

physical condition of specific project areas or building sites. Accordingly, under 24 CFR 50.19(c)(6), this notice is categorically excluded from environmental review under the National Environmental Policy Act of 1969 (42 U.S.C. 4321).

*Executive Order 13132, Federalism*

This notice does not have federalism implications and does not impose substantial direct compliance costs on State and local governments or preempt State law within the meaning of Executive Order 13132 (entitled "Federalism").

*Catalog of Federal Domestic Assistance Number*

The Catalog of Federal Domestic Assistance Number for this program is 14.187.

Dated: September 22, 2006.

**Brian D. Montgomery,**

*Assistant Secretary for Housing-Federal Housing Commissioner.*

**OPERATING COST ADJUSTMENT FACTORS FOR 2007**

	Percent
ALABAMA .....	3.2
ALASKA .....	5.6
ARIZONA .....	3.0
ARKANSAS .....	4.1
CALIFORNIA .....	3.7
COLORADO .....	3.6
CONNECTICUT .....	6.3
DELAWARE .....	4.4
DIST.OF COLUMBIA .....	3.8
FLORIDA .....	3.9
GEORGIA .....	3.8
HAWAII .....	4.4
IDAHO .....	3.1
ILLINOIS .....	4.3
INDIANA .....	4.1
IOWA .....	4.9
KANSAS .....	3.3
KENTUCKY .....	3.3
LOUISIANA .....	4.1
MAINE .....	5.1
MARYLAND .....	4.0
MASSACHUSETTS .....	5.9
MICHIGAN .....	4.7
MINNESOTA .....	4.6
MISSISSIPPI .....	4.0
MISSOURI .....	3.2
MONTANA .....	4.0
NEBRASKA .....	3.9
NEVADA .....	3.4
NEW HAMPSHIRE .....	4.6
NEW JERSEY .....	3.9
NEW MEXICO .....	3.4
NEW YORK .....	5.8
N. CAROLINA .....	3.0
N. DAKOTA .....	4.7
OHIO .....	4.7
OKLAHOMA .....	5.0
OREGON .....	3.1
PENNSYLVANIA .....	3.9
RHODE ISLAND .....	6.7
S. CAROLINA .....	3.1

**OPERATING COST ADJUSTMENT FACTORS FOR 2007—Continued**

	Percent
S. DAKOTA .....	4.9
TENNESSEE .....	3.4
TEXAS .....	5.8
UTAH .....	3.2
VERMONT .....	4.0
VIRGINIA .....	3.5
WASHINGTON .....	3.1
W. VIRGINIA .....	3.1
WISCONSIN .....	4.3
WYOMING .....	3.4
PACIFIC ISLANDS .....	3.8
PUERTO RICO .....	2.6
VIRGIN ISLANDS .....	2.0
U.S. AVERAGE .....	4.3

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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

[Docket No. FR-4513-N-26]

**Credit Watch Termination Initiative**

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

**ACTION:** Notice.

**SUMMARY:** This notice advises of the cause and effect of termination of Origination Approval Agreements taken by HUD's Federal Housing Administration (FHA) against HUD-approved mortgagees through the FHA Credit Watch Termination Initiative. This notice includes a list of mortgagees which have had their Origination Approval Agreements terminated.

**FOR FURTHER INFORMATION CONTACT:** The Quality Assurance Division, Office of Housing, Department of Housing and Urban Development, 451 Seventh Street, SW., Room B133-P3214, Washington, DC 20410-8000; telephone (202) 708-2830 (this is not a toll free number). Persons with hearing or speech impairments may access that number through TTY by calling the Federal Information Relay Service at (800) 877-8339.

**SUPPLEMENTARY INFORMATION:** HUD has the authority to address deficiencies in the performance of lenders' loans as provided in HUD's mortgagee approval regulations at 24 CFR 202.3. On May 17, 1999 (64 FR 26769), HUD published a notice on its procedures for terminating Origination Approval Agreements with FHA lenders and placement of FHA lenders on Credit Watch status (an evaluation period). In the May 17, 1999, notice, HUD advised that it would publish in the **Federal Register** a list of

mortgagees, which have had their Origination Approval Agreements terminated.

**Termination of Origination Approval Agreement:** Approval of a mortgagee by HUD/FHA to participate in FHA mortgage insurance programs includes an Origination Approval Agreement (Agreement) between HUD and the mortgagee. Under the Agreement, the mortgagee is authorized to originate single-family mortgage loans and submit them to FHA for insurance endorsement. The Agreement may be terminated on the basis of poor performance of FHA-insured mortgage loans originated by the mortgagee. The termination of a mortgagee's Agreement is separate and apart from any action taken by HUD's Mortgagee Review Board under HUD's regulations at 24 CFR part 25.

**Cause:** HUD's regulations permit HUD to terminate the Agreement with any mortgagee having a default and claim rate for loans endorsed within the preceding 24 months that exceeds 200 percent of the default and claim rate within the geographic area served by a HUD field office, and also exceeds the national default and claim rate. For the 28th review period, HUD is terminating the Agreement of mortgagees whose default and claim rate exceeds both the national rate and 200 percent of the field office rate.

**Effect:** Termination of the Agreement precludes that branch(s) of the mortgagee from originating FHA-insured single-family mortgages within the area of the HUD field office(s) listed in this notice. Mortgagees authorized to purchase, hold, or service FHA insured mortgages may continue to do so.

Loans that closed or were approved before the termination became effective may be submitted for insurance endorsement. Approved loans are (1) those already underwritten and approved by a Direct Endorsement (DE) underwriter employed by an unconditionally approved DE lender and (2) cases covered by a firm commitment issued by HUD. Cases at earlier stages of processing cannot be submitted for insurance by the terminated branch; however, they may be transferred for completion of processing and underwriting to another mortgagee or branch authorized to originate FHA insured mortgages in that area. Mortgagees are obligated to continue to pay existing insurance premiums and meet all other obligations associated with insured mortgages.

A terminated mortgagee may apply for a new Origination Approval Agreement if the mortgagee continues to be an approved mortgagee meeting the

requirements of 24 CFR 202.5, 202.6, 202.7, 202.8 or 202.10 and 202.12, if there has been no Origination Approval Agreement for at least six months, and if the Secretary determines that the underlying causes for termination have been remedied. To enable the Secretary to ascertain whether the underlying causes for termination have been remedied, a mortgagee applying for a new Origination Approval Agreement must obtain an independent review of the terminated office's operations as well as its mortgage production, specifically including the FHA-insured

mortgages cited in its termination notice. This independent analysis shall identify the underlying cause for the mortgagee's high default and claim rate. The review must be conducted and issued by an independent Certified Public Accountant (CPA) qualified to perform audits under Government Auditing Standards as provided by the General Accounting Office. The mortgagee must also submit a written corrective action plan to address each of the issues identified in the CPA's report, along with evidence that the plan has been implemented. The application for

a new Agreement should be in the form of a letter, accompanied by the CPA's report and corrective action plan. The request should be sent to the Director, Office of Lender Activities and Program Compliance, 451 Seventh Street, SW., Room B133-P3214, Washington, DC 20410-8000 or by courier to 490 L'Enfant Plaza, East, SW., Suite 3214, Washington, DC 20024-8000.

*Action:* The following mortgagees have had their Agreements terminated by HUD:

Mortgagee name	Mortgagee branch address	HUD office jurisdictions	Termination effective date	Homeowner-ship centers
Alethes LLC .....	6010 Balcones Dr., #209, Austin, TX 78731 ..	San Antonio, TX .....	7/15/2006	Denver.
Level I Mortgage Corp .....	1745 Shea Center Dr., Ste 140, Littleton, CO 80129.	Denver, Colorado .....	9/1/2006	Denver.

Dated: September 22, 2006.

**Brian D. Montgomery,**  
*Assistant Secretary for Housing—Federal Housing Commissioner.*  
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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

[Docket No. FR-4917-N-09]

**Notice of FHA Debenture Call**

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

**ACTION:** Notice.

**SUMMARY:** This notice announces a debenture recall of certain Federal Housing Administration (FHA) debentures, in accordance with authority provided in the National Housing Act.

**FOR FURTHER INFORMATION CONTACT:** Darryl Getter, Office of Evaluation, Department of Housing and Urban Development, 451 Seventh Street, SW., Room 2232, Washington, DC 20410; telephone (202) 755-7500, extension 7541. This is not a toll-free number.

**SUPPLEMENTARY INFORMATION:** Pursuant to Sections 204(c) and 207(j) of the National Housing Act, 12 U.S.C. 1710(c) and 1713(j), and in accordance with HUD's regulations at 24 CFR 203.409 and 207.259(e)(3), the Assistant Secretary for Housing—Federal Housing Commissioner, with the approval of the Secretary of HUD and the Secretary of the Treasury, announces the call of all FHA debentures, with a coupon rate of 6.00 percent or above, except for those

debentures subject to "debenture lock agreements," that have been registered on the books of the Bureau of Public Debt, Department of the Treasury, and are, therefore, "outstanding" as of September 30, 2006. The date of the call is January 1, 2007.

The debentures will be redeemed at par value plus accrued interest. Interest will cease to accrue on the debentures as of the call date. At redemption, final interest on any called debentures will be paid along with the principal. Payment of final principal and interest due on January 1, 2007, will be made automatically to the registered holder.

During the period from the date of this notice to the call date, debentures that are subject to the call may not be used by the mortgagee for a special redemption purchase in payment of a mortgage insurance premium.

No transfer of debentures covered by the foregoing call will be made on the books maintained by the Department of the Treasury on or after December 15, 2006. This debenture call does not affect the right of the holder of a debenture to sell or assign the debenture on or after this date.

Dated: September 16, 2006.  
**Brian D. Montgomery,**  
*Assistant Secretary for Housing—Federal Housing Commissioner.*  
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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

[Docket No. FR-4679-N-12]

**Multifamily Mortgage Insurance Premiums; Withdrawal of Proposal to Increase MIPs for FY2007**

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

**ACTION:** Final notice.

**SUMMARY:** HUD issued a notice on June 28, 2006, announcing for public comment, proposed changes in the mortgage insurance premiums (MIP) for Federal Housing Administration (FHA) multifamily mortgage insurance programs whose commitments will be issued or reissued in Fiscal Year (FY) 2007. The notice allowed 30 days for public comment. Approximately 359 comments were received by the comment due date, and the comments, including a letter signed by 121 members of the U.S. House of Representatives and 26 United States Senators, were overwhelmingly opposed to the MIP increases proposed for a number of HUD's multifamily housing mortgage insurance programs. Based on consideration of the concerns raised in the comments, HUD has decided not to proceed with implementation of the MIP increases for FY 2007. Instead, the FY 2006 MIPs, issued on August 30, 2005, will remain in effect for FY 2007. However, FHA will continue to evaluate alternative pricing strategies to maintain the integrity of the fund and achieve policy goals.

**DATES:** *Effective Date:* October 1, 2006.