

Appendix 22

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-8000

October 16, 1993

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 93-33
TO:ALL APPROVED MORTGAGEES

ATTENTION: SINGLE FAMILY SERVICING MANAGERS

SUBJECT: Waiver of Prepurchase Housing Counseling Requirement under Section
506 of the Housing and Community Development Act of 1992

In accordance with the waiver provision of Section 506 of the Housing and Community Development Act of 1992 (HCD), HUD hereby waives the applicability of Section 506 pending the completion of implementing regulations.

Section 506 amends Section 203 (b) (2) of the National Housing Act (12 U.S.C. 1709(b) (2)). The amendment prohibits the Secretary from insuring or entering into a commitment to insure a mortgage for a first-time homebuyer involving a principal obligation in excess of 97 percent of the appraised value of the property unless the prospective homebuyer "has completed a program of counseling with respect to the responsibilities and financial management involved in homeownership." The principal obligation includes initial service charges, appraisal, inspection, and other fees approved by the Secretary.

The effective date provided in Section 506 was to be twelve months after passage of the HCD Act on October 28, 1992. However, before the Department can implement this provision we must, among other things, establish minimum requirements for the required "program of counseling," and publish regulations.

When we are ready to implement Section 506, we will notify you by a Mortgagee Letter.

Sincerely yours,

Nicolas P. Retsinas
Assistant Secretary for Housing-

Federal Housing Commissioner