

Other portions of 24 CFR 203.49 are not affected by this rulemaking, and will remain as currently codified in the Code of Federal Regulations.

## Findings and Certifications

### *Regulatory Flexibility Act*

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 will not have a significant economic impact on a substantial number of small entities. This rule permits greater flexibility in HUD-insured ARMs, thus providing more products for potential homebuyers. This rule imposes no requirements on businesses.

Notwithstanding HUD's determination that this rule does not have a significant economic impact on a substantial number of small entities, HUD specifically invites comment regarding any less burdensome alternatives to this rule that will meet HUD's objectives as described in the preamble.

### *Environmental Impact*

A Finding of No Significant Impact with respect to the environment has been 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. This finding is available for public inspection between 7:30 a.m. and 5:30 p.m. weekdays in the Office of the Rules Docket Clerk, Office of the General Counsel, Department of Housing and Urban Development, Room 10276, 451 Seventh Street, SW., Washington, DC 20410-0500.

### *Executive Order 13132, Federalism*

Executive Order 13132 (entitled "Federalism") prohibits, to the extent practicable and permitted by law, an agency from promulgating a regulation that has federalism implications and either imposes substantial direct compliance costs on state and local governments and is not required by statute, or preempts state law, unless the relevant requirements of section 6 of the Executive Order are met. This rule does not have federalism implications and does not impose substantial direct compliance costs on state and local governments or preempt state law within the meaning of the Executive Order.

### *Unfunded Mandates Reform Act*

Title II of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104-4; approved March 22, 1995) (UMRA) establishes requirements for Federal

agencies to assess the effects of their regulatory actions on state, local, and tribal governments, and on the private sector. This proposed rule does not impose any Federal mandates on any state, local, or tribal governments, or on the private sector, within the meaning of the UMRA.

### *Regulatory Planning and Review*

The Office of Management and Budget (OMB) reviewed this proposed rule under Executive Order 12866 (entitled "Regulatory Planning and Review"). OMB determined that this proposed rule is a "significant regulatory action," as defined in section 3(f) of the Order (although not economically significant, as provided in section 3(f)(1) of the Order). Any changes made to the proposed rule subsequent to its submission to OMB are identified in the docket file, which is available for public inspection in the Office of the Rules Docket Clerk, Room 10276, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, DC, 20410-0500.

### *Catalog of Federal Domestic Assistance.*

The Catalog of Federal Domestic Assistance numbers applicable to this rule are 14.108, 14.117, and 14.119.

### **List of Subjects in 24 CFR Part 203**

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

For the reasons stated in the preamble, HUD proposes to amend 24 CFR part 203 as follows:

## **PART 203—SINGLE FAMILY MORTGAGE INSURANCE**

1. The authority citation for 24 CFR part 203 is revised to read as follows:

**Authority:** 12 U.S.C. 1709, 1710, 1715b, 1715z-16, and 1715u; 42 U.S.C. 3535(d).

2. Section 203.49 is amended as follows:

- a. Redesignate paragraphs (a) through (j) as paragraphs (b) through (k) respectively;
- b. Add a new paragraph (a); and
- c. Revise newly designated paragraphs (d), (f), (g), (i) and (j).

The additions and revisions read as follows:

### **§ 203.49 Eligibility of adjustable rate mortgages.**

\* \* \* \* \*

(a) *Types of mortgages insurable.* The types of adjustable rate mortgages that are insurable are those for which the

interest rate may be adjusted annually by the mortgagee, beginning after one, three, five, seven or ten years from the date of the mortgagor's first debt service payment.

\* \* \* \* \*

(d) *Frequency of Interest Rate Changes.* (1) The interest rate adjustments must occur annually from the date of the mortgagor's first debt service payment, except, for these types of mortgages, the first adjustment shall be no sooner nor later than the following:

(i) One year adjustable rate mortgages—no sooner than 12 months nor later than 18 months;

(ii) Three year adjustable rate mortgages—no sooner than 36 months nor later than 42 months;

(iii) Five year adjustable rate mortgages—no sooner than 60 months nor later than 66 months;

(iv) Seven year adjustable rate mortgages—no sooner than 84 months nor later than 90 months; and

(v) Ten year adjustable rate mortgages—no sooner than 120 months nor later than 126 months.

(2) To set the new interest rate, the mortgagee will determine the change between the initial (*i.e.*, base) index figure and the current index figure, or will add a specific margin to the current index figure. The initial index figure shall be the most recent figure available before the date of mortgage loan origination. The current index figure shall be the most recent index figure available 30 days before the date of each interest rate adjustment.

\* \* \* \* \*

(f) *Magnitude of changes.* The adjustable rate mortgage initial contract interest rate shall be agreed upon by the mortgagee and the mortgagor. The first adjustment to the contract interest rate shall take place in accordance with the schedule set forth under paragraph (d) of this section. Thereafter, for all adjustable rate mortgages, the adjustment shall be made annually, subject to the following conditions and limitations:

(1) For one, three and five year adjustable rate mortgages, no single adjustment may result in a change in either direction of more than one percentage point from the interest rate in effect for the period immediately preceding that adjustment. Index changes in excess of one percentage point may not be carried over for inclusion in an adjustment for the following year. Adjustments in the effective rate of interest over the entire term of the mortgage may not result in a change in either direction of more