must be returned to their original position in the file container, any fasteners removed to facilitate copying must be refastened, and any tabs placed on the documents to identify items to be copied must be removed.

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(g) Microfilm equipment may be operated only in the presence of the research room attendant or a designated NARA employee. If NARA places microfilm projects in a common research area with other researchers, the project will not be required to pay for monitoring that is ordinarily provided. If the microfilm project is performed in a research room set aside for copying and filming, NARA will charge the project fees for these monitoring services and these fees will be based on direct salary costs (including benefits). When more than one project share the same space, monitoring costs will be divided equally among the projects. The monitoring service fees will be specified in the written agreement required for project approval in § 1254.94(l).

* * * * *

22. Section 1254.102 is amended by adding paragraph (e) to read:

§ 1254.102 Rescinding permission.

* * * * *

(e) If the person or organization fails to pay NARA fees in the agreed to amount or on the agreed to payment schedule.

Dated: April 16, 1999.

John W. Carlin,

Archivist of the United States.

[FR Doc. 99–10063 Filed 4–22–99; 8:45 am]

BILLING CODE 7515–01–P

DEPARTMENT OF VETERANS AFFAIRS

38 CFR Part 36

RIN 2900–AI92

Loan Guaranty: Requirements for Interest Rate Reduction Refinancing Loans

AGENCY: Department of Veterans Affairs.

ACTION: Final rule.

SUMMARY: This document amends our loan guaranty regulations concerning the requirements for Interest Rate Reduction Refinancing Loans (IRRRLs). Under the final rule, generally to obtain an IRRRL the veteran's monthly mortgage payment must decrease. Also, the final rule provides that the loan being refinanced must not be delinquent or the veteran seeking the loan must meet certain credit standard provisions. We believe these changes are necessary to ensure that IRRRLs provide a real benefit to veterans and protect the financial interest of the Government.

DATES: Effective Date: May 24, 1999.

FOR FURTHER INFORMATION CONTACT: R.D. Finneran, Supervisory Loan Specialist (264), Loan Guaranty Service, Veterans Benefits Administration, Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420, (202) 273–7369.

SUPPLEMENTARY INFORMATION: Under the authority of 38 U.S.C. chapter 37, VA guarantees loans made by lenders to eligible veterans to purchase, construct, improve, or refinance their homes (the term veteran as used in this document includes any individual defined as a veteran under 38 U.S.C. 101 and 3701 for the purpose of housing loans). This document amends VA's loan guaranty regulations by revising the requirements for VA-guaranteed IRRRLs.

The IRRRL program was established by Public Law 96–385, October 7, 1980. IRRRLs are designed to assist veterans by allowing them to refinance an outstanding VA-guaranteed loan with a new loan at a lower rate. The provisions of 38 U.S.C. 3703(c)(3) and 3710(e)(1)(C) allow the veteran to do so without having to pay any out-of-pocket expenses. The veteran may include in the new loan the outstanding balance of the old loan plus reasonable closing costs, including up to two discount points.

In a document published in the **Federal Register** on June 3, 1998 (63 FR 30162), we proposed to amend the loan guaranty regulations concerning the requirements for IRRRLs. Under the proposal, generally to obtain an IRRRL the veteran's monthly mortgage payment must decrease. Also, if the loan being refinanced is delinquent the lender must submit the proposed IRRRL to VA for prior approval of the veteran's creditworthiness. With respect to the proposal, we provided a 60-day comment period, which ended August 3, 1998. In the proposal, we also stated that we would consider comments submitted in response to a rescinded interim rule (62 FR 52503, 63454) which addressed the same issues that were addressed in the proposal. We received many thousands of comments, most of which were groups of identical responses in form letters. The issues raised in the comments are discussed below.

Based on the rationale set forth in the proposed rule and in this document, we are adopting the provisions of the proposed rule as a final rule without change except for nonsubstantive changes for purposes of clarity.

Monthly Payment Reduction

The final rule generally requires that the monthly payment (principal and interest) on the new loan be lower than the monthly payment on the loan being refinanced. A number of commenters supported this change. Some commenters stated that they generally opposed any changes regarding IRRRLs and one commenter raised specific objections regarding the issue of monthly payment reduction. This commenter submitted an alternative to the proposal which would allow 10 percent of a lender's volume of IRRRLs closed during any calendar month to exceed the previous monthly payment on the loan being financed while not simultaneously reducing the term of the loan, and provide for sanctions if the 10 percent threshold were exceeded.

We believe that with the four exceptions discussed below, there is no legitimate reason for allowing the monthly payment (principal and interest) on the new loan to be as high or higher than the monthly payment on the loan being refinanced. The final rule is intended to prevent the veteran's monthly payment from increasing because of extensive costs added to the loan (including closing costs), even though the interest rate is lowered slightly. This is consistent with the Congressional intent of the IRRRL program as expressed in the House Report (H. Rep. No. 96–1165, July 21, 1980, at p. 3) which states: ''[T]he bill is * * * intended to assist veterans by allowing their monthly payments to be reduced. * * *''

The final rule also provides that the monthly payment reduction requirement would not apply to four limited situations where VA believes that other factors offset the risk of loss from an increase in monthly payment. These four situations are cases in which an adjustable rate mortgage (ARM) is being refinanced with a fixed-rate loan; cases in which the term of the new loan is shorter than the term of the loan being refinanced; cases in which the increase in monthly payment is attributable to the inclusion of energy efficient improvements, as provided in § 36.4336(a)(4); and cases in which the Secretary approves the new loan, on a case-by-case basis, in order to prevent an imminent foreclosure. We reaffirm the following rationale which was stated in the proposal (63 FR 30163) for establishing these four exceptions:

''With regard to ARMs, there is already a possibility that the monthly payment will increase in future years.

The certainty that the payment on the new loan will not increase in future years offsets the increased risk associated with the immediate increase over the veteran's current payment. VA may establish limits on the amount of such increase in future rulemaking. Although the monthly payments on shorter term loans are higher, they amortize faster, thus reducing the risk of loss to both the veteran and the Government. In future rulemaking, VA may address minimum term reduction. Current law allows veterans to include additional costs of energy efficient improvements in IRRRLs; thus, this exception would merely continue current law. Finally, with regard to imminent foreclosure, the risk of loss to the Government and veteran from such foreclosure could be greater than permitting a new loan at a higher monthly payment. VA would have to approve each such loan on a case-by-case basis under existing credit underwriting standards set forth at 38 CFR 36.4337 to ensure that it is in the best interest of the Government and that the veteran is able to afford the new payment.''

Accordingly, we are not adopting the proposed alternative suggested by the commenter. For the reasons set forth above, VA does not believe any IRRRL where the monthly payment will exceed the payments on the loan being refinanced should be permitted unless it falls within the standards discussed above. Further, VA does not believe a lender should be limited to an arbitrary 10 percent threshold for IRRRLs having an increased monthly payment if the payment increase on each individual loan is permitted under these standards.

Delinquent Loans—General Comments

Prior to the effective date of this document, VA administratively required prior approval review for an IRRRL in accordance with 38 CFR 36.4303(c) if a scheduled monthly mortgage payment of the loan being refinanced were more than 90 days past due. The final rule states that a loan being refinanced is considered delinquent and an IRRRL replacing such loan is subject to such prior approval procedures if a scheduled monthly mortgage payment of the loan being refinanced is more than 30 days past due.

Almost all commenters asserted that VA should continue to require prior approval review for an IRRRL only if a scheduled monthly mortgage payment of the loan being refinanced were more than 90 days past due. We respectfully disagree with the commenters.

This final rule makes changes needed to prevent lenders from encouraging veterans to default on their current loans, and then to refinance the delinquent loans with IRRRLs that include missed payments, fees, and late charges.

VA has become aware of a number of lenders who encourage veterans to skip two or three mortgage payments and then obtain an IRRRL which includes the missed payments, fees, and late charges. We believe the provisions of the final rule are necessary to meet the intended requirements of Public Law 96–385 which established the IRRRL program. In this regard, the legislative history of Public Law 96–385 states that ''a veteran would not be permitted under the bill to obtain cash from the proceeds of the refinancing loan for other purposes.'' H.R. Report 96–1165, 96th Congress 2d. Session (1980) at 3.

VA is aware that it is common for persons who refinance home loans to skip the payment due on the first day of the month in which their new loan will close. For example, if a lender expects to close an IRRRL on or about October 18, the lender may tell the veteran that he or she may skip the payment due October 1. The skipped payment is then included in the principal balance of the IRRRL. The changes made by this final rule would not affect this common practice. Under the final rule, only ''delinquent'' loans are subject to the prior approval procedures. Since the final rule, consistent with industry practice, defines ''delinquent'' as being more than 30 days past due, the loan in this example is not delinquent and would be eligible for streamlined processing, i.e., processing without regard to VA prior approval procedures.

As noted above, the final rule states that a loan being refinanced is delinquent and an IRRRL replacing such loan is subject to prior approval procedures if a scheduled monthly mortgage payment of the loan being refinanced is more than 30 days past due. Not only is the final rule needed to prevent lenders from causing veterans to default on their current loans, it is needed to prevent lenders from closing poor-quality IRRRLs.

Commenters disagreed with the conclusion that action was necessary because of poor quality IRRRLs. They asserted that when VA guaranteed the original loan for a veteran, VA assumed a certain risk and that a subsequent IRRRL does not increase the Government's risk. Commenters further asserted that the risk of default on an IRRRL is reduced because the interest rate is lowered. With respect to loans that are current, VA presumes that the veteran, having established creditworthiness for the original loan, continues to be creditworthy for an IRRRL. VA notes, however, that loans more than 30 days past due reflect that two payments were missed. This raises the question as to whether an underlying financial problem exists that requires attention. An IRRRL which capitalizes missed payments, fees, and late charges would have a higher loan-to-value ratio than the loan being refinanced. Thus, the IRRRL, at least initially, would be less secure than the original loan. If an IRRRL is foreclosed shortly after being made, the loss to the taxpayers likely would be greater than would have been the case had the original loan been foreclosed. Sometimes a lower interest rate on an IRRRL would reduce the monthly payment sufficiently to allow a veteran in financial distress to make the payments. This is not always true. In fact, in many cases a veteran's degree of financial distress would prevent the veteran from making even the reduced monthly payment on the IRRRL. Accordingly, prior approval procedures are necessary to ensure that the veteran who is delinquent can meet the payment terms of the IRRRL.

As noted above, the final rule states that prior approval procedures must be met for an IRRRL if a scheduled monthly mortgage payment of the loan being refinanced is more than 30 days past due. Commenters recommended that, as a compromise, the 30 day time period be changed to 59 or 60 days. One commenter submitted an alternative to the proposal which would allow an unlimited number of a lender's volume of IRRRLs closed during any calendar month to be up to 60 days past due and to allow 10 percent of a lender's volume of IRRRLs closed during any calendar month to be between 60 and 90 days past due, and provide for sanctions if the 10 percent threshold were exceeded. In response, we conclude that this would not prevent individuals from skipping payments to obtain cash and would not provide adequate protection against loans that are in financial difficulty.

Further, VA disagrees with suggestions from some commenters that skipping more than one payment is necessary for lenders to obtain accurate pay-off figures from the holder of the loan being refinanced. The modern loan servicing industry is highly computerized, and loan balances which include the latest payment are obtainable from holders within a day or two after their receipt of that payment. Lenders normally obtain pay-off figures from holders by fax or overnight express. Thus, as an example, there is no practical need for a lender which

anticipates making an IRRRL in mid-October to urge the borrower to skip the payment due September 1 in order to obtain accurate payoff information.

Commenters asserted that the final rule could cause some veterans to lose their homes due to foreclosure by removing the ability to refinance during a period of delinquency. VA agrees that there are instances where being able to refinance a loan will make a difference between saving a home or losing it to foreclosure. The final rule does not automatically preclude such a veteran from obtaining an IRRRL. If VA determines that the veteran is creditworthy and able to make the payments on the proposed IRRRL and thereby save the home, VA would approve the IRRRL. In cases where VA, after carefully considering the veteran's entire financial circumstances, concludes the veteran is unlikely to be able to make the payments on the IRRRL, the IRRRL would not be approved. Such an IRRRL would only delay for a short time an inevitable foreclosure, causing greater expense to both the veteran and the Government. If a veteran's current loan is delinquent and VA determines that the veteran does not qualify for an IRRRL because of financial difficulties, VA will use its supplemental servicing procedures to determine if other viable alternatives to foreclosure exist.

Delinquent Loans—Streamlined Feature

Commenters asserted that the adoption of the proposed rule would take away the ''streamlined'' feature of the IRRRL program contrary to the legislative intent. In response, we note that nothing in the statutory provisions authorizing the IRRRL program or the relevant legislative history requires or even suggests that VA is required to implement a streamlined procedure for closing loans. Further, streamlined processing would still be available for veterans who are not delinquent on their current loans.

Some commenters asserted that if the proposed rule is adopted, VA would be unable to process IRRRLs in a timely manner. In this regard, one commenter asserted that the review of prior approvals would increase by 35,000 per year. This commenter further asserted that an increase would become more burdensome due to a shrinking Federal workforce. We do not believe that these results suggested by the commenters will occur. We believe that in most cases this final rule will cause veterans seeking IRRRLs to make sure that their original loans are not delinquent. Further, with respect to those that are delinquent, we believe that this will cause lenders to find the underlying reason why there is a delinquency and submit to VA for prior approval only those applications for IRRRLs that have a reasonable opportunity of being approved. Moreover, we note that VA will do all that it can to process prior approvals as quickly as possible. In support of this effort, VA is consolidating its credit underwriting into nine regional loan centers with the intent to provide adequate staffing to process all loans in a timely manner. Even so, under the provisions of 38 U.S.C. 3710(b)(2) and (b)(3), VA has a statutory duty for all loans, including IRRRLs, to ensure that the veteran is creditworthy and that the veteran's total income and expenses bear a proper relationship to the loan repayment terms. This statutory duty to ensure a veteran's creditworthiness must be met even if compliance were to cause some delays.

One commenter asserted that VA is unable to provide statistical data or analysis to suggest that there has been an increased rate of foreclosure for IRRRLs under the previous policy which provided that an IRRRL was subject to prior approval review if the scheduled monthly mortgage payment of the loan being refinanced were more than 90 days past due. In response, we have compiled the following information from our loan guaranty records. Four years ago the early foreclosure rate (i.e., within 2 years of loan closing) on IRRRLs was 25% higher than on VA guaranteed purchase-money loans. Two years ago the early foreclosure rate on IRRRLs grew to 61% higher and has now further grown to 63% higher. VA analysis shows that poor origination of some IRRRLs has caused this disturbing trend. The final rule is narrowly tailored to address this issue and will not significantly impact most IRRRLs.

One commenter suggested that because VA collects a fee on the original VA loan and collects an additional fee on an IRRRL, VA collects enough to cover any losses on IRRRLs, and, consequently, the final rule is not necessary. In response, we note that the amount of fees collected on loans is established by statute (38 U.S.C. 3729). There are no statutory provisions that require VA to accept a poor credit risk merely because of fees that may have been collected to cover amounts paid due to foreclosures. Instead, as noted above, VA must ensure that all veterans receiving loans are creditworthy.

One commenter asserted that regardless of the number of delinquent payments, those payments must be allowed to be included in an IRRRL because the provisions of 38 U.S.C. 3710(e)(1)(C)(i) state that refinanced loans will include the ''sum of the balance.'' In response, we note that this must be read together with the provisions of 38 U.S.C. 3710(b)(2) and (b)(3) which provide that a veteran may obtain a guaranteed loan only if creditworthy. Accordingly, under the final rule a veteran may obtain a guaranteed loan only if creditworthy, but all of those IRRRLs that are closed may include the entire balance of the loan being refinanced, including missed payments, fees, and late charges.

One commenter asserted that the final rule would cause lenders to make extensive adjustments regarding computer systems and training. We agree that some lenders may have to make some adjustments. However, we do not believe that any necessary adjustments will be significant.

Delinquent Loans—Denial of Benefit

Commenters asserted that veterans who are delinquent on their loan payments will be denied the benefit of an IRRRL. This final rule will not automatically deny any veteran who is delinquent on an existing VA guaranteed loan the opportunity to obtain an IRRRL. In the event that a veteran is more than 30 days past due on the loan, the final rule requires that VA perform the same creditworthiness review prior to approving the IRRRL that is now performed on all other VA housing loans. If the veteran is found creditworthy, the IRRRL will be guaranteed. If the veteran is found not creditworthy, VA must decline to guarantee the loan. However, as noted above, VA will use its supplemental servicing procedures to determine if other viable alternatives to foreclosure exist.

Delinquent Loans—Out-of-Pocket Expenses

Some commenters asserted that veterans subject to the prior approval procedures would be required to provide out-of-pocket expenses at closing and that this ''will mark the beginning of the end'' of the IRRRL program by making such loans less appealing to the borrower. The vast majority of veterans seeking to obtain IRRRLs will not be in default and will be eligible to use the streamlined procedures, with only nominal, if any, out-of-pocket expenses. For those subject to the prior approval procedures, the cost of a credit report (approximately $50) would be the only additional expense the veteran is likely to incur. This cost may be included in

the loan amount. Accordingly, those subject to the prior approval procedures may avoid out-of-pocket expenses.

Delinquent Loans—Solicitation to Skip Payments

Some commenters asserted that instead of the changes made in the final rule concerning delinquent loans, VA should establish prohibitions against lenders who advertise or otherwise solicit veterans to skip payments so that they can include missed payments, fees, and late charges in an IRRRL. Some commenters asserted that VA should rely on other agencies, including the Federal Trade Commission, to enforce such prohibitions. The adoption of these suggestions would not address our concerns noted above regarding poor-quality loans. Further, in our view, the adoption of these suggestions would not provide an adequate system for regulating lenders who advertise or otherwise solicit veterans to skip payments. There is no practical way for VA or other agencies to monitor and regulate the possible means of advertising or other solicitations made by lenders. Because of the sheer volume of advertising or other solicitations (e.g., telephone, radio, cable TV, direct mail) by thousands of companies, it is not practical for VA or other agencies to even be aware of all of them, let alone review their content.

Delinquent Loans—Clarification

In § 36.4306, paragraph (a)(5) provides that if a loan is delinquent the new loan will be guaranteed only if the Secretary approves it in advance based on a finding that the borrower ''through the lender'' has provided certain information and meets certain criteria. One commenter asserted that the term ''through the lender'' is confusing and should be clarified. In response, we note that ''through the lender'' merely means that the borrower submits information to the lender who in turn submits it to VA. We believe the proposed language conveys this concept clearly to readers.

Paperwork Reduction Act

We submitted the collection of information contained in the notice of the proposed rulemaking to the Office of Management and Budget (OMB) for review in accordance with the Paperwork Reduction Act (44 U.S.C. 3507(d)). The information collection subject to this rulemaking, set forth at § 36.4306a(a)(3) and (a)(5), concerns requirements for certain IRRRLs. The final rule states that a loan being refinanced is delinquent and an IRRRL replacing such loan is subject to prior approval procedures if a scheduled monthly mortgage payment of the loan being refinanced is more than 30 days past due. Under the prior approval procedures, lenders must collect certain information about the veteran (and spouse or other co-borrower, as applicable), and the veteran's credit history to ensure that the veteran is creditworthy. Collection of this type of information is normal business practice for mortgage lenders.

We invited interested parties to submit comments on the collection of information. However, we received no comments. OMB has approved this information collection under control number 2900–0601, which expires October 31, 2001.

VA is not authorized to impose a penalty on persons for failure to comply with information collection requirements which do not display a current OMB control number, if required.

Executive Order 12866

This final rule has been reviewed by OMB under Executive Order 12866.

Final Regulatory Flexibility Analysis

This final regulatory flexibility analysis is provided to meet the requirements of the Regulatory Flexibility Act (5 U.S.C. 601 *et. seq.*). A copy of this final rule, including the final regulatory flexibility analysis, is available from the individual referred to in the **FOR FURTHER INFORMATION CONTACT** portion of this document.

a. A succinct statement of the need for, and objectives of, the final rule.

Response: The need for and the objectives of this final rule are to insure that IRRRLs continue to provide a real benefit to veterans and to protect the financial interest of the Government.

b. A summary of the significant issues raised by the public comments in response to the initial regulatory flexibility analysis, a summary of the assessment of the agency of such issues, and a statement of any changes made in the proposed rule as a result of such comments.

Response: These matters are discussed above in the preamble portion of this document.

c. A description of and an estimate of the number of small entities to which the final rule will apply or an explanation of why no such estimate is available.

Response: The final rule would apply to all lenders who make IRRRLs. In Fiscal Year 1997, 1476 lenders made at least one IRRRL. We believe a number of these lenders are small entities; however, we are unable to make an informed estimate of the number because VA does not collect information that would establish whether a lender closing IRRRLs is a small entity.

d. A description of the projected reporting, recordkeeping, and other compliance requirements of the final rule, including an estimate of the classes of small entities which will be subject to the requirement and the type of professional skills necessary for preparation of the report or record.

Response: Any reporting or recordkeeping requirements are discussed in the Paperwork Reduction Act portion of this document. The requirements of the final rule are discussed above in the preamble portion of this document. As noted above, we are unable to make an informed estimate of the number of small entities that would be affected by the adoption of the final rule. To comply with the provisions of the final rule, employees of lenders would not need any professional skills that would be additional to those skills already needed to process VA home loans.

e. A description of the steps the agency has taken to minimize the significant economic impact on small entities consistent with the stated objectives of applicable statutes, including a statement of the factual, policy, and legal reasons for selecting the alternative adopted in the final rule and why each one of the other significant alternatives to the final rule considered by the agency which affect the impact on small entities was rejected.

Response: Generally, limiting IRRRLs to instances where the veteran's monthly mortgage payment will decrease and requiring that the loans being refinanced either be current in their payments or meet certain credit standard provisions is intended to ensure that IRRRLs are made only when they provide a real benefit to the veteran and to protect the financial interest of the Government. One alternative would be to allow IRRRLs to be made only when the veteran's monthly mortgage payment would decrease. However, as explained above in the preamble portion of this document, this document establishes exceptions in those cases when it appears that the objectives could still be met. Another alternative would be to require that all IRRRLs meet the credit standard provisions. However, we believe this is necessary only when the loan is delinquent. Another alternative would be to transfer responsibility for policing misleading advertising of offending lenders to the Federal Trade Commission. Although VA believes referral of generic misleading advertising issues (such as

bait and switch or truth in lending violations) to FTC is appropriate, we do not believe FTC staff would be sufficiently familiar with the unique requirements of the IRRRL program to oversee lender compliance. We are aware of no alternatives which could be considered that would allow the objectives to be met and provide less stringent rules for small businesses.

The adoption of the final rule would not have a significant impact on the resources available to small entities. The type of actions that would be required are the same or similar to types of actions already being handled by employees of small entities.

We are unaware of any alternatives that would accomplish the intended purposes. Further, we are unaware of any changes we could consider regarding clarification, consolidation, or simplification that could be made for small entities and still protect veterans and the interests of the Government. The final rule does not include performance standards because we believe there is no means to ensure compliance without design standards. Further, we believe there is no good reason for any lender to act contrary to the final rule.

The Catalog of Federal Domestic Assistance Program number is 64.114.

List of Subjects in 38 CFR Part 36

Condominiums, Handicapped, Housing, Indians, Individuals with disabilities, Loan programs-housing and community development, Loan programs-Indians, Loan programs-veterans, Manufactured homes, Mortgage insurance, Reporting and recordkeeping requirements, Veterans.

Approved: March 25, 1999.

Togo D. West, Jr.,

Secretary of Veterans Affairs.

For the reasons set out in the preamble, 38 CFR part 36 is amended as set forth below.

PART 36—LOAN GUARANTY

1. The authority citation for part 36 continues to read as follows:

Authority: 38 U.S.C. 501, 3701–3704, 3707, 3710–3714, 3719, 3720, 3729, 3762, unless otherwise noted.

2. In § 36.4306a, paragraphs (a)(3) through (a)(5) are revised, paragraphs (a)(6) and (a)(7) are added, and a parenthetical is added to the end of the section, to read as follows:

§ 36.4306a Interest rate reduction refinancing loan.

(a) * * *

(3) The monthly principal and interest payment on the new loan must be lower than the payment on the loan being refinanced, except when the term of the new loan is shorter than the term of the loan being refinanced; or the new loan is a fixed-rate loan that refinances a VA-guaranteed adjustable rate mortgage; or the increase in the monthly payments on the loan results from the inclusion of energy efficient improvements, as provided by § 36.4336(a)(4); or the Secretary approves the loan in advance after determining that the new loan is necessary to prevent imminent foreclosure and the veteran qualifies for the new loan under the credit standards contained in § 36.4337.

(4) The amount of the refinancing loan may not exceed:

(i) An amount equal to the balance of the loan being refinanced, which must not be delinquent, except in cases described in paragraph (a)(5) of this section, and such closing costs as authorized by § 36.4312(d) and a discount not to exceed 2 percent of the loan amount; or

(ii) In the case of a loan to refinance an existing VA-guaranteed or direct loan and to improve the dwelling securing such loan through energy efficient improvements, the amount referred to with respect to the loan under paragraph (a)(4)(i) of this section, plus the amount authorized by § 36.4336(a)(4).

(Authority: 38 U.S.C. 3703, 3710)

(5) If the loan being refinanced is delinquent (delinquent means that a scheduled monthly payment of principal and interest is more than 30 days past due), the new loan will be guaranteed only if the Secretary approves it in advance after determining that the borrower, through the lender, has provided reasons for the loan deficiency, has provided information to establish that the cause of the delinquency has been corrected, and qualifies for the loan under the credit standards contained in § 36.4337. In such cases, the term ''balance of the loan being refinanced'' shall include any past due installments, plus allowable late charges.

(6) The dollar amount of guaranty on the 38 U.S.C. 3710(a)(8) or (a)(9)(B)(i) loan may not exceed the original dollar amount of guaranty applicable to the loan being refinanced, less any dollar amount of guaranty previously paid as a claim on the loan being refinanced; and

(7) The term of the refinancing loan (38 U.S.C. 3710(a)(8)) may not exceed the original term of the loan being refinanced plus ten years, or the maximum loan term allowed under 38 U.S.C. 3703(d)(1), whichever is less. For manufactured home loans that were previously guaranteed under 38 U.S.C. 3712, the loan term, if being refinanced under 38 U.S.C. 3710(a)(9)(B)(i), may exceed the original term of the loan but may not exceed the maximum loan term allowed under 38 U.S.C. 3703(d)(1).

(Authority: 38 U.S.C. 3703(c)(1), 3710(e)(1))

* * * * *

(The Office of Management and Budget has approved the information collection requirements in this section under control number 2900–0601)

3. In § 36.4337, paragraph (a) is revised to read as follows:

§ 36.4337 Underwriting standards, processing procedures, lender responsibility and lender certification.

(a) *Use of standards.* The standards contained in paragraphs (c) through (j) of this section will be used to determine whether the veteran's present and anticipated income and expenses, and credit history are satisfactory. These standards do not apply to loans guaranteed pursuant to 38 U.S.C. 3710(a)(8) except for cases where the Secretary is required to approve the loan in advance under § 36.4306a.

(Authority: 38 U.S.C. 3703, 3710)

* * * * *

[FR Doc. 99–10146 Filed 4–22–99; 8:45 am]

BILLING CODE 8320–01–P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[TX–84–1–7341a; FRL–6324–2]

Approval and Promulgation of Air Quality State Implementation Plans (SIP); Texas: Motor Vehicle Inspection and Maintenance (I/M) Program

AGENCY: Environmental Protection Agency (EPA).

ACTION: Direct final rule.

SUMMARY: This action approves three revisions to the I/M SIP submitted by the State, thereby removing the conditions for final approval. The program was initially given conditional interim approval by the EPA on July 11, 1997 (62 FR 37138). The action is being taken under section 348 of the National Highway System Designation Act of 1995 (NHSDA) and section 110 of the Clean Air Act (Act). The EPA is removing the conditions from the interim approval because the State's SIP revisions correct the major conditions identified in the July 11, 1997, conditional interim approval action. In today's **Federal Register** action, EPA is