§ 232.560 Prior liens or mortgages indebtedness
as the Commissioner may approve. The
Commissioner may from time to time
require such other security, in lieu of,
or in addition to, a lien on real prop-
erty as he may prescribe.

§ 232.560 Interest rate.
(a) The loan shall bear interest at the
rate agreed upon by the lender and the
borrower.
(b) Interest shall be payable in
monthly installments on the principal
amount of the loan outstanding on the
due date of each installment.

§ 232.565 Maximum loan amount.
The principal amount of the loan
shall not exceed the lower of the Com-
missioner’s estimate of the cost of the
fire safety equipment, including the
cost of installation, or the amount sup-
ported by the residual income, which is
the amount of net income remaining
after payment of all existing debt serv-
vice requirements and deduction of the
proprietary earnings, as determined by
the Commissioner. The cost of installa-
tion may include the cost of such other
work to be performed on the project
necessary to meet the requirements of
the Secretary of Health and Human
Services and the Commissioner to en-
hance the fire safety of the project, and
such costs incidental to installation as
may be approved by the Commissioner.

§ 232.570 Endorsement of credit instru-
ment.
The Commissioner shall indicate his
insurance of the loan by endorsing the
credit instrument and identifying the
section of the Act and regulations
under which the loan is insured and the
date of insurance, subject to the pres-
entation and approval by him of the
following:
(a) Certification of full disbursement
of loan proceeds as provided for in
§ 232.530.
(b) Certification of costs as required
by §232.610.
(c) Statement by the Secretary of
Health and Human Services that the
fire safety equipment noted in the de-
termination required by §232.620 has
been satisfactorily installed.

§ 232.580 Application of payments.
(a) The security instrument shall
provide that all monthly payments to
be made by the borrower shall be added
together and this aggregate amount
shall be paid by the borrower upon
each monthly payment date in a single
payment. The lender shall apply the
payment to the following items in the
order set forth:
(1) Premium charges under the con-
tract of insurance;
(2) Interest on the loan;
(3) Amortization of the principal of
the loan;
(b) Any deficiency in the amount of
any monthly payments required under
paragraph (a) of this section shall con-
stitute an event of default and the loan
shall further provide for a grace period
of 30 days within which time the de-
fault must be cured.

§ 232.585 Prepayment privilege and
prepayment charge.
The security instrument shall con-
tain a provision permitting prepay-
ment of the loan in whole or in part
upon any interest payment date after
giving to the lender 30 days’ advance
written notice and it may contain a
provision, with the approval of the
Commissioner, for a reasonable charge
in the event of prepayment.

§ 232.586 Minimum principal loan
amount.
A mortgagee may not require, as a
condition of providing a loan secured
by a mortgage insured under this sub-
part, that the principal amount of the
mortgage exceed a minimum amount
established by the mortgagee.

§ 232.590 Eligibility of property.
(a) A loan to be eligible for insurance
shall be on real estate held:
(1) In fee simple; or
(2) On the interest of the lessee under
a lease for not less than ninety-nine
years which is renewable; or