Ractopamine in grams/ton	Combination in grams/ton	Indications for use	Limitations	Sponsor
(xiii) Not to exceed 800; to provide 70 to 400 mg/head/day.	Monensin 10 to 40 to provide 0.14 to 0.42 mg monensin/lb of body weight, depending on severity of coccidiosis challenge, up to 480 mg/head/day, plus tylosin 8 to 10.	Cattle fed in confinement for slaughter: As in paragraph (e)(2)(i) of this section; for prevention and control of coccidiosis due to *Eimeria bovis* and *E. zuernii*; and for reduction of incidence of liver abscesses caused by *Fusobacterium necrophorum* and *Arcanobacterium* (*Actinomyces*) *pyogenes*.	Top dress ractopamine in a minimum of 1.0 lb of medicated feed during the last 28 to 42 days on feed. Not for animals intended for breeding. See §§ 558.355(d) and 558.625(c).	000986

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Dated: August 31, 2010.

Elizabeth Rettie,

Deputy Director, Office of New Animal Drug Evaluation, Center for Veterinary Medicine.

[FR Doc. 2010–22071 Filed 9–2–10; 8:45 am]

BILLING CODE 4160–01–S

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

24 CFR Ch. II

[Docket No. FR–5404–N–02]

Federal Housing Administration Risk Management Initiatives: New Loan-to-Value and Credit Score Requirements

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

ACTION: Final rule.

SUMMARY: On July 15, 2010, HUD issued a notice seeking comment on three initiatives that HUD proposed would contribute to the restoration of the Mutual Mortgage Insurance Fund (MMIF) capital reserve account. This document is limited to implementation of HUD's proposal to introduce a minimum credit score threshold and reduce the maximum LTV. At the end of the public comment period on August 16, 2010, HUD received 902 comments. The overwhelming majority of these comments focused on HUD's proposal to cap seller concessions. HUD is continuing to review and consider the issues raised by commenters on capping seller concessions as well as those pertaining to HUD's proposal to tighten manual underwriting guidelines. HUD's final decision on these two proposals will be addressed separately.

DATES: *Effective Date:* October 4, 2010.

FOR FURTHER INFORMATION CONTACT: Karin Hill, Director, Office of Single Family Program Development, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW., Room 9278, Washington, DC 20410; telephone number 202–708–2121 (this is not a toll-free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at 800–877–8339.

SUPPLEMENTARY INFORMATION:

I. Background—HUD's July 15, 2010 Notice

On July 15, 2010, at 75 FR 41217, HUD issued a proposed rule seeking comment on three initiatives that HUD proposed would contribute to the restoration of the Mutual Mortgage Insurance Fund (MMIF) capital reserve account. The proposed changes were developed to preserve both the historical role of the Federal Housing Administration (FHA) in providing a home financing vehicle during periods of economic volatility and HUD's social mission of helping underserved borrowers. In the July 15, 2010, notice, HUD proposed the following: To reduce the amount of closing costs a seller may pay on behalf of a homebuyer purchasing a home with FHA-insured mortgage financing for the purposes of calculating the maximum mortgage amount; to introduce a credit score threshold as well as reduce the maximum loan-to-value (LTV) for borrowers with lower credit scores who represent a higher risk of default and mortgage insurance claim; and to tighten underwriting standards for mortgage loan transactions that are manually underwritten.

A recently issued independent actuarial study shows that the MMIF capital ratio has fallen below its statutorily mandated threshold.[1] Consistent with HUD's responsibility under the National Housing Act to ensure that the MMIF remains financially sound, HUD published the July 15, 2010 document and sought public comment on the three proposals described above designed to address features of FHA mortgage insurance that have resulted in high mortgage insurance claim rates and present an unacceptable risk of loss to FHA.

Over the past two years, the volume of FHA insurance has increased rapidly as private sources of mortgage finance retreated from the market. FHA's share of the single-family mortgage market today is approximately 30 percent—up from 3 percent in 2007, and the dollar volume of insurance written has jumped from the $56 billion issued in that year to more than $300 billion in 2009. The growth in the MMIF portfolio over such a short period of time coincided with worsening economic conditions that have seen high levels of defaults and foreclosures, and consequently unacceptable risks of loss to the MMIF. Given these conditions and concerns, FHA, in managing the MMIF, must be especially vigilant in monitoring the performance of the portfolio, enhancing risk controls, and tightening standards to address portions of the business that expose homeowners to excessive financial risks. FHA's authorizing statute, the National Housing Act (12 U.S.C. 1701 *et seq.*), envisions that FHA will adjust program standards and practices, as necessary, to operate the MMIF, with reasonable expectations of financial loss. Within the past year, FHA has adjusted several program standards and practices so that the MMIF is preserved and FHA is operating the MMIF with acceptable risks of financial loss, not unacceptable risks.[2]

[1] On November 13, 2009, HUD released an independent actuarial study that reported that FHA will likely sustain significant losses from mortgage loans made prior to 2009, due to the high concentration of seller-financed downpayment assistance mortgage loans and declining real estate values nationwide, and that the MMIF capital reserve relative to the amount of outstanding insurance in force had fallen below the statutorily mandated 2 percent ratio. The capital reserve account serves as a back-up fund, where FHA holds additional capital to cover unexpected losses. The capital ratio generally reflects the reserves available (net of expected claims and expenses), as a percentage of the current portfolio, to address unexpected losses. The report can be found at: *http://www.hud.gov/offices/hsg/fhafy09annualmanagementreport.pdf.*

[2] While the Federal Credit Reform Act of 1990 requires that FHA (and all other government credit agencies) estimate and budget for the anticipated cost of mortgage loan guarantees, the National

The July 15, 2010, notice represents another step in HUD's effort to preserve the MMIF and preserve FHA as a source of available credit for affordable home mortgages. Interested readers are referred to the July 15, 2010 notice for details regarding the proposed changes to FHA requirements.

II. This Notice—Addressing Solely Minimum Credit Score and New LTV Requirements

As noted in the preceding section, this document is limited to implementation of the revised credit score and LTV requirements, and takes into consideration the public comments received on HUD's proposal to establish a minimum decision credit score and reduce LTV, as set forth in the July 15, 2010 notice. The majority of the public comments that HUD received in response to the July 15, 2010, focused on the other two proposals (the reduction in seller concessions and revised manual underwriting requirements). HUD is continuing to review and consider the issues raised by the comments on these two proposals, as well as alternative proposals raised by commenters. HUD's final decision on these two proposals will be addressed separately. Section III of this document discusses the significant issues raised by the public comments regarding the new credit score and LTV requirements, as well as HUD's responses to these issues. The separate document to address capping seller concessions and tightening underwriting guidelines will address the public comments on these proposals.

The July 15, 2010 notice more fully addresses the reasons for the establishment of a minimum decision credit score and reduction in LTV for FHA mortgage insurance, and readers are referred to the notice for the more in-depth discussion of this proposal (see 75 FR 41220–41222). As discussed in the July 15, 2010, notice, FHA serves very few borrowers with credit scores below 500; however, the performance of these borrowers is very poor. FHA data indicate that insured mortgages with decision credit scores below 580 have significantly worse default and claim experience than do loans at or above 580. The revised credit score and LTV requirements increase the likelihood that borrowers who are offered FHA-insured mortgages are capable of repaying these mortgages. Under this document, effectively, a borrower with a decision credit score between 500 and 579 will be required to make a greater downpayment [at minimum, 10 percent] than a borrower with a higher score, for the purchase of a home with the same sales price.[3] Borrowers with credit scores below 500 will not be eligible for FHA-insured financing. The new LTV and credit score requirements will reduce the risk to the MMIF and ensure that home buyers are offered mortgage loans that are sustainable. Section IV of this document implements the minimum decision credit score and new LTV requirements. HUD will also issue additional guidance through Mortgagee Letter to assist in implementation of these new requirements.

III. Discussion of the Public Comments on the July 15, 2010 Proposal

At the close of the public comment period on August 16, 2010, HUD received 902 public comments on the issue of establishing a minimum decision credit score and new LTV requirements. This section discusses the most significant issues raised by the commenters on these proposals, and HUD's responses to these issues.

Comment: Support for revised credit score and LTV requirements. Several commenters wrote in support of the proposed revised credit score and LTV requirements. The commenters agreed that proposed changes to FHA requirements would help ensure that borrowers do not assume more mortgage debt than they are able to afford.

HUD Response. HUD appreciates the support expressed by commenters, and agrees that the changes will reduce the risk to the MMIF and ensure that homebuyers are offered FHA-insured mortgage loans that are sustainable.

Comment: The proposed revisions do not go far enough. Several commenters, while supportive of the proposed changes, recommended that HUD adopt more stringent credit score and LTV requirements. The measures recommended by the commenters varied, with suggested minimum decision scores most commonly ranging between 580 and 625. The commenters were in agreement that a higher minimum credit score would further protect borrowers and the FHA insurance funds.

HUD Response. HUD has not revised its proposal in response to these comments. In establishing the revised credit score requirements, HUD has endeavored to balance the need to protect the MMIF capital reserve account, while at the same time preserving the historical role of FHA in providing home financing vehicles during periods of economic volatility. Too high of a minimum score would undermine HUD's mission of expanding affordable homeownership opportunity, while too low a score would fail to replenish the MMIF capital reserves. As noted above, and discussed in more detail in the July 15, 2010, notice, the minimum credit score of 500 to determine eligibility for FHA financing was selected after a careful analysis of FHA mortgage performance data. This data indicates that while FHA serves few borrowers with credit scores below 500 their performance is clearly very poor. The data also indicates that insured mortgages with decision credit scores below 580 have significantly worse default and claim experience than do loans at or above 580.

Comment: Opposition to revised credit score requirements. In contrast to the preceding comments, several commenters opposed any changes to the FHA credit score and LTV requirements. These commenters wrote that the changes would only make it more difficult for borrowers in difficult economic times to obtain mortgage financing. The commenters also expressed concerns that the changes would hurt the overall economy by further restricting the availability of mortgage financing.

HUD Response. As noted in the response to the preceding comments, FHA takes seriously its mission to help underserved borrowers. As discussed above, HUD also has a statutory obligation to protect the MMIF capital reserve accounts by ensuring that borrowers who are offered FHA-insured mortgages are capable of repaying these mortgages. The changes balance the twin goals of protecting the financial health of the MMIF, while continuing to meet FHA's historic role of providing a vehicle for mortgage lenders to provide affordable mortgages. Moreover, as also noted, sustainable homeownership is essential to a healthy and well-functioning housing market. These changes will promote that goal by helping to ensure that FHA homeowners are able to afford their mortgage loans. HUD based the revised credit score

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Housing Act imposes a special requirement that the MMIF hold an additional amount of funds in reserve to cover unexpected losses. FHA maintains the MMIF capital reserve in a special reserve account. The MMIF capital reserve account serves as a back-up fund, where FHA holds additional capital to cover unexpected losses.

[3] FHA will continue to allow borrowers to use permissible sources of funds, as described in FHA Handbook 4155.1, paragraph 5.B.1, to meet the minimum cash investment in the form of a downpayment. Gifts from family members, charitable organizations, employers, and government entities are also permitted, provided that none of the parties financially benefit from the sales transaction. In addition, governmental entities, including instrumentalities thereof, as described in Section 528 of the National Housing Act, may offer secondary financing to cover the borrowers' cash investment.

requirements on a careful analysis of historical data that indicates FHA serves few borrowers with a credit score below the new minimum of 500. Moreover, HUD has taken steps to mitigate the impacts of establishing a minimum decision credit score. First, HUD has established a threshold score for FHA-insured mortgages that is below the cut-off score of 620 used by many private lenders. Second, HUD is providing a special, temporary allowance to permit a higher LTV when refinancing mortgage loans for certain borrowers with decision credit scores between 500 and 579. HUD is providing this special exemption in recognition of the fact that even homeowners who have been able to make their monthly payments may have had their credit scores negatively impacted by the downturn in the economy.

Comment: A revision to the credit score requirements will have minimal effect. Many commenters questioned the need of establishing a minimum decision credit score of 500, given that most mortgage lenders have adopted a higher minimum credit score. The commenters cited to several industry standards, and most commonly to a minimum credit score of 620. These commenters wrote that HUD's proposal would have little impact since mortgage lenders will not provide mortgage loans to borrowers with credit scores below the minimums they have established.

HUD Response. HUD has not revised its proposal based on these comments. Unlike private mortgage lenders, HUD has an important historical countercyclical position of supporting the private sector when access to capital is constrained, and an equally important social mission of helping unserved borrowers. HUD takes these responsibilities seriously and, as discussed more fully in the responses to the preceding comments, continues to believe that the revised credit score requirements strike the appropriate balance between fulfilling HUD's historical and social responsibilities, as well as its statutory duty to preserve the MMIF capital reserves.

Comment: Acceptable score ranges for other scoring models. The July 15, 2010, notice invited comment on the best means for FHA to provide guidance on acceptable score ranges for scoring models other than FICO-based decision scores, to ensure that the scales used for all scoring systems are consistent and appropriate for FHA borrowers (*see* 75 FR 41220). In response, a few commenters wrote to suggest alternative scoring models. For example, one commenter (the developer of a consumer credit score model) proposed a calibration analysis of the FHA loan portfolio using its credit score model. Another commenter advocated that HUD provide further guidance on risk thresholds, decision points and pricing tiers, so that developers of risk assessment services can initiate new processes. The majority of these commenters, however, questioned the usefulness of using any credit score model, writing that credit scores are an imperfect indicator of risk and often not reflective of a person's ability to pay. The commenters also wrote that credit scores sometimes have disparate impact on minorities compared to other borrowers.

HUD Response. HUD has not revised the July 15, 2010, notice in response to these comments. With respect to the use of other credit scoring models, HUD greatly appreciates the suggestions offered by the commenters. However, HUD believes that additional analysis of this issue is required given the complexity of the proposed approaches as well as the need to provide sufficient notice to the industry of such a significant change to current FHA requirements. HUD is not unsympathetic to the concerns expressed by the commenters that questioned the utility of credit models, and reiterates that it has taken several steps to mitigate the impacts of establishing a minimum decision credit score. As noted, HUD has established a threshold below the threshold score widely used by many private lenders and is providing a temporary allowance to permit a higher LTV when refinancing mortgage loans for certain borrowers. Further, in response to many of the concerns expressed by these commenters, FHA requires the use of manual underwriting to address cases where the borrower has very limited or nontraditional credit history, a FICO-based credit score may not have been issued, or the credit score may be based on references that are few in number or do not effectively predict future credit worthiness.

IV. Establishment of Minimum Decision Credit Score and New LTV Requirements

Commencing on the effective date:

1. *Minimum Credit Score.* Borrowers will be required to have a minimum decision credit score of no less than 500 to be eligible for FHA financing.

The decision credit score used by FHA is based on methodologies developed by the FICO Corporation. FICO scores, which range from a low of 300 to a high of 850, are calculated with input by each of the three National Credit Bureaus and are based upon credit-related information reported by creditors, specific to each applicant. Lower credit scores indicate greater risk of default on any new credit extended to the applicant. The decision credit score is based on the middle of three National Credit Bureau scores or the lower of two scores when all three are not available, for the lowest scoring applicant.

2. *LTV requirements.* The LTV for FHA-insured mortgage loans (purchase and refinance) will be limited to 90 percent for borrowers with a decision score between 500 and 579. Maximum FHA-insured financing (typically, 96.5 percent LTV for purchase transactions and 97.75 percent for rate and term refinance transactions) will continue to be available for borrowers with credit scores at or above 580.

3. *Temporary Exemption for Borrowers Seeking to Refinance.* As indicated in the July 15, 2010 notice, FHA is providing a special, temporary allowance to permit higher LTV mortgage loans for borrowers with lower decision credit scores, so long as they involve a reduction of existing mortgage indebtedness pursuant to FHA program adjustments announced in HUD Mortgagee Letter 2010–23.[4] In accordance with Mortgagee Letter 2010–23, the current mortgage lender will need to agree to accept a short pay off, accepting less than the full amount owed on the original mortgage in order to satisfy the outstanding debt.

This temporary exemption recognizes that, given current economic conditions, the decision credit scores announced in this notice may be counterproductive in helping existing homeowners refinance to obtain more affordable mortgages and save their homes. FHA recognizes that even homeowners who have been able to make their monthly payments may have had their credit scores negatively impacted by the downturn in the economy which has so seriously affected the housing market.

This exemption is applicable only to borrowers with credit scores between 500 to 579. Further, the exemption is applicable only to refinance transactions originated pursuant to Mortgagee Letter 2010–23 and closed on or before December 31, 2012.

V. Findings and Certification

Executive Order 12866, Regulatory Planning and Review

The Office of Management and Budget (OMB) reviewed this document under Executive Order 12866 (entitled

[4] The Mortgagee Letter is available at: *http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/*

"Regulatory Planning and Review"). The document was determined to be a "significant regulatory action," as defined in section 3(f) of the Order (although not economically significant, as provided in section 3(f)(1) of the Order).

FHA is implementing one change to replenish the MMIF capital reserve account. FHA is establishing a two-part credit-score threshold, with one lower bound for loans with loan-to-value ratios of 90 percent or less, and a higher threshold for those with loan-to-value ratios up to the statutory maximums. This is the first time that FHA has ever instituted an absolute lower-bound for borrower credit scores. Borrowers with low credit scores present higher risk of default and mortgage insurance claim. Such transactions that lack the additional credit enhancements announced in this document result in higher mortgage insurance claim rates and present an unacceptable risk of loss. The benefit of the revised credit score and LTV requirements will be to reduce the net losses due to high rates of insurance claims on affected loans, while the cost will be the value of the homeownership opportunity denied to the excluded borrowers. HUD prepared an economic analysis assessing costs and benefits in conjunction with development of the July 15, 2010, **Federal Register** notice. As noted above, HUD is implementing the proposed credit score and LTV requirements without change and, therefore that analysis remains applicable to this document. HUD's full analysis can be found at *http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm.*

The docket file is available for public inspection in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW., Room 10276, Washington, DC 20410–0500. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the docket file by calling the Regulations Division at 202–402–3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Information Relay Service at 800–877–8339.

Environmental Impact

A Finding of No Significant Impact (FONSI) with respect to the environment has been made in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The Finding of No Significant Impact is available for public inspection between the hours of 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW., Room 10276, Washington, DC 20410. Due to security measures at the HUD Headquarters building, please schedule an appointment to review the FONSI by calling the Regulations Division at 202–708–3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Information Relay Service at 800–877–8339.

Dated: August 31, 2010.

David H. Stevens,

Assistant Secretary for Housing—Federal Housing Commissioner.

[FR Doc. 2010–22133 Filed 9–2–10; 8:45 am]

BILLING CODE 4210–67–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[Docket No. USCG–2010–0800]

Drawbridge Operation Regulation; Atlantic Intracoastal Waterway, Camp Lejeune, NC

AGENCY: Coast Guard, DHS.

ACTION: Notice of temporary deviation from regulations.

SUMMARY: The Commander, Fifth Coast Guard District, has issued a temporary deviation from the regulations governing the operation of the Onslow Beach Swing Bridge, across the Atlantic Intracoastal Waterway, mile 240.7, at Camp Lejeune, NC. The deviation is necessary to facilitate urgent replacement of the main hydraulic system. This deviation allows the bridge to be in the closed-to-navigation position.

DATES: This deviation is effective from 1 a.m. on September 8, 2010 to 11:59 p.m. on September 14, 2010.

ADDRESSES: Documents mentioned in this preamble as being available in the docket are part of docket USCG–2010–0800 and are available online by going to *http://www.regulations.gov,* inserting USCG–2010–0800 in the "Keyword" box and then clicking "Search". They are also available for inspection or copying at the Docket Management Facility (M–30), U.S. Department of Transportation, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE., Washington, DC 20590, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: If you have questions on this rule, call or e-mail Bill H. Brazier, Bridge Management Specialist, Fifth Coast Guard District; telephone 757–398–6422, e-mail *Bill.H.Brazier@uscg.mil.* If you have questions on viewing the docket, call Renee V. Wright, Program Manager, Docket Operations, telephone 202–366–9826.

SUPPLEMENTARY INFORMATION: The Onslow Beach Swing Bridge at Atlantic Intracoastal Waterway, mile 240.7, at Camp Lejeune NC, has a vertical clearance in the closed position to vessels of approximately 12 feet, above mean high water.

The U.S. Marine Corps at Camp Lejeune NC, who owns and operates this swing-type drawbridge, has requested a temporary deviation from the current operating regulations set out in 33 CFR 117.821(a)(1) to facilitate urgent replacement of the main hydraulic system.

Under this temporary deviation, the Onslow Beach Swing Bridge will be maintained in the closed-to-navigation position from 1 a.m. on Wednesday, September 8, 2010 through 11:59 p.m. on Tuesday, September 14, 2010.

Vessels that can pass under the bridge without a bridge opening may do so at anytime. There are no alternate routes for vessels transiting this section of the Atlantic Intracoastal Waterway and the drawbridge will be unable to open in the event of an emergency.

The Coast Guard has coordinated the restrictions with the local users of the waterway, the Steamship Trade Committee, the Virginia Maritime Association, and marinas and will inform unexpected users through our Local and Broadcast Notices to Mariners of the closure period for the bridge so that vessels can arrange their transits to minimize any impact caused by the temporary deviation.

In accordance with 33 CFR 117.35(e), the drawbridge must return to its regular operating schedule immediately at the end of the designated time period. This deviation from the operating regulations is authorized under 33 CFR 117.35.

Dated: August 18, 2010.

Waverly W. Gregory, Jr.,

Bridge Administrator, Fifth Coast Guard District.

[FR Doc. 2010–22033 Filed 9–2–10; 8:45 am]

BILLING CODE 9110–04–P