Subpart A—Eligibility Requirements—Low Cost Homes

INSURANCE UNDER 221(d)(2)

§ 221.1 Cross-reference.

(a) All of the provisions of subpart A, part 203 of this chapter concerning eligibility requirements of mortgages covering one- to four-family dwellings under section 203 of the National Housing Act (12 U.S.C. 1709) apply to mortgages on dwellings insured under section 221 of the National Housing Act (12 U.S.C. 1715*l*), except the following provisions:

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203.45 Eligibility of graduated payment mortgages.
203.49 Eligibility of adjustable rate mortgages.
203.50 Eligibility of rehabilitation loans.
203.51 Applicability.

(b) For the purposes of this subpart all references in part 203 of this chapter to section 203 of the Act shall be construed to refer to section 221 of the Act.

[36 FR 24587, Dec. 22, 1971, as amended at 41 FR 42949, Sept. 29, 1976; 44 FR 46836, Aug. 9, 1979; 61 FR 60160, Nov. 26, 1996]

§ 221.10 Maximum mortgage amount—dollar limitation.

A mortgage executed by a mortgagor who is to occupy the dwelling as a principal residence or a secondary residence (as these terms are defined in § 221.20(c)) may not exceed:

(a) $31,000 for a one-family residence, except that such amount may be increased to $36,000 in the case of a family with five or more persons.

(b) $35,000 for a two-family residence.

(c) $48,600 for a three-family residence.

(d) $59,400 for a four-family residence.

[42 FR 57435, Nov. 2, 1977, as amended at 55 FR 34809, Aug. 24, 1990]

§ 221.11 Increased mortgage amount—high cost areas.

In any geographical area where the Commissioner finds cost levels so require, the Commissioner may increase the dollar amount limitations set forth in § 221.10 to amounts not to exceed:

(a) $36,000 for a one-family residence, except that such amount may be increased to $42,000 in the case of a family with five or more persons.

(b) $45,000 for a two-family residence.

(c) $57,600 for a three-family residence.

(d) $68,400 for a four-family residence.

[39 FR 32433, Sept. 6, 1974, as amended at 42 FR 57435, Nov. 2, 1977]

§ 221.12 [Reserved]

§ 221.20 Maximum mortgage amount—loan-to-value limitation.

In addition to meeting the dollar limitations as set forth in this subpart, the mortgage amount shall be limited as follows:

(a) *Mortgagors of principal or secondary residences.* (1) If the mortgagor is to occupy the dwelling as a principal residence (as defined in paragraph (c)(1) of this section), the mortgage may not exceed:

(i) The Commissioner's estimate of the appraised value of the property as of the date the mortgage is accepted for insurance, where repair and rehabilitation is not involved; or

(ii) In the case of rehabilitation, the amount of the mortgage shall not exceed the sum of the estimated cost of repair and rehabilitation and the Commissioner's estimate of the value of the property before repair and rehabilitation.

(2) The limitations in paragraph (a)(1) of this section are applicable only if the mortgage covers a dwelling which:

(i) Was approved for mortgage insurance prior to the beginning of construction, or

(ii) Was approved for guaranty, insurance, or a direct loan by the Secretary of Veterans Affairs prior to the beginning of construction, or

(iii) Was completed more than one year prior to the date of the application for mortgage insurance, or

(iv) Is covered by a consumer protection or warranty plan acceptable to the Secretary and satisfies all requirements that would have been applicable if such dwelling had been approved for mortgage insurance before the beginning of construction. After August 6, 1991, any consumer protection or warranty plan must meet the requirements of §§203.200–203.209 of this chapter.

(3) If the conditions of paragraph (a)(2) of this section are not met, the amount of the mortgage shall not exceed 90 percent of the amount computed under paragraph (a)(1) of this section.

(4) If the mortgagor is to occupy the dwelling as a secondary residence (as defined in paragraph (c)(2) of this section), the mortgage may not exceed 85 percent of the Commissioner's estimates referred to in paragraph (a)(1) (i) or (ii) of this section, as appropriate.

(b) *Mortgagors of dwellings that are not principal or secondary residences.* A mortgage executed by an eligible non-occupant mortgagor (as that term is defined in paragraph (c) of this section), who will use the insured loan proceeds to facilitate the construction or the repair or rehabilitation of the dwelling and to provide financing pending the subsequent resale of the property to a qualifying mortgagor under this subpart, may not exceed the lesser of (1) the Commissioner's estimates referred to in paragraph (a)(1) (i) or (ii) of this section, as appropriate, or (2) the value of the property as of the date the mortgage is accepted for insurance.

(c) *Definitions.* As used in the section, the terms *principal residence, secondary residence, eligible non-occupant mortgagor, undue hardship,* and *vacation home* are defined in §203.18(f) of this chapter.

[36 FR 24587, Dec. 22, 1971, as amended at 45 FR 46378, July 10, 1980; 47 FR 33495, Aug. 3, 1982; 54 FR 39525, Sept. 27, 1989; 55 FR 34809, Aug. 24, 1990; 55 FR 41024, Oct. 5, 1990; 58 FR 41005, July 30, 1993; 61 FR 60160, Nov. 26, 1996]

§221.21 Maximum mortgage amount—limitations on refinancing.

In addition to the limitations set forth in §§221.10, 221.11, and 221.20, in any case involving refinancing, the mortgage shall not exceed the estimated cost of repair and rehabilitation and the amount, as determined by the Commissioner, required to refinance the existing indebtedness secured by the property.

§221.40 Amortization period of the mortgage.

The mortgage shall contain complete amortization provisions satisfactory to the Secretary and an amortization period not in excess of the term of the mortgage.

[45 FR 29278, May 2, 1980, and 48 FR 12085, Mar. 23, 1983]

§221.50 Mortgagor's minimum investment.

(a) At the time the mortgage on a single-family dwelling is insured, a mortgagor other than a mortgagor qualifying as a "displaced family" (as that term is defined in section 221(f) of the Act) shall have paid in cash or its equivalent at least 3 percent of the Commissioner's estimate of the acquisition cost of the property.

(b) At the time the mortgage on a two-, three-, or four-family dwelling is insured, a mortgagor other than a mortgagor qualifying as a displaced family shall have paid in cash or its equivalent at least the minimum amount required pursuant to the loan-to-value limitations as set forth below.

(1) *Loan-to-value limitation—principal residences—approval before construction.* If the mortgage covers a dwelling that is to be occupied as a principal residence (as defined in §221.20(c)(1)) and is approved for mortgage insurance before the beginning of construction, or was completed more than one year before the date of the application for mortgage insurance, the sum of the following percentages of the Commissioner's estimate of the appraised value of the property as of the date the mortgage is accepted for insurance constitutes the maximum loan-to-value ratio:

(i) 97 percent of the first $25,000 of such value.

(ii) 95 percent of such value in excess of $25,000.

(iii) 80 percent of such value in excess of $35,000.