cost of on-site utilities, landscape work, structures, general overhead expense, architect's fees, carrying charges, financing, and legal and organization expense. It is allowable only in 220, 221(d) (3) Limited Distribution, 236 Limited Distribution, 221(d)(4) and 231 profit motivated projects. In these projects it is in lieu of, and not in addition to, builder's profit.

Line 70: Land: Enter purchase price if purchased from local public authority, otherwise, sponsor's estimate of value in finished condition (including off-writes, cuts, fills, drainage, etc.).

Section H. Requirements for Settlement:

Line 72 - Self-explanatory.

Line 73 - Reflect amount required to clear title to site. If land is to be acquired, the unpaid balance of the purchase price shall be entered. If leasehold or if land is owned free and clear of encumbrances, enter "None." Indebtedness against land should be supported by options, purchase agreements, etc.

Line 74 - Enter the sum of "Development Cost" and "Land Indebtedness."

Line 75 - Enter principal amount of mortgage requested.

Line 76 - Enter any portion of the Builder's Profit, Builder's and Sponsor's Profit and Risk Allowance or that portion of the Design Architect's Fee to be paid by means other than cash, or waived.

Line 77 - Self-explanatory.

Line 78 - Self-explanatory.

Line 79 - Insert the amount required to meet operating and debt service expense from project completion, until such time as income is adequate to provide a self-sustaining operation.

Line 80 - Enter discount to be paid for placement of the permanent mortgage as well as any discount required by the construction lender.

Line 81 - Enter 2% of mortgage requested.

Line 82 - The cost of improvements outside property lines such as streets and utilities, which will not be installed at public or utility company expense should be entered here.

Section I. (Required Exhibits) All exhibits necessary for a particular stage of processing must accompany the application, see first three paragraphs under "INSTRUCTIONS" above.

Section J. Self-explanatory.

Section K. Self-explanatory.

SECTION 236 TABLES

(Expanded To Include Market Interest Rates Through 8.50%)

Mtg. Term Yrs.	Rent Formula Rates				First Year Annual Subsidy Factors									
	LD %	NP %	Co-op %	All Mortgages%	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	8.50%		
40	3.331	3.228	3.034273	3.034273	4.7021	4.9192	5.1383	5.3594	5.5821	5.8067	6.0328	6.2604		
35	3.649	3.604	3.387428	3.387428	4.5639	4.7735	4.9851	5.1987	5.4141	5.6314	5.8504	6.0711		
30	4.074	4.107	3.859675	3.859675	4.4152	4.6160	4.8189	5.0237	5.2303	5.4389	5.6492	5.8613		
25	4.671	4.812	4.522471	4.522471	4.2560	4.4469	4.6397	4.8343	5.0307	5.2290	5.4290	5.6307		
20	5.567	5.871	5.518733	5.518733	4.0864	4.2662	4.4476	4.6307	4.8155	5.0019	5.1898	5.3794		

RFR = Rent Formula Rate

* L.D. RFR = (P&I @ 1% x 90%) + (6.0% x 10%)

* N.P. RFR = (P&I @ 1%) ÷ 94%

Co-op RFR = P&I @ 1%

* The Rent Formula Rates for L.D. and N.P. Projects have been rounded upward to four digits.

BRIEF SPECIFICATIONS
FORM NO. 2430

PURPOSE: This form is intended to provide information about the specifications for materials and equipment, and other information relating to the construction of the proposed project.

This information is submitted with the Application - Project Mortgage Insurance (FHA Form No. 2013).

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

APPENDIX A
EXHIBIT 4

FHA Form No. 2420
(April 1968)

Form Approved
Budget Bureau No. 63-R1198

Project Name Crest Haven Apartments	Project No.
Location 3820 - 13th Street, N.W., Washington, D. C.	Date

1. **GENERAL REQUIREMENTS:** Describe any special items of work—
Children's play area in rear yard. Off-street parking
2. **SITE WORK:** Soil Bearing 3000# PSF Sand Clay Gravel Rock
Other: Describe any special site problems and any extensive landscaping— Top soil to be stripped and spread over finish grade.
3. **CONCRETE:** Foundation Structural Frame Supported Slabs Suspended Slabs Walls
Describe any special features— Spread Footings unreinforced.
4. **MASONRY:** Materials Brick and Block Load Bearing Non Load Bearing
 Exterior
 Interior
5. **METALS:** Structural Frame Stairs Describe any special features— Prefabricated Stairs
6. **CARPENTRY:** Wood Framing— Walls Floors Roof Describe any special features—
Kiln-dried fir, construction and standard grade.
7. **MOISTURE PROTECTION:** Materials— Roofing 235# Asphalt Shingles Flashing 26 ga. GI
Describe any special features—
8. **DOORS, WINDOWS & GLASS:** Type Residential Material 1-3/4" solid core wood
Ext. Doors - Class "B" Apt. Ent. Metal
Int. Doors - Sliders with screens Aluminum
Windows -
9. **FINISHES:** Materials & Locations:
Floors: Oak in L.R., D.R., and BR. ceramic in baths; comp. in kitchens
Walls: Painted Drywall
Ceilings: Painted Drywall
Describe— Prefinished oak block laid over 1/2" sound board.
10. **SPECIALTIES:** List significant items— colored bathroom fixtures, vanities in bathrooms ventilating fans in kitchens
11. **EQUIPMENT:** List kitchen and bathroom cabinets, ranges, refrigerators, dishwasher, etc.— Marsh kitchen cabinets; Incinerator disposers; 14 C.F. Frigidaire refrigerators; stainless steel sinks; dishwashers; Formica counter tops; 14 x 18 Med. cabinets in baths
12. **FURNISHINGS:** List Blinds or shades, drapes, carpeting, furniture, etc.—
Venetian blinds on all windows.
13. **SPECIAL CONSTRUCTION:** Describe incinerators, special chimneys, swimming or decorative pools, art work, etc.—
Storage lockers in basement, laundry room in basement; tenants recreation room in basement.
14. **CONVEYING SYSTEMS:** Elevators— No. None Size _____ Speed _____ Other (Describe) _____
15. **MECHANICAL:** Heating— Type Forced warm air Fuel Gas
Air Cond. Type Pirgy Back Fuel Electric
Describe any special features— Individual system for each apartment with individual control.
16. **ELECTRICAL:** Describe— 200 amp disconnect with breaker equipped sub-load in each apartment. Fire alarm and emergency lighting system.

IDENTIFICATION—This exhibit shall be identified by the signature of the architect.

Date _____ Signature _____

This brief specification is based on the "Uniform System" for Construction Specifications, Data Filing, and cost Accounting developed by the AIA, AGC, and CSI.

PERSONAL FINANCIAL AND CREDIT STATEMENT
FORM NO. 2417

PURPOSE: To be completed by the project sponsors. It is intended to provide the necessary information required to ascertain their capability to build and operate the project. To be submitted with the Application-Project Mortgage Insurance, FHA Form No. 2013.

FHA FORM NO. 2417
Rev. June 1963

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

APPENDIX A
EXHIBIT 5
Form Approved
Budget Bureau No. 63-R0027

PERSONAL FINANCIAL AND CREDIT STATEMENT

Project Name CREST HAVEN APTS Number _____
 Location 3820 13th Street, N. W., Washington, D. C.
 Statement of FRATERNAL ORDER OF FRIENDS As of January 1, 19 71
 Address 100 Main St. Washington, D. C.

ASSETS			LIABILITIES AND NET WORTH		
(Name of depository)	(Balance)				
Cash on hand in banks	\$		Accounts payable		\$
.....		Notes payable		.....
.....		Debts payable in less than		.....
.....		one year (secured by mort-		.....
.....		gages on land and buildings)		.....
.....	\$	Debts payable in less than		.....
Accounts receivable			one year (secured by chattel		.....
Less: Doubtful Accounts	\$		mortgages or other liens on		.....
Notes receivable	\$		assets)		.....
Less: Doubtful Notes		Other current liabilities:		.....
Stocks and Bonds - Market			(describe)	\$ .....	.....
Value (Schedule A-reverse		
side)		
Other current assets (describe)			Total Current Liabilities		\$
.....			Debts payable in more than		.....
.....			one year (secured by mort-		.....
.....			gages on land and buildings)		.....
.....			Debts payable in more than		.....
Total Current Assets		\$	one year (secured by chattel		.....
Real Property - at net*			mortgages or other liens on		.....
(Schedule B-reverse side)			Other liabilities: (describe)		.....
Machinery Equipment and			\$
Fixtures - at net		
Life Insurance (Cash value			TOTAL LIABILITIES		\$
less loans	\$		Net Worth		.....
Other assets (describe):			TOTAL LIABILITIES		.....
.....			AND NET WORTH		\$
.....				
.....				
TOTAL ASSETS		\$

* Cost, including improvements, less depreciation.

Accounts and Notes Receivable:
 Amounts, if any, due from partners (P), employees (E)
 or relatives (R), specify:

Type (P, E or R)	Name	Address	Amount
			\$
		
		
		

Delinquencies:
 If any taxes, mortgage payments or other liabilities are
 past due, specify:

Type Liability	Amount	Circumstances

Insurance:
 Life (face value) \$ _____
 Beneficiary _____

Notes Payable:

Payable to	Amount	Maturity Date

Pledged Assets:

Type Pledged	Amount	Offsetting Liability

Legal Proceedings:
 If any legal proceedings have been instituted by creditors,
 or any unsatisfied judgments remain on record, give full de-
 tails:

.....

.....

.....

.....

.....

NOTE: If more space is required use separate sheet of paper writing on one side only. (Over)

APPENDIX A

EXHIBIT 6

APPLICATION FOR TENANT ELIGIBILITY
UNDER THE SECTION 236 PROGRAM
FORM NO. 3131

PURPOSE: "The owner of the property or the project management is responsible for the preparation of FHA Form 3131. Information of a personal nature is to be secured from the applicant."

This form is similar to the Biennial Recertification Form and should be retained by the sponsor and the management firm for purposes of comparison with recertification as required by the 236 program.

**INSTRUCTIONS FOR FILLING OUT APPLICATION FOR TENANT ELIGIBILITY
UNDER THE SECTION 236 PROGRAM FHA FORM NO. 3131 REV. 5/71**

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. Information for Item D, Item E, and Item F, Applicant(s) Name or Names, Occupation, Years Employed, and Name of Employer, should be obtained from the head of the family making application. The information concerning minority group categories is requested for statistical purposes so the Department may determine the degree to which its programs are utilized by minority families.

Data for each individual member of the family, including husband and wife or other eligible head (F-1 to F-7), as to Name, Age, Sex, Family Relationship, Social Security Number, if any, and Income During the Last 12 Months is 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. "Eligible Minor" means a member of the family, except spouse, under 21 years of age, living in the household.
 3. F-1 through F-8. Enter on these lines, the names of each individual member of the Family, including husband or other eligible head and spouse. If there are more than 7 persons in the family, show the same information for these persons on an attached sheet of paper (4 copies). In the next three columns enter for each person the age, sex, and relationship to the head. In the columns headed "Income Last 12 Months" enter for each individual the amount of income by type received during the last 12 months, and enter the total for each individual in last column. All income amounts should be entered to the nearest dollar, do not show cents. Current income should reflect income status at time of application, and expected income next 12 months, should represent the anticipated income of each individual over the next year. The sum of income from each source should be entered in line 8. (A statement explaining differences between anticipated income and either last year's or current income above or below, must be written or typed on the back of all copies of the form; or if more convenient, a copy of the statement may be stapled to the back of each copy of the form.
 4. F-9 through F-13. From the entries presented on lines 1 through 7 of Item F, and attachments, if any, the owner of the property or project manager should develop the entries for line 9 through 17. The number in household (line 9) is represented by the number of names listed. The number of eligible minors (line 10) (i.e., minors eligible for a statutory income deduction of \$300 per minor) is the number of minors whose age is listed as under 21, related to the head by blood, marriage or operation of law, excluding the head of household or his spouse. The number of other minors (line 11) represents the number of minors that are not related by blood, marriage or law. The number of dependents (line 12) is the number of persons (adult or minor) deriving principal support from the family head, excluding his spouse. The number of handicapped (line 13) 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.
- F-14 through F-17. Calculation of Adjusted Annual Income. The total amount of verified current or expected annual income, whichever is greater (the larger of Item F, Line 8, column (b) or (c)), is to be entered in the income column on line 14 as total annual income. Line 14(a) shall in all cases be 5 percent of line 14 for social security withholding and similar payroll deductions. Line 14(b) shall be earnings of eligible minors from the same column used in line 14 (Note that only the earnings of eligible minors may be excluded. Welfare, social security, and other payments made on behalf of minors are income of the persons to whom paid, generally the head of household or some adult.) Income is adjusted further on line 15 by deducting an allowance of \$300 for each eligible minor (Line 10). This yields the adjusted annual income (F-15). This amount is then divided by 12 to obtain the adjusted monthly income (F-17). The project mortgagor or his management agent must obtain verification of applicant(s) income from their employers and fill in this section. FHA will review and spot check entries.
 5. Payment 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.
 6. The amount of basic monthly rental for the unit at one percent interest (Item G-3) and the market rental for this unit at the full interest rate stated in the mortgage (Item G-4) are to be taken from the latest approved rental schedule.
 7. Enter 25% of Adjusted Monthly Income (F-17) in G-5. The actual monthly rental the tenant must pay (G-6) is 25% of his adjusted income as entered in G-5, but in no event shall it exceed the Market Rental of the Unit (G-4), nor be less than the Basic Monthly Rental (G-3).
 8. In Item H a check should be entered in each box which may apply. If special consideration is to be 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.
 9. 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 or her spouse.
 10. The housing owner or manager shall check in Item J the applicable box indicating whether the applicant is or is not eligible, and whether he has occupied or will occupy the unit, noting the apartment number and/or address. He checks the appropriate box indicating type of structure and size of unit.
 11. The housing owner or manager dates and signs the application, retains the original for his files and audit, and sends two copies of the form to the HUD-FHA insuring office. A certified copy of each form must be available for review and audit in the owner's or manager's file at all times.
 12. Upon receipt of the FHA Form 3131 the insuring office reviews the form for accuracy and completeness, retains one copy of the form and sends one copy to the Statistics Branch, Office of Housing Management, RHM, Department of Housing and Urban Development, Washington, D. C. 20415, with the weekly FHA Form 2038c.

REMOVE THIS SHEET - REVERSE MAY BE USED AS WORKSHEET

FHA FORM NO. 3131
(Instructional Rev. 5/71)

Form Approved
Budget Bureau No. 63R-1207

FHA FORM NO. 3121
Rev. 5-71

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

**APPLICATION FOR TENANT ELIGIBILITY UNDER
THE SECTION 236 PROGRAM**

A. Project Name and Address

B. Project Name and Address

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

D. Name (Head of Family) and Present Address

A (Check One)
 White (Non-Minority) American Indian Spanish American
 Negro/Black Oriental Other Minority

E. EMPLOYMENT: (1) Occupation _____ (2) Social Security No. _____ (3) Employer (Name and Address) _____
 Head of Household _____
 Spouse _____
 Other _____

F. HOUSEHOLD COMPOSITION AND FAMILY INCOME:

NAME	Age	Sex	Relation-ship to Head of Household	INCOME LAST 12 MONTHS							Total Last 12 Months (Sum of all Entries)	Current Income <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Annual	Expected Income Next 12 Months	FHA Review
				Wages or Salary	1 Social Security	2 Other	1 Dividends	2 Unemployment	4 Welfare	Other				
1.														
2.														
3.														
4.														
5.														
6.														
7.														
9. No. in household --				TOTAL A							(a)	(b)	(c)	
10. No. of Eligible Minors				12. No. of Dependents (Excl. Spouse)										
11. No. of other Minors				13. No. of Handicapped										

G. PAYMENT CALCULATIONS:

1. Area Income Limit for this Family ----- \$ _____

2. Based on: 1. 135% of Public Housing
 2. 90% of Sec. 221(d)(3)

3. Basic Mo. Rental 15% ----- \$ _____

4. Market Rental at full interest ----- \$ _____

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

6. Tenant's Monthly Rental Payments ----- \$ _____

(G-3 if larger than G-5; otherwise the smaller of G-4 or G-5)

7. Estimated Assistance Payment (G-4 minus G-6) ----- \$ _____

H. SPECIAL CONSIDERATION TO BE GIVEN BECAUSE:

1. Of Physical Handicapped 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(s) _____ (Husband or Head) _____ (Spouse)

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: (Check Applicable Boxes)

The above information has been reviewed and the applicant is is not eligible to occupy the dwelling until designated.

Applicant -- Occupied Will Occupy -- Apartment # _____

Address _____ On (Date) _____

A. Type of Structure: 1. <input type="checkbox"/> Elevator 2. <input type="checkbox"/> Walk-up or Garden 3. <input type="checkbox"/> Single Family	A. Size of Unit: 1. <input type="checkbox"/> 1-Bedroom 4. <input type="checkbox"/> 4-Bedrooms or more 2. <input type="checkbox"/> 2-Bedrooms 5. <input type="checkbox"/> Efficiency 3. <input type="checkbox"/> 3-Bedrooms 6. <input type="checkbox"/> Other	<input type="checkbox"/> Applicant did not move in and application is canceled (Check Box and send in FHA)
--	---	---

Date _____ Signature _____ (Housing Owner or Manager)

3121-1 HOUSING OWNERS OR MANAGERS COPY A-22

REGULATORY AGREEMENT FOR LIMITED DISTRIBUTION MORTGAGORS
UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED
FORM NO. 3136

PURPOSE: This form establishes the regulatory agreement between the limited distribution mortgagor and the HUD with regard to payments due under the note and mortgage, and the management of the project in accordance with the regulations specified under Section 236 of the National Housing Act.

FHA FORM NO. 3136
Rev. 9/69
(Previous edition obsolete)

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

REGULATORY AGREEMENT FOR LIMITED DISTRIBUTION MORTGAGORS
UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED

Project No.

Mortgagee

Amount of Mortgage Note

Date

Mortgage Recorded:

State

County

Date

Book

Page

This Agreement entered into this

day of

19

between

whose address is

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Secretary of Housing and Urban Development and his successors, acting by and through the Federal Housing Commissioner (hereinafter called Commissioner).

In consideration of the endorsement for insurance by the Commissioner of the above described note or in consideration of the consent of the Commissioner to the transfer of the mortgaged property, and in order to comply with the requirements of Section 236 of the National Housing Act, as amended, and the Regulations adopted by the Commissioner pursuant thereto, Owners agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

1. Owners, except as limited by paragraph 17 hereof, shall promptly make all payments due under the note and mortgage, provided, however, that the Commissioner shall make payments to the mortgagee on behalf of the Owners in accordance with the interest reduction contract between the mortgagee and the Commissioner.
2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Commissioner of an amount equal to \$ _____ per month unless a different date or amount is approved in writing by the Commissioner. Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, shall at all times be under the control of the mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Commissioner. In the event of a default in the terms of the Mortgage, pursuant to which the loan has been accelerated, the Commissioner may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.
- (b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved or required in writing by the Commissioner.
- (c) Owners shall establish and maintain, in addition to the reserve fund for replacements, a residual receipts fund by depositing thereto, with the mortgagee, the residual receipts, as defined herein, within 60 days after the end of the semiannual or annual fiscal period within which such receipts are realized. Residual receipts shall be under the control of the Commissioner, and shall be disbursed only on the direction of the Commissioner, who shall have the power and authority to direct that the residual receipts, or any part thereof, be used for such purpose as he may determine.
3. Real property covered by the mortgage and this Agreement is described in Schedule A attached hereto.
4. The Owners covenant and agree that:
 - (a) with the prior approval of the Commissioner, they will establish for each dwelling unit (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest under a mortgage bearing interest at one percent and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and mortgage insurance premiums due under the insured mortgage on the project;

- 2 -

- (b) the rental charged for each unit, which will include all utilities except telephone, will be equal to 25% of the tenant's income or the basic rental, whichever is greater, but in no event shall the rental charged exceed the fair market rental;
 - (c) they shall limit admission to the project to those families whose incomes do not exceed the limits prescribed by the Commissioner, with the exception of those tenants who agree to pay fair market rental;
 - (d) preference for occupancy shall be given to those families displaced from an urban renewal area, or as a result of governmental action, or as a result of a disaster determined by the President to be a major disaster, and to those families whose incomes are within the lowest practicable limits for obtaining rental units in the project;
 - (e) on forms approved by the Commissioner they will obtain from each prospective tenant, prior to admission to the project, a certification of income, and a recertification of income from all tenants who are not paying fair market rental at intervals as required by the Commissioner;
 - (f) if any recertification reveals a change in income whereby the tenant becomes eligible for a lower or higher rental, such adjustment in rental charged shall be made, provided that rental shall never be less than basic rental and shall never exceed fair market rental;
 - (g) in a manner prescribed by the Commissioner, they will obtain written evidence substantiating the information given on the tenants' certifications and recertifications of income and shall retain the evidence in their files for three years;
 - (h) they shall require all tenants who do not pay the fair market rental to execute a lease in the form prescribed by the Commissioner, and shall not rent any unit in the project for less than 30 days nor more than one year;
 - (i) they shall remit to the Commissioner on or before the tenth day of each month the amount by which the total rentals collected on the dwelling units exceeds the sum of the approved basic rentals for all occupied units, which remittance shall be accompanied by a monthly report on a form approved by the Commissioner, provided that a monthly report must be filed even if no remittance is required;
 - (j) they shall not restrict occupancy by reason of the fact that there are children in the family, except in those projects that are designed primarily for elderly persons;
 - (k) they will rent commercial facilities, if any, at not less than the rental approved by the Commissioner;
 - (l) no change will be made in the basic rental or fair market rental unless approved by the Commissioner;
 - (m) no tenant shall be permitted to rent more than one unit at any given time without the prior written approval of the Commissioner;
 - (n) if there are rent supplement units in the project, the determination as to the eligibility of tenants for admission to such units and the conditions of continued occupancy shall be in accordance with the Rent Supplement Contract executed by the Owners and the Commissioner which is incorporated in and made a part of this Agreement.
5. Upon prior written approval of the Commissioner, the Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owner or others to such tenant upon his request, in addition to the facilities and services included in the approved Rental Schedule.
6. Owners shall not without the prior written approval of the Commissioner:
- (a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property;
 - (b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds, other than from surplus cash, except for reasonable operating expenses and necessary repairs;
 - (c) Convey, assign, or transfer any beneficial interest in any trust holding title to the mortgaged property, or the interest of any general partner in a partnership owning the mortgaged property, or any right to manage or receive the rents and profits from the mortgaged property;
 - (d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;
 - (e) Make, or receive and retain, any distribution of assets or any income of any kind of the project, except from surplus cash and except on the following conditions:
 - (1) All distributions shall be made only as of or after the end of a semiannual or annual fiscal period, and only as permitted by the law of the applicable jurisdiction; all such distributions in any one fiscal year shall be limited to six per centum on the initial equity investment, as determined by the Commissioner; and the right to such distribution shall be cumulative;

- 3 -

- (2) No distribution shall be made from borrowed funds or prior to the completion of the project or when there is any default under this Agreement or under the note or mortgage;
- (3) Any distribution of any funds of the project, which the party receiving such funds, is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds;
- (4) There shall have been compliance with all outstanding notices of requirements for proper maintenance of the project.
- (f) Engage, except for natural persons, in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project;
- (g) Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any fund collected as security deposits shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account;
- (h) Permit the use of the dwelling accommodations of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Commissioner;
- (i) Incur any liability, direct or contingent, other than for current operating expenses, exclusive of the indebtedness secured by the mortgage and necessarily incident to the execution and delivery thereof;
- (j) Pay any compensation, including wages or salaries, or incur any obligations, to themselves, or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or to any of their nominees;
- (k) Enter into any contract or contracts for supervisory or managerial services.
7. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the insured mortgage.
8. Owners shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication in bankruptcy, the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse actions set aside within forty-five days.
9. (a) Owners shall provide for the management of the project in a manner satisfactory to the Commissioner. Any management contract entered into by Owners, or any of them, involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Commissioner addressed to the Owners. Upon receipt of such request Owners shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
- (b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.
- (c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.
- (d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Commissioner.
- (e) Within sixty days following the end of each fiscal year the Commissioner shall be furnished with a complete annual financial report based upon an examination of the books and records of the mortgagor prepared in accordance with the requirements of the Commissioner certified to by an officer or responsible Owner and, when required by the Commissioner, prepared and certified by a Certified Public Accountant, or other person acceptable to the Commissioner.
- (f) At the request of the Commissioner, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.

- 4 -

- (g) All rents and other receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project, remittances to the Commissioner as required under Paragraph 4(i) above, or for distributions of surplus cash as limited by Paragraph 6(e) above. Any owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any owner receiving property of the project in violation of this Agreement shall immediately deliver such property to the project and failing so to do shall hold such property in trust.
10. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Department of Housing and Urban Development (24 CFR, Subtitle A, Part 1) issued pursuant to that title, and regulations issued pursuant to Executive Order 11063.
11. Upon a violation of any of the above provisions of this Agreement by Owners, the Commissioner may give written notice, thereof, to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Commissioner, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Commissioner within thirty days after the date such notice is mailed or within such further time as the Commissioner reasonably determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Commissioner may:
- (a)(1) If the Commissioner holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
- (2) If said note is not held by the Commissioner - notify the holder of the note of such default and request holder to declare a default under the note and mortgage, and the holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations;
- (b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;
- (c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage;
- (d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain;
- (e) Terminate the interest reduction payments to the mortgagee made pursuant to Paragraph I hereinabove.
12. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Commissioner because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Commissioner their rights to the rents, profits, income and charges of whatever sort which they may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.
13. As used in this Agreement the term:
- (a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", and any other security for the note identified herein, and endorsed for insurance or held by the Commissioner;
- (b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;
- (c) "Mortgagor" means the original borrower under the mortgage and its successors and assigns;
- (d) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors and assigns;

- 5 -

- (e) "Mortgaged Property" includes all property, real, personal, or mixed covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Commissioner;
- (f) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is to provide housing and other such activities as are incidental thereto;
- (g) "Surplus Cash" means any cash remaining after:
- (1) the payment of:
 - (i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Federal Housing Commissioner;
 - (ii) All amounts required to be deposited in the reserve fund for replacements;
 - (iii) All obligations of the project other than the mortgage insured or held by the Commissioner unless funds for payment are set aside or deferment of payment has been approved by the Commissioner;
 - (iv) Remittances due to the Commissioner as required by Paragraph 4(i); and
 - (2) the segregation of:
 - (i) An amount equal to the aggregate of all special funds required to be maintained by the project;
 - (ii) All tenant security deposits held;
 - (iii) That portion of rentals which must be remitted to the Commissioner in accordance with Paragraph 4(i), but not yet due.
- (h) "Residual Receipts" means any cash remaining at the end of a semiannual or annual fiscal period after deducting from surplus cash the amount of all distributions as that term is defined below and as limited by Paragraph 6(e) hereof;
- (i) "Family" means (1) two or more persons related by blood, marriage, or operation of law, who occupy the same unit, (2) a handicapped person who has a physical impairment which is expected to be of long continued and indefinite duration, substantially impedes his ability to live independently, and is of such a nature that his ability to live independently could be improved by more suitable housing conditions; (3) a single person, 62 years of age or older; or (4) a single person less than 62 years of age provided that occupancy by such persons is limited to 10% of the dwelling units in the project;
- (j) "Distribution" means any withdrawal or taking of cash or any assets of the project, including the segregation of cash or assets for subsequent withdrawal within the limitations of Paragraph 6(e) hereof, and excluding payment for reasonable expenses incident to the operation and maintenance of the project;
- (k) "Income" means the gross annual income of the family from all sources before taxes and withholding, after giving effect to exclusions allowed by the Commissioner;
- (l) "Default" means a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice.
14. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Commissioner and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.
15. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.
16. The invalidity of any clause, part or provision of this Agreement shall not effect the validity of the remaining portions thereof.
17. The following Owners:
- do not assume personal liability for payments due under the note and mortgage, to the reserve for replacements, or for matters not under their control, except:
- (a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and
 - (b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

- 6 -

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first hereinabove written.

Seal

Owners

WITNESS

By _____

SECRETARY OF HOUSING AND URBAN DEVELOPMENT
acting by and through the FEDERAL HOUSING
COMMISSIONER

By _____
Authorized Agent

(Add proper acknowledgments)

APPENDIX A

EXHIBIT 8

"FHA LEGAL REQUIREMENTS FOR CLOSING SECTION 236
PROJECTS" (Except Cooperatives)
FORM NO. 3618

PURPOSE: Assuming a projects feasibility has been determined and agreement has been reached to go-ahead with the project, legal requirements for closing, as determined by the FHA, are specified in FHA Form No. 3618.

FHA FORM NO. 3618
Rev. June 1969

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

APPENDIX A
EXHIBIT 8

FHA LEGAL REQUIREMENTS FOR CLOSING

Section 221 (d) (3) (Below Market Interest Rate) Project Mortgages and All Section 221 (d) (3) Rent Supplement Projects (Except Cooperative and Investor Sponsor Mortgages) and Section 236 Project Mortgages

Project No.: _____

Project Name: _____

PART A - INSURANCE OF ADVANCES

Listed below are the required closing documents in cases of initial closings in Section 221 (d) (3) (Below Market Interest Rate) and Rent Supplement project mortgage cases.

The Closing Attorney will obtain three copies of each of the listed documents: one for his personal file, one for the Washington Docket, and one for the Insuring Office File. These will be either Original ("Or"), Executed ("E"), Certified ("C"), or Conformed ("Cn"), as indicated below.

The titles used herein may not be in accord with the titles used in some of the jurisdictions, but it is believed that they will sufficiently identify the documents desired.

<u>Instruments</u>	<u>Form</u>
1. Assignment of Commitment, if any	1 E, 2 Cn
2. Regulatory Agreement - for Sec. 221(d)(3) (1730 for Limited Distribution Mortgagor) (1733 for Non-profit and Public Mortgagor) (1735 for Builder-Seller Mortgagor)	for Sec. 236 Projects (3136 for Limited Distribution Mortgagor) (3135 for Non-profit Mortgagor) (3134 for Builder-Seller Mortgagor) 1 Or, 2 Cn
3. Corporate Charter, Partnership Agreement or other agreement establishing mortgagor (See Guide Form 1731 for Limited Distribution Mortgagor) (See Guide Form 1732 for Non-profit Mortgagor)	1 C, 2 Cn
4. Deferred Note, if any (1712 for Limited Distribution Mortgagor) (1710 for Non-profit and Public Mortgagor)	3 Cn
5. Lease, if Mortgage is on leasehold	1 C, 2 Cn
6. Land Disposition Contract and Deed (Required only if project is in an Urban Renewal Area)	1 C, 2 Cn
7. Rent Supplement Contract, if any (2503)	1 Or, 2 Cn
8. Title Policy	1 E, 2 Cn
9. Evidence of Zoning Compliance	3 Cn
10. Building Permits	3 Cn
11. Surveyor's Plat	3 Cn
12. Surveyor's Certificate (2457)	1 Or, 2 Cn
13. Note - (Below Market Interest Rate Secured Note (1734) for Sec. 221 (d) (3) BMIR) (FHA Form for State for Rent Supplement Projects) (FHA Form for State for Sec. 236 Projects, amend Provisions)	3 Cn
14. Mortgage (FHA Form for State)	3 Cn

- 2 -

15. Building Loan Agreement (2441)	1 E, 2 Cn
16. Construction Contract - Cost Plus (2442-A) or Lump Sum (2442)	1 E, 2 Cn
17. Assurance of Completion:	
(A) Performance Bond - Dual Oblige (2452) and Payment Bond (2452-A) or	1 E, 2 Cn
(B) Completion Assurance Agreement (2450)	1 E, 2 Cn
18. Owner-Architect Agreement (2719-A, or 2719-B, or 2719-C)	1 E, 2 Cn
19. Assurance of Completion of Off-Site Facilities:	
(A) Off-Site Bond (2479) or	1 E, 2 Cn
(B) Escrow Agreement for Off-Site Facilities (2446) With Schedule "A"	1 E, 2 Cn
20. Assurance of Utility Services (Water, Electricity, Sewer, Gas, Heat)	1 E, 2 Cn
21. Contractor's and/or Mortgagor's Cost Breakdown, Schedule of Values (2328)	1 Or, 2 Cn
22. Mortgagor's Certificate (2434)	1 Or, 2 Cn
23. Mortgagor's Certificate (2433)	1 Or, 2 Cn
24. Mortgagor's Oath (2478)	1 Or, 2 Cn
*25. Contractor's Certification (2482)	1 Or, 2 Cn
26. Mortgagor's Attorney's Opinion	1 Or, 2 Cn
*27. Agreement and Certification (3305 for Non-profit and Public Mortgagor) (3306 for Limited Distribution Mortgagor)	1 Or, 2 Cn

*To have been filed with Director at least 30 days prior to initial closing

PART B - INSURANCE UPON COMPLETION

Listed below are the required closing documents in cases of initial-final closings in Section 221 (d) (3) (Below Market Interest Rate) and Rent Supplement project mortgage cases.

Items 1 through 14 will be identical with items 1 through 14 of Insurance of Advances. The additional documents will be:

15. Construction Contract, if used	1 E, 2 Cn
16. Guarantee Against Latent Defects (Surety Bond or Cash Escrow)	1 E, 2 Cn
17. Assurance of Completion for:	
(A) Escrow Deposit Agreement for Incomplete On-Site Improvements (2456) With Schedule "A"	1 E, 2 Cn
(B) Escrow Agreement for Off-Site Facilities (2446) With Schedule "A"	1 E, 2 Cn
18. Assurance of Utility Services (Water, Electricity, Sewer, Gas, Heat)	1 E, 2 Cn
19. Request for Endorsement of Credit Instrument (2455)	1 Or, 2 Cn
20. Contractor's Prevailing Wage Certificate (2403-A)	1 Or, 2 Cn
**21. Contractor's Certification (2482)	1 Or, 2 Cn

- 3 -

22. Mortgagor's Gath (2478)	1 Or, 2 Cn
23. Mortgagor's Attorney's Opinion	1 Or, 2 Cn
24. Security Agreement and Financing Statement or Chattel Mortgage or Mortgagee's Attorney's Opinion that neither are necessary	3 Cn 1 E, 2 Cn
**25. Agreement and Certification (3305-A) for Non-profit and Public Mortgagor (3306-A for Limited Distribution Mortgagor)	1 Or, 2 Cn
26. Certificate of Completion by LPA (Required only if project is in an Urban Renewal Area)	1 E, 2 Cn

** To have been filed with Director before start of construction

PART C - FINAL CLOSING IN CASES OF INSURANCE OF ADVANCES

In these cases, the documents required for initial closing have, of course, been obtained. There will, however, be required these additional documents at final closing.

Items 1 and 2 will only apply if an increase is involved.

1. (a) The Increase Note	3 Cn
(b) The Increase Mortgage	3 Cn
(c) The Consolidation Agreement or A new Note and Mortgage for the total	3 Cn 3 Cn
2. Mortgagor's Attorney's Opinion as to Increase Documents or new Note and Mortgage	1 E, 2 Cn
3. Security Agreement and Financing Statement or Chattel Mortgage or Mortgagee's Attorney's Opinion that neither are necessary	3 Cn 1 E, 2 Cn
4. Title Policy brought up to date	1 E, 2 Cn
5. Survey showing completed project	3 Cn
6. Surveyor's Certificate (2457)	1 Or, 2 Cn
7. Assurance of completion for:	
(A) Escrow Deposit Agreement for incomplete on-site improvements (2456) With Schedule "A"	1 E, 2 Cr
(B) Escrow Agreement for Off-Site Facilities (2446) With Schedule "A"	1 E, 2 Cn
8. Contractor's Prevailing Wage Certificate (2403-A)	1 Or, 2 Cn
9. Certificate of Completion by LPA (Required only if project is in an Urban Renewal Area)	1 E, 2 Cn
10. Deferred Note, if any (1712 for Limited Distribution Mortgagor) (1710 for Non-profit and Public Mortgagor)	3 Cn
11. Request for Final Endorsement of Credit Instrument (2023)	1 Or, 2 Cn

PART D - ADDITIONAL REQUIREMENTS FOR TRANSFER IN BUILDER-SELLER CASES

In addition to the usual documents for insurance of advances cases, Items 1 through 5 will be required at the initial closing of Builder-Seller cases. At final closing, additional Items 6 through 9 will be required.

In insurance upon completion cases, Items 1 through 9 will be required in addition to the usual documents.

- | | |
|--|------------|
| 1. Certificate of Incorporation for Non-profit Mortgagor (1732) | 1 C, 2 Cn |
| 2. Regulatory Agreement - for Non-profit Mortgagor (1733) - for Sec. 236 (3135) | 1 Or, 2 Cn |
| 3. Resolution of Board of Directors of Non-profit Mortgagor to enter into Sales Agreement | 1 C, 2 Cn |
| 4. Sales Agreement (1706) | 1 E, 2 Cn |
| 5. Mortgagor's Oath for Non-profit Mortgagor (2478) | 1 Or, 2 Cn |
| 6. Assignment of Lease, if Mortgage is on leasehold | 1 C, 2 Cn |
| 7. Deed to Non-profit Mortgagor, (subject to mortgage of record, if any) | 3 Cn |
| 8. Endorsement to Title Policy showing title in Non-profit Mortgagor | 1 E, 2 Cn |
| 9. Evidence of Transfer of Project Personal Property, and | 1 E, 2 Cn |
| (A) Assignment of any outstanding tenant leases and transfer of Security Deposits | 1 E, 2 Cn |
| (B) Transfer and Assignment of Warranties or Guaranties held by owner in connection with property, assurance against latent defects, etc., together with surety bond or cash escrow, if any. | 1 E, 2 Cn |

Name of Mortgagor: _____

Address of Mortgagor: _____

Name of Mortgagee: _____

Address of Mortgagee: _____

**RENTAL PROJECTS
NONPROFIT CASE
(APP. B)**



RENTAL PROJECT

NONPROFIT CASE

FORMS PROCESSING KIT

RENTAL PROJECT - NONPROFIT SPONSOR

The forms contained in this Appendix include those generally required for the processing of a nonprofit sponsor.

Those forms used in Appendix A or C, that are also required in processing a nonprofit case, are not included in this Appendix. Use Table B-1 to locate other required forms.

Use of the forms in Exhibit B-2 and B-3 are not mandatory, unless consulting services are required by the sponsor organization.

Exhibits B-4 and B-5 are to be used as applicable.

TABLE B-1

236 PROGRAM - PROJECT FEASIBILITY FORMSRENTAL PROJECTS - THE NONPROFIT CASE

<u>FHA FORM NO.</u>	<u>TITLE</u>	<u>EXHIBIT NO.</u>
2530	Previous Multifamily Participation Certificate	A-1
2010	Equal Employment Opportunity Certificate	A-2
2013	Application-Project Mortgage Insurance	A-3
2430	Brief Specifications	A-4
2417	Personal Financial and Credit Statement	A-5
3131	Application for Tenant Eligibility - 236 Program	A-6
3618	Closing Requirements (Rental Projects)	A-8
3433	Request for Preliminary Determination of Eligibility as Nonprofit Sponsor or Mortgagor	B-1
2531	Housing Consultant's Certificate	B-2
2531A	Guide Form of Contract for Housing Consultant Services for Nonprofit Projects under FHA Programs	B-3
2442	Construction Contract - Lump Sum	B-4
2442A	Construction Contract - Cost Plus	B-5
3135	Regulatory Agreement for Nonprofit Mortgagors Under Section 236	B-6

APPENDIX B

EXHIBIT B-1

REQUEST FOR PRELIMINARY DETERMINATION OF
ELIGIBILITY AS NONPROFIT
SPONSOR OR MORTGAGOR
FORM No. 3433

PURPOSE: "The purpose of these instructions and form is to obtain the information required to enable the FHA Commissioner to make a determination...that the sponsor of a mortgagor and the mortgagor itself... is truly nonprofit...."

FHA FORM NO. 3433
Rev. 1/68

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

APPENDIX B
EXHIBIT 1
Form Approved
Budget Bureau No. 63-R1055

**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:

- 2 -

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)

FHA FORM NO. 3433-INSTRUCTIONS
(January, 1968)

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

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.

- 2 -

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, landowner, 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(b) 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.

22211-P

HJD:weh., D. C.

HOUSING CONSULTANT'S CERTIFICATE
FORM NO. 2531

PURPOSE: Nonprofit sponsor organizations, occasionally employ the expertise of a housing consultant. The purpose of this form is to determine the acceptability of the consultant, and to assure the HUD Area Office or the FHA Insuring Office that the consultant is without interest in the project itself, and that the services rendered are commensurate with the fee charged.

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."

225240-P

HUD-Wash., D. C.

GUIDE FORM OF CONTRACT FOR HOUSING CONSULTANT
SERVICES FOR NONPROFIT PROJECTS UNDER FHA PROGRAMS
FORM NO. 2531A

PURPOSE: This form serves as a guide in the development of the contract between the nonprofit sponsor and the housing consultant.

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;

-2-

(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.)

CONSTRUCTION CONTRACT - LUMP SUM
FORM NO. 2442

PURPOSE: This form is the basic contractual agreement between the Builder (Contractor) and the Sponsor (Owner). It is required for FHA projects and identifies the basic elements such as: the Scope (FHA Project No.) the Time (beginning and end of construction) the Sum (contract sum, penalties, holdback etc.). The form is generally used when there is no identity of interest between the sponsor and the contractor.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATIONAPPENDIX B
EXHIBIT 4FHA FORM NO. 2442
Rev. 5/69

CONSTRUCTION CONTRACT--LUMP SUM

THIS AGREEMENT, made the _____ day of _____ 19____, by and between

(hereinafter

called the "Contractor ") and

(hereinafter called the "Owner").

WITNESSETH, that the Contractor and the Owner, for the consideration hereafter set out, agree as follows:

Article 1 - Scope of Contract

A. The Contract between the parties is set forth in the "Contract Documents", which consist of this Agreement, the Drawings and the Specifications, to which are attached the current edition of AIA Document A201, "General Conditions of the Contract for Construction", and FHA Form No. 2554, "Supplementary Conditions of the Contract for Construction". The provisions of this instrument and the said FHA Supplementary Conditions take precedence over all inconsistent provisions in the said AIA General Conditions. Any provision in said AIA General Conditions whereby the undersigned waive all rights against each other for damages caused by fire and other perils covered by insurance shall be inapplicable. This Contract constitutes the entire agreement between the parties, and any previously existing contract concerning the work contemplated by the Contract Documents is hereby revoked.

B. The Contractor shall furnish all of the materials and perform all of the work (within the property lines) shown on, and in accordance with, the Drawings and Specifications entitled

FHA Project No. _____, dated _____

C. The Drawings, which are numbered _____ and the Specifications, the pages of which are numbered _____, have been prepared by _____

The Architect administering the Construction Contract (hereinafter, and elsewhere in the Contract Documents, referred to as the "Architect") is _____

D. A master set of said Drawings and Specifications, identified by the parties hereto and by the Design Architect, the Architect, and the Contractor's Surety or Guarantor have been placed on file with the Federal Housing Commissioner (hereinafter referred to as the "Commissioner"), and shall govern in all matters which arise with respect to such Drawings and Specifications.

E. Changes in the Drawings and Specifications or any terms of the Contract Documents, or orders for extra work, or changes by altering or adding to the work, which will result in any net construction cost increase, or will change the design concept, or which will result in a net cumulative construction cost decrease of more than 2% of the contract amount may be effected only with the prior written approval of the Owner's Lender (more particularly identified below and hereinafter referred to as the "Lender") and the Commissioner under such conditions as either the Lender or the Commissioner may establish.

Article 2 - Time

A. The work to be performed under this Contract shall be commenced within _____ days of this Agreement, and shall be completed by _____, 19____. The time by which the work shall be completed may be extended in accordance with the terms of the said AIA General Conditions only with the prior written approval of the Commissioner.

B. The Contractor shall correct any defects due to faulty materials or workmanship which appear within one year from the date of substantial completion.

C. If the work is not substantially completed in accordance with the Drawings and Specifications, including any authorized changes, by the date specified above, or by such date to which the contract time may be extended, the contract sum stated in Article 3A below shall be reduced by \$ _____ as liquidated damages, for each day of delay until the date of substantial completion. The total of any such liquidated damages shall be reduced by an amount equal to the project's net operating income (as defined and determined by the Commissioner) for the period upon which liquidated damages are based.

- 2 -

D. The date of substantial completion shall be the date the FHA Chief Underwriter signs the final Project Inspection Report (FHA Form No. 2449).

Article 3 - Contract Sum and Payments

A. The Owner shall pay the Contractor for the performance of the Contract, as hereinafter provided, the sum of \$

B. Each month after the commencement of work hereunder, the Contractor shall make a monthly request for payment (in quadruplicate on FHA Form No. 2448) by the Owner for work done during the preceding month. Each request for payment shall be filed at least _____ days before the date payment is desired. Subject to the approval of the Lender and the Commissioner, the Contractor shall be entitled to payment thereon in an amount equal to (1) the total value of classes of the work acceptably completed; plus (2) the value of materials and equipment not incorporated in the work, but delivered to and suitably stored at the site; less (3) 10 percent holdback and less prior payments. The "values" of both (1) and (2) shall be computed in accordance with the amounts assigned to classes of the work in the "Contractor's and/or Mortgagor's Cost Breakdown", attached hereto as Exhibit "A". The Contractor agrees that no materials or equipment required by the Specifications will be purchased under a conditional sale contract or with the use of any security agreement or other vendor's title or lien retention instrument.

C. The balance due the Contractor hereunder shall be payable upon the expiration of 30 days after the work hereunder is fully completed, provided the following have occurred:

(1) All work hereunder requiring inspection by municipal or other governmental authorities having jurisdiction has been inspected and approved by such authorities and by the rating or inspection organization, bureau, association or office having jurisdiction,

(2) All certificates of occupancy, or other approvals, with respect to all units of the project have been issued by State or local governmental authorities having jurisdiction; and

(3) Permissions to occupy (FHA Form No. 2485) for all units of the project have been issued by the Commissioner.

D. With its final application for payment by the Owner, the Contractor shall disclose, on a form prescribed by the Commissioner, all unpaid obligations contracted in connection with the work performed under this Contract. The Contractor agrees that, within 15 days following receipt of final payment, it will pay such obligations in cash and furnish satisfactory evidence of such payment to the Owner.

Article 4 - Receipts & Releases of Liens

The Owner may require the Contractor to attach to each request for payment its acknowledgement of payment and all subcontractors' and materialmen's acknowledgements of payment for work done and materials, equipment and fixtures furnished through the date covered by the previous payment. Concurrently with the final payment, the Owner may require the Contractor to execute a waiver or release of lien for all work performed and materials furnished hereunder, and may require the Contractor to obtain similar waivers or releases from all subcontractors and materialmen.

Article 5 - Requirements of Contractor

A. The Contractor shall furnish, at its own expense, all building and other permits, licenses, tools, equipment and temporary structures necessary for the construction of the project. The Contractor shall give all required notices and shall comply with all applicable codes, laws, ordinances, rules and regulations, and protective covenants, and with the current regulations of the National Board of Fire Underwriters, wherever applicable. The Contractor further shall comply with the provisions of the "Manual of Accident Prevention in Construction" of the Associated General Contractors of America. The Contractor shall immediately notify the Commissioner of the delivery of all permits, licenses, certificates of inspection, certificates of occupancy, and any other such certificates and instruments required by law, regardless of to whom issued, and shall cause them to be displayed to the Commissioner upon his request.

B. If the Contractor observes that the Drawings and Specifications are at variance with any applicable codes, laws, ordinances, rules or regulations, or protective covenants, it shall promptly notify the Architect in writing, and any necessary changes shall be made as provided in this Contract for changes in the Drawings and Specifications. If the Contractor performs any work knowing it to be contrary to such codes, laws, ordinances, rules or regulations, or protective covenants, without giving such notice to the Architect, it shall bear all cost arising therefrom.

- 3 -

C. Upon completion of construction, the Contractor shall furnish to the Owner a survey showing the location on the site of all improvements constructed thereon, and showing the location of all water, sewer, gas and electric lines and mains, and of all existing utility easements. Such survey shall be prepared by a licensed surveyor who shall certify that the work is installed and erected entirely upon the land covered by the mortgage and within any building restriction lines on said land, and does not overhang or otherwise encroach upon any easement or right-of-way of others. In addition, if the Owner shall so require, the Contractor shall furnish a survey with each application for payment for any improvements, including structures and utilities, not theretofore located on a survey. The Contractor shall furnish copies of each survey required hereunder for the Lender and the Commissioner.

D. The Contractor shall assume full responsibility for the maintenance of all landscaping which may be required by the Drawings and Specifications until such time as both parties to this Contract shall receive written notice from the Commissioner that such landscaping has been finally completed. The Owner hereby agrees to make available to the Contractor, for such purpose, without cost to the latter, such facilities as water, hose and sprinkler.

Article 6 - Assurance of Completion

The Contractor shall furnish to the Owner assurance of completion of the work in the form of

Such assurance of completion shall run to the Owner and the Lender as obligees and shall contain a provision whereby the surety agrees that any claim or right of action that either the Owner or the Lender might have thereunder may be assigned to the Commissioner.

Article 7 - Cost Certification

In the event the Commissioner determines that there is an identity of interest between the Contractor and the Owner, the Contractor shall certify, on a form prescribed by the Commissioner, its costs incurred in the performance of work under this Contract.

Article 8 - Right of Entry and Interpretation

A. The Lender and its agents or assigns and the Commissioner and his agents shall, at all times during construction, have the right of entry and free access to the project and the right to inspect all work done and materials, equipment and fixtures furnished, installed or stored in and about the project. For such purposes, the Contractor shall furnish such enclosed working space as the Lender or Commissioner may require and find acceptable as to location, size, accommodations and furnishings.

B. The Commissioner shall also have the right to interpret the Contract Documents and to determine compliance therewith.

Article 9 - Assignments, Subcontracts and Termination

A. This Contract shall not be assignable by either party without the prior written consent of the other party, the Lender and the Commissioner, except that the Owner may assign the Contract, or any rights hereunder, to the Lender or the Commissioner.

B. The Contractor shall not subcontract all of the work to be performed hereunder without the prior written consent of the Owner, the Lender and the Commissioner.

C. Upon request by the Owner, the Lender or the Commissioner, the Contractor shall disclose the names of all persons with whom it has contracted or will contract with respect to work to be done and materials and equipment to be furnished hereunder.

D. The Contractor understands that the work under this contract is to be financed by a building loan to be secured by a mortgage and insured by the Commissioner, and that the terms of said loan are set forth in a Building Loan Agreement between the Owner as Borrower and

as Lender.

The Contractor further understands that said Building Loan Agreement provides that, in the event of the failure of the Owner to perform its obligations to the Lender thereunder, the Lender may, as attorney-in-fact for the Owner, undertake the completion of the project in accordance with this Contract. In the event the Lender elects not to undertake such completion, the Contractor's obligations under this Contract shall terminate.

GPO 88 2-590

CONSTRUCTION CONTRACT - COST PLUS
FORM No. 2442A

PURPOSE: This form is essentially the same as Form 2442 but in addition it provides for actual construction cost plus a fixed fee. The form must be used when there is an identity of interest between the sponsor and the contractor.

FHA FORM NO. 2442A
(Rev. 5/69)

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

APPENDIX B
EXHIBIT 5

CONSTRUCTION CONTRACT--COST PLUS

THIS AGREEMENT, made the _____ day of _____, 19____, by and between _____ (hereinafter called the "Contractor") and _____ (hereinafter called the "Owner").

WITNESSETH, That the Contractor and the Owner, for the consideration hereinafter set out, agree as follows:

Article I - Scope of Contract

A. The Contract between the parties is set forth in the "Contract Documents", which consist of this Agreement, the Drawings and Specifications, to which are attached the current edition of AIA Document A201, "General Conditions of the Contract for Construction", and FHA Form No. 2554, "Supplementary Conditions of the Contract for Construction". The provisions of this instrument and the said FHA Supplementary Conditions take precedence over all inconsistent provisions in the said AIA General Conditions. Any provision in said AIA General Conditions whereby the undersigned waive all rights against each other for damages caused by fire and other perils covered by insurance shall be inapplicable. This Contract constitutes the entire agreement between the parties, and any previously existing contract concerning the work contemplated by the Contract Documents is hereby revoked.

B. The Contractor shall furnish all of the materials and perform all of the work (within the property lines) shown on, and in accordance with, the Drawings and Specifications entitled

FHA Project No. _____, dated _____,

C. The Drawings, which are numbered _____, and the Specifications, the pages of which are numbered _____, have been prepared by _____

The Architect administering the Construction Contract (hereinafter, and elsewhere in the Contract Documents, referred to as the "Architect") is _____

D. A master set of said Drawings and Specifications, identified by the parties hereto and by the Design Architect, the Architect, and the Contractor's Surety or Guarantor have been placed on file with the Federal Housing Commissioner (hereinafter referred to as the "Commissioner"), and shall govern in all matters which arise with respect to such Drawings and Specifications.

E. Changes in the Drawings and Specifications or any terms of the Contract Documents, or orders for extra work, or changes by altering or adding to the work, which will result in any net construction cost increase, or will change the design concept, or which will result in a net cumulative construction cost decrease of more than 2% of the contract amount may be effected only with the prior written approval of the Owner's Lender (more particularly identified below and hereinafter referred to as the "Lender") and the Commissioner and under such conditions as either the Lender or the Commissioner may establish.

Article 2 - Time

A. The work to be performed under this Contract shall be commenced within _____ days of this Agreement, and shall be completed by _____, 19____. The time by which the work shall be completed may be extended in accordance with the terms of the said AIA General Conditions only with the prior written approval of the Commissioner.

B. The Contractor shall correct any defects due to faulty materials or workmanship which appear within one year from the date of substantial completion.

C. If the work is not substantially completed in accordance with the Drawings and Specifications, including any authorized changes, by the date specified above, or by such date to which the contract time may be extended, the maximum sum stated in Article 3A(1) below shall be reduced by \$ _____ as liquidated damages, for each day of delay until the date of substantial completion. The total of any such liquidated damages shall be reduced by an amount equal to the project's net operating income (as defined and determined by the Commission r) for the period upon which liquidated damages are based.

- 2 -

D. The date of substantial completion shall be the date the FHA Chief Underwriter signs the final Project Inspection Report (FHA Form No. 2449).

Article 3 - Payments

A. (1) Subject to the provisions hereinafter set out, the Owner shall pay to the Contractor for the performance of this Contract the following items in cash:

- (a) The actual cost of construction as defined in Article 10 below; plus
- (b) A fee of \$

In no event, however, shall the total cash payable pursuant to this paragraph (1) exceed \$

(2) In addition to any cash fee provided for in paragraph (1) Owner shall pay to the Contractor by means other than cash, the following:

- (a) A note in form prescribed by the Commissioner in the amount of \$
- (b)

(3) If, upon completion, the Contractor shall have received cash payments in excess of (a) the actual cost of construction, plus (b) the cash fee specified in paragraph (1), plus the additional amount to be paid under the provisions of paragraph (3), all such excess shall be refunded to the Owner.

B. Each month after the commencement of work hereunder, the Contractor shall make a monthly request for payment (in quadruplicate on FHA Form No. 2448) by the Owner for work done during the preceding month. Each request for payment shall be filed at least _____ days before the date payment is desired. Subject to the approval of the Lender and the Commissioner, the Contractor shall be entitled to payment thereon in an amount equal to (1) the total value of classes of the work acceptably completed, plus (2) the value of materials and equipment not incorporated in the work, but delivered to and suitably stored at the site, less (3) 10 percent holdback and less prior payments. The "values" of both (1) and (2) shall be computed in accordance with the amounts assigned to classes of the work in the "Contractor's and/or Mortgagee's Cost Breakdown", attached hereto as Exhibit "A". The Contractor agrees that no materials or equipment required by the Specifications will be purchased under a conditional sale contract or with the use of any security agreement or other vendor's title or lien retention instrument.

C. The balance due the Contractor hereunder shall be payable upon the expiration of 30 days after the work hereunder is fully completed, provided the following have occurred:

- (1) All work hereunder requiring inspection by municipal or other governmental authorities having jurisdiction has been inspected and approved by such authorities and by the rating or inspection organization, bureau, association or office having jurisdiction;
- (2) All certificates of occupancy, or other approvals, with respect to all units of the project have been issued by State or local governmental authorities having jurisdiction; and
- (3) Permissions to occupy (FHA Form No. 2485) for all units of the project have been issued by the Commissioner.

D. With its final application for payment by the Owner, the Contractor shall disclose, on a form prescribed by the Commissioner, all unpaid obligations contracted in connection with the work performed under this Contract. The Contractor agrees that within 15 days following receipt of final payment, it will pay such obligations in cash and furnish satisfactory evidence of such payment to the Owner.

Article 4 - Receipts & Releases of Liens

The Owner may require the Contractor to attach to each request for payment its acknowledgement of payment and all subcontractors' and materialmen's acknowledgements of payment for work done and materials, equipment and fixtures furnished through the date covered by the previous payment. Concurrently with the final payment, the Owner may require the Contractor to execute a waiver or release of lien for all work performed and materials furnished hereunder, and may require the Contractor to obtain similar waivers or releases from all subcontractors and materialmen.

- 3 -

Article 5 - Requirements of Contractor

A. The Contractor shall furnish, at its own expense, all building and other permits, licenses, tools, equipment and temporary structures necessary for the construction of the project. The Contractor shall give all required notices and shall comply with all applicable codes, laws, ordinances, rules and regulations, and protective covenants, and with the current regulations of the National Board of Fire Underwriters, wherever applicable. The Contractor further shall comply with the provisions of the "Manual of Accident Prevention in Construction" of the Associated General Contractors of America. The Contractor shall immediately notify the Commissioner of the delivery of all permits, licenses, certificates of inspection, certificates of occupancy, and any other such certificates and instruments required by law, regardless of to whom issued, and shall cause them to be displayed to the Commissioner upon his request.

B. If the Contractor observes that the Drawings and Specifications are at variance with any applicable codes, laws, ordinances, rules or regulations, or protective covenants, it shall promptly notify the Architect in writing, and any necessary changes shall be made as provided in this Contract for changes in the Drawings and Specifications. If the Contractor performs any work knowing it to be contrary to such codes, laws, ordinances, rules or regulations, or protective covenants, without giving such notice to the Architect, it shall bear all costs arising therefrom.

C. Upon completion of construction, the Contractor shall furnish to the Owner a survey showing the location on the site of all improvements constructed thereon, and showing the location of all water, sewer, gas and electric lines and mains, and of all existing utility easements. Such survey shall be prepared by a licensed surveyor who shall certify that the work is installed and erected entirely upon the land covered by the mortgage and within any building restriction lines on said land, and does not overhang or otherwise encroach upon any easement or right-of-way of others. In addition, if the Owner shall so require, the Contractor shall furnish a survey with each application for payment for any improvements, including structures and utilities, not theretofore located on a survey.

D. The Contractor shall assume full responsibility for the maintenance of all landscaping which may be required by the Drawings and Specifications until such time as both parties to this Contract shall receive written notice from the Commissioner that such landscaping has been finally completed. The Owner hereby agrees to make available to the Contractor, for such purpose, without cost to the latter, such facilities as water, hose and sprinkler.

Article 6 - Assurance of Completion

The Contractor shall furnish to the Owner assurance of completion of the work in the form of

Such assurance of completion shall run to the Owner and the Lender as obligees and shall contain a provision whereby the surety agrees that any claim or right of action that either the Owner or the Lender might have thereunder may be assigned to the Commissioner.

Article 7 - Waiver of Lien or Claim

The Contractor shall file no mechanic's or materialman's lien or maintain any claim against the Owner's real estate or improvements for or on account of any work done, labor performed or materials furnished under this Contract.

Article 8 - Right of Entry and Interpretation

A. The Lender and its agents or assigns and the Commissioner and his agents shall, at all times during construction, have the right of entry and free access to the project and the right to inspect all work done and materials, equipment and fixtures furnished, installed or stored in and about the project. For such purpose, the Contractor shall furnish such enclosed working space as the Lender or Commissioner may require and find acceptable as to location, size, accommodations and furnishings.

B. The Commissioner shall also have the right to interpret the Contract Documents and to determine compliance therewith.

Article 9 - Assignments, Subcontracts and Termination

A. This Contract shall not be assignable by either party without the prior written consent of the other party, the Lender and the Commissioner, except that the Owner may assign the Contract, or any rights hereunder, to the Lender or the Commissioner.

B. The Contractor shall not subcontract all of the work to be performed hereunder without the prior written consent of the Owner, the Lender and the Commissioner.

- 4 -

C. Upon request by the Owner, the Lender or the Commissioner, the Contractor shall disclose the names of all persons with whom it has contracted or will contract with respect to work to be done and materials and equipment to be furnished hereunder.

D. The Contractor understands that the work under this contract is to be financed by a building loan to be secured by a mortgage and insured by the Commissioner, and that the terms of said loan are set forth in a Building Loan Agreement between the Owner as Borrower and

as Lender.

The Contractor further understands that said Building Loan Agreement provides that, in the event of the failure of the Owner to perform its obligations to the Lender thereunder, the Lender may, as attorney-in-fact for the Owner, undertake the completion of the project in accordance with this Contract. In the event the Lender elects not to undertake such completion, the Contractor's obligations under this contract shall terminate.

Article 10 - Certification of Actual Cost

A. The "actual cost of construction", as used in Article 3 above, shall include all items of cost and expense incurred by the Contractor in the performance of this Contract, including costs and expenses of labor, materials for construction, equipment and fixtures, field engineering, sales taxes, workmen's compensation insurance, social security, public liability insurance, job overhead and all other expenses directly connected with construction, and including general overhead expenses, but excluding kick-backs, rebates or discounts received or receivable in connection with the construction of the project; and excluding any return on or cost of the Contractor's working capital, such return on or cost of working capital being a part of or to be paid from the Contractor's fee or profit.

B. The Contractor shall keep accurate records of account of the said actual cost of construction, and shall, upon demand, make such records and invoices, receipts, subcontracts and other information pertaining to the construction of the project available for inspection by the Owner and the Commissioner.

C. With its final application for payment, the Contractor shall furnish to the Owner a completed "Contractor's Certificate of Actual Cost", which shall be accompanied and supported by an independent public accountant's certificate as to actual cost (in form acceptable to the Commissioner).

D. The Contractor shall include in all subcontracts, equipment leases and purchase orders a provision requiring the subcontractor, equipment lessor or supplier to certify its costs incurred in connection with the project, in the event the Commissioner determines there is an identity of interest between either the Owner or the Contractor and any such subcontractor, equipment lessor or supplier.

REGULATORY AGREEMENT FOR NONPROFIT MORTGAGORS
UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED
FORM NO. 3135

PURPOSE: This form establishes the regulatory agreement between the nonprofit mortgagor organization and the HUD with regard to payments due under the note and mortgage, and the management of the project in accordance with the regulations specified for the Section 236 of the National Housing Act.

FHA FORM NO. 3135
Rev. 9/49
(Previous edition obsolete)

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

APPENDIX B
EXHIBIT 6

**REGULATORY AGREEMENT FOR NONPROFIT MORTGAGORS
UNDER SECTION 236 OF THE NATIONAL HOUSING ACT, AS AMENDED**

Project No.

Mortgagee

Amount of Mortgage Note

Date

Mortgage Recorded:

State

County

Date

Book

Page

This Agreement entered into this _____ day of _____, 19 _____

between

whose address is

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Secretary of Housing and Urban Development and his successors, acting by and through the Federal Housing Commissioner (hereinafter called Commissioner).

In consideration of the endorsement for insurance by the Commissioner of the above described note or in consideration of the consent of the Commissioner to the transfer of the mortgaged property, and in order to comply with the requirements of Section 236 of the National Housing Act, as amended, and the Regulations adopted by the Commissioner pursuant thereto, Owners agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

1. Owners, except as limited by paragraph 1B hereof, shall promptly make all payments due under the note and mortgage; provided, however, that the Commissioner shall make payments to the mortgagee on behalf of the Owners in accordance with the interest reduction contract between the mortgagee and the Commissioner.
2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Commissioner of an amount equal to \$ _____ per month unless a different date or amount is approved in writing by the Commissioner. Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Commissioner. In the event of a default in the terms of the Mortgage, pursuant to which the loan has been accelerated, the Commissioner may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.
 - (b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved or required in writing by the Commissioner.
 - (c) Owners shall establish and maintain, in addition to the reserve fund for replacements, a residual receipts fund by depositing thereto, with the mortgagee, the residual receipts, as defined herein, within 60 days after the end of the semiannual or annual fiscal period within which such receipts are realized. Residual receipts shall be under the control of the Commissioner, and shall be disbursed only on the direction of the Commissioner, who shall have the power and authority to direct that the residual receipts, or any part thereof, be used for such purpose as he may determine.
3. Real property covered by the mortgage and this Agreement is described in Schedule A attached hereto.
4. The Owners covenant and agree that:
 - (a) with the prior approval of the Commissioner, they will establish for each dwelling unit (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest under a mortgage bearing interest at one percent and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and mortgage insurance premiums due under the insured mortgage on the project;
 - (b) the rental charge for each unit, which will include all utilities except telephone, will be equal to 25% of the tenant's income or the basic rental, whichever is greater, but in no event shall the rental charge exceed the fair market rental;
 - (c) they shall limit admission to the project to those families whose incomes do not exceed the limits prescribed by the Commissioner, with the exception of those tenants who agree to pay fair market rental;
 - (d) preference for occupancy shall be given to those families displaced from an urban renewal area, or as a result of governmental action, or as a result of a disaster determined by the President to be a major disaster, and to those families whose incomes are within the lowest practicable limits for obtaining rental units in the project;
 - (e) on forms approved by the Commissioner they will obtain from each prospective tenant, prior to admission to the project, a certification of income, and a recertification of income from all tenants who are not paying fair market rental at intervals as required by the Commissioner;

- 2 -

- (f) If any recertification reveals a change in income whereby the tenant becomes eligible for a lower or higher rental, such adjustment in rental charged shall be made, provided that rental shall never be less than basic rental and shall never exceed fair market rental;
- (g) In a manner prescribed by the Commissioner, they will obtain written evidence substantiating the information given on the tenants' certifications and recertifications of income and shall retain the evidence in their files for three years;
- (h) They shall require all tenants who do not pay the fair market rental to execute a lease in the form prescribed by the Commissioner, and shall not rent any unit in the project for less than 30 days nor more than one year;
- (i) They shall remit to the Commissioner on or before the tenth day of each month the amount by which the total rentals collected on the dwelling units exceeds the sum of the approved basic rentals for all occupied units, which remittance shall be accompanied by a monthly report on a form approved by the Commissioner, provided that a monthly report must be filed even if no remittance is required;
- (j) They shall not restrict occupancy by reason of the fact that there are children in the family, except in those projects that are designed primarily for elderly persons;
- (k) They will rent commercial facilities, if any, at not less than the rental approved by the Commissioner;
- (l) No change will be made in the basic rental or fair market rental unless approved by the Commissioner;
- (m) No tenant shall be permitted to rent more than one unit at any given time without the prior written approval of the Commissioner;
- (n) If there are rent supplement units in the project, the determination as to the eligibility of tenants for admission to such units and the conditions of continued occupancy shall be in accordance with the Rent Supplement Contract executed by the Owners and Commissioner which is incorporated in and made a part of this Agreement.
5. Upon prior written approval of the Commissioner, the Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owners or others to such tenant upon his request, in addition to the facilities and services included in the approved Rental Schedule.
6. Owners agree that no dividends of any kind will be paid on the capital stock issued by the corporation, except as the charter may authorize due to don'tiliary requirements.
7. Owners shall not without the prior written approval of the Commissioner:
- Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property;
 - Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds, except for reasonable operating expenses and necessary repairs;
 - Convey, assign, or transfer any beneficial interest in any trust holding title to the mortgaged property, or the interest of any general partner in a partnership owning the mortgaged property, or any right to manage or receive the rents and profits from the mortgaged property;
 - Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;
 - Engage in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project;
 - Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any fund collected as a security deposit shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account;
 - Permit the use of the dwelling accommodations of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Commissioner;
 - Incur any liability, direct or contingent, other than for current operating expenses, exclusive of the indebtedness secured by the mortgage and necessarily incident to the execution and delivery thereof;
 - Pay any compensation, including wages or salaries, or incur any obligations, to themselves, or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or to any of their nominees;
 - Enter into any contract or contracts for supervisory or managerial services.
8. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the insured mortgage.
9. Owners shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication of bankruptcy, the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse actions set aside within forty-five days.
10. (a) Owners shall provide for the management of the project in a manner satisfactory to the Commissioner. Any management contract entered into by Owners, or any of them, involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Commissioner addressed to the Owners. Upon receipt of such request Owners shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
- (b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

- 3 -

- (c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.
- (d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Commissioner.
- (e) Within sixty days following the end of each fiscal year the Commissioner shall be furnished with a complete annual financial report based upon an examination of the books and records of the mortgagor prepared in accordance with the requirements of the Commissioner, certified to by an officer or responsible Owner and, when required by the Commissioner, prepared and certified by a Certified Public Accountant, or other person acceptable to the Commissioner.
- (f) At the request of the Commissioner, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.
- (g) All rents and other receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project and remittances to the Commissioner as required under Paragraph 4(i) above. Any owner receiving funds of the project shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any owner receiving property of the project in violation of this Agreement shall immediately deliver such property to the project and failing so to do shall hold such property in trust.
11. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Department of Housing and Urban Development (24 CFR, Subtitle A, Part 1) issued pursuant to that title, and regulations issued pursuant to Executive Order 11063.
12. Upon a violation of any of the above provisions of this Agreement by Owners, the Commissioner may give written notice, thereof, to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Commissioner, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Commissioner within thirty days after the date such notice is mailed or within such further time as the Commissioner reasonably determines in necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Commissioner may:
- (1) If the Commissioner holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
 - (2) If said note is not held by the Commissioner - notify the holder of the note of such default and request the holder to declare a default under the note and mortgage, and the holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations;
- (b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;
- (c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage;
- (d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain;
- (e) Terminate the interest reduction payments to the mortgagee made pursuant to Paragraph 1 hereinabove.
13. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Commissioner because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Commissioner their rights to the rents, profits, income and charges of whatever sort which they may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.
14. As used in this Agreement the term:
- "Mortgage" includes "Deed of Trust", "Chattel Mortgage", and any other security for the note identified herein, and endorsed for insurance or held by the Commissioner;
 - "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;
 - "Mortgagor" means the original borrower under the mortgage and its successors and assigns;
 - "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors or assigns; such term includes a nonprofit corporation executing this Agreement in its capacity as a contract purchaser of the project pursuant to a Sales Agreement with a Builder-Seller mortgagor;
 - "Mortgaged Property" includes all property, real, personal, or mixed, covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Commissioner;

(f) "Project" includes the mortgaged property and all its other assets of whatsoever nature and wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is providing housing and other such activities as are incidental thereto;

(g) "Residual Receipts" means any cash remaining after:

(1) the payment of:

(i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Federal Housing Commissioner;

(ii) All amounts required to be deposited in the reserve fund for replacements;

(iii) All obligations of the project other than the mortgage insured or held by the Commissioner unless funds for payment are set aside or deferment of payment has been approved by the Commissioner;

(iv) Remittances due to the Commissioner as required by Paragraph 4(i); and

(2) the segregation of:

(i) An amount equal to the aggregate of all special funds required to be maintained by the project;

(ii) All tenant security deposits held;

(iii) That portion of rentals which must be remitted to the Commissioner in accordance with Paragraph 4(i), but not yet due.

(h) "Family" means (1) two or more persons related by blood, marriage, or operation of law, who occupy the same unit; (2) a handicapped person who has a physical impairment which is expected to be of long continued and indefinite duration, substantially impedes his ability to live independently, and is of such a nature that his ability to live independently could be improved by more suitable housing conditions; (3) a single person, 62 years of age or older; or (4) a single person less than 62 years of age provided that occupancy by such persons is limited to 10% of the dwelling units in the project;

(i) "Income" means the gross annual income of the family from all sources before taxes and withholding, after giving effect to exclusions allowed by the Commissioner;

(j) "Default" means a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice.

15. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Commissioner and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.

(a) In the event this Agreement is executed by a nonprofit corporation in its capacity as a contract purchaser of the project pursuant to a Sales Agreement with a Builder-Seller mortgage, said nonprofit corporation agrees that all of the provisions hereof shall continue to bind it in its capacity as title owner of the project upon consummation of the purchase. In the event the purchase is not consummated at final endorsement or such later time as may be agreed to in writing by the Commissioner, its obligations hereunder shall terminate.

16. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in addition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

17. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

18. The following Owners:

do not assume personal liability for payments due under the note and mortgage, to the reserve for replacements, or for matters not under their control, provided that such Owners shall remain liable under this Agreement only with respect to the matters hereinafter stated; namely:

(a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and

(b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof. IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first hereinabove written.

Seal

_____ Owners

WITNESS

By _____

SECRETARY OF HOUSING AND URBAN DEVELOPMENT
acting by and through the FEDERAL HOUSING COMMISSIONER

By _____

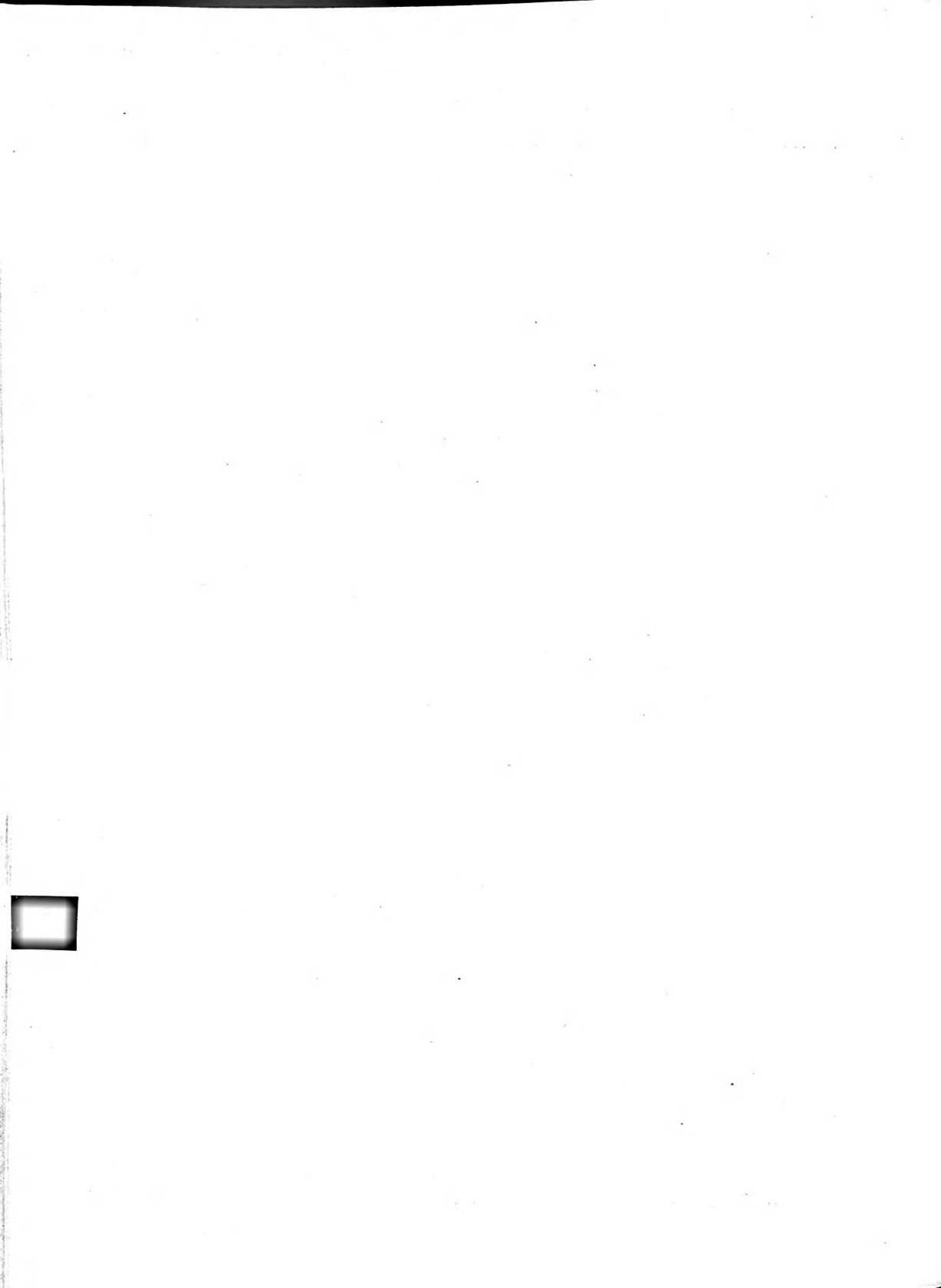
HUD-Wash., D. C.

Authorized Agent

(Add proper acknowledgments)

230022 Rev. 9/76

**COOPERATIVE PROJECTS
(APP.C)**



COOPERATIVE PROJECTS

FORMS PROCESSING KIT

APPENDIX C

COOPERATIVE HOUSING PROJECT DEVELOPMENT

The forms contained in this Appendix include those generally required for the processing of cooperative housing projects.

Cooperatives can be sponsored in three ways:

1. Presold management type cooperatives can be proposed by a qualified consumer sponsor with the technical staff and resources necessary to represent the cooperative through all stages of planning and implementation.
2. Nonprofit sponsored cooperatives may be proposed by an entity qualified to sponsor rental housing. The project will be initiated as a rental, with the intention of selling it to a cooperative corporation owned by the tenants, within two years after completion of construction. Until such conversion, the project is operated as a rental owned by the nonprofit sponsor.
3. Investor sponsored cooperatives are similar to the nonprofit sponsored type, except that the sponsor must be a profit-motivated entity, qualified to own a limited dividend project.

Those forms used in Appendix A or B, that are also required in processing a cooperative project, are not included in this Appendix. Use Table C-1 to locate other required forms.

TABLE C-1

236 PROGRAM - PROJECT FEASIBILITY FORMS

COOPERATIVE PROJECTS

<u>FHA FORM NO.</u>	<u>TITLE</u>	<u>EXHIBIT NO.</u>
2530	Previous Multifamily Participation Certificate	A-1
2010	Equal Employment Opportunity Certificate	A-2
2430	Brief Specifications	A-4
3131	Application for Occupant Eligibility	A-6
3136	Regulatory Agreement for Limited Distribution Mortgagor Under Section 236	A-7
3433	Request for Preliminary Determination of Eligibility as Nonprofit Sponsor or Mortgagor	B-1
2442	Construction Contract - Lump Sum	B-4
2442A	Construction Contract - Cost Plus	B-5
3201	Application - Project Mortgage Insurance (Cooperative Housing)	C-1
3240	Operating Budget for Cooperative Housing Corporations	C-2
3232A	Supplement to Subscription Agreement	C-3
3241D*	Information Bulletin for Housing Cooperative	C-4
3245*	By-Laws of Housing Cooperative	C-5
3225A	Regulatory Agreement	C-6

TABLE C-1 (Continued)

<u>FHA FORM NO.</u>	<u>TITLE</u>	<u>EXHIBIT NO.</u>
3232	Subscription Agreement	C-7
3237B*	Occupancy Agreement	C-8
3245C	Regulatory Agreement (For use by Investor-Sponsor Corporations in Section 236 Cases)	C-9
3618		C-10
3257	FHA Legal Requirements for Closing	
3257A,F,G*	Cooperative Projects Under Section 236	

*These FHA Forms and Publications may be obtained after preliminary discussions with the HUD Office in the locale of the proposed project.

APPLICATION - PROJECT MORTGAGE INSURANCE
(Cooperative Housing)
FORM NO. 3201

PURPOSE: "...divides the process of filing an application for project mortgage insurance into a maximum of three stages,"

- .Feasibility Analysis
- .Conditional Commitment
- .Firm Commitment

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

APPLICATION FOR MORTGAGE INSURANCE

*Cooperative Housing - Condominium Housing
 Section 213 Section 221 Section 234 Section 236
 (TO BE SUBMITTED IN TRIPLICATE)

Form Approved
Budget Bureau No. 63-R0624

FHA FORM NO. 3201
Rev. 3/70

Date _____
Mortgage Amount \$ _____

Feasibility
 Conditional
 Firm

Project Name **TWIN PINES TOWNS HOUSES** Project No. _____

A. LOCATION AND DESCRIPTION OF PROPERTY:

1. Street Nos. 2100	2. Street CLUSA ROAD	3. Municipality GREENBELT	4. County MONTGOMERY	5. State MARYLAND
6. Type of Project <input type="checkbox"/> Elevator <input checked="" type="checkbox"/> Walkup	7. No. Stories 2	8. Check Applicable Box(es) <input checked="" type="checkbox"/> Row- <input type="checkbox"/> Detached <input type="checkbox"/> Semi-detached		9. Est. Ave. Monthly Chg. per Unit \$ _____ Mo. **
10. <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing	11. No. Units 100+1	12. No. Bldgs. 12	13. List Accessory Buildings or Structures COMMUNITY & MAINTENANCE BUILDING	
14. Dimensions ft. by _____ ft. or 10,0 Acres sq. ft.		16. Structural System FRAME		16a. Year Built _____
15. Zoning (If recently changed, submit evidence) R-3		17. Exterior Finish Brick-Aluminum		18. Heating/A/C System Gas-Elec Forced Air

B. INFORMATION CONCERNING LAND OR PROPERTY:

19. Date Acquired 5/3/70	20. Purchase Price \$ 100,000	21. Additional Costs Paid or Accrued \$ _____	22. If Leasehold Annual Ground Rent \$ _____	23. TOTAL COST \$ 100,000	24. Relationship-Business, Personal or Other Between Seller & Sponsor None
25. Utilities- Water: Public <input checked="" type="checkbox"/> Community <input type="checkbox"/> Sewers: <input checked="" type="checkbox"/> <input type="checkbox"/>		26. Unusual Site Features- <input type="checkbox"/> Cuts <input type="checkbox"/> Fills <input type="checkbox"/> Rock Formations <input type="checkbox"/> Erosion <input type="checkbox"/> Poor Drainage <input type="checkbox"/> High Water Table <input type="checkbox"/> Retaining Walls <input type="checkbox"/> Other (Specify) _____		<input checked="" type="checkbox"/> None	

C. UNIT COMPOSITION AND CHARGES:

27. No. Units	Unit Type	No. Rms.	Liv. Area (Sq. Ft.)	Composition of Unit	Contemplated ** Down Payment	Unit Charge ** Per Month	Total Monthly Charge **	Total Annual
30		5	900	2 BR	\$360	\$ 92	\$ 2760	
50		6	1050	3 BR	360	107	5350	
20		7	1300	4 BR	360	122	2440	
28. TOTAL ESTIMATED CHARGES FOR ALL FAMILY UNITS **							\$ 10,550	\$ 126,600

29. No. Parking Spaces:
 Attended Self Park
 Open Spaces 150 @ \$ _____ per month
 Covered Spaces _____ @ \$ _____ per month

30. Commercial Area-Ground Level _____ Sq. Ft. @ \$ _____ per sq. ft./mo.
 Other Levels _____ Sq. Ft. @ \$ _____ per sq. ft./mo.

31. TOTAL ESTIMATED ACCESSORY INCOME AT 100% OCCUPANCY
 \$ 100 \$ 1200

32. Gross Floor Area 113,000	Sq. Ft.	33. Net Rentable Residential Area 105,500	Sq. Ft.	34. Net Rentable Commercial Area Community Building, 1200	Sq. Ft.
35. NON-REVENUE PRODUCING SPACE					
Type of Employee	No. Rms.	Composition of Unit	Location of Unit in Project		
Superintendent	5	2 BR	Section I		

D. EQUIPMENT AND SERVICES INCLUDED IN CHARGES: (Check Appropriate Items)

36. EQUIPMENT- <input checked="" type="checkbox"/> Range - Original (Gas or Electric) <input checked="" type="checkbox"/> Range - Replace. (Gas or Electric) <input checked="" type="checkbox"/> Refrig.-Original (Gas or Electric) <input checked="" type="checkbox"/> Refrig.-Replace. (Gas or Electric) <input checked="" type="checkbox"/> Air Conditioning (Equip. Only) <input checked="" type="checkbox"/> Kitchen Exhaust Fan <input checked="" type="checkbox"/> Laundry Facilities (Hook-up)	<input checked="" type="checkbox"/> Disposal <input type="checkbox"/> Dishwasher <input type="checkbox"/> Carpet <input type="checkbox"/> Drapes <input type="checkbox"/> Other (Specify) _____	37. SERVICES- GAS: <input type="checkbox"/> Heat <input type="checkbox"/> Hot Water <input type="checkbox"/> Cooking <input type="checkbox"/> Air Conditioning ELEC: <input type="checkbox"/> Heat <input type="checkbox"/> Hot Water <input type="checkbox"/> Cooking <input type="checkbox"/> Air Conditioning <input type="checkbox"/> Lights, etc., in Unit OTHER FUEL: <input type="checkbox"/> Heat <input type="checkbox"/> Hot Water <input checked="" type="checkbox"/> WATER <input checked="" type="checkbox"/> MAINT. <input checked="" type="checkbox"/> OTHER Major Int. Repair	38. SPECIAL ASSESSMENTS: a. <input type="checkbox"/> Prepayable <input type="checkbox"/> Non-Prepayable b. Principal Balance \$ None c. Annual Payment \$ _____ d. Remaining Term _____ Years
---	---	--	--

* This form is appropriate only for Management and Investor-Sponsor Type Cooperative projects. In Sales type projects under Section 213, FHA Application Form 3202 should be used.
 ** Cooperative Only

E. ESTIMATE OF ANNUAL COMMON EXPENSE:

ADMINISTRATIVE-	
A* 1. Apartment Resale Expense	\$ _____
A 2. Management	_____
A 3. Other	_____
A 4.	_____
TOTAL ADMINISTRATIVE	\$ _____
OPERATING-	
A 5. Elevator Main. Exp.	_____
A 6. Fuel (Heating and Domestic Hot Water)	_____
A 7. Lighting & Misc. Power	_____
A 8. Water	_____
A 9. Gas	_____
A10. Carb. & Trash Removal	_____
A11. Payroll	_____
A12. Other	_____
A13.	_____
TOTAL OPERATING	\$ _____
MAINTENANCE-	
A14. Decorating	_____
A15. Repairs	_____
A16. Exterminating	_____
A17. Insurance	_____
A18. Ground Expense	_____
A19. Other	_____
A20.	_____
TOTAL MAINTENANCE	\$ _____
A21. Replacement Reserve (.0060 or .0040 x) Total structures from Line 50	_____
22. TOTAL COMMON EXPENSE (Except Taxes)	\$ 36,000
TAXES-	
A23. Real Estate Est. Assessed Val. \$ _____ @ _____ per \$1000	_____
A24. Personal Prop. Est. Assessed Val. \$ _____ @ _____ per \$1000	_____
A25. Empl. Payroll Tax	_____
A26. Other	_____
A27. Other	_____
28.	_____
TOTAL TAXES	\$ 30,000
29. TOTAL COMMON EXPENSE	\$ 66,000

F. ANNUAL FIXED CHARGES:

30. Interest Plus Curtail (Call Insuring Office for Rate)	3.034 %	\$ 54,512
31. Mortgage Insurance (0.5%) (Omit in 221 BMIR and 236 cases)		6,030
32. Operating Reserve (3.0%) Vac. Res. (2%)		60,642
33. Total Annual Fixed Charges		\$ _____
34. Tot. Gross Ann. Exp. and Fixed Chgs.		\$ 126,642

G. NET COMMON EXPENSE & FIXED CHARGES

35. Tot. Gross Ann. Exp. & Fixed Chgs.	\$ 126,642
36. Estimate of Accessory Rental Income	1200
37. Lease Vacancy (____%)	-0-
38. Effective Accessory Rental Income	\$ 1,200
39. Total Ann. Net Common Expense & Fixed Charge (after deducting common income)	\$ 125,442
40. Total Monthly Net Common Expense & Fixed Charge	\$ 10,453
41. Total Monthly Net Common Expense & Fixed Charge per SF	\$ 0.092
42. Total Monthly Net Common Expense & Fixed Charge Per Room (____ Rooms)	\$ 17.72

H. ESTIMATED REPLACEMENT COST:

A43. Unusual Lead Improvements	\$ _____
A44. Other Lead Improvements	\$ _____
A45. Total Lead Improvements	\$ 120,000
STRUCTURES-	
A46. Main Buildings	\$ 1,066,462
A47. Accessory Buildings	20,000
A48. Garages	-0-
A49. All other Buildings	-0-
A50. TOTAL STRUCTURES	\$ 1,086,462
A51. General Requirements	\$ 48,258
FEES-	1,254,720
A52. Builder's Gen. Overhead @ 2.0 %	\$ 25,094
A53. Builder's Profit @ 6.0 %	76,788
A54. Arch. Fee-Design @ 4.5 %	61,047
A55. Arch. Fee-Supvr. @ 1.5 %	20,349
A56. Bond Premium	9,600
A57. Other Fees	8,000
A58. TOTAL FEES	\$ 1,455,598
59. TOT. for all Imprints. (Lines 45, 50, 51 + 58)	\$ 12,98
60. Cost Per Gross Sq. Ft.	11 Months
61. Estimated Construction Time	11 Months
CARRYING CHARGES & FINANCING-	
A62. Int. 12 Mos. @ 7 % on \$ _____	\$ 63,000
A63. Taxes	4,000
A64. Insurance	6,000
A65. FHA Mgt. Ins. Fee (0.5%)	9,000
A66. FHA Exam. Fee (0.3%)	5,400
A67. FHA Inspec. Fee (0.5%)	9,000
A68. Financing Fee (2 %)	36,000
A69. Other Fees (%)	_____
A70. FNMA or GNMA Fee (1 3/4 %)	31,500
A71. Title & Recording	16,000
72. TOTAL CARRYING CHGS. & FINANCING	\$ 179,900
LEGAL ORGANIZATION & MARKETING-	
A73. Legal	\$ 10,500
A74. Organization	_____
A75. Marketing	54,000
76. TOTAL LEGAL, ORGAN. & MKTG.	\$ 64,500
A77. Other	_____
TOTAL EST. DEVELOPMENT COST	
A78. (Lines 59, 72, 76, 77)	\$ 1,700,000
79. LAND (Est. Market Price of Site) sq. ft. @ \$ 10,000 per sq. ft.	\$ 100,000
80. TOTAL ESTIMATED REPLACEMENT COST OF PROJECT (Add 78 & 79)	\$ 1,800,000

* Cooperative Only

- 3 -

I. ESTIMATED EXPENSES NOT INCLUDED IN CARRYING CHARGES OR COMMON EXPENSE:					
	Type No. 1	Type No. 2	Type No. 3	Type No. 4	Type No. 5
** REAL ESTATE TAXES, INDIVIDUAL PER MONTH	\$	\$	\$	\$	\$
** INSURANCE, IF PAID INDIVIDUALLY PER MONTH	\$	\$	\$	\$	\$

ESTIMATED PERSONAL BENEFIT EXPENSES TO BE PAID INDIVIDUALLY BY RESIDENTS:					
Heating	168	192	216		
Electricity	144	168	192		
Water	-				
Gas	-				
Decorating	24	36	48		
Repairs	24	24	24		
Other					
TOTAL ANNUAL PERSONAL BENEFIT EXPENSE	\$ 360	\$ 420	\$ 480	\$	\$
TOTAL MONTHLY PERSONAL BENEFIT EXPENSE **	\$ 30	\$ 35	\$ 40	\$	\$

J. TOTAL REQUIREMENTS FOR SETTLEMENT:		K. ESTIMATED ANNUAL OPERATING STATEMENT: *	
1. DEVELOPMENT COST -----	\$ 1,700,000	1. Dwelling Charge (From Schedule C) -----	\$ 126,600
2. LAND INDEBTEDNESS (or Cash required for land acquisition) -----	\$ 100,000	2. Garage Rent -----	1,200
3. SUBTOTAL (Line 1 + Line 2) -----	\$ 1,800,000	3. Commercial Income -----	
4. Mortgage Amount -----	\$ 1,800,000	4. Other (Specify) -----	
5. Fees paid by other than cash \$ -----	-0-	5. ESTIMATED GROSS INCOME ASSUMING 100% OCCUPANCY -----	\$ 127,800
6. Line 4 + Line 5 -----	\$ 1,800,000	6. LESS VACANCIES ASSUMED- (% on garages \$ ----- (% on other Non-dwelling income- -----	-0-
7. Cash Invest. Required (Line 3 - Line 6) ---	\$ -0-	7. TOTAL VACANCY DEDUCTION -----	\$ -0-
8. Initial Operating Deficit -----	\$ -0-	8. TOTAL ESTIMATED GROSS INCOME AFTER VACANCY DEDUCTION -----	\$ 127,800
9. Anticipated Discount -----	\$ -0-	9. ANNUAL EXPENSE & FIXED CHARGES Total Expense per annum -- \$ 66,000 Total Fixed Charges per annum -----	60,642
10. Working Capital -----	\$ 36,000	10. TOTAL ANNUAL EXPENSE AND FIXED CHARGES -----	\$ 126,642
11. ADD Off-site construction costs -----	\$ -0-	11. EXCESS OF INCOME OVER ALL CHARGES -----	\$ 1,158
12. TOTAL ESTIMATED CASH REQUIREMENT (Lines 7+8+9+10+11) --	\$ 36,000		

L. ATTACHMENTS: (Required Exhibits)	
1. Location Map	8. Sketch Plan of Site
2. Evidence of Site Control (option or purchase) and Legal Description of Property	9. Personal Financial & Credit Statement of Sponsors
3. Form 2010 Equal Employment Opportunity Certification	10. Form 2530 Previous Participation Certification
4. Form 3433 Eligibility as Non-Profit Corporation	11.A Survey
5.A Photographs of Improvements on Site & Adjacent Site	12.A Evidence of Architect E & O Insurance Coverage
6.A Architectural Exhibits - Preliminary	13.A Copy of Owners and Architects Agreement
7.A Architectural - Exhibits - Final	14.A FHA Form 3240
	15.A FHA Form 2328 Contractor's and/or Mortgagee's Cost Breakdown

M. NAMES, ADDRESSES AND TELEPHONE NUMBERS OF THE FOLLOWING: (Indicate Cash Investment from each Sponsor)

1. Sponsor(s)

2. General Contractor

A

3. Architect

A

4. Sponsor's Attorney

A

FOR FHA USE ONLY

Date Rec.	Amount	Code	Schedule	Rec. By

* Cooperative Only
 ** Condominium Only

SPONSOR CERTIFICATION

TO: FEDERAL HOUSING COMMISSIONER.

Feasibility Conditional Firm

The undersigned hereby requests a loan in the principal amount of \$ _____ to be insured under the provisions of Section _____ of the National Housing Act, said loan to be secured by a first mortgage on the property hereinafter described.

The undersigned, as the principal sponsor of the proposed mortgage, certifies that he is familiar with the provisions of the Regulations of the Federal Housing Commissioner under the above identified Section of the National Housing Act and that to the best of his knowledge and belief the mortgagee has complied, or will be able to comply, with all of the requirements thereof which are prerequisite to insurance of the mortgage under such Section.

The undersigned further certifies that to the best of his knowledge and belief no information or data contained herein or in the exhibits or attachments listed herein are in any way false or incorrect and that they are truly descriptive of the project or property which is insured as the security for the proposed mortgage and that the proposed construction will not violate zoning ordinances or restrictions of record.

The undersigned agrees with the Federal Housing Administration that pursuant to the requirements of the FHA Regulations, (a) neither he nor anyone authorized to act for him will decline to sell, rent or otherwise make available any of the property or housing in the multifamily project to a prospective purchaser or tenant because of his race, color, religion or national origin; (b) he will comply with federal, state and local laws and ordinances prohibiting discrimination; and (c) his failure or refusal to comply with the requirements of either (a) or (b) shall be a proper basis for the Commissioner to reject requests for future business with which the sponsor is identified or to take any other corrective action he may deem necessary.

The type of firm commitment eventually to be requested, is checked below. The undersigned has read and understands the applicable form of Commitment for Insurance and the FHA forms referred to therein.

* The undersigned intends to form or cause to be formed a nonprofit cooperative housing corporation or negotiate with an independently formed cooperative corporation in order to bring about the construction or the purchase of a cooperative housing project with the assistance of an FHA insured mortgage loan.

** The undersigned intends to form or cause to be formed a condominium, and to convert the project to such condominium, all in accordance with the pertinent FHA Regulations. (Of the last two statements, strike out whichever is not applicable.)

Date _____ Signed _____
(Sponsor)

REQUEST FOR CONDITIONAL COMMITMENT

TO: FEDERAL HOUSING COMMISSIONER.

Pursuant to the provisions of the Section of the National Housing Act identified in the foregoing application and FHA Regulations applicable thereto, request is hereby made for the issuance of a conditional commitment to insure a mortgage covering the property described above.

After examination of the application and the proposed security, the undersigned considers the project to be desirable and is interested, subject to the issuance of a firm commitment by FHA, in making a loan in the principal amount of \$ _____ which will bear interest of _____ %, will require repayment of principal over a period of _____ months according to an amortization plan to be agreed upon.

The type of firm commitment eventually to be requested, is checked below.

It is understood that the financing expense in the amount of \$ _____ is subject to adjustment so that the total will not exceed _____ % of the amount of your commitment.

Herewith is check for \$ _____, which is in payment of the application fee required by said FHA Regulations.

** The undersigned certifies that the law of the jurisdiction will permit the project to be converted to a plan of apartment ownership consistent with the requirements of the FHA Regulations.

Signed _____
(Proposed Mortgagee)

(Address of Mortgagee)

REQUEST FOR FIRM COMMITMENT

CHECK BELOW TYPE OF COMMITMENT DESIRED.

- FHA Form 3206 (Cooperative, insured advances)
- FHA Form 3208 (Non-Profit Project to be sold to Cooperative)
- FHA Form 3209 (Cooperative, insurance upon completion)
- FHA Form 3229 (Investor-Sponsor, insured advances, Sec. 213)
- FHA Form 3229-A (Investor-Sponsor, insurance upon completion, Sec. 213)
- FHA Form 3229-B (Investor-Sponsor, insurance of advances, Sec. 221(d)(3))

- FHA Form 3229-C (Investor-Sponsor, insurance upon completion, Sec. 221(d)(3))
- FHA Form 3248 (Cooperative, existing construction)
- FHA Form 3248-A (Cooperative, existing construction involving insured advances for improvements)
- FHA Form 3275-A (Condominium, Blanket Commitment for insurance of Individual Mortgages)
- FHA Form 3283 (Insurance of Advances, Project Mortgage, Section 234.)
- FHA Form 3284 (Insurance upon Completion, Project Mortgage, Sec. 234)

TO: FEDERAL HOUSING COMMISSIONER:

Pursuant to the provisions of the Section of the National Housing Act identified in the foregoing application and FHA Regulations applicable thereto, request is hereby made for the issuance of a firm commitment to insure a mortgage covering the property described above.

After examination of the application and the proposed security, the undersigned considers the project to be desirable and is interested in making a loan in the principal amount of \$ _____, which will bear interest of _____ %, will require repayment of principal over a period of _____ months according to amortization plan to be agreed upon.

It is understood that the financing expense in the amount of \$ _____ is subject to adjustment so that the total will not exceed _____ % of the amount of your commitment.

Herewith is check for \$ _____, which is in payment of the application and/or commitment fee required by said FHA Regulations.

Signed _____
(Proposed Mortgagee)

(Address of Mortgagee)

GPO 899-416

* Cooperative Only
** Condominium Only

APPENDIX C

EXHIBIT 1

FHA FORM NO. 3201 (Instructions)
Rev. 3/70U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATIONINSTRUCTIONS FOR COMPLETION OF FHA FORM 3201 -
APPLICATION FOR MORTGAGE INSURANCE COOPERATIVE HOUSING - CONDOMINIUM HOUSING

FOREWORD TO INSTRUCTIONS - FHA procedures divide the process of filing an application for project insurance into a maximum of three stages, the first being a request for feasibility analysis, the second being a request through an approved mortgagee for a conditional commitment, and the third being a formal application through an approved mortgagee for a firm commitment.

Processing flexibility is emphasized under the accelerated multifamily procedures. This will enable a sponsor to by-pass feasibility stage or conditional commitment stage, or both, provided he has plans and exhibits in sufficient detail to permit processing for a firm commitment.

INSTRUCTIONS

A request for feasibility analysis may be submitted directly to the FHA insuring office by letter or in person. All items except those identified by a on Form 3201 must be completed. A request for a conditional commitment must be submitted by an approved mortgagee on Form 3201 with all items except those identified by a completed and with the sponsor's certification and mortgagee's request executed. All information must be submitted in triplicate. Preliminary architectural exhibits must accompany this application, and an architect must be identified. A request for a Firm Commitment must be submitted by an approved mortgagee on Form 3201 complete in its entirety.

Section A. Self-explanatory.

Section B. In Line 21 insert any cost paid, or contracted, in addition to the stipulated purchase price.

If the site will require demolition expense, or other preparatory expense, this should be indicated and explained on an attached sheet. If the proposed site is leased, indicate the annual dollar amount of the ground rental. All other items in this section are self-explanatory.

Section C. Item 27 - Living Area (Sq.Ft.) is the area of a living unit measured from the inside faces of corridor and exterior walls and from the center lines of partitions separating living and/or commercial areas. The approximate living area will be used in feasibility analysis. Number of rooms are counted the same as is usual in the industry. For Condominium, room count will be that ordinarily used for single family properties.

Line 32 - Estimate the gross floor area which is the sum of all floor areas of headroom height within the exterior walls measured from the outside surface. For a request for Conditional or Firm Commitment this figure should be calculated from the plans.

Line 33 & 34 - Net Rentable Residential Area is the sum of all living areas within the exterior walls. Net Rentable Commercial Area is the sum of all commercial areas within the exterior walls measured from the interior faces of exterior and corridor walls and from the center lines of partitions separating commercial and/or living areas. Existing comparable structures should be used as a guide by the sponsor in making these estimates at Feasibility. When completing the request for Conditional or Firm Commitment these areas should be calculated from the plans.

Section D. Self-explanatory.

Section E. Self-explanatory. Item 29 may be supported by Form 3240 if desired.

Section F. Line 30 (Cooperative Only) - Amortization includes Principal and Interest; See FHA Form 3010-3 for Section 213 and 3010-5 A & B for Sec. 221 Mortgage Insurance.

Line 31. (Cooperative Only) - Self-explanatory.

Line 32. For Cooperative, Operating Reserve - 3% of sum of Lines 29, 30, 31. For Condominium, use 3% of Line 29.

Line 33. For Cooperatives only. It is the sum of lines 30, 31, and 32. Where a ground rent is involved the annual ground rent figure from line B-22 will also be included.

Line 34. For Cooperative, sum of Line 29 and 33. For Condominium, sum of Lines 29 and 32. In Section F, condominiums, do not use Lines 30, 31, 33.

Section G. Line 35, Total Gross Annual Expense and Fixed Charges, bring figure from Line 34.

Line 36. Enter total annual rental schedule from all rented common areas, such as rented parking spaces, and commercial spaces in the common areas.

Line 37. Enter estimated Allowance for vacancy.

Line 38. Effective Accessory Rental Income. (Line 36 minus Line 37)

Line 39. Total Annual Net Common Expense & Fixed Charge (after deducting common income) (Line 35 minus Line 38)

Line 40. Total Monthly Net Common Expense & Fixed Charge. (Line 39 ÷ 12)

Line 41. Total Monthly Net Common Expense per Square Foot. Divide Line 40 by the number of square feet of net rentable area in all condominium units (including commercial condominium units, but not including net rentable area of commercial space which is included in the common areas).

Section M. Line 42 - Enter cost for unusual site preparation such as piling, retaining walls, fill, etc.

Line 44 - Enter cost of other land improvements such as on-site utilities, landscape work, walks, and drives.

Line 51 - See Uniform System for Construction Specifications, Data Filing and Cost Accounting Pages 1.3 and 1.4.

Line 60 - Enter the estimated cost per gross square foot of building area. (Pg. 2 Line 59 - Line 32, Page 1J)

Line 62 - Interest is the amount estimated to accrue during the anticipated period of construction. It is computed on one-half of the loan amount.

Line 63 - Taxes which accrue during the construction period are estimated on a pro rata basis for the construction period. Special assessments, if any, should be estimated on a similar basis and included in the tax amount.

Line 64 - Insurance includes fire, windstorm, extended coverage, liability, and other risks customarily insured against in the community. It does not include workmen's compensation, public liability insurance, and architects E&O insurance, which are included in the cost estimate.

Line 65 - FHA mortgage insurance premium is the amount to be earned during the estimated construction period. The amount should be computed on the requested loan amount on a yearly basis.

If the estimated construction period exceeds one year, the premium will be based on a two-year period. (Fee waived for 221 Project)

Line 66 - FHA examination fee is computed on the requested loan amount.

Line 67 - FHA inspection fee is computed on the requested loan amount when the project involves new construction, and on the estimated cost of rehabilitation when the project involves the rehabilitation of an existing structure.

Line 68 - Financing fee is computed at 2% on the loan amount. It is an initial service charge. This is not to be confused with discounts.

Line 70 - FHMA or GNMA Fee: The local insuring office personnel will advise interested sponsors of the current maximum rate for, and applicability of, this expense.

Line 71 - Title and Recording Expense: This is the cost typically incurred by a mortgagor with a mortgage transaction. This cost generally includes such items as recording fees, mortgage and stamp taxes, cost of survey and title insurance including all title work involved between initial and final endorsement.

Lines 73, 74 and 75 - Legal, Organizational, & Marketing Expense: Estimates will be based upon the typical cost usually incurred for these services in the area where the project is to be located. These items should be recorded separately.

Line 77 - Other: This line is not ordinarily used in proposed construction applications.

Line 79 - Land: Enter purchase price if purchased from local public authority; otherwise, sponsor's estimate of value in finished condition (including off-site, cuts, fills, drainage, etc.)

Section I. Self-explanatory

Section J. Line 8 - Initial Operating Deficit: This is applicable to investor-sponsor, non-profit, and condominium mortgagees only.

Section K. Estimate annual operating statement for cooperative only.

Line 6 - Vacancies: The initial budget shall allocate an amount equal to 2% of the operating budget for Sec. 221 BMR and 236 cases and for Sec. 213 cases where down payments are less than \$500. 100% occupancy may be assumed on other cases.

Section L. Line 4 - Form 3433 - Eligibility as non-profit corporation is required only under commitment form 3208 from non-profit mortgagees.

Line 9 - Personal Financial and Credit Statement of sponsors is required from investor-sponsor, non-profit, and condominium mortgagees only.

Section M. Indicate the cash investment from sponsors only in investor-sponsor, non-profit and condominium cases.

HUD-Wash., D. C.

OPERATING BUDGET FOR COOPERATIVE
FORM NO. 3240

PURPOSE: All expenses of the cooperative corporation, including the payments to principal, interest (at the market rate) and mortgage insurance, and cooperative association dues and occupancy life insurance, should be included. Since cooperatives normally have a significant number of non-subsidized members, the market-rate occupancy charges should be shown, as well as the basic occupancy charges.

OPERATING BUDGET FOR COOPERATIVE HOUSING CORPORATIONS

PROJECT NO.(S) _____

PROJECT NAME Twin Pines Towne Houses ADDRESS _____

COVERING PERIOD FROM Initial Budget TO _____

EXPENSES	ACCT. NO.	1 Prior Year Budget	2 Prior Year Actual	3 Over (Under)	4 Adjustments Incr. (Decr.)	5 New Annual Budget	6 Adjustments By FHA
1. Vacancy & Collection Loss	6370					2412	
2. Employee Apartment Rent	6330					1284	
3. Apartment Resale Expense	6200						
4. Management Fee	6320					9500	
5. Legal Expense	6340					600	
6. Audit Expense	6350					600	
7. Telephone	6360					300	
8. Office & Adm. Salaries	6310						
9. Office Expenses	6311					200	
10. Misc. Administrative Exp.	6390						
11. Coop Ass'n Dues						100	
12.							
13.							
14.							
15. Fuel	6420					400	
16. Electricity	6450					600	
17. Water & Sewer	6451					3000	
18. Veh. & Equip. Oper. Exp.	6441						
19. Janitor's Payroll	6430						
20. Janitor's Supplies	6431					100	
21. Estimating	6462					200	
22. Rubbish Removal	6470					3000	
23. Parking Area Expense	6480					400	
24.							
25.							
26.							
27. Grounds Maintenance	6520					400	
28. Painting & Decorating	6560	See line 55					
29. Structural Repairs	6540)					
30. Heating & Air Cond. Maint.	6510	)				1840	
31. Plumbing Maintenance	6511)					
32. Electrical Maintenance	6512)					
33. Elevator Maintenance	6550						
34. Pool Maintenance	6521						
35. Maintenance Supplies	6515						
36. Maintenance Payroll	6585					5000	
37. Misc. Maintenance Repair	6590						
38.							
39. Real Estate Taxes	6710					29,300	
40. Employer's Payroll Taxes	6711					250	
41. Miscellaneous Taxes	6719					300	
42. Property & Liability Insurance	6720					4000	
43. Workmen's Compensation	6721					150	
44. Fidelity Bonds	6723						
45. Miscellaneous Insurance	6729						
46. Occupancy Life Ins.						770	
47.							
48.							
49. Ground Rent	6815						
50. FHA Mortgage Ins. Premium	6850					9000	
51. Mortgage Interest	6820					126,000	
52. Mortgage Principal	2320					8164	
53. Replacement Reserve	1320					6000	
54. General Operating Reserve	1365					3618	
55. Painting Reserve	1330					1000	
56. Project Equipment Purch.	1470						
57. Capital Improvements	1400						
58. TOTAL EXPENSE						215,188	

Column #6 reflects necessary or desirable increases and decreases over prior year's budget (Col. #1) to arrive at New Annual Budget (Col. #5). Carrying Charges and other budgeted income (Line #68) must at least equal the total expenses on line #58. Lines 52-57 provide for capital contributions by members, in excess of their downpayments, and should be entered in the books thru Account #3241 (Paid-in Surplus). Surcharges received from over-income occupants in Section 221(d)(3) cases are not budget items and should not be reflected in any of the columns in Item 59 nor in the Schedule of Carrying Charges, but should be reflected in a separate form. Additional instructions for the preparation of this form are contained in Appendices IV-3 and IV-10 of the Cooperative Housing Insurance and Servicing Handbook and in the Uniform System of Accounts For Cooperative Housing Projects, FHA Form No. 3262.

APPENDIX C

EXHIBIT 2

INCOME	ACCT. NO.	1 Prior Year Budget	2 Prior Year Actual	3 Over (Under)	4 Adjustments Incr. (Deacr.)	5 New Annual Budget	6 Adjustments By FHA
59. Carrying Charges	5110					215,240	
60. Late Charges	5910	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
61. Interest Income	5410					150	
62. Laundry						1,200	
63.							
64.							
65.							
66.							
67.							
68. TOTAL INCOME						217,590	
69. TOTAL EXPENSE (Line 58)						215,188	
70. INCOME OVER (UNDER) EXPENSE						2,402	

STATUS OF FUNDED RESERVES

	ACCT. NO.	Required to Date	Actual on Deposit	Excess (Deficiency)	
A. Replacement Reserve	1320				PROVISION FOR REPAYMENT OF ANY DEFICIENCIES SHOULD BE INCLUDED IN LINES 53, 54 AND 55.
B. Gen. Opr. Reserve	1365				
C. Painting Reserve	3230				
D.					
E.					
F.					

SCHEDULE OF CARRYING CHARGES

DESCRIPTION OF UNIT	No. of Units of this Type	MONTHLY CARRYING CHGS.		ANNUAL CARRYING CHARGES	
		BASIC	MARKET	BASIC	MARKET
2 br	30	92	157		56,520
3 br	50	107	183		109,800
4 br	20	122	208		49,920
TOTALS					216,240

Unless otherwise indicated it is assumed that all utilities, maintenance and replacements are provided by the cooperative and are included in the above carrying charges. If any of these items are paid for directly by the member check below. (Specify any other items not listed)

Utilities: Fuel Electricity Water

Replacements: Range Refrigerator Air Cond. Garb. Disp.

Maintenance: Range Refrigerator Air Cond. Garb. Disp.

Explanatory comments, including management agents opinion as to adequacy of proposed new budget:

Prepared By: _____ Approved: _____

Managing Agent _____ Title _____
(On Behalf of Cooperatives)

Date _____ Date _____

Approved: _____ Approved as indicated in column 6: _____

Chief of Operations, FHA Insuring Office _____ Director, FHA Insuring Office _____

Date _____ Date _____

APPENDIX C

EXHIBIT C-3

SUPPLEMENT TO SUBSCRIPTION AGREEMENT*
FORM NO. 3232-A

PURPOSE: This is the detailed application for membership in a cooperative, and supports the applicant's pledge to purchase a membership in accordance with the Subscription Agreement itself.

(See Exhibit C-7)

*This form may be obtained after preliminary discussions with the HUD office in the locale of the proposed project.

INFORMATION BULLETING FOR HOUSING COOPERATIVE*
FORM NO. 3241-D

PURPOSE: This is the "prospectus" prepared by the sponsor and approved by FHA before it is offered to prospective buyers of cooperative memberships. It describes the property to be acquired and the cooperative plan.

*This form may be obtained after preliminary discussions with the HUD office in the locale of the proposed project.

BY-LAWS OF A HOUSING COOPERATIVE*
FORM NO. 3245

PURPOSE: This is the "constitution" of the cooperative. It states in detail the rights and responsibilities of the members, and the powers of the Board of Directors, elected by the members to operate the corporation.

*This form may be obtained after preliminary discussions with the HUD office in the locale of the proposed project.

REGULATORY AGREEMENT
FORM NO. 3225-A

PURPOSE: This contract between FHA and the cooperative imposes certain restrictions to ensure that the coop conducts its affairs in a business-like manner, for the protection of the members and the coop, as well as FHA.

FHA FORM NO. 3225-A
Rev: September, 1970

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

APPENDIX C
EXHIBIT 6

REGULATORY AGREEMENT

(For use by cooperatives in Section 236 cases)

AGREEMENT dated this _____ day of _____, 19____, by and between _____ (hereinafter called the Mortgagor), whose address is _____ party of the first part, and _____, as Secretary of Housing and Urban Development (hereinafter called the Secretary) acting pursuant to authority granted him by the National Housing Act, as amended, (hereinafter referred to as the Act), party of the second part.

WHEREAS, the Mortgagor is the owner of certain premises upon which it is to be erected, or has been erected, a cooperative housing project, designated as FHA Project No. _____ and has requested _____ (hereinafter referred to as the Mortgagee) to lend the sum of _____ Dollars (\$ _____) to be secured by a certain Note and Mortgage (hereinafter referred to as the Mortgage); and

WHEREAS, the premises encumbered (or to be encumbered) by the above referred to mortgage are located in _____ County of _____ and State of _____, and are more particularly described in Exhibit A attached hereto, and made a part hereof; and

WHEREAS, the Mortgagor and Mortgagee have requested the Secretary to endorse said Note for mortgage insurance pursuant to Section 236 of Title II of the Act; and

WHEREAS, the Mortgagee is unwilling to lend said sum to the Mortgagor without a Contract of Mortgage Insurance evidenced by such endorsement, and the Secretary is unwilling to endorse the Note for mortgage insurance unless and until the Mortgagor shall, by entering into the covenants and agreements set forth below, consent to be regulated and restricted by the Secretary as provided in the Act.

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) in hand paid, and other good and valuable considerations by each party to the other, the receipt of which is hereby acknowledged, and in order to induce the Secretary to endorse for mortgage insurance the Note secured by said Mortgage, and in order that the Mortgagor may be regulated and restricted by the Secretary as provided for in said Section 236 and the applicable Rules, the parties hereto agree as follows: that as long as the Contract of Mortgage Insurance continues in effect, and during such further period of time as the Secretary shall be the owner, holder, or reinsurer of the mortgage, or during any time the Secretary is obligated to insure a mortgage on the mortgaged property:

1. The Mortgagor shall promptly make all payments due under the note and mortgage; provided, however, that the Secretary shall make payments to the mortgagee on behalf of the mortgagor in accordance with the interest reduction contract between the mortgagee and the Secretary.
2. The Mortgagor shall establish and maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the Mortgagee or in a safe and responsible depository designated by the Mortgagee, commencing on the date of the first payment towards amortization of the principal of the Mortgage insured by the Secretary, of an amount equal to \$ _____, and a like amount monthly thereafter. Such fund may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by the United States of America, and shall at all times be under the control of the Mortgagee. Such fund is for the purpose of effecting replacements of structural elements and mechanical equipment of the project and for such other purposes as may be agreed to in writing by the Secretary. Disbursements from such fund may be made only after receiving the consent in writing of the Secretary.
3. Commencing with occupancy, the Mortgagor shall establish and maintain a general operating reserve by allocation and payment thereto monthly of a sum equivalent to not less than 3 percent of the monthly amount otherwise chargeable to the members pursuant to their occupancy agreements. Upon accrual in said General Operating Reserve Account, of an amount equal to 15 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreements, the rate of such monthly allocations may, by appropriate action of the mortgagor, be reduced from 3 percent to 2 percent provided, however, that in the event withdrawals from such account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent; at any time thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25 percent of the current annual amount

- 2 -

otherwise chargeable to the members pursuant to their Occupancy Agreements, such monthly deposits may, by appropriate action of the Mortgagee, be discontinued and no further deposits need be made into such General Operating Reserve as long as said 25 percent level is maintained and provided, further, that upon any reduction of such reserve below said 25 percent level, monthly deposits shall forthwith be made at the 3 percent rate until the 25 percent level is restored. This reserve shall remain in a special account and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America, and shall at all times be under the control of the Mortgagee. This cumulative reserve is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time as a result of delinquent payments by individual occupants for private funds for the repurchase of stock of withdrawing members, and other contingencies. Withdrawals totaling in excess of 5% per cent of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of the Secretary. Redistributions shall be made to the account upon payment of delinquencies or sale of stock for which funds were withdrawn from the reserve.

4. The Mortgagee covenants and agrees that:

- (a) with the prior approval of the Secretary, it will establish for each dwelling unit (1) a basic carrying charge determined on the basis of operating the project with payments of principal and interest under a mortgage having interest at one percent and (2) a fair market carrying charge determined on the basis of operating the project with payments of principal, interest and mortgage insurance premiums due under the insured mortgage on the project.
- (b) (1) the actual carrying charges to be collected for each unit, in cases where the carrying charges include all utilities except telephone, will be equal to 25% of the member's income in the basic carrying charge, whichever is greater, but in no event shall the actual carrying charge exceed the fair market carrying charge.
- (2) in cases where the member pays directly for utilities in addition to telephone, the basic carrying charges, fair market carrying charges, and actual carrying charges will be determined in the same manner as in (b)(1) above but the amounts to be paid by the member to the cooperative will be decreased by the estimated amount of personal benefit expense excluding telephone costs approved by the Secretary as listed in the Information Bulletin.
- (3) the Secretary from time to time may direct or approve a change in the amount of the basic carrying charges, the fair market carrying charges, or the estimated amount of the personal benefit expenses.
- (c) it shall limit occupancy in the project to those families whose incomes do not exceed the limits prescribed by the Secretary, with the exception of those occupants who agree to pay fair market rental;
- (d) preference for occupancy shall be given in a manner to be specified by the Secretary, to those families displaced from an urban renewal area, or as a result of governmental action, or as a result of a disaster determined by the President to be a major disaster, and to those families whose incomes are within the lowest practicable limits for obtaining membership in the project;
- (e) it will obtain from each applicant for membership a certification of income on a form, at a time and in a manner approved by the Secretary;
- (f) it will obtain from all members, who are not paying a fair market carrying charge, a certification of income on a form and in a manner approved by the Secretary at intervals as required by the Secretary;
- (g) if any required recertification or one made voluntarily by a member reveals a change in income which would make the member eligible for a lower or higher actual carrying charge, such adjustment in actual carrying charge shall be made, provided that such carrying charge shall never be less than the basic carrying charge and shall never exceed the fair market carrying charge;
- (h) in a manner prescribed by the Secretary, it will obtain written evidence substantiating the information given on the certification and recertification of income and shall retain the evidence in its files for three years;
- (i) it shall forward to the Secretary a monthly report of excess income on a form approved by the Secretary and shall remit the difference between the total carrying charge collections and the approved basic carrying charge per unit for all occupied units, provided that a monthly report on such form must be submitted even if no remittance is due;
- (j) it shall not in approving members discriminate against any person or persons by reason of the fact that there are children in the family if the unit involved is adequate in size for such occupancy;
- (k) no change will be made in the basic carrying charge, the fair market carrying charge or the estimate of personal benefit expense unless approved by the Secretary;
- (l) the size of the unit to be occupied shall be in relation to the number of persons in the family;

- 3 -

(m) subject to the foregoing, The Mortgagor shall establish and collect monthly carrying charges pursuant to the conditions set forth herein. Monthly carrying charges charged to members during the initial occupancy period shall be made by the mortgagor in accordance with a schedule of charges filed with and approved in writing by the Secretary prior to the opening of the project for occupancy. Such charges shall be in an amount sufficient to meet the Secretary's estimate of cooperative management expense, operating expense and maintenance expense, debt service, taxes, special assessments and ground rents, if any, reserves, and all other expenses of the Mortgagor. Subsequent to the initial occupancy period, charges made by the Mortgagor for its accommodations shall be in accordance with a schedule of charges filed with and approved in writing by the Secretary and shall be in amounts sufficient to meet the mortgagor's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the Secretary 60 days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the project and a sufficiently detailed estimate of expenses which will include separate estimates for administration expense, operating expense, maintenance expense, utilities, hazard insurance, taxes and assessments, ground rent, interest and amortization, mortgage insurance premium, replacement reserve and operating reserve. The Mortgagor shall not permit occupancy of its accommodations except in accordance with a schedule of charges approved by the Secretary and such schedule shall not be changed except with the written approval of the Secretary; nor shall occupancy be permitted by the Mortgagor except upon the execution of an occupancy agreement in a form approved by the Secretary. The property of the Mortgagor shall not be rented as an entirety. Commercial accommodations and non-dwelling facilities, if any, shall be rented only according to a schedule of charges fixed by the directors and approved in writing by the Secretary, and the form of lease shall be subject to the written approval of the Secretary. The Mortgagor shall provide for the management of the project in a manner satisfactory to the Secretary. Any management contract entered into by the mortgagor involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Secretary addressed to the mortgagor and the management agent. Upon receipt of such request the mortgagor shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Secretary for continuing proper management of the project.

5. The Mortgagor shall not without prior approval of the Secretary, given in writing:

- (a) sell, assign, transfer, dispose of or encumber any real or personal property, except as specifically permitted by the terms of the Mortgage;
- (b) remodel, reconstruct, demolish or subtract from the premises constituting the project and subject to the Mortgage;
- (c) permit the occupancy of any of the dwelling accommodations of the Corporation except at the charges fixed by the schedule of charges provided herein;
- (d) permit occupancy of any of the dwelling accommodations of the Corporation except by members of the Corporation;
- (e) consolidate or merge the Corporation into or with any other Corporation; go into voluntary liquidation; carry into effect any plan of reorganization of the Corporation; effect any changes whatsoever in its capital structure; alter or amend its Certificate of Incorporation; or amend its by-laws;
- (f) fail to establish and maintain the Fund for Replacements and general operating reserve as set forth herein;
- (g) incur liabilities (direct or contingent) which will at any time exceed in the aggregate \$
except the indebtedness secured by the Mortgage or necessarily incidental to the execution and delivery thereof;
- (h) enter into any contract or contracts for supervisory or managerial services;
- (i) invest any funds of the Corporation in any property, real, personal or mixed, except obligations of, or fully guaranteed as to principal by, the United States of America;
- (j) encumber or dispose of in any manner whatsoever any funds derived from the proceeds of its insured Mortgage in excess of sums required to pay the applicable statutory percentage of the actual cost of legitimate obligations incurred in the construction of the physical improvements on the mortgaged property and for which mortgage funds were made available, nor fail to apply such excess funds to the reduction of the principal due under the insured Mortgage;
- ** (k) fail to keep in full force and effect a contract satisfactory to the Secretary covering the maintenance and replacement of parts of any elevator, air conditioning or related equipment, or, if such contract shall be allowed to expire, then fail to accrue an additional sum in such amount as shall be designated by the Secretary to be sufficient to allow for deferred and future replacements as part of the annual Reserve for Replacement Fund collected by the Corporation so as to insure that funds will be available for replacement of related parts and equipment.

* Not more than 1% of the insured mortgage amount.

** Delete, if not applicable.

-4-

6. During the period between initial and final endorsement of mortgage insurance by the Secretary, no compensation or fee shall be paid nor obligation thereon incurred by the Mortgagor except with the prior written approval of the Secretary. Thereafter* no compensation or fee shall be paid by the Mortgagor except for necessary services and except if such debt is fair and reasonable in the locality for similar services, nor, except with the prior written approval of the Secretary, shall any compensation be paid by the Mortgagor to its officers, directors or stockholders, or to any person or corporation, its subsidiary or manager's services, nor shall any compensation be paid by the Corporation to any employee, its officer, director, stockholder, agent or employee of the Mortgagor, shall in any manner, becoming indebted to the Mortgagor, except on account of approved stock-purchase changes.
7. The Mortgagor shall maintain its project, the grounds, buildings and equipment apparatus, thereon, in good repair and in such condition as will preserve the health and safety of its occupants.
8. The Mortgagor, its property, equipment, buildings, plans, office, apparatus, devices, books, contracts, records, documents and papers shall be subject to inspection and examination by the Secretary or his duly authorized agent at all reasonable times.
9. The books and accounts of the Mortgagor shall be kept in accordance with the Uniform System of Accounting prescribed by the Secretary. The Mortgagor shall file with the Secretary and the Mortgagee the following reports verified by the signature of such officers of the Mortgagor as may be designated and in such form as may be prescribed by the Secretary:
- monthly or quarterly operating reports, when required by the Secretary;
 - semi-annual financial statement within sixty days after the semi-annual period when required by the Secretary;
 - annual reports prepared by a certified public accountant or other person acceptable to the Secretary, within sixty days after the end of each fiscal year;
 - specific answers to questions upon which information is desired from time to time relative to the operation and condition of the property and the status of the Mortgage;
 - copies of minutes of all stockholders' meetings certified to by the secretary of the Mortgagor within thirty days after such meetings, and when required by the Secretary, copies of minutes of directors' meetings.
10. The Mortgagor shall not execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of the property subject to the insured mortgage, or any part thereof, on the basis of race, color or creed.
11. No litigation seeking the recovery of a sum in excess of \$3,000 nor any action for specific performance or other equitable relief shall be instituted nor shall any claim for a sum in excess of \$3,000 be settled or compromised by the Mortgagor unless prior written consent thereto has been obtained from the Secretary. Such consent may be subject to such terms and conditions as the Secretary may prescribe.
12. The Mortgagor agrees to observe and perform each and every one of the covenants, and provisions required to be observed and performed under or pursuant to the terms of the Mortgage, or of the Building Loan Agreement referred to in said Mortgage, or of the Construction Contract for the construction of the project, or of any rent supplement contract executed by the Mortgagor and the Secretary or of any modifications thereof. Any rent supplement contract executed by the Mortgagor and the Secretary is incorporated in and made a part hereof.
13. The Mortgagor agrees that any membership shall be sold by the Mortgagor or by a member only in the manner and for the amount as provided in the By-Laws, and that to this end a sale by a member shall be supported by a certification by the seller and the purchaser as to the amount of the sales price not in excess of that permitted by the By-Laws.
14. The Mortgagor shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy, or the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale.
15. As security for the payment due under this Agreement for the Reserve Fund for Replacements, and to secure the Secretary because of his liability under the endorsement of the Note for insurance, and as security for the other obligations under this Agreement, the Mortgagor assigns, pledges and mortgages to the Secretary its rights to the rents, profits, income and charges of whatever sort which it may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein: Provided, however, that permission is granted to the Mortgagor to collect and retain under the provisions of this Agreement the rent, profits, income and charges,

* In Insurance Upon Completion cases and in cases where a cooperative is purchasing the project from an Investor Sponsor, delete the first sentence of the paragraph and the word, "Thereafter" from the second sentence.

- 5 -

during any such period or periods of time for which the Secretary has not declared a default. Upon declaration by the Secretary of a default, the said permission is terminated and shall not be deemed to be reinstated until the Secretary has declared the default to be cured.

16. The Mortgagor will comply with the provisions of any Federal, State or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all requirements imposed by or pursuant to the Regulations of the Department of Housing and Urban Development (24 C.F.R., Subtitle A, Part 1) issued pursuant to that title, and regulations issued pursuant to Executive Order 11063.
17. Upon a violation of any of the above provisions of this Agreement by the Mortgagor, the Secretary may give written notice, thereof, to the Mortgagor, by registered or certified mail, addressed to the addressees stated in this Agreement. If such violation is not corrected to the satisfaction of the Secretary within 15 days after the date such notice is mailed, or within such additional period of time as is set forth in the notice, or where the Mortgagor proceeds immediately and diligently, within such further time as the Secretary determines is necessary to correct the violation, without further notice the Secretary may declare a default under this Agreement and upon such default the Secretary may:
- (a) (i) If the Secretary holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
 - (ii) If said note is not held by the Secretary - notify the holder of the note of such default, and the holder, with the prior written consent of the Secretary, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Secretary as provided in the Regulations;
 - (b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the Mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;
 - (c) Take possession of the mortgaged property, bring any action necessary to enforce any rights of the Mortgagor of the project, and any rights of the Secretary, arising by reason of the Agreement, and operate the project in accordance with the terms of this Agreement until such time as the Secretary in his discretion determines that the Mortgagor is again in a position to operate the project in accordance with the terms of this agreement and in compliance with the requirements of the note and mortgage.
 - (d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Secretary arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.
 - (e) Terminate the interest reduction payments to the mortgagee.
18. The covenants and agreements herein set out shall be deemed to run with the land herein described so long as there is a mortgage on said property insured or owned by the Secretary and to bind any future purchasers of the real property or any part thereof.
19. As used in this Agreement the term:
- (a) "Mortgage" shall include "Deed of Trust";
 - (b) "Note" shall include "Bond";
 - (c) "Mortgagor" shall include "Grantor" under any Deed of Trust;
 - (d) "Mortgagee" shall include the "Beneficiary" under Mortgage or Deed of Trust however designated;
 - (e) "Default" means a default declared by the Secretary when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement on such further time as may be allowed by the Secretary after written notice;
 - (f) "Stock" shall include membership certificates or other forms designating member ownership;
 - (g) "Family" means:
 - (1) not less than two persons related by blood, marriage or operation of law who occupy the same unit; or,
 - (2) a handicapped person who has a physical impairment which is expected to be of a long continued and indefinite duration which impedes his ability to live independently and is of such a nature that his ability to live independently could be improved by more suitable housing conditions; or
 - (3) a single person 62 years of age or older; and
 - (4) a single person less than 62 years of age, provided, that occupancy by such persons is limited to 10 per centum of the dwelling units in the project.

- 6 -

- (h) "Income" means all gross annual income of the family from all sources, before taxes and withholding, after excluding the following:
- (1) 5% of such income as an allowance in lieu of amounts withheld from income for social security and similar payroll deductions; (except in computing income for Rent Supplemented Members);
 - (2) All unusual or temporary income (as defined by the Secretary);
 - (3) The earnings of each family member who is a minor under 21 years of age (except the tenant or his spouse) and living with the family;
 - (4) The sum of \$300 for each such minor;
 - (5) Any change, deletion or addition to the above which the Secretary may direct.
- (The use of the plural shall include the singular; the singular the plural; and the use of any gender shall be deemed to include all genders.)
20. (For Use in Multi-Section Projects Only):
- (a) This Regulatory Agreement relates to Section of a larger development comprising proposed sections of housing to be undertaken by the Mortgagor which will involve a total of dwelling units. To the extent that any additional section is undertaken by the Mortgagor and the Secretary endorses for insurance the mortgage covering the additional section, a Regulatory Agreement will be entered into by the Mortgagor covering that section and such Regulatory Agreement will be recorded in the land records of the County of State of
 - (b) The Mortgagor agrees that all utilities, streets, playgrounds, community structures, and other facilities designed to serve the entire housing development, including but not limited to the following, are intended for the joint use and enjoyment of all of the members of the Mortgagor who are residents of the several sections of the development, and that the Mortgagor, its legal representatives, successors in interest or assigns shall permit and provide for the joint use, access and maintenance of the following by such members who are residents of all sections of the development:
 - (i) on-site and off-site interconnecting sanitary sewers;
 - (ii) on-site and off-site interconnecting water lines;
 - (iii) on-site and off-site interconnecting storm sewers, structures, and outlets;
 - (iv) on-site and off-site interconnecting telephone, gas and electric lines;
 - (v) on-site and off-site interconnecting streets, sidewalks and parking lots; and
 - (vi) all common areas, play areas and meeting hall or maintenance buildings.

The Mortgagor, its legal representatives, successors in interest or assigns shall also permit and shall not unreasonably interfere with the use by each mortgage section of the development (including such use by any successor in interest to the Mortgagor who acquires title to or takes possession of any such mortgage section pursuant to the provisions of the mortgage on such section or otherwise) of all such utilities, streets, playgrounds, community structures, and other facilities which are necessary for the independent operation of each mortgage section, should the need therefor arise. The Mortgagor further agrees that, so long as the Contract of Mortgage Insurance continues in effect on any section of the housing development, and during such further period of time as the Secretary shall be the owner, holder, or reinsurer of a mortgage on any section of the housing development, or during any time the Secretary is obligated to insure a mortgage on any section of the housing development, the Secretary may take any and all action necessary to enforce the foregoing covenants and agreements, including but not limited to the establishment of easements, use covenants and maintenance obligations; and all such actions by the Secretary shall be binding upon the Mortgagor, its legal representatives, successors in interest or assigns.
 - (c) The Mortgagor agrees that upon the occurrence of a default under this Regulatory Agreement, the Secretary may exercise any of the rights set forth in this Agreement, not only with respect to the mortgage area described in this Regulatory Agreement, but also with respect to the other mortgaged areas described in such other Regulatory Agreements of the Mortgagor as have been recorded as aforesaid.
21. This instrument shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns.
22. The invalidity of any clause, part or provision of this agreement shall not affect the validity of the remaining portions thereof.
23. It is specifically agreed between the parties hereto that the breach of any of the terms of this Agreement by the Mortgagor will substantially damage and injure the Secretary in the proper performance of his duties under the provisions of the Act, and will impede and injure the proper operations intended under such Act, that such damage will be irrespective of and in addition to any damage to the security of the mortgaged premises or to any financial damage the Secretary may suffer as insurer; that, except for the agreements herein contained, the Secretary would not issue and would not be authorized to issue his Contract of Mortgage Insurance, and that the Mortgagor would not lend the sum above-mentioned to the security of the said Mortgage unless the same were insured by the Secretary.

- 7 -

IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written:

WITNESS:

_____ (SEAL)

_____ (SEAL)

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

_____ By _____
_____ (Authorized Agent)

ACKNOWLEDGEMENT OF MORTGAGOR
(In accordance with form in State where property is located)

SUBSCRIPTION AGREEMENT
FORM NO. 3232

PURPOSE: The Subscription Agreement is the applicant's promise to purchase a membership, as soon as he has been approved for membership by the coop and FHA. The primary conditions for approval are acceptable credit, and demonstrated eligibility under Section 236 regulations. Income can exceed the limits prescribed for subsidy, provided that it is sufficient to enable payment of the market rate occupancy charge.

FHA FORM NO. 3222
Rev. February 1969

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

APPENDIX C
EXHIBIT 7

MODEL FORM OF SUBSCRIPTION AGREEMENT
(For use by all Cooperative Corporations under Sections 213, 221 and 236 of
the National Housing Act)¹

Application No. _____

Dwelling Unit No. _____

Date _____

1. Subscription Amount

(a) I/We _____, a legal resident of _____, hereinafter called the "Subscriber", in consideration of the mutual promises of other subscribers and other good and valuable considerations, hereby subscribe for membership in _____, a cooperative housing corporation hereinafter called the "Corporation", and hereby subscribe for

(OMIT INAPPLICABLE PARTS)

- (i) One share of common capital stock, Class _____, of said Corporation having a par value of \$ _____ per share.
- (ii) _____ shares of common capital stock of said Corporation having a par value of \$ _____ per share.
- (iii) Membership Certificate in said Corporation having a par value of \$ _____.

(b) I/We hereby agree to pay the subscription price of \$ _____, as follows:**

- (i) \$ _____ upon signing this Agreement;
- (ii) \$ _____ on written demand by the Corporation. (Such demand will constitute notification of subscriber's acceptability for membership; provided that, if full payment is made of the subscription price without a written demand therefor, the Subscriber's acceptability for membership shall not occur until written notification thereof is sent to the Subscriber.)

2. Ratification of Other Provisions

I/We hereby ratify the provisions contained in the Certificate (Articles) of Incorporation, By-Laws, Regulatory Agreement, Information Bulletin,*** and Occupancy Agreement, copies of which are attached hereto and receipt of which is hereby acknowledged.

3. Priority of Mortgage Lien

This Agreement and all rights hereunder are and at all times shall be subject and subordinate to the lien of the mortgage and accompanying documents to be executed by the Corporation to a lending institution and to be insured under (Section 213) (Section 221) (Section 236)**** of Title II of the National Housing Act; and to any and all modifications, extensions, and renewals thereof; and to any mortgage or deed of trust made in place thereof; and to any mortgage or deed of trust which may at any time thereafter be placed on the property of the Corporation or any part thereof.

4. Occupancy Agreement

The subscriber, if approved for membership, will be entitled to occupancy of the above dwelling unit under the terms of the Occupancy Agreement. It is estimated that the initial carrying charge per month for said unit will be \$ _____ but it is to be emphasized that this is only an estimate, subject to fluctuations as provided for in the Occupancy Agreement. I/We agree to execute the Occupancy Agreement on demand and to comply with all the terms thereof. (In Section 236 cases the following language should be added.) The basis for calculating the carrying charges is described in the Information Bulletin. The estimated carrying charge amount shown above is a tentative amount computed by the cooperative's sales representative based upon income and other information supplied by the subscriber and is subject to verification by the Federal Housing Administration. The effective carrying charge figure may therefore be increased, decreased or remain the same. If the figure is increased the subscriber will be notified in writing and be given the option to accept same, but if he does not wish to do so he may request that this agreement be cancelled, whereupon he will be entitled to a return of all sums paid hereunder. In order to cancel the agreement and obtain such refund, however, he must give written notice to this effect to the corporation within 15 days after the date of the notification to him of the increased monthly charges.

* In Sales Type Corporations under Section 213, FHA Form 3231 or 3233 should be used.
** The total of all subscription prices should be in an amount determined by the sponsors to be sufficient to cover the difference between the mortgage loan and the total cost of the project plus the amount required for working capital deposit specified in the FHA Commitment for Insurance. Normally, the amount of stock subscribed by each member should be equivalent to his "down payment". Where this is not the case and the stock subscription amounts or membership fees are to be augmented by paid in capital in some other form, the applicable facts should be clearly spelled out in the Subscription Agreement. As to the small fee to be paid by the subscriber for a credit report, which is in addition to the subscription price, this may be conveniently covered by a separate receipt bearing the statement, if desired, that such fee is not refundable.
*** Insert at this point "Cooperative Agency Agreement" in cases where the cooperative has retained an organizing agent, and add "Sales Agreement" where such form is required by the FHA Commitment for Insurance.
**** Delete inappropriate references.

5. Cancellation Provisions

(a) By Corporation: The Corporation reserves the right at any time before it has notified the subscriber of his acceptability for membership, for reasons deemed sufficient by the Corporation, to return the amount paid by the subscriber under this Agreement, or in the event the subscriber shall have died prior to becoming a member the Corporation reserves the right to return same to subscriber's estate or legal representative, and thereupon all rights of the subscriber shall cease and terminate without further liability on the part of the Corporation.

If the subscriber shall default in any of the obligations called for in this Agreement, and such default shall continue for fifteen (15) days after notice sent by registered mail by the Corporation to the Subscriber at the address given below, then, at the option of the Corporation, the subscriber shall lose any and all rights under this Agreement, and any amount paid toward the subscription price may be retained by the Corporation as liquidated damages, or may at the option of the Corporation be returned less the subscriber's proportionate share of expenses incurred by the Corporation, such proportionate share of expenses to be determined solely by the Corporation. The Corporation may, at its option, release the obligations of the subscriber under this Agreement in the event the subscriber shall secure an assignee of this Agreement who has assumed the obligations herein contained and is satisfactory to the Corporation and the Federal Housing Administration. This Agreement is not otherwise assignable.

(b) (USE ONLY IN SECTION 213 CASES AND SECTION 221 MARKET RATE CASES) By Federal Housing Administration: It is understood that the subscriber's credit is subject to approval by the Federal Housing Administration. In the event the Federal Housing Administration determines that the subscriber does not meet FHA credit requirements for participation in this project, then the subscriber will be entitled to a return of all sums paid hereunder. Upon such return this Agreement shall be deemed null and void and all of the subscriber's rights shall cease and terminate without further liability on the part of the Corporation.

(b) (USE ONLY IN SECTION 236 CASES AND SECTION 221 BELOW MARKET INTEREST RATE CASES) By Federal Housing Administration: It is understood that the subscriber's credit is subject to approval by the Federal Housing Administration and that said subscriber's family income and composition must be consistent with the limitations for initial occupancy established by the FHA.* The subscriber agrees to furnish information as required by FHA concerning his family income and composition. In the event the FHA determines that the subscriber does not meet FHA credit and/or family income and composition requirements for participation in this project, then the subscriber will be entitled to a return of all sums paid hereunder. Upon such return this Agreement shall be deemed null and void and all the subscriber's rights shall cease and terminate without further liability on the part of the Corporation.

(c) By Subscriber: If the subscriber within five (5) days after the execution of this Subscription Agreement notifies the Corporation in writing that he wishes to withdraw from the Agreement, the amounts paid by him under this Agreement will be returned to him and thereupon all rights and liabilities of the subscriber hereunder shall cease and terminate. The right of the subscriber to so withdraw shall, however, terminate unless exercised within such 5-day period, except that if membership is not achieved to the extent required by the Federal Housing Administration or construction of the project has not commenced within one year from the date of execution of this Agreement, subscriber shall again have the right to withdraw and obtain such refund.** (In Section 236 cases the following language should be added.) Subscriber shall also have the right to withdraw under the circumstances described in Paragraph 4 above.

6. (USE ONLY IN SECTION 221 BELOW MARKET INTEREST RATE CASES) Income Limitations:

It is understood as provided in the By-Laws and Occupancy Agreement, that if subscriber's total family income exceeds the income limitations for continuing occupancy which may be established from time to time by the FHA, the subscriber will as determined by the Corporation, either (a) quit and deliver up the premises or (b) pay such additional monthly carrying charges as have been established by the Corporation with FHA approval.

(USE ONLY IN SECTION 236 CASES) Income Limitations:

It is understood as provided in the Occupancy Agreement, that if subscriber's total family income exceeds the income limitations which may be established from time to time by the FHA, the subscriber will pay such additional monthly carrying charges as have been established by the Corporation with FHA approval.

7. Oral Representations Not to be Relied Upon

This Agreement will supersede any prior understandings and agreements and constitutes the entire agreement between us, and no oral representations or statements shall be considered a part hereof.

WITNESS

Subscriber

Subscriber

Address

Telephone

* In certain cases involving the conversion of existing rental projects to cooperative ownership, this language may be modified with FHA approval to reflect that existing over-income tenants may become cooperative members but will be required to pay higher carrying charges than would otherwise be applicable.

** In projects composed of existing rather than new construction, delete the words "construction of the project has not commenced" and substitute in lieu thereof the following "title to the project has not been acquired by the Corporation". In Investor Sponsor cases and in cases where Commitment Form 1208 is used, delete "construction of the project has not commenced within one (1) year from the date of execution of this Agreement" and substitute in lieu thereof the following "title to the project has not been acquired by the Corporation within one (1) year after the date estimated by the FHA for completion of the project."

APPENDIX C

EXHIBIT C-8

OCCUPANCY AGREEMENT*
FORM NO. 3237-B

PURPOSE: The Occupancy Agreement is the member's contract with the cooperative, which states his right to permanent possession of his dwelling, so long as he abides by the rules promulgated by the Board of Directors for the good of all.

*This form may be obtained after preliminary discussions with the HUD office in the locale of the proposed project.

REGULATORY AGREEMENT (FOR USE BY INVESTOR-
SPONSOR CORPORATIONS IN SECTION 236 CASES.)
FORM NO. 3254-C

PURPOSE: This form establishes the regulatory agreement between the Investor-Sponsor Corporation and the HUD with respect to the endorsement of insurance on the mortgage. And it establishes those regulatory requirements necessary to affect the conveyance of the project to a nonprofit cooperative housing corporation within two years of Completion Date.

FHA FORM NO. 3254-C
 New Nov. 1969
 (For use by Investor-
 Sponsor Corporations in
 Section 236 cases.)

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

APPENDIX C
EXHIBIT 9

REGULATORY AGREEMENT

Project No.

Mortgagee

Amount of Mortgage Note

Date

Mortgage Recorded:

State

County

Date

Book

Page

This Agreement entered into this _____ day of _____, 19____, between

Whose address is

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Federal Housing Commissioner and his successors, (hereinafter called Commissioner).

In consideration of the endorsement for insurance by the Commissioner of the above described note or in consideration of the consent of the Commissioner to the transfer of the mortgaged property, and in order to comply with the requirements of Section 236 of the National Housing Act and the FHA Regulations adopted by the Commissioner pursuant thereto, Owners agree for themselves, their successors, heirs, and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property

1. Owners, except as limited by Paragraph 19 hereof, shall promptly make all payments due under the note and mortgage; provided, however, that the Commissioner shall make payments to the mortgagee on behalf of the mortgagor in accordance with the interest reduction contract between the mortgagee and the Commissioner.
2. Owners shall faithfully and diligently make and carry out all reasonable efforts to convey the Project within two years from the Completion Date to a nonprofit cooperative housing corporation approved by the Commissioner and referred to hereafter as the "Cooperative", and the Owners agree that the consideration for the conveyance of the project to such Cooperative shall not exceed that permitted by the FHA Regulations under Section 236.
3. During the period of time commencing on the date of the initial endorsement of the Note by the Commissioner for insurance, and ending (a) on the second anniversary of the Completion Date, or (b) on the date title to the Project is conveyed to the Cooperative, or (c) on the date the Commissioner determines that a sale to a purchasing cooperative is not feasible, whichever shall first occur, such period of time hereinafter being referred to as the "Cooperative Sales Period", the Owners shall in a manner satisfactory to the Commissioner cause all Surplus Cash to be deposited monthly with a depository satisfactory to the Commissioner under an escrow agreement approved by the Commissioner. During such "Cooperative Sales Period" the Surplus Cash so deposited shall be disbursed only on the direction of the Commissioner who shall have the power and the authority to direct that such Surplus Cash, or any part thereof be used for such purpose as he may determine. Upon the termination of the "Cooperative Sales Period" the Owners agree that all or part of the Surplus Cash deposited during the "Cooperative Sales Period" shall continue subject to the control of the Commissioner who may direct that all or part of such Surplus Cash may be applied to the reduction of the mortgage in a manner satisfactory to the Commissioner or may be used for such other purposes as he may direct and determine.
4. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Commissioner of an amount equal to \$ _____ per month unless a different date or amount is approved in writing by the Commissioner. Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements, and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Commissioner. In the event of a default in the terms of the mortgage, pursuant to which the loan has been accelerated, the Commissioner may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.
- (b) Owners agree that: (a) the builder's fee and such further amount as the Commissioner may determine shall be held by the mortgagee; and (b) immediately prior to final endorsement all of such amounts shall be disbursed by the mortgagee into an escrow and shall not be paid to the Owners unless the Project is conveyed to a Cooperative within the "Cooperative Sales Period"; and (c) that if the Project is not conveyed to a cooperative within the Cooperative Sales Period, all such amounts shall be applied as a reduction against the mortgage or in such other manner as the Commissioner shall direct.
- (c) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payment hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved in writing by the Commissioner.

- 2 -

- (d) At the termination of the "Cooperative Sales Period". If the Project has not been conveyed to a Cooperative approved by the Commissioner, Owners shall establish and maintain, in addition to the reserve fund for replacements, a residual receipts fund by depositing thereto, with the mortgagee, within sixty days after the close of any fiscal year, any residual receipts, as that term is defined hereinafter. Such fund shall be under the control of the Commissioner, and shall be disbursed only on the direction of the Commissioner, who shall have the power and authority to direct that such fund, or any part thereof, be used for such purpose as he may determine.
5. Real property covered by the mortgage and this Agreement is described in Schedule A attached hereto.
6. The Owners covenant and agree that:
- (a) with the prior approval of the Commissioner, they will establish for each dwelling unit (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest under a mortgage bearing interest at one percent and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest and mortgage insurance premiums due under the insured mortgage on the project;
 - (b) the rental charged for each unit, which will include all utilities except telephone, will be equal to 25% of the tenant's income or the basic rental, whichever is greater, but in no event shall the rental charged exceed the fair market rental;
 - (c) they shall limit admission to the project to those families whose incomes do not exceed the limits prescribed by the Commissioner, with the exception of those tenants who agree to pay fair market rental;
 - (d) preference for occupancy shall be given to those families displaced from an urban renewal area, or as a result of governmental action, or as a result of a disaster determined by the President to be a major disaster, and those families whose incomes are within the lowest practicable limits for obtaining rental units in the project;
 - (e) on forms approved by the Commissioner they will obtain from each prospective tenant, prior to admission to the project, a certification of income, and a recertification of income from all tenants who are not paying fair market rental at intervals as required by the Commissioner;
 - (f) if any recertification reveals a change in income whereby the tenant becomes eligible for a lower or higher rent, such adjustment in rental charged shall be made, provided that rental shall never be less than basic rental and shall never exceed fair market rental;
 - (g) in a manner prescribed by the Commissioner, they will obtain written evidence substantiating the information given on the tenants' certifications and recertifications of income and shall retain the evidence in their files for three years;
 - (h) they shall require all tenants who do not pay the fair market rental to execute a lease in the form prescribed by the Commissioner, and shall not rent any unit in the project for less than 30 days nor more than one year;
 - (i) they shall remit to the Commissioner on or before the tenth day of each month the amount by which the total rentals collected on the dwelling units exceeds the sum of the approved basic rentals for all occupied units, which remittance shall be accompanied by a monthly report on a form approved by the Commissioner, provided that a monthly report must be filed even if no remittance is required;
 - (j) they shall not execute or file for record any instrument which imposes a restriction upon the sale, leasing, or occupancy of the mortgaged property on the basis of race, color, or creed;
 - (k) they shall not restrict occupancy by reason of the fact that there are children in the family, except in those projects that are designed primarily for elderly persons;
 - (l) they will rent commercial facilities, if any, at not less than the rental approved by the Commissioner;
 - (m) no change will be made in the basic rental or fair market rental unless approved by the Commissioner;
 - (n) no tenant shall be permitted to rent more than one unit at any given time without the prior written approval of the Commissioner.
- (o) during the Cooperative Sales Period they shall require all tenants to execute a lease in the form prescribed by the Commissioner for a term of not less than 30 days and not more than one year and that such leases shall contain a provision terminating them as of the date the Project is conveyed to a Cooperative approved by the Commissioner or as of the date the Cooperative Sales Period terminates.
 - (p) at the termination of the Cooperative Sales Period if the Project has not been conveyed to a Cooperative approved by the Commissioner they shall require all tenants who do not pay the fair market rental to execute a lease in the form prescribed by the Commissioner for a term of not less than 30 days and not more than one year.
 - (q) if there are rent supplement units in the project, the determination as to the eligibility of tenants for admission to such units and the conditions of continued occupancy shall be in accordance with the Rent Supplement Contract executed by the Owners and the Commissioner which is incorporated in and made a part of this Agreement.
7. The Owner shall have the right to charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owner and approved in writing by the Commissioner for any facilities and/or services which may be furnished by the Owner or others to such tenant upon his request, in addition to the facilities and services included in the approved Rental Schedule.
8. Owners shall not without the prior written approval of the Commissioner:
- (a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property;
 - (b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds except from "surplus cash," except for reasonable operating expenses and necessary repairs;
 - (c) Convey, assign, or transfer any beneficial interest in any trust holding title to the property, or any right to manage or receive the rents and profits thereof, unless the transferee or assignee assume the obligations of this Agreement by an instrument in writing satisfactory to the Commissioner;
 - (d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;
 - (e) Make, or receive and retain, any distribution of assets or any income of any kind of the project except from "surplus cash" and except on the following conditions:
 - (1) No distribution shall be made during the Cooperative Sales Period, and Surplus Cash obtained during the Cooperative Sales Period shall be deposited and disbursed as required by paragraph 3 of this Agreement.
 - (2) All distributions shall be made only as of and after the end of an annual fiscal period, and only as permitted by the law of the applicable jurisdiction; all such distributions in any one fiscal year shall be limited to six percentum on the equity investment as determined by the Commissioner, and the right to such distributions shall be cumulative;
 - (3) No distribution shall be made from borrowed funds, prior to the completion of the project or when there is any default under this Agreement or under the note or mortgage;
 - (4) Any distribution or any funds of the project, which the party receiving such funds is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds;
 - (5) There shall have been compliance with all outstanding notices of requirements for proper maintenance of the project.

- 3 -

- (f) Engage in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project;
- (g) Require, as a condition of the occupancy or leasing of any unit in the project any consideration or deposit other than the prepayment of the first month's actual rent plus a security deposit in an amount not in excess of one month's actual rent to guarantee the performance of the covenants of the lease. Any fund collected as security deposit shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account;
- (h) Permit the use of the dwelling accommodations of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Commissioner;
- (i) Incur any liability, direct or contingent, other than for current operating expenses exclusive of the indebtedness secured by the mortgage and necessarily incident to the execution and delivery thereof;
- (j) Pay any compensation or make any distribution of income or other assets to any of its officers, directors or stockholders;
- (k) Enter into any contract or contracts for supervisory or managerial services.
9. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the building covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the insured mortgage.
10. Owners shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors or permit an adjudication in bankruptcy, the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale and fail to have such adverse actions set aside within forty-five days.
11. (a) Owners shall provide for the management of the project in a manner satisfactory to the Commissioner. Any management contract entered into by Owners or any of them involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Commissioner addressed to the Owner and the management agent. Upon receipt of such request, Owners shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
- (b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.
- (c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.
- (d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Commissioner.
- (e) Within sixty days following the end of each fiscal year the Commissioner shall be furnished with a complete annual financial report based upon an examination of the books and records of the mortgagor prepared in accordance with the requirements of the Commissioner, certified to by an officer or responsible "Owner" and, when required by the Commissioner, prepared and certified by a Certified Public Accountant, or other person acceptable to the Commissioner.
- (f) At the request of the Commissioner, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.
- (g) All rents and other receipts of the project shall be deposited in the name of the project in a bank, whose deposits are insured by the F.D.I.C. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project or for distributions of surplus cash. Any owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any owner receiving property of the project in violation of this Agreement shall immediately deliver such property to the project and failing so to do shall hold such property in trust.
12. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, creed, or national origin, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat. 241), all regulations imposed by or pursuant to the Regulations of the Department of Housing and Urban Development (24 CFR, Subtitle A, Part 1) issued pursuant to that title, and regulations issued pursuant to Executive Order 11663.
13. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Commissioner because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Commissioner their rights to the rents, profits, income and charges of whatever sort which they may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.
14. Upon a violation of any of the above provisions of this Agreement by Owners, the Commissioner may give written notice, thereof, to Owners, by registered or certified mail, addressed to the addressee stated in this Agreement, or such other addressee as may subsequently, upon appropriate written notice thereof to the Commissioner, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Commissioner within fifteen days after the date such notice is mailed or within such further time as the Commissioner determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Commissioner may:
- (a) (1) If the Commissioner holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
- (2) If said note is not held by the Commissioner - notify the holder of the note of such default and request holder to declare a default under the note and mortgage, and the holder after receiving such notice and request, but not otherwise, at his option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations;
- (b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;
- (c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage;
- (d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

- 4 -

- (c) Terminate the interest reduction payments to the mortgagee made in accordance with paragraph 1. herein above.
- 15. As used in this Agreement the term:
 - (a) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;
 - (b) "Mortgagor" means the original borrower under the mortgage and its successors and assigns;
 - (c) "Owners" refers to the persons named in the first paragraph hereof and designated as "Owners," their successors and assigns;
 - (d) "Mortgaged Property" includes all property, real, personal, or mixed covered by the mortgage or mortgages securing the note endorsed for insurance or held by the Commissioner;
 - (e) "Project" includes the mortgaged property and all its other assets of whatsoever nature or whereabouts situate, used in or owned by the business conducted on said mortgaged property, such business being the furnishing of housing and other such activities as are incidental thereto;
 - (f) "Surplus Cash" means any cash remaining after:
 - (1) the payment of:
 - (i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Federal Housing Commissioner;
 - (ii) All amounts required to be deposited in the reserve fund for replacements;
 - (iii) All obligations of the project other than the insured mortgage unless funds for payment are set aside or deferment of payment has been approved by the Commissioner; and
 - (iv) Remittance due to the Commissioner as required by Paragraph 6(i); and
 - (2) the segregation of:
 - (i) An amount equal to the aggregate of all special funds required to be maintained by the project;
 - (ii) All tenant security deposits held;
 - (iii) That portion of rentals which must be remitted to the Commissioner in accordance with Paragraph 6(i), but not yet due.
 - (g) "Residual Receipts" means any cash remaining after payment from "surplus cash" of all dividends or distributions declared by the corporation as provided in paragraph 8 (c) (2) hereof.
 - (h) "Family" means (1) two or more persons related by blood, marriage, or operation of law, who occupy the same unit;
 - (2) a handicapped person who has a physical impairment which is expected to be of long continued and indefinite duration, substantially impedes his ability to live independently, and in of such a nature that his ability to live independently could be improved by more suitable housing conditions; (3) a single person, 62 years of age or older; or (4) a single person less than 62 years of age provided that occupancy by such persons is limited to 10% of the dwelling units in the project;
 - (i) "Distribution" means any withdrawal or taking of cash or other assets of the project other than payment for reasonable expense incident to its operation and maintenance;
 - (j) "Income" means all gross income of the family from all sources before taxes and withholding after giving effect to exclusions allowed by the Commissioner;
 - (k) "Default" means a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice;
- 16. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Commissioner and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage. Provided, That any other provisions of this Agreement to the contrary notwithstanding, this Agreement shall not be applicable to or bind any purchasing Cooperative if the sale of the Project to said Cooperative has been approved by the Commissioner in writing and, provided further, that such Cooperative has executed with the Commissioner, and recorded a Regulatory Agreement in a form approved by the Commissioner, or has obtained an approval in writing by the Commissioner that the execution of such Agreement is not required.
- 17. Owners warrant that they have not, and will not, execute any other agreement with provision contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.
- 18. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.
- 19. The following Owners:
 - (a) do not assume personal liability for payments due under the note and mortgage, or for the payments to the reserve for replacements, or for matters not under their control, provided that said Owners shall remain liable under this Agreement only with respect to the matters hereinafter stated; namely:
 - (i) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and
 - (ii) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

IN WITNESS WHEREOF, The Owners and the Commissioner hereto have duly executed this Agreement the day and year first above written.

SEAL

By _____
President

Attest _____
Secretary

FEDERAL HOUSING COMMISSIONER

By _____
Authorized Agent

APPENDIX C

EXHIBIT C-10

FHA LEGAL REQUIREMENTS FOR CLOSING
COOPERATIVE PROJECTS UNDER SECTION 236

PURPOSE: The Forms listed below cover all approaches to closing requirements for insurance of Cooperatives under Section 236. This list includes insurance of advances and insurance upon completion as used in management type, nonprofit, and investor-sponsor projects.

During this interim required for feasibility processing, the principals may gain valuable insight to these closing requirements by selecting the appropriate form and requesting same from the HUD office in the locale of the project.

<u>TYPE OF CLOSING AND WHERE USED</u>	<u>FHA FORM NO.</u>
Initial Endorsement for Insurance of Advances, used in Investor-Sponsor Projects.	3257
Initial Endorsement for Insurance of Advances, used in Management Type Projects.	3257A
Final Endorsement for Insurance of Advances, used in Management Type and Investor-Sponsor Projects.	3257G
Closing or Transfer, Where Cooperatives Purchases Project from Nonprofit Corporation or an Investor-Sponsor Corporation. (Note: This Closing does not involve Insurance Endorsement)	3257F
Initial Endorsement of Insurance of Advances, for a Nonprofit Corporation which intends to sell to a Cooperative.	3618
Initial-Final Endorsement of Insurance Upon Completion, for a Nonprofit Corporation which intends to sell to a Cooperative.	3618
Final Endorsement of Insurance of Advances for a Nonprofit Corporation which intends to sell to a Cooperative.	3618

**HUD AREA & INSURING OFFICES
(APP. D)**



HUD AREA OFFICE

AND

FHA INSURING OFFICES

APPENDIX D

AREA OFFICE IS
 PRECEDED BY AN *

HUD AREA AND FHA INSURING OFFICES

BOSTON REGION

*Hartford, Connecticut - Federal Office Bldg. 999 Asylum Avenue 06105	203-244-3638
Bangor, Maine - US Federal Bldg. & Post Office 202 Harlow Street 04401	207-942-8271
*Boston, Massachusetts - Bullfinch Bldg. 15 New Chardon Street 02114	617-223-4111
*Manchester, New Hampshire - Davison Bldg. 1230 Elm Street 03101	603-669-7681
Providence, Rhode Island 300 Post Office Annex 02903	401-528-4391
Burlington, Vermont - Room 630 Federal Bldg. Elmwood Avenue 05402	802-862-6501

NEW YORK CITY REGION

Albany, New York - Westgate North 30 Russel Road 12206	518-472-3567
*Buffalo, New York - Grant Bldg. 560 Main Street 14202	716-842-3510
Hempstead, New York 175 Fulton Avenue 11550	516-485-5000
*New York City, New York 120 Church Street 10007	212-264-0522
*Camden, New Jersey - The Parkade Bldg. 519 Federal Street 08103	609-963-2301
*Newark, New Jersey - Federal Bldg. Gateway Bldg. No. 1, Raymond Plaza 07102	201-645-3010
*San Juan, Puerto Rico - New Pan Am Bldg. 255 Ponce de Leon Avenue, Hato Rey, P.R.	622-0201
MAILING ADDRESS: P.O. Box 3869 GPO San Juan 00936	

PHILADELPHIA REGION

Wilmington, Delaware 536 Wilmington Trust Bldg. 19801	302-658-6911
*Washington, D. C. 1310 L. Street, N.W., 5th Floor 20005	202-382-4855
*Baltimore, Maryland - Room G-13 Federal Bldg. 31 Hopkins Plaza 21201	301-962-2121

APPENDIX D

*Philadelphia, Pennsylvania Curtis Bldg., Room 862, 625 Walnut St. 19106	215-597-2358
*Pittsburgh, Pennsylvania 1000 Liberty Avenue 15222	412-644-2802
*Richmond, Virginia - 701 East Franklin St. P. O. Box 10011 23240	703-782-2721
Charleston, West Virginia - New Federal Bldg. 500 Quarrier Street 25301	304-343-6181

ATLANTA REGION

*Birmingham, Alabama - Daniel Bldg. 15 South 20th Street 35233 Coral Gables, Florida 3001 Ponce de Leon Blvd. 33134	205-325-3264 305-445-2561
*Jacksonville, Florida 661 Riverside Ave. 32204 Tampa, Florida 4224-28 Henderson Blvd., P.O. Box 18165 33609	904-791-2626 813-228-7711
*Atlanta, Georgia - Peachtree Center Bldg., 3rd Floor 230 Peachtree Street, N. W. 30303	404-526-4576
*Louisville, Kentucky - Children's Hospital Foundation Bldg., 601 South Floyd St. 40202	502-582-5254
*Jackson, Mississippi - 301 Bldg. 301 N. Lamar Street 39201	601-948-7821
*Greensboro, North Carolina 2309 West Cone Blvd. 27408	919-275-9111
*Columbia, South Carolina Jefferson Square, 1801 Main Street 29201	803-253-8371
*Knoxville, Tennessee - One North Shore Bldg. 1111 North Shore Drive 37919 Memphis, Tennessee - Room 447, Federal Office Bldg. 167 North Main Street 38103	615-584-8527 901-534-3141
Nashville, Tennessee 1717 West End Bldg. 37203	615-749-5521

CHICAGO REGION

*Chicago, Illinois 300 South Wacker Drive 60602	312-353-7660
Springfield, Illinois 628 East Adams Street, P.O. Box 1628 62705	217-525-4085
*Indianapolis, Indiana - 4720 Kingsway Dr. 46204	317-633-7188
*Detroit, Michigan - 5th Floor, First National Bldg., 660 Woodward Ave. 48226	313-226-7900
Grand Rapids, Michigan 921 Division Avenue, North 49503	616-456-2225

APPENDIX D

*Minneapolis, Minnesota - Griggs - Midway Bldg. 1821 University Ave. 55104	612-725-4801
Cincinnati, Ohio - Federal Office Bldg. 550 Main Street 45202	513-684-2884
Cleveland, Ohio - 907 Federal Bldg. 1240 E 9th Street 44199	216-522-4065
*Columbus, Ohio - Columbus Center Bldg., 10th Floor 60 East Main St. 43215	614-469-5737
*Milwaukee, Wisconsin 744 N. 4th Street 53203	414-272-8600

FORT WORTH REGION

*Little Rock, Arkansas - Union National Bank Bldg. One Union National Plaza 72201	501-372-4361
*New Orleans, Louisiana - Plaza Tower 1001 Howard Avenue 70113	504-527-2062
Shreveport, Louisiana - Ricou-Brewster Bldg. 425 Milam Street 71101	318-425-1241
Albuquerque, New Mexico 625 Truman Street, NE 87110	505-256-9877
*Oklahoma City, Oklahoma 301 North Hudson Street 73102	405-231-4181
Tulsa, Oklahoma - 1708 Utica Square P. O. Box 4054 74152	918-584-7151
*Dallas, Texas 100 Commerce Street 75202	214-749-2158
Fort Worth, Texas - Federal Bldg. 819 Taylor Street 76102	817-334-3233
Houston, Texas - Room 7419, Federal Bldg. 515 Rusk Avenue 77002	713-226-4335
Lubbock, Texas - Courthouse and Federal Office Bldg. Room 514, 1205 Texas Avenue 79401	806-747-3711
*San Antonio, Texas - Callison Bldg., P. O. Box 9163 410 South Main Avenue 78285	512-225-5511

KANSAS CITY REGION

Des Moines, Iowa - Room 259 Federal Bldg. 210 Walnut Street 50309	515-284-4481
Topeka, Kansas 700 Kansas Avenue 66603	913-234-8241
*Kansas City, Kansas - One Gateway Center 5th and State P. O. Box 1339 66117	816-374-4355
*St. Louis, Missouri 210 North 12th Street 63101	314-622-4760
*Omaha, Nebraska - Univac Bldg. 7100 West Center Road 68106	402-221-4221

APPENDIX D

DENVER REGION

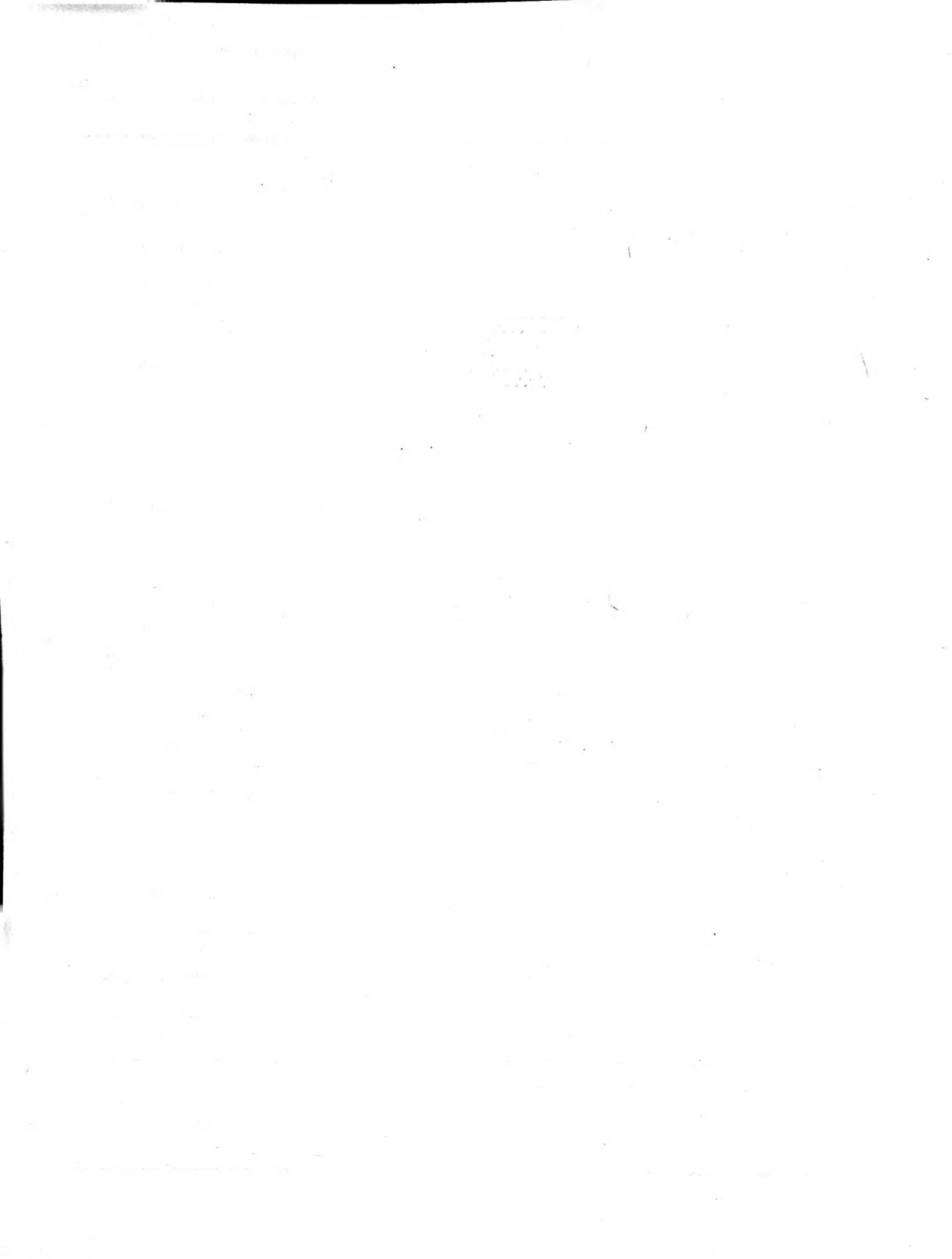
Denver, Colorado - Federal Bldg. 1961 Stout St. 80202	303-837-4521
Helena, Montana - Steamboat Block 616 Helena Avenue 59601	406-442-3237
Fargo, North Dakota - Federal Bldg. 653 2nd Avenue N. P. O. Box 2483 58102	701-237-5136
Sioux Falls, South Dakota - Federal Bldg. US Court House, 400 S. Phillips Ave. 57102	605-336-2980
Salt Lake City, Utah - P. O. Box 11009 125 South State Street 84111	801-524-5237
Casper, Wyoming - P. O. Box 580 100 East B. Street 82601	307-265-4310

SAN FRANCISCO REGION

Phoenix, Arizona - P. O. Box 13468 244 West Osborne Road 85002	602-261-3900
*Los Angeles, California 2500 Wilshire Blvd. 90057	213-688-5127
Sacramento, California - P. O. Box 1978 801 I Street 95809	916-449-3471
San Diego, California - P. O. Box 2648 110 West C Street 92112	714-293-5310
*San Francisco, California One Embarcadero Center 94111	415-556-2238
Santa Ana, California - Santa Ana Freeway Center Bldg., 1440 E First Street 92701	714-836-2451
Honolulu, Hawaii - P. O. Box 3377 1000 Bishop St. 96801	546-2136
Reno, Nevada - P. O. Box 4700 70 Linden Street 89505	702-784-5213

SEATTLE REGION

Anchorage, Alaska - 228 Federal Bldg. P. O. Box 480 99501	272-5561
Boise, Idaho 331 Idaho Street 83701	208-342-2711
*Portland, Oregon - Cascade Bldg. 520 Southwest 6th Avenue 97204	503-226-2726
*Seattle, Washington - Arcade Plaza Bldg. 1321 Second Avenue 98101	206-442-7456
Spokane, Washington - 746 US Court House Bldg. West 920 Riverside Avenue 99201	509-456-2510



REFERENCES
(APP.E)

REFERENCES

1. "Housing and Urban Development Act of 1970," December 31, 1970. P. L. 91-609
2. "Basic Laws and Authorities on Housing and Urban Development," Revised through January 31, 1970. (Committee Print) 91st Cong. 1st Session
3. "Basic Laws and Authorities on Housing and Urban Development," Revised through January 31, 1969. (Committee Print) 91st Cong. 2nd Session
4. "FHA Regulations - Project Mortgage Insurance." FHA 4000
5. "Rental Housing for Low Income Families" (Section 236), a HUD Handbook, Oct. 1968. (Including amending Circulars FHA 4442.2 thru FHA 4442.9.) FHA 4442.1
6. "FHA Multifamily Processing Sponsors Guide for Proposed Construction," March 1970. FHA G 4205.13
7. "Multifamily Rehabilitation Processing Guide," January 1969. FHA 4400.22
8. "AMP Ground Rules for the Sponsors Architect," October 1968. FHA 4205.2
9. "Accelerated Multifamily Processing Sponsors Guide for Proposed Construction," October 1968. FHA G 4205.1
10. "Specification Guide," December 1968. FHA 4205.3
11. "Use of the Critical Path Method of Scheduling and Controlling Multifamily Project Application Processing," April 30, 1969. FHA 4205.5
12. "Replacement Cost Formulas for All Multifamily Programs," October 1968. FHA 4235.1



HUD LIBRARY



T 25299

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

SEP 13 1989

LIBRARY
WASHINGTON, D.C. 20410



00008795

Open the directory over and locate the desired section by following the black markers.

CONTENTS

OBJECTIVE

PROVISIONS

BASIC REQUIREMENTS

GO-AHEAD

APPENDICES

GENERAL

**(APP. A) RENTAL PROJECTS
LIMITED DISTRIBUTION CASE**

**(APP. B) RENTAL PROJECTS
NONPROFIT CASE**

(APP. C) COOPERATIVE PROJECTS

(APP. D) HUD AREA & INSURING OFFICES

(APP. E) REFERENCES