(4) Conduct the draw inspections for the release of funds during the construction phase of the project.

(m) With regard to loans under this section executed on or after December 27, 2005, the Commissioner shall charge an up-front and annual MIP in accordance with 24 CFR 203.284 or 203.285, whichever is applicable.

§ 203.52 Acceptance of individual residential water purification equipment.

If a property otherwise eligible for insurance under this part does not have access to a continuing supply of safe and potable water without the use of a water purification system, the requirements of this section must be complied with as a condition to acceptance of the mortgage for insurance. The mortgagee must provide appropriate documentation with the submission for insurance endorsement to address each of the requirements of this section.

(a) Equipment. Water purification equipment must be approved by a nationally recognized testing laboratory acceptable to the local or state health authority.

(b) Certification by local (or state) health authority. A local (or state) health authority certification must be submitted to HUD which certifies that:

(1) A point-of-entry or point-of-use water purification system is currently in operation on the property. If the system in operation employs point-of-use equipment, the purification system must be employed on each water supply source (faucet) serving the property. Where point-of-entry systems are used, separate water supply systems carrying untreated water for flushing toilets may be constructed.

(2) The system is sufficient to assure an uninterrupted supply of safe and potable water adequate to meet household needs.

(3) The water supply, when treated by the equipment, meets the requirements of the local (or state) health authority, and has been determined to meet local or state quality standards for drinking water. If neither state nor local standards are applicable, then quality shall be determined in accordance with standards set by the Environmental Protection Agency (EPA) pursuant to the Safe Drinking Water Act. (EPA standards are prescribed in the National Primary Drinking Water requirements, 40 CFR parts 141 and 142.)

(4) There exists a Plan providing for the monitoring, servicing, maintenance, and replacement of the water equipment, which Plan meets the requirements of paragraph (f) of this section.

(c) Mortgagor notice and certification. (1) The prospective mortgagor must have received written notification, before the mortgagor signed a sales contract, that the property has a hazardous water supply that requires treatment in order to remain safe and acceptable for human consumption. The notification to the mortgagor must identify specific contaminants in the water supply serving the property, and the related health hazard arising from the contaminants.
from the presence of those contami-
nants.

(2) The mortgagor must have re-
ceived, with the notification described
in paragraph (c)(1) of this section, a
written good faith estimate of the
maintenance and replacement costs of
the equipment necessary to assure con-
tiuing safe drinking water.

(3) A copy of the notification state-
ment (including cost estimates), dated
before the date of the sales contract,
and signed by the prospective mort-
gagor to acknowledge its receipt, must
accompany the submission for insur-
ance endorsement. If a sales contract is
signed in advance of the disclosure re-
quired by this paragraph, another sales
contract must be executed after the in-
formation is provided to the prospect-
ive mortgagor and he or she has ac-
knowledged receipt of the disclosure.

(4) The prospective mortgagor must
sign a certification, substantially in
the form set out in this paragraph
(c)(4), at the time the application for
mortgage credit approval is signed.

Mortgagor’s Certificate. I hereby acknowl-
edge and understand that the home I am pur-
chasing has a water purification system
which I am responsible for maintaining.

I understand that the individual water
supply is unsafe for consumption unless the
system is operating properly. I am aware
that if I do not properly maintain the sys-
tem, the water supply will not be purified or
treated properly, thereby rendering the
water supply unsafe for consumption.

I also understand that the Department of
Housing and Urban Development does not
warrant the condition of the property, will
not give me any money for repairs to the
water purification system, and has relied
upon the local (or state) health authority to
assure that the water supply, when processed
by properly maintained equipment, is ac-
ceptable for human use and consumption.

[Mortgagor’s signature and date]

(d) Service contract. Before mortgage
closing, the mortgagor must enter into
a service contract with an organization
or individual specifically approved by
the local (or state) health authority to
carry out the provisions of the required
Plan for servicing, maintenance, repair
and replacement of the water purifi-
cation equipment. A copy of the signed
service contract must be provided to
HUD.

(e) Escrow for maintenance and re-
placement. The mortgagee must estab-
lish and maintain an escrow account
which provides for the accumulation of
funds paid with the mortgagor’s
monthly mortgage payment adequate
to assure proper servicing, mainte-
nance, repair and replacement of the
water purification equipment. The
amount to be collected and escrowed
by the mortgagor shall be based upon
information provided by the manufac-
turer for the maintenance and replace-
ment of the water purification equip-
ment and for other charges anticipated
by the service contractor. The initial
monthly escrow amount shall be stated
in the Plan. Disbursements from the
account will be limited to costs associ-
ated with the normal servicing, main-
tenance, repair or replacement of the
water purification equipment. Dis-
bursements may only be made to the
service contractor or its successor, to
equipment suppliers, to the local (or
state) health authority for the per-
formance of testing or other required
services, or to another entity approved
by the health authority. So long as
water purification remains necessary
and the mortgage is insured by HUD,
the mortgagee must maintain the es-
crow account.

(f) Approved Plan. A Plan, in the form
of a contract entered into by the mort-
gagor and mortgagee and approved by
the local (or state) health authority,
must set out conditions that must be
met by the parties as a condition to in-
urance of the mortgage by HUD. To be
approved by the health authority:

(1) The Plan must set forth the re-
spective responsibilities to be assumed
by the mortgagor and the mortgagee,
as well as the other entities who will
implement the Plan, i.e., the health au-
thority and the service contractor. In
particular:

(i) The Plan must set out the respon-
sibilities of the health authority for
monitoring and enforcing performance
of the service contractor, including any
successor contractor that the health
authority may later have occasion to
name. By its approval of the Plan, the
health authority documents its acceptance of these responsibilities, and the Plan should so indicate;

(ii) The Plan must provide for the monitoring of the operation of the water purification equipment, as well as for servicing (including disinfecting), and for repairing and replacing the system, as frequently as necessary, taking into consideration the system’s design, anticipated use, and the type and level of contaminants present. Installation, servicing, repair and replacement of the water purification system must be performed by an individual or organization approved for the purpose by the local (or state) health authority and identified in the Plan. In meeting the requirements of paragraph (f)(1)(ii) of this section, the Plan may incorporate by reference specific terms and conditions of the service contract required under paragraph (d) of this section.

(iii) Under the Plan, responsibility for monitoring the performance of the service contractor and for assuring that the water purification system is properly serviced, repaired, and replaced rests with the local (or state) health authority that has given its approval to the Plan. The Plan must confer on the health authority all powers necessary to effect compliance by the service contractor. The health authority’s powers shall include the authority to notify the mortgagor of any noncompliance by the service contractor. The plan must provide that, upon any notification of noncompliance received from the health authority, the mortgagor shall have the right to discharge the service contractor for cause and to appoint a successor organization or individual as service contractor; and

(iv) The Plan must provide for the mortgagor to make periodic escrow payments necessary for the servicing, maintenance, repair and replacement of the water purification system, and for the mortgagor to disburse funds from the escrow account as required, to the appropriate party or parties.

(2) The Plan must provide that if the dwelling served by the water purification system is refinanced, or is sold or otherwise transferred with a HUD-insured mortgage, the Plan will:

(i) Continue in full force and effect;

(ii) Impose an obligation on the mortgagor to notify any subsequent purchaser or transferee of the necessity for the water purification system and for its proper maintenance, and of the obligation to make escrow payments; and

(iii) Require the mortgagor to furnish the purchaser with a copy of the Plan, before any sales contract is signed.

(g) Periodic analysis. Any Plan developed in accordance with this section must provide that an analysis of the water supply shall be obtained from the local (or state) health authority no less frequently than annually, but more frequently, if determined at any time to be necessary by the health authority or by the service contractor.

(Approved by the Office of Management and Budget under control number 2502–0474)

[57 FR 9609, Mar. 19, 1992; 57 FR 27927, June 23, 1992]

INSURED TEN-YEAR PROTECTION PLANS
(PLAN)

SOURCE: Sections 203.200 through 203.209 appear at 55 FR 41021, Oct. 5, 1990, unless otherwise noted.

§ 203.200 Definitions.

As used in §203.201 through §203.209, the following terms shall have the meaning indicated:

Coverage contract means a warranty certificate, insurance policy, or other document of similar purpose (including any endorsements), delivered to the homeowner at the time of closing or settlement which is issued by a State, a builder, a warranty company, or an insurance company and which defines the terms and conditions under which a Plan will provide warranty coverage of the covered property.

Construction deficiencies are defects (not of a structural nature) in a dwelling covered by an insured ten-year protection plan that are attributable to poor workmanship or to the use of inferior materials which result in the impaired functioning of the dwelling or some part thereof. Defects resulting from homeowner abuse or from normal wear and tear are not considered construction deficiencies.