

when the requirements of paragraphs (b)(i) and (ii) are satisfied and any commercial interest is not the primary interest furthered by the request. OMB ordinarily will presume that when a news media requester has satisfied factors (i) and (ii) above, the request is not primarily in the commercial interest of the requester. Disclosure to data brokers or others who merely compile and market government information for direct economic return will not be presumed to primarily serve the public interest.

(c) Timing of requests for fee waivers. Requests for a waiver or reduction of fees should be made when the request is first submitted to OMB and should address the criteria referenced above. A requester may submit a fee waiver request at a later time so long as the underlying record request is pending or on administrative appeal. When a requester who has committed to pay fees subsequently asks for a waiver of those fees and that waiver is denied, the requester shall be required to pay any costs incurred up to the date the fee waiver request was received.

Dated: August 17, 2018.

**Mark R. Paoletta,**

*General Counsel and Chief FOIA Officer.*

[FR Doc. 2018-18061 Filed 8-22-18; 8:45 am]

**BILLING CODE 3110-01-P**

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## DEPARTMENT OF AGRICULTURE

### Rural Housing Service

#### 7 CFR Part 3555

RIN 0575-AD09

#### Single Family Housing Guaranteed Loan Program

**AGENCY:** Rural Housing Service, USDA.

**ACTION:** Proposed rule.

**SUMMARY:** The Rural Housing Service (RHS or Agency) proposes to make several changes to the single-family housing guaranteed loan program (SFHGLP) regulations to streamline the loss claim process for lenders who have acquired title to property through voluntary liquidation or foreclosure; clarify that lenders must comply with applicable laws, including those within the purview of the Consumer Financial Protection Bureau; and better align loss mitigation policies with those in the mortgage industry.

**DATES:** Written or email comments on the proposed rule must be received on or before October 22, 2018 to be assured for consideration.

**ADDRESSES:** You may submit comments on this proposed rule by any one of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *Mail:* Submit written comments via the U.S. Postal Service to the Branch Chief, Regulations and Paperwork Management Branch, U.S. Department of Agriculture, STOP 0742, 1400 Independence Ave. SW, Washington, DC 20250-0742.

- *Hand Delivery/Courier:* Submit written comments via Federal Express mail, or other courier service requiring a street address to the Branch Chief, Regulations and Paperwork Management Branch, U.S. Department of Agriculture, 1400 Independence Ave. SW, Washington, DC 20250.

All written comments will be available for public inspection during regular work hours at the 1400 Independence Ave. SW, address listed above.

**FOR FURTHER INFORMATION CONTACT:** Kate Jensen, Finance and Loan Analyst, Single Family Housing Guaranteed Loan Division, STOP 0784, Room 2250, USDA Rural Development, South Agriculture Building, 1400 Independence Avenue SW, Washington, DC 20250-0784, telephone: (503) 894-2382, email is [Kate.Jensen@wdc.usda.gov](mailto:Kate.Jensen@wdc.usda.gov).

#### SUPPLEMENTARY INFORMATION:

##### Executive Order 12866, Classification

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

##### Executive Order 12988, Civil Justice Reform

This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. Except where specified, all State and local laws and regulations that are in direct conflict with this rule will be preempted. Federal funds carry Federal requirements. No person is required to apply for funding under SFHGLP, but if they do apply and are selected for funding, they must comply with the requirements applicable to the Federal program funds. This proposed rule is not retroactive. It will not affect agreements entered prior to the effective date of the rule. Before any judicial action may be brought regarding the provisions of this rule, the administrative appeal provisions of 7 CFR part 11 must be exhausted.

#### Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Public Law 104-4, establishes requirements for Federal agencies to assess the effect of their regulatory actions on State, local, and tribal governments and the private sector. Under section 202 of the UMRA, the Agency 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 the Agency to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, most cost-effective, or least burdensome alternative that achieves the objectives of the rule.

This proposed 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.

#### Environmental Impact Statement

This document has been reviewed in accordance with 7 CFR part 1970, subpart G, "Environmental Program." It is the determination of the Agency 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, Public Law 91-190, neither an Environmental Assessment nor an Environmental Impact Statement is required.

#### Executive Order 13132, Federalism

The policies contained in this rule do not have any substantial direct effect on States, on the relationship between the national government and States, or on the distribution of power and responsibilities among the various levels of government. Nor does this rule impose substantial direct compliance costs on State and local governments. Therefore, consultation with the States is not required.

#### Regulatory Flexibility Act

In compliance with the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) the undersigned has determined and certified by signature of this document that this rule change will not have a significant impact on a substantial number of small entities. This rule does not impose any significant new

requirements on Agency applicants and borrowers, and the regulatory changes affect only Agency determination of program benefits for guarantees of loans made to individuals.

#### **Executive Order 13175, Consultation and Coordination With Indian Tribal Governments**

Executive Order 13175 imposes requirements on RHS in the development of regulatory policies that have Tribal implications or preempt tribal laws. RHS has determined that the proposed rule does not have a substantial direct effect on one or more Indian Tribe(s) or on either the relationship or the distribution of powers and responsibilities between the Federal Government and Indian Tribes. Thus, this proposed rule is not subject to the requirements of Executive Order 13175. If a tribe determines that this rule has implications of which RHS is not aware and would like to engage with RHS on this rule, please contact USDA's Native American Coordinator at (720) 544-2911 or [AIAN@wdc.usda.gov](mailto:AIAN@wdc.usda.gov).

#### **Executive Order 12372, Intergovernmental Consultation**

These loans are subject to the provisions of Executive Order 12372, which require intergovernmental consultation with State and local officials. RHS conducts intergovernmental consultations for each SFHGLP in accordance with 2 CFR part 415, subpart C.

#### **Programs Affected**

The program affected by this regulation is listed in the Catalog of Federal Domestic Assistance under Number 10.410, Very Low to Moderate Income Housing Loans (Section 502 Rural Housing Loans).

#### **Paperwork Reduction Act**

The information collection and record keeping requirements contained in this regulation have been approved by OMB in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35). The assigned OMB control number is 0575-0179.

#### **E-Government Act Compliance**

The Agency is committed to complying with the E-Government Act, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

#### **Non-Discrimination Policy**

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

(1) *Mail*: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410;

(2) *Fax*: (202) 690-7442; or

(3) *Email*: [program.intake@usda.gov](mailto:program.intake@usda.gov).

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#### **Background Information**

Driven by tight credit markets in which lenders are reluctant to make mortgage loans without insurance or guarantees from the federal government, SFHGLP has grown significantly in recent fiscal years (FY); from \$33 million in loans in 1991 to \$19.2 billion in FY 2017. The total portfolio of the SFHGLP consists of over one million loans serviced by over 1,000 lenders. The expansion of the program has led the Agency to look for ways in which

current policies and procedures can be revised to streamline the program, align the Agency with industry practices, and balance Agency resources with program demand. In order to help achieve these objectives, this rule proposes various changes to the loss claim process and loss mitigation loan servicing.

#### **I. Loss Claims**

When a borrower stops making loan payments and goes into default, lenders are required to contact the borrower at prescribed intervals to offer various loss mitigation options to continue with the loan, come to an agreement to self-liquidate, or transfer the property to the lender through a deed-in-lieu. If these loss mitigation activities are unsuccessful, the lender will proceed to foreclosure where the property is sold to a third party or acquired into the lender's real estate owned (REO) portfolio. After sale of the property at the foreclosure sale or from the lender's REO, those proceeds are applied to the account. If that amount cannot satisfy the account, the lender submits a loss claim to the Agency using a web-based automated system or in a paper format. Upon payment of the loss claim payment to the lender, the Agency has satisfied its obligation to the lender under the loan guarantee.

When a lender acquires title to a property (i.e., REO), the Agency requires an REO property disposition plan from the lender explaining how, among other things, the lender will maintain and market the property during the permissible marketing period. The lender must obtain Agency concurrence for any significant changes to the plan.

Currently, the Agency provides two opportunities for the lender to file a loss claim on REO property: When the property sells during the permissible marketing period, or after the permissible marketing period (typically 9 or 12 months) if the REO property does not sell.

If the property has sold during the permissible marketing period, the loss claim is paid based on the actual property sales price combined with the actual property liquidation, property preservation, and disposition costs. If the property remains unsold after the permissible marketing period, the loss claim is based upon a liquidation value real estate appraisal and preservation and disposition costs consistent with the most currently published U.S. Department of Veterans Affairs (VA) Management and Acquisition Factor (VA Net Value Factor) found at [https://www.benefits.va.gov/HOMELOANS/servicers\\_valeri.asp](https://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp). When a lender receives a loss claim payment on unsold

REO, they are responsible to report the future sale of the property and pay future recovery if the sales price is greater than the liquidation value real estate appraisal amount. The proceeds are distributed so that the total loss to the Agency is equivalent to the loss that would have been incurred had the recovered amount been included in the initial loss calculation.

The Agency proposes changes to the loss claim payment process when a lender acquires title by way of a deed-in-lieu or foreclosure sale. Under the proposed framework, lenders who acquire title must order a market value appraisal for the REO property within 15 days of acquiring title to the property. The loss claim request must be submitted to the Agency within 45 days upon receipt of the appraisal. The Agency will employ a loss claim model that takes into consideration various factors, including the market value appraisal, as well as property preservation and disposition costs based on the VA Management and Acquisition Factor costs consistent with the most currently published U.S. Department of Veterans Affairs (VA) Management and Acquisition Factor (VA Net Value Factor) found at [https://www.benefits.va.gov/HOMELOANS/servicers\\_valeri.asp](https://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp) to determine the loss claim amount. Because loss claims will be paid after acquisition and prior to marketing the REO, this will eliminate the need for REO property disposition plans, different loss claim calculations based on whether the property has sold or remains in the lender's REO portfolio, and claim adjustments based on future recovery. To reflect this more streamlined approach to loss claim processing that should deliver loss claim payments to lenders in a timelier fashion, the Agency will limit the lender to 60 days of additional interest during the loss claim period.

The Agency also proposes to revise 7 CFR 3555.354, which allows lenders to submit a loss claim electronically or in paper format. The change will require all lenders to utilize a web-based system to submit loss claims to reduce paperwork burden to both lenders and the Agency.

The Agency proposes to revise the definition of the settlement date to add the settlement date for deed-in-lieu actions. The Agency will define the settlement date of the deed-in-lieu as the date title is recorded. The current version of the regulation is silent on this issue.

These proposed changes were recommended by a Lean Six Sigma task force that consisted of Agency staff and lenders. Lean Six Sigma is a

methodology used to improve performance and streamline processes by defining, measuring, analyzing, improving, and controlling problems or issues. The Lean Six Sigma task force was established to develop solutions on improving the loss claim process, while also making the SFGHLP cost-effective and efficient. Benefits of the proposed loss claim process to the lender include: A faster claim resolution by elimination of the 9- and 12 month marketing periods; a simplified claim submission due to elimination of requirement to submit invoices, system notes, financial history, listing agreement, Closing Disclosure and other information applicable to the marketing period; elimination of the property disposition plan; and efficient disposition of REO properties due to the elimination of agency approval required for offers, repair bids or valuations. Benefits to the Agency include: A reduction of REO claim processing time to 1.5–4 hours per claim from 3–6 hours per claim resulting in an annual savings of 26,728 staff hours or \$927,000 in annual labor costs; elimination of property disposition plans resulting in a savings of 14,492 hours or \$503,000 in annual labor costs; reduction of improper payment risk by eliminating consideration of actual expenditure activity within the marketing period; simplification and streamlining of compliance reviews by eliminating all post-foreclosure activity on REO claims; reduction of interest paid by 30 days per REO claim resulting in annual interest savings of \$3.7 million (based on FY 2014 REO claim payments). The proposed change will not impact borrowers.

## II. General Lender Requirement

The Agency is proposing to amend 7 CFR 3555.51(b)(1) to clarify that in addition to complying with Agency laws and guidance, lenders must comply with other applicable federal, state and local laws, including those that fall under the purview of the Consumer Financial Protection Bureau, such as the Real Estate Settlement Procedures Act and the Truth in Lending Act.

## III. Loss Mitigation

In November of 2015, the Department of Treasury hosted a summit attended by federal agencies, mortgage lenders, consumer groups, investors, and mortgage service providers to discuss the future of loss mitigation pending the expiration of the Home Affordable Modification Program (HAMP) in December 2016. An important take-away from the summit was HAMP data

showing payment reduction was key to a borrower's loss mitigation success. Borrowers facing financial hardship are unable to retain their home if the modified payment remains equal or exceeds their current promissory note installment.

The proposed changes regarding loss mitigation procedures, described below, would continue the Agency's efforts to improve the effectiveness of loss mitigation by emphasizing payment reduction as the key component to any relief provided to the borrower while offering lenders and borrowers consistent loss mitigation policies that align with industry standard.

The proposed changes will offer borrowers faster and greater payment relief early in the loss mitigation process. Historically, borrowers who receive less than 10 percent payment reduction have re-defaulted at a rate greater than 60 percent. When at least a 10 percent payment reduction is achieved, the re-default rate is reduced by half. These changes would increase homeownership success and decrease foreclosures. The Agency expects a corresponding reduction in lender-owned property resulting in greater community stability, as well as decreasing the expenses associated with foreclosure and property disposition.

### A. Agency Concurrence on Servicing Plans and Voluntary Liquidation

Currently, lenders must obtain Agency concurrence for a formal servicing plan or voluntary liquidation prior to implementation with the borrower. The Agency may grant lenders a waiver for concurrence.

The Agency proposes to amend the regulation to eliminate the requirement for Agency concurrence on formal servicing plans and voluntary liquidation. The proposed change would streamline the servicing plan and voluntary liquidation process for lenders and borrowers. Lenders would still report to the Agency any servicing plans and voluntary liquidation options that have been adopted, but Agency concurrence will not be necessary beforehand. While Agency concurrence for these actions will not be necessary, lenders will still be accountable for servicing plans and voluntary liquidation actions. The Agency will set performance benchmarks, monitor lender performance, and implement any necessary corrective action plans. Performance benchmarks will include rates for delinquency, foreclosure, and loss claim.

Lender performance regarding loss mitigation servicing plans and voluntary liquidation will be captured by the

Agency's existing quality control (QC) process that incorporates a set of questions and findings for a sample of files submitted by the lender during a specific time. Findings are recorded and reported back to the lender along with any suggestions for improvement.

In addition, the Agency already reviews lenders on a regular basis for compliance with Agency requirements, and will reflect lenders' implementation of loss mitigation servicing plans and voluntary liquidation. Lender compliance reviews focus on the lender's adherence to Agency requirements and continuing eligibility for the program based on the results of individual file reviews. Lenders are provided a report of any findings and given an opportunity to correct issues.

Lenders that are determined to be out of compliance through Agency QC or compliance reviews will be counseled, offered training, and given the opportunity to improve. Lenders that show little or no progress could be subject to enhanced oversight during the loss claim process.

The Agency believes that eliminating the need for Agency concurrence for these actions will reduce the number of approval steps within the process and provide assistance to borrowers more quickly and balance Agency resources against demands. In addition, the change will align Agency policy with other loan guarantee programs that do not require a case-by-case review and rely on regular QC, lender compliance reviews, and data to determine lender performance and compliance with regulations.

To conform with the above changes, the Agency proposes to eliminate references to mandatory Agency concurrence from 3555.302 regarding protective advances and 3555.305 regarding voluntary liquidation.

#### B. Trial Plan (Traditional Servicing Loan Modification)

Pursuant to 7 CFR 3555.303(b)(3)(v) borrowers may not be required to complete a trial plan in order to be eligible for a traditional servicing loan modification. The Agency proposes to amend this requirement and provide flexibility to lenders to determine whether a trial period is warranted for a traditional servicing loan modification.

#### C. Mortgage Recovery Advance

Lenders may use special servicing options to bring a borrower's mortgage payment to an income ratio as close as possible to 31 percent. If the borrower cannot reach the targeted payment with an extended term loan modification of

interest rate and loan term under 3555.304(c), the lender may utilize a Mortgage Recovery Advance (MRA) under 3555.304(d).

The Agency proposes to amend the language to standardize many of the requirements of special servicing options to increase the opportunity and effectiveness of lender assistance to borrowers facing an involuntary inability to pay their mortgage.

The Agency proposes to allow a "stand-alone" MRA when a borrower faced a hardship but is now able to continue making payments under the promissory note rate and terms but cannot cure the delinquency with personal funds. Currently, the regulation does not provide a solution for this scenario. The Agency has received feedback from stakeholders that a stand-alone MRA in certain circumstances would be an effective tool to facilitate borrower's long-term repayment ability. The proposed stand-alone MRA would be permitted when the borrower's mortgage payment to income ratio is less than 31 percent. For other borrowers, the existing requirement to use special servicing options in the order they appear in 3555.304 would remain.

The regulation is currently silent on how the servicer should treat the capitalization of the delinquency when using special servicing options. In comparison, traditional servicing options direct the lender through specific steps to capitalize all or a portion of the arrearage (PITI). Capitalization may also include foreclosure fees and costs, tax and insurance advances, past due Agency annual fees imposed by the lender, but not late charges or lender fees. Allowing the lender to capitalize the delinquency and these other amounts creates a clearer path to borrower success.

The Agency proposes to remove the maximum limit of 12 months PITI when calculating the MRA maximum amount and the requirement that the lender reduce the maximum MRA by the sum of the arrearages advanced to cure the default and any foreclosure costs incurred to that point. The servicing industry uses a standard "waterfall" method where the first step is to capitalize the delinquency, defined as PITI, annual fees, legal fees, and foreclosure costs. The lender then considers changes to the interest rate and term extension. By focusing on the limit of 30 percent of the unpaid principal balance, the changes would simplify the MRA calculation and increase the chances of the borrower becoming and remaining current. In addition, removal of the 12-month

maximum PITI will bring the Agency in line with other federal programs and industry standards.

#### List of Subjects in 7 CFR Part 3555

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

Therefore, chapter XXXV, title 7 of the Code of Federal Regulations is proposed to be amended as follows:

#### PART 3555—GUARANTEED RURAL HOUSING PROGRAM

■ 1. The authority citation for part 3555 continues to read as follows:

**Authority:** 5 U.S.C. 301; 42 U.S.C. 1471 *et seq.*

■ 2. Amend § 3555.10 in the definition of *Settlement date* by revising the introductory text and adding paragraph (5) to read as follows:

##### § 3555.10 Definitions and abbreviations.

\* \* \* \* \*

*Settlement date.* The settlement date, for the purpose of loss calculation, is:

\* \* \* \* \*

(5) The date title is acquired upon recordation of a deed-in-lieu of foreclosure, with prior approval of the lender.

\* \* \* \* \*

■ 3. Amend § 3555.51 (b)(1) by adding a new sentence after the first sentence to read as follows:

##### § 3555.51 Lender eligibility.

\* \* \* \* \*

(b) \* \* \*

(1) \* \* \* Lenders must also comply with all other applicable federal, state and local laws, rules and requirements, including those under the purview of the Consumer Financial Protection Bureau, such as the Real Estate Settlement Procedures Act and the Truth in Lending Act. \* \* \*

\* \* \* \* \*

■ 4. Amend § 3555.301 by revising paragraph (h) to read as follows:

##### § 3555.301 General servicing techniques.

\* \* \* \* \*

(h) *Formal servicing plan.* The lender must report to the Agency utilizing a web-based automated system a formal servicing plan when a borrower's account is 90 days or more delinquent and a method other than foreclosure is recommended to solve the delinquency.

■ 5. Amend § 3555.302 by revising paragraph (b) to read as follows:

##### § 3555.302 Protective advances.

\* \* \* \* \*

(b) *Advances for costs other than taxes and insurance.* Protective advances for costs other than taxes and insurance, such as emergency repairs, can be made only if the borrower cannot, or will not, obtain an additional loan or reimbursement from an insurer or the borrower has abandoned the property. The lender must determine that any repairs funded by protective advances are cost effective. Repairs funded by protective advances must be planned, performed and inspected in accordance with § 3555.202 and as further described by the Agency. The lender must obtain prior Agency concurrence before issuing protective advances under this paragraph only for protective advances of a significant amount as specified by the Agency.

■ 6. Amend § 3555.303 by revising paragraph (b)(3)(v) to read as follows:

**§ 3555.303 Traditional servicing options.**

\* \* \* \* \*

- (b) \* \* \*
- (3) \* \* \*

(v) Lenders may require that borrowers complete a trial payment plan prior to making scheduled payments amended by the traditional loan servicing loan modification.

\* \* \* \* \*

■ 7. Amend § 3555.304 by removing and reserving paragraph (a)(2), revising paragraph (a)(4), revising paragraphs (c)(1) and (2), and revising paragraphs (d)(2) and (3) to read as follows:

**§ 3555.304 Special servicing options.**

- (a) \* \* \*
- (2) [Reserved]

\* \* \* \* \*

(4) If the borrower currently has a mortgage payment to income ratio lower than 31 percent, special servicing options can be utilized to cure the delinquency without modifying the note. Otherwise, special servicing options shall be used in the order established in this section to bring the borrower's mortgage payment to income ratio as close as possible to, but not less than, 31 percent.

\* \* \* \* \*

- (c) \* \* \*

(1) Loan modifications may capitalize all or a portion of the arrearage (PITI) and/or reamortization of the balance due. Capitalization may also include foreclosure fees and costs, tax and insurance advances, past due annual fees imposed by the lender, but not late charges or lender fees.

(2) Loan modifications must be a fixed interest rate and cannot exceed the current market interest rate at the time of modification. When reducing the

interest rate, the maximum rate is subject to paragraph (c)(3) of this section.

- (d) \* \* \*

(2) The maximum amount of a mortgage recovery advance is 30 percent of the unpaid principal balance as of the date of default. The Agency may change the maximum amount of mortgage recovery advance by publication in the **Federal Register**.

(3) If the borrower's total monthly mortgage payment is less than 31 percent of gross monthly income prior to an extended term loan modification, the mortgage recovery advance can be used as a stand-alone option to cure the borrower's delinquency without changing the terms of the note.

\* \* \* \* \*

■ 8. Amend § 3555.305 by revising the introductory text to read as follows:

**§ 3555.305 Voluntary liquidation.**

The lender must have exhausted the servicing options outlined in §§ 3555.302 through 3555.304 to cure the delinquency before considering voluntary liquidation. The methods of voluntary liquidation of the security property outlined in this section may be used to protect the interests of the Government.

\* \* \* \* \*

■ 9. Amend § 3555.306 by revising paragraph (f) to read as follows:

**§ 3555.306 Liquidation.**

\* \* \* \* \*

(f) *Lender acquisition of title.* If at liquidation, the title to the property is conveyed to the lender, the lender will order a market value appraisal within 15 days of acquiring title. The appraisal must be completed by an appraiser to be used to pay the loss claim using a calculated value as provided by a model. The lender must submit the appraisal with a loss claim request in accordance with subpart H.

\* \* \* \* \*

■ 10. Amend § 3555.352 by revising paragraphs (c) and (e) to read as follows:

**§ 3555.352 Loss covered by the guarantee.**

\* \* \* \* \*

(c) *Additional interest.* Additional interest on the unsatisfied principal accrued from the settlement date to the date the claim is paid, but not more than 60 days from the settlement date;

\* \* \* \* \*

(e) *Liquidation costs.* Reasonable and customary liquidation costs, such as attorney fees, market value appraisals, and foreclosure costs. Annual fees advanced by the lender to the Agency are ineligible for reimbursement when calculating the loss claim payment.

■ 11. Amend § 3555.353 by revising paragraphs (a) introductory text and (b) to read as follows:

**§ 3555.353 Net recovery value.**

\* \* \* \* \*

(a) *For a property that has been sold.* When a loss claim is filed on a property that was sold to a third party at the foreclosure sale or through an approved pre-foreclosure sale, net recovery value is calculated as follows:

\* \* \* \* \*

(b) *For a property that has been acquired.* When a loss claim is filed on a property acquired by the lender through a foreclosure sale or deed-in-lieu of foreclosure, net recovery value is based on an estimated sales price calculated using the market value, holding and disposition costs calculated using an acquisition and management factor published by the VA, and other factors as determined by the Agency. The lender must order the appraisal within 15 days of acquiring title to the property, and submit the appraisal with any loss claim request in accordance with subpart H of this part.

■ 12. Amend § 3555.354 by revising the introductory text and paragraph (b) to read as follows:

**§ 3555.354 Loss claim procedures.**

All lenders must use a web-based automated system designated by the Agency to submit all loss claim requests.

\* \* \* \* \*

(b) *REO.* When the lender acquires title to the property, the lender must order a market value appraisal within 15 days of acquiring title. The lender must submit a complete loss claim package that includes the completed market value appraisal within 45 calendar days of receiving the appraisal. Loss claims submitted beyond this period of time, or submitted without an appraisal may be rejected or reduced by Rural Development. The Agency will apply an acquisition and management resale factor to estimate holding and disposition costs, based on the most current VA Management and Acquisition Factor found at [https://www.benefits.va.gov/HOMELOANS/servicers\\_valeri.asp](https://www.benefits.va.gov/HOMELOANS/servicers_valeri.asp).

\* \* \* \* \*

**§ 3555.356 [Removed]**

■ 13. Remove § 3555.356.

Dated: July 27, 2018.

**Joel C. Baxley,**

*Administrator, Rural Housing Service.*

[FR Doc. 2018-18089 Filed 8-22-18; 8:45 am]