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

October 29, 1996

MORTGAGEE LETTER 96-59
TO: ALL APPROVED MORTGAGEES

SUBJECT: Single Family Production - Moratorium on Investor Loans
in Conjunction with the 203(k) Rehabilitation
Mortgage Insurance Program

This Mortgagee Letter is to advise you that the Department has placed a moratorium on 203(k) investor loans. This moratorium on 203(k) investor loans also applies to the sale of HUD-owned property. These restrictions are in response to audit findings issued by the Office of the Inspector General and are in effect until further notice.

Applications approved by the Direct Endorsement underwriter within ten working days from the date of this Mortgagee Letter may continue through closing and endorsement. No new applications may be accepted after this date until further notice. Sales contracts executed by the local HUD office prior to the date of this Mortgagee Letter with regard to HUD-owned properties will be honored and should be processed through to sales closing. No new sales contracts will be executed after ten working days of this letter.

This moratorium will allow the Department to consult with the industry and affected communities to explore legislative and policy reforms that will result in a program which will provide the neighborhood rehabilitation benefits of the investor program without the abuse and risk to the insurance fund.

If you have questions regarding this Mortgagee Letter please contact your local HUD Office.
Sincerely,

Nicolas P. Retsinas
Assistant Secretary for Housing-
Federal Housing Commissioner