

DOE activity that involves or may involve nuclear weapons. These posting requirements may be disregarded, however, to the extent they limit the conduct of a particular activity to prevent the detonation of a nuclear weapon, such as moving the weapon to an area that is not posted correctly for the presence of a nuclear weapon.

The Department, recognizes that the exclusion could be interpreted more broadly than intended and therefore may adopt a clarifying amendment to the exclusions stated in 10 CFR 830.2(c) and 835.1(b)(3).²⁶

Robert R. Nordhaus,

General Counsel.

[FR Doc. 96-2345 Filed 2-2-96; 8:45 am]

BILLING CODE 6450-01-P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

Loan Interest Rates

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The current 18 percent per year federal credit union loan rate ceiling is scheduled to revert to 15 percent on March 9, 1996, unless otherwise provided by the NCUA Board (Board). A 15 percent ceiling would restrict certain categories of credit and adversely affect the financial condition of a number of federal credit unions. At the same time, prevailing market rates and economic conditions do not justify a rate higher than the current 18 percent ceiling. Accordingly, the Board hereby continues an 18 percent federal credit union loan rate ceiling for the period from March 9, 1996 through September 8, 1997. Loans and lines of credit balances existing prior to May 15, 1987, may continue to bear their contractual rate of interest, not to exceed 21 percent. The Board is prepared to reconsider the 18 percent ceiling at any time should changes in economic conditions warrant.

EFFECTIVE DATE: March 9, 1996.

ADDRESSES: National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia, 22314-3428.

FOR FURTHER INFORMATION CONTACT: James F. Feeney, Office of Investment Services, Senior Investment Officer, at the above address. Telephone number: (703) 518-6620.

SUPPLEMENTARY INFORMATION:

Background

Public Law 96-221, enacted in 1979, raised the loan interest rate ceiling for federal credit unions from 1 percent per month (12 percent per year) to 15 percent per year. It also authorized the Board to set a higher limit, after consulting with Congress, the Department of the Treasury and other federal financial agencies, for a period not to exceed 18 months, if the Board should determine that: (1) money market interest rates have risen over the preceding 6 months; and (2) prevailing interest rate levels threaten the safety and soundness of individual credit unions as evidenced by adverse trends in growth, liquidity, capital and earnings.

On December 3, 1980, the Board determined that the foregoing conditions had been met. Accordingly, the Board raised the loan ceiling for 9 months to 21 percent. In the unstable environment of the first-half of the 1980s, the Board extended the 21 percent ceiling four times. On March 11, 1987, the Board lowered the loan rate ceiling from 21 percent to 18 percent effective May 18, 1987. This action was taken in an environment of falling market interest rates from 1980 to early 1987. The ceiling has remained at 18 percent to the present.

The Board felt, and continues to feel, that the 18 percent ceiling will fully accommodate an inflow of liquidity into the system, preserve flexibility in the system so that credit unions can react to any adverse economic developments, and will ensure that any increase in the cost of funds would not impinge on earnings of federal credit unions.

The Board would prefer not to set loan interest rate ceilings for federal credit unions. In the final analysis, the market sets the rates. The Board supports free lending markets and the ability of federal credit union boards of directors to establish loan rates that reflect current market conditions and the interests of credit union members. Congress has, however, imposed loan rate ceilings since 1934. In 1979, Congress set the ceiling at 15 percent but authorized the Board to set a ceiling in excess of 15 percent if the Board can justify it. The following analysis justifies a ceiling above 15 percent, but at the same time does not support a ceiling above the current 18 percent. The Board is prepared to reconsider this action at any time should changes in economic conditions warrant.

Justification for a Ceiling No Higher Than 18 Percent

Money Market Interest Rates

During the six-month period following the Board's July 1994 decision to continue the 18 percent ceiling, short-term money market rates increased about 150 basis points. For example, the two-year treasury note increased in yield from 6.15 percent to 7.69 percent for a gain of 154 basis points and a 25 percent change (see table 1).

TABLE 1.—MONEY MARKET INTEREST RATES

Maturity	Yields as of July 1, 1994	Yields as of December 30, 1994	Change in basis points
3-month	4.29	5.68	139
6-month	4.82	6.50	168
1-year	5.49	7.16	167
2-year	6.15	7.69	154
3-year	6.46	7.78	132
5-year	6.94	7.83	89

During the recent six-month period from July through December 1995, short-term money market rates decreased about 50 basis points. For example, the rate on the two-year treasury note dropped 60 basis points from 5.79 percent to 5.19 percent for a 10 percent change (see table 2). Although interest rates have fallen since July 1995, there is no assurance that they will remain at current levels during the period of this extension (from March 9, 1996 through September 8, 1997). Most economists believe that rates will fall a bit further in early 1996 and then rise in the fourth quarter of 1996 or early in 1997.

Despite the market improvement in interest rates in the last six months, the NCUA board believes that, in view of the uncertain outlook for interest over the next 18 months, lowering the interest rate ceiling at this time could cause an unnecessary burden on credit unions, especially those with 20% or more of their assets in high-interest rate loans.

TABLE 2.—MONEY MARKET INTEREST RATES

Maturity	Yields as of July 1, 1995	Yields as of December 30, 1995	Change in basis points
3-month	5.60	5.12	48
6-month	5.60	5.18	42
1-year	5.62	5.16	46
2-year	5.79	5.19	60

²⁶ See Notice of Limited Reopening of Comment Periods, 60 FR 45381, 45384 (1995) for a discussion of the weapons exclusion.

TABLE 2.—MONEY MARKET INTEREST RATES—Continued

Maturity	Yields as of July 1, 1995	Yields as of December 30, 1995	Change in basis points
3-year	5.85	5.25	60
5-year	5.96	5.41	55

Liquidity, Capital, Earnings and Growth of Individual Credit Unions

For at least 1,673 (14%) credit unions, market conditions call for rates on unsecured loans to be above 15%. For some of these credit unions, three factors combine to require interest rate charges above 15 percent in order to maintain liquidity, capital, earnings and growth. The first factor is low average loan balance. For example, credit unions with under \$2 million in assets have many unsecured loans with loan balances below \$1000.

There are fixed costs of granting and processing a loan. Many of these costs are incurred regardless of the size of the loan. Expressed as a percentage of loan balance on which interest will be collected, these costs can be very high on small loans.

Many other types of financial institutions will not even consider loan applications for less than \$1000. Lowering the interest rate ceiling for credit unions will discourage credit unions, too, from making these loans. Credit seekers' options will be reduced, with most of the affected members having no alternative but to turn to neighborhood lenders.

The second factor is credit risk. Loans to young members who have not yet established a credit history and loans to those who have built weak credit histories both carry high credit risk. Credit unions must charge rates sufficiently high enough to cover higher-than-usual losses for such loans. There are undoubtedly more than 1,673 credit unions charging over 15 percent for unsecured loans to such members. Many credit unions have "Credit Builder" or "Credit Rebuilder" loans but must report the "most common" rate on the Call Report for unsecured loans.

The third factor is credit union size. Small credit unions have fewer loans over which to distribute their overhead costs. Thus, small credit unions making small loans to members with poor or no credit histories are struggling with far higher costs than the typical credit union. Both young people and lower income households have limited access to credit and, absent a credit union,

often pay rates of 24 to 30 percent to small loan companies. Rates between 15 and 18 percent are attractive to such members. The higher rates are necessary to help cover the credit unions' costs of providing this kind of credit.

Table 3 shows the number of credit unions in each asset group that charge more than 15 percent for unsecured loans. It also shows the percent of credit unions in each group that do so. NCUA staff is not aware of any complaints from members of those credit unions offering high-risk, high-interest rate loans.

TABLE 3.—CREDIT UNIONS CHARGING MORE THAN 15 PERCENT ON UNSECURED LOANS AS OF JUNE 1995

Asset size group	Count of all CUs this asset size	Charging more than 15% on unsecured loans	
		Number	Percent
Less than \$2MM	3,666	386	10.5
\$2MM to \$10MM	4,157	613	14.7
\$10MM to \$50MM	2,813	459	16.3
Over \$50MM	1,200	215	17.9
Total .	11,836	1,673	14.1

Among the 1,673 credit unions charging more than 15 percent for unsecured loans, there are 367 credit unions with 20 percent or more of their assets in this kind of loan. For these credit unions, lowering their rates would damage their liquidity, capital, earnings and growth. Table 4 shows credit unions charging more than 15 percent that have more than 20 percent of their assets in these loans.

TABLE 4.—CREDIT UNIONS WITH MORE THAN 20 PERCENT OF ASSETS IN UNSECURED LOANS AS OF JUNE 1995

Asset size group	Number of CUs	Percent of size group	Average percent of assets in unsecured loans
Less than \$2MM	152	4.1	381.1
\$2MM to \$10MM	133	3.2%	26.9
\$10MM to \$50MM	65	2.3	26.7
Over \$50MM	17	1.4	25.5
Total .	367	3.1	31.4

In conclusion, the Board has continued the federal credit union loan interest rate ceiling of 18 percent per

year for the period from March 9, 1996 through September 8, 1997. Loans and line of credit balances existing on May 15, 1987 may continue to bear interest at their contractual rate, not to exceed 21 percent. Finally, the Board is prepared to reconsider the 18 percent ceiling at any time during the extension period, should changes to economic conditions warrant it.

Regulatory Procedures

Administrative Procedure Act

The Board has determined that notice and public comment on this rule are impractical and not in the public interest, 5 U.S.C. 553(b)(B). Due to the need for a planning period prior to the March 8, 1996 expiration date of the current rule, and the threat to the safety and soundness of individual credit unions with insufficient flexibility to determine loan rates, final action on the loan rate ceiling is necessary.

Regulatory Flexibility Act

For the same reasons, a regulatory flexibility analysis is not required, 5 U.S.C. 604(a). However, the Board has considered the need for this rule, and the alternatives, as set forth above.

Paperwork Reduction Act

There are no paperwork requirements.

Executive Order 12612

The final rule does not affect state regulation of credit unions. It implements provisions of the Federal Credit Union Act applying only to federal credit unions.

List of Subjects in 12 CFR Part 701

Credit, Credit unions, Loan interest rates.

By the National Credit Union Administration Board on January 25, 1996.
Becky Baker,
Secretary of the Board.

Accordingly, NCUA amends 12 CFR part 701 as follows:

PART 701—[AMENDED]

1. The authority citation for part 701 is revised to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1787, 1789, 1798. Section 701.6 is also authorized by 31 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*; 42 U.S.C. 1981 and 3601–3610. Section 701.35 is also authorized by 42 U.S.C. 4311–4312.

2. Section 701.21(c)(7)(ii)(C) is revised to read as follows:

§ 701.21 Loans to members and lines of credit to members.

* * * * *

(c) * * *

(7) * * *

(ii) * * *

(C) *Expiration.* After September 8, 1997, or as otherwise ordered by the NCUA Board, the maximum rate on federal credit union extensions of credit to members shall revert to 15 percent per year. Higher rates may, however, be charged, in accordance with paragraphs (c)(7)(ii) (A) and (B) of this section, on loans and line of credit balances existing on or before September 8, 1997.

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[FR Doc. 96-2016 Filed 2-2-96; 8:45 am]

BILLING CODE 7535-01-M

ENVIRONMENTAL PROTECTION AGENCY**40 CFR Part 52**

[CA 37-3-7203; FRL-5329-7]

Approval and Promulgation of Implementation Plans; California State Implementation Plan Revision; Butte County Air Pollution Control District, Mojave Desert Air Quality Management District, Monterey Bay Unified Air Pollution Control District, Santa Barbara County Air Pollution Control District, and Yolo-Solano Air Quality Management District

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule.

SUMMARY: EPA is finalizing the approval of revisions to the California State Implementation Plan (SIP) proposed in the Federal Register on July 27, 1995. The revisions concern rules from Butte County Air Pollution Control District (BCAPCD), Mojave Desert Air Quality Management District (MDAQMD), Monterey Bay Unified Air Pollution Control District (MBUAPCD), Santa Barbara County Air Pollution Control District, and Yolo-Solano Air Quality Management District (YSAQMD). This approval action will incorporate these rules into the federally approved SIP. The intended effect of approving these rules is to regulate emissions of volatile organic compounds (VOCs) in accordance with the requirements of the Clean Air Act, as amended in 1990 (CAA or the Act). The revised rules control VOC emissions from the manufacture and application of cutback and emulsified asphalt materials. Thus, EPA is finalizing the approval of these revisions into the California SIP under

provisions of the CAA regarding EPA action on SIP submittals, SIPs for national primary and secondary ambient air quality standards and plan requirements for nonattainment areas.

EFFECTIVE DATE: This action is effective on March 6, 1996.

ADDRESSES: Copies of the rule revisions and EPA's evaluation report for each rule are available for public inspection at EPA's Region IX office during normal business hours. Copies of the submitted rule revisions are available for inspection at the following locations:

Rulemaking Section (A-5-3), Air and Toxics Division, U.S. Environmental Protection Agency, Region IX, 75 Hawthorne Street, San Francisco, CA 94105

Environmental Protection Agency, Air Docket (6102), 401 "M" Street, S.W., Washington, D.C. 20460

California Air Resources Board, Stationary Source Division, Rule Evaluation Section, 1219 "K" Street, Sacramento, CA 95814

Butte County Air Pollution Control District, 9287 Midway, Suite 1A, Durham, CA 95938

Mojave Desert Air Quality Management District, 15428 Civic Drive, Victorville, CA 92392

Monterey Bay Unified Air Pollution Control District, 24580 Silver Cloud Court, Monterey, CA 93940

Santa Barbara County Air Pollution Control District, 26 Castilian Drive B-23, Goleta, CA 93117.

Yolo-Solano Air Quality Management District, 1947 Galileo Court, Suite 103, Davis, CA 95616.

FOR FURTHER INFORMATION CONTACT:

Patricia A. Bowlin, Rulemaking Section, Air and Toxics Division, U.S. Environmental Protection Agency, Region IX, 75 Hawthorne Street, San Francisco, CA 94105, Telephone: (415) 744-1188.

SUPPLEMENTARY INFORMATION:**Background**

On July 27, 1995 in 60 FR 38535, EPA proposed to approve the following rules into the California SIP: BCAPCD Rule 241, Cutback and Emulsified Asphalt; MDAQMD Rule 1103, Cutback and Emulsified Asphalt; MBUAPCD Rule 425, Use of Cutback Asphalt; SBCAPCD Rule 329, Cutback and Emulsified Asphalt Paving Materials; and YSAQMD Rule 2.28, Cutback and Emulsified Asphalts. The BCAPCD adopted Rule 241 on January 12, 1993; the MDAQMD adopted Rule 1103 on December 21, 1994; the MBUAPCD adopted Rule 425 on August 25, 1993; the SBCAPD adopted rule 329 on February 25, 1992; and the YSAQMD adopted Rule 2.28 on

May 25, 1994. These rules were submitted by the California Air Resources Board (CARB) to EPA on May 13, 1993; December 22, 1994; November 18, 1993; June 19, 1992; and November 30, 1994 respectively. These rules were submitted in response to EPA's 1988 SIP-Call and the CAA section 182(a)(2)(A) requirement that nonattainment areas fix their reasonably available control technology (RACT) rules for ozone in accordance with EPA guidance that interpreted the requirements of the pre-amendment Act. A detailed discussion of the background for each of the above rules and nonattainment areas is provided in the NPRM cited above.

EPA has evaluated the above rules for consistency with the requirements of the CAA, EPA regulations, and EPA interpretation of these requirements as expressed in the various EPA policy guidance documents referenced in the NPRM cited above. EPA has found that the rules meet the applicable EPA requirements. A detailed discussion of the rule provisions and evaluations has been provided in 60 FR 38535 and in technical support documents (TSDs) available at EPA's Region IX office.

Response to Public Comments

A 30-day public comment period was provided in 60 FR 38535. EPA received no comments regarding the NPRM.

EPA Action

EPA is finalizing action to approve the above rules for inclusion into the California SIP. EPA is approving the submittals under section 110(k)(3) as meeting the requirements of section 110(a) and Part D of the CAA. This approval action will incorporate these rules into the federally approved SIP. The intended effect of approving these rules is to regulate emissions of VOCs in accordance with the requirements of the CAA.

Nothing in this action should be construed as permitting or allowing or establishing a precedent for any future request for revision to any state implementation plan. Each request for revision to the state implementation plan shall be considered separately in light of specific technical, economic, and environmental factors and in relation to relevant statutory and regulatory requirements.

Unfunded Mandates

Under Sections 202, 203, and 205 of the Unfunded Mandates Reform Act of 1995 ("Unfunded Mandates Act"), signed into law on March 22, 1995, EPA must undertake various actions in association with proposed or final rules