arrearages until after mortgage maturity without HUD's prior approval.

## **Conditions for New Procedures**

The conditions for granting the new form of forbearance relief are as follows:

(1) As under the current regulations, the mortgagor must establish to the satisfaction of the mortgagee that the mortgagor does not own other property subject to a FHA-insured mortgage and that the default was caused by circumstances beyond the control of the mortgagor.

(2) During the period established, the forbearance agreement must provide for payment of not less than 50 percent of the regular mortgage payments, nor more than the regular mortgage payments. The Secretary may adjust the required minimum percentage on a national or regional basis as economic conditions may indicate.

(3) The period of reduced payments may not exceed 6 months after execution of the forbearance agreement.

(4) The agreement must provide for an increase in payments, in order to recover arrearages accruing prior to and during the forebearance period. The increase in the payments is to begin no earlier than 6 months after execution of the agreement.

(5) The increased payments may not exceed 1½ times the regular mortgage

payments.

(6) The agreement must provide for resumption of the regular mortgage payments after the total amount of arrearages is repaid.

(7) The agreement must be executed no later than the date on which four full monthly payments are due and unpaid.

(8) At the time the agreement is executed, the mortgagor must pay an amount agreed upon by the mortgagor and the mortgagee, but not less than the first monthly installment due under the agreement.

## Other Changes

Current regulations (§§ 203.650-.660) have the effect that if State law, bankruptcy, or assignment considerations preclude a mortgagee from initiating foreclosure within 90 days after the mortgagor fails to meet the requirements of a special forbearance agreement, then neither mortgage or debenture interest is paid on the insurance claim for the period from 90 days after the date of the mortgagor's failure to meet the requirements of a special forbearance agreement until the date foreclosure is initiated (§§ 203.402a and 203.410(a)(3)). The proposed rule would avoid this lapse in interest payments by revising § 203.410(a)(3) to provide that debenture interest

payments will begin the day after the date to which mortgage interest is computed.

In addition, the current regulations do not specifically identify assignment consideration as a possible cause for delaying foreclosure initiation; the proposed rule has been expanded to do so.

Finally, the rule would make a conforming revision to § 203.355(c). This section currently requires mortgagees to commence foreclosure within 60 days after the expiration of any prohibition on foreclosure that is found in State law or Federal bankruptcy law. The rule would also apply this 60-day requirement to foreclosures that are commenced due to the mortgagor's failure to meet the requirements of a special foreclosure agreement.

#### **Other Matters**

## Executive Order 12866

This proposed rule was reviewed by the Office of Management and Budget (OMB) under Executive Order 12866, Regulatory Planning and Review. Any changes made to the proposed rule as a result of that review are clearly identified in the docket file, which is available for public inspection in the office of the Department's Rules Docket Clerk, room 10276, 451 Seventh Street, SW, Washington, DC 20410.

## Environmental Impact

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.20 (a) and (l) of the HUD regulations, the policies and procedures contained in this rule relate only to loan terms and individual actions involving single-family housing and, therefore, are categorically excluded from the requirements of the National Environmental Policy 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 would 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. As a result, the rule is not subject to review under the Order. Specifically, the requirements of this rule are directed to lenders and do not impinge upon the relationship between the Federal government and State and local governments.

Executive Order 12606, the Family

The General Counsel, as the Designated Official under Executive order 12606, The Family, has determined that this rule would 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 would result from promulgation of this rule, as those policies and programs relate to family concerns.

## Impact on Small Entities

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed and approved this proposed rule, and in so doing certifies that this rule would not have a significant economic impact on a substantial number of small entities. The rule would permit, but would not require, use of a special forbearance procedure by mortgagees. In addition, the number of cases to which the procedure would apply is limited.

## Regulatory Agenda

This rule was listed in the Department's Semiannual Agenda of Regulations published on April 25, 1994 (59 FR 202424, 20443), in accordance with Executive Order 12866 and the Regulatory Flexibility Act.

The Catalog of Federal Domestic Assistance program number is 14.117.

## List of Subjects in 24 CFR Part 203

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

Accordingly, part 203 of title 24 of the Code of Federal Regulations is proposed to be amended as follows:

# PART 203—SINGLE FAMILY MORTGAGE INSURANCE

1. The authority citation for part 203 would continue to read as follows:

**Authority:** 12 U.S.C. 1709, 1715b; 42 U.S.C. 3535(d).

2. In § 203.355, the introductory text of paragraph (a) and paragraph (c) would be revised and new paragraph (h) would be added, to read as follows:

## § 203.355 Acquisition of property.

(a) *In general.* Except as provided in paragraphs (b) through (h) of this section, upon default of a mortgage the mortgage shall take one of the following actions. Such action shall be taken within 9 months from the date of