

CHAPTER 11. MORTGAGE CREDIT PROCESSING

11-1. INSTRUCTIONS. Follow basic instructions for analysis under Section 203(b) except as modified below:

- a. Eligibility Requirements. This Section provides a program for increasing the supply of privately owned dwelling units with respect to a one-family unit which is a part of a multifamily project containing four or more units, and which is, or has been covered by a project mortgage insured under any Section (except Section 213(a)(1) and (2)) of the Act. However, a one-family unit in a multifamily project involving 11 or less units shall be eligible for insurance without having been covered by a project mortgage. Where a project mortgage exists, the family unit shall be released from such mortgage pursuant to a release plan approved by HUD.
- b. Mortgagor. The mortgagor may not own more than four units covered by mortgages insured under this Section. One of the units shall be for his/her own use and occupancy. A family unit includes an undivided interest in, or share in the joint ownership of, the common areas and facilities.
- c. Maximum Insurable Mortgage. The maximum insurable mortgage shall not exceed the lesser of:
 - (1) Occupant Mortgagors. When the mortgagor is the occupant of the dwelling unit, the principal amount of the mortgage shall not exceed that established under Section 203(b).
 - (2) Non-Occupant Mortgagor. When the mortgagor is not the occupant of the dwelling unit, the maximum insurable mortgage shall not exceed 85 percent of the amount available to the owner-occupant computed in accordance with the foregoing provisions (1) of this paragraph. This is true except in eligible transactions under the escrow commitment procedure where at least 15 percent of the original principal amount of the mortgage is deposited in escrow, trust, or special account.
- d. Term of Mortgage. The term of mortgage shall not exceed three-quarters of the remaining economic life of the building improvements and normally shall not exceed 30 years from the date of beginning of amortization.

- e. A 35-Year Term may be approved only in those instances-where the mortgagor is the owner-occupant of the property and it is definitely concluded that the monthly payments under a 30-year term are not within the mortgagor's reasonable ability to pay,

but would be under a 35-year term.

- f. Cash Investment. The mortgagor's investment in the property must be equal to the difference between the total cost of acquisition and the amount of the mortgage to be insured, but not less than 3 percent of the first \$25,000.
- g. A Mortgagor Who is 60 Years of Age or Older may borrow, or otherwise acquire the required cash investment, or a portion thereof, as provided in the Act under Section 203(b)(9).
- h. Firm Commitments. Approval of purchasers as individual mortgagors under Section 234(c) will follow the regular procedure for the processing of credit approval under Section 203(b) subject to modification of the instructions for the completion of Form HUD 92900, Mortgagee's Application for Mortgagor Approval and Commitment for Mortgage Insurance under Section 234(c). (See Reference (7) of the Foreword.)
- i. When the Family Unit is in an Operating Condominium, information necessary to complete Section 14, Form HUD-92900-2, Credit Analysis Page, is contained on Form HUD-92800-3. For a proposed or existing project to be converted to condominium ownership, required processing information will be contained on Form FHA-3280A, Schedule of Units, or Form FHA-180, Condominium Analysis and Appraisal. (See Reference (1) of the Foreword.) Firm commitment will be issued on Form FHA-3275, Commitment for Insurance of Individual Mortgage, instead of Form HUD-92900.

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* 11-2. Processing under Simplified Procedures.

- a. Valuation staff sends a duplicate copy of pertinent information from the project file to Mortgage Credit staff.
- b. Mortgage Credit staff maintains record of presale approval and enters the actual sale price including costs, on Form FHA 180.
- c. Mortgage Credit examiner processes the individual credit request on Form HUD 92900 and issues the individual commitment on Form FHA 3275. Form HUD-92900-4 is removed from the packet and replaced by Form FHA 3275.
- d. When 70 percent of the value of the units are sold and approved, the Mortgage Credit examiner notifies the Director of Housing/Service Office Supervisor. *

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