On August 26, 2013, the Commission issued *Misuse of internet Protocol Captioned Telephone Service; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CG Docket Nos. 13–24 and 03–123, Report and Order, 78 FR 53684, August 30, 2013, to regulate practices relating to the marketing of IP CTS, impose certain requirements for the provision of this service, and mandate registration and certification of IP CTS users.

On June 8, 2018, the Commission issued *Misuse of internet Protocol Captioned Telephone Service; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CG Docket Nos. 13–24 and 03–123, Report and Order and Declaratory Ruling, 83 FR 30082, June 27, 2018 (*2018 IP CTS Modernization Order*), to facilitate the Commission's efforts to reduce waste, fraud, and abuse and improve its ability to efficiently manage the IP CTS program through regulating practices related to the marketing of IP CTS, generally prohibiting the provision of IP CTS to consumers who do not genuinely need the service, permitting the provision of IP CTS in emergency shelters, and approving the use of automatic speech recognition to generate captions without the assistance of a communications assistant.

On February 15, 2019, the Commission issued *Misuse of internet Protocol Captioned Telephone Service; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities,* CG Docket Nos. 13–24 and 03–123, Report and Order, and Order, 84 FR 8457, March 8, 2019 (*2019 IP CTS Program Management Order*), requiring the submission of IP CTS user registration information to the telecommunications relay service (TRS) User Registration Database (Database) so that the Database administrator can verify IP CTS users to reduce the risk of waste, fraud, and abuse in the IP CTS program.

On June 30, 2022, the Commission issued *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities; Structure and Practices of the Video Relay Service Program; Misuse of internet Protocol Captioned Telephone Service,* CG Docket Nos. 03–123, 10–51, and 13–24, Report and Order, published at 87 FR 57645, September 21, 2022 (*Registration Grace Period Order*), allowing IP CTS and Video Relay Service (VRS) providers to provide compensable service to a new user for up to two weeks after submitting the user's information to the Database if the user's identity is verified within that period, in order to offer more efficient service to IP CTS and VRS users without risk of waste, fraud, and abuse to the Fund.

The programmatic changes in information collection burdens that apply to VRS due to the *Registration and Grace Period Order* will be addressed separately in modifications to information collection No. 3060–1089.

Federal Communications Commission.

Katura Jackson,

Federal Register Liaison Officer.

[FR Doc. 2023–04753 Filed 3–7–23; 8:45 am]

BILLING CODE 6712–01–P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Part 203

[Docket No. FR–6263–F–02]

RIN 2502–AJ59

Increased Forty-Year Term for Loan Modifications

AGENCY: Office of Housing, HUD.

ACTION: Final rule.

SUMMARY: HUD's regulations allow mortgagees to modify a Federal Housing Administration (FHA) insured mortgage by recasting the total unpaid loan for a term limited to 360 months to cure a borrower's default. This rule amends HUD's regulation to allow for mortgagees to recast the total unpaid loan for a new term limit of 480 months. Increasing the maximum term limit to 480 months will allow mortgagees to further reduce the borrower's monthly payment as the outstanding balance would be spread over a longer time frame, providing more borrowers with FHA-insured mortgages the ability to retain their homes after default. This change will also align FHA with modifications available to borrowers with mortgages backed by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), which both currently provide a 40-year loan modification option. This final rule adopts HUD's April 1, 2022, proposed rule without change.

DATES: Effective May 8, 2023.

FOR FURTHER INFORMATION CONTACT: Elissa Saunders, Director, Office of Single Family Program Development, Office of Housing, Department of Housing and Urban Development, 451 7th Street SW, Suite 9278, Washington, DC 20410–4000; telephone number 202–708–2121 (this is not a toll-free number); email *sffeedback@hud.gov.* The telephone numbers listed above are not toll-free numbers. HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit: *https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs.*

SUPPLEMENTARY INFORMATION:

I. Background

The Federal Housing Administration (FHA) was established by Congress in 1934 to improve nationwide housing standards, to provide employment and stimulate industry, to improve conditions with respect to home mortgage financing, to prevent speculative excesses in new mortgage investment, and to eliminate the necessity for costly second mortgage financing.[1] HUD's regulations for Title II FHA single family forward mortgage insurance are codified in 24 CFR part 203. These regulations address mortgagee eligibility requirements and underwriting procedures, contract rights and obligations, and the mortgagee's servicing obligations. These regulations also address a mortgagee's obligations to offer loss mitigation options when a mortgagor defaults on a loan, as provided in 24 CFR 203.501.

Over time, HUD has expanded and revised the regulations regarding the loss mitigation options that mortgagees are required to consider utilizing including special forbearance, recasting of mortgages, partial claims, pre-foreclosure sales, deeds in lieu of foreclosure, and assumptions as ways to mitigate losses to the Mutual Mortgage Insurance Fund.[2] In 1996, the Balanced Budget Downpayment Act, I (Pub. L. 104–99, approved January 26, 1996) amended sections 204 and 230 of the National Housing Act to provide that HUD may pay insurance benefits to a mortgagee to recompense the mortgagee for its actions to provide an alternative to the foreclosure of a mortgage that is in default. These actions may include special forbearance, loan modification, and/or deeds in lieu of foreclosure, all upon terms and conditions as the mortgagee shall determine in the mortgagee's sole discretion, within guidelines provided by HUD.[3] In response, HUD promulgated an interim

[1] 12 U.S.C. 1701 *et seq.*

[2] 24 CFR 203.501.

[3] 12 U.S.C. 1715u.

final rule (61 FR 35014, July 3, 1996), followed by a final rule (62 FR 60124, November 6, 1997) adding loss mitigation options to 24 CFR part 203. One of these options allows mortgagees to modify a mortgage for the purpose of changing the amortization provisions and recasting the total unpaid amount due for a term not exceeding 360 months from the date of the modification.[4]

II. The Proposed Rule

On April 1, 2022, HUD published for public comment a proposed rule to amend 24 CFR 203.616, which allows a mortgagee to modify a mortgage for the purpose of changing the amortization provisions by recasting the total unpaid amount due for a new term, by replacing the maximum of 360 months with a new maximum of 480 months.[5] The proposed rule sought to allow mortgagees to provide a 40-year loan modification to support HUD's mission of fostering homeownership by assisting more borrowers with retaining their homes after a default episode while mitigating losses to FHA's Mutual Mortgage Insurance (MMI) Fund.

The proposed rule recognized that a lower monthly payment is key to bringing the mortgage current, preventing imminent re-default, and ultimately retaining their home and continuing to build wealth through homeownership. The proposed rule also recognized that this option would be particularly beneficial to borrowers impacted by the COVID–19 pandemic, including those who may re-default in the future after having received a loss mitigation option under COVID–19 policies. Finally, the proposed rule recognized that, while the 40-year mortgage remains rare, it has become more commonly recognized in the mortgage industry, including by the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac.

III. This Final Rule

In response to public comments as discussed further below, and in further consideration of issues addressed at the proposed rule stage, HUD is publishing this final rule without change from the proposed rule.

HUD recognizes that, since the proposed rule was published, interest rates have increased. An increase in interest rates may decrease the effectiveness of a modification in providing significant payment reduction, because the modified loan may be at a higher interest rate than the original loan. While rising interest rates may keep the 40-year loan modification from providing significant payment reduction, HUD believes that rising interest rates make the 40-year loan modification more critical in circumstances where the 30-year loan modification does not sufficiently decrease the monthly payment to an amount that the borrower could afford to retain their home. As a result, HUD believes that this rule will provide a critical home retention tool for borrowers as interest rates change over the long term.

IV. Public Comments

HUD received twenty comments in response to the proposed rule. The public comments are discussed in three categories: support for the proposed rule, opposition to the proposed rule, and suggested revisions and additions to the proposed rule.

A. Support for the Proposed Rule

The Proposed Rule Will Help Struggling Homeowners

Commenters stated that a 40-year loan modification option would be a valuable tool, providing significant relief for struggling borrowers. Commenters said that extended maximum loan terms allow lenders to further reduce monthly mortgage payments, assisting borrowers in retaining their homes and avoiding foreclosure. A commenter said borrowers who re-default after utilizing other loss mitigation methods (such as a partial claim) have few options for retaining their homes. Commenters said that the current 30-year term maximum loan modifications are sometimes insufficient to provide affordable monthly payments for defaulting borrowers. A commenter said that 40-year loan terms could reduce borrowers' need to file partial claims, reducing the likelihood that borrowers will have an additional lien on their property. This commenter also said that in some cases, extending the terms of loan modifications may be the only option to prevent borrowers in default from losing their homes.

Commenters said that current adverse market conditions increase the importance of creating additional tools to help struggling borrowers. Commenters said that many borrowers are currently in some form of delinquency. A commenter said there has been a recent increase in the number of foreclosures on FHA loans caused by the end of the foreclosure moratorium. Commenters noted that the current rising interest rate environment makes it more difficult for FHA lenders to meet target payment levels with 30-year loan modifications because the refinanced mortgage would be subject to a higher interest rate and therefore higher monthly payments. A commenter said that this is particularly true for borrowers who recently originated or refinanced their loans at recent historically low interest rates.

HUD Response: HUD appreciates the support for this effort and agrees with these commenters. These commenters identified many of the reasons HUD is moving forward with this rule.

The Proposed Rule Will Help Individuals Build Wealth

Commenters said that 40-year loan modifications could help borrowers build wealth through homeownership by keeping borrowers in their homes. Commenters said that homeownership is a long-term means of building wealth. A commenter said that borrowers' credit is greatly harmed by foreclosure, often preventing foreclosed borrowers from regaining homeownership in the future.

HUD Response: HUD agrees with these commenters. The longer term of the modified loan will lead to lower monthly mortgage payments than a 30-year term modification, which will allow more borrowers to retain their homes and all the benefits that accompany homeownership, including long-term wealth building. Although a shorter term loan allows for quicker wealth accumulation, the use of a 40-year loan modification may be the single option allowing the borrower to retain their home. Thus, the 40-year loan modification will allow these borrowers to retain the wealth they have already accrued and allow them to continue to build wealth, albeit at a slower pace, by retaining their home—instead of losing their home.

The Proposed Rule Will Help Borrowers Harmed by the COVID–19 Pandemic

Commenters said that 40-year loan modifications could help homeowners negatively affected by the COVID–19 pandemic. Commenters said that the COVID–19 pandemic caused many homeowners to struggle with their mortgage payments, particularly those who experienced pandemic-related job loss or disruption. A commenter also said that 40-year loan modifications could benefit borrowers who re-default after completing a COVID–19 Loss Mitigation Recovery Option. Another commenter said that the proposed rule would ameliorate negative impacts on struggling homeowners in the post-pandemic environment.

HUD Response: HUD agrees with these commenters. The unprecedented

[4] 24 CFR 203.616.

[5] 87 FR 19037.

nature of the COVID–19 pandemic caused many borrowers to utilize a loss mitigation option to bring their mortgage current after becoming delinquent or utilizing a forbearance. As a result, many borrowers have used much of their Partial Claim allotment or have received a loan modification at historically low interest rates. If a borrower impacted by COVID–19 who brought their mortgage current experiences a future default episode, they will likely have fewer loss mitigation options available. Therefore, a 40-year loan modification will be critical in helping those borrowers achieve an affordable monthly mortgage payment in the event of a future default episode or natural disaster.

The Proposed Rule Will Promote Financial Inclusion and Equity

A commenter said that 40-year loan modifications would promote financial inclusion. Commenters said that 40-year loan modifications would be particularly helpful for individuals with low and moderate incomes, especially those living in regions with high home prices. Commenters said that first-time homebuyers could benefit from 40-year loan modifications, especially given the lack of entry level housing and rising home sale prices. Commenters said that mortgagors who had lost their jobs were more likely to need reductions in their monthly payments. A commenter said that homeowners facing long-term hardships would also benefit. Another commenter said the proposed rule would help ordinary families and their communities. Another commenter described the proposed rule as a win for everyone.

A commenter said that the proposed rule supports equity. This commenter said that the proposed rule would positively impact American Indians and Alaska Natives, who had higher levels of job loss during the pandemic than other racial groups and who tend to be less financially literate and experience higher foreclosure rates. Another commenter said that 40-year loan modifications would benefit Black and Hispanic borrowers who are more likely than White borrowers to be in forbearance, need loss mitigation, or be delinquent on their loans.

A commenter said that the simplicity of a 40-year loan recast is beneficial to borrowers who have lower financial literacy and who may have less ability to evaluate risk and choose among financial courses of action. This commenter said that negotiating with a bank's servicing agent can be confusing or adversarial for borrowers. This commenter also said that American Indians, Alaska Natives, and individuals who are Black are more likely to benefit from simplified loss mitigation policies because they may have lower financial literacy than other racial groups.

HUD Response: HUD agrees that this rule, for all the reasons identified by these commenters, will promote financial inclusion and equity through sustained homeownership. It will provide a useful home retention tool for borrowers including low-to-moderate income borrowers, first-time homeowners, borrowers of color, and borrowers from underserved neighborhoods and communities, particularly in a rising interest rate environment.

According to internal data from HUD's Single Family Data Warehouse, as of September 30, 2022, borrowers who identify as Black are in default at much higher rates than other borrowers. Borrowers who identify as Black make up 15.86 percent of FHA's total portfolio, but 22.46 percent of mortgages in default. The race and ethnicity of all other borrowers in default, including Native Americans and Hispanics, are roughly proportional to the racial and ethnic breakdown of the total FHA portfolio. Therefore, the 40-year loan modification that will help borrowers retain their homes by extending the term of their mortgage to help reduce monthly mortgage payments will especially help Black borrowers who are presently in default at disproportionate rates.

The Regulatory Impact Analysis (RIA) that accompanied the proposed rule reviewed the impacts of the rule on equity and found: ''The loan modification policy is intended to promote equity by preserving the housing wealth of lower income households.'' The RIA reviewed studies over whether there have been differences in loss mitigation by race or ethnicity and noted that the findings vary. Ultimately, the RIA concluded: ''Evidence supports that the 40-year term would be implemented fairly to advance the economic interests of all protected classes.''

The Proposed Rule Will Benefit the Housing Market

Commenters said that the foreclosure mitigation effects of 40-year loan modifications would support the stability of the housing market, allowing the housing market to thrive and benefiting the economy as a whole. A commenter said that foreclosures harm the home values of adjacent properties, increasing the likelihood of additional future foreclosures in the area. This commenter said these vicious cycles of home price deterioration can be pervasive in low-income neighborhoods.

HUD Response: HUD agrees that introducing the 40-year loan modification will help reduce foreclosures and thereby reduce the secondary effects of foreclosure, such as neighborhood blight. Given the rising interest rate environment, the longer term of a loan modification will be particularly critical in helping borrowers retain their homes after a default episode. By helping reduce foreclosures, this rule will help stabilize the housing market especially during a period of potential economic instability. The RIA cited various studies looking at the impact of foreclosures on the immediate housing market, which found that property sales located within 300 feet of a foreclosed property experience about a 1 percent discount per foreclosure and that the absolute impact of neighboring foreclosures is greater for lower-priced properties. When implemented as part of HUD's Single Family loss mitigation program, this loss mitigation tool will help more borrowers retain their homes and continue to build their communities.

The Proposed Rule Aligns FHA Loss Mitigation Policy With That of Other Financial Institutions

Commenters said the proposed rule would align loss mitigation policies between different regulators. Commenters said that the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Government National Mortgage Association (Ginnie Mae), the National Credit Union Association, the U.S. Department of Agriculture, the Government-Sponsored Enterprise (GSEs), the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency already support various 40-year loan modification programs. A commenter said that the effective use of 40-year loan term modifications by Fannie Mae and Freddie Mac demonstrate the merit of the proposed rule change.

Commenters said aligning loss mitigation policies between different regulators is good public policy. A commenter said that aligning loss mitigation policies is a long-standing industry priority. Another commenter said that aligning loss mitigation policies creates operational ease for mortgage servicers. Commenters said that allowing 40-year loan modifications would create parity among lenders by providing borrowers who have FHA-insured mortgages with the same options available to borrowers whose mortgages are backed by other financial institutions. A commenter said that parity among all lenders is necessary for the housing finance system.

Commenters said that standardizing loss mitigation policies would make federal regulations more consistent, more predictable, and easier to understand. A commenter said that consistent program terms help loan servicers communicate and educate consumers on the available loss mitigation options.

HUD Response: HUD agrees with these comments. Once implemented, this rule will provide borrowers with the ability to extend the term of their modified mortgage to 480 months, similar to what is offered by other federal agencies and the GSEs. This will also ensure that borrowers are not disadvantaged compared to non-FHA-insured mortgages.

The Proposed Rule Will Benefit the FHA Lending Program

Commenters said that 40-year loan modifications could help mitigate losses to FHA's Mutual Mortgage Insurance (MMI) Fund. A commenter noted that the MMI Fund reimburses FHA lenders' foreclosure losses, transferring losses from FHA lenders to the MMI Fund. Another commenter said mitigating losses to the MMI Fund would increase liquidity for FHA lenders.

Commenters said that allowing 40-year term loan modifications for FHA-insured loans would incentivize more credit unions to become FHA lenders. A commenter said that the significant amount of staff expertise and specialization necessary to become an FHA lender is a barrier to credit unions providing FHA-insured loans. This commenter also said that the proposed rule's alignment of FHA requirements with other federal regulators' policies would significantly ease the burden of achieving FHA eligibility and increase the participation of community-based financial institutions in FHA programs. Another commenter said that federal credit unions could offer 40-year loan modifications if the proposed rule is adopted because the National Credit Union Administration already authorizes federal credit unions to make FHA-insured mortgages with terms of up to 40 years. This commenter also said that state laws in Massachusetts, New Hampshire, and Delaware would allow state-chartered credit unions to modify FHA-insured mortgages to 40-year terms. Commenters said that having the option to provide 40-year loan modifications for FHA-insured loans would allow credit unions to better serve their members.

HUD Response: HUD agrees that the 40-year loan modification would reduce risk of losses to the MMI Fund, thereby strengthening HUD's ability to provide access to homeownership to low-to-moderate income borrowers and first-time homeowners in accordance with HUD's overall mission.

HUD values the work of credit unions and their service to underserved borrowers. HUD is pleased that credit unions will be able to provide 40-year loan modifications in line with HUD's requirements as a loss mitigation option for borrowers.

The Proposed Rule Aligns With HUD's Mission Statement

Commenters said that the proposed 40-year term modifications are commendable because they further HUD's mission of creating strong, sustainable, inclusive communities and quality affordable homes for all. A commenter said the proposed rule demonstrates that HUD is proactively providing borrowers with additional support and helping them keep their homes. Commenters also said that the lower-income, struggling mortgagors who would most likely benefit from the proposed rule are the types of borrowers the FHA was created to assist.

HUD Response: HUD appreciates the support from commenters and continually reviews and evaluates options to assist borrowers while safeguarding the MMI Fund.

The Benefits of the Proposed Rule Outweigh the Downsides of Extended Loan Terms

Commenters said that the benefits of the proposed rule outweighed the potential that 40-year loan terms would slow the equity building process, increase borrowing costs, and increase the chances that a homebuyer will go "underwater" when home values decline. A commenter said that it is more important for defaulting borrowers to retain their homes than to build equity quickly, especially if there is no other option to prevent foreclosure. Another commenter said that as long as the equity requirement is sufficient, there is no reason not to allow a longer payback. A commenter said that the length of a 40-year loan was less of a concern for young homebuyers, who could still pay the loan in full by the time they retire. Another commenter said that, while 40-year loans have downsides, they could allow struggling borrowers a chance to pursue their dreams of homeownership.

HUD Response: HUD agrees with these commenters. There are potential downsides to all loss mitigation options, which have to be weighed against the benefits. For borrowers who would be eligible for a 40-year loan modification, this option is intended to be the last tool utilized to help borrowers retain their home.

B. Opposition to the Proposed Rule

The Proposed Rule Will Distort the Housing Market and Reduce Affordability

A commenter said that home prices are governed by the monthly payments made by mortgagors and that adding ten years of additional payments for the same homes would cause prices to rise over time. Another commenter said that the free market should regulate the housing market and that the private sector would not provide the type of loans HUD proposes because the higher interest rates would offset any savings. A commenter said federal policies have already created too much debt, endangering the banking system and society. Another commenter said the proposed rule would only be keeping a housing bubble propped up to boost tax revenue.

Commenters said that blocking foreclosures reduces the supply of available houses and causes the remaining housing supply to be overvalued. Commenters said that the proposed rule would only provide temporary relief to borrowers in exchange for reducing the supply of affordable housing. A commenter said the rule would be saving the less prudent at the expense of the responsible. This commenter said that an 18-month forbearance was more than enough time for people to get back on their feet and save.

HUD Response: HUD appreciates this feedback and recognizes the complexity of this issue. The Department of Veterans Affairs (VA) and the GSEs already offer a 40-year loan modification; therefore, by taking this step, FHA is aligning with VA and the GSEs to provide FHA-borrowers with a similar option. The high cost of housing across the country is the result of multiple inter-related causes and 40-year loan modifications offered by VA and the GSEs have not been shown to cause higher housing prices. Moreover, rising interest rates may result in the need for loan modification with a longer term to help borrowers keep their homes. The 40-year loan modification, once implemented, will further help stabilize neighborhoods and avoid neighborhood blight.

Regarding the comment that an 18-month forbearance was more than enough time for people to get back on their feet and save; although this was true for some borrowers, many other borrowers did seek loss mitigation assistance after their forbearance to help bring their mortgage current and to provide a more affordable monthly payment. HUD does not anticipate that all borrowers in default would be given a 40-year loan modification. For borrowers who can afford to bring their mortgage current and make their monthly mortgage payments through a different loss mitigation option, such as with a 30-year loan modification, a 40-year loan modification would not be required.

Borrowers Are Better Off Without the Proposed 40-Year Term Loan Modifications

Commenters said struggling borrowers would be better off losing their homes and stabilizing their finances through other means. A commenter said that defaulting borrowers would likely not end up making their payments, even with the extended loan terms. Commenters suggested that borrowers use bankruptcy to write off debts and start over with a clean slate. A commenter said that, even if borrowers make their payments, a 40-year term is so long that borrowers would become permanently indebted.

HUD Response: HUD appreciates this feedback. However, based on HUD's analysis of mortgage performance after loss mitigation and the rising interest rate environment, the 40-year modification will assist many borrowers in retaining their home through a more affordable monthly mortgage payment. FHA's existing standard loss mitigation options rely on a review of the borrower's income to determine affordability. When the 40-year loan modification is incorporated into FHA's standard loss mitigation policy, HUD will adjust the requirements for this review to ensure that mortgagees' use of this tool is targeted for where it will be most effective to respond to each borrower's specific circumstances and to help borrowers avoid foreclosure.

HUD believes that, generally, borrowers who could avoid foreclosure through loss mitigation would benefit much more from loss mitigation than from declaring bankruptcy, which is a drastic measure with long-lasting consequences. However, HUD notes that loss mitigation is optional, and a borrower may choose to decline loss mitigation assistance.

Additionally, borrowers would not be permanently locked into a 40-year term. The average life of an FHA-insured mortgage is approximately seven years. After time, borrowers generally either refinance or sell their home. HUD anticipates that, in most cases, borrowers who take advantage of the 40-year modification will not retain the mortgage for the full 40-year term.

C. Suggested Revisions and Additions to the Proposed Rule

Forty-Year Loan Terms Should Be Available From Origination

Commenters suggested that HUD approve an option for the FHA to insure 40-year term mortgages from origination. Commenters said that 40-year terms at origination could provide homebuyers with more affordable monthly payments and more flexibility to find a mortgage that fits their needs. A commenter said that many credit unions have demonstrated that 40-year loan terms can enable borrowers to enter loans with more affordable monthly payments. Commenters suggested that allowing 40-year terms from loan origination would particularly benefit young and lower-income homebuyers by providing access to longer amortization. A commenter also said that offering 40-year terms at loan origination could help close the racial homeownership gap.

A commenter said that allowing 40-year loan terms at origination would not affect the stability of the housing finance system. This commenter said that loans are less risky for lenders when borrowers have affordable mortgage payments. This commenter also said that borrowers who enter 40-year loans could later refinance for shorter terms to reduce the total amount of interest paid and build equity faster.

HUD Response: HUD appreciates these comments; however, HUD does not have statutory authority to provide 40-year mortgages at origination and is therefore not considering that option as part of this rulemaking.

FHA Lenders Should Continue To Use 30-Year Terms for Loan Modifications

A commenter suggested that the existing loss mitigation structure should not be eliminated and that 40-year loan modifications should not replace 30-year modifications as the standard. This commenter said that many borrowers can afford payments with a 30-year loan modification and that these borrowers would build home equity more quickly and pay less interest with a shorter loan term. Commenters suggested that FHA lenders calculate loan terms flexibly to address each borrower's unique circumstances. A commenter suggested that FHA lenders should evaluate the array of possible modification terms to balance additional interest costs and slower equity building with the need for immediate payment relief. Another commenter suggested that HUD and the FHA should narrowly tailor their guidance around 40-year loan modifications to ensure that FHA lenders incrementally extend loan terms beyond 360 months only as necessary to achieve affordability and home retention for borrowers.

HUD Response: HUD appreciates the feedback and agrees that the 40-year loan modification should not replace the 30-year loan modification, but that both should be used by mortgagees where they would best assist the borrower in retaining their home and reducing risks to FHA'S MMI Fund. Where HUD added a 40-year loan modification with partial claim into the COVID–19 Recovery Modification, the 40-year modification is only utilized when the 30-year modification cannot achieve the target payment. Similarly, HUD will evaluate the most appropriate use for the 40-year modification as it drafts its guidance for utilization of 40-year modifications as part of FHA's standard loss mitigation tools. HUD will also take these comments into consideration as it drafts that guidance.

HUD Should Consider Additional Methods of Providing Payment Relief in Conjunction With 40-Year Term Loan Modifications

A commenter supported the proposed rule but said that high interest rates reduce the effectiveness of extended loan terms to lower monthly payments. This commenter noted that the current COVID–19 waterfall target is a 25 percent principal and interest (P&I) reduction and said that a loan with a 4.50 percent note rate and twenty-six years remaining would fail to reach a 25 percent P&I reduction with a 40-year modification that uses the maximum amount of principal deferral. The commenter further said that if interest rates continue to rise, the ability of loan providers to achieve payment reduction goals through 40-year term loan modification will decrease.

This commenter said that current adverse market conditions such as increasing interest rates and continued COVID-related hardship require further steps to provide payment relief to struggling homeowners. This commenter suggested that HUD should allow borrowers to access their statutory maximum partial claims to achieve affordable payments. This commenter noted that, currently, HUD does not allow borrowers to use their full partial claim to address COVID–19 hardship. The commenter suggested that the additional partial claim capacity could be used to defer principal and generate an additional 4 to 6 percentage points of payment reduction. The commenter also suggested that HUD should combine extended term modifications with a partial claim to help achieve affordable monthly payments for borrowers who have a remaining partial claim amount.

Commenters also suggested that HUD should not increase and should consider reducing or waiving annual mortgage insurance premiums (MIP) for all loss mitigation programs. A commenter suggested that MIP reductions could help provide affordable monthly payments for borrowers if high interest rates prevented a 40-year term loan modification from achieving payment reduction goals.

This commenter suggested that reducing the MIP for some borrowers would not harm the MMI Fund. The commenter noted that reducing MIP will cut revenue for the MMI Fund, but suggested that the further reductions in monthly payments could prevent additional foreclosures, offsetting the lost MIP revenue. This commenter also said that MIP reductions could be targeted only to borrowers at the highest risk of foreclosure. The commenter suggested that HUD work with industry stakeholders to develop an efficient and feasible process for servicers to reduce the MIP.

This commenter also suggested that HUD should set the maximum interest rate for new 40-year modification terms at 25 basis points above Freddie Mac's Primary Mortgage Market Survey (PMMS) and not the current 50 basis points. The commenter said that adding 50 basis points onto an already high PMMS rate would limit the payment relief HUD can offer. The commenter said that a reduction of 25 basis points properly balances the marketplace's needs with the needs of borrowers. This commenter estimated that such a reduction would provide an additional 2 to 3 percentage points of payment relief.

HUD Response: HUD appreciates this feedback. HUD agrees that high interest rates will reduce the ability of the extended loan term to provide such significant payment relief. However, the 40-year modification will still be effective in the higher interest rate environment in helping borrowers achieve greater payment reduction than they would achieve from a 30-year modification. This difference may help borrowers retain their homes, who might not be able to do so with a 30-year modification.

HUD continues to review all possible options and changes to policies and procedures for mortgagees to assist borrowers in retaining their homes and to be a responsible steward of the MMI Fund. This rule does not preclude HUD from making additional changes or providing additional options for mortgagees to use with struggling borrowers. This rule enables HUD to exercise its statutory authority to allow for the 40-year loan modification to be used in the future as one of FHA's loss mitigation tools or in combination with others. Further guidance about how this will be implemented inside of HUD's loss mitigation program will be published in HUD policy.

Additional Government Programs Should Include 40-Year Term Loan Modifications

A commenter suggested that 40-year terms should be available for the Home Affordable Modification Program (FHA–HAMP) and Presidentially Declared Major Disaster Areas (PDMDA) modification programs (either with or without a partial claim) to achieve target payments. This commenter recommended that FHA introduce a term of up to 40 years into standard FHA–HAMP and PDMDA waterfalls outlined in the *FHA Single Family Housing Policy* Handbook (Handbook 4000.1), Section III, Servicing and Loss Mitigation, in a future policy update.

HUD Response: This rule enables HUD to exercise its statutory authority to allow for the 40-year loan modification to be used as one of FHA's loss mitigation tools or in combination with others. This rule allows HUD to use this authority in FHA–HAMP and in modifications for borrowers impacted by disasters. Further guidance about how this will be implemented within HUD's loss mitigation program will be published in HUD policy, and HUD will take these comments into consideration in this context. This rule does not preclude HUD from making additional changes or making additional options available for mortgagees to use with struggling borrowers.

Ensure Secondary Market Liquidity

A commenter supported the proposed rule but said there might not be sufficient liquidity to support 40-year loan modifications. This commenter said that the ability to deliver a modification with an extended term into a Ginnie Mae pool is a necessary condition for servicer participation in a 40-year modification program. This commenter also said that, although Ginnie Mae introduced a designated security for extended term modifications in October 2021, there is limited data and loan volume to demonstrate a deep and liquid securitization market for these pools. This commenter suggested that the FHA and Ginnie Mae should ensure secondary market certainty, including multi-issuer pools for extended term modification, before finalizing the proposed rule change.

HUD Response: Although Ginnie Mae previously did not have a secondary market for longer term modifications, Ginnie Mae's pool for modified mortgages that are over 360 months, up to and including 480 months, was established in October 2021 and is currently available for future loan modifications. FHA waited for the creation of an appropriate Ginnie Mae pool before proposing establishing 40-year modifications to ensure that these modified mortgages will continue to benefit from Ginnie Mae securitization. Ginnie Mae is closely monitoring the pool and its sustainability. FHA and Ginnie Mae work closely together to ensure the viability of their programs.

HUD Should Add Additional Materials to the Supporting and Related Materials Document Posted on *Regulations.gov*

A commenter suggested two additions for Table 6, Summary of Economic Impacts posted in the Regulatory Impact Analysis (''RIA'') prepared for the proposed rule. This commenter suggested adding ''No tax liability on mortgage debt canceled as part of a loan modification'' as a benefit to borrowers. This commenter said the lack of tax liability resulted from the most recent extension of The Mortgage Debt Relief Act of 2007 through December 31, 2025. This commenter said that this addition would help ensure that Native Americans who may have lower financial literacy know that a loan modification will not result in a large additional tax bill.

Under the Equity Considerations section, this commenter suggested adding ''Mitigation of disproportionate impact of COVID–19 pandemic on Native American jobless rate and economic status.'' This commenter said that this addition would demonstrate the proposed rule's positive impact on equity by highlighting how it will reduce the odds that Native Americans will suffer disproportionately from the effects of COVID–19.

HUD Response: HUD appreciates the feedback but believes that these suggested changes to the RIA would be outside the scope of the RIA. While HUD agrees that the tax relief for debt forgiveness as part of loss mitigation is a valuable tool in loss mitigation, this rule does not itself involve principal reductions, debt forgiveness, or cancellation of the mortgage debt. Modifying a loan to extend its term is not debt cancellation and therefore cannot be added to the listed benefits of the rule.

Regarding equity considerations, HUD agrees, as discussed in the *Equity Impacts* section of the proposed rule's RIA, that American Indians and Alaska Natives are among the underserved groups who will disproportionately benefit from the rule. The Equity Considerations column in Table 6 of the proposed rule's RIA presented a generalized summary. The proposed rule is not limited to the COVID–19 pandemic—it is intended to assist borrowers with FHA-insured mortgages who are experiencing financial hardship due to negative life events or economic conditions, whose existing mortgages are in default or imminent default.

HUD Should Seek Additional Input From Industry Stakeholders

A commenter suggested that HUD further engage with industry stakeholders to help determine how to integrate 40-year terms into the permanent loss mitigation waterfall. Another commenter suggested that the FHA should use the ''drafting table'' to solicit comments on the FHA guidance that will implement the final rule.

HUD Response: HUD regularly considers feedback from the public and stakeholders including industry partners and advocacy groups on changes to policies and procedures, implementation, and additional concerns. HUD looks forward to continuing to engage with stakeholders to ensure that the best outcomes for borrowers can be achieved.

III. Findings and Certifications

Regulatory Review—Executive Orders 12866 and 13563

Pursuant to Executive Order 12866 (Regulatory Planning and Review), a determination must be made whether a regulatory action is significant and therefore, subject to review by the Office of Management and Budget (OMB) in accordance with the requirements of the order. Executive Order 13563 (Improving Regulations and Regulatory Review) directs executive agencies to analyze regulations that are ''outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned.'' Executive Order 13563 also directs that, where relevant, feasible, and consistent with regulatory objectives, and to the extent permitted by law, agencies are to identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public.

This rule was determined to be a ''significant regulatory action'' because it is likely to have an annual effect on the economy of $100 million or more. This rule will increase available loss mitigation options for borrowers and enable more borrowers to avoid foreclosure and remain in their homes. HUD also anticipates that this will have a positive effect on the FHA MMI Fund by lowering defaults. The docket file is available for public inspection on *http://www.regulations.gov* and in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10276, Washington, DC 20410–0500. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the docket file by calling the Regulations Division at 202–402–3055 (this is not a toll-free number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech and communication disabilities. To learn more about how to make an accessible telephone call, please visit: *https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs.*

Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) (5 U.S.C. 601 *et seq.*) generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. The change of this rule will be limited to requiring mortgagees to consider and, where appropriate, utilize an extended term limit. Mortgagees are already required to consider mortgage modification so this change should not have an economic impact on mortgagees. If there is an economic effect on mortgagees, it would fall equally on all mortgagees. Further, HUD anticipates that allowing an additional loss mitigation tool will have a net positive economic impact on mortgagees by decreasing the number of defaults and therefore the costs associated with those defaults. Accordingly, the undersigned certifies that the rule will not have a significant economic impact on a substantial number of small entities.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to the environment has been made in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available through the Federal eRulemaking Portal at *http://www.regulations.gov.* The FONSI is also available for public inspection between the hours of 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street SW, Washington, DC 20410–0500.

Executive Order 13132, Federalism

Executive Order 13132 (entitled ''Federalism'') prohibits an agency from publishing any rule that has federalism implications if the rule either: (i) imposes substantial direct compliance costs on state and local governments and is not required by statute, or (ii) preempts state law, unless the agency meets the consultation and funding requirements of section 6 of the Executive Order. This proposed rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Executive Order.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1531–1538) (UMRA) establishes requirements for federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments, and on the private sector. This rule does not impose any federal mandates on any state, local, or tribal governments, or on the private sector, within the meaning of the UMRA.

List of Subjects in 24 CFR Part 203

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

For the reasons discussed in the preamble, HUD amends 24 CFR part 203 as follows:

PART 203—SINGLE FAMILY MORTGAGE INSURANCE

■ 1. The authority for 24 CFR part 203 continues to read as follows:

Authority: 12 U.S.C. 1707, 1709, 1710, 1715b, 1715z–16, 1715u, and 1715z–21; 15 U.S.C. 1639c; 42 U.S.C. 3535(d).

§ 203.616 [Amended]

■ 2. In § 203.616, remove the number ''360'' and add, in its place, the number ''480''.

Julia R. Gordon,

Assistant Secretary for Housing—Federal Housing Commissioner.

[FR Doc. 2023–04284 Filed 3–7–23; 8:45 am]

BILLING CODE 4210–67–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 301

[TD 9970]

RIN 1545–BQ11

Information Reporting of Health Insurance Coverage and Other Issues Under Sections 5000A, 6055, and 6056; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to a final regulation that was published in the **Federal Register** on Thursday, December 15, 2022. The December rule contains final regulations under the Internal Revenue Code that provide an automatic extension of time for providers of minimum essential coverage (including health insurance issuers, self-insured employers, and government agencies) to furnish individual statements regarding such coverage and an alternative method for furnishing individual statements when the individual shared responsibility payment amount is zero.

DATES: This correction is effective on March 8, 2023 and applicable on December 15, 2022.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, Gerald Semasek, at (202) 317–7006 or Lisa Mojiri-Azad at (202) 317–4649 (not a toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

The final regulations (TD 9970) that are the subject of this correction is under sections 5000A, 6055 and 6056 of the Internal Revenue Code.

List of Subjects in 26 CFR Part 301

Employment taxes, Estate taxes, Excise taxes, Gift taxes, Income taxes, Penalties, Reporting, and recordkeeping requirements.

Correction of Publication

Accordingly, 26 CFR part 301 is corrected by making the following correcting amendment:

PART 301—PROCEDURE AND ADMINISTRATION

■ **Paragraph 1.** The authority citation for part 301 continues to read in part as follows:

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

§ 301.6056–1 [Amended]

■ **Par. 2.** Section 301.6056–1 is amended by removing paragraphs (g)(1)(i) and (ii).

Oluwafunmilayo A. Taylor,

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

[FR Doc. 2023–04552 Filed 3–7–23; 8:45 am]

BILLING CODE 4830–01–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 100

[Docket No. USCG–2023–0128]

Special Local Regulations; Riverfest Power Boat Races, Neches River, Port Neches, Texas

AGENCY: Coast Guard, DHS.

ACTION: Notification of enforcement of regulation.

SUMMARY: The Coast Guard will enforce special local regulation for the Riverfest boat races on the Neches River in Port Neches, TX from May 5, 2023 through May 7, 2023 to provide for the safety of life on navigable waterways during this event. Our regulation for marine events within the Eighth Coast Guard District identifies the regulated area for this event in Port Neches, TX. During the enforcement periods, the operator of any vessel in the regulated area must comply with directions from the Patrol Commander or designated representative.

DATES: The regulations in 33 CFR 100.801, Table 3, line 4 will be enforced from 2 p.m. through 6 p.m. on May 5, 2023 and from 8:30 a.m. through 6 p.m. on May 6 and 7, 2023.

FOR FURTHER INFORMATION CONTACT: If you have questions about this notification of enforcement, call or email Mr. Scott Whalen, U.S. Coast Guard; telephone 409–719–5086, email *scott.k.whalen@uscg.mil.*

SUPPLEMENTARY INFORMATION: The Coast Guard will enforce special local regulations in 33 CFR 100.801 Table 3, Line 4, for the Port Neches Riverfest boat races display from 2 p.m. through 6 p.m. on May 5, 2023, and from 8:30 a.m. through 6 p.m. on May 6 and May 7, 2023. This action is being taken to provide for the safety of life on navigable waterways during this three-day event. Our regulations for marine events within the Eighth Coast Guard District, § 100.801, specifies the location of the safety zone for the Riverfest boat races which encompasses a portions of the Neches River adjacent to Port Neches Park. During the enforcement period, as reflected in § 100.801, Table 3, if you are the operator of a vessel in the regulated area you must comply with directions from the Patrol Commander or designated representative.

In addition to this notice of enforcement in the **Federal Register**, the Coast Guard plans to provide notification of the enforcement periods via Local Notice to Mariners, Marine Safety Information Bulletin and Vessel Traffic Service Advisory.

Dated: March 3, 2023.

Molly A. Wike,

Captain, U.S. Coast Guard, Captain of the Port Marine Safety Zone Port Arthur.

[FR Doc. 2023–04744 Filed 3–7–23; 8:45 am]

BILLING CODE 9110–04–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 165

[Docket Number USCG–2023–0055]

RIN 1625–AA00

Safety Zone; Atlantic Ocean, Cape Canaveral Offshore Launch Area, FL

AGENCY: Coast Guard, DHS.

ACTION: Temporary final rule.

SUMMARY: The Coast Guard is establishing a temporary safety zone for waters of the Atlantic Ocean, adjacent to Cape Canaveral, FL. This safety zone would implement a special activities provision of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021. The Coast Guard is establishing this safety zone for the launch of the Terran I rocket, which is being launched by Relativity Space. The temporary safety zone will be located within the Coast