

Answer: No. If no projection or history has been prepared or the records are not in a readily retrievable form, neither document is required to be submitted during the first year's operation. The Appendix I format allows for the reference to such documents to be deleted.

(u.) Is the annual charge for mortgage insurance under FHA's Title I property improvement program covered by this rule if the lender collects the charge in monthly installments?

Answer: HUD is considering either exempting such fee from coverage of this rule or otherwise clarifying coverage. Title I lenders need not treat the periodic collection of this fee as triggering a requirement to comply with this rule, pending the issuance of such clarification.

Technical Corrections With Changes in Rule Language

Technical corrections made in this document are for the purposes of:

(1) Providing language that is consistent with Appendix F. The language provides that the initial computation of an escrow account is to be based on an analysis yielding a lowest month-end balance of zero (-0-) at some time during the year, before the addition of the cushion;

(2) Conforming the language for servicer handling of shortages of less than 1-month's escrow deposit with the language for "deficiencies", allowing servicers to require payments within 30 days;

(3) Clarifying that the servicer must allow the borrower to repay in a period of 12 months or longer a shortage equal to or greater than 1 month's escrow deposit;

(4) Clarifying that the servicer may require the borrower to repay in any period of 2 months or more a deficiency equal to or greater than 1 month's escrow deposit;

(5) Conforming the shortage and deficiency requirements by substituting the word "require" rather than "allow" in a 1-month deficiency situation;

(6) Permitting the servicer to assume that payments and disbursements for the final 2 months of an escrow account computation year will be made as estimated, thereby allowing the annual account history and projections to be produced in a timely manner;

(7) Including a reference to the information in Appendix I that allows the servicer to identify, using asterisks (*), the items for which there are differences between estimated and actual amounts or payment dates in the most recent account history and the last year's projection, thereby aiding

computer-generated statements that give an indication about why a low point was not reached;

(8) Specifying a time period (90 days) in which a servicer must produce an annual statement, if production of the statement otherwise required was deferred because the loan was in default, foreclosure, or bankruptcy. "Bankruptcy" is added as another circumstance in which the statement need not be produced;

(9) Correcting a month reference in Example I, Step 3, of Appendix F from "Jul" to "Jun", and correcting an error in the column headings in Example II, Step 1, of Appendix F; and

(10) Clarifying the instructions regarding aggregate accounting adjustments at settlement.

Other Matters

Environmental Impact

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.20 of the HUD regulations, the policies and procedures contained in this rule do not affect a physical structure or property and relate only to statutorily required accounting and reporting procedures, and, therefore, are categorically excluded from the requirements of the National Environmental Policy Act.

Executive Order 12866

This rule was reviewed by the Office of Management and Budget under Executive Order 12866, Regulatory Planning and Review. Any changes made to the rule as a result of that review are clearly identified in the docket file, which is available for public inspection in the office of the Department's Rules Docket Clerk, Room 10276, 451 Seventh Street, S.W., Washington, DC 20410-0500.

Regulatory Flexibility Act

The Secretary, in accordance with the Regulatory Flexibility Act (5 U.S.C. 605(b)), has reviewed this rule before publication and by approving it certifies that this rule would not have a significant economic impact on a substantial number of small entities. The rule is in the nature of minor changes and clarifications of an earlier rule (59 FR 53890, October 26, 1994), which was directed toward the accounting procedures used in the mortgage servicing industry and the disclosure to consumers of related information.

Executive Order 12612, Federalism

The General Counsel, as the Designated Official under section 6(a) of

Executive Order 12612, Federalism, has determined that the policies contained in this rule do not have substantial direct effects on States or their political subdivisions, or the relationship between the Federal government and the States, or on the distribution of power and responsibilities among the various levels of government. As a result, the rule is not subject to review under the Order. The rule clarifies and makes minor changes in a previous rule (59 FR 53890, October 26, 1994) setting out requirements concerning the accounting procedures used in the mortgage servicing industry and the disclosure to consumers of related information.

Executive Order 12606, the Family

The General Counsel, as the Designated Official under Executive Order 12606, The Family, has determined that this rule does not have the potential for significant impact on family formation, maintenance, and general well-being, and, thus, is not subject to review under the Order. No significant change in existing HUD policies or programs will result from promulgation of this rule, as those policies and programs relate to family concerns.

Regulatory Agenda

This underlying rulemaking for this rule was listed as item number 1811 in the Department's Semiannual Agenda of Regulations published on November 14, 1994 (59 FR 57632, 57658), under Executive Order 12866 and the Regulatory Flexibility Act, and was requested by and submitted to the Committee on Banking, Housing and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives under section 7(o) of the Department of Housing and Urban Development Act.

List of Subjects in 24 CFR Part 3500

Consumer protection, Housing, Mortgages, Real property acquisition, Reporting and recordkeeping requirements.

For the reasons set out in the preamble, the effective date of FR Doc. 94-26583, Real Estate Settlement Procedures Act (Regulation X): Escrow Accounting Procedures, published on October 26, 1994 (59 FR 53890), is delayed from April 24, 1995, to May 24, 1995, and part 3500 of title 24 of the Code of Federal Regulations is amended as follows: