

Escrow Agreement Additional Contribution by Sponsors

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

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This information collection is necessary to ensure that viable projects are developed. It is important to obtain information from applicants to assist HUD in determining if nonprofit organizations initially funded continue to have the financial and administrative capacity needed to develop a project and that the project design meets the needs of the residents. The Department will use this information to determine if the projects meet statutory requirements, ensuring the continued marketability of the projects. This information is required in order to obtain benefits. This information is considered non-sensitive and no assurance of confidentiality is provided.

Whereas, _____
and _____
are sponsors of a project located in _____, identified as FHA Project No. _____, which project has been, is being, or will be, constructed from the proceeds of a mortgage (or deed of trust) from _____ to _____, with respect to which mortgage Federal Housing Commissioner has issued a commitment to insure, and without which insurance financing of the construction of the project as proposed by the sponsors could not be obtained, and

Whereas, said commitment is conditioned upon assurance that additional funds be made available for project purposes, primarily for the absorption of any deficit resulting from the operation of the project during the initial period of occupancy;

Now, therefore this agreement witnesseth:

1. That the sponsors have deposited with _____, Depository,
 (a) in cash,
 (b) by an unconditional irrevocable letter of credit issued to Depository by a banking institution,,
 (c) in United States Treasury securities or securities issued by a Federal agency with a market value equal to 115 percent of the required amount.
\$ _____, receipt of which is acknowledged by the Depository, to be held and disbursed by the Depository as hereinafter set out.
2. Said deposit shall be held subject to disbursement at the direction of the Commissioner for a period of _____ months following final endorsement of the mortgage loan for insurance plus any additional period by which the beginning of amortization of the loan may be deferred. Disbursements from the escrow may be authorized monthly by the Commissioner to meet any cash deficit in the operation of the project for the period immediately following final completion of construction. In determining the amount of such cash deficit, effect will be given to the mortgagor's payments for amortization and deposits in the Reserve for Replacements, but no effect will be given to depreciation, officers' salaries, and management fees paid to the owners or sponsors of the project or their nominees.
3. The deposit will be subject to immediate application to the mortgage debt in the event of default under the mortgage at any time prior to the expiration of the escrow period.
4. It is understood and agreed that at the expiration of the escrow period, or at such earlier date as the Commissioner determines that the project has achieved sustaining occupancy and income, any balance remaining on deposit will be returned to the sponsors, without interest.
5. It is further understood and agreed that the Depository will hold and disburse this escrow at the sole direction of the Commissioner; and the sponsors hereby authorize the Depository, in the event the deposit hereunder is other than in cash, to draw against the letter of credit or to sell the bonds to the extent necessary to provide the cash necessary to make the disbursements directed by the Commissioner.
6. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender, shall be applicable to all genders.

Dated: _____ (Sponsor)
_____ (Sponsor)
_____ (Sponsor)
_____ (Sponsor)
_____ (Sponsor)
_____ (Depository)