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PART II:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**Office of Assistant Secretary
for Housing
Production and
Mortgage Credit**

■
**HISTORIC PRESERVATION
LOANS**

**DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT**

Office of Assistant Secretary for Housing
Production and Mortgage Credit

[24 CFR Part 201]

[Docket No. R-76-389]

HISTORIC PRESERVATION LOANS

Proposed Regulations

The Department of Housing and Urban Development is considering amending subtitle B of Title 24 of the Code of Federal Regulations, Chapter II, Subchapter B, Part 201, "Property Improvement and Mobile Home Loans," by adding a new subpart E, "Historic Preservation Loans." The amendment will implement Section 4(a) of the "Emergency Home Purchase Assistance Act of 1974," P.L. 93-449, which provides for the insurance of financial institutions that make loans for the purpose of financing the preservation of historic residential structures.

A description of the important elements of the Historic Preservation Loan Program regulations and a discussion of significant points raised in those regulations follow:

A. Description of Historic Preservation Loan Program Regulations.

1. For each insured lending institution there shall be maintained a general insurance reserve equal to 10 percent of the aggregate amount advanced on all eligible Title I loans originated by such insured, less the amount of all claims approved for payment in connection with such loans. (See Section 201.12(b)).

2. Historic Preservation Loans shall only be made for the rehabilitation, preservation, or restoration of historic residential structures (see Section 201.1605 and 201.1606).

(3) A "historic structure" is defined as a residential structure which is on the National Register of Historic Places or which is determined by the Secretary of the Interior to be eligible for the National Register (See Section 201.1605(m)).

(4) A "residential structure" is defined as a building that is used or will be used after rehabilitation, preservation, or restoration as a dwelling place for one or more families (See Section 201.1605(n)).

(5) All proposed improvements to historic structures must be submitted for review and approval to the State Historic Preservation Officer in the state where the historic structure is located before the loan can be approved (See Section 201.1606).

(6) The approval of the Federal Housing Commissioner is required prior to disbursing any historic preservation loan which would increase the total obligations of a borrower (including all other Title I obligations) to more than \$15,000 (See Section 201.1611).

(7) Loans in excess of \$7,500, exclusive of financing charges, shall be secured by a recorded lien upon the improved property (See Section 201.1612).

(8) Loans financing the improvement of a historic structure under this part shall not involve an amount exceeding \$15,000 per family unit in a residential structure or \$30,000 per structure and shall have a maturity not exceeding 15 years and 32 days (See Section 201.1615 (a) and (b)).

(9) The maximum permissible financing charge shall not exceed an annual rate of 12 percent (See Section 201.1625(a)).

(10) No points or discounts of any kind may be assessed or collected in connection

with the historic preservation loan transaction (See Section 201.1625(a)).

(11) Prior to approving a historic preservation loan, the insured lending institution must ascertain that the borrower is solvent, possesses a reasonable ability to pay the obligation, and is a reasonable credit risk (See Section 201.1635 (a) and (b)).

(12) A historic preservation loan may be refinanced for an additional period not in excess of 15 years and 32 days from the date of the refinancing, provided that the term of the new note does not exceed 25 years from the date of the original note (See Section 201.1640(c)).

(13) A historic preservation loan transaction may only involve a direct loan obtained by the borrower directly from the insured (See Section 201.1645).

(14) Participating lending institutions shall pay to the Federal Housing Commissioner an insurance charge equal to fifty-five hundredths (0.55) of 1 percent per annum of the net proceeds of any eligible historic preservation loan (See Section 201.1660).

(15) In case of default, an insured lending institution will be reimbursed for its loans on historic preservation loans up to the amount of its general insurance reserve. The amount of reimbursement is determined by adding the following items:

- (i) 90% of the net unpaid amount of the loan actually made,
- (ii) 90% of the uncollected interest earned up to the date of default plus 90% of the interest, computed from the date of default,
- (iii) uncollected court costs, and
- (iv) specified attorney's fees (See Section 201.1680 (e)).

B. Discussion of Historic Preservation Loan Program Regulations.

1. Section 201.1606 of the regulations sets forth the review procedures that will be followed for all historic preservation loan applications. As a result of consultation between HUD, the Department of the Interior, and the Advisory Council on Historic Preservation it was determined that the State Historic Preservation Officers (SHPO) should be utilized to review and approve all proposed improvements to a historic structure before a historic preservation loan can be approved. To ensure that the SHPO's review does not unreasonably extend the loan application period, it was agreed that if the SHPO does not approve, disapprove, or recommend modifications of proposed improvements after 30 days of receipt of the application, the proposed improvements shall be deemed to be approved. In this event, the financial institution may disburse the loan funds, if all other eligibility criteria have been met. The 30 day review procedure applies only to proposed improvements to historic structures, it does not apply to the basic eligibility of the structure. Loans under this program can be made only for historic residential structures that are registered in the National Register of Historic Places or which are certified by the Secretary of the Interior to conform to National Register criteria. This eligibility requirement cannot be waived. The 30 day review period was selected to provide the SHPO a reasonable opportunity to review the proposed improvements to historic structures and to ensure that the program can operate in an efficient manner. Comment is solicited from interested persons on the 30 day SHPO review procedures.

2. The enabling legislation limits loan amounts to not more than \$15,000 per family unit, but does not place a dollar limit on the total amount of a loan for structures which have more than one residential unit. Section 201.1615(a) of the regulations requires that the maximum loan amount under this program shall not exceed \$30,000 per historic

residential structure. This proposed maximum loan amount has been established because of the potential underwriting risks that could be presented for loans of higher amounts. Comment is solicited from interested persons on how the program could be designed to provide for higher loan amounts without destroying the concept of this Title I loan program. The Historic Preservation Loan Program is similar to other Title I insurance loan programs, in that, it permits substantial delegation of authority to the participating financial institutions in the operation of the program.

3. Section 201.1660 of the regulations requires that the insurance premium for a historic preservation loan shall be 55¢ per \$100 of net proceeds per year for any eligible loan reported and acknowledged for insurance. This is in contrast to the 50¢ per \$100 insurance premium charged for a Title I property improvement loan. The historic preservation loan insurance premium is based on the higher loan amounts and longer terms that are authorized for historic preservation loans in comparison to Title I property improvement loans. An actuarial study of the proposed Historic Preservation Loan Program and the appropriate insurance premium has been completed by the Department.

The Department has determined that this amendment does not have a substantial environmental impact and a finding of inapplicability is available for public inspection in the office of the Rules Docket Clerk, Room 10245, 451 7th Street, S.W., Washington, D.C.

Interested persons are invited to participate in the making of the proposed rule by submitting written data, views, or statements with regard to the proposed regulations. Communications should be addressed to the Rules Docket Clerk, Office of the Secretary, Room 10245, Department of Housing and Urban Development, 451 7th Street, S.W., Washington, D.C. 20410. All relevant material received on or before June 11, 1976, will be considered by the Secretary before adoption of a final rule. Copies of comments submitted will be available during business hours, both before and after the specified closing date, at the above address, for examination by interested persons.

The proposed amendments are as follows:

Subpart A—Property Improvement Loans

1. In § 201.12 paragraph (b) is proposed to be amended to read as follows:

§ 201.12 Insurance reserve.

(b) There shall be maintained for each insured a general insurance reserve which shall equal 10 percent of the aggregate amount advanced on all eligible loans originated by such insured pursuant to the provisions of the regulations in Subpart A*** and E of this part on or after March 1, 1950, and prior to the expiration of the Commissioner's authority to insure under the provisions of this Act, less the amount of all claims approved for payment in connection with such loans and less the amount of any adjustment made pursuant to paragraph (c) of this section.

2. In Part 201 a new Subpart E is proposed to be added to read as follows:

Subpart E—Historic Preservation Loans

Sec.	
201.1600	Purpose.
201.1605	Definitions.
201.1606	Eligibility requirements.
201.1610	Eligible notes.
201.1611	Prior approval of Commissioner.
201.1612	Security.
201.1613	Election of action.
201.1615	Maximum loan amount and terms.
201.1620	Late charges.
201.1625	Financing charges.
201.1630	Architectural fees.
201.1635	Credits and collections.
201.1640	Refinancing.
201.1645	Dealer and direct loans.
201.1650	[Reserved]
201.1655	Report of loans.
201.1660	Rate of insurance charge.
201.1665	Payment of insurance charges.
201.1670	Refund or abatement of insurance charge.
201.1675	Insurance reserve.
201.1680	Claims.
201.1685	Flood insurance.
201.1690	Administrative reports and examination.
201.1695	Amendments.

AUTHORITY: Sec. 7(d) 79 Stat. 670 (42 U.S.C. 3535(d)); sec. 2, 48 Stat. 1246, 12 U.S.C. 1703, as amended by P.L. 93-383 and P.L. 93-449.

§ 201.1600 Purpose.

The purpose of this subpart is to establish the amount of the maximum insurable historic preservation loan for residential historic structures and to regulate the transactions related to the making and insuring of such loans.

§ 201.1605 Definitions.

As used in the regulations in this part, the term:

- (a) "Act" means the National Housing Act, as amended.
- (b) "Administration" means the Federal Housing Administration.
- (c) "Commissioner" means the Federal Housing Commissioner or his duly authorized representative.
- (d) "Contract of Insurance" includes all of the provisions of the regulations in this part and the applicable provisions of the Act.
- (e) "insured" means a financial institution holding a Contract of Insurance under Title I of the Act.
- (f) "loan" means an advance of funds or credit.
- (g) "direct loan" means a loan applied for by and disbursed directly to the borrower or borrowers where:

1. The credit application, signed by the borrower or borrowers, is filled out by:

- (i) The borrower or borrowers;
- (ii) A maker of the note other than a borrower; or
- (iii) A person acting at the direction of a borrower who has no financial interest, directly or indirectly, in the contract for the repair, alteration or improvement of the borrower's property; and

2. The proceeds are delivered directly to such borrower or borrowers without the intervention or participation of an intermediary in any manner in such disbursement other than a maker of the note.

(i) "Note" includes a note or other evidence of indebtedness.

(ii) "Payment" includes a deposit to an account or fund which represents the full or partial repayment of a loan.

(ii) "Borrower" means one who applies for and receives a loan in reliance upon the provisions of the Act and who has an interest of at least one-third of the following types of ownership in the property to be improved:

- (A) A fee title.
- (B) A life estate.
- (C) A fee title or life estate subject to mortgage, deed of trust, or other lien securing a debt.

(D) A mutually binding contract for the purchase of the property where the borrower is rightfully in possession and the purchase price is payable in installments, or

(E) A lease having a fixed term, expiring not less than six calendar months after the maturity of the loan, provided the lessor indicates in writing his consent to the making of the improvements and procurement of the loan.

(h) "rehabilitation" means the process of returning a structure to a functional state of efficiency by repairs or alterations so that it will serve as a modern residential structure. In rehabilitation, those portions of the property which are important in illustrating cultural values are preserved or restored.

(i) "preservation" means the process of sustaining the form and extent of a structure as it now exists by halting further deterioration and providing structural safety but does not contemplate significant rebuilding.

(j) "restoration" means the process of accurately recovering the form and details of a structure as it appeared at a particular period of time by means of removal of later work and the replacement of the missing original work.

(k) "historic structure" means a residential structure which is on the National Register of Historic Places or which is determined by the Secretary of the Interior to be eligible for the National Register.

(l) "residential structure" means a building that is used or will be used after rehabilitation, preservation, or restoration, as a dwelling place for one or more families. The building may have an incidental non-residential use not to exceed 10 percent of the total usable floor area of the building.

§ 201.1606 Eligibility requirements.

Loans shall be made only for the rehabilitation, preservation or restoration of historic residential structures. The proposed improvements to the historic structure shall be reviewed and approved by the State Historic Preservation Officer (SHPO) in the state where the historic structure is located. A review fee of not to exceed \$25 may be collected from the borrower by the State Historic Preservation Officer. In the event that an approval, disapproval or recommendation for modification regarding proposed improvements is not received from the SHPO within 30 days of sub-

mission of the application to the of submission of the application to the SHPO, the proposed improvements shall be deemed to be approved by the SHPO. In this event, the financial institution may disburse the loan funds, if all other eligibility criteria have been met, and the review fee, if any, shall be refunded to the borrower by the SHPO.

§ 201.1610 Eligible notes.

(a) *Validity.* The note shall bear the genuine signature of the borrower as maker, shall be valid and enforceable against the borrower or borrowers, and shall be in compliance with all applicable federal, state and local laws. The note shall be complete and regular on its face. The signature of all parties to the note must be genuine. If the note is executed for and on behalf of a corporation or in a representative capacity, the note must create a binding obligation of the principal.

(b) *Acceleration clause.* The note shall contain a provision for acceleration of maturity, at the option of the holder, in the event of default in the payment of any installment upon the due date thereof.

(c) *Payments.* The note shall be payable in equal installments falling due monthly or every 2 weeks, unless a different payment schedule is approved by the Commissioner. The first payment shall be due no later than 2 months from the date of the note. The note may provide for a first or final payment in an amount other than the regular installment. In such instances, the installment shall not be less than one-half nor more than 1½ times the amount of the regular installment.

§ 201.1611 Prior approval by Commissioner.

The prior approval of the Commissioner is required prior to disbursing any loan which will increase the total obligation of a borrower, co-maker or co-signer of any note under this part or subpart to more than \$15,000 exclusive of financing charges.

§ 201.1612 Security.

Loans in excess of \$7,500, exclusive of financing charges, shall be secured by a recorded lien upon the improved property. The proceeds of an insured loan shall not be used to supplement an uninsured obligation of the borrower created in connection with the proposed improvements, rehabilitation, preservation or restoration, if the payment of the uninsured obligation is secured by a lien unless the insured loan is to be secured by a lien which has priority over the uninsured obligation.

§ 201.1613 Election of action.

Where a real estate mortgage, deed of trust, judgment lien, or any other security device has been used to secure the payment of a loan, the insured may not, except with the approval of the Commissioner, both proceed against such security and also make claim under its contract of insurance, but shall elect which method it desires to pursue.

§ 201.1615 Maximum loan amount and terms.

(a) The maximum loan amount shall not exceed the lesser of \$15,000 per family unit in a residential structure or \$30,000 per residential structure.

(b) The final maturity of a note shall not be less than 6 calendar months from the date of the note nor more than 15 years and 32 days from the date of the note.

§ 201.1620 Late charges.

The note may provide for a late charge, not to exceed 5 cents for each \$1.00 of each instalment 10 days in arrears. No late charge on a past due instalment may be accrued in excess of \$15.00. In lieu of late charges, notes may provide for interest on past due instalments at a rate not in excess of the contract rate of the note. The borrower must be billed for penalties collected as such, and evidence of such billing must be in the file.

§ 201.1625 Financing charges.

(a) *Maximum financing charges.* The maximum permissible financing charge exclusive of fees and charges as provided by paragraph (b) of this section which may be directly or indirectly paid to, or collected by, the insured in connection with the loan transaction, shall not exceed a 12 percent annual rate. No points or discounts of any kind may be assessed or collected in connection with the loan transaction. Finance charges for individual loans shall be made in accordance with tables of calculation issued by the Commissioner.

(b) *Permissible additional charges.* If the insured takes security in the nature of a real estate mortgage, deed of trust, or other security device for the purpose of securing the payment of eligible loans, the insured may collect from the borrower, in addition to the maximum permissible financing charge as provided in paragraph (a) of this section, the following expenses actually incurred by the insured in connection with the transaction: Recording or filing fees, documentary tax stamps, title examination charges and hazard insurance premiums, provided that such costs or expenses are not paid from the proceeds of the loan or included in the face amount of the note. Such costs or expenses shall not be included by the insured as a portion of a claim under the Contract of Insurance and if such costs or expenses are assessed against the borrower, the proper evidence thereof shall be in the file.

(c) *Repayment rebate.* If a note is paid in full prior to maturity, the insured shall rebate the full unearned charges, except that where the law of the jurisdiction permits an acquisition or minimum retained charge, such charge may be deducted from the rebate. An insured is not required to make rebates of less than \$1 except upon application of the borrower.

§ 201.1630 Architectural fees.

The costs of a loan may include architectural and engineering services and the

costs of obtaining building permits where such services or permits are directly connected with eligible alterations, repairs or improvements financed in accordance with the regulations in this part.

§ 201.1635 Credits and collections.

(a) *Credit application.* Prior to making a loan the insured shall obtain a dated credit application executed by the borrower on a form approved by the Commissioner. A separate credit application is required for each loan made or note purchased. In addition, the loan file must contain either a commercial credit report on the borrower or evidence of the lender's investigation of the borrower's credit.

(b) *Credit investigation.* The credit information relied upon by the insured, must, in its judgment clearly show the borrower to be solvent, with reasonable ability to pay the obligation and in other respects a reasonable credit risk. If, after the loan is made, an insured who acted in good faith discovers any material misstatement or misuses of the proceeds of the loan by the borrower, dealer, or others, the eligibility of the note for insurance will not be affected. However, the insured shall promptly report such discovery to the Commissioner.

(c) *Outstanding FHA and direct Federal obligations.* The proceeds of a loan shall not be disbursed if the insured has knowledge that the borrower is past due more than 15 days as to either principal or interest with respect to any obligation owing to, or insured by, any department of agency of the Federal Government, provided that nothing contained herein shall prevent the making of a loan otherwise eligible, even though the borrower is in default under such an obligation by reason of his military service and the approval of the Commissioner is obtained.

(d) *Reliance on credit application.* An insured acting in good faith may, in the absence of information to the contrary, rely upon all statements of fact made by the borrower, which are called for by the borrower's credit application, in determining the eligibility of the loan.

§ 201.1640 Refinancing.

(a) *General requirements.* New obligations to liquidate loans previously reported for insurance will be covered by insurance if the new obligations meet the requirements of all applicable regulations in this part and the special provisions of this section.

(b) *Rebate.* The full unearned charge on the original note shall be refunded to the borrower. If no additional advance is made a handling charge not in excess of \$25.00 may be collected from the borrower.

(c) *Maximum maturity.* A loan may be refinanced for an additional period not in excess of 15 years and 32 days from the date of the refinancing, provided that the term of the new note does not extend 25 years from the date of the original note.

(d) *Special cases.* The Commissioner may upon presentation of the facts ap-

prove the refinancing or refinancing and consolidation of any loan or loans upon such terms and conditions as he may determine within the limits provided by the act.

§ 201.1645 Direct loans.

A transaction may only involve a direct loan obtained by the borrower directly from the insured.

§ 201.1650 [Reserved]

§ 201.1655 Report of loans.

Loans shall be reported on the prescribed form to the Federal Housing Administration at Washington, D.C., within 31 days from the date of the note or date upon which it was purchased. Any loan refinanced shall likewise be reported on the prescribed form within 31 days from the date of the refinancing. Any loan transferred shall be reported on the prescribed form within 31 days from the date of such transfer. If the loan or note is not in default, the Commissioner may, in his discretion, accept a late report.

§ 201.1660 Rate of insurance charge.

The insured shall pay to the Commissioner an insurance charge equal to fifty-five one hundredths (0.55) of 1 percent per annum of the net proceeds of any eligible loan reported and acknowledged for insurance. In computing the insurance charge, no charge shall be made for a period of 14 days or less, and a charge for a month shall be made for a period of more than 14 days.

§ 201.1665 Payment of insurance charges.

(a) *Single payment.* On loans having a maturity of 25 months or less, the insurance charge for the entire term of the loan shall be paid within 25 days after the date the Commissioner acknowledges to the insured institution the receipt of the report of the loan.

(b) *Installment payments.* On loans having a maturity in excess of 25 months the insurance charge shall be payable in instalments. The first instalment shall be equal to the charge for one year and shall be paid within 25 days of acknowledgement of the loan report. The second and succeeding instalments shall be paid within 25 days after billing on an annual basis.

§ 201.1670 Refund or abatement of insurance charge.

An insured shall be entitled to a refund or abatement of insurance charge only in the following instances:

(a) Where the obligation has been refinanced, the unearned portion of the charge on the original obligation shall be credited to the charge on the refinanced loan.

(b) Where the obligation is prepaid in full or an insurance claim is filed, charges falling due after such prepayment or claim shall be abated.

(c) Where a loan (or a portion thereof) is found to be ineligible for insurance, charges paid on the ineligible portion shall be refunded. Such refund shall

be made, however, only if a claim is denied by the Commissioner or the ineligibility is reported by the insured promptly upon discovery. In no event shall a charge be refunded on the basis of loan ineligibility where the application for refund is made after the loan has been paid in full.

(d) *Notes transferred.* Any adjustment of the insurance charge already paid on any obligation transferred between insureds shall be made by the insureds, except that any unpaid installments of the insurance charge shall be paid by the purchasing insured.

(e) *Limit on charge to borrower.* The insurance charge paid by the insured shall not be passed on to the borrower, if such action would cause the total payments for which the borrower is liable to exceed the maximum permissible amount which may be collected for interest, discount, and all other charges in connection with the transaction.

§ 201.1675 Insurance reserve.

All of the provisions of § 201.12 with respect to the maintenance for each insured lender of a general insurance reserve shall apply with respect to loans reported for insurance under this subpart. The aggregate amount of loans advanced by an insured lender, for the purposes of determining its general insurance reserve, shall include loans reported for insurance under all subparts of this part.

§ 201.1680 Claims.

(a) *Claim application.* Claim for reimbursement for loss on an eligible loan shall be made on a form provided by the Commissioner, and shall be executed by a duly qualified officer of the insured. The claim shall be accompanied by the insured's complete credit and collection file pertaining to the transaction.

(b) *Claim after default.* Claim may be filed after default, provided demand has been made upon the debtor for the full unpaid balance of the note. For the purpose of determining the date of default, any payments received on an account, including payment on judgments predicated therein, shall be applied to the earliest unpaid instalment.

(c) *Maximum claim period.* Claim shall be filed no later than 6 months after the due date of the final instalment provided for in the note. If at the time of default or at any time subsequent to the default a person primarily or secondarily liable for the repayment of a loan is a "person in military service" as such term is defined in the Soldier's and Sailor's Civil Relief Act of 1940, as amended, the period during which he is in military service shall be excluded in computing the time within which claim is to be filed for reimbursement under the provisions of this section.

(d) *Extension of maximum claim period.* Upon presentation to the Commissioner of the facts of a particular case within the allowable claim period prescribed in this section, he may, in his discretion, extend the time within which claim must be made, provided that in computing the claim no interest will be allowed for the period of such extension.

(e) *Claim amount.* An insured will be reimbursed for its losses on loans made in accordance with the regulations in this part up to the amount of its reserve as established by § 201.12. The amount of reimbursement is determined by adding the items in subparagraphs (1), (2), (3), and (4) as follows:

(1) 90 percent of the net unpaid amount of the loan actually made or the actual purchase price of the note, whichever is the lesser.

(2) 90 percent of the uncollected interest earned up to the date of default plus 90 percent of the interest, computed at 7 percent per annum on the outstanding balance, computed from the date of default:

(i) To either the date of the claim application or for a period of 9 months and 31 days following such default date, whichever is the lesser, or

(ii) To the date of certification of the claim for payment, in a case where an otherwise eligible claim has been held in suspense by the Commissioner pending a determination of the eligibility for insurance, of other claims or loans, or by an investigation of the insured's loan or claim activities.

(3) Uncollected court costs, including fees paid for issuing, serving, and filing summons.

(4) Attorney's fees actually paid not exceeding:

(i) Twenty-five percent of the amount collected by the attorney on the defaulted note if the borrower is liable for the payment of such fee under the laws of the jurisdiction applicable to the note, and if the insured has not waived its claim against the borrower for such fees.

(ii) \$50 or 15 percent of the balance due on the note, whichever is the lesser, if a judgment is secured by suit.

(iii) \$25 for expenses in recording of assignments of security to the United States.

(f) *Assignment of documents.* The note and any security held or judgment taken must be assigned in its entirety and if any claim has been filed in bankruptcy, insolvency, or probate proceedings, such claim shall likewise be assigned to the United States of America.

(g) *Form of assignment.* The following form of assignment properly dated shall be used in assigning a note, judgment, real estate mortgage, deed of trust, or any other security device in event of claim:

All right, title, and interest of the undersigned is hereby assigned (without warranty, except that the note qualifies for insurance) to the United States of America.

(Financial institution)

by _____
Title _____
Date _____

Provided, That if this form is not valid or generally accepted in the jurisdiction involved, a form which is valid and generally acceptable shall be used.

(h) *Recordation.* Where security has been taken or a proof of claim filed, the insured shall, prior to filing claim, place of record an assignment to the United States of America of said security or proof of claim.

§ 201.1685 Flood insurance.

On or after July 1, 1975, or one year after an area has been identified by the Secretary as having special flood hazards, no loans shall be made or refinanced for construction, repair, or improvement of any building located in an area that has been identified by the Secretary as an area having special flood hazards unless the community in which the area is situated is participating in the National Flood Insurance Program, and such insurance is obtained by the borrower. The amount of flood insurance required need not exceed the principal balance of the loan and need not be required beyond the term of the loan.

§ 201.1690 Administrative reports and examination.

The Commissioner may at any time call upon an insured for such reports as the Commissioner may deem to be necessary in connection with the regulations in this subpart. The Commissioner may inspect the books or accounts of the insured as they pertain to the loans reported for insurance.

§ 201.1695 Amendments.

After consultation with the Secretary of the Interior, the regulations in this part may be amended by the Commissioner at any time, but such amendment shall not adversely affect the insurance privileges of an insured with respect to any loan previously made or in the process of being made. Unless otherwise provided, an amendment shall be applicable to any loan or the refinancing of any loan, when the loan or note is made pursuant to an application dated on or after the effective date of such amendment.

It is hereby certified that the economic and inflationary impacts of this proposed regulation have been carefully evaluated in accordance with OMB Circular A-107.

Issued at Washington, D.C., May 4, 1976.

DAVID S. COOK,
Assistant Secretary for Housing
Production and Mortgage
Credit, FHA Commissioner.

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