

(b) *Public housing agencies and State housing agencies.* Under such terms and conditions as the Secretary may prescribe and notwithstanding the general requirements of §202.5 or the requirements of paragraph (a) of this section, a public housing agency or its instrumentality or a State housing agency may be approved as a mortgagee for the purpose of originating and holding multifamily mortgages funded by issuance of tax exempt obligations by the agency.

(c) *Audit requirements.* The insuring of loans and mortgages under the Act constitutes "financial assistance" for purposes of audit requirements set out in part 44 of this title. State and local governments (as defined in 24 CFR 44.2) that receive insurance as lenders and mortgagees shall conduct audits in accordance with HUD audit requirements at part 44 of this title.

### Subpart C—Title I and Title II Specific Requirements

#### § 202.11 Title I.

(a) *Administrative actions—(1) Types of action.* In addition to termination of the Contract of Insurance, certain sanctions may be imposed under the Title I program. The administrative actions that may be applied are set forth in 24 CFR 25.5. Civil money penalties may be imposed against Title I lenders and mortgagees pursuant to §25.12 and part 30 of this title.

(2) *Grounds for action.* Administrative actions shall be based upon both the grounds set forth in §25.9 and as follows:

(i) Failure to properly supervise and monitor dealers under the provisions of part 201 of this title;

(ii) Exhaustion of the general insurance reserve established under part 201 of this title;

(iii) Maintenance of a Title I claims/loan ratio representing an unacceptable risk to the Department; or

(iv) Transfer of a Title I loan to a party that does not have a valid Title I Contract of Insurance.

(b) [Reserved]

#### § 202.12 Title II.

(a) *Tiered pricing—(1) General requirements—(i) Prohibition against excess vari-*

*ation.* The customary lending practices of a mortgagee for its single family insured mortgages shall not provide for a variation in mortgage charge rates that exceeds two percentage points. A variation is determined as provided in paragraph (a)(6) of this section.

(ii) *Customary lending practices.* The customary lending practices of a mortgagee include all single family insured mortgages originated by the mortgagee, including those funded by the mortgagee or purchased from the originator if requirements of the mortgagee have the effect of leading to violation of this section by the originator. The responsibility of sponsors of loan correspondent mortgagees is also governed by §202.8(b)(7).

(iii) *Basis for permissible variations.* Any variations in the mortgage charge rate up to two percentage points under the mortgagee's customary lending practices must be based on actual variations in fees or cost to the mortgagee to make the mortgage loan, which shall be determined after accounting for the value of servicing rights generated by making the loan and other income to the mortgagee related to the loan. Fees or costs must be fully documented for each specific loan.

(2) *Area.* For purposes of this section, an area is:

(i) An area used by HUD for purposes of §203.18(a) of this chapter to determine the median 1-family house price for an area; or

(ii) The area served by a HUD field office but excluding any area included in paragraph (a)(2)(i) of this section.

(3) *Mortgage charges.* Mortgage charges include any charges under the mortgagee's control and not collected for the benefit of third parties. Examples are interest, discount points and origination fees.

(4) *Interest rate.* Whenever a mortgagee offers a particular interest rate for a mortgage type in an area, it may not restrict the availability of the rate in the area on the basis of the principal amount of the mortgage. A mortgagee may not direct mortgage applicants to any specific interest rate category on the basis of mortgage size.

(5) *Mortgage charge rate.* The mortgage charge rate is defined as the amount of mortgage charges for a

mortgage expressed as a percentage of the initial principal amount of the mortgage.

(6) *Determining excess variations.* Variation in mortgage charge rates for a mortgage type is determined by comparing all mortgage charge rates offered by the mortgagee within an area for the mortgage type for a designated day or other time period, including mortgage charge rates for all actual mortgage applications.

(7) *Mortgage type.* A mortgage type for purposes of paragraph (a)(6) of this section will include those mortgages that are closely parallel in important characteristics affecting pricing and charges, such as level of risk or processing expenses. The Secretary may develop standards and definitions regarding mortgage types.

(8) *Recordkeeping.* Mortgagees are required to maintain records on pricing information, satisfactory to the Secretary, that would allow for reasonable inspection by HUD for a period of at least 2 years. Additionally, many mortgagees are required to maintain racial, ethnic, and gender data under the regulations implementing the Home Mortgage Disclosure Act (12 U.S.C. 2801-2810).

(b) *Servicing.* Any mortgagee that services mortgages must be approved by the Secretary under §202.6, §202.7 or §202.10, or be specifically approved for servicing under §202.9(a).

(c) *Report and corrective plan requirements.* If a mortgagee approved for participation in Title II programs is notified by the Secretary that it had a rate of defaults and claims on HUD-insured mortgages during the preceding year, or during recent years, which was higher than the normal rate, it shall submit a report, within 60 days, containing an explanation for the above-normal rate of defaults and claims, and, if required by the Secretary, a plan for corrective action with regard to mortgages in default and its mortgage processing system in general.

## PART 203—SINGLE FAMILY MORTGAGE INSURANCE

### Subpart A—Eligibility Requirements and Underwriting Procedures

#### DIRECT ENDORSEMENT, LENDER INSURANCE, AND COMMITMENTS

##### Sec.

- 203.1 Underwriting procedures.
- 203.3 Approval of mortgagees for Direct Endorsement.
- 203.4 Approval of mortgagees for Lender Insurance.
- 203.5 Direct Endorsement process.
- 203.6 Lender Insurance process.
- 203.7 Commitment process.

#### MISCELLANEOUS REGULATIONS

- 203.9 Disclosure regarding interest due upon mortgage prepayment.
- 203.10 Informed consumer choice for prospective FHA mortgagors.
- 203.12 Mortgage insurance on proposed or new construction.
- 203.14 Builders' warranty.
- 203.15 Certification of appraisal amount.
- 203.16 Certificate and contract regarding use of dwelling for transient or hotel purposes.
- 203.16a Mortgagor and mortgagee requirement for maintaining flood insurance coverage.

#### ELIGIBLE MORTGAGES

- 203.17 Mortgage provisions.
- 203.18 Maximum mortgage amounts.
- 203.18a Solar energy system.
- 203.18b Increased mortgage amount.
- 203.18c One-time or up-front mortgage insurance premium excluded from limitations on maximum mortgage amounts.
- 203.18d Minimum principal loan amount.
- 203.19 Mortgagor's minimum investment.
- 203.20 Agreed interest rate.
- 203.21 Amortization provisions.
- 203.22 Payment of insurance premiums or charges; prepayment privilege.
- 203.23 Mortgagor's payments to include other charges.
- 203.24 Application of payments.
- 203.25 Late charge.
- 203.26 Mortgagor's payments when mortgage is executed.
- 203.27 Charges, fees or discounts.
- 203.28 Economic soundness of projects.
- 203.29 Eligible mortgages in Alaska, Guam, Hawaii, or the Virgin Islands.
- 203.30 Certificate of nondiscrimination by mortgagor.
- 203.31 Mortgagor of a principal residence in military service cases.

#### ELIGIBLE MORTGAGORS

- 203.32 Mortgage lien.