



**BILLING CODE: 3410-XV**

**DEPARTMENT OF AGRICULTURE**

**Rural Housing Service**

**7 CFR Parts 3550 and 3555**

**RIN 0575-AD13**

**Single Family Housing Direct and Guaranteed Loan Programs**

**AGENCY:** Rural Housing Service, USDA.

**ACTION:** Final rule.

**SUMMARY:** The Rural Housing Service (RHS or Agency) published a proposed rule on August 31, 2018 to amend its regulations for the direct and guaranteed single family housing loan and grant programs. Through this action, RHS finalizes the rule as final based on public comments, but with a revision to the definition of rural area to cite the statute which defines rural area and with a technical correction to the suspension or debarment requirement.

**DATES:** Effective on **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**, except for the amendment to § 3550.63 which is effective on **[INSERT DATE 45 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

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**SUPPLEMENTARY INFORMATION:**

**I. Background**

In order to improve the delivery of the single family housing loan programs and to promote consistency among the programs when appropriate, RHS will make the following revisions to 7 CFR parts 3550 and 3555.

(1) Revising the definition of rural area in § 3550.10 to refer to the definition found in section 520 of the Housing Act of 1949, as amended; and very low-, low-, and moderate-income definitions to allow for a two-tier income limit structure (income banding) for the single family housing direct loan and grant programs.

The revision to the rural area definition is technical in nature, as the Agency's definition is already derived from the definition in section 520 of the Housing Act of 1949, as amended. The revision will minimize the need for the Agency to update its regulation and Handbooks in response to future changes to section 520 of the Housing Act of 1949, as amended.

The revisions to the income definitions will help minimize the impact of varying minimum wages established by the states and territories and the observed disconnect between minimum wages and the low median income in many areas. Under current regulations, the income of a household with two people earning the minimum wage would exceed the low-income eligibility limit in 39 to 93 percent of the counties in 16 states and territories. In other words, under current regulations and income limits, the income from a two-person household earning minimum wage may be considered too high to qualify for a direct loan.

In accordance with Section 501(b)(4) of the Housing Act of 1949 (42 U.S.C. 1471(b)(4)), the terms "low income families or persons" and "very low-income families or persons" mean those families and persons

whose income do not exceed the respective levels established for low-income families and very low-income families under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.). The income levels in the Housing Act of 1937 are generally established by the U.S. Department of Housing and Urban Development (HUD). RHS currently uses the HUD income levels without income banding. However, HUD programs authorized by the Housing Act of 1937 focus on renting as opposed to home purchases, which contributes to the disqualification of households with minimum wage earners as described above. The Agency has been operating a pilot in 23 states to test the alternate methodology of a two-tier income limit structure to address this issue.

For the pilot, the Agency used the authority in 42 U.S.C. 1437a(b)(2)(D), which provides for HUD and USDA to consult on income ceilings for rural areas, taking into account the types of programs that will use the income ceilings as well as subsidy characteristics. Based on this authority, the Agency used a two-tier income limit structure for the single family housing programs which bands together 1-4 person households using the 4-person income level set by HUD, and 5-8 person households using the 8-person income level established by HUD. The pilot has successfully served more borrowers, providing meaningful homeownership opportunities to those who would otherwise be denied. The Agency will use income banding to determine all limits for very low-income, low-income, moderate-income, 38 year term and adjusted median income.

Such banding has successfully been used to establish the moderate income limits in the guaranteed single family housing loan program for years (the term "moderate income" is not defined in Section 501(b)(4) of the Housing Act of 1949 and therefore is not restricted in the same way as "very low-" and "low-income").

The Agency has consulted with HUD, and both agencies agree that the two-tier income limit approach is suitable for the USDA single family housing loan and grant programs. The impacted income definitions in § 3550.10 are revised to state that the respective limit is "an adjusted income limit developed in consultation with HUD". The two-tier income limits will be published annually via a Procedure Notice and posted to the Agency website at <https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>.

The Agency is revising the definition of moderate income so that it does not exceed the moderate income limit established for the guaranteed single family housing loan program. The Agency will publish a specific limit in the program handbook.

The revisions to the income definitions will ultimately allow the Agency and HUD to account for the differences between renting (which is the focus of HUD and 42 U.S.C. 1437 et seq.) and owning a home. This action will improve program availability to the intended recipients.

(2) Revising § 3550.54(d) to remove the requirement that net family assets be included in the calculation of repayment income.

Currently, net family assets are considered for determining annual income, down payment purposes, and repayment income. The Agency will exclude net family assets from repayment income calculations because repayment income focuses on the income of those who sign the promissory note, whereas net family assets considers other family members. Net family assets will still be considered for annual income and down payment purposes.

The Agency is revising the regulation so that the list of net family assets considered for annual income and down payment purposes would exclude amounts in voluntary retirement accounts such as individual retirement accounts (IRAs), 401(k) plans, Keogh accounts,

and the cash value of life insurance policies.

In addition, the Agency is excluding the value of tax advantaged college savings plans, the value of tax advantaged health or medical savings or spending accounts, and other amounts deemed by the Agency, from net family assets considered in the determination of annual income and down payments.

Excluding these types of assets when considering annual income or down payment requirements will help safeguard the assets for their intended purposes and promote a healthy financial support system for the household when it does incur education and health care costs, or enters retirement.

The Agency is also removing from net family assets the value, in excess of the consideration received, for any business or household assets disposed of for less than the fair market value during the 2 years preceding the income determination. This change recognizes that it is not productive or meaningful to consider assets which have been disposed of in the past.

Lastly, the Agency is making two minor changes primarily for consistency between the direct and guaranteed single family housing loan regulations. The Agency will include in net family assets any equity in capital investments for consistency with the guaranteed single family housing loan regulations, as well as obtaining a full understanding of an applicant's financial condition before making a decision on a loan. In the exclusions from net family assets, the Agency will change the language from "American Indian trust land" to "American Indian restricted land". The terms "trust land" and "restricted" are often used interchangeably, and the revision is for consistency between the direct and guaranteed programs, and will not result in any substantive changes.

(3) Revising the methodology used to determine the area loan limits in § 3550.63(a) to use a percentage(s), as determined by the Agency, of the applicable local HUD section 203(b) limit.

The revisions to the area loan limit methodology will streamline the determination of area loan limits and improve the reliability of the data set used to establish the area loan limits. The current process to annually establish the area loan limits uses a data set based on overly restrictive nationalized parameters and requires a significant amount of staff time on all levels (field, state, and national). Currently, § 3550.63(a) allows for two methods that a State Director may use to establish area loan limits. The first option is based on the cost to construct a modest home plus the market value of an improved lot based on recent sales data. The second option allows the State Director to use State Housing Authority (SHA) limits as long as the limit is within 10 percent of the cost data plus the market value of the improved lot. This second option is rarely used because the SHA limits are usually not within the 10 percent limit.

For the first option, the most widely used option, the Agency contracts with a third party that provides building cost data for real estate valuations to obtain construction costs, but those construction costs are based on parameters for homes that do not reflect the varied modest homes available to program borrowers. In addition, obtaining the market value is a time-consuming process relying on collecting and updating recent home sales data, which is particularly difficult given Agency staff appraiser shortages over the past few years.

The Agency has been operating a pilot to test the alternate methodology of basing the area loan limits on a percentage of the FHA Forward One-Family mortgage limits (the HUD 203(b) limit). Under the pilot, 80 percent of the HUD 203(b) limit was used to establish the

area loan limits in selected pilot states. The 80 percent was established based on a side-by-side, county-by-county comparison of the Agency's existing area loan limits to various percentages of the HUD 203(b) limits. It was determined that 80 percent of the HUD 203(b) limits was adequate to cover the loan amounts in the majority of states (vs. lower percentages of 60-70 percent).

While the pilot states generally experienced increases in their area loan limits, the increases were not significant, in part because an applicant's qualification amount continues to be limited to repayment ability, property eligibility criteria (for example, properties financed through the program are currently subject to 2,000 square feet), and other factors. Average loan amounts in the pilot states increased 13.4 percent from Fiscal Year 2015 to 2017, while average loan amounts in the non-pilot states have increased 5.4 percent during the same period.

The Agency believes the slightly higher percent increase in the pilot states is acceptable for several reasons. For example, the alternate methodology makes new construction under the program more feasible, and new construction can improve a rural community's housing stock and economy. In addition, this action will save the Agency more than \$70,000 each year (which is the cost to obtain the construction cost data set from a nationally recognized residential cost provider). A significant amount of staff time will also be saved.

The Agency will determine the percentage(s) based on housing market conditions and trends, and publish the percentage(s) in the program handbook. The resulting area loan limits will be posted to the Agency website at <https://www.rd.usda.gov/files/RD-SFHAreaLoanLimitMap.pdf>. The change allows the Agency to adjust the

percentage(s) as necessary in order to be responsive to housing market conditions and trends.

(4) Revising § 3550.68(b)(2) to convert a borrower currently receiving payment assistance method 1 to payment assistance method 2 should that borrower receive a subsequent loan.

The change is related to the income banding proposal, as payment assistance method 2 will more closely align the subsidy provided with what is actually needed for affordability. The change avoids potentially over-subsidizing borrowers using payment assistance method 1 under the income banding system and reduces the potential for negative impacts to the program's subsidy rate. In addition, RHS is making a technical correction to the proposed regulatory text, which stated that the conversion would occur if a borrower "received" a subsequent loan, implying that the conversion to payment assistance method 2 would apply retroactively and only apply to loans already received. This meaning is not supported by the preamble to the proposed rule. The final regulatory text will correctly state that the conversion will occur if a borrower "receives" a subsequent loan, to ensure that the conversion applies to any future loan.

(5) Revising the definition of low-income in § 3555.10 for the single family housing guaranteed loan program to allow for the two-tier income limit structure (income banding) discussed above. The two-tier income limits will be published annually via a Procedure Notice and posted to the Agency website at <https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf>.

The single family housing guaranteed loan program provides guarantees to lenders who make loans to low- and moderate-income borrowers in rural areas who are without sufficient resources or credit to obtain a loan without the guarantee. As mentioned, the guaranteed

loan program already uses the two-tier income limit structure for moderate income limits. This change would allow the two-tier income limit structure to be used for determining the very low- and low-income limits in the guaranteed loan program.

(6) Making a technical correction to the suspension or debarment requirement in § 3550.53(f) to refer to 2 CFR parts 180 and 417, instead of 7 CFR 3017 which is obsolete.

## **II. Discussion of Relevant Public Comments Received on August 31, 2018, Proposed Rule**

The 60-day comment period for the proposed rule published at 83 FR 44504 ended on October 30, 2018. A total of 30 comments were received. Commenters included affordable housing nonprofit organizations, the National Association of Home Builders, the National Association of Realtors, the National Council of State Housing Agencies, the National Rural Housing Coalition, the Rural Community Assistance Corporation and the public.

*Comments on the two-tier income limit structure (income banding).*

The Agency received several comments on the two-tier income limit structure, and whether that change will limit the program's ability to serve lower income borrowers, potentially allowing limited subsidy and loan dollars to go to higher income households. One commenter noted that while appropriation levels for the program have been modestly increased over time, these increases are not enough to meet the need, before expanding the pool of income eligible applicants through two-tier income limits.

The Agency also received a few comments about possible contradictions between the two-tier income limits and other HUD programs such as Self-Help Homeownership Opportunity Program (SHOP),

Home Investment Partnerships program (HOME), and/or Community Development Block Grant (CDBG).

*Agency Response:* The program is subject to a statutory requirement in section 502(d) of the Housing Act of 1949, as amended, which requires that (1) not less than 40 percent of the funds approved in appropriation Acts for use under this section shall be set aside and made available only for very low-income families or persons; and (2) not less than 30 percent of the funds allocated to each State under this section shall be available only for very low-income families or persons. This requirement serves to ensure that proportionate funding is available each year for very low-income households. In turn, the revision seeks to expand the program to account for areas where households with members earning minimum wage may currently be considered too high to qualify for a direct loan. Based on the pilot and other analysis, the Agency believes the income banding will help make loans available to households (such as those earning minimum wage) that were incongruously excluded from the program due to reliance on limits not tailored for the program's intended recipients. The Agency does not believe the changes will open the program to higher income households at the expense of lower income households, and adopts the changes as proposed.

The Agency has consulted with HUD regarding the implications of differing income limits within its programs, and the Agency's two-tier income limits. HUD has not taken a position on changing income limits for SHOP, HOME, CDBG or other HUD administered programs.

*Comments on revising the methodology used to determine the area loan limits.* The Agency received a couple of comments which did not support revising the methodology used to determine the area loan limits to use a percentage of the applicable local HUD section 203(b)

limit. The commenters noted that the 203(b) loan limits are not based on housing sale prices except for high cost counties and would not be their preferred basis for determining loan limits for this program. While they generally do not object to changing the method, their concern was the proposed change will lead to larger loan sizes, and subsidy going to fewer borrowers with larger loans leading to less total loans and subsidy for lower-income borrowers.

*Agency Response:* It is the Agency's expectation that by using a reasonable percentage(s) of the HUD section 203(b) limit, rather than the full limits, the Agency's respective area loan limits will reflect local, rural housing costs in a reasonable and consistent manner. Under the revision, the Agency will have the flexibility to establish a percentage(s) which will be responsive to housing market conditions and trends. These considerations, in conjunction with the expected cost savings to the Agency, suggest that this will be the most efficient and reasonable method, and the proposal is adopted without change.

*Comments on business or household assets disposed of for less than fair market value.* The Agency received a couple of comments regarding the change which would no longer consider the value of business or household assets disposed of for less than fair market value during the previous two years, in excess of the consideration received, as net family assets. The commenters believe the existing policy helps protect the Agency from potential fraud, and that applicants selling or transferring assets for less than market value may be doing so to reduce their required contribution toward the purchase of the home, or to qualify for payment assistance.

*Agency Response:* The change recognizes that it is not productive or meaningful to consider assets which have been disposed of in the past. The percentage of applicants who have documented that they

disposed of assets for less than the market value in the preceding two years is nominal. When an applicant has disposed of assets in this manner, the market value of the asset in question generally does not exceed the applicable asset threshold for eligibility or down payment requirements. The proposal is adopted without change.

*Comments on converting borrowers from payment assistance method 1 to method 2 should that borrower receive a subsequent loan.* The Agency received a comment regarding whether the Agency is concerned with the amount of subsidy per household, or the total amount of subsidy awarded in any given fiscal year; and whether the Agency expects the total number of loans and amount of subsidy to increase.

*Agency Response:* The Agency is watchful of subsidy levels on both a per household and cumulative basis. Standardized payment assistance formulas and periodic reviews of the households' pertinent financial information help to ensure that households do not receive more than the maximum subsidy allowed, which in turns controls the amount of cumulative subsidy that is provided. In addition, this revision will only impact existing borrowers currently under payment assistance method 1, who receive subsequent loans. It is expected that this revision will reduce the potential for a negative impact on the program's subsidy rate, while aligning future subsidy with what the applicable households need for affordability. Therefore, the Agency does not expect a significant increase in the number of loans or amount of subsidy because of this revision, and the proposal is adopted without change.

#### **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 Agriculture to

promulgate rules and regulations as deemed necessary to carry out the purpose of that title.

**Executive Order 12866**

The Office of Management and Budget (OMB) has designated this rule as not significant under Executive Order 12866.

**Executive Order 12988, Civil Justice Reform**

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. Except where specified, all State and local laws and regulations that are in direct conflict with this rule will be preempted. Federal funds carry Federal requirements. No person is required to apply for funding under this program, but if they do apply and are selected for funding, they must comply with the requirements applicable to the Federal program funds. This rule is not retroactive. It will not affect agreements entered into prior to the effective date of the rule. Before any judicial action may be brought regarding the provisions of this rule, the administrative appeal provisions of 7 CFR part 11 must be exhausted.

**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.

#### **Environmental Impact Statement**

This document has been reviewed in accordance with 7 CFR part 1970, subpart A, "Environmental Policies." It is the determination of the Agency that this action does not constitute a major Federal action significantly affecting the quality of the human environment, and, in accordance with the National Environmental Policy Act of 1969, Public Law 91-190, neither an Environmental Assessment nor an Environmental Impact Statement is required.

#### **Executive Order 13132, Federalism**

The policies contained in this 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. Nor does this rule impose substantial direct compliance costs on State and local governments. Therefore, consultation with the States is not required.

#### **Regulatory Flexibility Act**

In compliance with the Regulatory Flexibility Act (5 U.S.C. 601

et seq.) the undersigned has determined and certified by signature of this document that this rule, while affecting small entities, will not have an adverse economic impact on small entities. This rule does not impose any significant new requirements on program recipients nor does it adversely impact proposed real estate transactions involving program recipients as the buyers.

**Executive Order 12372, Intergovernmental Review of Federal Programs**

This program/activity is not subject to the provisions of Executive Order 12372, which require intergovernmental consultation with State and local officials. (See the document related to 7 CFR part 3015, subpart V, at 48 FR 29112, June 24, 1983; 49 FR 22675, May 31, 1984; 50 FR 14088, April 10, 1985.)

**Executive Order 13175, Consultation and Coordination with Indian Tribal Governments**

This Executive order imposes requirements in the development of regulatory policies that have tribal implications or preempt tribal laws. RHS has determined that the final 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 the Indian tribes. Thus, this final rule is not subject to the requirements of Executive Order 13175.

**Programs Affected**

The following programs, which are listed in the Catalog of Federal Domestic Assistance, are affected by this final rule: Number 10.410, Very Low to Moderate Income Housing Loans (specifically the section 502 direct and guaranteed loans), and Number 10.417, Very

Low-Income Housing Repair Loans and Grants (specifically the section 504 direct loans and grants).

#### **Paperwork Reduction Act**

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.), the information collection activities associated with this rule are covered under OMB Number: 0575-0172. This final rule contains no new reporting or recordkeeping requirements that would require approval under the Paperwork Reduction Act of 1995.

#### **E-Government Act Compliance**

RHS is committed to complying with the E-Government Act, 44 U.S.C. 3601 et seq., to promote the use of the Internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

#### **Non-Discrimination Policy**

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and 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.

Persons with disabilities who require alternative means of

communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

- (1) Mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW.,  
Washington, D.C. 20250-9410;
- (2) Fax: (202) 690-7442; or
- (3) Email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

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**List of Subjects in 7 CFR Parts 3550 and 3555**

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, Manufactured homes, Reporting and recordkeeping requirements, Rural areas.

For the reasons stated in the preamble, chapter XXXV, title 7 of

the Code of Federal Regulations, is amended 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. Section 3550.10 is amended by revising the definitions of “low income”, “moderate income”, “rural area”, and “very low-income” to read as follows:

**§ 3550.10 Definitions.**

\* \* \* \* \*

Low income. An adjusted income limit developed in consultation with HUD under 42 U.S.C. 1437a(b) (2) (D) .

\* \* \* \* \*

Moderate income. An adjusted income that does not exceed the moderate income limit for the guaranteed single family housing loan program authorized by Section 502(h) of the Housing Act of 1949, as amended.

\* \* \* \* \*

Rural area. An area defined in section 520 of the Housing Act of 1949, as amended.

\* \* \* \* \*

Very low-income. An adjusted income limit developed in consultation with HUD under 42 U.S.C. 1437a(b) (2) (D) .

\* \* \* \* \*

**Subpart B – Section 502 Origination**

3. In § 3550.53, paragraph (f) is revised to read as follows:

**§ 3550.53 Eligibility requirements.**

\* \* \* \* \*

(f) *Suspension or debarment.* Applications from applicants who have been suspended or debarred from participation in Federal programs will be handled in accordance with 2 CFR parts 180 and 417.

\* \* \* \* \*

4. In § 3550.54:

- a. Revise the first sentence of paragraph (d) introductory text;
- b. Revise paragraphs (d)(1) introductory text and (d)(1)(i);
- c. Revise paragraphs (d)(1)(iv) through (vi);
- d. Remove paragraph (d)(1)(vii);
- e. Revise paragraphs (d)(2)(i) and (v); and
- f. Add paragraphs (d)(2)(vi) through (x).

The revisions and additions read as follows:

**§ 3550.54 Calculation of income and assets.**

\* \* \* \* \*

(d) *Net family assets.* Income from net family assets must be included in the calculation of annual income. \* \* \*

(1) Net family assets include, but are not limited to:

(i) Equity in real property or other capital investments, other than the dwelling or site;

\* \* \* \* \*

(iv) Stocks, bonds, and other forms of capital investments that are accessible without retiring or terminating employment;

(v) Lump sum receipts such as lottery winnings, capital gains, inheritances; and

(vi) Personal property held as an investment.

(2) \* \* \*

(i) Interest in American Indian restricted land;

\* \* \* \* \*

(v) Amounts in voluntary retirement plans such as individual retirement accounts (IRAs), 401(k) plans, and Keogh accounts (except at the time interest assistance is initially granted);

(vi) The value of an irrevocable trust fund or any other trust over which no member of the household has control;

(vii) Cash value of life insurance policies;

(viii) The value of tax advantaged college savings plans (529 plan, Coverdell Education Savings Account, etc.);

(ix) The value of tax advantaged health or medical savings or spending accounts; and

(x) Other amounts deemed by the Agency not to constitute net family assets.

5. Effective on [INSERT DATE 45 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER], in § 3550.63, paragraph (a)(1) is revised to read as follows:

**§ 3550.63 Maximum loan amount.**

\* \* \* \* \*

(a) \* \* \*

(1) The area loan limit is the maximum value of the property RHS will finance in a given locality. This limit is based on a percentage(s) of the applicable local HUD section 203(b) limit. The percentage(s) will be determined by the Agency and published in the program handbook. The area loan limits will be reviewed at least annually and posted to the Agency website.

\* \* \* \* \*

6. In § 3550.68, paragraph (b) (2) is revised to read as follows:

**§ 3550.68 Payment subsidies.**

\* \* \* \* \*

(b) \* \* \*

(2) If a borrower receiving payment assistance using payment assistance method 1 receives a subsequent loan, payment assistance method 2 will be used to calculate the subsidy for the initial loan and subsequent loan.

\* \* \* \* \*

**PART 3555 – GUARANTEED RURAL HOUSING PROGRAM**

7. 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 A – General**

8. Section 3555.10 is amended by revising the definition of “low-income” to read as follows:

**§ 3555.10 Definitions and abbreviations.**

\* \* \* \* \*

Low-income. An adjusted income limit developed in consultation with HUD under 42 U.S.C. 1437a (b) (2) (D) .

\* \* \* \* \*

Dated: June 12, 2019.

Bruce W. Lammers,  
Administrator,  
Rural Housing Service.

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