
CHAPTER 1. INTRODUCTION

- 1-1. AUTHORITY. Section 244 of the National Housing Act authorizes the Secretary of Housing and Urban Development to make commitments to insure, and to insure, mortgages which would otherwise be eligible for insurance, pursuant to a coinsurance contract providing the lender will assume a percentage of any loss and carry out (subject to audit, exception or review requirements) such credit approval, appraisal, inspection, commitment, property management, disposition or other functions as the Secretary determines. Section 223(f) of the National Housing Act authorizes the Secretary to insure mortgages executed in connection with the purchase or refinancing of an existing multifamily project.
- 1-2. PURPOSE. The coinsurance program under section 244 places some of the risks which HUD now assumes when insuring mortgages on approved mortgage lenders. This will make it possible for lenders to perform many of the processing responsibilities incidental to a mortgage insurance program and perhaps reduce the length of time required to approve applications for mortgage insurance.
- a. Congress, in enacting section 244, made clear that it was concerned that implementation of this program not disrupt the mortgage market or reduce the availability of mortgage credit to borrowers who depend on mortgage insurance authorized under provisions of the National Housing Act other than section 244. The Congress also indicated its concern that, in delegating mortgage insurance processing duties to lenders, physical inspections of dwelling units be continued in accordance with the same standards used under the regular HUD program. These concepts are reflected in this handbook.
 - b. These instructions vest the maximum amount of processing responsibilities possible with coinsurance lenders and, to the maximum extent permissible under the statutes authorizing this program, permit these lenders to retain autonomy in their underwriting practices.