the Secretary of Health and Human Services and the Commissioner to enhance the fire safety of the project, and such costs incidental to installation as may be approved by the Commissioner.

§ 232.570 Endorsement of credit instrument.
The Commissioner shall indicate his insurance of the loan by endorsing the credit instrument and identifying the section of the Act and regulations under which the loan is insured and the date of insurance, subject to the presentation and approval by him of the following:

(a) Certification of full disbursement of loan proceeds as provided for in § 232.530.
(b) Certification of costs as required by § 232.610.
(c) Statement by the Secretary of Health and Human Services that the fire safety equipment noted in the determination required by § 232.620 has been satisfactorily installed.

§ 232.580 Application of payments.
(a) The security instrument shall provide that all monthly payments to be made by the borrower shall be added together and this aggregate amount shall be paid by the borrower upon each monthly payment date in a single payment. The lender shall apply the payment to the following items in the order set forth:

(1) Premium charges under the contract of insurance;
(2) Interest on the loan;
(3) Amortization of the principal of the loan;
(b) Any deficiency in the amount of any monthly payments required under paragraph (a) of this section shall constitute an event of default and the loan shall further provide for a grace period of 30 days within which time the default must be cured.

§ 232.585 Prepayment privilege and prepayment charge.
The security instrument shall contain a provision permitting prepayment of the loan in whole or in part upon any interest payment date after giving to the lender 30 days’ advance written notice and it may contain a provision, with the approval of the Commissioner, for a reasonable charge in the event of prepayment.

§ 232.586 Minimum principal loan amount.
A mortgagee may not require, as a condition of providing a loan secured by a mortgage insured under this subpart, that the principal amount of the mortgage exceed a minimum amount established by the mortgagee.

§ 232.590 Eligibility of property.
(a) A loan to be eligible for insurance shall be on real estate held:
(1) In fee simple; or
(2) On the interest of the lessee under a lease for not less than ninety-nine years which is renewable; or
(3) Under a lease having a period of not less than “twenty-five” years to run from the date the loan is executed.
(b) The property constituting security for the loan transaction must be held by an eligible borrower as herein defined and must at the time the loan is insured be free and clear of all liens other than those specifically approved by the Commissioner.

§ 232.591 Smoke detectors.
After October 30, 1992, each occupied room must include at least one battery-operated or hard-wired smoke detector in proper working condition. If the room is occupied by hearing-impaired persons, the smoke detector must have an alarm system designed for hearing-impaired persons, unless the smoke alarm is connected to a central alarm system that is monitored on a 24-hour basis, or otherwise meets industry standards.