

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.

- 203.33 Relationship of income to mortgage payments.
 203.34 Credit standing.
 203.35 Disclosure and verification of Social Security and Employer Identification Numbers.
 203.36 [Reserved]

ELIGIBLE PROPERTIES

- 203.37 Nature of title to realty.
 203.37a Sale of property.
 203.38 Location of dwelling.
 203.39 Standards for buildings.
 203.40 Location of property.
 203.41 Free assumability; exceptions.
 203.42 Rental properties.
 203.43 Eligibility of miscellaneous type mortgages.
 203.43a Eligibility of mortgages covering housing in certain neighborhoods.
 203.43b [Reserved]
 203.43c Eligibility of mortgages involving a dwelling unit in a cooperative housing development.
 203.43d Eligibility of mortgages in certain communities.
 203.43e Eligibility of mortgages covering houses in federally impacted areas.
 203.43f Eligibility of mortgages covering manufactured homes.
 203.43g Eligibility of mortgages in certain communities.
 203.43h Eligibility of mortgages on Indian land insured pursuant to section 248 of the National Housing Act.
 203.43i Eligibility of mortgages on Hawaiian Home Lands insured pursuant to section 247 of the National Housing Act.
 203.43j Eligibility of mortgages on Allegany Reservation of Seneca Nation of Indians.
 203.44 Eligibility of advances.
 203.45 Eligibility of graduated payment mortgages.
 203.47 Eligibility of growing equity mortgages.
 203.49 Eligibility of adjustable rate mortgages.
 203.50 Eligibility of rehabilitation loans.
 203.51 Applicability.
 203.52 Acceptance of individual residential water purification equipment.

INSURED TEN-YEAR PROTECTION PLANS (PLAN)

- 203.200 Definitions.
 203.201 Scope.
 203.202 Plan acceptability and acceptance renewal criteria—general.
 203.203 Issuance and nature of insured 10-year protection plans.
 203.204 Requirements and limitations of a plan.
 203.205 Plan coverage.
 203.206 Housing performance standards or criteria.
 203.207 Designated area.
 203.208 Insurance backing criteria.

- 203.209 Payments under a plan.

EFFECTIVE DATE

- 203.249 Effect of amendments.

Subpart B—Contract Rights and Obligations

DEFINITIONS

- 203.251 Definitions.

ENDORSEMENT AND CONTRACT OF INSURANCE

- 203.255 Insurance of mortgage.
 203.256 Insurance of open-end advance.
 203.257 Creation of the contract.
 203.258 Substitute mortgagors.

MORTGAGE INSURANCE PREMIUMS—IN GENERAL

- 203.259 Method of payment of MIP.
 203.259a Scope.

MORTGAGE INSURANCE PREMIUMS—PERIODIC PAYMENT

- 203.260 Amount of mortgage insurance premium (periodic MIP).
 203.261 Calculation of periodic MIP.
 203.262 Due date of periodic MIP.
 203.264 Payment of periodic MIP.
 203.265 Mortgagee's late charge and interest.
 203.266 Period covered by periodic MIP.
 203.267 Duration of periodic MIP.
 203.268 Pro rata payment of periodic MIP.
 203.269 Method of payment of periodic MIP.

OPEN-END INSURANCE CHARGES—ALL MORTGAGES

- 203.270 Open-end insurance charges.

MORTGAGE INSURANCE PREMIUMS—ONE-TIME PAYMENT

- 203.280 One-time MIP.
 203.281 Calculation of one-time MIP.
 203.282 Mortgagee's late charge and interest.
 203.283 Refund of one-time MIP.

CALCULATION OF MORTGAGE INSURANCE PREMIUM ON OR AFTER JULY 1, 1991

- 203.284 Calculation of up-front and annual MIP on or after July 1, 1991.
 203.285 Fifteen-year mortgages: Calculation of up-front and annual MIP on or after December 26, 1992.

ADJUSTED MORTGAGE INSURANCE PREMIUM

- 203.288 Discontinuance of adjusted premium charge.

VOLUNTARY TERMINATION

- 203.295 Voluntary termination.

Pt. 203

24 CFR Ch. II (4-1-04 Edition)

TERMINATION OF INSURANCE CONTRACT

- 203.315 Termination by conveyance to other than Commissioner.
- 203.316 Termination by prepayment of mortgage.
- 203.317 Termination by voluntary agreement.
- 203.318 Notice of termination by mortgagee.
- 203.319 Pro rata payment of premiums and charges.
- 203.320 Notice and date of termination by Commissioner.
- 203.321 Effect of termination.

DEFAULT UNDER MORTGAGE

- 203.330 Delinquency and default.
- 203.331 Date of default.
- 203.332 Notice of delinquency.
- 203.333 Reinstatement of defaulted mortgage.

CONTINUATION OF INSURANCE

- 203.340 Special forbearance.
- 203.341 Partial claim.
- 203.342 Mortgage modification.
- 203.343 Partial release, addition or substitution of security.

FOREBEARANCE RELIEF FOR MILITARY PERSONNEL

- 203.345 Postponement of principal payments—mortgagors in military service.
- 203.346 Postponement of foreclosure—mortgagors in military service.

ASSIGNMENT OF MORTGAGE

- 203.350 Assignment of mortgage.
- 203.351 Application for insurance benefits and fiscal data.
- 203.353 Certification by mortgagee.

CLAIM PROCEDURE

- 203.355 Acquisition of property.
- 203.356 Notice of foreclosure and pre-foreclosure sale; reasonable diligence requirements.
- 203.357 Deed in lieu of foreclosure.
- 203.358 Direct conveyance of property.
- 203.359 Time of conveyance to the Secretary.
- 203.360 Notice of property transfer or pre-foreclosure sale and application for insurance benefits.
- 203.361 Acceptance of property by Commissioner.
- 203.362 Conditions for withdrawal of application for insurance benefits.
- 203.363 Effect of noncompliance with regulations.
- 203.364 Mortgagee's liability for property expenditures.
- 203.365 Documents and information to be furnished the Secretary; claims review.
- 203.366 Conveyance of marketable title.

- 203.367 Contents of deed and supporting documents.
- 203.368 Claims without conveyance procedure.
- 203.369 Deficiency judgments.
- 203.370 Pre-foreclosure sales.
- 203.371 Partial claim.

CONDITION OF PROPERTY

- 203.375-203.376 [Reserved]
- 203.377 Inspection and preservation of properties.
- 203.378 Property condition.
- 203.379 Adjustment for damage or neglect.
- 203.380 Certificate of property condition.
- 203.381 Occupancy of property.
- 203.382 Cancellation of hazard insurance.

PROPERTY TITLE TRANSFERS AND TITLE WAIVERS

- 203.385 Types of satisfactory title evidence.
- 203.386 Coverage of title evidence.
- 203.387 Acceptability of customary title evidence.
- 203.389 Waived title objections.
- 203.390 Waiver of title—mortgages or property formerly held by the Secretary.
- 203.391 Title objection waiver with reduced insurance benefits.

PAYMENT OF INSURANCE BENEFITS

- 203.400 Method of payment.
- 203.401 Amount of payment—conveyed and non-conveyed properties.
- 203.402 Items included in payment—conveyed and non-conveyed properties.
- 203.402a Reimbursement for uncollected interest.
- 203.403 Items deducted from payment—conveyed and non-conveyed properties.
- 203.404 Amount of payment—assigned mortgages.
- 203.405 Debenture interest rate.
- 203.406 Maturity of debentures.
- 203.407 Registration of debentures.
- 203.408 Form and amounts of debentures.
- 203.409 Redemption of debentures.
- 203.410 Issue date of debentures.
- 203.411 Cash adjustment.
- 203.412 Payment for foreclosure alternative actions.
- 203.413 [Reserved]
- 203.414 Amount of payment—partial claims.

CERTIFICATE OF CLAIM

- 203.415 Delivery of certificate of claim.
- 203.416 Amount and items of certificate of claim.
- 203.417 Rate of interest of certificate of claim.

MUTUAL MORTGAGE INSURANCE FUND AND DISTRIBUTIVE SHARES

- 203.420 Nature of Mutual Mortgage Insurance Fund.

- 203.421 Allocation of Mutual Mortgage Insurance Fund income or loss.
- 203.422 Right and liability under Mutual Mortgage Insurance Fund.
- 203.423 Distribution of distributive shares.
- 203.424 Maximum amount of distributive shares.
- 203.425 Finality of determination.
- 203.426 Inapplicability to housing in older declining urban areas.
- 203.427 Statute of limitations on payment of distributive shares.
- SALE, ASSIGNMENT AND PLEDGE OF INSURED MORTGAGE
- 203.430 Sale of interests in insured mortgages.
- 203.431 Sale of insured mortgage to approved mortgagee.
- 203.432 Effect of sale of insured mortgage.
- 203.433 Assignments, pledges and transfers by approved mortgagee.
- 203.434 Declaration of trust.
- 203.435 Transfers of partial interests.
- GRADUATED PAYMENT MORTGAGES
- 203.436 Claim procedure—graduated payment mortgages.
- COOPERATIVE UNIT MORTGAGES
- 203.437 Mortgages involving a dwelling unit in a cooperative housing development.
- MORTGAGES ON PROPERTY LOCATED ON INDIAN LAND
- 203.438 Mortgages on Indian land insured pursuant to section 248 of the National Housing Act.
- MORTGAGES ON PROPERTY LOCATED ON HAWAIIAN HOME LANDS
- 203.439 Mortgages on Hawaiian home lands insured pursuant to section 247 of the National Housing Act.
- MORTGAGES ON PROPERTY IN ALLEGANY RESERVATION OF SENECA INDIANS
- 203.439a Mortgages on property in Allegany Reservation of Seneca Nation of Indians authorized by section 203(q) of the National Housing Act.
- REHABILITATION LOANS
- 203.440 Definitions.
- 203.441 Insurance of loan.
- 203.442 Contract created by Insurance Certificate or by endorsement.
- 203.443 Insurance premium.
- 203.457 Voluntary termination of contract.
- 203.458 Termination by prepayment of loan.
- 203.459 Notice of termination by lender.
- 203.462 Pro rata payment of premium before termination.
- 203.463 Notice and date of termination by Commissioner.
- 203.464 Effect of termination.
- 203.466 Definition of default.
- 203.467 Date of default.
- 203.468 Notice of default.
- 203.469 Reinstatement of defaulted loan.
- 203.471 Special forbearance.
- 203.472 Relief for borrower in military service.
- 203.473 Claim procedure.
- 203.474 Maximum claim period.
- 203.476 Claim application and items to be filed.
- 203.477 Certificate by lender when loan assigned.
- 203.478 Payment of insurance benefits.
- 203.479 Debenture interest rate.
- 203.481 Maturity of debentures.
- 203.482 Registration of debentures.
- 203.483 Forms and amounts of debentures.
- 203.484 Redemption of debentures.
- 203.486 Issue date of debentures.
- 203.487 Cash adjustment.
- 203.488 Sale of interests in insured loans.
- 203.489 Sale of insured loan to approved lender.
- 203.491 Effect of sale of insured loan.
- 203.492 Assignments, pledges and transfers by approved lender.
- 203.493 Declaration of trust.
- 203.495 Transfers of partial interests.
- EXTENSION OF TIME
- 203.496 Actions to be taken by mortgagee or lender.
- AMENDMENTS
- 203.499 Effect of amendments.
- Subpart C—Servicing Responsibilities**
- GENERAL REQUIREMENTS
- 203.500 Mortgage servicing generally.
- 203.501 Loss mitigation.
- 203.502 Responsibility for servicing.
- 203.508 Providing information.
- 203.510 Release of personal liability.
- 203.512 Free assumability; exceptions.
- PAYMENTS, CHARGES AND ACCOUNTS
- 203.550 Escrow accounts.
- 203.552 Fees and charges after endorsement.
- 203.554 Enforcement of late charges.
- 203.556 Return of partial payments.
- 203.558 Handling prepayments.
- MORTGAGEE ACTION AND FORBEARANCE
- 203.600 Mortgage collection action.
- 203.602 Delinquency notice to mortgagor.
- 203.604 Contact with the mortgagor.
- 203.605 Loss mitigation evaluation.
- 203.606 Pre-foreclosure review.
- 203.608 Reinstatement.
- 203.610 Relief for mortgagor in military service.
- 203.614 Special forbearance.
- 203.616 Mortgage modification.

§ 203.1

MORTGAGES IN DEFAULT ON PROPERTY LOCATED ON INDIAN RESERVATIONS

203.664 Processing defaulted mortgages on property located on Indian land.

MORTGAGES IN DEFAULT ON PROPERTY LOCATED ON HAWAIIAN HOME LANDS

203.665 Processing defaulted mortgages on property located on Hawaiian home lands.

ASSIGNMENT AND FORBEARANCE—PROPERTY IN ALLEGANY RESERVATION OF SENECA INDIANS

203.666 Processing defaulted mortgages on property in Allegany Reservation of Seneca Nation of Indians.

OCCUPIED CONVEYANCE

203.670 Conveyance of occupied property.

203.671 Criteria for determining the Secretary's interest.

203.672 Residential areas.

203.673 Habitability.

203.674 Eligibility for continued occupancy.

203.675 Notice to occupants of pending acquisition.

203.676 Request for continued occupancy.

203.677 Decision to approve or deny a request.

203.678 Conveyance of vacant property.

203.679 Continued occupancy after conveyance.

203.680 Approval of occupancy after conveyance.

203.681 Authority of HUD Field Office Managers.

AUTHORITY: 12 U.S.C. 1709, 1710, 1715b, and 1715u; 42 U.S.C. 3535(d).

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AUTHORITY: 12 U.S.C. 1709, 1710, 1715b, 1715z-16, and 1715u; 42 U.S.C. 3535(d).

SOURCE: 36 FR 24508, Dec. 22, 1971, unless otherwise noted.

Subpart A—Eligibility Requirements and Underwriting Procedures

DIRECT ENDORSEMENT, LENDER INSURANCE, AND COMMITMENTS

§ 203.1 Underwriting procedures.

The three underwriting procedures for single family mortgages are:

(a) *Direct Endorsement*. This procedure, which is described in § 203.5, is available for mortgagees that are eligible under § 203.3.

24 CFR Ch. II (4-1-04 Edition)

(b) *Lender insurance*. This procedure, which is described in § 203.6, is available for mortgagees that are eligible for the Direct Endorsement program under § 203.5, and that are also approved according to § 203.4.

(c) *Issuing of commitments through HUD offices*. Processing through HUD offices as described in § 203.7, with issuance of commitments, is available only for mortgages that are not eligible for Direct Endorsement processing under § 203.5(b) or to the extent required in § 203.3(b)(4), § 203.3(d)(1), or as determined by the Secretary.

[62 FR 30225, June 2, 1997]

§ 203.3 Approval of mortgagees for Direct Endorsement.

(a) *Direct Endorsement approval*. To be approved for the Direct Endorsement program set forth in § 203.5, a mortgagee must be an approved mortgagee meeting the requirements of §§ 202.13, 202.14 or 202.17 and this section.

(b) *Special requirements*. The mortgagee must establish that it meets the following qualifications.

(1) The mortgagee has five years of experience in the origination of single family mortgages. The Secretary will approve a mortgagee with less than five years experience in the origination of single family mortgages if a principal officer has had a minimum of five years of managerial experience in the origination of single family mortgages.

(2) The mortgagee has on its permanent staff an underwriter that is authorized by the mortgagee to bind the mortgagee on matters involving the origination of mortgages through the Direct Endorsement procedure and that is registered with the Secretary and such registration is maintained with the Secretary. The technical staff may be employees of the mortgagee or may be hired on a fee basis from a roster maintained by the Secretary. The mortgagee shall use appraisers permitted by § 203.5(e).

(3) [Reserved]

(4) The mortgagee must submit initially 15 mortgages processed in accordance with §§ 203.5 and 203.255. Separate approval is required to originate mortgages under part 206 of this chapter through the Direct Endorsement program unless at least 50 mortgages