mortgagor, unless the mortgage is prepaid in full or becomes due and payable under §206.27(c).

(c) Line of credit payment option. Under the line of credit payment option, payments are made by the mortgagor to the mortgagor at times and in amounts determined by the mortgagor as long as the amounts do not exceed the payment amounts permitted by §206.25(d).

(d) Principal limit set asides. (1) Under the term or tenure options, the mortgagor shall, if requested by the mortgagor, set aside a portion of the principal limit to be drawn down as a line of credit.

(2) When repairs required by §206.47 will be completed after closing, the mortgagor shall set aside a portion of the principal limit equal to 150% of the Secretary’s estimated cost of repairs, plus the repair administration fee.

(3) When required by §206.205(f), the mortgagor shall set aside a portion of the principal limit for payment of property charges consisting of taxes, ground rents, flood and hazard insurance premiums and assessments.

(4) When servicing charges will be made as permitted by §206.207(b), the mortgagor shall set aside a portion of the principal limit sufficient to cover charges through a period equal to the payment term which would be used to calculate tenure payments under §206.25(c).

(e) Interest accrual and repayment. The interest charged on the mortgage balance shall be added to the mortgage balance monthly as provided in the mortgage. Under all payment options, repayment of the mortgage balance including monthly MIP and interest is deferred until the mortgage becomes due and payable in full under §206.27(c).

(f) Payments limited by lien amount. No payments shall be made under any of the payment options, notwithstanding anything to the contrary in this section or in §206.25, in an amount which shall cause the mortgage balance after the payment to exceed any maximum mortgage amount stated in the security instruments or to otherwise exceed the amount secured by a first lien.

§ 206.23 Shared appreciation.

(a) Additional interest based on net appreciated value. Any mortgage for which the mortgagee has chosen the shared premium option (§ 206.107) may provide for shared appreciation. At the time the mortgage becomes due and payable or is paid in full, whichever occurs first, the mortgagor shall pay an additional amount of interest equal to a percentage of any net appreciated value of the property during the life of the mortgage. The percentage of net appreciated value to be paid to the mortgagee, referred to as the appreciation margin, shall be no more than twenty-five percent, subject to an effective interest rate cap of no more than twenty percent.

(b) Computation of mortgagee share. The mortgagee’s share of net appreciated value is computed as follows:

(1) If the mortgage balance at the time the mortgagee’s share of net appreciated value becomes payable is less than the appraised value of the property at the time of loan origination, the mortgagee’s share is calculated by subtracting the appraised value at the time of loan origination from the net appreciated value less the mortgagee’s share.

(2) If the mortgage balance is greater than the appraised value, the mortgagee’s share is calculated by subtracting the appraised value from the net appreciated value and multiplying by the appreciation margin.

(3) If the mortgage balance is greater than the adjusted sales proceeds, the net appreciated value is zero.

(d) Post-loan disclosure. At least 25 days before any adjustment to the interest rate may occur, the mortgagee must advise the mortgagor of the following:

(1) The current index amount;
(2) The date of publication of the index; and
(3) The new interest rate.

(Approved by the Office of Management and Budget under control number 2528–0133)


§ 206.25 Calculation of payments.

(a) Initial payment. At closing an initial payment shall be made by the mortgagor in an amount equal to the sum of initial MIP under §206.105(a) if not paid in cash by the mortgagor, fees and charges allowed under §206.31(a) if not paid in cash by the mortgagor, and any additional payment requested by the mortgagor. The total initial payment, plus any amount set aside for repairs after closing under §206.47, for property charges under §206.205(f), or