PART 548—CERTIFIABLE PEPTIDE ANTIBIOTIC DRUGS FOR ANIMAL USE

95. The authority citation for Part 548 is revised to read as follows:

Authority: Sec. 512, 82 Stat. 343–351 (21 U.S.C. 360b); 21 CFR 5.10, 5.83.

96. Part 548 is amended by removing the word "safety," wherever it appears from the following: Sections 548.112a(a)(3)(i)(*a*); 548.112b(a)(3)(i) (*a*) and (*b*); 548.112d(a)(3)(i) (*a*) and (*b*); and 548.314a(a)(3)(i) (*a*), (*b*), and (*c*).

§ 548.112d [Amended]

97. In § 548.112d(a)(1) by removing the phrase ", and in addition, it passes the safety test".

PART 555—CHLORAMPHENICOL DRUGS FOR ANIMAL USE

98. The authority citation for Part 555 is revised to read as follows:

Authority: Sec. 512, 82 Stat. 343–351 (21 U.S.C. 360b), unless otherwise noted; 21 CFR 5.10, 5.83.

99. Part 555 is amended by removing the word "safety," wherever it appears from the following: Sections 555.110a(a)(3)(i)(*a*); 555.110b(a)(3)(i)(*a*); 555.110c(a)(4)(i)(*a*); 555.111(a)(3)(i)(*a*); 555.210(a)(4)(i)(*b*); and 555.310d(a)(3)(i)(*a*).

§ 555.210 [Amended]

100. In § 555.210 by removing the sentence "It passes the safety test." from paragraph (a)(1), and by removing and reserving paragraph (b)(4).

§ 555.310e [Amended]

101. In § 555.310e(a)(1) by removing the phrase ", except safety."

Any person who will be adversely affected by this regulation may file objections to it and request a hearing. Reasonable grounds for the hearing must be shown. Any person who decides to seek a hearing must file: (1) On or before June 12, 1985, a written notice of participation and request for hearing, and (2) on or before July 12, 1985, the data, information, and analyses on which the person relies to justify a hearing, as specified in 21 CFR 430.20. A request for a hearing may not rest upon mere allegations or denials, but must set forth specific facts showing that there is a genuine and substantial issue of fact that requires a hearing. If it conclusively appears from the face of the data, information, and factual analyses in the request for hearing that no genuine and substantial issue of fact precludes the action taken by this order, or if a request for hearing is not made in the required format or with the required analyses, the Commissioner of Food and Drugs will enter summary judgment against the person(s) who request(s) the hearing, making findings and conclusions and denying a hearing. All submissions must be filed in three copies, identified with the docket number appearing in the heading of this order and filed with the Dockets Management Branch (address above).

The procedures and requirements governing this order, a notice of appearance and request for hearing, a submission of data, information, and analyses to justify a hearing, other comments, and grant or denial of a hearing are contained in 21 CFR 430.20.

All submissions under this order, except for data and information prohibited from public disclosure under 21 U.S.C. 331(j) or 18 U.S.C. 1905, may be seen in the Dockets Management Branch (address above) between 9 a.m. and 4 p.m., Monday through Friday.

Dated: May 1, 1985.

Joseph P. Hile,

Associate Commissioner for Regulatory Affairs.

[FR Doc. 85–11467 Filed 5–10–85; 8:45 am]

BILLING CODE 4160–01–M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Housing—Federal Housing Commissioner

24 CFR Part 203

[Docket No. N–85–1506; FR–2101]

Mortgagee Approval; Revision of Fee Schedule

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Mortgagee Approval—Revision of Fee Schedule Notice.

SUMMARY: HUD is revising the amount of application fees it charges to mortgagees that apply for HUD–FHA approved status and the amount of annual recertification fees they must pay to retain their approved status. The Department's Authority for imposing fees and establishing amounts is contained in regulations at 24 CFR 203.2(a)(11).

EFFECTIVE DATE: May 1, 1985.

FOR FURTHER INFORMATION CONTACT: Andrew Zirneklis, Office of Lender Activities and Land Sales Registration, Room 9146, Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410–5000, Telephone (202) 755–6924 (This is not a toll-free number).

SUPPLEMENTARY INFORMATION: Pursuant to 24 CFR 203.2(a)(11) HUD established a mortgagee application and annual recertification fee schedule in 1980 by publication of a Notice in the **Federal Register** on October 14, 1980. (45 FR 67779). The purpose of this fee schedule is to help defray the administrative cost to the Department of approving and monitoring mortgagees participating in HUD's mortgage insurance programs. The 1980 fee schedule has never been revised.

Since 1980 the Department has significantly increased its monitoring of mortgagee activities as part of an overall effort to assist mortgagees in orginating quality loans, prevent program violations, and avoid unnecessary losses to HUD's insurance funds. This has resulted in increased administrative costs to the Department. To defray this increased cost, this Notice raises the amount of application and annual recertification fees it charges to mortgagees by $50. It also establishes a fee of $100 to be charged to HUD-approved Loan Correspondents requesting the approval of additional sponsors. The fee for additional Loan Correspondent sponsors is needed because of a significant increase in the number of applications by Loan Correspondents for approval of additional sponsors, with associated increases in HUD's administrative costs.

The Department is reducing its application fee for HUD-approved Authorized Agents from $250 to $100, the same amount as is payable by HUD mortgagees for approval of a branch office. HUD regulations (24 CFR 203.3(e)) have, since 1983, required Authorized Agents to be HUD-approved mortgagees and, as such, they are required to pay appropriate mortgagee application and annual recertification fees. Also, operating experience by HUD since 1980 has shown that the administrative costs of approving Authorized Agents does not warrant retaining the higher original application fee.

Accordingly, the following revised schedule of application fees and annual fees for mortgagees will take effect on May 1, 1985:

Application Fees

All mortgagees, other than Government institutions and National Mortgage Associations as described in 24 CFR § 203.7, must submit a nonrefundable application fee to HUD of $300 for their home office and $100 for

each branch office that will submit applications to HUD.

All mortgagees, other than Government institutions and National Mortgage Associations as described in 24 CFR § 203.7, must submit to HUD upon application for approval of an Authorized Agent, a nonrefundable application fee of $100.

All Loan Correspondents as described in 24 CFR § 203.5 must submit a nonrefundable application fee of $100 to HUD for each new, additional sponsor, where such request for approval is made after the initial application for HUD-approved status has been filed.

The application fees must be submitted to the HUD Field Office having jurisdiction over the mortgagee's home office, branch office or Authorized Agent's facility. An application by a Loan Correspondent for an additional sponsor must be submitted to the HUD Field Office having jurisdiction over the Loan Correspondent's home office.

The appropriate application forms may be obtained from HUD Field Offices. Applications submitted without the required fees or with an incorrect payment will be returned to the applicant.

Annual Fees

All approved mortgagees, other than Government institutions and National Mortgage Associations as described in 24 CFR§ 203.7, must remit to HUD an annual recertification fee of $200 for their home office and $100 for each branch office approved to submit applications to HUD, in order to retain HUD-approved status.

Payment of the annual recertificiation fees must be submitted with Form HUD 92001V, Yearly Verification Report, which HUD mails annually to all approved mortgagees. Mortgagees must remit their annual fee with Form HUD 92001V to: *Department of Housing and Urban Development, P.O. Box 100170, Atlanta, Georgia 30384.*

Government institutions and National Mortgage Associations, as described in 24 CFR § 203.7, must submit Form HUD 92001V, Yearly Verification Report, even though they are not required to remit the annual fee.

Form HUD 92001V, Yearly Verification Report, has been approved by the OMB and assigned approval number 2502-0017.

Authority: Sections 203 and 211 of the National Housing Act, 12 U.S.C. 1709, 1715b.

Dated: May 1, 1985

Shirley McVay Wiseman,

Deputy Assistant Secretary for Housing—Deputy Federal Housing Commissioner.

[FR Doc. 85-11528 Filed 5-10-85; 8:45 am]

BILLING CODE 4210-27-M

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24 CFR Parts 203, 226, and 234

[Docket No. R-85-1173; FR-1935]

Single Family and Condominium Mortgage Insurance; Changes to Loan-to-Value Limitation for Modestly Priced Homes

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Final rule.

SUMMARY: This rule implements a provision of the Housing and Urban-Rural Recovery Act of 1983 which authorizes a higher loan-to-value ratio for a HUD-insured owner-occupied home or family unit with an appraised value of $50,000 or less. Because a higher loan-to-value ratio means the purchaser needs a smaller minimum downpayment, this amendment will help those persons traditionally served by FHA—homebuyers with sound credit and income and strong motivation to support mortgage debt, but with a limited amount of liquid assets to provide a larger downpayment. This amendment will particularly help first-time homebuyers who do not have equity in a previous home to use for a downpayment.

EFFECTIVE DATE: June 24, 1985.

FOR FURTHER INFORMATION CONTACT: Brian Chappelle, Acting Director, Single Family Development Division, Department of Housing and Urban Development, Room 9270, 451 Seventh Street SW., Washington, D.C. 20410. Telephone: (202) 755-6720. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION:

Background

The National Housing Act (NHA) (12 U.S.C. 1701-1749) authorizes the Federal Housing Administration (HUD/FHA) to insure mortgages for single family residences. This authority includes one-to four-family residences (see section 203) and one-family units in condominiums (see section 234).

HUD/FHA insures lenders against losses on insured home morgages, thereby lowering lenders' risk and encouraging a flow of credit for homeownership. The Department's insurance program has increased the opportunity for homeownership—one of the fundamental objectives of the Department. The limits on how much the Department may insure are set by the National Housing Act. Maximum mortgage amounts depend on whether the buyer intends to live in the home, the appraised value of the property, the number of family units in the dwelling, and the prevailing housing prices in the area. The insured mortgage amount cannot exceed a fixed percentage of the appraised value, called the loan-to-value ratio.

In most single family mortgages, when the mortgagor (purchaser) is going to occupy the residence, the loan-to-value ratio is the sum of the 97 percent of the first $25,000 of the appraised value plus 95 percent of the appraised value in excess of $25,000. Appraised value is defined as the estimated value of the property plus estimated closing costs or the acquisition cost, whichever is less. (See 24 CFR 203.18 and 234.27 for loan-to-value ratios in other circumstances.)

Section 424 of the Housing and Urban-Rural Recovery Act of 1983 (Pub. L. 98-181, November 30, 1983) (1983 Act) amends section 203(b) of the NHA by establishing a special loan-to-value ratio for owner-occupied modestly priced homes. If the appraised value of the property (estimated value plus estimated closing costs) does not exceed $50,000, section 424 allows a loan-to-value ratio of 97 percent of the entire appraised value of the property as of the date the mortgage is accepted for insurance. Section 420 of the same Act provides that the maximum mortgage limits authorized for one-family residences under section 203(b) of the NHA also apply to section 234 condominium units. (See rule implementing section 420 in the April 11, 1984 issue of the **Federal Register**, 49 FR 14336.)

The Proposed Rule

On October 10, 1984 (49 FR 39686), the Department proposed amendments to Parts 203 and 234 to implement section 424 of the 1983 Act to increase the loan-to-value ratio for owner-occupied, modestly priced single family homes, including condominium units. The proposed change would reduce the minimum downpayment requirement for purchasers of modestly priced single family homes. Under current loan-to-value limitations, a $50,000 home requires a $2,000 minimum downpayment. As proposed, the rule would require a $1,500 minimum downpayment on a $50,000 home. This reduction in the necessary initial cash investment would permit more moderate and middle income homebuyers to own

their own homes. Because the 1983 Act specifically limits this loan-to-value limitation to owner-occupants, the proposed rule would amend HUD's regulations to make it clear that investor-owners may not qualify for this special low downpayment.

The proposed rule also contained technical amendments to Part 226, Armed Services Housing—Civilian Employees, to make it consistent with Part 203.

In addition, the proposed rule stated that the Secretary had made the finding required by the 1983 Act that the implementation of this provision will not adversely affect the actuarial soundness of HUD's single family mortgage insurance programs, taking into account the already higher loan-to-value ratio resulting from the advance payment of mortgage insurance premiums in effect for most of the section 203 programs. The Secretary made such a finding, and submitted his report to Congress at the time the proposed rule was submitted to Congress in September, 1984, for prepublication review.

This Rule

Today's document adopts the proposed rule as final without change. While the Department received seven comments on the proposal, all were positive. Two comments were from banks, four were from professional organizations, and one was from an individual. The two issues raised by commenters are discussed below.

The first comment recommended expansion of the rule to include property whose value exceeds $50,000. The Department has no discretion to expand the rule in the manner suggested. As discussed in the proposed rule and earlier in this document, section 203(b)(2) of the National Housing Act establishes the maximum mortgage amounts eligible for insurance, including specific loan-to-value ratios. It is only because Congress amended section 203(b)(2) for homes valued at $50,000 or less that we are able to implement today's rule. Any expansion of the program would require statutory amendment.

The second comment expressed concern that the benefits of today's rule not be offset by increased payments required in the one-time mortgage insurance premium program. The Department does not regard implementation of the higher loan-to-value ratio provided for in this rule as requiring any change in the one-time mortgage insurance premium program. The Department could only implement the one-time mortgage insurance premium program (applicable to most Mutual Mortgage Insurance Fund programs) after it had determined that the program would not adversely affect the actuarial soundness of the Fund. Similarly, the one-time mortgage insurance rate must be based on a formula assuring actuarial soundness. And, too, the 97 percent loan-to-value ratio provision could only be implemented after the Department determined that it anticipated no increased actuarial risk to the Fund.

What this means is that the Department must, and does, reserve the option of increasing the one-time mortgage insurance premium rate, or withdrawing the one-time mortgage insurance premium program, if future experience demonstrates that these programs pose a significant risk to the actuarial soundness of the Fund.

A Finding of No Significant Impact with respect to the environment has been made in accordance with HUD regulations in 24 CFR Part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332). The Finding of No Significant Impact is available for public inspection and copying during regular business hours in the Office of the Rules Docket Clerk, Office of the General Counsel, Room 10276, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, D.C. 20410.

This rule does not constitute a "major rule" as that term is defined in section 1(b) of Executive Order 12291 on Federal Regulation, issued by the President on February 17, 1981. Analysis of the rule indicates that it does not (1) have an annual effect on the economy of $100 million or more; (2) cause a major increase in costs or prices for consumers, individual industries, Federal, State or local government agencies, or geographic regions; or (3) have a significant adverse effect on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

Under the provisions of section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601), the Undersigned certifies that this rule does not have a significant economic impact on a substantial number of small entities, because the rule merely carries out a statutory policy and does not impose any new administrative or economic burdens on small entities.

This rule was listed as item number 48 in the Department's Semiannual Agenda of Regulations published on October 22, 1984 (see 49 FR 41684, 41702) under Executive Order 12291 and the Regulatory Flexibility Act.

The applicable Catalog of Federal Domestic Assistance program numbers are: 14.108; 14.117; 14.123; 14.133; 14.159; 14.161; 14.165; 14.172; and 14.175.

List of Subjects

24 CFR Part 203

Home improvement; Loan programs: Housing and community development; Mortgage insurance; Reporting and recordkeeping requirements; Solar energy

24 CFR Part 226

Government employees; Mortgage insurance.

CFR Part 234

Mortgage insurance; Reporting and recordkeeping requirements.

Accordingly, the Department amends 24 CFR Parts 203, 226, and 234 as follows:

PART 203—MUTUAL MORTGAGE INSURANCE AND REHABILITATION LOANS

1. The authority citation for 24 CFR Part 203 is revised to read as set forth below and any authority citation following any section in Part 203 is removed.

Authority: Secs. 203 and 211, National Housing Act, (12 U.S.C. 1709, 1715b).

2. Section 203.18 is amended by revising paragraphs (a)(2), (a)(3) and the introductory language of paragraph (c) to read as follows:

§ 203.18 Maximum mortgage amounts.

(a) * * *

(1) * * *

(2) *Loan-to-value limitation—no approval before construction.* In a case where a dwelling is not approved for mortgage insurance before the beginning of construction, the loan-to-value ratio may not exceed 90 percent of the appraised value of the property as of the date the mortgage is accepted for insurance, unless the dwelling—

(i) Was completed more than one year before the date of the mortgage insurance application; or

(ii) Was approved for guaranty, insurance, or a direct loan by the Administrator of Veterans Affairs before the beginning of construction; or

(iii) Is covered by a consumer protection or warranty plan acceptable to the Secretary and satisfies all requirements which would have been applicable if such dwelling had been approved for mortgage insurance before the beginning of construction.

(3) *Loan-to-value limitation—approval before construction.* If a dwelling is approved for mortgage insurance before the beginning of construction, or if it meets one of the alternative conditions identified in paragraph (a)(2) of this section, the following loan-to-value limitations apply:

(i) If the appraised value of the property does not exceed $50,000, the loan-to-value limitation is 97 percent of the appraised value of the property as of the date the mortgage is accepted for insurance.

(ii) If the appraised value of the property exceeds $50,000, the loan-to-value limitation is 97 percent of the first $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance and 95 percent of the appraised value in excess of $25,000.

(iii) If the mortgagor qualifies as a veteran (see paragraph (b) of this section), the loan-to-value limitation is the lesser of (A) 100 percent of the first $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance plus 95 percent of the appraised value in excess of $25,000; or (B) the sum of the appraised value not in excess of $25,000 and the items of pre-paid expense approved by the Commissioner minus $200, plus 95 percent of the appraised value in excess of $25,000.

* * * * *

(c) *Nonoccupant mortgagors.* A nonoccupant mortgagor may not qualify for the 97 percent loan-to-value limitation provided for owner-occupants of property whose appraised value does not exceed $50,000. (See § 203.18(a)(3).) A mortgage executed by an owner who is not the occupant of the property may equal:

* * * * *

3. In § 203.50, paragraphs (f)(1) and (f)(2) are amended by removing the reference "§ 203.18(a) (1) and (2)" and adding in its place the reference "§ 203.18(a) (1) and (3)".

PART 226—ARMED SERVICES HOUSING—CIVILIAN EMPLOYEES [SEC. 809]

4. The authority citation for 24 CFR Part 226 is revised to read as set forth below and any authority citation following any section in Part 226 is removed.

Authority: Secs. 807, 809, National Housing Act, (12 U.S.C. 1748f, 1748h–l).

5. Section 226.5 is amended by revising paragraphs (a)(1) and (a)(2) to read as follows:

§ 226.5 Maximum mortgage amount; loan-to-value limitation.

(a) * * *

(1) *Loan-to-value limitation—no approval before construction.* In a case where a dwelling is not approved for mortgage insurance before the beginning of construction, the loan-to-value ratio may not exceed 90 percent of the appraised value of the property as of the date the mortgage is accepted for insurance, unless the dwelling—

(i) Was completed more than one year before the date of the mortgage insurance application; or

(ii) Was approved for guaranty, insurance, or a direct loan by the Administrator of Veterans Affairs before the beginning of construction; or

(iii) Is covered by a consumer protection or warranty plan acceptable to the Secretary and satisfies all requirements which would have been applicable if such dwelling had been approved for mortgage insurance before the beginning of construction.

(2) *Loan-to-value limitation—approval before construction.* If a dwelling is approved for mortgage insurance before the beginning of construction, or if it meets one of the alternative conditions identified in paragraph (a)(1) of this section, the following loan-to-value limitations apply—

(i) If the appraised value of the property does not exceed $50,000, the loan-to-value limitation is 97 percent of the appraised value of the property as of the date the mortgage is accepted for insurance.

(ii) If the appraised value to the property exceeds $50,000, the loan-to-value limitation is 97 percent of the first $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance and 95 percent of the appraised value in excess of $25,000.

(iii) If the mortgagor qualifies as a veteran under § 203.18(b) of this chapter, the loan-to-value limitation is the lesser of (A) 100 percent of the first $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance plus 95 percent of the appraised value in excess of $25,000; or (B) the sum of the appraised value not in excess of $25,000 and the items of pre-paid expense approved by the Commissioner minus $200, plus 95 percent of the appraised value in excess of $25,000.

* * * * *

PART 234—CONDOMINIUM OWNERSHIP MORTGAGE INSURANCE

6. The authority citation for 24 CFR Part 234 is revised to read as set forth below and any authority citation following any section in Part 234 is removed.

Authority: Secs. 211, 234, National Housing Act, (12 U.S.C. 1715b, 1715y).

7. Section 234.27 is amended by revising paragraphs (a)(2), (a)(3), and the introductory language of paragraph (d) to read as follows:

§ 234.27 Maximum mortgage amounts.

(a) * * *

(1) * * *

(2) *Loan-to-value limitation—no approval before construction.* In a case where a family unit is not approved for mortgage insurance before the beginning of construction, the loan-to-value ratio may not exceed 90 percent of the appraised value of the family unit as of the date the mortgage is accepted for insurance, unless the family unit—

(i) Was completed more than one year before the date of the mortgage insurance application; or

(ii) Was approved for guaranty, insurance, or a direct loan by the Administrator of Veterans Affairs before the beginning of construction; or

(iii) Is covered by a consumer protection or warranty plan acceptable to the Secretary and satisfies all requirements which would have been applicable if such family unit had been approved for mortgage insurance before the beginning of construction.

(3) *Loan-to-value limitation—approval before construction.* If a family unit is approved for mortgage insurance before the beginning of construction, or if it meets one of the alternative conditions identified in paragraph (a)(2) of this section, the following loan-to-value limitations apply—

(i) If the appraised value of the family unit does not exceed $50,000, the loan-to-value limitation is 97 percent of the appraised value of the family unit as of the date the mortgage is accepted for insurance.

(ii) If the appraised value of the family unit exceeds $50,000, the loan-to-value limitation is 97 percent of the first $25,000 of the appraised value of the family unit as of the date the mortgage is accepted for insurance and 95 percent of the appraised value in excess of $25,000.

(iii) If the mortgagor qualifies as a veteran under § 203.18(b) of this chapter, the loan-to-value limitation is the lesser of (A) 100 percent of the first $25,000 of the appraised value of the family unit as of the date the mortgage is accepted for insurance plus 95 percent of the appraised value in excess of $25,000; or (B) the sum of the appraised value not in excess of $25,000 and the items of pre-

paid expense approved by the Commissioner minus $200, plus 95 percent of the appraised value in excess of $25,000.

* * * * *

(d) *Nonoccupant mortgagors.* A nonoccupant mortgagor may not qualify for the 97 percent loan-to-value limitation provided for owner-occupants of property whose appraised value does not exceed $50,000. (See § 234.27(a)(3).) A mortgage executed by an owner who is not the occupant of the property may equal:

* * * * *

Dated: May 2, 1985.

Shirley McVay Wiseman,

General Deputy Assistant Secretary for Housing-Deputy Federal Housing Commissioner.

[FR Doc. 85-11526 Filed 5-10-85; 8:45 am]

BILLING CODE 4210-27-M

Office of Assistant Secretary for Public and Indian Housing

24 CFR Part 941

[Docket No. R-84-1196; FR-1975]

Public Housing Development; Prototype Costs

AGENCY: Office of Assistant Secretary for Public and Indian Housing, HUD.

ACTION: Final rule.

SUMMARY: This rule amends the Department's public housing development regulations governing the calculation of prototype cost limits. Under this final rule, currently published unit prototype costs will be used to compute dwelling construction and equipment cost limits and total development cost ceilings. This change will promote greater control of project costs and encourage cost savings.

EFFECTIVE DATE: June 24, 1985.

FOR FURTHER INFORMATION CONTACT: Raymond W. Hamilton, Director, Public Housing Development Division, Office of Public Housing, Office of Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, Washington, D.C. 20410-5000, telephone (202) 426-0938. (This is not a toll-free number).

SUPPLEMENTARY INFORMATION: The Department's regulations at 24 CFR Part 941 govern procedures for the development to public housing projects under the United States Housing Act of 1937. Under these procedures, HUD is required to establish project prototype cost limits (PPCLs). These PPCLs represent the ceiling amounts that may be approved for dwelling construction and equipment for projects involving new construction. Additionally, total development cost (TDC) caps for all projects are computed by multiplying a set percentage times the PPCL. See 24 CFR § 941.406(a).

The method of computing PPCLs is described in 24 CFR 941.204. Under this rule, the Department is required to publish unit prototype costs annually in the **Federal Register.** These unit prototype costs represent the dwelling construction and equipment costs for modest housing of various unit sizes and structure types for economically similar areas. At the time that HUD invites a proposal under 24 CFR 941.402 or approves a proposal under 24 CFR 941.403, HUD is required to establish a base project prototype cost for the project, based on the then-current unit prototype costs for the involved structure and the number and types of units to be in the structure. HUD computes the PPCL by multiplying the base project prototype cost times an adjustment factor based on a commercial index that reflects cost changes occuring after the effective date of the unit prototype costs.

On October 10, 1984, the Department published a proposed rule in the **Federal Register** (49 FR 39694) to amend 24 CFR 941.204. Under the proposed rule, PPCLs would be based on the currently effective unit prototype costs, rather than the unit prototype costs that were effective when HUD invited or approved a particular proposal. Indexing of the unit prototype costs would be discontinued.

Interested parties were invited to submit comments by December 10, 1984. Comments were received from: Area Housing Commission, Pensacola, Florida; San Diego Housing Commission; Housing Authority of the City of San Luis Obispo, California; Department of Housing and Community Development, Fairfax County, Virginia; Housing Authority of the County of Santa Cruz, California; Housing Authority of the City of Reno, Nevada; and Boston Housing Authority.

One commenter alleged that the real problem that the proposed rule attempts to address is one of excessive processing time for public housing development. This commenter stated that the proposed regulations should be withdrawn until HUD takes steps to reduce excessive processing time.

Through issuances such as Handbook 7417.1 Rev-1, HUD has attempted to reduce the amount of time between HUD's invitation for proposals under 24 CFR 941.403 (or HUD's approval of a proposal under 24 CFR 941.402) and the date of execution of the construction contract (conventional) or the contract of sale (turnkey). Notwithstanding these efforts, the Department must provide a method to ensure that PPCLs and TDCS keep pace with cost changes during development.

Several commenters argued that the PPCLs and TDCs computed under the proposed rule would not adequately reflect inflation occurring after publication of the unit prototype costs and that the rule would result in cost limits that would be too difficult to meet. To ensure reasonable cost limits, these commenters suggested that the final rule: (1) Retain the existing method of computing PPCLs; (2) modify the proposed rule by permitting the use of indexed PPCLs whenever inflation exceeds a stated level (*e.g.*, five percent per year); or (3) provide that the TDCs will be computed as 175 percent of PPCLs, rather than the 145 and 160 percent figures stated at 24 CFR 941.406(a).

The Department has not revised the proposed rule in response to these comments. PPCLs and TDCs developed for projects under this rule will adequately reflect development costs for comparable housing in economically similar marketing areas. While PPCLs and TDCs computed under the final rule will not consider inflation (or deflation) occurring during the year following the effective date of the unit prototype costs, this omission is not significant. In recent periods, the rate of inflation has stabilized at relatively low levels. Indeed, the most recent government figures indicate that inflation was 3.7 percent during 1984. "Economic Indicators—January 1985," Prepared for the Joint Economic Committee by the Council of Economic Advisors (United States Government Printing Office, 1985). Even if inflation were to increase dramatically during some future period, this increase should not significantly delay public housing development since PHAs may exceed PPCLs by up to 10 percent with the approval of the Secretary under 24 CFR 941.204(e).

Two Commenters believed that the proposed rule is workable only if the regulations require HUD to publish the unit prototype annually and if HUD can demonstrate that it is able to update the schedules annually. The requirement for annual publication of the unit prototype costs is already included in the regulations at 24 CFR 941.204(b). HUD's ability to meet this annual schedule is demonstrated by our publication record. In the past, HUD published prototype costs on January 20, 1984 (49 FR 2608) and December 6, 1984 (49 FR 47772).