

(June 27, 1934, ch. 847, title II, §243, as added Pub. L. 91-351, title V, §502, July 24, 1970, 84 Stat. 458; amended Pub. L. 98-479, title II, §204(a)(14), (15), Oct. 17, 1984, 98 Stat. 2232.)

## REFERENCES IN TEXT

Section 501 of the Emergency Home Finance Act of 1970, referred to in subsec. (a), is section 501 of Pub. L. 91-351, which is set out as a note below.

## AMENDMENTS

1984—Subsec. (d)(2). Pub. L. 98-479, §204(a)(14), redesignated subpars. (1), (2), and (3) as subpars. (A), (B), and (C), respectively.

Subsec. (j)(3)(ii). Pub. L. 98-479, §204(a)(15), substituted “; and” for period at end.

## CONGRESSIONAL FINDINGS AND DECLARATION OF PURPOSE

Pub. L. 91-351, title V, §501, July 24, 1970, 84 Stat. 458, provided that: “The Congress finds that—

“(1) periodic episodes of monetary stringency and high interest rates make it extremely difficult for families of middle income to obtain mortgage credit at rates which they can afford to pay;

“(2) periods of monetary stringency and high interest rates are directly related to the Government’s monetary and fiscal policies;

“(3) a disproportionate share of the burden of sustaining these anti-inflationary policies of the Government falls on families of middle income who are buyers or prospective buyers of homes; and

“(4) the Government has a responsibility to lessen the disproportionate burden which such families bear as a result of such policies.

It is the purpose of this title [enacting this section, and amending sections 1715z-3 and 1719 of this title] to provide, during periods of high mortgage interest rates, a source of mortgage credit for such families which is within their financial means.”

**§ 1715z-9. Co-insurance of eligible mortgage, advance, or loan****(a) Authority of Secretary; request of mortgagee; premium charges; provisions of contract of co-insurance; non-applicability of state insurance laws**

In addition to providing insurance as otherwise authorized under this chapter, and notwithstanding any other provision of this chapter inconsistent with this section, the Secretary, upon request of any mortgagee and for such mortgage insurance premium as he may prescribe (which premium, or other charges to be paid by the mortgagor, shall not exceed the premium, or other charges, that would otherwise be applicable), may insure and make a commitment to insure under any provision of this subchapter any mortgage, advance, or loan otherwise eligible under such provision, pursuant to a co-insurance contract providing that the mortgagee will—

(1) assume a percentage of any loss on the insured mortgage, advance, or loan in direct proportion to the amount of the co-insurance, which co-insurance shall not be less than 10 per centum, subject to any reasonable limit or limits on the liability of the mortgagee that may be specified in the event of unusual or catastrophic losses that may be incurred by any one mortgagee; and

(2) carry out (under a delegation or otherwise and with or without compensation but subject to audit, exception, or review requirements) such credit approval, appraisal, inspec-

tion, commitment, property disposition, or other functions as the Secretary, pursuant to regulations, shall approve as consistent with the purposes of this chapter.

Any contract of co-insurance under this section shall contain such provisions relating to the sharing of premiums on a sound actuarial basis, establishment of mortgage reserves, manner of calculating insurance benefits, conditions with respect to foreclosure, handling and disposition of property prior to claim or settlement, rights of assignees (which may elect not to be subject to the loss sharing provisions), and other similar matters as the Secretary may prescribe pursuant to regulations. A mortgagee which enters into a contract of co-insurance under this section shall not by reason of such contract, or its adherence to such contract or applicable regulations of the Secretary, including provisions relating to the retention of risks in the event of sale or assignment of a mortgage, be made subject to any State law regulating the business of insurance.

**(b) Inspection of construction of dwellings or projects as prerequisite; minimum standards or criteria applicable**

No insurance shall be granted pursuant to this section with respect to dwellings or projects approved for insurance prior to the beginning of construction unless the inspection of such construction is conducted in accordance with at least the minimum standards and criteria used with respect to dwellings or projects approved for mortgage insurance pursuant to other provisions of this subchapter.

**(c) Repealed. Pub. L. 100-242, title IV, §414(a), Feb. 5, 1988, 101 Stat. 1907**

**(d) Repealed. Pub. L. 100-242, title IV, §401(a)(3), Feb. 5, 1988, 101 Stat. 1898**

**(e) Availability unaffected insurance otherwise authorized; criteria for exercise of authority by Secretary**

The Secretary shall not withdraw, deny, or delay insurance otherwise authorized under any other provision of this chapter by reason of the availability of insurance pursuant to this section. The Secretary shall exercise his authority under this section only to the extent that he finds that the continued exercise of such authority will not adversely affect the flow of mortgage credit to older and declining neighborhoods and to the purchasers of older and lower cost housing.

**(f) Multifamily housing project; contract provisions; aggregate principal amount of all mortgages insured; loans on defaulted mortgages; insurance for state assisted projects and projects under construction; definitions; amount of reserves**

(1) Where the mortgage covers a multifamily housing project, the co-insurance contract may provide that the mortgagee assume (i) the full amount of any loss on the insured mortgage up to an amount equal to a fixed percentage of the outstanding principal balance of the mortgage at the time of claim for insurance benefits, or (ii) the full amount of any losses on insured

mortgages in a portfolio of mortgages approved by the Secretary up to an amount equal to a fixed percentage of the outstanding principal balance of all mortgages in such portfolio at the time of claim for insurance benefits on a mortgage in the portfolio, plus a share of any loss in excess of the amount under clause (i) or (ii), whichever is applicable.

(2) The Secretary may make loans, from the applicable insurance fund, to public housing agencies in connection with mortgages which have been insured pursuant to this subsection and which are in default.

(3) The Secretary may insure and make a commitment to insure in connection with a co-insurance contract pursuant to this subsection (A) a mortgage on a project assisted under the second proviso in the first sentence of section 1715z-1(b) of this title, and (B) a mortgage or advance on a mortgage made to a public housing agency on a project under construction which is not approved for insurance prior to construction.

(4) As used in this subsection, the term “public housing agency” has the meaning given such term in section 1437a(b)(6) of title 42.

(5) Notwithstanding any other provision of this chapter, the Secretary may include in the determination of replacement cost of a project to be covered by a mortgage made to a public housing agency and insured pursuant to this subsection, such reserves and development costs, not to exceed 5 per centum of the amount otherwise allowable, as may be established or authorized by the public housing agency consistent with such agency’s procedures and underwriting standards.

**(g) Redesignated (f)**

**(h) Acceptable co-insurance provisions for rental rehabilitation; termination date**

Notwithstanding any other provision of this section, in the case of a mortgage insured under section 1715n(f) of this title secured by property which is to be rehabilitated or developed under section 1437o<sup>1</sup> of title 42, such co-insurance may include provisions that—

(1) insurance benefits shall equal the sum of (A) 90 per centum of the mortgage on the date of institution of foreclosure proceedings (or on the date of acquisition of the property otherwise after default), and (B) 90 per centum of interest arrearages on the date benefits are paid;

(2) the mortgagee shall remit to the Secretary, for credit to the General Insurance Fund, 90 per centum of any proceeds of the property, including sale proceeds, net of the mortgagee’s actual and reasonable costs related to the property and the enforcement of security;

(3) payment of such benefits shall be made in cash unless the mortgagee submits a written request for debenture payment; and

(4) the underwriter of co-insurance may reinsure 10 per centum of the mortgage amount with a private mortgage insurance company or with a State mortgage insurance agency.

**(i)<sup>2</sup> Authority of mortgagee to assign its interest in any note or mortgage subject to a contract of co-insurance; terms and conditions respecting retention of co-insurance risk of such note or mortgage**

Any mortgagee which enters into a contract of co-insurance under this section shall have the authority to assign its interest in any note or mortgage subject to a contract of co-insurance to a warehouse bank or other financial institution which provides interim funding for a loan co-insured under this section, and to retain the co-insurance risk of such note or mortgage, upon such terms and conditions as the Secretary shall prescribe.

**(i)<sup>2</sup> Annual review of, and assessment of compliance with, requirements; report; adjustment of requirements**

The Secretary shall, by January 15 and July 15 of each year (1) review the adequacy of capital and other requirements for mortgagees under this section, (2) assess the compliance by mortgagees with such requirements, and (3) make such adjustment to such requirements as the Secretary, after providing opportunity for hearing, determines to be appropriate to improve the long-term financial soundness of the Federal Housing Administration funds. Such requirements shall include the minimum capital or net worth of mortgagees; the ratio that mortgagees shall maintain between the mortgagee’s capital and the volume of mortgages co-insured by such mortgagee; and such other requirements as the Secretary determines to be appropriate to ensure the long-term financial soundness of the Federal Housing Administration funds. The Secretary shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives a report on the review and assessment under the previous sentence, and an explanation of the Secretary’s reasons for making any adjustment in requirements authorized under this section.

(June 27, 1934, ch. 847, title II, §244, as added Pub. L. 93-383, title III, §307, Aug. 22, 1974, 88 Stat. 679; amended Pub. L. 94-375, §6, Aug. 3, 1976, 90 Stat. 1070; Pub. L. 95-60, §1(d), June 30, 1977, 91 Stat. 257; Pub. L. 95-80, §1(d), July 31, 1977, 91 Stat. 339; Pub. L. 95-128, title III, §301(f), Oct. 12, 1977, 91 Stat. 1131; Pub. L. 95-406, §1(f), Sept. 30, 1978, 92 Stat. 879; Pub. L. 95-557, title III, §301(f), Oct. 31, 1978, 92 Stat. 2096; Pub. L. 96-71, §1(f), Sept. 28, 1979, 93 Stat. 501; Pub. L. 96-105, §1(f), Nov. 8, 1979, 93 Stat. 794; Pub. L. 96-153, title III, §301(f), Dec. 21, 1979, 93 Stat. 1111; Pub. L. 96-372, §1(f), Oct. 3, 1980, 94 Stat. 1363; Pub. L. 96-399, title III, §301(f), Oct. 8, 1980, 94 Stat. 1638; Pub. L. 96-470, title I, §107(a), Oct. 19, 1980, 94 Stat. 2238; Pub. L. 97-35, title III, §331(f), Aug. 13, 1981, 95 Stat. 413; Pub. L. 97-289, §1(f), Oct. 6, 1982, 96 Stat. 1230; Pub. L. 98-35, §1(f), May 26, 1983, 97 Stat. 197; Pub. L. 98-109, §1(f), Oct. 1, 1983, 97 Stat. 745; Pub. L. 98-181, title I [title III, §303(a), title IV, §§401(e), 434], Nov. 30, 1983, 97 Stat. 1206, 1207, 1222; Pub. L. 98-479, title I, §104(a)(5), Oct. 17, 1984, 98 Stat.

<sup>1</sup> See References in Text note below.

<sup>2</sup> So in original. Two subsecs. (i) have been enacted.

2225; Pub. L. 99-120, §1(e), Oct. 8, 1985, 99 Stat. 502; Pub. L. 99-156, §1(e), Nov. 15, 1985, 99 Stat. 815; Pub. L. 99-219, §1(e), Dec. 26, 1985, 99 Stat. 1730; Pub. L. 99-267, §1(e), Mar. 27, 1986, 100 Stat. 73; Pub. L. 99-272, title III, §3007(e), Apr. 7, 1986, 100 Stat. 105; Pub. L. 99-289, §1(b), May 2, 1986, 100 Stat. 412; Pub. L. 99-345, §1, June 24, 1986, 100 Stat. 673; Pub. L. 99-430, Sept. 30, 1986, 100 Stat. 986; Pub. L. 100-122, §1, Sept. 30, 1987, 101 Stat. 793; Pub. L. 100-154, Nov. 5, 1987, 101 Stat. 890; Pub. L. 100-170, Nov. 17, 1987, 101 Stat. 914; Pub. L. 100-179, Dec. 3, 1987, 101 Stat. 1018; Pub. L. 100-200, Dec. 21, 1987, 101 Stat. 1327; Pub. L. 100-242, title IV, §§401(a)(3), 414, 429(g), Feb. 5, 1988, 101 Stat. 1898, 1907, 1919; Pub. L. 101-235, title I, §139(a), Dec. 15, 1989, 103 Stat. 2029.)

## REFERENCES IN TEXT

This chapter, referred to in subsecs. (a), (e), and (f)(5), was in the original "this Act", meaning act June 27, 1934, ch. 847, 48 Stat. 1246, as amended, which is classified principally to this chapter (§1701 et seq.). For complete classification of this Act to the Code, see Tables.

Section 1437o of title 42, referred to in subsec. (h), was repealed by Pub. L. 101-625, title II, §289(b), Nov. 28, 1990, 104 Stat. 4128.

## AMENDMENTS

1989—Subsec. (i). Pub. L. 101-235 added subsec. (i) relating to annual review of, and assessment of compliance with, requirements.

1988—Subsec. (c). Pub. L. 100-242, §414(a), struck out subsec. (c) which read as follows: "No insurance shall be granted pursuant to this section unless the Secretary has, after due consultation with the mortgage lending industry, determined that the demonstration program of co-insurance authorized by this section will not disrupt the mortgage market or reduce the availability of mortgage credit to borrowers who depend upon mortgage insurance provided under this chapter."

Subsec. (d). Pub. L. 100-242, §401(a)(3), struck out subsec. (d) which read as follows: "No mortgage, advance, or loan shall be insured pursuant to this section after March 15, 1988, except pursuant to a commitment to insure made before that date."

Subsec. (f). Pub. L. 100-242, §429(g)(1), which directed that subsec. (g) be amended by striking out par. (2) which read: "The second sentence of subsection (d) of this section shall not apply to mortgages made to public housing agencies, but for purposes of such second sentence such mortgages shall not be counted in the aggregate principal amount of all mortgages insured under this subchapter.", and by redesignating former pars. (3) to (6) as (2) to (5), was executed to subsec. (f) to reflect the probable intent of Congress, because of the prior redesignation of subsec. (g) as (f) by Pub. L. 96-470, §107(a).

Subsec. (h). Pub. L. 100-242, §§414(b)(1), 429(g)(2), made identical amendments, substituting "co-insurance" for "coinsurance" in introductory provision and par. (4).

Pub. L. 100-242, §401(a)(3), struck out at end "No commitment for insurance pursuant to this subsection may be issued after March 15, 1988."

Subsec. (i). Pub. L. 100-242, §414(b)(2), added subsec. (i).

1987—Subsecs. (d), (h). Pub. L. 100-200 substituted "March 15, 1988" for "December 16, 1987".

Pub. L. 100-179 substituted "December 16, 1987" for "December 2, 1987".

Pub. L. 100-170 substituted "December 2, 1987" for "November 15, 1987".

Pub. L. 100-154 substituted "November 15, 1987" for "October 31, 1987".

Pub. L. 100-122 substituted "October 31, 1987" for "September 30, 1987".

1986—Subsecs. (d), (h). Pub. L. 99-430 substituted "September 30, 1987" for "September 30, 1986".

Pub. L. 99-345 substituted "September 30, 1986" for "June 6, 1986".

Pub. L. 99-289 substituted "June 6, 1986" for "April 30, 1986".

Pub. L. 99-272 made amendment identical to Pub. L. 99-219. See 1985 Amendment note below.

Pub. L. 99-267 substituted "April 30, 1986" for "March 17, 1986".

1985—Subsec. (d). Pub. L. 99-219, §1(e)(1), substituted "March 17, 1986" for "December 15, 1985".

Pub. L. 99-156, §1(e)(1), substituted "December 15, 1985" for "November 14, 1985".

Pub. L. 99-120, §1(e)(1), substituted "November 14, 1985" for "September 30, 1985".

Subsec. (h). Pub. L. 99-219, §1(e)(2), substituted "after March 17, 1986" for "on or after December 16, 1985".

Pub. L. 99-156, §1(e)(2), substituted "December 16, 1985" for "November 15, 1985".

Pub. L. 99-120, §1(e)(2), substituted "November 15, 1985" for "October 1, 1985".

1984—Subsec. (d). Pub. L. 98-479 amended subsec. (d) generally, thereby striking out last sentence which provided: "The aggregate principal amount of mortgages and loans insured pursuant to this section in any fiscal year beginning on or after July 1, 1974, and ending prior to October 1, 1985, shall not exceed 20 per centum of the aggregate principal amount of all mortgages and loans insured under this subchapter during such fiscal year."

1983—Subsec. (d). Pub. L. 98-181, §401(e)(3), which directed that last two sentences of subsec. (d) be struck out was executed by striking out last sentence which provided that the overall percentage limitation specified in the preceding sentence also apply separately within each of the categories of mortgages and loans covering one- to four-family dwellings and mortgages and loans covering projects with five or more dwelling units, as the probable intent of Congress, in view of the amendment to the next to last sentence by section 401(e)(2) of Pub. L. 98-181.

Pub. L. 98-181, §401(e)(1), (2), substituted "September 30, 1985" for "November 30, 1983" and "October 1, 1985" for "December 1, 1983".

Pub. L. 98-109 substituted "November 30, 1983" for "September 30, 1983" and "December 1, 1983" for "October 1, 1983".

Pub. L. 98-35 substituted "September 30, 1983" for "May 20, 1983" and "October 1, 1983" for "May 21, 1983".

Subsec. (f)(1). Pub. L. 98-181, §434(1), struck out "the mortgagee is a public housing agency or an insured depository institution and" after "Where". Notwithstanding the directory language that amendment be made to subsec. (g)(1), the amendment was executed to subsec. (f)(1) to reflect the probable intent of Congress and the intervening redesignation of subsec. (g) as (f) by Pub. L. 96-470.

Subsec. (f)(5). Pub. L. 98-181, §434(2), substituted reference to section 1437a(b)(6) of title 42 for reference to section 1437a(6) of title 42 and struck out provision which defined the term "insured depository institution" as any savings bank, savings and loan association, commercial bank or other such depository institution whose deposits are insured by the Federal Deposit Insurance Corporation, by the Federal Savings and Loan Insurance Corporation, or by an agency or instrumentality of a State. Notwithstanding the directory language that amendment be made to subsec. (g)(5), the amendment was executed to subsec. (f)(5) to reflect the probable intent of Congress and the intervening redesignation of subsec. (g) as (f) by Pub. L. 96-470.

Subsec. (h). Pub. L. 98-181, §303(a), added subsec. (h). 1982—Subsec. (d). Pub. L. 97-289 substituted "May 20, 1983" and "May 21, 1983" for "September 30, 1982" and "October 1, 1982", respectively.

1981—Subsec. (d). Pub. L. 97-35 substituted "1982" for "1981" in two places.

1980—Subsec. (d). Pub. L. 96-399 substituted "September 30, 1981" and "October 1, 1981" for "October 15, 1980" and "October 16, 1980", respectively.

Pub. L. 96-372 substituted “October 15, 1980” and “October 16, 1980” for “September 30, 1980” and “October 1, 1980”, respectively.

Subsecs. (f), (g). Pub. L. 96-470 struck out subsec. (f) and redesignated subsec. (g) as (f).

1979—Subsec. (d). Pub. L. 96-153 substituted “September 30, 1980” for “November 30, 1979” and “October 1, 1980” for “December 1, 1979”.

Pub. L. 96-105 substituted “November 30, 1979” and “December 1, 1979” for “October 31, 1979” and “November 1, 1979”, respectively.

Pub. L. 96-71 substituted “October 31, 1979” and “November 1, 1979” for “September 30, 1979” and “October 1, 1979”, respectively.

1978—Subsec. (d). Pub. L. 95-557 substituted “September 30, 1979” for “October 31, 1978” and “October 1, 1979” for “November 1, 1978”.

Pub. L. 95-406 substituted “October 31, 1978” for “September 30, 1978” and “November 1, 1978” for “October 1, 1978”.

1977—Subsec. (d). Pub. L. 95-128 substituted “September 30, 1978” for “September 30, 1977” and “October 1, 1978” for “October 1, 1977”.

Pub. L. 95-80 substituted “September 30, 1977” for “July 31, 1977”.

Pub. L. 95-60 substituted “July 31, 1977” for “June 30, 1977”.

1976—Subsec. (a). Pub. L. 94-375, §6(b), inserted, in text following par. (2), a provision excluding a mortgagee which enters into a contract under this section from regulation by state insurance laws.

Subsec. (g). Pub. L. 94-375, §6(a), added subsec. (g).

#### CHANGE OF NAME

Committee on Banking, Finance and Urban Affairs of House of Representatives treated as referring to Committee on Banking and Financial Services of House of Representatives by section 1(a) of Pub. L. 104-14, set out as a note preceding section 21 of Title 2, The Congress. Committee on Banking and Financial Services of House of Representatives abolished and replaced by Committee on Financial Services of House of Representatives, and jurisdiction over matters relating to securities and exchanges and insurance generally transferred from Committee on Energy and Commerce of House of Representatives by House Resolution No. 5, One Hundred Seventh Congress, Jan. 3, 2001.

#### EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-35 effective Oct. 1, 1981, see section 371 of Pub. L. 97-35, set out as an Effective Date note under section 3701 of this title.

#### § 1715z-10. Repealed. Pub. L. 110-289, div. B, title I, § 2120(a)(7), July 30, 2008, 122 Stat. 2835

Section, act June 27, 1934, ch. 847, title II, §245, as added Pub. L. 93-383, title III, §308, Aug. 22, 1974, 88 Stat. 680; amended Pub. L. 94-375, §7, Aug. 3, 1976, 90 Stat. 1071; Pub. L. 95-128, title III, §§301(g), 310, Oct. 12, 1977, 91 Stat. 1131, 1136; Pub. L. 95-406, §1(g), Sept. 30, 1978, 92 Stat. 879; Pub. L. 95-557, title III, §301(g), Oct. 31, 1978, 92 Stat. 2096; Pub. L. 95-630, title XV, §1503, Nov. 10, 1978, 92 Stat. 3713; Pub. L. 96-71, §1(g), Sept. 28, 1979, 93 Stat. 501; Pub. L. 96-105, §1(g), Nov. 8, 1979, 93 Stat. 794; Pub. L. 96-153, title III, §§301(g), 311(b), Dec. 21, 1979, 93 Stat. 1112, 1115; Pub. L. 96-372, §1(g), Oct. 3, 1980, 94 Stat. 1363; Pub. L. 96-399, title III, §301(g), Oct. 8, 1980, 94 Stat. 1638; Pub. L. 97-35, title III, §331(g) Aug. 13, 1981, 95 Stat. 413; Pub. L. 97-289, §1(g), Oct. 6, 1982, 96 Stat. 1230; Pub. L. 98-35, §1(g), May 26, 1983, 97 Stat. 197; Pub. L. 98-109, §1(g), Oct. 1, 1983, 97 Stat. 745; Pub. L. 98-181, title I [title IV, §§401(f), 441, 442], Nov. 30, 1983, 97 Stat. 1208, 1223, 1224; Pub. L. 99-120, §1(f), Oct. 8, 1985, 99 Stat. 502; Pub. L. 99-156, §1(f), Nov. 15, 1985, 99 Stat. 815; Pub. L. 99-219, §1(f), Dec. 26, 1985, 99 Stat. 1730; Pub. L. 99-267, §1(f), Mar. 27, 1986, 100 Stat. 73; Pub. L. 99-272, title III, §3007(f), Apr. 7, 1986, 100 Stat. 105; Pub. L. 99-289, §1(b), May 2, 1986, 100 Stat. 412; Pub. L. 99-345, §1,

June 24, 1986, 100 Stat. 673; Pub. L. 99-430, Sept. 30, 1986, 100 Stat. 986; Pub. L. 100-122, §1, Sept. 30, 1987, 101 Stat. 793; Pub. L. 100-154, Nov. 5, 1987, 101 Stat. 890; Pub. L. 100-170, Nov. 17, 1987, 101 Stat. 914; Pub. L. 100-179, Dec. 3, 1987, 101 Stat. 1018; Pub. L. 100-200, Dec. 21, 1987, 101 Stat. 1327; Pub. L. 100-242, title IV, §§401(a)(4), 408(b), 415(b)(1), Feb. 5, 1988, 101 Stat. 1898, 1903, 1907; Pub. L. 107-326, §3, Dec. 4, 2002, 116 Stat. 2793, related to graduated payment and indexed mortgages.

#### § 1715z-11. Sale to cooperatives of multifamily housing projects acquired by Secretary; acceptance of purchase money mortgage for sale or insurance of mortgage; principal amount of mortgage; expenditures for repairs, etc., prior to sale

In any case which the Secretary sells a multifamily housing project acquired as the result of a default on a mortgage which was insured under this chapter to a cooperative which will operate it on a nonprofit basis and restrict permanent occupancy of its dwellings to members, or to a nonprofit corporation which operates as a consumer cooperative as defined by the Secretary, the Secretary may accept a purchase money mortgage, or upon application of the mortgagee, insure a mortgage under this section upon such terms and conditions as the Secretary determines are reasonable and appropriate, in a principal amount equal to the value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves; except that the Secretary may add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or make such other provisions for payment of such expenses and costs as the Secretary deems reasonable and appropriate. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements.

(June 27, 1934, ch. 847, title II, §246, as added Pub. L. 93-383, title III, §315, Aug. 22, 1974, 88 Stat. 684; amended Pub. L. 95-557, title III, §322, Oct. 31, 1978, 92 Stat. 2102.)

#### AMENDMENTS

1978—Pub. L. 95-557 inserted “or to a nonprofit corporation which operates as a consumer cooperative as defined by the Secretary” after “dwellings to members” and “or upon application of the mortgagee, insure a mortgage under this section upon such terms and conditions as the Secretary determines are reasonable and appropriate” after “purchase money mortgage” and substituted “the value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves; except that the Secretary may add to the mortgage amount an amount not greater than the amount of prepaid expenses and costs involved in achieving cooperative ownership, or make such other provision for payment of such expenses and costs as the Secretary deems reasonable and appropriate” for “the sum of (1) the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis and after payment of all