

is cleaning to remove foreign material and LSK's. Any LSK's removed by cleaning must be accounted for as will be specified by the Director.

Comments on this interim rule are requested and will be considered including comments directed at the impact of this rule on other farmers because of possible losses that could occur on peanuts that are regraded but after being pledged as collateral for a price support loan at the higher quota level are not found attractive to buyers of peanuts for quota peanut uses. It has been determined for the present that the retesting will not be made using chemical testing because of the cost involved, and the lack of standards for chemical testing at that stage of the marketing process. Insofar as questions of wholesomeness are concerned chemical testing is conducted at a later stage of the marketing process for the purposes of insuring such wholesomeness. The inspection addressed in this rule is for purposes of making certain price support value determinations in the context of operating a program that supports peanuts throughout the country.

However, comments concerning chemical testing during the inspection for incoming producer peanuts at buying points will be carefully considered in determining whether to amend the interim rule prior to making that rule final. Such comments should address the efficacy of such testing, standards for such testing and the assignment of costs for such testing. That is, all interested parties should provide comments expressing their view on whether the option contained in the interim rule, or some other option, should be selected. All options will be considered.

#### List of Subjects in 7 CFR part 1446

Loan programs—agriculture, Reporting and recordkeeping requirements

For the reasons set out in the preamble, 7 CFR part 1446 is amended as follows:

#### PART 1446—PEANUTS

1. The authority citation is amended to read as follows:

**Authority:** 7 U.S.C. 7271; 15 U.S.C. 714b and 714c

2. In § 1446.103 a new definition of "Director" is added in its proper alphabetical sequence and in the definition of Segregations, paragraph (3) is revised to read as follows:

#### § 1446.103 Definitions

\* \* \* \* \*

*Director.* The Director, or Acting Director, Tobacco and Peanuts Division, Farm Service Agency, U.S. Department of Agriculture.

\* \* \* \* \*

*Segregations.* \* \* \*

(3) *Segregation 3.* Segregation 3 peanuts are farmers stock peanuts which, upon visible inspection, are found to contain *Aspergillus flavus* mold: *Provided, further,* however, that, in accordance with such written instructions as the Director may issue, the Director shall permit producers at approved buying points as specified by the Director to have a Segregation 3 lot reconditioned, one time only, so long as the reconditioning is performed at the buying point where the peanuts were initially delivered, and then reinspected visually. Such reinspection may not occur more than 24 hours from the initial inspection except as permitted by the Director and the second grade shall be considered the final grade for the farmers stock peanuts.

\* \* \* \* \*

Signed at Washington, D.C., on July 30, 1998.

**Keith Kelly,**

*Executive Vice President, Commodity Credit Corporation.*

[FR Doc. 98-20896 Filed 7-31-98; 2:59pm]

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## DEPARTMENT OF AGRICULTURE

### Rural Housing Service

### Rural Business-Cooperative Service

### Rural Utilities Service

### Farm Service Agency

#### 7 CFR Part 1951

RIN 0572-AB23

### Servicing of Community and Insured Business Programs Loans and Grants

**AGENCIES:** Rural Housing Service; Rural-Business Cooperative Service; Rural Utilities Service; and Farm Service Agency, USDA.

**ACTION:** Final rule.

**SUMMARY:** The Rural Utilities Service (RUS) hereby amends the regulations utilized to service loans and grants. The final rule will permit loan reamortization with interest rate adjustment for eligible delinquent borrowers. The final rule will provide debt relief to troubled borrowers and encourage these organizations to remain in operation and resume scheduled loan payments. The final rule will also provide RUS greater flexibility to

service problem loans and permit a viable, cost effective alternative to debt write-offs.

**EFFECTIVE DATE:** August 5, 1998.

**FOR FURTHER INFORMATION CONTACT:** John Purcell, Rural Utilities Service, Stop 1570, 1400 Independence Ave. SW, Washington, DC 20250, telephone (202) 720-9634.

#### SUPPLEMENTARY INFORMATION:

##### Classification

This rule has been determined to be not significant for purposes of Executive Order 12866 and, therefore, has not been reviewed by the Office of Management and Budget.

##### Regulatory Flexibility Act

Pursuant to § 605(b) of the Regulatory Flexibility Act, 5 U.S.C. 605(b), the head of the Agencies certify that this rule will not have a significant economic impact on a substantial number of small entities.

##### Intergovernmental Review

This program is listed in the Catalog of Federal Domestic Assistance under number 10.760, Water and Waste Disposal Systems for Rural Communities, subject to the provisions of Executive Order 12372 which requires intergovernmental consultation with State and local officials.

##### Environmental Impact Statement

This action has been reviewed in accordance with 7 CFR part 1940, subpart G, "Environmental Program." It has been determined that the 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.

##### Civil Justice Reform

This regulation has been reviewed under Executive Order 12988, Civil Justice Reform. When this regulation is adopted: (1) unless otherwise specifically provided all State and local laws and regulations that are in conflict with this rule will be preempted; (2) no retroactive effect will be given to this rule except as specifically prescribed in the rule; and (3) administrative proceedings of the National Appeals Division (7 CFR part 11) must be exhausted before bringing suit.

##### Paperwork Reduction Act

In accordance with the Paperwork Reduction Act (44 U.S.C. 3507), the information collection requirements included in this rule have been

approved through 7 CFR part 1951, subpart E. The assigned OMB number is 0575-0066. This rule does not revise or impose any new information collection or recordkeeping requirements from those approved by the Office of Management and Budget.

#### National Performance Review

This regulatory action is being taken as part of the National Performance Review program to eliminate unnecessary regulations and improve those that remain in force.

#### Unfunded Mandate Reform Act

Title II of the Unfunded Mandate Reform Act of 1995 (UMRA), Pub. L. 104-4, 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, the Agency 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, and 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 the Agency 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 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. Thus today's rule is not subject to the requirements of sections 202 and 205 of the UMRA.

#### Discussion

The Rural Utilities Service was formed in connection with the reorganization of programs administered by the former Farmers Home Administration and the former Rural Development Administration. As currently written, 7 CFR part 1951, subpart E does not permit loan reamortization with interest rate adjustment on outstanding loans. Accordingly, RUS is unable to provide an interest rate adjustment to borrowers that become seriously delinquent on their loan payments. This final rule will provide debt relief to troubled borrowers and encourage these organizations to remain in operation and resume scheduled loan payments. The final rule will also provide RUS greater flexibility to service problem

loans and permit a viable, cost effective alternative to debt write-offs.

#### Comments on the Proposed Rule

RUS published the proposed rule in the **Federal Register** on June 2, 1997, (62 FR 29678) and asked for written comments on or before August 1, 1997. The Agency received two comments from the public review process. All comments were considered when preparing the final rule. No changes have been made to the proposed rule as a result of the comments received. Responses to comments are listed according to corresponding sections of the rule and are as follows:

1. § 1951.223(d)—Define what a "seriously delinquent" borrower represents.

Agency Response: The Agency made no change. The Agency believes the causes and circumstances attributed to borrower delinquencies will vary significantly and the number of borrowers to qualify under this rule will be limited. The Agency believes it would be prohibitive to include specific criteria for defining "seriously delinquent".

2. § 1951.223(d)(1)(ii)—Define what "experiencing severe financial problems" represents.

Agency Response: The Agency made no change. The Agency believes the financial conditions and the degree of financial impact varies significantly between borrowers. Therefore, it would be prohibitive to include specific criteria.

3. § 1951.223 (d)(2)(i)—Define what a "reasonable amount of cash or cash reserves represents.

Agency Response: The Agency made no change. The Agency believes the financial resources necessary to adequately operate a water and wastewater facility vary significantly. Therefore, it would be prohibitive to include specific criteria.

4. § 1951.223 (d)(2)(ii)—The Agency should determine if the original interest rate can be restored if financial conditions improve; and the interest rate reduction should be for a limited period of time.

Agency Response: The Agency made no change. The Agency has a loan provision that requires borrowers to refinance their RUS debt with commercial or private credit if financial conditions permit. Each borrower's financial condition is reviewed on a regular basis and those financially able to refinance their RUS debt are requested to do so.

5. § 1951.223(d)(3)—Does an eligible borrower have to comply with the health or sanitary standards and median

household income conditions for poverty rate loans?

Agency Response: The Agency made no change. Borrowers that qualify for an interest rate adjustment under this rule will not have to comply with the stated criteria for poverty interest rates.

6. § 1951.223(d)(3)—Include provision to review borrowers financial condition and restore original interest rate if a borrower's financial conditions permit.

Agency Response: The Agency made no change. The Agency has a loan provision that requires borrowers to refinance their RUS debt with commercial or private credit if financial conditions permit. Each borrower's financial condition is reviewed on a regular basis and those financially able to refinance their RUS debt are requested to do so.

#### List of Subjects in 7 CFR Part 1951

Accounting, Grant programs-housing and community development, Reporting and recordkeeping requirements, Rural areas.

Accordingly, Chapter XVIII, title 7, Code of Federal Regulations is amended as follows:

#### PART 1951—SERVICING AND COLLECTIONS

1. The authority citation for part 1951 continues to read as follows:

**Authority:** 5 U.S.C. 301; 7 U.S.C. 1981; 42 U.S.C. 1480.

#### Subpart E—Servicing of Community and Direct Business Programs Loans and Grants

2. Section 1951.223(d) is added to read as follows:

#### § 1951.223 Reamortization.

\* \* \* \* \*

(d) *Reamortization with interest rate adjustment—Water and waste borrowers only.* A borrower that is seriously delinquent in loan payments may be eligible for loan reamortization with interest rate adjustment. The purpose of loan reamortization with interest rate adjustment is to provide relief for a borrower that is unable to service the outstanding loan in accordance with its existing terms and to enhance recovery on the loan. A borrower must meet the conditions of this subpart to be considered eligible for this provision.

(1) *Eligibility determination.* The State Director, Rural Development, may submit to the Administrator for approval an adjustment in the rate of interest charged on outstanding loans only for those borrowers who meet the following requirements:

(i) The borrower has exhausted all other servicing provisions contained in this subpart;

(ii) The borrower is experiencing severe financial problems;

(iii) Any management deficiencies must have been corrected or the borrower must submit a plan acceptable to the State Office to correct any deficiencies before an interest rate adjustment may be considered;

(iv) Borrower user rates must be comparable to similar systems. In addition, the operating expenses reported by the borrower must appear reasonable in relation to similar system expenses;

(v) The borrower has cooperated with Rural Development in exploring alternative servicing options and has acted in good faith with regard to eliminating the delinquency and complying with its loan agreements and agency regulations; and

(vi) The borrower's account must be delinquent at least one annual debt payment for 180 days.

(2) *Conditions of approval.* All borrowers approved for an adjustment in the rate of interest by the Administrator shall agree to the following conditions:

(i) The borrower shall agree not to maintain cash or cash reserves beyond what is reasonable at the time of interest rate adjustment to meet debt service, operating, and reserve requirements.

(ii) A review of the borrower's management and business operations may be required at the discretion of the State Director. This review shall be performed by an independent expert who has been recommended by the State Director and approved by the National Office. The borrower must agree to implement all recommendations made by the State Director as a result of the review.

(iii) If requested, a copy of the latest audited financial statements or management report must be submitted to the Administrator.

(3) *Reamortization.* At the discretion of the Administrator, the interest rate charged on outstanding loans of eligible borrowers may be adjusted to no less than the poverty interest rate and the term of the loans may be extended up to a new 40 year term or the remaining useful life of the facility, whichever is less.

Dated: June 18, 1998.

**Jill Long Thompson,**

*Under Secretary Rural Development.*

[FR Doc. 98-20914 Filed 8-4-98; 8:45 am]

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## DEPARTMENT OF AGRICULTURE

### Rural Housing Service

### Rural Business-Cooperative Service

### Rural Utilities Service

### Farm Service Agency

## 7 CFR Part 1955

### Property Management

**AGENCIES:** Rural Housing Service, Rural Business-Cooperative Service, Rural Utilities Service, and Farm Service Agency, USDA.

**ACTION:** Final rule.

**SUMMARY:** The Agencies are revising their Property Management regulations to clarify changes in definitions that only affect Real Estate Owned (REO) by the Agency, and not a customer's account. This action is being taken to update and correct the definitions of the terms "nonrecoverable" and "recoverable." The intended effect is to improve the Agencies' recordkeeping systems.

**EFFECTIVE DATE:** August 5, 1998.

**FOR FURTHER INFORMATION CONTACT:** Carl Muhlbauer, Program Support Staff, Rural Housing Service, U.S. Department of Agriculture, Stop 0761, South Agriculture Building, 1400 Independence Avenue SW., Washington, DC 20250-0761; telephone (202) 690-2141.

### SUPPLEMENTARY INFORMATION:

### Classification and Summary of Changes

This action is not subject to the provisions of Executive Order 12866 since it only involves a change in the way the Agencies perform their accounting. In pre-Credit Reform practice, taxes were paid out of the revolving funds, making it impossible to identify and credit later tax payment reimbursements to the properties affected. This change will allow the Agencies to more precisely charge and credit tax payments related to Real Estate Owned (REO) property by associating them with the specific properties on which taxes are invoiced. Property management regulation definitions of "nonrecoverable" and "recoverable" and policy and procedure for related Agency expenditures are being revised to conform to certain definitions and cost accounting developed under the Credit Reform Act as implemented through the Office of Management and Budget Circular A-34. Definitions developed under OMB guidance, intended to distinguish between administrative expenses

directly related to program operations (nonrecoverable), and expenses directly related to and chargeable to a borrower or REO account (recoverable), including the costs of foreclosing, managing, and selling collateral, have been in use under unpublished internal Agency policy (RD Instruction 2024-A). Property Management regulations were never revised to reflect the change in definitions. These revisions do not affect the legal or actual recoverability of a charge from a borrower. The replacement of the term "nonrecoverable costs" with "recoverable costs" in §§ 1955.67, 1955.68, and 1955.69 affects only REO property, not a borrower account. Since the public is not affected by this rulemaking change, publication for notice and comment is not necessary.

### Programs Affected

These programs or activities are listed in the Catalog of Federal Domestic Assistance and are subject to the provisions of Executive Order 12372 which require intergovernmental consultation with State and local officials under the following numbers:

- 10.405—Farm Labor Housing Loans and Grants
- 10.407—Farm Ownership Loans
- 10.411—Rural Housing Site Loans
- 10.415—Rural Rental Housing Loans
- 10.416—Soil and Water Loans
- 10.421—Indian Tribes and Tribal Corporation Loans
- 10.760—Water and Waste Disposal Systems for Rural Communities
- 10.764—Resource Conservation and Development Loans
- 10.765—Watershed Protection and Flood Prevention Loans
- 10.766—Community Facilities Loans
- 10.767—Intermediary Relending Program
- 10.768—Business and Industrial Loans
- 10.770—Water and Waste Disposal Loans and Grants

The following programs or activities are excluded from the scope of Executive Order 12372 which requires intergovernmental consultation with State and local officials, under the following numbers:

- 10.404—Emergency Loans
- 10.406—Farm Operating Loans
- 10.443—Outreach and Assistance Grants for Socially Disadvantaged Farmers and Ranchers
- 10.850—Rural Electrification Loans and Loan Guarantees

### Paperwork Reduction Act

The information collection requirements contained in this regulation have been approved by the