

**DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT**

**Office of the Assistant Secretary for  
Housing—Federal Housing  
Commissioner**

**24 CFR Part 203**

[Docket No. R-95-1778; FR-3866-F-01]

RIN 2502-AG47

**Single Family Mortgage Limits:  
Redelegation of Authority; Final Rule**

**AGENCY:** Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

**ACTION:** Final rule.

**SUMMARY:** This final rule amends HUD's Single Family Mortgage Insurance regulations to recognize the redelegation of the authority to increase Federal Housing Administration (FHA) single family maximum mortgage limits and designate high cost areas. The FHA Commissioner is redelegating this authority to certain officials in HUD's local offices. This redelegation is consistent with the primary objectives of the recent reorganization of HUD's Office of Housing, which are to provide local offices with more direct authority and to enhance the delivery of services to clients.

**EFFECTIVE DATE:** April 27, 1995.

**FOR FURTHER INFORMATION CONTACT:** Maynard Curry, Office of Insured Single Family Housing, Room 9276, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410, telephone (202) 708-2121, or (202) 708-4594 (TDD). (These numbers are not toll-free.)

**SUPPLEMENTARY INFORMATION:**

**Background**

Section 203(b)(2) of the National Housing Act and 24 CFR 203.18(a)(1) prevent insured mortgages for 1-family residences from exceeding 95 percent of the median house price for the area, as determined by the Secretary. To date, the determination of the median price is based on actual sales prices for new and existing homes. The authority to make this determination has been delegated to the Assistant Secretary for Housing—Federal Housing Commissioner (the Commissioner). The Commissioner issues periodic notices in the **Federal Register** announcing the mortgage limits for each area of the country after determining the median house price for each area. A local HUD office can recommend interim changes for specific areas based on locally-gathered information on changes in house prices,

but those changes cannot be announced without approval by the Commissioner.

HUD has recently been reorganized to provide more direct authority to its local offices regarding operation of its programs. Regulations that reserve to Headquarters functions that are locally-based, such as the determination of median house prices in an area, are inconsistent with the new emphasis on empowerment of local offices.

HUD is taking two actions to recognize the reorganization and to facilitate the timely adjustment of area mortgage limits in response to increases<sup>1</sup> in median area house prices. First, HUD is amending two provisions in the current regulations (24 CFR 203.18(h) and 203.18(b)(2)) to provide greater administrative flexibility regarding the determination and announcement of mortgage limits based on median area house prices. Second, HUD is preparing a formal delegation of authority to identify specified officials in the local offices who are authorized to determine median area house prices and the resulting maximum mortgage amounts. HUD is also publishing this delegation of authority today as a separate document.

HUD expects that increases in median house prices can be determined at the local level more rapidly than at Headquarters and with comparable accuracy. Currently Headquarters staff makes recommendations to the Commissioner based on two approaches. Under the first approach, a comprehensive review is performed of median house prices in all areas. This review occurs from time to time, but normally no more frequently than annually. Price data comes from two sources: the Federal Housing Finance Board (FHFB) and the WEFA Group, a private consulting firm. A chart is prepared for approval by the Commissioner that shows the maximum mortgage amount for each area based on 95 percent of the median house price in the area (subject to a statutory floor and ceiling on these amounts). The last such chart was published in the **Federal Register** on March 15, 1993 (58 FR 13950).

HUD also has a procedure for receiving and reviewing local appeals between publication of the charts with national updates if "any party believes that a mortgage limit established by the Secretary \* \* \* does not accurately reflect the median house prices in an area." 24 CFR 203.18(a). The party

<sup>1</sup> HUD has avoided reducing mortgage limits in response to temporary reductions in local market prices. Therefore, the focus of this rulemaking is only on increases to mortgage limits.

seeking a change in the mortgage limit (typically a mortgagee or an organization of mortgagees or real estate professionals) must collect and submit data showing the actual sales prices for all new and existing homes in the area over a period of time that varies with the number of sales involved. This data goes to the local office, which submits a recommendation based on the data to the Commissioner for a final determination. Once the Commissioner approves a change in the mortgage limit for an area based on the change in median house price, the new mortgage limit can be made effective through an administrative announcement to affected mortgagees in advance of being included in a **Federal Register** notice.

Under this final rule, the local appeals approach will serve as the usual method leading to mortgage limit increases, except that local offices may also take the initiative in generating submissions of actual sales price data to compensate for the lack of periodic national updates. The change in regulations and the delegation of authority do not prevent the Commissioner from also approving appropriate mortgage limit increases when information available to the Commissioner indicates that increases are warranted. The Commissioner may continue to receive periodic information on median house prices from national sources such as FHFB and the WEFA Group to confirm the accuracy of local office determinations. The Commissioner will maintain a national compilation of mortgage limits for all areas and may choose to continue periodic publication of a national compilation in the **Federal Register** for information purposes.

HUD will add a new chapter to HUD Handbook 4000.2 to ensure that local offices have adequate instructions on their new role. These instructions will cover such matters as appropriate sources of house sales price data, extra weight that may be given to new home sales prices in certain circumstances, and identification of the pertinent "area" in compliance with the statutory definition of that term. These instructions should ensure a high degree of consistency in approach among the different local offices.

**Justification for Final Rulemaking**

In general, HUD publishes a rule for public comment before issuing a rule for effect, in accordance with its own regulations on rulemaking in 24 CFR part 10. However, part 10 provides an exception from that general rule with respect to rules governing HUD's organization or its own internal practices or procedures. This final rule

is limited to a revision of the respective roles of the Commissioner and the local offices and therefore qualifies for the exception.

#### Other Matters

##### *Regulatory Flexibility Act*

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that this rule does not have a significant economic impact on a substantial number of small entities. The redelegation of authority implemented by this rule is a matter of HUD's internal practices or procedures, and it will not have an impact on small entities.

##### *Environmental Impact*

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.20(k) of the HUD regulations, the policies and procedures contained in this rule relate only to delegations of authority and therefore are categorically excluded from the requirements of the National Environmental Policy Act.

##### *Executive Order 12612, Federalism*

The General Counsel, as the Designated Official under section 6(a) of Executive Order 12612, *Federalism*, has determined that the policies contained in this rule will not have substantial direct effects on States or their political subdivisions, or the relationship

between the Federal government and the States, or on the distribution of power and responsibilities among the various levels of government. The redelegation of authority implemented by this rule is a matter of HUD's internal practices or procedures. As a result, the rule is not subject to review under the Order.

##### *Executive Order 12606, The Family*

The General Counsel, as the Designated Official under Executive Order 12606, *The Family*, has determined that this rule does not have potential for significant impact on family formation, maintenance, and general well-being, and thus is not subject to review under the Order. No significant change in existing HUD policies or programs will result from promulgation of this rule, as those policies and programs relate to family concerns.

##### *Regulatory Agenda*

This rule was not listed in HUD's Semiannual Agenda of Regulations published on November 14, 1994 (59 FR 57632) in accordance with Executive Order 12866 and the Regulatory Flexibility Act.

#### List of Subjects in 24 CFR Part 203

Hawaiian Natives, Home improvement, Indians—lands, Loan programs—housing and community development, Mortgage insurance,

Reporting and recordkeeping requirements, Solar energy.

Accordingly, HUD amends 24 CFR part 203 as follows:

#### **PART 203—SINGLE FAMILY MORTGAGE INSURANCE**

1. The authority citation for part 203 is revised to read as follows:

**Authority:** 12 U.S.C. 1709, 1710, 1715b, and 1715u; 42 U.S.C. 3535(d).

2. In § 203.18, paragraph (h) is revised to read as follows:

##### **§ 203.18 Maximum mortgage amounts.**

\* \* \* \* \*

(h) *Notice of maximum mortgage amount.* A maximum mortgage amount based on the 1-family median house price for an area under paragraph (a)(1) of this section may be made effective by:

(1) Providing direct notice to affected mortgagees through an administrative issuance; or

(2) Publishing a notice in the **Federal Register**.

##### **§ 203.18b [Amended]**

3. In § 203.18b, paragraph (b)(2) is amended by removing the second sentence.

Dated: March 20, 1995.

**Nicolas P. Retsinas,**

*Assistant Secretary for Housing—Federal Housing Commissioner.*

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