

chapter apply to mortgages insured under subpart A of this part.

(e) *Definition.* As used in this section, the term *substitute mortgagor* includes:

(1) Persons who, upon the release by a mortgagee of a previous mortgagor from personal liability on the mortgage note, assume this liability and agree to pay the mortgage debts; and

(2) Persons who purchase without assuming liability on the mortgage note, or purchase where no release is given by the mortgagee to the previous mortgagor.

[55 FR 34814, Aug. 24, 1990]

§ 235.215 Method of paying insurance benefits.

If the application for insurance benefits is acceptable to the Secretary, the insurance claim shall be paid in cash, unless the mortgagee files a written request with the application for payment in debentures.

[59 FR 49817, Sept. 30, 1994]

§ 235.220 Condition of property.

All of the provisions of § 203.379 relating to the adjustment of the insurance claim for damage or neglect and all of the provisions of § 203.380 of this chapter requiring the mortgagee to certify as to the condition of the property shall apply to mortgages insured under this subpart with the exception of mortgages involving condominium units. Sections 235.230 and 235.235 contain the comparable provisions applicable to mortgages involving condominium units.

[41 FR 1176, Jan. 6, 1976, as amended at 42 FR 29306, June 8, 1977]

SPECIAL PROVISIONS APPLICABLE ONLY
TO MORTGAGES INVOLVING CONDOMINIUM UNITS

§ 235.221 Waived title objections.

(a) General provisions. All of the provisions of § 203.389 of this chapter (relating to the waiver by the Secretary of objections to title) shall apply to mortgages insured under this subpart, with the exception of mortgages involving condominium units.

(b) Provisions applicable to condominiums. Where the mortgage involves a condominium unit, the Sec-

retary shall not object to title by reason of the following matters:

(1) Violations of a restriction based on race, color or creed, even where such restriction provides for a penalty of reversion or forfeiture of title or a lien for liquidated damage.

(2) Easements for public utilities along one or more of the property lines, provided the exercise of the rights thereunder do not interfere with any of the buildings or improvements located on the subject property.

(3) Encroachments on the subject property by improvements on adjoining property, provided such encroachments do not interfere with the use of any improvements on the subject property.

(4) Variations between the length of the subject property lines as shown on the application for insurance and as shown by the record or possession lines, provided such variations do not interfere with the use of any of the improvements on the subject property.

(5) Customary buildings or use restrictions for breach of which there is no reversion and which have not been violated to a material extent.

(6) Federal tax liens and rights of redemption arising therefrom if the following conditions are observed. If the mortgagee acquired the property by foreclosure the mortgagee shall give notice to the Internal Revenue Service (IRS) of the foreclosure action. The Commissioner will not object to an outstanding right of redemption in IRS if (i) the Federal tax lien was perfected subsequent to the date of the mortgage lien, and (ii) the mortgagee has bid an amount sufficient to make the mortgagee whole if the property is in fact redeemed by the IRS.

[41 FR 1176, Jan. 6, 1976, as amended at 42 FR 29306, June 8, 1977]

§ 235.225 Changes in plan of apartment ownership.

The mortgagee shall notify the Secretary of any change in the plan of apartment ownership and in the administration of the property. Such notification shall be given either at the time of the conveyance of the property or at the time of the assignment of the mortgage. Any change in such plan shall require approval by the Secretary.