



This document is scheduled to be published in the Federal Register on 05/20/2014 and available online at <http://federalregister.gov/a/2014-11607>, and on FDsys.gov

REGULATORY CODE (3410-XV-U)

DEPARTMENT OF AGRICULTURE

Rural Housing Service

7 CFR Part 3550

RIN 0575-AC97

Single Family Housing Direct Loan Program

AGENCY: Rural Housing Service, USDA.

ACTION: Proposed Rule

SUMMARY: Through this action, the Rural Housing Service (RHS or Agency) proposes to amend its regulations for the section 502 direct single family housing loan program by reinstating language pertaining to payment assistance method 1 that was inadvertently changed or omitted when the payment subsidy regulation was revised on December 27, 2007. This action will make clear to the public that under this method, the amount of subsidy granted is the difference between the installment due on the promissory note and the greater of the payment amortized at the equivalent interest rate or the payment calculated based on the required floor payment.

DATES: Comments on this proposed rule must be received by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] to be considered.

ADDRESSES: You may submit comments to this proposed rule by any 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 Avenue, SW, Washington, D.C. 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, 300 7th Street, SW, 7th Floor, Washington, D.C. 20024.

All written comments will be available for public inspection during regular work hours at 300 7th Street, SW., 7th Floor address listed above.

FOR FURTHER INFORMATION CONTACT: Migdaliz Bernier, Acting Chief, Loan Origination Branch, Single Family Housing Direct Loan Division, Rural Housing Service, Stop 0783, 1400 Independence Avenue SW, Washington, DC 20250-0783, Telephone: 202-690-3833.

SUPPLEMENTARY INFORMATION:

Statutory Authority

Title V, Section 1480 of the Housing Act authorizes the Secretary

of Agriculture to promulgate rules and regulations as deemed necessary to carry out the purpose of that title.

Executive Order 12866 - Classification

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

Paperwork Reduction Act of 1995

In accordance with the Paperwork Reduction Act of 1995, the information collection activities associated with this rule are covered under OMB Number: 0575-0172. This proposed rule contains no new reporting or recordkeeping requirements that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35).

E-Government Act Compliance

The RHS 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.

Executive Order 12988 - Civil Justice Reform

This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. In accordance with that Executive Order: (1) All State and local laws and regulations that are in conflict with this proposed rule will be preempted; (2) No retroactive effect will be given to this proposed rule; and (3) Administrative proceedings in accordance with the regulations of the National Appeals Division of USDA at 7 CFR part 11 must be exhausted before bringing suit in court

challenging action taken under this proposed rule unless those regulations specifically allow bringing suit at an earlier time.

Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), 2 U.S.C. 1501 *et seq.*, establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and tribal governments and the private sector. Under section 202 of the UMRA, RHS generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with "Federal mandates" that may result in expenditures to State, local, or tribal governments, in the aggregate, or to the private sector, of \$100 million or more in any one year. When such a statement is needed for a rule, section 205 of the UMRA generally requires RHS to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, more cost-effective or least burdensome alternative that achieves the objectives of the rule.

This 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 proposed rule is not subject to the requirements of sections 202 and 205 of the UMRA.

Programs Affected

The program affected by this proposed rule is listed in the Catalog of Federal Domestic Assistance as 10.410, Very Low to Moderate Income Housing Loans.

Executive Order 12372 - Intergovernmental Review of Federal Programs

For the reasons set forth in the final rule published at 7 CFR part 3015, subpart V, and the related notice (48 FR 29115), these programs are not subject to Executive Order 12372, which requires intergovernmental consultation with State and local officials.

Environmental Impact Statement

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

Executive Order 13175, Consultation and Coordination with Indian Tribal Governments

This executive order 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 the Indian tribes. Thus, this proposed rule is not subject to the requirements of Executive Order 13175.

Regulatory Flexibility Act

This rule has been reviewed with regard to the requirements of the Regulatory Flexibility Act (5 U.S.C. 601-612). The undersigned has determined and certified by signature of this document that this rule will not have a significant economic impact on a substantial number of small entities. This rule corrects a requirement on Agency borrowers. Information collection or regulatory requirements are not imposed on small entities under this proposed rule.

Executive Order 13132 - Federalism

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

Background

The Agency uses payment subsidies to enhance an applicant's repayment ability for section 502 direct single family housing loans. RHS administers three types of payment subsidies: interest credit, payment assistance method 1 and payment assistance method 2. The eligibility requirements and calculation methods for payment subsidies are located in 7 CFR 3550.68.

When the final rule that introduced payment assistance method 2 at 7 CFR 3550.68(c)(1) was published in the Federal Register on December 27, 2007 (72 FR 73252) with an effective date of April 1, 2008, the

language on calculating payment assistance method 1 in 7 CFR 3550.68(c)(2) was inadvertently modified. The language was inadvertently changed from "The amount of payment assistance granted is the difference between the installment due on the promissory note and the **greater** of the payment amortized at the equivalent interest rate or the payment calculated based on the required floor payment" to "The amount of payment assistance granted is the difference between the annualized note rate installment as prescribed on the promissory note and the **lesser** of...(i) The floor payment...or (ii) The annualized note rate installment and the payment at the equivalent interest rate..." (emphasis added). In addition, the sentence stated "In leveraging situations, the equivalent interest rate will be used" was inadvertently omitted. RHS proposes to correct these inadvertent changes.

List of Subjects in 7 CFR Part 3550

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

For the reasons stated in the preamble, chapter XXXV, Title 7 of the Code of Federal Regulations, is proposed to be amended as follows:
PART 3550 - DIRECT SINGLE FAMILY HOUSING LOANS AND GRANTS

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

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

2. Revise § 3550.68(c)(2) introductory text to read as follows:

§ 3550.68 Payment Subsidies.

* * * * *

(c) ***

(2) Payment Assistance Method 1. The amount of payment assistance granted is the difference between the installment due on the promissory note and the greater of the payment amortized at the equivalent interest rate or the payment calculated based on the required floor payment. In leveraging situations, the equivalent interest rate will be used.

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Tony Hernandez
Administrator
Rural Housing Service

Dated: April 2, 2014.

[FR Doc. 2014-11607 Filed 05/19/2014 at 8:45 am; Publication Date: 05/20/2014]