

As described in 24 CFR 570.712(b), HUD's credit subsidy calculation is based on the amount required to reduce the credit subsidy cost to the Federal Government associated with making a Section 108 loan guarantee to the amount established by applicable appropriation acts. As a result, HUD's credit subsidy cost calculations incorporated assumptions based on: (1) Data on default frequency for municipal debt where such debt is comparable to loans in the Section 108 loan portfolio; (2) data on recovery rates on collateral security for comparable municipal debt; (3) the expected composition of the Section 108 portfolio by end users of the guaranteed loan funds (e.g., third-party borrowers and public entities); and (4) other factors that HUD determined were relevant to this calculation (e.g., assumptions as to loan disbursement and repayment patterns).

Taking these factors into consideration, HUD determined that the fee for disbursements made under loan guarantee commitments awarded in FY 2019 will be 2.23 percent, which will be applied only at the time of loan disbursements. Note that future documents may provide for a combination of upfront and periodic fees for loan guarantee commitments awarded in future fiscal years but, if so, will provide the public an opportunity to comment if appropriate under 24 CFR 570.712(b)(2).

The expected cost of a Section 108 loan guarantee is difficult to estimate using historical program data because there have been no defaults in the history of the program that required HUD to invoke its full faith and credit guarantee or use the credit subsidy reserved each year for future losses.<sup>2</sup> This is due to a variety of factors, including the availability of Community Development Block Grant (CDBG) funds as security for HUD's guarantee as provided in 24 CFR 570.705(b). As authorized by Section 108 of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5308), borrowers may make payments on Section 108 loans using CDBG grant funds. Borrowers may also make Section 108 loan payments from other anticipated sources but continue to have CDBG funds available should they encounter shortfalls in the anticipated repayment source. Despite the program's history of no defaults, Federal credit budgeting principles require that

the availability of CDBG funds to repay the guaranteed loans cannot be assumed in the development of the credit subsidy cost estimate (see 80 FR 67629, November 3, 2015). Thus, the estimate must incorporate the risk that alternative sources are used to repay the guaranteed loan in lieu of CDBG funds, and that those sources may be insufficient. Based on the rate that CDBG funds are used annually for repayment of loan guarantees, HUD's calculation of the credit subsidy cost must acknowledge the possibility of future defaults if those CDBG funds were not available. The fee of 2.23 percent of the principal amount of the loan will offset the expected cost to the Federal Government due to default, financing costs, and other relevant factors. To arrive at this measure, HUD analyzed data on comparable municipal debt over an extended period. The estimated rate is based on the default and recovery rates for general purpose municipal debt and industrial development bonds. The cumulative default rates on industrial development bonds were higher than the default rates on general purpose municipal debt during the period from which the data were taken. These two subsectors of municipal debt were chosen because their purposes and loan terms most closely resemble those of Section 108 guaranteed loans.

In this regard, Section 108 guaranteed loans can be broken down into two categories: (1) Loans that finance public infrastructure and activities to support subsidized housing (other than financing new construction) and (2) other development projects (e.g., retail, commercial, industrial). The 2.23 percent fee was derived by weighting the default and recovery data for general purpose municipal debt and the data for industrial development bonds according to the expected composition of the Section 108 portfolio by corresponding project type. Based on the dollar amount of Section 108 loan guarantee commitments awarded from FY 2013 through FY 2017, HUD expects that 35 percent of the Section 108 portfolio will be similar to general purpose municipal debt and 65 percent of the portfolio will be similar to industrial development bonds. In setting the fee at 2.23 percent of the principal amount of the guaranteed loan, HUD expects that the amount generated will fully offset the cost to the Federal Government associated with making guarantee commitments awarded in FY 2019. Note that the FY 2019 fee represents a 0.135 percent decrease from the FY 2018 fee of 2.365 percent.

This document establishes a rate that does not constitute a development decision that affects the physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this document is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

Dated: September 14, 2018.

**Neal Rackleff,**

*Assistant Secretary for Community Planning and Development.*

[FR Doc. 2018-21686 Filed 10-4-18; 8:45 am]

**BILLING CODE 4210-67-P**

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## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Part 1

[TD 9787]

RIN 1545-BK29

#### Section 707 Regarding Disguised Sales, Generally; Correction

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Correcting amendment.

**SUMMARY:** This document contains corrections to final regulations (TD 9787) that were published in the **Federal Register** on Wednesday, October 5, 2016. The final regulations are under sections 707 and 752 of the Internal Revenue Code.

**DATES:** This correction is effective October 5, 2018 and is applicable on and after October 5, 2016.

**FOR FURTHER INFORMATION CONTACT:** Deane M. Burke or Caroline E. Hay at (202) 317-5279 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:**

#### Background

The final regulations (TD 9787), published October 5, 2016 (81 FR 69291), that are the subject of this correction are under sections 707 and 752 of the Internal Revenue Code.

#### Need for Correction

As published, the final regulations (TD 9787) contain an error that may prove to be misleading and are in need of clarification.

#### List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

<sup>2</sup> U.S. Department of Housing and Urban Development, Study of HUD's Section 108 Loan Guarantee Program, (prepared by Econometrica, Inc. and The Urban Institute), September 2012, at pages 73-74. This fact has not changed since the issuance of this report.

**Correction of Publication**

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

**PART 1—INCOME TAXES**

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 \* \* \*

**§ 1.707–9 [Amended]**

■ **Par. 2.** Section 1.707–9 is amended by revising the second sentence in paragraph (a)(1) to read as follows:

**§ 1.707–9 Effective dates and transitional rules.**

(a) \* \* \*  
(1) \* \* \* For any transaction with respect to which all transfers that are part of a sale of an item of property occur after April 24, 1991, and any of such transfers occurs before October 5, 2016, §§ 1.707–3 through 1.707–6 as contained in 26 CFR part 1 revised as of April 1, 2016, apply.

\* \* \* \* \*

**Martin V. Franks,**

*Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedure and Administration).*

[FR Doc. 2018–21673 Filed 10–4–18; 8:45 am]

**BILLING CODE 4830–01–P**

**DEPARTMENT OF HOMELAND SECURITY****Coast Guard****33 CFR Part 117**

[Docket No. USCG–2018–0919]

**Drawbridge Operation Regulation; Duwamish Waterway, Seattle, WA**

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of deviation from drawbridge regulation.

**SUMMARY:** The Coast Guard has issued a temporary deviation from the operating schedule that governs the South Park highway bridge (South Park Bridge), across the Duwamish Waterway mile 3.8, at Seattle, WA. The deviation allows the bridge owner to remove the drawtender during the late evening and early morning hours. This deviation authorizes the subject bridge to open during nighttime hours after receiving a 12 hour advance notice.

**DATES:** This deviation is effective from without actual notice from October 5, 2018 to 7 a.m. on January 17, 2019. For purposes of enforcement, actual notice

will be used from 6 a.m. on September 17, 2018, to October 5, 2018.

**ADDRESSES:** The docket for this deviation, USCG–2018–0919 is available at <http://www.regulations.gov>. Type the docket number in the “SEARCH” box and click “SEARCH.” Click on Open Docket Folder on the line associated with this deviation.

**FOR FURTHER INFORMATION CONTACT:** If you have questions on this temporary deviation, call or email Mr. Steven Fischer, Bridge Administrator, Thirteenth Coast Guard District; telephone 206–220–7282, email [d13-pf-d13bridges@uscg.mil](mailto:d13-pf-d13bridges@uscg.mil).

**SUPPLEMENTARY INFORMATION:** King County, WA, owns the South Park Bridge that spans across the Duwamish Waterway at mile 3.8, at Seattle, WA. King County requested a temporary deviation from the operating schedule, due to infrequent opening requests, while a rule change is being processed. This deviation will allow King County to operate without a drawtender during evening hours until an opening request has been received. The South Park Bridge operates in accordance with 33 CFR 117.1041(a)(2).

This deviation authorizes the drawtender to open the South Park Bridge after receiving a 12 hour notice from 11 p.m. to 7 a.m. including all Federal holidays, starting at 6 a.m. on September 17, 2018, through 7 a.m. on January 17, 2019. Vessels engaged in sea-trials or waterway dredging activities may request a standby drawtender to open the bridge, on demand, during sea-trials and/or dredging operations, if at least a 24 hour notice is given to the drawtender. The South Park Bridge provides a vertical clearance approximately 20 feet above mean high water when in the closed-to-navigation position. Vessels operating on the Duwamish Waterway range from small recreational vessels, sailboats, tribal fishing boats, large yachts and commercial towing vessels.

Vessels able to pass through the South Park Bridge in the closed-to-navigation position may do so at any time. The bridge will not be able to open for emergencies from 11 p.m. to 7 a.m. However, in the event of an emergency requiring a bridge opening between 11 p.m. and 7 a.m., the Seattle Department of Transportation has agreed that the bridge operator at the Fremont Bridge across the Lake Washington Ship Canal will open the South Park Bridge within 45 minutes from initial notification. The Coast Guard will inform the users of the waterway, through our Local and Broadcast Notices to Mariners, of the change in operating schedule for the

bridge so that vessel operators can arrange their transits to minimize any impact caused by the temporary deviation.

In accordance with 33 CFR 117.35(e), the drawbridges must return to their regular operating schedule immediately at the end of the effective period of this temporary deviation. This deviation from the operating regulations is authorized under 33 CFR 117.35.

Dated: October 1, 2018.

**Steven M. Fischer,**

*Bridge Administrator, Thirteenth Coast Guard District.*

[FR Doc. 2018–21674 Filed 10–4–18; 8:45 am]

**BILLING CODE 9110–04–P**

**DEPARTMENT OF HOMELAND SECURITY****Coast Guard****33 CFR Part 117**

[Docket No. USCG–2018–0931]

**Drawbridge Operation Regulation; Wicomico River, Salisbury, MD**

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of deviation from drawbridge regulation.

**SUMMARY:** The Coast Guard has issued a temporary deviation from the operating schedule that governs the Main Street Bridge across the Wicomico River (North Prong), mile 22.4, at Salisbury, MD. The deviation is necessary to accommodate the cleaning and painting of the bridge. This deviation allows the bridge to remain in the closed-to-navigation position and open on signal if at least 24 hours notice is given.

**DATES:** The deviation is effective from 6 a.m. on October 5, 2018, through 6 a.m. on December 31, 2018.

**ADDRESSES:** The docket for this deviation, [USCG–2018–0931] is available at <http://www.regulations.gov>. Type the docket number in the “SEARCH” box and click “SEARCH”. Click on Open Docket Folder on the line associated with this deviation.

**FOR FURTHER INFORMATION CONTACT:** If you have questions on this temporary deviation, call or email Mr. Martin Bridges, Bridge Administration Branch Fifth District, Coast Guard, telephone 757–398–6422, email [Martin.A.Bridges@uscg.mil](mailto:Martin.A.Bridges@uscg.mil).

**SUPPLEMENTARY INFORMATION:** The Maryland Department of Transportation State Highway Administration, who owns and operates the Main Street Bridge across the Wicomico River (North Prong), mile 22.4, at Salisbury,