

**Commitment to Insure  
Upon Completion**  
Section 232

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

OMB No. 2502-xxxx (Exp. xx/xx/xxxx)

**To:**

Mortgagee	Project Number
Street	Name of Mortgagor
City and State	City, County, and State

We understand that you, as Mortgagee, have agreed to make a loan to \_\_\_\_\_  
\_\_\_\_\_ (hereinafter called the "Mortgagor"),

in an amount not exceeding the sum of \_\_\_\_\_ Dollars ( \_\_\_\_\_ )  
to be secured by a credit instrument and security instrument (hereinafter jointly called the "Mortgage") covering real property situated  
in the \_\_\_\_\_ of \_\_\_\_\_ and State of \_\_\_\_\_,

at \_\_\_\_\_, as shown on the survey or plat and legal description of the  
property attached hereto and marked "Exhibit A," upon which property there is to be erected a certain Nursing Home (hereinafter called  
the "Project"), in accordance with certain Drawings and Specifications prepared by \_\_\_\_\_,

Architect(s), and entitled \_\_\_\_\_, which Drawings and Specifications  
have been identified by the signature and initials of the Mortgagor, Mortgagee, and the Department of Housing and Urban Development,  
and by the Architect(s); and

That upon the completion of the Project it is your intention to present the said Mortgage to HUD for mortgage insurance under the  
provisions of Section 232 of the National Housing Act, as amended, and the HUD Regulations thereunder in effect on the date hereof.

The Federal Housing Commissioner (hereinafter referred to as "HUD") hereby agrees to so insure said Mortgage under the provisions  
of said Act and said HUD Regulations upon the following conditions:

1. (a) There has been filed with HUD a "Master Set" of the aforesaid Drawings and Specifications of the Project together with the general conditions of the contract for the construction of buildings in the standard form of the American Institute of Architects, current edition, and Supplementary General Conditions, which said Master Set shall remain on file with HUD and be the controlling factor with respect to any matters which may arise as to the language, provisions, and contents of said "Drawings and Specifications." In addition thereto HUD shall be furnished with three duplicate sets of said Drawings and Specifications at the time of issuance of this commitment.
- (b) Upon endorsement of the Mortgage for insurance, the Project shall have been completed strictly in accordance with the requirements of said Drawings and Specifications except as they may have been modified by changes formally approved in writing by HUD before the changes are made. All requests for changes in the Drawings and Specifications must be in writing signed by the Mortgagee and the Mortgagor and shall be conditioned upon the approval of HUD, which approval may be subject to such conditions and qualifications as HUD in its discretion may prescribe, it being understood that HUD at all times has the right to require compliance with the original Drawings and Specifications.
2. During the course of construction HUD shall at all times have access to the property and the right to inspect progress of construction, and HUD will require payment of \$ \_\_\_\_\_ to cover cost of said inspection. If the Project is not completed or is otherwise ineligible for mortgage insurance within the term of this commitment, HUD, prior to endorsement of the Mortgage for insurance, may require the payment of an additional sum to cover the estimated cost of further inspection required by reason of the delay. In addition, if required by HUD, the Mortgagor will furnish at the Project site all necessary facilities for the use of HUD's inspector such as office space, use of a telephone, typewriter, etc. The inspection of construction by representative or representatives of HUD shall be for the benefit and protection of HUD only. The duty of compliance with the Drawings and Specifications shall be solely upon the Mortgagor, but HUD will endeavor to notify the Mortgagor, Mortgagee, and the Contractor promptly of observed deviations, unsatisfactory workmanship, or defective materials. If such deviations from the Drawings and Specifications or such unsatisfactory workmanship or defective materials are not corrected to the satisfaction of HUD prior to completion of construction, the Mortgage will not be considered eligible for insurance. The HUD inspectors are authorized to notify all parties of observed deviations or defective workmanship or materials but have no authority to approve changes, alterations or additions or to waive strict compliance with the Drawings and Specifications, such authority being reserved solely to the undersigned.

3. Prior to endorsement of the Mortgage for insurance, the Mortgagor shall present to HUD a title policy or title evidence in conformity with HUD Regulations above mentioned which shall show that title to the property on the date of endorsement of the mortgage for insurance is vested in the Mortgagor free of all encumbrances other than said Mortgage and all reservations of title (either junior or prior to said Mortgage) except such as are specifically waived by HUD. The Mortgagor shall also furnish satisfactory proof that there exists no unpaid obligations contracted in connection with the Mortgage transaction, the purchase of the mortgaged property or the construction of the improvements, except such obligations as may be approved by HUD. If such title evidence is in the form of a title insurance policy, it shall by its terms inure to the benefit of the Mortgagee and/or HUD, as interest may appear. If under the laws of the jurisdiction in which the Project is located the chattels and personal property of the Mortgagor required in the operation of the Project are not covered by and subject to the terms of the Mortgage, the Mortgagee must require and receive from the Mortgagor a chattel mortgage or such other security instrument as may be necessary covering such personal property and chattels. Where approved by HUD such chattel mortgage may be subject to a lien for purchase money.
4. (Insert appropriate payment provision based upon amortization plan applicable to this Mortgage.)

In addition to the payments required by the terms of the Mortgage, the Mortgagor shall make such advance amortization payments as may be required under procedures in effect as on the date of this Commitment.

5. The credit instrument and the security instrument (“Mortgage”) to be insured shall be in the form prescribed by HUD for use in connection with the aforesaid Section 232 in the locality in which the property is situated.

The mortgage shall contain a provision as follows:

“The Regulatory Agreement of even date herewith executed by the Mortgagors (Grantors) herein, which is being recorded simultaneously herewith, is incorporated in and made a part of this mortgage deed (deed of trust). A default under said Regulatory Agreement shall be a default under this mortgage deed (deed of trust) and upon such default under the Regulatory Agreement, the Mortgagee, at its option, may declare this mortgage (deed of trust) in default and may declare the whole of the indebtedness secured hereby to be due and payable.”

6. The Mortgagor must possess the powers necessary for and incidental to the purpose of providing skilled nursing care and related medical services. In addition, if the Mortgagor is a corporation its charter must be amended or drawn so as to subject its operations of the insured nursing home to the provisions of the Regulatory Agreement between the Mortgagor and HUD. (form HUD-92466). There shall be filed with HUD prior to the endorsement of the mortgage for insurance three copies of the aforesaid Regulatory Agreement. HUD shall also be furnished with certified copies of the minutes of all meetings of incorporators, stockholders and directors (if applicable) or other proceedings required by the laws of the applicable jurisdiction as necessary to validate the loan. The Regulatory Agreement shall provide, among other things, for the establishment and maintenance of a “Fund for Replacements” of \$ \_\_\_\_\_ per annum to be accumulated monthly under control of the Mortgagee, commencing on the date of the first payment to principal as established in the insured mortgage unless a later date is agreed to by HUD.
7. Prior to the endorsement of the Mortgage for insurance, evidence satisfactory to HUD shall be submitted showing that adequate sewer, water, gas and electric facilities have been fully installed and that necessary public streets, sidewalks, and curbing outside the Project site have been completed. All off-site facilities or utilities as may be required by the special conditions of this commitment shall be included in such evidence.
8. The Mortgage will not be endorsed for insurance unless there is filed with the request for such endorsement a certificate or certificates in the form required by HUD, executed by the General Contractor, certifying that the laborers and mechanics employed in the construction of the Project have been paid not less than the wages prevailing in the locality in which the work was performed for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor with respect to the above-captioned Project, in accordance with Section 212 of the National Housing Act.

Any contract or subcontract executed for the performance of construction of the project shall contain the provision that there shall be no discrimination against any employee, or applicant for employment, because of race, color, creed, or national origin.

The Mortgagor shall insert Provisions 9, 10, 11, 12, and 13 of the FHA Supplementary General Conditions and Article 11 of form HUD-92442, Construction Contract, in any contract made by it for the construction of the project or any part thereof and shall require such contractor to insert similar provisions in each of its subcontracts.

9. Prior to the endorsement of the Mortgage for insurance, evidence shall be submitted to HUD that the buildings, including electric wiring, plumbing, gas, and other appliances therein have been inspected and approved by all departments, boards, or agencies of the municipality, county, or State, or other governmental bureaus or departments having

jurisdiction thereof, and by the Board of Fire Underwriters or any bureau or body performing similar functions and that such certification as may be required with respect to the approval of the said buildings for occupancy and otherwise as may be required by HUD have been issued to the Mortgagor, and neither the whole nor any part of the Project shall be opened for occupancy without prior approval of HUD.

10. Prior to the endorsement of the Mortgage for insurance, HUD shall be furnished with a survey duly certified to by a registered surveyor satisfactory to HUD showing that there are no easements or encroachments upon the subject property except those approved by HUD and that the improvements of the Project have been constructed upon the land covered by the Mortgage and within the building restriction lines, if any, on said land and do not encroach upon or overhang any land not covered by the Mortgage or beyond the said building restriction lines, if any, nor upon any easement or right-of-way, and showing the exact location of water, sewer, gas, and electric mains, and all easements for such utilities then existing.
11. Upon endorsement of the Mortgage for insurance it must be current with respect to all payments required to be made by its terms, including all deposits required to be made with the Mortgagee for mortgage insurance premiums, fire, and other hazard insurance premiums, ground rents, water rates, taxes and other assessments; and there shall be in full force and effect fire and other hazard insurance as required by the insured Mortgage.
12. Upon the endorsement of the Mortgage, the Mortgagee shall pay to HUD, in advance, a mortgage insurance premium equal to one-half of one per centum of the principal amount of the Mortgage insured to cover the first mortgage insurance premium and shall continue to make payments thereafter as required by the aforesaid HUD Regulations.
13. Upon completion of the Project the Mortgagor shall furnish satisfactory evidence that the work of the Contractor is covered by a guarantee, running for a period of at least 1 year, against latent defects and faulty workmanship and defective materials, which guarantee will be ensured by
  - (a) a valid surety bond in an amount not less than ten percent (10%) of the cost of construction, running for a period of not less than 2 years following substantial completion of the Project, assignable to the Mortgagee and to HUD and assigned to the Mortgagee prior to the endorsement of the Mortgage for insurance;
  - (b) a sum equal to two and one-half percent (2-1/2%) of the face amount of the Mortgage retained in escrow and subject to the control of the Mortgagee for a period of 1 year as an insurance for the correction of latent defects, faulty workmanship, and defective materials, which sum, upon failure of the Mortgagor to make such corrections as are required by the Mortgagee or HUD within said 1-year period, may be used by the Mortgagee, or its assigns, for making such required corrections or, with the consent of HUD, may be applied to the last maturing installments of principal of the indebtedness evidenced and secured by the Mortgage, or
- (c) an indemnity agreement in form and by obligors proposed by the Mortgagee and satisfactory to HUD.
14. The Mortgagor shall establish to the satisfaction of HUD that, in addition to the proceeds of the insured mortgage, the Mortgagor has funds in the amount of \$ \_\_\_\_\_ or has made financial arrangements acceptable to HUD in order to meet the expenses of the project for the period of \_\_\_\_\_ years and \_\_\_\_\_ months as HUD estimates necessary to establish a profitable operation. Any such funds shall be deposited with and held by the mortgagee in a special account or by an acceptable depository designated by the mortgagee under an agreement approved by HUD.
15. The Mortgage shall not be eligible for insurance if subsequent to February 15, 1950, there has been filed of record with respect to the property to be covered by said Mortgage any restriction upon the sale or occupancy of the property on the ground of race, color, or creed. The Mortgage to be insured shall contain a covenant that until it has been paid in full or the contract of mortgage insurance otherwise terminated the Mortgagor will not execute or file for record any instrument which imposes any such restriction and such covenant shall be binding upon the Mortgagor its successors and assigns and will provide that upon violation thereof the unpaid balance of said Mortgage shall be immediately due at the option of the Mortgagee.
16. Construction shall commence upon the Project within 30 days from the date of this commitment and must be continued thereafter diligently to completion. If construction is not started within such time this commitment shall terminate unless the time for commencement of construction is extended in writing by HUD.
17. The Mortgagor shall not be required to pay to the Mortgagee an initial service charge in excess of 1-1/2 percent of the original amount of the mortgage.
18. This commitment shall expire (mm/dd/yyyy) \_\_\_\_\_, unless duly extended in writing by HUD, and upon such expiration all rights and obligations of the respective parties shall cease.
19. Prior to the execution of any construction contracts relative to the subject Project, the Agreement and Certification, form HUD-3305-A, shall be executed by the Mortgagor, Mortgagee, and HUD and the Mortgagor shall be bound thereby with respect to any subsequent contracts or subcontracts.
20. The commitment amount hereinabove is subject to appropriate reduction in accordance with the terms of the Agreement and Certification.
21. For the purpose of ascertaining the applicable interest rate of any debentures which may be issued in connection with the Mortgage transaction under the provisions of this commitment, the term "rate in effect at the time the Mortgage is insured" appearing in the Housing Act of 1954 shall be construed to have reference to the going rate as of the date the commitment was issued.

22. This commitment is conditioned upon the payment of a "Commitment Fee" of \$ \_\_\_\_\_ and of an "Inspection Fee" of \$ \_\_\_\_\_ upon delivery of the commitment to the Mortgagee.

23. (a) Any contract or subcontract executed for the performance of the construction of the project shall comply with all applicable Labor Standards and provisions of the Regulations of the Secretary of Labor, issued May 9, 1951, pursuant to Reorganization Plan No. 14 of 1950.

(b) Prior to the commencement of construction the Mortgagor shall deliver to the Commissioner a statement executed by the General Contractor setting forth the name of such contractor, together with the names of all persons having a substantial interest therein, and the names of any firm, corporation, partnership, or association engaged in any construction activity within the scope of the Labor Standards Provisions of any of the Acts listed in section 5.1 of the Regulations of the Secretary of Labor, issued May 9, 1951, pursuant to Reorganization Plan No. 14 of 1950, in which such contractor or such persons have a substantial interest.

(c) Prior to the commencement of construction the Mortgagor shall deliver to HUD Contractor's Certification of Labor Standards and Prevailing Wage Requirements executed by the General Contractor.

This commitment and exhibits referred to herein together with the applicable Regulations constitute the entire agreement between us, and acceptance of the terms hereof is evidenced by the signature and seals of the Mortgagor and Mortgagee upon the lines provided therefor below.

Very truly yours,

**Federal Housing Commissioner.**

Dated (mm/dd/yyyy)	By (Authorized Agent)
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The above commitment to insure is hereby acknowledged by the undersigned, and we hereby agree to be bound by the terms thereof.

Attest	Mortgagor
	By
Attest	Mortgagee
	By