

(1) The Secretary shall be satisfied that there is, in the locality or metropolitan area of such project, a need for new rental dwellings at rents comparable to the rents proposed to be charged for the dwellings in such project.

(2) Such project shall be economically sound, and the dwellings in such project shall be acceptable to the Secretary as to quality, design, size, and type.

(b) Any insurance contract executed by the Secretary under this subchapter shall be conclusive evidence of the eligibility of the project and the investor for such insurance, and the validity of any insurance contract so executed shall be incontestable in the hands of an investor from the date of the execution of such contract, except for fraud or misrepresentation on the part of such investor.

(c) After completion of the project the investor must establish in a manner satisfactory to the Secretary that the project is free and clear of liens and that there are no other outstanding unpaid obligations contracted in connection with the construction of the project, except taxes and such other liens and obligations as may be approved or prescribed by the Secretary. Debentures issued by the investor which are payable out of net income from the project and from the benefits of the insurance contract shall not be construed as "unpaid obligations" as such term is used in this subsection.

(June 27, 1934, ch. 847, title VII, §702, as added Aug. 10, 1948, ch. 832, title IV, §401, 62 Stat. 1276; amended Apr. 20, 1950, ch. 94, title I, §122, 64 Stat. 59; Sept. 1, 1951, ch. 378, title VI, §609(a), 65 Stat. 316; Pub. L. 90-19, §1(a)(3), May 25, 1967, 81 Stat. 17.)

#### AMENDMENTS

1967—Pub. L. 90-19 substituted "Secretary" for "Commissioner" wherever appearing in subsecs. (a)(1), (2), (b), and (c).

1951—Subsec. (c). Act Sept. 1, 1951, added subsec. (c).

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

#### § 1747b. Premium charges; fees for examination and inspection

(a) For insurance granted pursuant to this subchapter the Secretary shall fix and collect a premium charge in an amount not exceeding one-half of 1 per centum of the outstanding investment for the operating year for which such premium charge is payable without taking into account the excess earnings, if any, applied, in addition to the minimum annual amortization charge, to amortization of the outstanding investment. Such premium charge shall be payable annually in advance by the investor, either in cash or in debentures issued by the Secretary under this subchapter at par plus accrued interest: *Provided*, That, if in any operating year the gross income shall be less than the operating expenses, the premium charge payable during such operating year shall be waived, but only to the extent of the amount of the difference between such expenses and such income and subject to subsequent payment out of any excess earnings as hereinafter provided.

(b) With respect to any project offered for insurance under this subchapter, the Secretary is

authorized to charge and collect reasonable fees for examination, and for inspection during the construction of the project: *Provided*, That such fees shall not aggregate more than one-half of 1 per centum of the estimated investment.

(June 27, 1934, ch. 847, title VII, §703, as added Aug. 10, 1948, ch. 832, title IV, §401, 62 Stat. 1277; 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" wherever appearing in subsecs. (a) and (b).

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

#### § 1747c. Rent schedules

The Secretary shall require that the rents for the dwellings in any project insured under this subchapter shall be established in accordance with a rent schedule approved by the Secretary, and that the investor shall not charge or collect rents for any dwellings in the project in excess of the appropriate rents therefor as shown in the latest rent schedule approved pursuant to this section. Prior to approving the initial or any subsequent rent schedule pursuant to this section, the Secretary shall find that such schedule affords reasonable assurance that the rents to be established thereunder are (1) not lower than necessary, together with all other income to be derived from or in connection with the project, to produce reasonably stable revenues sufficient to provide for the payment of the operating expenses, the minimum annual amortization charge, and the minimum annual return; and (2) not higher than necessary to meet the need for dwellings for families of moderate income.

(June 27, 1934, ch. 847, title VII, §704, as added Aug. 10, 1948, ch. 832, title IV, §401, 62 Stat. 1277; 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" wherever appearing.

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

#### § 1747d. Excess earnings used for amortization of original investment

For all of the purposes of any insurance contract made pursuant to this subchapter, 50 per centum of the excess earnings, if any, for any operating year may be applied, in addition to the minimum annual return, to return on the outstanding investment but only to the extent that such application thereof does not result in an annual return of more than 5 per centum of the outstanding investment for such operating year, and the balance of any such excess earnings shall be applied, in addition to the minimum annual amortization charge, to amortization of the outstanding investment: *Provided*, That if in any preceding operating years the gross income shall have been less than the operating expenses, such excess earnings shall be applied to the extent necessary in whole or in part,

first, to the reimbursement of the amount of the difference between such expenses (exclusive of any premium charges previously waived hereunder) and such income, and, second, to the payment of any premium charges previously waived hereunder.

(June 27, 1934, ch. 847, title VII, § 705, as added Aug. 10, 1948, ch. 832, title IV, § 401, 62 Stat. 1277.)

#### § 1747e. Financial statements by Secretary

With respect to each project insured under this subchapter, the Secretary shall provide that, after the close of each operating year, the investor shall submit to him for approval a financial and operating statement covering such operating year. If any such financial and operating statement shall not have been submitted or, for proper cause, shall not have been approved by the Secretary, payment of any claim submitted by the investor may, at the option of the Secretary, be withheld, in whole or in part, until such statement shall have been submitted and approved.

(June 27, 1934, ch. 847, title VII, § 706, as added Aug. 10, 1948, ch. 832, title IV, § 401, 62 Stat. 1278; 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” wherever appearing.

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

#### § 1747f. Payment of claims; assignment of benefits by investors

If in any operating year the net income of a project insured under this subchapter is less than the aggregate of the minimum annual amortization charge and the insured annual return, the Secretary, upon submission by the investor of a claim for the payment of the amount of the difference between such net income and the aggregate of the minimum annual amortization charge and the insured annual return and after proof of the validity of such claim, shall pay to the investor, in cash from the General Insurance Fund, the amount of such difference, as determined by the Secretary, but not exceeding, in any event, an amount equal to the aggregate of the minimum annual amortization charge and the insured annual return. Nothing contained in this subchapter or any other provision of law shall be construed as preventing or restricting an investor from assigning, pledging, or otherwise transferring or disposing of, subject to rules and regulations of the Secretary, any or all rights, claims, or other benefits under any insurance contract made pursuant to this subchapter to an assignee, pledgee, or other transferee, including the holders (or the trustee for such holders) of any debentures issued by the investor in connection with the project to which such insurance contract relates, and the Secretary is authorized to pay claims or issue debentures in accordance with the provisions of this section and section 1747g of this title to any such assignee, pledgee, or other transferee.

(June 27, 1934, ch. 847, title VII, § 707, as added Aug. 10, 1948, ch. 832, title IV, § 401, 62 Stat. 1278;

amended Apr. 20, 1950, ch. 94, title I, § 122, 64 Stat. 59; Sept. 1, 1951, ch. 378, title VI, § 609(b), 65 Stat. 316; Pub. L. 89-117, title XI, § 1108(s), Aug. 10, 1965, 79 Stat. 506; Pub. L. 90-19, § 1(a)(3), May 25, 1967, 81 Stat. 17.)

#### REFERENCES IN TEXT

The General Insurance Fund, referred to in text, was established by section 1735c of this title.

#### AMENDMENTS

1967—Pub. L. 90-19 substituted “Secretary” for “Commissioner” wherever appearing.

1965—Pub. L. 89-117 substituted “General Insurance Fund” for “Housing Investment Insurance Fund”.

1951—Act Sept. 1, 1951, inserted second sentence.

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

#### § 1747g. Debentures

##### (a) Acquisition of project by Secretary; issuance of debentures

If the aggregate of the amounts paid to the investor pursuant to section 1747f of this title with respect to a project insured under this subchapter shall at any time equal or exceed 15 per centum of the established investment, the Secretary thereafter shall have the right, after written notice to the investor of his intentions so to do, to acquire, as of the first day of any operating year, such project in consideration of the issuance and delivery to the investor of debentures having a total face value equal to 90 per centum of the outstanding investment for such operating year. In any such case the investor shall be obligated to convey to said Secretary title to the project which meets the requirements of the rules and regulations of the Secretary in force at the time the insurance contract was executed and which is evidenced in the manner prescribed by such rules and regulations, and, in the event that the investor fails so to do, said Secretary may, at his option, terminate the insurance contract.

##### (b) Relinquishment of project by investor

If in any operating year the aggregate of the differences between the operating expenses (exclusive of any premium charges previously waived hereunder) and the gross income for the preceding operating years, less the aggregate of any deficits in such operating expenses reimbursed from excess earnings as hereinbefore provided, shall at any time equal or exceed 5 per centum of the established investment, the investor shall thereafter have the right, after written notice to the Secretary of his intention so to do, to convey to the Secretary, as of the first day of any operating year, title to the project which meets the requirements of the rules and regulations of the Secretary in force at the time the insurance contract was executed and which is evidenced in the manner prescribed by such rules and regulations, and to receive from the Secretary debentures having a total face value equal to 90 per centum of the outstanding investment for such operating year.

##### (c) Adjustment of difference between outstanding investment and total face value of debentures

Any difference, not exceeding \$50, between 90 per centum of the outstanding investment for