

# Rules and Regulations

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## OFFICE OF SPECIAL COUNSEL

### 5 CFR Part 1800

#### Correction to Statutory Citation

**AGENCY:** Office of Special Counsel

**ACTION:** Final Rule; Technical Amendment

**SUMMARY:** The Office of Special Counsel (OSC) is correcting a statutory citation in its regulation on filing complaints of prohibited personnel practices or other prohibited activity at 5 CFR 1800.1.

**DATES:** This rule is effective on **December 24, 2002.**

**FOR FURTHER INFORMATION CONTACT:** Kathryn Stackhouse, Planning and Advice Division, by telephone at (202) 653-8971, or by fax at (202) 653-5161.

**SUPPLEMENTARY INFORMATION:** This action is directed to the public in general, and to current and former Federal employees and applicants for Federal employment in particular, who may want to allege a prohibited personnel practice or other violation of civil service law, rule, or regulation by a Federal agency.

OSC is correcting an erroneous statutory citation to federal merit system principles in its regulation on filing complaints of prohibited personnel practices at 5 C.F.R. 1800.1(a)(12). The citation in the current regulation refers to 5 U.S.C. 2302(b)(1). This citation, however, is incorrect, and should read 5 U.S.C. 2301(b).

This action is taken under the Special Counsel's authority, at 5 U.S.C. 1212(e), to publish regulations in the Federal Register. Under the Administrative Procedure Act, at 5 U.S.C. 553(b)(3)(B), statutory procedures for agency rulemaking do not apply "when the agency for good cause finds (and incorporates the finding and a brief statement of reasons therefor in the rules issued) that notice and public procedure thereon are impracticable,

unnecessary, or contrary to the public interest." OSC finds that such notice and public procedure are unnecessary and contrary to the public interest, on the grounds that: (1) this amendment is technical and non-substantive; and (2) the public benefits from early correction of an incorrect statutory citation.

OSC is submitting this final rule to Congress and the General Accounting Office pursuant to the Congressional Review Act. The rule is effective upon publication, as permitted by 5 U.S.C. 808. Pursuant to 5 U.S.C. 808(2), OSC finds that good cause exists for this effective date, based on the reasons cited in the preceding paragraph.

#### List of Subjects in 5 CFR Part 1800

Equal employment opportunity, Government employees, Reporting and recordkeeping requirements, Whistleblowing

For the reasons set forth in the preamble, the Office of Special Counsel is amending title 5, part 1800 as follows:

#### Part 1800 - Filing of Complaints and Allegations

1. The authority citation for Part 1800 continues to read as follows:

**Authority:** 5 U.S.C. 1212(e).

2. Replace the statutory citation in § 1800.1(a)(12) that reads "5 U.S.C. 2302(b)(1)" with "5 U.S.C. 2301(b)".

Dated: December 16, 2002.

**Elaine D. Kaplan,**  
*Special Counsel.*

[FR Doc. 02-32375 Filed 12-23-02; 8:45 am]

**BILLING CODE 7405-01-S**

## DEPARTMENT OF AGRICULTURE

### Rural Housing Service

### Rural Business—Cooperative Service

### Rural Utilities Service

### Farm Service Agency

**7 CFR Parts 1806, 1822, 1924, 1925, 1927, 1930, 1940, 1944, 1948, 1950, 1951, 1955, 1965, 1980, and 3550**

**RIN 0575-AB99**

### Reengineering and Reinvention of the Direct Section 502 and 504 Single Family Housing (SFH) Programs

**AGENCIES:** Rural Housing Service, Rural Business—Cooperative Service, Rural Utilities Service, and Farm Service Agency, USDA.

**ACTION:** Final rule.

**SUMMARY:** The Rural Housing Service (RHS), published an interim final rule on November 22, 1996 (61 FR 59761-59802) requesting comments on the Single Family Housing regulations. This action incorporates the changes made as a result of the comments received and is taken to further reduce unnecessary Federal regulations, improve customer service, and improve the agency's ability to achieve greater efficiency, flexibility and effectiveness in managing its SFH portfolio. The intended effect of this action is to improve service to rural America and comply with the Administration's goal of reducing unnecessary Federal regulations.

**EFFECTIVE DATE:** January 23, 2003 except 3550.63 (the maximum loan limit) will be effective on March 24, 2003.

**FOR FURTHER INFORMATION CONTACT:** Thomas P. Dickson, Senior Loan Specialist, Single Family Housing, Direct Loan Division, Rural Housing Service, U.S. Department of Agriculture, Stop 0783, 1400 Independence Avenue, SW., Washington, DC 20250-0783, telephone (202) 720-1474.

#### SUPPLEMENTARY INFORMATION:

#### Classification

This rule has been determined to be not significant and was not reviewed by the Office of Management and Budget (OMB) under Executive Order 12866.

### Paperwork Reduction Act of 1995

The information collection requirements contained in this regulation have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. chapter 35 and have been assigned OMB control number 0575-0172, in accordance with the Paperwork Reduction Act (PRA) of 1995. This rule does not impose any new or modified information collection requirements.

### Civil Justice Reform

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. In accordance with that Executive Order: (1) All state and local laws and regulations that are in conflict with this rule will be preempted; (2) no retroactive effect will be given to this rule; and (3) administrative proceedings in accordance with the regulations of the National Appeals Division of USDA at 7 CFR part 11 must be exhausted before bringing suit in court challenging action taken under this rule unless those regulations specifically allow bringing suit at an earlier time.

### Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Pub. L. 104-4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. Under section 202 of the UMRA, 2 U.S.C. 1532, RHS generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with "Federal mandates" that may result in expenditures to State, local, or tribal governments, in the aggregate, or to the private sector, of \$100 million or more in any one year. When such a statement is needed for a rule, section 205 of the UMRA generally requires RHS to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, more cost-effective or least burdensome alternative that achieves the objectives of the rule. This rule contains no Federal mandates (under the regulatory provisions of Title II of the UMRA) for State, local, and tribal Governments or the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

### Programs Affected

The following programs are affected by this final rule: 10.410 Very Low to Moderate Income Housing Loans, 10.417 Very Low-Income Housing Repair Loans and Grants, 10.770 Water and Waste Disposal Loans and Grants (Section 306C).

### Intergovernmental Consultation

For the reasons set forth in the final rule related Notice to 7 CFR part 3015, subpart V, only the Water and Waste Disposal Loans and Grants are subject to Executive Order 12372 which requires intergovernmental consultation with State and local officials.

### Environmental Impact Statement

This document has been reviewed in accordance with 7 CFR part 1940, subpart G, "Environmental Program." It is the determination of RHS that this action does not constitute a major Federal action significantly affecting the quality of the human environment, and in accordance with the National Environmental Policy Act of 1969, Pub. L. 91-190, an Environmental Impact Statement is not required.

### Regulatory Flexibility Act

This rule has been reviewed with regard to the requirements of the Regulatory Flexibility Act (5 U.S.C. 601-612). The undersigned has determined and certified by signature of this document that this rule will not have a significant economic impact on a substantial number of small entities since this rulemaking action does not involve a new or expanded program.

### Background Information

The RHS published an interim final rule on November 22, 1996 (61 FR 59761-59802) for reengineering and reinventing how direct loans and grants under sections 502 and 504 of the Housing Act of 1949 are made and serviced. The Agency made the decision to publish this as an interim final rule in order to give the public the opportunity to comment on four particular sections. These sections cover areas where the Agency needed further comment and analysis completed to determine the impact of the changes on the section 502 program. The areas that were of most concern to the RHS related to payment subsidies and defining modest housing. Analyses and research were done based on the comments received, and the Agency has made revisions to the definition of modest housing, which will increase our level of customer service and reduce costs to the taxpayer by increasing the modest housing limit in areas where the limit was too low to finance modest homes, especially new construction, and lowering the limit in other areas where the financing of housing was considered more than "modest." The result will be a more equitable and flexible program serving more customers at a lower cost to the taxpayer.

### Implementation of This Rule

This final rule includes provisions pertaining to the definition of a modest dwelling and the maximum loan limit that an applicant can receive to purchase a single-family residence. In order to implement this rule, States must gather certain data on improved lot sales for each county in their state. States will be allowed up to 45 days to gather the information, conduct an analysis, and prepare a recommendation to be submitted to the Administrator. Upon receipt, the Administrator will review and, if acceptable, approve the State's recommendation during the next 45-day period. Once the State receives approval, they will make the new maximum loan limits available in the State Office and their local offices.

All provisions of this rule are effective 30 days after publication in the **Federal Register**, except the maximum loan limit, which will be effective 90 days from the date of publication. All pending applications will be subject to this final rule unless the applicant received Form RD 1944-59, "Certificate of Eligibility," or submitted a contract for the purchase of a property or to build a home prior to the effective date of the new maximum loan limits. Details of the provisions adopted in this rule are given in the "Discussion of Comments" section.

### Discussion of Comments

The interim final rule was published in the **Federal Register** on November 22, 1996, with a 30-day comment period that ended December 26, 1996. Seven comments were received from Rural Development personnel, housing advocacy groups, developers, builders, housing authorities, housing organizations, and other interested parties. Written comments were requested specifically for the following four sections: 3550.53(g), 3550.57(a), 3550.63, and 3550.68. These comments are discussed below. Comments also were received on three additional sections: 3550.53(a), 3550.53(h), and 3550.56(b). These unsolicited comments have not been addressed.

#### *Section 3550.53(g) Repayment Ability*

Six comments were received on this section. Two comments were in favor of using the same principal, interest, taxes and insurance (PITI) ratio of 33 percent for both low and very low-income applicants. They felt this would be simpler and fairer for both income groups. One commentator felt that using 29 percent promoted very low-income applicants to carry more debt. Two commentators felt that the PITI ratio

should be capped at 29 percent for both low and very low-income applicants. One commentor felt that the 29 percent cap coupled with exclusively using the equivalent interest rate method of payment assistance would promote applicants' shopping for more affordable housing. The other commentor felt that using 29 percent PITI would make the program consistent with the Guaranteed Housing Program.

The Agency considered these comments and determined that there is merit in having different PITI ratios for very low- and low-income applicants. Low-income applicants have relatively more disposable income for PITI and can afford to pay a higher amount for PITI than very low-income applicants. The Agency determined that the two separate PITI ratios at 29 percent for very low-income and 33 percent for low-income should continue. The lower PITI ratio for very low-income applicants allows them to pay a more affordable payment and keeps the overall subsidy provided at a lower rate. Very low-income applicants have less disposable income available with which to make payments. The amount of subsidy will be lower due to the overall lower payment. As for the total debt (TD) load of very low-income applicants, the 41 percent ratio allows a very low-income applicant to carry some debt load considered a necessity, such as medical expenses or a car payment.

One commentor recommended lowering the PITI ratios because of the high cost of construction in the commentor's particular State and the fact that many people in the State live a subsistence lifestyle with little or no cash income. The issue in this comment had more to do with cash for repayment. The program is a loan program. The program requires that eligible recipients repay their loan and; therefore, some type of adequate cash income is needed to do so.

One commentor agreed that the ratios set forth in the interim final rule are fair and similar to those in other mortgage lending programs.

#### *Section 3550.57(a) Modest Dwelling*

Five comments were received regarding the definition of modest dwelling. Four of these agreed that the use of 203(b) of the National Housing Act (12 U.S.C. 1709(b)) is the best way to determine modest housing. Two of these were of the opinion that there are many areas where some reduction from these limits is in order. The Agency has studied the effect of the use of the section 203(b) limits of the National Housing Act and the cost of modest

housing in rural areas. The adoption of the section 203(b) limits of the National Housing Act has led in many areas to the financing of housing that RHS believes to be more than "modest." In addition, the limits are so low in other areas, and are not based on rural statistics, that the Agency is unable to finance homes (especially new construction). A modification of the loan limits is needed because of the desire to serve as many low and very low-income rural residents as possible and to ensure that the Agency is clearly financing only modest homes.

Several possibilities were explored for defining modest housing. One of these compared the adjusted county median income to typical loan amounts made during fiscal years 1991 through 1995, while square footage limitations defined modest housing. The response to this proposal was generally negative. Some thought it was too complicated while others thought that the section 203(b) limit of the National Housing Act is more recognized and understood, whereas median income is not.

The Agency then conducted an historical analysis of the relationship between the section 203(b) limit of the National Housing Act and section 502 loan amounts. This analysis showed that in most States, the 203(b) limit of the National Housing Act exceeds the cost of historically modest housing. It was clear that the 203(b) limit of the National Housing Act has little or no correlation to the actual price of rural housing, particularly in counties that are not "high cost." In addition, the historical data supported the claim that in the majority of counties, RHS has made loans significantly lower than 203(b) of the National Housing Act.

Also, the Agency utilized a nationally recognized source for providing residential cost data related to new construction to assist in this endeavor. The vehicle calculated costs for new construction on a county by county basis throughout the country, based on parameters that closely defined modest housing in terms of size and amenities. These numbers did not include the cost of an improved site. States were requested to establish the market value of improved sites including the market value of the lot, the cost of water and sewer hookup or well and a septic system, driveway and landscaping, based upon their own market analysis of comparable sales or other substantiated data. Each Rural Development State Office was provided the construction cost numbers and was asked to add the market value of an improved site to these numbers to arrive at a maximum loan limit. A majority of the states

indicated that this loan limit most closely represented the type of modest housing being constructed in their State.

In addition, consideration was given to allow States to use a recognized established loan limit such as those set by a State Housing Authority as long as the limits were within a close percentage (5 to 10 percent) of the limit for construction cost plus market value of the unimproved site discussed above.

Another commentor was concerned that lower cost should not be confused with low quality, and that quality construction with good insulation and structural soundness will decrease the likelihood of defaults. The Agency supports quality construction. In accordance with 42 U.S.C. 1479(a), the Agency requires in § 3550.57 that new homes to be built in accordance with the building code for the particular area of the country where the house is being constructed. Additionally, 7 CFR part 1924, subpart A, exhibit D requires that houses be insulated according to the Model Energy Code (MEC) appropriate for the area.

The discussion of modest housing limits and maximum loan amounts are closely related. See § 3550.63, Maximum loan amount, for a full discussion of these comments. In sum, the Agency has determined that "modest housing" generally may not have a market value in excess of the maximum loan limit under that section.

#### *Section 3550.63 Maximum Loan Amount*

The comments under this section were essentially identical to those received on §§ 3550.53(g), 3550.57(a), and 3550.68. The Agency received six comments on the maximum loan amounts. One of the commentors felt that using State non-metro average income would be a better way to determine maximum loan amount. While it is true that housing fair market values are higher in areas of higher income, based on the Agency's past experience, there is no consistent direct relationship between income and housing values across the country. In other words, housing values are more related to location. Areas across the country with similar median incomes do not necessarily have similar housing values. Therefore, this comment was not adopted.

Another commentor recommended a provision for exceeding the appraised value when another affordable housing agency or non-profit is providing forgivable loans for closing or down payment assistance. The Agency allows the appraised value to be exceeded by the cost of an appraisal and other

allowable closing costs, regardless of where the financing is obtained. However, the Agency agrees that some flexibility should be allowed when forgivable loans or grants are provided for the purpose of down payment assistance and closing costs. The Agency has determined that in those cases where there is a grant or forgivable subordinate affordable housing products, the total debt may exceed the market value by the amount of the forgivable loan or grant up to 5 percent. This will provide the needed flexibility and not put the Agency at undue risk of loss. Any additional amount above the appraised value is not authorized and would leave the Agency unsecured in the event of default. The Agency also has revised the security requirements at § 3550.59(a)(2) accordingly to allow a junior lien if the junior lien will not interfere with the purpose of repayment of the RHS loan. If the junior lien involves a grant or forgivable subordinate affordable housing product, the total debt may exceed the market value by the amount of the forgivable loan or grant up to 5 percent.

Three of the comments received supported the reduction to a percentage of the 203(b) limit of the National Housing Act. Two of these agreed that State Directors should have the ability to determine which areas need higher maximum loan amounts.

After considering all of the comments and the above options, the Agency has concluded that there is no simple solution in determining maximum loan amount. Therefore, the Agency will provide States with some flexibility in determining the maximum loan amount in their State. The Agency will provide each State with the option of choosing between the cost data plus the market value of an improved lot, or the State Housing Authority (SHA) limit, as long as the SHA limit is within 10 percent of the cost data plus the market value of an improved lot. States must determine which value most appropriately reflects the value of modest for the area. However, either option cannot exceed the current 203(b) limit of the National Housing Act.

Both of these methods rely on actual market data for the cost of constructing a dwelling in a specific area, plus data a state collects for the market value of an improved site. The Agency will provide construction cost data to each state annually, and states will be required to publish a State Administrative Notice annually establishing limits that are to be used. The flexibility added to this section negates the need for an area-wide exception to the modest dwelling

requirement of § 3550.57, so it has been removed.

#### *Section 3550.68 Payment Subsidies*

There were four comments received. One commentor stated that only one method of calculating subsidy should be used and recommended using the equivalent interest rate (EIR) method. The same commentor felt that the EIR is the only method that takes the price of a house into consideration when determining affordability and that use of the floor computation does not give the applicant the option of choosing lower priced housing. The floor computation is the relationship between a borrower's adjusted income and the applicable adjusted median income in the area in which the security property is located.

Another commentor suggested that floor payments should be made in one percent increments from 22 to 26 percent. The same commentor went on to propose that the EIR scale should be modified to reflect interest rates divided in  $\frac{1}{4}$  percent interest increments and five percent income increments. This commentor suggested that subsidy would be easier to determine based on a flat percentage of an applicant's adjusted income. Another commentor suggested subsidy based on an applicant paying a flat 30 percent of annual income for principal, interest, taxes, insurance and utilities and maintenance.

In response to these comments, the Agency has made no changes to the policy established in the interim rule. The Agency uses the floor and EIR comparison method of determining payment subsidy to reduce the costs of the program and; therefore, increase the number of families we can assist. This method allows subsidy costs to be at a minimum while maintaining affordability for low and very low-income families. Applicants are not asked to pay any more than 22, 24, or 26 percent of their income, depending on the percent of median income, for total PITI. The Agency has used this formula since 1996 and has experienced no problems with it. The Agency considers these percentages reasonable for a very low- or low-income applicant to pay for housing costs and is not proposing any changes to the payment assistance formula at this time.

#### **Technical Corrections and Clarifications**

In addition to the changes being made to §§ 3550.53(g), 3550.57(a), and 3550.63, we are also providing the following technical corrections, omission corrections and clarifications of the interim rule. A summary of these

technical corrections and clarifications follows. Conforming changes are also being made to update obsolete references in other regulations associated with the Direct Section 502 and 504 programs.

#### *Section 3550.10 Definitions*

The definition for "modest housing" was modified due to the changes in §§ 3550.57(a) and 3550.63 discussed above. This change makes the sections consistent.

#### *Section 3550.52 Loan Purposes*

A paragraph from the obsolete 7 CFR 1944.22(c) was inadvertently omitted in this section in the interim rule. This paragraph allows for refinancing of a non-RHS debt if the loan is \$5,000 or more and is necessary for repairs to correct major deficiencies and make the dwelling decent, safe and sanitary and the refinancing is necessary for the borrower to show repayment ability, regardless of the delinquency. This final rule corrects that omission.

#### *Section 3550.53 Eligibility Requirements*

The credit requirements of this section have been interpreted inconsistently. The language is confusing because it includes both installment debts such as a car loan and credit card debt. These two distinct types of credit must be looked at in their own context. Therefore, we are clarifying the indicators of unacceptable credit to include payments on any account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months and payments on any account which was delinquent for more than 30 days on two or more occasions within a 12-month period. A correction was made to state that Agency debts that were debt settled within the last 36 months or are being considered for debt settlement is considered adverse credit. Corrections were also made to this section by renumbering and redesignating paragraphs.

In addition to addressing the above comments, we added an omission from the obsolete 7 CFR 1944.8(a)(2)(i), which required an applicant to have adequate and dependable income. Dependably available income is a basic eligibility requirement, which necessitates the need to re-introduce this into the calculation of repayment ability. The determination of income dependability will include consideration of an applicant's past history of annual income.

*Section 3550.54 Calculation of Income and Assets*

A correction was made to this section to change wording from family member to household member in calculating adjusted income. This is necessary to make the section internally consistent, as all household income must be included in determining annual and adjusted income.

*Section 3550.59 Security Requirements*

A correction was made to this section to clarify how the market value may be exceeded up to 5 percent when a junior lien involves a grant or a forgivable affordable housing product.

*Section 3550.66 Interest Rate*

This section has been changed for clarity to remove the reference to the non-program interest rate. This section is for program loans only.

*Section 3550.70 Conditional Commitments*

Spelling and grammatical corrections have been made to the first paragraph.

*Section 3550.100 OMB Control Number*

This section has been changed to correct the OMB control number from 0575-0166 to 0575-0172.

*Subpart C—Section 504 Origination*

This subpart has been modified to include a section on the Consolidated Farm and Rural Development Act section 306C (7 U.S.C. 1926c) Water and Waste Disposal Grants to individuals. The information on section 306C was previously included in 7 CFR part 1944, subpart J, Exhibit D, which was eliminated by the interim rule. Putting this information in 7 CFR part 3550 corrects the omission.

*Section 3550.101 Program Objectives*

This section has been modified to include a statement that the subpart also covers section 306C Water and Waste Disposal Grants.

*Section 3550.103 Eligibility Requirements*

This section was modified to clarify the indicators of unacceptable credit to include payments on any account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months and payments on any account which was delinquent for more than 30 days on two or more occasions within a 12-month period. A correction was made to state that Agency debts that were debt settled within the last 36 months or are being considered for debt settlement is

considered adverse credit. Corrections were also made to this section by renumbering and redesignating paragraphs.

*Section 3550.106 Dwelling Requirements*

This section has been corrected to remove the reference to the HUD Section 203(b) limit. This is necessary due to the change in the definition of modest dwelling.

*Section 3550.108 Security Requirements (Loans Only)*

This section has been modified to increase from \$2,500 to \$7,500 the dollar amount required before a mortgage must be obtained, due to section 702 of the American Homeownership and Economic Opportunity Act of 2000, Public Law 106-569 that amended § 504(a) of the Housing Act of 1949. This section is for section 504 loans only.

*Section 3550.114 Repayment Agreement (Grants Only)*

A correction has been made to state that the grant must be repaid if the property is sold in less than 3 years from the date the grant agreement was signed rather than when the grant was approved. This clarifies and provides consistency in determining the applicable 3-year timeframe.

*Sections 3550.115 Through 3550.119 Section 306C WWD Grant Program*

These sections have been added to include a section on 306C Water and Waste Disposal Grants. The information on Section 306C was previously included in 7 CFR part 1944, subpart J, Exhibit D which was eliminated by the interim rule. Putting this information in 7 CFR part 3550 corrects the omission.

*Section 3550.150 OMB Control Number*

This section has been changed to correct the OMB control number from 0575-0166 to 0575-0172.

*Section 3550.162 Recapture*

This section has been modified to clarify and provide additional guidance on how value appreciation of a property with a cross-collateralized loan is to be determined.

*Section 3550.163 Transfer of Security and Assumption of Indebtedness*

A correction has been made to this section for clarity to change the wording from selling security property to transferring title to secured property. This provides additional guidance for approval of assumptions of property regardless of how title is transferred.

*Section 3550.200 OMB Control Number*

This section has been changed to correct the OMB control number from 0575-0166 to 0575-0172.

*Section 3550.208 Reamortization Using Promissory Note Interest Rate*

A sixth servicing action example has been added to further clarify when an account may be reamortized using the promissory note interest rate.

*Section 3550.211 Liquidation*

This section has been corrected to state that RHS may accept partial payments on an accelerated loan and continue with the foreclosure if allowed by state law.

*Section 3550.250 OMB Control Number*

This section has been changed to correct the OMB control number from 0575-0166 to 0575-0172.

*Section 3550.251 Property Management and Disposition*

This section has been modified to clarify that program Real Estate Owned (REO) properties are reserved for buyers eligible for Rural Housing Direct or Guaranteed SFH programs rather than just Direct program eligible applicants. The section has also been clarified to state that an offer from a buyer on a program REO property who does not qualify for Direct or Guaranteed financing will be considered to have been received the day after the reservation period ends. This changes the sentence from reading "section 502 program loan" to "Direct or Guaranteed loan."

*Section 3550.300 OMB Control Number*

This section has been changed to correct the OMB control number from 0575-0166 to 0575-0172.

Conforming changes and technical corrections have been made to parts 1806, 1822, 1924, 1925, 1927, 1930, 1940, 1944, 1948, 1950, 1951, 1955, 1965, and 1980 accordingly.

**List of Subjects***7 CFR Part 1806*

Buildings, Community development, Disaster assistance, Flood plains, Housing, Insurance, Loan programs—Agriculture, Loan programs—Housing and community development, Real property insurance, Rural areas.

*7 CFR Part 1822*

Loan programs—Housing and community development, Low and

moderate income housing, Mortgages, Nonprofit organizations, Rural housing.

**7 CFR Part 1924**

Agriculture, Claims, Construction complaints, Construction defects, Construction management, Construction and repair, Energy conservation, Housing, Loan programs—Agriculture, Low and moderate income housing.

**7 CFR Part 1925**

Real property taxes, Taxes.

**7 CFR Part 1927**

Loan programs—Agriculture, Loan programs—Housing and community development, Mortgages.

**7 CFR Part 1930**

Accounting, Administrative practice and procedure, Grant programs—Housing and community development, Loan programs—Housing and community development, Low and moderate income housing, Reporting and recordkeeping requirements.

**7 CFR Part 1940**

Administrative practice and procedure, Credit, Legal services, Mortgages, Truth in lending.

**7 CFR Part 1944**

Administrative practice and procedure, Aged, Farm labor housing, Grant programs—Housing and community development, Home improvement, Loan programs—Housing and community development, Low and moderate income housing—Rental, Migrant labor, Mobile homes, Mortgages, Nonprofit organizations, Public housing, Rent subsidies, Reporting requirements, Rural housing, Subsidies.

**7 CFR Part 1948**

Business and industry, Coal, Community development, Community facilities, Energy, Grant programs—Housing and community development, Housing, Nuclear energy, Planning, Rural areas, Transportation.

**7 CFR Part 1950**

Accounting, Loan programs—Agriculture, Military personnel.

**7 CFR Part 1951**

Accounting, Account servicing, Credit, Loan programs—Agriculture, Low and moderate income housing loans—Servicing.

**7 CFR Part 1955**

Foreclosure, Government acquired property, Sale of government acquired property, Surplus government property.

**7 CFR Part 1965**

Administrative practice and procedure.

**7 CFR Part 1980**

Home improvement, Loan programs—Housing and community development, Mortgage insurance, Mortgages, Rural areas.

**7 CFR Part 3550**

Accounting, Administrative practice and procedure, Conflict of interests, Environmental impact statements, Equal credit opportunity, Fair housing, Grant programs—Housing and community development, Housing, Loan programs—Housing and community development, Low and moderate income housing, Manufactured homes, Reporting and recordkeeping requirements, Rural areas, Subsidies.

Therefore, chapters XVIII and XXXV of title 7 of the Code of Federal Regulations are amended as follows:

**CHAPTER XVIII—[AMENDED]**

**PART 1806—INSURANCE**

1. The authority citation for part 1806 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

**Subpart A—Real Property Insurance**

2. Section 1806.6 is amended in the introductory text by revising the words “§ 1951.310 of subpart G of part 1951 of this chapter” to read “7 CFR part 3550.”

**Subpart B—National Flood Insurance**

3. Section 1806.28 is amended by revising the words “§ 1951.310 of subpart G of part 1951 of this chapter” to read “7 CFR part 3550.”

**PART 1822—RURAL HOUSING LOANS AND GRANTS**

4. The authority citation for part 1822 continues to read as follows:

**Authority:** 42 U.S.C. 1480; 5 U.S.C. 301; 7 CFR 2.23; 7 CFR 2.70.

**Subpart G—Rural Housing Site Loan Policies, Procedures, and Authorizations**

5. Section 1822.263 is amended by revising paragraph (c) to read as follows:

**§ 1822.263 Definitions.**

\* \* \* \* \*

(c) *Rural area* is open country or rural places as defined in 7 CFR part 3550, subpart A.

\* \* \* \* \*

6. Section 1822.267 is amended by revising paragraph (l)(1) to read as follows:

**§ 1822.267 Special conditions.**

\* \* \* \* \*

(l) \* \* \*

(1) The requirements of 7 CFR 3550.70 must be met and a conditional commitment issued prior to the start of construction of the home.

\* \* \* \* \*

7. Section 1822.275 is amended by revising the last sentence in paragraph (c) to read as follows:

**§ 1822.275 Actions after sites are developed.**

\* \* \* \* \*

(c) \* \* \* The sites will be released from the mortgage in accordance with 7 CFR part 3550, subpart D or otherwise in accordance with prior approval of the National Office.

**PART 1924—CONSTRUCTION AND REPAIR**

8. The authority citation for part 1924 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

**Subpart A—Planning and Performing Construction and Other Development**

9. Section 1924.5 is amended by revising paragraph (g)(4) and the second and third sentences of the introductory text of paragraph (i) to read as follows:

**§ 1924.5 Planning development work.**

\* \* \* \* \*

(g) \* \* \*

(4) Releases requested by the borrower or the buyer will be processed in accordance with applicable release procedures in 7 CFR part 3550, as appropriate.

\* \* \* \* \*

(i) \* \* \* Except in cases in which advance commitments are made in accordance with 7 CFR part 3550 or according to § 1924.13(e)(1)(vi)(A) or § 1924.13(e)(2)(ix)(A) of this subpart, no commitments with respect to performing planned development will be made by the Agency or the applicant before the loan is closed. The applicant will be instructed that before the loan is closed, debts should not be incurred for labor or materials, or expenditures made for such purposes, with the expectation of being reimbursed from funds except as provided in subpart A of part 1943 of this chapter, 7 CFR part 3550, and subpart E of part 1944 of this chapter.

\* \* \*

10. Section 1924.6 is amended by revising the last sentence in the

introductory text and the first sentence in paragraph (c) to read as follows:

**§ 1924.6 Performing development work.**

\* \* \* Conditional commitment construction is covered under 7 CFR part 3550.

\* \* \* \* \*

(c) \* \* \* The mutual self-help method is performance of work by a group of families by mutual labor under the direction of a construction supervisor, as described in 7 CFR part 3550. \* \* \*

\* \* \* \* \*

11. Section 1924.9 is amended in the second sentence of paragraph (a) by revising the words “in paragraph (b)(3) of this section, in § 1944.17(a)(2)(iii) of FmHA Instruction 2024–A (available in any RECD field office)” to read “in paragraph (d) of this section, in 7 CFR part 3550, in RD Instruction 2024–A (available in any Rural Development office).”

12. Exhibit B of subpart A is amended in paragraph VI.A.8. by revising the words “subpart A of part 1944 of this chapter” to read “7 CFR part 3550.”

13. Exhibit J of subpart A is amended:  
a. In Part A by revising paragraph V.B.4. to read as follows:

\* \* \* \* \*

4. 7 CFR part 3550, “Direct Single Family Housing Loans and Grants.”

\* \* \* \* \*

b. By revising in Part B, paragraph II.B.4., the words “§ 1944.11(e) of subpart A of part 1944” to read “7 CFR part 3550.”

c. By revising in Part C, paragraph I.B., the words “paragraph XIV (c)(3) of exhibit F of subpart A of part 1944” to read “exhibit D of this subpart.”

d. By revising in Part D, paragraph III, the words “exhibit F of subpart A of part 1944 of this chapter” to read “7 CFR part 3550, subpart B”.

**Subpart F—Complaints and Compensation for Construction Defects**

14. Section 1924.253 is amended in paragraph (a)(3) by revising the words “subpart A of part 1944 of this chapter” to read “7 CFR part 3550” and in paragraph (b)(3) by revising the words “exhibit F of subpart A of part 1944 of this chapter” to read “exhibit J of subpart A of part 1924 of this chapter.”

15. Section 1924.266 is amended:

a. By revising in the introductory text of paragraph (a)(3) the words “subpart A of part 1955 of this chapter” to read “7 CFR part 3550.”

b. By revising in the introductory text of paragraph (a)(3)(i) the words “subpart C of part 1965 of this chapter” to read

“7 CFR part 3550,” and the words “subpart C of part 1955 of this chapter” to read “7 CFR part 3550.”

c. By revising in paragraph (a)(3)(i)(B) the words “subpart C of part 1965 of this chapter” to read “7 CFR part 3550.”

d. By revising in paragraph (a)(3)(ii) the words “subpart C of part 1955 of this chapter” to read “7 CFR part 3550,” and the words “subpart A of part 1955 of this chapter” to read “7 CFR part 3550.”

e. By revising in paragraph (a)(4)(i)(A) the words “subpart A of part 1955 of this chapter” to read “7 CFR part 3550.”

16. Section 1924.273 is amended in paragraph (a) by revising the words “subpart B of part 1900 of this chapter” to read “7 CFR part 11.”

**PART 1925—TAXES**

17. The authority citation for part 1925 continues to read as follows:

**Authority:** 7 U.S.C. 1989; 42 U.S.C. 1480; 5 U.S.C. 301; 7 CFR 2.23 and 2.70.

**Subpart A—Real Estate Tax Servicing**

18. Section 1925.1 is amended by revising the words “§ 1965.105 of subpart C of part 1965 of this chapter” to read “7 CFR part 3550.”

19. Section 1925.4 is amended in paragraph (a) by revising the words “FmHA or its successor Agency under Public Law 103–354 Instructions 1951–A and 1951–G” to read “subpart A of part 1951 of this chapter.”

**PART 1927—TITLE CLEARANCE AND LOAN CLOSING**

20. The authority citation for part 1927 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

**Subpart B—Real Estate Title Clearance and Loan Closing**

21. Section 1927.52 is amended by revising the definitions for “Program regulations” and “State Office” to read as follows:

**§ 1927.52 Definitions.**

\* \* \* \* \*

*Program regulations.* The agency regulations for the particular loan program involved (e.g., 7 CFR part 3550 for single family housing (SFH) loans).  
\* \* \* \* \*

*State Office.* For FSA, this term refers to the FSA State Office. For RHS, this term refers to the Rural Development State Director.  
\* \* \* \* \*

22. Section 1927.59 is amended in paragraph (b) by revising the words

“part 1965, subparts A, B, and C, of this chapter” to read “subparts A and B of part 1965 of this chapter and 7 CFR part 3550.”

**PART 1930—GENERAL**

23. The authority citation for part 1930 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 16 U.S.C. 1005.

**Subpart C—Management and Supervision of Multiple Family Housing Borrowers and Grant Recipients**

24. Exhibit B of subpart C is amended:

a. By revising in paragraph II in the definition for “Eligibility income” the words “exhibit C of subpart A of part 1944 of this chapter (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

b. By revising in paragraph II, in the definition for “Low-income household” the words “exhibit C of subpart A of part 1944 of this chapter which is periodically updated (available in any FmHA or its successor agency under Public Law 103–354 Office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office) which is periodically updated.”

c. By revising in paragraph II in the definition for “Moderate-income household” the words “exhibit C of subpart A of part 1944 of this chapter (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

d. By revising in paragraph II in the definition for “Very low-income household” the words “exhibit C of subpart A of part 1944 of this chapter (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

25. Exhibit E of subpart C is amended in paragraph II.A.1. by revising the words “exhibit C of subpart A of part 1944 of this chapter (available in any FmHA or its successor or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

**PART 1940—GENERAL**

26. The authority citation for part 1940 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.



**Subpart I—Truth In Lending—Real Estate Settlement Procedures**

27. Section 1940.401 is amended in paragraph (c)(3)(ii) by revising the words “§ 1944.37(g) of subpart A of part 1944 and § 1951.315 of subpart G of part 1951 of this chapter” to read “7 CFR part 3550” and in paragraph (c)(3)(iii) by revising the words “§ 1944.22 of subpart A of part 1944 of this chapter” to read “7 CFR part 3550.”

**PART 1944—HOUSING**

28. The authority citation for part 1944 continues to read as follows:

**Authority:** 5 U.S.C. 301; 42 U.S.C. 1480.

**Subpart B—Housing Application Packaging Grants**

29. Section 1944.73 is amended in paragraph (d) by revising the words “exhibit C of subpart A of part 1944 of this chapter (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office)” and by revising the words “exhibit C of FmHA Instruction 1944–A (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

30. Section 1944.75 is amended in the second sentence by revising the words “Assistant Administrator, Housing” to read “Deputy Administrator, Single Family Housing.”

31. Exhibit C of subpart B is amended by revising in paragraph A the words “exhibit A of subpart A of part 1944 of this chapter” to read “7 CFR part 3550” and by revising paragraph B to read as follows:

**Exhibit C of subpart B—Requirements for Housing Application Packages**

\* \* \* \* \*

B. Section 504—Complete application packages will be submitted in accordance with 7 CFR part 3550. The package must include the forms listed in paragraph A of this exhibit and the following:

The appropriate Agency application form for Rural Housing assistance (non-farm tract) (available in any Rural Development office).

The appropriate Agency form to request verification of employment (available in any Rural Development office).

The appropriate Agency Rural Housing Loan application package (available in any Rural Development office).

Evidence of ownership in accordance with 7 CFR part 3550.

Cost estimates or bid prices for removal of health or safety hazards in accordance with 7 CFR part 3550.

\* \* \* \* \*

**Subpart D—Farm Labor Housing Loan and Grant Policies, Procedures and Authorizations**

32. Section 1944.153 is amended in the introductory text of paragraph (3) of the definition of “Substantial portion of income” by revising the words “as shown in exhibit C of subpart A of part 1944 of this chapter (which is available in any FmHA or its successor agency under Public Law 103–354 office)” to read “as stated in Appendix 9 of HB–1–3550 (which is available in any Rural Development office).”

33. Section 1944.164 is amended in paragraph (j)(2)(ii) by revising the words “part 1944 subpart A” to read “7 CFR part 3550” and in paragraph (n) by revising the words “§ 1944.18(b)(5) of part 1944 subpart A” to read “7 CFR part 3550.”

34. Section 1944.168 is amended in paragraph (c)(1)(ii) by revising the words “§ 1944.18 (b)(6) of part 1944 subpart A” to read “7 CFR part 3550.”

**Subpart E—Rural Rental and Rural Cooperative Housing Loan Policies, Procedures, and Authorizations**

35. Section 1944.205 is amended:

a. By revising in the definition for “Community” the words “§ 1944.10 of subpart A of this part 1944” to read “7 CFR part 3550.”

b. By revising in the definition for “Dealer-contractor” the words “paragraphs IX and X of exhibit F of subpart A of this part 1944” to read “7 CFR part 3550.”

c. By revising in the definition for “Low-income household” the words “exhibit C of subpart A of this part 1944 (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

d. By revising in the definition for “Moderate-income household” the words “exhibit C of subpart A of this part 1944 (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

e. By revising in the definition for “Very low-income household” the words “exhibit C of subpart A of this part 1944 (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “Appendix 9 of

HB–1–3550 (available in any Rural Development office).”

36. Section 1944.222 is amended paragraph (g) by removing the last sentence and in paragraph (h) by revising the words “subpart A of part 1944” to read “7 CFR part 3550.”

37. Section 1944.223 is amended by revising paragraph (e)(4)(iii) to read as follows:

**§ 1944.223 Supplemental requirements for manufactured home project development.**

\* \* \* \* \*

(e) \* \* \*

(4) \* \* \*

(iii) Be constructed in compliance with Rural Development thermal performance construction standards as specified in Exhibit D to subpart A of part 1924 of this chapter. The unit must have an affixed label as specified in 7 CFR part 3550 indicating that the unit is constructed to Rural Development thermal requirements for the appropriate winter degree days.

\* \* \* \* \*

**Subpart I—Self-Help Technical Assistance Grants**

38. Section 1944.402 is amended in paragraph (a) by revising the words “exhibit C of subpart A of this part” to read “Appendix 9 of HB–1–3550 (available in any Rural Development office).”

39. Section 1944.423 is amended by revising the words “exhibit A of subpart A of part 1944 of this chapter” to read “7 CFR part 3550.”

40. Section 1944.424 is amended by revising the words “subpart A of part 1944 of this chapter” to read “7 CFR part 3550.”

41. Section 1944.426 is amended:

a. By revising in paragraph (a)(1) the reference to “§ 1951.58(j) of FmHA Instruction 1951–B (available in any FmHA or its successor agency under Public Law 103–354 office)” to read “§ 1951.58(k) of RD Instruction 1951–B (available in any Rural Development office).”

b. By revising in paragraph (a)(3) the words “Subpart M of part 1951 of this chapter” to read “7 CFR part 3550.”

**Subpart K—Technical and Supervisory Assistance Grants**

42. Section 1944.506 is amended in paragraph (f) by revising the words “§ 1944.10 of part 1944, subpart A” to read “7 CFR part 3550” and by revising paragraph (d) to read as follows:

**§ 1944.506 Definitions.**

\* \* \* \* \*

(d) *Low-income family.* Any household, including those with one



member, whose adjusted annual income, computed in accordance with 7 CFR part 3550, subpart B, does not exceed the maximum low-income limits specified in Appendix 9 of HB-1-3550 (available in any Rural Development office).

\* \* \* \* \*

#### **Subpart N—Housing Preservation Grants**

43. Section 1944.656 is amended in the definition of “Low-income” by revising the words “exhibit C of subpart A of this part (available in any FmHA or its successor agency under Public Law 103-354 office)” to read “Appendix 9 of HB-1-3550 (available in any Rural Development office).”

#### **PART 1948—RURAL DEVELOPMENT**

44. The authority citation for part 1948 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1932 note.

#### **Subpart B—Section 601 Energy Impacted Area Development Assistance Program**

45. Section 1948.84 is amended in paragraph (d)(2) by revising the words “part 1944, subpart A” to read “7 CFR part 3550.”

#### **PART 1950—GENERAL**

46. The authority citation for part 1950 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; and 42 U.S.C. 1480.

#### **Subpart C—Servicing Accounts of Borrowers Entering the Armed Forces**

47. Section 1950.105 is amended in paragraph (d) by revising the words “subpart G of part 1951 of this chapter” to read “7 CFR part 3550.”

#### **PART 1955—PROPERTY MANAGEMENT**

48. The authority citation for part 1955 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

#### **Subpart A—Liquidation of Loans Secured by Real Estate and Acquisition of Real and Chattel Property**

49. Section 1955.10 is amended in the introductory text of paragraph (f)(1) by revising the words “§ 1965.125(a) of Subpart C of part 1965 of this chapter” to read “7 CFR part 3550.”

50. Section 1955.15 is amended:

a. By removing in paragraph (b)(2) the third, fourth, and fifth sentences.

b. By revising in the introductory text of paragraph (d)(2)(iv) the words “subpart G of part 1951 of this chapter” the first time they appear to read “7 CFR part 3550” and the words “§ 1951.315 of subpart G of part 1951 of this chapter” to read “7 CFR part 3550.”

c. By revising in paragraph (d)(2)(iv)(C) the words “§ 1965.125 of subpart C of part 1965 of this chapter” in both places they appear to read “7 CFR part 3550.”

d. By revising in paragraph (d)(2)(iv)(D) the words “§ 1965.125 of subpart C of part 1965 of this chapter” to read “7 CFR part 3550.”

#### **Subpart B—Management of Property**

51. Section 1955.53 is amended in the definition of “Nonprogram (NP) property” by revising the words “FmHA or its successor agency under Public Law 103-354 requirements for existing housing as described in subpart A of part 1944 of this chapter” to read “requirements for existing housing as described in 7 CFR part 3550.”

#### **Subpart C—Disposal of Inventory Property**

52. Section 1955.114 is amended in paragraph (a)(5) by revising the words “subpart A of part 1944 of this chapter” to read “7 CFR part 3550.”

53. Section 1955.115 is amended in paragraph (a)(3) by revising the words “subpart A of Part 1944 of this chapter” to read “7 CFR part 3550.”

#### **PART 1965—REAL PROPERTY**

54. The authority citation for part 1965 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

#### **Subpart B—Security Servicing for Multiple Housing Loans**

55. Section 1965.61 is amended in paragraph (d) by revising the words “§ 1965.104(c) of subpart C of part 1965 of this chapter” to read “7 CFR part 3550” and in paragraph (e)(3) by revising the words “§ 1965.113 of subpart C of part 1965 of this chapter” to read “7 CFR part 3550.”

#### **Subpart E—Prepayment and Displacement Prevention of Multi-Family Housing Loans**

56. Section 1965.202 is amended in the definition for “Income limits” by revising the words “exhibit C of subpart A of part 1944 of this chapter (available in any FmHA or its successor agency

under Public Law 103-354 office)” to read “Appendix 9 of HB-1-3550 (available in any Rural Development office).”

#### **PART 1980—GENERAL**

57. The authority citation for part 1980 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

#### **Subpart D—Rural Housing Loans**

58. Section 1980.312 is amended by revising the words “§ 1944.10” to read “7 CFR part 3550.”

59. Section 1980.353 is amended in paragraph (e)(3) by removing the second sentence and by adding the word “acceptable” before “documentation” in the first sentence.

#### **CHAPTER XXXV—[AMENDED]**

#### **PART 3550—DIRECT SINGLE FAMILY HOUSING LOANS AND GRANTS**

60. The authority citation for part 3550 continues to read as follows:

**Authority:** 5 U.S.C. 301; 42 U.S.C. 1480.

#### **Subpart A—General**

61. Section 3550.10 is amended by revising the definition for “Modest housing” to read as follows:

##### **§ 3550.10 Definitions.**

\* \* \* \* \*

*Modest housing.* A property that is considered modest for the area, with a market value that does not exceed the applicable maximum loan limit as established by RHS in accordance with § 3550.63. In addition, the property must not be designed for income producing activities nor have an in-ground swimming pool.

\* \* \* \* \*

62. Section 3550.50 is amended by revising the OMB control number “0575-0166” to read “0575-0172” and by removing the third sentence.

#### **Subpart B—Section 502 Origination**

63. Section 3550.52 is amended by revising paragraph (b)(1)(i) and (b)(1)(ii) to read as follows:

##### **§ 3550.52 Loan purposes.**

\* \* \* \* \*

(a) \* \* \*

(1) \* \* \*

(i) Due to circumstances beyond the applicant's control, the applicant is in danger of losing the property, the debt is over \$5,000, and the debt was incurred for eligible program purposes prior to loan application or was a protective advance made by the

mortgagee for items covered by the loan to be refinanced, including accrued interest, insurance premiums, real estate tax advances, or preliminary foreclosure costs; or

(ii) If a loan of \$5,000 or more is necessary for repairs to correct major deficiencies and make the dwelling decent, safe and sanitary and refinancing is necessary for the borrower to show repayment ability, regardless of the delinquency.

\* \* \* \* \*

64. Section 3550.53 is amended as follows:

a. By revising the introductory text of paragraph (g);

b. By redesignating paragraphs (h)(1)(ii) through (h)(1)(ix) as paragraphs (h)(1)(iii) through (h)(1)(x);

c. By revising paragraph (h)(1)(i);

d. By adding a new paragraph (h)(1)(ii); and

e. By revising newly redesignated paragraphs (h)(1)(v) and (h)(1)(ix).

The revision and addition read as follows:

**§ 3550.53 Eligibility requirements.**

\* \* \* \* \*

(g) *Repayment ability.* Repayment ability means applicants must demonstrate adequate and dependably available income. The determination of income dependability will include consideration of the applicant's past history of annual income.

\* \* \* \* \*

(h) \* \* \*

(1) \* \* \*

(i) Payments on any account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.

(ii) Payments on any account which was delinquent for more than 30 days on two or more occasions within a 12-month period.

\* \* \* \* \*

(v) A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months, except for those excluded in paragraph (i)(2) of this section.

\* \* \* \* \*

(ix) Agency debts that were debt settled within the last 36 months or are being considered for debt settlement.

\* \* \* \* \*

65. Section 3550.54 is amended in paragraph (c)(1) by revising the word "family" to read "household."

66. Section 3550.57 is amended by revising the introductory text of paragraph (a) to read as follows:

**§ 3550.57 Dwelling requirements.**

(a) *Modest dwelling.* The property must be one that is considered modest for the area, must not be designed for income producing purposes, must not have an in-ground swimming pool or have a market value in excess of the applicable maximum loan limit, in accordance with § 3550.63, unless RHS authorizes an exception under this paragraph. An exception may be granted on a case-by-case basis to accommodate the specific needs of an applicant, such as to serve exceptionally large households or to provide reasonable accommodation for a household member with a disability. Any additional loan amount approved must not exceed the amount required to address the specific need.

\* \* \* \* \*

67. Section 3550.59 is amended by revising the last sentence of paragraph (a)(2) and adding a new sentence at the end of paragraph (a)(2) to read as follows:

**§ 3550.59 Security requirements.**

\* \* \* \* \*

(a) \* \* \*

(2) \* \* \* Liens junior to the RHS lien may be allowed at loan closing if the junior lien will not interfere with the purpose or repayment of the RHS loan. When the junior lien involves a grant or a forgivable affordable housing product, the total debt may exceed the market value by the amount of the forgivable loan or grant up to 5 percent.

\* \* \* \* \*

68. Section 3550.63 is amended by revising the introductory text and paragraph (a) to read as follows:

**§ 3550.63 Maximum loan amount.**

Total secured indebtedness must not exceed the area loan limit or market value limitations specified in paragraphs (a) or (b) of this section, whichever is lower. Any loan amount for the RHS appraisal, tax monitoring fee, and the charge to establish an escrow account for taxes and insurance will not be subject to the limitations specified below. This section does not apply to loans on NP terms.

(a) *Area loan limit.*

(1) The area loan limit is the maximum value of the property RHS will finance in a given locality. Subject to the following, this limit is based on cost data plus the market value of an improved lot, or the State Housing Authority limits, whichever the State Director determines most appropriately reflects the value of modest housing for the area:

(i) The cost of the structure is based upon the cost to construct a modest

home and is obtained by RHS from a nationally recognized residential cost provider.

(ii) The market value of an improved site (without the dwelling) is based upon current sales data for typical housing sites and reasonable and typical costs of site improvements.

(iii) The applicable State Housing Authority limit will only be considered if it is within 10 percent of the cost data plus the market value of an improved lot.

(iv) The area loan limit may not exceed the applicable local HUD section 203(b) limit.

(v) All area loan limit data will be updated at least annually and is available in any Rural Development office.

(2) The maximum loan limit calculated under paragraph (a)(1) will be reduced in the following situations:

(i) When the applicant owns the site or is purchasing the site at a sales price below market value, the market value of the lot will be deducted from the maximum loan limit, and

(ii) When an applicant is receiving a housing grant or other form of affordable housing assistance for purposes other than closing costs, the amount(s) of such grants and affordable housing assistance will be deducted from the maximum loan limit.

(3) The maximum loan limit for self-help housing will be calculated by adding the total of the market value of the lot (including reasonable and typical costs of site development), the cost of construction, and the value of sweat equity. The total of these three factors cannot exceed the limit established in paragraph (a)(1) of this section.

\* \* \* \* \*

69. Section 3550.66 is revised to read as follows:

**§ 3550.66 Interest rate.**

Loans will be written using the applicable RHS interest rate in effect at loan approval or loan closing, whichever is lower. Information about current interest rates is available in any Rural Development office.

70. Section 3550.70 is amended in the introductory text by removing the word "be" in the first sentence the first time it appears and by revising the word "lessor" to read "lesser" and the words "HUD section 203(b) limit" to read "maximum loan limit."

71. Section 3550.100 is amended by revising the OMB control number "0575-0166" to read "0575-0172" and by removing the third sentence.

72. The heading of subpart C of part 3550 is revised to read as follows:

### Subpart C—Section 504 Origination and Section 306C Water and Waste Disposal Grants

73. Section 3550.101 is amended by adding a sentence at the end of the section to read as follows:

#### § 3550.101 Program objectives.

\* \* \* This subpart also covers Water and Waste Disposal (WWD) Grants to individuals authorized by Section 306C(b) of the Consolidated Farm and Rural Development Act, (7 U.S.C. 1926c).

74. Section 3550.103 is amended as follows:

- a. By redesignating paragraphs (i)(1)(ii) through (i)(1)(viii) as (i)(1)(iii) through (i)(1)(ix) respectively;
- b. By revising paragraph (i)(1)(i) and newly redesignated paragraphs (i)(1)(v) and (i)(1)(viii); and
- c. By adding a new paragraph (i)(1)(ii).

The revision and addition read as follows:

#### § 3550.103 Eligibility requirements.

\* \* \* \* \*

(i) \* \* \*

(1) \* \* \*

(i) Payments on any account where the amount of the delinquency exceeded one installment for more than 30 days within the last 12 months.

(ii) Payments on any account which was delinquent for more than 30 days on two or more occasions within a 12-month period.

\* \* \* \* \*

(v) A court-created or court-affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months, except for those excluded by paragraphs (i)(2)(i) and (i)(2)(ii) of this section.

\* \* \* \* \*

(viii) Agency debts that were debt settled within the last 36 months or are being considered for debt settlement.

\* \* \* \* \*

75. Section 3550.106 is amended in paragraph (a) by removing the words “or have a value in excess of the 203(b) limits of the National Housing Act” to read “or have a market value in excess of the applicable maximum loan limit, in accordance with § 3550.63.”

76. Section 3550.108 is amended by revising in the introductory text the amount “\$2,500” to read “\$7,500” and by revising paragraph (b)(1) to read as follows:

#### § 3550.108 Security requirements (loans only).

\* \* \* \* \*

(b) \* \* \*

(1) Loans where the total RHS indebtedness is less than \$7,500; or  
\* \* \* \* \*

77. Section 3550.114 is amended by revising the words “was approved” to read “agreement was signed.”

78. Sections 3550.115 through 3550.119 are added to read as follows:

#### § 3550.115 WWD grant program objectives.

The objective of the WWD individual grant program is to facilitate the use of community water and waste disposal systems by the residents of colonias along the border between the U.S. and Mexico. WWD grants are processed the same as Section 504 grants, except as specified in this subpart.

#### § 3550.116 Definitions applicable to WWD grants only.

(a) *Colonia*. Any identifiable community designated in writing by the State or county in which it is located; determined to be a colonia on the basis of objective criteria including lack of a potable water supply, lack of adequate sewage systems, and lack of decent, safe, and sanitary housing, inadequate roads, and drainage; and existed and was generally recognized as a colonia before October 1, 1989.

(b) *Individual*. Resident of a colonia located in a rural area.

(c) *Rural areas*. Includes unincorporated areas and any city or town with a population not in excess of 10,000 inhabitants according to the most recent decennial census of the United States.

(d) *System*. A community or central water supply or waste disposal system.

(e) *WWD*. Water and Waste Disposal grants to individuals.

#### § 3550.117 WWD grant purposes.

Grant funds may be used to pay the reasonable costs for individuals to:

(a) Extend service lines from the system to their residence.

(b) Connect service lines to residence's plumbing.

(c) Pay reasonable charges or fees for connecting to a system.

(d) Pay for necessary installation of plumbing and related fixtures within dwellings lacking such facilities. This is limited to one bathtub, sink, commode, kitchen sink, water heater, and outside spigot.

(e) Construction and/or partitioning off a portion of the dwelling for a bathroom, not to exceed 4.6 square meters (48 square feet) in size.

(f) Pay reasonable costs for closing abandoned septic tanks and water wells when necessary to protect the health

and safety of recipients of a grant for a purpose provided in paragraph (a) or (b) of this section and is required by local or State law.

(g) Make improvements to individual's residence when needed to allow the use of the water and/or waste disposal system.

#### § 3550.118 Grant restrictions.

(a) *Maximum grant*. Lifetime assistance to any individual for initial or subsequent Section 306C WWD grants may not exceed a cumulative total of \$5,000.

(b) *Limitation on use of grant funds*. WWD grant funds may not be used to:

(1) Pay any debt or obligation of the grantees other than obligations incurred for purposes listed in § 3550.117.

(2) Pay individuals for their own labor.

#### § 3550.119 WWD eligibility requirements.

In addition to the eligibility requirements of § 3550.103, WWD applicants must meet the following requirements:

(a) An applicant need not be 62 years of age or older.

(b) Own and occupy a dwelling located in a colonia. Evidence of ownership will be presented as outlined in § 3550.107.

(c) Have a total taxable income from all individuals residing in the household that is below the most recent poverty income guidelines established by the Department of Health and Human Services.

(d) Must not be delinquent on any Federal debt.

(e) The household income must be verified at the time they apply for assistance through verification of employment and benefits. Federal tax returns are used as further verification of household income.

79. Section 3550.150 is amended by revising the OMB control number “0575–0166” to read “0575–0172” and by removing the third sentence.

### Subpart D—Regular Servicing

80. Section 3550.162 is amended by revising paragraph (b)(2) to read as follows:

#### § 3550.162 Recapture.

\* \* \* \* \*

(b) \* \* \*

(2) The value appreciation of property with a cross-collateralized loan is based on the market value of the dwelling and lot. If located on a farm, the lot size would be a typical lot for a single family housing property.

\* \* \* \* \*

81. Section 3550.163 is amended in the first sentence of paragraph (b)(2) by

revising the words “sells a” to read “transfers title to the.”

82. Section 3550.200 is amended by revising the OMB control number “0575–0166” to read “0575–0172” and by removing the third sentence.

#### Subpart E—Special Servicing

83. Section 3550.208 is amended by revising in paragraph (b) the reference to “paragraph (a)(6)” to read “paragraph (a)(5)” and by adding a new paragraph (a)(6) to read as follows:

##### **§ 3550.208 Reamortization using promissory note interest rate.**

\* \* \* \* \*

(a) \* \* \*

(6) Bring an account current where the National Appeals Division (NAD) reverses an adverse action, the borrower has adequate repayment ability, and RHS determines the reamortization is in the best interests of the Government and the borrower.

\* \* \* \* \*

84. Section 3550.211 is amended in paragraph (c) by removing the last two sentences.

85. Section 3550.250 is amended by revising the OMB control number “0575–0166” to read “0575–0172” and by removing the third sentence.

#### Subpart F—Post-Servicing Actions

86. Section 3550.251 is amended in paragraph (c)(5)(i)(A) by revising the words “program-eligible applicants” to “eligible direct or guaranteed single family housing loan applicants” and by revising paragraphs (c)(4)(i) and (c)(4)(ii) to read as follows:

##### **§ 3550.251 Property management and disposition.**

\* \* \* \* \*

(c) \* \* \*

(4) \* \* \*

(i) Program REO properties are reserved for eligible direct or guaranteed single family housing loans under this part or part 1980, subpart D of this title and nonprofit organizations or public bodies providing transitional housing during the first 60 days after the date of the first notice of sale, and during the first 30 days following any reduction in price or any other change in credit terms or other sale terms. After the expiration of a reservation period, program REO properties can be bought by any buyer.

(ii) An offer on a program REO property from a buyer who does not qualify for a direct or guaranteed single family housing loan may be submitted during a reservation period, but is considered to have been received on the day after the reservation period ends.

\* \* \* \* \*

87. Section 3550.300 is amended by revising the OMB control number “0575–0166” to read “0575–0172” and by removing the third sentence.

Dated: December 16, 2002.

Arthur A. Garcia,

Administrator, Rural Housing Service.

[FR Doc. 02–32190 Filed 12–23–02; 8:45 am]

BILLING CODE 3410–XV–P

## DEPARTMENT OF AGRICULTURE

### Animal and Plant Health Inspection Service

#### 9 CFR Parts 93 and 98

[Docket No. 02–064–2]

#### Canadian Border Ports; Blaine and Lynden, WA

AGENCY: Animal and Plant Health Inspection Service, USDA.

ACTION: Direct final rule; confirmation of effective date.

**SUMMARY:** On November 8, 2002, the Animal and Plant Health Inspection Service published a direct final rule in the *Federal Register*. (See 67 FR 68021–68022, Docket No. 02–064–1.) The direct final rule notified the public of our intention to amend the regulations by removing Blaine and Lynden, WA, from the lists of Canadian border ports designated as ports of entry for the importation of certain animals, birds, poultry, and animal germ plasm into the United States. We did not receive any written adverse comments or written notice of intent to submit adverse comments in response to the direct final rule.

**EFFECTIVE DATE:** The effective date of the direct final rule is confirmed as January 7, 2003.

**FOR FURTHER INFORMATION CONTACT:** Dr. Gary Colgrove, Chief Staff Veterinarian, Sanitary Issues Management Staff, National Center for Import and Export, VS, APHIS, 4700 River Road Unit 38, Riverdale, MD 20737–1231; (301) 734–4356.

**Authority:** 7 U.S.C. 1622, 8303, 8306–8308, 8310, 8313, and 8315; 21 U.S.C. 136 and 136a; 31 U.S.C. 9701; 7 CFR 2.22, 2.80, and 371.4.

Done in Washington, DC, this 17th day of December 2002.

Peter Fernandez,

Acting Administrator, Animal and Plant Health Inspection Service.

[FR Doc. 02–32295 Filed 12–23–02; 8:45 am]

BILLING CODE 3410–34–P

## NUCLEAR REGULATORY COMMISSION

### 10 CFR Parts 50 and 72

RIN 3150–AG52

#### Decommissioning Trust Provisions

AGENCY: Nuclear Regulatory Commission.

ACTION: Final rule.

**SUMMARY:** The Nuclear Regulatory Commission (NRC) is amending its regulations relating to decommissioning trust provisions for nuclear power plants. For licensees that are no longer rate-regulated, or no longer have access to a non-bypassable charge for decommissioning, the NRC is requiring that decommissioning trust agreements be in a form acceptable to the NRC in order to increase assurance that an adequate amount of decommissioning funds will be available for their intended purpose. Until recently, direct NRC oversight of the terms and conditions of the decommissioning trusts was not necessary because rate regulators typically exercised this type of oversight authority. With deregulation, this oversight may cease and the NRC needs to take a more active oversight role.

**EFFECTIVE DATE:** December 24, 2003.

#### FOR FURTHER INFORMATION CONTACT:

Brian J. Richter, Office of Nuclear Reactor Regulation, U.S. Nuclear Regulatory Commission, Washington, DC 20555–0001; telephone (301) 415–1978; e-mail [bjr@nrc.gov](mailto:bjr@nrc.gov).

#### SUPPLEMENTARY INFORMATION:

##### I. Background

In a staff requirements memorandum (SRM) dated August 10, 1999, the Commission directed the NRC staff to initiate a rulemaking to require that decommissioning trust agreements be in a form acceptable to the NRC in order to increase assurance that an adequate amount of decommissioning funds will be available for their intended purpose. This SRM was in response to SECY–99–170 (July 1, 1999), “Summary of Decommissioning Fund Status Reports,” in which the NRC staff noted that it intended to continue to review decommissioning trust agreements in license transfers on a case-by-case basis and impose appropriate conditions in the orders approving these transfers. In response to the SRM, the NRC staff issued a rulemaking plan for Decommissioning Trust Provisions, SECY–00–0002, on December 30, 1999. The plan called for amending 10 CFR 50.75 and revising Regulatory Guide