

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Housing-Federal Housing Commissioner

24 CFR Parts 203 and 206

[Docket No. FR-2958-F-03]

RIN 2502-AF32

Home Equity Conversion Mortgage Insurance Demonstration: Streamlining the Demonstration and Allowing Use of the Direct Endorsement Program

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

ACTION: Final rule.

SUMMARY: This rule makes final, without substantive changes, the interim rule that was promulgated by the Department on August 16, 1995, to amend HUD's regulations in 24 CFR parts 203 and 206. The interim rule simplified the Home Equity Conversion Mortgage (HECM) Insurance Demonstration and expedited the processing of HECMs by permitting use of the Direct Endorsement program. The interim rule also implemented the statutory disclosure amendments in section 334 of the Cranston-Gonzalez National Affordable Housing Act and made other changes, including technical and clarifying changes, to improve and streamline the program based on the first five years of the demonstration. This final rule does contain a correction to a technical error in the interim rule.

EFFECTIVE DATE: January 22, 1996.

FOR FURTHER INFORMATION CONTACT: Richard K. Manuel, Acting Director, Single Family Development Division, Office of Insured Single Family Housing, Room number 9272, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410, telephone (202) 708-2700; TDD (202) 708-9300. (These are not toll-free telephone numbers.)

SUPPLEMENTARY INFORMATION: The Home Equity Conversion Mortgage (HECM) Insurance Demonstration was authorized by Section 417 of the Housing and Community Development Act of 1987 (42 U.S.C. 5301), which amended Section 255 of the National Housing Act (12 U.S.C. 1715z-20) to permit elderly homeowners to borrow against the equity in their homes. HUD published final regulations on June 9, 1989, at 54 FR 24823, issued HUD Handbook 4235.1 for the program in August 1989, and immediately began

processing applications for commitments to insure. The regulations were codified at 24 CFR part 206. Revision 1 to HUD Handbook 4235.1 was issued in November 1994.

On August 16, 1995, the Department promulgated an interim rule, at 60 FR 42754, which reflected ideas for improving the program regulations based on experience from the first five years of the demonstration. It also reflected HUD's implementation of section 334 of the Cranston-Gonzalez National Affordable Housing Act (NAHA) (42 U.S.C. 12701), regarding additional disclosures to the mortgagor before loan closing, including projections of future loan balances and information that the mortgagor's liability is limited. The public was given 60 days in which to submit comments on the interim rule, and no public comments were received. Therefore, this rule makes final the interim rule without any substantive changes. This final rule does contain a correction to a technical error in the interim rule. The second and third sentences of 24 CFR 206.45(b) were inadvertently dropped from the Code of Federal Register when an amendment was made to the first sentence of that section. This final rule restates those two sentences.

Other Matters

Environmental Impact

A Finding of No Significant Impact with respect to the environment has been made in accordance with HUD regulations at 24 CFR part 50, which implements section 102(2)(C) of the National Environmental Policy Act of 1969 (NEPA). This Finding of No Significant Impact is available for public inspection between 7:30 a.m. and 5:30 p.m. weekdays in the Office of the Rules Docket Clerk, Office of the General Counsel, Department of Housing and Urban Development, Room 10276, 451 Seventh Street, SW, Washington, DC 20410.

Impact on Small Entities

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this final rule before publication and by approving it certifies that this final rule will not have a significant economic impact on a substantial number of small entities. This final rule makes final, without changes, an interim rule that was limited to revision of the Home Equity Conversion Mortgage Demonstration. Specifically, the requirements of the interim rule were directed to making the program more efficient for participating

mortgagees, mortgagors and the Department.

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. 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 final rule will 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.

List of Subjects

24 CFR Part 203

Hawaiian natives, Home improvement, Indians—lands, Loan programs—housing and community development, Mortgage insurance, Reporting and recordkeeping requirements, Solar energy.

24 CFR Part 206

Aged, Condominiums, Loan programs—housing and community development, Mortgage insurance, Reporting and recordkeeping requirements.

Accordingly, the interim rule published on August 16, 1995, at 60 FR 42754, is adopted as final, with the following amendment:

PART 206—HOME EQUITY CONVERSION MORTGAGE INSURANCE

1. The authority citation for part 206 continues to read as follows:

Authority: 12 U.S.C. 1715b, 1715z-200; 42 U.S.C. 3535(d).

2. In § 206.45, paragraph (b) is revised to read as follows:

§ 206.45 Eligible properties.

* * * * *

(b) *Type of property.* The property shall include a dwelling designed principally as a residence for one family

or such additional families as the Secretary shall determine. The dwelling may be connected with other dwellings by a party wall or otherwise. A condominium unit designed for one-family occupancy shall also be an eligible property.

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Dated: November 29, 1995.

Nicolas P. Retsinas,
*Assistant Secretary for Housing—Federal
Housing Commissioner.*

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