

Coinsurance--Interest Rate Reduction

Legal Opinion: GHM-0003

Index: 3.181
Subject: Coinsurance--Interest Rate Reduction
FOIA Exemption 4: Names/Address Withheld

October 16, 1991

Dear Mr. :

This responds to your letter dated September 11, 1991, requesting our approval of a proposed form of modification agreement ("Modification Agreement"). The Modification Agreement will be used to lower the interest rates on the following section 223(f) coinsured loans:

We assume from your letter that when the interest rates are lowered, there will be no change in any of the mortgage amounts.

It is the policy of the Office of Housing that a lowering in the interest rate on a coinsured mortgage, which does not result in a change in the mortgage amount, does not require a review by HUD. However, a change in the interest rate on a coinsured mortgage, which does result in an increase in the mortgage amount, requires review and approval by HUD before such change can be effected. In view of this policy, has the authority to reduce the interest rate on each of the above-referenced coinsured loans, so long as there is no change in any of the respective mortgage amounts.

In addition, the Modification Agreement contains a signature line for the Federal Housing Commissioner. Since is authorized, pursuant to the above-described policy, to approve a reduction in an interest rate which does not result in a mortgage amount change, we do not believe it is necessary for the Federal Housing Commissioner to execute any of the Modification Agreements.

If you have any questions concerning this matter, please contact Frances McFarlane at (202) 708-4107.

Very sincerely yours,

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Mel Belin
Chief Attorney
Loan Origination & Eligibility Section