

"(1) (1) In addition to mortgages insured under the other provisions of this section, the Secretary is authorized to insure under this subsection, as hereinafter provided, mortgages executed by nonprofit organizations to finance the purchase and rehabilitation of deteriorating or substandard housing for subsequent resale to low-income home purchasers and, upon such terms and conditions as the Secretary may prescribe, to make commitments for the insurance of such mortgages prior to the date of their execution or disbursement thereon.

"(2) To be eligible for insurance under paragraph (1), a mortgage shall—

"(A) be executed by a private nonprofit corporation or association approved for purposes of this subsection by the Secretary, for the purpose of financing the purchase of property upon which there is located deteriorating or substandard housing consisting of five or more one-, two-, three-, or four-family dwellings of detached, semidetached, or row construction and of rehabilitating such dwellings with a view to subsequent resale as hereinafter provided;

"(B) be secured by the property which is to be purchased and rehabilitated with the proceeds thereof;

"(C) be in a principal amount not exceeding the fair value of the property at the time of its purchase under the mortgage plus the estimated actual cost of the proposed rehabilitation;

"(D) bear interest (exclusive of premium charges for insurance and service charge, if any) at the rate in effect under the proviso in subsection (d) (5) at the time of execution;

"(E) provide for complete amortization (subject to paragraph (5) (E)) by periodic payments within such term as the Secretary may prescribe; and

"(F) provide for the sale of the rehabilitated dwellings in accordance with paragraph (5).

"(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property to be rehabilitated is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the rehabilitation to be carried out by the mortgagor plus its related activities and the activities of other mortgagors, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed \$20,000,000.

"(5) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement (in form and substance satisfactory to the Secretary) that it will sell the dwellings involved, upon completion of their rehabilitation, to individuals or families (hereinafter referred to as 'low-income purchasers') determined by the Secretary to have incomes below the maximum amount specified (with respect to the area involved) in section 101(c)(1) of the Housing and Urban Development Act of 1965.

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to low-income purchasers under subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount equal to that portion of the unpaid balance of the principal mortgage covering the property (insured under paragraph (1)) which is allocable to the individual dwelling involved; and

"(ii) bear interest at the same rate as the principal mortgage, and provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage.

"(C) The price for which any individual dwelling is sold to a low-income purchaser under this paragraph shall be the amount of the mortgage covering the sale as determined under subparagraph (B), except that the purchaser shall be required to pay on account of the property at the time of purchase such amount (which shall not be less than \$200, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate in the circumstances.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the principal mortgage, and such mortgage shall thereupon be replaced by an individual mortgage insured under this paragraph to the extent of the portion of its unpaid balance which is