

applicants, borrowers and partners that will give clear guidance on policies, such as project budget approvals, determining project feasibility, and servicing actions.

Streamlining and Consolidation

The Proposed Regulation

RHS has undertaken a major redevelopment and consolidation of Rural Development regulations affecting the sections 514, 515, 516, and 521 Multi-Family Housing (MFH) programs. The result of the streamlining and consolidation is a proposed rule that revises and consolidates Agency regulations affecting the section 514, 515, 516, and 521 Multi-Family Housing (MFH) Programs. This rule consolidates the policies outlined in 13 separate regulations and a number of administrative notices into one regulation and moves the procedural guidance to program handbooks. A list of the regulations being consolidated follows:

- 7 CFR part 1806, subpart A—Real Property Insurance.
- 7 CFR part 1930, subpart C—Management and Supervision of Multi-Family Housing Borrowers and Grant Recipients.
- 7 CFR part 1944, subpart D—Farm Labor Housing Loan and Grant Policies, Procedures, and Authorizations.
- 7 CFR part 1944, subpart E—Rural Rental and Rural Cooperative Housing Loan Policies, Procedures and Authorizations.
- 7 CFR part 1951, subpart D—Final Payment on Loans.
- 7 CFR part 1951, subpart K—Predetermined Amortization Schedule System (PASS) Account Servicing.
- 7 CFR part 1951, subpart N—Servicing Cases Where Unauthorized Loan or Other Financial Assistance Was Received—Multi Family-Housing.
- 7 CFR part 1955, subpart A—Liquidation of Loans Secured By Real Estate and Acquisition of Real and Chattel Property.
- 7 CFR part 1955, subpart B—Management of Property.
- 7 CFR part 1955, subpart C—Disposal of Inventory Property.
- 7 CFR part 1956, subpart B—Debt Settlement Farm Loan Programs and Multi-Family Housing.
- 7 CFR part 1965, subpart B—Security Servicing for Multiple Housing Loans.
- 7 CFR part 1965, subpart E—Prepayment and Displacement Prevention of Multi-Family Housing Loans.

These changes have two clear benefits. First, the consolidated

streamlined regulation makes information easier to access. Answers to policy questions are found in one document that has been shortened from over 1,500 pages to approximately 180 pages. Similarly, answers to process and implementation questions are found in three handbooks. These handbooks provide “how-to” guidance on loan origination, asset management, and loan servicing. Agency staff, property owners, property managers, and residents can look for most of their answers to day-to-day questions in the handbooks where they will find plain English explanations and examples. If the regulatory basis for a procedure is in question, that information can be easily found in the streamlined regulation. The increased ease of finding information should help improve public understanding of the rules and eliminate inconsistencies in interpretation.

Second, the division of policy and procedure gives the agency more flexibility to update and revise program procedures. For example, as automation changes the way program reporting occurs, relevant procedures can be updated in the handbooks without going through a complex process of changing the regulation. This will make the agency more responsive to changes in the business environment, an important initiative as the Federal Government strives to have more of its business conducted on-line and through electronic submissions.

The paperwork burden reduction resulting from the proposed rule would be approximately 25 percent. This estimate is derived from the Paperwork Burden Report that RHS prepared.

The Proposed Handbooks

As stated above, the Agency is developing three separate handbooks that will present the reader with the administrative guidance on matters. One handbook will be devoted entirely to General Requirements and Loan Origination Requirements. It will instruct the reader on procedures and provide information on matters such as what forms must be filed, where to submit loan requests and the agency’s internal processing procedures. The same principles will be followed in the publication of the Asset Management Handbook and the Project Servicing Handbook respectively. The handbooks will not be published in the **Federal Register** but will be available to the public at no cost.

RHS is currently developing the proposed Handbooks while aggressively analyzing all existing burden imposed upon the public to obtain and retain

MFH program assistance. The Handbooks will be available on RHS’s Web site at <http://www.rurdev.usda.gov/rhs/index.html>. Access to the Handbooks will also be available through the local RHS servicing office.

Current Regulations and Notices

Current regulations may be found on RHS’s Web site at <http://rdinit.usda.gov/regs/index.html> or in the Code of Federal Regulations.

Exhibits

Many of the exhibits that are part of the current regulations may be found in the three companion handbooks to 7 CFR part 3560: Loan Origination, Asset Management, and Project Servicing. The Loan Origination Handbook will provide RHS multifamily housing staff with the guidance needed to originate loans and grants efficiently and effectively. The Asset Management Handbook will provide RHS multifamily housing staff with guidance about the Agency’s procedures for overseeing borrowers’ performance in meeting their responsibilities under the program. The Project Servicing Handbook will provide Loan Servicers with guidance about the Agency’s procedures for servicing actions involving borrowers receiving loans or grants for multifamily housing projects. As an example, Exhibit A–13 of 7 CFR part 1944, subpart E will be found in Attachment 6–B to Chapter 6 of the Loan Origination Handbook and Exhibit B–1 of 7 CFR part 1930, subpart C will be found in Exhibit 3–1 of Chapter 3 of the Asset Management handbook.

Changes to the Rule With Significant Impact

Reserve Requirements for Project Improvements

This proposed rule will require an annual minimum of 1 percent of total development cost to be put in a reserve account, with a maximum reserve requirement up to the level needed to assure resources being available to maintain the housing at Agency standards.

Current regulations include standards for physical condition, maintenance, and reserve levels to address the physical condition of the property. However, projects are experiencing physical maintenance problems due to their average age. One of the sources of this problem is that project reserves are inadequate to cover ongoing capital needs. Current regulations require that borrowers contribute initially 1 percent annually of total development costs toward a reserve for project