

## EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by section 431(b) of Pub. L. 98-181 not to apply with respect to mortgages insured by the Secretary of Housing and Urban Development before Nov. 30, 1983, see section 431(c) of Pub. L. 98-181, set out as a note under section 1713 of this title.

For effective date of amendment by section 423(b)(4) of Pub. L. 98-181, see section 423(c) of Pub. L. 98-181, set out as a note under section 1709 of this title.

## EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 effective Oct. 1, 1981, see section 371 of Pub. L. 97-35, set out as an Effective Date note under section 3701 of this title.

## REPEALS

The directory language of, but not the amendment made by, Pub. L. 90-301, §3(e), May 7, 1968, 82 Stat. 114, cited as a credit to this section, was repealed by Pub. L. 98-181, title I [title IV, §404(a)], Nov. 30, 1983, 97 Stat. 1208.

Section 318 of Pub. L. 96-399, cited as a credit to this section, was repealed by Pub. L. 97-35, title III, §339B(d)(2), Aug. 13, 1981, 95 Stat. 417. See 1981 Amendments note for subsec. (c)(2) set out above.

## IMPLEMENTATION OF 1982 AMENDMENT

Amendment by Pub. L. 97-253 to be implemented only if Secretary determines that program of advance payment of insurance premiums, considering effect of said amendment, is actuarially sound, see section 201(g) of Pub. L. 97-253, set out as a note under section 1709 of this title.

**§ 1715z. Homeownership or membership in cooperative association for lower income families****(a) Authorization for periodic assistance payments to mortgagees; assistance to manufactured home buyers**

(1) For the purpose of assisting lower income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section or which mortgages are assisted under a State or local program providing assistance through loans, loan insurance or tax abatement. In making such assistance available, the Secretary shall give preference to low-income families who, without such assistance, would be likely to be involuntarily displaced (including those who would be likely to be displaced from rental units which are to be converted into a condominium project or a cooperative project). Such assistance may include the acquisition of a condominium or a membership in a cooperative association.

(2)(A) Notwithstanding any other provision of this section, the Secretary is authorized to make periodic assistance payments under this section on behalf of families whose incomes do not exceed the maximum income limits prescribed pursuant to subsection (h)(2) of this section for the purpose of assisting such families in acquiring ownership of a manufactured home consisting of two or more modules and a lot on which such manufactured home is or will be situated, except that periodic assistance payments

pursuant to this paragraph shall not be made with respect to more than 20 per centum of the total number of units with respect to which assistance is approved under this section after January 1, 1976. Assistance payments under this section pursuant to this paragraph shall be accomplished through payments on behalf of an owner of lower-income of a manufactured home as described in the preceding sentence to the financial institution which makes the loan, advance of credit, or purchase of an obligation representing the loan or advance of credit to finance the purchase of the manufactured home and the lot on which such manufactured home is or will be situated, but only if insurance under section 1703 of this title covering such loan, advance of credit, or obligation has been granted to such institution.

(B) Notwithstanding the provisions of subsection (c) of this section, assistance payments provided pursuant to this paragraph shall be in an amount not exceeding the lesser of—

(i) the balance of the monthly payment for principal, interest, real and personal property taxes, insurance, and insurance premium chargeable under section 1703 of this title due under the loan or advance of credit remaining unpaid after applying 20 per centum of the manufactured homeowner's income; or

(ii) the difference between the amount of the monthly payment for principal, interest, and insurance premium chargeable under section 1703 of this title which the manufactured homeowner is obligated to pay under the loan or advance of credit and the monthly payment of principal and interest which the owner would be obligated to pay if the loan or advance of credit were to bear interest at a rate derived by subtracting from the interest rate applicable to such loan or advance of credit the interest rate differential between the maximum interest rate plus mortgage insurance premium applicable to mortgages insured under subsection (i) of this section at the time such loan or advance of credit is made and the interest rate which such mortgages are presumed, under regulations prescribed by the Secretary, to bear for purposes of subsection (c)(2) of this section.

**(b) Qualifications and eligibility requirements for assistance payments**

To qualify for assistance payments, the homeowner or the cooperative member shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j)(4) of this section: *Provided*, That a mortgage meeting the requirements of subsection (i)(3)(A) of this section but insured under section 1715z-2 of this title may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j)(4) of this section or under section 1715l(d)(2) or 1715y(e) of this title and accepted

as a reasonably satisfactory credit risk under section 1715z-2<sup>1</sup> of this title; or

(2) the cooperative association of which the family is a member shall operate (A) a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 1715e or section 1715(d)(3) of this title and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided*, That if any cooperative member who has received assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary and undertakes the obligation to pay occupancy charges, the new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 1715(f) of this title, or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of \$40,000 (\$47,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that costs levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$47,500 and \$55,000, respectively; or (B) a housing project which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.

**(c) Limitation on payments on behalf of mortgagor; occupancy of property; maximum amount of payment; recapture of amounts; determination, applicability, etc.**

(1) Subject to the second sentence of this paragraph, the assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided*, That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (i) or (j)(4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance: *Provided further*, That the Secretary is authorized to continue making such assistance payments where the mortgage has been assigned to the Secretary. Assistance payments pursuant to any new contract, other than a contract in connection with a refinancing under subsection (r), entered into after September 30,

1983, that utilizes authority approved in appropriation Acts for any fiscal year beginning after such date may not be made for more than a 10-year period. The payment shall be in an amount not exceeding the lesser of—

(A) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

(B) the difference between the amount of the monthly payment for principal, interest and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum (4 per centum per annum in the case of a mortgage described in subsection (o)).

(2)(A) Upon disposition by the homeowner of any property assisted pursuant to this section or where the homeowner rents such a property (or the owner's unit in the case of a two- to four-family property) for a period longer than one year, the Secretary shall provide for the recapture of an amount equal to the lesser of (i) the amount of assistance actually received under this section, other than any amount provided under subsection (e), or (ii) an amount equal to at least 50 per centum of the net appreciation of the property, as determined by the Secretary. For the purpose of this paragraph, the term "net appreciation of the property" means any increase in the value of the property over the original purchase price, less the reasonable costs of sale, the reasonable costs of improvements made to the property, and any increase in the mortgage amount as of the time of sale over the original mortgage balance due to the mortgage being insured pursuant to section 1715z-10<sup>1</sup> of this title. Notwithstanding any other provision of law, any such assistance shall constitute a debt secured by the property to the extent that the Secretary may provide for such recapture.

(B) Subparagraph (A) does not apply to any property with respect to which there is assumption in accordance with paragraph (1) of this subsection or to any property which is subject to a mortgage, loan, or other advance of credit insured pursuant to subsection (q).

(3)(A) There hereby is established in the Treasury of the United States a fund, which, to the extent approved in appropriation Acts, may be used by the Secretary for purposes of carrying out subparagraph (B). There shall be deposited into such fund (i) any amount recaptured under paragraph (2); (ii) any authority to make assistance payments under subsection (a) that is committed for use in a contract but is unused because the mortgage, loan, or advance of credit involved is refinanced (except to the extent provided in subsection (r) for mortgages insured under such subsection) or because such assistance payments are terminated or suspended for other reasons before the original termination date of such contract; and (iii) any amount received under subparagraph (C).

(B) In the case of any homeowner whose assistance payments are terminated by reason of the 10-year limitation referred to in paragraph (1),

<sup>1</sup> See References in Text note below.

and who is determined by the Secretary to be unable to assume the full payments due under the mortgage, loan, or advance of credit involved, the Secretary shall, to the extent of the availability of amounts in the fund established in subparagraph (A), contract to make, and make, continued assistance payments on behalf of such homeowner. Such continued assistance payments shall be made in an amount determined in accordance with the applicable provisions of paragraph (1) or subsection (a)(2)(B) and for such period as the Secretary determines to be appropriate.

(C) Any amounts in such fund determined by the Secretary to be in excess of the amounts currently required to carry out the provisions of subparagraph (B) shall be invested by the Secretary in obligations of, or obligations guaranteed as to both principal and interest by, the United States or any agency of the United States. Notwithstanding the preceding sentence, any amounts of budget authority or contract authority recaptured from assistance payments contracts relating to mortgages that are being refinanced that are not required for assistance payments contracts relating to mortgages insured under this subsection, shall be rescinded.

**(d) Limitation on payments on behalf of family holding membership in cooperative association; occupancy; maximum amount of payment**

Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

**(e) Reimbursement for expenses in handling the mortgage**

The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (a)(2)(B), (c), (d), (j)(7), or (r), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

**(f) Adoption of procedures for recertifications of mortgagor's or cooperative member's income**

Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

**(g) Regulations to assure that sales price or other consideration paid is not increased above appraised value**

The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance pay-

ments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

**(h) Authorization of appropriations; aggregate amount of assistance payment contracts; maximum income limits of families; limitation on payments with respect to existing dwellings or dwelling units in existing projects and for approved substantial rehabilitation of dwellings or dwelling units in projects**

(1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of outstanding contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$125,000,000 on July 1, 1969, by \$150,000,000 on July 1, 1970, by \$200,000,000 on July 1, 1971, by such sums as may be approved in appropriation Acts after June 30, 1974, and prior to July 1, 1976, and by such sums as may be approved in an appropriation Act on or after October 1, 1983 (from the additional authority to enter into contracts made available on such date under the first sentence of section 1437c(c)(1) of title 42). The aggregate amount that may be obligated over the duration of the contracts entered into with the authority provided on or after October 1, 1983 (other than obligations in connection with mortgages insured under subsection (r)), may not exceed such sums of new budget authority as may be appropriated after November 30, 1983. The Secretary shall begin issuing new commitments and reservations to provide mortgage insurance and assistance payments under this section before the expiration of the 30-day period following the approval in any appropriation Act of budget authority for this section after November 30, 1983. Upon the expiration of one year following August 22, 1974, the Secretary shall not enter into new contracts for assistance payments under this section utilizing authority approved in appropriation Acts prior to July 1, 1974. The Secretary shall not enter into new contracts for assistance payments under this section (except under subsection (r)) after May 20, 1983, utilizing amounts approved in appropriation Acts before November 30, 1983, except (i) pursuant to a firm commitment issued on or before May 20, 1983, (ii) pursuant to other commitments issued by the Secretary prior to June 30, 1981, reserving funds for housing to be assisted under this section where such housing is included in a project pursuant to section 119 of the Housing and Community Development Act of 1974 [42 U.S.C. 5318], or (iii) pursuant to other commitments issued on or before September 30, 1981, where housing under this section is to be developed on land which was municipally owned on September 30, 1981, and where a local government contributes at least \$1,000 per unit of funds obtained under title I of the Housing and Com-

munity Development Act of 1974 [42 U.S.C. 5301 et seq.] and at least \$2,000 per unit of additional funds to assist housing under this section. In no event may the Secretary enter into any new contract for assistance payments under this section (other than a contract in connection with a mortgage insured under subsection (r)) after September 30, 1989.

(2) Assistance payments under this section may be made only with respect to a family whose income at the time of initial occupancy does not exceed 95 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 95 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low median family incomes, or other factors.

(3) Notwithstanding the provisions of subsections (b)(2) and (i)(3)(A) with respect to the prior construction or rehabilitation of a dwelling, or of the project in which there is a dwelling unit, for which assistance payments may be made, and notwithstanding the provisions of subsection (j)(1) authorizing the purchase of housing which is neither deteriorating nor substandard, not more than—

(A) 25 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1969, and

(B) 30 per centum of the total additional amount of contracts for assistance payments authorized by appropriation Acts to be made on or after July 1, 1969,

may be made with respect to existing dwellings, or dwelling units in existing projects. The preceding sentence shall not apply to contracts in connection with mortgages insured under subsection (r).

(4) At least 10 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made after June 30, 1971, shall be available for use only with respect to dwellings, or dwelling units in projects, which are approved by the Secretary prior to substantial rehabilitation.

**(i) Insurance of mortgages executed by mortgagors meeting eligibility requirements for assistance payments; issuance of commitment; eligibility requirements for insurance**

(1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances with respect to property construction or rehabilitation pursuant to a self-help program) executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 1715(d)(2) or 1715y(c) of this title, except as such requirements are modified by this subsection.

(3) A mortgage to be insured under this subsection shall—

(A) involve a single-family or a two-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a three-family dwelling which is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multi-family project, the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project which meets such standards as the Secretary may prescribe: *Provided further*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further*, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 1715z-1 of this title or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965 [12 U.S.C. 1701s];

(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding \$40,000 (\$47,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$47,500 and \$55,000, respectively;

(C) involve, in the case of a dwelling unit other than a condominium or cooperative unit, a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$40,000 (\$47,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$47,500 and \$55,000, respectively;

(D) involve, in the case of a two-family or three-family dwelling, a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$60,000 (\$66,250 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require);

(E) be executed by a mortgagor who shall have paid in cash or its equivalent, on account of the property, at least an amount equal to 3 per centum of the Secretary's estimate of the cost of acquisition (excluding the mortgage in-

insurance premium paid at the time the mortgage is insured); and

(F) bear interest at a rate not to exceed such percent per annum on the amount of the principal obligation outstanding at any time as the Secretary finds necessary to meet the mortgage market, taking into consideration the yields on mortgages in the primary and secondary markets.

(4) In insuring eligible mortgages under this subsection, the Secretary may not deny insurance on the basis that a mortgage involves a two- to three-family dwelling or is to be used to finance substantial rehabilitation rather than new construction.

(5) As a condition of insuring a mortgage on a two- to three-family dwelling, the Secretary shall require the mortgagor (A) not to discriminate against prospective tenants on the basis of their receipt of or eligibility for housing assistance under any Federal, State or local housing assistance program and (B) to agree that during the term of the mortgage each of the rental units shall be occupied by, or available for occupancy by, persons and families whose incomes do not exceed 100 per centum of the area median income.

**(j) Insurance of mortgages executed by nonprofit organizations or public bodies or agencies; issuance of commitment; eligibility requirements for insurance; insurance of mortgages executed to finance sale of individual dwellings to lower income individuals or families; definitions; assistance payments to mortgagors on behalf of nonprofit organizations or public bodies and agencies**

(1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

(A) be executed by a private nonprofit organization or public body or agency, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or sub-

standard housing the property purchased may consist of one or more such dwellings or units;

(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

(C) bear interest at a rate not to exceed such percent per annum on the amount of the principal obligation outstanding at any time as the Secretary determines is necessary to meet the mortgage market, taking into consideration the yields on mortgages in the primary and secondary markets;

(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

(4)(A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—

(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

(ii) bear interest at the same rate as the blanket mortgage; and

(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than \$200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to be reasonable.

(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be re-

leased from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

(5) Where the Secretary has approved a plan of family unit ownership the terms "single-family dwelling", "single-family dwellings", "individual dwelling", and "individual dwellings" shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

(6) For purposes of this subsection, the terms "single-family dwelling" and "single-family dwellings" (except for purposes of paragraph (5)) shall include a two- to three-family dwelling which has been approved by the Secretary.

(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

(8) A mortgage covering property which is not deteriorating or substandard may be insured under this subsection only if it is situated in an area in which mortgages may be insured under section 1715(h) of this title.

(9) In insuring eligible mortgages under this subsection, the Secretary may not deny insurance on the basis that a mortgage involves a two- to three-family dwelling or is to be used to finance substantial rehabilitation rather than new construction.

**(k) Allocation and transfer of reasonable portion of total authority to contract to make assistance payments to Secretary of Agriculture for use in rural areas and small towns**

The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h)(1).

**(l) Deductions for minors in determining income limits; exclusion of earnings of minors**

In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor

person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family.

**(m) Termination date for insurance of mortgages**

No mortgage (except a mortgage insured under subsection (r)) shall be insured under this section after September 30, 1989, except pursuant to a commitment to insure before that date.

**(n) Percentage limitation of mortgage insurance on subdivision units; exceptions**

No mortgage may be insured under this section on a unit in a subdivision, after October 12, 1977, which, when added to any other mortgages insured under this section in that subdivision after such date, represents more than 40 per centum of the total number of units in the subdivision, except that the preceding limitation shall not apply with regard to any rehabilitated unit, or to any unit or subdivision located or to be located in an established urban neighborhood or area, where a sound proposal is involved and where an aggregation of subsidized units is essential to a community sponsored overall redevelopment plan, as determined by the Secretary or to a mortgage insured under subsection (r).

**(o) Mortgage insurance over maximum limits involving dwellings of community sponsored programs of concentrated redevelopment or revitalization**

The Secretary may insure a mortgage under this section involving a principal obligation which exceeds, by not more than 20 per centum, the maximum limits specified under subsection (b)(2) or (i)(3) of this section if the mortgage relates to a dwelling in an urban neighborhood where the Secretary determines that a community sponsored program of concentrated redevelopment or revitalization is being undertaken and the Secretary determines that such action is necessary to enable eligible families residing in the area who occupy substandard housing or are being involuntarily displaced to remain in the area in decent, safe, and sanitary housing.

**(p) Mortgage insurance over maximum limits involving dwellings to be occupied by physically handicapped persons; applicability, etc.**

The Secretary may insure a mortgage under this section involving a principal obligation which exceeds, by not more than 10 per centum, the maximum limits specified under subsection (b)(2) or (i)(3) of this section, or, if applicable, the maximum principal obligation insurable pursuant to subsection (o) of this section, if the mortgage relates to a dwelling to be occupied by a physically handicapped person and the Secretary determines that such action is necessary to reflect the cost of making such dwelling accessible to and usable by such person.

**(q) Periodic assistance payments for emergency stimulation of housing market; contracts, terms and conditions, eligibility, etc., for payments**

(1) Notwithstanding any other provision of this section, except subsection (n), if the Secretary determines that there is a substantial

need for emergency stimulation of the housing market, the Secretary is authorized to make and enter into contracts to make periodic assistance payments, to the extent of not to exceed 75 per centum of the authority available pursuant to subsection (h)(1), on behalf of homeowners, including owners of manufactured homes, to mortgagees or other lenders holding mortgages, loans, or advances of credit which meet the requirements of this subsection. The Secretary may establish such criteria, terms, and conditions relating to homeowners and mortgages, loans, or advances of credit assisted under this subsection as the Secretary deems appropriate, consistent with the provisions of this subsection. The Secretary is authorized to insure a mortgage which meets the requirements of and is to be assisted under this subsection. The authority to enter into contracts to provide assistance payments and to insure mortgages under this subsection shall terminate on September 30, 1989, or at such earlier date as the Secretary may deem appropriate, upon a determination by the Secretary that the conditions which gave rise to the exercise of authority under this subsection are no longer present, except pursuant to a commitment entered into prior to such date.

(2) Payments under this subsection may be made only on behalf of a homeowner who satisfies such eligibility requirements as may be prescribed by the Secretary and who—

(A)(i) is a mortgagor under a mortgage which meets the requirements of and is insured under this subsection, or (ii) is the original owner of a new manufactured home consisting of two or more modules and a lot on which the manufactured home is situated, where insurance under section 1703 of this title covering the loan, advance of credit, or purchase of an obligation representing such loan or advance of credit to finance the purchase of such manufactured home and lot has been granted to the lender making such loan, advance of credit, or purchase of an obligation; and

(B) has a family income, at the time of initial occupancy, which does not exceed 130 per centum of the area median income for the area (with adjustments for smaller and larger families, unusually high or low median family income, or other factors), as determined by the Secretary.

(3) Assistance payments to a mortgagee or other lender by the Secretary on behalf of a homeowner shall be made only during such time as the homeowner shall continue to occupy the property which secures the mortgage, loan, or advance of credit. The Secretary may, where a mortgage insured under this subsection has been assigned to the Secretary, continue making such assistance payments.

(4) The amount of the assistance payments in the case of a mortgage shall not at any time exceed the lesser of—

(A) the balance of the monthly payment for principal, interest, taxes, insurance, and any mortgage insurance premium due under the mortgage remaining unpaid after applying a minimum of 25 per centum of the mortgagor's income, except that the Secretary may reduce

such per centum of income to the extent he deems necessary, but not lower than 20 per centum of the mortgagor's income; or

(B) the difference between the amount of the monthly payment for principal, interest, and any mortgage insurance premium which would be required if the mortgage were a level payment mortgage bearing interest at a rate equal to the maximum interest rate which is applicable to level payment mortgages insured under section 1709(b) of this title, other than mortgages subject to section 1709-1(2)<sup>1</sup> of this title, and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were a level payment mortgage bearing interest at the rate of at least 9½ per centum per annum.

(5) Assistance payments on behalf of the owner of a manufactured home shall not at any time exceed the lesser of—

(A) the balance of the monthly payment for principal, interest, real and personal property taxes, insurance, and insurance premium chargeable under section 1703 of this title due under the loan or advance of credit remaining unpaid after applying a minimum of 25 per centum of the manufactured homeowner's income, except that the Secretary may reduce such per centum of income to the extent he deems necessary, but not lower than 20 per centum of the mortgagor's income; or

(B) the difference between the amount of the monthly payment for principal, interest, and insurance premium chargeable under section 1703 of this title which the manufactured homeowner is obligated to pay under the loan or advance of credit and the monthly payment of principal and interest which the owner would be obligated to pay if the loan or advance of credit were to bear an interest rate determined by the Secretary which shall not be less than 12 per centum per annum.

(6) The Secretary may include in the payment to the mortgagee or other lender such amount, in addition to the amount computed under paragraph (4) or (5), as the Secretary deems appropriate to reimburse the mortgagee or other lender for its reasonable and necessary expenses in handling the mortgage, loan, or advance of credit.

(7) The Secretary shall prescribe such regulations as the Secretary deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not greater than the appraised value as determined by the Secretary.

(8) Assistance payments pursuant to paragraph (5) shall not be made with respect to more than 20 per centum of the total number of units with respect to which assistance is approved under this subsection.

(9) The Secretary may, in addition to mortgages insured under subsection (i) or (j), insure, upon application by the mortgagee, a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under paragraph (2). Commitments for the insurance of such mort-

gages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(10) To be eligible for insurance under this subsection, a mortgage shall—

(A) be a first lien on real estate held in fee simple, or on a leasehold under a lease which meets terms and conditions established by the Secretary;

(B) have been made to, and be held by, a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

(C) involve a one- to four-family dwelling which has been approved by the Secretary prior to the beginning of construction, or if not so approved, has been completed within one year prior to the filing of the application for insurance and which has never been sold other than to the mortgagor;

(D) involve a principal residence the sales price of which does not exceed 82 per centum of the applicable maximum principal obligation of a mortgage which may be insured in the area pursuant to section 1709(b)(2) of this title, determined without regard to the last sentence of such section;

(E) have maturity and amortization provisions satisfactory to the Secretary;

(F) bear interest (exclusive of premium charges for insurance, and service charges if any) at not to exceed the applicable maximum rate for mortgages insured pursuant to section 1709(b) of this title;

(G) be executed by a mortgagor who shall have paid in cash or its equivalent, on account of the property, at least an amount equal to 3 per centum of the Secretary's estimate of the cost of acquisition; and

(H) contain such other terms and conditions as the Secretary may prescribe.

(11) The Secretary shall, to the extent practicable, insure mortgages under this subsection which are secured by properties which contribute to the conservation of land and energy resources.

(12) A mortgage to be assisted under this subsection shall, where the Secretary deems it appropriate, provide for graduated payments pursuant to section 1715z-10<sup>1</sup> of this title.

(13) The Secretary shall develop and utilize a system to allocate assistance under this subsection in a manner which assures a reasonable distribution of such assistance among the various regions of the country and which takes into consideration such factors as population, relative decline in building permits, the need for increased housing production, and other factors he deems appropriate. Assistance provided under this subsection shall not be subject to section 1439 of title 42.

(14) Upon the disposition by the homeowner of any property assisted pursuant to this subsection, or where the homeowner rents the property (or the owner's unit in the case of a two- to four-family residence) for a period longer than one year, the Secretary shall provide for the recapture of an amount equal to the lesser of (A) the amount of assistance actually received under this subsection, other than any amount

provided under paragraph (6), or (B) an amount at least equal to 50 per centum of the net appreciation of the property, as determined by the Secretary. For the purpose of this paragraph, the term "net appreciation of the property" means any increase in the value of the property over the original purchase price, less the reasonable costs of sale, the reasonable costs of improvements made to the property, and any increase in the mortgage balance as of the time of sale over the original mortgage balance due to the mortgage being insured pursuant to section 1715z-10<sup>1</sup> of this title. In providing for such recapture, the Secretary shall include incentives for the homeowner to maintain the property in a marketable condition. Notwithstanding any other provision of law, any such assistance shall constitute a debt secured by the property to the extent that the Secretary may provide for such recapture.

(15) Procedures shall be adopted by the Secretary for recertification of the homeowner's income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in paragraph (4) or (5).

#### **(r) Refinancing**

(1) The Secretary is authorized, upon application of a mortgagee, to insure under this subsection a mortgage the proceeds of which are used to refinance a mortgage insured under this section.

(2) To be eligible for insurance under this subsection, a mortgage must be executed by a mortgagor meeting the requirements of paragraph (3) and shall—

(A) be a first lien on real estate held in fee simple, or on a leasehold under a lease—

(i) for not less than 99 years which is renewable; or

(ii) having a period of not less than 10 years to run beyond the maturity date of the mortgage;

(B) have been made to, and held by, a mortgagee approved by the Secretary;

(C) be in an amount not exceeding the outstanding principal balance, including any unpaid interest, due on the mortgage being refinanced;

(D) have a maturity not exceeding the unexpired term of the mortgage being refinanced;

(E) bear an interest rate not exceeding such percent per annum on the amount of the principal obligation outstanding at any time as the Secretary finds necessary to meet the mortgage market, taking into consideration the yields on mortgages in the primary and secondary markets; to the extent that the amounts described in paragraphs (4)(A) and (B) are not otherwise paid by the Secretary, the foregoing interest rate may be increased, in the discretion of the Secretary, to compensate the mortgagee for its payment to, or on behalf of, the mortgagor of such amounts; and

(F) meet the criteria for refinancing as determined by the Secretary.

(3) Notwithstanding the provisions of subsection (h)(2), assistance payments in connec-



tion with mortgages insured under paragraph (2) shall be made only with respect to a family who is eligible for, and receiving assistance payments with respect to, the insured mortgage being refinanced.

(4) The Secretary is authorized and, to the extent provided in appropriation Acts, may pay to the mortgagor (directly, through the mortgagee, or otherwise)—

(A) an amount, as approved by the Secretary, as an incentive to the mortgagor to refinance a mortgage insured under this section; and

(B) an amount as approved by the Secretary for costs incurred in connection with the refinancing, including but not limited to discounts, loan origination fees, and closing costs.

(5) Amounts of budget authority required for assistance payments contracts with respect to mortgages insured under this subsection shall be derived from amounts recaptured from assistance payments contracts relating to mortgages that are being refinanced. For purposes of subsection (c)(3)(A), the amount of recaptured budget authority that the Secretary commits for assistance payments contracts relating to mortgages insured under this subsection shall not be construed as “unused”.

(6) The Secretary is authorized to take any actions to identify and communicate with any mortgagor of a mortgage insured under this section to implement the refinancing of such mortgages with insurance under this subsection. The Secretary may take such actions directly, or under contract. Notwithstanding the restriction of section 552a(b) of title 5, upon the request of an approved mortgagee, the Secretary may disclose to such mortgagee the name and address of any mortgagor of a mortgage insured under this section that meets the criteria for refinancing, pursuant to paragraph (2)(F), and the unpaid principal balance and interest rate on such mortgage.

(7) The Secretary shall implement the provisions of this subsection by a notice published in the Federal Register.

(June 27, 1934, ch. 847, title II, §235, as added Pub. L. 90-448, title I, §101(a), Aug. 1, 1968, 82 Stat. 477; amended Pub. L. 91-152, title I, §§101(d), 106, 107(a), 109, 113(i), title IV, §§412(b), 418(a), Dec. 24, 1969, 83 Stat. 379, 381, 385, 398, 402; Pub. L. 91-609, title I, §§101(d), 102(a), 105-107, Dec. 31, 1970, 84 Stat. 1770, 1771; Pub. L. 92-503, §1(d), Oct. 18, 1972, 86 Stat. 906; Pub. L. 93-85, §1(d), Aug. 10, 1973, 87 Stat. 220; Pub. L. 93-117, §1(d), Oct. 2, 1973, 87 Stat. 421; Pub. L. 93-383, title II, §211, Aug. 22, 1974, 88 Stat. 671; Pub. L. 94-375, §3(a)-(c), (e), (f), Aug. 3, 1976, 90 Stat. 1068, 1069; Pub. L. 95-128, title II, §205, title III, §§301(d), 303(f), Oct. 12, 1977, 91 Stat. 1130, 1131, 1132; Pub. L. 95-406, §1(d), Sept. 30, 1978, 92 Stat. 879; Pub. L. 95-557, title III, §301(d), Oct. 31, 1978, 92 Stat. 2096; Pub. L. 96-71, §1(d), Sept. 28, 1979, 93 Stat. 501; Pub. L. 96-105, §1(d), Nov. 8, 1979, 93 Stat. 794; Pub. L. 96-153, title II, §213, title III, §301(d), Dec. 21, 1979, 93 Stat. 1111; Pub. L. 96-372, §1(d), Oct. 3, 1980, 94 Stat. 1363; Pub. L. 96-399, title II, §§206(a), (b)(1), 207, title III, §§301(d), 308(c)(1), (2), Oct. 8, 1980, 94 Stat. 1630, 1631, 1638,

1640; Pub. L. 97-35, title III, §§328, 331(d), Aug. 13, 1981, 95 Stat. 407, 412; Pub. L. 97-110, title III, §304, Dec. 26, 1981, 95 Stat. 1515; Pub. L. 97-185, May 24, 1982, 96 Stat. 100; Pub. L. 97-253, title II, §201(f), Sept. 8, 1982, 96 Stat. 790; Pub. L. 97-289, §1(d), Oct. 6, 1982, 96 Stat. 1230; Pub. L. 98-35, §1(d), May 26, 1983, 97 Stat. 197; Pub. L. 98-109, §1(d), Oct. 1, 1983, 97 Stat. 745; Pub. L. 98-181, title I [title II, §226, title IV, §§401(d), 404(b)(12), 423(b)(5)], Nov. 30, 1983, 97 Stat. 1194, 1207, 1209, 1217; Pub. L. 98-479, title I, §§102(a)(1), 104(a)(3), title II, §204(a)(8), Oct. 17, 1984, 98 Stat. 2221, 2224, 2232; Pub. L. 99-120, §1(d), Oct. 8, 1985, 99 Stat. 502; Pub. L. 99-156, §1(d), Nov. 15, 1985, 99 Stat. 815; Pub. L. 99-219, §1(d), Dec. 26, 1985, 99 Stat. 1730; Pub. L. 99-267, §1(d), Mar. 27, 1986, 100 Stat. 73; Pub. L. 99-272, title III, §3007(d), Apr. 7, 1986, 100 Stat. 104; Pub. L. 99-289, §1(b), May 2, 1986, 100 Stat. 412; Pub. L. 99-345, §1, June 24, 1986, 100 Stat. 673; Pub. L. 99-430, Sept. 30, 1986, 100 Stat. 986; Pub. L. 100-122, §1, Sept. 30, 1987, 101 Stat. 793; Pub. L. 100-154, Nov. 5, 1987, 101 Stat. 890; Pub. L. 100-170, Nov. 17, 1987, 101 Stat. 914; Pub. L. 100-179, Dec. 3, 1987, 101 Stat. 1018; Pub. L. 100-200, Dec. 21, 1987, 101 Stat. 1327; Pub. L. 100-242, §§170(a), 401(c), 406(b)(18), (19), Feb. 5, 1988, 101 Stat. 1867, 1898, 1901; Pub. L. 101-144, title II, Nov. 9, 1989, 103 Stat. 852; Pub. L. 101-235, title I, §125(a)-(c), Dec. 15, 1989, 103 Stat. 2022-2024.)

#### Editorial Notes

##### REFERENCES IN TEXT

Section 1715z-2 of this title, referred to in subsec. (b)(1), was repealed by Pub. L. 110-289, div. B, title I, §2120(a)(6), July 30, 2008, 122 Stat. 2835.

Section 1715z-10 of this title, referred to in subsecs. (c)(2)(A) and (q)(12), (14), was repealed by Pub. L. 110-289, div. B, title I, §2120(a)(7), July 30, 2008, 122 Stat. 2835.

The Housing and Community Development Act of 1974, referred to in subsec. (h)(1), is Pub. L. 93-383, Aug. 22, 1974, 88 Stat. 633. Title I of the Housing and Community Development Act of 1974 is classified principally to chapter 69 (§5301 et seq.) of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see Short Title note set out under section 5301 of Title 42 and Tables.

Section 101 of the Housing and Urban Development Act of 1965, referred to in subsec. (i)(3)(A), is section 101 of Pub. L. 89-117, title I, Aug. 10, 1965, 79 Stat. 451, which enacted section 1701s of this title and amended sections 1451 and 1465 of Title 42.

Section 1709-1 of this title, referred to in subsec. (q)(4)(B), was repealed by Pub. L. 98-181, title I [title IV, §404(a)], Nov. 30, 1983, 97 Stat. 1208.

##### AMENDMENTS

1989—Subsec. (c)(1). Pub. L. 101-235, §125(c)(1), inserted “, other than a contract in connection with a refinancing under subsection (r),” after “any new contract” in second sentence.

Subsec. (c)(3)(A). Pub. L. 101-235, §125(c)(2), which directed the insertion of “(except to the extent provided in subsection (r) for mortgages insured under such subsection)” after “refinanced,” in second sentence, was executed by making the insertion after “refinanced” as the probable intent of Congress.

Subsec. (c)(3)(C). Pub. L. 101-235, §125(b), inserted at end “Notwithstanding the preceding sentence, any amounts of budget authority or contract authority recaptured from assistance payments contracts relating to mortgages that are being refinanced that are not required for assistance payments contracts relating to

mortgages insured under this subsection, shall be rescinded.”

Subsec. (e). Pub. L. 101-235, §125(c)(3), inserted reference to subsec. (r).

Subsec. (h)(1). Pub. L. 101-235, §125(c)(4), inserted “(other than obligations in connection with mortgages insured under subsection (r))” in third sentence, “(except under subsection (r))” in sixth sentence, and “(other than a contract in connection with a mortgage insured under subsection (r))” in seventh sentence.

Subsec. (h)(3). Pub. L. 101-235, §125(c)(5), inserted sentence at end providing that the preceding sentence shall not apply to contracts in connection with mortgages insured under subsec. (r).

Subsec. (m). Pub. L. 101-235, §125(c)(6), inserted “(except a mortgage insured under subsection (r))” after “No mortgage”.

Subsec. (n). Pub. L. 101-235, §125(c)(7), inserted “or to a mortgage insured under subsection (r)” before period at end.

Subsec. (r). Pub. L. 101-235, §125(a), amended subsec. (r) generally. Prior to amendment, subsec. (r) read as follows:

“(1) REVIEW OF ASSISTANCE PAYMENTS CONTRACTS.—

“(A) The Secretary shall periodically review each contract under which the Secretary is making assistance payments under this section to determine if a refinancing of the mortgage, loan, or advance of credit involved will result in a sufficient reduction in assistance payments to warrant such refinancing.

“(B) In the case of assistance payments contracts in effect on November 9, 1989, the Secretary shall complete such review within 60 days in order to permit the refinancing to be completed during fiscal year 1990.

“(2) REFINANCING ASSISTANCE.—In any case in which the Secretary determines that refinancing is warranted, the Secretary shall offer financial assistance appropriate to encourage the refinancing. The assistance may include the following:

“(A) For lenders and mortgagees providing refinancing, the payment of reasonable mortgage or loan origination fees, discount points, and other expenses required to refinance; and

“(B) For the homeowner or cooperative member involved, the payment of an amount that does not exceed 1 percent of the principal amount refinanced.

“(3) METHOD OF PAYMENT OF REFINANCING ASSISTANCE.—In any case in which the Secretary determines that refinancing is warranted, the Secretary shall provide incentives in a manner that does not increase total expenditures in fiscal year 1990. The Secretary shall structure refinancings as follows:

“(A) Lenders and mortgagees providing refinancings under this subsection may charge an interest rate for refinancing that is not greater than 0.5 percent higher than the prevailing market rate for refinancing.

“(B) Payments to the homeowner or cooperative member to encourage refinancing shall be paid through a reduction in the monthly payment of the homeowner or cooperative member under the mortgage, loan, or advance of credit.

“(4) REVISION OF CONTRACTS AND RESCISSION OF EXCESS AMOUNTS.—

“(A) The Secretary shall make such revisions in any assistance payments contract (including the amount of assistance payments made under the contract) as are necessary to reflect a refinancing obtained pursuant to this subsection. A revised assistance payments contract under this paragraph shall not be considered to be a new contract under this section.

“(B) Any contract authority that becomes available as a result of the revision of an assistance payments contract under this paragraph shall be rescinded.”

Pub. L. 101-144 added subsec. (r).

1988—Subsec. (h)(1). Pub. L. 100-242, §401(c), substituted “September 30, 1989” for “March 15, 1988”.

Subsec. (i)(3)(A). Pub. L. 100-242, §406(b)(18), struck out “one of the units of which is to be occupied by the owner and” after “three-family dwelling”.

Subsec. (i)(3)(C). Pub. L. 100-242, §170(a), substituted “(including)” for “including”.

Subsec. (j)(6). Pub. L. 100-242, §406(b)(19), struck out “if one of the units is to be occupied by the owner” after “Secretary”.

Subsecs. (m), (q)(1). Pub. L. 100-242, §401(c), substituted “September 30, 1989” for “March 15, 1988”.

1987—Subsecs. (h)(1), (m), (q)(1). Pub. L. 100-200 substituted “March 15, 1988” for “December 16, 1987”.

Pub. L. 100-179 substituted “December 16, 1987” for “December 2, 1987”.

Pub. L. 100-170 substituted “December 2, 1987” for “November 15, 1987”.

Pub. L. 100-154 substituted “November 15, 1987” for “October 31, 1987”.

Pub. L. 100-122 substituted “October 31, 1987” for “September 30, 1987”.

1986—Subsecs. (h)(1), (m), (q)(1). Pub. L. 99-430 substituted “September 30, 1987” for “September 30, 1986”.

Pub. L. 99-345 substituted “September 30, 1986” for “June 6, 1986”.

Pub. L. 99-289 substituted “June 6, 1986” for “April 30, 1986”.

Pub. L. 99-272 made amendment identical to Pub. L. 99-219. See 1985 Amendment note below.

Pub. L. 99-267 substituted “April 30, 1986” for “March 17, 1986”.

1985—Subsecs. (h)(1), (m), (q)(1). Pub. L. 99-219 substituted “March 17, 1986” for “December 15, 1985”.

Pub. L. 99-156 substituted “December 15, 1985” for “November 14, 1985”.

Pub. L. 99-120 substituted “November 14, 1985” for “September 30, 1985”.

1984—Subsec. (h)(1). Pub. L. 98-479, §102(a)(1), inserted “utilizing amounts approved in appropriation Acts before November 30, 1983,” before “except (i)” and substituted “September 30, 1985” for “November 30, 1983” in last sentence.

Subsec. (i)(3)(C). Pub. L. 98-479, §204(a)(8), substituted “Secretary” for “Secretary” before “authorizes an increase”.

Subsec. (j)(2)(C). Pub. L. 98-479, §104(a)(3), substituted “bear interest at a rate not to exceed such percent per annum on the amount of the principal obligation outstanding at any time as the Secretary determines is necessary to meet the mortgage market, taking into consideration the yields on mortgages in the primary and secondary markets” for “bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market”.

1983—Subsec. (c)(1). Pub. L. 98-181, §226(a), substituted “Subject to the second sentence of this paragraph, the” for “The”, and inserted provision limiting to a 10-year period assistance payments pursuant to any new contract entered into after Sept. 30, 1983, utilizing authority approved in appropriation Acts for any fiscal year beginning after such date.

Subsec. (c)(3). Pub. L. 98-181, §226(b), added par. (3).

Subsec. (h)(1). Pub. L. 98-181, §226(c), struck out “and” after “on July 1, 1971”, and inserted “, and by such sums as may be approved in an appropriation Act on or after October 1, 1983 (from the additional authority to enter into contracts made available on such date under the first sentence of section 1437c(c)(1) of title 42). The aggregate amount that may be obligated over the duration of the contracts entered into with the authority provided on or after October 1, 1983, may not exceed such sums of new budget authority as may be appropriated after November 30, 1983. The Secretary shall begin issuing new commitments and reservations to provide mortgage insurance and assistance payments under this section before the expiration of the 30-day period following the approval in any appropriation Act of budget authority for this section after November 30, 1983.”

Pub. L. 98-109, §1(d)(1), substituted “November 30, 1983” for “September 30, 1983”.

Subsec. (i)(3)(A). Pub. L. 98-181, § 226(d)(1), substituted "three-family" for "two-family", and "involve a single-family or a two-family" for "involve a single-family".

Subsec. (i)(3)(B), (C). Pub. L. 98-181, § 423(b)(5)(A), (B), struck out "": *Provided*, That the foregoing maximum mortgage amounts may be increased by the amount of the mortgage insurance premium paid at the time the mortgage is insured" after "\$55,000, respectively".

Subsec. (i)(3)(D). Pub. L. 98-181, § 423(b)(5)(C), struck out "": *Provided*, That the foregoing maximum mortgage amounts may be increased by the amount of the mortgage insurance premium paid at the time the mortgage is insured" after "cost levels so require".

Pub. L. 98-181, § 226(d)(2), inserted "or three-family" and substituted "\$60,000" for "\$55,000" and "\$66,250" for "\$61,250".

Subsec. (i)(3)(F). Pub. L. 98-181, § 404(b)(12), added subpar. (F).

Subsec. (i)(4), (5). Pub. L. 98-181, § 226(d)(3), added pars. (4) and (5).

Subsec. (j)(6). Pub. L. 98-181, § 226(e)(1), substituted "two- to three-family" for "two-family".

Subsec. (j)(9). Pub. L. 98-181, § 226(e)(2), added par. (9).

Subsec. (m). Pub. L. 98-181, § 401(d)(1), substituted "September 30, 1985" for "November 30, 1983".

Pub. L. 98-109, § 1(d)(2), substituted "November 30, 1983" for "September 30, 1983".

Pub. L. 98-35, § 1(d)(1), substituted "September 30, 1983" for "May 20, 1983".

Subsec. (q)(1). Pub. L. 98-181, § 401(d)(2), substituted "September 30, 1985" for "November 30, 1983".

Pub. L. 98-109, § 1(d)(3), substituted "November 30, 1983" for "September 30, 1983".

Pub. L. 98-35, § 1(d)(2), substituted "September 30, 1983" for "May 20, 1983".

1982—Subsec. (h)(1). Pub. L. 97-289, § 1(d)(1), substituted "May 20, 1983" for "September 30, 1982" in two places.

Subsec. (i)(3)(B). Pub. L. 97-253, § 201(f)(1), inserted provision that the foregoing maximum mortgage amounts may be increased by the amount of the mortgage insurance premium paid at the time the mortgage is insured.

Subsec. (i)(3)(C). Pub. L. 97-253, § 201(f)(2), inserted provision that the foregoing maximum mortgage amounts may be increased by the amount of the mortgage insurance premium paid at the time the mortgage is insured.

Subsec. (i)(3)(D). Pub. L. 97-253, § 201(f)(3), inserted provision that the foregoing maximum mortgage amounts may be increased by the amount of the mortgage insurance premium paid at the time the mortgage is insured.

Subsec. (i)(3)(E). Pub. L. 97-253, § 201(f)(4), inserted "(excluding the mortgage insurance premium paid at the time the mortgage is insured)" after "cost of acquisition".

Subsec. (m). Pub. L. 97-289, § 1(d)(2), substituted "May 20, 1983" for "September 30, 1982".

Subsec. (q)(1). Pub. L. 97-289, § 1(d)(3), substituted "May 20, 1983" for "September 30, 1982".

1981—Subsec. (c)(2)(A). Pub. L. 97-35, § 328(a), struck out provisions relating to homeowner ceasing to make payments for a period of 90 continuous days or more under the mortgage, etc.

Subsec. (h)(1). Pub. L. 97-110 expanded enumeration of exceptions to provision that the Secretary not enter into new contracts for assistance payments under this section after March 31, 1982, by designating the two existing exceptions as cls. (i) and (ii) and by adding cl. (iii).

Pub. L. 97-35, § 328(b), inserted provisions prohibiting new contracts for assistance under this section after Mar. 1, 1982, except pursuant to specified exceptions.

Subsec. (m). Pub. L. 97-35, § 331(d)(1), substituted "1982" for "1981".

Subsec. (q)(1). Pub. L. 97-35, § 331(d)(2), substituted "September 30, 1982" for "June 1, 1981".

Subsec. (q)(14). Pub. L. 97-35, § 328(c), struck out provisions relating to homeowner ceasing to make pay-

ments for a period of 90 continuous days or more under the mortgage, etc.

1980—Subsec. (a)(2)(A). Pub. L. 96-399, § 308(c)(1), substituted "manufactured home" for "mobile home" wherever appearing.

Subsec. (a)(2)(B). Pub. L. 96-399, § 308(c)(2), substituted "manufactured homeowner" and "manufactured homeowner's" for "mobile homeowner" and "mobile homeowner's", respectively.

Subsec. (b)(2). Pub. L. 96-399, § 206(a)(1), substituted in last proviso "\$40,000" for "\$32,000", "\$47,500" for "\$38,000" in two places, and "\$55,000" for "\$44,000".

Subsec. (c). Pub. L. 96-399, § 206(b)(1), designated existing provisions as par. (1), redesignated existing pars. (1) and (2) as subpars. (A) and (B), respectively, and added par. (2).

Subsec. (i)(3)(B) to (D). Pub. L. 96-399, § 206(a)(2), (3), substituted "\$40,000" for "\$32,000", "\$47,500" for "\$38,000", "\$55,000" for "\$44,000", and "\$61,250" for "\$49,000".

Subsec. (m). Pub. L. 96-399, § 301(d), substituted "September 30, 1981" for "October 15, 1980".

Pub. L. 96-372 substituted "October 15, 1980" for "September 30, 1980".

Subsec. (p). Pub. L. 96-399, § 206(a)(4), added subsec. (p).

Subsec. (q). Pub. L. 96-399, § 207, added subsec. (q).

1979—Subsec. (a)(1). Pub. L. 96-153, § 213(a), inserted provision that the Secretary give preference to low-income families who are likely to be displaced without assistance and that the assistance may include the acquisition of a condominium or membership in a cooperative association.

Subsec. (c)(2). Pub. L. 96-153, § 213(c)(2), inserted parenthetical reference to 4 per centum per annum rate in the case of a mortgage described in subsec. (o) of this section.

Subsec. (i)(3)(A). Pub. L. 96-153, § 213(b), substituted "standards as the Secretary may prescribe:" for "standards as the Secretary may prescribe, if the mortgagor qualifies as a displaced family as defined in section 1715(f) of this title, or a family which includes five or more minor persons, or a family occupying low-rent public housing:":

Subsec. (m). Pub. L. 96-153, § 301(d), substituted "September 30, 1980" for "November 30, 1979".

Pub. L. 96-105 substituted "November 30, 1979" for "October 31, 1979".

Pub. L. 96-71 substituted "October 31, 1979" for "September 30, 1979".

Subsec. (o). Pub. L. 96-153, § 213(c)(1), added subsec. (o).

1978—Subsec. (m). Pub. L. 95-557 substituted "September 30, 1979" for "October 31, 1978".

Pub. L. 95-406 substituted "October 31, 1978" for "September 30, 1978".

1977—Subsec. (b)(2). Pub. L. 95-128, §§ 205, 303(f)(1), inserted reference to section 1715(d)(3) of this title and substituted in last proviso "\$32,000" for "\$25,000", "\$38,000" for "\$29,000" in two places, and "\$44,000" for "\$33,000".

Subsec. (i)(3)(B) to (E). Pub. L. 95-128, § 303(f)(2)-(4), substituted in subpar. (B) "\$32,000" for "\$25,000", "\$38,000" for "\$29,000" in two places, and "\$44,000" for "\$33,000", added subpars. (C) and (D), and redesignated former subpar. (C) as (E).

Subsec. (m). Pub. L. 95-128, § 301(d), substituted "September 30, 1978" for "September 30, 1977".

Subsec. (n). Pub. L. 95-128, § 303(f)(5), added subsec. (n).

1976—Subsec. (a). Pub. L. 94-375, § 3(f)(1), designated existing provisions as par. (1) and added par. (2).

Subsec. (b)(2). Pub. L. 94-375, § 3(b), substituted "\$25,000" for "\$21,600", "\$29,000" for "\$25,200" in two places, and "\$33,000" for "\$28,800".

Subsec. (e). Pub. L. 94-375, § 3(f)(2), inserted "(a)(2)(B)," after "computed under subsection".

Subsec. (h)(2). Pub. L. 94-375, § 3(e), substituted "95 per centum" for "80 per centum" wherever appearing.

Subsec. (i)(3)(B). Pub. L. 94-375, § 3(c), substituted "\$25,000" for "\$21,600", "\$29,000" for "\$25,200" in two places, and "\$33,000" for "\$28,800".

Subsec. (m). Pub. L. 94-375 §3(a), substituted "September 30, 1977" for "June 30, 1976".

1974—Subsec. (a). Pub. L. 93-383, §211(b), inserted provisions relating to mortgages assisted under a State or local program providing assistance through loans, etc.

Subsec. (b)(2). Pub. L. 93-383, §211(c)(1), substituted "\$21,600" for "\$18,000", "\$25,200" for "\$21,000" in two places, and "\$28,800" for "\$24,000".

Subsec. (h)(1). Pub. L. 93-383, §211(a)(1), (2), inserted provisions relating to increases by such sums as may be approved in appropriations Acts after June 30, 1974, and prior to July 1, 1976, and provisions prohibiting new contracts for assistance payments upon the expiration of one year following Aug. 22, 1974.

Subsec. (h)(2). Pub. L. 93-383, §211(a)(3), substituted provisions setting forth requirements for assistance payments for families for provisions setting forth maximum income limits of families receiving assistance payments under contracts and provisions relating to annual report to Congressional Committees with respect to income levels of families.

Subsec. (h)(3)(B). Pub. L. 93-383, §211(a)(4), substituted "on or after July 1, 1969" for "prior to July 1, 1972".

Subsec. (i)(1). Pub. L. 93-383, §211(a)(5), inserted provisions authorizing insurance of advances for property construction or rehabilitation pursuant to self-help programs.

Subsec. (i)(3)(B). Pub. L. 93-383, §211(c)(2), substituted "\$21,600" for "\$18,000", "\$25,200" for "\$21,000" in two places, and "\$28,800" for "\$24,000".

Subsec. (i)(3)(C). Pub. L. 93-383, §211(a)(6), struck out provisions relating to execution by a mortgagor in the case of a family whose income is not in excess of 135 per centum of the maximum income limits established in the area pursuant to specified limitations or any other family.

Subsec. (m). Pub. L. 93-383, §211(a)(7), substituted "June 30, 1976" for "October 1, 1974".

1973—Subsec. (m). Pub. L. 93-117 substituted "October 1, 1974" for "October 1, 1973".

Pub. L. 93-85 substituted "October 1, 1973" for "June 30, 1973".

1972—Subsec. (m). Pub. L. 92-503 substituted "June 30, 1973" for "October 1, 1972".

1970—Subsec. (b)(2). Pub. L. 91-609, §107, designated existing provisions as cl. (A) and added cl. (B).

Subsec. (h)(1). Pub. L. 91-609, §102(a), in second sentence, inserted "outstanding" before "contracts" where first appearing and substituted "\$150,000,000 on July 1, 1970" and "\$200,000,000 on July 1, 1971" for "\$125,000,000 on July 1, 1970" and "\$170,000,000 on July 1, 1971".

Subsec. (h)(3)(B). Pub. L. 91-609, §105(1), substituted "July 1, 1972" for "July 1, 1971".

Subsec. (h)(4). Pub. L. 91-609, §105(2), added par. (4).

Subsec. (i)(3)(A). Pub. L. 91-609, §106, substituted "and which is approved by the Secretary" for "if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary".

Subsec. (m). Pub. L. 91-609, §101(d), substituted "October 1, 1972" for "October 1, 1971".

1969—Subsec. (b)(2). Pub. L. 91-152, §§106(b), 113(i), substituted provisions qualifying for assistance payments the transferee of any cooperative member who has received assistance payments, provided that such transferee undertakes the obligation to pay occupancy charges, for provisions qualifying for assistance payments the transferee of the initial cooperative member receiving assistance payments, and substituted "\$18,000" for "\$15,000", "\$21,000" for "\$17,500" wherever appearing, and "\$24,000" for "\$20,000".

Subsec. (c). Pub. L. 91-152, §§106(a), 418(a), inserted reference to subsection (i) of this section, and inserted the further proviso authorizing the Secretary to continue making assistance payments.

Subsec. (h)(1). Pub. L. 91-152, §107(a), substituted "\$125,000,000 on July 1, 1969, by "\$125,000,000 on July 1, 1970, and by \$170,000,000 on July 1, 1971" for "\$100,000,000 on July 1, 1969, and by \$125,000,000 on July 1, 1970".

Subsec. (h)(2). Pub. L. 91-152, §412(b), required the Secretary to report semiannually instead of annually

to the respective Committees on Banking and Currency of the Senate and House of Representatives.

Subsec. (h)(3)(A). Pub. L. 91-152, §109(1), inserted "and" after "July 1, 1969".

Subsec. (h)(3)(B). Pub. L. 91-152, §109(2), substituted "30 per centum" for "15 per centum" and "July 1, 1971," for "July 1, 1970, and".

Subsec. (h)(3)(C). Pub. L. 91-152, §109(2), struck out subsec. (h)(3)(C) which limited the amount available for home-ownership assistance payments to 10 per centum of the total additional amount of contracts for assistance payments authorized by appropriation Acts made prior to July 1, 1971.

Subsec. (i)(3)(B). Pub. L. 91-152, §113(i), substituted "\$18,000" for "\$15,000", "\$21,000" for "\$17,500" wherever appearing, and "\$24,000" for "\$20,000".

Subsec. (m). Pub. L. 91-152, §101(d), added subsec. (m).

### Statutory Notes and Related Subsidiaries

#### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 406(b)(18), (19) of Pub. L. 100-242 applicable only with respect to mortgages insured pursuant to conditional commitment issued on or after Feb. 5, 1988, or in accordance with direct endorsement program (24 CFR 200.163), if approved underwriter of mortgagee signs appraisal report for property on or after Feb. 5, 1988, see section 406(d) of Pub. L. 100-242, set out as a note under section 1709 of this title.

#### EFFECTIVE DATE OF 1983 AMENDMENT

For effective date of amendment by section 423(b)(5) of Pub. L. 98-181, see section 423(c) of Pub. L. 98-181, set out as a note under section 1709 of this title.

#### EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 effective Oct. 1, 1981, see section 371 of Pub. L. 97-35, set out as an Effective Date note under section 3701 of this title.

#### EFFECTIVE DATE OF 1980 AMENDMENT

Pub. L. 96-399, title II, §206(b)(2), Oct. 8, 1980, 94 Stat. 1631, provided: "The amendment made by paragraph (1) [amending this section] does not apply to any assistance contract under section 235 of the National Housing Act [this section] entered into pursuant to a commitment issued within 6 months following the date of enactment of this Act [Oct. 8, 1980]."

#### TERMINATION OF PROGRAM; SAVINGS PROVISION

Pub. L. 101-235, title I, §125(d), Dec. 15, 1989, 103 Stat. 2024, provided that: "Notwithstanding the termination of the program under section 235 [this section] pursuant to section 401(d) of the Housing and Community Development Act of 1987 [Pub. L. 100-242, set out below], the Secretary of Housing and Urban Development shall have authority to insure mortgages under section 235(r), to make assistance payments with respect to such insured mortgages, and to make any other payment or take any other action related to the refinancing of mortgages insured under section 235."

Pub. L. 100-242, title IV, §401(d), Feb. 5, 1988, 101 Stat. 1899, provided that:

"(1) IN GENERAL.—Effective on October 1, 1989, the program under section 235 of the National Housing Act [this section] shall terminate.

"(2) SAVINGS PROVISION.—The provisions of paragraph (1) shall not affect—

"(A) any mortgage insurance commitment issued;

or

"(B) any assistance pursuant to a reservation of funds made; under section 235 of the National Housing Act prior to October 1, 1989."

#### IMPLEMENTATION OF 1982 AMENDMENT

Amendment by Pub. L. 97-253 to be implemented only if the Secretary determines that the program of ad-

vance payment of insurance premiums, considering the effect of said amendment, is actuarially sound, see section 201(g) of Pub. L. 97-253, set out as a note under section 1709 of this title.

**STUDY AND REPORT RESPECTING APPLICATION OF SUBSECTION (n) TO SUBSECTIONS (a) AND (q) PROGRAMS**

Pub. L. 96-399, title II, §206(c), Oct. 8, 1980, 94 Stat. 1631, directed Secretary of Housing and Urban Development to conduct a study of effects which application of subsec. (n) of this section has had or is likely to have on program established by subsec. (a). If program established by subsec. (q) was implemented, Secretary was to include in study an analysis of effects on subsec. (q) program of application of subsec. (n) to such program. Secretary to transmit to Congress, not later than Jan. 1, 1982, a report containing findings and conclusions of study.

**FINANCING PURCHASE OF DWELLING FROM NONPROFIT ORGANIZATION AFTER AUGUST 1, 1968**

Pub. L. 90-448, title I, §101(c)(4), Aug. 1, 1968, 82 Stat. 484, provided that: "The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act [12 U.S.C. 1715(h)(5)] after the date of enactment of this section [Aug. 1, 1968], may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act [12 U.S.C. 1715z(j)(4)], but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act."

**CEILING ON TOTAL HOMEOWNERSHIP ASSISTANCE PAYMENTS IN ANY FISCAL YEAR**

Pub. L. 90-608, ch. IV, §401, Oct. 21, 1968, 82 Stat. 1193, provided in part that the total payments that may be required in any fiscal year by all contracts entered into under section 235 of the National Housing Act [this section] shall not exceed \$25,000,000.

Pub. L. 91-47, title II, §201, July 22, 1969, 83 Stat. 53, increased by \$45,000,000 the limitation on total payments that may be required in any fiscal year by all contracts entered into under section 235 of the National Housing Act, as amended (82 Stat. 477) [this section].

**§ 1715z-1. Rental and cooperative housing for lower income families**

**(a) Authorization for periodic interest reduction payments on behalf of owner of rental housing project**

For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a rental housing project designed for occupancy by lower income families, which shall be accomplished through payments to mortgagees<sup>1</sup> holding mortgages meeting the special requirements specified in this section.

**(b) Restrictions on payments; payments with respect to projects financed under State or local programs; mortgage insurance premium**

Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided*, That the Secretary is authorized to continue making such interest reduction payments where the mortgage has been assigned to the Secretary:

*Provided further*, That interest reduction payments may be made with respect to a mortgage or part thereof on a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, public<sup>2</sup> entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which may involve either new or existing construction and which is approved for receiving the benefits of this section. The term "mortgage insurance premium", when used in this section in relation to a project financed by a loan under a State or local program, means such fees and charges, approved by the Secretary, as are payable by the mortgagor to the State or local agency mortgagee to meet reserve requirements and administrative expenses of such agency.

**(c) Amount of payments**

The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

**(d) Mortgage handling expenses**

The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

**(e) Operation of project in accordance with requirements respecting tenant eligibility and rents prescribed by Secretary**

(1) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of one year (or at shorter intervals where the Secretary deems it desirable).

(2) A project for which interest reduction payments are made under this section and for which the mortgage on the project has been refinanced shall continue to receive the interest reduction payments under this section under the terms of the contract for such payments, but only if the project owner enters into such binding commitments as the Secretary may require (which shall be applicable to any subsequent owner) to ensure that the owner will continue to operate the project in accordance with all low-income affordability restrictions for the project in connection with the Federal assistance for the project for a period having a duration that is not less than the term for which such interest reduction payments are made plus an additional 5 years.

<sup>1</sup> So in original. Probably should be "mortgagees".

<sup>2</sup> So in original. Probably should be preceded by "a".