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## CHAPTER 1. INTRODUCTION

### 1-1. PURPOSE OF 221(d) COINSURANCE PROGRAM:

To conserve and increase multifamily rental housing for moderate-income families by efficiently processing mortgage applications for new or substantially rehabilitated projects.

The program is not intended to reduce the mortgage credit available under other sections of the Act, nor does it change requirements or standards for physical inspections of dwelling units during construction.

### 1-2. LEGISLATIVE AUTHORITY

A. Section 244 of the National Housing Act authorizes HUD to insure mortgages, pursuant to a coinsurance contract with an approved lender, that are otherwise eligible for mortgage insurance, if the lender will:

- 1) Assume a percentage of any loss; and
- 2) Carry out (subject to audit, exception or review requirements) credit approval, appraisal, commitment, inspection, management oversight, servicing, disposition or other functions determined by HUD.

B. Section 221(d) of the National Housing Act authorizes HUD to insure mortgages for construction or substantial rehabilitation of multifamily rental projects (including cooperatives).

### 1-3. HOW IT WORKS

A. Lenders apply to participate in the coinsurance program and, if approved pursuant to Chapter 2 of this book, operate in partnership with and share the risk with HUD.

B. Approved lenders have maximum operating, processing, underwriting, and management oversight and loan servicing responsibilities, for which they receive certain fees and part of the mortgage insurance premiums, as stated in Chapter 4. (For processing not delegated by HUD, see Chapter 6.)

C. They retain as much autonomy in underwriting as possible under the law and regulations.

D. To remain a HUD coinsurer, a lender must:

- 1) Comply with this handbook, Handbook 4566.2 on servicing, and the coinsurance regulations (Part 251 of Title 24 of the Code of Federal Regulations).

- (1-3)      2) Maintain accountability, prudent underwriting and management practices, and organizational control as required by HUD to minimize the risk to Federal funds.

- 1-4. WAIVERS to a handbook provision may be justified in some cases. Send requests, with full details and supporting documents, to:

Department of Housing and Urban Development  
Office of Insured Multifamily Housing Development  
451 7th Street, SW  
Washington, D.C. 20410

Provisions of the law or regulations may not be waived.

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