

(June 27, 1934, ch. 847, title VI, §607, as added Mar. 28, 1941, ch. 31, §1, 55 Stat. 61; amended Apr. 20, 1950, ch. 94, title I, §122, 64 Stat. 59; Pub. L. 90-19, §1(a)(3), May 25, 1967, 81 Stat. 17.)

AMENDMENTS

1967—Pub. L. 90-19 substituted "Secretary" for "Commissioner".

1950—Act Apr. 20, 1950, substituted "Commissioner" for "Administrator".

§ 1743. Insurance of mortgages

(a) Additional authorization; advances during construction

In addition to mortgages insured under section 1738 of this title, the Secretary is authorized to insure mortgages as defined in section 1736 of this title (including advances on such mortgages during construction) which are eligible for insurance as hereinafter provided.

(b) Eligibility requirements

To be eligible for insurance under this section a mortgage shall meet the following conditions:

(1) The mortgaged property shall be held by a mortgagor approved by the Secretary. The Secretary may, in his discretion, require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation. The Secretary may make such contracts with, and acquire for not to exceed \$100 stock or interest in any such mortgagor, as the Secretary may deem necessary to render effective such restriction or regulation. Such stock or interest shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

(2) Preference or priority of opportunity in the occupancy of the mortgaged property for veterans of World War II and their immediate families, and for hardship cases as defined by the Secretary, shall be provided under such regulations and procedures as may be prescribed by the Secretary.

(3) The mortgage shall involve a principal obligation in an amount—

(A) not to exceed \$5,000,000; and

(B) not to exceed 90 per centum of the amount which the Secretary estimates will be the necessary current cost of the completed property or project, including the land; the proposed physical improvements; utilities within the boundaries of the property or project; architects' fees; taxes and interest accruing during construction; and other miscellaneous charges incidental to construction and approved by the Secretary: *Provided*, That such mortgage shall not in any event exceed the amount which the Secretary estimates will be the cost of the completed physical improvements on the property or project, exclusive of off-site public utilities and streets, and organization and legal expenses: *And provided further*, That the principal obligation of the mortgage shall not, in any event, exceed 90 per centum of the Secretary's estimate of the replacement cost of the property or project on the basis of the costs prevailing on December 31,

1947, for properties or projects of comparable quality in the locality where such property or project is to be located; and

(C) not to exceed \$8,100 per family unit for such part of such property or project as may be attributable to dwelling use.

The mortgage shall provide for complete amortization by periodic payment within such term as the Secretary shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 4½ per centum per annum on the amount of the principal obligation outstanding at any time. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release.

(c) Payments; default; insurance benefits for mortgagee; value of mortgage; foreclosure of mortgage

The failure of the mortgagor to make any payment due under or provided to be paid by the terms of a mortgage insured under this section shall be considered a default under such mortgage, and if such default continues for a period of thirty days, the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Secretary, within a period and in accordance with rules and regulations to be prescribed by the Secretary of (1) all rights and interests arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagors or others, arising out of the mortgage transaction; (3) all policies of title or other insurance or surety bonds or other guaranties and any and all claims thereunder; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled, as deposits made for the account of the mortgagor and which have not been applied in reduction of the principal of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction. Upon such assignment, transfer, and delivery the obligation of the mortgagee to pay the premium charges for mortgage insurance shall cease, and the Secretary shall, subject to the cash adjustment provided for in section 1739(c) of this title, issue to the mortgagee debentures having a total face value equal to the value of the mortgage, and a certificate of claim as hereinafter provided. For the purposes of this subsection, the value of the mortgage shall be determined in accordance with rules and regulations prescribed by the Secretary, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of default, the amount the mortgagee may have paid for (A) taxes, special assessments, and water rates, which are liens prior to the mortgage; (B) insurance on the property; and (C) reasonable expenses for the completion and preservation of the property and any mortgage insurance premiums paid after default; less the sum of (i) an amount equivalent to 1 per centum of the unpaid amount of such principal obligation on the date of default; (ii) any amount received on account of the mort-

gage after such date; and (iii) any net income received by the mortgagee from the property after such date: *Provided*, That the mortgagee in the event of a default under the mortgage may, at its option and in accordance with regulations of, and in a period to be determined by the Secretary, proceed to foreclose on and obtain possession of or otherwise acquire such property from the mortgagor after default, and receive the benefits of the insurance as herein provided, upon (1) the prompt conveyance to the Secretary of title to the property which meets the requirements of the rules and regulations of the Secretary in force at the time the mortgage was insured, and which is evidenced in the manner prescribed by such rules and regulations; and (2) the assignment to him of all claims of the mortgagee against the mortgagor or others, arising out of the mortgage transaction or foreclosure proceedings, except such claims that may have been released with the consent of the Secretary. Upon such conveyance and assignment, the obligation of the mortgagee to pay the premium charges for insurance shall cease and the mortgagee shall be entitled to receive the benefits of the insurance as provided in this subsection, except that in such event the 1 per centum deduction, set out in (i) hereof, shall not apply.

(d) Certificates of claim; amount

The certificate of claim issued by the Secretary to any mortgagee in connection with the insurance of mortgages under this section shall be for an amount determined in accordance with subsections (e) and (f) of section 1739 of this title, except that any amount remaining after the payment of the full amount under the certificate of claim shall be retained by the Secretary and credited to the General Insurance Fund.

(e) Debentures; date of issuance; interest

Debentures issued under this section shall be issued in accordance with the provisions of section 1739 (d) of this title except that such debentures shall be dated as of the date of default as determined in subsection (c) of this section, and shall bear interest from such date.

(f) Applicability of other provisions

The provisions of section 1713(k) of this title shall be applicable to mortgages insured under this section, except that, as applied to such mortgages, the reference therein to subsection (g) shall be construed to refer to subsection (c) of this section.

(g) Mortgages in connection with sale of property under subchapter I, II, VIII, or X of this chapter

The Secretary shall also have power to insure under this subchapter or subchapter I, II, VIII, or X of this chapter any mortgage executed in connection with the sale by him of any property acquired under any of such subchapters without regard to limitations upon eligibility, time, or aggregate amount contained therein.

(June 27, 1934, ch. 847, title VI, § 608, as added May 26, 1942, ch. 319, § 11, 56 Stat. 303; amended Mar. 31, 1945, ch. 48, § 2, 59 Stat. 47; May 22, 1946, ch. 268, § 10(f), (g), 60 Stat. 214; Aug. 10, 1948, ch. 832, title I, § 101(b), (c), 62 Stat. 1269; Apr. 20, 1950,

ch. 94, title I, § 122, 64 Stat. 59; Sept. 1, 1951, ch. 378, title II, § 206, 65 Stat. 303; Pub. L. 89-117, title XI, § 1108(q), Aug. 10, 1965, 79 Stat. 506; Pub. L. 90-19, § 1(a)(3), (4), May 25, 1967, 81 Stat. 17.)

REFERENCES IN TEXT

The General Insurance Fund, referred to in subsecs. (b) and (d), was established by section 1735c of this title.

AMENDMENTS

1967—Pub. L. 90-19, § 1(a)(3), substituted “Secretary” for “Commissioner” wherever appearing in subsecs. (a), (b)(1), (2), (3)(B), following (C), (c), (d), and (g).

Subsec. (b)(3)(B). Pub. L. 90-19, § 1(a)(4), substituted “Secretary’s” for “Commissioner’s”.

1965—Subsecs. (b)(1), (d). Pub. L. 89-117, § 1108(q)(1), substituted “General Insurance Fund” for “War Housing Insurance Fund”.

Subsec. (f). Pub. L. 89-117, § 1108(q)(2), struck out provisions that, as applied to mortgages insured under this section, all references in section 1713(k) of this title to the “Housing Fund” shall be construed to refer to the “War Housing Insurance Fund”.

1951—Subsec. (g). Act Sept. 1, 1951, inserted references to subchapters I, VIII and X of this chapter.

1950—Act Apr. 20, 1950, substituted “Commissioner” for “Administrator” wherever appearing.

1948—Subsec. (b). Act Aug. 10, 1948, inserted second proviso in par. (3)(B), substituted “\$8.100 per family unit” for “\$1,500 per room” and struck out proviso relating to authority to increase “\$1,500” to “\$1,800” per room.

1946—Subsec. (b)(2). Act May 22, 1946, substituted “Preference or priority of opportunity in the occupancy of the mortgaged property for veterans of World War II and their immediate families, and for hardship cases as defined by the Administrator, shall be provided under such regulations and procedures as may be prescribed by the Administrator” for “The mortgaged property shall be designed for rent for residential use by warworkers”.

Subsec. (b)(3). Act May 22, 1946, substituted “necessary current cost” after “estimates will be the” for “reasonable replacement cost” in par. (B), and increased mortgage per room from \$1,350 to \$1,500 and inserted proviso in par. (C).

Subsec. (c). Act May 22, 1946, inserted “and any mortgage insurance premiums paid after default” before semicolon in cl. (C) of third sentence.

1945—Subsec. (g). Act Mar. 31, 1945, inserted provisions empowering Commissioner to insure mortgages without regard to any limitations upon time or aggregate amount contained in this subchapter.

CONSTRUCTION OF ACT MAY 26, 1942, WITH EX. ORD. NO. 9070, CONSOLIDATING NATIONAL HOUSING AGENCY

Section 12 of act May 26, 1942, provided that nothing contained in act May 26, 1942 [amending this subchapter] shall be construed to supersede or be inconsistent with the provisions of Ex. Ord. No. 9070, Feb. 24, 1942.

§ 1744. Insurance of loans for manufacture of houses

(a) Relief of housing shortage; advances

In order to assist in relieving the acute shortage of housing which now exists and to promote the production of housing for veterans of World War II at moderate prices or rentals within their reasonable ability to pay, through the application of modern industrial processes, the Secretary is authorized to insure loans to finance the manufacture of housing (including advances on such loans) when such loans are eligible for insurance as hereinafter provided.