
CHAPTER 3. APPLICATIONS

3-1. APPLICATION REQUIREMENTS.

- a. Introduction. Project application and commitment forms vary, depending upon whether a sponsor plans to develop the project through new construction or rehabilitation, or whether he intends to convert an existing multifamily project to a condominium form of ownership. Appropriate forms for either method of development are discussed in this Chapter.

A copy of each project application and commitment, together with copies of related forms such as the FHA 2264, "Project Income Analysis and Appraisal" FHA Forms 2264-A, 2264-B, will be forwarded promptly to the Office of Underwriting Standards. This is not necessary, however, insofar as applications and commitments for the insuring of individual mortgages are concerned.

- b. Application for Blanket Commitment Under Section 234(d). In projects to be constructed or rehabilitated under Section 234(d) Application for Mortgage Insurance, FHA Form 3201 will be used. In rehabilitation cases under Section 234(d), a project number in the 34,000 series will be applied, with the suffix "EC" added and the notation "(formerly project numbered _____)". (See instructions contained in paragraph 3-1.c. of this Chapter regarding numbering of projects in which substantial rehabilitation is not involved.)

- (1) The application must have attached thereto a listing of the family units and the proposed sales prices for same (Columns 1, 2 and 3 of the Schedule of Units FHA Form 3280-A). It is suggested that the units listed in Column 3 "Unit Type" be designated as "A," "B," "C," etc., so as to avoid confusion with the family unit number appearing in Column 2. FHA Form 3280-A, Columns 4 through 9 will be completed during the normal course of processing. Column 10 and ADP Card 1 will not be completed until the individual application for firm commitment (FHA Form 3275) is received. Upon receipt of the individual application for firm commitment, ADP Card 1, Application, will be completed to show a no fee due code "80" and construction code "3," and processed in accordance with fiscal instructions set forth in Reference (4) of the Foreword.

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- (3-1) (2) If the Field Office or mortgagee requires numerical identification of the individual units covered by the blanket commitment, this may be accomplished by assigning serial numbers from - 1 up to each of the units in the same manner as provided for the numbering of individual units under Section 213 Sales Mortgages. See Reference (5) of the Foreword.
- (3) Legal Organizational and Marketing. A condominium project necessitates the expenditure of appropriate sums by the sponsorship for the organization of the condominium association and the marketing of the individual units. The usual legal and organizational expense required to create the condominium are included in replacement cost, as well as a separate estimate of the marketing expense required to sell the condominium units. Marketing expense should be calculated on a comparison basis and not exceed 3% of the total of Column 7, of the Condominium Analysis and Appraisal FHA Form 180, Market Price of Unit, unless available data reveals that typical charges collected in competing condominiums are higher, and the file fully documented.
- (4) Schedule of Monthly Assessments. Due to lapse of time between preparation of the schedule of monthly common assessments and conveyance of title, it is sometimes necessary to revise the schedule prior to initial occupancy. Adjustment should be made to reflect any known changes in costs brought about by construction changes in the common estate, etc. The review of the initial operating budget (HM 93240) and schedule is a responsibility of the Field Office Director, and will be conducted whether or not the condominium has requested a revision in the schedule. Upon determination that an increase in the initial schedule of monthly charges is necessary, the Field Office Director will initiate the action by advising the parties as to the necessary revisions.
- (5) Although the Project Cooperative or condominium Housing Analysis, FHA Form 2264-B, may show an estimate of income from commercial space and from garage rental, HUD-FHA policy on pre-initial occupancy schedules of monthly assessments, is to approve commercial space income only in the amount that will be received from duly executed leases, and garage income in an amount not exceeding 50% of the total estimated on Rental Housing Income Analysis

and Appraisal FHA Form 2264 or the amount of actual leases executed, whichever is the greater. Estimated miscellaneous income from such sources as laundry machines, television antenna service, switchboard service, etc., should not be included in the development of pre-initial occupancy schedules of Monthly assessments.

- c. Application for Blanket Commitment not Under Section 234(d). In the case of existing structures which are to be converted to the condominium program, the sponsor will submit Application for Blanket Commitment, FHA Form 3280. The applicant will insert in the designated box the HUD-FHA project number under which the project was constructed. It is to be noted that the suffix "COND." is added to identify the condominium proposal. This identification is employed when the multifamily project mortgage is currently HUD-FHA insured as well as when the mortgage has been previously paid in full or the contract terminated. (Instructions regarding numbering of projects being financed with a HUD-FHA rehabilitation loan are set forth in Reference (5) of the Foreword.
- (1) The applicant will be required to pay an application fee of \$40.00 per family unit. (Applicant will be billed as outlined in Reference (5) of the Foreword. No fee is required where the application is for the insurance of a mortgage to finance the purchase of Secretary-owned property. For a further statement relative to the payment of fees under Section 234, the HUD Regulations should be consulted. The Application must have attached thereto the Schedule of Units, FHA Form 3280-A, with Columns 1, 2 and 3 completed by the applicant. It is suggested that the units listed in Column 3 "Unit Type" be designated as "A," "B," "C," etc., so as to avoid confusion with the family unit numbers appearing in Column 2.
 - (2) Upon receipt of the FHA Form 3280-A, Columns 4 through 10 will be completed during the normal course of processing. Completion of Column 10 requires the assignment of FHA Case Numbers for the individual units. At this time, ADP Card 1 will be completed for each case and forwarded to the Office of Finance and Accounting with the next daily shipment of cards. Show Fee Code "40" in ADP Card 1, unless the exception shown in Reference (4) of the Foreword applies, which will result in a billing of \$40 to the mortgagee by the Office of Finance and Accounting.