Calculating Economic Revitalization Needs

Based on SBA disaster loans to businesses, HUD used the sum of real property and real content loss of small businesses not receiving an SBA disaster loan. This was adjusted upward by the proportion of applications that were received for a disaster that content and real property loss were not calculated because the applicant had inadequate credit or income. For example, if a State had 160 applications for assistance, 150 had calculated needs and 10 were denied in the pre-processing stage for not enough income or poor credit, the estimated unmet need calculation would be increased as (1 + 10/160) * calculated unmet real content loss.

Because applications denied for poor credit or income are the most likely measure of requiring the type of assistance available with CDBG recovery funds, the calculated unmet business needs for each State were adjusted upwards by the proportion of total application that were denied at the pre-process stage because of poor credit or inability to show repayment ability.

Dated: November 3, 2010.

Mercedes M. Márquez,

Assistant Secretary for Community Planning and Development.

[FR Doc. 2010–28421 Filed 11–9–10; 8:45 am]

BILLING CODE 4210–67–P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–5450–N–01]

Federal Housing Administration (FHA): Notice of FHA PowerSaver Home Energy Retrofit Loan Pilot Program: Request for Comments and Expressions of Interest

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

ACTION: Notice.

SUMMARY: This notice announces HUD's proposal to conduct an FHA Home Energy Retrofit Loan Pilot Program (Retrofit Pilot Program or Pilot Program) known as FHA PowerSaver. The Consolidated Appropriations Act, 2010 directs HUD to conduct an Energy Efficient Mortgage Innovation pilot program targeted to the single family housing market. The Retrofit Pilot Program is designed by HUD to meet this statutory directive and provides funding to support that effort.

Under the Retrofit Pilot Program, HUD, through FHA-approved lenders, will insure loans for homeowners who are seeking to make energy improvements to their homes. HUD intends to select a limited number of lenders to participate in the Retrofit Pilot Program. The Pilot Program will be for loans originated during a 2-year period, will be restricted to lenders approved by HUD to participate in the Pilot Program, and will be conducted in geographic areas identified by HUD as optimum locations to conduct the Pilot Program. In making these determinations, HUD will consider the factors and criteria that are proposed in this notice to establish the framework for the Pilot Program, and for which HUD specifically solicits public comment.[1]

For this Pilot Program, HUD will deploy up to $25 million appropriated by the Act for an Energy Efficient Mortgage Innovation Fund pilot program directed at the single family housing market. HUD will utilize those funds primarily to provide incentive payments with grant funds to participating lenders to support approved activities that deliver bona fide benefits to borrowers, with remaining funds available to support the evaluation of the Pilot Program.

Following the public comment period, HUD will announce the lenders that have been selected to participate in the Pilot Program, the geographic areas in which the Pilot Program will be conducted, and any modifications to the Retrofit Pilot Program made in response to public comment and/or in response to HUD's further consideration of how the pilot program should be structured. At the conclusion of the Pilot Program, HUD will assess the results of the Retrofit Pilot Program, and determine any additional action based on that assessment. HUD will assess the extent to which energy retrofits under the Pilot Program delivered expected benefits in terms of energy reductions, cost savings, and property value improvement, among other results.

In addition to seeking comments on the proposed Pilot Program, HUD invites lenders interested in participating in this Pilot Program to notify HUD of such interest as provided in Appendix A to this notice.

DATES: *Comment Due Date:* December 27, 2010.

ADDRESSES: **Note:** The following procedures pertain to the submission of general comments on this notice. Lenders interested in participating in this Pilot Program must e-mail their Expressions of Interest to *FHAPowerSaver@hud.gov* in accordance with Appendix A of this notice.

Interested persons are invited to submit comments regarding this notice to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW., Room 10276, Washington, DC 20410–0500. Communications must refer to the above docket number and title. There are two methods for submitting public comments. All submissions must refer to the above docket number and title.

1. *Submission of Comments by Mail.* Comments may be submitted by mail to the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street, SW., Room 10276, Washington, DC 20410–0500.

2. *Electronic Submission of Comments.* Interested persons may submit comments electronically through the Federal eRulemaking Portal at *http://www.regulations.gov.* HUD strongly encourages commenters to submit comments electronically. Electronic submission of comments allows the commenter maximum time to prepare and submit a comment, ensures timely receipt by HUD, and enables HUD to make them immediately available to the public. Comments submitted electronically through the *http://www.regulations.gov* Web site can be viewed by other commenters and interested members of the public. Commenters should follow the instructions provided on that site to submit comments electronically.

Note: To receive consideration as public comments, comments must be submitted through one of the two methods specified above. Again, all submissions must refer to the docket number and title of the notice. *No Facsimile Comments.* Facsimile (FAX) comments are not acceptable.

Public Inspection of Public Comments. All properly submitted comments and communications submitted to HUD will be available for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled 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

[1] Section 470 of the Housing and Urban-Rural Recovery Act of 1983 (42 U.S.C. 3542) provides that: "No demonstration program not expressly authorized in law may be commenced by the Secretary of Housing and Urban Development until (1) a description of such demonstration program is published in the **Federal Register**, which description may be included in a notice of funding availability; and (2) there expires a period of sixty calendar days following the date of such publication, during which period the Secretary shall fully consider any public comments submitted with respect to such demonstration program." The Retrofit Pilot Program is specifically authorized by the Consolidated Appropriations Act, 2010. Accordingly, HUD is not required to solicit comment on this demonstration. Nevertheless, HUD welcomes public comment on the proposed pilot program.

Information Relay Service at 800–877–8339. Copies of all comments submitted are available for inspection and downloading at *http://www.regulations.gov.*

FOR FURTHER INFORMATION CONTACT: Patricia McBarron, Office of Single Family Housing Development, Office of Housing, Department of Housing and Urban Development, 451 7th Street, SW., Washington, DC 20410–8000; 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

A. Energy Efficient Mortgage Innovation Pilot Program

The Consolidated Appropriations Act, 2010 (Pub. L. 111–117, approved December 16, 2009, 123 Stat. 3034) (2010 Appropriations Act), which appropriated Fiscal Year (FY) 2010 funds for HUD, among other agencies, appropriated $50 million for an Energy Innovation Fund to enable HUD to catalyze innovations in the residential energy efficiency sector that have the promise of replicability and help create a standardized home energy efficient retrofit market. Of the $50 million appropriated for the Energy Innovation Fund, the 2010 Appropriations Act stated that "$25,000,000 shall be for the Energy Efficient Mortgage Innovation pilot program directed at the single family housing market." (*See* Pub. L. 111–117, at 123 Stat. 3089.)

In considering how to structure the pilot program directed by the 2010 Appropriations Act, HUD looked to the findings of the Administration's Recovery through Retrofit Report, which specifically addressed retrofitting homes for energy efficiency, and the suitability of building the pilot program by supplementing FHA's Title I Property Improvement Loan Insurance program.

B. Recovery Through Retrofit

On October 19, 2009, the Vice President and the White House Middle Class Task Force released the *Recovery through Retrofit* Report (RTR Report), which builds on the foundation laid out in the American Recovery and Reinvestment Act (Pub. L. 111–5, approved February 17, 2009) to expand green job opportunities in the United States and boost energy savings for middle class Americans by retrofitting homes for energy efficiency.[2] The White House Council on Environmental Quality developed the Report through an interagency process, involving eleven Departments and Agencies (including HUD) and 6 White House offices.

The RTR Report recognizes that making American homes and buildings more energy efficient presents an unprecedented opportunity for communities throughout the country. The funding of home retrofit projects can potentially help people earn money as home retrofit workers, while also helping them save money by lowering their utility bills. By encouraging nationwide home energy efficiency improvements, workers of all skill levels can be trained, engaged, and have the opportunity to participate in expanding a national home retrofit market. According to the RTR Report, there are almost 130 million homes in this country,[3] generating more than 20 percent of our Nation's carbon dioxide emissions.[4] The RTR Report indicates that existing home energy retrofit techniques and technologies can reduce home energy use by up to 40 percent per home and lower associated greenhouse gas emissions by up to 160 million metric tons annually by the year 2020.[5] The RTR Report also stated that home energy efficiency retrofits have the potential to reduce home energy bills by $21 billion annually.[6]

The RTR Report identified several barriers that have prevented a self-sustaining retrofit market from forming. Among other barriers, the RTR Report found that homeowners face high upfront costs and many are concerned that they will be prevented from recouping the value of their investment if they choose to sell their home. The upfront costs of home retrofit projects are often beyond the average homeowner's budget.[7]

[2] Middle Class Task Force and Council on Environmental Quality, *Recovery through Retrofit* (2009). *http://www.whitehouse.gov/assets/documents/Recovery_Through_Retrofit_Final_Report.pdf.*

[3] U.S. Census Bureau, American Housing Survey National Tables: 2007, All Housing. *http://www.census.gov/hhes/www/housing/ahs/ahs07/ahs07.html.*

[4] U.S. Energy Information Agency, "U.S. Carbon Dioxide Emissions from Energy Sources: 2008 Flash Estimate." *http://www.eia.doe.gov/oiaf/1605/flash/pdf/flash.pdf.*

[5] Choi Granade, H; J Creyts; A Derkach; Ph Farese; and S. Nyquist, K. Ostrowski, "Unlocking Energy Efficiency in the U.S. Economy," July 2009.

[6] *Id.*

[7] Middle Class Task Force and Council on Environmental Quality, Id.

C. Title I Property Improvement Loan Insurance Program

Through the Title I Property Improvement Loan Insurance program (Title I program), FHA offers consumers the opportunity to obtain affordable home improvement loans by insuring loans made by private lenders to improve properties that meet certain requirements. Lending institutions make loans from their own funds to eligible borrowers to finance these improvements. The program is authorized by section 2 of Title I of the National Housing Act (12 U.S.C. 1703). Specifically, under section 2(a) of the National Housing Act, HUD is authorized to help homeowners finance alterations, repairs, and improvements in connection with existing structures or manufactured homes. The Title I program regulations are codified in 24 CFR part 201.

Eligible borrowers include owners of the properties to be improved, the person leasing the property (provided that the lease will extend at least 6 months beyond the date when the loan must be repaid), or someone purchasing the property under a land installment contract. Only lenders approved by HUD specifically for the Title I program can make loans covered by Title I loan insurance. Title I loans can be disbursed directly to the borrower or, if the loan is made through a dealer, the disbursement will be made jointly to the dealer and the borrower.

Title I program loans may be used to finance permanent property improvements that protect or improve the basic livability or utility of the property—including manufactured homes, single family and multifamily homes, nonresidential structures, and the preservation of historic homes. The loans can also be used for fire safety equipment. The Title I program may be used to insure such loans for up to 20 years on either single family or multifamily properties. The maximum loan amount is $25,000 for improving a single family home or a nonresidential structure. Funds can also be used for the construction of a nonresidential structure. FHA insures private lenders against the risk of default for up to 90 percent of any single loan, although FHA liability is capped at the lender's reserve pool—10 percent of the amount of all insured Title I loans in the financial institution's portfolio.

D. Goals of the Home Energy Retrofit Loan Pilot Program

FHA's goals for the Pilot Program are: (1) To facilitate the testing and scaling of a mainstream mortgage product for home energy retrofit loans that includes liquidity options for lenders, resulting in more affordable and widely available loans than are currently available for home energy retrofits; and (2) to establish a robust set of data on home energy improvements and their impact—on energy savings, borrower income, property value, and other metrics—for the purpose of driving development and expansion of mainstream mortgage products to support home energy retrofits. More broadly, FHA recognizes that affordable and available financing in and of itself may not drive widespread adoption of home energy retrofits in every market; however, research suggests that lack of financing is a primary barrier.[8] Thus, FHA intends for the Pilot Program to help determine the extent to which affordable and available financing, along with other strategies and tactics, can increase retrofit activity among homeowners.

As a result of discussions with national experts in housing finance and home energy efficiency, HUD determined that utilizing the existing FHA Title I program, with additional incentives and requirements, is the most efficient and effective opportunity it could deploy to deliver federally insured financing to homeowners in markets that are ready and able to utilize it. After analyzing the viability of the Title I program to achieve these goals, FHA determined that several changes to the program are necessary for the purposes of the Pilot Program. These changes are described in detail in Section II.D. of this notice. Broadly, the changes are intended to protect consumers, provide low-cost financing, and generate lender and secondary market participation in home energy retrofit loans.

Section II of this notice, which immediately follows, presents the structure, requirements, and criteria that will govern HUD's proposed Retrofit Pilot Program, and HUD welcomes comment on all aspects of the proposed pilot program. HUD invites interested lenders to advise HUD of their interest, as described in Appendix A of this notice, so that HUD may contact them and explore their interest and the possibility of their participation in the pilot program. No proprietary information should be submitted by any interested lender, only expressions of interest in participating.

After reviewing public comments submitted in response to HUD's solicitation of comment, HUD will issue a second **Federal Register** notice that will formally announce the establishment of the Retrofit Pilot Program, and the commencement date.

II. The Home Energy Retrofit Loan Pilot Program

A. Authority

The Retrofit Pilot Program is authorized by the provisions of the Energy Innovation Fund of the 2010 Appropriations Act, which directs HUD to conduct an Energy Efficient Mortgage Innovation pilot program targeted to the single family housing market (Pub. L. 111–117, at 123 Stat. 3089). The Pilot Program is based on the requirements of Title I, section 2 of the National Housing Act (12 U.S.C. 1703). Under section 2(a) of the National Housing Act, HUD is authorized to provide loan insurance in order to help homeowners finance alterations, repairs, and improvements in connection with existing structures or manufactured homes. HUD's implementing regulations are codified at 24 CFR part 201.

B. Duration and Geographic Scope

1. *Duration.* The Retrofit Pilot Program will be conducted for loans originated during a period of 2 years commencing on the effective date specified by the final notice that announces and establishes the Pilot Program. HUD, however, may extend the duration of the Pilot Program, after its commencement, beyond the 2-year period to accurately assess the Pilot's effectiveness. HUD will announce any such extension through **Federal Register** notice.

2. *Geographic scope.* The success of the Retrofit Pilot Program and its potential to inform further efforts to expand financing for energy-efficient home retrofits will be advanced by focusing on properties located in communities that have already taken affirmative steps to address energy efficiency retrofits. HUD is aware that a number of communities have already developed the programmatic infrastructure to help ensure that the critical non-financial components of a holistic retrofit initiative are in place. In selecting communities in which to conduct the Pilot Program, HUD will target communities that have already developed a robust home energy efficiency retrofit infrastructure.

The Department of Energy's (DOE's) Energy Efficiency and Conservation Block Grants (EECBG) program is authorized under Title V, Subtitle E of the Energy Independence and Security Act (EISA), signed into law on December 19, 2007. Through formula and competitive grants administered by DOE, this program empowers local communities to make strategic investments to meet the nation's long-term goals for energy independence and leadership on climate change.

With funding for the EECBG program provided by the American Recovery and Reinvestment Act, DOE initiated the Retrofit Ramp-up Program, now known as the Better Buildings program, a demonstration program directed to stimulating activities and investments that can: (1) Deliver verified energy savings from a variety of projects in the local jurisdiction of the applicant, with a particular emphasis on efficiency improvements in residential, commercial, industrial, and public buildings; (2) achieve broader market participation and greater efficiency savings from building retrofits; (3) highly leverage grant funding in order to significantly enhance the resources available for supporting the program; (4) sustain themselves beyond the grant monies and the grant period by designing a viable strategy for program sustainability; (5) serve as pilot building retrofit programs that demonstrate the benefits of gaining economy of scale; and (6) serve as examples of comprehensive community-scale energy-efficiency approaches that could be replicated in other communities across the country.

Under the Better Buildings Program, approximately $485 million was allocated by DOE through competitive grants to initiatives in the following locations: Austin, TX; 16 towns in Maryland: Berlin, Cambridge, Chestertown, Cumberland, Denton, Easton, Elkton, Frostburg, Oakland, Princess Anne, Dundalk, Westminster, Havre de Grace, Salisbury, Takoma Park, and University Park, MD; Fayette County, PA; Bedford, NY; Berlin, Nashua, and Plymouth, NH; Boulder County, City and County of Denver, Garfield County, and Eagle County, CO; Camden, NJ; Chicago region, IL; Cincinnati, Ohio and northeast Kentucky; Consortium of 14 Connecticut Towns: Bethany, Cheshire, East Haddam, East Hampton, Glastonbury, Lebanon, Mansfield, Portland, Ridgefield, Weston, Westport, Wethersfield, Wilton and Windom; Detroit, Grand Rapids, and southeast MI; Greensboro, NC; Indianapolis and Lafayette, IN; Kansas City, MO; Los Angeles, San Francisco Bay Area, Sacramento, San Diego, and Santa Barbara County, CA; Lowell, MA; Madison, Milwaukee, and Racine, WI; Maine statewide; Missouri statewide; New York statewide; Omaha and

[8] Choi Granade, H; J Creyts; A. Derkach; Ph. Farese; and S.Nyquist, K. Ostrowski, *Unlocking Energy Efficiency in the U.S. Economy,* July 2009.

Lincoln, NE; Oregon statewide; Philadelphia, PA; Phoenix, AZ; Riley County, KS; San Antonio, TX; Seattle, and Bainbridge Island, WA; Select Southeastern cities: Atlanta GA, Carrboro NC, Chapel Hill, NC, Charlotte, NC, Charleston, SC, Charlottesville, VA, Decatur GA, Hampton Roads/Virginia Beach, VA, Huntsville, AL, Jacksonville FL and New Orleans, LA; Toledo, OH; and U.S. Virgin Islands.

The locations listed above are all eligible markets for lenders to serve in the Pilot. In addition, FHA will consider lenders' interest in other communities, subject to an assessment of such communities' infrastructure for implementing residential retrofit programs. HUD expects to consult with DOE in such cases. In providing HUD with Expressions of Interest to Participate, lenders must specify the market(s) they intend to target.

FHA considered targeting the pilot to a smaller number of markets, which may have increased the likelihood of lender competition within some markets, potentially benefitting consumers. FHA determined that such an approach could limit the number and diversity of lenders that could participate in the program overall, however. FHA determined it was important for the Pilot to be open to a reasonably wide range of lenders—by size and type, as well as service area—especially given the challenging conditions facing lenders in the current environment, which may create barriers to participation for some, even if interested. In selecting lenders to participate, HUD will evaluate the extent to which lenders intend to provide loans at the most favorable rate to consumers, thus directly addressing a major benefit that lender competition would potentially foster.

C. Lender Eligibility

Lender participation in the Retrofit Pilot Program is voluntary. Of the pool of interested lenders that meet the criteria described in Section II of this notice, HUD intends to select a limited number of lenders to participate in the Retrofit Pilot Program. HUD is currently undertaking efforts to identify FHA-approved lenders that may be suitable candidates for participation in the Retrofit Pilot Program. To be eligible, lenders must satisfy the criteria set forth in this Section II.C. HUD reserves the right to terminate a lender's participation in the Retrofit Pilot Program for unacceptable performance.

1. *Approval as an FHA Title I or Title II program lender.* Lenders must hold valid Title I contracts of insurance and be approved pursuant to the requirements of 24 CFR part 202 to originate, purchase, hold, service, or sell loans insured under the Title I program regulations at 24 CFR part 201. However, approved Title II lenders may obtain Title I eligibility under an expedited process.

2. *Experience with similar lending initiatives.* Lenders must be able to demonstrate experience with the type of lending initiative being undertaken in the Retrofit Pilot Program. In particular, HUD will consider the extent to which lenders have experience in successfully originating and/or servicing small loans, home equity loans, second liens, FHA section 203(k) rehabilitation loans, and Title I Property Improvement Loans. Lenders that do not have experience in such lending may still be able to participate in the Pilot Program to the extent they can demonstrate how their other experience is relevant to determining their ability to participate in the pilot, and they agree to meet the Title I requirements before participation in the pilot program.

3. *Computer system capabilities.* Lenders must have the technical capability to interface with FHA through FHA Connection. In addition, lenders must have the technical capability to interface with any other computer systems utilized by FHA or its contractors pertaining to the Retrofit Pilot Program.

4. *Audit capabilities.* Lenders must have a demonstrated capacity to provide timely reports to FHA on origination and performance of retrofit loans. FHA envisions requiring monthly reports on loan and portfolio performance. In addition, a lender must be able to provide an electronic loan package to HUD for a random sample of loans chosen for quality reviews.

5. *Collaborative capacity.* Lenders must have demonstrated capacity to work with public sector agencies, nonprofit organizations, utilities, and/or home improvement contractors.

D. Lender Incentives

HUD recognizes that even with Federal mortgage insurance such as would be available under the Pilot Program, small loans for home energy retrofits may have relatively high transaction costs for lenders, discouraging some from offering such loans and forcing others that do offer them to increase costs to borrowers. HUD will utilize the appropriated funds provided under the Act to provide lender incentive payments to support activities that lower costs to borrowers. Eligible uses of such payments will include lowering loan interest rates and, for lenders that will also service their own loans, reducing servicing costs. HUD will also consider other proposed uses of such funds. Any use of funds must show, to HUD's satisfaction, bona fide benefit to borrowers. The amount of payment to each lender and the eligible uses of funds by each lender will be determined by HUD based on the lender's Expression of Interest. A significant factor in determining payment amounts to each lender will be the number of loans the lender anticipates making during the 2-year period of the Pilot Program. Lenders will be required to report to HUD on their use of incentive payments funds.

HUD anticipates that the amount of grant funds will not exceed $5 million per lender.

Funds may be available to lenders who request them, but are not required for participation. Lenders who do not seek funds may still participate in the Pilot Program. HUD is specifically seeking comment on the incentive payments available under the program.

E. Selection of Lenders

As noted above, lenders interested in potentially participating in the Retrofit Pilot Program must submit an Expression of Interest using the template in Appendix A and *following the instructions in this notice.* Lenders that fail to do so will not be considered for participation.

In evaluating Expressions of Interest and selecting lenders to participate, HUD will first review each Expression of Interest to verify that the lender is eligible to participate in the program. HUD will then evaluate the Expressions of Interest from all eligible lenders primarily by weighing the following factors in the Expression of Interest: (1) The lender's anticipated loan volume and target markets; (2) the lender's business model for participating in the pilot; (3) the lender's capacity (experience and/or potential) to work in public-private partnerships; and (4) the extent to which the lender intends to deliver the most favorable loan product to consumers. HUD anticipates that these primary weighing factors will have generally equal weighing significance. In addition, HUD may consider the following factors in selecting lenders to participate: (1) Diversity of lender type and target market; and (2) impact on low-income households and communities.

F. Differences Between Retrofit Pilot Program and Existing Title I Program

With the exceptions discussed below, the Retrofit Pilot Program will be governed by the Title I program regulations at 24 CFR part 201. This notice does not make any changes to the current Title I Property Improvement Program. The differences specified in this notice are only applicable to lenders selected to participate in the Pilot Program.

Lenders selected to participate in the Retrofit Pilot Program must enter into a Retrofit Pilot Program Agreement by which they commit to adhere to the Title I program regulations, except as modified in this notice and in subsequent refinements, such modifications being applicable only to loans insured under the Retrofit Pilot Program. There will also be other requirements applicable to the Retrofit Pilot Program; for example, insuring Retrofit Pilot Program loans only in communities selected for the Pilot Program.

In summary, the proposed changes described below, in combination with the appropriated funds, have the effect of creating an innovative pilot program that accords with Congress' direction in the Act. These changes fall into the following categories: (1) Changes designed to enhance FHA underwriting of program loans; (2) changes related to FHA administration of the program, specifically in the areas of loan servicing, claim procedures, and reporting; (3) changes to target the pilot program specifically on its purpose of improving home energy performance; and (4) changes to provide additional benefits to borrowers. Finally, as noted, FHA proposes to augment these changes with incentives for lenders to participate, using funding appropriated under the Act. In summary, these changes adjust the current flexible framework for the Title I program to enable it to encourage and directly support home improvements that improve energy performance, while reducing barriers to making financing under the program more widely available and more affordable.

1. *Definition 24 CFR 201.2.* For purposes of the Retrofit Pilot Program, the following terms have the following meanings.

a. *Single family property improvement loans.* Only "single family property improvement loans" as that term is defined in 24 CFR 201.2 are eligible for FHA insurance and the Retrofit Pilot Program. Properties must also be principal residences as defined in 24 CFR 201.2. HUD intends to further limit the Pilot Program to single unit detached properties in order to control the number of variables in the Pilot Program. Loans used to finance the property improvements for manufactured homes and multifamily properties[9] are not eligible for the Retrofit Pilot Program, but remain eligible for Title I program insurance under 24 CFR part 201.

2. *Loan maturities (24 CFR 201.11).* Under the Title I program regulations at 24 CFR 201.11 an insured loan may have a term as long as 20 years. Under the Retrofit Pilot Program, loan terms generally will be limited to 15 years to better align the term of financing with the useful life of, and benefits from, most energy retrofit improvements. Under the Pilot Program, loan terms that are for 20 years can only be for certain specified improvements: Renewable energy measures, geothermal systems, and other improvements as approved by HUD. See "Eligible use of loan proceeds" in Section II.D.4(b) below.

3. *Interest and discount points (24 CFR 201.13).* Under the Title I program regulations at 24 CFR 201.13, the lender may not require or allow any party, other than the borrower, to pay discount points or other financing charges in connection with the loan transaction. This restriction, while helping to assure that borrowers have a personal stake in the repayment of the loan, also has the effect of hindering state and local efforts to support home energy retrofits by lowering the cost of capital to consumers, such as through interest-rate write downs. The Retrofit Pilot Program expressly contemplates that third parties (including state and local governments, private organizations, and nonprofit organizations) may pay discount points or other financing charges in connection with the Title I loan transaction and encourages third parties to work with participating lenders on this basis. In addition, as noted, lenders may utilize HUD incentive payments under the Pilot Program for this purpose.

The interest shall be calculated on a traditional mortgage interest basis.

4. *Property improvement loan eligibility (24 CFR 201.20).*

a. *Borrower eligibility (24 CFR 201.20(a)).* As under Title I loans, Retrofit Pilot Program borrowers shall have at least a one-half interest in one of the following:

(i) Fee simple title of the property; or

(ii) A properly recorded land installment contract.

Unlike the Title I program, lessees of the property will not be eligible to participate in the Pilot Program. The limitation of eligibility to owner-occupied properties is designed to reduce the variables in the Pilot Program for purposes of evaluation, as well as to help ensure compliance with the minimum property loan to value ratios described in section II.F.5., below.

b. *Eligible use of the loan proceeds (24 CFR 201.20(b)).* Similar to the Title I program, loan proceeds shall be used only for the purposes disclosed in the loan application. Under the standard Title I loan, proceeds shall be used only to finance property improvements that substantially protect or improve the basic livability or utility of the property. Further, HUD has the authority to establish a list of items and activities that may not be financed with the proceeds of any property improvement loan.

Under the Retrofit Pilot Program, loan proceeds may be used only for measures that improve home energy performance or directly make such measures possible. If a lender has any doubt as to the eligibility of any item or activity, the lender must request a determination from FHA before making a loan. The proposed list of eligible measures, to be finalized after the period for public comment on this notice, is attached as Appendix B. HUD is specifically seeking comments on this aspect of the Pilot Program.

The reason for this limitation is that the purpose of the Retrofit Pilot Program is to provide financing specifically for home energy retrofits. In addition, HUD believes that limiting the eligible uses of loan proceeds, as described, will allow better evaluation of the Retrofit Pilot Program for its intended purpose and facilitate broader analysis of Pilot Program data to improve the structure of other future financing efforts to support home energy retrofits. HUD encourages the use of home energy audits and other tools to enable consumers to determine the most beneficial improvements they should seek to undertake.

5. *Property valuation (24 CFR 201.20).* The combined loan-to-value ratio of the mortgage and energy retrofit loan cannot exceed 100 percent and will require a method to determine current valuation of the property, such as an Exterior-Only Inspection Residential Appraisal Report (Form HUD–2055) or other approved valuation method. HUD is specifically seeking comments on this aspect of the Pilot Program.

6. *Credit requirements for borrowers (24 CFR 201.22).* In addition to the requirements under the Title I program, all borrowers participating in the Retrofit Pilot Program must have a decision credit score of 660 or higher. 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

[9] Manufactured home improvement loan and multifamily property improvement loan are terms defined in § 201.2.

of 850, are calculated 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. While FHA's guidance is based on the "FICO-based" decision credit score, it is not FHA's intent to prohibit the use of other credit scoring models to assess a borrower's credit profile.

The borrower's total debt-to-income ratio cannot exceed 45 percent, as under the Title I program. HUD recognizes that requiring a minimum credit score for participation in the pilot program will mean that some homeowners cannot participate. However, given that this is a pilot program, HUD has determined to limit the Retrofit Pilot Program to borrowers with these credit scores in order to make an initial assessment of the interaction of credit ratings and repayment in connection with home energy retrofit loans.

7. *Charges to borrower to obtain loan (24 CFR 201.25).* The regulations for the Title I program provide that HUD will establish a list of fees and charges that may be included in a property improvement loan. The Retrofit Pilot Program will also establish a similar list of fees and charges.

8. *Conditions for loan disbursement (24 CFR 201.26).* In addition to current Title I requirements pertaining to disbursement of loan proceeds, the Retrofit Pilot Program funds shall be disbursed to the borrower(s) in two increments: (1) 50 percent of the proceeds shall be disbursed at loan funding/closing; and (2) the remaining 50 percent of the proceeds shall be disbursed after the energy retrofit improvements have been completed as evidenced by an executed Completion Certificate for Property Improvements (Form HUD–56002) by the borrower(s), and a lender-required inspection.

9. *Requirements for dealer loans (24 CFR 201.27).* Under the Title I program a dealer loan (defined at 24 CFR 201.2) "means a loan where a dealer, having a direct or indirect financial interest in the transaction between the borrower and the lender, assists the borrower in preparing the credit application or otherwise assists the borrower in obtaining the loan from the lender." Dealer loans will not be permitted in the Retrofit Pilot Program.

The reason for this limitation is that dealer loans have been disproportionately correlated with poor loan performance under Title I and other home improvement loan programs in the past. While HUD recognizes that there are many responsible dealers who can and would provide financing through dealer loans in a responsible manner, it is limiting the Retrofit Pilot Program to "direct loans." "Direct loans" is defined under the Title I program (at 24 CFR 201.2) as "a loan for which a borrower makes application directly to a lender without any assistance from a dealer." HUD believes that home improvement contractors and others whose activity may be described under the definition of "dealer" for the Title I program will play an important role in ensuring the pilot's success by performing the actual work related to the retrofits.

10. *Loan servicing (24 CFR 201.41).* Under the Title I program, lenders remain responsible for proper collection efforts, even though actual loan servicing and collection may be performed by an agent of the lender. In addition to these requirements, the servicer of a Retrofit Pilot Program loan, whether the servicer is the original lender or a subsequent servicer, as under FHA's major single family program (commonly referred to as the Title II program), is fully responsible for the required servicing responsibilities. As under the Title II program, "the mortgagee shall remain fully responsible for proper servicing, and the actions of its servicer shall be considered to be the actions of the mortgagee." HUD emphasizes that the servicer shall also be fully responsible for its actions as a servicer. HUD intends to seek recovery from servicers if FHA losses are attributable to servicing errors.

In addition, as noted, lenders that also service loans they originate under the pilot program may utilize HUD incentive payments under the program to reduce servicing costs that deliver bona fide benefits to borrowers.

11. *Insurance claim procedure (24 CFR 201.54).* Under the Title I program, HUD requires that insurance claims be fully documented.

Under the Pilot Program, the holder of the note will be accountable to HUD for origination/underwriting errors, and the servicer will be accountable to HUD for servicing errors. If a claim would be denied due to servicing errors, FHA will pay the claim to the holder of the note and seek recovery of its losses from the servicer. To effectuate this, the insured lender must obtain an indemnification agreement from the subservicer at loan origination that will be assigned to HUD when an insurance claim is filed. As an alternative to an indemnification agreement from the subservicer, the insured lender shall execute and submit with the claim a subrogation agreement that allows HUD to obtain indemnification directly from the subservicer. Losses to HUD will be mitigated by recoveries from defaulted borrowers.

III. Evaluating the Success of the Retrofit Pilot Program

As a pilot program, one of the principal purposes of the Pilot is to generate data on key questions that can help make the case for additional mainstream mortgage products to support home energy retrofits, including first mortgage options. FHA is therefore committed to a robust evaluation program in connection with the Pilot. (The evaluation will also enable HUD to assess the success of possible modifications to the existing Title I program before initiating, through rulemaking, any changes to the Title I regulations.)

FHA has identified three core questions on which the evaluation program will focus: (1) Did homes reduce energy consumption after retrofits? (2) did homeowners realize lower energy bills as a result of the retrofit? and (3) was home value affected as a result of the retrofit? Data from the PowerSaver Pilot Program suggesting answers to these questions will help fill a major void and start to establish a basis for analyzing other financing options.

FHA acknowledges that these can be challenging impacts to evaluate, for reasons ranging from "rebound effects" to consumer concerns about accessing utility billing data. FHA believes that it must attempt to do so, however; otherwise, FHA is concerned that continued progress on mainstream mortgage financing options for home energy retrofits will be frustrated.

FHA notes that HUD will also be tracking information on loan performance, through regular lender reporting, as under other FHA programs. The evaluation effort will therefore include loan performance as a component as well. In addition, FHA will explore the feasibility of adding to the core evaluation scope, potentially including: (1) Lender costs for originating and servicing; (3) impact of interest rates on consumer participation; (2) relative effectiveness of non-financial programmatic elements (consumer education, product marketing, auditing tools, and workforce quality assurance); and (4) the extent to which specific home energy improvements are chosen and the results from specific measures.

FHA recognizes the limitations in drawing conclusions from evaluating the Pilot Program. FHA anticipates utilizing a third party to conduct the evaluation and anticipates sharing the results with the public. FHA expressly encourages comment on the goals and scope of the evaluation.

IV. Findings and Certifications

Paperwork Reduction Act

The information collection requirements in this rule have been submitted to the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) (PRA) and paperwork approval is pending. In accordance with the PRA, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information, unless it displays a currently valid OMB control number.

Executive Order 12866, Regulatory Planning and Review

The Office of Management and Budget (OMB) reviewed this notice rule under Executive Order 12866 (entitled "Regulatory Planning and Review"). A determination was made that this notice is an "economically significant regulatory action," as defined in section 3(f)(1) of the Order, and the notice is accompanied by an impact analysis. The impact analysis is available at *http://www.hud.gov/offices/adm/hudclips/ia/.* The following provides a brief summary of the finding relating to the aggregate costs, benefits, and transfers of the pilot program contained in the analysis:

Introduction. As discussed more fully in the accompanying impact analysis, FHA envisions that the pilot program will provide insurance for up to 24,000 loans over the 2-year period of the pilot program, with an expected average loan size of $12,500. The program is therefore expected to result in the extension of $300 million in FHA-insured energy efficiency property improvement loans over the 2-year period.

Benefits. The aggregate net benefits are obtained by multiplying the individual net benefits by the expected number of loans and adding the expected social benefits of reduced energy consumption. As a base case, HUD assumes a consumer household with annual savings of $1,000, a 0 percent price growth, and a 7 percent discount rate. The present value of a technical retrofit for this base case scenario is $11,400. Assuming a rebound effect of 30 percent yields a comfort benefit of $3,400 and energy savings of $8,000 per participant.[10] As noted, approximately 24,000 loans are expected over 2 years. For the base case scenario, this would equal $41 million in comfort benefits and $96 million in energy savings for each year of the program. The benefits of the FHA program may not equal the sum of the benefits of all retrofits financed through the program, but only reflect the benefits of the retrofits that would not have occurred without the program; however, the existence of significant market imperfections and the lack of affordable financing make it reasonable to assume that a large proportion, if not all of the loans, will generate benefits.

Costs. The cost of receiving the energy-savings is the upfront investment plus the costs of financing the investment. The cost per investment is thus equal to the size of the loan.

Transfers to Consumers. The transfer to consumers is equal to the difference between the FHA interest rate and the interest rates on other loans available for the same purpose. As discussed, alternative means of financing are limited and come with higher interest costs. The gain to consumers is not limited to reduced loan costs but will consist also of the benefits of energy-efficient investment. The extent of these benefits depends upon the subsidy from an FHA loan guarantee.

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 was prepared 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). That FONSI 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, Room 10276, Department of Housing and Urban Development, 451 7th Street, SW., 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 toll-free Federal Information Relay Service at (800) 877–8339.

Dated: October 28, 2010.

David H. Stevens,

Assistant Secretary for Housing—Federal Housing Commissioner.

Appendix A

Home Energy Retrofit Loan Pilot Program Criteria for Expressions of Interest From Lenders

Introduction

Lender participation in the Retrofit Pilot Program is voluntary. HUD intends to select a limited number of lenders to participate.

Lenders interested in potentially participating in the Retrofit Pilot Program must submit an Expression of Interest using the format below and *following the instructions in this notice.* Lenders that fail to do so will not be considered for participation.

Lenders interested in potentially participating may also provide general comments on the Pilot Program. Any such comments should be submitted separately from the Expression of Interest, following the instructions in the notice, but may be referenced in the Expression of Interest.

As noted in the notice, all properly submitted comments and communications submitted to HUD in connection with this pilot program will be available for public inspection and copying. Expressions of Interest should not therefore contain any proprietary information. HUD may seek additional information from lenders that submit Expressions of Interest. Such information would be available for public inspection and copying as well, unless it is proprietary.

Expressions of Interest are non-binding. HUD will execute contracts with participating lenders after reviewing all Expressions of Interest and the issuance of the final notice for the Retrofit Pilot Program in the **Federal Register**.

Submission Instructions

To be considered for participation in the Pilot Program, a lender must e-mail its Expression of Interest to *FHAPowerSaver@hud.gov* by the public comment deadline set forth in the **DATES** section of this notice. Late submissions and Expressions of Interest not submitted to

[10] The "rebound effect" refers to the fact that the reaction of the consumer to the energy-saving technology will not necessarily reduce energy consumption by what is technically possible. By increasing energy efficiency, the retrofit reduces the expense of physical comfort and will thus increase the demand for comfort. In fact, the retrofit may have been driven for a demand for more heating in the winter or cooling in the summer. The size of the rebound effect will depend on the income of the household and the path of energy prices.

FHAPowerSaver@hud.gov will not be considered for participation in the Pilot Program.

Expressions of Interest must address each of the 10 factors identified below (labeled I through X). There is no minimum or maximum page number or required format for Expressions of Interest. Lenders should provide whatever manner of information they believe would be most relevant to HUD in evaluating their Expression of Interest in participating in the Retrofit Pilot Program. Each Expression of Interest must also contain a one page executive summary that sequentially summarizes the factors addressed below.

Factors to be Addressed in Expressions of Interest

I. Contact Information

Institution Name:
Address:
Contact Name, Title, Phone Number and Email Address:

II. Statement of Interest

Please describe your institution's interest in potentially participating in the program. HUD is interested in understanding the reasons for your interest, how it fits with your business strategy and goals, and how, specifically, your institution would be able to meet the goals of the Pilot Program as described in the notice.

III. Status as an FHA Title I or Title II Program Lender

Please provide evidence that your institution has a valid Title I contract of insurance and is approved under the requirements of 24 CFR part 202 to originate, purchase, hold, service, or sell loans insured under the Title I program regulations at 24 CFR part 201.

If you do not meet the criteria above but are an approved Title II lender, please provide evidence to that effect.

IV. Experience With Similar Lending Initiatives

Please describe your experience successfully originating and/or servicing small loans, home equity loans, second liens, FHA section 203(k) rehabilitation loans, and/or Title I Property Improvement Loans.

If your institution does not have such experience and capacity, please describe how any other experience is relevant to determining your institution's ability to participate in the Pilot Program.

V. Computer System Capabilities

Please provide evidence of your institution's technical capability to interface with FHA through FHA Connection and the Single Family Default Monitoring system.

Note: Participating lenders will be required to have the technical capability to interface with any other computer systems utilized by FHA or its contractors pertaining to the Retrofit Pilot Program.

VI. Audit and Reporting Capabilities

Please provide evidence of your institution's capacity to provide timely reports to FHA on origination and performance of loans under the Pilot Program, specifically including an electronic loan package to HUD for a random sample of loans chosen for quality reviews.

Note: FHA envisions requiring monthly reports on loan and portfolio performance.

VII. Collaborative Capacity

Please provide evidence of your institution's capacity to work with public sector agencies, nonprofit organizations, utilities, and/or home improvement contractors.

VIII. Projected Activity and Markets

Please describe the volume of lending your institution anticipates doing under the two-year Pilot Program and the markets you intend to serve.

Note: FHA may allow less volume than described.

IX. Product Plan and Business Model

Please describe your institution's product plan and business model as you envision it for lending under the Pilot Program. Specifically, please inform HUD of the following: (1) Will you originate and service loans, or originate only? (2) What do you expect in terms of loan performance? (3) What fees will you charge? (4) What steps will you take to ensure the lowest cost of financing for consumers? (5) How will you market the product? (6) To what extent will you work with public agencies, contractors, utilities, and other organizations? (7) How will you ensure quality control of contractors? (8) Will you hold loans, sell whole loans and/or issue securities backed by pools of loans, or some combination?

X. Use of HUD Incentive Payments

To the extent that you request to utilize funds from HUD for incentive payments to lower costs for borrowers, either through lower interest rates, lower servicing costs, and potentially other purposes, please describe how much funding you request, the number of loans you anticipate making (a range is appropriate if necessary), and the bona fide benefit that would accrue to borrowers through the uses of the funds.

Note: As noted, Expressions of Interest are non-binding. The purpose of this question is to get a sense of your institution's intent at this stage, understanding that specifics may change.

Note: To the extent these answers would contain proprietary information, please contact HUD based on information provided in the notice.

XI. Final comments

Please provide any additional information that would be relevant to HUD in evaluating your Expression of Interest to participate in the Retrofit Pilot Program, either as a narrative response or attachment(s), or both.

Appendix B

Eligible Improvements Under Retrofit Pilot Program

Improvement	Standards
Whole House	Whole house air sealing measures, including interior and exterior measures, utilizing sealants, caulks, insulating foams, gaskets, weather-stripping, mastics, and other building materials in accordance with BPI standards or other procedures approved by the Secretary. (Reference: *http://www.bpi.org/standards.aspx*)
Insulation: Attic	Attic insulation measures that— (A) Include sealing of air leakage between the attic and the conditioned space, in accordance with BPI standards or the attic portions of the DOE or EPA thermal bypass checklist or other procedures approved by the Secretary; (B) add at least R–19 insulation to existing insulation; (C) result in at least R–38 insulation in DOE climate zones 1 through 4 and at least R–49 insulation in DOE climate zones 5 through 8, including existing insulation, within the limits of structural capacity, except that a State, with the approval of the Secretary, may designate climate zone sub regions as a function of varying elevation; and (Map Page: *http://www.energystar.gov/index.cfm?c=home_sealing.hm_improvement_insulation_table)* (D) cover at least— (i) 100 percent of an accessible attic; or (ii) 75 percent of the total conditioned footprint of the house. (BPI Standards reference: *http://www.bpi.org/standards.aspx*)
Insulation: Wall	Wall insulation that— (A) is installed in accordance with BPI standards or other procedures approved by the Secretary; (B) is to full-stud thickness or adds at least R–10 of continuous insulation; and (C) covers at least 75 percent of the total external wall area of the home.

Improvement	Standards
	(BPI Reference: *http://www.bpi.org/standards.aspx*)
Insulation: Crawl Space	Crawl space insulation or basement wall and rim joist insulation that is installed in accordance with BPI standards or other procedures approved by the Secretary and— (A) covers at least 500 square feet of crawl space or basement wall and adds at least— (i) R–19 of cavity insulation or R–15 of continuous insulation to existing crawl space insulation; or (ii) R–13 of cavity insulation or R–10 of continuous insulation to basement walls; and (B) fully covers the rim joist with at least R–10 of new continuous or R–13 of cavity insulation. (BPI Reference: *http://www.bpi.org/standards.aspx*)
Duct Sealing	Duct sealing or replacement and sealing that— (A) is installed in accordance with BPI standards or other procedures approved by the Secretary; and (B) in the case of duct replacement and sealing, replaces and seals at least 50 percent of a distribution system of the home. (BPI Reference: *http://www.bpi.org/standards.aspx*) Reference: *http://www1.eere.energy.gov/buildings/windowsvolumepurchase/*
Skylight Replacement	Skylight replacement that meets most recent Energy Star specifications.
Door Replacement	Door replacement that meets most recent Energy Star specifications.
Storm Doors	Storm doors that— • meet the most recent Energy Star specifications
Storm Windows	Storm windows that— • meet the requirements for low-e storm windows under the Department of Energy Windows Volume Purchase Program
Heating System Gas/Propane/Oil Boiler/Furnace.	Heating system replacement that meets most recent Energy Star specifications.
Air Conditioner	Air-source air conditioner or air-source heat pump replacement with a new unit that meets most recent Energy Star specifications.
Geothermal	Heating or cooling system replacement with an Energy Star qualified geothermal heat pump that meets Tier 2 efficiency requirements and that is installed in accordance with ANSI/ACCA Standard 5 QI–2007.
Water Heater (gas, propane, electric, tank less)	Replacement of a natural gas, propane, or electric water heater that meets most recent Energy Star specifications.
Water Heater (solar)	Solar water heating property must be Energy Star Qualified, or certified by the Solar Rating and Certification Corporation or by comparable entity endorsed by the state in which the system is installed.
Fuel Cells and Micro turbine Systems.	Efficiency of at least 30% and must have a capacity of at least 0.5 kW.
Solar Panels (Photovoltaic Systems).	Photovoltaic systems must provide electricity for the residence, and must meet applicable fire and electrical code requirement.
Wind Turbine Residential	A wind turbine collects kinetic energy from the wind and converts it to electricity that is compatible with a home's electrical system, and has a nameplate capacity of no more than 100 kilowatts.
Roofs Metal & Asphalt	Metal or asphalt roofs that meet most recent Energy Star specifications.

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BILLING CODE 4210–67–P

DEPARTMENT OF THE INTERIOR

National Natural Landmark Designations

AGENCY: National Park Service, Department of the Interior.

ACTION: Public Notice of National Natural Landmark Designations.

SUMMARY: On January 16, 2009, then Secretary of the Interior Dirk Kempthorne designated the following National Natural Landmarks: Big Bone Lick, Boone County, Kentucky; Cave Without a Name, Kendall County, Texas; Chazy Fossil Reef, Grand Isle County, Vermont and Clinton County, New York; and Nottingham Park Serpentine Barrens, Chester County, PA

FOR FURTHER INFORMATION CONTACT: Dr. Margaret Brooks, National Natural Landmark Program Manager, at 520–791–6470.

SUPPLEMENTARY INFORMATION: The Secretary of the Interior established the National Natural Landmarks Program in 1962, under the authority of the Historic Sites Act of 1935 (16 U.S.C. 461 *et seq.*). The National Park Service manages this program using regulations found at 36 CFR part 62. Potential natural landmarks are identified in studies by the NPS and from other sources, evaluated by expert natural scientists, and if determined nationally significant, designated as landmarks by the Secretary of the Interior. When designated, a landmark is included in the National Registry of Natural Landmarks, which currently lists 586 National Natural Landmarks nationwide. Of the 586 listed landmarks, half are administered solely by public agencies; *i.e.,* Federal, State, county or municipal governments. Nearly one-third are owned solely by private parties.

National Natural Landmark designation is not a land withdrawal, does not change the ownership of an area, does not dictate activity, and does not imply a right of public access. However, Federal agencies should consider impacts to the unique properties of these nationally significant areas in carrying out their responsibilities under the National Environmental Policy Act (42 U.S.C. 4321 *et seq.*). Designation could result in State or local planning or land use implications. National Natural Landmark preservation is made possible by the long-term, voluntary commitments of public and private owners to protect the outstanding values of the areas. Information on the National Natural Landmarks Program can be found in 36 CFR part 62 or on the Internet at *http://www.nature.nps.gov/nnl.*

Site Descriptions:

The Big Bone Lick site is located within the State of Kentucky, southwest of Cincinnati, Ohio, and is unique in the Interior Low Plateaus for its combination of salt springs and associated late Pleistocene bone beds. Many types of animals, especially large herbivores, were attracted to the springs for salt, and became mired in the mud. The site became a burial ground over time. Layers of disarticulated bones have been uncovered to depths of 30 feet. The site has been referred to as a major New World fossil locality, and