

Subpart A—Eligibility Requirements—Homes for Lower Income Families

§ 235.1 Applicability of regulations.

The regulations regarding eligibility requirements (including eligibility requirements for noncitizens) for homes for lower income families in force before December 8, 1995, will continue to govern the rights and obligations of mortgagors, mortgagees, and the Department of Housing and Urban Development with respect to loans insured under section 235(i) of the National Housing Act.

[61 FR 13624, Mar. 27, 1996]

Subpart B—Contract Rights and Obligations—Homes for Lower Income Families

SOURCE: 41 FR 1176, Jan. 6, 1976, unless otherwise noted.

§ 235.201 Cross-reference.

(a) All of the provisions of subpart B, part 203 of this chapter covering mortgages insured under section 203 of the National Housing Act apply to mortgages insured under section 235 of the National Housing Act, except the following provisions:

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203.258	Substitute mortgagors.
203.259a	Scope.
203.260	Amount of Mortgage Insurance Premium (MIP).
203.269	Open-end insurance charge.
203.280	One-time MIP.
203.281	Calculation of one-time MIP.
203.282	Mortgagee's late charge and interest.
203.283	Refund of one-time MIP.
203.357	Deed in lieu of foreclosure.
203.379	Adjustment for damage or neglect.
203.380	Certificate of property condition.
203.389	Waived title objections.
203.400	Method of payment.
203.420	Nature of Mutual Mortgage Insurance Fund.
203.421	Allocation of Mutual Mortgage Insurance Fund income or loss.
203.422	Rights and liability under Mutual Mortgage Insurance Fund.
203.423	Distribution of distributive shares.
203.424	Maximum amount of distributive shares.
203.425	Finality of determination.

203.426 Inapplicability to housing in older, declining urban areas.

203.436 Claim procedure—graduated payment mortgages.

203.439 Mortgages on Hawaiian home lands insured pursuant to section 247 of the National Housing Act.

203.439a Mortgages on property in Allegany Reservation of Seneca Nation of Indians authorized by section 203(q) of the National Housing Act.

203.440 Through 203.495 insured home improvement loans.

(b) The term *property* or *each family dwelling unit* as used in §§ 203.251 through 203.435 of this chapter (part 203, subpart B) shall, when used in connection with a family unit in a condominium, be construed to include a "one-family unit and the undivided interest in the common areas and facilities."

[41 FR 1176, Jan. 6, 1976, as amended at 41 FR 42949, Sept. 29, 1976; 42 FR 29306, June 8, 1977; 47 FR 30754, July 15, 1982; 48 FR 28807, June 23, 1983; 52 FR 8070, Mar. 16, 1987; 52 FR 28470, July 30, 1987; 52 FR 48205, Dec. 21, 1987; 53 FR 9869, Mar. 28, 1988; 55 FR 34814, Aug. 24, 1990]

§ 235.202 Amount of initial MIP.

(a) With respect to mortgages approved for insurance under this part prior to January 5, 1976, the initial MIP shall be in an amount equal to one-half percent of the average outstanding principal obligation for the first year of amortization under the mortgage, without taking into account delinquent payments or prepayments.

(b) With respect to mortgages approved for insurance under this part on and after January 5, 1976, the initial MIP shall be in an amount equal to seven-tenths of one percent of the average outstanding principal obligation for the first year of amortization under the mortgage, without taking into account delinquent payments or prepayments.

§ 235.204 Amount of annual MIP.

(a) With respect to mortgages approved for insurance under this part prior to January 5, 1976, after payment of the initial MIP an annual MIP shall be paid in an amount equal to one-half percent of the average outstanding principal obligation for the 12-month period preceding the date on which the premium becomes payable, without

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taking into account delinquent payments or prepayments.

(b) With respect to mortgages approved for insurance under this part on and after January 5, 1976, after payment of the initial MIP an annual MIP shall be paid in an amount equal to seven-tenths of one percent of the average outstanding principal obligation for the 12-month period preceding the date on which the premium becomes payable, without taking into account delinquent payments or prepayments.

§ 235.205 Deed in lieu of foreclosure.

All of the provisions of §203.357 of this chapter relating to the acceptance of a deed in lieu of foreclosure shall apply to mortgages insured under this part, except that where a family unit in condominium is involved, the deed in lieu of foreclosure may be accepted only if the mortgagee establishes to the satisfaction of the Secretary that there are no unpaid assessments owed to the association or cooperative of owners.

§ 235.206 Substitute mortgagors.

(a) *Selling mortgagor.* The mortgagee may effect the release of a mortgagor from personal liability on the mortgage note only if it obtains the Commissioner's approval of a substitute mortgagor, as provided under this section. The Commissioner may release a mortgagor from personal liability on any second mortgage note it holds in connection with its approval of a substitute mortgagor under this section.

(b) *Purchasing mortgagor.* The Commissioner may approve a substitute mortgagor with respect to any mortgage insured under this part only if the mortgagor is to occupy the dwelling as a principal residence (as defined in §203.18(f)(1) of this chapter) and only if the mortgagor meets all applicable requirements of this part.

(c) *Applicability—current mortgagor.* Paragraph (b) of this section applies to the Commissioner's approval of a substitute mortgagor only if the mortgage executed by the original mortgagor met the conditions of §203.258(c) of this chapter.

(d) *Applicability—earlier mortgagor.* The occupancy and similar requirements set forth in §203.258(d) of this

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chapter apply to mortgages insured under subpart A of this part.

(e) *Definition.* As used in this section, the term *substitute mortgagor* includes:

(1) Persons who, upon the release by a mortgagee of a previous mortgagor from personal liability on the mortgage note, assume this liability and agree to pay the mortgage debts; and

(2) Persons who purchase without assuming liability on the mortgage note, or purchase where no release is given by the mortgagee to the previous mortgagor.

[55 FR 34814, Aug. 24, 1990]

§ 235.215 Method of paying insurance benefits.

If the application for insurance benefits is acceptable to the Secretary, the insurance claim shall be paid in cash, unless the mortgagee files a written request with the application for payment in debentures.

[59 FR 49817, Sept. 30, 1994]

§ 235.220 Condition of property.

All of the provisions of §203.379 relating to the adjustment of the insurance claim for damage or neglect and all of the provisions of §203.380 of this chapter requiring the mortgagee to certify as to the condition of the property shall apply to mortgages insured under this subpart with the exception of mortgages involving condominium units. Sections 235.230 and 235.235 contain the comparable provisions applicable to mortgages involving condominium units.

[41 FR 1176, Jan. 6, 1976, as amended at 42 FR 29306, June 8, 1977]

SPECIAL PROVISIONS APPLICABLE ONLY TO MORTGAGES INVOLVING CONDOMINIUM UNITS

§ 235.221 Waived title objections.

(a) General provisions. All of the provisions of §203.389 of this chapter (relating to the waiver by the Secretary of objections to title) shall apply to mortgages insured under this subpart, with the exception of mortgages involving condominium units.