

**Project Owner's / Borrower's Certification**  
for Elderly Housing Projects  
Managed by Administrators

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

OMB Approval No. 2502-0305  
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Owners of insured and assisted multifamily housing projects are required by HUD administrative guidelines as found in HUD Handbook 4381.5 REV-2, The Management Agent Handbook, to submit certain data for review by the local HUD office of approval of a new management agent. These requirements apply to insured multifamily projects or HUD-held mortgages and subsidized, non-insured projects that are not financed by State Agencies or the Rural Housing Service Agency.

|              |                    |                   |
|--------------|--------------------|-------------------|
| Project name | FHA project number | Date (mm/dd/yyyy) |
| City, State  | Section 8 number   |                   |

Acting on behalf of the Board of Directors of the Project Owner (Borrower Corporation for 202 projects), I make the following certifications and agreements to the United States Department of Housing and Urban Development (HUD) regarding management of the above project.

1. I certify that:

a. The owner/borrower will comply with HUD requirements and contract obligations, and will not receive payments in return for awarding the administrator's responsibilities to him/her or to an agent thereof, and that such payments will not be made in the future.

b. The administrator's duties are specified in the following document(s). (Check one or both boxes below.)

- Position Description  
 Employment agreement

c. The above document(s) provide that the administrator will manage the project for the term and compensation described below.

- (1) Term of employment:  
  
(2) Compensation (Describe salary, fringe benefits, bonuses, etc.):

d. The administrator will be paid from project income only after we have:

- (1) Submitted this Certification to HUD;  
(2) HUD has approved the administrator to manage this project; **and**  
(3) HUD has approved the administrator's compensation, if required by HUD's administrative procedures.

e. I understand that no compensation may be earned or paid after HUD has terminated the administrator's management of the project.

f. If HUD notifies me that the administrator's compensation is excessive, within 30 days I will either:

- (1) Reduce the compensation to an amount HUD determines to be reasonable and  
(2) Require the administrator to refund to the project all excessive fees collected, or  
(3) Appeal HUD's decision and abide by the results of the appeal process, making any required reductions and refunds within 30 days after the date of this decision letter on the appeal.

g. I will ensure that the administrator reads and understands all applicable HUD handbooks, notices and policy directives that impose requirements on project management.

2. If the project is subsidized by HUD, I agree to and will require the administrator to select and admit tenants, compute tenant rents and assistance payments, recertify tenants and carry out other subsidy contract administration responsibilities in accordance with HUD Handbook 4350.3 and other HUD instructions.

3. I agree to:

- a. Comply with this project's Regulatory Agreement, Mortgage & Mortgage Note, and any subsidy contract or Workout/Modification Agreement.  
b. Comply with HUD handbooks, notices or other policy directives that relate to the management of the project.

4. I agree to and will require the administrator to:

- a. Ensure that **all** project expenses are reasonable and necessary.  
b. Refrain from purchasing goods or services from entities that have identity-of-interest with us unless the costs are as low as or lower than arms-length, open-market purchases.

c. Exert reasonable effort to maximize project income and to take advantage of discounts, rebates and similar money-saving techniques.

d. Obtain contracts, materials, supplies and services, including preparation of the annual audit, on terms most advantageous to the project.

e. Credit the project with **all** discounts, rebates or commissions (including sales/property tax relief granted by State/local government).

f. Obtain the necessary verbal or written cost estimates and document the reasons for accepting other than the lowest bid.

g. Maintain copies of such documentation and make such documentation available for your inspection during normal business hours.

h. Invest project funds that HUD policies require to be invested and take reasonable effort to invest other project funds unless the owner specifically directs the administrator not to invest those other funds.

5. I certify that the types of insurance policies checked below are in force and will be maintained to the best of our ability at all times. Fidelity bonds and hazard insurance policies will name HUD as an additional payee in the event of a loss. Note: For any box not checked, attach an explanation as to why you cannot obtain that type of insurance. Such situations should be extremely rare.

- a.  Fidelity bond or employee dishonesty coverage for  
(1) the administrator and;  
(2) all persons who participate directly or indirectly in the management and maintenance of the project and its assets, accounts and records. Coverage will be at least equal to the project's gross potential income for two (2) months.  
b.  Hazard insurance coverage in an amount required by the projects Mortgage.  
c.  Public liability coverage with the owner, sponsor, and administrator designated as the insured.

6. I will require the administrator to:

- a. Furnish a response to HUD's management review reports, physical inspection reports and written inquiries regarding the project's annual financial statements or monthly accounting reports within 30 days after receipt of the report or inquiry.  
b. Establish and maintain the project's accounts, books and records in accordance with:  
(1) HUD's administrative requirements;  
(2) generally accepted accounting principles; and  
(3) in a condition that will facilitate audit.

7. I will require the administrator to adhere to the following:

- a. All records related to the operation of the project, regardless of where they are housed, shall be considered the property of the project.  
b. HUD, the General Accounting Office (GAO), and those agencies' representatives may inspect:  
(1) any records which relate to the project's purchase of goods or services;  
(2) the records of the owner and the administrator; and,  
(3) the records of companies having an identity-of-interest with the owner and the administrator.

c. The following clause will be included in any contract entered into with an identity-of-interest individual or business for the provision of goods or services to the project: "Upon request of HUD or (name of owner or administrator), (name of contractor or supplier) will make available to HUD, at a reasonable time and place, its records and records of identity-of-interest companies which relate to goods and services charged to the project. Records and information will be sufficient to permit HUD to determine the services performed, the dates the

services were performed, the location at which the services were performed, the time consumed in providing the services, the charges made for materials, and the per-unit and total charges levied for said services." The owner agrees to request such records within seven (7) days of receipt of HUD's request to do so.

8. I certify that any employment agreement does not contain the type of "hold harmless" clause prohibited by HUD.

9. I agree to include the following provisions in the employment agreement and to be bound by them:

- a. HUD has the right to terminate the employment agreement for failure to comply with the provisions of this Certification, or other good cause, thirty days after HUD has mailed me a written notice of its desire to terminate the employment agreement.
- b. In the event of a default under the Mortgage, Note or Regulatory Agreement, HUD has the right to terminate the employment agreement immediately upon HUD's issuance of a notice of termination to the administrator and me.
- c. If HUD exercises this right of termination, I agree to promptly make arrangements for providing management that is satisfactory to HUD.
- d. If there is a conflict between the Employment Agreement & HUD's rights and requirements, HUD's rights and requirements will prevail.
- e. If agreement is terminated, I will require the administrator to give me all of the project's cash, trust accounts investments and records within thirty (30) days of the date the agreement is terminated.

10. I agree to:

- a. To submit a new management certification to HUD before permitting a new administrator or agent to operate the project and/or collect compensation or fees.
- b. Comply with all Federal, State, or local laws prohibiting discrimination against any persons on grounds of race, color, creed, familial status, handicap, sex or national origin, including Title VI of the Civil Rights Act of 1964, Fair Housing Act, Executive Order 11063 and all regulations implementing those laws.
- c. When the head or spouse is otherwise eligible, give families with children equal consideration for admission.
- d. Give handicapped persons priority for subsidized units that were built and equipped specifically for the handicapped.
- e. If the project receives any form of direct Federal financial assistance, comply with the provisions of Section 504 of the Rehabilitation Act of 1973, as amended, the Age Discrimination Act of 1975 and all regulations and administrative instructions implementing these laws. I understand that these laws and regulations prohibit discrimination against applicants or tenants who are handicapped or of a certain age.
- f. Furnish HUD's Office of Fair Housing and Equal Opportunity any reports and information required to monitor the project's compliance with HUD's fair housing and affirmative marketing requirements (including HUD Form 949, if applicable).
- g. Not discriminate against any employee, applicant for employment or contractor because of race, color, handicap, religion, sex or national origin.
- h. Provide minorities, women and socially and economically disadvantaged firms equal opportunity to participate in the project's procurement and contracting activities.
- i. If the project receives any form of direct Federal financial assistance, comply with Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations. I understand that this law and the regulations require the project to make training, employment and contracting opportunities available, to the greatest extent feasible, to lower-income project area residents and small businesses.

11.I certify that I have read and understand HUD's definition of "identity-of-interest" and that the statement(s) checked and information entered below are true. (Check box a or boxes b and / or c.)

- a.  No identity-of-interest exists among the owner, the administrator and any individuals or companies that regularly do business with the project.
- b.  Only those individuals and companies listed in Section 11a of the Management Entity Profile have an identity-of-interest with the administrator.
- c.  Only the individuals and companies listed below have an identity-of-interest with the owner. (Show the name of the individual or company; list the services rendered; and describe the nature of the identity-of-interest relationship. Attach additional sheets, if necessary.)

12.I certify that the administrator has had (check box a or b):

- a.  no previous relationship(s) with this project
- b.  previous relationship(s) as follows (Describe the relationship(s) and period(s) covered, e.g., "member of Board of Directors, 1987-1990".)

13.I certify that the administrator now manages (Check box a or b):

- a.  no other project with an insured or HUD-held mortgage
- b.  the additional project(s) described below (Give project name, location, and FHA project number.)

14. I/We certify & agree:

- a. that the Management Entity Profile, dated (mm/dd/yyyy) \_\_\_\_\_, is accurate and current as of the date of this Certification.
- b. To submit an updated profile whenever there is a significant change in the organization or operations of the project administrator.

15.The items checked below are attached:

- New Management Entity Profile (Check this box only if you are updating a profile or submitting a profile for the first time. Do not attach a profile if the one you previously submitted is still current.)
- Other (Specify)\_\_\_\_\_

**Warnings:**

There are fines and imprisonment—\$10,000/5years—for anyone who makes false, fictitious, or fraudulent statements or entries in any matter within the jurisdiction of the Federal Government (18 U.S.C 1001).

There are fines and imprisonment—\$250,000/5years—for anyone who misuses rents & proceeds in violation of HUD regulations relative to this project. This applies when the mortgage note is in default or when the project is in a nonsurplus cash position (12 U.S.C 1715z-9).

HUD may seek a "double damages" civil remedy for the use of assets or income in violation of any Regulatory Agreement or any applicable HUD regulations (12 U.S.C 1715z-4a).

HUD may seek additional civil money penalties to be paid by the mortgagor through personal funds for : (1) Violation of an agreement with HUD to use nonproject funds for certain specified purposes as a condition of receiving transfers of physical assets, flexible subsidy loan, capital improvement loan, modification of mortgage terms or workout. The penalties could be as much as the HUD Secretary's loss at foreclosure sale or sale after foreclosure.

(2) Certain specific violations of the Regulatory Agreement, the penalties could be as much as \$25,000 per occurrence (12 U.S.C 1735f-15).

**By Project Owner: Name**

\_\_\_\_\_ title

\_\_\_\_\_ signature

\_\_\_\_\_ date (mm/dd/yyyy)

**HUD Field Office Use Only**

The administrator's compensation quoted in Paragraph 1b(2) is:

- Approved  Not approved. See attached letter

**By Project Manager:Name**

\_\_\_\_\_ title

\_\_\_\_\_ signature

\_\_\_\_\_ date (mm/dd/yyyy)

**By Supervisory Project Manager/Hub Director: Name**

\_\_\_\_\_ title

\_\_\_\_\_ signature

\_\_\_\_\_ date (mm/dd/yyyy)