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DEPARTMENT OF AGRICULTURE

Rural Housing Service

7 CFR Part 3555

[Docket No. RHS–24–SFH–0001]

RIN 0575–AD28

Single Family Housing Guaranteed Loan Program Changes Related to Special Servicing Options

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

ACTION: Final rule.

SUMMARY: The Rural Housing Service (RHS or Agency), a Rural Development (RD) agency of the United States Department of Agriculture (USDA), is implementing changes to the Single-Family Housing Guaranteed Loan Program (SFHGLP) to amend the current regulations regarding Special Servicing Options and adjust the Mortgage Recovery Advance (MRA) process. This final rule is intended to benefit borrowers and lenders by providing lenders more flexibility in their servicing options, offering a less expensive and less cumbersome MRA process, and reduce program risk of the guaranteed loan portfolio.

DATES: This final rule is effective February 11, 2025.

FOR FURTHER INFORMATION CONTACT: Ticia Weare, Finance and Loan Analyst, Single Family Housing Guaranteed Loan Division, Rural Development, U.S. Department of Agriculture, STOP 0784, South Agriculture Building, 1400 Independence Avenue SW, Washington, DC 20250–0784. Telephone: (314) 679–6919; or email: *ticia.weare@usda.gov.*

SUPPLEMENTARY INFORMATION:

I. Background

The USDA 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 multi-family housing, childcare centers, fire and police stations, hospitals, libraries, nursing homes, schools, first responder vehicles and equipment, housing for farm laborers and much more. RHS also provides technical assistance loans and grants in partnership with non-profit organizations, Indian tribes, State and Federal Government agencies, and local communities.

Under the authority of the Housing Act of 1949 (42 U.S.C. 1471 *et seq.*), as amended, the SFHGLP makes loan guarantees to provide low- and moderate-income persons in rural areas an opportunity to own decent, safe, and sanitary dwellings and related facilities. The RHS administers the SFHGLP that provides a 90% Loan Note Guarantee to approved lenders to reduce the lender's risk of extending loans to low- and moderate-income households in rural areas. Approved lenders make the initial eligibility determinations, and the Agency reviews those determinations to make a final eligibility decision.

This program helps lenders work with low- and moderate-income households living in rural areas to make homeownership a reality. Providing affordable homeownership opportunities promotes prosperity, which in turn creates thriving communities and improves the quality of life in rural areas.

The RHS published a proposed rule on January 27, 2023 (88 FR 5275) to amend the current regulation for the SFHGLP found in 7 CFR part 3555. This final rule will amend 7 CFR part 3555 to implement changes related to the use of Special Servicing Options for Non-Performing Loans. The changes to the current regulation will benefit borrowers by offering a less cumbersome option to eliminate documentation and eligibility challenges for borrowers who do not require payment reduction, while providing lenders more flexibility in their servicing options and reducing program risk of the guaranteed loan portfolio.

The SFHGLP is authorized by section 502(h) of the Housing Act of 1949, (42 U.S.C. 1472(h)), as amended. 7 CFR part 3555 sets forth the regulatory requirements of the SFHGLP which includes policies regarding originating, servicing, holding, and liquidating SFHGLP loans. SFHGLP approved lenders make the initial eligibility determinations, and the Agency reviews those determinations to make a final eligibility decision. In § 3555.303, lenders are provided several traditional servicing options for Non-Performing Loans. The use of special servicing options in § 3555.304 is provided if the traditional servicing options provided in § 3555.303 have been exhausted or the lender has determined that the use of such servicing options would not resolve the delinquency.

RHS is issuing a final rule to amend §§ 3555.303 and .304 to incorporate the MRA as a part of the regular servicing options in § 3555.303 and allow for streamline servicing options in § 3555.304. This final rule also adjusts the MRA process to make it less cumbersome and eliminates documentation and eligibility challenges for borrowers who do not require payment reduction.

II. Discussion of Public Comments Received on March 28, 2023, Proposed Rule

The Agency received comments from 12 respondents, including mortgage lenders, associations, and other interested parties. Specific public comments are addressed below:

Public Comment: One respondent suggested that the Agency combine both § 3555.303 (traditional servicing options) with § 3555.304 to maintain the COVID–19 loss mitigation waterfall and provide specific guidance in HB–1–3555. Further, the respondent suggested the Agency maintain the standalone MRA as the first option in the waterfall for borrowers who do not require payment reduction; eliminate financial reviews for seriously delinquent borrowers; retain a target payment reduction of 20 percent for borrowers who cannot resume an affordable new payment; and allow the MRA to be combined with a 30 or 40 year loan modification, allowing borrowers to defer additional principal if MRA funds are available.

Agency's Response: The Agency appreciates the commenter's response. The Agency agrees changes to § 3555.303 in addition to changes in § 3555.304 may assist in loss mitigation and amends the proposed rule accordingly. The final rule incorporates the MRA into § 3555.303, maintaining the MRA as either a standalone option or combined with a loan modification. The Agency agrees additional flexibility

in servicing options may assist in preventing unnecessary foreclosures. The final rule amends § 3555.304 to provide streamline servicing options to provide the borrower with at least a 10 percent reduction to their principal and interest payment with no consideration of the borrower's financials. The Agency agrees with the respondent that the option to extend the loan term as suggested may assist in loss mitigation, therefore, the final rule provides the ability to extend the loan term after reamortization up to 40 years when necessary to demonstrate repayment ability. Additionally, the Agency will amend § 3555.303 to add section (b)(3)(vi) indicating the order in which that traditional servicing options will be established.

Public Comment: Four respondents replied that they were in favor of the proposed rule, some indicating that eliminating the subordinate lien is a worthy regulatory reform priority for post-pandemic mortgage servicing. However, they have expressed their opinion that this may place an undue burden on the lender and the borrower for collection of a balloon payment of the non-interest-bearing promissory note at the maturity of the interest-bearing loan. These respondents recommend that the Agency allow servicers to assign the servicing advance MRA to USDA at maturity of the interest-bearing original note, stating that the Agency has greater flexibility to help such homeowners avoid foreclosure.

Agency's Response: The Agency appreciates the support, as well as the suggested revision. It is anticipated that only a small percentage of loans will reach maturity. The Agency has not amended the final rule as recommended; however, the Agency is amending § 3555.303 to allow an MRA to be combined with up to a 40-year loan modification term, allowing borrowers to defer the additional principal if MRA funds are available. The opportunity to defer the additional principal will ensure borrowers are able to achieve the target payment. Additionally, the Agency is not opposed to allowing the servicer additional collection time if the lien is not released prior to the loan, including the MRA, being paid in full. The Agency will continue to work with the industry to provide alternative solutions.

Public Comment: Four respondents requested that clarification be provided in the rule to allow lenders to provide multiple MRAs throughout the life of the loan.

Agency's Response: The Agency appreciates the commenters' responses, as well as the suggested revision. The Agency has amended the rule to allow multiple MRAs and to clarify what conditions must be present to allow additional MRAs.

Public Comment: One respondent suggested that the Agency exempt small servicers from the provisions of the new rule, explaining that requiring servicers to collect the unsecured debt the homeowner owes to USDA puts them in the position of becoming third party debt collectors and creates a different relationship than what a Housing Finance Agency servicer agreed to when their agency agreed to offer and service SFHGLP loans as part of their single-family program offerings.

Agency's Response: The Agency appreciates the commenter's response. It is anticipated that only a small percentage of loans will reach maturity. The Agency has not amended the rule as recommended; however, the Agency is amending the CFR to allow an MRA to be combined with up to a 40-year loan modification term, allowing borrowers to defer the additional principal if MRA funds are available. The opportunity to defer the additional principal will ensure borrowers are able to achieve the target payment. Additionally, the Agency is not opposed to allowing the servicer additional collection time if the lien is not released prior to the loan, including the MRA, being paid in full. The Agency will continue to work with the industry to provide alternative solutions.

Public Comment: One respondent suggested that the Agency require borrowers to execute a standard MRA agreement.

Agency's Response: The Agency appreciates the commenter's response. The Agency understands it is important that variances in State laws are considered. An optional attachment for use by the lender will be made available on the Agency's LINC Training and Resource Library, located at *rd.usda.gov/resources/usda-linc-training-resource-library.*

Public Comment: One respondent suggested that the Agency allow servicers to recover incentives after completing an MRA.

Agency's Response: The Agency appreciates the commenter's response. The Agency agrees that an incentive for completing the MRA is a reasonable request and will consider them in the future.

Public Comment: One respondent suggested that the Agency provide guidance that specifies how funds are to be applied when the servicer receives funds in excess of the Principal, Interest, Taxes and Insurance (PITI).

Agency's Response: The Agency appreciates the commenter's response. The Agency agrees that it is more beneficial to the borrower to apply any additional funds to the interest-bearing loan first, however, the Agency does not feel it should dictate to the servicer and borrower how partial prepayments should be applied.

Public Comment: One respondent suggested that the Agency provide guidance that specifies how the MRA should be addressed in the event of a short sale or foreclosure bidding process.

Agency's Response: The Agency appreciates the commenter's response. The Agency agrees that guidance should be provided. Such guidance will be provided in Handbook–1–3555.

Public Comment: Two respondents suggested that the Agency permit servicers to modify the repayment date of the MRA.

Agency's Response: The Agency appreciates the commenters' response. The Agency is amending § 3555.303 to allow an MRA to be combined with up to a 40-year loan modification term, allowing borrowers to defer the additional principal if MRA funds are available. The opportunity to defer the additional principal will ensure borrowers are able to achieve the target payment. The Agency is not opposed to allowing the servicer additional collection time if the lien is not released prior to the loan, including the MRA, being paid in full. The final rule revises § 3555.303 to indicate that the MRA may be paid to the Agency when the payment is received from the borrower; or when the mortgage lien is released; or when the borrower transfers title to the property by voluntary or involuntary means.

Public Comment: One respondent suggested that the Agency provide guidance to servicers instructing them to notify borrowers that the MRA balance is coming due no later than six months prior to the maturity of their mortgage and that the Agency provide potential solutions for paying off the remaining MRA balance and that this be included in § 3555.304.

Agency's Response: The Agency appreciates the commenter's response. The Agency agrees that servicers providing advanced notice of the MRA payoff obligation could prevent unnecessary foreclosures and will provide such guidance.

Public Comment: One respondent suggested that the Agency reassess the loss mitigation regulations in § 3555.303 and § 3555.304 to allow for more flexible servicing options to provide

borrowers with effective solutions to quickly resolve financial hardships.

Agency's Response: The Agency appreciates the commenter's response. The Agency agrees that additional flexibility in servicing options may assist in preventing unnecessary foreclosure. The final rule amends § 3555.303 to incorporate the MRA into traditional servicing options and amends § 3555.304 to provide streamline servicing options when traditional servicing options have been exhausted, the borrower is at least 90 days delinquent, and prior to any acceleration or foreclosure action.

Public Comment: One respondent suggested that the Agency ensure modified loans with a deferred balance be redelivered to Ginnie Mae.

Agency's Response: The Agency appreciates the commenter's response and agrees that preserving access to liquidity is an important component to preserving affordable homeownership. The Agency will continue to work with Ginnie Mae and others to provide options that preserve liquidity.

III. Summary of Changes to Rule

The following changes were included in the proposed rule:

In § 3555.304(b)(3), remove language pertaining to title search and recording fees as these services will no longer be utilized by the lender.

Additional Changes to Rule as a Result of Comments Received

As a result of the comments received, § 3555.303 will be amended as follows:

Move (b)(3)(iv) to (b)(3)(i) to emphasize that the lender's lien priority cannot be affected by providing a loan modification. This will renumber the remaining section.

Revise section (b)(3)(iii), formerly (ii), to clarify that fees and costs associated with the delinquency may be included in the loan modification.

Revise section (b)(3)(iv), formerly (iii), to extend the repayment term for up to 40 years from the date of modification.

Add section (b)(3)(vi) indicating that traditional servicing options will be used in the order established to incorporate the addition of the MRA in the traditional servicing waterfall.

Add section (b)(3)(vii) to clarify that a mortgage recovery advance may be considered if the targeted income to ratio mortgage payment cannot be reached.

Add section (b)(4) to incorporate the MRA as a part of traditional servicing options.

Add section (b)(4)(V) to clarify that the lender may file a claim for reimbursement of reasonable title search and/or recording fees.

As a result of the comments received, § 3555.304 will be further amended as follows:

Revise the title of § 3555.304 to change ''Special'' to Streamline'' and replace throughout the section.

Revise (a)(1) to clarify that the lender must exhaust all traditional loss mitigation options prior to offering the streamline servicing options.

Revise (a)(3) to indicate the streamline servicing options must provide the borrower with at least a 10 percent reduction to their principal and interest payment.

Remove (a)(4) since it is no longer applicable to streamlined servicing options.

Revise (b)(1) to eliminate the ratio cap for total debt to income and add that the borrower must be at least 90 days delinquent and streamline servicing shall be considered prior to initiation of any legal acceleration or foreclosure action.

Revise (b)(3) to remove the sentence on fees associated with foreclosure due to the requirement that streamline servicing must occur prior to any legal foreclosure action commencing.

Revise (c) to allow the servicer to extend the repayment term to 40 years, unless limited to 30 years by the investor.

Revise (c)(1) to remove reference to foreclosure fees and costs, as well as tax and insurance advances since foreclosure will not have commenced under the streamline option.

Revise (c)(3) to allow the servicer to extend the repayment term to 40 years, unless limited to provide the borrower a principal and interest reduction of at least 10 percent.

Revise (c)(4) to clarify that if the targeted mortgage payment reduction cannot be achieved using a modification as described in this section, the loan is not eligible for streamline loan servicing and acceleration, or foreclosure may be initiated.

Delete (d) as the section provides guidance for the MRA requirements and procedures, and this entire section has been modified and reincorporated into § 3555.303(b)(4).

This final rule continues the Agency's on-going efforts to improve delivery and mitigate risk of the SFHGLP.

IV. Regulatory Information

Statutory Authority

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

This program is not subject to the requirements of Executive Order 12372, ''Intergovernmental Review of Federal Programs,'' as implemented under USDA's regulations at 7 CFR part 3015.

Executive Order 12866, Regulatory Planning and Review

This final 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 final 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 rule.

Executive Order 13132, Federalism

The policies contained in this final rule do not have any substantial direct effect on states, on the relationship between the national government and states, or on the distribution of power and responsibilities among the various levels of government. This rule does not impose substantial direct compliance costs on state and local governments. Therefore, consultation with the states is not required and a federal summary impact statement is not required.

Executive Order 13175, Consultation and Coordination With Indian Tribal Governments

This final rule has been reviewed in accordance with the requirements of Executive Order 13175, ''Consultation and Coordination with Indian Tribal Governments.'' Executive Order 13175 requires Federal agencies to consult and coordinate with Tribes on a government-to-government basis on policies that have Tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian Tribes, on the relationship between the Federal Government and Indian Tribes or on the distribution of power and responsibilities between the Federal Government and Indian Tribes.

The Agency has determined that this final rule does not, to our knowledge, have tribal implications that require formal tribal consultation under Executive Order 13175. If a Tribe requests consultation, the Rural Housing Service will work with the Office of Tribal Relations to ensure meaningful consultation is provided where changes, additions and modifications identified herein are not expressly mandated by Congress.

Regulatory Flexibility Act

This final rule has been reviewed with regard 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

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Public Law 104–4, establishes requirements for Federal agencies to assess the effect 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, 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 the 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 final 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. Therefore, this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

National Environmental Policy Act

In accordance with the National Environmental Policy Act of 1969, Public Law 91–190, this final rule has been reviewed in accordance with 7 CFR part 1970 (''Environmental Policies and Procedures''). The Agency has determined that (i) this action meets the criteria established in 7 CFR 1970.53(f); (ii) no extraordinary circumstances exist; and (iii) the action is not ''connected'' to other actions with potentially significant impacts, is not considered a ''cumulative action'' and is not precluded by 40 CFR 1506.1. Therefore, the Agency has determined that the action does not have a significant effect on the human environment, and therefore neither an Environmental Assessment nor an Environmental Impact Statement is required.

Civil Rights Impact Analysis

Rural Development has reviewed this final 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, gender identity (including gender expression), genetic information, political beliefs, sexual orientation, marital status, familial status, parental status, veteran status, religion, reprisal and/or resulting from all or a part of an individual's income being derived from any public assistance program. This final rule is within a Guarantee-based program. Guarantees are not covered under Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and Title IX of the Education Amendments Act of 1972, as amended, when the Federal assistance does not include insurance or interest credit loans. Lenders must comply with other applicable Federal laws, including Equal Employment Opportunities, the Equal Credit Opportunity Act, the Fair Housing Act, and the Civil Rights Act of 1964. Guaranteed loans that involve the construction of or addition to facilities that accommodate the public must comply with the Architectural Barriers Act Accessibility Standard. The borrower and lender are responsible for ensuring compliance with these requirements.

Assistance Listing

The program affected by this final rule is listed in the Assistance Listing Catalog (formerly Catalog of Federal Domestic Assistance) under number 10.410, Very Low to Moderate Income Housing Loans (Section 502 Rural Housing Loans).

Paperwork Reduction Act

The information collection requirements contained in this regulation have been approved by OMB and have been assigned OMB control number 0575–0179. This final rule contains no new reporting or recordkeeping requirements that would require approval under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35).

E-Government Act Compliance

Rural Development is committed to the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

USDA Non-Discrimination Policy

In accordance with Federal civil rights laws and U.S. Department of Agriculture (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, or 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 *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 (ASCR) 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.*

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List of Subjects in 7 CFR Part 3555

Administrative practice and procedure, Business and industry, Conflicts of interest, Credit environmental impact statements, Fair housing, Flood insurance, Grant programs—housing and community development, Home improvement, Housing, Loan programs—housing and community development, Low- and moderate-income housing, Manufactured homes, Mortgage insurance, Mortgages, Reporting and recordkeeping requirements, Rural areas.

For the reasons discussed in the preamble, the Agency is amending 7 CFR part 3555 as follows:

PART 3555—GUARANTEED RURAL HOUSING PROGRAM

■ 1. The authority citation for part 3555 continues to read as follows:

Authority: 5 U.S.C. 301; 42 U.S.C. 1471 *et seq.*

Subpart G—Servicing Non-Performing Loans

■ 2. Revise and republish § 3555.303 to read as follows:

§ 3555.303 Traditional servicing options.

(a) *Eligibility.* To be eligible for traditional servicing, all the following conditions must be met:

(1) The borrower presently occupies the property;

(2) The borrower is in default or facing imminent default for an involuntary reason. A borrower is ''facing imminent default'' if that borrower is current or less than 30 days past due on the mortgage obligation and is experiencing a significant reduction in income or some other hardship that will prevent him or her from making the next required payment on the mortgage during the month in which it is due. The borrower must be able to document the cause of the imminent default, which may include, but is not limited to, one or more of the following types of hardship:

(i) A reduction in or loss of income that was supporting the mortgage loan;

(ii) A change in household financial circumstances;

(3) The borrower demonstrates a reasonable ability to support repayment of the debt in the future;

(4) There are no adverse property conditions that inhibit the inhabitability or use of the property; and

(5) The borrower has not received assistance due to the submission of false information by the borrower.

(b) *Servicing options.* The lender must consider traditional servicing options in the following order to resolve the borrower's default or imminent default:

(1) *Repayment agreement.* A repayment agreement is an informal plan lasting 3 months or less to cure short-term delinquencies.

(2) *Special forbearance agreement.* A special forbearance agreement is a longer-term formal plan to cure a delinquency not to exceed the equivalent of 12 months of PITI. The agreement may gradually increase monthly payments in an amount sufficient to repay the arrearage over a reasonable amount of time and/or temporarily reduce or suspend payments for a short period. If the borrower is at least 3 months delinquent, the special forbearance agreement may resume normal payments for several months followed by a loan modification.

(3) *Loan modification plan.* A loan modification is a permanent change in one or more of the terms of a loan that results in a payment the borrower can afford and allows the loan to be brought current. A loan modification must be a written agreement. (i) The lender's lien priority cannot be adversely affected by providing a loan modification.

(ii) Loan modifications must be a fixed interest rate and cannot exceed the market interest rate at the time of modification.

(iii) Loan modifications may capitalize all or a portion of the arrearage and/or reamortization of the balance due including foreclosure fees and costs associated with the delinquency, tax and insurance advances, and past due Agency annual fees imposed by the lender. Late charges and lender fees may not be capitalized.

(iv) If necessary to demonstrate repayment ability, the loan term after reamortization may be extended for up to 40 years from the date of the loan modification.

(v) Lenders may require that borrowers complete a trial payment plan prior to making scheduled payments amended by the traditional loan servicing loan modification.

(vi) Traditional servicing options shall be used in the order established in this section to reduce the borrower's mortgage payment to income ratio as close as possible to 31 percent of gross monthly income.

(vii) If the targeted mortgage payment to income cannot be achieved using a loan modification alone, the lender may consider a mortgage recovery advance under this section in addition to the loan modification.

(4) *Mortgage recovery advance.* A mortgage recovery advance is funds advanced by the lender on behalf of a borrower to satisfy the borrower's arrearage and reduce principal.

(i) Borrowers may be eligible for multiple Mortgage Recovery Advances up to a cumulative amount that is less than or equal to 30 percent of the unpaid principal balance as of the date of the initial default.

(ii) If the borrower's total monthly mortgage payment is within a reasonable percent of the borrower's ability to repay prior to an extended term loan modification, the mortgage recovery advance can be used to cure the borrower's delinquency without changing the terms of the promissory note.

(iii) The principal deferment amount for a specific case shall be limited to the amount that will bring the borrower's total monthly mortgage payment to 31 percent of gross monthly income.

(iv) If the borrower is eligible for a mortgage recovery advance, the servicer will advance the funds to the borrower's account and create a non-interest-bearing recoverable servicing advance. The balance is to be provided on the mortgage statements along with the principal balance of the loan, but no payment arrangement will be required.

(v) Prior to making a mortgage recovery advance, the lender must perform an escrow analysis to ensure that the payment made on behalf of the borrower accurately reflects the escrow amount required for taxes and insurance.

(vi) The lender may request reimbursement from the Agency for a mortgage recovery advance. The lender shall repay any such reimbursement as provided in this section.

(vii) The following terms apply to the repayment of a mortgage recovery advance:

(A) Borrowers are not required to make any monthly or periodic payments on the mortgage recovery advance; however, borrowers may voluntarily submit partial payments without incurring any prepayment penalty.

(B) The borrower is responsible for payment of the mortgage recovery advance to the lender in full at the earlier of the following:

(*1*) When the first lien mortgage and guaranteed note are paid off; or

(*2*) When the borrower transfers title to the property by voluntary or involuntary means.

(C) The lender shall remit to the agency the amount mortgage recovery advance reimbursed by the Agency for a mortgage recovery advance, as described in this part, at the earliest of the following:

(*1*) When the lender receives payment is received from the borrower; or

(*2*) When the mortgage lien is released; or

(*3*) When the borrower transfers title to the property by voluntary or involuntary means.

(*i*) The Agency will collect this Federal Debt from the lender. The Agency may use the debt collection and administrative offset process to collect money owed.

(*ii*) In the event of a loss claim, the mortgage recovery advance will be considered in calculating the claim paid by the Agency. The total amount paid cannot exceed the maximum loss payment described in § 3555.351(b).

(*iii*) Borrowers are not required to make any monthly or periodic payments on the mortgage recovery advance note; however, borrowers may voluntarily submit partial payments without incurring any prepayment penalty.

(c) *Terms of loan note guarantee.* Use of traditional servicing options does not change the terms of the loan note guarantee except when the traditional servicing option meets the requirements of paragraph (b)(3)(iv) of this section. The loan guarantee will apply to loan terms extending beyond the 30-year loan term from the date of origination when a loan modification meets the criteria set forth in paragraph (b)(3)(iv).

■ 3. Revise and republish § 3555.304 to read as follows:

§ 3555.304 Streamline servicing options.

(a) *General.* (1) Lenders must exhaust traditional servicing options outlined in this part without received a completed package to be used in evaluating the borrower for traditional servicing options and have sent a demand letter in accordance with § 3555.306 to the borrower prior to consideration of streamline servicing options.

(2) Use of streamline loan servicing does not change the terms of the loan note guarantee.

(3) Streamline options may be provided to the borrower with at least a 10 percent reduction to their principal and interest payment with no consideration of the borrower's financials.

(b) *Conditions for streamline servicing options.* In addition to the requirements in § 3555.303(a), the following conditions apply to all special loan servicing:

(1) The borrower must be at least 90 days past due and prior to initiation of any acceleration or foreclosure action.

(2) The borrower must successfully complete a trial payment plan of sufficient duration, as determined by the Agency, to demonstrate that the borrower will be able to make regularly scheduled payments as modified by the special loan servicing.

(3) Expenses related to streamline loan servicing including, but not limited to, title search and recording fees, shall not be charged to the borrower.

(4) Capitalization of late charges and lender fees is not permitted in the special loan servicing option.

(c) *Extended streamline loan modification.* The Lender may modify the loan by reducing the interest rate to a level at or below the maximum allowable interest rate and extending the repayment term to 40 years from the date of loan modification. The servicer may limit the extension to 30 years if limited by any investor or pooling restrictions. The loan guarantee will apply to loan terms extending beyond the 30-year loan term from the date of origination when a loan modification meets the criteria set forth in this section.

(1) Streamline loan modifications may capitalize all or a portion of the arrearage and/or reamortization of the balance due including, tax and insurance advances and past due Agency annual fees imposed by the lender. Late charges and lender fees may not be capitalized.

(2) Streamline loan modifications must be a fixed interest rate and cannot exceed the current market interest rate at the time of modification. When reducing the interest rate, the maximum rate is subject to paragraph (c)(3) of this section.

(3) The term shall be extended to a maximum of 40 years as noted above to provide the borrower with at least a 10 percent reduction in their principal and interest payment.

(4) If the targeted mortgage payment reduction cannot be achieved using a modification as described in this section, the loan is not eligible for streamline loan servicing and foreclosure may be initiated.

Joaquin Altoro,

Administrator, Rural Housing Service.

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BILLING CODE 3410–XV–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA–2023–2502; Airspace Docket No. 23–ASO–15]

RIN 2120–AA66

Establishment of United States Area Navigation (RNAV) Route Q–108 and Revocation of RNAV Route Q–104; Eastern United States

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action establishes United States Area Navigation (RNAV) Route Q–108 and revokes RNAV Route Q–104 in the eastern United States. This action supports the Northeast Corridor Atlantic Coast Routes (NEC ACR) Optimization Project to improve the efficiency of the National Airspace System (NAS).

DATES: Effective date 0901 UTC, October 31, 2024. The Director of the Federal Register approves this incorporation by reference action under 1 CFR part 51, subject to the annual revision of FAA Order JO 7400.11 and publication of conforming amendments.

ADDRESSES: A copy of the Notice of Proposed Rulemaking (NPRM), all comments received, this final rule, and all background material may be viewed online at *www.regulations.gov* using the FAA Docket number. Electronic retrieval help and guidelines are available on the website. It is available 24 hours each day, 365 days each year.

FAA Order JO 7400.11H, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at *www.faa.gov/air_traffic/publications/.* You may also contact the Rules and Regulations Group, Office of Policy, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591; telephone: (202) 267–8783.

FOR FURTHER INFORMATION CONTACT: Brian Vidis, Rules and Regulations Group, Office of Policy, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591; telephone: (202) 267–8783.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA's authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the