

CHAPTER 6. ANALYSIS OF A PERSONAL UNDERTAKING

6-1. ACCEPTABILITY. At the Field office Manager's discretion, HUD may accept a personal undertaking as assurance of completion for projects involving a Construction Contract of \$500,000 or less.

6-2. PROCEDURE.

A. Include the following condition in all commitments involving a Construction Contract of \$500,000 or less:

"If a personal undertaking is offered instead of a bond, irrevocable letter of credit, or cash escrow, HUD reserves the right to decide the acceptability of the principals in the personal undertaking."

B. Establish the financial and credit capacity of the proposed guarantors.

C. See that the amount of the personal undertaking equals HUD's estimate of construction or rehabilitation cost. Refer to the Note in paragraph 5-3.B.6.

D. Form FHA-2459, Personal Undertaking, must be executed by the controlling principals and their spouses.