

- 206.125 Acquisition and sale of the property.
 206.127 Application for insurance benefits.
 206.129 Payment of claim.

CONDOMINIUMS

- 206.131 Contract rights and obligations for mortgages on individual dwelling units in a condominium.

TERMINATION OF INSURANCE CONTRACT

- 206.133 Termination of insurance contract.

Subpart D—Servicing Responsibilities

- 206.201 Mortgage servicing generally; sanctions.
 206.203 Providing information.
 206.205 Property charges.
 206.207 Allowable charges and fees after endorsement.
 206.209 Prepayment.
 206.211 Annual determination of principal residence.

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Subpart A—General

§ 206.1 Purpose.

The purposes of the Home Equity Conversion Mortgage Insurance program are set out in section 255(a) of the National Housing Act, Public Law 73-479, 48 STAT. 1246 (12 U.S.C. 1715z-20) (“NHA”).

[61 FR 49032, Sept. 17, 1996]

§ 206.3 Definitions.

As used in this part, the following terms shall have the meaning indicated.

Contract of insurance. (See 24 CFR 203.251(j)).

Day means calendar day, except where the term *business day* is used.

Estate planning service firm means an individual or entity that is not a mortgagee approved under part 202 of this chapter or a housing counseling agency approved under § 206.41 and that charges a fee that is:

- (1) Contingent on the homeowner obtaining a mortgage loan under this part, except the origination fee authorized by § 206.31 or a fee specifically authorized by the Secretary; or

(2) For information that homeowners must receive under § 206.41, except a fee by:

(i) A housing counseling agency approved under § 206.41; or

(ii) An individual or company, such as an attorney or accountant, in the *bona fide* business of generally providing tax or other legal or financial advice; or

(3) For other services that the provider of the services represents are, in whole or in part, for the purpose of improving an elderly homeowner’s access to mortgages covered by this part, except where the fee is for services specifically authorized by the Secretary.

Expected average mortgage interest rate means the mortgage interest rate used to calculate future payments to the mortgagor and is established when the mortgage interest rate is established. For fixed rate mortgages, it is the fixed mortgage interest rate. For adjustable rate mortgages, it is the sum of the mortgagee’s margin plus the weekly average yield for U.S. Treasury Securities adjusted to a constant maturity of 10 years. The mortgagee’s margin is defined as the initial mortgage interest rate minus the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of one year. The mortgagee’s margin is the same margin used to determine periodic adjustments to the interest rate.

Insured mortgage means a mortgage which has been insured as evidenced by the issuance of a mortgage insurance certificate.

Maximum claim amount means the lesser of the appraised value of the property or maximum dollar amount for an area established by the Secretary for a one-family residence under section 203(b)(2) of the National Housing Act (as adjusted where applicable under section 214 of the National Housing Act). Both the appraised value and the maximum dollar amount for the area must be as of the date the Direct Endorsement or Lender Insurance underwriter receives the appraisal report. Closing costs must not be taken into account in determining appraised value.

MIP. (See 24 CFR 203.251(k)).