

**Volume VI**

**Policies and Procedures  
for Community Facilities  
Operations**

**Field Service**

**Book III**

DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

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**HOUSING AND HOME FINANCE AGENCY**  
**Community Facilities Administration**

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## CHAPTER 1. INTRODUCTION

### Section 1. General Information

#### DESCRIPTION OF THE PROGRAM

The Higher Education Facilities Act of 1963, Public Law 88-204,<sup>1</sup> provides three types of assistance to institutions of higher education:

- (1) Grants for construction of undergraduate academic facilities to:
  - (a) Public community colleges and public technical institutes (Section 103, Title I).
  - (b) Institutions of higher education other than public community colleges and public technical institutes (Section 104, Title I).
- (2) Grants for construction of graduate academic facilities (Title II).
- (3) Loans for construction of academic facilities (Title III).

Administration of the Academic Facilities Program is vested in the Commissioner of Education who is authorized by Public Law 88-204 to utilize the facilities and services of other Federal agencies in carrying out this responsibility.

The Office of Education retains primary responsibility for the Program; however, certain preapproval and post-approval functions will be performed by the Housing and Home Finance Agency, under the direction of the Community Facilities Commissioner. (See OE-HHFA Agreement, Section 9-1-2). In general, HHFA will:

- (1) Review the architectural/engineering portion of the application and advise OE thereon;
- (2) Provide services pertaining to preconstruction and construction activities under the Program; and
- (3) Provide services pertaining to loan closing and other post-approval financial arrangements.

The Office of Education will, among other things, determine the eligibility of the applicant and the project, make the program, financial, and legal reviews of the application, make fund reservations and other accounting actions, make and announce project approval, and take all actions concerned with the grant and/or loan agreement and amendments thereto.

<sup>1</sup> Appropriate parts of the text of Public Law 88-204 are given in Section 10-4.3 of Volume I.



**GRANTS FOR CONSTRUCTION OF UNDERGRADUATE ACADEMIC FACILITIES**

Title I of Public Law 88-204 provides grant assistance for the construction of academic facilities to (1) public community colleges and public technical institutes, and (2) institutions of higher education other than public community colleges and public technical institutes.

To be eligible for a grant, it must be shown that the project will :

- (1) Be placed under construction promptly.
- (2) Result in an urgently needed substantial expansion of the institution's student enrollment capacity, or, in the case of a new institution of higher education, result in creating urgently needed enrollment capacity. OE Regulations (45 CFR 170.11) provide that the addition of at least 10,000 square feet of assignable area in instructional or library facilities, or the addition of an assignable area equal to at least 50 percent of the existing assignable area in instructional and library facilities shall qualify as a "substantial expansion of enrollment capacity." ("Assignable area" means square feet of area in facilities designed and available for assignment to specific functional purposes, as distinguished from janitorial, maintenance, and mechanical equipment areas, and non-assigned use areas—e.g., public washroom, general storage, entrance lobby, and public stair, elevator, and corridor space<sup>1</sup>);
- (3) Be used as academic facilities during at least the period of the Federal interest therein. The Act defines Federal interest as a period of 20 years after completion of construction. The OE Regulations (170.14) provide that satisfactory evidence must be given that the applicant has or will have title to or such interest in the facilities and site, including access thereto, to assure undisturbed use and possession of the construction and operation of the facilities for not less than 75 years from the date of the application.

Applications for assistance under Title I will be submitted by the applicant to a State Commission which shall review and process the application in accordance with the provisions of Public Law 88-204 and the OE Regulations. Based on criteria, standards, and methods contained in the State Commission's plan, as approved by the Office of Education, the State Commission will periodically (either twice or three times a year) determine which applications shall be referred to the Office of Education and determine the Federal share.

**Public Community Colleges and Public Technical Institutes**

Section 103 of Public Law 88-204, provides the method for allotting Federal funds among the States for public community colleges and public technical institutes. Section 107 provides that the Federal share of the project shall be 40 percent of the actual eligible project development cost of the academic facilities. Section 401(a)(1) defines academic

<sup>1</sup> OE Regulation 170.1 (f)

facilities as meaning structures suitable for use as classrooms, laboratories, libraries, and related facilities necessary or appropriate for instruction of students, or for research, or for administration of the educational or research programs, of an institution of higher education, and maintenance, storage, or utility facilities essential to operation of the foregoing facilities. Section 170.1 of the OE Regulations defines the foregoing terms.

#### **Institutions of Higher Education Other Than Public Community Colleges and Public Technical Institutes**

Section 104 of Public Law 88-204 provides the method for allotting Federal funds among the States for institutions of higher education other than public community colleges and public technical institutes. Section 107 provides that the Federal share of the project shall not exceed  $33\frac{1}{3}$  percent of the actual eligible project development cost of the academic facilities. Section 106 limits grant assistance to structures, or portions thereof, especially designed for instruction or research in the natural or physical sciences, mathematics, modern foreign languages, or engineering, or for use as a library. The OE Regulations (170.1 (p) and (t)) define "structure especially designed" as meaning a structure which in its entirety (or, in the case of a portion of a structure, a separate room or group of rooms) is designed and is programmed for use for any or a combination of such purposes. Such a facility normally will include areas having special architectural features or equipment which are specifically and demonstrably, although not necessarily uniquely, required for the special purposes for which the structure will be used. Facilities are considered programmed principally for such special purposes if the applicant has firm plans, including tentative schedules of utilization, to use the facilities principally for the specified purposes.

#### **Increase in Federal Share**

Once an application has been received by the Office of Education, any increase in project costs must either be absorbed by the applicant or a request for an increase in the Federal share be processed as an original application. Such an "amendatory" application must be reviewed by the State Commission with all other applications eligible for consideration as of the next applicable closing date. This procedure is of particular significance in the case of overruns because of the uncertainty of obtaining additional grant funds and the time required to process the "amendatory" application.

#### **Maximum Grant**

The amount of the Federal share for a project shall be based upon the actual eligible project development cost as determined by the Commissioner of Education.

**GRANTS FOR CONSTRUCTION OF GRADUATE ACADEMIC FACILITIES**

Under Title II of Public Law 88-204, grants of not to exceed  $33\frac{1}{3}$  percent of the actual eligible project development cost may be made to institutions of higher education and to cooperative graduate center boards for construction of academic facilities for graduate schools and cooperative graduate centers.

Not more than  $12\frac{1}{2}$  percent of the grant funds available under Title II may be expended in any one State.

Applications are submitted directly to the Office of Education which, in conjunction with the Advisory Committee on Graduate Education, is responsible for the action to be taken with regard to each application.

**LOANS FOR CONSTRUCTION OF ACADEMIC FACILITIES**

Loans may be made to institutions of higher education, higher education building agencies, or cooperative graduate center boards for construction of academic facilities for institutions of higher education or for cooperative graduate centers. A loan also may be made in conjunction with a grant, but in any case, not less than one-fourth of the actual eligible project development cost must be financed from non-Federal sources.

Applications for loans are submitted by the applicant directly to the Office of Education and are processed in accordance with standards and methods determined by the Commissioner of Education.

Not more than  $12\frac{1}{2}$  percent of the loan funds under the Program may be expended in any one State.

The evidences of indebtedness shall be in such form as may be prescribed by the Commissioner of Education. No loan will be made unless the applicant is unable to secure the amount of such loan from other sources upon terms and conditions equally as favorable.

**Security**

All loans shall be secured in a manner which the Commissioner of Education finds sufficient to reasonably assure repayment. The security may be one or a combination of the following<sup>1</sup>:

- (1) A pledge of a specified portion of annual general or special revenues of the institution, acceptable to the Commissioner of Education.
- (2) A pledge of unrestricted and unencumbered income from an endowment or other trust funds acceptable to the Commissioner of Education.
- (3) Negotiable stocks or bonds of a quality and value acceptable to the Commissioner of Education.

<sup>1</sup> OE Regulations 170.56

- (4) Full faith and credit (tax supported) obligations of a State or local public body.
- (5) Such other types of security as the Commissioner of Education may find acceptable in specific instances.

**Maturity**

The Act provides that the maximum repayment period of a loan shall be 50 years; however, pursuant to the OE Regulations (170.57), the repayment period will be held to 30 years unless the Commissioner of Education finds that a longer repayment period is required in order for the loan to be feasible. In no case shall a loan repayment period exceed the estimated useful life of the facilities to be constructed with the assistance of the loan. Loans maturing in less than 30 years, or loans which do not mature serially, may be considered by the Commissioner of Education in order to fit the loan into an applicant's total financial plan.

Substantially level total annual installments of principal and interest, sufficient to amortize the loan from the third year through the final year of the life of the loan, will be required unless otherwise authorized by the Commissioner of Education.

**Interest Rates**

Interest rates are determined by the Commissioner of Education for each fiscal year in accordance with a statutory formula, but the rate at which an individual loan is made remains in effect throughout the period of the loan. The rate for fiscal year 1965 has been established at 3¾ percent.

The rate applicable to a specific loan is the rate effective on the date on which the project is approved by the Commissioner of Education.

When the loan amount is increased subsequent to the date of the loan approval, the original interest rate shall apply to the amount of the increase when the increase falls into one of the following categories: (1) the increase results from bids overrunning the estimate, and involves no change in the approved assignable area of the project; (2) the increase results from a change in project design which increases the previously approved assignable area by less than 5 percent; (3) the increase results from an increase in the project assignable area of 5 percent or more, provided that the total project square footage does not exceed the area previously approved; (4) the increase is the result of the institution not receiving an anticipated grant under Titles I or II, or other Federal grant, where the eligible project development cost remains the same, or in combinations with (1), (2), or (3) above, when within the same fiscal year.

In all other cases, the interest rate in effect on the date on which the increase is approved shall apply to the amount of the increase.

**Interim Financing**

Funds for financing the project during construction prior to the date when the bonds or notes can be purchased will be provided by the applicant, subject to the approval of the Commissioner of Education. Where the Commissioner of Education finds that exceptional circumstances prevail, and an applicant is unable to secure necessary interim financing on reasonable terms, an advance may be made against the approved loan. (See Chapter 9-5).

**Loan Closing**

OE Regulations provide that loan closing shall be accomplished within ninety days from the date of the award of the prime construction contracts, unless otherwise provided by the Commissioner of Education.

**INELIGIBLE FACILITIES**

In accordance with Public Law 88-204 and the OE Regulations (170.2), the following types of facilities are not eligible for grant or loan assistance under the Academic Facilities Program; a facility or part of a facility which :

- (1) Is intended primarily for events for which admission is to be charged to the general public ;
- (2) Is especially designed or intended for athletic or recreational activities other than for an academic course in physical education or where the Commissioner of Education finds that the physical integration of such facilities with other academic facilities included under the Act is required to carry out the objectives of the Act ;
- (3) Will be used for sectarian instruction or as a place for religious worship or primarily in connection with any part of the program of a school or department of divinity ;
- (4) Will be used by a school of medicine, dentistry, osteopathy, pharmacy, optometry, podiatry, nursing, or public health as defined in Section 724 of the Public Health Service Act.
- (5) Is used or to be used for infirmary, housing, food service, or similar purposes ;
- (6) Is used or to be used for maintenance, storage, utility, or other noninstructional purposes not essential to the operation or maintenance of instructional or instruction-related facilities.

**ELIGIBLE PROJECT COSTS**

All costs normally incurred in planning, constructing, acquiring the site, and making necessary site improvements for the eligible academic facility project are generally eligible, except as discussed below :

- (1) In computing the development cost, the following may not be included :

- (a) Any cost incurred before December 16, 1963, or under a contract entered into prior to that date, in accordance with the Act.
  - (b) In accordance with OE Regulations (170.3), for applications received on or after April 1, 1965, either by the Commissioner of Education under Titles II or III, or by a State Commission under Title I:
    1. Any cost incurred under a construction contract entered into prior to the date of the Government's concurrence in the award.
    2. Any land acquisition costs or costs for architectural/engineering or legal services incurred more than two years prior to the date of the application. (Such costs, of course, are ineligible if incurred prior to December 16, 1963.)
    3. Any other project costs, including costs of acquisition of existing structures, incurred prior to the acceptance of the Agreement.
- (2) Also excluded from the development cost by the Act are :
- (a) With respect to Titles I and II, an amount equal to the sum of:
    1. Any other Federal grant which the institution has obtained or is assured of obtaining for the project, and
    2. The amount of any non-Federal funds required to be expended as a condition of such other Federal grant ; and
  - (b) With respect to Title III, an amount equal to the amount of any Federal assistance which the institution has obtained or is assured of obtaining for the project, other than a Title I or II grant.
- (3) Grant funds may not be used for the applicant's ordinary or non-project operational expenses.

Costs may include interest during construction. The specific date upon which interest during construction will terminate normally shall be the date of substantial completion of the project.

#### FALL-OUT SHELTERS

The additional cost of providing fall-out shelters in academic facilities projects can be covered under the grant and/or loan. Encouragement should be given and technical publications should be made available to applicants when desired, so that shelter is provided for project occupants. Not more than \$100 per occupant can be included in the grant or loan for the provision of fall-out shelter and its equipment. If the

capacity of the fall-out shelter is greater than the seating capacity of the project, the cost of the excess capacity must be defrayed from other than grant and/or loan funds.

#### **FINANCING OF BALANCE OF PROJECT COST**

Approval of a grant and/or loan will depend in part upon the applicant's showing that it will be able to provide the other funds required. The Terms and Conditions of the Loan and/or Grant Agreement require as a prerequisite to any disbursement of funds that the applicant present satisfactory evidence that it has the funds and they have been deposited in the construction account.

Funds on hand may represent State or local appropriations or other fund hitherto received and held in the form of a bank deposit or invested in short-term United States Treasury obligations. The applicant should be required to confirm in writing the existence of such funds. The funds must be available for deposit into the construction account as soon as construction begins and at least prior to the initial disbursement of Federal grants or loans.

#### **PROJECT DESIGN**

Each applicant will develop its own plans and specifications for its project. However, construction must be undertaken in an economical manner, and the project shall not be of elaborate or extravagant design or materials.

#### **PROJECT AUDITS**

Project audits will be conducted by the Department of Health, Education, and Welfare. Ordinarily, there will be only a final audit. However, the Commissioner of Education may require special and interim audits. In any case where the Regional Administrator (or the Regional Director where so authorized) finds that circumstances indicate an interim or special audit, he shall send the full particulars of the case, with his recommendation, to CFA.

#### **FEES FOR AUDITS AND INSPECTIONS**

No fees shall be charged for audits and inspections made under the Academic Facilities Program.

## CHAPTER 1. INTRODUCTION

### Section 2. OE-HHFA Agreement

Following is the text of the agreement between the Office of Education and the Housing and Home Finance Agency with respect to the Academic Facilities Program :

AGREEMENT  
BETWEEN OFFICE OF EDUCATION AND HOUSING AND  
HOME FINANCE AGENCY FOR SERVICES IN  
ADMINISTRATION OF PUBLIC LAW 88-204  
(HIGHER EDUCATION FACILITIES ACT OF 1963)

Whereas in the administration of Public Law 88-204, hereinafter referred to as the Act, the Commissioner of Education is authorized "to utilize the services and facilities of any agency of the Federal Government and of any other public or nonprofit agency or institution in accordance with appropriate agreements, and to pay for such services either in advance or by way of reimbursement, as may be agreed upon;" and

Whereas the Commissioner of Education, hereinafter referred to as the Commissioner, wishes to make use of certain technical services of the Housing and Home Finance Agency in connection with the administration of the Act; and

Whereas the Housing and Home Finance Administrator, hereinafter referred to as the Administrator, is agreeable to the performance of such technical services by staff of the Housing and Home Finance Agency, hereinafter referred to as the Agency, under the direction of the Community Facilities Commissioner;

NOW THEREFORE, the Administrator agrees to provide such technical services to the Office of Education, and the Commissioner agrees to reimburse the Agency as hereinafter provided, for the performance of such services. The technical services to be provided shall be of the type described below :

#### Pre-Approval Architectural/Engineering Reviews

1. The Agency will review project applications, referred to it under procedures established by the Commissioner, insofar as architectural and engineering plans and cost estimates are concerned, in accordance with standards and criteria promulgated by the Commissioner, and following such review and such consultation as



may be necessary with applicants or their representatives, will submit to the Commissioner as soon as possible a report on each such project :

- (a) advising as to whether in the Agency's judgment the architectural and engineering features of the project are acceptable, and if not, in what particulars they are deficient ;
  - (b) advising as to whether in its judgment the cost estimates made by the applicant are accurate and reasonable, and if not, in what respects they are not ; and
  - (c) advising as to whether in its judgment any portion of the project would be of elaborate or extravagant design or materials, and if so, in what respects.
2. In any case where the project is found to be defective in its architectural and engineering aspects, the Agency will provide such technical assistance as may be requested by the Commissioner to enable the applicant to remedy the defects.

#### Post-Approval Construction Services on All Projects

3. On any approved project for which a grant and/or loan offer is made by the Commissioner and accepted by the applicant, the Agency will :
- (a) provide guidance to the applicant concerning preconstruction procedures, and verify and advise the Commissioner as to the adequacy of provisions for on-site supervision of construction by the applicant or the applicant's architect ;
  - (b) obtain and forward to the applicant the determination of local wage rates in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5) ;
  - (c) review detailed plans, specifications, and equipment lists for conformance with those on which project approval was based, and examine the foregoing and other proposed bid and contract documents to ascertain whether they conform to customary procedures for securing reliable competitive bidding, and advise the applicant and the Commissioner as to their sufficiency and any features inconsistent with the grant and/or loan agreement. When satisfied that all pertinent conditions of the Act, regulations and other procedures promulgated by the Commissioner, and the grant and/or loan agreement are provided for, the Agency will notify the applicant that the bidding documents may be released for advertisement, and so advise the Commissioner ;
  - (d) review proposed final construction contract documents and, when satisfied that all requirements are fully provided for, including the prescribed provisions for labor and fair employment standards, inform the applicant that it may proceed with the proposed awards of construction and equipment contracts and so advise the Commissioner.

4. After execution of construction contracts for any approved project, the Agency will carry out a schedule of on-site visits in order to:
  - (a) verify the adequacy of resident inspection or similar local on-site inspection provisions by the applicant or the applicant's architect;
  - (b) check conformance by the applicant with construction account requirements;
  - (c) ascertain if construction is proceeding in accordance with approved plans, specifications, and contract documents;
  - (d) verify compliance by the applicant and the contractors and subcontractors with labor standards, fair employment standards and related requirements;
  - (e) inspect equipment received and installed for conformance with approved plans, specifications, and contract documents;
  - (f) verify and inform the Commissioner of the completion of stages of construction upon which payments of grant installments or completion of Federal loan arrangements are conditioned.

Normally, a minimum of three such visits shall be conducted: (1) upon the start of construction; (2) when the project is approximately 50 percent in place; and (3) when it is finished. Additional visits will be conducted only to the extent that the Agency deems necessary in connection with a particular project and to the extent possible within authorized resources.

5. The Agency will report to the Commissioner any exceptional findings with respect to the above items, and will make inspections or consult with applicants on such special matters as the Commissioner may request.
6. The Agency will receive all proposed changes in structural or other features of projects covered by grant or loan agreements, and will either: (1) determine, in accordance with standards promulgated by the Commissioner, that there is no reasonable basis for believing that the proposed changes could alter the scope of work, function or student enrollment capacity of the facility; or (2) refer the matter to the Commissioner with recommendations for approval or disapproval, and notify the applicant of such referral. The Agency will notify the applicant and the Commissioner when it determines, in accordance with (1) above, that the changes are acceptable.
7. Upon completion of each construction project under the Act, the Agency will inspect the facility to determine whether the project has been completed in accordance with the approved plans, specifications, and contract documents, including approved changes, and the assurances given by the applicant; will verify the receipt

and installation of all equipment covered by the grant and/or loan agreement; and will prepare and send to the Commissioner as soon as possible a report of project completion verifying that the project has been satisfactorily completed and that all facilities and equipment covered by the agreement are in place, and showing the final estimated cost of the project. The Commissioner will arrange for a final audit of the project and will notify the Agency when the project is closed.

#### Post-Approval Financial Services on Projects Which Involve Title III Loans

8. On any project for which a Title III loan offer is made by the Commissioner and accepted by the applicant, the Agency will, in addition to post-approval construction services listed above, perform appropriate services, such as the following where applicable:
  - (a) ascertain and advise the Commissioner as to the terms upon which interim financing from non-Federal sources can be arranged for the project;
  - (b) handle the exchange of any Federal loan advance for an interim note to the Commissioner, and arrange for the safe-keeping of the note pending final loan settlement;
  - (c) verify that arrangements for bond counsel, trustee, paying agent and depository bank conform to the Commissioner's requirements;
  - (d) provide guidance to the applicant in complying with loan conditions and in preparing bond proceedings required for the submittal of the appropriate bond transcript documents, review such documents, and advise the Commissioner as to their sufficiency;
  - (e) advise the borrower when appropriate to advertise bonds for sale;
  - (f) submit bids for the bonds on behalf of the Commissioner, and conduct the bond closings and transmit bonds and bond transcripts to the Commissioner or his designee; and
  - (g) inform the Commissioner upon completion of each step listed in (a) through (f) above;
  - (h) in the event an accepted loan offer provides for loan procedures in addition to or in lieu of those indicated in subparagraphs (a) through (f) above, the Agency will provide such other services on behalf of the Commissioner as may be requested.

#### Administrative Arrangements, Reports and Procedures

9. The Agency shall perform all the services herein provided in accordance with such regulations and policies for administration

of the Act as the Commissioner may promulgate. The Commissioner agrees to consult the Administrator before the adoption of any regulations which affect the services of the Agency hereunder.

10. The Agency shall provide the Office of Education with immediate notifications of circumstances or conditions which delay the completion of projects covered by grant and/or loan agreements under the Act.
11. To facilitate effective administration, communications, and prompt action, the Commissioner and the Administrator will arrange for informal day-to-day relationships between the field staffs of their respective organizations, but such relationships will not substitute for or interfere with the performance of responsibilities assigned and assumed in this agreement in the manner considered appropriate by the Commissioner and the Administrator for the discharge of their respective responsibilities.
12. In order to maintain a complete project docket of action documents and current progress schedules and accomplishments in the Office of Education, the Administrator shall arrange to transmit to the Commissioner copies of such documents and correspondence, and to prepare such progress schedules and reports as may be required by the Commissioner.
13. The Agency shall obtain clearance by the Commissioner for all forms and instructions with respect to the services to be performed under this agreement other than forms and instructions which are solely for internal use within the Agency, and shall supply to the Commissioner copies of all forms and instructions which are issued internally.

#### Technical Service Funds

14. The Commissioner shall pay the Agency for the technical services provided hereunder, on the basis of the costs incurred by the Agency in providing such services, but in no event to exceed the amount budgeted or appropriated therefor. Funds budgeted and appropriated for this purpose shall be made available to the Agency, in advance or by reimbursement, as may be agreed upon, on the basis of reports submitted by the Agency to the Commissioner in accordance with the next paragraph.
15. The Agency will furnish to the Commissioner: (a) detailed justification of budgetary requests for technical service funds for each fiscal year; (b) advance estimates of technical service operating costs (by services performed and by organizational units) for performance of the above-described services; and (c) reports of obligations and expenditures for services rendered. The form and periodicity of such reports shall be agreed upon by representatives of the Agency and the Commissioner.

Termination of Agreement

16. This agreement shall continue in force from year to year until cancelled by mutual agreement between the Commissioner and the Administrator, or by either party, upon 90 days' notice in writing by either party to the other.

/s/ Robert C. Weaver  
Administrator

August 13, 1964  
Date

/s/ Wayne O. Reed  
(Acting) Commissioner of Education

August 20, 1964  
Date

**CHAPTER 2. APPLICATION PROCESSING—TITLES I, II, AND III****Section 1. Inquiries**

Inquiries concerning the Academic Facilities Program shall be referred to the Regional Director. Inquiries of a general nature which may be answered by furnishing OE informational documents may be handled by the Regional Office. If the inquiry concerns specific program or policy matters or the preparation and submission of an application, the inquirer should be referred to or the inquiry forwarded to—

Bureau of Higher Education Facilities  
United States Office of Education  
Washington, D. C. 20202

Where the inquiry is forwarded to the above address, the Regional Office shall notify the person making the inquiry of the referral and that the Office of Education will respond directly.

Regional Offices should provide assistance, when requested by a potential applicant, on engineering, construction, and loan closing matters. Where such assistance is to be provided, the local representative of the Office of Education shall be invited to participate. Assistance on other matters, particularly those pertaining to general program aspects, will be furnished by the Office of Education.

Inquiries concerning a previously submitted application shall be referred to the Office of Education.

## CHAPTER 2. APPLICATION PROCESSING

### Section 2. Application Review

#### APPLICATION PROCESSING

Following program review of an application and a preliminary fund reservation by the Office of Education, CFA will be furnished a copy of the application and appropriate exhibits. At the same time OE will forward one copy of the application with all exhibits, including the full-sized plans, to the Regional Office for review as to whether:

- (1) The architectural and engineering features of the project are acceptable.
- (2) The cost estimates are acceptable and reasonable.
- (3) The project conforms to the statutory and regulatory prohibitions concerning use of elaborate or extravagant design or materials.

Financial and legal reviews will be made by the Office of Education.

#### Regional Office Processing

The Chief, Academic Facilities Operations Branch, is responsible for coordinating Regional Office processing.

In most cases, it will be desirable or necessary to consult with or render assistance to the applicant in connection with the architectural/engineering portion of the application. Such meetings could be general as in the engineering part of pre-application type conferences or specific to discuss identified problems. Where matters to be covered involve only CFA review responsibilities and would not affect the scope or educational features of the project, the Regional Office may communicate directly with the applicant and its architect/engineer. Other matters shall be referred to CFA for discussion with OE prior to Regional Office contact with the applicant.

#### Engineering Review

The application shall be given to the Engineering Branch which shall ascertain that all pertinent data is complete and in sufficient detail. If data is incomplete or missing:

- (1) The Chief, Engineering Branch, may contact the applicant's architect/engineer to request clarification of technical details, cost estimates, and related matters, or
- (2) The Chief, Academic Facilities Operations Branch, shall be requested to arrange for obtaining the data as provided above.

The engineering review shall be recorded on Form CFA-1212, *Application Review Report* (Exhibit A), in accordance with the following guides and criteria:

**Project Number**—As shown on the application, except that the abbreviated name of the State shall be added as a prefix.

**Type of Facility**—Show general type of facility to be constructed, such as “Library,” “Chemistry Building,” “General Classroom Building.”

- Item 1. Name of applicant as shown in item A-1 of the application.
- Item 2. Project location as shown in item A-3 of the application.
- Item 3a. The date and preparer of the drawings/sketches shall be taken from the drawings/sketches.
- Item 3b. Self-explanatory.
- Item 3c. It should be noted that the determination as to eligibility of areas, equipment, etc., is made by the Office of Education prior to the engineering review. Differences of less than five percent between the application and review data need not be reported.

Differences in area of more than 5 percent should be discussed with the applicant and/or its architect/engineer to determine if the differences can be explained; appropriate comments regarding the differences and reasons therefor shall be included in the *Application Review Report*.

As defined in the OE Regulations (45 CFR 170.1):

- (1) *Total Interior Space Area* means the total area measured between the inside face of exterior walls.
- (2) *Assignable Area* means the square feet of area in facilities designed and available for assignment to specific functional purposes, as distinguished from janitorial, maintenance, and mechanical equipment areas, and nonassigned use areas (e.g., public wash-room, general building service storage, entrance lobby, and public stair, elevator, and corridor space).

Assignable and non-assignable areas are calculated by measuring between the center line of interior partitions and/or walls, and for areas located on exterior walls, between the inside face of the exterior walls and the center line of interior partitions and/or walls.

Exhibit B provides definitions of general classrooms; instructional laboratories or shops; other teaching facilities; service areas for teaching facilities; library facilities; faculty offices; research facilities; administrative facilities; student study facilities; and other instruction-related facilities.

- Item 3d. The project cost line items on the Application show the estimated costs for the total proposed construction; each item



should be reviewed. The estimated common or "nonallocable" development costs will be prorated on the basis of the distribution of assignable area.

- Line 1. *Preliminary Expense* may include specific costs, except construction costs, incurred by the applicant prior to submission of the application and which were directly related to and necessary in the development of the project. Fees or commissions to brokers or negotiators for services in connection with the preparation and submission of an application are not eligible items of expense. If any costs are included on this line, the applicant is required to attach an itemized list showing nature of the cost and the amount.
- Line 2a. *Land and Rights-of-Way*. Where the site cost is to be included, two independent appraisals are required. If appropriate: (1) a recommendation may be made to OE that a third appraisal be made either by the Government or another appraiser, or (2) questions may be raised with OE concerning the qualifications of an appraiser.<sup>1</sup> Site costs can cover only the amount of land on which the facilities are located, including necessary ingress and egress.
- Line 2b. *Site Clearance* includes costs for clearing, grubbing, demolition, and removal of existing facilities; relocation of existing utility lines; excavation, fill, and grading required for preliminary preparation of the site when costs are not included in the construction costs.
- Line 3. Where existing structures are to be acquired, two independent appraisals are required. If appropriate: (1) a recommendation may be made to OE that a third appraisal be made either by the Government or another appraiser, or (2) questions may be raised with OE concerning the qualifications of an appraiser.<sup>1</sup>
- Line 4. Payment for architectural/engineering services include charges for resident inspection. Fees should not exceed the prevailing rate in the locality for similar types of work; any excess above the prevailing rate may be recommended to be excluded from approved project costs. Costs for preparation of the application may not be included.

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<sup>1</sup> Such points shall be referred immediately to CFA for discussion with OE.

- Line 5a. *Construction* includes all costs for construction of the building(s) including excavation and back-fill and utilities extended to a point 5 feet from building(s). Where an independent heating system is not to be constructed in the project itself, and an expansion of a central system is to be provided instead, the expansion of a pro-rata share of a new central system can be an eligible project cost.
- Line 5b. *Built-in Equipment Installed as Part of Basic Construction* includes all costs for audio-visual intercommunication or other such special equipment and systems to be installed as part of the basic construction.
- Line 5c. *Necessary Site Improvement* includes all costs for parking areas, access roads, drives, walks, and outdoor paved areas on prepared sub-base and retaining walls, etc., where such items are specifically related to the use of the project, and a reasonable amount of landscaping.
- Line 5d. *Utility Connections* may include all costs for installation of exterior water, sewerage and gas service lines beyond 5 feet from building(s) extended to and connected with public utility or private systems including tap-on-fee costs. Electric service cost may include all costs for extension of electric service from the existing public service line to connections with the weather head service entrance on the building(s). All costs for on-site water supply and/or sanitary sewerage systems may be included if such on-site systems will be used to service the building(s) in lieu of public utility system.
- Line 5e. *Construction Contingency*. An allowance of not to exceed 5 percent of the sum of 5a through 5d may be included.
- Line 6. See instructions above for Line 5.
- Line 7. *Legal Expenses* includes all legal and title costs directly attributable to the construction covered by the application, including bond counsel fees where applicable. Costs for legal services to be performed by the applicant's own employees may not be included. Questions concerning the appropriateness of legal expenses shall be referred to the Regional Counsel.
- Line 8. *Administrative Expenses* include all administrative expenses to be incurred. However, with the

exception of an on-site administrative representative, costs may not be included for any administrative services performed by the applicant's own employees, without prior OE approval. Where such costs are included, specific mention shall be made on Form CFA-1212. Fees or commissions to brokers or negotiators for services in connection with the submission of an application are not eligible items of expense. Costs of contractual services performed for the applicant or applicant's building agency in the application of critical path methods of construction scheduling may be included.

Line 9. *Capitalized Interest During Construction* may not be included beyond such period as is permitted by applicable State law. If the amount appears unrealistic, it should be discussed with appropriate Regional staff. (See Section 9-1-1.)

Lines 10, 11, and 12. Self-explanatory.

Line 13. *Equipment Cost Allocable to the Project* may include all equipment costs (not included in Lines 5 or 6) which are allocable to the proposed project where it is part of a larger project. The cost of built-in equipment, such as utilities, installed as part of the basic construction is considered to be a common (nonallocable) development cost, to be prorated on the basis of assignable areas, along with other common development cost items shared by the proposed project and the portions of the proposed construction not included in the project. Equipment, built-in equipment, and initial equipment are defined in Exhibit C.

Line 14. *Equipment Cost Not Allocable to the Project* may include all equipment costs not included in Lines 5, 6, or 13.

Line 15. Self-explanatory.

Item 3e. This will require a review of Parts N and O (through Line 6 of a Title I application (Parts L and M of a Title III application). If not applicable, insert "NA" in the "Yes" column.

Item 3f. OE Regulations provide that consideration will be given to:

(1) Economy of maintenance and operation after construction is completed.

(2) Unit costs for similar construction in the same area.

- (3) Efficiency of design, with due regard to safety standards, in placement of common-use areas such as hallways and lobbies, and in placement of plumbing and other utility systems.
- (4) Ratio of assignable area to interior space area of the building.
- (5) Relationship between the number of floors in the construction and the costs of land in the immediate vicinity, as well as other factors such as distance between buildings.
- (6) Generally accepted standards for the particular types of academic facilities to be provided by the proposed project.
- (7) Reasonable allowance, where appropriate and justified, for harmonious integration of a new facility with architectural characteristics of surrounding buildings, for creative application of proved new developments in educational media and methods, for planned future expansion of the facility, or for civil defense shelter provisions.

In addition, the standards of recent construction by the applicant should be considered.

CFA is responsible for evaluating items (1), (2), (3), (4), and (7) except that part relating to the application of proved new developments in educational media and methods. The latter as well as items (5) and (6) will be evaluated by OE; as appropriate, however, comments should be made on those factors, as necessary.

Each item which appears to be of elaborate or extravagant design or material shall be noted on Form CFA-1212 with a discussion of the item and the Regional Office recommendation. The discussion should cover such aspects as the incidence of similar construction on the campus or in comparable buildings in the locality and any special justification presented by the applicant.

Item 3g. Self-explanatory.

Item 3h. Self-explanatory.

Item 3i. The building cost estimate should be derived from the estimated cost of construction and built-in equipment installed as part of construction plus a five percent contingency, and the gross building square foot area. The latter is calculated by taking the sum total area of each building floor between the outside faces of exterior walls or other exterior lines of measurement based on the following space charge allowances:

- (1) Full Space Charge—All usable enclosed areas having a one story height. No space charge shall be made for basement or ground floor unexcavated areas or mechanical and electrical trenches.
- (2) One and One-Fourth Space Charge—All usable enclosed areas having a height of over one story; generally typical are auditoriums, gymnasiums, and library stack areas.
- (3) One-Half Space Charge—Roof elevator penthouses and stair towers.
- (4) One-Third Space Charge—Unenclosed covered walks and covered porches.
- (5) One-Fourth Space Charge—Recessed entrances and exits, covered walks open on one side only, and open, usable areas under buildings.

If a project consists of more than one type of building, which makes unit costs for the combined project unrealistic or meaningless, the details by unit should be given as footnotes in Item 4.

- Item 4. Each sub-item marked "No" under Item 3 must be discussed under Item 4; other comments should be included as necessary. Continue on attached sheet if additional space is required; each attached sheet shall be identified by showing the project number in the upper, right-hand corner.

Following completion of review by the Engineering Branch, Form CFA-1212 shall be prepared in an original and four copies. The Engineering Branch shall retain one copy of Form CFA-1212 and forward the original and three copies together with the application and plans, to the Chief, Academic Facilities Operations Branch. After Form CFA-1212 has been signed by the Regional Director or his designee, the Chief, Academic Facilities Operations Branch, shall arrange for distribution of Form CFA-1212 as follows:

- (1) Original and two copies to CFA; CFA will send the original and one copy to OE, and retain one copy.
- (2) One copy, together with the application and exhibits to the Regional Office project file.

No announcement of the Regional Office's action shall be given to the applicant and, pending formal approval announcement by OE, all questions concerning project status shall be referred to OE.

#### APPROVAL

Project approval will be made by and announced by the Office of Education. Copies of approval documents (see Exhibit D) will be furnished by OE to CFA which will send a set to the Regional Office.

**LOAN AND/OR GRANT AGREEMENTS**

The preparation and processing of loan and/or grant agreements and any amendments thereto is a responsibility of the Office of Education. Copies of such agreements and amendments will be furnished to the Regional Office by CFA. If the applicant or its bond counsel raises a question concerning the agreement and the terms and conditions therein, the applicant or bond counsel should be referred to the Office of Education. Questions of interpretation of the requirements outside of the substantive provisions of the agreement, however, should be answered by the Regional Office whenever possible.

EXHIBIT A

CF A-1212  
(2-65)

<p>HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION</p> <p>ACADEMIC FACILITIES PROGRAM</p> <p><b>APPLICATION REVIEW REPORT</b></p>	<p>DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION</p> <p>Project No. _____</p>																											
<p>1. Name of Applicant _____</p>	<p>Type of Facility _____</p>																											
<p>2. Project Location _____</p>																												
<p>3. Engineering Review</p> <p>a. Preliminary drawings/sketches dated _____ prepared by _____</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: center;">Yes</th> <th style="width: 10%; text-align: center;">No</th> </tr> </thead> <tbody> <tr> <td>b. Is the project shown in the drawings the same as that described in the application?</td> <td></td> <td></td> </tr> <tr> <td>c. Are the space areas obtained from the drawings the same as that shown in Part J (lines 1, 2 and 3) of the grant application (Part H of the loan application)?</td> <td></td> <td></td> </tr> <tr> <td>d. Is the proposed project cost estimate acceptable?</td> <td></td> <td></td> </tr> <tr> <td>e. If the project is part of a larger project, is the cost estimate allocation acceptable?</td> <td></td> <td></td> </tr> <tr> <td>f. Does proposed construction conform to the statutory and regulatory requirements of non-elaborate and nonextravagant design and materials?</td> <td></td> <td></td> </tr> <tr> <td>g. Is the proposed construction practical and does the design conform to acceptable engineering practices and to sound safety standards?</td> <td></td> <td></td> </tr> <tr> <td>h. Is the estimated construction period of _____ months acceptable?</td> <td></td> <td></td> </tr> <tr> <td>i. The building unit cost, based on the building cost estimate, is \$ _____ per square foot.</td> <td></td> <td></td> </tr> </tbody> </table> <p>Approval of the application is <input type="checkbox"/> recommended subject to any stated conditions <input type="checkbox"/> not recommended.</p> <p style="margin-top: 20px;"> <span style="float: left;">_____</span> <span style="float: right;">_____</span>  <span style="float: left;">Date</span> <span style="float: right;">Chief, Engineering Branch</span> </p>			Yes	No	b. Is the project shown in the drawings the same as that described in the application?			c. Are the space areas obtained from the drawings the same as that shown in Part J (lines 1, 2 and 3) of the grant application (Part H of the loan application)?			d. Is the proposed project cost estimate acceptable?			e. If the project is part of a larger project, is the cost estimate allocation acceptable?			f. Does proposed construction conform to the statutory and regulatory requirements of non-elaborate and nonextravagant design and materials?			g. Is the proposed construction practical and does the design conform to acceptable engineering practices and to sound safety standards?			h. Is the estimated construction period of _____ months acceptable?			i. The building unit cost, based on the building cost estimate, is \$ _____ per square foot.		
	Yes	No																										
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h. Is the estimated construction period of _____ months acceptable?																												
i. The building unit cost, based on the building cost estimate, is \$ _____ per square foot.																												
<p>4. Comments (Continue on reverse)</p> <div style="border: 1px solid black; height: 100px; width: 100%;"></div>																												

3/10/65

EXHIBIT A (Page 2)

(Reverse of CFA-1212)	
4. Comments (Continued)	
5. Recommendation	
Approval of the application is <input type="checkbox"/> recommended subject to any stated conditions <input type="checkbox"/> not recommended	
_____	_____
Date	Regional Director of Community Facilities
_____	_____
Date	For Community Facilities Commissioner



## EXHIBIT B

DEFINITIONS OF ACADEMIC FACILITIES <sup>1</sup>

For purposes of the Act, academic facilities are subdivided into three types, defined and further subdivided as follows:

- (1) "Instructional and library facilities" means all rooms or groups of rooms used regularly for instruction of students, for faculty offices, or for library purposes. A room intended and equipped for any of the purposes listed below should be counted in the appropriate category, regardless of the building (e.g., administrative building, library building, or field house) in which it is located. Instructional and library facilities are subdivided into the following categories:
  - (i) "General classrooms" means all instructional rooms used or intended and equipped to be used chiefly for lectures, recitations, and seminar types of class meetings, regardless of the size of the room. The seating area of an auditorium or theatre, *if regularly used for scheduled class meetings*, should be classified and counted as a general purpose lecture room.
  - (ii) "Instructional laboratories or shops" means all instructional rooms, equipped for special purposes such as chemistry experiments, language practice, food preparation and service in home economics, shopwork in industrial arts, painting, etc. (Adjoining areas such as a balance room, supply room, dark room, or projection room, are considered to be "service areas for teaching facilities" and are not to be counted with instructional laboratories and shops.)
  - (iii) "Other teaching facilities" means all other rooms and areas regularly used or intended for scheduled class meetings or individual instruction, such as: music practice rooms (for individual practice) and music studios (where an instructor's office serves also as a studio, the room should be counted under "faculty offices"); playing floors, wrestling and boxing rooms, indoor swimming pools, and indoor track and field areas used regularly for instructional purposes. Storage rooms for musical instruments, seating areas, locker and shower rooms, and equipment issue and storage rooms used in connection with scheduled classes and located in the gymnasium are considered to be "service areas for teaching facilities" and are not to be counted with other teaching facilities.
  - (iv) "Service areas for teaching facilities" means all service areas which adjoin and are used in conjunction with any

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<sup>1</sup> As defined in Office of Education Regulations 45 CFR 170.1(d)(1)-(3).

## EXHIBIT B (Page 2)

general classrooms, instructional laboratories or shops, or other teaching facilities. Examples of service areas for teaching facilities are: closets in general classrooms or in instructional laboratories or shops; rooms adjoining and used in conjunction with instructional laboratories or shops, such as a balance room, a storeroom, supply room, dark room, or projection room; seating areas, locker and shower rooms, and equipment issue and storage rooms located in a gymnasium; instrument storage areas adjoining a music studio; etc.

- (v) "Library facilities" means rooms or groups of rooms used for the collection, storage, circulation, and use of books, periodicals, manuscripts and other reading and reference materials, including the general library, departmental libraries, and rooms for special collections of documents, rooms for storage of films, records, and other audio-visual equipment and materials, library reading and listening rooms, acquisition room, cataloguing room, document reproduction room, circulation and reference desks, and any other similar library service area. Rooms used for any such purposes should be counted under library facilities. Library science laboratories and lecture classrooms located in a library building are to be counted as either general classrooms or instructional laboratories and shops.
  - (vi) "Faculty offices" means all rooms or groups of rooms with office-type equipment, which are assigned to one or more faculty members for the performance of administrative, clerical, or faculty duties other than meeting of classes. A studio room in a department of music or fine arts, assigned to one or more faculty members for their own work, even though occasionally used for a student lesson, should be counted as a faculty office. Service areas for faculty offices (e.g., waiting rooms, office files and supply rooms, interconnecting corridors within a suite of offices, private toilets, and clothes closets) should be counted together with the offices themselves.
- (2) "Instruction-related facilities" means all rooms or areas used for the purposes related to the instruction of students, or for research, or for administration of the educational or research programs of an institution of higher education. "Instruction-related facilities" includes only rooms and areas which are assignable for research, or administrative purposes, or for functions related to instruction of students, and rooms or areas which directly support such purposes. Instruction-related facilities are subdivided into the following categories:

## EXHIBIT B (Page 3)

- (i) "Research facilities" means rooms or groups of rooms which provide research facilities and are not made available for regular class meetings. A room that serves both as an office and a research laboratory should be counted under research facilities. Service areas which adjoin and are used in conjunction with research facilities should be counted as part of such facilities.
  - (ii) "Administrative facilities" means all rooms or groups of rooms with office-type equipment, other than those meeting the definition of "faculty offices," which are used for the performance of administrative or clerical duties related to the administration of the educational or research programs of an institution of higher education. Service areas for administrative facilities (e.g., waiting rooms, office files and supply rooms, interconnecting corridors within a suite of offices, private toilets and clothes closets) should be counted as part of such facilities.
  - (iii) "Student study facilities" means all rooms or areas used as student study rooms, including adjoining toilet or locker facilities.
  - (iv) "Other instruction-related facilities" means all types of rooms or facilities not included in one of the above categories, which clearly are related to the instructional or research programs of an institution of higher education, and are used for specific functional purposes, such as a control room or studio used for television instruction or programmed instruction, or a central computer facility which is used primarily for instructional purposes, a museum or exhibition room, an auditorium or theatre (other than seating area regularly used for classes and counted under "general classrooms"), a conference room, a greenhouse, or an animal quarters separated from laboratory areas. Service areas for any such facility should be counted together with the facilities themselves.
- (3) "Related supporting facilities" means all other areas and facilities necessary for the utilization, maintenance, and operation of academic facilities, including building service areas and circulation areas; related supporting facilities are non-assignable areas.

## EXHIBIT C

DEFINITIONS OF EQUIPMENT <sup>1</sup>

*Equipment* includes, in addition to machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, all other equipment items necessary for the functioning of a particular type of academic facility to be provided by an eligible project. An equipment item is a new or replacement item of movable or fixed unit of furniture or furnishings, an instructional instrument, a machine, an apparatus, or a set of articles which meets all of the following conditions:

- (1) It retains its original shape and appearance with use ;
- (2) It is nonexpendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to repair it than to replace with an entirely new unit ; and
- (3) It does not lose its identity through incorporation into a different or more complex unit or substance.

For any item (with the exception of library books, which are excluded under Public Law 88-204 from the definition of equipment) listed in pages 101-121 (alphabetical List of Supplies and Equipment) of U. S. Department of Health, Education, and Welfare, Office of Education, Bulletin 1959, No. 22, the determination between equipment or expendable supply item as contained therein shall apply. For any item not listed therein and not otherwise defined in Regulations of the Office of Education, determination as to eligibility as an item of equipment shall be made by applying the above criteria.

*Built-in Equipment* includes equipment items that are permanently fastened to the building and function as part of the building and have a useful life approximately equal to that of the building ; and equipment items that are permanently attached to the grounds and function as part of the grounds.

*Initial Equipment* means equipment acquired and installed in connection with : erection of new or expansion of existing structures ; acquisition and preparation of existing structures ; or rehabilitation, alteration, conversion, or improvement of existing structures. In connection with erection of new or expansion of existing structures, or with acquisition of existing structures, initial equipment shall include only that equipment which must be placed in the proposed facility in order for it to accommodate the functions for which the facility has been programmed and designed. In the case of the rehabilitation, alteration, conversion, or improvement of existing structures, initial equipment also may include equipment installed to replace obsolete or worn out equipment.

<sup>1</sup> As defined in Office of Education Regulations 45 CFR 170.1(1).

EXHIBIT D

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION BUREAU OF HIGHER EDUCATION FACILITIES Undergraduate Loans Branch  <b>PROJECT SUMMARY AND APPROVAL</b>	Project No. _____  Release Date _____	
Applicant: Name _____ Address _____ (STREET) _____ (CITY) _____ (COUNTY) _____ (STATE) _____		
BRIEF PROJECT DESCRIPTION (Include type of construction, and whether new, addition, or rehabilitation.) _____ _____ _____		
<b>METHOD OF FINANCING</b>		
Grant-Title I Section 103 \$ _____	Approved _____	Requested _____
Grant-Title I Section 104 \$ _____	Approved _____	Requested _____
Grant-Title II \$ _____	Approved _____	Requested _____
Loan-Title III ( _____ yrs.) \$ _____	(Interest rate _____ %)	
Other Federal Funds _____		
\$ _____		
\$ _____		
Applicant's funds \$ _____		
Total construction cost \$ _____		
<b>CONSTRUCTION SUMMARY</b>		
Construction Cost Estimate:		
Preliminary expense	\$ _____	
Land, rights-of-way, and site preparation	_____	
Architectural engineering services	_____	
Construction	_____	
Legal expenses	_____	
Administrative expenses	_____	
Interest during construction	_____	
Equipment	_____	
Project contingencies	_____	
Total Construction Cost Estimate	\$ _____	
Construction Cost Analysis:		
Construction	\$ _____	
Built-in equipment installed as part of basic construction	_____	
Necessary site improvements	_____	
Utility connections	_____	
Construction contingency allowance	_____	
Total Construction Cost	\$ _____	
Cost Statistics:		
Building only \$ _____	Cost per square foot: _____	Square feet in project: _____ sq. ft.
All construction _____		Percentage increase of academic _____
Total Project \$ _____		facilities _____ %
Status of site acquisition: _____		
OE 1001 (12/64)		

EXHIBIT D (Page 2)

PROJECT SUMMARY AND APPROVAL

Special conditions resulting from engineering review:

Estimated period from approval to start of construction \_\_\_\_\_ months.

Estimated construction period \_\_\_\_\_ months.

Loan Security and Collateral:

Special Conditions for Loan Agreement:

RECOMMENDATION OF APPROVAL

Based upon review of the application, approval of the project and the loan is recommended. A fund reservation is outstanding covering the amount recommended.

\_\_\_\_\_  
DIRECTOR, UNDERGRADUATE LOANS BRANCH

\_\_\_\_\_  
DATE

\_\_\_\_\_  
DIRECTOR, UNDERGRADUATE DIVISION

\_\_\_\_\_  
DATE

APPROVAL:

I approve, subject to the stated conditions, the project described above and the making of a loan in the amount stated above.

\_\_\_\_\_  
ASSOCIATE COMMISSIONER

\_\_\_\_\_  
DATE

AUTHORIZED BY:

\_\_\_\_\_  
EXECUTIVE OFFICER

\_\_\_\_\_  
DATE

## CHAPTER 2. APPLICATION

### Section 3. Reports

#### INTRODUCTION

This Section provides for the reporting of project data necessary for Academic Facilities Program management purposes and for furnishing project information to the Office of Education and other Federal agencies. This reporting and control system is designed to produce a maximum degree of control and a uniform flow of information with a minimum amount of effort. Statistics, however, can be no more accurate than the data on which they are based. Accuracy and timeliness are essential. It is important, consequently, that each participant recognize the importance of each function in the system and the interdependent nature of the system—i.e., each function must be performed before the entire system can be useful.

More than one person in each reporting segment of the Regional Office shall be thoroughly familiar with these procedures to assure continuity and accuracy of reporting.

#### GENERAL DESCRIPTION OF THE SYSTEM

The reporting and control system consists of the following basic elements:

- (1) A deck of key action punched cards identified by a violet band across the length of the card. A deck for each project will be furnished to Regional Offices in three clear plastic envelopes which are to be distributed by the Reports and Control Assistant as follows:
  - (a) The first envelope will contain pre-punched cards for key actions to be reported by the Chief, Academic Facilities Operations Branch;
  - (b) The second group is applicable to key actions which are to be reported by the Engineering Branch;
  - (c) The third plastic envelope will contain cards applicable to actions to be taken by the Legal Division.

The Chief, Academic Facilities Branch, the Engineering Branch, and the Legal Division shall establish and maintain a file of the plastic envelopes containing key action cards. The file shall be in alphabetic State sequence and in OE project number order within each State. In instances where a project is attrited or closed out, plastic envelopes are to be returned to CFA (Attention: Statistics and Reports Division) and any remaining action cards discarded.

Also, whenever a project attrition action is reported to CFA, the Academic Facilities Operations Branch shall notify the Engineering Branch and the Legal Division in order to enable them to discard their key action cards and return the plastic envelopes.

A separate card will be provided for each action; except where two or more cards are provided (e.g., construction status), action dates shall be reported only once; i.e., the date of the initial action. Each card has a pre-printed and pre-punched OE project number; in addition, the *Application Received* card has a CFA serial number which shows the Region, State, and a serial number for the project. The CFA serial number is designed to facilitate control of the decks of cards and for CFA reporting purposes and should not be used in lieu of the OE project number. In cases where more than one application is involved in a single project (e.g., a loan and a grant), three additional cards (*Application Received, Approval, Agreement*) will be sent to the Regional Office with the second application (see Note preceding paragraph (1)(b) below).

- (2) A set of action advice cards for internal Regional Office reporting;
- (3) *Project Control Card*, Form CFA-111-AF, maintained by the Academic Facilities Operations Branch.

#### **ACTION REPORTING**

The appropriate technical branch or the Academic Facilities Operations Branch shall prepare on the date the action occurs or notification thereof is received:

- (1) A key action punched card identified by a violet band across the length of the card; or
- (2) Action advice card.

#### **Card Handling Instructions**

It is imperative that the key action punched cards be handled with extreme care. The cards should not be clipped, stapled, bent, or folded and rubber bands shall not be tightly placed around cards so as to damage their edges.

Entries on all cards shall be made with ballpoint pens and shall be legible to facilitate keypunch operations.

#### **Preparation of Key Action Punched Cards**

Cards shall be prepared as follows:

- (1) APPLICATION GROUP
  - (a) *Loan Application Received* card and *Grant Application Received* card (see Exhibit A). The appropriate card shall



be prepared by the Academic Facilities Operations Branch, upon receipt of the application as follows:

*Region*—Block “A” is pre-punched to identify the Region. Accordingly, no entry is required.

*State*—Block “B” is pre-punched to identify the State. Accordingly, no entry is required.

*No.*—Block “C” is pre-punched to show the CFA serial number within the State. Accordingly, no entry is required.

*OE Project Number*—Block “D” is pre-punched to show the OE project number. Accordingly, no entry is required. The OE project number consists of the OE program identification (first digit) plus a serial number. The program identification is:

“1”—Title III loan for graduate facilities;

“2”—Title II grant;

“3”—Section 103 grant;

“4”—Section 104 grant;

“5”—Title III loan for undergraduate facilities.

*Related Project Number*—In many cases, both a loan and grant will be requested for a project; in such cases, OE assigns a project number for the loan application and a different project number for the grant application. Where two OE project numbers are used, one will be shown in Block (D) and the other in Block (E).

*Related College Housing Project No.*—As appropriate, enter in Block (F), the college housing project no. associated with the project. If the college housing application is received subsequently, enter the college housing project number on the next Key Action Punched Card used (space is provided on Application Review, Approval by OE, Agreement, Interim Revision, and CFA-150 cards).

*Authorized by*—Block (G) shall be initialed by the Chief, Academic Facilities Operations Branch.

*Federal Grant Amount*—In Block (1) enter the Federal grant amount requested by the applicant under P.L. 88-204 to the nearest dollar. Where necessary for Section 104 grants, show grant amount determined by State Commission and adjust “Other Funds.”

*Percent Grant*—In Block (1a) enter the percent the Federal grant is of the eligible development cost as derived from Part A of the Application; show the percentage to the nearest whole number.

*Federal Loan Amount*—In Block (2) enter the Federal loan amount requested by the applicant under P.L. 88-204. Report the amount to the nearest dollar.

*Percent Loan*—In Block (2a) enter the percent the Federal loan is of the eligible development cost as derived from Part A of the Application; show the percentage to the nearest whole number.

*Private Borrowings*—In Block (3) enter total of all borrowings from private sources except interim construction financing.

*Other Funds*—In Block (4) enter other funds, such as applicant funds, appropriations, other Federal funds, other non-Federal funds except for private borrowings, etc. If more than one source is involved, only report one total to the nearest dollar to cover the sum total from all sources. Also see "Federal Grant Amount" above.

Note: Amounts reported for grants, loans, private borrowings, and other funds must equal the total project cost.

*Institution Name*—In Block (10) insert the name of the institution applying for the loan. Use abbreviations for name of institution as shown in code list book.

*Project Location*—In Block (11) insert the city or town in which the project will be located. Abbreviate name of city not to exceed 15 digits. In Block (12) insert the county in which the project will be located. Use exact spelling and abbreviations as shown in county code list.

*County Code*—In Block (12a) insert the county code as shown in the code list book alongside the name of the county.

*Congressional District*—In Block (13) insert the Congressional district in which the project will be located. Enter the letters AL for Congressional districts at large.

*Multiple Location Designator*—In Block (14) insert the letter "M" if the project involves construction located in more than one city, county or Congressional District. The Application Received Card shall be prepared for a selected primary project location which shall contain total dollar amounts and total scope for all locations as well as all other required data as set forth in (1)(a) above. In addition, a separate application card shall be prepared for each of the other locations as follows:

In Block "A" through "D" duplicate the information as shown on the selected primary location project. In Block (C) to the right of the dotted line, enter the

letter A. If more than one subsidiary location is involved, enter in alphabetic sequence the appropriate letter on each card. For example, if there are three subsidiary locations in addition to the primary location, enter in Block (C) the letter A for the first subsidiary location, the letter B on the next card for the second subsidiary location and the letter C on the third card for the final subsidiary location. Enter only one alphabetic letter on each card in Block (C). Also, enter data in Blocks (10) through (18) in accordance with instructions contained in (1)(a) above. Also in the upper portion of Blocks (13) and (12a) enter the Congressional District and the county, respectively, of the selected primary location.

*Redevelopment Areas*—In Block (15) insert the appropriate project location redevelopment area code, if one is applicable, i.e., A, B, or S. The “A” is for 5a area, “B” for a 5b area, and “S” for a substantial unemployment area. Source for this information is Department of Commerce, Summary List of Redevelopment Areas, Area Designation Status Report and change sheets issued by ARA.

*Institution Code*—In Block (16) enter the institution code as shown in the CFA Code List Book “A” alongside the name of the institution.

*Institution Type*—In Block (17) enter the type of institution code as shown in the CFA Code List Book “A”.

*Enrollment Code*—In Block (18) enter enrollment code as shown in CFA Code List Book “A” for enrollment ranges. The appropriate code shall be determined by the enrollment shown in Item C3h of the Application.

*Project Type*—In Block (19) insert the following project type code as obtained from “Distribution of Assignable Area to be Provided by the Project for Which a Loan (Grant) is Requested” in the Application; if there are more than one type of assignable areas, show the two major types as determined by the square feet shown under assignable area:

- “1”—General classrooms
- “2”—Instructional laboratories and shops
- “3”—Other teaching facilities
- “4”—Service areas for teaching facilities
- “5”—Library facilities
- “6”—Faculty offices
- “7”—Research facilities

“8” —Administrative facilities

“9” —Student study facilities

“10” —Other instruction-related facilities

*Construction Identification*—In Block (19a) insert one or more of the following construction identification codes as obtained from “Breakdown of Development Cost Items for the Proposed Construction” in the Application:

“1” —Acquisition of existing structure(s)

“2” —Erection of new structure(s) or addition(s)

“3” —Rehabilitation, alteration, conversion, or improvement of existing structure(s).

*Date Application Received*—In Block (20) enter month, day and year (e.g., 9-6-65) the application is received in the Regional Office.

*Application Date*—In Block (21) insert the date of application as obtained from last page of application.

Note: In instances where more than one application is associated with a project (e.g., loan and grant applications), three additional action cards will be furnished by CFA at the time the subsequent application is forwarded. These cards—*Application Received*, *Loan/Grant Approved by OE*, and *Loan/Grant Agreement Received*—are to be given to the Academic Facilities Operations Branch for insertion in the plastic envelopes containing the cards for the first application. It should be noted that the project number for these cards will be the project number for the first application; the project number for the subsequent application will be shown as the related project number.

Subsequent *Application Received* cards require the entry of only the following information:

- (1) Action Date—Block (20)
- (2) Date of Application—Block (21)
- (3) Fund Data—Blocks (1), (2), (3), and (4)
- (4) Loan and Grant Percentages—Blocks (1a) and (2a)
- (5) Authorization—Block (G)

The other blocks should be completed only where there is a change to appropriate data.

- (b) *Application Review Report* (see Exhibit B)—This card shall be prepared by the Academic Facilities Operations Branch, as shown below, following the Regional Director’s signing of Form CFA-1212, *Application Review Report*.

*Cost Per Square Foot*—In Block (6a) insert the cost per square foot as obtained from Item 3(i) of the *Application Review Report*.

*Action Date*—In Block (20) insert the date the Regional Director signs the *Application Review Report*.

- (c) *Loan Approved by OE and Grant Approved by OE* (see Exhibit C)—These cards shall be prepared by the Academic Facilities Operations Branch as follows:

*Action Date*—In Block (20) insert date project approval signed by Associate Commissioner, Bureau of Higher Education Facilities, Office of Education.

*All Other Blocks*—Enter data only where revisions have occurred in data previously furnished; show only those items that have changed.

- (d) *Loan Agreement Received and Grant Agreement Received* (see Exhibit D). These cards shall be prepared by the Academic Facilities Operations Branch as follows:

*Loan Term*—In Block (2b) insert the repayment period for any Federal loan.

*Interest Rate*—In Block (2c) insert interest rate, in decimals, for any Federal loan.

*Action Date*—In Block (20) insert date loan or grant agreement received by the Regional Office.

*Agreement Date*—In Block (21) insert the date the loan or grant agreement fully executed.

*All Other Blocks*—Enter data only where revisions have occurred in data previously furnished; show only those items that have changed.

## (2) CONSTRUCTION GROUP

Each of the following cards are to be prepared by the Engineering Branch for the key actions set forth below and as shown in Exhibit E; in each case, the Chief, Engineering Branch, shall initial Block "G, Authorized By." The cards must be prepared with a ballpoint pen. After completion, each key action card shall be sent to the Academic Facilities Operations Branch for forwarding to CFA. *Note:* Changes in dollar amounts and scope which occur during the pre-construction and construction phases shall be reported to CFA by the Chief, Academic Facilities Operations Branch, on *Interim Revision* cards in accordance with Item (4) below.

- (a) *Architect/Engineer Agreement Received*—In Block (20) insert the date the agreement was received in Regional Office.

- (b) *Architect/Engineer Agreement Concurrence*—In Block (20) insert the date the Regional Director signs letter of concurrence.
- (c) *Proposed Contract Documents Received*—In Block (20) insert the date Regional Office received the proposed contract documents.
- (d) *Proposed Contract Documents Concurrence*—In Block (20) insert the date the Regional Director signs the letter of concurrence.

Note: Cards (a) through (d) are identical except for the action description legend.

- (e) *First Contract Award Concurrence* (see Exhibit F)—In Block (20) insert the date the letter is signed by the Regional Director advising the applicant of concurrence in award of the 1st construction contract. In Block (21) enter the date of bid opening. If bids were obtained by advertising, insert "A" in Block (30); if bidders were selected, show numbers of bidders selected in Block (30). In Block (30a) show number of bids received. In Block (6) enter estimated construction cost (i.e., the total construction line item) of the project to the nearest dollar; the estimated equipment cost (i.e., all equipment cost except that included in the construction line item) shall be entered in Block (7). Do not report the dates of any subsequent contract awards.
- (f) *Construction Started* card (see Exhibit G)—In Block (20) enter date of construction start. A construction start is defined as the date on which labor or equipment is first employed on the site and shall be obtained from Form CFA-200, *Periodic Inspection Report*. In instances where more than one construction contract is involved, only the start on the first structure or first contract shall be reported. In Block (21) show the date the Regional Director signed the letter concurring in the executed contract documents.
- (g) *Construction Progress* card (see Exhibit H)—In Block (22) enter date inspection made or date given in Form CFA-249. In Block (32) show percent construction completed as obtained from Forms CFA-200 or CFA-249. However, percent construction completed shall not be reported until there is a change of 10 percent from the previous report.

In Block (20) show date construction was substantially completed; that is, when the project was usable for its intended purposes. In Block (21) show date project was actually in use, if in use prior to the final inspection. In Block (23) show date of final inspection as obtained from Form CFA-250. These actions shall be reported as they occur; however, if reporting information for more than one item is available, two or more items shall be reported on the same card.

- (h) *Project Delay* card (see Exhibit I)—If a project is delayed for a minimum of 10 working days for one or more reasons, the delay shall be reported on a *Project Delay* card. In Block (20) enter the date on which the delay commenced and in Block (31) enter the appropriate delay code as shown below. In instances where there is more than one reason for delay, select and report only the code for the primary cause of delay.

When the last cause for delay is resolved and progress is resumed, report the stop of delay by submitting a second *Project Delay* card with the date delay stopped shown in Block (21). However, if a delay continues for causes other than the primary delay reported, stop of delay shall not be reported until all delays have been resolved.

Delay codes are as follows :

*Construction Start Delayed*

STATUS CODE	DELAY
A1	Legal Problems
A2	Financial Problems
A3	Weather Conditions
A4	Material Shortages
A5	Equipment Failure
A6	Labor Problems
A7	Other

*Construction Delayed After Start*

STATUS CODE	DELAY
B1	Weather Conditions
B2	Material Shortages
B3	Equipment Failure
B4	Labor Problems
B5	Site Condition Problem
B6	Other

(3) LOAN CLOSING GROUP

Each of the following cards is to be prepared by the Legal Division. In each case, the Chief Counsel or his designee shall initial Block "G. Authorized By." The following key action punched card shall be given to the Academic Facilities Operations Branch for forwarding to CFA.

- (a) *Bond Counsel Opinion Received* card. (This card is identical to that shown in Exhibit E except for the action legend)—In Block (20) insert the date the preliminary opinion is received in the Regional Office.

(b) *Bond Award* card (see Exhibit J)—In Block (20) enter the date the bonds were awarded to private bidders and/or the Government: In Block (33) enter “A” if bonds were advertised; if bonds were not advertised, enter “N”. Where bonds were offered to private bidders, show in Block (34), the number of responses.

In Block (8) enter the total value awarded to the Government.

In Block (8a) enter the first year and last year of maturities covering the total Federal bond purchase. In Block (8b), insert the applicable Federal *interest rate* in decimals. In Block (9) enter the total value awarded to private bidders. In Block (9a) enter the first year and last year of maturities covering total private bond purchases. In Block (9b) insert the *net interest cost*.

- (c) *Loan Closing Held* card. (This card is identical to that shown in Exhibit E except for the action legend)—In Block (20) insert the date of formal loan closing (see Section 21-3-4).

*Action Advice* cards (see Exhibit K)—Information regarding certain actions, reported for Regional Control purposes, is not necessary for central program management. Reporting of this information is accomplished through use of eight identical *Action Advice* cards. Each card is sent only to the Academic Facilities Operations Branch following action taken. In each case, the date of action is entered in Block (1), the appropriate action checked in Block (2), and the card initialed in Block “D”.

- (4) The following key action cards shall be prepared by the Chief, Academic Facilities Operations Branch:

- (a) *Interim Revision* card (see Exhibit L)—This card shall be used to report changes in data when such changes occur between key actions or which occur during the construction period. Five revision cards are being furnished; each card contains a letter designation from “A” through “E”, the left side of Block 3. Unless these cards are submitted in alphabetical sequence, starting with the letter “A”, machine operations will not reflect the latest revisions. The instructions applicable to the preparation of this card are, with five exceptions, identical to those for entering the data on the *Application Received* card. One exception concerns the omission of the application date and the others cover the inclusion of construction cost in Block (6); cost per square foot in Block (6a), equipment cost in Block (7), and in Block (40), an alphabetic identification denoting the last key action reported (such designation appears to the right of the printed key action legend). The *Interim Revision* card would reflect changes which should be shown in *Revised Project Summaries* including overruns and underruns.



- (b) *Attrition* card (see Exhibit M)—This card shall be prepared to report the following actions: Disapproval, applicant withdrawal, and cancellations; in each case, action shall be reported only following notification by OE. In Block (20), enter the effective date of the action. In Block (37) enter the appropriate type action code as defined below. In Block (37a) enter the letter designation P, G, or L as follows: Enter the letter "P" when an entire project is attrited; if a project consists of both a grant and a loan, enter the "G" if the grant portion is attrited or enter the letter "L" if the loan portion is attrited. If the loan and grant are both attrited either at the same time or at different points in time, enter the letter "P" to indicate that the entire project is attrited. For example, if a loan is attrited, "L" would be entered and subsequently if the grant is attrited, "P" would be entered. After preparation and submission of an attrition card containing the letter designation "P", for any action D1 through C4, discard all remaining cards for that project since no further key actions are to be reported on attrited projects. The tissue copies will serve as notice to the Legal Division and Engineering Branch to discard any remaining cards.

Show for actions taken by the Government or the applicant prior to project approval by the Office of Education:

"D1"—Action taken by the Government not to approve the project because the applicant or project is ineligible or where the application is unacceptable for one or more reasons.

"D2"—Failure by the applicant to reply to a Government request for additional information within the time specified.

"W"—Positive action taken by the applicant to rescind its application, thereby precluding any further Government participation.

Show for actions taken by the Government or the applicant after project approval:

"C1"—Action taken by the Government to cancel the project because of applicant failure to meet technical requirements.

"C2"—Failure by the applicant to reply to a Government request for additional information within the time specified, except where such failure is due to private sale of bonds.

"C3"—Preclusion of any further Government participation because all bonds were sold privately.

“C4”—Positive action taken by the applicant to rescind its application, thereby precluding any further Government participation, for any reason other than private sale of bonds.

- (c) *Form CFA-1250* card (see Exhibit N)—In Block (20) enter the date Form CFA-1250 was signed by the Regional Director. In addition, the Chief, Academic Facilities Operations Branch, shall ascertain if other items listed on the card should be changed.
- (d) *Project Close-Out* card. (This card is identical to that shown on Exhibit N except for the action legend)—In Block (20) enter the date of project close-out as contained in the notification from OE. In addition, the Chief, Academic Facilities Operations Branch, shall ascertain if other items listed on the card should be changed.

#### PROJECT CONTROL

When a key action punched card or an *Action Advice* is received by the Academic Facilities Operations Branch, an appropriate entry shall be made to the *Project Control Card*, Form CFA-111-AF (Exhibit O).

At the close of each day, the Academic Facilities Operations Branch shall send to CFA all key action punched cards for actions occurring during that day. The cards shall be inserted in a pre-printed envelope furnished for this purpose. In the event no key actions occur during a given day, an empty envelope with an “x” marked in pencil by the “No Action” designation block, shall be sent to CFA.











EXHIBIT D

FEDERAL GRANT		FEDERAL LOAN		PRIVATE BORROWING		OTHER FUNDS		O.E. NUMBER	
1	2	3	4	5	6	7	8	9	10
AGREE. DATE	AGREE. DATE	GRANT %	LOAN %	SO. FT.	PROJ. TYPE	CONST. IDENT.	TERM	RATE	AUTHORIZED BY
20	21	1A	2A	6A	19	18A	5B	7C	
<b>LOAN AGREEMENT RECEIVED (C6)</b>									
1	2	3	4	5	6	7	8	9	10
111111	111111	111111	111111	111111	111111	111111	111111	111111	111111
222222	222222	222222	222222	222222	222222	222222	222222	222222	222222
333333	333333	333333	333333	333333	333333	333333	333333	333333	333333
444444	444444	444444	444444	444444	444444	444444	444444	444444	444444
555555	555555	555555	555555	555555	555555	555555	555555	555555	555555
666666	666666	666666	666666	666666	666666	666666	666666	666666	666666
777777	777777	777777	777777	777777	777777	777777	777777	777777	777777
PROJECT LOCATION - CITY									
ACADEMIC FACILITIES PROGRAM									
C.F.A. - 114 - AT									

PROJECT LOCATION - COUNTY		INST. TYPE		ENROLL		C.H. NO.	
12	13	14	15	16	17	18	19
CO. CODE	DIST.	ABS	INST. CODE	INST. TYPE	ENROLL	C.H. NO.	
888888	888888	888888	888888	888888	888888	888888	888888
999999	999999	999999	999999	999999	999999	999999	999999
1	2	3	4	5	6	7	8
111111	111111	111111	111111	111111	111111	111111	111111





ACTION DATE

O.E. NUMBER  
AUTHORIZED BY

A/E AGREEMENT RECEIVED (D1)

Table with 64 columns and 6 rows of data. Column headers include 1-64, ACTION DATE, and O.E. NUMBER. Data includes 'ACADEMIC FACILITIES PROGRAM' and 'C.F.A. ACT'. Includes a '11' barcode and 'IBM 060360' at the bottom.

IBM 060360

C.F.A.-114-AF







EXHIBIT I

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32
DELAY STARTED											DELAY STOPPED										CODE										

D	
O. E. NUMBER	
G	
AUTHORIZED BY	

**PROJECT DELAY (G3)**

																																111111								111111								111111																															
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80
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ACADEMIC FACILITIES PROGRAM

C. F. A. - 114 - AF

O. E.	PROC	STATE	C. F. A.	ACT
NUMBER	CODE	NUMBER	CODE	NUMBER

IBM D6035B

4/29/65



TO: CHIEF, ACADEMIC FACILITIES  
OPERATIONS BRANCH  
FROM: REGIONAL COUNSEL

		20
ACTION DATE		

	D
O. E. NUMBER	
AUTHORIZED BY _____	
G	

### ACTION ADVICE (FOR REGIONAL USE ONLY)

	NOTICE SENT TO APPLICANT RE LOAN CLOSING DATE
	PRELIMINARY OPINION OF BOND COUNSEL CONCURRED IN
	BOND TRANSCRIPTS RECEIVED
	BOND TRANSCRIPTS CONCURRED IN
	REVISED LOAN CLOSING DATE

C.F.A.-114-A-F

IBM D60344







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C.F.A. - 114 - AF

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EXHIBIT O

HHFA-CFA  PROJECT CONTROL CARD	ACADEMIC FACILITIES PROGRAM  CFA-111-AF (4-65)	PROJ. NO.  RELATED PROJ. NOS.
APPLICANT		
AUTHORIZED REPRESENTATIVE		
ARCHITECT/ENGINEER		
BOND COUNSEL		
PROJECT IDENTIFICATION		
1. Application to Engineering	13. Preliminary bond counsel opinion rec'd.	Notes:
2. Additional information requested	14. Preliminary opinion concurrence	
3. Additional information received	15. Transcripts received	
4. Engineering review completed	16. Transcripts concurrence	
5. A/E agreement received	17. Loan closing scheduled	
6. A/E agreement concurrence	18. Loan closing held	
7. Proposed contract documents rec'd.	19.	
8. Proposed contract doc's. concurrence	20.	
9. Award concurrence	Construction delays:	
10. Executed contract documents rec'd.		
11. Executed contract doc's. concurrence		
12.		

## CHAPTER 3. PRECONSTRUCTION

The instructions for preconstruction activities for the Academic Facilities Program are provided in Sections 20-1-1 and 20-1-2, except as supplemented below.

### INITIAL CONTACT

Upon receipt of OE's notice of approval, the Regional Director shall send the applicant a letter advising of the Regional Office's role and the desirability of an early conference. The letter shall also forward copies of:

- (1) Preconstruction pamphlets, Forms CFA-232 and CFA-232A.
- (2) Form CFA-204, three copies.
- (3) Form CFA-205, three copies.
- (4) Form CFA-210.
- (5) Form CFA-238-AF and prescribed 238 series forms.

### ARCHITECT/ENGINEER AGREEMENT

The letter to the owner advising that the architect/engineer agreement is acceptable shall contain a specific finding that the agreement provides for adequate supervision and on-site inspection. A copy of the letter shall be sent to: (1) CFA for review and referral to OE, and (2) to the Regional Representative of the Office of Education.

### WAGE RATES

Wage rate procedures shall follow those for college housing projects as prescribed in Section 20-1-1. Requests for waivers (see Chapter 9-4) shall be submitted with full particulars to CFA for referral to OE. CFA will advise the Regional Office of OE's determination regarding the labor provision waiver.

### PLAQUES AND TABLETS

Plaques and tablets are subject to the regulations of the Office of Education with respect to design and wording. Questions received concerning plaques and tablets shall be referred to the Regional Representative of the Office of Education.

### CONSTRUCTION SIGNS

The owner is required to erect a construction sign at the project site identifying the project and indicating that the Government is participating in the project. Form CFA-238-T(AF) contains specifications for construction signs.

**PROJECT PHOTOGRAPHS**

The owner is required to furnish three sets of prints of which two sets shall be sent to CFA. CFA will furnish one set to OE. (See Section 20-1-1 and Form CFA-232.)

**PROPOSED CONTRACT DOCUMENTS**

Review of the proposed contract documents will be made to assure, among other things, that:

- (1) The detailed plans, specifications, and equipment lists conform to the project as approved.
- (2) Proposed bidding procedures conform to required procedures for obtaining competitive bidding (see "BIDDING" below).
- (3) Regulations of the Office of Education have been followed.

The Regional Office letter advising the owner of the Government's concurrence with the proposed contract documents, shall include any qualifying conditions and the following paragraphs:

Government concurrence with the project contract documents attests only to the fact that the documents are considered satisfactory with reference to the requirements of the agreement between the Owner and the Office of Education. Such approval does not imply responsibility for design nor attest to the accuracy of details or dimensions, proper selection of materials, or compliance with applicable codes or ordinances.

You may now proceed to obtain bids in accordance with the instructions contained in Form CFA-232, *Preconstruction Information for Owners*.

A copy of the letter shall be sent to CFA for referral to OE<sup>1</sup>, the owner's architect/engineer, the Regional Representative of the Office of Education, and the Field Engineer.

**BIDDING**

Construction and equipment contracts shall be awarded through the use of open competitive bidding prior to award of the construction contract. Bids shall be obtained, at the option of the applicant and in accordance with State and local legal requirements, either by public advertising or by obtaining three or more bids. Where bidding by invitation is used, the owner must permit any bona fide contractor not on the selected list to obtain contract documents and submit a bid. If one of the selected contractors is low bidder, the contract will be awarded to him. If the low bidder is not one of the selected contractors, the owner will determine his qualifications and, if qualified, the award must be made on the basis of the low bid. Combined bids are acceptable in accordance with the provisions in Section 20-1-2.

<sup>1</sup> Form CFA-1270 is available to transmit this and other Academic Facilities program documents to CFA.

**CONCURRENCE IN AWARDS**

Where the Regional Office finds that the total amount of the proposed awards would:

- (1) Overrun the amount budgeted for construction, or would leave an insufficient construction contingency amount, the Regional Director shall immediately advise CFA so that appropriate arrangements can be made with OE. The Regional Office memorandum shall show:
  - (a) Reason(s) for the overrun;
  - (b) Whether the applicant proposes and is able to finance the overrun;
  - (c) Tabulation of bids;
  - (d) Whether or not a rebidding might produce lower bids;
  - (e) Recommendation as to the acceptability of the low bid.

A copy of the most current estimate of cost supplied by the applicant shall be furnished with the memorandum.

- (2) Underrun the amount budgeted for construction including the construction contingency by:
  - (a) \$1,000 or more, shall advise CFA by memorandum so that appropriate arrangements may be made with OE to reduce the grant and/or loan.
  - (b) Less than \$1,000, the excess funds shall be retained in the construction line item. Such underruns may not be used to increase the scope of the project, nor to exceed the properly applicable grant percentage in the case of a grant project.

A copy of the Regional Office letter advising the owner of concurrence in the award shall be sent to CFA for review and referral to OE, the Regional Representative of the Office of Education, and the Field Engineer.

If the project is located in one of the cities shown in Exhibit A, the Regional Office shall provide the designated Area Coordinator for the President's Committee on Equal Employment Opportunity, upon concurrence in award, with the following information:

- (1) Project number;
- (2) Construction site address;
- (3) Name and address of prime contractor;
- (4) Total dollar value;
- (5) Estimated starting date;
- (6) Estimated completion date.

Where the Regional Director is unable to concur in the award, he shall advise CFA by memorandum, stating the reasons for his objection and the recommended action. Upon review, CFA will refer the matter to OE for determination. Advice of OE's decision will be forwarded by CFA to the Regional Office which shall inform the applicant. Copies

of the Regional Office letter shall be sent to: CFA for referral to OE; the Regional Representative of the Office of Education; and the Field Engineer.

**EXECUTED CONTRACT DOCUMENTS**

Whenever the Regional Director advises the applicant that there are specified objections to the executed contract documents which would preclude concurrence and which cannot be resolved under the terms of the OE-HHFA Agreement, a copy of the letter shall be sent to: (1) CFA for referral to OE, and (2) to the Regional Representative of the Office of Education.



## EXHIBIT A

THE PRESIDENT'S COMMITTEE ON EQUAL EMPLOYMENT OPPORTUNITY  
AREA COORDINATORS

May 11, 1965

Atlanta

A. Frederick Smith  
Deputy Regional Director of UR  
Housing and Home Finance  
Agency  
Peachtree- 7th Building  
Atlanta, Georgia 30323  
Telephone : 8-404-526-5482

Baltimore

Marvin R. Fullmer  
Deputy Contract Compliance  
Officer—GSA, Room 1325  
Washington, D. C. 20405  
Telephone : 8-202-183-5385

Boston

John J. Brosnahan  
Assistant Regional Counsel  
GSA, 620 Post Office Courthouse  
Bldg.  
Boston, Massachusetts 02109  
Telephone : 8-617-CA-3-2621

Chicago

Alonzo J. Jernigan  
1248 West 112th Street  
Chicago, Illinois 60643  
Telephone : 8-312-WA-2-9200

Cincinnati

John W. Rogers  
Office of Veterans Re-employment  
Rights  
U.S. Department of Labor  
600 Hoffman Building  
139 South Fourth Street  
Louisville, Kentucky 40202  
Telephone : 8-502-582-5239

Cleveland

Charles E. Doneghy  
CSC, Engineers Building  
1365 Ontario Street  
Cleveland, Ohio  
Telephone : 8-212-241-2430

Detroit

Theodore T. Jones, Director  
Office of Administrative Services  
Detroit, Michigan Post Office  
Detroit, Michigan 48233  
Telephone : 8-313-WO-5-3750-  
x 433

Houston

Robert J. Baxter  
Chief of the Management Branch  
of New Orleans District  
Corps of Engineers  
U.S. Army Engineer District  
P.O. Box 60267  
New Orleans, Louisiana 70160  
Telephone : 8-504-UN-5-1121

Kansas City, Missouri

Same as Cincinnati

Los Angeles

William H. Rice  
Contract Compliance Officer  
CEBMC0  
P.O. Box 4187, Norton Air  
Force Base  
California 92409  
Telephone : 8-714-382-5821

Memphis

Jodie G. Eggers  
President's Committee on Equal  
Employment Opportunity

## EXHIBIT A (Page 2)

Room 361, U.S. Courthouse  
Nashville, Tennessee 37203  
Telephone : 8-615-242-5871

Nashville

Same as Memphis

Newark

Ralph B. Cornell  
HHFA  
346 Broadway, Room 910  
New York, New York 10013  
Telephone : 8-212-RE-2-8000  
x 7325

New Orleans

Same as Houston

New York City

Murray Geller  
Regional Compliance Officer  
National Labor Relations Board  
745 Fifth Avenue  
New York City, New York 10022  
Telephone : 8-212-751-5500

Philadelphia

Paul H. Pearce  
Public Housing Administration  
HHFA (Philadelphia)  
928 Widener Building  
Juniper and Chestnut Streets  
Philadelphia, Pennsylvania 19107  
Telephone : 8-215-597-2491

Pittsburgh

Cornelius J. Daly,  
Regional Director

Community Facilities Admin.  
HHFA, 936 Widener Building  
Chestnut and Juniper Streets  
Philadelphia, Pennsylvania 19107  
Telephone : 8-215-597-2650

Pittsburgh office :

Room 2230 New Federal Bldg.  
1000 Liberty Street  
Pittsburgh, Pa. 15222  
Tel. 8-412-644-2768

San Francisco

Arthur J. Bradford  
FHA Insuring Office  
100 California Street  
San Francisco, California 94111  
Telephone : 8-415-556-2238

St. Louis

W. W. Zenfell  
Supervisory Park Engineer  
Jefferson National Expansion  
Memorial  
National Park Service  
Department of Interior  
11 North 4th Street  
St. Louis, Missouri 63102  
Telephone : 8-314-MA-2-4471

Washington, D. C.

Robert J. Harlan  
GSA, Room 1325  
Washington, D. C. 20405  
Telephone : 8-202-183-5385

## CHAPTER 4. Construction

The instructions for construction activities for the Academic Facilities Program are provided in Sections 20-2-1, 20-2-2, and 20-2-3, except as supplemented below.

### LABOR PROVISIONS

The following labor provisions are applicable to the Academic Facilities Program:

#### Wage Rates <sup>1</sup>

Wage rates paid for labor must not be less than the prevailing wage as determined by the Secretary of Labor and embodied in the construction contract. Department of Labor Form SOL-155, *Wage Rate Information*, with the Agency name and Regional Office address, and the Department of Labor wage determination affixed thereto, must be posted at the project site.

#### Davis-Bacon Act

The provisions of the Davis-Bacon Act as set forth in regulations prescribed by the Secretary of Labor apply.

#### Anti-Kickback Statute

Contractors and subcontractors must conform to the Anti-kickback Statute and must certify compliance on each payroll.

#### Contract Work Hours <sup>1</sup>

The construction contract is subject to the Contract Work Hours Standards Act. Overtime at the rate of not less than one and one-half times the basic rate for all hours worked in excess of 8 in a day or 40 in a week must be paid. The contract is also subject to the regulations issued under the Act by the U. S. Department of Labor; these regulations provide, among other things, that construction contracts of \$2,000 or less are exempt from all provisions of the Act.

#### Equal Opportunity in Employment

A provision requiring equal opportunity in employment must be included in all construction contracts.

#### Non-discrimination Posters

The Regional Office shall furnish the owner with copies of the non-discrimination poster published by the President's Committee on Equal Employment Opportunity, with instructions that the posters must be

<sup>1</sup> This labor provision may be waived by the Commissioner of Education, in cases or classes of cases where laborers or mechanics, not otherwise employed at any time in the construction of the project, voluntarily donate their services for the purpose of lowering the costs of construction and the Commissioner of Education determines that any amounts saved thereby are fully credited to the educational institution undertaking the construction.

posted at conspicuous places on the project site during construction of the project. Regional Offices should obtain the posters from the GSA Regional Stores.

#### PROJECT INSPECTION

An initial schedule of project inspections shall be developed immediately after the preconstruction conference (see Section 20-2-2). As provided in the OE-HHFA Agreement, normally a minimum of three inspections shall be made:

- (1) Upon the start of construction—normally this would be at the time of excavation and setting and placement of footings but should be adjusted to permit the Field Engineer to evaluate the quality of inspection and supervision being provided by the owner and his architect and adherence of contractors and sub-contractors to safety requirements, proper construction methods, and labor requirements.
- (2) At the time that construction is at least 50 percent complete.
- (3) Upon completion of construction of the project.

Additional inspections shall be scheduled only where the Chief, Engineering Branch, determines such inspections necessary. Additional inspections should not be scheduled at equal intervals or on any other arbitrary basis since visits made on a routine basis can be anticipated and, therefore, lose some of their value. Instead, inspections for a given project shall be scheduled and made in a manner and frequency that reflect the circumstances and problems of the project. The size, scope, and technical complexity of construction are, of course, basic factors. However, of even more importance are the degree and quality of construction, the supervision and inspection to be or actually provided by the applicant and his architect, and the past and actual performance of the contractor and the subcontractors.

The Field Engineer may vary from the inspection schedule to coincide with start, mid-point, and completion, and wherever else he determines circumstances so indicate and the timing precludes obtaining approval of the Regional Office; in each such case, justification for the inspection shall be shown on Form CFA-200, *Periodic Inspection Report*.

When construction developments or performance of the parties concerned so warrant, the schedule of visits should be modified.

Inspections will be made in order to:

- (1) Verify the adequacy of supervision and resident inspection being rendered by the applicant and the applicant's architect/engineer;
- (2) In cases where the depository bank has not furnished a statement showing establishment of the construction fund account, check conformance by the applicant with construction fund account requirements (that is, that the required account has been established as specified in the Loan and/or Grant Agreement);

- (3) Ascertain if construction is proceeding in accordance with approved plans, specifications, and contract documents;
- (4) Verify compliance by the applicant and the contractors and subcontractors with applicable labor standards, fair employment standards, and related requirements;
- (5) Inspect equipment (installed as part of the construction contract) received and installed for conformance with approved plans, specifications, and contract documents;
- (6) Verify and inform the Commissioner of Education of the completion of stages of construction upon which payments of grant installments or completion of Federal loan arrangements are conditioned.

#### **Inspection of Movable Initial Equipment**

The applicant has the basic responsibility for verifying receipt of movable initial equipment. On all projects involving movable equipment, the applicant shall be required to furnish a certified list of equipment received. Form CFA-225, *Project Equipment Inventory*, should be used but the applicant may use his own form if it provides the same information. The Field Engineer's review of the lists shall be limited to ascertaining that the approved equipment has been certified as received in satisfactory condition by the applicant. However, in unusual cases (e.g., a small, inexperienced institution), as determined by the Chief, Engineering Branch, an inventory may be made by the Field Engineer. In the latter case, Form CFA-225 shall be used and certified by the applicant.

#### **CONSTRUCTION STATUS REPORTING**

The OE-HHFA Agreement provides that OE will be notified of any exceptional findings during the construction phase. Consequently, the Regional Director shall advise CFA, by memorandum, of any development which would materially affect construction of the project or where the terms and conditions of the Grant and/or Loan Agreement have not been met; a copy shall be sent to the Regional Representative of the Office of Education. The memorandum should explain the situation, describe corrective action taken, and recommend action to resolve the matter. Following review, CFA will refer the matter to OE and, subsequently, advise the Regional Office of OE's decision.

#### **PROJECT CHANGES**

Proposed changes in the approved project shall be processed as prescribed below. Approval by the applicant shall be secured before any action is taken with respect to any proposed change.

**Changes Requiring Approval by Commissioner of Education**

Approval by the Commissioner of Education is required for a change which would :

- (1) Alter the scope, character, or function of the project ;
- (2) Alter the distribution of the assignable area capacity of the facility ;
- (3) In the case of a loan project, effect a reduction in pledged revenues where applicable ;
- (4) In the case of a loan project, alter the method of financing ;
- (5) Increase the cost of the project, where funds to cover such costs are not provided by the applicant ;
- (6) Alter the loan and/or grant conditions or the security pledged to a degree which requires an amendatory Agreement ; or
- (7) Change any line item (except the project contingency) by more than 10 percent, or 5 percent in the case of the construction line item.

Following review of any of the above types of proposed changes, the Regional Director shall recommend the action to be taken. Such recommendations shall be prepared on Form CFA-105-AF, *Project Summary Revision* (Exhibit A), in an original and five copies. Revisions shall be numbered consecutively for each report. Comments shall include a full explanation of the reasons for the change.

Following signature by the Regional Director, the original and four copies of Form CFA-105-AF shall be sent to CFA ; the remaining copy shall be placed in suspense.

Upon review by CFA, the original and four copies will be sent to OE. As notice of its determination, OE will send one copy to its Regional Representative and three copies to CFA ; CFA will forward two copies to the Regional Office. The Regional Office shall note the approval date on the suspense copy and send it to the Field Engineer ; one copy received from CFA shall be sent to the applicant and the other placed in the project folder.

**Changes Concurred in by the Regional Director**

The Regional Director is authorized to concur in the following types of proposed changes, provided the change does not involve changes which must be approved by the Commissioner of Education :

- (1) Decrease the cost of the project ;
- (2) Increase the cost of the project, where funds to cover such costs are provided by the applicant ; or
- (3) Change any line item by 10 percent or less (or 5 percent or less in the case of the construction line item) or change the project contingency when total project costs are not affected.

The proposed change shall be reviewed by the Regional Director to determine that approval by the Commissioner of Education is not required. If the change is found acceptable, Form CFA-105-AF shall be prepared, the concurrence box checked, signed by the Regional Director, and distributed as follows:

- Original and 1 copy—CFA; CFA will furnish the original to OE
- 1—Applicant
- 1—Project File
- 1—Field Engineer
- 1—Regional Representative of the Office of Education

#### CONTRACT CHANGES

Contract change procedures prescribed in Section 20-2-3 shall be followed.

#### CHANGES TO AGREEMENTS

A Loan and/or Grant Agreement can be changed only by an amendment or a waiver. If approved by the Commissioner of Education, an amendment to the Agreement will be prepared and issued by the Office of Education whenever there is:

- (1) A significant change in total assignable area or in the distribution of assignable areas in the project; e.g., a significant reduction in the assignable area of instructional laboratories and shops.
- (2) An increase in total project costs above the approved estimates which:
  - (a) The borrower proposes to finance by sale of additional parity bonds to purchasers other than the Government, or
  - (b) Will involve an increase in the loan and/or grant.
- (3) Any substantial decrease in project cost; such a decrease will require a reduction in the loan amount and a corresponding amendment to the Agreement; reductions in the grant amount will be accomplished by letter to the applicant from the Office of Education.

Any change in the executed Agreement, including the Special Conditions or the standard Terms and Conditions, also will require an amendment or waiver.

#### PROJECT COMPLETION

The instructions for final inspection activities for the Academic Facilities Program are provided in Chapter 22-1. Regional Office project completion procedures are provided below.

At the time of final inspection, the Field Engineer shall obtain, where applicable, Form CFA-225, *Project Equipment Inventory*, to record

equipment purchased from project funds; Form CFA-225 shall be attached to Form CFA-250.

The application form provides that the applicant will make available "as-built" drawings to the Commissioner of Education upon completion of the project. The "as-built" drawings shall be reviewed by the Regional Office at the time of construction completion to ascertain the number of rooms and square footage (see Item 5 of Form CFA-1250). If the drawings are not available at the time of final inspection, the applicant shall be requested to send them to the Regional Office as soon as possible; the drawings shall be returned to the applicant following review.

On the basis of Form CFA-250 and the project file, the Regional Office shall prepare Form CFA-1250, *Project Completion Report* (Exhibit B), as the final project report to OE. Form CFA-1250 shall be prepared in an original and five copies with the following distribution made:

Original and 2 copies together with one copy of Form CFA-225—CFA; CFA will forward the original and one copy of Form CFA-1250 together with Form CFA-225 to OE

1—Field Engineer

1—Project Folder

1—Regional Representative of the Office of Education.

The Office of Education will arrange for a final audit of the project and will notify CFA when the project is closed. A copy of the notification will be furnished to the Regional Office so that it may formally close out the case as an active project.

#### MONTHLY CONSTRUCTION STATUS REPORT

In order to permit monthly reporting of construction status information to the Office of Education and to permit program evaluation, Regional Offices must report such data monthly. Field Engineers, therefore, shall report construction status information to the Regional Office no later than the 20th of each month on Form CFA-249, *Monthly Construction Status Report* (see Exhibit A, Chapter 6-6). The report shall cover the monthly period ending the 15th of the reporting month and shall be prepared in duplicate and the original sent to the Regional Office. The copy shall be retained by the Field Engineer.

Form CFA-249 shall be prepared from information obtained from on-site inspections, review of Form CFA-208, *Periodic Estimate for Partial Payment*, and, where necessary, contacts with the applicant and its architect/engineer. The report shall be prepared in accordance with the instructions and definitions on the reverse side of Form CFA-249.

Upon review, the Engineering Branch shall furnish the start, percentage of completion, completion, and construction status code data as provided in Section 9-2-3.



**PAYROLLS**

Copies of payrolls submitted under the Academic Facilities Program shall be retained by the Field Engineer until six months after the final project inspection at which time they shall be transferred to the OE Regional Representative for retention under the provisions of the regulations of the Secretary of Labor.

EXHIBIT A

CFA-105-1F  
 (2-65)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION		DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION		
ACADEMIC FACILITIES PROGRAM <b>PROJECT SUMMARY REVISION</b>		PROJECT NO. _____ REVISION NO. _____		
NAME OF APPLICANT _____		PURPOSE OF REVISION _____		
1. PROJECT FINANCING PLAN <input type="checkbox"/> NO CHANGE		PREVIOUS APPROVAL	THIS CHANGE (+) OR (-)	AS REVISED
Grant - Title I, Section 103		\$	\$	\$
Grant - Title I, Section 104		\$	\$	\$
Grant - Title II		\$	\$	\$
Loan - Title III		\$	\$	\$
Other Federal Funds		\$	\$	\$
Other Borrowed Funds		\$	\$	\$
Applicant's Cash Funds		\$	\$	\$
Total		\$	\$	\$
2. ESTIMATED COST DATA <input type="checkbox"/> NO CHANGE				
Cost				
Preliminary Expense		\$	\$	\$
Lands and Right-of-Way and Site Preparation		\$	\$	\$
Acquisition of Existing Structures		\$	\$	\$
Architectural/Engineering Services		\$	\$	\$
Construction		\$	\$	\$
Legal Expenses		\$	\$	\$
Administrative Expenses		\$	\$	\$
Interest During Construction		\$	\$	\$
Project Contingency		\$	\$	\$
Built-in Equipment (not covered under construction)		\$	\$	\$
Other Initial Equipment		\$	\$	\$
Total		\$	\$	\$
3. ASSIGNABLE AREA <input type="checkbox"/> CHANGE DESCRIBED BELOW <input type="checkbox"/> NO CHANGE				

EXHIBIT A (Page 2)

(Reverse of CFA-105-AF)

4. OTHER CHANGES/COMMENTS

---

**CONCURRENCE/RECOMMENDATION**  
Subject to any stated conditions, the above revisions to the approved project are hereby  recommended for approval  concurred in.

..... Date ..... Regional Director of Community Facilities

..... Date ..... Community Facilities Administration

---

I approve, subject to any stated conditions, the above revisions to the approved Project Summary, including the change, if any, in the loan and/or grant amount.

..... Date ..... Commissioner of Education

CGO. BAF. B40

EXHIBIT B

CFA-1250 (2-65)	
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION	DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE OFFICE OF EDUCATION
ACADEMIC FACILITIES PROGRAM PROJECT COMPLETION REPORT	
PROJECT NO. _____	
1. NAME OF APPLICANT _____	
2. PROJECT DESCRIPTION (As-built)	
3. COST DATA	
a. Final Estimated Cost	
Preliminary Expense	\$ _____
Lands and Right-of-Way and Site Preparation	_____
Acquisition of Existing Structures	_____
Architectural/Engineering Services	_____
Construction (New Construction: \$ _____ Rehabilitation, etc. \$ _____)	_____
Legal Expenses	_____
Administrative Expenses	_____
Interest During Construction	_____
Project Contingency	_____
Built-in Equipment (not covered under Construction)	_____
Other Initial Equipment	_____
Total	\$ _____
b. Construction Date	
Substantial Completion Date _____	Date of Initial Use _____
Actual Completion Date _____	Interest Cut-off Date _____
4. PROJECT FINANCING	
Grant - Title I, Section 103	_____
Grant - Title I, Section 104	\$ _____
Grant - Title II	_____
Loan - Title III	_____
Other Federal Funds	_____
Other Borrowed Funds	_____
Applicant's Cash Funds	_____
Total	\$ _____

EXHIBIT B (Page 2)

(Reverse of CFA-1250)		
	NUMBER OF ROOMS	SQUARE FEET OF ASSIGNABLE AREA
<b>5. "AS-BUILT" AREA</b>		
a. General Classrooms		
b. Instructional Laboratories and Shops		
c. Other Teaching Facilities		
d. Service Areas for Teaching Facilities		
e. Library Facilities		
f. Faculty Offices		
g. Total Instructional and Library Facilities (Sum a-f)		
h. Research Facilities		
i. Administrative Facilities		
j. Student Study Facilities		
k. Other Instruction-Related Facilities		
l. Total Instruction-Related Facilities (Sum h-k)		
m. Total Assignable Area (Sum g and l)		
n. Total Assignable Area to be provided by proposed construction, other than that included in the project covered by application		
o. Total Assignable Area provided by proposed construction (Sum m and n)		
p. Total Nonassignable Area		
q. Total Interior Space Area (Sum o and p)		
6. ALL ACTIONS PRECEDENT TO MAKING OF A PROJECT AUDIT <input type="checkbox"/> HAVE BEEN COMPLETED <input type="checkbox"/> HAVE BEEN COMPLETED EXCEPT THE FOLLOWING:		
Chief, Academic Facilities Operations Branch	Date	Regional Director of Community Facilities
	Date	Date
		For Community Facilities Commissioner
		Date

GPO 587-841

## CHAPTER 6. INTERIM PROCEDURES

Regulations of the Office of Education (29 CFR 170.3) provide:

- “(a) Any cost incurred before, or under a contract entered into before, December 16, 1963, shall be excluded from the eligible development cost.
- “(b) In addition, for applications received on or after April 1, 1965, either by the Commissioner under Title II or III of the Act, or by a State commission under Title I, the following shall be excluded from the eligible development cost:
  - “(1) Any cost incurred under a construction contract entered into prior to the date of concurrence by the Commissioner in the award of such contract.
  - “(2) Any land acquisition costs, or costs for architectural/engineering or legal services, incurred more than two years prior to the date of the application.
  - “(3) Any other project costs, including the costs of acquisition of existing structures, incurred prior to the date of acceptance by the applicant of the Commissioner's grant or loan offer for the approved project.”

In some cases where applications are received prior to April 1, 1965, the applicant will have incurred development costs or have taken certain steps not in accordance with prescribed policies and procedures. This Chapter applies only to such applications and, consequently, modifies and supplements certain material in preceding chapters of Part 9 and in Parts 20 and 21.

Each application of the type covered in this Chapter will require individual attention in view of the variance from applicable policies and procedures which may have been followed by applicants.

### METHOD AND GENERAL PROVISIONS

In general, the provisions of this chapter call for compliance with statutory requirements in all cases and for retroactive compliance with published regulations and procedures in cases where this is feasible and reasonable.

Where the latter is not the case, these instructions call for: (1) action by the applicant to obtain compliance; (2) provision by the applicant of certification as to prior compliance; (3) waivers of compliance by the Government; or (4) a combination of the foregoing measures.

Regardless of the stage at which a proposed or actual project is submitted for Regional Office attention, however, the Regional Director shall assure immediate action to supply the owner with all information

and forms leading to the then current stage of development or construction of the project. This shall include reference to the OE regulations published in the Federal Register on August 27, 1964.

To the extent that such information has been furnished (or, in the case of the OE regulations, published) in time to be applied to the then current stage of the project, the owner shall be required to comply with all requirements for the program thenceforth. Any exception to this must be based on a showing by the owner that compliance would work an unreasonable hardship, supported by an affirmative finding by the Regional Administrator and CFA and approved by the Commissioner of Education.

**PRE-APPROVAL AND PRECONSTRUCTION PHASES**

Actions to be taken with respect to unmet requirements in the pre-approval and preconstruction phases are indicated in the table below, according to the following code, which identifies column headings:

- A—Regional Director of Community Facilities requests retroactive compliance by parties indicated in current procedures. Where existing contracts are involved, this may require current amendments having retroactive applicability.
- B—Regional Director requests present compliance by parties indicated in current procedures.
- C—Regional Director notifies appropriate party that it is required to certify (or obtain certifications, where appropriate) as to prior compliance.
- D—Self-explanatory, except that unless otherwise indicated, actions are taken by the Regional Director.

PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			
	A	B	C	REMARKS OR OTHER ACTION D
PROJECT UNDER DEVELOPMENT OR IN PRECONSTRUCTION PHASE WITHOUT OE APPROVAL				Refer owner to OE. Supply owner with "information" copies of Forms CFA-204, CFA-205, CFA-210, CFA-232, CFA-238-CD-1, CFA-238-T(AF), and CFA-239. Advise owner that the use of the CFA-238 contract forms is required, should loan or grant application be approved by OE.
PRECONSTRUCTION—OE-APPROVED PROJECT <i>Architect/Engineer Agreement—</i> —Not submitted for HHFA concurrence . . . . .		X		

PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			REMARKS OR OTHER ACTION D
	A	B	C	
—Found unacceptable by HHFA .....	X			Where the fee exceeds those prevailing for comparable services in the project area, unless specially justified, the excess must be financed by the applicant.  Regional Director may concur in award to other than lowest bidder where: (1) The applicant has determined that the low bidder is not qualified and the Regional Director concurs in such finding. (2) The low bidder is disqualified for award under existing laws or regulations from participation in Federally-aided projects. (3) The low bidder requests cancellation of his bid because of hardship resulting from an "honest error" and the applicant and Regional Director concur in such withdrawal.  Awards to other than lowest bidder for other reasons shall be referred to CFA with full documentation and the Regional Director's recommendation.
<i>Copies of land description and plat and of Forms CFA-204 and CFA-205—</i>				
—Not received by HHFA..		X		
—Received but found unacceptable .....		X		
<i>Construction or Equipment Contracts not executed and—</i>				
—Proposed documents not received by HHFA.....		X		
—Proposed documents received but found unacceptable .....		X		
<i>Construction or Equipment Contracts executed prior to HHFA review and—</i>				
—Bidding and award requirements not followed..	X			
—Bidding and award requirements followed but—				



PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			
	A	B	C	REMARKS OR OTHER ACTION D
—Proof not furnished . . .			X	See Items B4 and B8, Form CFA-232.
—Wage rates not obtained . . . . .		X		Obtain determination from Department of Labor and, where applicable require owner to secure rates from State Labor Department.
—Tabulation of bids not received . . . . .		X		
—Copy of accepted bid not received . . . . .		X		See Item B8, Form CFA-232.
—Bidder's certification on CFA-238-CD-1 not received . . . . .		X		
—No evidence of action to obtain additional funds needed because of an overrun . . . . .		X		Notify CFA; normally the project is ineligible for Federal assistance if ineligible firm participates.
—Preliminary approving opinion of bond counsel not received . . . . .	X			
—Plan for interim construction financing not received . . . . .		X		Approved wage rates must be included in supplemental general conditions.
—Contractor or subcontractor on Comptroller General's ineligible list . . . . .			X	
—Two sets of executed contract documents and final plans not received . . . . .			X	Approved wage rates must be included in supplemental general conditions.
—Executed contract does not conform in all substantial respects to provisions of <i>General Conditions</i> , Form CFA-238-T(AF) . . . . .	X			
—Preconstruction conference not held . . . . .		X		

**CONSTRUCTION**

Actions to be taken with respect to unmet requirements in the construction phase (which may include movable equipment and the installation of fixed equipment under separate contract) are indicated in the table below, according to the following code, which identifies column headings:

A—Regional Director of Community Facilities requests retroactive compliance by parties indicated in current procedures. Where

existing contracts are involved, this may require current amendments having retroactive applicability.

- B—Regional Director requests present compliance by parties indicated in current procedures.
- C—Regional Director notifies appropriate party that it is required to certify (or obtain certifications, where appropriate) as to prior compliance.
- D—Self-explanatory, except that unless otherwise indicated, actions are taken by the Regional Director.

PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			
	A	B	C	REMARKS OR OTHER ACTION D
<p>PROJECT UNDER CONSTRUCTION WITHOUT OE APPROVAL</p> <p>(Note: Where project is completed, the following are generally applicable. In addition, the owner's architect/engineer will be required to furnish a certification that the project constructed is that described in the plans; the Field Engineer shall make an inspection of the project.)</p> <p>OE-APPROVED PROJECT UNDER CONSTRUCTION</p> <p><i>Architect/Engineer Agreement—</i></p> <p>—Not submitted for HHFA concurrence . . . . .</p> <p>—Provides for excessive fee</p> <p>—Is otherwise deficient in providing for services specified in CFA-232 . . . .</p> <p><i>Copies of land description and plat and of Forms CFA-204 and -205—</i></p> <p>—Not received by HHFA . .</p>		X		<p>Refer owner to OE. Supply owner with "information" copies of Forms CFA-204, -205, -210, -232, -238-CD-1, -238-T (AF), and -239. Advise owner of requirement for use of and advantage in early compliance, should loan or grant application be approved by OE.</p> <p>Where the fee exceeds those prevailing for comparable services in the project area, unless specially justified the excess must be financed by the applicant.</p>

PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			REMARKS OR OTHER ACTION D
	A	B	C	
—Received but found unacceptable . . . . . <i>Construction or Equipment Contracts—</i>		X		Regional Director may concur in award to other than lowest bidder where:  (1) The applicant has determined that the low bidder is not qualified and the Regional Director concurs in such finding.  (2) The low bidder is disqualified for award under existing laws or regulations from participation in Federally-aided projects.  (3) The low bidder requests cancellation of his bid because of hardship resulting from an "honest error" and the applicant and Regional Director concur in such withdrawal.  Awards to other than lowest bidder for other reasons shall be referred to CFA with full documentation and the Regional Director's recommendation.  See Items B4 and B8, Form CFA-232.
—Documents and final plans not received by HHFA . . . . .		X		
—Awarded without compliance with bidding and award requirements . . . . .				
—Awarded properly but proof not furnished . . . . .			X	
—Tabulation of bids not received . . . . .		X		
—Copy of accepted bid not received . . . . .		X		
—Bidder's certification on CFA-238-CD-1 not received . . . . .				Requirement waived for projects under construction.
—No evidence of action to obtain additional funds needed because of an overrun . . . . .		X		
—Preliminary approving opinion of bond counsel not received . . . . .	X			

PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			
	A	B	C	REMARKS OR OTHER ACTION D
<p>—Contractor or subcontractor on Comptroller General's ineligible list . . . . .</p> <p>—Documents as executed do not conform in all substantial respects to provisions of <i>General Conditions</i>, Form CFA-238-T (AF) . . . . .</p> <p><i>Approved wage rates not obtained, and construction has progressed, prior to the date of OE approval of Agreement . . .</i></p> <p><i>Apprenticeship requirements not followed . . . . .</i></p> <p><i>Weekly payrolls not submitted</i></p> <p><i>Weekly certifications with respect to compliance with anti-kickback and overtime requirements not submitted . . . . .</i></p>	X			<p>Notify CFA; normally the project is ineligible for Federal assistance if ineligible firm participates.</p> <p>Exceptions to this policy shall be made in accordance with treatment of specific noncompliances as listed below in the remainder of this table; exceptions not so listed may be referred to CFA for decision, with the Regional Director's recommendation.</p> <p>Request determination from Department of Labor, indicating date of award and other pertinent information. Require the contract be amended to include rates as determined by the Secretary of Labor if higher than rates actually paid and provide, as necessary, for supplemental payments to underpaid employees.</p> <p>Require current amendment providing for compliance for remainder of the contract period.</p> <p>Require amendment providing for:</p> <p>(a) Submittal of certified copies of each payroll not submitted. Copies should be photocopies of payrolls actually used by contractors;</p> <p>(b) Retention of all payroll records by contractors and subcontractors for three years from date of contract completion; and</p> <p>(c) Compliance with other payroll provisions (Item 47) of <i>General Conditions</i>, Form CFA-238-T(AF), for remainder of the contract period.</p> <p>Require amendments providing for:</p> <p>(a) Submittal of single certification by each contractor and subcontractor covering all prior payroll periods; and</p>
		X		
	X	X		
		X	X	

PROJECT PHASE AND UNMET REQUIREMENTS THEREUNDER	ACTION BY REGIONAL OFFICE			REMARKS OR OTHER ACTION D
	A	B	C	
<i>Non-compliance with equal employment opportunity provisions of Executive Order 10925, as amended</i> .....		X		(b) Compliance with weekly certification requirements of Form HHFA-1 (or Form H-181, as appropriate) for remainder of the contract period.  Require amendment of contract pursuant to Item 53 of Form CFA-238-T(AF).
<i>Insurance inadequate</i> .....		X		Require immediate coverage, proof of insurance, and appropriate amendments to the contract (see Item 28 of Form CFA-238-T(AF)).





## CHAPTER 1. EQUAL OPPORTUNITY IN HOUSING

### INTRODUCTION

The procedures herein are prescribed pursuant to Executive Order 11063, issued by the President on November 20, 1962, and the statutory authority of the Housing and Home Finance Administrator to make rules and regulations necessary to carry out his functions, powers, and duties. These procedures are designed to assure compliance with the established policy of the United States that housing and related facilities provided in whole or in part with Federal financial assistance under Title IV of the Housing Act of 1950 as amended (College Housing), and Title II of the Housing Act of 1959 as amended (Senior Citizens Housing), will be made available without discrimination based on race, color, creed, or national origin.

### DEFINITIONS

Terms used in these procedures are defined as follows:

- (1) *Housing or related facilities*—housing or related facilities provided with financial assistance from the Community Facilities Administration under Title IV of the Housing Act of 1950, as amended, or Title II of the Housing Act of 1959, as amended.
- (2) *Discriminatory Practice*—any discrimination because of race, color, creed, or national origin in the sale, leasing, or other disposition of, or in the use of occupancy of, housing or related facilities.
- (3) *Standard Covenant*—the covenant contained in every contract for CFA financial assistance for the provision of housing or related facilities, executed after November 20, 1962:
 

“This agreement is subject to the provisions of Executive Order 11063, dated November 20, 1962. The Borrower covenants and agrees that it will not discriminate nor permit discrimination by its agents, lessees, or any others operating housing or related facilities, in the use or occupancy of said facilities because of race, color, creed, or national origin.”
- (4) *Regional Administrator*—the Administrator of the Regional Office of the Housing and Home Finance Agency exercising responsibilities in the geographical area encompassing the locale of a complaint.
- (5) *Commissioner*—the Community Facilities Commissioner.

### COMPLAINT PROCEDURES

#### Who May File Complaint

Any applicant for housing or related facilities who believes he has been discriminated against because of race, color, creed, or national



origin, may file a complaint. Such complaint shall be in writing and signed by the complainant. The complaint must be filed within ninety (90) days from the date of the alleged discrimination unless such time is extended by the Regional Administrator for good cause shown. The complaint may be submitted or supported by an authorized representative of the complainant.

#### **Contents of a Complaint**

Each complaint should contain the following:

- (1) Specification as to whether the alleged discrimination is based on race, color, creed, or national origin.
- (2) Identity of the person or persons responsible for the discrimination, if known.
- (3) Date and place of the alleged discrimination.
- (4) All factual information which the complainant may have to support the allegation of discrimination.

#### **Where to File**

Complaints should be filed with the Regional Administrator in the Region in which the housing or related facilities are located.

#### **Action By Regional Administrator**

Upon receipt of a written complaint signed by the complainant, alleging that any borrower, its agents, lessees, or other entity has participated in a discriminatory practice, the Regional Administrator shall take the following action:

- (1) *Acknowledgment of Complaint*

Acknowledge receipt of the complaint and, if necessary, seek additional information from the complainant.

- (2) *Determination of Jurisdiction*

Determine whether the housing or related facilities which are the subject of the complaint were provided with CFA financial assistance, and, if so, whether the standard covenant is a part of the contract for such assistance.

- (a) If it is determined that the housing or related facilities which are the subject of the complaint were not provided with CFA financial assistance, the complainant shall be so notified, and the complaint shall be dismissed.
- (b) If it is determined that the housing or related facilities which are the subject of the complaint were provided with CFA financial assistance, but that the contract for such assistance does not contain the standard covenant, an inquiry will be conducted to determine whether a discriminatory practice has occurred. If it is found that a discriminatory practice has occurred, the Regional Administrator

shall attempt to eliminate the discriminatory practice, pursuant to Section 102 of the Executive Order, and submit a complete report to the Commissioner. The Commissioner may take such further action as he deems appropriate.

#### **Letter of Notification**

If it is determined that the housing or related facilities which are the subject of the complaint were provided with CFA financial assistance and that the contract for such assistance contains the standard covenant, the Regional Administrator shall notify the alleged violator of the receipt of the complaint, enclosing a copy of these procedures, and setting forth:

- (1) The name and address of the party alleging discrimination.
- (2) The name and address of the alleged discriminator.
- (3) The date and place of the alleged discrimination.
- (4) A summary of the facts alleged to constitute the discrimination.

The alleged violator shall be requested to respond, in writing, as follows, to the letter of notification, within seven calendar days of the receipt of such letter:

- (1) If the allegations are denied, set forth its account of the facts concerning the incident that is the subject of the complaint.
- (2) If the allegations are admitted, state the corrective action which it proposes to take.

#### **Inquiries and Hearings**

If, in the response to the letter of notification, the alleged discrimination is denied, or if there is no response to such letter of notification, an inquiry shall be conducted to ascertain the facts.

Upon the request of any party to the controversy, hearings may be held to resolve any issue of fact. Hearings may also be held where the Regional Administrator believes they are necessary to clarify or resolve any issue of fact. The hearings shall be held by the Regional Administrator or his designee at a convenient time and place to be selected by the Regional Administrator. Notification of the hearing date must be received by all parties at least ten days in advance of the date of the day selected.

In the inquiry into, or resolution of, a complaint, the Regional Administrator or his designee may consult with any officially constituted state or local agency charged with preventing or redressing discriminatory practices.

Every effort will be made to conclude such inquiry within sixty (60) days of receipt of the complaint, or within ninety (90) days where a hearing is held.

**Informal Settlement**

During the course of the inquiry and/or hearings, the Regional Administrator shall endeavor to settle the matter in controversy by informal means. Nothing contained in these procedures shall be deemed to prevent a voluntary settlement of a complaint at any stage in the procedures.

**Findings**

If it is found that the complaint is without substance, the parties concerned shall be so notified.

If it is found that the standard covenant was violated, the Regional Administrator shall inform the parties of such findings and advise the violator to take the action necessary to correct the violation and to give appropriate assurance of future compliance.

**Sanctions**

A failure on the part of the party in violation to take appropriate corrective action and to assure future compliance shall be grounds for the imposition of sanctions, including the following:

- (1) Cancellation or termination of any agreement or contract with the party in violation.
- (2) Denial of further financial assistance to the party in violation.
- (3) Such other action as may be permitted by law which is deemed appropriate.

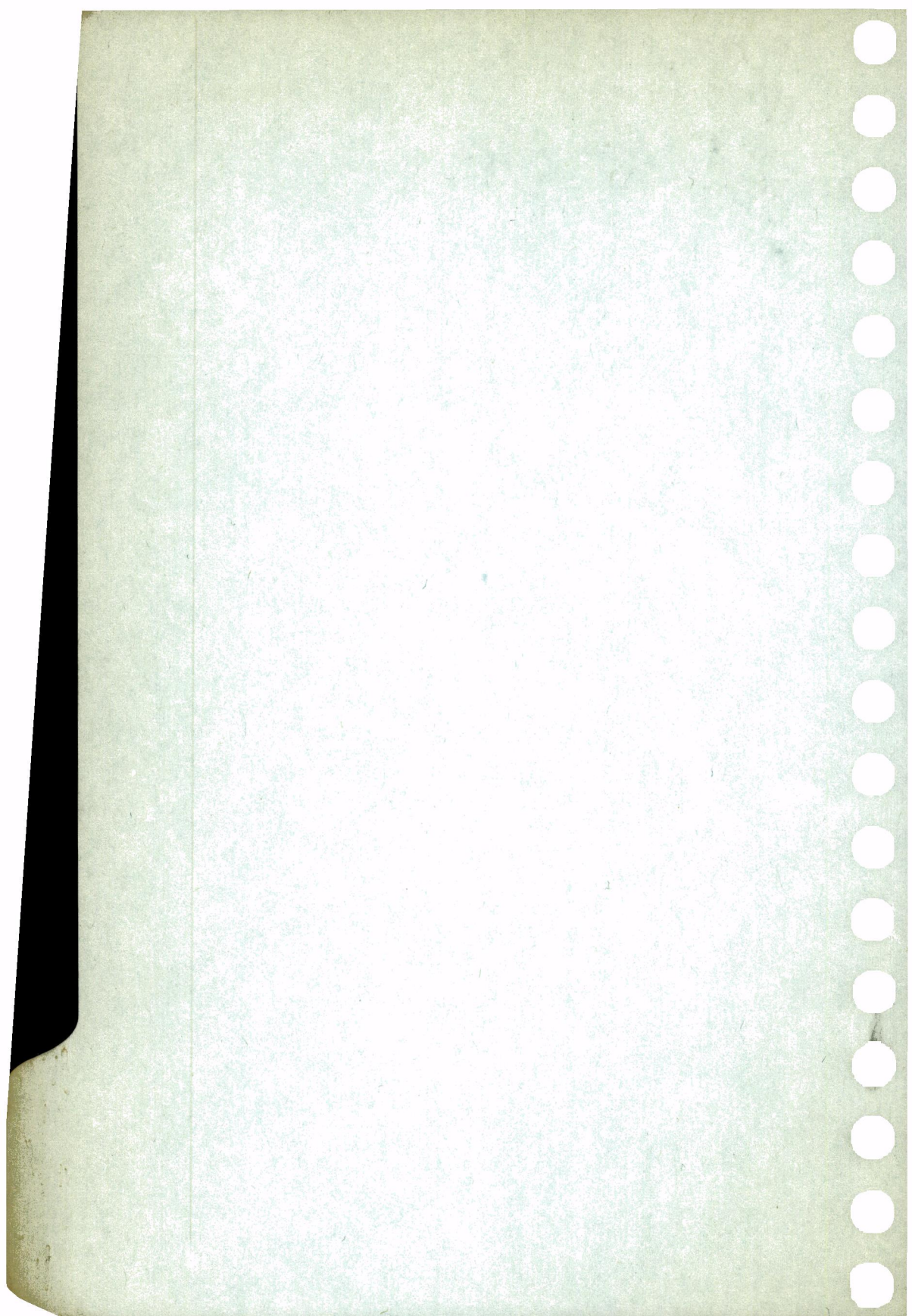
**Review**

Any party may apply in writing to the Commissioner for review of the findings or proposed action of the Regional Administrator, provided that such application is filed with the Commissioner within fifteen (15) days of receipt of notification of such findings or proposed action; provided also that such period may be extended for good cause shown, in the discretion of the Commissioner. The application for review shall be accompanied by a written statement setting forth reasons for reversal or modification of such findings or proposed action. The imposition of sanctions shall be withheld pending determination of the review. The Commissioner may make such further investigation of the facts (including the holding of a hearing) as he deems necessary, and may affirm, modify or reverse the findings or proposed action.

**Waiver**

The Commissioner may, for good cause, waive any of the procedural requirements in the processing of any complaint.





## CHAPTER 1. PRECONSTRUCTION

### Section 1. Preliminary Actions

When the owner has been advised of project approval, the Regional Director shall send it a letter enclosing the applicable *Preconstruction* pamphlet, Forms CFA-233, CFA-234, CFA-235, CFA-236, or CFA-237.<sup>1</sup> A copy of the letter and enclosure shall be included for the architect/engineer. Any special instructions to the owner relating to project engineering should be contained in this letter.

The following shall be attached to the *Preconstruction* pamphlet:

- (1) Form CFA-204, *Architect/Engineer's Certificate*, three copies (Exhibit A).
- (2) Form CFA-205, *Certificate as to Project Site*, three copies (Exhibit B).
- (3) Form CFA-210, *Notice to Proceed*, one copy.
- (4) Form CFA-238, *Contract Documents*, one copy.

On an optional basis, to minimize errors in the preparation of contract documents, a checklist of most frequent errors may also be attached to the *Preconstruction* pamphlet (see sample, Exhibit C).

#### ARCHITECT/ENGINEER AGREEMENT

The form of the agreement between the owner and the architect/engineer is not prescribed. The agreement, however, must contain provisions that satisfactorily:

- (1) Assure that the owner will obtain adequate services for design and inspection and supervision of the facility contemplated.
- (2) Provide that the project will be in accordance with the approved project description.
- (3) Indicate the amount and basis for the fee to be paid and the schedule of payments of the fees.
- (4) Provide that the architect/engineer will:
  - (a) Prepare plans, specifications, contract documents, and other data required.
  - (b) Attend bid openings and prepare and submit tabulations of bids.
  - (c) Furnish a report once a month covering general progress of the job and describing any problems or factors contributing to delay.
  - (d) Provide supervision of construction of the project, including

<sup>1</sup> On Non-Federal School Construction and Academic Facilities Projects, Form CFA-237A or CFA-238A also shall be included.

periodic inspections to assure compliance with plans, specifications, and contract documents.

- (e) Prepare and submit contract change orders.
- (f) Review and approve the construction and progress schedule prepared by the contractor.
- (g) Certify partial payments to contractors.

The owner is responsible for the collection of weekly payrolls from all contractors and subcontractors and furnishing a copy of each payroll to the HHFA Field Engineer. However, the owner may provide in his agreement with his architect/engineer that the architect/engineer will collect the payrolls and submit them to the owner.

#### **Architect/Engineer's Fee**

The architect/engineer's fee should cover all services necessary to successful prosecution of the project, including consultation, supervision, travel, and other costs incident thereto. The basic fee should not exceed that prevailing for comparable services in the project area.

If, because of the remoteness or complexity of the project, the applicant desires on-site inspection services supplemental to the supervision to be furnished by the architect/engineer within the basic fee, the cost of this extra service is an allowable project cost if approved by the Regional Director. Other additional charges also may be approved by the Regional Director as project cost when such charges:

- (1) Do not duplicate a charge for services provided in the basic fee within the normal scope of the architect/engineer's responsibilities.
- (2) Are a proper charge against the project cost.
- (3) Are reasonable for the extra service to be rendered.

If the total fee is in excess of the prevailing rate because of special services to be performed, these services shall be identified in the agreement.

If the owner wishes to retain an architect/engineer at higher rates than, or for services beyond those specified above, the Regional Director may approve the agreement provided that the owner supplies a written statement stipulating that the excess cost will be billed separately and paid from other than project funds.

#### **Review**

Upon receipt in the Regional Office, the architect/engineer agreement shall be reviewed by the Engineering Staff. If the agreement is acceptable, the owner shall be advised by letter. If it is not acceptable, the owner shall be requested to obtain amendment of the agreement to conform to the foregoing criteria.

One copy of the agreement shall be kept in the Regional file and the

other sent to the Field Engineer. Payments under the agreement will be made by the owner in accordance with the terms of the agreement and without further HHFA concurrence.

#### WAGE RATES <sup>1</sup>

##### Determinations by Secretary of Labor

Under the Accelerated Public Works, Area Redevelopment, College Housing, Non-Federal School Construction, and Senior Citizens Housing programs, the rates of pay for laborers and mechanics must not be less than the wages prevailing in the locality, as determined by the Secretary of Labor. Wage rate determinations for these programs shall be made in accordance with the procedures prescribed below.

Contacts with the U.S. Department of Labor, other than for wage determinations or redeterminations, shall be handled only through CFA. In addition, follow-up action with respect by requested determinations shall be made through CFA.

##### Procedure for Requesting Wage Determinations

Forty-five days prior to the anticipated date of advertising for bids (since Department of Labor processing requires 30 days), the Regional Office shall furnish a *Request for Determination*, Form DB-11 (Exhibit D), to the Solicitor of Labor, U.S. Department of Labor, Washington, D.C. 20250; no transmittal memorandum is required with an original request.

Form DB-11 shall be prepared in duplicate by the Engineering Branch in accordance with the following (the applicant's architect/engineer should be requested to complete or furnish the data for (7), (8), and (9) below):

- (1) First line—Enter Regional Office Number.
- (2) Date of Request—Self-explanatory.
- (3) Name and Title of Requesting Officer—This should be the Chief, Engineering Branch.
- (4) Estimated Value of Contract—Self-explanatory.
- (5) Signature—Signature of Chief, Engineering Branch.
- (6) Department, Agency, or Bureau—HHFA, CFA.
- (7) Description of Work—Describe the type of project and show whether the project is a building, heavy, highway, or other type of construction. The description should be sufficiently detailed to support the finding as to whether the work is heavy, highway, or building construction, or other type of construction. If necessary, the description may be continued on a separate attachment.
- (8) Location—Include distance in miles and direction from the nearest point of reference.

<sup>1</sup> Modifications of these instructions with respect to Federal projects are given in Section 5-8-2.



- (9) **Classifications**—Check only those classifications needed in performance of the work. Classifications needed but not printed on the form, shall be added on the blank spaces or on a separate list attached to the form. Classifications which can be fitted into those on the form or which are not generally recognized in the area or in the construction industry shall not be listed. It should be noted that the Department of Labor does not list apprentice rates on its determinations.

Each request for a determination shall be accompanied by any pertinent wage information which may be available, such as statement from the Secretaries of the Association of General Contractors and the Building Trades Council having jurisdiction. Such information is not required, however, in areas where the wage patterns are clearly established.

The copy of Form DB-11 shall be retained by the Engineering Branch for follow-up purposes.

#### **Area Determinations**

Whenever the wage patterns in a particular area for a particular type of construction are well settled and a large number of projects involving that type of construction are anticipated, a request may be made for the issuance of a general wage determination for use on individual projects. When the Chief, Engineering Branch, finds that such a general wage determination would be appropriate, application shall be made by attaching to Form DB-11, a *Transmittal Slip*, Form H-28, with the following notation:

“This is a request for issuance of a general wage determination for use on individual contracts in the following area (specify area), for (specify whether heavy, highway, building, or other applicable) type of construction. In my opinion, the wage patterns in this area for the above type of construction are well settled and the anticipated volume of work justifies issuance of such a determination.”

#### **Issuance of Determinations**

The Department of Labor will provide copies of the determination for the Regional Office. Three copies shall be sent to the owner and one copy shall be retained in the project folder. It should be noted that, for some areas, the Department of Labor will issue area determinations even though the request covered only a specific project. Wage rates are valid for 120 days from the date of the determination. If the contract is not awarded prior to the expiration date, a new determination must be obtained.

The Department of Labor may amend wage rates after the determination has been made. Amended determinations received in the Regional Office not later than ten days before the bid opening date must be incorporated in the proposed contract document.

**State Wage Determinations**

Where a State wage determination is required by State law, the owner shall obtain from the State Department of Labor a determination of applicable wage rates and a copy shall be furnished the Regional Office. These rates shall also be incorporated in the bid documents. In case of any difference between the State determination and that of the Secretary of Labor, the higher rate shall prevail. Periods of validity vary between States and redeterminations must be secured in accordance with State regulations.

**Modifications**

All actions modifying an original wage determination prior to the award of the contract shall be applicable, but modifications received later than 10 days before the opening of bids shall not be effective. A modification in no case shall continue in effect beyond the effective date of the wage decision to which it relates.

**Redeterminations**

If it appears that a wage determination may expire between the date of bid opening and date of award, a new wage determination shall be requested sufficiently in advance of the bid opening to assure receipt prior to the date of bid opening. The redetermination shall be requested on Form DB-11 with "REDETERMINATION" inserted at the top of the Form. The form shall also show the decision number of the original determination, the date of the decision and the expiration date.

When due to unavoidable circumstances, a determination expires before award and after bid opening, a request for an extension of the expiration date may be requested. Such requests shall be sent to CFA and shall include:

- (1) A copy of the original determination.
- (2) A finding fully supporting the necessity and propriety of an extension in the public interest to prevent injustice or undue hardship or to avoid serious impairment in the conduct of the Government's business.

**Apprentice Rates**

Department of Labor wage determinations state:

- (1) Before using apprentices on the job the contractor shall present to the Contracting Officer written evidence of registration of such employees in a program of a State apprenticeship and training agency approved and recognized by the U. S. Bureau of Apprenticeship and Training. In the absence of such a State agency, the contractor shall submit evidence of approval and registration by the U. S. Bureau of Apprenticeship and Training.

- (2) The contractor shall submit to the Contracting Officer written evidence of the established apprentice-journeyman ratios and wage rates in the project area, which will be the basis for establishing such ratios and rates for the project under the applicable contract provisions.

The applicant shall be requested to furnish the Regional Office with a copy of each of the above evidences. The evidence of registration, if satisfactory, shall be so noted and placed in the project file. The evidence of ratios and wage rates shall be furnished to the Field Engineer for his use in checking contractor payrolls.

#### **Supplemental Classifications**

If the Department of Labor wage decision does not contain rates for certain classifications requested, the rates of pay shall be established as prescribed below.

*Prior to Contract Award.* Rates of pay for laborers and mechanics must not be less than the wage rates determined for the locality under any applicable State law. The prevailing rates of pay shall be those determined by the applicant and concurred in by the Regional Director. When State law requires the predetermination or approval of prevailing minimum wage rates, evidence of the determination or approval shall be obtained by the applicant and furnished to the Regional Director, and the State wage rate determinations or prevailing rates, whichever are higher, shall be incorporated in the contract documents.

Signed statements with respect to prevailing rates shall be obtained, if possible, from the Secretaries of the Association of General Contractors and the Building Trades Council having jurisdiction, listing the classifications of labor to be employed and the prevailing minimum wage rates for each.

A list of prevailing wage rates is to be submitted by the applicant, in triplicate, for concurrence by the Regional Director. Upon concurrence, one copy shall be returned to the applicant for incorporation in the contract documents, and one copy attached to the report to the Department of Labor (see below).

If all interested parties, including each affected employee where there is no representative labor group, cannot reach agreement as to the proper classification or reclassification, a memorandum giving all particulars and the Region's recommendation shall be sent to CFA for referral to the Department of Labor.

*After Contract Award.* After the contract has been awarded, the above procedures shall be followed, except that the rate shall be recommended by the contractor and concurred in by the applicant and the Regional Director. Such determinations shall be incorporated in the contract by an appropriate *Contract Change Order*.

*Report.* Each supplemental classification action taken pursuant to the above procedures shall be reported to the Department of Labor on Form CFA-230-A, *Report of Wage Rate Classification* (Exhibit E). The "effective date" shall be that of the determination issued by the Department of Labor. A copy of the evidence or approval of State determinations or a list of prevailing wages shall be attached to Form CFA-230-A. A copy of Form CFA-230-A shall be placed in the project folder.

#### **Advisory Opinions**

When construction contracts were awarded prior to the filing of an application for Federal assistance, the Department of Labor will determine the rates in effect at the time the contract was actually awarded. The Department of Labor refers to such determinations as Advisory Opinions. These will be requested on Form DB-11. In the block headed "Description of Work" there should be entered the following notation: "Advisory Opinion reflecting rates as of \_\_\_\_\_ (insert date of contract award)."

#### **Clerical Errors**

Regional Offices shall report any wage determination which contains clerical errors to the Department of Labor. Such reports shall be made on Form H-28, *Transmittal Slip*, which shall:

- (1) Cite the error.
- (2) Request correction.
- (3) Transmit a Copy of the wage decision.

#### **Participation by Two Federal Agencies**

Inasmuch as wage determinations from the Department of Labor are required under both the College Housing and Hill-Burton Programs, the Department of Labor has agreed that either one but not both of the Federal agencies should request wage determinations on hospital projects approved concurrently and involving the same building.

In the case of such projects, the PHS and HHFA Regional Offices should consult and agree as to which agency will process the request.

If the wage rate determination is obtained by the PHS Regional Office, it shall forward four copies of the decision to the HHFA Regional Office. If the determination is obtained by the HHFA Regional Office it shall forward three copies to the PHS Regional Office.

When such a request is made by the HHFA Regional Office, it shall note on Form DB-11 or, if used, on a transmittal slip, that both agencies are involved. The Public Health Service uses a code symbol to identify its program and this should be obtained from the PHS Regional Representative. While the Department of Labor has agreed to furnish

additional copies of the determination for cases of dual application, the notation "three additional copies required" will be entered on the request.

Even though PHS may be furnishing the owner and the architect with copies of the wage determination, the HHFA Regional Office shall also transmit the usual copies.

The above procedure pertains specifically to projects jointly financed by the College Housing and Hill-Burton programs; however, in any other case in which a CFA project is assisted by any program of another agency the Regional Director should endeavor to arrange for comparable handling with the field office of the other agency.

#### **Public Facility Loans Projects**

Rates of pay for laborers and mechanics must not be less than the wages prevailing in the locality as determined by State law. In the absence of State law, the rates of pay shall be approved by the Regional Director. When State law requires the predetermination or approval of prevailing minimum wage rates, evidence of the determination or approval shall be obtained from the owner for the Regional Office file, and the State wage rate determinations incorporated in the contract documents.

Information on which to base the Agency's approval of prevailing wage rates, in the absence of State law, shall be secured by the owner. Signed statements shall be obtained, if possible, from the Secretaries of the Association of General Contractors and the Building Trades Council having jurisdiction, listing the classifications of labor to be employed and the prevailing minimum wage rates for each.

A list of the prevailing wage rates shall be submitted by the owner, in quadruplicate, for the approval of the Regional Director. One approved copy shall be returned to the owner; one copy shall be sent to the architect/engineer for incorporation in the contract documents; and one copy placed in the project folder.

Changes or additions required in the approved schedule of wage rates shall be handled in the same way as the original schedule.

#### **LIQUIDATED DAMAGES**

The owner shall be urged to include a liquidated damages provision in its construction contract with a specific dollar amount of daily damage to be assessed against the contractor for each calendar day beyond the stipulated completion date.

The daily amount of damages should be a reasonable and adequate amount based upon the circumstances and the estimated dollar cost of the individual contract, or the revenue-producing capacity of the project.

The liquidated damages provision provides the owner with a feasible means of securing compensation for damages due to delay in completion. Without such a provision the proving of such damage is difficult and usually entails court action.

Although the owner shall be urged to include a liquidated damages provision, the Regional Office shall not insist on its being included when the owner objects.

#### PLAQUES AND TABLETS <sup>1</sup>

Regional Offices shall not encourage the erection of tablets and plaques nor require mention of this Agency. If an owner wishes to install a marker and inquires about the wording to be used in acknowledging Federal assistance, permission should be given to use the following:

“Constructed with Federal assistance as authorized by Title IV of the Housing Act of 1950,” (or for public facility loans projects, “as authorized by Title II of the Housing Amendments of 1955”).

If the marker is to contain names of individuals, there may be added to the above the name of the Administrator, followed by *Administrator, United States Housing and Home Finance Agency*.

#### CONSTRUCTION SIGNS <sup>2</sup>

The owner is required to erect a construction sign at the project site identifying the project and indicating that the Government is participating in the project. Form CFA-238 contains specifications for construction signs.

#### PROJECT PHOTOGRAPHS

Each applicant shall be instructed to submit two prints of each of the following photographs to the Regional Office:

- (1) Projects at time of their completion under the College Housing, Federal and Non-Federal School Construction, and Senior Citizens Housing Loans Programs and projects involving buildings and other structures under the Accelerated Public Works, Area Redevelopment, and Public Facility Loans Programs.
- (2) Photographs of projects not involving buildings and other structures under the Accelerated Public Works, Area Redevelopment, and Public Facilities Loans Programs are not required but the Regional Office may request appropriate photographs in the case of unusual projects or where other circumstances indicate the desirability of a photograph.

It should be noted that while the applicant is required to submit the above photographs, the applicable Form CFA-238, *General Conditions*,

<sup>1</sup> Instructions on plaques and tablets for Non-Federal School Construction Projects are given in Section 5-2-2.

<sup>2</sup> Instructions on construction signs for Non-Federal School Construction Projects are given in Section 5-2-2.

and Form CFA-238N, *Supplemental General Conditions*, provide that the applicant may require the contractor to furnish project photographs. The applicant, however, may use its own photographer or, if necessary, arrange for a commercial photographer to take the photographs.

Cost of photographs is an eligible project cost and should be included in the line-item "Administrative Expense."

#### IDENTIFICATION OF PHOTOGRAPHS

The following information shall be typed on a slip of paper attached to the back of each photograph:

- (1) Project number.
- (2) Name of applicant.
- (3) Name of building or other identification.
- (4) Name of architect and/or contractor.
- (5) Date taken.
- (6) Any appropriate descriptive remarks, such as identification of other buildings in picture and unusual features.

#### SUBMISSION BY APPLICANT

Prints shall be black and white, 8" x 10", medium weight, glossy finish, and unmounted. The prints shall be submitted in a regular photograph mailer marked "Photographs—Do Not Bend." The photographs shall be furnished to the Regional Office within a reasonable period following completion of the project.

#### REGIONAL PROCESSING

Photographs shall be examined in the Regional Office to assure that each photograph is fully identified and that the submission is complete and acceptable.

When the Regional Office is assured that the submission is complete and acceptable, one print shall be forwarded to CFA. Submission to CFA shall be made in the same manner as that prescribed above for submission to the Regional Office and, where possible, the incoming photograph mailer should be used. The second photograph shall be placed in the project file; the Regional Office, however, may use this copy temporarily to acquaint its employees with the project.

EXHIBIT A

CF-208  
(7-60)

ARCHITECT/ENGINEER'S CERTIFICATE

Project No. \_\_\_\_\_

I, \_\_\_\_\_ Architect/Engineer for the \_\_\_\_\_ certify that the following plans and specifications (check appropriate item):

- |   | <u>Sheets numbered</u> |
|---|------------------------|
| <input type="checkbox"/> Site plan .....        | _____                  |
| <input type="checkbox"/> Architectural .....    | _____                  |
| <input type="checkbox"/> Structural .....       | _____                  |
| <input type="checkbox"/> Mechanical .....       | _____                  |
| <input type="checkbox"/> Electrical .....       | _____                  |
| <input type="checkbox"/> Equipment .....        | _____                  |
| <input type="checkbox"/> Other (Identify) ..... | _____                  |

(a) Are adequate and suitable for, and are in conformity with, the project contemplated in the approved application.

(b) Comply with applicable State and local laws, ordinances, and regulations pertaining to standards of construction and safety, and have been approved by:

AUTHORITY

DATE OF APPROVAL

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Architect/Engineer*

\_\_\_\_\_  
*License Number*

Approved: \_\_\_\_\_

\_\_\_\_\_  
*Address*

\_\_\_\_\_  
*City and State*

\_\_\_\_\_  
*Owner*

\_\_\_\_\_  
*Date*

HOUSING AND HOME FINANCE AGENCY - COMMUNITY FACILITIES ADMINISTRATION



EXHIBIT B

CFA-205  
(3-62)

CERTIFICATE AS TO PROJECT SITE, RIGHTS-OF-WAY, AND EASEMENTS

Project No. \_\_\_\_\_

I, \_\_\_\_\_ Attorney at Law, representing  
\_\_\_\_\_ (herein  
called the "Owner"), certify:

1. That I have investigated and ascertained the location of the site or sites, rights-of-way, and easements being provided by the Owner for the facilities in its application for Federal aid, identified above to be constructed, operated and maintained thereon.

2. That I have examined the records of ownership of said site or sites, and the Owner holds fee simple title to the said site or sites, free and clear of all liens and encumbrances.  
or (indicate which item, or if a combination of 2 and 3, is certified)

3. That I have examined the records of ownership of said site or sites, rights-of-way, and easements, and the legal interest(s) held therein by the owner is (are) as follows:

4. In my opinion, the Owner has a sufficient legal interest in the said site or sites, rights-of-way, and easements to permit the construction of such facilities thereon and to permit the operation and maintenance of such facilities thereon during the estimated life of the facility by the Owner after the completion of construction.

5. Remarks:

\_\_\_\_\_  
Date Attorney at Law  
\_\_\_\_\_  
Address City State

Approved:

\_\_\_\_\_  
Owner Date

HOUSING AND HOME FINANCE AGENCY - COMMUNITY FACILITIES ADMINISTRATION

## EXHIBIT C

## CHECK LIST OF MOST FREQUENT ERRORS IN CONTRACT DOCUMENTS \*

- (1) Does the contract show whether the contractor is an individual or partnership or corporation (by striking out inappropriate words where Form CFA-238-F is used) ?
- (2) Does the contract form (CFA-238-F) have a brief and adequate description of the project in the space provided, so that the remainder of the contract documents can be incorporated by reference ?
- (3) Is the contract amount the same as the contract award approved by the Government ?
- (4) Are the name and titles or positions of the persons signing the contract printed or typed under their signatures so that they are legible ?
- (5) Has the number of calendar days to complete the project been shown ? If so, does it agree with that shown in Form CFA-238-B ?
- (6) Has a value of "Liquidated Damages" been indicated ?
- (7) Have all addenda been included in the executed documents ?
- (8) Does the bond refer to the correct contract date ?
- (9) Is the brief project description the same on the bond as it is in the contract ?
- (10) Is the bond dated either on or after the date of the contract ?
- (11) If the person signing the bond for the surety was not a resident of the State where the construction is to be accomplished, did a resident agent countersign the bond ?
- (12) Does the Power of Attorney, giving the person signing the bond authority to do so, show that it was still in full force and effect on the date the bond was signed ? (If the Power of Attorney bears same date as the Bond, this item is certainly satisfied.)
- (13) Is the certificate of the officer of the surety company manually signed rather than being a facsimile signature ?
- (14) Are all contract documents properly dated ?
- (15) Is the contractor's proposal included with the contract ?
- (16) If contractor is a partnership, have all partners signed the bond ?

---

\* Note to Owner: Please have your Attorney use this check list when checking executed contract documents.

EXHIBIT D

DM-11 (Rev. 10-58)

REQUEST FOR DETERMINATION

TO: U. S. DEPARTMENT OF LABOR

NOTE—Use black ribbon and type on one side only.

Request is hereby made for the determination of the wage rates to be paid laborers and mechanics on the work described below.

NAME AND TITLE OF REQUESTING OFFICER		DATE OF REQUEST
SIGNATURE		ESTIMATED VALUE OF CONTRACT \$
DEPARTMENT, AGENCY, OR BUREAU		FOR DEPT. OF LABOR USE
DESCRIPTION OF WORK:		DECISION NO.
LOCATION (CITY OR OTHER DESCRIPTION)		LAW CODE
STATE		DATE OF DECISION
COUNTY		EXPIRES
		SUPERSEDES DECISION NO.

Check Crafts	Per Hour	Check Crafts	Per Hour
Asbestos workers.....		Painters, brush.....	
Asbestos workers' imp.:		Painters, structural steel.....	
1st year	2d year	3d year	4th year
Boilermakers.....		Pipelayers.....	
Boilermakers' helpers.....		Plasterers.....	
Bricklayers.....		Plumbers.....	
Carpenters.....		Roofers.....	
Cement masons.....			
Electricians.....		Sheet metal workers.....	
Glaziers.....		Soft floor layers.....	
Ironworkers, structural.....		Steamfitters.....	
Ironworkers, ornamental.....		Stonemasons.....	
Ironworkers, reinforcing.....		Terrazzo workers.....	
Laborers:		Terrazzo workers' helpers.....	
Laborers.....		Tile setters.....	
Air tool op. (jackhammer, vibrator).....		Tile setters' helpers.....	
Mason tenders.....		Welders—Receive rate prescribed for craft performing operation to which welding is incidental.....	
Mortar mixers.....		Truck drivers.....	
Pipelayers (concrete and clay).....			
Plasterers' tenders.....			
Lathers.....			
Marble setters.....		Motor graders.....	
Marble setters' helpers.....		Piledrivers.....	
Air compressors.....		Pumps.....	
Blade graders.....		Rollers.....	
Bulldozers.....		Scrapers.....	
Cranes, derricks, derricklines.....		Shovels.....	
Distributors.....		Tractors.....	
Finishing machines.....		Trenching machines.....	
Firemen.....	Oilers.....		
Hoists.....			
Mixers.....			

APPRENTICE SCHEDULE

CRAFT	INTERVAL	PERIOD AND RATE*									
		1st	2d	3d	4th	5th	6th	7th	8th	9th	10th

\*The apprentice rate is by percentage of the Journeymen's rate unless otherwise indicated. 10-0104-2 U. S. DEPARTMENT OF LABOR OFFICE

EXHIBIT E

CFA-290A  
(8-64)

HOUSING AND HOME FINANCE AGENCY  
COMMUNITY FACILITIES ADMINISTRATION

TO : Office of the Solicitor  
Department of Labor  
Washington, D. C. 20210

Date:

SUBJECT: Report of Wage Rate Classification

\_\_\_\_\_ Program

Type of Project \_\_\_\_\_

Wage Rate Classification

Inasmuch as the Secretary of Labor's Wage Determination of \_\_\_\_\_  
(Date)

for \_\_\_\_\_ did not provide wage rates for the  
(County, State)

classifications listed below, the rates have been established as follows

(see enclosed supporting document):

State minimum wages.

Prevailing wages approved by the undersigned.

CLASSIFICATIONS

RATE

EFFECTIVE DATE

(Continued on reverse side)

EXHIBIT E (Page 2)

CLASSIFICATIONS	RATE	EFFECTIVE DATE
_____		
Name of Contractor _____		
Date _____	Signed _____ <i>(Authorized Representative)</i>	
_____		
Concur:		
Name of Applicant _____		
Date _____	Signed _____ <i>(Authorized Representative)</i>	
Housing and Home Finance Agency		
Date _____	Signed _____ <i>Regional Director of Community Facilities</i> Region _____	

## Section 2. Contract Documents

The owner will submit to the Regional Office, prior to inviting bids, one set of proposed contract documents, using Form CFA-238, *Contract Documents*.

On school construction projects, the owner will also send one set to the Office of Education representative.

### REVIEW

The Engineering Staff will review the documents to determine:

- (1) That the project as planned conforms to the approved project and probably can be constructed within the approved cost estimate.
- (2) That the project has a usable life at least equal to the term of the loan or, in the case of non-Federal schools, 20 years, and that there are no apparent safety hazards.
- (3) That the plans are within program criteria for eligible facilities; that any ineligible features will be financed by owner's funds and written assurance thereof has been furnished by the owner.
- (4) That the Form CFA-238 series has been used, and that any amendments or additions thereto or substitutions therein are acceptable.
- (5) That the contract documents are complete and permit competitive bidding among contractors; and that proper provisions are made for deductive alternates.
- (6) That Form CFA-204, *Architect/Engineer's Certificate*, and Form CFA-205, *Certificate as to Project Site*, have been obtained and are satisfactory.
- (7) On school construction projects, that approval of educational features by the Office of Education has been obtained.

Form CFA-240, *Review of Proposed Contract Documents* (Exhibit A), will be prepared manually, in an original only, to record the review findings.

### Deductive Alternates

To assure that bids will be obtained within the funds available, deductive alternates should be included.

To avoid controversy in the award of bids, and for strict conformity with the policy of competitive bidding, deductive alternates should be (1) listed in the order in which they will be taken and (2) taken only to the extent to which they are needed to reach the amount budgeted for construction with a reasonable amount remaining for construction contingencies. However, if there are sound reasons for the acceptance of deductive alternates out of the order listed in the bid documents or for taking alternates beyond those necessary to reach an amount which will provide a reasonable construction contingency,<sup>1</sup> the Regional Director may approve such deviations if:

- (1) The status of the low bidder is not affected.

<sup>1</sup> Not applicable to non-Federal schools (see "Overruns" below).

- (2) The reason for the approval of the variance is documented in the file.

Neither deductive alternates which change the scope of a project nor additive alternates of any nature may be included in the bidding documents for college housing and public facility loans projects. Additive alternates which increase scope may be included in school construction projects when the Office of Education specifically authorizes such alternates.

#### **Advice to Owner**

The Regional Director shall advise the owner by letter of the approval of the proposed contract documents, including any qualifying conditions. To make clear the purpose of the review, the letter should include the following paragraph:

HHFA approval of the project contract documents attests only to the fact that the documents are considered satisfactory with reference to the requirements of the agreement between the Owner and this Agency. Such approval does not imply responsibility for nor attest to the accuracy of details or dimensions, proper selection of materials, or compliance with applicable codes or ordinances.

A copy of the letter shall be sent to the Field Engineer and the owner's architect/engineer. On school construction projects, a copy shall also be sent to the Office of Education representative.

The project land description and one copy of the plat submitted for college housing projects shall be placed in the project file. A copy of the plat shall be furnished to the Field Engineer.

#### **BIDDING**

Construction contracts shall be awarded through open, competitive bidding obtained through advertising. This method is usually required of public agencies and State colleges by State and local law. However, the owner may wish to obtain combined bids for the program project and some other work (see below), and some private colleges may wish to obtain bids by invitation. (See Chapter 2-5 for procedures covering bidding by invitation.)

After the opening of bids, it is not permissible to negotiate with the low bidder or other bidders on changes in plans or specifications in order to reduce the cost to come within the funds available.

#### **Combined Bids<sup>1</sup>**

An owner may undertake construction of a Federally-financed project at the same time as one which is privately financed. In such cases, the total cost may be reduced by an award of one contract covering both jobs.

In order to determine the construction cost of the Federally-financed project, the following procedure will be followed:

- (1) All contractors will be required to submit their bids with three alternates. The first will cover the Federally-financed project;

<sup>1</sup> Not applicable to the School Construction Program.

second will cover the privately-financed project; and the third will cover the two in combination. The third alternate must include an allocation of the total bid between the two projects.

- (2) The invitation will provide that the owner may award separate contracts or a combined contract depending on whichever award produces the lowest total cost.
- (3) If a combined contract is awarded, the low price indicated on the Federally-financed project in any of the combined or separate bids received will establish its cost for the purposes of the Federal participation.

#### BID OPENINGS

The Field Engineer will attend the bid opening only when specifically directed to do so by the Regional Director because some unusual condition requires such attendance to protect the Federal interest.

#### CONCURRENCE IN AWARDS

When bids have been opened and the owner has tentatively selected the bidders to whom it proposes to award contracts, the Regional Office will be furnished:

- (1) One copy of proof of publication of advertisement for bids except when the bids are by invitation.
- (2) One certified or signed copy of the tabulation of bids received, with a covering letter which clearly sets forth the names of the contractor(s) to whom award is proposed, the base bid(s), the alternates to be taken by number and amount, and the resultant total(s) of the proposed awards.
- (3) A certified or conformed copy of the proposal or bid form of the bidder to whom the award is proposed to be made.
- (4) If the proposed contract awards are in an amount exceeding the approved estimated construction cost, satisfactory evidence that the additional funds required are or will be deposited in the construction account.
- (5) If any proposed contract award is not based on the lowest bid received, an explanation of the basis for considering rejection of the low bid and a justification for award to other than the low bidder.

The Engineering Staff will review the bid tabulation and supporting data to determine if the proposed awards can be concurred in by the Regional Director. Form CFA-241, *Concurrence in Award and Executed Contract* (Exhibit B), will be used for this purpose.

#### OTHER (OR EXCESS) SERVICE FACILITIES—OVERRUNS AND UNDERRUNS

The College Housing Program statute imposes a sublimitation on that portion of a loan represented by Excess Service Facilities as



defined in Section 2-1-2, page 2. Under the College Housing Program, if concurrence in the award of the construction contract for the project would, without a change in the over-all amount of the loan commitment, cause an overrun of the amount provided for other (or excess) service facilities, such concurrence must be withheld until an additional reservation therefor is obtained from CFA and a revised project summary is issued as provided in Section 2-4, page 1, item (1)(e).

It should be further noted that in the event of an underrun in the amount allocated for other (or excess) service facilities, without any change in the over-all amount of the loan commitment, a revised project summary is to be submitted, but concurrence in the construction contract award need not be withheld pending this latter action.

#### **Overruns**

Where the reviewer finds that the total amount of the proposed awards would overrun the amount budgeted for construction, or would leave an insufficient construction contingency amount, the matter will be taken up with the Assistant to the Regional Director.

Where necessary, the budgeted amount for construction may be augmented by transfers from other line-items where this may be done safely. Where the overrun on a non-Federal school project does not leave sufficient funds available for construction contingencies, concurrence may be given when the owner provides written assurance that it will provide any funds needed for subsequent changes.

Where the overrun on a loan project cannot be met by adjustments between line-items, concurrence will be given only after completion of action to provide additional funds in accordance with Section 21-2-2 (see "Revision of Estimated Total Project Costs"). For school projects, the instructions in Section 5-2-2 or 5-3-2 will govern.

#### **Concurrence by Regional Director**

The Regional Director may concur in the award when:

- (1) The contractor proposed for award is not disqualified for award or subject to any restrictions with respect thereto.
- (2) Award is to be made to the lowest responsible bidder.
- (3) Advertising as required was performed.
- (4) There are no irregularities in the award (see below).
- (5) The total amounts of awards does not exceed the funds budgeted for construction after completion of action required to provide any additional funds required, as prescribed above.
- (6) The preliminary approving opinion of Bond Counsel has been received.<sup>1</sup>
- (7) Ability to provide interim financing is demonstrated or if the bonds have been sold.<sup>1</sup>

<sup>1</sup>This item does not apply to school construction projects.

(8) The loan agreement has been executed.<sup>1</sup>

When there is a change in financing methods, the letter to the owner concurring in the award shall be routed through the Finance Branch for review.

Procedural irregularities may be waived by the Regional Director when they do not conflict with statutory requirements or the requirement for open competitive bidding and award to the lowest responsible bidder.

#### **Notice to Owner**

The Regional Director shall advise the owner by letter of HHFA concurrence in the award. This letter should indicate any conditions under which the concurrence is given, and:

- (1) If there are overruns or underruns from the approved cost estimate, advise the owner that a revised Project Summary, showing the new cost estimate will be issued, and request the owner's concurrence in the withdrawal of funds when necessary. (See below.)
- (2) Call attention to the insurance requirements for the project and advise the owner that evidence of the required coverages should be available for review by the Field Engineer at the preconstruction conference.
- (3) Request the owner to send two sets of the executed contract documents to the Regional Office.
- (4) Identify the Field Engineer to whom the project has been assigned and advise that he will request the owner to arrange a preconstruction conference with representatives of the owner, the architect/engineer, and the contractors, at which the Field Engineer will discuss the procedures to be followed during the construction period.

A copy of the letter shall be sent in all cases to the Field Engineer. For a School Construction project, a copy shall also be sent to the local representative of the Office of Education.

#### **EXECUTED CONTRACT DOCUMENTS**

##### **Notification to Bureau of the Census**

At the time the Regional Office receives the executed contract documents, for a construction contract of \$25,000 or more, covering construction of a housing facility for married faculty or married students under the College Housing Program, or for the construction of a non-Federal school, the Regional Office shall submit Form 16-19, *Construction Contract Award Notification*, to the Bureau of the Census.

A report shall also be made at the close of each month in which no such award was made. Item 1 of Form 16-19 shall be completed, the

<sup>1</sup>This item does not apply to school construction projects.

word "None" entered in Item 2, and "Non-Federal projects (School Construction and College Housing Program)" under "Remarks."

#### Review

The owner is required to furnish two sets of executed contract documents to the Regional Office. The Engineering Branch shall review the executed contract documents to assure: (a) that any required revisions to the bid documents have been made, (b) that the contracts are executed by the bidders and in the amounts specified in the letter concurring in the award, and (c) that the sureties have been approved by and are within Treasury Department limitations.

After review by the Engineering Branch, the contract documents shall be reviewed by the Legal Division to determine that:

- (1) Powers of attorney covering execution of the bonds are adequate and have not expired prior to the date of execution.
- (2) All contract instruments are properly executed and valid under applicable local and State laws.

Form CFA-241, *Concurrence in Award and Executed Contract*, shall be used to document the review.

#### Notice to Owner

The Regional Director shall advise the applicant that the contract documents are satisfactory or that there are specified objections to them. A set of the executed documents in their final form, including plans, and a copy of any letter relating to them shall be sent to the Field Engineer. For school construction projects, a copy of any pertinent letter shall also be sent to the local representative of the Office of Education. For programs which provide for a fixed fee for Government field expense, a copy of the letter shall be sent to the Administrative Division.

#### Revised Project Estimate

Following the award of the construction contracts, the Engineering Branch shall compare the construction cost with the approved estimate as shown on the Project Summary. If an underrun exists, the Engineering Branch shall:

- (1) Ascertain what Federal funds can be recovered or placed in the project contingency. If transfer of the underrun to project contingency will result in the project contingency substantially exceeding the original estimate, the owner shall be contacted to permit recovery of the excess.<sup>1</sup>
- (2) Redetermine, if ineligible costs are included, the costs and prorate the underrun between eligible and ineligible costs.

This revised cost estimate should provide for a construction contingency allowance to include the budgeted amount for contracts not

<sup>1</sup> Recovery of funds for school construction projects is covered in Section 5-2-2.

yet awarded plus an amount not to exceed 5 percent of the total amount for contracts awarded and not awarded. The estimate for other items should be rechecked to ascertain that the project will be completed within the funds provided.

Any change in the approved cost estimate resulting from the award of construction contracts will be reflected in a revised Project Summary showing the new cost estimates. In the case of school construction projects, these revisions may be issued by the Regional Office when the Region is authorized to approve the change in cost estimates as provided in Section 5-2-2. In all other instances, such changes for school construction projects will be referred to CFA for preparation of the revised Project Summary.



**EXHIBIT B**

CFR-221  
(7-62)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>CONCURRENCE IN AWARD AND EXECUTED CONTRACT</b>		PROJECT NUMBER		
<b>I. AWARDS PROPOSED BY OWNER</b>				
Work	Name of Bidder	Amount of Contract	Check Whether Proposed Award is Satisfactory	
			Yes	No
(a)			<input type="checkbox"/>	<input type="checkbox"/>
(b)			<input type="checkbox"/>	<input type="checkbox"/>
(c)			<input type="checkbox"/>	<input type="checkbox"/>
(d)			<input type="checkbox"/>	<input type="checkbox"/>
(e)			<input type="checkbox"/>	<input type="checkbox"/>
Total \$				
Previous awards and approved changes .....			\$ _____	
Total construction commitments including change orders and this award .....			\$ _____	
Funds budgeted for future contracts .....			\$ _____	
Available funds not budgeted (contingencies) .....			\$ _____	
			YES	NO
1. Is proposed award to lowest bidder? If "no" is the owner's justification for not awarding to the lowest bidder acceptable?				
2. Is the successful bidder(s) disqualified or restricted?				
3. Was proof of advertising submitted?				
4. Are there any irregularities regarded by reviewer as unacceptable? If there are irregularities, can they be waived?				
5. Does proposed award require increase in Construction cost estimate? Total project cost estimate?				
6. Are additional funds needed? Evidence shows applicant can furnish funds. Applicant has agreed to provide additional funds. Increase in Federal participation is required.				
7. Concurrence in the award is recommended subject to:				
_____ <i>Review Engineer</i>		_____ <i>Date</i>		
_____ <i>Chief, Engineering Staff</i>		_____ <i>Date</i>		

EXHIBIT B (Page 2)

II. EXECUTED CONTRACT DOCUMENTS		YES	NO
1. Has applicant complied with conditions under which HHFA concurred in the proposed contract documents and award?			
2. Have the contracts been entered into in the amounts and with the bidders for which HHFA concurrence was given?			
3. Are sureties approved by and within Treasury Department limitations?			
Review Engineer _____ Chief, Engineering Staff _____			
Date _____ Date _____			
		YES	NO
1. Are the powers of attorney covering execution of the instruments adequate and in effect on the date of execution?			
2. Are the contract instruments correctly executed?			
Date: _____ Review Attorney _____			

## CHAPTER 2. CONSTRUCTION

### Section 1. Project Construction

#### PRECONSTRUCTION CONFERENCE

Prior to the start of construction, the Field Engineer shall meet with the owner, architect/engineer, and contractor to discuss CFA requirements and furnish the owner Form CFA-239, *Construction*. The material in Form CFA-239 must be discussed during the conference. Particular attention should be given to the contract change procedure so that it is clearly understood that any work undertaken as a result of a contract change is at the owner's risk until HHFA concurrence has been obtained. Other prescribed CFA forms should be discussed and samples furnished.

The Field Engineer shall secure agreement as to the probable starting date of construction, and shall determine, in general terms, the construction schedule for the project as a whole and for each contractor, in terms of the stages used to establish frequency of inspection (see Section 20-2-2). He also shall take notes of anything which will help him to appraise the prospects for prompt and efficient construction and effective supervision by the contractors, the architect/engineer, and the owner, for use in developing his proposed inspection plan.

#### Preconstruction Conference Report

The Field Engineer shall use Form CFA-200A, *Preconstruction Conference Report* (see Exhibit A), to report on the conference and to propose his inspection plan for the project.

Item 7, Inspection Plan, contains a bar divided into blocks for 24 months. Duration of construction shall be indicated by drawing a line from the anticipated starting date through the construction period provided in the contract. On the next line, the proposed inspections shall be shown by entering the code letter for the given construction stage (see Section 20-2-2) under the month in which it is anticipated that the inspection will be made. If the Field Engineer believes that more than one inspection will be needed during a given stage, he shall repeat the code letter for that stage for each proposed inspection. Below the bar, the stages shall be identified by brief captions, using the terms in Section 20-2-2 when applicable, or similar terms. Under Item 8 "Comments," the Field Engineer shall justify any proposal for more inspections than the norm established in Section 20-2-2 and comment on any matter of special interest arising out of the conference.

The Field Engineer should endeavor to relate the proposed inspections to those already scheduled for other projects, so that need for single inspection trips will be minimized. If more inspections than



the norm given above appear necessary, he shall so recommend and give his reasons.

The plan is not intended to be specific as to dates on which inspections will be made. Rather, it is intended only to reflect the number of inspections which the Field Engineer believes necessary, and the approximate periods during which the stated construction stages will be reached. An amended plan need not be submitted to reflect changes in anticipated construction progress or the timing of inspections.

Form CFA-200A shall be prepared in duplicate, preferably by use of ballpoint pen. The original and one copy shall be sent to the Head, Construction Management Section. After review by the Chief, Engineering Branch, the Section Head shall return the original to the Field Engineer, with advice of approval and of any modifications.

If problems arise during the conference which require further action or which should be known to the Regional Office, the Field Engineer shall report them by memorandum to the Head, Construction Management Section.

#### **PROJECT CONSTRUCTION SCHEDULE AND PROGRESS CHART**

The owner shall be asked to have the architect/engineer review and approve the construction schedule and progress chart prepared by the contractor.

No form is prescribed for such schedules and charts, nor will a copy be required for HHFA.

#### **SCHEDULE OF AMOUNTS FOR CONTRACT PAYMENTS**

The owner shall be asked to obtain from each prime contractor, and keep in his files, a schedule of amounts for contract payments to be used as a basis for computing periodic payments. The schedule for each prime contract shall cover all subcontracts under it. The schedule must be signed by the contractor, the architect/engineer, and the owner.

The owner shall provide approved copies for the contractor, the architect/engineer, and the Regional Office; the original shall be retained by the owner.

The Regional Office copy shall be furnished to the Head, Project Planning and Review Section, as a basis for computing the insurable value (see Section 20-2-2). Form CFA-207-A, *Schedule of Amounts for Contract Payments*, may be used for this purpose.

#### **DISBURSEMENTS FROM THE CONSTRUCTION ACCOUNT**

Page 1 of the Project Summary contains the approved cost estimate for the project. The owner shall be reminded that it is responsible for keeping costs within the individual line items in the cost estimate, and that no line item may be exceeded without prior HHFA concurrence. Likewise, amounts may not be transferred between line items, including

Each list of proposed subcontractors submitted for approval must contain a certification by the contractor that the subcontractor(s) listed:

- (1) Have been advised of the labor standards provisions applicable to the project, and
- (2) That those provisions as incorporated in the contract between the owner and the contractor will be so incorporated in the contracts between the contractor and the subcontractors.

Physical inclusion of applicable labor provisions in the subcontracts is required regardless of the format of the contract. When a purchase order or other informal type of form is used, the labor provisions may be attached thereto, but the subcontractor must then acknowledge receipt of the labor provisions in writing to the contractor awarding the subcontract (see Section 4-2-2, Volume II).

The Field Engineer shall check the name of each subcontractor against the file of disqualified or restricted firms. If the subcontractor's name does not appear in the file, the owner shall be advised that HHFA has no objection to a subcontract with him. If his name appears in the file, the owner shall be instructed to withhold concurrence in the use of the subcontractor pending further advice from the Regional Office. The Field Engineer shall then notify the Regional Office, which shall take subsequent action in accordance with existing instructions covering disqualifications and restrictions.

#### INSURANCE

Until the project is completed and is accepted by the owner, the owner is required to maintain builder's risk insurance (fire and extended coverage) on a 100 percent basis on the insurable portion of the project for the benefit of the owner, the prime contractor, and all subcontractors as their interests may appear. If any condition changes either the scope or the duration of the project, the insurance coverage must be adjusted accordingly.

The owner shall be instructed that if the project or any part of it is to be used or occupied prior to its acceptance from the contractor, it must first:

- (1) Secure written consent of the contractor.
- (2) Secure endorsement from the insurance carrier and consent of the surety permitting occupancy of the building or use of the project during the remaining period of construction, or
- (3) When the project consists of more than one building and one of the buildings is to be occupied, secure permanent fire and extended coverage insurance, including a permit to complete construction. Consent of the surety also must be obtained.

The Field Engineer shall ascertain whether required insurance coverages are in effect. For any insurance not yet obtained, he shall arrange for evidence of coverage to be supplied to him by the date set for the start of construction.

#### LABOR REQUIREMENTS

For labor requirements, see the applicable program Construction Sections.

**PAYROLLS**

Each prime contractor and subcontractor is required to furnish a copy of each weekly payroll to the owner for transmittal to the Field Engineer.

Contractors may use Form HHFA-1, *Payroll*,<sup>1</sup> which meets all HHFA payroll reporting requirements, their own payroll forms, or Department of Labor Forms SOL-184 and 185. However, if Form HHFA-1 is not used, the payroll form must contain the information required by Form HHFA-1, and Form H-181, *Statement of Compliance*, must be completed and attached to each payroll.

Form H-179 gives instructions for payroll preparation and copies of this form shall be provided for each contractor and subcontractor.

Copies of payrolls submitted under the College Housing and PFL programs shall be kept by the Field Engineer until six months after the final project inspection. If, at that time, no wage dispute or other matter involving the payrolls exists or is anticipated, the payroll copies shall be disposed of in accordance with the applicable Records Control Schedule. Copies of payrolls submitted under the School Construction Program shall be sent to the Regional Office after project completion and shall be retained for three years under the applicable Records Control Schedule.

Each prime and subcontractor is required by the Department of Labor Regulations to retain weekly payroll records for a period of three years from the date of completion of the contract.

**SUPERVISION OF CONSTRUCTION**

The owner shall be advised during the preconstruction conference that, under its agreement with the Government, it must provide inspection and supervision during construction adequate to assure itself and HHFA that the project is built in accordance with the plans, specifications, and contract documents. The owner should understand that visits by the Field Engineer are in no way a substitute for inspections by the owner and its architect/engineer. The Field Engineer visits are solely for the purpose of ascertaining that the project is being built in accordance with the project approval, construction is proceeding in accordance with approved plans, specifications, and contract documents, and evaluating the adequacy of the inspection and supervision being provided by the owner pursuant to the terms of its agreement with the Government.

The architect/engineer will also be expected to:

- (1) Furnish a report once a month covering general progress at the job and describing any problems or factors contributing to delay. The owner will send a copy of this report to the Field Engineer.
- (2) Prepare and submit contract change orders.
- (3) Review and approve the contractor's schedule of amounts for contract payments, and certify contractor's requests for partial payments as a basis for periodic payments by owner.
- (4) Review the construction and progress schedule for the duration of construction.

<sup>1</sup> Form HHFA-1 is not available for free distribution, except for sample copies. This form may be purchased by contractors directly from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, at \$2.25 per hundred copies.

in and out of the project contingency item, without prior HHFA concurrence.

The Field Engineer should remind the owner that establishment of a construction account is required and that the owner may make disbursements from the construction account for the purposes and within the amounts stated for each line item in the latest approved cost estimate without prior HHFA concurrence except in the following instances:

- (1) Specific expenditures for land and rights-of-way<sup>1</sup> may be made without prior HHFA concurrence only (a) when the land or right-of-way to be acquired is included within the scope of the project, (b) after a description of the property to be acquired has been furnished the Regional Office, and (c) when the total amount remaining in the line item for land and rights-of-way will be sufficient to defray the costs of all other such acquisitions for the project. If these conditions are not met, the expenditure must be concurred in by the Field Engineer before it is made. Usually in such cases, it will be necessary for the Field Engineer to consult the Regional Office before giving his concurrence.
- (2) Proposed expenditures for Legal and Administrative Expenses must be submitted by the owner to the Field Engineer. The Field Engineer may approve:
  - (a) Administrative cost items not to exceed \$500 per item, including cost of bond sale advertising, mortgage recording costs, and bond printing costs; and
  - (b) Cost of Internal Revenue stamps, subject to written statement as to need by the borrower. The Field Engineer shall forward such statement, with a copy of his approval, to the Regional Office, for use in preparing the bond transcript documents (see Section 21-3-2).

The Field Engineer shall refer, with his comments, all administrative items exceeding \$500 and all proposed expenditures for legal expenses to the Regional Office.

After obtaining the advice of the Regional Counsel on legal fees, and that of the other appropriate staff members on administrative expenses, the Regional Director shall determine whether the proposed expenditure is a proper project charge, and whether the amount is reasonable with respect to the services performed and within the budgeted line item. In checking the budgeted amount, it also should be determined whether payment will leave a balance sufficient to cover other known services in this category as yet unperformed or unbilled.

If the Regional Director has no objection to the expenditure, he shall return the papers directly to the borrower with advice of approval. If he finds the charge excessive or otherwise unapprovable, he shall be responsible for so advising the owner and for resolving the matter. The Field Engineer shall be advised of items on which questions have been raised.

- (3) Payments for charges not included in the architect/engineer agreement, such as borings, surveys, or laboratory tests, must be concurred in by the Field Engineer.

<sup>1</sup> Land and rights-of-way may not be purchased under the School Construction Program.

- (4) Final payments under construction contracts must be concurred in by the Field Engineer before they are made (see below).

The owner shall request changes in the line items of the approved cost estimate by letter to the Field Engineer. The Field Engineer shall submit the request, with his recommendations, to the Regional Office. If the Regional Office concurs, a revised project summary shall be issued. Sub-items under the construction line item, however, are for guide purposes only and are not considered line items for purposes of budget control. Such sub-items shall be controlled by approval of contract changes or award of additional contracts.

The Field Engineer may permit the owner to accumulate minor changes and cover them in a single *Contract Change Order*.

Requests for payment shall be made on Form CFA-208, *Periodic Estimate for Partial Payment*, or the contractor's invoice if it provides similar information and includes a certification equal in effect to that contained in Form CFA-208. The applicant is required to furnish one copy of Form CFA-208, or of the contractor's invoice, to the Field Engineer.

The Field Engineer's copy is for informational purposes in connection with such actions as—

- (1) Computing insurable value;
- (2) Processing of change orders requesting extensions of time;
- (3) Following up on outstanding payroll copies;
- (4) Evaluating construction progress; and
- (5) Scheduling inspection visits.

The Field Engineer shall not concur in periodic payments made to contractors. However, the owner shall be instructed not to make final payment under any construction contract until after he has submitted the contractor's Form CFA-208, or other invoice, to the Field Engineer and the Field Engineer has concurred as provided below.

#### **Final Payment to Contractor**

The Field Engineer shall not concur in the final payment to a contractor until he has determined that:

- (1) Contract work has been satisfactorily completed;
- (2) He has received all copies of all payrolls;
- (3) There is no indication of any unsettled violation of contract provisions; and
- (4) He has no other reason to object to the final payment.

The Field Engineer will not be concerned with the final accuracy of the amount shown on the request for payment, since this will be checked during the final project audit. He should make it clear to the owner that his concurrence is not a certification as to the propriety of the payment, but is only advice that the Agency has no objection to the payment being made.

#### **APPROVAL OF SUBCONTRACTORS**

The owner shall be instructed to furnish the Field Engineer the name of each proposed subcontractor in order to ascertain whether he has been disqualified under existing laws or regulations from participation in Federally-aided projects. (See Chapter 2-2, Volume IV.)

Each list of proposed subcontractors submitted for approval must contain a certification by the contractor that the subcontractor(s) listed:

- (1) Have been advised of the labor standards provisions applicable to the project, and
- (2) That those provisions as incorporated in the contract between the owner and the contractor will be so incorporated in the contracts between the contractor and the subcontractors.

Physical inclusion of applicable labor provisions in the subcontracts is required regardless of the format of the contract. When a purchase order or other informal type of form is used, the labor provisions may be attached thereto, but the subcontractor must then acknowledge receipt of the labor provisions in writing to the contractor awarding the subcontract (see Section 4-2-2, Volume II).

The Field Engineer shall check the name of each subcontractor against the file of disqualified or restricted firms. If the subcontractor's name does not appear in the file, the owner shall be advised that HHFA has no objection to a subcontract with him. If his name appears in the file, the owner shall be instructed to withhold concurrence in the use of the subcontract pending further advice from the Regional Office. The Field Engineer shall then notify the Regional Office, which shall take subsequent action in accordance with existing instructions covering disqualifications and restrictions.

#### INSURANCE

Until the project is completed and is accepted by the owner, the owner is required to maintain builder's risk insurance (fire and extended coverage) on a 100 percent basis on the insurable portion of the project for the benefit of the owner, the prime contractor, and all subcontractors as their interests may appear. If any condition changes either the scope or the duration of the project, the insurance coverage must be adjusted accordingly.

The owner shall be instructed that if the project or any part of it is to be used or occupied prior to its acceptance from the contractor, it must first:

- (1) Secure written consent of the contractor.
- (2) Secure endorsement from the insurance carrier and consent of the surety permitting occupancy of the building or use of the project during the remaining period of construction, or
- (3) When the project consists of more than one building and one of the buildings is to be occupied, secure permanent fire and extended coverage insurance, including a permit to complete construction. Consent of the surety also must be obtained.

The Field Engineer shall ascertain whether required insurance coverages are in effect. For any insurance not yet obtained, he shall arrange for evidence of coverage to be supplied to him by the date set for the start of construction.

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Form H-179 gives instructions for payroll preparation and copies of this form shall be provided for each contractor and subcontractor.

See Section 20-2-4 with respect to procedures covering inadequate or missing payrolls.

Copies of payrolls submitted under the College Housing and PFL programs shall be kept by the Field Engineer until six months after the final project inspection. If, at that time, no wage dispute or other matter involving the payrolls exists or is anticipated, the payroll copies shall be disposed of in accordance with the applicable Records Control Schedule. Copies of payrolls submitted under the School Construction Program shall be sent to the Regional Office after project completion and shall be retained for three years under the applicable Records Control Schedule.

Each prime and subcontractor is required by the Department of Labor Regulations to retain weekly payroll records for a period of three years from the date of completion of the contract.

#### SUPERVISION OF CONSTRUCTION

The owner shall be advised during the preconstruction conference that, under its agreement with the Government, it must provide inspection and supervision during construction adequate to assure itself and HHFA that the project is built in accordance with the plans, specifications, and contract documents. The owner should understand that visits by the Field Engineer are in no way a substitute for inspections

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by the owner and its architect/engineer. The Field Engineer visits are solely for the purpose of ascertaining that the project is being built in accordance with the project approval, construction is proceeding in accordance with approved plans, specifications, and contract documents, and evaluating the adequacy of the inspection and supervision being provided by the owner pursuant to the terms of its agreement with the Government.

The architect/engineer will also be expected to :

- (1) Furnish a report once a month covering general progress at the job and describing any problems or factors contributing to delay. The owner will send a copy of this report to the Field Engineer.
- (2) Prepare and submit contract change orders.
- (3) Review and approve the contractor's schedule of amounts for contract payments, and certify contractor's requests for partial payments as a basis for periodic payments by owner.
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## CHAPTER 2. CONSTRUCTION

### Section 1. Project Construction

#### PRECONSTRUCTION CONFERENCE

Prior to the start of construction, the Field Engineer shall meet with the owner, architect/engineer, and contractor to discuss CFA requirements and furnish the owner Form CFA-239, *Construction*. The material in Form CFA-239 must be discussed during the conference. Particular attention should be given to the contract change procedure so that it is clearly understood that any work undertaken as a result of a contract change is at the owner's risk until HHFA concurrence has been obtained. Other prescribed CFA forms should be discussed and samples furnished.

The Field Engineer shall secure agreement as to the probable starting date of construction, and shall determine, in general terms, the construction schedule for the project as a whole and for each contractor, in terms of the stages used to establish frequency of inspection (see Section 20-2-2). He also shall take notes of anything which will help him to appraise the prospects for prompt and efficient construction and effective supervision by the contractors, the architect/engineer, and the owner, for use in developing his proposed inspection plan.

#### Preconstruction Conference Report

The Field Engineer shall use Form CFA-200A, *Preconstruction Conference Report* (see Exhibit A), to report on the conference and to propose his inspection plan for the project.

Item 7, Inspection Plan, contains a bar divided into blocks for 24 months. Duration of construction shall be indicated by drawing a line from the anticipated starting date through the construction period provided in the contract. On the next line, the proposed inspections shall be shown by entering the code letter for the given construction stage (see Section 20-2-2) under the month in which it is anticipated that the inspection will be made. If the Field Engineer believes that more than one inspection will be needed during a given stage, he shall repeat the code letter for that stage for each proposed inspection. Below the bar, the stages shall be identified by brief captions, using the terms in Section 20-2-2 when applicable, or similar terms. Under Item 8 "Comments," the Field Engineer shall justify any proposal for more inspections than the norm established in Section 20-2-2 and comment on any matter of special interest arising out of the conference.

The Field Engineer should endeavor to relate the proposed inspections to those already scheduled for other projects, so that need for single inspection trips will be minimized. If more inspections than

the norm given above appear necessary, he shall so recommend and give his reasons.

The plan is not intended to be specific as to dates on which inspections will be made. Rather, it is intended only to reflect the number of inspections which the Field Engineer believes necessary, and the approximate periods during which the stated construction stages will be reached. An amended plan need not be submitted to reflect changes in anticipated construction progress or the timing of inspections.

Form CFA-200A shall be prepared in duplicate, preferably by use of ballpoint pen. The original and one copy shall be sent to the Head, Construction Management Section. After review by the Chief, Engineering Branch, the Section Head shall return the original to the Field Engineer, with advice of approval and of any modifications.

If problems arise during the conference which require further action or which should be known to the Regional Office, the Field Engineer shall report them by memorandum to the Head, Construction Management Section.

#### **PROJECT CONSTRUCTION SCHEDULE AND PROGRESS CHART**

The owner shall be asked to have the architect/engineer review and approve the construction schedule and progress chart prepared by the contractor.

No form is prescribed for such schedules and charts, nor will a copy be required for HHFA.

#### **SCHEDULE OF AMOUNTS FOR CONTRACT PAYMENTS**

The owner shall be asked to obtain from each prime contractor, and keep in his files, a schedule of amounts for contract payments to be used as a basis for computing periodic payments. The schedule for each prime contract shall cover all subcontracts under it. The schedule must be signed by the contractor, the architect/engineer, and the owner.

The owner shall provide approved copies as follows; one copy to the contractor, one copy to the architect/engineer, and two copies to the Field Engineer. The Field Engineer shall retain one copy and shall forward the other copy to the Regional Office.

The Regional Office copy shall be furnished to the Head, Project Planning and Review Section, as a basis for computing the insurable value (see Section 20-2-2). Form CFA-207-A, *Schedule of Amounts for Contract Payments*, may be used for this purpose.

#### **DISBURSEMENTS FROM THE CONSTRUCTION ACCOUNT**

Page 1 of the Project Summary contains the approved cost estimate for the project. The owner shall be reminded that it is responsible for keeping costs within the individual line items in the cost estimate, and that no line item may be exceeded without prior HHFA concurrence. Likewise, amounts may not be transferred between line items, including

## Section 2. Project Inspection

The purposes to be served by the periodic on-site project inspection by the Field Engineer are:

- (1) To assure that the scope of the project being built is the same as that provided for in the approved project. This assurance shall be based on direct observation and the general relation of the work being done compared to the approved project description, plans, and specifications, and, in the case of non-Federal school projects, with the assurances given by the local educational agency.
- (2) To determine that the owner, through its architect/engineer, is providing adequate inspection and supervision to assure that the project is being constructed in conformity with the approved plans, specifications, and contract documents. In observing the work done and in progress during his on-site visits, he shall evaluate the adequacy of the inspection and supervision being provided by the owner and his representatives, rather than to substitute the Government's inspection for that of the owner. The Field Engineer, in determining the quality of inspection being provided by the owner, shall also consider the adherence of contractors and subcontractors to usual safety requirements and proper construction methods. Any non-compliances shall be noted on Form CFA-200 and called to the attention of the owner, but the owner shall be advised that these are evidence only of inadequacy of inspection and are in no event intended to be a full list of non-compliances such as would be made if the Government had primary responsibility for project inspection.
- (3) To determine if the project will be completed by the scheduled time. This determination shall be based on the Field Engineer's general appraisal of the project and a review of the project construction schedule and progress chart.
- (4) To determine adherence to labor requirements. Generally, this phase of the inspection will be concerned with:
  - (a) Whether required Department of Labor posters SOL-155, wage rate schedules, and nondiscrimination posters are posted at the project site.<sup>1</sup>
  - (b) Whether, on the basis of the spot-check outlined below, the payrolls evidence compliance with Federal labor requirements. The Field Engineer shall select at random 10 percent, or 12, whichever is the lesser, of the line items on one

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<sup>1</sup> Nondiscrimination posters are not required to be posted under the non-Federal School Construction Program.

of the payrolls submitted by each contractor or subcontractor each month and shall review these line items and the payroll form to determine whether :

1. The data specified in CFA requirements are being shown on the payroll form.
2. Job classifications used are covered by the wage determination.
3. Ratio of laborers and helpers to mechanics in each trade is not unreasonable, as an indication that workers are getting the proper pay for the work they do.
4. Wage rates shown for various job classifications are not less than those contained in the wage rate determination.
5. Types of deductions shown are authorized under the Department of Labor Regulations.
6. Laborers and mechanics are being paid not less often than once a week.
7. Required payroll certifications are properly completed.

When a condition of non-compliance is encountered, Field Engineers shall state briefly on Form CFA-200 the methods actually employed in determining that labor requirements were not met (see also Section 20-2-4).

The Field Engineer shall date and sign those payrolls he examines; and the supervisor, during his visits to the Field Engineers' stations, shall review these payrolls on a test-check basis to determine whether the Field Engineers' examinations are current, adequate, and correct.

- (5) To examine the construction account for school construction projects (see Section 5-2-3).

#### **FREQUENCY OF PROJECT INSPECTION**

The frequency of on-site inspections of a project cannot be defined in terms of numbers of inspections, but rather must be based on certain critical stages of construction. The stages indicated below are based on projects of average size and type. These inspections should be combined on smaller or less complex projects. They should also be combined whenever the competence of the architect/engineer and contractor, or the experience and financial participation of the owner, indicate that this can be done.

In unusual cases, it may be necessary to increase the number of inspections. This should be done only when the Chief, Engineering Branch, determines that the quality of supervision being provided by the owner is so inadequate as to be adverse to the Government's interests. It should be accompanied by action to secure proper supervision on behalf of the owners, and the more frequent inspections will be continued only for such time as may be necessary to secure such supervision.

**College Housing Program Inspection Stages**

The inspection stages for a college housing project are based on an average construction time of 14 months or more.

- (1) Excavation and setting and placement of footings.
- (2) Construction of the structural frame, including columns, beams, and floors.
- (3) Framing-in for roof and roughing-in of utilities.
- (4) Installation of partitions, mechanical equipment, and piping.
- (5) Interior finish work.

**Non-Federal School Inspection Stages**

Inspection stages for non-Federal school projects are the same as for college housing projects, except that in most instances, the lesser size and complexity of the project, together with the shorter construction period may permit combining the inspections of various stages into a lesser number of visits to the project site.

One of the regular inspections should be scheduled at a time when construction will be about 50 percent complete, to permit the Field Engineer to recommend release of the 30 percent payment without delay.

In the case of an "equipment only" project, inspections should be scheduled at times when equipment deliveries can be generally anticipated and payment recommendations made based on such inspections. Such inspections shall be held to a minimum. Inspections of minor equipment deliveries normally shall be deferred until major equipment deliveries are made or a payment is required.

**PFL Water, Sewer, and Gas System Inspection Stages**

Minimum inspection stages for water, sewer, and gas systems are:

- (1) Shortly after the initial start of pipe laying. If workmanship, supervision, and grade are satisfactory, no other inspections normally need be made until the final inspection.
- (2) If the project includes major above-ground structures such as a building or water tower, such structures should be inspected once, at the time when the project is about 50 percent complete.

**Other PFL Project Inspection Stages**

Inspection stages for other kinds of PFL projects will depend upon the work to be done and shall be determined by the Field Engineer, subject to approval by the Chief, Engineering Branch, on a basis consistent with the foregoing criteria.

**INSPECTION PLAN AND TRIP SCHEDULES**

Upon receipt of approval of the inspection plan submitted after the preconstruction conference, the Field Engineer shall so arrange his trips within the plan as to minimize travel time and cost. The Field Engineer may recommend changes to the inspection plan or he may visit the project site at times other than provided in the approved plan when, in his judgment, the additional inspection is necessary for expeditious construction or resolution of unforeseen problems. If there is insufficient time for the Field Engineer to secure approval for a site visit, justification for the visit shall be included in the appropriate Form CFA-200.

Each Field Engineer shall submit a weekly itinerary showing his trip schedule for the period, to permit the Head, Construction Management Section, to evaluate the frequency of project inspections and to contact the Field Engineer when necessary.

**PERIODIC INSPECTION REPORT**

A *Periodic Inspection Report*, Form CFA-200 (Exhibit A), shall be manually prepared by the Field Engineer during each on-site inspection. Form CFA-200 will be prepared in triplicate, with one extra copy on non-Federal school projects, and mailed direct to the recipients the same day. Reports for a given project shall be numbered consecutively.

The original of Form CFA-200 shall be sent to the Regional Office and a copy sent to the owner and, in the case of school projects, to the local representative of the Office of Education. One copy shall be retained by the Field Engineer.

On multiple-unit projects, a separate sheet of Form CFA-200 shall be used to identify and report on each unit under construction with the same report number used on each sheet.

In Item 1, the following definitions shall be observed in filling in the columns:

*Contract Start Date.*—The date on which a contractor is instructed to commence work in the proceed order.

*Contract Completion Date.*—This date is computed by adding the number of calendar days set forth in the contract and the number of calendar days in any extension of time contained in an approved change order to the starting date specified in the proceed order. Where there is but one prime contractor, the project substantial completion date (see below) and the contract completion date are the same.

*Percent of Time Elapsed.*—The ratio of the number of calendar days which have elapsed since contract starting date to the number of calendar days set forth in the contract, adjusted to include any extensions of time by approved change order.

*Project Substantial Completion Date.*—The date on which the entire project (all units of a multiple-unit project) can be used for its intended purpose. This will be the normal cut-off date for all interest during construction.

#### **Substantial Completion Dates**

The dates of substantial completion by unit and the contract substantial completion date by prime contractor shall be specifically reported in Item 15, using the definitions below :

##### *Unit Substantial Completion Date (Multiple-Unit Projects)*

The date on which each unit can be used for its intended purpose. For projects consisting of two or more units or facilities which can be used separately, the date for each unit or facility will be reported individually. This is the cut-off date for the prorated interest during construction.

##### *Contract Substantial Completion Date*

The date on which the work performed under a contract has reached a point where any uncompleted or corrective work required will not prevent the intended use of the project. This is the cut-off date for liquidated damages. Where there is more than one prime contractor, each shall be reported on separately.

In Item 2, Stage of Construction, the proper box shall be checked to indicate the construction stage of the project at the time of the inspection visit.

Item 11 shall be used to discuss any negatively marked item, inadequate performance, or non-compliance by the owner, architect, or contractor, and other problems or conditions which would adversely affect construction completion if not corrected. Corrective actions, or efforts to secure such action, shall be described in the report or in subsequent reports.

#### **Initial Use**

In CFA loan programs, the date of initial project use is needed by Regional staff for required loan servicing action (see Sections 23-2 and 23-3). In the School Construction Program, this date is needed for statistical purposes.

During his last visit prior to final inspection, the Field Engineer shall check with the owner to determine (1) the actual date on which use began or (2) any scheduled date for such use, and shall report such date on Form CFA-200, with comments on the probability of initial use as scheduled. He shall review the architect's periodic reports and advise the Regional Office by memorandum of any new information.

During final inspection, he shall obtain the actual date that use began, or a revised scheduled date, which shall be reported in accordance with the provisions of Chapter 22-1.

**REGIONAL OFFICE PROCESSING OF FORM CFA-200**

Form CFA-200 shall be referred to the chief of the appropriate program operations branch, who shall notify the Loan Management Branch: (1) when the project will become revenue producing; and (2) when comments are made concerning insurance.

The program branch chief shall review Form CFA-200 to ascertain if any non-engineering problems have been raised. He shall also use the form as the basis for initiating release of funds for school projects.<sup>1</sup> The report shall be promptly released for review by the Engineering Branch.

The Head, Construction Management Section, shall review Form CFA-200 to evaluate the progress of the project and to determine corrective action required to resolve any existing problems affecting the satisfactory completion of the project within the time and funds specified. He also shall review Form CFA-200 to evaluate the performance of the Field Engineer in complying with established inspection policy.

Form CFA-507, *Determination of Insurable Value*, shall be prepared by the Head, Planning and Review Section, for college housing, senior citizen housing, and, as appropriate, PFL and ARA projects, when the project is reported to be 75 percent complete. In the case of multi-unit projects, Form CFA-507 shall be prepared for each unit.

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<sup>1</sup> See Section 5-2-3 for procedures on the release of funds for school construction projects during construction.



EXHIBIT A

Previous Editions Obsolete

CPA-200  
(11-62)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>PERIODIC INSPECTION REPORT</b>	Project No. _____ Name _____ Location _____ Contract Amount _____ Date of visit _____ Report No. _____
---	--

1. Status of Construction							
CONTRACT OR WORK ORDER NO.	CONTRACTOR	TYPE OF WORK	START DATE		CONTRACT COMPLETION DATE	% TIME ELAPSED	% ACTUAL WORK COMPLETED
			CONTRACT	ACTUAL			

PROJECT SUBSTANTIAL COMPLETION DATE \_\_\_\_\_ Percent for Project \_\_\_\_\_

2. PROJECT STAGE FOR BUILDING PROJECTS

<input type="checkbox"/> Excavation and Footings	<input type="checkbox"/> Structural Frame	<input type="checkbox"/> Roof
<input type="checkbox"/> Partitions and Piping	<input type="checkbox"/> Interior Trim	<input type="checkbox"/> Other (specify) _____

3. PROJECT STAGE FOR WATER, SEWER, AND GAS SYSTEM PROJECTS

<input type="checkbox"/> Sewer System	<input type="checkbox"/> Water System	<input type="checkbox"/> Gas System
<input type="checkbox"/> Collection Lines	<input type="checkbox"/> Supply	<input type="checkbox"/> Supply
<input type="checkbox"/> Treatment Plant	<input type="checkbox"/> Distribution	<input type="checkbox"/> Distribution
	<input type="checkbox"/> Structure	

	YES	NO
4. Are all applicable labor requirements being met?		
5. Are payrolls being submitted regularly?		
6. Do reports of materials, inspections and tests indicate proper procedures are being used?		
7. Is the delivery of materials satisfactory?		
8. Are contract change orders being processed currently?		
9. Are construction signs properly displayed and maintained?		
10. Are time extension requests being submitted promptly?		
11. Is delivery of equipment satisfactory?		
12. Have all non-compliances noted in previous reports been corrected?		
13. Are required insurance coverages in effect?		

14. Descriptive Report (If additional space is required, continue on reverse side or on attached sheet.)

(a) Comment on quality and adequacy of inspection and supervision furnished and adequacy of monthly reports of architect/engineer.

\_\_\_\_\_

(b) Explain any deviations from the approved plans and specifications not covered by an approved change order.

\_\_\_\_\_

(c) Explain reasons for any substantial difference between percent of time elapsed and percent of work completed.

\_\_\_\_\_

(d) Explain any claims or disputes regarding: extensions of time, test reports, extras, adverse weather, delays in approval of shop drawings, poor job superintendence by contractor, etc.

\_\_\_\_\_

(e) List the number of calendar days of overrun beyond contract completion date and explain.

\_\_\_\_\_

15. COMMENTS (including items 4 through 9 marked "No").

\_\_\_\_\_

FIELD ENGINEER \_\_\_\_\_

REGIONAL OFFICE COPY

### Section 3. Contract Changes

#### CHANGES IN APPROVED PROJECTS

A revised project summary must be issued to make a change in an approved project which—

- (1) Alters the scope or character of the project, or will effect a reduction in anticipated project revenues;
- (2) Alters the method of financing;
- (3) Alters a line item in the approved cost estimate;
- (4) Alters the loan conditions or the security pledged to a degree which requires an amendatory loan agreement;
- (5) Alters the allocation of Federal loan funds between housing facilities and other (or excess) service facilities, for a college housing project; or
- (6) Reflects a project development cost underrun occurring after printing of a single bond but prior to bond closing. (See Section 21-3-4, page 3—"Decrease in Amount of Bonds Purchased.")

The revised project summary shall be issued as prescribed in Sections 2-4, 4-4, and 5-2-2. Where the change affects or requires modification of the executed construction contract documents, a contract change order also must be issued as prescribed below.

Prior to any other processing, each proposed contract change must be reviewed to determine whether it requires issuance of a revised project summary.

#### CONTRACT CHANGES

Any alterations of executed construction contracts require a contract change order. Contract change orders concurred in by HHFA are required even if the owner will pay for the changes.

If the cost of a proposed contract change order requires a transfer of funds from other budgeted line items, a revised project summary will be necessary before a contract change order can be concurred in by HHFA.

Minor contract changes may be accumulated and covered in a single contract change order.

Proposed contract change orders may be prepared by architects/engineers on their own forms or on Form CFA-201 (see Exhibit A). Where the architect/engineer submits the change order on his own form, this must be accompanied by a statement giving all information required on Pages 1 and 2 of Form CFA-201. All change orders and supporting statements shall be prepared in an original and four copies.

Proposed change orders shall describe the required contract changes in detail. Drawings and specifications required shall be attached to the change order form or properly identified by title and date within the text of the order.

Proposed change orders shall be submitted to the contractor and a proposal requested. The contractor will submit his proposal to the architect/engineer. Proposals shall be in writing, properly identified, and clearly state any changes in contract price and completion time. All changes in contract price must be itemized, showing allowed debits or applicable credits for all items including labor, material, unit cost, profit and overhead. If the architect/engineer approves the change order, he will submit it to the owner for approval. If the owner approves the change order, he will send the original to the contractor, two copies to the Field Engineer, one copy to the architect/engineer, and retain the final copy for his own file.

If satisfactory, the Field Engineer shall indicate his concurrence of the change order by completing Form CFA-217, *Contract Change Order Concurrence*, in triplicate (see Exhibit B). A single Form CFA-217 may be used for concurrence in several change orders. If the change order is of the nature that requires Regional Office concurrence, the Field Engineer shall forward the change order, supporting statements, and Form CFA-217 to the Regional Office. Form CFA-217 shall include the latest revision of all line-items. Upon concurrence Form CFA-217 shall be distributed as follows: the original to the owner and a copy together with a copy of the change order to the Field Engineer and the Regional Office.

The Field Engineer must secure the concurrence of the Regional Director before concurring in a change order, if the proposed change:<sup>1</sup>

- (1) Affects the scope of the project.
- (2) Requires an increase in Federal funds.
- (3) Requires transfers of funds between line items.
- (4) Involves an extension of time of more than a total of 30 days.

If the owner has agreed to pay the costs of the change, the Field Engineer shall ascertain that the required funds are deposited in the construction account before he approves the contract change order.

Each change order involving a construction change requires a simultaneous determination as to its effect on the completion time. The number of calendar days, if any, by which the contract is decreased or increased is shown on the change order and is used, together with the like information on other change orders issued during the course of construction, to adjust the contract completion date. The adjusted contract completion date should be shown on all periodic inspection reports.

Proposed change orders to extend a completion date must be supported by:

- (1) A written request from the contractor explaining the cause of the delay, supported by adequate evidence or information.
- (2) A statement by the architect/engineer commenting upon the contractor's request, with his recommendation as to the validity of all or a part of the request.

<sup>1</sup>For certain changes on School Construction projects (see Section 5-2-2), the Regional Director must further secure the approval of the Office of Education before concurring.

EXHIBIT B

CFA-217  
(7-55)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>CONTRACT CHANGE ORDER CONCURRENCE</b>	PROJECT NO. _____ TYPE _____																																								
To: _____ _____ _____																																									
<p>You are advised that the Housing and Home Finance Agency concurs in the following proposed contract change orders. This letter is not a change order as it merely records the action of this Agency respecting this matter. Any change order required to effect the desired change must be issued by your duly authorized contracting officer.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Contract No.</th> <th style="text-align: left; border-bottom: 1px solid black;">Change Order No.</th> <th style="text-align: left; border-bottom: 1px solid black;">Change Order Date</th> <th style="text-align: right; border-bottom: 1px solid black;">Decrease</th> <th style="text-align: right; border-bottom: 1px solid black;">Increase</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="height: 20px;"></td> <td></td> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">Total Decrease</td> <td style="text-align: right;">_____</td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">Total Increase</td> <td style="text-align: right;">XXXXXXXX</td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">Net Increase (Decrease)</td> <td style="text-align: right;">_____</td> </tr> </tbody> </table>		Contract No.	Change Order No.	Change Order Date	Decrease	Increase				_____	_____				_____	_____				_____	_____				_____	_____				Total Decrease	_____				Total Increase	XXXXXXXX				Net Increase (Decrease)	_____
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APPROVED/RECOMMENDED: _____ DATE _____ <div style="text-align: center; margin-left: 50px;"><i>Field Engineer</i></div>																																									
APPROVED (if required): _____ DATE _____ <div style="text-align: center; margin-left: 50px;"><i>Regional Director of Community Facilities</i></div>																																									

#### Section 4. Wage Rate Violations

Contractors and subcontractors are required to pay employees engaged on the project the wage rates established by the Department of Labor or approved by this Agency. Violation of this contract provision may be discovered by the Field Engineer in the course of his spot-check of payroll copies (see Section 20-2-3), or may be reported by the employees to the owner, the Regional Office, or the Department of Labor. This Section contains procedures for dealing with such violations.

When the Field Engineer discovers wage violations which he believes are due directly to errors or misunderstandings, he shall instruct the owner to have the violating contractor make the necessary adjustments and file the indicated substantiating evidence (see Exhibit A). However, if there has been a prior investigation on the same project or if the Field Engineer has reason to believe that a violation represents a deliberate payroll falsification or intent to avoid observance of the wage rate provision, he shall report the matter to the Regional Office and take no other action. The Regional Office shall refer the matter to CFA with its recommendation for appropriate action (see Section 2-1-4, Manual Volume IV).

CFA will discuss such alleged violations with the HHFA Compliance Division to determine the need for investigation. CFA will advise the Regional Office and will supply a copy of the report of any investigation made. The Regional Office shall then advise the owner of the total amount of the wage claims which appears to be due the workers, and shall instruct the owner to suspend any payments to the prime contractor concerned where such payment would reduce the amount retained by the owner below the amount of the claims plus 25 percent thereof. The Regional Office shall identify the contractors involved but shall not identify the individual workers at this time since this might hinder any subsequent action the Department of Justice may decide to take. The Regional Office shall also inform the Field Engineer of such developments.

When advice is received from the Compliance Division and Department of Justice, CFA will advise the Regional Director to proceed. The Regional Director shall then instruct the owner to secure settlement, in the manner below, by or through the prime contractor concerned and will furnish the owner a schedule showing—

- (1) the contractors involved;
- (2) the names of underpaid workers; and
- (3) the amount due each worker.

#### SETTLEMENT PROCEDURES

Each contractor listed shall be required to deliver to the owner checks payable to the listed workers in the amounts of the underpayments.

Each check is to be accompanied by an envelope addressed to the payee at his last known address with sufficient postage to cover a registered mail return receipt. Checks shall be mailed by the owner, to whom the receipt will be returned.

Undelivered checks shall be returned by the owner to the contractor with instructions to establish an escrow account and deposit therein the amount of such checks. No withdrawals from this account may be made without the consent of the owner. At the end of two years this account shall be liquidated as outlined below.

Underpayments to workers constitute non-performance under the terms of a contract; therefore the amount earned under the contract must be reduced by the total of the underpayments. As restitution is made, the earned amount is increased accordingly. Therefore, payments may be made to contractors so long as the amount withheld on the contract equals or exceeds unpaid wage claims.

When the escrow account is finally liquidated, any residual funds therein shall revert either to the contractor or the owner, depending on the amount earned by the contractor (the contract price minus the amount remaining unpaid to workers) and the amount paid him on his contract.

If the contractor has been paid the amount earned, any balance remaining in the escrow account is his; if he has been paid more than the amount earned, the balance reverts to the owner, or in the case of non-Federal school projects, to the Office of Education.

#### **Project Closing**

Owners shall be instructed to report to the Regional Director as soon as all payments have been made to those workers who have been located, and the escrow account established; and again at the end of the escrow period with respect to the funds remaining and the disposition made thereof. A copy of the report shall be sent to CFA.

The final project report (see Section 22-1, 5-2-3 or 5-3-3) shall be released only upon completion of settlement or establishment of the escrow account. A statement shall be attached showing the settlements made, escrow account establishment, and disposition to be made of any remaining balance in the account at the end of the escrow period.

#### **SPECIAL INSTRUCTIONS**

The general procedures above shall apply to projects under all programs, subject to the modifications below.

#### **Non-Federal Schools**

When final payment has not yet been made to the owner and the amount of this final payment exceeds the wage claims, CFA will recommend that the Office of Education release funds except for an amount equal to the claim plus at least a 25% reserve. When the claims

to located workers have been paid, and an escrow account has been established for the unlocated workers, the Regional Office will advise CFA to request the Office of Education to release all funds except for an amount equal to the escrow account. Final payment will be recommended by the Regional Office in an amount equal to the total paid to workers from the escrow account.

When unpaid claims exceed the amount withheld by the Office of Education, the owner's account with OE will be adjusted so that the Office of Education by (1) withholding, (2) return of funds from the owner, or (3) partial payment to the owner, has recovered the paid amount in excess of the amount earned on the contract.

**Federal Schools**

The Regional Office becomes the "owner" in the settlement of wage claims.

**Loan Programs**

In the event of overpayment to the contractor, represented by funds returned to the owner when the escrow account is closed, such funds will be disposed of in the same manner as provided in the loan agreement for excess funds remaining in the construction account.

## EXHIBIT A



HOUSING AND HOME FINANCE AGENCY  
OFFICE OF THE REGIONAL ADMINISTRATOR

The following payroll(s)  and/or payroll data  for Project No. \_\_\_\_\_, must be submitted to meet the labor requirements of the contract:

Contractor	Payroll Number	Pay Period	Name of Employee	Classification
------------	----------------	------------	------------------	----------------

- Employee's Wage rate is below that shown for his classification on approved minimum wage scale listed in the contract. An adjustment is necessary and evidence the adjustment has been made should be forwarded on a supplemental payroll.
- Classification for the employee(s) shown is not covered by the wage determination for this contract. Proper classification as listed in the approved wage determination must be submitted by letter and used on future payrolls where the employee's name appears, or you should take steps to implement the classification(s) in accordance with instructions previously issued.
- Our file does not contain a letter from a State Apprenticeship Council which is recognized by the Federal Committee on Apprenticeship, U.S. Department of Labor; or from the Bureau of Apprenticeship, U.S. Department of Labor; stating that employee(s) is registered as an apprentice. It will be necessary to have this registration in our records or employee must be paid journeyman wages.
- Other

Sincerely yours,

Field Engineer

CFA-260  
(10-64)

11/2/64







## CHAPTER 1. LOAN DEVELOPMENT

### Section 1. Introduction and Basic Loan Policy

#### INTRODUCTION

This Part contains financial policies and procedures applicable to the CFA loan programs.

Minor variations in the processing of CFA loan programs are noted and specified; major variations and supplementary information applying to a single program will be found in the Part of this Volume relating to that program.

This Chapter covers the financial operations and procedures involved in the development of specifications, terms and conditions for CFA loans. This phase of financial operations begins upon determination by the finance analyst that the financial application and other data warrant further consideration of the proposed loan, subject to development of suitable finance conditions.

The procedures and operations in this Chapter will be completed prior to final completion of the Financial Review Report, Part 1, and the special conditions developed by the analyst will be included in that report for subsequent inclusion in the Loan Agreement.

#### BASIC LOAN POLICY

It is the policy of CFA that each loan be of sound value, and so secured as reasonably to assure repayment. This objective is required by statute in the case of Public Facility Loans, and is consistent with the intent of the legislation for other loan programs.

In furtherance of this policy, and to protect the investment of public funds, the determination that a loan is sound and the development of loan terms so as reasonably to assure repayment will be in accordance with the national loan policies and criteria established by CFA. Although consideration should be given to allowable preferences of the applicant regarding loan terms during the course of loan negotiation, responsibility for the determination of loan soundness and adequate security rests upon HHFA rather than upon the applicant. If an applicant requests a release from, or a waiver of, any of the terms and conditions normally included in a loan agreement, the Regional Office will make such determination as is consistent with the CFA loan policy.

Further, since the intent of the CFA loan programs is to provide

loans which will be marketable to private investors, either upon their initial offer for sale or after establishment of a satisfactory operating experience, each loan will be developed as a business-type loan, approximating the practices of private financing.

#### **Loan Security**

Loan security must be sufficient to reasonably assure repayment, but once that objective is reached, it should not be carried to the point where the borrower will be unduly handicapped in financing future expansion. Loan terms and conditions should be arranged to facilitate, as appropriate, the financing of additional facilities through:

- (1) Self-contained financing for such projects, or
- (2) A consolidated loan, or
- (3) An open-end arrangement that permits the issuance of additional parity bonds, as discussed in Section 21-1-4.

In this connection, it is the policy of CFA that any profits from the operations of a facility built with Government loan funds will be used for accelerated repayment of the loan, or in some circumstances for development of additional housing or public facilities.

The basic security for each loan will be a pledge of project revenues, augmented to the extent necessary by a pledge of specified revenues from identifiable sources. Where available, additional security should be obtained by a full faith and credit pledge of the borrower and by mortgages on the project and on other facilities the revenues of which are pledged for loan repayment.

#### **RELATIONSHIP OF PRIVATE LOANS TO CFA LOAN PROGRAMS**

##### **Encouragement of Private Participation**

In connection with loans under the CFA loan programs, it is the policy of the Community Facilities Administration to encourage private participation in the financing of projects eligible for Federal loan assistance in addition to the financing of non-eligible facilities, provided that the terms and conditions of such non-Government financing are consistent with the interests of the Government. The interest rates and maturities on such financing shall, as prescribed below, be so arranged as to preclude unintended benefits to lenders. In addition, where appropriate, competitive bidding for the loans shall be required.

Where Government loan funds are to be employed to finance a part of a project, the applicant will be required to observe the policies set forth below. The applicant, if it so chooses, can break down the project into two or more parts and finance each part separately. In such instances, the policies prescribed below will apply only to those financing arrangements for a project where a proposed Government loan and the private loan are to be repaid from the same loan security.

**Basis for Regional Office Consent**

Where an applicant wishes to finance part of a project eligible for Federal loan assistance by borrowing from sources other than the Government, the Regional Office may consent to such financing provided that (a) the non-Government loan has maturities coextensive, or largely coextensive, with the proposed Government loan; and (b) the non-Government loan is subject to competitive bidding. To illustrate, if the proposed Government loan is expected to have maturities up to 40 or 50 years, the non-Government loan must be repayable over a period of more than 25 years. The non-Government loan may bear any interest rate or rates deemed reasonable by the applicant.

Where an applicant wishes to finance a portion of a project which has been determined to be ineligible for Federal loan assistance, such as movable equipment and furnishings, the Regional Office may consent to such financing provided that the non-Government loan has maturities concurrent with the proposed Government loan. The term "concurrent" means for this purpose that (a) the annual maturities for each loan shall be scheduled to provide proportionate debt service payments, and (b) the initial maturities for each loan shall commence in the same year. The non-Government loan may be repayable over any time period and may bear any interest rate or rates deemed reasonable by the applicant.

Where an applicant wishes to arrange for private financing of the early maturities of a loan for a project eligible for a Government loan, with the Government to purchase the later maturities, the Regional Office shall advise the applicant that such arrangements will be acceptable provided that (a) the net interest cost on the non-Government loan does not exceed the net interest cost on the portion of the loan subject to purchase by the Government, and (b) the non-Government loan is subject to competitive bidding.

Before the Regional Office concurs in any of the above-described financing arrangements, the Finance Branch shall make such analysis as is necessary to determine that the financing arrangements will not jeopardize the ability of the borrower to repay the Government loan.

**REFUNDING OF OUTSTANDING LOANS**

No general refunding of outstanding loans is contemplated or encouraged. See Section 21-1-4 for provisions on this subject.

## Section 2. Security and Loan Specifications

Loan development involves the development of appropriate financial understandings and requirements to be set forth in the Loan Agreement, and the drafting of suitable language to express correctly these understandings and requirements. Such understandings relate to loan security—the sources of repayment; loan specifications—description of the bonds to be issued and a program for loan repayment; and repayment conditions—flow of funds, issuance of additional bonds, and other financial matters. In developing these loan terms and conditions, care should be taken to assure that:

- (1) The bonds to be issued will adequately meet the financial conventions of the capital market to make the bonds marketable.
- (2) The revenues, if any, from operations of all facilities of the Government-financed project will be disposed of in accordance with the flow of funds provided in Section 21-1-3.
- (3) There will be no Federal interference in the borrower's normal operations.
- (4) The special financial conditions pertaining to the flow of funds, issuance of additional bonds, and other financial matters, and the security pledge are consistent with each other and related to the financial condition of the applicant and, where appropriate, to its potential prospects.

### APPLICANT PARTICIPATION IN PROJECT FINANCING

It is the policy of CFA to encourage the borrower to participate in the financing of its project because (a) the Government loan program is designed to supplement, not supplant, the resources of the borrower; (b) a smaller loan relative to the project cost reduces the amount of revenues that must be used for loan service; and (c) a sizable borrower's equity improves the security for the loan. Borrower participation may involve a firm amount, with the remaining estimated cost of the project to be covered by the Government loan; or the borrower's participation may involve a contingent amount—an amount to cover the difference between the Government loan and the actual project development cost. Whether the borrower's participation is firm or contingent, however, if the actual development cost exceeds the approved estimate of development cost, the borrower will be expected to furnish the additional funds necessary to cover the overrun.

To avoid misunderstandings regarding the nature of the applicant's participation and the future disposition of any balance remaining in the construction account in the event of an underrun, the Regional Office should make sure that all agreements on this subject and the

loan agreement provisions specified below are fully understood by the applicant.

**Condition Precedent to Loan Disbursement**

When the borrower undertakes to participate in the financing of the project, including payment for ineligible facilities, the following condition will be included in the Special Conditions in the loan agreement:

“Prior to filing any requisition for loan funds, the Borrower shall present satisfactory evidence that it has deposited in the Construction Account the sum of \$.....,<sup>1</sup> being the difference between the amount of the loan and the estimated development cost of the Project.”

**Return of Excess Funds to Borrower**

Whenever it is agreed that all or part of the borrower's participation in the financing of the project is a contingent amount and that, if there should be a project cost underrun, the amount of the underrun will be applied to a reduction of the borrower's participation, the foregoing special condition shall be supplemented by adding the following:

Section ..... (12 for College Housing, 9 for PLF, 10 for ARA,) *Construction Account*, of the Terms and Conditions attached to the Loan Agreement is hereby modified by substitution of the following sentences for the last paragraph of that Section: Any moneys remaining in the Construction Account after all costs of the Project have been paid, but not more than \$.....<sup>2</sup> shall be returned to the Borrower. Any funds then remaining in the Construction Account shall be promptly used for redemption of bonds; Provided, however, that any of such funds in an amount less than \$1,000 shall be deposited in the Bond and Interest Sinking Fund Account.

**LOAN SECURITY**

In the administration of the CFA loan programs, loan security serves to identify (1) whether the obligations to be incurred by the borrower are general obligations or special obligations, and (2) the sources of expected loan repayment. The establishment of a Collateral Account, a Debt Service Reserve Account, or a Repair and Replacement Reserve Account are not expected sources of loan repayment and therefore are not listed under loan security.

**Project Revenues**

The security for each loan will include a pledge of project revenues covering all the revenue-producing facilities of the project. This requirement is designed to assure that if revenues will be generated by operation of a project financed by the Government loan, or any

<sup>1</sup> Enter total amount of borrower's participation.

<sup>2</sup> Enter amount of contingent participation by borrower.

portion thereof, such revenues will be applied to the project operation or repayment of the Government loan, and that profits from the Government-financed project will not normally serve as a source of general income for the borrower. In certain situations, the flow of funds conditions may permit project revenues to be used for purposes other than project operation or loan repayment, as specified in Section 21-1-3. Such alternative uses should be accomplished through the flow of funds mechanism rather than by excluding a portion of project revenues from the security pledge.

**Mortgages**

For all private institution borrowers a mortgage should be obtained on the project and on other facilities the revenues of which are pledged. For public agency or public institution borrowers such mortgages should be obtained where State law permits. Where a mortgage is legally available, it must be obtained on the project facilities; for non-project facilities whose revenues are pledged, the mortgage requirement may be waived if a compelling reason exists, such as a will restriction or where it is likely to upset further donations. If a waiver of the mortgage requirement is deemed appropriate, the borrower should be required to covenant that it will not sell, transfer, mortgage, convey, or otherwise dispose of the properties in question to any third party.

**LOAN SPECIFICATIONS****Term of Loan**

Loans may be made for periods not exceeding the statutory maximums, that is, for periods not exceeding 50 years in the case of college housing loans or senior citizens housing loans, and 40 years in the case of public facility loans. The term of a loan may be for a shorter period, based upon such factors as the term requested, State statutory restrictions, the applicant's ability to pay, and the estimated useful life of the proposed facilities.

**Interest Payment Dates**

The interest payment dates should be related to the periods of the borrower's fiscal year when it receives the bulk of the revenues to be pledged. As noted in the comment on the Bond and Interest Sinking Fund Account in Section 21-1-3, this dating arrangement will facilitate the deposit of funds into this account as promptly as possible.

**Bond Date**

The date of the bonds is the point of measurement for loan maturities. Therefore, care should be taken in the selection of the bond date to assure that it does not result in a loan term in excess of the limits set by the program policies. Since the loan agreement creates the legal obligation of the Government to buy the bonds, the bonds should



ordinarily be dated as of the first interest payment date following the date of the loan agreement.

After the execution of the loan agreement, if the start of construction is unduly delayed, it may become advisable to advance the date of the bonds and the related maturity and redemption schedules. However, no advance in bond date should lengthen the term of the loan beyond the maximums in the program policies. If a Government advance against the bonds has been made, or is being processed, the bond date may not be advanced.

#### **Maturity Schedule**

Ordinarily a loan should be set up with repayments scheduled over the last 28 years for 30-year loans, 38 years for 40-year loans, and 48 years for 50-year loans, when applicable. The loan shall be repayable in annual maturities with semi-annual interest payments in the case of bonds, or in monthly installments in the case of mortgage notes. The combined total of interest and principal payable each payment period during the life of the loan shall be of approximately equal amounts. Repayment of loan principal shall commence the first day of the twenty-fifth month after the date of the note in the case of mortgage notes, and at the end of the third year from the date of bond issue in the case of bonds.

The forgoing represent maximums; it may be possible to arrange for the repayment of a housing loan in less than 50 years or a public facility loan in less than 40 years, or to start loan repayment in less than 3 years after the date of bond issue.

Where, because of an increase in project scope or for other reasons, a loan will bear two different interest rates for the same type of bonds, the portion of the loan bearing the higher rate shall be evidenced by bonds designated as Series A and the portion of the loan bearing the lower rate shall be evidenced by bonds designated as Series B. The maturity schedule should be so arranged that all of the Series A bonds will mature prior to the first maturity of the Series B bonds. All such bonds should be part of a single bond issue and the bond numbers of the two series may run consecutively or coextensively. Where a loan involves two different types of bonds, the maturities of the two issues should generally be scheduled coextensively.

#### **Redemption Features**

##### **Call Provisions**

Since private investors may wish to bid on the early maturities, each loan should contain call provisions in line with current market practice, as permitted by applicable law. The following schedule is suggested:

Non-callable bonds—bonds maturing during the first 10 years after date of bonds.

Callable with a premium—bonds maturing during the 11th through 35th year, or earlier if term of loan is less than 40 years, after

date of bonds. Reduction of the premiums should occur at 5-year intervals, or less if the term is less than 40 years.

Callable at par—bonds maturing during the last 5 years of the loan.

#### *Premium Schedule*

3 percent if redeemed during the 11th through the 15th years  
2½ percent if redeemed during the 16th through the 20th years  
2 percent if redeemed during the 21st through the 25th years  
1½ percent if redeemed during the 26th through the 30th years  
1 percent if redeemed during the 31st through the 35th years

#### **Variations of Call Provisions**

Variations of the above call provisions are permissible, but bond purchasers should be afforded substantially the same favorable terms regarding early redemption. The use of call premiums, coupled with a no-call provision for early maturities, should improve the marketability of the bonds. The mutual advantages of such provisions should be called to the applicant's attention.

In this connection, it should be explained to applicants that the Federal loan programs will be strengthened if an effective partnership with private investment can be worked out, in which private investment participates substantially in a loan and the Federal Government, if necessary, carries the longer maturities.

#### **Government Waiver of Premiums**

The loan agreement includes a provision that if any of the bonds are awarded to the Government, and as long as these bonds remain in its possession, the Government will waive the non-callable provisions, redemption premium features, and publication of notice requirement. Bonds in the amount of \$5,000 or more for College Housing issues, or of \$1,000 or more for Public Facility Loan issues, and in multiples of \$1,000, may be redeemed on the first of any month, provided the Regional Office is notified at least 20 days in advance.

The loan agreement shall contain a provision, when applicable, that the Government will accept a single fully registered bond bearing the denomination of the loan amount in lieu of coupon bonds, subject to conversion to coupon bonds upon 90-day written notice, at the cost of the borrower. Generally, coupon bonds have been issued in \$1,000 denominations; however, wherever feasible, the issuance of coupon bonds in denominations of \$5,000 should be encouraged.

#### **Bids for Blocks of Bonds**

Bids shall be accepted for specific blocks of bonds as well as the entire issue. Normally, the loan agreement should provide that bids may be made for (a) bonds maturing during the first 10 years, (b) during the 11th through 15th years, (c) the 16th through 20th years, (d) the 21st through 25th years, (e) the 26th through 30th years, (f) the remaining maturities, and (g) the entire bond issue. If the issue is for thirty years or less the blocks shall be adjusted accordingly, and for issues of less than \$50,000 the Regional Office may waive the blocks of bonds requirement. Maturities shall be measured from the date of the bonds.

**Debt Service Reserve**

To protect the loan against unforeseen difficulties which might impair the ability of the borrower to provide annual debt service payments as they become due, each loan should provide for the establishment of a debt service reserve equal to twice the maximum annual debt service. Ordinarily the debt service reserve should be accumulated by deposits into the Bond and Interest Sinking Fund about 35 percent greater than the amount required for payment of interest and principal. By this method, the requisite two-year debt service reserve will ordinarily be accumulated in about six years.

**Collateral Account**

In some cases a borrower may wish to establish the requisite debt service reserve at the outset in a Collateral Account, rather than accumulate it in the Bond and Interest Sinking Fund Account over a period of years. If the borrower agrees to the establishment of a Debt Service Collateral Account, the net pledged revenue coverage of average annual debt service may be around 1.25 times; if the financial resources of the borrower and the reliability of the revenue and expense estimates so justify, it may be lowered to not less than 1.10 times.

Where a Collateral Account is to be established, the following standard language shall be employed:

The Borrower shall, prior to the Government's release of any loan funds hereunder, deposit in a "Collateral Account" established with the Trustee to be designated in the indenture, in trust for the benefit of the purchasers and holders of the bonds, unrestricted and unencumbered direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, or securities listed on the New York Stock Exchange, having a market value of at least \$....., and shall maintain the market value of said Collateral Account in at least that amount. The investment of such funds shall be valued in terms of current market value as of June 30th and December 31st of each year. The securities on deposit at any time in the Collateral Account shall be liquidated to the extent required to meet debt service in the event the pledged revenues become insufficient to meet debt service requirements, or to provide ratably the principal and interest payments on the outstanding Bonds declared due and payable by reason of any default under the terms of the Indenture, provided, however, that except during any period of default in the Borrower's obligations under the Indenture securing the Bonds, the Borrower shall have the right (1) to the interest and income derived from the securities deposited in the Collateral Account, (2) to substitute in the Collateral Account like securities of equal marketability and market value, and (3) to withdraw securities from the Collateral Account so long as the total market value of the securities remaining on deposit thereafter is not less than the balance of the principal of the then outstanding Bonds or \$....., whichever is the lesser.

### Section 3. Flow of Funds

#### ESTABLISHMENT OF PRESCRIBED ACCOUNTS

The loan conditions designed to assure the availability of pledged revenues are generally referred to as the "flow of funds" provisions. Such provisions ordinarily (1) prescribe the establishment of such accounts as the Revenue Fund Account, Bond and Interest Sinking Fund Account, and Repair and Replacement Reserve Account; (2) detail the flow of pledged revenues into such accounts, the use of such revenues for maintenance and operation expenses, annual debt service, debt service reserve, repair and replacement reserve; and (3) provide for the disposition of remaining "residual" revenues.

Inasmuch as each loan will be essentially repayable from the revenues specifically pledged as security, care should be exercised in setting up the flow of funds so that the objective of sound loans will be fully observed. The flow should include safeguards against dissipation of revenues and should take into account the type of revenue pledge—net or gross—and the type of borrower—private or public agency.

#### Standard Language

Standardized language has been developed for the more common provisions establishing the flow of funds. These are shown in Exhibits A through D, and are printed on Form CFA-515, *Special Conditions For Loan Agreements*. These special conditions represent the most suitable language to accomplish the policies set forth below. In developing the loan conditions for a particular loan the analyst should, wherever possible, use the standardized special conditions. When this is done, the conditions used should be cut and pasted from a printed copy of Form CFA-515, onto the Financial Review Report, thus assuring all reviewers at a glance that the standard wording has been used.

Only when State law or special circumstances require it should the standard language be modified or replaced. In such cases the modified language should, if possible, be marked on the printed condition from Form CFA-515, so that the change will be clearly evident. Only when major changes or replacement of language are required should the revised condition be typed in full on the Financial Review Report, Part 1. Whenever a change in language is required, it should be explained in Part 2.

If the standard language is inadequate to cover recurrent situations, or if other language seems better, the Regional Office should recommend appropriate changes to CFA, with an explanation of the proposed revision. CFA will consider all such proposals in the light

of nationwide requirements, and will modify the standard language when appropriate.

#### **Revenue Fund Account**

The establishment of a Revenue Fund Account provides a desirable control on the flow of funds arising from the operation of the project, and other facilities, the revenues of which are pledged. This account gives greater assurance that project revenues will be used for project purposes, particularly in cases where a project becomes partially or fully revenue-producing prior to bond closing and the establishment of the Bond and Interest Sinking Fund Account. The Revenue Fund Account facilitates identification of the source of revenues used for operating costs, debt service, and various reserves, thereby facilitating CFA loan servicing.

Usually the Revenue Fund Account should be set up as a separate bank account, separate from the other accounts held by the borrower. Priority for disbursements out of the Revenue Fund Account is governed by the order of the succeeding Special Conditions.

Generally, the net revenues from pledged fees, tuition, or endowment fund income are best entered into the flow of funds by deposit into the Bond and Interest Sinking Fund Account rather than through the Revenue Fund Account. However, where fees such as student union fees are directly related to a project and are substantially required to provide maintenance and operating expenses, debt service costs, and reserves for debt service or repairs and replacements, such fees may be regarded as project revenues and deposited into the Revenue Fund Account.

#### **Current Expenses**

With respect to the pledge of revenues of the project or of existing facilities, it is desirable in most cases to require a pledge of net revenues rather than of gross revenues. As a practical matter operating and maintenance expenses have to be paid. In addition, the use of a net revenue pledge permits more readily the establishment of a Repair and Replacement Reserve Account, since the funds available for such a reserve are clearly identifiable. Irrespective of the type of pledge, however, it is essential that adequacy of debt service coverage be determined on the basis of net revenues rather than on the basis of gross revenues.

#### **Bond and Interest Sinking Fund Account**

The Bond and Interest Sinking Fund Account should be established at the time the borrower deposits the accrued interest received upon delivery of the bonds, or at such prior time as pledged revenues are available for transfer from the Revenue Fund Account. Prior to the establishment of the Bond and Interest Sinking Fund Account, the

borrower should be instructed to pay the interest, if any, on construction financing out of the Construction Account. Following establishment of the Bond and Interest Sinking Fund Account, the borrower should be instructed to pay the interest on construction financing or upon the bonds, as the case may be, from moneys in the Bond and Interest Sinking Fund Account.

Such moneys may be derived from the following sources: (a) accrued interest received from the sale of the bonds; (b) interest chargeable as a project development cost for that portion of the project still under construction; and (c) pledged revenues. The borrower should be required to deposit all accrued interest received from the sale of the bonds, which sum will be credited against the amount to be deposited into the Sinking Fund Account 15 days prior to the next interest payment date. If the project or any portion thereof is still under construction following establishment of the Bond and Interest Sinking Fund Account, the borrower should transfer from the Construction Account and deposit into the Bond and Interest Sinking Fund Account the interest for that portion of the project still under construction. This procedure should be followed for each interest period during which the project is still under construction.

The dates of deposits into the Bond and Interest Sinking Fund Account should be at least 15 days before the interest payment dates, or more frequently if deemed necessary. These dates, in turn, should be geared to the times of the year when the borrower is likely to have obtained the bulk of its pledged revenues. An incidental aspect of this dating arrangement is that by placing funds as soon as possible into the Bond and Interest Sinking Fund Account, the possibility of third-party liens on such funds is eliminated, a likelihood to be especially avoided in most States.

To facilitate loan servicing, it has been found desirable to fix the debt service reserve at twice the maximum annual debt service, rather than to require a two year debt service reserve, which would be a variable figure.

#### **Deposits of Pledged Revenues**

In setting up the manner of deposits of pledged revenues into the Bond and Interest Sinking Fund Account, allowance should be made for two phases of the project. Phase One covers the period from the date of the bonds until the date when the first bonds mature, usually set at three years following the bond date, during which time the borrower is expected to construct the project and develop reasonably full utilization or occupancy of the project facilities. During this development period the borrower is required only to pay the interest on the bonds, and the deposits into the Bond and Interest Sinking Fund Account should be geared accordingly. Phase Two covers the period from the first bond maturity through the date of the last maturity, during which the borrower is required to pay the annual installment of bond maturities plus interest on the outstanding bonds.

To accord fully to the borrower the intended period of grace inherent in setting the first bond maturity at three years after the bond date, accumulation of the requisite two-year debt service reserve should not commence until one-half year prior to the first maturity. The initial full deposit into the Bond and Interest Sinking Fund Account, a sum equal to one-half of about 1.35 times the average annual debt service, should be set at 15 days prior to the interest payment date representing the date 2-½ years from the bond date. With this deposit plus the next semi-annual deposit, the borrower will have the sum necessary to pay the first bond maturity scheduled at 3 years from the bond date. Prior to the initial full deposit, the borrower will only be required to deposit semi-annually a sum sufficient to meet the next interest payment, or the balance in the Revenue Fund Account, whichever sum is larger.

During Phase Two the borrower should be required to deposit semi-annually into the Bond and Interest Sinking Fund Account the full required deposit by transfers from the Revenue Fund Account, other pledged sources and its general funds, if necessary, and if provided for in the loan security.

Where the borrower is a private institution, the special condition should require deposits into the Sinking Fund Account "from its general funds, if necessary," in addition to "transfers from the Revenue Fund Account and from ..... (other specified revenues)," and the amount to be deposited semi-annually or more frequently, if deemed necessary, should be "the sum of at least \$....." Where the borrower is a public institution or agency and the pledged revenues are to flow through a Revenue Fund Account, the amount to be deposited into the Bond and Interest Sinking Fund Account, should be "the balance therein." Where the borrower is a public institution or agency and other funds are to be deposited into the Sinking Fund Account in addition to the balance in the Revenue Fund Account, the amount to be deposited into the Bond and Interest Sinking Fund Account, until the requisite debt service reserve is accumulated, should be a fixed sum that is reasonable and within the ability of the borrower to pay. In such instances the fixed sum deposit should be an amount that is sufficiently less than the amount estimated to be available for debt service payments to give some latitude to the borrower in order to minimize the possibility of defaults. For example, where the estimated net revenues are 1.35 times the average annual debt service, the fixed sum deposit should not exceed 1.25 times.

#### **Repair and Replacement Reserve Account**

The existence of a Repair and Replacement Reserve, formerly called a Building Maintenance and Equipment Reserve, for the project and, where appropriate, for existing facilities, provides a greater assurance of adequate maintenance during the life of the loan. Although this reserve is primarily designed to enable the borrower to observe sound

accounting practice by making provision out of current revenues for future major repair and replacement expenses which are properly attributable to several years' operations, it also is a useful element of security for the loan. The adequacy of this reserve is especially important where the residual revenues discussed below are permitted to be used to secure loans for additional facilities, accelerated debt retirement, or any other lawful purpose.

The finance analyst should determine annual repair and replacement percentages most appropriate in consultation with the Engineering Staff, considering the estimated life and physical characteristics of the facilities, and should also consider the financial resources of the borrower and the revenue estimates. On the basis of such repair and replacement percentages the requisite deposits into the Repair and Replacement Reserve Account should be established.

The standard language for the special condition establishing the Repair and Replacement Reserve Account is phrased in terms of "or such portion thereof as is available for transfer," for the annual deposit requirement. This language permits an orderly build-up of the reserve and does not impose a hardship on the borrower if revenues fail to keep pace with costs. A fixed sum annual deposit requirement conceivably could lead to technical defaults by public borrowers and could require private institution borrowers to use their general funds in the event net revenues prove to be insufficient to provide the fixed sum. For the private institution borrower, CFA does not want to insist that it reduce its current expenditures for general or educational purposes to build up a reserve for future maintenance expenditures. These observations should not, however, be construed as minimizing the need for a reserve for repair and replacement.

#### **Residual Funds**

Funds remaining in the Revenue Fund Account after provisions are made for current expenses, Bond and Interest Sinking Fund payments, and the Reserve for Repair and Replacement, may be used for (1) accelerated debt retirement, (2) expenditures relating to the borrower's housing or public facility system, or (3) any other lawful purpose, as specified below. Disposition of such residual funds will depend on the extent of the security pledged, evaluation of the financial prospects of the loan, and, where appropriate, the wishes of the borrower.

The timing of withdrawals of residual funds from the Revenue Fund Account will depend on the program involved and the judgment of the analyst. For College Housing Loans, the wording should normally be (at the close of) "each fiscal half year"; for Public Facility Loans, either "each fiscal year" or each fiscal half-year."

Where a loan is to be repaid solely from revenues derived from project operation, the residual funds in the Revenue Fund Account



will be used for mandatory redemption, except in the following situations:

- (1) Where a need exists to help the borrower meet its growing housing or public facility problems, the residual funds may be made available for use in providing other housing or public facilities.
- (2) If the borrower makes a substantial contribution, 20 percent or more, to the financing of the project, some of the excess net revenues may be regarded as earnings on its investment. In this case it may be appropriate to permit the residual funds also to be used in part for any other lawful purpose.
- (3) Similarly, if the project facilities replace a facility that yielded a return to the borrower, which the borrower has been utilizing for general purposes, it may be in order to permit the borrower to retain a part of the residual funds for other lawful purposes.

However, even where the above conditions exist, if the analyst believes that the condition of the borrower or of the loan require it, he should recommend that the residual revenues be used only for mandatory redemption.

Where a loan is to be repaid from non-project revenues in addition to project revenues, all of which are deposited into a Revenue Fund Account, the residual balance in such account should generally be permitted to be used for discretionary redemption, provision of similar facilities, or any other lawful purpose. However, if net project revenues alone exceed 1.2 times the average annual debt service and, in the judgment of the analyst, accelerated debt retirement is called for, provision will be made for recovering a part of the excess revenues attributable to the Government loan. In this case the mandatory redemption provision will be limited by use of the phrase "not more than \$.....," with the amount to be 10 percent of the average annual debt service adjusted to the nearest \$1,000.

**EXHIBIT A****Revenue Fund Account**

The Borrower covenants and agrees that as soon as any portion of the Project becomes revenue-producing, all rentals, charges, income and revenue arising from the operation or ownership of the Project and ..... shall be deposited to the credit of a special fund, to be known as the "Revenue Fund Account" and held in the custody of the Treasurer of the Borrower, separate and apart from all other funds. Such Revenue Fund Account shall be maintained, so long as any of the Bonds are outstanding, in a bank which is a member of the Federal Deposit Insurance Corporation and shall be expended and used by the Treasurer only in the manner and order specified below.

**Current Expenses** (where net revenues are pledged; if gross revenues are pledged, delete the first sentence and substitute: Current Expenses of the Project and ....., after payment into the Bond and Interest Sinking Fund Account has been made, shall be payable from the Revenue Fund Account as they become due and payable.)

Current Expenses of the Project and ..... shall be payable, as a first charge, from the Revenue Fund Account as the same become due and payable. Current Expenses shall include all necessary operating expenses, current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated share of charges for insurance and all other expenses incident to the operation of the Project and ....., but shall exclude depreciation, all general administrative expenses of the Borrower and the payment into the "Repair and Replacement Reserve" hereinafter provided for.

**EXHIBIT B**

**Bond and Interest Sinking Fund Account (if gross revenues are pledged, delete "and after providing for the payment of Current Expenses")**

**For Private Borrowers**

The Borrower shall establish with the Trustee to be designated in the Indenture, and maintain so long as any of the Bonds are outstanding, a separate account or accounts (herein collectively called the "Bond and Interest Sinking Fund Account") into which shall be deposited all accrued interest received from the sale of the Bonds, which sum shall be credited against the amount to be deposited into the Account on the next interest payment date. As soon as any portion of the Project becomes revenue-producing, and after providing for the payment of Current Expenses, the Borrower shall transfer from the Revenue Fund Account and deposit to the credit of the Bond and Interest Sinking Fund Account, on or before each March 15 and September 15, the larger of (a) the balance therein, or (b) such balance which, together with the interest for the current interest period chargeable as a project development cost plus revenues from other pledged sources and the Borrower's general funds, where so provided, shall be sufficient to pay the interest on the outstanding Bonds as the same becomes due. Provided, however, that beginning ..... and thereafter the Borrower shall, after providing for the payment of Current Expenses, transfer from the Revenue Fund Account, from ....., and from its general funds, if necessary, and deposit to the credit of the Bond and Interest Sinking Fund Account, on or before each March 15 and September 15, the sum of at least \$..... until the funds and/or investments therein are sufficient to meet the interest on the outstanding Bonds due on the next interest payment date and one-half of the principal due within the succeeding twelve months, plus a debt service reserve in the sum of \$..... and, thereafter, on or before each March 15 and September 15, such sums from said sources as may be necessary to meet the interest on the Bonds due on the next interest payment date, and one-half of the principal due within the succeeding twelve months, and maintain the debt service reserve in the sum of \$.....

**For Public Borrowers (where all the revenues pledged flow through the Revenue Fund Account)**

The Borrower shall establish with the depository to be designated in the Bond Resolution, and maintain so long as any of the Bonds are outstanding, a separate account or accounts (herein collectively called

EXHIBIT B (Page 2)

the "Bond and Interest Sinking Fund Account") into which shall be deposited all accrued interest received from the sale of the Bonds, which sum shall be credited against the amount to be deposited into the Account on the next interest payment date. As soon as any portion of the Project becomes revenue-producing, and after providing for the payment of Current Expenses, the Borrower shall transfer from the Revenue Fund Account and deposit to the credit of the Bond and Interest Sinking Fund Account, on or before each March 15 and September 15, the larger of (a) the balance therein, or (b) a sum which, together with the interest for the current interest period chargeable as a project development cost, shall be sufficient to pay the interest on the outstanding Bonds as the same become due. Provided, however, that beginning ..... and thereafter the Borrower shall, after providing for the payment of Current Expenses, transfer from the Revenue Fund Account and deposit to the credit of the Bond and Interest Sinking Fund Account, on or before each March 15 and September 15, the balance therein until the funds and/or investments therein are sufficient to meet the interest on the outstanding Bonds due on the next interest payment date and one-half of the principal due within the succeeding twelve months, plus a debt service reserve in the sum of \$....., and, thereafter, on or before each March 15 and September 15, such sums from said source as may be necessary to meet the interest on the Bonds due on the next interest payment date and one-half of the principal due within the succeeding twelve months and maintain the debt service reserve in the sum of \$.....

**For Public Borrowers (where Sinking fund deposits are derived from other funds as well as from Revenue Fund)**

The Borrower shall establish with the depository to be designated in the Bond Resolution, and maintain so long as any of the Bonds are outstanding, a separate account or accounts (herein collectively called the "Bond and Interest Sinking Fund Account") into which shall be deposited all accrued interest received from the sale of the Bonds, which sum shall be credited against the amount to be deposited into the Account of the next interest payment date. As soon as any portion of the Project becomes revenue-producing, and after providing for the payment of Current Expenses, the Borrower shall transfer from the Revenue Fund Account and deposit to the credit of the Bond and Interest Sinking Fund Account on or before each March 15 and September 15 the larger of (a) the balance therein, or (b) such balance which, together with the interest for the current interest period chargeable as a project development cost plus revenues from

EXHIBIT B (Page 3)

other pledged sources, shall be sufficient to pay the interest on the outstanding Bonds as the same becomes due. Provided, however, that beginning ..... and thereafter the Borrower shall, after providing for the payment of Current Expenses, transfer from the Revenue Fund Account the balance therein and from ..... such sum as may be necessary, when added to the Revenue Fund Account balance so transferred, to permit a deposit into the Bond and Interest Sinking Fund Account in the sum of \$..... Such sum shall be deposited to the credit of the Bond and Interest Sinking Fund Account on or before each March 15 and September 15, until the funds and/or investments therein are sufficient to meet the interest on the outstanding Bonds due on the next interest payment date and one-half of the principal due within the succeeding twelve months, plus a debt service reserve in the sum of \$..... Thereafter, on or before each March 15 and September 15 the Borrower shall transfer from said sources such sums as may be necessary to meet the interest on the Bonds due on the next interest payment date and one-half of the principal due within the succeeding twelve months and maintain the debt service reserve in the sum of \$.....

**EXHIBIT C**

**Repair and Replacement Reserve**

As soon as the required reserve is accumulated in the Bond and Interest Sinking Fund, the Borrower shall establish with the Trustee (or other designated depository) a separate account called the "Repair and Replacement Reserve Account" into which shall be deposited from the Revenue Fund Account and from ..... on or before the close of each fiscal year, (1) the sum of \$..... or such portion thereof as is available for transfer annually for an equipment reserve until the funds and/or investments in the equipment reserve portion of the Account shall aggregate \$..... and thereafter such sums, but not more than \$..... annually, as may be required to restore and maintain the balance of \$..... and (2) the sum of \$..... or such portion thereof as is available for transfer annually for a repairs reserve. All moneys in the "Repair and Replacement Reserve Account" may be drawn on and used by the Borrower for the purpose of paying the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and the renovating or replacement of the furniture and equipment not paid as part of the ordinary and normal expense of Project operations. However, in the event the funds in the Bond and Interest Sinking Fund Account should be reduced below the debt service reserve of \$....., funds on deposit in the Repair and Replacement Reserve Account shall be transferred to the Bond and Interest Sinking Fund Account to the extent required to eliminate the deficiency in that Account.

**EXHIBIT D****Disposition of Residual Funds  
Mandatory Redemption**

Subject to making the foregoing maximum deposits, the Borrower shall use (not more than \$.....) (the balance) of the excess funds in the Revenue Fund Account at the close of each ..... to redeem outstanding Bonds on the next interest payment date, in inverse numerical order and in amount of not less than \$.....<sup>1</sup> par value at one time.

**Discretionary Redemption and Provision for Similar Facilities**

Subject to making the foregoing maximum deposits, the Borrower may use the balance of excess funds in the Revenue Fund Account at the close of each ..... to redeem outstanding Bonds on the next interest payment date, in inverse numerical order and in amounts of not less than \$.....<sup>1</sup> par value at one time, or for any expenditures, including the payment of debt service, in improving or restoring any existing (*housing and dining*) (*public*) facilities or providing any such additional facilities.

**Discretionary Redemption and Other Specified Purposes**

Subject to making the foregoing maximum deposits, the Borrower may use the balance of excess funds in the Revenue Fund Account at the close of each ..... (1) to redeem outstanding Bonds on the next interest payment date, in inverse numerical order and in amount of not less than \$.....<sup>1</sup> par value at one time, or (2) for any expenditures, including the payment of debt service, in improving or restoring any existing (*housing and dining*) (*public*) facilities or providing any such additional facilities or (3) for any other lawful purpose.

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<sup>1</sup> \$5,000 for College Housing Program, \$1,000 for Public Facility Loans Program.

## Section 4. Consolidations and Additional Bonds

An applicant may request that the proposed loan be consolidated with previous loans made by the Government, or that provisions be included in the Loan Agreement to authorize additional parity bonds. Either request reflects a desire by the applicant to maximize the security pledge afforded by the revenues of existing facilities. A related question is the use of additional parity bonds to finance project completion. This Section covers the factors to be considered and the related policies pertaining to loan consolidations and the use of additional parity bonds.

### CONSOLIDATIONS AND REFUNDING

Where an applicant already has one or more self-contained loans, with HHFA holding the bonds, it may request that these loans be consolidated with the proposed loan. As the holder of the outstanding bonds, the Government cannot forego its favorable position on these bonds unless it can be determined to be in the interest of the Government to do so. This self-interest includes such considerations as (a) broadening of the revenue base for the bonds either by expansion or clarification of existing pledges, (b) avoiding second mortgages or complicated mortgage release provisions, (c) obtaining a better control of pledged revenues through use of a Revenue Fund Account where none has been previously established, (d) obtaining a Reserve for Repair and Replacement where none has been previously established, and (e) simplifying the borrower's financial reporting and bond documentation.

#### Refunding

Ordinarily a loan consolidation will result in two or more series of bonds, one series to refund the outstanding bonds—more than one series would be needed if several outstanding bond issues were to be refunded—and another series to finance the new project. The refunding bonds must bear the same interest rate and have the same maturity dates as the outstanding bonds which are to be refunded. This requirement is necessitated by the close tie-in between the Agency's borrowing from the United States Treasury and the loans made by the Agency.

For a refunding issue, the following standard language for the Special Condition shall be used to provide for the exchange of bonds and to cover the problem of overlapping accrued interest:

“The Borrower shall deliver the Bonds of Series A and Series B as herein described at one time with the Government exchanging \$..... principal amount of the outstanding ..... (name of



Bond Series) for a like principal amount of Series A Bonds. Payment of accrued interest on the Bonds to be surrendered and the Bonds to be delivered in exchange therefor shall be adjusted so that no overlapping interest is paid, and any balance of accrued interest due on the Bonds so surrendered shall be paid to the Government forthwith.”

In addition, adjustments shall be made in the Special Conditions for the consolidated loan pertaining to the Revenue Fund Account, the Bond and Interest Sinking Fund Account and the Repair and Replacement Reserve Account to provide for the transfer of any funds or securities held in similar Accounts established for the outstanding bonds that are to be refunded, or for the transfer of any other funds.

The Project Summary evidencing the approval of a consolidation and refunding loan shall contain comments reflecting the purposes and benefits accruing to the Government, and the following statement:

“For purposes of engineering, supervision of construction, audit and inspection fees, program statistics, and related matters, projects ..... and ..... and ....., shall be regarded as separate. However, for purposes of the Loan Agreement, Bond Sale, Trust Indenture, Portfolio Management, Shipment of Bonds, and related legal and financial matters, these projects shall be regarded as one and identified as Project No. ....”

No general refunding of outstanding loans is contemplated or encouraged. Since loans have been approved on the basis of rates, charges, terms, and conditions satisfactory to both applicants and the Government, consideration will be given to refunding on a longer maturity basis only in those cases found necessary to avert a default and at the same time maintain a reasonable level of rates and charges or otherwise to be in the interest of the Government in carrying out program objectives.

Any proposal to extend the term of an outstanding loan shall be referred to CFA for advice, along with the borrower's proposal and the Regional Director's recommendation for approval or disapproval.

#### **ISSUANCE OF ADDITIONAL PARITY BONDS**

##### **General Policy**

Where, in the course of review, it is determined that it might be inexpedient for the applicant to finance future expansion of its facilities through the issuance of bonds on a project-by-project basis, or the applicant so requests and it is determined to be in the interest of the Government and the applicant, arrangements may be made to provide for the issuance from time to time of additional bonds to be secured by a parity lien on the revenues to be pledged to secure the bonds of the project under review. Conditions precedent to such an open-end arrangement are that the applicant agrees to:

- (1) Establish a system of like and related facilities,
- (2) Secure its bonds to be issued now and hereafter for the system facilities by a pledge of facility revenues and, where appropriate, by other specified revenues from identifiable sources,
- (3) Subject the issuance of additional bonds for future system facilities to certain prerequisites, and
- (4) Covenant to observe certain other provisions relating to the issuance of additional bonds and to the facilities of the system.

These conditions precedent are designed to guard against indiscriminate over-issuance of bonds by the borrower and to protect present and future bondholders—whether the Government or private investors—against dilution of the security pledged to repay their investment. Such protection should encourage private investment in the bonds thereafter issued by the borrower, and also improve the marketability of the bonds acquired by the Government.

The prerequisites to an open-end arrangement and the related special conditions are set forth below.

#### **Establishment of a System**

In connection with the right to issue additional parity bonds, a borrower should agree to establish a system, such as a housing and dining system, a water-works system or a sewerage facilities system, that will include, where feasible, in addition to the project, all like and related facilities presently owned and those thereafter acquired by the borrower. To protect the holder of bonds against possible loss of revenues for the system due to competition from facilities owned by the borrower but not part of the system, it is usually necessary to require that all such facilities be included in the system. For example, notwithstanding the availability of parietal rules, the co-existence of system dormitory facilities and dormitory facilities owned by the borrower and outside of the system can in some instances impair the pledged system revenues.

Similarly, where an applicant already has an open-end system and then seeks to finance individual projects outside of the system, the co-existence of an open-end system with individually financed projects results in a competitive situation which could ultimately lead to dilution of the protection afforded to the bondholders by the provisions of the indenture establishing the system. Therefore, where an applicant already has a parity bond arrangement, the Regional Office should not approve a loan where the facility and related bonds are to be excluded from such system without prior approval of CFA.

Where an applicant desires to initiate a system arrangement and has existing facilities financed by bonds with a first lien on the revenues of such facilities, it should refund such bonds with equally ratable bonds because a subordinate lien on the revenues of such facilities would be at variance with the concept of parity bonds ratably payable from the revenues of the system's facilities. Applicants with favorable interest rates on outstanding indebtedness may find that they would fare

better by financing each additional facility on a project-by-project basis via self-contained financing. In the case of a small college, and especially one just engaging in dormitory operation, it is doubtful that it would be in its best interest to set up an open-end financing arrangement.

#### **Pledge of Revenues**

Issuance of parity bonds is dependent upon the availability of specific revenues which may be pledged for repayment of the bonds. By and large the specific revenues available will be those arising from the operation of the facilities constituting the system. In some instances, it may be necessary to augment facility revenues by a pledge of specific revenues from such identifiable sources as fees, endowment fund income (the corpus of such pledge would have to be deposited in an Endowment Escrow Account), or regularly recurrent State grant assistance, such as land grant income.

It should be recognized that system or parity bonds relate primarily to bonds secured by a pledge of specific revenues other than taxes. A general obligation bond secured by a pledge of taxes, limited or unlimited, is not amenable to the parity bond concept since the issuance of additional bonds would be limited by either the debt incurring power or the taxing power of the borrower instead of being governed by an earnings test. Similarly, a general obligation bond of a private educational institution secured solely by a full faith and credit pledge is not amenable to the parity bond concept because of the lack of any meaningful measure of debt-paying ability for such type of pledge.

#### **Prerequisites to Issuance of Additional Bonds**

Before a borrower with an open-end system can issue additional parity bonds to finance an expansion of the system's facilities, it shall be required to satisfy the following basic conditions:

- (1) The additional facility will be made a part of the system and its revenues will be pledged as security for the additional parity bonds and the outstanding bonds,
- (2) The borrower is in full compliance with all covenants and undertakings in connection with all of its system bonds now outstanding,
- (3) The net revenues of the existing facilities for the previous fiscal year cover average annual debt service on the outstanding bonds by a specified margin, and
- (4) The estimated net revenues of the facilities to be constructed or acquired, plus the estimated revenues of the existing facilities, will cover estimated average annual debt service on the bonds to be issued plus the outstanding bonds by a specified margin.

The specified margin in (3) and (4) is referred to below as the earnings test. Failure to provide for any of these basic conditions precedent to the issuance of additional parity bonds weakens the protection to holders of outstanding bonds against over-issuance of additional bonds.

#### **Earnings Tests**

There are two earnings tests that should be incorporated in each loan where issuance of additional parity bonds is contemplated. The first requires that the actual net revenues of the existing system facilities for the previous fiscal year cover average annual debt service on the outstanding bonds by a specified margin. The second requires that the estimated net revenues of the facilities to be constructed or acquired plus the estimated net revenues of the existing facilities cover the estimated average annual debt service on the bonds to be issued plus the outstanding bonds by a specified margin.

The first test relates to actual earnings experience and indicates whether the borrower, on the basis of the previous fiscal year's actual operations, is in a position to assume more indebtedness. Since it is based on actual earnings, it is more rigorous, and thereby affords greater protection to bondholders, than the second test. The second test is designed to assure that, after issuing the proposed bonds, the borrower will continue to cover average annual debt service by a satisfactory margin. The likelihood of such expectation materializing depends upon the reasonableness of the estimated net revenues, which accounts for the insistence that the estimates be made by qualified individuals and be approved by responsible officials.

#### **Definition of Net Revenues**

For the earnings test for the outstanding bonds only, the annual net revenues of the existing facilities of the system should be certified by an independent public accountant. For the earnings test for the bonds to be issued plus the outstanding bonds, it is also necessary to make provision for an independent appraisal of revenues. Where the system comprises water, sewerage, or gas distribution facilities, the revenue estimates should be furnished by a recognized independent consulting engineer and approved by the chief officer and governing body of the public agency. Where the use of consulting engineers for revenue estimates is not a prevailing practice, as where the system comprises housing and dining facilities, the revenue estimates should be made by the chief financial officer of the borrower and approved by its president and board of trustees. Where the revenues estimates are to be made by the borrower, the calculations should be predicated upon an assumed utilization rate of not more than 90 percent.

#### **Earnings Tests Ratio**

Where the applicant qualifies as "exceptionally financially strong", an earnings test of net revenue coverage of average annual debt service by at least 1.35 times should be required as a condition precedent

to the issuance of additional parity bonds. An "exceptionally financially strong" applicant would be limited to the large State universities, and to some of the largest private universities, the financial resources of which are not subject to question. For applicants that do not qualify as "exceptionally financially strong", an earnings test of net revenue coverage of debt service by 1.5 times should be obtained. The foregoing earnings tests should be used unless special circumstances warrant establishment of a different ratio. Justification for the deviation should be fully explained in the analyst's report.

#### **Exception to Earnings Test Requirement**

Where a borrower evidences a planned schedule of construction of system facilities, it may be possible to provide for the issuance of a specified amount of additional parity bonds not subject to the historical earnings test. The conditions necessary for such a provision are:

- (1) The borrower has a planned schedule of construction,
- (2) The specified amount of additional parity bonds is otherwise approvable under CFA policies, and
- (3) The estimated revenues of the additional facility, when added to the estimated revenues of the facilities already a part of the system, cover estimated average annual debt service by a satisfactory margin.

This special provision should be regarded as a one-time proposition to cover construction already planned and scheduled within the near future. Standard language for this Special Condition is shown in Exhibit B. All subsequent issues of parity bonds would be subject to the earnings test.

It should be recognized that when a borrower undertakes a system type arrangement, with provision for issuance of additional bonds to handle the financing of future expansion of its facilities, the borrower has accepted the underlying premise that it will not finance additional facilities until the facilities being constructed under the system are in use. If a borrower is unwilling to accept this premise, it should not seek to establish a system type arrangement. Instead, it should be encouraged to finance its needs on a project-by-project basis, each with self-contained financing.

#### **Assurances of Pledged Revenues**

To assure that pledged revenues will be available in sufficient sums to cover current expenses, annual debt service, and the required reserves for the system's facilities, provision should be made for appropriate adjustments of the rate resolution.

A borrower may find that some of its system facilities no longer are adequately revenue-producing because of a fall-off of demand or because of rising operating costs. In some instances a facility may have become a loss operation, and produce no net revenues, or be so antiquated and dilapidated that it can no longer adequately serve its

intended purposes. Under such circumstances the borrower may wish to abandon the facility. Provision should be made for the conditions under which such facilities may be abandoned.

#### **Other Conditions Relating to System Financing**

Where provision is to be made for issuance of additional parity bonds, it is also necessary to require the borrower to covenant to make appropriate adjustments in the amounts (a) to be deposited semi-annually into the Bond and Interest Sinking Fund Account to meet the annual debt service requirements and establish an adequate debt service reserve, and (b) to be deposited into the Repair and Replacement Reserve Account. Since all the bonds are equally ratable, the bond repayment date and interest payment dates for the additional bond series shall be the same as for the outstanding bonds.

Appropriate changes shall also be made in the special conditions relating to the flow of funds—establishment of a Revenue Fund Account, provision for Current Expenses, establishment of a Bond and Interest Sinking Fund Account, establishment of a Repair and Replacement Reserve Account, and provision for disposition of residual funds in the Revenue Fund Account—and in any standard Terms and Conditions so that they refer to the system rather than to an individual project.

Where a borrower has two or more series of bonds ratably secured by the same revenues, and moneys become available to redeem bonds in advance of scheduled maturity, either by virtue of a mandatory redemption requirement or at the borrower's option, the borrower should not be permitted to discriminate against any one series of bonds in favor of another. Provision shall be made to require that calls of bonds will be applied on a pro rata basis to each series of bonds outstanding at the time of such call reflecting the proportion of the original amount of each such series.

#### **Standard Language**

Standardized language has been developed for the basic provisions relating to the issuance of additional parity bonds, which are set forth in Exhibits A and B. These special conditions represent the most suitable language to accomplish the policies set forth above. The analyst should ascertain whether the standard language is appropriate for the case under review and should employ it whenever possible. Where necessary, the language should be modified to fit the particular circumstances. Changes should be explained in the Financial Review Report, Part 2.

Once an (HHFA) open-end system has been established, all future loans approved under the system shall be additionally identified with the project number under which the system was established. (See "Approval," under Section 2-2-3.)

**FINANCING OF PROJECT COMPLETION**

The Terms and Conditions constituting part of each loan agreement provide:

*“Payment of Costs—Additional Funds.—*The Borrower shall pay all Project Costs and furnish from sources other than the proceeds of the loan, and from sources and in a manner which will not jeopardize the security of the Bonds, the additional funds, if any, which will be sufficient to finance the total Project Costs.”

In some cases, when there is an overrun in project costs, the borrower may wish to obtain the funds by issuing additional parity bonds, to be sold to purchasers other than the Government and to be secured also by the revenues pledged to repay the bonds which the Government has offered to purchase.

If the cost overrun is to be financed from non-Government sources which do not involve borrowing, or from an increase in the Government loan, the Government has some assurance that the manner of financing the overrun will not jeopardize the security of the bonds. However, where the overrun is to be financed through the sale of parity bonds to purchasers other than the Government, there is a possibility that such additional bonds may dilute the security for the bonds already contracted for. On the other hand, as a practical matter, the security for these original bonds would be impaired if the project were not completed.

Reflecting the foregoing considerations, the following represents language for a Special Condition to be used when it is decided during loan development to permit the borrower to issue additional parity bonds for the specific purpose of completing the project:

“The Borrower covenants and agrees that in the event the cost of construction or completion of the Project, as hereinbefore described, shall exceed the dollar amount of Bonds mentioned in the first paragraph of this Agreement, it shall deposit into the Construction Account the amount of such excess out of funds available to it for such purpose. The Borrower may provide such excess through the issuance of parity Bonds, to purchasers other than the Government, provided that it has obtained (a) the consent of the holders of at least sixty-five percent in principal amount of the Bonds outstanding if the Bonds have been issued, or (b) the consent of the Government if the Bonds have not been issued.”

Consent of the Government will depend upon the customary financial review, with particular reference to the adequacy of debt service coverage.

## EXHIBIT A

STANDARD LANGUAGE FOR SPECIAL CONDITIONS  
OPEN-END PARITY BOND FINANCING

- (1) The Borrower covenants and agrees to establish a (*Waterworks*) (*Housing and Dining*) System (hereinafter referred to as "System") to consist of (*Name of existing facilities, including Project*) and any other ..... Facilities or related auxiliary facilities which may be added to the System at future dates in accordance with the provisions hereinafter provided in the Special Condition relating to Issuance of Additional Bonds.
- (2) The Borrower shall have the right to add new (*Waterworks*) (*Housing and Dining*) facilities and related auxiliary facilities by the issuance of one or more additional series of Bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to these Bonds, provided in each instance, that:
  - (a) The facility or facilities to be built from the proceeds of the additional parity Bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity Bonds and the outstanding Bonds (if the Borrower is a private corporation, add—"together with a first mortgage on such facility or facilities and the sites or sites thereof").
  - (b) The Borrower is in full compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the revenues of the System or any part thereof.
  - (c) The annual net revenues, defined as gross revenues less current expenses of the System for the fiscal year next preceding the issuance of additional parity Bonds, are certified by an independent public accountant, employed by the Borrower, to have been equal to at least one and ..... hundredths (1. ....) times the average annual requirements for principal and interest on all Bonds then outstanding and payable from the revenues of the System.
  - (d) The estimated net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional Bonds (and any other funds pledged as security), when added



**EXHIBIT A (Page 2)**

to the estimated future net revenues of the then existing System shall equal at least one and ..... hundredths (1. ....) times the average annual debt service requirements for principal and interest on all outstanding Bonds payable from the revenues of the System and on the additional Bonds to be issued. The calculation of average annual debt service requirements for principal and interest on the additional Bonds to be issued shall, regardless of whether such Bonds are to be serial or term Bonds, be determined on the basis of the principal of, and interest on, such Bonds being payable in approximately equal installments.

(For College Housing Loans, add:

“Calculation of future net revenues of the then existing System shall be based on actual net income for the fiscal year next preceding the issuance of additional parity Bonds, as adjusted, if necessary, to reflect the schedule of rates and charges to become effective in the succeeding fiscal year, and after giving recognition to any anticipated changes in current expenses of the System. Calculation of the estimated net revenues of the facility or facilities to be constructed or acquired shall be predicated upon an assumed utilization rate of not more than 90 percent. The computation of estimates shall be made by the chief financial officer of the Borrower and approved by its President and its governing body.”)

(For Public Facility Loans, add:

“Future net revenue estimates shall be furnished by a recognized independent consulting engineer and approved by the chief officer and governing body of the Borrower.”)

- (3) The Borrower hereby covenants and agrees that in the event additional series of parity Bonds are issued, it shall:
- (a) Adjust the semi-annual deposits into the Bond and Interest Sinking Fund Account on the same basis as that prescribed in the Condition establishing such account to reflect the average annual debt service on the additional Bonds;
  - (b) Adjust the amount of the debt service reserve to a sum equal to not less than twice the maximum annual debt service on the Bonds then outstanding and such additional parity Bonds, the additional debt service to be accumulated semi-annually in the manner hereinbefore provided;

EXHIBIT A (Page 3)

- (c) Adjust the maximum amount to be deposited annually into the Repair and Replacement Reserve Account on the same basis as that prescribed in the Condition establishing such account, taking into account the future replacement cost of the facilities and equipment to be constructed or acquired with the proceeds of such additional Bonds; and
  - (d) Make such additional Bonds payable as to principal on ..... of each year in which principal falls due and payable as to interest on ..... and ..... of each year.
- (4) The Borrower covenants and agrees that, so long as any of the Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in Special Condition ..... above, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of these Bonds. Notwithstanding the foregoing, the Borrower may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:
- (a) It is in full compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the revenues of the System and the debt service reserve for such Bonds has been fully established;
  - (b) It will, in the event of sale, apply the proceeds to either (a) redemption of outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (b) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;
  - (c) It certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and
  - (d) It certifies that the estimated net revenues of the remaining System facilities for the then next succeeding fiscal year, plus the estimated net revenues of the facility, if any, to be added to the System satisfy the earnings test hereinbefore provided in the Special Condition governing issuance of additional Bonds.
- (5) If in any subsequently issued series of Bonds secured by a parity lien on the revenues of the System it is provided that excess reve-

**EXHIBIT A (Page 4)**

nues in the Revenue Fund Account shall be used to redeem Bonds in advance of scheduled maturity or if the Borrower at its option undertakes to redeem outstanding Bonds in advance of scheduled maturity, it is agreed and understood (1) that calls of Bonds will be applied to each series of Bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of Bonds outstanding at the time of such call) and (2) that calls of Bonds for each series of Bonds will be in accordance with the call provision of the respective Bond series. However, the borrower shall have the right to call, subject to the call provisions of the respective Bond series, any or all outstanding Bonds which may be called at par prior to calling any Bonds that are callable at a premium.

## EXHIBIT B

**SPECIAL CONDITION FOR ONE TIME ISSUANCE OF ADDITIONAL  
PARITY BONDS**

The Borrower may issue up to \$..... in additional Bonds in one or more series to finance the construction of ..... to house approximately ..... students provided;

- (1) The facility or facilities to be constructed from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity Bonds and the Bonds. (If Borrower is a private corporation, add: "together with a first mortgage on such facility or facilities and the site or sites thereof.")
- (2) The Borrower is in full compliance with all covenants and undertakings in connection with all of its Bonds then outstanding, or authorized to be issued, and payable from the revenues of the System or any part thereof.
- (3) The estimated annual net revenues of the facility or facilities to be constructed with the proceeds of such additional Bonds when added to the estimated annual net revenues of facilities under construction plus the estimated future annual net revenues of the then existing System shall equal at least one and ..... hundredths (1. ....) times the average annual debt service requirements for principal and interest on the Bonds payable from the revenues of the System and on the additional Bonds authorized or to be issued. The computation of average annual debt service requirements for principal and interest on the additional Bonds to be issued shall, regardless of whether such Bonds are to be serial or term Bonds, be determined on the basis of the principal of, and interest on, such Bonds being payable in approximately equal installments. Computation of future net revenues of then existing System shall be based on actual net income for the fiscal year next preceding the issuance of additional parity Bonds, as adjusted, if necessary, to reflect the schedule of rates and charges to become effective in the succeeding fiscal year, and after giving recognition to any anticipated changes in current expenses of the System. Computation of the estimated net revenues of the facility or facilities under construction or to be constructed or acquired shall be predicated upon an assumed utilization rate of not more than 90 per

**EXHIBIT B (Page 2)**

cent. The computation of estimates shall be made by .....  
of the Borrower and approved by its President and by its govern-  
ing body.

## Section 5. Other Financial Conditions

In some cases it is necessary to incorporate in the Loan Agreement certain additional special conditions to deal with particular problems or to strengthen the protections afforded to the bond-holder. For example, it is often desirable to detail the requirements of the rate resolution; to specify additional conditions precedent to disbursements of loan funds; to provide for adoption of an annual budget of current expenses; or to detail the understandings regarding a special revenue pledge such as a pledge of endowment fund income. Many of these special conditions are tailor-made to fit the individual circumstances of the loan. Others, such as provision for filing of annual budget and provision for establishment of an Endowment Fund Escrow Account, have been standardized and are set forth below. The Agency's insurance requirements are also outlined below.

### Adoption of an Annual Budget of Current Expenses

This condition is designed to help the borrower follow proper financial practice, an essential element in good management. As will be noted, there are no severe restrictions imposed on the borrower in that the borrower can spend more than it has budgeted for a current expense item upon written certification to the Trustee that such expenditures are necessary. Whether this requirement will promote financial planning by the borrower or be regarded as a matter of mere routine will, of course, vary from borrower to borrower. The adoption of an annual budget will be required only when the financial analysis reveals the lack of adequate financial management and budgetary controls.

### Standard Language

The Borrower covenants and agrees that on or before the first day of each fiscal year during which any of the Bonds are outstanding, it shall file with the Trustee to be designated in the Indenture and the principal underwriter a Budget of Current Expenses as hereinafter defined for the Project for that fiscal year. The Borrower covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amount thereof and that it will not expend any amount or incur any obligations for maintenance, repair and operations in excess of the amounts provided for Current Expenses in the Annual Budget, except amounts payable from the "Repair and Replacement Reserve Account" and except upon written certification by the Borrower to the Trustee that such expenses were unanticipated and are necessary. Nothing in this Section contained shall limit the amount which the Borrower may expend for Current Expenses in any year provided any amount expended therefor in

excess of the Annual Budget shall be obtained by the Borrower from some source other than the revenues of the Project and the Borrower shall not make any reimbursement therefor from Project Revenues.

#### **Pledge of Endowment Income**

In cases where a proposed loan is to be secured, among other things, by a pledge of endowment fund income, the following is the standard language for the Special Condition:

The Borrower shall, prior to the Government's release of any loan funds hereunder, deposit in an Endowment Fund Escrow Account (hereinafter referred to as "Escrow Account") established with the Trustee to be designated in the Indenture, in trust for the benefit of the holders of the Bonds, unrestricted and unencumbered direct obligations, of, or obligations the principal of and interest on which are guaranteed by, the United States Government, or securities listed on the New York Stock Exchange, yielding an annual income of not less than \$....., based on dividend and interest payments for the last twelve-month period, and shall maintain securities in said Escrow Account to provide an aggregate income of not less than \$..... per year. Except during any period of default in the Borrower's obligations under the Indenture securing the Bonds, the Borrower shall have the right (1) to substitute in the Escrow Account like securities of equal marketability and monetary value; and (2) to withdraw securities from the Escrow Account so long as the total annual income from the securities remaining is not less than \$..... per year, or the maximum annual debt service on the outstanding Bonds during the remaining life of the loan. At the close of each fiscal year, any income remaining in the Escrow Account, and not needed to make the transfers to the Bond and Interest Sinking Fund Account and to the Repair and Replacement Reserve Account as required above, may be used by the Borrower for any other lawful purpose.

#### **Insurance Requirements**

There are set forth in the standard Terms and Conditions for CFA loan programs certain basic insurance requirements, to protect both the Government and the borrower against certain types of losses during the period of the loan. In most cases these insurance requirements will be sufficient, in that the borrower will have the financial means, either in the form of insurance or otherwise, to offset losses from insurable causes. In these cases there is no need to consider the matter of insurance further.

In other cases, however, the loss from a particular occurrence might seriously impair the ability of the borrower to repay the loan. If, in the judgment of the analyst, the occurrence of a particular type of risk would seriously jeopardize the repayment of the loan, he should determine what additional insurance coverage seems warranted in light of the financial condition of the borrower and the nature of the risk, and

recommend in the Financial Review Report that such additional insurance be required as a Special Condition of the Loan Agreement.

For loans involving gas distribution facilities and for any other loans where deemed necessary, the following special condition should be included in the Loan Agreement:

“Prior to the Government disbursing any portion of the loan proceeds, the Borrower shall present satisfactory evidence that it can procure the insurance required on the completed project, as set forth in Section ..... of the Terms and Conditions constituting part of this Loan Agreement.”

It is emphasized that the financial soundness of a proposed loan must be determined on the basis of the security and the financial condition of the applicant. Insurance cannot be substituted for these basic factors.



## CHAPTER 2. CONSTRUCTION FINANCING

### Section 1. Interim Construction Financing

#### GENERAL POLICY

It is the policy of CFA to encourage the borrower to provide interim financing for project construction, until such time as the proceeds of the bonds are available, by use of its own funds or by temporary financing obtained from non-Government sources, whenever such financing can be obtained legally and on reasonable terms.

This policy permits a borrower to start construction at the earliest possible date, and allows the bond sale to be held when the project is nearing completion. Bonds frequently find an appreciably better market if offered for sale when a project is substantially complete than if offered prior to the start of construction. This policy thereby implements the Agency's general policy of encouraging maximum private participation in the permanent financing of Government-assisted projects.

It should be noted that interest costs during construction, regardless of the source of construction funds, are eligible for inclusion in total project cost. If the borrower uses its own funds, interest will be permitted at a rate comparable to that which such funds would normally produce for the borrower, but not to exceed the maximum allowable interest cost as specified in this Section.

#### INTERIM CONSTRUCTION FINANCING PLAN

##### Initial Discussion with Borrower

At the first meeting with the borrower's representatives in the development of the project, the Regional Office should acquaint the borrower with the policy on interim construction financing, and advise the borrower of the necessity for developing a firm plan for obtaining such financing. In the event that interim financing on the part of the borrower is forbidden by law, this part of the procedure may be ignored and the construction financed by sale of the bonds or possibly by Government advances. However, "forbidden by law" means a positive prohibition in the statutes—not merely an unwillingness on the part of the borrower to obtain such financing, nor the fact that such procedures have not been common in the past.

**Statement of Financing Plan**

In the first discussion or correspondence following loan approval, the Regional Office will advise the borrower to submit its proposed arrangements for interim construction financing. If a loan from private sources is contemplated, the borrower should furnish a letter from the prospective lender setting forth the interest rate and other terms and conditions. If the borrower plans to use its own funds, it should furnish details regarding the sources, amounts, and intended interest charge.

To help borrowers obtain loans from outside sources, a *Statement of Intent with Respect to a College Housing Loan Agreement*, Form CFA-525, or a *Statement of Intent with Respect to a Public Facility Loan*, Form CFA-725, will be forwarded with the Loan Agreement or Offer. The borrower is authorized to deposit the Statement of Intent, together with a copy of the Loan Agreement, with any lending institution when applying for a temporary loan to finance construction of the project. This statement by the Government is not, of course, an unqualified pledge, since it is subject to compliance by the borrower with the terms and conditions of the Loan Agreement; however, it attests to the manifest intent of the Government to see the project through to a satisfactory conclusion.

**Inability to Obtain Interim Construction Financing from Private Sources**

Aside from the question of reasonable interest rates, discussed below, a borrower may state that it is unable to obtain an interim loan from private sources, and request a bond advance or purchase. Such a statement must be justified in order to be acceptable to the Regional Office. Normally, justification would consist of copies of letters from at least three financial institutions which make similar types of loans, clearly indicating that:

- (1) The borrower has requested a loan.
- (2) The details of the loan, and the Statement of Intent, were presented with the request.
- (3) The institution has refused to make the loan.

When inability to obtain private interim construction financing has been demonstrated, it is the policy of CFA to make Government advances in preference to early purchase of the bonds. However, in cases where the law requires sale of the bonds prior to construction, the case will be handled in that manner. In any event, it is the policy of CFA to avoid partial purchases of bond issues whenever possible.

**Allowable Rates of Interest**

Normally the interest rate for interim construction financing will be considered acceptable if the interest cost does not exceed the current market rate of interest for quality short-term investments, i.e., the interest rate for prime commercial loans, which is now 4½ percent. Regional Offices will be advised of any changes in this rate.

This policy should not be construed to preclude any borrower from continuing to utilize local banking relationships at a somewhat higher interest rate, if the rate is considered acceptable to the borrower and the Regional Office.

#### **Regional Office Approval**

Each proposed plan for interim construction financing must be reviewed and approved by the Regional Office prior to final action by the borrower. The following conditions must exist before the Regional Office can give its approval:

- (1) A favorable preliminary approving opinion of bond counsel on the validity of the proposed bonds must be submitted to the Regional Office.
- (2) The proposed interest cost of interim construction financing must be acceptable.
- (3) The borrower must furnish satisfactory evidence of the receipt of firm bids showing that the project can be constructed within the approved estimated cost, and must also furnish evidence of compliance with any other loan conditions which must be met before funds may be disbursed. See Section 21-2-3, Requisition of Funds.

#### **GOVERNMENT ADVANCES**

Advances against the purchase of the bonds should be made only when the borrower has demonstrated its inability to obtain interim construction financing elsewhere at an acceptable rate of interest, or when the borrower is legally forbidden to obtain such financing.

Advances must not exceed 75 percent of the approved loan. In general, advances will be made in units of 25 percent, spaced so as to enable the borrower to pay incurred costs as they come due.

Any advance is subject to the conditions precedent to disbursement of funds as set forth in the Loan Agreement.

Procedures for the requisitioning and processing of advances are given in Section 21-2-3.

#### **MONTHLY REPORT ON INTERIM CONSTRUCTION FINANCING**

Not later than the 10th day following the close of each month, the Regional Office will submit to CFA a report on interim construction financing approved during the month. The report will cover all cases where private funds are used, including borrower's own funds, and will also cover Government advances, but will not include bond purchases. It will be submitted in duplicate on Form CFA-106, *Monthly Report on Construction Financing*.

## Section 2. Aspects of Construction Financing

### ESTABLISHMENT OF A CONSTRUCTION ACCOUNT

Under the standard Terms and Conditions of each Loan Agreement (Section 12 of Form CFA-520 and Section 9 of Form CFA-720), the borrower is required to set up a Construction Account into which it must deposit its participation, if any, in the project financing, the proceeds from any temporary loans, the proceeds from the sale of the bonds (except accrued interest payments) and, after the initial contract award, such additional funds as may prove to be necessary to assure the payment of all costs of the development of the project.

The Construction Account must be held with a bank which is a member of the Federal Deposit Insurance Corporation or, if legally required, with the fiscal agency of the borrower fixed by law.

At the time the fully-executed college housing Loan Agreement or the public facility loan Offer is transmitted to the borrower, the Regional Office should advise the borrower as follows:

- (1) Funds in the Construction Account may be expended only for such purposes, and within the respective totals therefor, as are listed in the latest approved Project Summary.
- (2) Checks drawn against the Construction Account must be signed and countersigned by representatives of the borrower authorized to do so.
- (3) The borrower should keep at one place all bank statements, deposit slips, checks and related invoices relating to the Construction Account, in order to facilitate audit.

### INVESTMENT OF FUNDS IN CONSTRUCTION ACCOUNT

When the funds on deposit in the Construction Account exceed the estimated disbursements for the next three months, the borrower may deposit such excess funds in time deposits in banks that are members of the Federal Deposit Insurance Corporation, or may invest such funds in direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States, which will mature, or which are subject to redemption by the holder at the option of such holder, not later than 18 months after the date of such investment. The earnings from any such deposits or investments must be deposited in the Construction Account by the borrower.

The provisions of the above paragraph are contained in the respective standard Terms and Conditions for Loan Agreements, in Section 12 of Form CFA-520 and Section 9 of Form CFA-720.

**DISPOSITION OF SURPLUS FUNDS IN CONSTRUCTION ACCOUNT**

A CFA loan must not exceed the cost of the project. Therefore, unless all the bonds are sold to private bidders, the Regional Office must ascertain that any balance remaining in the Construction Account upon completion of the project is disposed of in accordance with the Loan Agreement.

The detailed procedures for closing out the Construction Account are given in Chapter 22-1.

**REVISIONS OF ESTIMATED TOTAL PROJECT COSTS**

After loan approval, in the event of a change in the project, or where the prices and costs at the time of construction contract differ from those prevailing at the time of loan approval, the total amount of construction contract bids may be less than or may exceed the approved estimate of construction cost. Where there is to be a revision of estimated total project cost, the Regional Office will prepare Form CFA-105, *Revised Project Summary*, to record the revised estimated total project cost, the revised method of financing, and any change in loan amount. Processing of the changes will follow the procedures in Section 2-4 or 4-4. An Amendatory Loan Agreement will be prepared only if there is a change in the loan amount.

When an overrun or underrun of total project costs occurs, the Regional Office will observe the following.

**Financing of Project Overruns****No Loan Increase**

If the total of construction contract bids exceeds the approved estimate of construction cost and the borrower intends to finance the overrun from its own funds, the borrower should be requested to furnish a written letter or statement affirming its intention to finance the overrun from its own funds. If such funds are to be borrowed, an appropriate supplemental financial analysis should be prepared. Upon receipt of the borrower's letter or statement, and after completion of any supplemental financial analysis that may be necessary, the Regional Office will, if it so determines, transmit a letter to the borrower confirming the understanding that the borrower will furnish the additional funds to finance the overrun.

**Involving Loan Increase**

When an unanticipated overrun occurs and the borrower has no funds of its own to finance the overrun, an increase in the loan may be approved. The request for an increase will be reviewed in the same manner as an original application, and approval granted only if the applicant's financial condition and the project estimates so warrant.

**Financing of Project Underruns****No Loan Decrease**

If the total amount of contract awards is less than the approved estimate of construction costs, and the Loan Agreement provides for a contingent participation, the Regional Office may concur in the reduced construction cost amount. However, moneys returnable to the borrower under the contingent participation special condition may be returned to the borrower only after all costs of the project have been paid, unless a waiver is issued pursuant to the authorization set forth in Section 22-1.

**Involving a Loan Decrease**

If the total amount of approved construction contract awards for any project is 10 percent or more under the approved estimate of construction cost, the Engineering Staff will prepare a revised estimate of project costs to ascertain what Federal funds can be recovered and made available for reallocation to other projects.

The revised cost estimate should provide for a construction contingency allowance of 5 percent of the construction contract amount and the estimate for other items should be rechecked to ascertain that the project will be completed within the funds provided. The revised cost estimate should be discussed with the borrower and the Regional Office report should clearly indicate the borrower's concurrence in the revised method of financing and related proposed changes, if any, in the provisions of the Loan Agreement.

### Section 3. Requisition of Funds

#### SUBMISSIONS BY BORROWER

Each requisition for bond purchase or Government advance will be made on Form CFA-300, *Requisition and Voucher for Bond Purchase or Advance* (Exhibit A), and supported by the following:

- (1) Form CFA-301, *Calculation of Net Amount Due for Bond Purchase* (Exhibit B).
- (2) Form CFA-302, *Borrower's Statement Regarding Its Financial Condition* (Exhibit C).
- (3) Form CFA-303, *Attorney's Certificate Concerning Funds, Permits, and Litigation* (Exhibit D).
- (4) Form CFA-304, *Depository Bank Acceptance and Confirmation Statement* (Exhibit E), to be submitted with the first requisition only. If by law a depository other than a member bank of the Federal Deposit Insurance Corporation must be used, an explanatory certificate executed by an authorized officer of the borrower should be substituted for Form CFA-304.
- (5) Form CFA-300A, *Requisition for Government Advance* (Exhibit F), required only in connection with an advance.
- (6) All documents, certifications, reports and other data required in satisfaction of, or as evidence of satisfaction of, Loan Agreement conditions precedent to the disbursement of funds.

Form CFA-301 will be submitted in triplicate, the other forms listed in original only. The Regional Office will retain the original of each form and will send a copy of Form CFA-301, after payment is made, to the Field Engineer and to the Audit Division.

#### INTEREST RATES ON GOVERNMENT ADVANCES

The interest charged on Government advances against a loan will be the same rate as that carried by the bonds themselves. If the bonds carry more than one interest rate, the following procedures will be followed.

#### College Housing Loans

When more than one interest rate is applicable to the bonds, the advance will be first charged against the block of bonds carrying the highest interest rate. If the advance, or subsequent advances, exceeds the amount of the block of bonds carrying the highest interest rate, the balance of the advance will be charged against the block carrying the next highest interest rate, and so on.

**Public Facility Loans**

Advances will first be made against any general obligation bonds to be issued. If advances in excess of the amount of such bonds are needed, the excess will be made against the other types of securities. When increases in the loan have resulted in two or more interest rates for the same type of bonds, advances will be made first against those bonds provided for in the original Loan Agreement. Subsequent advances will be made against subsequent bonds in the sequence in which the blocks of bonds were established by amendment to the Loan Agreement.

**PROCESSING OF REQUISITIONS FOR FUNDS**

The Assistant to the Regional Director is responsible for coordinating Regional Office operations associated with disbursement of loan funds. When a borrower indicates that it plans to requisition funds, the Assistant to the Regional Director will arrange for transmission of the appropriate forms, with instructions regarding their completion. It is usually advantageous for the Regional Office to fill in certain parts of the forms prior to sending them to the borrower. Form CFA-301, *Calculation of Net Amount Due for Bond Purchase*, should normally be completed in the Regional Office and the borrower requested to review and sign if it concurs. If this is done, then the amounts shown on the face of Form CFA-300, *Requisition and Voucher for Bond Payment or Advance*, should also be filled in.

Upon receipt of the borrower's submission, the Assistant to the Regional Director will ascertain that all necessary documents have been received, and will then route the documents to the technical staffs for review and recommendations. The technical staffs will signify their approvals by completion of the reverse side of Form CFA-300, *Requisition and Voucher for Bond Payment or Advance*.

Under the terms and conditions of the Loan Agreement, the borrower has agreed to meet certain engineering, financial and legal prerequisites prior to any disbursement of loan funds by the Government. Satisfaction of these prerequisites must be evidenced by, among other things, the borrower's submission of the required forms, documents and reports before or at the time of the requisition. These will be reviewed by the responsible Regional Office staffs.

Upon completion of review and approval by the technical staffs, the Assistant to the Regional Director will sign the Form CFA-300 and forward the documents to the Regional Director for approval. They will then be forwarded to the Administrative Branch for certification and processing for payment.



EXHIBIT A

CFA-500  
(7-66)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>REQUISITION AND VOUCHER FOR BOND PAYMENT OR ADVANCE</b>	<p style="text-align: center;"><i>FOR GOVERNMENT USE ONLY</i></p> D.O. Voucher No. _____ HHFA Voucher No. _____ Contract No. _____																				
<b>VOUCHER</b>  THE UNITED STATES, DR.  To _____ <small>(Name of Borrower as it appears in the Loan Agreement)</small>  P. O. Address of Borrower _____	<div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>PAID BY</b>   <small>(For Use of Paying Office)</small> </div> Project No. _____ Requisition No. _____ Date of Requisition _____ Amount of Requisition _____																				
<p>To provide funds for the project identified by the above project number and described in the Loan Agreement between the Borrower and the United States of America appertaining thereto, the amount of \$ _____ (which includes the accrued interest, if any), is requested under such agreement for and in behalf of the Borrower.</p> <p>A bond or bonds evidencing the Borrower's obligation in the amount of \$ _____ will be ready for delivery on _____, 19____, in accordance with the terms of said Loan Agreement.</p> <p>Of the amount received pursuant to this requisition, the sum of \$ _____ representing the principal of the bonds will be placed in a Construction Account in the _____ and _____ (depository) and will be used only for said project in accordance with the provisions of said Loan Agreement and the sum, if any, of \$ _____ representing the accrued interest on the bonds will be deposited in the Bond and Interest Sinking Fund to be maintained with the Trustee or other designated depository.</p>																					
<p><b>CERTIFICATE OF PURPOSE</b></p> <p>The proceeds of the bonds covered by this requisition are to be expended for the cost items and within the respective amounts therefor as shown below, subject to such changes as may hereafter be approved by the purchaser:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Preliminary expense .....</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td style="padding-left: 20px;">Land and right-of-way .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Construction .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Architectural/engineering services .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Legal and administrative expense .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Interest during construction .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Moveable equipment (Schools and PFL only) .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Government inspection and audit .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Project contingency .....</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 40px;"><b>Total approved project cost estimate .....</b></td> <td style="text-align: right;"><b>\$ _____</b></td> </tr> </table>		Preliminary expense .....	\$ _____	Land and right-of-way .....	_____	Construction .....	_____	Architectural/engineering services .....	_____	Legal and administrative expense .....	_____	Interest during construction .....	_____	Moveable equipment (Schools and PFL only) .....	_____	Government inspection and audit .....	_____	Project contingency .....	_____	<b>Total approved project cost estimate .....</b>	<b>\$ _____</b>
Preliminary expense .....	\$ _____																				
Land and right-of-way .....	_____																				
Construction .....	_____																				
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Moveable equipment (Schools and PFL only) .....	_____																				
Government inspection and audit .....	_____																				
Project contingency .....	_____																				
<b>Total approved project cost estimate .....</b>	<b>\$ _____</b>																				
<p>The check for this payment shall be drawn payable to the order of _____</p> <p>Date _____, 19 _____</p> <p style="text-align: right;"><small>(Signature of Authorized Officer of Borrower)</small></p> <p>_____  <small>(Type or print name of signing Officer)</small></p> <p style="text-align: right;">_____  <small>(Title)</small></p>																					

**EXHIBIT A (Page 2)**

REQUISITION AND VOUCHER FOR BOND PAYMENT OR ADVANCE Regional Office Recommendations and Authorization		
<p>I have reviewed and find satisfactory the contract documents and related reports and records required of the Borrower by the required Loan Agreement. In my opinion the Borrower has evidenced that the Project can be constructed within the approved estimated cost thereof. I therefore recommend approval of the requisition.</p>		
Date _____	By _____ <i>(Chief, Engineering Staff)</i>	
<p>I have reviewed the financial statements of the Borrower and am of the opinion that there has been no substantial adverse change from that heretofore represented to the Government. The Borrower has satisfactorily evidenced its ability to provide as appropriate (1) the moveable equipment and furnishings required for the operation of the Project and (2) such funds as are necessary with the loan proceeds to assure completion of the Project. I therefore recommend approval of the requisition.</p>		
Date _____	By _____ <i>(Chief, Finance Staff)</i>	
<p>I certify that this requisition and the documentary evidence required under the aforesaid Loan Agreement have been examined, found satisfactory, and filed in the records of the Housing and Home Finance Agency. In my opinion, the Borrower has fulfilled all conditions precedent to paying the amount requisitioned. I therefore recommend approval of the requisition.</p>		
Date _____	By _____ <i>(Regional Counsel)</i>	
<p>On the basis of the foregoing reviews and recommendations, I recommend approval of the requisition in the sum of \$ _____.</p>		
Date _____	By _____ <i>(Assistant to the Regional Director)</i>	
<p>Requisition in the sum of \$ _____ approved.</p>		
Date _____	BY _____ <i>(Regional Director)</i>	
ACCOUNTING CLASSIFICATION		
D. O. SYMBOL	DESCRIPTION	AMOUNT
<input checked="" type="checkbox"/>	86 X 4058 College Housing Loans, Office of the Administrator, Housing and Home Finance Agency .....	\$ .....
<input type="checkbox"/>	86 X 4234 Public Facility Loans, Office of the Administrator, Housing and Home Finance Agency .....	\$ .....
<p>Paid by Check No. _____ dated _____, 19 _____, on the Treasurer of the United States for \$ _____, in favor of _____.</p>		

EXHIBIT B

<p>HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION</p> <p>CALCULATION OF NET AMOUNT DUE FOR BOND PURCHASE</p>	<p style="text-align: right;">CFA-501 (10-60)</p> <p>Project No. _____</p> <p>Related Requisition _____</p> <p>No. _____</p> <p>Dated _____</p>																
<p>Calculation of amount due to _____ <i>(Name of borrower as it appears on the Loan Agreement)</i></p>																	
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Principal amount of bonds being purchased</td> <td style="width: 50%; text-align: right;">\$ _____</td> </tr> <tr> <td>Add: Accrued interest being purchased, from _____ to _____ at _____ % (360 day basis)</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 40px;">Gross amount due borrower</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td colspan="2">Deduct amount due Government by borrower for loan advances made pursuant to Loan Agreement:</td> </tr> <tr> <td style="padding-left: 20px;">Principal amount of loan advances</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>Add: Accrued interest being paid on loan advances to _____ at _____ % (365 day basis)</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Total amount due Government by borrower on loan advances</td> <td style="text-align: right;">_____</td> </tr> <tr> <td style="padding-left: 20px;">Net amount due borrower by Government</td> <td style="text-align: right;">\$ _____</td> </tr> </table>		Principal amount of bonds being purchased	\$ _____	Add: Accrued interest being purchased, from _____ to _____ at _____ % (360 day basis)	_____	Gross amount due borrower	\$ _____	Deduct amount due Government by borrower for loan advances made pursuant to Loan Agreement:		Principal amount of loan advances	_____	Add: Accrued interest being paid on loan advances to _____ at _____ % (365 day basis)	_____	Total amount due Government by borrower on loan advances	_____	Net amount due borrower by Government	\$ _____
Principal amount of bonds being purchased	\$ _____																
Add: Accrued interest being purchased, from _____ to _____ at _____ % (360 day basis)	_____																
Gross amount due borrower	\$ _____																
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Principal amount of loan advances	_____																
Add: Accrued interest being paid on loan advances to _____ at _____ % (365 day basis)	_____																
Total amount due Government by borrower on loan advances	_____																
Net amount due borrower by Government	\$ _____																
<p>_____ <i>(Signature of Authorized Representative of borrower)</i></p>																	
<p>_____ <i>(Date)</i></p>	<p>_____ <i>(Title)</i></p>																

FPI 600-11 12 61 6W 8025

EXHIBIT C

Form approved  
Budget Bureau No. 68-R983

CFA-302  
(7-62)

HOUSING AND HOME FINANCE AGENCY  
COMMUNITY FACILITIES ADMINISTRATION

BORROWER'S STATEMENT REGARDING ITS FINANCIAL CONDITION

In connection with the requisition of \_\_\_\_\_  
*(Corporate Name of Borrower)*  
dated \_\_\_\_\_ for loan funds pursuant to the Loan  
Agreement covering \_\_\_\_\_ the following data (supported by the  
*(Project No.)*  
attached latest financial statements) summarizes the financial condition of  
the Borrower.

WITH APPLICATION      LATEST FISCAL YEAR  
19 \_\_\_\_\_      19 \_\_\_\_\_

Balance Sheet\*  
Total Assets  
Total Liabilities  
Surplus (or deficit)

Current Fund: Income & Expenditures  
Gross Receipts  
Gross Expenditures  
Net Income (or loss)

Endowment Funds, if any\*  
Total Value  
Net Income

Loans  
Short-term loans (under 1 year)  
Long-term loans, mortgages & bonds

I hereby certify that there is no default of principal or interest on any  
outstanding indebtedness of \_\_\_\_\_  
*(Corporate Name of Borrower)*

\_\_\_\_\_ except as follows: \_\_\_\_\_

\_\_\_\_\_

Date \_\_\_\_\_ By \_\_\_\_\_

Title \_\_\_\_\_

Inapplicable if borrower is a municipal government.

Previous Editions Obsolete

EXHIBIT D

CFA-355  
(7-65)

<p>HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION</p> <p><b>ATTORNEY'S CERTIFICATE CONCERNING FUNDS, PERMITS, AND LITIGATION</b></p>	<p>Project No. _____</p> <p>Related Requisition: No. _____ Date _____</p>
<p>NAME OF BORROWER</p>  	
<p>I hereby certify that I am the duly appointed and acting Attorney for the Borrower named above; that all necessary authorizations, permits, licenses, certificates, and other approvals of Federal, State, county, and municipal authorities for the construction, equipment, operation and maintenance of the project identified above and described in the agreement appertaining thereto between the Borrower and the United States of America have been obtained; that the Borrower has commenced or completed proceedings appropriate to obtain funds which may be used lawfully to pay in full the cost of said project, including the acquisition of necessary lands, easements, franchises, and rights-of-way necessary for the construction, operation, and maintenance of said project; and that no litigation of any nature is now pending or threatened, either in State or Federal courts, to restrain or enjoin in any way said project, its construction, equipment, maintenance, operation, or financing, or in any manner questioning the authority of the Borrower to finance, construct, equip, maintain and operate said project.</p>	
<p>_____</p> <p><i>(Date)</i></p>	<p>_____</p> <p><i>(Attorney at Law)</i></p> <p>_____</p> <p><i>(Type Name of Attorney)</i></p>

EXHIBIT E

CFA-30\*  
(7-62)

<p>HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION</p> <p>DEPOSITORY BANK ACCEPTANCE AND CONFIRMATION STATEMENT</p>	<p>Project No. _____</p> <p>Related Requisition: No. _____</p> <p>Date _____</p>
<p>NAME OF BORROWER _____</p>	
<p>I. We will accept from time to time, for deposit, monies of the Borrower named above for defraying the cost of the project identified above, and will at all times keep such monies in a separate account or accounts designated " _____."</p>	
<p>II. We wish to advise that as of the date of the Statement the Borrower named above has deposited \$ _____ into the above-named account or accounts.</p>	
<p>This bank is a member of the Federal Deposit Insurance Corporation.</p> <p>_____ <i>Corporate Name of Bank</i></p> <p>BY _____ <i>Signature of Authorized Officer</i></p> <p>_____ <i>Title of Officer</i></p> <p>_____ <i>Date</i></p>	
<p>CERTIFICATE OF BORROWER</p> <p>This is to certify that \$ _____ of the amount shown above represents the borrower's participation in the project in accordance with the terms of the Loan Agreement.</p> <p>_____ <i>Officer of Borrower</i></p> <p>_____ <i>Title</i></p>	

EXHIBIT F

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>REQUISITION FOR GOVERNMENT ADVANCE</b>		OFA-900A (10-60)
		PROJECT NO. _____ RELATED REQUISITIONS: No. _____ Dated _____
NAME OF BORROWER _____		
<p>To provide funds for the project identified by the above project number and described in the agreement between the Borrower and the United States of America appertaining thereto, the amount of \$_____ (with appropriate adjustments for accrued interest, if any), is requested under such agreement for and in behalf of the Borrower. The Borrower is unable to obtain interim financing from non-Government sources because _____</p> <hr/> <p>It is understood that bonds against which this advance is to be made will be ready for delivery on or before _____. Such bonds aggregating in amount \$_____ shall be numbered _____ through _____.</p> <p style="text-align: center;">CERTIFICATE OF ADVANCE AGAINST BONDS</p> <p>I, _____, do hereby certify that: (a) I am the _____  <i>(Type or print name)</i>                  present incumbent of the Office of the Borrower identified by the title set forth under my signature; (b) I am duly authorized, in such capacity, to execute this certificate for and in behalf of said Borrower; (c) the advance herein requisitioned is necessary immediately to provide funds for said project; (d) said advance is requisitioned by the Borrower under and in accordance with the provisions of said Loan Agreement; (e) due to circumstances beyond the control of the Borrower the obligations described above cannot be delivered to the United States of America on or before the making of the advance herein requisitioned; (f) the Borrower acknowledges and agrees that the making of any advance under this Requisition shall not in any way result in any waiver of any of the rights, powers or privileges of the United States of America under said Loan Agreement or any law; (g) the advance herein requisitioned has not been included or covered, in whole or in part, in any other claim approved or paid by the United States of America; and (h) all conditions precedent to the making of said advance imposed upon said Borrower under said Loan Agreement have been fulfilled and performed.</p> <p>Date: _____, 19____.</p> <p style="text-align: right;">_____  <i>(Signature of Authorized Officer)</i></p> <p style="text-align: right;">Title: _____</p>		

## CHAPTER 3. BOND ISSUE PROCEDURES

### Section 1. Preliminary Actions

Upon execution of the Loan Agreement, a letter will be prepared notifying the borrower to submit for approval the name of its proposed bond counsel, its proposed trustee, and proposed paying agents or depository banks.

The borrower should be advised that "bond counsel" means either a law firm or individual lawyer, other than the borrower's regular counsel, thoroughly experienced in the financing of construction projects by the issuance of bonds, and whose approving opinions have a marketability factor by reason of having previously been accepted by investment dealers, banks and insurance companies. Where the borrower is a public institution or agency, it is essential that the proposed bond counsel be experienced in the municipal bond field. Where the borrower is a private institution, it will be sufficient if the proposed bond counsel is experienced in the issuance of private corporate bonds.

The proposed trustee must be a banking corporation organized and doing business under the laws of the United States or the State in which the borrower is situated, and be authorized under such laws to exercise corporate trust powers. It must have a combined capital and surplus of at least \$1,000,000 and must be subject to supervision or examination by Federal or State authority.

The borrower must submit for approval the names of the proposed paying agent and of an alternate paying agent situated in the Borough of Manhattan, New York, New York. However, a New York paying agent will not be mandatory on loans of less than \$100,000 or where State law does not permit. Paying agents and depository banks must be banking corporations organized and doing business under the laws of the United States or the State in which the borrower is situated, and must be a member of the Federal Deposit Insurance Corporation.

Following approval of the proposed bond counsel, as specified below, the Legal Division will advise bond counsel of HHFA's requirements and procedures, including bond specifications, conformity with Loan Agreement, use of single bond if applicable, and use of the standard indenture if applicable. Three copies of *Information for Bond Counsel*, Parts 1 and 2, Form CFA-311, will be enclosed. If use of the standard indenture is applicable, five copies each of Forms CFA-308, 309 and 310 will also be enclosed. A copy of the letter to bond counsel, two copies of *Information for Bond Counsel*, and two copies each of Forms CFA-308, 309 and 310 if applicable, will be sent to the borrower.

The Legal Division is responsible for the Regional Office operations with respect to bond proceedings. On matters relating solely to bond



proceedings the Legal Division may contact the borrower and its bond counsel directly, but the Assistant to the Regional Director should be advised of each contact by copies of letters or otherwise. Copies of correspondence between the Legal Division and bond counsel normally will be furnished to the borrower, but the Legal Division may make exceptions when it deems such action advisable.

#### **APPROVAL OF BOND COUNSEL**

The letter to the borrower approving bond counsel should be signed by the Regional Director; however, the Regional Director will not approve any bond counsel not acceptable to the Regional Council.

Where the borrower wishes to use a bond counsel who has previously rendered opinions in connection with HHFA programs, and with whom the Agency has had satisfactory experience, the Regional Office may approve the bond counsel without further review.

If a borrower proposes a bond counsel to whom a warning of disapproval was given because of unsatisfactory performance on a previous case (see Section 21-3-2), the Regional Council will review the matter to determine whether there are grounds for believing that bond counsel's performance would improve to a point warranting re-approval. Unless it appears reasonable to anticipate such improvement, the matter will be referred to the Chief Counsel, CFA, who will advise the Regional Council and Regional Director on the withholding of the approval.

If the borrower wishes to use a bond counsel with whom HHFA has had no previous experience, the proposed bond counsel must furnish a letter outlining the experience of the firm or individual in connection with the issuance of bonds, and containing a list of the issues on which the counsel has issued approving opinions, with the names of the purchasers and the amounts thereof. This information will be submitted to the Chief Counsel, CFA, with the recommendation of the Regional Office for approval or disapproval.

If the proposed bond counsel has not previously issued approving opinions in connection with any bond issues, the borrower should usually be requested to select another bond counsel. However, if upon review it appears to the Regional Office that the extent and duration of the experience of the proposed bond counsel in the financing of public or private construction projects would justify approval, the Regional Office should submit its recommendation to the Chief Counsel, CFA, for decision. The recommendation should be accompanied by letters from investment dealers, banks, and insurance companies to the effect that they would accept counsel's approving opinion on bond issues.

#### **APPROVAL OF TRUSTEE, PAYING AGENTS, AND DEPOSITORY BANKS**

The Regional Director should determine that the proposed trustee is authorized to act as a trustee and is currently performing such functions. Trustee fees and charges are subject to approval by the Regional

Office, upon a determination that the specified compensation is reasonable and is substantially in line with the fees and charges being paid for similar functions.

Approval of proposed paying agents and depository banks requires merely evidence that the institution meets the required criteria. The Regional Office should determine that an alternate New York paying agent has been named when required, and that proposed arrangements provide for the use of any paying agents or custodians required by law.

## Section 2. Bond Transcript Proceedings

### BOND TRANSCRIPT DOCUMENTS

Preparation of the bond transcript documents is the responsibility of the borrower acting in concert with its bond counsel. Ordinarily the bond transcript will include, but is not necessarily limited to, the following documents:

- (1) Complete Charter or Articles of Incorporation of the borrower, certified by the appropriate public official.
- (2) Complete copy of the borrower's by-laws, certified by the Secretary of the borrower.
- (3) General Incumbency Certificate showing the membership of the borrower's governing body during the period when bond proceedings were taken and the current membership, the names of all such members, the dates of the beginning and ending of their terms of office; and similar information respecting the current officers of the borrower.
- (4) Certified excerpts from the minutes of all meetings of the borrower's governing body at which action was taken in connection with the authorization and issuance of the bonds. These excerpts should indicate the date and time of the meeting; whether it was a regular meeting properly called, or a special meeting with proper notice and acceptance; the names of the members present and absent; and the actual vote on all matters pertaining to the authorization and issuance of the bonds.
- (5) Certified copies of documents evidencing that the borrower has complied fully with all the statutory requirements incident to the calling and holding of a favorable bond election, if such an election is necessary in connection with bond issuance.
- (6) Certified copies of the resolutions or ordinances acted upon at such meetings, covering the type of actions included in (4) and (5) above, such as the bond authorizing resolution or ordinance, and the parietal rule and rate resolution if applicable.
- (7) Certified copy of the form of trust indenture, as approved by the borrower's governing body.
- (8) Fully executed copy of the trust indenture, as recorded.
- (9) Affidavit of publication of Notice of Sale.
- (10) Abstract or certificate of title, or title insurance. In the case of public borrowers, a title opinion by a local attorney whose title opinions are generally acceptable by local lending institutions. Title evidence must be brought down to closing date.
- (11) Certified survey map.

- (12) Certificate of the architect or engineer that project facilities are wholly within the boundaries of the project site as described in the title evidence.
- (13) Specimen bond, including appurtenant coupons, if any.
- (14) Attorney's no-litigation certificate.
- (15) The customary closing documents, including:
  - (a) Signature and no-litigation certificate, which should also include a statement covering any change, or absence of a change, in the Charter and By-laws since the date of the prior certification.
  - (b) Financial certificate showing no adverse change in the borrower's financial condition since approval of the loan.
  - (c) Certificate of delivery and payment.
  - (d) Signature certificate with respect to the officer of the Trustee who authenticated the bonds.
  - (e) Receipt for bonds.
  - (f) Evidence of Federal Documentary Tax Stamps purchase and cancellation.
  - (g) Registration Certificate, if registered bond is to be delivered.
  - (h) Evidence of destruction of matured coupons, or legend on registered bond.
- (16) Final approving opinion of bond counsel.  
The final approving opinion must include a provision that the bonds and the bond transcript documents comply with the provisions of the Loan Agreement between the borrower and the Government.

#### REVIEW OF BOND TRANSCRIPT DOCUMENTS

The Regional Office will review preliminary draft bond transcript documents only when the Regional Counsel determines that such action is necessary because of:

- (1) Bond counsel's inexperience with the type of bond being issued, or with CFA's requirements, or
- (2) Prior unsatisfactory experience with bond counsel not sufficient to justify requesting the borrower to select another.

In certain other instances, the complexity of the bond issue may require that the Legal Branch consult with the bond counsel on those aspects of bond preparation which present special problems.<sup>1</sup>

When it is determined that bond transcript documents are to be reviewed in preliminary draft, bond counsel will be instructed to submit the documents in draft form, in duplicate, for Regional Office review and approval. After review and approval by the Legal Branch, with any necessary changes, the documents will be routed to the Finance Staff for clearance and return. One copy of each draft document, bearing the changes made by the Legal Branch and the Finance Staff,

<sup>1</sup> Until further instructions are received, Regional Office review of bond transcript documents under the PFL Program will be continued.

will be returned to the bond counsel. The other draft copy, similarly marked, shall be placed in the temporary bond transcript folder.

For all other bond issues, not later than 30 days prior to the date of the first publication of the bond advertisement by the borrower, the Regional Office shall obtain from the borrower advance copies of final drafts of the trust indenture or bond resolution, the rate resolution, parietal rules resolution and any other financially significant documents such as a lease where the loan is to be secured by a lease rental arrangement. These documents shall be reviewed by the Finance Branch to ascertain whether they are in accord with the approved Loan Agreement. Where legal questions arise, the advice of the Legal Division shall be obtained. The Regional Office shall advise the borrower of any provisions that are not in accord with the approved Loan Agreement.

#### **Sample Bond**

As a part of the draft transcript documents, bond counsel will be expected to submit a sample bond, together with the proposed text for the bond, and coupons if applicable. The sample bond must conform to the minimum bond specifications as shown in *Information for Bond Counsel*, Part 1, and must be accompanied by a letter from the bond printer or engraver stating that the sample bond conforms to such minimum specifications and certifying that the bond or bonds to be prepared for purchase will be the same as the sample bond. The sample bond may be the cancelled or specimen bond of another issue. The proposed text, to be submitted with the sample bond, must conform to the terms and conditions of the loan agreement, be consistent with the language of the trust indenture, bond resolution, or ordinance, and should be in accord with standard financial practice.

When all the draft bond transcript documents have been approved, the bond counsel shall be notified to proceed to draw up the documents in final form.

The Regional Office should make every effort to secure acceptance and use of the standard trust indenture by private borrowers under the College Housing Program.

#### **Unsatisfactory Performance by Bond Counsel**

In any instance where the Regional Council concludes that the unsatisfactory performance of a bond counsel warrants the withholding of approval of that counsel on future cases, a warning should be sent to the bond counsel indicating that re-approval will be withheld unless substantial improvement is shown.

#### **Submission of Final Bond Transcript Documents**

Bond counsel shall be instructed to submit two sets of final bond transcript documents, including drafts of the closing documents, to the Regional Office at least five working days before the scheduled bond closing date. If the draft transcript has been reviewed by the Regional

Office, the final transcript shall be examined to insure that the corrections made by the Legal Division or the Finance Branch have been included. Otherwise, the Regional Office is not to review the transcript documents except to ascertain whether all of the required documents are included, but is to rely on the approving opinion of bond counsel.

The Regional Counsel shall then complete either *Statement of Regional Counsel*, Form CFA-312 (Exhibit A), based upon his review of the final approving opinion of bond counsel, or a legal opinion, such as shown in Exhibit B, if the draft transcript documents have been reviewed by the Regional Office.

#### **SUBMISSION TO CFA**

A complete set of final bond transcript documents, appropriately bound and indexed, together with a copy of Form CFA-312, or the Regional Counsel's opinion, shall be forwarded to CFA within 60 days after the loan closing.

#### **MINIMUM BOND SPECIFICATIONS**

Minimum requirements for coupon bonds or single bond to be submitted by the borrower are detailed in *Information for Bond Counsel*, Form CFA-311, Part 1. If the borrower desires a higher degree of protection against counterfeiting, forgery, or alteration, additional precautions may be taken.

#### **Specimen Bonds**

The borrower is required to submit two copies of a specimen bond with the bond transcript, plus an extra specimen bond for each issue. This extra specimen bond shall be forwarded by the Regional Office, after loan closing, to the Federal Reserve Bank of Richmond for each issue to be held by the local Federal Reserve Bank or Branch.

#### **Single Bond**

To effect savings with respect to transportation, storage, insurance and collection costs, CFA prefers a single fully-registered bond for the amount of the Government loan in lieu of negotiable coupon bonds of \$1,000 denomination. If a single bond is to be used for a loan involving two rates of interest, only one bond shall be issued, with appropriate modification and notations to reflect the respective interest rates and bond maturities.

If prior to the printing of the single bond there is a clear indication of a project development cost overrun and the Government loan is to be reduced, arrangements should be made to have the bond reflect the reduced amount of the loan by including a recital to that effect; that is, that the bond represents so much of a larger total authorized issue.

will be returned to the bond counsel. The other draft copy, similarly marked, shall be placed in the temporary bond transcript folder.

For all other bond issues, not later than 30 days prior to the date of the first publication of the bond advertisement by the borrower, the Regional Office shall obtain from the borrower advance copies of final drafts of the trust indenture or bond resolution, the rate resolution, parietal rules resolution and any other financially significant documents such as a lease where the loan is to be secured by a lease rental arrangement. These documents shall be reviewed by the Finance Branch to ascertain whether they are in accord with the approved Loan Agreement. Where legal questions arise, the advice of the Legal Division shall be obtained. The Regional Office shall advise the borrower of any provisions that are not in accord with the approved Loan Agreement.

#### **Sample Bond**

As a part of the draft transcript documents, bond counsel will be expected to submit a sample bond, together with the proposed text for the bond, and coupons if applicable. The sample bond must conform to the minimum bond specifications as shown in *Information for Bond Counsel*, Part 1, and must be accompanied by a letter from the bond printer or engraver stating that the sample bond conforms to such minimum specifications and certifying that the bond or bonds to be prepared for purchase will be the same as the sample bond. The sample bond may be the cancelled or specimen bond of another issue. The proposed text, to be submitted with the sample bond, must conform to the terms and conditions of the loan agreement, be consistent with the language of the trust indenture, bond resolution, or ordinance, and should be in accord with standard financial practice.

When all the draft bond transcript documents have been approved, the bond counsel shall be notified to proceed to draw up the documents in final form.

The Regional Office should make every effort to secure acceptance and use of the standard trust indenture by private borrowers under the College Housing Program.

#### **Unsatisfactory Performance by Bond Counsel**

In any instance where the Regional Counsel concludes that the unsatisfactory performance of a bond counsel warrants the withholding of approval of that counsel on future cases, a warning should be sent to the bond counsel indicating that re-approval will be withheld unless substantial improvement is shown.

#### **Submission of Final Bond Transcript Documents**

Bond counsel shall be instructed to submit two sets of final bond transcript documents, including drafts of the closing documents, to the Regional Office at least five working days before the scheduled bond closing date. If the draft transcript has been reviewed by the Regional

Office, the final transcript shall be examined to insure that the corrections made by the Legal Division or the Finance Branch have been included. Otherwise, the Regional Office is not to review the transcript documents except to ascertain whether all of the required documents are included, but is to rely on the approving opinion of bond counsel.

The Regional Counsel shall then complete either *Statement of Regional Counsel*, Form CFA-312 (Exhibit A), based upon his review of the final approving opinion of bond counsel, or a legal opinion, such as shown in Exhibit B, if the draft transcript documents have been reviewed by the Regional Office.

#### **SUBMISSION TO CFA**

A complete set of final bond transcript documents, appropriately bound and indexed, together with a copy of Form CFA-312, or the Regional Counsel's opinion, shall be forwarded to CFA within 60 days after the loan closing.

#### **MINIMUM BOND SPECIFICATIONS**

Minimum requirements for coupon bonds or single bond to be submitted by the borrower are detailed in *Information for Bond Counsel*, Form CFA-311, Part 1. If the borrower desires a higher degree of protection against counterfeiting, forgery, or alteration, additional precautions may be taken.

#### **Specimen Bonds**

The borrower is required to submit two copies of a specimen bond with the bond transcript, plus an extra specimen bond for each issue. This extra specimen bond shall be forwarded by the Regional Office, after loan closing, to the Federal Reserve Bank of Richmond for each issue to be held by the local Federal Reserve Bank or Branch.

#### **Single Bond**

To effect savings with respect to transportation, storage, insurance and collection costs, CFA prefers a single fully-registered bond for the amount of the Government loan in lieu of negotiable coupon bonds of \$1,000 denomination. If a single bond is to be used for a loan involving two rates of interest, only one bond shall be issued, with appropriate modification and notations to reflect the respective interest rates and bond maturities.

If prior to the printing of the single bond there is a clear indication of a project development cost underrun and the Government loan is to be reduced, arrangements should be made to have the bond reflect the reduced amount of the loan by including a recital to that effect; that is, that the bond represents so much of a larger total authorized issue.



Where the loan reduction is relatively small, it should usually be applied against the amounts due in the last years of maturity.

**Bond Execution**

The bonds must be executed in accordance with the applicable laws of the State in which the borrower is located, and by the officers who are required by law or properly designated to execute the bonds.

EXHIBIT A

<p>HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION</p> <p>STATEMENT OF REGIONAL COUNSEL CONCERNING APPROVING OPINION OF BOND COUNSEL</p>		<p>CFA-312 (7-60)</p> <p>PROJECT NO. _____</p>
Name of Borrower		
Name of Bond Counsel		
<p>I have reviewed the final approving opinion of bond counsel and find it satisfactory. The opinion asserts that the bonds are legal, valid, and binding obligations of the Borrower, and that they are secured in the manner contemplated by, and conform with the pertinent provisions of the applicable Loan Agreement.</p>		
<p>_____</p> <p><i>Date</i></p>		<p>_____</p> <p><i>Regional Counsel</i></p>

7/1/60

## EXHIBIT B

SAMPLE OPINION OF REGIONAL COUNSEL ON PROPOSED  
BOND ISSUE AND BOND TRANSCRIPT

(Name of Borrower)

(Location)

(Project No.)

I have examined the transcript of proceedings of Whiteacre College, a private nonprofit educational institution of higher learning, organized under the laws of the State of Indiana, relating to the authorization and issuance of its General Obligation Dormitory Bonds of 1959 in the aggregate amount of \$1,000,000, the Constitution and applicable laws of Indiana relating to nonprofit corporations, and the articles of association and the by-laws of such corporation.

Based on the above-mentioned examination and the data contained in the attached bond transcript, I am of the opinion that said bonds constitute legal, valid and binding general obligations of Whiteacre College and that said bonds comply with the provisions therefor contained in the Loan Agreement between such College and this Agency dated as of June 1, 1959. Said College has filed in support of the transcript of bond proceedings, legal opinions by Mr. John B. Smith, Attorney-at-Law, Whiteacre, Indiana, concerning the title to the project site and an Abstract of Title covering said property. Based upon said opinions, the Abstract of Title and the Indenture of Trust between Whiteacre College and the Gary National Bank, dated as of October 1, 1959, I am of the opinion that the aforesaid bonds are also secured, in part, by a first mortgage on the project and its site, etc.

---

Regional Counsel

Attachment

May 1, 1960

### Section 3. Bond Advertisement and Government Bid

#### ADVERTISEMENT OF BOND ISSUES

Each borrower shall be required to advertise its bonds for public sale as specified in the Loan Agreement. The bonds shall be advertised by at least one insertion in a financial newspaper of national circulation, such as *The Bond Buyer*. However, if the total bonds to be issued for a project are less than \$100,000, the Regional Office may waive the requirement for advertisement in a national publication provided that the borrower will advertise the bonds in a publication that actually has State-wide circulation.

In the case of loan consolidation, and consequent refunding of loans already held by HHFA, the refunding bonds of public institutions also shall be advertised for sale.

To minimize the cost of the required advertisement, it need not be larger than one-half column of the two-column advertising page of *The Bond Buyer*, or equivalent.

The notice of sale shall contain the salient facts concerning the bond issue, as specified in *Information for Bond Counsel*, Part 2. The date on which bids are to be opened must be at least 15 days from the date of the last publication of the notice of sale.

The borrower is also required to prepare an Official Notice of Sale, and a Statement of Essential Facts, as detailed in *Information for Bond Counsel*, Part 2, to be furnished upon request to any prospective bidder.

The Regional Office shall instruct the borrower to furnish four copies of the bond advertisement at least 15 days prior to first publication of the advertisement. For borrowers under the Public Facility Loans Program and for public institution borrowers under the College Housing Program, where the loan amount is \$250,000 or more, the Regional Office shall instruct the borrower to furnish also four copies of the Official Notice of Sale and Statement of Essential Facts.

Not later than three weeks prior to the date of sale, the Regional Office shall submit to CFA in duplicate Form CFA-307, *Notice of Intention to Submit Bond Bid* (Exhibit A).

#### SUBMISSION OF GOVERNMENT BID

Following receipt of the notice of sale and related documents, the Legal Division shall prepare, for the signature of the Regional Director, the Government's bid for the bonds (see Exhibit B). As indicated on Page 2 of Exhibit B, the borrower is to advise the Regional Office of the result of the bid opening.

#### RATING OF BONDS

As a means of improving the marketability of public agency or public institution bonds, particularly the blocks of earlier maturities, the

Community Facilities Administration has arranged with the major municipal bond rating organizations to have them rate certain bond issues developed under the CFA loan programs. To accommodate the information requirements of the rating services CFA has agreed to furnish the following data to each of the organizations about one week prior to the initial notice of sale advertisement: (a) the Official Notice of Sale detailing the material summarized in the bond advertisement; (b) the Statement of Essential Facts; and (c) certain summary data derived from the project summary.

Accordingly, for borrowers under the Public Facility Loans Program and for public institution borrowers under the College Housing Loan Program, where the loan amount is \$250,000 or more, three copies of the Official Notice of Sale and of the Statement of Essential Facts shall be transmitted by the Regional Office to CFA at the time Form CFA-307 is submitted. One copy of each shall be placed in the project file.

Ordinarily it is the responsibility of a borrower to furnish the official notice of sale and a statement of essential facts to the major bond rating organizations. However, owing to the absence of such transmittals in the past and in view of the Agency's objective of encouraging greater private participation, CFA has agreed to serve as the transmittal agent for these materials. It is intended that eventually the information will be sent by borrowers directly to the bond rating organizations.

The Regional Office should make it clear that CFA is acting only as a transmitting agent and that any ratings assigned by these organizations will be an indication of the credit evaluation accorded by such organization. Any objections to the transmittal of this data for rating shall be submitted by the borrower in writing and supported by substantial reasons therefor. The Regional Office shall advise CFA of the borrower's objections and supporting reasons and shall provide its recommendations with respect thereto when forwarding the material. If CFA concurs in the objection, no transmittal will be made to the rating services.

#### **DETERMINING LOWEST PRIVATE BIDDER**

It is the policy of the Community Facilities Administration, subject to the blocks of bonds requirement, to maximize private participation in bond issues, subject to purchase by the Housing and Home Finance Agency. Accordingly, borrowers under the CFA loan programs shall be required to accord preference for bids for an entire bond issue over bids for individual or combined blocks, and to accord preference to bids for combined blocks of bonds over bids for individual blocks.

In calculating net interest cost of the respective non-Government bids, the borrower shall be required to exclude the bid submitted by the Housing and Home Finance Agency. In effect, the HHFA bid will apply only to those bonds of an issue for which bids are not received by the borrower from other purchasers on the terms stipulated in the notice of sale.

EXHIBIT A

CFA-307  
(7-62)

HOUSING AND HOME FINANCE AGENCY  
COMMUNITY FACILITIES ADMINISTRATION

NOTICE OF INTENTION TO SUBMIT BOND BID

TO: Community Facilities Commissioner  
FROM:  
SUBJECT:

Notice has been received from subject borrower that it intends to place an advertisement in \_\_\_\_\_ soliciting bids to be opened on \_\_\_\_\_ for \$ \_\_\_\_\_ of bonds for subject project.

I propose to make a bid for these bonds.

\_\_\_\_\_  
Regional Director of Community Facilities

Previous Editions Obsolete

EXHIBIT B

SAMPLE BOND BID LETTER



HOUSING AND HOME FINANCE AGENCY

OFFICE OF THE REGIONAL ADMINISTRATOR

Region X  
Room 206, Post Office Building  
St. Louis 10, Missouri

Project No. \_\_\_\_\_  
Borrower \_\_\_\_\_  
\_\_\_\_\_  
Location \_\_\_\_\_  
\_\_\_\_\_

To: \_\_\_\_\_  
\_\_\_\_\_

Reference is made to the \$365,000 Explorer College, Shreveport, Louisiana, Dormitory Bonds, Series 1960, advertised for sale in The Bond Buyer.

The Government hereby bids par plus accrued interest at the rate of three and one-eighth per centum (3-1/8%) per annum, for the entire issue, or for any block or combination of blocks of the Bonds as advertised.

The bid is submitted subject to the provisions of the Loan Agreement, dated November 1, 1959, between the College and the Government, and in particular to the provision of Section 3 thereof.

This the \_\_\_\_\_ day of \_\_\_\_\_, 1960.

Housing and Home Finance Agency  
Community Facilities Administration

By \_\_\_\_\_  
Regional Director of Community  
Facilities Activities

EXHIBIT B (Page 2)

HOUSING AND HOME FINANCE AGENCY  
Office of the Regional Administrator  
Region X  
Room 206, Post Office Building  
St. Louis 10, Missouri

Project No. \_\_\_\_\_  
Borrower \_\_\_\_\_  
\_\_\_\_\_  
Location \_\_\_\_\_  
\_\_\_\_\_

To: \_\_\_\_\_  
\_\_\_\_\_

Enclosed is the Government's bid for the Bonds to be issued to finance the above identified project.

Please advise us of the results of the bid opening as soon as possible by completing the section at the bottom of this letter and returning it to this office.

Housing and Home Finance Agency  
Community Facilities Administration

By \_\_\_\_\_  
Regional Director of Community  
Facilities

-----  
To: Regional Office  
Housing and Home Finance Agency      Project No. \_\_\_\_\_

The following bids on the bonds above mentioned were received and bonds were awarded as follows:

<u>Name of Bidder</u>	<u>Amount</u> <u>\$000</u>	<u>Rate of</u> <u>Interest</u>	<u>Premium</u>	<u>Maturities of</u> <u>Bonds Awarded</u>	<u>Net Int.</u> <u>Cost</u>
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\_\_\_\_\_  
Date

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

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



## Section 4. Loan Closing Procedures

Upon award of all or part of a bond issue to the Government, and consistent with the policy on interim financing (see Sections 2-1-1, 4-1, and 21-2-1), the borrower may request the Regional Office to accept delivery of the bonds and make payment. However, no loan closing will occur within 15 days prior to any interest payment date of the bonds in order to accommodate operations of the Federal Reserve Bank of Richmond. The Regional Office will advise the borrower if the date suggested is acceptable or will suggest an alternate date. Efforts should be made to schedule a loan closing as soon as possible after the most recent interest payment date in order to reduce the amount of accrued interest to be purchased at the time of closing.

The Regional Office will request the borrower (a) to prepare the bonds or single bond as the case may be, prior to the time of delivery but, if feasible in those instances where definitive coupon bonds are being issued, to withhold signature by one official so that the bonds will not be negotiable prior to the purchase, (b) to deliver any coupon bonds to a mutually convenient location on a day specified by the Regional Director before the scheduled closing date, and (c) to submit, at the time it delivers the bonds or bond, if not already submitted, a *Requisition for Bond Purchase or Advance*, Form CFA-300, together with supporting documents. (See Section 21-2-3.)

### REVIEW OF BONDS

Upon delivery of the bonds, representatives of the Legal Branch and the Finance Staff will examine them for printing defects, signatures and seals, date of bonds, and maturing dates and interest coupons for coupon bonds. If issued by private corporations, the bonds or the indenture should bear evidence of Federal Documentary Tax Stamps, the cost of which can be considered a part of project cost.

The Regional Office should also prepare the Collection Agreement at this time, if it has not been previously prepared, for execution by the Trustee or Principal Paying Agent.

### NOTICE TO CFA AND FEDERAL RESERVE BANK

When coupon bonds are being purchased, the Regional Office will advise CFA, not later than 15 days prior to the scheduled date of loan closing, of the approximate date when the bonds will be taken up, and the Federal Reserve Bank or Branch to which they will be delivered. CFA will advise the Federal Reserve Bank of Richmond in advance of delivery. The Federal Reserve Bank of Richmond will, in turn, request the Federal Reserve Bank or Branch concerned to accept delivery

of the bonds and as appropriate to either hold them in custody or forward them to the Federal Reserve Bank of Richmond.

#### **LOAN CLOSING—COUPON BONDS**

Unless arrangements have been made for a mail closing, appropriate members of the Regional Office staff will meet with representatives of the borrower, and its bond counsel and trustee if feasible, at a mutually convenient location, normally either the Regional Office or the local Federal Reserve Bank. All documents should be fully executed at this point by those authorized to do so. The bonds will then be delivered to the local Federal Reserve Bank and a receipt obtained, and the Government's check delivered to the representative of the borrower and a receipt obtained.

Subsequent bonds of an issue already held in part by the Federal Reserve Bank of Richmond will be forwarded to that bank by the local Federal Reserve Bank. All other coupon bond issues will be held by the local Federal Reserve Bank as Custodian-Agent for the Federal Reserve Bank of Richmond.

At the time of loan closing, the Regional Office will forward to the Federal Reserve Bank of Richmond a specimen bond of each issue which will be held by the local Federal Reserve Bank.

#### **LOAN CLOSING—SINGLE BOND**

Ordinarily loan closings for single bonds will be handled by mail. When this is not feasible, the loan closing will be held in the Regional Office. Upon receipt of the single registered bond, and its acceptance by the Regional Office, the bond will be transmitted via registered mail, return receipt requested to the:

Federal Reserve Bank of Richmond  
Richmond, Virginia  
Attention: Mr. John G. Deitrick  
Assistant Vice President

Since the bond is not negotiable by delivery alone, insurance is not required. A copy of the Certificate of Delivery and Payment should be included to indicate the amount and dates of purchased interest, if any.

#### **Endorsement of Interest**

When a loan closing occurs more than six months after the date of the single bond, it is necessary to relieve the borrower of the interest liability stated in the bond for the period from the bond date to the interest payment date immediately preceding the loan closing date. In such instances, on or before the closing date, the Trustee or Paying Agent should endorse in the payment record on the bond a statement to the effect that the borrower is not liable for interest for the period from the bond date to the interest payment date immediately preceding

the loan closing date. Appropriate evidence of such endorsement shall be furnished the borrower.

#### **Decrease in Amount of Bonds Purchased**

If after the printing of the single bond, but prior to loan closing, there is a clear indication of a project development cost underrun, the Regional Office shall make payment to the borrower in a sum equal to the face amount of the bond plus accrued interest and shall arrange for a simultaneous refund by the borrower in a sum equal to the amount of the installments of principal to be retired, plus accrued interest thereon, through application of the funds representing the indicated cost underrun. As of the date of the refund, the Regional Office shall issue Form CFA-105, *Revised Project Summary*, to approve and record the reduction. The loan reduction normally will be made by decreasing the amount otherwise due in the last years of maturity. The borrower's check shall be sent to the Regional Administrative Division for deposit prior to loan closing, to approve and record the reduction.

At the loan closing, the Regional Director shall cause an endorsement to be made on the bond payment record to reflect payment of the amount of the installment so paid and shall send notice of such action to the Trustee, the FRB, and CFA.

#### **COLLECTION AGREEMENT**

All payments of principal and interest on bond issues, whether held by the Federal Reserve Bank of Richmond or any other Federal Reserve Bank, shall be made to the Federal Reserve Bank of Richmond as Fiscal Agent for the Housing and Home Finance Agency.

The Federal Reserve Bank of Richmond has devised a standard method for collection of interest and principal payments and return of the canceled bonds and coupons. This method is indicated in the collection agreement shown in Exhibit A.

The collection agreement shall be prepared by the Regional Office and included with the other documents to be signed at the time of the bond closing. If the agreement can be signed by the trustee at this time, it shall accompany the bonds when they are delivered to the Federal Reserve Bank or Branch; otherwise, after signature by the trustee, the agreement shall be mailed directly to the Federal Reserve Bank of Richmond.

It shall be pointed out to the borrower that its trustee is not required to accept this method, but that it is one which is preferred by the Federal Reserve Bank and by this Agency, as it will avoid the expense entailed in shipping negotiable bonds and coupons. The trustee is at liberty to work out other arrangements with the Federal Reserve Bank, if for any reason the suggested method is not satisfactory.

A collection agreement shall not be required where a single bond is issued, unless requested by the trustee. In lieu of such an agreement the Regional Office shall notify the trustee or other paying agent to

make payment to the Federal Reserve Bank of Richmond, Fiscal Agent for the Housing and Home Finance Agency, following receipt of billings. Upon receipt of payment the Federal Reserve Bank will endorse the bond to reflect the payment and issue its receipt to the Trustee or other paying agent.

A copy of the letter to the Federal Reserve Bank of Richmond transmitting the single bond, and a copy of the letter to the Trustee or other paying agent relative to the procedure for payment of principal and interest, will be forwarded to CFA.

#### **RESPONSIBILITIES OF BORROWER AND TRUSTEE UNDER INDENTURE**

At the time of loan closing the Regional Office will, if it has not already done so, explain to the representatives of the borrower and of the Trustee their respective responsibilities under the Trust Indenture. This explanation should cover, among other things, establishment of required accounts, insurance coverage, maintenance of required funds, and preparation and delivery of audit reports and other financial statements.

This action should normally be closely coordinated with the initial loan servicing activities as specified in Part 23.

The Trustee, or paying agent, should be advised in writing that the Government, so long as it is the holder of the bonds, waives the non-callable provisions, publication of notice, and payment of premiums. See sample letters in Exhibits B and C.

#### **MONTHLY REPORT OF BOND AWARDS MADE**

The College Housing and Public Facilities Operations Branches shall prepare a monthly listing of bond awards on Form CFA-321, *Bond Awards Subject to HHPA Loan Commitment* (see Exhibit D). One copy of the report shall be submitted to CFA (attention: Director of Finance) by the seventh day of the month following the month reported on.

EXHIBIT A

COLLECTION AGREEMENT

(Name of Borrower)

Date \_\_\_\_\_

Federal Reserve Bank of Richmond  
Richmond, Virginia

Gentlemen:

It is our understanding that you have been designated as  
Custodian and Fiscal Agent for \$ \_\_\_\_\_ par value  
(Name of Bonds) Bonds of 19\_\_\_\_, dated \_\_\_\_\_,  
which bonds are being sold to the Housing and Home Finance Agency  
of the Federal Government.

You are requested, whenever any of the bonds or coupons matures,  
instead of sending them for collection to the paying agent named in  
the bonds, to hold these bonds and coupons and send formal notice of  
the approaching maturity and amount due to the undersigned.

In payment of these bonds and coupons we will place in your  
hands par funds, made available to us by the Borrower, which will be  
available to you as cash on or before the maturity of the bond or  
coupons. Any check which we may send to you may be presented or for-  
warded at our risk under the existing check collection regulations of  
the Federal Reserve Banks. When the funds are available to you,  
please forward the cancelled coupons and bonds to (To be filled in  
by Trustee).

It is understood that this plan of collection is to remain in  
effect so long as any of the said bonds or coupons are held by the  
Federal Reserve Bank of Richmond as Fiscal Agent and Custodian  
thereof.

Sincerely yours,

TRUSTEE-PAYING AGENT FOR \_\_\_\_\_  
(Name of Borrower)

(Name of Bonds) \_\_\_\_\_ Bonds of

19\_\_\_\_

(Name of Bank or Trust Company)

By \_\_\_\_\_

\_\_\_\_\_ Title

## EXHIBIT B

SAMPLE LETTER TO TRUSTEE OR  
PAYING AGENT, COLLEGE HOUSING BONDSHOUSING AND HOME FINANCE AGENCY  
OFFICE OF THE REGIONAL ADMINISTRATORRegion X  
Room 206, Post Office Building  
St. Louis 10, Missouri

Date \_\_\_\_\_

Re: Explorer College Dormitory Bonds, Series of 1960  
Principal Amount \$365,000

Gentlemen:

The Government has recently purchased (the entire issue of the above bonds) (the following maturities of the above bonds) (the above bond) which designate you as Trustee (or Paying Agent).

You are notified that the Government hereby waives, so long as (any of the bonds) (the bond) remain in its possession, the non-callable provisions, publication of notice, and premiums for call that may be applicable thereto. Subject to a minimum redemption of \$5,000 at any one time, bonds may be redeemed (principal payments in multiples of \$1,000 may be made on the bond) in inverse numerical (chronological) order on the first day of any month, provided this office is advised at least 20 days prior to proposed date of redemption.

Redemption of these bonds is (prepayments of principal installments are) to be effected in the same manner as that contemplated for the payment of regularly maturing principal and interest amounts.

Sincerely yours,

Regional Director of Community  
Facilities Activities

7/1/60

EXHIBIT C

SAMPLE LETTER TO TRUSTEE OR PAYING  
AGENT, PUBLIC FACILITY LOANS BONDS



HOUSING AND HOME FINANCE AGENCY

OFFICE OF THE REGIONAL ADMINISTRATOR

Region X  
Room 206, Post Office Building  
St. Louis 10, Missouri

Date \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Re:

Gentlemen:

The Government has recently purchased the entire issue of the subject bonds, which designate you as either Paying Agent or Trustee.

You are notified that the Government hereby waives, so long as any of these bonds remain in its possession, the non-callable provisions, publication of notice and premiums for call that may be applicable thereto. Subject to a minimum of \$1,000 at any one time, bonds in any amount may be redeemed in inverse numerical order on the first day of any month, provided this office is advised at least 20 days prior to proposed date of redemption.

Redemption of these bonds is to be effected in the same manner as that contemplated for the payment of regularly maturing interest and principal amounts.

Sincerely yours,

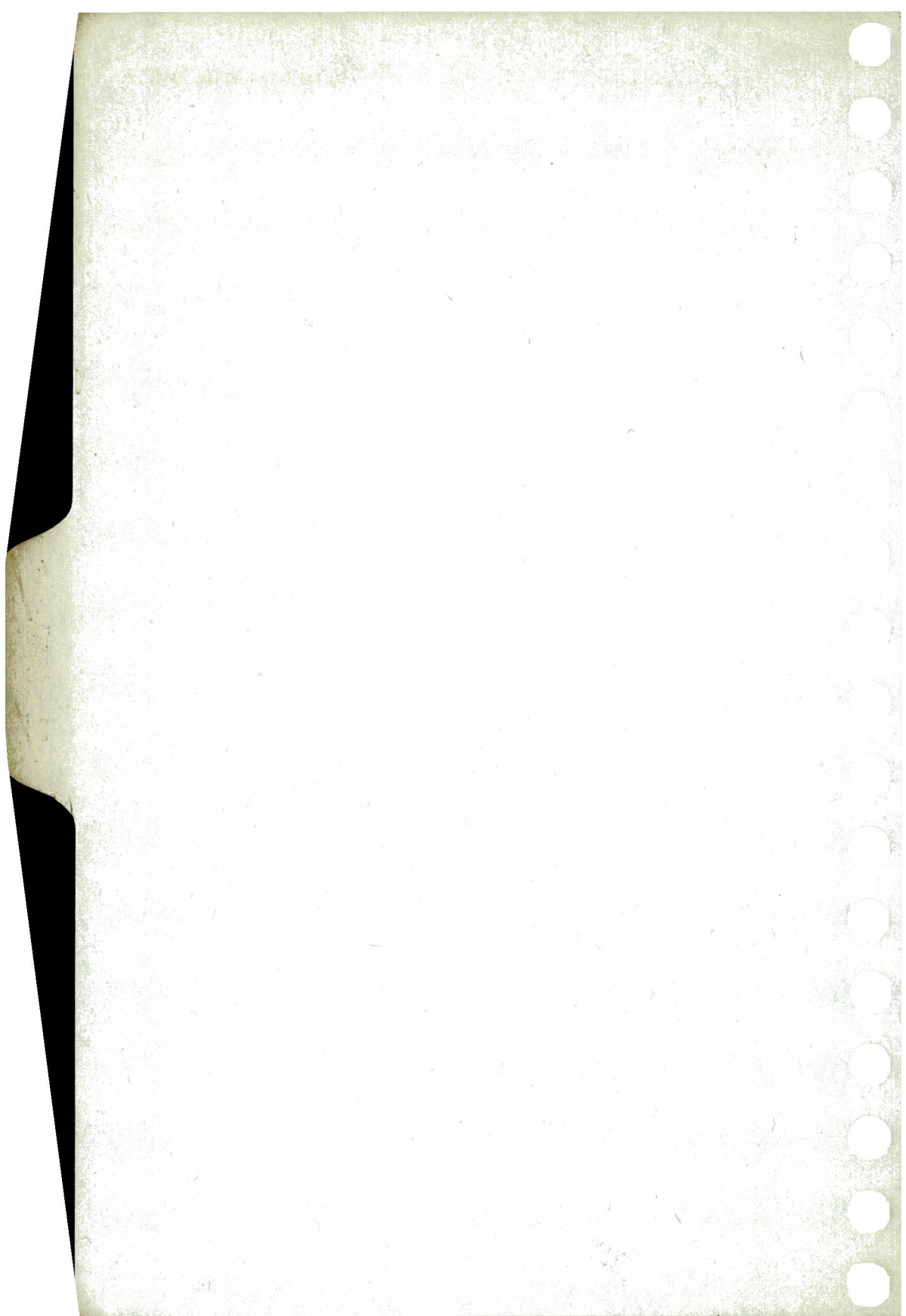
Regional Director of Community  
Facilities Activities

7/1/60





22. PROJECT  
COMPLETION



## CHAPTER 1. COMPLETION PROCEDURES

This chapter prescribes procedures for the completion and closeout of non-Federal construction projects.<sup>1</sup> Completion procedures when all of the bonds are sold to private investors are given in Chapter 22-2.

### FINAL INSPECTION OF PROJECT

Final inspection refers to the joint formal inspection of the completed project by representatives of the owner, architect/engineer, contractor, and Regional Office, not to the last periodic visit by the Field Engineer or to any subsequent inspection to check on completion of punch-list items.

When the Field Engineer finds that the project is substantially complete, he shall request the owner, architect/engineer, and contractor to arrange a final inspection as soon as feasible. Normally, the Field Engineer will be the Regional Office representative at the final inspection.

Final inspections typically disclose minor matters requiring action by contractors similar to the problems the owner will have to handle during the life of the project in the course of maintenance and repair. Accordingly, completion of action on such items should be left to the owner and its architect/engineer, unless for some other reason it will be necessary to conduct another inspection. The Field Engineer shall determine whether to require another inspection, or to obtain a statement by the owner acknowledging completion of action.

The Field Engineer shall also, in a letter to the owner: (1) advise that action to complete or correct punch-list items will be the owner's responsibility; and (2) request that the owner advise him of completion of action by the contractor. Where necessary, the letter shall advise that another inspection must be made. In each case, the letter shall state that the work should be completed within a specified number of days and that the audit of the project will be scheduled accordingly.

The results of the inspection shall be reported immediately on Form CFA-200, *Periodic Inspection Report*, as follows:

- (1) If no subsequent inspection is needed, Form CFA-200 shall include:
  - (a) Date the final inspection was made.
  - (b) Date the project was substantially complete.
  - (c) Date use of the project began or will begin.
  - (d) Other data of significance, including any reasons for which the Field Engineer recommends that a project audit should not yet be requested.
  - (e) A copy of the Field Engineer's letter to the applicant.

---

<sup>1</sup> Completion procedures for the Non-Federal School Construction Program are given in Section 5-2-3.

- (2) If such an inspection discloses matters requiring correction or completion by the contractor(s) which are so substantive as to require a subsequent inspection (see below), the Field Engineer shall report this fact on Form CFA-200.

When the Field Engineer ascertains, upon advice by the owner or by a subsequent inspection, that the construction work has been satisfactorily completed and all outstanding construction matters resolved,<sup>1</sup> he shall immediately prepare Form CFA-250, *Field Engineer's Final Report* (Exhibit A), in duplicate as follows:

- (1) Provide a brief description of the project facilities as completed, noting any differences between the project description on the latest revised project summary and including type of construction, number and type of occupants or users provided.
- (2) Self-explanatory.
- (3) (a), (b), (d), and (e) are self-explanatory.
  - (c) *Use Data*—Show the number of actual users of the project at the time of final inspection or the number of users reasonably expected within 30 days following initial use of project.
- (4)-(14) Self-explanatory.
- (15) Comments on items listed and any other matter requiring explanation or attention.

If the Field Engineer accepts the owner's written advice that the punch-list was satisfactorily completed, a copy of the owner's letter shall be attached to Form CFA-250.

If a separate final inspection is made of each unit of a project, Form CFA-200, *Periodic Inspection Report*, shall be used to document the inspection of each unit of a project, and Form CFA-250 shall be prepared at the time of the inspection of the last unit.

The Field Engineer shall obtain the following documents, as applicable, and attach them to Form CFA-250:

- (1) Form CFA-225, *Project Equipment Inventory*, to record non-expendable movable equipment purchased from project funds for PFL projects.
- (2) Form CFA-333, *Suggested Format for Tax Statement* (Exhibit B). Generally, public agencies or institutions are accorded exemption from State or local taxes on their purchases. Periodically, the Legal Division shall furnish for distribution to the Field Engineers a list of such States and localities.

If the state or locality does accord exemption and purchases are indirect, as in the case of materials purchased by contractors for incorporation in projects, the tax exemption is sometimes effected by refund to the owner of the taxes paid by the contractors. Since such refunds may be made months after completion of the project, it may be impractical to wait to determine

<sup>1</sup> See Section 20-2-1, "Final Payment to Contractor," for procedures covering final payments.

final project costs until the refunds are paid. In these cases, the computation of final project costs shall include the amount of any taxes not yet refunded. If such refunds exceed the amount returnable to the owner, a statement, substantially as shown in Exhibit B, shall be obtained from the owner and a followup shall be established in the Regional Office to assure that any refund which is to be used to reduce the amount of the loan, is deposited in the Bond and Interest Sinking Fund Account, to be used for redemption of bonds in inverse order of maturity.

The original of Form CFA-250 shall be sent to the Regional Office, with any other documents needed. If a problem or item has been discussed in prior correspondence, it need only be cited with a reference to the correspondence.

#### **REGIONAL OFFICE ACTION**

The program operations branch chief shall review Form CFA-250 and consult with appropriate technical staff members to identify all incomplete actions, the sequence in which these should be completed, and the due dates. Based on this information, he shall establish a schedule of any incomplete actions, advise other staff members of the actions they are to take, and follow-up to assure completion of such actions at the earliest possible date. Form CFA-250 shall be routed through the Loan Management Branch to the project file.

#### **Project Audit**

The audit shall be requested and closed out in accordance with the instructions in Chapter 22-3 and Volume III, Section 7-3-7.

#### **FINAL ACTIONS BY OWNERS**

On the basis of the audit report and Form CFA-250, the program operations branch chief shall prepare a letter to the owner which will:

- (1) Set the final approved cost, the amount of the net Federal loan and/or grant, any bond redemption or refund to the owner, or additional loan disbursement.
- (2) Forward any waivers needed to permit refund to the owner from the construction account.
- (3) Instruct the owner concerning close-out of the construction account and request a statement showing it has complied with the instructions regarding disposition of funds in the construction account.
- (4) Instruct the owner to submit one copy of Form CFA-213, *Certificate of Completion and Payment*, (Exhibit C).

#### **Crediting of Earned Interest**

When interest income has been earned on investment of the funds in the construction account, the Regional Office will, at the time of project

closing, credit such interest income against the interest line-item and enter the net figure as the final interest line-item.

#### **Redemption of Bonds**

Where the project has been financed entirely out of bond proceeds or where the owner's participation, as set forth in the Loan Agreement, is firm, the letter will instruct the owner to transfer all the funds remaining in the construction account, after payment of all project costs, to the account established for the payment of the principal and interest of the bonds and promptly used to the maximum extent possible for payment of the principal of outstanding bonds in inverse order of maturity. In such cases, the letter will request the owner to advise the Regional Office when the transfer is made.

When the Regional Office is advised by the owner that the excess bond proceeds are available for refund by means of bond redemption, either prior to or subsequent to closing of the construction account, it should request CFA to arrange with the Federal Reserve Bank of Richmond for issuance of a billing to the Paying Agent or Trustee. The Regional Office should advise CFA that the proposed redemption represents a refund of excess bond proceeds.

The Regional Office shall transmit its request to CFA at least 15 days prior to the proposed redemption date, which may be the first day of any month. When redemption is accomplished, the Division of Finance and Accounts will advise the Regional Administrative Division by Notice of Collection, in duplicate, one copy of which will be furnished to the Regional Director.

#### **Return of Excess Funds to Owner**

Where the owner's participation is contingent, any moneys remaining in the construction account, after payment of all project costs, are returnable to the owner up to the amount stipulated in the Loan and/or Grant Agreement, provided the funds have been actually deposited.

Where the owner has deposited moneys into the construction account to cover cost of overruns, including any sums deposited in excess of the original owner participation, whether firm or contingent, any moneys remaining in the construction account, after payment of all project costs, may be found to be returnable to the owner, up to the amount of the sums deposited for the overruns. In such cases, the provisions of the standard terms and conditions permit return of excess funds to the borrower. The Regional Director shall effect such return upon formal request of the borrower.

#### **PROJECT COMPLETION REPORT, FORM CFA-150**

Formal completion of the project following loan closing and settlement of all Findings Requiring Action listed in the final audit report shall be recorded by issuance of Form CFA-150, *Project Completion Report*, but only after the owner has completed all required actions

and any bond redemption has been fully accomplished. However, certain actions may not be required if use or occupancy has not begun, e.g., obtaining of use and occupancy insurance and setting up of project revenue accounts. Such matters are provided for in the determination of initial compliance as set forth in Section 23-3. Where such items or the refund of sales taxes (see below) are the only outstanding matters, Form CFA-150 may be processed without awaiting completion of those items, but such items will be noted on Form CFA-150 in the space provided for the recommendations of the program operations branch chief.

The program operations branch chief shall prepare Form CFA-150 (Exhibit D) in quadruplicate, consulting other staff as appropriate.

In preparing Form CFA-150, the data in Item 2-c shall be for the project as a whole. If the project consists of separate units, the dates shall be for the last unit completed, occupied, etc., and a table of dates by unit shall be given on the reverse of the form, typed head-to-foot. "Use data" means the number of actual users of the project at the time of project completion or the number of users reasonably expected within 30 days following initial use of the project.

Item 2-d, Final Project Description, should be the approved project description in the initial project summary, but modified to show the project as built.

Lines "j", "k", and "l" in section 3 shall be used as appropriate. However, submission of the report need not be delayed pending receipt of advice of the actual refund. A revised report may be submitted for such cases (see below).

"NA" shall be inserted where it is not appropriate to furnish data for an item on the form.

#### **Approval and Release of Form CFA-150**

The original of Form CFA-150 shall be routed to the Chief, Engineering Branch, and the Chief, Finance Branch. If no further action or documentation is indicated, the Chief, Program Operations Staff, shall submit Form CFA-150 to the Regional Director for approval. The Regional Director shall sign it to formally close out the case as an active project.

If bonds are to be redeemed with excess funds, Form CFA-150 is not to be approved by the Regional Director until he has received a copy of the Notice of Collection forwarded by the Division of Finance and Accounts to the Administrative Division, advising that redemption has been completed.

The signed original of Form CFA-150 shall be placed in the project folder. Copies shall be furnished to the Field Engineer, the Loan Management Branch, and CFA.

**REVISED FINAL REPORT TO REFLECT SALES TAX REFUND**

Where the audit has been settled, and the final project report submitted prior to receipt by the owner of a sales tax refund, any portion of which must be used for bond redemption or for refund to the government, a revised *Project Completion Report*, Form CFA-150, shall be submitted. In using this form for such purpose—

- (a) Type the word "Revised" above the form title.
- (b) In item 2, **Engineering Data**, adjust the line-item in which payment of the sales tax was included by deducting the amount of the refund.
- (c) In item 3, **Financial Data**, copy the entries on lines "a" through "i" from the previous project completion report, and fill in lines "j", "k", and "l" as appropriate.

Upon determination of the amount of tax refund that should be used to redeem bonds, it should be applied on the principal of the unpaid bonds to the maximum extent possible, in inverse order of maturity, and any residue should be deposited in the Bond and Interest Sinking Fund Account. Such latter amount is, therefore, to be entered in parenthetical space provided on Line "K." In such cases, the Division of Finance and Accounts also will advise the Regional Office as to the receipt of the refund of Notice of Collection, in the same manner as stated above.

**FIELD ENGINEERS PROJECT FILE**

Noneurrent records in the Field Engineer's files should be disposed of according to instructions contained in applicable HHFA Records Control Schedules.



EXHIBIT A

CFA-250 (10-64)																							
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  FIELD ENGINEER'S FINAL REPORT	PROJECT NUMBER  APPLICANT																						
1. Project Description (as completed)																							
2. Final Inspection																							
a. Final inspection was made on _____ by the following:																							
b. <input type="checkbox"/> The project was found to be complete and was accepted by the owner.																							
c. <input type="checkbox"/> All punch items have been completed. d. <input type="checkbox"/> Copy of punch list for remaining punch list items is attached; these are to be corrected by _____.																							
3. Completion																							
a. It was determined that the project was substantially completed on _____, actually completed on _____, and first occupied by the owner on _____.																							
b. This is a multi-unit project <input type="checkbox"/> Yes <input type="checkbox"/> No. If "Yes", include data for 3a for each unit in Item 15.																							
c. Use data _____ .																							
d. Owner is expected to ask for delay in cut-off date for interest during construction <input type="checkbox"/> Yes <input type="checkbox"/> No.																							
e. The insurable value is \$ _____.																							
4. Are there any disagreements, claims, etc., between owner, architect/engineer, and contractor, which will delay closing the project? If "Yes", discuss below.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">YES</th> <th style="width: 50%;">NO</th> </tr> </thead> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>	YES	NO																				
YES	NO																						
5. Are there any labor and wage complaints outstanding? If "Yes", discuss below.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
6. Have all payroll copies been received?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
7. Has final payment to the prime contractor(s) been approved?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
8. Has all movable equipment for satisfactory initial project operation been delivered and paid for?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
9. Are there any ineligible features included in the final project which have not been previously approved?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
10. Is Form CFA-225 required?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
11. Is Form CFA-333 required?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> <tr><td style="height: 15px;"></td><td style="height: 15px;"></td></tr> </tbody> </table>																						
<div style="border: 1px solid black; padding: 2px; display: inline-block;">PREVIOUS EDITIONS OBSOLETE</div>																							



EXHIBIT B

CPA-333  
(7-60)

SUGGESTED FORMAT FOR TAX STATEMENT

Housing and Home Finance Agency  
Room 206, Post Office Building  
St. Louis 10, Missouri

Project No. \_\_\_\_\_

Gentlemen:

This is to certify that \_\_\_\_\_ (Name of Owner)  
has received no sales tax or other excise tax refunds on construction  
materials or other costs of the above project.

However, in the event a refund of sales tax or other excise taxes on items  
purchased in connection with the project arise, we agree to deposit such  
refunds that would have reduced the amount of the loan into the Bond and  
Interest Sinking Fund Account and the proceeds will be used to retire bonds.

Sincerely yours,

Authorized Representative  
of Owner

EXHIBIT C

CFA-213  
(3-62)

HOUSING AND HOME FINANCE AGENCY  
COMMUNITY FACILITIES ADMINISTRATION

CERTIFICATE OF COMPLETION AND PAYMENT

Project No. \_\_\_\_\_

Location \_\_\_\_\_

Name of Owner

This project has been completed in a manner satisfactory to the owner. The owner has completed payment of all obligations and the special construction account has been closed.

\_\_\_\_\_ Date

\_\_\_\_\_ Authorized Representative of Owner

EXHIBIT D

CFA-150  
(10-64)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>PROJECT COMPLETION REPORT</b>	PROJECT NUMBER												
<b>1. Applicant</b>													
<b>2. Engineering Data</b>													
<b>a. Final Approved Cost</b> Preliminary expense..... \$ _____ Land and rights-of-way..... _____ Construction..... _____ Architectural-engineering services..... _____ Legal expenses..... _____ Administrative expenses..... _____ Interest during construction..... _____ Government field expense..... _____ Miscellaneous allowable costs..... _____ Total..... \$ _____													
<b>b. Cost Data</b>													
	<table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">Total Construction</td> <td style="text-align: center;">Total Project</td> </tr> <tr> <td style="text-align: right;">Cost per square foot..... \$</td> <td style="text-align: center;">\$ _____</td> <td style="text-align: center;">\$ _____</td> </tr> <tr> <td style="text-align: right;">Cost per student (CH)..... \$</td> <td style="text-align: center;">\$ _____</td> <td style="text-align: center;">\$ _____</td> </tr> <tr> <td style="text-align: right;">Cost per living unit (SH)..... \$</td> <td style="text-align: center;">\$ _____</td> <td style="text-align: center;">\$ _____</td> </tr> </table>		Total Construction	Total Project	Cost per square foot..... \$	\$ _____	\$ _____	Cost per student (CH)..... \$	\$ _____	\$ _____	Cost per living unit (SH)..... \$	\$ _____	\$ _____
	Total Construction	Total Project											
Cost per square foot..... \$	\$ _____	\$ _____											
Cost per student (CH)..... \$	\$ _____	\$ _____											
Cost per living unit (SH)..... \$	\$ _____	\$ _____											
<b>c. Construction</b>													
Substantial completion date _____ Date of Initial Use _____ Actual Completion date _____ Interest cut-off date _____ Use data _____													
<b>d. Final Project Description</b>													
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="border-top: 1px solid black; width: 60%;"></div> <div style="border-top: 1px solid black; width: 30%;"></div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <span style="font-size: small;">Chief, Engineering Branch</span> <span style="font-size: small;">Date</span> </div>													
<div style="border: 1px solid black; display: inline-block; padding: 2px 10px; font-size: small;">PREVIOUS EDITIONS OBSOLETE</div>													

EXHIBIT D (Page 2)

3. Financial Data

- a. BHFA loan disbursed.....\$ \_\_\_\_\_
  - b. Amount of owner's participation including participation for ineligible features..... \_\_\_\_\_
  - c. Total (3a plus 3b).....\$ \_\_\_\_\_
  - d. Less approved project cost..... \_\_\_\_\_
  - e. Balance of funds provided (3c less 3d).....\$ \_\_\_\_\_
- Disposition of balance:
- f. Principal of bonds redeemed (refund)..... ( \_\_\_\_\_ )
  - g. Deposited in Bond and Interest Sinking Fund Account..... ( \_\_\_\_\_ )
  - h. Returned to owner..... ( \_\_\_\_\_ )
  - i. Net Federal loan (3a less 3f).....\$ \_\_\_\_\_
- Sales Tax Refund:
- j. Used for bond redemption (refund).....\$ \_\_\_\_\_
  - k. For deposit in Bond and Interest Sinking Fund Account..... ( \_\_\_\_\_ )
  - l. Final net Federal loan (3i less 3j).....\$ \_\_\_\_\_

College Housing Project Financing (Complete for projects containing service facilities chargeable against limitations):

	Loan Amount	Other Funds*	Total Cost
m. Housing Facilities.....	\$ _____	\$ _____	\$ _____
n. Related Service Facilities.....	_____	_____	_____
o. Sub-total.....	_____	_____	_____
p. Other Service Facilities.....	_____	_____	_____
q. Total.....	\$ _____	\$ _____	\$ _____

\* Identify source \_\_\_\_\_

\_\_\_\_\_  
Chief, Finance Branch

\_\_\_\_\_  
Date

4. I recommend that the project be found complete and closed.

\_\_\_\_\_  
Chief, Program Operations Branch

\_\_\_\_\_  
Date

5. This project is closed.

\_\_\_\_\_  
Regional Director of Community Facilities

\_\_\_\_\_  
Date

## CHAPTER 2. COMPLETION PROCEDURES UPON PRIVATE SALE OF BONDS

### SALE OF ALL BONDS PRIOR TO THE START OF CONSTRUCTION

Upon notification by the owner that all bonds covering a project have been sold to private investors prior to start of construction and before any advances have been made, the obligation of the Government ceases. No Government field expense shall be charged and the project allotment will be rescinded by the Central Office on the basis of a revised project summary.

If all bonds are sold prior to the start of construction but after an advance has been made to the owner, no further advance, site inspection, or audit shall be made. The amount advanced and interest thereon shall be billed and collected as prescribed below. Since construction has not begun, the fixed fee for Government field expenses shall be refunded.

### SALE OF ALL BONDS AFTER THE START OF CONSTRUCTION

If all bonds are sold to private buyers after construction has begun, the interest of the Government ceases when all advances have been repaid with interest and the fixed fee, or portion thereof, for Government field expenses has been collected. No further advance of funds shall be made to an owner after it has taken formal action to accept bids of private buyers for all bonds. Similarly, no further site inspection or audit shall be made.

The Regional Office shall reply to the owner's notice of acceptance of bids from private buyers for all bonds by letter stating that no further advances can be made and that the owner must make its own provision for interim financing pending receipt of the bond proceeds. Whenever possible, the letter shall transmit a bill requesting repayment of all previous advances, with interest, and payment of any portion of the fixed fees due the Government, immediately following the receipt of bond proceeds. If the date of such receipt is not known, it should be requested.

### BILLING OF REPAYMENTS OF ADVANCES AND INTEREST

Interest on advances shall be computed as set forth in Volume V, and shall be assessed at the rate applicable under the Loan Agreement for the period beginning on the date on which the advance was made; that is, the date of the check, and running through the day preceding the date on which the owner mails its remittance to the Regional Office.

### ADJUSTMENTS OF FIXED FEES

If one or more inspections or audits have been made, the chief of the

program branch concerned shall ascertain the construction period shown in the approved contract and the percentage of such period which has elapsed through the date of the award of all bonds to other buyers. Using the fixed fee in the agreement as 100 percent, the program branch chief shall compute a fixed fee reduced by the percentage of unelapsed time in the construction period. The percentage of elapsed time, and the collections to date, and a reduction of the fixed fee to a stated amount shall be included in the revised project summary. If collections exceed the reduced fee, the project summary shall state the amount of refund. If collections are less than the reduced fee, the project summary shall so state.

If the approval involves a refund of an excess fee, S.F. 1034 shall be prepared and the original and one copy submitted to the Administrative Division, with its copy of the revised project summary. If the approval involves the collection of a fee, the Administrative Division will bill the owner therefor on the basis of the approval.

#### ADVICE TO CENTRAL OFFICE

Upon receipt of the owner's notice of award of any bonds to private buyers, the Regional Office shall prepare a revised project summary. A copy of the Regional Office letter to the owner, described above, shall be attached.

The revised project summary shall indicate :

- (1) The amount of the approved loan shown in the agreement.
- (2) The amount of construction advance outstanding and approximate date of repayment.
- (3) Determination of the fixed fee for Government field expenses and if paid.
- (4) Name of each successful bidder, together with the maturities and amount awarded, and the net interest cost on bonds awarded to each successful bidder.

If all bonds were so awarded, the project summary shall request cancellation of the undisbursed loan commitment and rescission of the entire amount of fund reservation.

If only part of the issue was so awarded, the project summary shall request (1) a reduction of the undisbursed loan commitment in an amount equal to the difference between the face amount of bonds awarded and the principle amount of loan advances repaid as the result of such sale and (2) a reduction of the fund reservation in the amount of the awarded bonds.

The project summary shall serve as the basis for the reduction of the fund reservation and the amount of loan approval.

Thereafter, the Regional Office shall advise CFA by memorandum, with a copy for the Division of Finance and Accounts, of completion of formal settlement of the bond sale and of the collection of any advances, interest, or portion of the fixed fee which were due.



### CHAPTER 3. PROJECT AUDITS

This Chapter prescribes procedures for requesting and taking action on project audits conducted by the Audit Division under CFA programs when provided for in Volume III, Part 7. The procedures for audits contracted out to public accountants are covered separately in the appropriate program section of the Manual.

#### GENERAL

Audits of projects are conducted for the purpose of assuring the Agency that the applicant is conforming to the financial terms and conditions of the Agreement and to make factual data concerning costs incurred in connection with construction of projects available to operating personnel of the Central and Regional Offices. Only one audit will normally be made of a project. The Audit Division may make an interim or special audit, however, when requested by the Regional Office or the Community Facilities Commissioner. Insofar as possible, project audits will be scheduled by the Audit Division to start within 30 days after receipt of the formal request.

The chief of the appropriate operations branch shall be responsible to the Regional Director for coordinating the completion of project actions and documentation and arranging for and clearing project audits.

#### ACTIONS REQUIRED PRIOR TO AUDIT REQUEST

As the completion of construction approaches, the Field Engineer shall keep the Regional Office fully advised with respect to final inspection. If, when the Field Engineer sets the date for final inspection, he has reason to believe that all items involved in an audit will be completed by the time of final inspection, he shall recommend that an audit be requested.

Prior to the request for an audit, the program operations branch chief shall initiate action as necessary, to issue Form CFA-105, *Revised Project Summary*, to reflect the current amount of the loan, or in the case of a college housing project, to reflect the final allocation of loan funds where appropriate action has not been taken to reallocate loan funds between housing and related services and other (or excess) service facilities. Where there has been an increase in the loan amount or the loan funds allocated for other (or excess) service facilities, issuance of Form CFA-105 shall be preceded by request for and pre-validation of an appropriate Form CFA-11, *Fund Reservation Order*. It should be noted that after the audit is complete, no further *Revised Project Summary* shall be issued. Settlement of the audit report will fix the final approved project cost, which shall be reflected in Form CFA-150, *Project Completion Report*.

**AUDIT REQUEST**

If the audit cannot be requested as prescribed above, the request shall be initiated upon Regional Office review of Form CFA-200, *Periodic Inspection Report*, issued at the time of final inspection (see Chapter 22-1). At the latest, the audit shall be requested after review of Form CFA-250, *Field Engineer's Final Report*.

Where project construction is substantially completed but with serious unsettled matters (rather than punch-list items) delaying the final report, the Regional Director should consult with the OA Supervisory Auditor to determine if a regular audit should be made or if a special audit is necessary. The Regional Director shall request a project audit<sup>1</sup> by memorandum to the Audit Division as shown in Exhibit A. The original memorandum shall be sent to the Audit Division and copies furnished to CFA, the Regional Loan Management Officer, the OA Supervisory Auditor, and the project file.

**AUDIT CLOSE-OUTS**

The Regional Director is responsible for initiating action to correct conditions reflected in the audit report, or for making a recommendation to the Regional Administrator that such action is not required where such a determination can be made within the policies in this Manual.<sup>2</sup> If the administrative determination required is outside regional authority or if any items involve matters not covered by prescribed policies and procedures, CFA shall be consulted. Requests for advice shall be submitted with a recommended course of action and copies of all pertinent documents through the Regional Administrator to CFA, with a copy to the Audit Division.

Conditions cited in the audit report which require action must be acted upon within 30 days after receipt of the report.

Evidence of corrective action will be the receipt by the Audit Division of copies of the correspondence between the Regional Office and the borrower or grantee showing that the required action has been taken. Evidence of an administrative determination by the Regional Administrator that action is not required will be the receipt by the Audit Division of a memorandum to that effect. In the case of a question referred to CFA for decision, that office will report the decision to the Regional Office with a copy to the Audit Division.

When the Agreement provides for contingent borrower participation, and an amount equal to or exceeding the total of the excepted items to be reimbursed by the borrower would be returnable to the borrower, no settlement is required of those exceptions. The Regional Office, in its memorandum to the Audit Division, need only state that the above situation exists.

<sup>1</sup> Although project audits normally will be requested by the Regional Director, audits may be requested by the Regional Administrator.

<sup>2</sup> When circumstances so indicate, the Regional Administrator may initiate such action.

In any event, when final action has been taken on all suspensions, exceptions, and other follow-up matters pursuant to the audit report, the Regional Director shall prepare a memorandum to CFA to this effect, for the signature of the Regional Administrator, with a copy to the Audit Division.<sup>1</sup>

**CFA ACTION**

Copies of all correspondence with respect to project audits shall be sent to CFA. CFA shall evaluate audit reports and the corrective action taken by the Regional Office, particularly to assure adherence to established policies and procedures, to identify common problems, and, where indicated, to initiate revisions to policies or procedures.

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<sup>1</sup> Where authorized by the Regional Administrator, the Regional Director may sign the memorandum.

EXHIBIT A

H-96 (8-62)

UNITED STATES GOVERNMENT

HOUSING AND HOME FINANCE AGENCY

*Memorandum*

TO : Director, Audit Division

DATE:

FROM : Regional Director of Community Facilities

SUBJECT: Project Number, Borrower, Location

This is to advise that construction has been completed on the subject project. It is requested that a final audit be made at the earliest possible date.

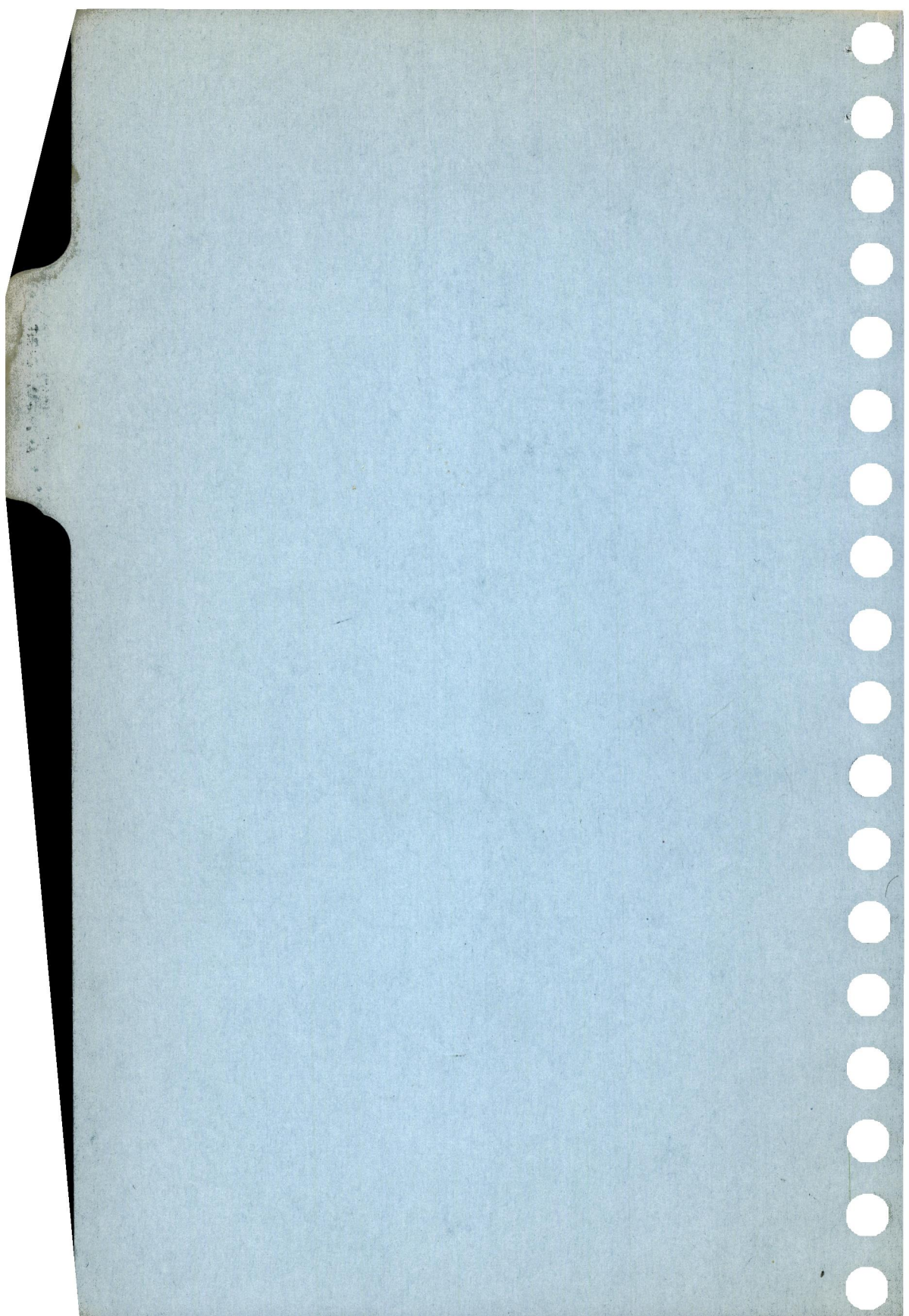
For your information, the project was --

Substantially complete	_____
Fully complete	_____
First Occupied	_____

The Field Engineer for the project is           Name            
and interest during construction is terminated through           /date          .

Regional Director of  
Community Facilities





## CHAPTER 1. GENERAL

The basic purpose of the loan management function is the protection of the Federal investment. Protection of the Federal investment and the sale of portfolio securities will depend primarily on borrower performance in observing the terms and conditions of the loan, in making debt service payments when due, and in successfully operating and managing its project.

Regional loan management operations should be conducted with minimum interference in the borrower's regular operations and any formal actions taken must be based on the terms and conditions of the bond resolution, trust indenture, or parietal and rate resolutions. Every effort should be made to avoid making requests upon the borrower which might develop into a nuisance.

### SUPERVISORY GROUPS

All loans will be classified in one of two groupings. Group I loans are loans in which the project is operating in a satisfactory manner and the borrower is meeting all of the terms and conditions of the loan agreement and/or trust indenture. All loans will be initially placed in Group I. Group II loans are those cases in actual default or those in which an adverse trend has developed in the operation of the project or in which any other circumstance might adversely affect the security held by the Government.

### TRUSTEE

As described in the particular trust indenture or bond resolution, the trustee's functions are generally limited to matters relating to payment of bonds, serving as the depository for certain accounts, acting in the event of default, mailing notices to the bondholders regarding default on debt service payments, and receiving copies of the borrower's financial reports and evidence of insurance coverage.

The Trustee is under no obligation to, and in practice does not, make a periodic review of the financial position and operations of the borrower. It is generally recognized that such a review is the responsibility of the lender as part of its function in protecting its investment.

The Agency should generally, however, rely on the trustee as the instrument for obtaining the borrower's compliance with its pledges and covenants. When no trustee is provided, or compliance cannot otherwise be obtained, the borrower will be contacted directly. If the trustee is not properly exercising its duties, the Regional Office should consider initiating replacement of the trustee as provided in the indenture.

### DISCUSSIONS WITH TRUSTEE OR PAYING AGENT

In some cases it may be necessary to reach specific understandings with the trustee and the paying agent or depository bank with respect

to their functions under the bond resolution or the trust indenture. In such cases, the matter may be handled by letter, telephone or visit, but the results should always be confirmed in writing.

#### **APPRAISAL OF POLICIES AND PROCEDURES**

During loan management operations, evidence may be encountered which appears to indicate a need for modification of the policies or procedures, or the application thereof, under which loans are approved. Such instances should be reviewed with respect to whether the specific difficulty which developed in one or more loans might have been avoided or mitigated through the use of different policies or procedures or by giving different treatment or more attention to the particular subject during application review.

The matter should be analyzed in the Region and, if the Regional Director determines clarification or modification of existing policies or procedures is desirable, recommendations should be made to CFA.



## CHAPTER 2. PREPARATORY ACTIONS <sup>1</sup>

### PREPARATIONS BY LOAN MANAGEMENT STAFF

When the project is substantially complete, the Loan Management Branch shall:

- (1) Prepare a *Loan Management Control Record*, Form CFA-360 (Exhibit A), as a record of actions due, pending or taken.
- (2) Enter a summary of the terms and conditions of each loan on Form CFA-360 as a reference check to minimize referrals to the trust indenture or bond resolution.
- (3) Establish a file folder for the reports and correspondence reflecting work on each loan through sale or complete repayment of the bonds. These files will be kept in accordance with the applicable records control schedule.

Instructions relative to Form CFA-360 are presented in Chapter 23-3.

### INITIAL LOAN MANAGEMENT CONFERENCE

A borrower's observance of loan conditions, reporting requirements, and other matters involved in loan management depends on an understanding of the requirements of the indenture or resolution by the administrative staff of the borrower. In particular, the business manager, or comparable official or employee who will be responsible for handling the funds and accounts required by the terms of the loan, should be familiar with the loan conditions and should understand their meaning. If all such requirements are understood and met during the first year of operation, barring extraordinary circumstances, the occurrences of noncompliance and the possibility of default will be kept at a minimum in subsequent years.

When a borrower has a previous loan, or has experience in the operation of a similar project and is familiar with comparable financing arrangements, the necessary instructions may be supplied by correspondence. In all other cases, a loan management conference shall be held as close as possible to the start of project use. When the bonds or other evidence of indebtedness are being purchased at the time the project is substantially complete and prior to initial use, the loan management conference may be held in conjunction with the loan closing so that the borrower's staff need make only one trip. When a loan closing is held prior to or shortly after the start of construction, the combining of the loan closing and the loan management conference may not yield the desired results, since the borrower's staff is less likely to have considered the details of the operation. In such cases a separate loan management conference should be held as close as possible to the start of project operation.

<sup>1</sup> See Chapter 7-10 for procedures under the Senior Citizens Housing Loan program.

The conference may be held at either the Regional Office or at the borrower's office. The Regional Director shall determine where such a conference is to be held. The agenda shall be proposed by the Chief, Loan Management Branch, and submitted for the Director's approval.

#### CONFERENCE AGENDA

In general, the agenda should cover those matters that will be of concern to the borrower and the Agency until the loan is repaid.

Inefficient or costly operations pose a threat to loan repayment and cannot be ignored, particularly with respect to smaller towns obtaining a public facility loan for construction of their first municipally-owned and operated utility.

In particular, the Chief, Loan Management Branch, should explain in considerable detail:

- (1) The various accounts to be established and the flow of funds;
- (2) The payment schedule to be followed;
- (3) The general duties and responsibilities of the borrower under the bond resolution and/or trust indenture;
- (4) The various required reports;
- (5) The role of the trustee; and
- (6) Any other matters that, in the opinion of the Chief, Loan Management Branch, should be brought to the attention of the borrower.

10/8/63

CFR-360  
(9-63)

HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  LOAN MANAGEMENT CONTROL RECORD		PROJECT NUMBER			
		GROUP	DATE	INITIAL	
		I			
II					
1. Borrower's Name, Address, & Telephone					
2. Trustee or Paying Agent's Name, Address, & Telephone					
3. Type of Facility		9. Bond Data			
		Purchase Date	Date of Bonds		
4. Enrollment or Population Served		Amount - Government \$	Interest Rate		
5. Bond Designation		Amount - Private \$	Interest Rate		
6. Initial Operation Date		Dates Principal & Interest Due			
7. Fiscal Year Ends		Average Annual Debt Service \$			
8. Operation Data					
		FISCAL YEAR ENDING			
		196	196	196	196
No. of occupants, users, or connections	Estimate				
	Actual				
Gross Revenue	Estimate				
	Actual				
M & O Expense	Estimate				
	Actual				
Net Revenue	Estimate				
	Actual				
Debt Coverage	Estimate				
	Actual				

PREPARATORY ACTIONS

EXHIBIT A

LOAN MANAGEMENT 23-2



## CHAPTER 3. ACTIVE LOAN MANAGEMENT <sup>1</sup>

This chapter describes the reports to be submitted by the borrower, the reviews to be made by the Regional Office Loan Management Branch, the corrective actions to be taken by the Loan Management Branch, as well as the reports to be supplied by the Chief, Loan Management Branch.

### REPORT OF INITIAL COMPLIANCE

If the loan is closed before the project becomes revenue-producing, the Regional Office shall furnish the borrower two copies of Form CFA-361, *Report of Initial Compliance* (Exhibits A and B), with instructions for preparation at the time of loan closing, and request that one copy be returned within 30 days after the project becomes initially revenue-producing. If the project becomes initially revenue-producing before the loan is closed, the Regional Office shall furnish the borrower the forms and instructions on or before the date the project becomes initially revenue-producing and request submission within 30 days. Whenever feasible, the forms and instructions can be supplied and discussed during the initial loan management conference.

For the purpose of this report, the date a project becomes initially revenue-producing is defined as the date on which the regular and continued use of the project, or any unit of a multifacility project, begins.

The Loan Management Branch shall maintain a follow-up to assure receipt of Form CFA-361. Where Form CFA-361 has not been received within 45 days after the project becomes initially revenue-producing, the Branch shall prepare a letter for the signature of the Regional Director reminding the borrower of the due date and requesting submission within 10 days. The letter also should request the borrower to advise the Regional Office if the report cannot be submitted by that time and the reasons therefor. If no response is received, the Chief, Loan Management Branch, or the Regional Director should contact the Borrower and determine what action is necessary to obtain the report.

### Regional Office Action

Upon receipt from the borrower of the appropriate Form CFA-361, the Loan Management Branch shall determine whether compliance has been effected and evidence approval in Block A or attach such findings as are necessary. In making this review, the Loan Management Branch may request assistance from the Finance Branch, the Engineering Branch, and/or the Legal Division.

<sup>1</sup> For procedures under the Area Redevelopment and Senior Citizens Housing Loan programs, see also Chapters 6-9 and 7-10, respectively.

Where the *Report of Initial Compliance* indicates deficiencies, the Regional Director shall determine if a visit should be made to discuss and to remedy such deficiencies. Such visits normally will be confined to those cases where prior knowledge or Form CFA-361 indicates a lack of previous experience with the type of project or serious misunderstandings.

When it has been determined that the borrower has fully complied with applicable loan requirements, the necessary data shall be recorded on Form CFA-361, *Report of Initial Compliance*. Form CFA-361 shall then be placed in the project loan management folder.

#### LOAN MANAGEMENT REPORT

All borrowers shall be required to forward to the Regional Office:

- (1) An annual *Loan Management Report*, Form CFA-370 (Exhibits C, D, and E),
- (2) An annual financial statement, and
- (3) Such other documents as required by the trust indenture or bond resolution.

The Loan Management Branch shall maintain a follow-up to assure receipt of the above documents. Where the documents have not been received within 120 days after the end of the borrower's fiscal year, the Branch shall prepare a letter for the signature of the Regional Director reminding the borrower of the due date and requesting submission within 15 days. The letter also should request the borrower to advise the Regional Office if the material cannot be submitted in that time and the reasons therefor. If no response is received, the Chief, Loan Management Branch, or the Regional Director should contact the borrower and determine what action is necessary to obtain the documents.

Ordinarily, the first financial reports to be obtained from the borrower will cover the borrower's fiscal year in which the project, or any portion thereof, was first placed in use. Normally, such documents shall be examined by the Loan Management Branch, which shall determine whether or not the project is progressing satisfactorily with particular reference to volume of use, revenues, and operating costs as compared with original estimates, and whether or not the borrower is adhering to the terms and conditions of the Indenture and Bond Resolution. The necessary operational data shall then be placed on the *Loan Management Control Record*, Form CFA-360, which may be supplemented by any pertinent working papers deemed necessary by the Chief, Loan Management Branch. The *Loan Management Report* shall be placed in the project loan management folder. Form CFA-370 should contain a brief statement by the reviewer of the borrower's current financial status, operation and prospects; a report of any noncompliance of the terms and conditions of the indenture or bond resolution; date of the last personal visit to the project, with a summary of the results of discussions held and observations made; and a resume of all actions taken during the report period which might affect the status of the loan.

Should the Chief, Loan Management Branch, determine that no additional or corrective action is necessary by the borrower, the project shall be contained in Group I and no additional action is necessary. However, should an adverse trend be detected in the operation of any project or if the loan goes into default, the Chief, Loan Management Branch, shall recommend to the Regional Director that the project be placed in Group II. Upon the concurrence of the Regional Director in this action, CFA shall be advised of the reason for this action. The borrower shall then be instructed to submit the *Loan Management Report* on a quarterly basis rather than on the usual annual basis.

#### **Corrective Action—Group II**

In many cases in Group II, the Regional Office, by means of its relationships with the borrower's staff and knowledge of the case, can informally secure the necessary borrower action by phone; such action shall subsequently be confirmed in writing. If action cannot be secured informally or if it is decided that such efforts would be unsuitable by reason of the type of borrower or the nature of the problem, the matter may be handled by letter or a field visit. In more serious cases or where Regional efforts are unsuccessful, the Regional Director should prepare a report to the CFA, recommending action to be taken. In all cases, the Chief, Loan Management Branch, should offer to the borrower any assistance possible to cure the adverse trend and should be constantly informed as to the progress that the borrower is making. CFA shall be advised of any material developments affecting the loan.

When the Chief, Loan Management Branch, has determined that the borrower has corrected the adverse conditions or default, he should recommend to the Regional Director that the loan be reclassified into Group I. Upon concurrence by the Regional Director, the loan shall be so reclassified and the borrower shall be then advised that the *Loan Management Report* need be forwarded only on the regular annual basis. CFA shall be notified of this reclassification and the reason for this action.

#### **ACCELERATED LOAN REPAYMENT**

When a borrower wishes to accelerate loan repayment, the Regional Office shall advise CFA at least 15 days prior to the payment date, indicating the amount and the date (the first of any month) of the proposed payment. CFA will send billing instructions to the Federal Reserve Bank of Richmond. The Bank will then bill the trustee, or paying agent if there is no trustee, for the amount of the principal prepayment plus interest to the proposed date of payment. Upon receipt of the remittance, the payment, if applicable to a "single" bond, will be entered by the Federal Reserve Bank in the payment record on the bond, and appropriate notice of the endorsement will be sent to the trustee. If in definitive form, the paid bonds and coupons will be cancelled by the Federal Reserve Bank and sent to the paying agent.

**REGIONAL LOAN MANAGEMENT REPORTS**

On a quarterly basis, the Chief, Loan Management Branch, shall submit to the Regional Director the *Quarterly Loan Management Report*, Form CFA-380 (Exhibit F), with a copy to the Regional Administrator and two copies to CFA, one for the attention of the Loan Management Branch and the other for the attention of the Senior Citizens Housing Branch.

This report, as well as providing for specific comments on all loans in Group II, also provides sufficient space for the Chief, Loan Management Branch, to make adequate comments covering all loans in loan management in order to keep the Regional Director, the Regional Administrator, and the Commissioner fully advised of the over-all conditions on all loans under his direction.



EXHIBIT A

Form approved Budget Bureau No. 62-21072		CFA-365-C1 (9-63)		
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION COLLEGE HOUSING LOAN PROGRAM  <b>REPORT OF INITIAL COMPLIANCE</b>		TO BE COMPLETED BY HHFA  A.		
1. Borrower's Name		2. Project Number		
3. Date on which project or any portion first became revenue-producing.		4. Fiscal year ends		
5. Required Funds and Accounts.				
	<u>Date Established</u>	<u>Name and Location of Depository</u>		
<input type="checkbox"/> Revenue Fund Account	_____	_____		
<input type="checkbox"/> Bond & Interest Sinking Fund	_____	_____		
<input type="checkbox"/> Endowment Fund Escrow Account	_____	_____		
<input type="checkbox"/> Collateral Account	_____	_____		
<input type="checkbox"/> Other ( <i>Identify</i> )	_____	_____		
6. Required Insurance Coverage.				
	<u>Co-Insurance</u>	<u>Policy Amount</u>	<u>Effective Date</u>	<u>Expiration Date</u>
<input type="checkbox"/> Fire & Extended Coverage <i>(List buildings covered)</i>				
_____	%	\$	_____	_____
_____	%	\$	_____	_____
_____	%	\$	_____	_____
<input type="checkbox"/> Boiler .....		\$	_____	_____
<input type="checkbox"/> Public Liability: One person .....		\$	_____	_____
One accident .....		\$	_____	_____
Property Damage .....		\$	_____	_____
<input type="checkbox"/> Use and Occupancy ( <i>List buildings covered</i> )			_____	_____
_____			_____	_____
_____			_____	_____
_____			_____	_____
Note: Attach certificates or copies of all policies.				



EXHIBIT B

Form approved Budget Bureau No. 63-R1072		CFA-961-PF (9-65)
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION (Public Facility Loans Program) REPORT OF INITIAL COMPLIANCE		TO BE COMPLETED BY HHFA
1. Borrower's Name		A. 2. Project Number
3. Date on which project or any portion first became revenue-producing.		4. Fiscal year ends
5. Required Funds and Accounts.		
	Date Established	Name and Location of Depository
<input type="checkbox"/> Revenue Fund Account	_____	_____
<input type="checkbox"/> Bond & Interest Sinking Fund	_____	_____
<input type="checkbox"/> Operation & Maintenance Fund	_____	_____
<input type="checkbox"/>	_____	_____
<input type="checkbox"/>	_____	_____
6. Required Insurance Coverage.		
	Co-Insurance	Policy Amount
		Effective Date
		Expiration Date
<input type="checkbox"/> Fire & Extended Coverage, Windstorm, Lightning, etc. (List structures)		
_____	%	\$
_____	%	\$
_____	%	\$
<input type="checkbox"/> Public Liability: One person . . . . .		\$
One accident . . . . .		\$
Property Damage . . . . .		\$
<input type="checkbox"/> If any vehicles are owned, list Fire, Theft, Public Liability and Property Damage Coverage:		
_____		\$
_____		\$
_____		\$
<input type="checkbox"/> Fidelity Bond. List person(s) covered and amount(s):		
_____		\$
_____		\$
_____		\$
Note: Attach certificates or copies of all insurance policies.		

EXHIBIT B (Page 2)

7. Is Loss Payable Clause attached to policy <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable		
8. Attach copy of rate schedule.		
9. Attach copy of current budget.		
10. Number of users at this date:	Water _____	Sewer _____ Gas _____
11. Comments:		
Prepared by:		
_____		_____
<i>Signature</i>		<i>Date</i>
_____		
<i>Name and Title (Please type)</i>		

EXHIBIT C

Form approved Budget Bureau No. 63 R-1069		CFA-370-CH (7-63)
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  (College Housing Loan Program) <b>LOAN MANAGEMENT REPORT</b>		<b>TO BE COMPLETED BY HHFA</b>
		A. Reviewed by _____  D. Group <input type="checkbox"/> I <input type="checkbox"/> II
1. Borrower's Name	2. Project Number	
3. Borrower's Address	4. Fiscal year ending 6/30 _____	
5. Pledge Revenues. Attach schedule of current rates charged.		
a. Income from Facilities (Identify)	Gross Receipts	M&O Costs
Net Revenues	Average Occupancy	Regular Term
_____ \$ _____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total	\$ _____	\$ _____
b. Other (specify sources):		Pledged Revenues
_____		\$ _____
_____		_____
_____		_____
Total		\$ _____
c. Debt service coverage (To be completed by HHFA):		
(1) Total pledged revenues	\$ _____	Debt service coverage _____
(2) Total net revenues	\$ _____	Debt service coverage _____
(3) Project net revenues	\$ _____	Debt service coverage _____
6. Enrollment for each term for past school year as reported to U. S. Office of Education:		
Term	_____	_____
Total	_____	_____
Full-time	_____	_____
Residential	_____	_____

EXHIBIT C (Page 2)

7. Furnish the following information:

Account or Fund	Balance Beginning of Year	Total Deposits 1/	Total Withdrawals 1/	Balance End of Year
Revenue Fund	\$ _____	\$ _____	\$ _____	\$ _____
Bond and Interest Sinking Fund	_____	_____	_____	_____
Maintenance and Equipment Reserve	_____	_____	_____	_____
Endowment Fund Escrow Account	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
<b>Total</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

1/ Furnish transcript of deposits and withdrawals by object totals.

Show breakdown of cash and securities \$ \_\_\_\_\_ Cash \$ \_\_\_\_\_ Securities

Collateral Accounts (at end of fiscal year)

	Market Value	Book Value
Debt Service Reserve	_____	_____
Maintenance and Equipment Reserve	_____	_____
Endowment and Escrow Account	_____	_____

8. Comments:

9. Reviewer Comments (To be completed by HIFA):

Prepared by:

\_\_\_\_\_  
Signature Date  
\_\_\_\_\_  
Name and Title (Please type)

EXHIBIT D

Form approved Budget Bureau No. 63-R1069		CFA-370-A (9-63)
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>LOAN MANAGEMENT REPORT</b> (Public Facility Loan - General Obligation Bonds)		<b>TO BE COMPLETED BY HHFA</b>
		A. Reviewed by _____ B. Group <input type="checkbox"/> I <input type="checkbox"/> II
1. Borrower's Name	2. Project Number	
3. Borrower's Address	4. Fiscal year ends	
5. Type of obligation held:		
6. Does HHFA also hold Revenue or Assessment Bonds for the Project? <input type="checkbox"/> Yes <input type="checkbox"/> No		
7. Assessed valuation of Borrower:		
Amount \$ _____ Percentage of actual value _____ %		
8. Amount of taxes levied and collected for Borrower's purposes:		
Amount of ad valorem tax levy in dollars, for the fiscal year	\$	_____
Amount of such levy collected	\$	_____
Delinquent taxes collected	\$	_____
Total amount of taxes collected	\$	_____
9. Outstanding debt and accumulated sinking fund at the end of the fiscal year:		
	<u>Gross Debt</u>	<u>Sinking Fund</u>
General obligation bonds being paid from taxes	\$ _____	\$ _____
General obligation bonds being paid from utility revenues	_____	_____
Revenue bonds payable from utility revenues only	_____	_____
Special assessment bonds	_____	_____
Temporary loans (tax anticipation notes, etc.)	_____	_____
Total	\$ _____	\$ _____
10. Is any portion of the gross debt now in default as to either principal or interest? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If so, itemize and explain:		

EXHIBIT D (Page 2)

11. If the HHFA project, for which the bonds referred to above were issued, is a revenue-producing project, give the following information for the fiscal year, to the extent appropriate:

Gross revenue \$ \_\_\_\_\_

Operating and maintenance expenses \$ \_\_\_\_\_

Net revenue (before bond charges) \$ \_\_\_\_\_

Number of connections: Residential \_\_\_\_\_ Commercial \_\_\_\_\_ Industrial \_\_\_\_\_ Schools \_\_\_\_\_

12. Comments (to be completed by HHFA):

Prepared by:

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Name and Title (Please type)



EXHIBIT E

Form approved Budget Bureau No. 63-21069		CFA-370-PFL-ARA (9-63)
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION		TO BE COMPLETED BY HHFA
LOAN MANAGEMENT REPORT (Public Facility-ARA Loans-Revenue Bonds)		A. REVIEWED BY _____
		B. GROUP _____ I _____ II
1. BORROWER'S NAME	2. PROJECT NUMBER	
3. ADDRESS	4. FISCAL YEAR ENDS	
REVENUE FUND:		
1. Cash balance in revenue fund at beginning of this period, _____, 19____ \$ _____ (This figure should be the closing cash balance in the revenue fund shown on the last statement; if not, show correct amount in A, on the back of this form.)		
1A. Cash (non-operating) received this period. . . . . \$ _____ Explain:		
CASH RECEIVED FROM OPERATIONS DURING THIS PERIOD:		
2. Metered service. . . . . \$ _____ 3. Flat rate service. . . . . _____ 4. Hydrant rentals (transferred from City General Funds). . . . . _____ 5. Other income (explain in B, reverse side). . . . . _____ 6. Total cash received from operations (add 2,3,4, and 5) . . . . . \$ _____ 7. Total cash available during this period (add 1, 1A, and 6) . . . . . \$ _____		
CASH DISBURSED FOR OPERATION EXPENSES DURING THIS PERIOD:		
8. Salaries and wages (explain in C, reverse side). . . . . \$ _____ 9. Power and fuel . . . . . _____ 10. Water or gas purchased for resale. . . . . _____ 11. Operating supplies . . . . . _____ 12. Repairs and replacements . . . . . _____ Labor . . . . . _____ Material . . . . . _____ 13. Truck, auto, and equipment expense . . . . . _____ 14. Legal and audit expense. . . . . _____ 15. Trustee and paying agent fees. . . . . _____ 16. Rent and utilities . . . . . _____ 17. Office supplies and expenses . . . . . _____ 18. Insurance. . . . . _____ 19. Payroll taxes. . . . . _____ 20. Miscellaneous (explain in D, reverse side) . . . . . _____ 21. Total operating expenses . . . . . \$ _____ 22. Total available for Bond and Interest Fund and other purposes (subtract item 21 from item 7) . . . . . \$ _____		
TRANSFERS AND OTHER CASH DISBURSEMENTS:		
23. Actual transfers made during this period to Bond and Interest Fund. . . . . \$ _____ 24. Transfers made for other purposes (explain in E, reverse side) . . . . . _____ 25. Total cash disbursements . . . . . _____ 26. Cash balance in revenue fund at the close of the period (subtract item 25 from item 22) . . . . . \$ _____		
BOND AND INTEREST SINKING FUND:		
27. Cash balance in Bond and Interest Sinking Fund at beginning of this period. (This figure should be the same as the closing cash balance in the Bond and Interest Sinking Fund, as shown on the last statement submitted. If not, explain in F on reverse side.) . . . . . \$ _____ 28. Cash transfers to fund this period (item 22) . . . . . \$ _____ 29. Other cash income to Bond and Interest Sinking Fund (explain in G, reverse side). . . . . _____ 30. Total cash available for Revenue Bond Debt Service (add items 27, 28, and 29) . . . . . \$ _____ 31. Payments this period: On Revenue Bond Interest . . . . . \$ _____ On Revenue Bond Principal. . . . . \$ _____ Other expenditures (explain in H below). . . . . \$ _____ 32. Balance in Bond and Interest Sinking Fund (subtract item 31 from item 30) . . . . . \$ _____ (See reverse side)		

EXHIBIT E (Page 2)

OPERATING DATA:

23. Number of actual consumers (If report covers more than one utility, state number for each.)

24. Accounts receivable at close of this period - Current . . . . . \$ \_\_\_\_\_  
 Delinquent . . . . . \$ \_\_\_\_\_

25. Has there been any change in the rate schedule during this period?  Yes  No  
 If so, attach copy of revised ordinance.

INSURANCE:

26. Furnish list of current insurance coverage on project.

BUDGET:

27. Attach copy of annual budget for next fiscal year.

EXPLANATORY SCHEDULES

A. Explanation of discrepancy in item 1.

B. Detailed explanation of item 8:

	AMOUNT
Bulk sales . . . . .	\$ _____
Connection charges . . . . .	\$ _____
Taxes or general fund payments . . . . .	\$ _____
Other (specify): _____	\$ _____
Total . . . . .	\$ _____

C. Details of salaries and wages shown in item 8:

_____	\$ _____
_____	\$ _____
Total . . . . .	\$ _____

D. Details of miscellaneous cash expenditures in item 20:

_____	\$ _____
_____	\$ _____
Total . . . . .	\$ _____

E. Details of cash transfers made this period for reserves or other purposes in item 24:

_____	\$ _____
_____	\$ _____
Total . . . . .	\$ _____

F. Explanation of discrepancy in item 27.

G. Details of other cash income this period to Bond and Interest Fund shown in item 28:

_____	\$ _____
_____	\$ _____
Total . . . . .	\$ _____

H. Details of other expenditures from Bond and Interest Sinking Fund in item 31:

_____	\$ _____
_____	\$ _____
Total . . . . .	\$ _____

PREPARED BY:

\_\_\_\_\_ (Signature) \_\_\_\_\_ (Date)  
 \_\_\_\_\_  
 (Name and Title (Please type))

TO BE COMPLETED BY NHTA - REVIEWER'S COMMENTS:

\_\_\_\_\_

EXHIBIT F

CFA-380 (12-64)																																														
HOUSING AND HOME FINANCE AGENCY COMMUNITY FACILITIES ADMINISTRATION  <b>QUARTERLY LOAN MANAGEMENT REPORT</b>	QUARTER ENDING  REGION																																													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">SH</th> <th style="width: 15%;">ARA</th> <th style="width: 15%;">CH</th> <th style="width: 15%;">PFL</th> <th style="width: 15%;">TOTAL</th> </tr> </thead> <tbody> <tr> <td>1. Number of loans under loan management</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. Number of loans in Group I</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. Number of loans in Group II</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>4. Number of Group II loans in default</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>5. Number of delinquent Reports of Initial Compliance</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>6. Number of delinquent Loan Management Reports</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>7. Number of initial conferences held during quarter</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>8. Number of projects visited during quarter</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	SH	ARA	CH	PFL	TOTAL	1. Number of loans under loan management					2. Number of loans in Group I					3. Number of loans in Group II					4. Number of Group II loans in default					5. Number of delinquent Reports of Initial Compliance					6. Number of delinquent Loan Management Reports					7. Number of initial conferences held during quarter					8. Number of projects visited during quarter				
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8. Number of projects visited during quarter																																														
9. Attach a brief statement on each loan in Group II, showing current status as well as the actions being taken to correct the difficulty.																																														
10. Comments																																														
_____ <i>Chief, Loan Management Branch</i>	_____ <i>Date</i>																																													
_____ <i>Regional Director of Community Facilities</i>	_____ <i>Date</i>																																													

DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

AUG 16 1972

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WASHINGTON, D.C. 20410

Complete Revision of Vol. VI began with  
transmittal letter CF-21 - Jan 8/4/60

COMMUNITY FACILITIES OPERATIONS

TRANSMITTAL CHECK LIST

Upon receipt of each transmittal letter, initial in the blank following the number. A break in continuity will indicate missing changes.

TL No.	Initials	TL No.	Initials	TL No.	Initials
CF-21	JM 8-4-60	CF-38	RT 11/2/62	CF-55	JM 8/4/64
CF-22	T.R.R. 9-1-60	CF-39	RT 11/2/62	CF-56	JM 8/4/64
CF-23	" "	CF-40	RT 11/22/62	CF-57	JM 8/4/64
CF-24	" "	CF-41	JG 3/29/63	CF-58	JM 8/4/64
CF-25	" "	CF-42	JG 3/29/63	CF-59	JM 8/27/64
CF-26	DEB-9/16/60	CF-43	JG 4/6/63	CF-60	JM 8/27/64
CF-27	DEB-1/5/61	CF-44	JG 6/6/63	CF-61	D.H. 1-25-65
CF-28	DEB-6/2/61	CF-45	JG 9-18-63	CF-62	D.H. 1-25-65
CF-29	DEB-7/20/61	CF-46	BQ 10-28-63	CF-63	D.H. 1-25-65
CF-30	DEB-9/25/61	CF-47	BQ 10-28-63	CF-64	D.H. 1-25-65
CF-31	AT 1-31-62	CF-48	BQ 11-21-63	CF-65	D.H. 1-25-65
CF-32	AT 1-31-62	CF-49	BQ 11-21-63	CF-66	D.H. 1-25-65
CF-33	AT 1-26-62	CF-50	LY 12-12-63	CF-67	D.H. 1-26-65
CF-34	AT 4-11-62	CF-51	LY 1-27-64	CF-68	D.H. 1-26-65
CF-35	AT 5-28-62	CF-52	BQ 3-25-64	CF-69	D.H. 1-26-65
CF-36	AT 6-10-62	CF-53	BQ 3-31-64	CF-70	D.H. 1-26-65
CF-37	AT 8-2-62	CF-54	BQ 4-23-64	CF-71	D.H. 1-26-65

COMMUNITY FACILITIES OPERATIONS

TL No.	Initials	TL No.	Initials	TL No.	Initials
CF-72	D.Y. 1-26-65	CF-95		CF-118	
CF-73	D.Y. 2-17-65	CF-96		CF-119	
CF-74	D.Y. -4-21-65	CF-97		CF-120	
CF-75	D.Y. -5-18-65	CF-98		CF-121	
CF-76	D.Y. 6-3-65	CF-99		CF-122	
CF-77	D.Y. 6-3-65	CF-100		CF-123	
CF-78	D.Y. 6-3-65	CF-101		CF-124	
CF-79	D.Y. 6-24-65	CF-102		CF-125	
CF-80	D.Y. 6-24-65	CF-103		CF-126	
CF-81	D.Y. 6-24-65	CF-104		CF-127	
CF-82	E.P. 7-19-65	CF-105		CF-128	
CF-83	E.P. 7/20/65	CF-106		CF-129	
CF-84	E.P. 8/9/65	CF-107		CF-130	
CF-85	J.C. 10/6/65	CF-108		CF-131	
CF-86	J.C. 10/6/65	CF-109		CF-132	
CF-87	J.C. 10/6/65	CF-110		CF-133	
CF-88	J.C. 10/6/65	CF-111		CF-134	
CF-89		CF-112		CF-135	
CF-90		CF-113		CF-136	
CF-91		CF-114		CF-137	
CF-92		CF-115		CF-138	
CF-93		CF-116		CF-139	
CF-94		CF-117		CF-140	