

**§ 232.586**

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 subpart, that the principal amount of the mortgage exceed a minimum amount established by the mortgagee.

[53 FR 8885, Mar. 18, 1988]

PROPERTY REQUIREMENTS

**§ 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
- (3) Under a lease having a period of not less than "twenty-five" years to run from the date the loan is executed.

(b) The property constituting security for the loan transaction must be held by an eligible borrower as herein defined and must at the time the loan is insured be free and clear of all liens other than those specifically approved by the Commissioner.

[39 FR 28966, Aug. 12, 1974; 39 FR 30349, Aug. 22, 1974]

**§ 232.591 Smoke detectors.**

After October 30, 1992, each occupied room must include at least one battery-operated or hard-wired smoke detector in proper working condition. If the room is occupied by hearing-impaired persons, the smoke detector must have an alarm system designed for hearing-impaired persons, unless the smoke alarm is connected to a central alarm system that is monitored on a 24-hour basis, or otherwise meets industry standards.

[57 FR 33850, July 30, 1992]

TITLE

**§ 232.595 Eligibility of title.**

In order for the property which is to be the security for a loan to be insured

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under this subpart to be eligible for insurance, the Commissioner shall determine that the title to the property is vested in the borrower as of the date the security instrument is filed for record. The title evidence will be examined by the Commissioner and the endorsement of the credit instrument for insurance shall be evidence of its acceptability.

**§ 232.600 Title evidence.**

The lender, without expense to the Commissioner, shall furnish to the Commissioner a policy of title insurance, or if the lender is unable to furnish a policy for reasons satisfactory to the Commissioner, the lender, without expense to the Commissioner, shall furnish an abstract of title. The following are the requirements covering the title insurance and abstract of title:

(a) The policy of title insurance shall be issued by a company, and in a form, satisfactory to the Commissioner. The policy shall name as the insureds the lender and the Secretary of Housing and Urban Development, as their respective interests may appear. The policy shall provide that upon acquisition of title by the lender or the Secretary, the policy of title insurance will continue to provide the same coverage as the original policy, and will run to the lender or the Secretary, as the case may be.

(b) The abstract of title shall be satisfactory to the Commissioner, prepared by an abstract title company or an individual engaged in the business of preparing abstracts of title, accompanied by a legal opinion satisfactory to the Commissioner, as to the quality of such title, signed by an attorney at law experienced in the examination of titles.

[39 FR 28966, Aug. 12, 1974, as amended at 58 FR 34216, June 24, 1993]

FORM OF CONTRACT

**§ 232.605 Contract requirements.**

(a) The contract between the mortgagor and the general contractor may be in the form of either a lump sum contract or a cost plus contract. Either form of contract shall include the cost