

adjustment to the escrows exemption asset-size threshold will also decrease the threshold for small-creditor portfolio and balloon-payment qualified mortgages under Regulation Z. The requirements for small-creditor portfolio qualified mortgages at § 1026.43(e)(5)(i)(D) reference the asset threshold in § 1026.35(b)(2)(iii)(C). Likewise, the requirements for balloon-payment qualified mortgages at § 1026.43(f)(1)(vi) reference the asset threshold in § 1026.35(b)(2)(iii)(C). Balloon-payment qualified mortgages that satisfy all applicable criteria in §§ 1026.43(f)(1)(i) through (vi) and 1026.43(f)(2), or the conditions set forth in § 1026.43(e)(6) for covered transactions for which the application is received before April 1, 2016,⁴ including being made by creditors that have (together with certain affiliates) total assets below the threshold in § 1026.35(b)(2)(iii)(C), are also excepted from the prohibition on balloon payments for high-cost mortgages in § 1026.32(d)(1)(ii)(C).

II. Procedural Requirements

A. Administrative Procedure Act

Under the Administrative Procedure Act (APA), notice and opportunity for public comment are not required if the Bureau finds that notice and public comment are impracticable, unnecessary, or contrary to the public interest. 5 U.S.C. 553(b)(B). Pursuant to this final rule, comment 35(b)(2)(iii)-1 in Regulation Z is amended to update the exemption threshold. The amendment in this final rule is technical, and merely applies the formula previously established in Regulation Z for determining any adjustments to the exemption threshold. For these reasons, the Bureau has determined that publishing a notice of proposed rulemaking and providing opportunity for public comment are unnecessary. Therefore, the amendment is adopted in final form.

Section 553(d) of the APA generally requires publication of a final rule not less than 30 days before its effective date, except for (1) a substantive rule which grants or recognizes an exemption or relieves a restriction; (2) interpretive rules and statements of policy; or (3) as otherwise provided by the agency for good cause found and published with the rule. 5 U.S.C. 553(d). At a minimum, the Bureau believes the

amendments fall under the third exception to section 553(d). The Bureau finds that there is good cause to make the amendments effective on January 1, 2016. The amendment in this rule is technical, and applies the method previously established in the agency's regulations for automatic adjustments to the threshold.

B. Regulatory Flexibility Act

Because no notice of proposed rulemaking is required, the Regulatory Flexibility Act does not require an initial or final regulatory flexibility analysis. 5 U.S.C. 603(a), 604(a).

C. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320), the agency reviewed this final rule. No collections of information pursuant to the Paperwork Reduction Act are contained in the final rule.

List of Subjects in 12 CFR Part 1026

Advertising, Consumer protection, Credit, Credit unions, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

Authority and Issuance

For the reasons set forth in the preamble, the Bureau amends Regulation Z, 12 CFR part 1026, as set forth below:

PART 1026—TRUTH IN LENDING (REGULATION Z)

- 1. The authority citation for part 1026 continues to read as follows:

Authority: 12 U.S.C. 2601, 2603-2605, 2607, 2609, 2617, 3353, 5511, 5512, 5532, 5581; 15 U.S.C. 1601 *et seq.*

- 2. In Supplement I to Part 1026—Official Interpretations, under *Section 1026.35—Requirements for Higher-Priced Mortgage Loans, 35(b)(2) Exemptions, Paragraph 35(b)(2)(iii)*, paragraph 1.iii.E introductory text, as amended at 80 FR 59968 (Oct. 2, 2015), is revised to read as follows:

SUPPLEMENT I TO PART 1026—OFFICIAL INTERPRETATIONS

* * * * *

Subpart E—Special Rules for Certain Home Mortgage Transactions

* * * * *

Section 1026.35—Requirements for Higher-Priced Mortgage Loans

* * * * *

35(b)(2) Exemptions

* * * * *

Paragraph 35(b)(2)(iii)

- 1. * * *
- iii. * * *

E. Under § 1026.35(b)(2)(iii)(C), the \$2,000,000,000 asset threshold adjusts automatically each year based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million dollars. The Bureau will publish notice of the asset threshold each year by amending this comment. For calendar year 2016, the asset threshold is \$2,052,000,000. A creditor that together with the assets of its affiliates that regularly extended first-lien covered transactions during calendar year 2015 has total assets of less than \$2,052,000,000 on December 31, 2015, satisfies this criterion for purposes of any loan consummated in 2016 and for purposes of any loan consummated in 2017 for which the application was received before April 1, 2017. For historical purposes:

* * * * *

Dated: December 16, 2015.

Richard Cordray,
Director, Bureau of Consumer Financial Protection.

[FR Doc. 2015-32293 Filed 12-22-15; 8:45 am]

BILLING CODE 4810-AM-P

FEDERAL HOUSING FINANCE AGENCY

12 CFR Part 1227

RIN 2590-AA60

Suspended Counterparty Program

AGENCY: Federal Housing Finance Agency.

ACTION: Final rule.

SUMMARY: This final rule establishes requirements and procedures for the Federal Housing Finance Agency's (FHFA) Suspended Counterparty Program. Under the Suspended Counterparty Program, FHFA may issue suspension orders directing the regulated entities (Fannie Mae, Freddie Mac, and the eleven Federal Home Loan Banks (Banks)) to cease doing business with an individual or institution, and any affiliate thereof, for a specified period of time where such party has committed fraud or other financial misconduct involving a mortgage transaction.

The final rule revises the interim final rule published on October 23, 2013. The final rule excludes from the types of covered transactions that would be subject to a final suspension order any transaction involving a residential mortgage loan if the loan is secured by the respondent's own personal or

⁴ The Bureau extended the temporary provision in § 1026.43(e)(6) from covered transactions consummated on or before January 10, 2016 to covered transactions for which the application was received on or before April 1, 2016. See 80 FR 59943, 59959 (Oct. 2, 2015).

household residence. The final rule provides more time than the interim final regulation provided for the regulated entities to submit reports to FHFA when they become aware that any individual or institution, and any affiliate thereof, with which they do business, has committed fraud or other financial misconduct involving a mortgage transaction. The final rule also simplifies the standard for issuing suspension orders by eliminating the requirement that FHFA demonstrate that the regulated entity has done business with the individual or institution within the past three years. Finally, the final rule clarifies the method of issuing notices of proposed suspension orders with respect to affiliates.

DATES: The final rule is effective January 22, 2016.

FOR FURTHER INFORMATION CONTACT: Kevin Sheehan, Associate General Counsel, at (202) 649-3086 (not a toll-free number), Federal Housing Finance Agency, Eighth Floor, 400 Seventh Street SW., Washington, DC 20219. The telephone number for the Hearing Impaired is (800) 877-8339 (TDD only).

SUPPLEMENTARY INFORMATION:

I. Background

The Suspended Counterparty Program requires a regulated entity to submit a report to FHFA if it becomes aware that an individual or institution with which it does business has been found within the past three years to have committed fraud or other financial misconduct involving a mortgage transaction. FHFA may issue proposed and final suspension orders based on the reports it has received from the regulated entities or based on other information. FHFA offers the affected individual or institution and the regulated entities an opportunity to respond to any proposed suspension order. FHFA may issue a final suspension order if FHFA determines that the underlying misconduct is of a type that would be likely to cause significant financial or reputational harm to a regulated entity or otherwise threaten the safe and sound operation of a regulated entity. Final suspension orders direct the regulated entities to cease or refrain from doing business with the suspended individuals or institutions for a specified period of time, which may be permanent in appropriate cases.

FHFA established the Suspended Counterparty Program in June 2012 by letter to the regulated entities. The requirements and procedures for the Suspended Counterparty Program were generally codified by the interim final

rule published on October 23, 2013. 78 FR 63007. FHFA received two comment letters on the interim final rule: one from Fannie Mae; and one from eleven of the then twelve Banks¹ (the Pittsburgh Bank did not join in the comment letter). The current regulation, the comments received, and the final rule are discussed below.

II. Analysis of Final Rule

A. Requirement to Submit Reports—§ 1227.4

1. Scope of Reporting Requirements

Current regulation. The current regulation requires a regulated entity to submit a report to FHFA when the regulated entity becomes aware that a person or affiliate thereof with which the regulated entity is engaging or has engaged in a covered transaction within the past three years has engaged in covered misconduct. A regulated entity is aware of covered misconduct when the regulated entity has reliable information that such misconduct has occurred. 12 CFR 1227.4(a). “Covered misconduct” is defined to include convictions or administrative sanctions based on fraud or similar misconduct in connection with the mortgage business. 12 CFR 1227.2. The **Federal Register** notice accompanying the interim final rule states that the regulated entities are not required to conduct any independent investigation of the underlying conduct. *See* 78 FR at 63009.

Comments received. The Banks supported the requirement in the current regulation for reporting to FHFA when they “become aware” of covered misconduct based on “reliable information.” However, the Banks asked that FHFA provide additional guidance on the scope of their reporting obligations with respect to “reliable information.” The Banks recommended that the rule language indicate that the regulated entities are not required to conduct any independent investigation of the conduct underlying covered misconduct. The Banks also asked that the rule language indicate that the regulated entities are not required to research possible affiliate relationships, stating that it would be difficult, if not impossible, to know the full extent of the affiliates of any given entity.

The Banks asked FHFA to state that the regulated entities would not be required to conduct any docket searches for convictions or to monitor federal agency notices of debarment. The Banks also recommended that the reporting

requirements not apply where a regulated entity becomes aware of covered misconduct through national news reporting or by an announcement or action taken by a federal agency, stating that such information would be accessible to FHFA as well as the regulated entities and all regulated entities should not have to report on the same, widely known conduct. The Banks further recommended that the reporting requirements not apply to any information about covered misconduct that a regulated entity discovers in reviewing a member’s examination report. The Banks stated that their review of such reports is subject to confidentiality agreements with federal financial regulators that limit their ability to disclose any information in the reports without the express written consent of the regulator.

Final rule. The final rule does not change the scope of the reporting requirements under the Suspended Counterparty Program. A regulated entity is required to submit a report to FHFA regarding only covered misconduct of which the regulated entity is aware. The extent of any regulated entity’s efforts in evaluating counterparties or addressing potential mortgage fraud is a prudential matter for the regulated entity, subject to regular supervision by FHFA. The Suspended Counterparty Program is not intended to require additional review or investigation by a regulated entity, nor is it intended to take the place of any review or investigation that a regulated entity would otherwise engage in.

With respect to the comment regarding confidential examination information, the Suspended Counterparty Program is limited to convictions or administrative sanctions for fraud or other financial misconduct related to mortgage transactions. Records regarding any such actions would be publicly available, so it is not necessary to revise this rule to address confidential examination information.

2. Scope of Screening

Current regulation. The **Federal Register** notice accompanying the interim final rule states that the rule does not specify the internal procedures that each regulated entity must establish to ensure compliance with the reporting requirements under the rule. *See* 78 FR at 63009.

Comments received. The Banks indicated that they have existing procedures for screening against the U.S. Treasury Department’s Office of Foreign Assets Control’s list. The Banks requested that FHFA state that such

¹ The Federal Home Loan Bank of Seattle merged into the Federal Home Loan Bank of Des Moines as of the close of business on May 31, 2015.

procedures are sufficient for purposes of the Suspended Counterparty Program.

Fannie Mae commented that screening individual purchasers of Fannie Mae-owned real estate (REO) against the FHFA suspended counterparty list would present operational challenges. Fannie Mae requested FHFA to state that such screening is not required.

Final rule. The Suspended Counterparty Program is not intended to define the scope of a regulated entity's internal procedures to address risks presented by fraud or other financial misconduct. Each regulated entity must establish appropriate procedures to address such risks. The Suspended Counterparty Program supplements the efforts of the regulated entities; it does not replace those efforts. For example, the Suspended Counterparty Program does not by itself require a regulated entity to screen individual REO purchasers against the FHFA suspended counterparty list, but a regulated entity may still do so if the regulated entity determines that such screening would be a prudent business practice.

3. Timing of Reports

Current regulation. The current regulation provides that the regulated entities must submit reports to FHFA on covered misconduct no later than ten business days after the regulated entity becomes aware of such misconduct. 12 CFR 1227.4(c).

Comments received. Fannie Mae commented that ten business days is not sufficient to complete its usual due diligence and reasonable investigation to confirm whether there is in fact covered misconduct and whether or not Fannie Mae is engaged in a covered transaction with the reported party. Fannie Mae noted that such investigations typically rely on public information that may not be available within such timeframe. Fannie Mae asked FHFA to extend the time for submitting reports to 30 calendar days.

Final rule. FHFA recognizes that in some instances ten business days may not be sufficient to complete necessary investigation or other due diligence. Accordingly, the final rule revises the time for submitting reports to 30 calendar days.

B. Timing Requirements for Covered Transactions—§§ 1227.4, 1227.5 and 1227.6

Current regulation. The Suspended Counterparty Program covers situations where an individual or institution has engaged in a covered transaction with a regulated entity within the past three years. The current regulation requires a

regulated entity to report to FHFA when it becomes aware that a person or affiliate thereof with which the regulated entity is engaging or has engaged in a covered transaction within the past three years has engaged in covered misconduct. 12 CFR 1227.4(a). The current regulation also provides that a proposed or final order of suspension may be issued if the suspending official determines that there is evidence that the regulated entity has engaged in a covered transaction with the person or affiliate thereof within the past three years and has engaged in covered misconduct. 12 CFR 1227.5(b)(1) and 1227.6(a)(1).

Comments received. Both Fannie Mae and the Banks asked that the rule be limited to current counterparties, not counterparties with which they have done business within the past three years. The Banks indicated that their current procedures for identifying covered misconduct under the Suspended Counterparty Program do not address persons that have ceased doing business with the Banks and stated that requiring reports on such persons would be unduly burdensome. Fannie Mae commented that requiring reports on covered misconduct involving persons or institutions with whom Fannie Mae no longer does business would be an inefficient use of resources. Fannie Mae noted that requiring a regulated entity to research whether a contract or agreement terminated two or three or four years ago would yield very little benefit and would not fulfill the purposes of the Suspended Counterparty Program.

Final rule. The final rule revises the standard for issuing a proposed or final suspension order to eliminate the requirement that FHFA demonstrate that the regulated entity has done business with the individual or institution within the past three years. However, the final rule maintains the requirement that a regulated entity submit reports regarding any parties with which it has done business within the past three years.

FHFA recognizes that it may be difficult for a regulated entity to determine the exact date it ceased doing business with a particular individual or institution. In addition, documenting the exact timing of the most recent covered transaction is not necessary to accomplish the purposes of the Suspended Counterparty Program. Suspension orders reflect a determination by FHFA that doing business with an individual or institution presents a safety and soundness risk to the regulated entities. This determination is forward-looking

and does not depend on whether a regulated entity has recently engaged in a covered transaction. For those reasons, the final rule eliminates the requirements in §§ 1227.5(b)(1) and 1227.6(a)(1) that FHFA demonstrate that a regulated entity has done business with the individual or institution within the past three years.

Although the final rule revises the standard for whether FHFA may issue a proposed or final suspension order, the final rule maintains the requirement in § 1227.4(a) that the regulated entities submit reports in appropriate cases, even if they have already ceased doing business with the individual or institution. In many cases, a regulated entity may take action to terminate its relationship with a party before there has been any conviction or administrative sanction that would trigger the reporting requirement under the Suspended Counterparty Program. In some cases, a regulated entity may have stopped doing business with a counterparty that is currently doing business with another regulated entity that is not yet aware of the covered misconduct. Therefore, excluding those cases from the coverage of the rule would undermine the effectiveness of the program.

To the extent records are available, the regulated entities are encouraged to submit reports on any individual or institution that has engaged in covered misconduct regardless of when the most recent covered transaction took place. However, recognizing the practical and operational difficulty of determining when the most recent transaction may have occurred, the final rule only requires a regulated entity to submit reports regarding any parties with which it has done business within the past three years.

C. Definitions—§ 1227.2

1. Covered Transaction

Current regulation. The current regulation defines “covered transaction” as “a contract, agreement, or financial or business relationship between a regulated entity and a person and any affiliates thereof.” 12 CFR 1227.2. The **Federal Register** notice accompanying the interim final rule invited comments on whether this definition should be revised to include more explicit standards. As an example, the notice asked whether the rule should cover “lower tier covered transactions” to address persons who may indirectly do business with a regulated entity, such as a subcontractor or other person providing services to a party that does

business directly with a regulated entity. See 78 FR at 63009.

Comments received. The Banks commented that the regulation should not cover lower tier covered transactions. The Banks indicated that it would not be possible in all cases to require their counterparties to ensure that the counterparties did not do business with any suspended party in connection with a covered transaction and that the Banks would be unable to effectively monitor such a requirement in cases where a counterparty did agree to the requirement. The Banks commented that it would be possible for the Banks to encourage their counterparties not to do business with entities that have been suspended by FHFA.

Fannie Mae commented that the regulated entities should not be required to directly ensure that a suspended party does not do business indirectly with a regulated entity. Fannie Mae indicated that it would be operationally difficult for Fannie Mae to attempt to monitor such relationships between third parties. Fannie Mae commented that it could notify its counterparties of any limitations imposed by FHFA on such transactions, but it would not be able to directly ensure compliance.

Fannie Mae also recommended that the definition of “covered transaction” be limited to “contract or agreement” and not include other “financial or business relationships.” Fannie Mae stated that “financial or business relationships” is redundant with “contract or agreement,” and that if it was intended to capture something beyond a contract or agreement, it is too broad and ambiguous. Fannie Mae expressed concern that “financial or business relationships” could be interpreted to include relationships with service providers such as delivery services for which Fannie Mae may have an account but not necessarily a contract or agreement, which it stated would not advance the purposes of the Suspended Counterparty Program.

Final rule. The final rule does not revise the definition of “covered transaction.” In many cases involving mortgage fraud, a regulated entity that has purchased a mortgage loan may be directly affected by the fraud despite the fact that none of the parties that engaged in fraudulent conduct has a direct relationship with the regulated entity. However, FHFA recognizes that it would be operationally difficult at this time for the regulated entities to effectively monitor relationships between their counterparties and such lower tier service providers. For that reason, FHFA is not at this time

requiring that the regulated entities report on transactions between their direct counterparties and lower tier parties, or that the regulated entities ensure that their direct counterparties cease doing business with any lower tier parties that have been suspended by FHFA.

FHFA expects the regulated entities to take all appropriate measures to address the risks presented by mortgage fraud. The scope of those measures may depend in part on the nature of the financial or business relationship between the party and the regulated entity. Limiting the definition of “covered transaction” to only a “contract or agreement,” as recommended by Fannie Mae, would be too restrictive and, thus, contrary to the intent of the Suspended Counterparty Program. FHFA intends the definition to be flexible enough to encompass any parties who present a particular risk to the regulated entities, while still excluding generic third party service providers that are only incidentally involved in mortgage-related transactions, such as mail and package delivery vendors.

While the final rule does not limit the general definition of “covered transaction” in response to the comments received, the final rule limits the scope of a final suspension order to exclude one category of what otherwise might be considered lower tier covered transactions. FHFA does not intend final suspension orders to prevent respondents or their households from obtaining mortgage financing for the respondent’s own personal or household residence. The final rule adds a new paragraph (d) to § 1227.3 making clear that final suspension orders do not have any effect on any transaction involving a residential mortgage loan if the loan is secured by the respondent’s own personal or household residence.

2. Affiliate

Current regulation. The current regulation defines “affiliate” as a party that controls or is controlled by another person, whether directly or indirectly, including situations where one or more persons are controlled by the same third person. 12 CFR 1227.2.

Comments received. The Banks requested clarification of the definition of “affiliate,” particularly on what constitutes “control” for purposes of the definition. The Banks indicated that parent and subsidiary companies would appear to be covered, but expressed uncertainty over whether the definition would include executive officers of a company. The Banks also suggested that

the definition of “covered misconduct” should be revised to refer to imputed conduct “among persons” rather than “among affiliates.”

Final rule. The final rule does not change the definition of “affiliate,” and it does not replace the reference to “affiliates” in the definition of “covered misconduct.” FHFA intends the term “affiliate” to be interpreted broadly in light of the specific provisions regarding imputing conduct among affiliates in the definition of “covered misconduct.” 12 CFR 1227.2. The definition of “covered misconduct” makes clear that FHFA may impute conduct from an individual to an organization in appropriate circumstances. In those circumstances, FHFA would consider the individual and organization to be affiliates for purposes of the Suspended Counterparty Program.

3. Covered Misconduct

Current regulation. The current regulation defines “covered misconduct” to include convictions or administrative sanctions within the past three years based on fraud or similar misconduct in connection with the mortgage business. The definition provides that FHFA may impute conduct among individuals and organizations in appropriate circumstances as provided in the rule. 12 CFR 1227.2.

Comments received. The Banks supported defining “covered misconduct” as limited to offenses in connection with the mortgage business. The Banks suggested restating the definition of “covered misconduct” as certain types of conduct resulting in conviction or administrative sanction rather than a conviction or administrative sanction based on certain types of conduct. The Banks suggested that this would make clear that the conduct being imputed is the conduct that gave rise to the conviction or administrative sanction and not the conviction or administrative sanction itself.

Final rule. The final rule does not change the definition of “covered misconduct.” FHFA does not engage in independent fact-finding regarding the conduct underlying a conviction or administrative sanction covered by the rule. The current regulation reflects this approach by defining “covered misconduct” explicitly in terms of convictions and administrative sanctions. Where FHFA proceeds with a proposed or final suspension with respect to an affiliate, FHFA is imputing not just the underlying conduct, but the “covered misconduct” as defined in the rule.

4. Administrative Sanctions

Current regulation. The current regulation defines “administrative sanction” as a debarment, suspension, or any similar administrative sanction imposed by a Federal agency that has the effect of limiting the ability of a person to do business with a Federal agency. 12 CFR 1227.2. The definition includes any settlements of a proposed administrative sanction if the settlement has the same effect. The **Federal Register** notice accompanying the interim final rule requested comment on whether the definition should include other types of administrative sanctions, such as enforcement actions by other financial institution regulators. See 78 FR at 63009.

Comments received. Fannie Mae commented that the definition in the current regulation is appropriate and sufficiently broad and, therefore, should not be expanded to include enforcement actions by other financial institution regulators.

Final rule. The final rule does not change the definition of “administrative sanction” to include other types of administrative sanctions, such as enforcement actions by other financial regulators. The Suspended Counterparty Program is a limited measure intended to reduce the risks to the regulated entities from fraud and other financial misconduct. Other kinds of administrative actions may or may not be related to the goals of the Suspended Counterparty Program. FHFA may consider expanding the definition of “administrative sanction” in the future, but only in appropriate circumstances related to the goals of the Suspended Counterparty Program.

5. Conviction

Current regulation. The current regulation defines “conviction” as any judgment or other determination of guilt of a criminal offense by a court of competent jurisdiction, or any other functionally equivalent resolution. 12 CFR 1227.2. The definition includes judgments entered by verdict or based on a guilty plea. Other dispositions, such as probation before judgment or deferred prosecution, are also included if they include an admission of guilt.

Comments received. The Banks asked that FHFA state that “a court of competent jurisdiction” is limited to courts of the United States of America and does not include courts in foreign jurisdictions.

Final rule. The final rule does not change the definition of “conviction.” FHFA intends the definition of conviction to encompass both state and

federal courts. FHFA has not received any reports to date based on a conviction from a court outside the United States. If FHFA receives any such report in the future, FHFA will further evaluate the report to determine whether any additional action is necessary or appropriate.

D. Written Notice of Proposed Suspension

Current regulation. The current regulation provides that if the suspending official determines that there are grounds for a proposed suspension order, the suspending official “may” issue a written notice of proposed suspension. 12 CFR 1227.5(c).

Comments received. The Banks commented that a written notice of proposed suspension is necessary to enable affected parties to respond. The Banks, therefore, recommended that issuance of a written suspension notice should be mandatory where a suspending official finds grounds for such issuance.

Final rule. The final rule does not change this provision of the regulation. The use of the permissive “may” rather than the mandatory “shall” in this sentence is appropriate because the decision to propose suspension is a discretionary decision by FHFA. For example, the suspending official may determine that there are grounds for a proposed suspension order but that for other reasons a proposed suspension is not appropriate. The existing provision correctly expresses the discretionary nature of the decision to propose suspension. If the suspending official decides that a written notice of proposed suspension should be issued to the affected person, the suspending official must provide notice of the proposed suspension to each of the regulated entities as well.

While the final rule does not change the substance of this provision, the final rule clarifies the method of sending a notice of proposed suspension. Under the final rule, a notice of proposed suspension will be sent to an affiliate of a respondent only if the affiliate would be subject to the proposed suspension. The final rule also makes technical drafting changes to the language on the method of sending notices for greater clarity.

E. Scope of Final Suspension Orders

Current regulation. The current regulation provides that a final suspension order may be issued directing the regulated entities to cease or refrain from engaging in covered transactions “with a particular person

and any affiliates thereof.” 12 CFR 1227.3(a).

Comments received. The Banks commented that this language should be revised to clarify that each suspended affiliate will be identified in the suspension order. The Banks noted that it is difficult, if not impossible, for the regulated entities to know the full extent of the affiliates of any given entity.

Final rule. The final rule does not change this provision of the regulation. Section 1227.6(f)(2)(ii) states that each final suspension order must identify “each person and any affiliates thereof to which the suspension applies.” It is not necessary to restate this requirement in § 1227.3(a).

F. Status of Previous FHFA Guidance

Comments received. The Banks requested that, in order to eliminate potential conflicts of interpretation, FHFA state that any FHFA guidance issued prior to the interim final rule has been superseded by the interim final rule. The Banks also asked whether existing FHFA reporting forms should continue to be used for submitting reports.

Final rule. The Suspended Counterparty Program was established in June 2012 by letter to the regulated entities. Prior to publication of the interim final rule on October 23, 2013, FHFA adopted procedures for the regulated entities to submit reports and provided informal guidance on the scope of the reporting obligations. While the interim final rule generally codified the existing procedures for the Suspended Counterparty Program, to avoid unnecessary confusion, FHFA views any guidance issued prior to the effective date of the interim final rule as superseded. FHFA may respond to questions from the regulated entities about implementation and interpretation of the final rule, and FHFA may provide written guidance on specific issues as appropriate.

III. Consideration of Differences Between the Banks and the Enterprises

Section 1313(f) of the Federal Housing Enterprises Financial Safety and Soundness Act requires FHFA, when promulgating regulations relating to the Banks, to consider the differences between Fannie Mae and Freddie Mac (collectively, the Enterprises) and the Banks with respect to the Banks’: cooperative ownership structure; mission of providing liquidity to members; affordable housing and community development mission; capital structure; joint and several liability; and any other differences FHFA considers appropriate. See 12

U.S.C. 4513(f). In preparing this final rule, FHFA considered the differences between the Banks and the Enterprises as they relate to the above factors and determined that the Banks should not be treated differently from the Enterprises for purposes of the final rule.

IV. Paperwork Reduction Act

The final rule does not contain any information collection requirement that requires the approval of the Office of Management and Budget (OMB) under the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*). Therefore, FHFA has not submitted any information to OMB for review.

V. Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires that a regulation that has a significant economic impact on a substantial number of small entities, small businesses, or small organizations must include a regulatory flexibility analysis describing the regulation's impact on small entities. Such an analysis need not be undertaken if the agency has certified that the regulation will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b). FHFA has considered the impact of this final rule under the Regulatory Flexibility Act. FHFA certifies that the final rule will not have a significant economic impact on a substantial number of small entities because the regulation applies to Fannie Mae, Freddie Mac, and the Banks, which are not small entities for purposes of the Regulatory Flexibility Act.

List of Subjects in 12 CFR Part 1227

Administrative practice and procedure, Federal home loan banks, Government-sponsored enterprises, Reporting and recordkeeping requirements.

Authority and Issuance

Accordingly, for the reasons stated in the **SUPPLEMENTARY INFORMATION**, under the authority of 12 U.S.C. 4513, 4513b, 4514, and 4526, FHFA is adopting as final the interim final rule published at 78 FR 63007 (October 23, 2013) with the following changes:

PART 1227—SUSPENDED COUNTERPARTY PROGRAM

- 1. The authority citation for part 1227 continues to read as follows:

Authority: 12 U.S.C. 4513, 4513b, 4514, 4526.

- 2. Amend § 1227.3 by adding paragraph (d) to read as follows:

§ 1227.3 Scope of suspension orders.

* * * * *

(d) *No effect on residential mortgage loans secured by respondent's own personal or household residence.* A final suspension order issued pursuant to this part shall have no effect on any transaction involving a residential mortgage loan if the loan is secured by the respondent's own personal or household residence.

§ 1227.4 [Amended]

- 3. Amend § 1227.4(c)(1) by removing the phrase "ten (10) business days" and adding in its place the phrase "thirty (30) calendar days".

§ 1227.5 [Amended]

- 4. Amend § 1227.5 by
 - a. Removing the phrase "regulated entity is engaging or engaged in a covered transaction with the person or any affiliates thereof within the past three (3) years and the" from paragraph (b)(1).
 - b. Revising paragraph (e) to read as follows:

§ 1227.5 Proposed suspension order.

* * * * *

(e) *Method of sending notice.* The suspending official shall send the notice of proposed suspension to the last known street address, facsimile number, or email address of:

- (1) The person, the person's counsel, or an agent for service of process; and
- (2) Any affiliates of the person, the counsel for those affiliates, or an agent for service of process, if suspension is also being proposed for such affiliates.

* * * * *

§ 1227.6 [Amended]

- 5. Amend § 1227.6(a)(1) by removing the phrase "regulated entity is engaging or has engaged in a covered transaction within the past three (3) years with the respondent, and the".

Dated: December 15, 2015.

Melvin L. Watt,

Director, Federal Housing Finance Agency.
[FR Doc. 2015-32183 Filed 12-22-15; 8:45 am]

BILLING CODE 8070-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA-2015-6002; Airspace Docket No. 15-ANM-26]

RIN 2120-AA66

Removal of Jet Route J-477; Northwestern United States

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action removes jet route J-477 in the northwest United States. The FAA is taking this action to reflect and accommodate the decommissioning of the Medicine Hat VHF omnidirectional range (VOR) in Alberta, Canada.

DATES: Effective date 0901 UTC, March 31, 2016. The Director of the Federal Register approves this incorporation by reference action under title 1, Code of Federal Regulations, part 51, subject to the annual revision of FAA, Order 7400.9 and publication of conforming amendments.

ADDRESSES: FAA Order 7400.9Z, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at http://www.faa.gov/air_traffic/publications/. For further information, you can contact the Airspace Policy Group, Federal Aviation Administration, 800 Independence Avenue SW., Washington, DC 20591; telephone: (202) 267-8783. The Order is also available for inspection at the National Archives and Records Administration (NARA). For information on the availability of FAA Order 7400.9Z at NARA, call (202) 741-6030, or go to http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html.

FAA Order 7400.9, Airspace Designations and Reporting Points, is published yearly and effective on September 15.

FOR FURTHER INFORMATION CONTACT: Jason Stahl, Airspace Policy Group, Office of Airspace Services, Federal Aviation Administration, 800 Independence Avenue SW., Washington, DC 20591; telephone: (202) 267-8783.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA's authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the