influencing appropriate net worth requirements change regularly, the Association has determined that in the spirit of streamlining its regulations and to provide as much flexibility as possible to the issuer qualification process, net worth requirements will not be published as regulations, but will be

2. Former Section 390.12

published in the GNMA Guides.

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There was one comment on the provisions concerning control changes (formerly § 390.12(c)), which was in agreement with the language. While the only comment was favorable, upon the Association's own internal analysis of this section, it was decided that both the time requirement pertaining to the notification of change and the definition of what constitutes a change in control be placed in the applicable Guides, rather than in the regulations. Therefore, this section is being republished with changes to (1) remove the 30 day requirement, and (2) remove the Generally Accepted Accounting Practices (GAAP) definition.

There were five commenters on the provisions concerning cross-default agreements (formerly § 390.12(d)). One commenter agreed with the language. Another commenter expressed concern that the agreement may not be consistent with the requirements of some Federal regulators. In addition, this commenter requested that (1) the general terms of the agreement be open to public comment, and (2) both entry into and enforcement of a cross-default agreement be waived when it can be proved that related companies have been operated independently in a safe and sound manner such that there is no attempt to defraud the Association. The other three commenters were the FDIC, OTS, and OCC. FDIC and OTS also included an attachment with their comments from the Federal Reserve Board. All of these Federal agencies believe that cross-default agreements may not be consistent with section 23A of the Federal Reserve Act which contains limitations and collateralization requirements on guaranties between depository institutions and affiliates.

Based on meetings and discussions with the four Federal regulators, the Association has modified the rule language to allow for an exemption from the cross-default agreement when an issuer can provide an acceptable legal opinion that demonstrates that the agreement would be prohibited by the issuer's Federal regulator. While Section 23A was considered in the Association's analysis, the primary reason for the exemption is that the Association's

experience to date has demonstrated that regulated issuers present less of a default risk than non-regulated issuers. Furthermore, based on additional analysis, this section has been revised to remove the GAAP (Generally Accepted Accounting Principles) definition of related issuers (detailed guidance will be provided in the Guides), and to provide for the option of default rather than the obligation to default. In summary, this section is being republished with changes to (1) provide a possible exemption for certain classes of Federally regulated issuers, (2) remove the GAAP definition, and (3) provide for the option of default.

3. Section 320.10 Classified Balance Sheet

There was one comment on this section, which was in agreement with the proposed language. This section is being republished without any changes.

4. Section 320.12 Integrity

There were two comments on the provisions concerning key personnel (§ 320.12(a)), and both were in agreement with the proposed language. This section is being republished with a minor change to clarify that local agencies are included with Federal, state, and government-related entities in respect to required disclosures of key personnel backgrounds.

There were four comments on the provisions concerning status with other agencies (section 320.12(b)). Two of the comments were in agreement with the proposed language. The commenters with concerns were the FDIC and OCC. These federal agencies stated that certain disclosures may be prohibited under their respective regulations. The FDIC also expressed concern that if issuers were to disclose FDIC actions, the agency's ability to promote safety may be impaired. The Association believes that notice of agency actions will enhance its ability to monitor issuers, and that cooperation between Federal agencies is necessary to properly protect the Government's interest. However, the Association believes that it should not compel issuers to make disclosures that are specifically prohibited by other agencies. Therefore, this section is being republished with a change to reflect that disclosures that are specifically prohibited by agencies are exempted from this section. Furthermore, the section is also being amended to clarify that state and local mortgage and regulatory agencies are included as covered parties requiring issuer disclosure of material status changes.

II. Other Matters

Regulatory Flexibility Act

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and, by approving it, certifies that this rule does not have a significant economic impact on a substantial number of small entities. The eligibility and performance requirements of this rule are consistent with requirements already established by other government agencies for lender eligibility. Accordingly, the economic impact of this rule would be minimal, and it is expected to affect small and large entities equally.

Environmental Impact

A Finding of No Significant Impact with respect to the environment was 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) in connection with the development of the proposed rule. The Finding of No Significant Impact remains applicable to this final rule, and is available for public inspection and copying Monday through Friday, 7:30 a.m. until 5:30 p.m. in the office of the Rules Docket Clerk, Office of General Counsel, room 10276, 451 Seventh Street, SW, Washington, DC 20410.

Regulatory Agenda

The issuer eligibility and integrity reforms portion of this rule was listed as sequence number 1501 in the Department's Semiannual Agenda of Regulations published on May 8, 1995 (60 FR 23368, 23396) in accordance with Executive Order 12866 and the Regulatory Flexibility Act.

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 rule do not have federalism implications and, thus, are not subject to review under the Order. This rule is limited to streamlining existing regulations and imposing additional eligibility and integrity requirements on private lenders. No programmatic or policy changes result from its promulgation which would affect existing relationship between the Federal government and State and local governments.

Executive Order 12606, The Family

The General Counsel, as the Designated Official under Executive