U. S. Federal Housing Administration

TRAINING GUIDE:

REHABILITATION IN URBAN RENEWAL AREAS

The attached flow charts and outlines are presented as guides to promote orderly and expeditious processing of urban renewal rehabilitation proposals. These guides and outlines were prepared by the Valuation Section of the Appraisal and Mortgage Risk Division of Technical Standards, Federal Housing Administration, as a training aid for the multifamily conferences. These guides and outlines are not processing instructions. All processing must follow the instructions set forth in the Underwriting Manuals of the Federal Housing Administration.

Prepared by the Office of the Assistant Commissioner for Multifamily Housing. Urban Renewal Div.

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[illegible] LOCATION IN URBAN RENEWAL AREAS

PREPLANNING STAGE

URA or LPA may request advice from FHA Director

C.U. coordinates sections for:
1) Delineation of area
2) General suitability for rehab. study

Delineation of area

Valuation
1) Contiguous to elig. 203(b) & 207 areas
2) Located favorably to commercial & non-residential
3) Suitable for residential use.
4) Workable size.
5) Adverse uses may be screened
6) Cohesive area

Architecture
Inspect area and assist in determination of boundaries

C.U. may request aid from:
1) Land Planning - Site Planners and Site Engineer
2) Sanitary Engineer - Sewerage, etc.
3) Intergroup Relations Assist in minority problems
4) Mortgage Credit

General suitability for rehab. & possibility of
a) Spot clearance
b) Extent of Rehab.

Valuation
Preliminary opinion as to:
a) Spot Clearance
b) General suitability for rehab study

Architecture
Assist in the preliminary opinion as to:
a) Spot Clearance
b) General suitability for rehab study

Mortgage Credit, Market Analyst, Land Planning, Sanitary Engineer and Intergroup Relations assist as needed

C.U. drafts memo for Director thru multifamily housing representative to URA outlining recommendations for area and items needed for survey and planning budget, e.g., kinds of surveys needed.

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REHABILITATION IN URBAN RENEWAL AREAS

PLANNING STAGE

PRELIMINARY PLANNING PHASE - SELECTION & TESTING SAMPLES - CONSULTATION ON ESTABLISHING OF MUTUAL AGREEMENT ON REHAB STANDARDS USING MPS (FHA 950) AS A GUIDE. EXCHANGE INFORMATION ON REHAB FEASIBILITY.

URA requests FHA planning assistance

Director reviews request. Memo to C.U.

C.U. instructs section chiefs on necessary cooperation with LPA. Detailed study commences on:
1) Typicals & percentage of rehab.
2) Preparation of rehab standards

Valuation with Arch. LPA & URA
Est. percentage of rehab based on tentative standards & typicals

Architecture with Val., LPA & URA
Prepare Stds and assist in est. of percentage of rehab & typicals

M. C.
From surveys of Mkt. Anal. LPA & URA & Val. est.
1) Ability to Pay
2) Debt Service
3) Range of Mkt.

Mkt. Anal.
Assist as requested by C. U.

Land Plng. & Sanitary Eng.
Assist as requested by C.U.

Intergroup Relations
Assist as requested by C.U.

FINAL PLANNING PHASE - REVIEW OF PRELIMINARY PLANNING AND START OF CONSOLIDATION OF RECOMMENDATIONS. SUGGEST TO LPA TYPE OF INFO NEEDED FOR FHA PURPOSES.

LPA conducts property survey covering enough properties to be statistically significant in selecting typicals

LPA, URA & FHA review tentative rehab. requirements. LPA's classification surveys, information on income and other characteristics of occupants, etc.

If necessary, further inspections and processing of samples. Submit FHA final standards for concurrence.

Discussion if any disagreement between LPA & FHA

C.U. and Director approve local rehab. requirements and forward to LPA thru M.F. Rep.

LPA submits Part I of Loan and Grant to the Regional HHFA Office

HHFA Regional Office sends Binder with joint standards and Plan to the FHA for review

FHA reviews Binder with Standards and Plan and C.U. prepares 3501 and 3501R for Director who signs and forwards to the HHFA.

URA Approval Parts I & II Loan & Grant

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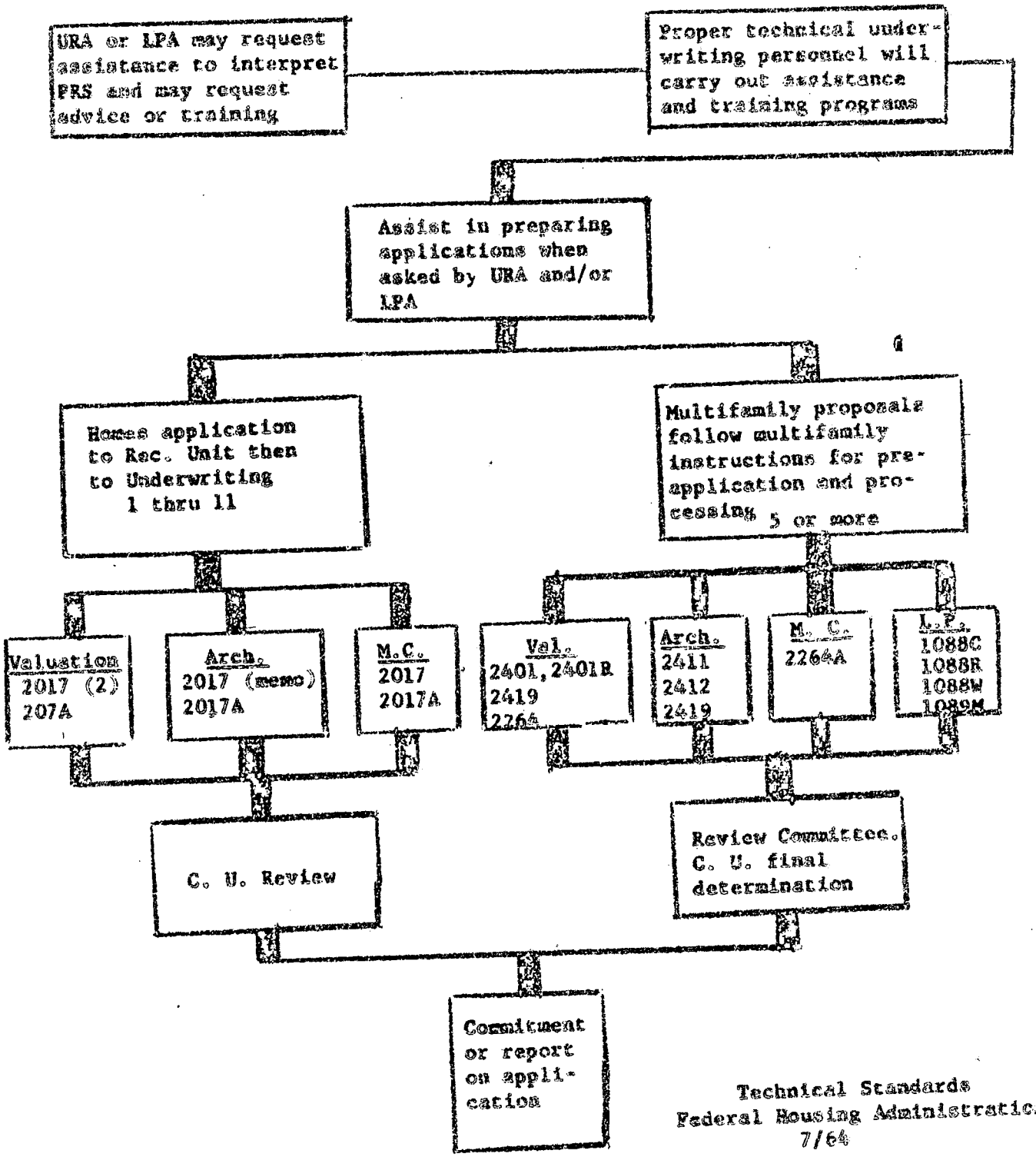
REHABILITATION IN URBAN RENEWAL AREAS

EXECUTION STAGE



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PREPLANNING

Chief Underwriter

1) C.U. coordinates activities of underwriting sections and LPA

   a) Instructs technicians on plans for cooperation with LPA and URA according to Commissioner Letters # 13 and 15.

2) C.U. analysis should cover

   a) Suitability of proposed urban renewal area

   b) Economic desirability of proposed treatment (conservation and rehabilitation or clearance and redevelopment or a combination of these)

   c) Adequacy of proposed neighborhood planning

   d) Adequacy of public improvements, facilities, and services for the project

   e) Probability of adequate private investment in new construction and rehabilitation

   f) Marketability of final accommodations

   g) Acceptability for mortgage insurance

3) C.U. is responsible for:

   a) Delineation of project boundaries

   b) Preliminary determination of general suitability of area for rehabilitation study.

4) C.U. drafts memo from Director to URA and LPA through Multifamily Housing Representative concerning preplanning determinations.

PREPLANNING

Valuation Section

Chief Appraiser will recommend to Chief Underwriter

1) Most suitable geographical boundaries of the urban renewal area, which should be:

   a) Large enough to constitute a neighborhood in itself, or

   b) Contiguous with a neighborhood eligible for insurance under Section 203(b) or 207, or

   c) So situated that the effect of immediately related non-residential land uses, such as major commercial districts, public lands, parks, civic centers, or a freeway, boulevard or thoroughfare, creates sufficiently beneficial influences on the delineated area to overcome the adverse or depressing effect of neighboring substandard areas.

   d) Suitable for residential use. Areas which are primarily commercial or industrial usually are not conducive to long-term residential use.

   e) Of workable size so that it will permit the program to be completed expeditiously. Consideration should be given to the anticipated time it will take to complete the renewal program in the delineated area and the rate of market absorption necessary to assure its success.

   f) So susceptible of replanning that adverse influences will be eliminated; or screened or modified to such an extent that the detrimental effects will be neutralized.

2) Give a preliminary opinion as to the general feasibility of the area for rehabilitation. Valuation will consider:

   a) General suitability of area for rehabilitation.

   b) Possible extent of rehabilitation study.

   c) Rehabilitation vs. clearance.

3) The above will require inspection and general but not detailed study of the area and proposed improvements.

PREPLANNING

Architectural Section

1) <u>Delineation of Area:</u>

Assist in defining boundaries of urban renewal area.

a) Indicate extent to which structures therein may be so deteriorated and substandard as to be beyond the stage of economic rehabilitation.

b) C.U. advised of physical condition of structures within the area, as well as those outside but adjacent to boundaries of the area, which may suggest an alternative location of the boundaries.

PREPLANNING

Mortgage Credit

1) Advise C. U. on type of information Mortgage Credit will need for typical processing in Planning Stage

   a) The income range predominating in the area preferably broken down between owner-occupants and renters,

   b) Typical amounts of existing liens on the property,

   c) Other obligations outstanding which were incurred in connection with the property,

   d) Other installment debts, not related to the property, including the monthly payments thereon,

   e) Present monthly housing expense,

   f) Cash assets,

   g) Family sizes.

2) If sufficient information is available from data sources, advise C. U. on broad general basis regarding ability to pay.

THE PLANNING STAGE

Chief Underwriter

Chief Underwriter must advise

a) Characteristics of new housing

b) Composition and distribution of living units

c) Intensity of land use

d) Sales prices and rentals most likely to be feasible in relation to income potential of prospective residents

Chief Underwriter responsible for:

1) Establish in close collaboration with LPA and URA FHA Rehabilitation Requirements for specific area which may become Property Rehabilitation Standards of LPA and incorporated in Urban Renewal Plan.

2) Determine feasibility of property rehabilitation by percentages as a result of selection and sampling of representative properties.

Chief Underwriter must consider:

1) Types of residential buildings or structure classes found in area and extent of their deterioration and obsolescence.

2) Neighborhood occupancy pattern, i.e. single family use, apartments, etc.

3) General level of improvement necessary to upgrade properties to an acceptable degree, viz. code enforcement, minimal rehabilitation, or extensive remodeling or modernization.

4) Justification of the costs of improvement at the necessary level in light of ultimate property values.

5) Conditions or circumstances that would limit the willingness of homeowners and mortgage lenders to invest in the rehabilitation in the area.

6) Characteristics of families living in the area and the general level of incomes.

7) Proportion of income presently allotted to rent.

8) Question whether rehabilitation would require substantially increased rents and thus distort the rent income limit beyond an acceptable limit.

9) Possibility of eliminating or effectively minimizing the influence of adverse non-residential land uses in or immediately outside the area in order to protect values of rehabilitated properties.

10) Likelihood that residents, merchants, groups and organizations in the area will be receptive to a rehabilitation program at the level required.

Selection of Typicals:

Participate in the selection of typicals for exterior and interior inspection.

Obtain good cross section of buildings representing the major structural classes and use and occupancy patterns.

Condition should reflect typical deterioration, not extremes.

Determine a range of typical properties.

FHA Rehabilitation Requirements

1) Prepared in accordance with outstanding instructions, and

2) With basic underwriting considerations that must be applied,

3) C.U. must be sure that personnel:

a) Understand Manual instructions

b) Application of MPS for URR which serve as guide for FHA Local Rehab Requirements

4) Every effort will be made by C.U. to develop mutually acceptable requirements with LPA and URA.

Processing Typicals

Extension of example cases into a pattern for area is valid if:

1) Sampling is ample to include variety of typicals that may be encountered.

2) FHA Rehabilitation Requirements represent level necessary to make properties acceptable and are representative of typical requirements to be proposed.

3) Values after proposed rehabilitation of samples are commensurate with values anticipated for the majority of similar properties in the area to be rehabilitated.

4) Effective incomes or rent paying capacities in samples are in line with data in LPA and FHA income surveys for area.

Feasibility of Rehabilitation

Chief Underwriter presumes defects contributing to blight will be eliminated or arrested by urban renewal plan. Therefore, he must see that urban renewal plan contains provisions to:

a) Prevent over-utilization of land

b) Correct obsolete traffic patterns

c) Provide necessary schools, recreational services, civic, social and commercial facilities, etc.

Economic consideration is determinant of feasibility. Rehabilitation feasibility involves:

a) Attitudes of owners of buildings

b) Renters of homes, apartments

c) Rooming house accommodations

d) Present mortgage holders on the properties

e) Mortgagees who would be required to finance the proposed rehabilitation work.

1) Market value "as rehabilitated" minus "as is" value will give a bracket for feasibility determination. The resultant difference is not to be considered a limit but a guide to the extent of rehabilitation or suitability. The law allows the cost of rehabilitation and financing plus "as is" value.

2) Income capacity of potential residents and attitudes of equity investors is test for adoption of FHA Rehabilitation Requirements. Mortgage Credit determinations are important to determine:

a) Ability of owner-occupants to meet debt service requirements or renters to meet necessary rents after rehabilitation: This requires Chief Underwriter to:

1) Have detailed and comprehensive study by LPA of income potential.

2) These studies should include:

a. Existing indebtedness.

3) If no LPA study then a joint FHA, LPA study by Valuation and Market Analyst. C. U. should urge that a statistically significant survey by LPA of income potential is of prime importance.

b) Test of feasibility is:

1) Ability of properties after rehabilitation to command market prices equal to "as is" value plus cost of rehabilitation, and

2) Ability of mortgagors to meet debt service requirements, housing expenses, or operating and maintenance expenses

3) Renters to pay rents necessary to support mortgages.

Chief Underwriter must know:

1) Effective income of owners or renters allowing for existing debt burdens

2) Rent-income ratios before rehabilitation

3) Rent-income ratios after rehabilitation

4) Level of rehabilitation needed to sustain values

5) Costs of such rehabilitation

6) "As is" values

7) Values after rehabilitation

Equity Investors

Interested in return on investment or equity

a) Ratio of net income from the property to his cash investment after mortgage payments and all expenses have been paid.

b) Rehabilitated properties must command a rent:

1) Sufficient to assure the owner his present rate of return on equity, or

2) Provide prospective purchaser the presently prevailing rate for investments involving this type of risk.

c) Chief Underwriter must relate rents obtainable after rehabilitation not only to incomes of intended inhabitants but also to equity return requirements.

d) Chief Underwriter should consider minimum return acceptable to investors in determining extent of rehabilitation.

e) Discounting of certain factors in blighted areas:

1. Current operating expenditures for maintenance and repair may be at a minimum.

2. Capital outlays for replacement of equipment and building improvement generally at minimum.

3. High rates created by over-occupancy, e.g. rooming houses. Code enforcement may cause high degree of relocation. There is no compromise allowed here. Code must be enforced. Determination of relocation responsibility is to URA. Chief Underwriter makes available all data and 221.

4. Code violations - proper code enforcement might settle for lower rates with favorable mortgage terms.

Limitations of Minimal Rehabilitation

1) Must meet essential standards of health and safety.

2) Rehabilitation must produce sufficient useful life.

3) Provide sufficient living space.

   a) Relocation is responsibility of URA but FHA should assist.

      1. Make data and findings available.

      2. Assist by 221 programs particularly 221(d)(3) below market rate program for low and moderate income families.

Forms 3501 and 3501R

Prepared by Chief Underwriter for Director's signature after:

1) Chief Underwriter has assured himself of the substance and validity of his conclusions.

2) Proper discussion, exchange of opinions, and consultation with LPA and URA.

3) Chief Underwriter should not sacrifice sound underwriting for unanimity.

Planning Stage

Valuation Section

Objectives

1) Determine approximate percentage of properties to be left standing in the outlined area that appear to be acceptable for FHA mortgage insurance after rehabilitation.

2) Assist in the determination of rehabilitation standards for the area.

3) Report to C.U.

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1) Percentage of properties capable of FHA Rehabilitation

Appraiser should in collaboration with the Architectural Section and the LPA:

a) Identify kinds of properties in the area and their further groupings into similar physical and use classes.

1. Actual physical inspection required of area houses to determine types.

2. Use of all information, studies and analysis made by LPA, market analysts and other dependable sources.

3. Identify group types

a. Single family (one story, detached, row, etc.)

b. Age group and construction type (frame or brick), size, number of rooms, etc.

c. Rental properties, (flats, apartments, etc.)

4. Use will be according to code.

5. Other uses will be catalogued for effect on property after rehabilitation.

6. Estimation of the percentage of residential properties in the outlined area that can be feasibly rehabilitated to acceptable FHA mortgage insurance requirements.

b) Selection of individual properties that best represent the majority of properties in each identified class.

1. Representative properties will be picked from each class.

2. These properties in areas where there are location considerations which are significant.

3. As many properties as necessary will be inspected so that an adequate cross section may be attained.

c) Determination of feasibility of rehabilitation of each representative property.

Purpose - Sampling is to establish a base for determining the feasibility of rehabilitating properties of the class from which the sampling is being made. Samples will be actual properties.

1. Estimation of "as is" value or fair market price.

   a. Property is considered as if code were enforced and urban renewal plan in effect.

   b. Adequate data to attain a supportable conclusion.

   c. Data may include:

      1) LPA purchases in area

      2) Independent sales in area

      3) Independent sales in areas which are similar to what this area will be when plan is in effect.

2. Determination of appropriate improvements to be made.

   a. Close collaboration with architects, mortgage credit and LPA to determine extent of rehabilitation.

   b. Study market and advise architects of needs and desires of market and types of accommodations desirable.

3. Estimate of cost of rehabilitation.

   a. Code enforcement and compliance with Minimum Property Standards (FHA No. 950) are basic.

   b. General guide for upper limits of rehabilitation cost is an amount which added to the "as is" value, will best produce rehabilitated properties that the market can and will support.

4. Estimate of value after rehabilitation.

   a. Use regular appraisal techniques.

   b. Assume urban renewal plan in effect.

   c. Find comparables in an area which is now in the condition that this area will represent when the UR Plan is effective.

   d. Consider along with mortgage credit the ability of the inhabitants to pay for this rehabilitation.

e. The above will call for a good market analysis, e.g. family sizes, income levels, accommodation requirements, etc. This will call for study of the market requirements and customs.

5. Comparison of value increase with cost of rehabilitation.

a. The degree, or kinds, of considered repair and remodeling must be examined, re-examined and worked on alternate proposals to see which will result in the greatest proportionate value increase after rehabilitation.

6. Estimate of owner's or market's ability to pay, or tenant's ability and willingness to pay, the charges that will be necessary to support the cost of rehabilitation.

a. The cutting and fitting mentioned above will bracket the market for rehabilitation.

b. Mortgage Credit and Market Analysts by studying conditions in collaboration with Valuation will determine extent of repairs on the basis of ability and willingness to pay and advise the Architectural Section.

d) Estimation of the percentage of residential properties in the outlined area that can be feasibly rehabilitated to acceptable FHA mortgage insurance requirements.

1. After the data has been collected and correlated the appraiser will process samples in conjunction with other sections.

2. As a result of the sampling recorded on the 2017, 2017A or 2264 forms an estimate must be made on the number of properties that can be rehabilitated and which are acceptable for mortgage insurance.

3. This process will be repeated for each identified class of properties.

4. Feasibility must consider location of properties.

5. Land uses are an important consideration since valuable land should not be under-improved nor other ground be over-improved.

6. Sum total of all properties to be rehabilitated will be compared with number that can be rehabilitated to get percentage.

2) Assistance to the Architectural Section in determining rehabilitation standards for the area.

The planning analysis and sampling process will assist Architectural Section in the preparation of Local FHA Rehabilitation Requirements.

3) The Valuation recommendations to the C. U. will include:

a) The completed appraisals of samples.

b) Stated breakdown of classes of properties.

c) Approximate total number and estimated number capable of rehabilitation.

d) Pertinent recommendations concerning the area.

e) Recommendations on Local FHA Rehabilitation Requirements.

PLANNING

Architectural Section

Chief Arch. recommends to C. U. concerning:

1) General suitability of structures in area for rehab.

2) Appropriate standards which will govern the acceptance of properties for mortgage insurance.

3) Type of development of new structures deemed appropriate and feasible for those portions of the area where structures are not suitable for rehabilitation.

Acceptability of Code

1) Review code in effect with modifications proposed as to adequacy and enforcement.

Area Inspection

1) Careful inspection with Val and LPA to ascertain:

   a) Physical characteristics of existing structures,

   b) Existing conditions of deterioration and obsolescence,

   c) Work and changes necessary to provide appropriate livability and appeal to those expected to constitute the market for units,

   d) Conditions which are detrimental to health and safety, and what in the overall is needed to justify acceptance for mortgage insurance.

2) No. of buildings of various types in the area is tabulated.

   a) Types are those having similar height, plan, construction and use or occupancy.

   b) No. of each type in various conditions is also noted. These observations and discussions form the basis for selection of typicals.

Extent of Rehabilitation:

Factors to be considered:

a) Rehabilitation in most areas will involve a wide variety of building types and physical conditions. Valuation must be consulted because the preference of the market has a great effect on the variety and degree of rehab.

b) Rehabilitation does not require "smell of new wood" but a utilization as far as possible of the existing.

c) If attaining acceptability in these matters, which is a primary purpose of FHA requirements, does not result in feasible first cost, the rehabilitation must obviously be rejected. It is important to establish acceptable minima.

d) The adaption of a property to the needs of modern living without drastic restyling is generally what is sought by the typical tenant or purchaser. Exterior rehabilitation or cleaning-up contributes to general renewal is evident rehabilitation of the individual property.

e) Elements of construction or mechanical work which are unsound or deemed to have a short remaining life, and which cannot be repaired or replaced in the future without a major disruption and damage to other work, must be replaced or repaired during rehabilitation.

Selection of Typicals

a) The number is that which is necessary to obtain a good cross section of building types, occupancies and physical condition.

b) This number should not represent the best or worst but will show the range of physical conditions and rehab. costs.

c) Possibility of increasing income units in a building should be considered where necessary.

d) Sketch plans and principal dimensions of existing structures selected as typicals are made along with a descriptive outline of materials and a description of condition.

e) Record nature of rehab. deemed appropriate as basis for typical processing and local FHA requirements.

f) Discussions between FHA and LPA personnel although tentative, pending analysis of typical properties and preparation of FHA requirements will provide a common understanding on rehab. needs.

Analysis of Typical Properties

a) Purpose - to investigate feasibility and extent of rehabilitation required by market in area.

b) Typicals may be processed under 220(d)(3)(A) or 220(d)(3)(B).

c) Typical processing is to determine:

1) Work necessary for code requirements

2) Work essential for FHA minimal requirements essential for acceptability

d) Certain "cutting and fitting" may be pursued to determine if higher requirements are feasible.

[illegible]

[illegible]

[illegible] of [illegible]

[illegible] of construction [illegible] [illegible]
[illegible] not [illegible] [illegible], [illegible] [illegible]
[illegible] [illegible] a major [illegible] [illegible]
[illegible] or [illegible] during [illegible] [illegible]

[illegible] of [illegible]

[illegible] that which is necessary to [illegible]
[illegible] 3 types, occupancies and physical [illegible].

[illegible] should not represent the best or worst [illegible]
[illegible] [illegible] conditions and rehab. costs.

[illegible] of increasing income units in [illegible]
[illegible] necessary.

[illegible] and principal dimensions of [illegible]
[illegible] made along with a descriptive outline [illegible]
[illegible] of condition.

[illegible] of rehab. deemed appropriate [illegible]
[illegible] FHA requirements.

[illegible] between FHA and LPA personnel throughout [illegible]
[illegible] of typical properties and preparation of [illegible]
[illegible] common understanding on rehab. [illegible].

[illegible] Typical Properties

[illegible] - [illegible] investigate feasibility and [illegible]
[illegible] area

[illegible] be processed under 220(d)(3) [illegible]

[illegible] necessary is to determine:

[illegible] for code [illegible]

[illegible] for FHA [illegible]

[illegible] "[illegible] Fitting" may be [illegible]
[illegible]

e) A brief outline of work needed in above processing. Form 2005 or 2435 may be used for this purpose.

f) Estimates of current costs by the office are tentative and based on completion of rehab.

Standards and Requirements

a) Minimum Property Standards for Urban Renewal Rehabilitation (FHA 0950) is national in scope and will be used by FHA in preparing Local Rehabilitation Requirements and by LPA in preparing Property Rehabilitation Standards.

b) FHA Local Rehab. Requirements supplement FHA Minimum Property Standards and in all but exceptional cases, are for internal FHA use in guiding the LPA.

c) Every effort must be made to reconcile differences with LPA and develop mutually acceptable standards. Under exceptional circumstances where the LPA can show to the URA Central Office that other means of financing without FHA assistance are available, the LPA Property Rehabilitation Standards may be placed in effect for other than insured properties, and if the LPA Standards are lower than FHA Local Rehabilitation Requirements, the FHA will insure only those properties which comply with the FHA Local Rehabilitation Requirements, prepared if the FHA finds the Urban Renewal Area is otherwise acceptable.

Preparation of Requirements

a) Prepared in close collaboration with Valuation and C.U.

b) Although previous general concurrence with LPA may or may not have been obtained, the preparation of Requirements is an FHA responsibility.

c) When completed and reviewed by the C.U. they comprise FHA official submission to LPA of the minimum FHA will accept, and it is anticipated they will be translated into LPA standards.

d) FHA Local Rehab. Requirements include MPS-URR (Form 950) by reference and, in addition, amend those standards.

e) Mandatory provisions of the MPS-URR are generally not repeated. Local office (FHA) may approve variations to mandatory provisions of Form 950 but this authorization should not be spelled out as an authorization in the standards since this is not an across the board determination.

f) Recommended items identified by asterisks in one of following ways:

1) Adopt as worded with a reference and provision making it mandatory,

2) Modify wording to conform to local conditions,

3) Omit entirely, if not appropriate to local conditions, by a statement in the requirements.

g) Requirements should contain provisions essential to assure:

1) Health and safety

2) Degree of rehab. necessary for market acceptance

3) Correction of deterioration noted in specific parts of structures which should be mentioned for clarity.

h) Requirements should be true minimums but adequate to assure sound physical security suitable for long term loans.

i) Provisions already in local code need not be repeated in requirements.

j) Language in requirements should be worked so as not to be ambiguous. Changes in style or language by the LPA is unimportant as long as the facts set forth by the insuring office are not impaired.

k) Specimen "Local Rehabilitation Requirements" includes:

1) Heading
2) Application
3) New structures or additions
4) Basic FHA Rehabilitation Standards
5) General essentials
6) Specific requirements

Review of Urban Renewal Property Rehabilitation Standards

a) Whether collaboration with LPA is a continuing operation or done by submission of copy of FHA's requirements, architectural must review LPA Standards prior to acceptance by C.U. and Director.

b) If LPA standards are acceptable, tentative processing of typicals in view of final standards is reviewed by all sections.

c) If a difference is noted between FHA Requirements and LPA Standards discussions with Valuation will determine whether complete reprocessing of typicals is required.

Copies for Architectural Standards Division

a) Two copies of FHA-LRR and LPA-PRS (after review) forwarded to Director of the Architectural Standards Division.

b) A memo should accompany stating whether:

1) LPA-PRS were found acceptable, or
2) FHA Standards and Requirements will be in effect

c) Generally these will not be reviewed by Central Office but will be recorded.

d) Insuring Office decisions will not be delayed by these submissions. This does not preclude requests for underwriting assistance.

PLANNING

Mortgage Credit

1) Examine all credit factors involved in surveys and studies made by LPA, Market Analysts and Valuation and consider:

   a) Conditions or circumstances that would limit the willingness of home-owners and mortgage lenders to invest in rehab. properties.

   b) Characteristics of families living in the area and the general level of incomes

   c) Proportion of income presently allotted to rent

   d) Question whether rehabilitation would require substantially increased rents and thus distort the rent-income ratio beyond an acceptable limit.

2) Process typical cases

   a) Using factors submitted by valuation and arch.

      1) Operating and maintenance expenses

      2) Economic life

   b) Process actual occupants of the typical

      1) To be done on ready information but not as a result of a credit check.

      2) This information will come from Val. or LPA or Mkt. Analyst survey or study.

3) Make recommendation to C.U. regarding:

   a) Ability to pay

   b) Debt Service requirements

   c) Mortgage amounts