

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF AGRICULTURE

Rural Housing Service

7 CFR Part 3550

[Docket No. RHS–23–SFH–0016]

RIN 0575–AD33

Streamlining and Improvement of Single Family Housing Direct Programs

AGENCY: Rural Housing Service, Department of Agriculture (USDA).

ACTION: Proposed rule.

SUMMARY: The Rural Housing Service (RHS or the Agency), an agency in the Rural Development (RD) mission area of the United States Department of Agriculture (USDA), proposes to amend the current regulation for the following Single Family Housing (SFH) Direct Programs: Section 502 Direct Loan Program and the Section 504 Loan and Grant Program. The Agency also intends to update the Section 306C Loan and Grant Programs which is a program administered under the Rural Utilities Service (RUS), and where RHS is designated to make grants to eligible individuals. The intent of this proposed rule is to reduce the regulatory burdens on applicants, borrowers, and partners by enhancing program delivery, expanding customer service, promoting consistency between the direct and guaranteed SFH loan programs where feasible and aligning the programs with current housing market conditions and mortgage loan practices.

DATES: Comments on the proposed rule must be received on or before January 19, 2024.

ADDRESSES: Comments may be submitted electronically by the Federal eRulemaking Portal: Go to <https://www.regulations.gov> and, in the “Search for dockets and documents on agency actions” box, enter the following docket number: (RHS–23–SFH–0016) or RIN# 0575–AD33. To submit or view public comments, click the “Search” button, select the “Documents” tab,

then select the following document title: “Streamlining and Improvement of Single Family Housing Direct Programs” from the “Search Results,” and select the “Comment” button. Before inputting your comments, you may also review the “Commenter’s Checklist” (optional). Insert your comments under the “Comment” title, click “Browse” to attach files (if available). Input your email address and select “Submit Comment.” Information on using *Regulations.gov*, including instructions for accessing documents, submitting comments, and viewing the docket after the close of the comment period, is available through the site’s “FAQ” link.

Other Information: Additional information about RD and its programs is available at the following website: <https://www.rurdev.usda.gov>.

All comments will be available for public inspection online at the Federal eRulemaking Portal (<https://www.regulations.gov>).

FOR FURTHER INFORMATION CONTACT:

Sonya Evans, Finance and Loan Analyst, SFH Direct Loan Division, Rural Housing Service, Rural Development, United States Department of Agriculture, 1400 Independence Avenue SW, Washington, DC 20250, Phone: (423) 268–4333, Email: Sonya.Evans@usda.gov.

SUPPLEMENTARY INFORMATION:

I. Background

The RHS offers a variety of programs to build or improve housing and essential community facilities in rural areas. RHS offers loans, grants, and loan guarantees for single- and multifamily housing, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, and housing for farm laborers. RHS also provides technical assistance loans and grants in partnership with non-profit organizations, Indian Tribes, State and Federal Government agencies, and local communities.

Well built, affordable housing is essential to the vitality of communities in rural America. The Agency’s SFH programs give families and individuals the opportunity to buy, build, or repair affordable homes located in rural America. Eligibility for these loans, loan guarantees, and grants is based on income and varies according to the average median income for each area.

The RHS administers the following SFH Programs:

Section 502 Direct Loan Program is implemented under 7 CFR part 3550 and authorized by section 502 of the Housing Act of 1949, as amended, (42 U.S.C. 1472). The purpose of the program is to assist low- and very low-income applicants who currently do not own adequate housing and cannot obtain other credit, the opportunity to acquire, build, rehabilitate, improve, or relocate dwellings in rural areas.

Section 502 Guaranteed Loan Program is implemented under 7 CFR part 3555 and is authorized by section 502 of the Housing Act of 1949, as amended, (42 U.S.C. 1472). The purpose of the program is to assist low- and moderate-income applicants the opportunity to acquire, build, rehabilitate, improve, or relocate dwellings in rural areas.

Section 504 Loan and Grant Program is implemented under 7 CFR part 3550 and is authorized by section 504 of the Housing Act of 1949, as amended, (42 U.S.C. 1474). This program offers loans to very low-income homeowners who cannot obtain other credit to repair or rehabilitate their properties. The Section 504 program also offers grants to homeowners aged 62 or older who cannot obtain a loan to correct health and safety hazards or to make the unit accessible to household members with disabilities.

Another RD mission area agency, the RUS, administers the Section 306C Loan and Grant Program which is authorized by section 306C of the Consolidated Farm and Rural Development Act, as amended, (7 U.S.C. 1926c), and implemented under 7 CFR part 1777 and 7 CFR part 3550. Under subpart C of 7 CFR part 3550, RHS makes 306C Water and Waste Disposal (WWD) Grants to very low-income individuals (*i.e.*, homeowners) in designated colonias who cannot obtain other credit to facilitate access to community water and waste disposal systems. Grant funds may be used only to pay for costs related to connection fees and related costs to connect to a community or central water supply or waste system which may include installation of necessary plumbing and related fixtures, and construction or partitioning of a bathroom within dwellings lacking such facilities.

The SFH program undertook a systematic review of its regulations at 7

CFR part 3550 and procedures currently in place to administer its programs. It was determined there was a need to provide additional clarity and to provide consistency between interdepartmental regulations. The changes also address the need for program improvements such as revisions related to down payment requirements within the Direct Programs.

II. Discussion of the Proposed Rule

This proposed rulemaking is part of the Agency's efforts to: (1) align, where appropriate, the direct and guaranteed SFH loan programs, and (2) address current housing market conditions and mortgage loan practices through program improvements. RHS's intention is to streamline its program procedures and revise regulations by removing outdated regulations and simplifying practices and procedures for borrowers and applicants.

As the Agency reviewed its regulations at 7 CFR part 3550 and the procedures that are currently in place for administering the Section 502 Direct Loan Program and the Section 504 Loan and Grant Program, which includes a subpart for application of the 306C WWD Grant, it was discovered that there is currently no express prohibition against lending in lava zones under these programs. The Section 502 Guaranteed Loan Program regulation, does, however, expressly prohibit lending in lava zones. The proposed change will align the aforementioned programs on this issue and minimize confusion for applicants and partners in the affected areas. The proposed changes will also clarify the terms for new dwellings and new construction for applicants and partners. Additionally, the proposed changes will assist with addressing the lack of affordable housing stock by providing flexibility for applicants and partners purchasing Real Estate Owned (REO) properties or through non-program loan terms.

The following information provides further details of the proposed rule changes:

1. Refine the definition of "New Dwelling or unit" in 7 CFR 3550.10 Definitions; add a definition for New Construction to alleviate confusion in the terminology; and corresponding and additional changes to 7 CFR 3550.53(d)(1)(ii), 7 CFR 3550.63(b)(1), 7 CFR 3550.63(b)(2), and 7 CFR 3550.102(e)(1), under which the Section 502 Direct Loan and Section 504 Loan and Grant programs are implemented:

Section 502 Direct Loans may be used by loan recipients to purchase a building site and construct new housing

(*'new construction'*) or purchase newly constructed housing (*'new dwelling'*). The builder funds a new dwelling. The Agency funds a new construction. While the terminology is similar, the distinction is important because eligibility for the Compensation for Construction Defects Program (Section 509) is based on the construction timing, who funds the construction, and the applicant's program eligibility. The factors that determine the applicant's eligibility for the Compensation for Construction Defects Program can be found at 7 CFR 1924.265 and at the website: <https://www.ecfr.gov/current/title-7/subtitle-B/chapter-XVIII/subchapter-H/part-1924/subpart-F/section-1924.265>.

The Agency considers funding for a new construction whether or not the construction has started at the time the purchase agreement was signed. This includes instances where the builder will retain ownership of the lot during construction, or the construction has commenced prior to closing. In these instances, the funded construction can only be closed after construction of the housing is completed. Alternatively, if the construction has not started and the Agency will provide the construction financing, the closing will be prior to construction. As noted, closing timing is based on when construction occurs and who funds the construction.

The Agency proposes to clarify terms by adding the language "prior to loan closing" to the phrase "is to be constructed" in the definition of "new dwelling or unit" for definitions found at 7 CFR 3550.10. The Agency proposes that this addition will provide clarification of the timing of construction periods that differentiate a new dwelling and a new construction. Furthermore, adding the language "at the time of loan approval" to the phrase "less than 1 year old" clarifies the parameters of this definition.

The addition of the term and definition for '*New construction*' in 7 CFR 3550.10 is proposed to separate the terms and provide clarity regarding the varying construction quality documents required for new dwellings and new construction. Furthermore, this amendment proposes to support a corresponding update in 7 CFR 3550.63(b)(1).

Removal of 7 CFR 3550.63(b)(2) will streamline market value limitations, thereby permitting a corresponding change to the program handbook to allow for a whole house inspection to serve as adequate documentation of construction quality for a new dwelling.

2. Amend 7 CFR 3550.52(d)(6) to remove reference to State Director and

replace with requirement for Agency approval when granting allowable exceptions for non-certified loan packaging bodies, revise language regarding application submission requirements, and allow certified packaging fees to be added to the loan in excess of the area loan limit and appraised value of the house, which is implemented under the Section 502 Direct Loan Program:

The revision will clarify that Form 410-4, Uniform Residential Loan Application, is part of the application but does not constitute a full application package.

Lastly, a revision is needed to allow packaging fees resulting from the certified loan application packaging process outlined in 7 CFR 3550.75 to be added to the Section 502 Direct loan amount in excess of the area loan limit and appraised value of the house. This cost is similar to other allowable excess costs for critical loan-related services or actions, which include the appraisal fee, tax service fee, homeownership education fee, and initial contribution to the escrow account. Certified application packagers provide an integral service that allows many applicants to access the Direct Program who would otherwise not be aware of it, or who lack the resources to complete the application process on their own. Well-developed application packages submitted through the certified process help to reduce Agency processing time and provide the applicant with a higher priority for processing. This change will reflect the value the service (and its cost) provides the applicant.

3. Add language to 7 CFR 3550.56(b) and 7 CFR 3550.105 to prohibit lending in U.S. Geological Survey (USGS) Lava-Flow Hazard Zones 1 and 2, which will provide interdepartmental alignment between 7 CFR 3550, which implements the Section 502 Direct Loan Program, and the Section 504 Loan and Grant Program, including the subpart for application of the 306C WWD Grant, and current regulations in 7 CFR part 3555 for the Section 502 Guaranteed Loan Program:

A home located in the lava-flow hazard zones 1 and 2 represents a significantly hazardous risk. 7 CFR 3550.10 defines a hazard as, "a condition of the property that jeopardizes the health or safety of the occupants or members of the community, that does not make it unfit for habitation (See also the definition of major hazard in this section.)."

According to 7 CFR 3550.2, the purpose of the direct RHS SFH loan programs (the Direct Program) is to provide low- and very low-income

people that live in rural areas with an opportunity to own adequate, but modest, decent, safe, and sanitary dwellings and related facilities.

Currently, the Direct Program does not have specific guidance related to volcanic/lava hazards. The Agency intends to add language to 7 CFR 3550.56(b) and 7 CFR 3550.105 to prohibit lending in U.S. Geological Survey (USGS) Lava-Flow Hazard Zones 1 and 2. Adding this language to the regulation will align with the guaranteed loan program and others in the industry in protecting borrowers.

4. *Amend 7 CFR 3550.64 to increase net family asset limits before consideration of assets toward a down payment requirement and to remove the down payment requirement when the borrower is purchasing a REO property from the Agency, which is implemented under the Section 502 Direct Loan Program:*

The Agency published a direct final rule in the **Federal Register** on August 22, 2008, revising the minimum insurance deductible amounts, removing specific dollar limits with regards to insurance deductible clauses, clarifying the amount of required dwelling coverage, and revising the applicant net asset limitation. An adjustment to asset limits for non-metropolitan median household income, set at \$48,201, has not been updated since 2008 (73 FR 49593). Non-metropolitan median household income for 2022 has increased to \$71,300. With the median household increase, there has also been a 37.6% cumulative rate of inflation from the years 2008 to 2022, thus increasing the cost of living and goods. Increasing asset limits will allow fixed income households the ability to hold onto assets for emergency purposes, rather than relying on credit in these circumstances, and for elderly households to hold onto funds potentially set-aside for final expenses.

The Agency anticipates that removing the down payment requirement when the borrower is purchasing a REO property will: (1) increase borrower interest in purchasing REO properties, (2) reduce holding times and costs incurred by the Agency and depreciation of the properties; and (3) promote affordable housing in rural communities.

5. *Amend 7 CFR 3550.67(b)(1) to clarify that amounts included for repairs must be part of an initial purchase or finance loan to qualify for a 38-year term, which is implemented under the Section 502 Direct Loan Program:*

The intention of this revision is to clarify that amounts included for repairs

must be part of an initial purchase or finance loan to qualify for a 38-year term; whereas the current language could be read to allow a 38-year term for initial repair-only loan through the Section 502 Direct Loan Program which is not consistent with Agency policy.

6. *Remove language in 7 CFR 3550.74(c)(2) and renumber the list accordingly, which is implemented under the Section 502 Direct Loan Program:*

The Agency proposes the removal of the down payment requirement for non-program loans. This proposed removal would eliminate a burdensome requirement for borrowers and applicants who request to purchase through non-program loan terms and for whom a non-program loan has been found to be in the Government's best interests. This removal aligns with another revision in this proposed rule to remove down payment requirements for the purchase of REOs in 7 CFR 3550.64.

7. *Remove language in 7 CFR 3550.75(b)(1)(iv) and (b)(2)(v), that states "if determined necessary by a State Director" which is contradictory to other instructions for certified packaging requirements, and is implemented under the Section 502 Direct Loan Program:*

Currently, it is unclear in 7 CFR 3550.75(b)(1)(iv) and (b)(2)(v) what authority a State Director may or may not have with regard to waiving the requirement that a certified packager must use an intermediary. There is guidance that addresses an opt-out option that State Directors can grant for certified loan packagers to separate from an intermediary, but it also outlines the requirements that a certified packager must meet in order to be granted this consideration. The removal of "if determined necessary by a State Director" will avoid any misunderstanding that a State Director can automatically waive all requirements for a certified packager to use an intermediary with a revision to instead address the allowance for the Agency to allow waivers when applicable.

8. *Amend 7 CFR 3550.103(e) to increase net family household assets for elderly families and non-elderly families before consideration of funds toward reduction of requested assistance, which is implemented under the Section 504 Loan and Grant Program and includes a subpart for application of the 306C WWD Grant:*

An adjustment to asset limits has not been made since the Agency published a direct final rule in 2008 (see, 73 FR 49593 at the website: <https://www.federalregister.gov/documents/>

2008/08/22/E8-19350/direct-single-family-housing-loans-and-grants). In 2008, the non-metropolitan median household income was at \$48,201. Non-metropolitan median household income for 2022 increased to \$71,300. With this median household income increase, there has also been a 37.6% cumulative rate of inflation from 2008 through 2022, thus increasing the cost of living and goods. Increasing asset limits will allow fixed income households the ability to maintain assets for emergency purposes, rather than relying on credit in these circumstances. This change will also align with the proposed changes to 7 CFR 3550.64 regarding excess assets considered toward down payment. The Agency proposes that amending 7 CFR 3550.103(e) to increase net family household assets for elderly families and non-elderly families before consideration of funds toward reduction of requested assistance will increase the number of eligible applicants.

9. *Remove the subdividable lot restrictions in 7 CFR 3550.105(b), which is implemented under the Section 504 Loan and Grant Program and includes a subpart for application of the Section 306C WWD Grant:*

The Agency has been conducting a pilot program since Fiscal Year 2019 and has found that the removal of the requirement which restricts subdividable lots in 7 CFR 3550.105(b) held no risk for the Agency. The Agency concluded that this prohibition is restrictive for the Section 504 program considering ownership is previously established at the time of application. This restriction is a barrier to very low-income rural homeowners in need of repairs. The site must still be determined modest for the area and cannot be used for income producing purposes as currently defined at 7 CFR 3550.10 and 7 CFR 3550.106(a). If this restriction is not removed, modest homes that are typical for the area will not be eligible for necessary repair financing.

10. *Amend 7 CFR 3550.108(a) to include the tax service fee as an allowable loan cost exceeding security value, which is implemented under the Section 504 Loan and Grant Program which includes a subpart for application of the 306C WWD Grant:*

The Agency believes that the inclusion of the tax service fee as an allowable excess cost is practical for 504 direct loans that meet the requirement to contribute to an escrow account for taxes and insurance, which also activates the requirement of tax service fee payment at closing. The Agency proposes that amending 7 CFR 3550.108(a) to include the tax service

fee as an allowable loan cost exceeding security value will also align with applicable loan costs which may exceed security value as designated in 7 CFR 3550.59(a)(2)(i) for the 502 Direct Program.

11. Amend 7 CFR 3550.111, to revise the threshold for requiring an appraisal based on total Section 504 indebtedness, which is implemented under the Section 504 Loan and Grant Program and includes a subpart for application of the Section 306C WWD Grant Program:

Currently, 7 CFR 3550.111 requires an appraisal when total Section 504 indebtedness exceeds \$15,000. The Agency proposes to amend 7 CFR 3550.111, to revise the threshold for requiring an appraisal based on total Section 504 indebtedness. This amendment would increase that limit to \$25,000 and works in tandem with the increased Section 504 maximum loan amount of \$40,000 (previously \$20,000). The proposed amendment would retain the flexibility for the Loan Approval Official to determine if an appraisal is necessary when the assessed valuation by local authorities does not support a fully secured interest by the Agency and preserve the requirement to ensure adequate security value. The Agency projects that due to this proposed change, multiple benefits are likely, such as a reduction in appraisal orders, lower cost to loan applicants, and decreased application processing times.

12. Amend 7 CFR 3550.117(d) and (e) to remove overly restrictive limitations and align with final regulatory revisions to 7 CFR 1777.21(b)(4) and (5)—Section 306C WWD Loans and Grants that eliminated these limitations and are holding these sections as reserved (effective May 2, 2023), which is implemented under the 306C WWD Grant Program as a subpart of the Section 504 Loan and Grant Program:

The Agency has determined that alignment of 306C Colonia programs governed by 7 CFR part 1777 and 7 CFR part 3550 is necessary to ensure equal program application. The current prohibitions limit the amount of assistance applicants with varying household sizes can receive causing unnecessary hardship for larger families. These proposed rule changes will provide the Agency flexibility to clarify modest design limitations in the program handbook, if needed. The Agency proposes that amending 7 CFR 3550.117 paragraphs (d) and (e) by removing overly restrictive limitations will align with final regulatory revisions that were published at 88 FR 6611 to remove 7 CFR 1777.21(b)(4) and (5)—

Section 306C WWD Loans and Grants, which were effective on May 2, 2023.

13. Amend 7 CFR 3550.118(a) *Maximum grant to an amount not to exceed ten percent of the national average area loan limit, which is implemented under the 306C WWD Grant Program as a subpart of the Section 504 Loan and Grant Program:*

The Agency proposed that amending 7 CFR 3550.118(a) by revising the maximum grant amount to not exceed ten percent of the national average area loan limit will align with the regulatory maximum lifetime assistance in the Section 504 program. This regulatory change will allow the Agency greater responsiveness to establish future maximum grant amounts for eligible applicants.

Request for Comment

Stakeholder input is vital to ensure the proposed changes in the proposed rule would support the Agency's mission, while ensuring that new regulations and policies are reasonable and do not overly burden the Agency's lenders and their customers. Comments must be submitted on or before January 19, 2024 and may be submitted electronically by going to the Federal eRulemaking Portal: <https://www.regulations.gov>. Details on how to submit comments to the Federal eRulemaking Portal are in the **ADDRESSES** section of this proposed rule.

III. Summary of Changes

The following is a summary of the Agency's intended changes in this proposed rule:

(1) Amend 7 CFR part 3550 by revising the definitions found at 7 CFR 3550.10 by:

- (i) revising the definition of “*New dwelling or unit*”;
- (ii) adding a definition for “*New construction*” to clarify the terminology;
- (iii) and revising corresponding language at 7 CFR 3550.53(d)(1)(ii), 7 CFR 3550.63(b)(1), 7 CFR 3550.63(b)(2), and 7 CFR 3550.102(e)(1).

(2) Amend 7 CFR 3550.52(d)(6) by:

- (i) Revising language to remove reference to State Director when granting allowable exceptions for non-certified loan packing bodies and instead address the ability for the Agency to provide approval for packagers who operate outside of the certified process;
- (ii) revising language regarding application submission requirements, and;
- (iii) adding language that allows certified packaging fees to be added to the loan in excess of the area loan limit and appraised value of the house.

(3) Add language to 7 CFR 3550.56(b) and 7 CFR 3550.105 to prohibit lending in U.S. Geological Survey (USGS) Lava-Flow Hazard Zones 1 and 2.

(4) Amend 7 CFR 3550.64 by:

(i) increasing the net family asset limits before consideration of assets toward a down payment requirement; and

(ii) removing the down payment requirement when the borrower is purchasing a REO property from the Agency.

(5) Amend 7 CFR 3550.67(b)(1) to clarify that amounts included for repairs must be part of an initial purchase or finance loan to qualify for a 38-year term.

(6) Remove 7 CFR 3550.74(c)(2) and renumber the list accordingly.

(7) Remove language in 7 CFR 3550.75(b)(1)(iv) and (b)(2)(v), which states “if determined necessary by a State Director” and rather state “unless waived by the Agency”.

(8) Amend 7 CFR 3550.103(e) to increase net family household assets for elderly families and non-elderly families before consideration of funds toward reduction of requested assistance.

(9) Remove 7 CFR 3550.105(b) which restricts subdividable lots.

(10) Amend 7 CFR 3550.108(a) to include the tax service fee as an allowable loan cost exceeding security value.

(11) Amend 7 CFR 3550.111 to revise the threshold for requiring an appraisal based on total Section 504 indebtedness.

(12) Amend 7 CFR 3550.117(d) and (e) to remove overly restrictive limitations and align with the removal of these regulations at 7 CFR 1777.21(b)(4) and (5)—Section 306C WWD Loans and Grants, which are now held as reserved.

(13) Amend 7 CFR 3550.118(a) by revising the maximum grant amount to not exceed ten percent of the national average area loan limit.

IV. Regulatory Information

Statutory Authority

These programs are authorized by Sections 502 and 504 of the Housing Act 1949 and by Section 306C of the Consolidated Farm and Rural Development Act and implemented under 7 CFR part 3550. Section 510(k) of Title V the Housing Act of 1949 [42 U.S.C. 1480(k)], as amended, authorizes the Secretary of the Department of Agriculture to promulgate rules and regulations as deemed necessary to carry out the purpose of that title.

*Executive Order 12372,
Intergovernmental Review of Federal
Programs*

These programs are not subject to the requirements of Executive Order 12372, which require intergovernmental consultation with State and local officials. RHS conducts intergovernmental consultations for each loan in accordance with 2 CFR part 415, subpart C.

*Executive Order 12866, Regulatory
Planning and Review*

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

*Executive Order 12988, Civil Justice
Reform*

This proposed rule has been reviewed under Executive Order 12988. In accordance with this rule: (1) Unless otherwise specifically provided, all State and local laws that 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 of the Department of Agriculture (7 CFR part 11) must be exhausted before suing in court that challenges action taken under this proposed rule.

Executive Order 13132, Federalism

The policies contained in this proposed rule do not have any substantial direct effect on States, on the relationship between the National Government and the States, or on the distribution of power and responsibilities among the various levels of Government. This proposed rule does not impose substantial direct compliance costs on State and local Governments; therefore, consultation with States 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 Indian tribes. Thus, this proposed rule is not subject to the requirements of Executive Order 13175. If tribal leaders are interested in

consulting with RHS on this rule, they are encouraged to contact USDA's Office of Tribal Relations or RD's Native American Coordinator at: AIAN@usda.gov to request such a consultation.

National Environmental Policy Act

This document has been reviewed in accordance with 7 CFR part 1970, subpart A, "Environmental Policies." RHS determined that this action does not constitute a major Federal action significantly affecting the quality of the environment. In accordance with the National Environmental Policy Act of 1969, Public Law 91-190, an Environmental Impact Statement is not required.

Regulatory Flexibility Act

This proposed rule has been reviewed with regards to the requirements of the Regulatory Flexibility Act (5 U.S.C. 601-612). The undersigned has determined and certified by signature on this document that this rule will not have a significant economic impact on a substantial number of small entities since this rulemaking action does not involve a new or expanded program nor does it require any more action on the part of a small business than required of a large entity.

*Unfunded Mandates Reform Act
(UMRA)*

Title II of the UMRA, Public Law 104-4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on State, local, and Tribal Governments and on the private sector. Under section 202 of the UMRA, Federal agencies generally must prepare a written statement, including 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 a Federal agency to identify and consider a reasonable number of regulatory alternatives and adopt the least costly, most 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 for the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

Paperwork Reduction Act

This proposed rule does not revise or impose any new information collection

requirements from those approved by OMB Control number 0575-0172.

E-Government Act Compliance

RHS is committed to complying with the E-Government Act by promoting the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information, services, and other purposes.

Civil Rights Impact Analysis

RHS has reviewed this rule in accordance with USDA Regulation 4300-4, Civil Rights Impact Analysis," to identify any major civil rights impacts the rule might have on program participants on the basis of age, race, color, national origin, sex, or disability. After review and analysis of the rule and available data, implementation of the rule is not likely to adversely or disproportionately impact very low, low- and moderate-income populations, minority populations, women, Indian tribes, or persons with disability by virtue of their race, color, national origin, sex, age, disability, or marital or familiar status. No major civil rights impact is likely to result from this rule.

Assistance Listing

The programs affected by this regulation are listed in the Assistance Listing Catalog (formerly Catalog of Federal Domestic Assistance) under number 10.410, 10.417, and 10.770.

Non-Discrimination Statement

In accordance with Federal civil rights laws and USDA civil rights regulations and policies, the USDA, its Mission Areas, agencies, staff offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language) should contact the responsible Mission

Area, agency, staff office; or the Federal Relay Service at (800) 877-8339.

To file a program discrimination complaint, a complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form, which can be obtained online at https://www.usda.gov/sites/default/files/documents/ad-3027.pdf, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights about the nature and date of an alleged civil rights violation.

The completed AD-3027 form or letter must be submitted to USDA by:

- (1) Mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue SW, Washington, DC, 20250-9410; or
 - (2) Fax: (833) 256-1665 or (202) 690-7442; or
 - (3) Email: program.intake@usda.gov.
- USDA is an equal opportunity provider, employer, and lender.

List of Subjects in 7 CFR Part 3550

Administrative practice and procedure, Environmental impact statements, Fair housing, Grant programs—housing and community development, Housing, Loan programs—housing and community development, Low and moderate income housing, Reporting and recordkeeping requirements, Rural areas.

For the reasons set forth in the preamble, chapter XXXV of the title 7, Code of Federal Regulations is proposed to be amended to read 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.

Subpart A—General

- 2. Amend § 3550.10 by adding a definition for “New construction” and revising the definition for “New dwelling or unit” to read as follows:

§ 3550.10 Definitions.

* * * * *

New construction. A dwelling that will be constructed after loan closing. The Agency will monitor construction progress and approve draws during the construction period. Only new

construction meeting this definition can be considered for compensation under the Section 509, Compensation for Construction Defects Program.

New dwelling or unit. A dwelling that is to be constructed prior to loan closing, or a dwelling that is less than 1 year old at the time of loan approval as evidenced by an occupancy permit, certificate of occupancy or similar document issued by the local authority and has never been occupied. A new dwelling or unit cannot be considered for compensation under the Section 509, Compensation for Construction Defects Program.

* * * * *

Subpart B—Section 502 Origination

- 3. Amend § 3550.52 by revising paragraph (d)(6) to read as follows:

§ 3550.52 Loan Purposes.

* * * * *

(d) * * *

(6) Packaging fees resulting from the certified loan application packaging process outlined in § 3550.75. Such fees resulting from the certified loan application packaging process may be added to the loan amount in excess of the area loan limit and appraised value of the house. The Agency will determine the limit, based on factors such as the level of service provided and the prevailing cost to provide the service, and such cap will not exceed two percent of the national average area loan limit. Nominal packaging fees not resulting from the certified loan application process are an eligible cost provided the fee does not exceed a limit determined by the Agency based on the level and cost of service factors, but no greater than one half percent of the national average area loan limit; the loan application packager is a nonprofit, tax exempt partner approved by the Agency to operate outside the certified loan application packaging process; and the packager gathers and submits the information needed for the Agency to determine if the applicant is eligible along with a complete application.

* * *

- 4. Amend § 3550.53 by revising paragraph (d)(1)(ii) to read as follows:

§ 3550.53 Eligibility Requirements.

* * * * *

(d) * * *

(1) * * *

(ii) purchase a different dwelling, if the current dwelling is deficient housing as defined in § 3550.10; or

* * * * *

- 5. Amend § 3550.56 (b)(1) by adding a comma after the word “ordinances”,

revising paragraph (b)(2), and adding paragraph (b)(3) to read as follows:

§ 3550.56 Site Requirements.

* * * * *

(b) * * *

(1) The site must not be large enough to subdivide into more than one site under existing local zoning ordinances, and

(2) The site must not include farm service buildings, though small outbuildings such as a storage shed may be included, and

(3) The site must not be located in U.S. Geological Survey (USGS) lava-flow hazard zones 1 or 2.

- 6. Amend § 3550.63 by revising paragraph (b) to read as follows:

§ 3550.63 Maximum Loan Limit.

* * * * *

(b) Market value limitation.

(1) The market value limitation is 100 percent of market value for existing housing, new dwellings, and new construction for which RHS will receive adequate documentation of construction quality and the source of such documentation is acceptable to RHS.

(2) The market value limitation can be increased by:

(i) Up to one percent, if RHS makes a subsequent loan for closing costs only, in conjunction with the sale of an REO property or an assumption.

(ii) The amount necessary to make a subsequent loan for repairs necessary to protect the Government's interest, and reasonable closing costs.

(iii) The amount necessary to refinance an existing borrower's RHS loans, plus closing costs associated with the new loan.

- 7. Revise § 3550.64 to read as follows:

§ 3550.64 Down payment.

Elderly families must use any net family assets in excess of \$30,000 towards a down payment on the property. Non-elderly families must use net family assets in excess of \$25,000 towards a down payment on the property. Applicants may contribute assets in addition to the required down payment to further reduce the amount to be financed. Agency borrowers or applicants purchasing REO properties are not required to provide a down payment.

- 8. Amend § 3550.67 by revising paragraph (b)(1) to read as follows:

§ 3550.67 Repayment period.

* * * * *

(b) * * *

(1) For initial loans (including acquisition and repair, but excluding initial loans solely for repairs), or

subsequent loans made in conjunction with an assumption, if the applicant's adjusted income does not exceed 60 percent of the area adjusted median income and the longer term is necessary to show repayment ability.

* * * * *

§ 3550.74 [Amended]

■ 9. Amend § 3550.74 by removing paragraph (c)(2) and redesignating paragraph (c)(3) as (c)(2).

■ 10. Amend § 3550.75 by revising paragraphs (b)(1)(iv) and (b)(2)(v) to read as follows:

§ 3550.75 Certified Loan Application Packaging Process.

* * * * *

(b) * * *

(1) * * *

(iv) Submit applications via an intermediary, unless otherwise waived by the Agency.

(2) * * *

(v) Submit applications via an intermediary, unless otherwise waived by the Agency.

* * * * *

Subpart C—Section 504 Origination and Section 306C Water and Waste Disposal Grants

■ 11. Amend § 3550.102 by revising paragraph (e)(1) to read as follows:

§ 3550.102 Grant and loan purposes.

* * * * *

(e) * * *

(1) Assist in the construction of a new dwelling or new construction.

* * * * *

■ 12. Amend § 3550.103 by revising paragraph (e) to read as follows:

§ 3550.103 Eligibility Requirements.

* * * * *

(e) *Need and use of personal resources.* Applicants must be unable to obtain financial assistance at reasonable terms and conditions from non-RHS credit or grant sources and lack the personal resources to meet their needs. Elderly families must use any net family assets in excess of \$30,000 to reduce their section 504 request. Non-elderly families must use any net family assets in excess of \$25,000 to reduce their section 504 request. Applicants may contribute assets in excess of the aforementioned amounts to further reduce their request for assistance. The definition of assets for the purpose of this paragraph (e) is net family assets as described in § 3550.54, less the value of the dwelling and a minimum adequate site.

* * * * *

■ 13. Amend § 3550.105 by revising paragraph (b) to read as follows:

§ 3550.105 Site Requirements.

* * * * *

(b) *Lava-flow hazard zones.* The site must not be located in U.S. Geological Survey (USGS) lava-flow hazard zones 1 or 2.

* * * * *

■ 14. Amend § 3550.108 by revising paragraph (a) to read as follows:

§ 3550.108 Security requirements (loans only).

* * * * *

(a) RHS does not require first lien position, but the total of all debts on the secured property may not exceed the value of the security, except by the amount of any required contributions to an escrow account for taxes and insurance, tax service fee, and any required appraisal fee.

* * * * *

■ 15. Revise § 3550.111 to read as follows:

§ 3550.111 Appraisals (loans only).

An appraisal is required when the total section 504 indebtedness exceeds \$25,000 or whenever RHS determines that it is necessary to establish the adequacy of the security. RHS may charge an appraisal fee. Appraisals must be made in accordance with the Uniform Standards of Professional Appraisal Practices. When other real estate is taken as additional security it will be appraised if it represents a substantial portion of the security for the loan.

■ 16. Amend § 3550.117 by revising paragraphs (d) and (e) to read as follows:

§ 3550.117 WWD grant purposes.

* * * * *

(d) Pay for necessary installation of plumbing and related fixtures within dwellings lacking such facilities.

(e) Construction and/or partitioning off a portion of the dwelling for a bathroom which is modest in design.

* * * * *

■ 17. Amend § 3550.118 by revising paragraph (a) to read as follows:

§ 3550.118 Grant restrictions.

(a) *Maximum grant.* Lifetime assistance to any individual for initial or subsequent Section 306C WWD grants may not exceed ten percent of the national average area loan limit.

* * * * *

Yvonne Hsu,
Acting Administrator, Rural Housing Service.
[FR Doc. 2023-25314 Filed 11-17-23; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA-2023-1893; Project Identifier AD-2023-00389-A]

RIN 2120-AA64

Airworthiness Directives; FS 2001 Corp, FS 2002 Corporation, FS 2003 Corporation, Piper, and Piper Aircraft, Inc. Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM); extension of comment period.

SUMMARY: This document announces an extension of the comment period for the referenced NPRM, which proposed the adoption of a new airworthiness directive (AD) for certain FS 2001 Corp, FS 2002 Corporation, FS 2003 Corporation, Piper, and Piper Aircraft, Inc. (Piper) airplanes. This NPRM invited comments concerning the proposed requirement of replacing any rudder equipped with a rudder post made from a certain carbon steel with a rudder equipped with a rudder post made from a certain low-alloy steel. This extension of the comment period is necessary to provide all interested persons an opportunity to present their views on the proposed requirements of this NPRM.

DATES: The comment period for the NPRM published on October 6, 2023, at 88 FR 69556, and scheduled to close on November 20, 2023, is extended until February 20, 2024.

ADDRESSES: You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to [regulations.gov](https://www.regulations.gov). Follow the instructions for submitting comments.

- *Fax:* (202) 493-2251.

- *Mail:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE, Washington, DC 20590.

- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

AD Docket: You may examine the AD docket at [regulations.gov](https://www.regulations.gov) by searching for and locating Docket No. FAA-2023-1893; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, any comments received, and other