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HEALTH AND SAFETY CODE - HSC

DIVISION 31. HOUSING AND HOME FINANCE [50000 - 54913] (*Division 31 repealed and added by Stats. 1977, Ch. 610.)*

PART 4. BOND AND LOAN INSURANCE [51600 - 51687] (*Part 4 repealed and added by Stats. 1993, Ch. 115, Sec. 4.)*

CHAPTER 4. Loan Insurance [51650 - 51662] (*Chapter 4 added by Stats. 1993, Ch. 115, Sec. 4.)*

51650. (a) (1) To be qualified for loan insurance, a borrower shall be, or by reason of a loan insured pursuant to this part shall become, the owner of a multifamily rental housing development or a single-family residential structure for which an insured loan is authorized, and shall be able to bear the usual expenses of maintaining the housing development, development, or structure and repay the loan.

(2) To be qualified for loan insurance on a single-family residential housing unit, the borrower shall also do either of the following:

(A) Qualify as a person or family of low or moderate income, as that term is defined in Section 51603.

(B) Until January 1, 2011, otherwise meet the requirements for participation in an affordable housing program or product offered by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Association (Freddie Mac).

(3) The agency may, by resolution, establish additional requirements that it deems necessary to accomplish the purposes of this part.

(b) For the purpose of increasing the efficiency and minimizing the cost of the loan insurance program, the agency may insure or issue commitments to insure loans upon the certification of an officer of an approved lending institution that the borrower is qualified for loan insurance according to eligibility requirements specified by the agency.

(c) No later than January 1, 2009, the agency shall report to the chairs of the housing committees of the Senate and the Assembly on the types of programs that were offered pursuant to subparagraph (B) of paragraph (2) of subdivision (a).

(Amended by Stats. 2003, Ch. 553, Sec. 10. Effective January 1, 2004.)

51651. (a) The agency shall specify the percentage of the outstanding principal indebtedness that may be insured under this part with respect to each category of loan authorized to be insured under this part.

(b) The agency may insure loans secured by mortgages or deeds of trust of first or second priority.

(Amended by Stats. 2003, Ch. 553, Sec. 11. Effective January 1, 2004.)

51652. Loans insured under this part shall meet all of the following requirements:

(a) The loans shall be made for a period acceptable to the agency not to exceed 40 years.

(b) The loans shall be subject to maximum loan amounts for each category of loan authorized to be insured under this part.

(c) The loans shall be secured by mortgages or deeds of trust, or the loan shall be wholly or partially insured or guaranteed by an agency or instrumentality of the United States, except for property improvement loans under limits established by the agency.

(d) The agency may establish loan-to-value limitations for each category of loan and may set forth limitations on the further encumbrance of structures and other real property securing loans, but only to the extent necessary to prevent unreasonable impairment of the agency's security. In no case involving refinancing and rehabilitation shall the loan have a principal obligation in an amount exceeding the sum of the estimated cost of rehabilitation, if any, and the amount required to refinance existing indebtedness secured by the property and settlement and closing costs incurred in connection therewith.

(e) Loans involving the rehabilitation of residential structures shall have a principal obligation not exceeding an amount which, when added to any outstanding indebtedness constituting a lien upon the property securing the loan, creates a total outstanding indebtedness which would be reasonably secured by a mortgage of first priority on the property pursuant to subdivision (d), and as set forth by the agency.

(f) Loans involving refinancing may be insured only if refinancing is necessary to permit a borrower to afford the cost of rehabilitation, to lower his or her monthly debt-to-income payments, minimize rent increases for occupants of the residential structure, where the rents would otherwise exceed affordable rents due to the expense of rehabilitation, or to achieve another purpose specified in this division.

(g) With respect to loans involving the rehabilitation of a residential structure, the agency shall determine that the rehabilitation is economically feasible. For purposes of this subdivision, the economic feasibility of rehabilitation projects involving commercial space in a mixed residential and commercial structure shall be determined independently for any structure to be rehabilitated for mixed residential and commercial uses.

(h) For the purpose of increasing the efficiency and minimizing the cost of the loan insurance program, the agency may insure, or issue commitments to insure, loans, upon the certification of an officer of an approved lending institution that the proposed rehabilitation conforms to requirements specified by the agency regarding economic feasibility.

(i) The agency shall contract with the insured or the borrower, or both, during the term of the insurance if the agency determines that either or both of those contracts is necessary to maintain residential rentals available to lower income households at affordable rents.

(j) Relocation payments shall be made to persons and families displaced in making a site or residential structure available for rehabilitation or construction financed by loans insured under this part, and relocation advisory assistance provided to those persons, as specified by Section 51063. Relocation payments for rehabilitation or construction financed by loans insured by this part, shall also be made to owners involuntarily displaced because of inability to afford costs of compliance required pursuant to this part, but any payment pursuant to Section 4623 of Title 42 of the United States Code or Section 7263 of the Government Code shall be limited to the reasonable costs of a replacement dwelling adequate to accommodate the displaced person or family without regard to whether the dwelling is otherwise comparable to the dwelling formerly occupied, less the amount received from sale of the dwelling. Relocation payments may be made from the proceeds of insured loans as authorized by the agency.

(k) The residential structure for which a loan is insured pursuant to this part shall be insured against loss due to fire and other causes, as provided by the agency.

(l) Any other terms and conditions as the agency determines are necessary to further the purposes of this part.

(Amended by Stats. 2003, Ch. 553, Sec. 12. Effective January 1, 2004.)

51653. Notwithstanding any other provision of law, any rental housing development which is financed from mortgages insured pursuant to this part is exempt from both of the following:

(a) Any local government prohibitions against condominium conversion any time after 10 years from the date a certificate of occupancy is issued. Any condominium conversion shall be made in accordance with the requirements of Article 2.5 (commencing with Section 66452.50) of Chapter 3 of Division 2 of Title 7 of the Government Code.

(b) Any rent control, except for units made available to lower income households as provided pursuant to subdivision (b) of Section 51226.

(Repealed and added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51654. The agency may provide insurance pursuant to this part for all of the following:

(a) Loans for residential structures that will be occupied primarily by persons and families of low or moderate income.

(b) Loans for privately or publicly financed rental housing developments that will benefit lower income households. "Privately financed rental housing development," as used in this subdivision, includes rental housing developments financed by local public entities, as defined in Section 50079.

(c) Loans that otherwise meet the requirements for participation in an affordable housing program or product offered by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Association (Freddie Mac).

(Amended by Stats. 2003, Ch. 553, Sec. 13. Effective January 1, 2004.)

51655. Subject to this part, the agency may insure or guarantee loans made by qualified mortgage lenders for the purposes described in Section 51320.

(Repealed and added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51656. Notwithstanding any other provision of this part, the agency may establish a program of insuring reverse mortgages as authorized by resolution of the board.

(Repealed and added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51657. (a) The agency shall establish, and may from time to time revise, after public hearings, a schedule of insurance premium rates. The premiums may vary according to the category of the loan and the degree of risk related to the loan. Premiums shall be calculated in an amount which, when added to the other revenues of the insurance program, will be adequate to defray losses occasioned by defaults and the operating expenses of the program, to repay amounts advanced to the agency for purposes of this part, and gradually to expand the insurance availability of the program. Approved lending institutions shall remit premiums to the fund at intervals specified by the agency.

(b) The agency may prescribe other charges that it finds necessary, including service charges and appraisal, inspection, and other fees.

(Repealed and added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51658. (a) The agency shall establish procedures to be followed by approved lending institutions in the event of default on a loan insured under this part. The agency may require that, prior to submitting a claim, an approved lending institution shall foreclose or exercise a power of sale and take possession of the property or otherwise acquire title and possession of the property within the time specified by the agency. The agency may, upon submission of the claim, pursue one of the following alternatives:

(1) Pay the approved lending institution the benefit of the insurance.

(2) Upon conveyance to the agency of all the right, title, and interest of the approved lending institution in the foreclosed property and the assignment of all claims of the approved lending institution against the defaulting borrower to the agency, pay to the qualified mortgage lender the sum of the unpaid principal balance of the loan, foreclosure costs, accrued interest, and other costs defined by contract.

(3) Pay a partial claim prior to foreclosure by agreement with the insured.

(b) In any case in which the agency has insured only a portion of the outstanding principal indebtedness of a loan, it may further provide that not more than an equivalent percentage of the total accrued interest and costs shall be payable by the agency pursuant to this section in the event of a default.

(Repealed and added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51659. In the event of a default on an insured loan not secured by a first mortgage, the agency may, in lieu of proceeding under Section 51658, acquire the insured loan and any security therefor upon payment to the approved lending institution of an amount equal to the unpaid principal balance of the loan, accrued interest, and other costs that the agency finds are fair, reasonable, and authorized.

(Repealed and added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51660. The agency may initiate programs of coinsurance or reinsurance with, and may procure reinsurance from, any state agency, local agency, agency of the United States, or private mortgage insurer in order to accomplish more effectively the purposes of this part. The agency may coinsure or reinsure loans made or originated by approved lending institutions which are otherwise insurable under this part.

(Added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51661. The agency may provide for, and require attendance at, homeownership counseling and training courses as a condition to the insurance of loans for the purchase or refinancing of residential structures under this part.

(Added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)

51662. The agency may commence any action to protect or enforce any right conferred upon it by any law, mortgage, contract of insurance, or any other agreement. The agency may bid for and purchase property sold in satisfaction thereof at any foreclosure or other sale or may otherwise acquire and take possession of that property.

(Added by Stats. 1993, Ch. 115, Sec. 4. Effective July 15, 1993.)