

Mortgagor's Certificate of Actual Cost

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

OMB Approval No. 2502-0602
(exp. 05/31/2016)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

The collection of this information is required by Section 227 of the National Housing Act (P.L. 479, 48 Stat., 1246, 12 USC 1701 et seq). Regulations stipulating these rules are Section 200.95 and 891.545. This form must be completed so that HUD can make an informed determination of mortgage insurance acceptability and to prevent windfall profits. The data collected is from the mortgagor relative to the actual cost of the project. The actual cost data is reviewed by HUD staff to determine that the mortgagor's original endorsement mortgage is supported by the applicable percentage of approved costs. Failure to receive and review the cost certification data could result in the Department's over-insurance of the mortgage in violation of the law. No questions of a sensitive nature are included on this form.

To: Federal Housing Commissioner

Project Number

Project Name

Location

No mortgage shall be insured unless a Certificate of Actual Cost is executed upon completion of all physical improvements on the mortgaged property and prior to final endorsement (Section 227, P.L. 479, 49 Stat., 12 U.S.C.)

This Certificate is made pursuant to the provisions of that Agreement and Certification of

All references to "Identity of Interest" herein made are made in the context of the definition printed below, which has been read by the undersigned.

Identity of Interest between the mortgagor and/or sponsor as parties of the first part and general contractors, subcontractors, material suppliers, or equipment lessors as parties of the second part will be construed as existing under any of the following conditions:

(Mortgagor)
dated(mm/dd/yyyy) _____ and in order to induce you to finally endorse the mortgage for insurance.

The actual cost to the owner of labor and materials and necessary services for construction of the physical improvements in connection with the subject project, after deduction of all kickbacks, rebates, adjustments, discounts, promotional or advertising recoupment made or to be made to the mortgagor, sponsor or any corporation, trust, partnership, joint venture or other legal entity in which they or any of them hold any interests set forth below, the cost of construction is (is not) supported by Form HUD-92330-A, Contractor Certificate of Actual Cost. (Form HUD-92330-A must be submitted when there is an identity of interest between mortgagor and general contractor and when a Cost Plus Contract is required in nonprofit projects.)

Note: This Certificate must be supported by a certification as to actual cost by an independent Certified Public Accountant or by an independent public accountant if required by HUD regulations or handbooks.

The undersigned hereby certifies that, except as noted below, there has not been and is not now any identity of interest between mortgagor and general contractor and/or any subcontractor, material supplier, or equipment lessor. It is further certified that, except as noted, there are not and have not been any such relationships between sponsor(s) of this project and general contractor and/or subcontractor, material supplier and equipment lessor.

When there is any financial interest of the party of the first part in the party of the second part; when one or more officers, directors or stockholders of the party of the first part is also an officer, director, or stockholder of the party of the second part; when any officer, director, or stockholder of the party of the first part has any financial interest whatsoever in the party of the second part; when the party of the second part advances any funds to the party of the first part; when the party of the second part provides and pays on behalf of the party of the first part the cost of any architectural or engineering services other than those of a surveyor, general superintendent, or engineer employed by a general contractor in connection with his or its obligations under the construction contract; when the party of the second part takes stock or any interest in the party of the first part as part of the consideration to be paid them; when there exists or comes into being any side deals, agreements, contracts or undertaking entered into or contemplated, thereby altering, amending, or canceling any of the required closing documents except as approved by the commissioner; when any relationship (e.g. family) existing which would give the mortgagor or general contractor control or influence over the price of the contract or the price paid to the subcontractor, material supplier or lessor of equipment.

The following identities of interest exist: If none, so state.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.
Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Mortgagor Name

Title

Signature

Date (mm/dd/yyyy)

Item	Column A Paid in Cash	Column B To be paid in cash within 45 days after final endorsement	Column C Total
* Attach itemized schedules and copies of bills and receipts where applicable			
* 1a. Amount due under terms of Lump-Sum Construction Contract (as adjusted)			
* 1b. Amount due under terms of Cost-Plus Construction Contract (as adjusted and exclusive of Builder's Profit)			
* 1c. Allowable Builder's Profit (Use only if 1b is used)			
2a. Architect's Fee - Design			
2b. Architect's Fee - Supervision			
* 2c. Architect's Fee - Additional Services			
* 3. Interest During Construction			
* 4. Taxes During Construction			
* 5. Property Insurance			
* 6. Mortgage Insurance Premium (MIP)			
7. FHA Examination Fee			
8. FHA Inspection Fee			
* 9. Title and Recording Fees			
* 10. Allowance To Make Project Operational (AMPO)			
* 11a. Initial Financing Fee			
* 11b. Permanent Placement fee			
* 11c. Discounts			
* 11d. Other Approved Financing Expenses			
* 12a. Legal			
* 12b. Organization			
* 12c. Mortgagor's Cost Certification Audit Fee			
* 13. Other (exclusive of items required by the Construction Contract)			
Subtotal			
14. Profit and Risk (if applicable)			
15a. Consultant's Fee			
* 15b. Major Moveable Equipment			
* 15c. Offsite and Demolition			
* 15d. Other			
Subtotal			
* 16a. Reduction (if any) resulting from Operating Statement Attached			
* 16b. Reduction (if any) resulting from Grants / Loans			
Total			



New York State Office
Jacob K. Javits Federal Building
26 Federal Plaza
New York, New York 10278-0068

HANDBOOK REFERENCES; 4470.2 COST CERTIFICATION GUIDE
2000.4 AUDIT GUIDE

COPIES REQUIRED; 3 FROM CONTRACTOR
3 FROM SPONSOR

SIGNATURES; ALL COPIES MUST HAVE ORIGINAL SIGNATURES
DATES; ALL COPIES MUST BE DATED

THE SPONSOR/MORTGAGOR SIGNATURE CANNOT BE
DATED AFTER THE ACCOUNTANT CERTIFICATION

SUBMISSION; ALL COPIES MUST BE SUBMITTED TOGETHER
ADDRESSED TO TERESA BAINTON, CHIEF,
PRODUCTION BRANCH

CUTOFF DATE FOR MORTGAGOR COST CERTIFICATION
CANNOT EXCEED 60 DAYS FROM THE FINAL INSPECTION
MUST BE ON OR AFTER THE FINAL INSPECTION

CPA MUST SUBMIT AN UNQUALIFIED OPINION LETTER

BALANCE SHEET MUST SHOW A MORTGAGE PAYABLE WHICH
AGREES WITH THE MORTGAGE AMOUNT DISBURSED AS OF
THE CUTOFF DATE

INCOME STATEMENT;
MUST BE DATED FROM INITIAL CLOSING TO CUTOFF DATE
CANNOT INCLUDE ANY ITEM FROM COST CERTIFICATION
(i.e. insurance, taxes, interest)

ADDITIONAL SCHEDULES REQUIRED;

INSURANCE- MUST SHOW TYPE OF INSURANCE, DATES
COVERED BY PAYMENT, AND BE PRORATED TO
THE CUTOFF DATE

TAXES-SAME AS INSURANCE

OTHER FEES- MUST SEPARATE EACH VENDOR INTO 3 COLUMNS
AMOUNT PAID, AMOUNT TO-BE-PAID, TOTAL
- MUST INDICATE THE SERVICE PROVIDED
(i.e. survey, soil test, etc.)

Pre-Cost Certification Conference

1. Handbooks:

a. 4470.2 Cost Certification Guide

b. ~~1999-2000~~ Audit Guide **2000.4**

Form

2. Requirements - (General):

Three (3)

a. ~~Four (4)~~ copies of Cost Certification

b. All copies **MUST HAVE** original signatures + dates

c. The back of Form 2330 **MUST** be fully completed on all copies

d. The Accountants signature **CAN NOT** pre-date the signature of sponsor

3. Requirements - (Accountant):

A.

1) The CUT-OFF DATE can not exceed 60 days from the final inspection

2) The CUT-OFF DATE can not be prior to the final inspection

3) One and only one CUT-OFF DATE must be used for All items in the Cost Certification

B.

1) The Accountant **MUST** submit an unqualified opinion letter

C.

1) An income statement is **REQUIRED**:

2) If there is no income prior to the CUT-OFF DATE the accountant must note this in the Cost Certification

D.

1) A Balance Sheet is **REQUIRED**

2) The Balance Sheet MUST show a mortgage payable which agrees with the mortgage amount disbursed as of the cut-off date

E.

1) A schedule for Taxes and Insurance **MUST** be submitted

2) The schedule MUST show the type of taxes or insurance and the dates covered by the payment

- 1a Lump Sum Contract only as adjusted by approved change orders
- 1b Cost Plus contract as adjusted by approved change orders
- 1c Builder's Profit from cost plus contract only
- 2a & 2b Architect's Fees from architect's contract
- 3 Interest during construction. Provide schedule showing dates and amounts from initial closing to cut-off
- 4 Taxes from initial closing to cut-off. Provide schedule showing dates and dollar amounts
- 5 Property insurance from initial closing to cut-off. Provide schedule showing dates covered, type of insurance and dollar amounts
- 6 Mortgage insurance - 1/2% of approved mortgage calculated from initial closing to cut-off. For profit motivated projects only
- 7 FEA examination fee - from Mortgagee's Certificate. For profit motivated projects only
- 8 FEA inspection fee - from Mortgagee's Certificate. For profit motivated projects only
- 9 Title and Recording - From bill paid at initial closing
- 11 ~~12~~ Financing - For profit motivated projects only. Actual cost of financing
- 11 ~~12~~ Legal, Organizational and Mortgagee's Cost Certification Audit fee. ~~Provide schedule showing breakdown by individual payee and amount paid, to be paid and total for each payee~~
- ~~12 Off site costs - actual amount of off site costs~~
- 13 Other fees provide schedule showing breakdown by individual payee and showing amount paid, amount to be paid and total for each payee
- 14 Profit & Risk
- 15a Consultant
- 15b Major Moveable Equipment
- 15c Offsite

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- 5-7 **Illustrative Reporting.** *These samples are for the *Sample Company*, which is a partnership. The wording is to be changed based on the type of ownership of the property.*

Report of Independent Certified Public Accountants

To the Partners
Sample Company

We have audited the mortgagor's certificate of actual costs (Form HUD-92330), through [insert cutoff date, for example, April 30, 2010]; pertaining to the development of the *Sample Company*, Project No. [Insert project number]. We have also audited the [insert names of statements included in the report (financial statement)] as of [insert the cutoff date, for example, April 30, 2010], and the results of project operations for the period from [insert date, for example, August 28, 2008, which is the date of commencement of marketing and rent-up activities, etc.] through [insert the cutoff date, for example, April 30, 2010]. The Form HUD-92330 and the financial statements are the responsibility of the *Sample Company's* management. Our responsibility is to express an opinion on the Form HUD-92330 and on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the government auditing standards issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Form HUD-92330 and the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Form HUD-92330 and in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note [insert the note number], the certificate of actual cost (Form HUD-92330) and the project's financial statements were prepared in conformity with the basis of accounting and reporting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which is a comprehensive basis of

accounting other than generally accepted accounting principles. Further, the accompanying financial statements represent the financial statements of the project.

In our opinion, the mortgagor's certificate of actual costs (Form HUD-92330) and the financial statements referred to above present fairly, in all material respects, the actual costs of the *Sample Company*, through [insert cutoff date, for example, April 30, 2010]; the assets, liabilities, and project equity as of [insert cutoff date, for example, April 30, 2010]; and the results of project operations for the period from [insert date, for example August 28, 2008, which is the date of commencement of marketing and rent-up activities, etc.] through [insert cutoff date, for example, April 30, 2010], on the basis of accounting described in note [insert the note number].

In accordance with government auditing standards, we have also issued our report dated [date of report] on our consideration of the *Sample Company's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with government auditing standards and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the board of directors and management of the *Sample Company* and HUD and is not intended to be and should not be used by anyone else other than these specified parties.

Certified Public Accountant Signature

Date

Sample Company
Project No. XXX-XXXXX

Notes to Financial Statements

Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in conformity with the accounting and reporting standards prescribed by the U.S. Department of Housing and Urban Development (HUD) in the Audit Guide for Auditing Development Costs of HUD-Insured Multifamily Projects. These standards differ in some respects from generally accepted accounting principles, and the financial statements reflect the following additional HUD accounting and reporting principles:

- a. Costs are to be exclusive of kickbacks, rebates, or trade discounts.
- b. Financing charges are limited to the lesser of amounts actually paid or amounts approved by HUD on the mortgagee's certificate. For this project, the financing charges are the amounts [insert comment that applies - actually paid or approved by HUD].
- c. The (insert actual name of statement; i.e., statement of rental operations) reflects the rental activity and operating expenses of the project beginning [insert date of commencement of marketing and rent-up activities, etc., for example, August 28, 2008]. The statement does not include depreciation and amortization expenses and certain other expenses, which are not incidental to the rental operation of the project.
- d. Project equity represents the difference between the funds received by the project from *Sample Company* and the costs incurred to develop the project, plus the income from the project. More detailed information on the determination of equity is contained in the MAP Guide, chapters 7, 12, and 14. Further, partners' (members') (nonproject) obligations are classified as project equity. Partners' (members') equity is not intended to reflect the actual equity of the partnership because it may include partnership obligations and adjustments for the as-is value of land. The financial statements are not intended to represent those of the partnership.

Sample Company
Project No. XXX-XXXXX

Notes to Financial Statements

Summary of Significant Accounting Policies

Organization

Sample Company is a limited partnership organized under the laws of the state of [Insert name of State], for the purpose of developing and operating a 203-unit project located in [location of project]. The partnership will operate under the provisions of Section 221(d) (4) of the National Housing Act, with mortgage insurance provided by the Federal Housing Administration (FHA) of the U.S. Department of Housing and Urban Development.

The responsibility for management of the affairs of the partnership and the ongoing management of the *Sample Company* is vested with the general partners. Compensation for such services is as determined in the management agreement between the partners.

*

5-8 Technical Assistance Needed.

The chief, Technical Support Division, Office of Multifamily Housing Development, is responsible for answering programmatic questions for the programs being audited using the procedures outlined in this chapter. Programmatic questions on audits performed using this chapter should be referred to that office, 202-708-0614, extension 2559.*