percent of the project's units be pre-sold and occupied by the owners as a principal residence prior to endorsement; (2) an 80 percent loan-tovalue ratio loan will require that 60 percent of the project's units be pre-sold and occupied by the owners as a principal residence prior to endorsement; and (3) a 90 percent loanto-value ratio loan will require that 70 percent of the project's units be pre-sold and occupied by the owners as a principal residence prior to endorsement.

These amendments will minimize HUD's risk in insuring mortgages on cooperative projects while at the same time, providing a mechanism for development of a wide range of cooperative projects. In general, the higher the pre-sale rate, the more likely a project will succeed as a cooperative. Likewise, the greater the loan-to-value ratio, the higher HUD's risk in most cases. Therefore, the amendment requires a higher pre-sale rate in order to secure a higher loan-to-value ratio loan. Conversely, the smaller the loanto-value ratio, the less substantial HUD's risk, and, thus, the lower the required pre-sale.

Furthermore, this interim rule also creates a new § 207.32a(h)(2)(iv) mandating that voting control of the cooperative project rest with the owneroccupants. Since owner-occupant control is a distinguishing feature of cooperatives, this requirement will ensure that the insured mortgage is associated with a legitimate cooperative project.

¹ These amendments not only increase program flexibility with respect to the insurance of mortgages on cooperative projects, but will promote HUD's policy of revitalizing neighborhoods and communities. HUD believes these amendments will help make affordable housing a reality for more families everywhere and help revitalize "communities in peril."

II. Justification for Interim Rulemaking

It is HUD's policy to publish rules for public comment before their issuance for effect, in accordance with its own regulations on rulemaking found at 24 CFR part 10. However, part 10 provides that prior public procedure will be omitted if HUD determines that it is "impracticable, unnecessary, or contrary to the public interest" (24 CFR 10.1). HUD finds that in this case prior public comment is contrary to the interest of the public. This interim rule removes a strict regulatory and administrative requirement in order to increase program flexibility and expand homeownership opportunities.

Although HUD believes the public will benefit from immediate implementation of this interim rule, HUD welcomes public comment. All comments will be considered in the development of the final rule.

The Department has adopted a policy of setting an expiration date for an interim rule unless a final rule is published before that date. This "sunset" provision appears in § 207.32a(h)(2)(v), and provides that the interim rule will expire on a date 18 months from its effective date.

III. Other Matters

A. Environmental Impact

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.20(k) of the HUD regulations, the policies and procedures contained in this interim rule relate only to HUD administrative procedures and, therefore, are categorically excluded from the requirements of the National Environmental Policy Act.

B. Executive Order 12612, Federalism

The General Counsel. as the Designated Official under section 6(a) of Executive Order 12612, Federalism, has determined that the policies contained in this interim rule will not have substantial direct effects on states or their political subdivisions, or the relationship between the federal government and the states, or on the distribution of power and responsibilities among the various levels of government. Specifically, this interim rule is directed towards applicants and participants in HUD's multifamily mortgage insurance program. It effects no changes in the current relationships between the federal government, the states and their political subdivisions in connection with these programs.

C. Executive Order 12606, the Family

The General Counsel, as the Designated Official under Executive Order 12606, The Family, has determined that this interim rule does not have potential for significant impact on family formation, maintenance, and general well-being, and thus, is not subject to review under the order. No significant change in existing HUD policies or programs will result from promulgation of this interim rule, as those policies and programs relate to family concerns.

D. Regulatory Flexibility Act

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)) has reviewed and approved this interim rule, and in so doing certifies that this interim rule will not have a significant economic impact on a substantial number of small entities. This interim rule only governs the procedures under which the Department insures multifamily cooperative projects, and will not have any meaningful economic impact on any entity.

E. Regulatory Agenda

This interim rule was listed as sequence number 1773 in the Department's Semiannual Agenda of Regulations published on November 14, 1994 (59 FR 57632, 57634) in accordance with Executive Order 12866 and the Regulatory Flexibility Act.

List of Subjects in 24 CFR Part 207

Manufactured homes, Mortgage insurance, Reporting and recordkeeping requirements, Solar energy.

Accordingly, 24 CFR part 207 is amended as follows:

PART 207—MULTIFAMILY HOUSING MORTGAGE INSURANCE

1. The authority citation for 24 CFR part 207 continues to read as follows:

Authority: 12 U.S.C. 1701z-11(e), 1713, and 1715b; 42 U.S.C. 3535(d).

2. In § 207.32a, paragraph (h)(2) is revised to read as follows:

§207.32a Eligibility of mortgages on existing projects.

* *

(h) * * *

(2) With respect to a cooperative project:

(i) At least 51 percent of the total units in the project must be subscribed to on a cooperative basis and occupied by the owners as a principal residence before endorsement of the mortgage for insurance by the Commissioner in order to obtain a 70 percent loan-to-value ratio loan;

(ii) At least 60 percent of the total units in the project must be subscribed to on a cooperative basis and occupied by the owners as a principal residence before endorsement of the mortgage for insurance by the Commissioner in order to obtain an 80 percent loan-to-value ratio loan; and

(iii) At least 70 percent of the total units in the project must be subscribed to on a cooperative basis and occupied by the owners as a principal residence before endorsement of the mortgage for insurance by the Commissioner in order to obtain a 90 percent loan-to-value ratio loan.

(iv) Voting control of the cooperative rests with the owner-occupants.