

(The letters referred to follow:)

FEDERATION OF SECTION 213's, INC.,
November 15, 1965.

MT. HARRY E. JOHNSON,
Director, Cooperative Housing Division,
Federal Housing Administration,
Washington, D.C.

DEAR MR. JOHNSON: You have advised me by telephone that a ruling has been made, in the form of a legal written opinion by the legal staff of the FHA to the effect that in the implementation of section 213(1) of the Housing Urban Development Act of 1965, there will be no requirement for the newly formed management fund to reimburse the general insurance fund for any sums received from the general insurance fund.

It would be helpful to us to have this information confirmed in writing and we would appreciate hearing from you as soon as possible in this regard.

Sincerely yours,

SEYMOUR D. REICH,
President.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
FEDERAL HOUSING ADMINISTRATION,
Washington, D.C., November 23, 1965.

Re cooperative management housing insurance fund.

Mr. SEYMOUR D. REICH,
President, Federation of Section 213's, Inc.,
Jackson Heights, N.Y.

DEAR MR. REICH: Pursuant to the request contained in your letter of November 15, 1965, I am enclosing herewith a copy of my memorandum of August 31, 1965, and a copy of our General Counsel's memorandum of September 3, 1965, the contents of which are self-explanatory.

Very truly yours,

HARRY E. JOHNSON,
Director, Cooperative Housing Division.

SEPTEMBER 3, 1965.

To: Mr. Lester H. Thompson, Assistant Commissioner-Comptroller.

From: A. M. Prothro, General Counsel.

Subject: Cooperative management housing insurance fund.

The question whether all funds transferred from the general insurance fund to the cooperative management housing insurance fund are to be treated as "loans" and therefore repayable to the general insurance fund has been raised by you and by the Director of the Cooperative Housing Division. (See attached memorandum dated August 31, 1965, from Mr. Johnson to Mr. Mowatt.)

Under the amended provisions of section 213 of the National Housing Act, funds may be transferred to the cooperative management housing insurance fund pursuant to the provisions of subsection (k), (m), and (o).

Section 213(i) provides for repayment to the general insurance fund of any funds transferred to the cooperative management housing insurance fund pursuant to the provisions of subsection (k) or (o) before any distributable shares is distributed. Assets transferred pursuant to these subsections may, therefore, be considered as loans. No such requirement is made with respect to funds transferred to the cooperative management housing insurance fund pursuant to subsection (m).

Under the provisions of subsection (m) the Commissioner is authorized to transfer to the cooperative management housing insurance fund existing commitments for insurance and insured mortgages provided the mortgagees consent to such transfer. It seems clear that the statutory intent is that transfers under subsection (m) will include transfers of both liabilities and assets relating to the commitments and mortgages placed in the cooperative management housing insurance fund. The assets transferred pursuant to subsection (m) would be available for the payment of distributable shares as the Commissioner may direct without regard to repayment to the general insurance fund of the assets thus transferred. In this connection it should be noted that section 519(a) of