
CHAPTER 3. COMMITMENTS

- 3-1. COMMITMENTS. A Sales Type cooperative has two phases and requires both a project and an individual unit commitment.
- a. Project commitment forms, FHA NOS.
 - 3207 - Insurance of Advances
 - 3207-A - Insurance of Advances involving one mortgagor corporation, two or more project mortgages and a Community Facility.
 - 3210 - Insurance upon Completion
 - 3210-A - Insurance upon Completion involving one mortgagor corporation, two or more project mortgages, and a Community Facility.
 - b. Individual Commitment. FHA Form 3216 is used. A minimum investment of 3% is required.
- 3-2. MORTGAGE AMOUNT. In Sales Type cases, the permissible amount of the project mortgage may in spite of other limitations be equivalent to the total resulting from computing the individual cases on a Section 203(b) owner-occupant basis.
- 3-3. PRE-CONVEYANCE CONDITIONS.
- a. The Project Mortgage must have been finally endorsed for insurance and all construction required in connection therewith on all properties completed.
 - b. The Property Involved must have been released from the lien of the project mortgage and title transferred to the individual mortgagor.
 - c. The Mortgage Amount shall be in multiples of fifty dollars and shall not exceed the original release price set forth in Schedule A of the Mortgage Rider (FHA Form 3214) less a proportionate part of any amortization payments theretofore made.
 - d. The Amortization Period shall not extend beyond the maturity date specified in the project mortgage.

3-4. MORTGAGE (OR DEED OF TRUST). MANAGEMENT AND SALES TYPE. The following changes must be made in the printed forms:

- a. The Printed Form contains language to the effect that the grantor covenants and agrees that so long as the mortgage and the note secured thereby are insured under the provisions of the National Housing Act "it will not rent dwelling accommodations in the mortgaged premises at rental rates in excess of the rates permitted under its Articles of Incorporation or for periods of less than one month or in excess of three years, nor rent the premises as an entirety." This language is not appropriate for use in connection with cooperative housing projects; therefore, the above-quoted language will be deleted and a rider attached substituting in lieu thereof the following language: "it will not permit occupancy of its accommodations by persons or at a schedule of charges other than as provided for in its Articles of Incorporation nor rent the premises as an entirety."
- b. The Following Covenant will be inserted in all cases (except where the mortgagor is to be regulated by a State body pursuant to the provisions of Section 213.20(b) of the FHA Regulations:

"That the mortgagor will not employ a management agent for the buildings nor enter into a management contract nor undertake 'self-management' unless the mortgagee and the Assistant Secretary-FHA Commissioner has approved in writing the proposed management agent, form of management contract or other management arrangements."
- c. Minor Changes may be necessary in the quoted language to conform with the phraseology of the mortgage forms in the various states.