ACTION: Notice of Availability.

SUMMARY: The Department of Energy (the Department or DOE) today gives notice that copies of the ''Draft Report on Potential Impact of Possible Energy Efficiency Levels for Fluorescent Lamp Ballasts'' are available for review and comment.

DATES: Written comments in response to this notice must be received by September 2, 1997.

ADDRESSES: Copies of the report entitled ''Draft Report on Potential Impact of Possible Energy Efficiency Levels for Fluorescent Lamp Ballasts'' may be obtained from Sandy Beall at: U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, EE–43, 1000 Independence Avenue, SW, Washington, DC 20585–0121, (202) 586–7574. This document may be read at the DOE Freedom of Information Reading Room, U.S. Department of Energy, Room 1E–190, 1000 Independence Avenue, SW, Washington, DC 20585, (202) 586–3142, between the hours of 9:00 a.m. and 4:00 p.m., Monday through Friday, except Federal holidays.

Written comments are welcomed. Please submit 10 copies to: U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, ''Ballast Docket No. EE-RM–97-500,'' EE–43, Room 1J–018, 1000 Independence Avenue, SW, Washington, DC 20585–0121.

Pursuant to the provisions of Title 10 CFR 1004.11, any person submitting information which he or she believes to be confidential and exempt by law from public disclosure should submit one complete copy of the document and ten (10) copies, if possible, from which the information believed to be confidential has been deleted. The Department of Energy will make its own determination with regard to the confidential status of the information and treat it according to its determination.

FOR FURTHER INFORMATION CONTACT:

Mr. Anthony T. Balducci, U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, Mail Station EE–43, 1000 Independence Avenue, SW, Washington, DC 20585–0121, Phone: (202) 586–8459, Fax: (202) 586–4617, E-mail: anthony.balducci@hq.doe.gov

Ms. Sandy Beall, U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, Mail Station EE–43, 1000 Independence Avenue, SW, Washington, DC 20585–0121, Phone: (202) 586–7574, Fax: (202) 586–4617.

SUPPLEMENTARY INFORMATION: The Department of Energy is implementing enhanced procedures for the development and revision of appliance efficiency standards, including the fluorescent lamp ballast standards. See 61 FR 36973 (July 15, 1996). One of the themes of these process improvements is the Department's commitment to share analyses with the public and provide meaningful opportunity for public comment.

As part of our effort to review fluorescent lamp ballast standards, the Department is making the following document available: ''Draft Report on Potential Impact of Possible Energy Efficiency Levels for Fluorescent Lamp Ballasts.'' The report identifies product categories and includes life-cycle cost analyses, engineering analyses, and national benefits of the options being considered as potential standard levels for ballasts. The report is a revision of the February 1996 report. Revisions were based on comments received during the June 1996 workshop and the March 1997 workshop, stakeholder interviews, and a 1996 ballast price survey.

The report provides energy saving impacts for the various efficiency levels analyzed. The energy savings calculated for the period 2000–2030 range from 1.5 quadrillion Btus (Quads) to 5.3 Quads depending on the efficiency level and the base case assumptions. The Department invites the submission of written comments on the report.

Through its interactions with interested parties, the Department has gathered information on the entire ballast market. After examining this information, the Department believes that it is important to distinguish between the characteristics of the T8 and T12 ballast markets. Specifically, the Department requests comments on the following questions relating to the future market of fluorescent lamp ballasts:

1. For the T8 and T12 ballast markets, what percent of each of these markets will be electronic and magnetic in 10 years? In 15 years?

2. How is the magnetic T12 ballast market changing? Is it growing, shrinking, or remaining stable? How large (percent of total) will this market be in 10 years? In 15 years?

3. Is the T12 market changing from T12 magnetic ballasts to T12 electronic ballasts? If it is, at what rate? What will the rate be in 10 years? In 15 years?

4. Is the T12 market changing from T12 magnetic ballasts to T8 electronic ballasts? If it is, at what rate? What will the rate be in 10 years? In 15 years?

Please substantiate your answers with data when available.

Issued in Washington, DC, on July 1, 1997.

Joseph J. Romm,

Acting Assistant Secretary, Energy Efficiency and Renewable Energy.

[FR Doc. 97–18838 Filed 7–16–97; 8:45 am]

BILLING CODE 6450–01–P

FARM CREDIT ADMINISTRATION

12 CFR Parts 611, 614, 620, and 630

RIN 3052–AB67

Organization; Loan Policies and Operations; Disclosure to Shareholders; Disclosure to Investors in Systemwide and Consolidated Bank Debt Obligations of the Farm Credit System; Other Financing Institutions

AGENCY: Farm Credit Administration.

ACTION: Proposed rule.

SUMMARY: The Farm Credit Administration (FCA or Agency), through the FCA Board (Board), issues a proposed rule to amend its regulations in subpart P of part 614 that govern the funding and discount relationship between Farm Credit System (Farm Credit, FCS, or System) banks that operate under title I of the Farm Credit Act of 1971, as amended (Act), and non-System other financing institutions (OFIs). The proposed regulation would substantially expand the opportunities for OFIs, such as commercial banks, trust companies, agricultural credit corporations, incorporated livestock loan companies, savings associations, credit unions, or other financial institutions identified in section 1.7(b)(1)(B) of the Act, to fund or discount loans and leases through a Farm Credit Bank (FCB) or an agricultural credit bank (ACB). FCBs and ACBs can offer financing to OFIs for the purpose of funding short- and intermediate-term loans and leases to parties who are eligible to borrow from FCS associations under section 2.4(a) of the Act. The FCA's proposal would eliminate several non-statutory limits on OFI eligibility. It would also require an FCB or ACB to provide funding and discount services to any creditworthy OFI that is significantly involved in agricultural lending and demonstrates a continuing need for supplementary sources of funds to meet the credit needs of agricultural borrowers. The proposed rule would expand the opportunity for an OFI to seek funding, discount and other similar financial assistance from an FCB or ACB other than the System bank that is chartered to serve its territory under certain circumstances. The proposed rule also implements statutory provisions that

require OFIs to: Invest in the System funding bank; use the funds obtained from FCS banks only to provide short- and intermediate-term financing to eligible borrowers for authorized purposes; adhere to borrower rights on agricultural and aquatic loans; ensure that the FCA has access to the books and records of the OFI; and limit their aggregate liabilities to no more than 10 times their paid-in and unimpaired capital and surplus. Under this proposal, FCBs and ACBs would be required to lend to OFIs only on a fully secured basis and to have full recourse to the OFI's capital as protection against default. The FCA has restructured the regulations in subpart P of part 614 so they are more concise and easier to understand.

DATES: Written comments should be received on or before September 15, 1997.

ADDRESSES: Comments may be mailed or delivered to Patricia W. DiMuzio, Director, Regulation Development Division, Office of Policy Development and Risk Control, Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102–5090 or sent by facsimile transmission to (703) 734–5784. Comments may also be submitted via electronic mail to ''reg-comm@fca.gov.'' Copies of all communications received will be available for review by interested parties in the Office of Policy Development and Risk Control, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT:

Eric Howard, Policy Analyst, Regulation Development Division, Office of Policy Development and Risk Control, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4498,

or

Richard A. Katz, Senior Attorney, Regulatory Enforcement Division, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION: On May 17, 1996, the FCA published for public comment an Advance Notice of Proposed Rulemaking (ANPRM) concerning potential revisions to the regulations in subpart P of part 614 that govern the funding and discount relationship between System banks that operate under title I of the Act and non-System OFIs. *See* 61 FR 24907 (May 17, 1996). The comment period expired on July 16, 1996, but the FCA extended the comment period until August 30, 1996, in order to allow interested parties additional time to respond. *See* 61 FR 37230 (July 17, 1996). The FCA received 34 comment letters. Of this total, 18 comments were from commercial banks, 4 from FCS banks, 7 from System associations, 4 from trade associations, and 1 from a non-depository OFI. Four trade associations submitted comments on behalf of their members: American Bankers Association (ABA); the Independent Bankers Association of America (IBAA); the National Livestock Producers Association (NLPA); and the Nebraska Bankers Association.

The comment letters reflected a broad diversity of viewpoints about OFI access to funding and discount services at FCBs and ACBs. Neither System nor non-System commenters offered uniform positions in response to ANPRM questions. The FCA addresses the commenters' concerns about specific substantive issues in those sections of this preamble that explain various provisions of the proposed rule.

The ABA and IBAA have sought legislation that would provide non-System financial institutions greater access to funding, discount and other similar financial assistance at System banks, and most commercial bank commenters asked the FCA to endorse this proposal. Some commercial bank commenters requested that the FCA propose new regulations that advance the joint legislative initiative of the ABA and IBAA. Some FCS associations opined that new OFI regulations could expose them to competitive disadvantages and they asked the FCA not to proceed with this rulemaking until Congress expands the System's lending authorities. The bank for cooperatives asked the FCA to request new legislation so title III banks could also extend credit to OFIs.

Other commenters also requested that the FCA propose new regulations that would exceed current statutory authorities. For example, many commenters requested that the FCA: (1) Authorize OFIs to fund or discount their long-term mortgages with FCBs and ACBs; (2) allow OFIs to elect members to the boards of their System funding banks; (3) exempt non-System lenders from borrower rights requirements; and (4) model the new regulations after provisions in the Federal Home Loan Bank Act, 12 U.S.C. 1421 *et seq.* The current statute prevents the FCA from adopting these suggestions.

The proposed regulations grant title I banks and OFIs greater flexibility to finance agriculture, aquaculture and other specified rural development needs within the confines of the existing statute. The FCA has decided to revise these regulations because of significant changes in the financial and agricultural credit markets since the existing OFI regulations were adopted in 1981. The regulations in subpart P of part 614 have been restructured substantially to conform with the Policy Statement on Regulatory Philosophy of the FCA Board. *See* 60 FR 26034 (May 16, 1995). The proposed regulations interpret and implement the applicable provisions of the statute, and they promote a safe and sound lending relationship between System funding banks and their OFIs. The FCA proposes to repeal those regulatory provisions that prescribe detailed management practices to FCS banks or impose unnecessary costs and burdens on both System institutions and OFIs. The FCA believes that these proposed regulations are more concise and easier to understand.

I. OFI Access to Farm Credit Banks and Agricultural Credit Banks

A. Commenter Concerns

The FCA asked several questions about which OFIs should be allowed to establish a funding and discount relationship with FCBs and ACBs. The Agency requested guidance on criteria that determine whether an OFI: (1) Is ''significantly involved in lending for agricultural or aquatic purposes''; (2) ''demonstrates a continuing need for supplementary sources of funds to meet the credit requirements of its agricultural or aquatic borrowers''; and (3) has ''limited access to national or regional capital markets.'' Additionally, the ANPRM solicited comments about how OFI access to the FCS will be affected by changes to corporate organization and structure and the advent of interstate banking and branching.

Eleven parties responded to one or more of these ANPRM questions. Three System institutions opined that the policies of each title I bank, not FCA regulations, should prescribe specific eligibility criteria for OFIs, while one FCS association suggested that the new regulation should only require OFI applicants to demonstrate an ongoing ''material and significant'' commitment to agriculture. The NLPA recommended that only OFIs that lend exclusively to agriculture should be allowed to borrow from the FCBs and ACBs. The ABA, IBAA, and the ACB suggested that new regulations should permit OFIs access to System funding and discount services if at least 10 percent of their loans are to agricultural or aquatic borrowers. The ABA and the ACB also recommended additional standards, such as a minimum absolute dollar threshold or income level, to measure whether an

OFI is significantly involved in agricultural lending.

The FCA also received comments from the ABA, IBAA, NLPA, and four FCS institutions about OFI needs for other sources of funding to meet the credit requirements of agricultural and aquatic borrowers. The NLPA and the IBAA commented that proposed regulations should grant their respective constituencies (non-depository financial institutions and local community banks) preferential access to FCS funding and discount services because they lack many of the funding sources that are available to other agricultural lenders. Two commercial bank trade associations, an FCB, and a pair of jointly managed System associations advised the FCA to repeal the 60-percent loan-to-deposit ratio in § 614.4550(a)(3) because it: (1) Imposes unnecessary regulatory burdens on both OFIs and their System funding bank; (2) is an asset-liability management measure that is unrelated to the agricultural lending activities of OFIs; and (3) does not accurately reflect an OFI's need for supplemental funds. Two FCBs informed the FCA that the definitions of ''national'' and ''regional'' money markets in § 614.4540(f) and (g) should be repealed because they are obsolete. The IBAA and an FCB commented that the advent of interstate banking and branching has no bearing on whether non-System lenders need supplemental sources of funds to meet the credit requirements of farmers, ranchers, and aquatic producers and harvesters.

These responses indicate that many System and non-System commenters believe that the existing regulations unduly restrict the ability of non-System financial institutions to fund and discount their agricultural or aquatic loans at FCBs and ACBs. Although differences of opinion exist about various details concerning OFI access to the FCS, a consensus exists among these commenters that a new regulatory approach is needed so that title I banks can better fulfill their mission to finance agriculture, aquaculture, and other specified rural credit needs. The FCA shares this view and proposes new regulations that are more closely aligned with the provisions of section 1.7(b) of the Act.

B. New Regulatory Approach for OFI Access

Under existing §§ 614.4545 and 614.4550, only OFIs that satisfy certain criteria are permitted to establish funding or discount relationships with a title I bank. The FCA proposes to repeal these two regulations because they impose restrictions that are not required by the Act. Both section 1.7(b)(1) of the Act and its legislative history indicate that Congress intended that Farm Credit banks act as a funding and liquidity source primarily for small, local OFIs, but it did not exclude other agricultural creditors from funding or discounting loans with title I banks.

The FCA proposes a two-tier approach so that *any* financial institution that has one of the charters specified in section 1.7(b)(1)(B) of the Act may establish a funding and discount relationship with a title I bank, while those OFIs that have at least 15 percent of their loans to agricultural producers and enter into a 2-year funding agreement with an FCB or ACB *are assured access* to the FCS on a preferred basis. From the FCA's perspective, proposed § 614.4540 more closely reflects the statute.

Proposed § 614.4540(a) permits those OFIs that are not assured access to borrow from a title I bank so long as the proceeds are used only to make short- and intermediate-term loans to persons and for purposes eligible for financing by a production credit association (PCA) or agricultural credit association (ACA) under sections 1.10(b) and 2.4 (a) and (b) of the Act. By allowing more financial institutions to fund or discount their loans with FCBs and ACBs, proposed § 614.4540(a) ultimately will provide farmers, ranchers, aquatic producers and harvesters, and other eligible rural residents greater access to credit.

The proposed rule repeals a provision in existing § 614.4550(a)(1) that prohibits title I banks from lending to entities that ''* * * finance the sale of products by its affiliates * * *'' because this restriction is not required by the Act. Two commercial bank trade associations and three System institutions have persuaded the FCA to repeal the loan-to-deposit ratio in existing § 614.4550(a)(3) because it is not a reliable indicator of an OFI's commitment to agriculture, or its need for supplementary funds.

Proposed § 614.4540(b) implements section 1.7(b)(4) of the Act, which assures that the funding, discount and other similar financial assistance of FCBs and ACBs shall be available on a reasonable basis to any creditworthy OFI that: (1) Is significantly involved in lending for agricultural or aquatic purposes; (2) demonstrates a continuing need for supplementary sources of funds to meet the credit requirements of its agricultural or aquatic borrowers; (3) has limited access to national or regional capital markets; and (4) does not use the services of System banks to extend credit to persons and for purposes that cannot be financed by a PCA under title II of the Act. Proposed § 614.4540(b)(1) specifies that an OFI is significantly involved in agricultural or aquatic lending if it has at least 15 percent of its loan portfolio at a seasonal peak in credit extensions to farmers, ranchers, and aquatic producers and harvesters. Although these OFIs are assured access under proposed § 614.4540(b), the regulation specifically permits FCBs and ACBs to decline any funding request that imperils their safety and soundness.

Under this proposal, FCBs and ACBs will not include the loan assets of the OFI's parent, affiliates, and subsidiaries when determining whether the OFI applicant meets the 15-percent criterion. By focusing solely on the applicant, this approach affords more financial institutions access to the FCS, and therefore, increases the flow of credit to farmers, ranchers, aquatic producers and harvesters and other eligible rural residents. Furthermore, the requirement in existing § 614.4545(c) that a title I bank decide whether an OFI applicant should be considered by itself or together with its related entities is not susceptible to consistent and uniform application by the FCS. Additionally, existing § 614.4545(c) does not facilitate prompt consideration of OFI funding requests, and the FCA proposes to repeal it in order to reduce unnecessary regulatory burdens on System funding banks.

The FCA's approach substantially expands OFI access to the FCS. In contrast to the existing regulation, proposed § 614.4540 allows OFIs that have less than 15 percent of their loans in agriculture to borrow from FCBs and ACBs. In addition, creditworthy OFIs are assured access to the FCS if at least 15 percent of their loans are made to farmers, ranchers, and aquatic producers and harvesters. The FCA believes that this 15-percent threshold reasonably reflects an OFI's commitment to agricultural lending, and therefore, it does not adopt any of the alternatives suggested by the commenters.

The NLPA suggested that only OFIs that exclusively finance agricultural production should qualify for the funding or discount services of System banks. This suggestion is more restrictive than the existing regulation, and is incompatible with the mission of title I banks to provide affordable, dependable, and stable credit to eligible farmers, ranchers, aquatic producers and harvesters, and other eligible rural residents through both OFIs and FCS associations. Financial institutions that

have non-agricultural loans in their portfolios may still be ''significantly involved in lending for agricultural or aquatic purposes,'' within the meaning of section 1.7(b)(4)(B)(i) of the Act, and the legislative history to this provision indicates that Congress specifically contemplated that FCA regulations would establish a threshold well below 100 percent.

The FCA has adopted an approach that provides OFIs with greater access to FCBs and ACBs than the recommendation of the ABA, IBAA, and the ACB. As noted earlier, the proposed regulation allows any OFI to fund or discount their short-and intermediate-term agricultural, aquatic, farm-related business, and non-farm rural home loans with an FCB or ACB, while it assures any creditworthy OFI that maintains at least 15 percent of its loan volume in agricultural or aquatic loans access to the FCS. At this time, the FCA does not believe that this percentage should be lowered for OFIs that are assured System access under proposed § 614.4540(b)(1).

Some System commenters suggested that the new regulation authorize funding banks to establish rules of access for OFI applicants. This approach is not compatible with section 1.7(b)(4)(A) of the Act, which requires FCA regulations to establish specific standards that govern OFI access to System banks. Furthermore, this approach is not susceptible to uniform application throughout the FCS.

Proposed § 614.4540(b)(2) requires an OFI applicant to demonstrate a continuing need for supplementary sources of funds by establishing a financing relationship with an FCB or ACB for at least 2 years. This approach is consistent with existing § 614.4560(b)(5), and the FCA believes that this 2-year commitment requirement deters OFIs from making sporadic funding requests to FCBs and ACBs. The FCA proposes to repeal the provision in existing § 614.4560(b)(5) that imposes a specific non-use fee on OFIs that fail to maintain an average daily loan balance of 70 percent of their projected loan volume. The FCA believes that System banks and OFIs should be free to negotiate such fees in whatever manner that meets their business needs. Under the proposed regulation, each FCB and ACB will have the discretion to establish appropriate interest rates and fees for all OFIs on an equitable and objective basis.

The proposed regulation does not establish specific criteria for determining whether OFI applicants have limited access to national or regional money markets. The FCA observes that virtually all financial institutions have greater access to regional, national, and even global money markets today than 16 years ago when the existing regulations were adopted. The FCA's new regulatory approach enables System banks that operate under title I of the Act to finance all eligible OFIs, while it does not disadvantage small, local OFIs or FCS associations. New provisions are proposed that give additional assurances to small, local OFIs that significantly and continually lend to agriculture. The FCA believes that this approach enhances the flow of competitive credit to farmers, ranchers, and aquatic producers and harvesters by opening greater access to the credit markets in rural America—a fundamental public policy purpose of the Farm Credit Act.

C. Denials of OFI Applications

The FCA requested comments about whether the Agency should continue to review all denials of OFI applications. Two System commenters thought that FCA review unnecessarily interjects the Agency in the credit decisions of System banks, while two trade associations believed that such reviews ensure equitable treatment between OFIs and System associations and prevent FCBs and ACBs from denying OFI applications for reasons that are unrelated to safety and soundness.

Proposed § 614.4540(c) requires each FCB and ACB to establish objective loan underwriting policies and procedures for determining the creditworthiness of each OFI applicant. The FCA's proposal prevents FCBs and ACBs from denying the application of any OFI that is assured access under proposed § 614.4540(b) unless the OFI fails to satisfy the funding bank's loan underwriting requirements. Proposed § 614.4540(c) adequately safeguards the interests of OFIs because denials of credit applications must be based on objective loan underwriting standards. The FCA will review denials of OFI funding requests during examinations of FCBs and ACBs. Therefore, the FCA proposes to repeal existing § 614.4555.

II. Place of Discount

The ANPRM sought guidance about whether the FCA should revise restrictions in existing § 614.4660 concerning the place of discount for OFIs. A question in the ANPRM asked under what circumstances an FCB or ACB should be allowed to extend financing to an OFI that does not operate in its chartered territory if the designated System bank does not approve the OFI's application.

Five System institutions, two commercial banks, and four trade associations responded to ANPRM questions regarding the place of discount. One System association opposed any revision to § 614.4660. A PCA advised the FCA not to allow an FCB or ACB to lend to OFIs located outside of the bank's chartered territory unless FCS associations could also seek financing from other FCS banks. All other commenters opined that OFIs should have greater flexibility to fund or discount loans with FCBs and ACBs that are not chartered to serve the territory where such OFIs are located. Three commercial bank trade associations, two commercial banks, and two System institutions commented that the new regulations should not impose any restriction on where OFIs can seek FCS funding and discount services. Six of these commenters advised the FCA that existing § 614.4660 is a significant impediment to the success of the OFI program because it requires OFIs to seek funding from FCBs and ACBs that are owned by their competitors. One System commenter opined that existing § 614.4660 cannot be reconciled with the primary mission of the FCS to extend credit to farmers and ranchers. One System bank suggested that the new regulation authorize FCBs and ACBs to extend financing to OFIs located outside their chartered territory only after the designated System bank has denied their applications. The NLPA recommended that the FCA allow OFIs to seek the funding and discount service of any FCB or ACB, but prohibit such System banks from soliciting OFIs that are located outside of their chartered territory.

The FCA proposes to modify the regulatory requirements governing place of discount to provide OFI applicants with greater flexibility to obtain System financing. Under proposed § 614.4550(a), each FCB or ACB would have the first opportunity to provide financing to OFIs headquartered within its chartered territory. In order to simplify the rules concerning place of discount, the FCA proposes to repeal a provision in existing § 614.4660 that requires an OFI to establish a funding and discount relationship with the title I bank in whose territory more than 50 percent of the OFI's loan volume is concentrated if the OFI's headquarters is located in the territory of another FCB or ACB.

A System bank could provide funding to an OFI whose headquarters is located outside its territory under two conditions. First, the bank could obtain the consent of the System bank in whose territory the OFI's headquarters

is located. It could also serve an OFI that has unsuccessfully sought financing from the designated System bank. Thus, proposed § 614.4550(b) authorizes any FCB or ACB to extend credit to an OFI if the OFI's designated System bank denies the OFI's application or otherwise fails to approve the OFI's funding request within 60 days. The 60-day provision is intended to establish a certain time by which an OFI is free to seek funding from another System bank. It begins upon the bank's receipt of a ''completed application'' as defined by Regulation B of the Board of Governors of the Federal Reserve System, 12 CFR 202.2(f). The FCA notes that Regulation B requires System banks to notify OFIs of the denial of applications for financing and to provide reasons for the adverse decision upon request. For this reason, the FCA believes it is unnecessary for this proposed regulation to include requirements for notification and disclosure of the reasons for denial. This new regulatory approach responds to commenter concerns that FCBs and ACBs might be reluctant to fund OFIs that compete with the PCAs and ACAs that own the bank. It also simultaneously prevents unrestrained competition among title I banks for OFI lending.

III. Requirements for OFI Funding Relationships

Proposed § 614.4560 implements several statutory provisions that govern the funding and discount relationship between OFIs and their System funding banks. The FCA has consolidated various provisions that are currently found throughout the regulations in subpart P of part 614, without substantive change. Proposed § 614.4560(a)(1) requires an OFI to execute a general financing agreement (GFA) with its System funding bank pursuant to the regulations in subpart C of part 614 as a condition precedent for obtaining funding, discount and other similar financial assistance from an FCB or ACB.

Proposed § 614.4560(a)(2) requires each OFI to purchase non-voting stock in its System funding bank pursuant to the bank's bylaws. As discussed in greater detail below, proposed § 614.4590 requires each FCB and ACB to establish appropriate interest rates, fees, and capitalization requirements that promote equitable treatment between direct lender associations that operate under title II of the Act and OFIs. Similarly, the FCB's or ACB's policies and procedures should also address minimum loan amounts, terms, commitment fees, non-use fees, prepayment penalties, and other conditions that may apply to OFIs.

Proposed § 614.4560(b) implements provisions in section 1.7(b)(1) and (b)(4)(B)(iv) of the Act that prohibit OFIs from using the funds that they receive from an FCB or ACB to extend credit to parties and for purposes and terms that are not authorized by sections 1.10(b) and 2.4(a) and (b) of the Act. The FCA has relocated the portfolio limitations in existing § 614.4610 on non-farm rural home loans and certain processing and marketing loans to proposed § 614.4560(c) without substantive amendment. Proposed § 614.4560(d) implements section 4.14A(a)(6)(B) of the Act by subjecting all agricultural and aquatic loans that OFIs fund or discount through an FCB or ACB to statutory and regulatory borrower rights requirements.

Proposed § 614.4560(e) implements section 5.21 of the Act, which enables the FCA to examine non-depository OFIs and obtain examination reports from the State regulators of commercial banks, trust companies, and savings associations. Under this regulatory provision, OFIs are required to execute the applicable consent forms or releases before they obtain financing from an FCB or ACB. Section 5.22 of the Act enables the FCA to receive examination reports directly from other Federal regulatory agencies.

The FCA proposes to repeal existing § 614.4650, which contains five criteria for a System funding bank to revoke or suspend an OFI's line of credit. This regulation neither interprets nor implements the Act, or promotes safety and soundness. The FCA, however, expects each title I bank to incorporate criteria for revoking or suspending its funding relationship with an OFI into its loan underwriting policies and procedures. This issue should be addressed in the GFA between an OFI and its System funding bank.

IV. Recourse and Security Requirements

These new regulations afford OFIs greater and more flexible access to the FCS within the confines of safety and soundness. The FCA's proposal requires FCBs and ACBs to have full recourse to an OFI's capital and to finance OFIs on a fully secured basis. Proposed § 614.4570 addresses these two issues.

The proposed § 614.4570(a) requires an OFI to endorse all obligations that it funds or discounts through an FCB or ACB with full recourse or its unconditional guarantee. For safety and soundness reasons, the FCA believes that FCBs and ACBs must have recourse to the OFI's capital.

Proposed § 614.4570(b)(1) requires that each OFI pledge all notes, drafts, and other obligations that are funded or discounted with the FCB or ACB as collateral for the credit extension, and proposed § 614.4570(b)(2) obligates each FCB or ACB to perfect its security interest in such obligations and the proceeds thereunder in accordance with applicable State law. These provisions would prohibit any FCB or ACB from extending credit to an OFI on an unsecured, or limited or non-recourse basis.

The ANPRM asked under what circumstances, if any, the new regulations should require OFIs to pledge cash and readily marketable securities or other assets as supplemental collateral to their System funding bank. The FCA received comments on this issue from two trade associations and three System institutions. The NLPA advised the FCA that supplemental collateral should be pledged when 1 percent of the OFI's loans under discount fall below ''Acceptable'' and ''Other Assets Especially Mentioned'' classifications. The three System commenters expressed the view that the System funding bank should have the discretion to determine whether supplemental collateral is needed to manage the risk posed by each OFI. The IBAA suggested that the FCA establish supplemental collateral requirements for FCBs and ACBs that are patterned after a provision in the Federal Home Loan Bank Act, 12 U.S.C. 1430, which allows each Federal Home Loan Bank, in its discretion, to take residential mortgages and securities that are issued, insured, or guaranteed by the United States or any of its agencies as security for advances to its members. The System commenters and the IBAA have persuaded the FCA that the new regulations should leave questions about supplemental collateral to the discretion of the System funding bank as a part of its underwriting policies and standards. Accordingly, the FCA does not propose a specific supplemental collateral requirement by regulation. For these reasons, the FCA proposes to repeal §§ 614.4570 and 614.4600(b)(3), which require OFIs to pledge certain liquid collateral to the System funding bank as a condition for obtaining financing.

The IBAA suggested that the new regulations authorize OFIs to pledge *any* rural or agricultural loans as collateral to the System funding bank. The commenter did not specify whether this suggestion pertains to pledges of primary or supplemental collateral. FCBs and ACBs cannot accept long-term

''rural'' loans as primary collateral because section 1.7(b) of the Act requires OFIs to use funds from a title I bank only for the purpose of extending short- and intermediate-term credit to eligible borrowers for authorized purposes under section 2.4(a) and (b) of the Act. Other types of loans could be used as supplemental collateral, but the funding bank must ensure that its funds are used only for loans to eligible borrowers for authorized purposes.

Proposed § 614.4570(c) would require each FCB and ACB to develop policies and procedures that establish uniform and objective standards for determining the need and amount of supplemental collateral or other credit enhancements that each OFI must pledge to its System funding bank as a condition for obtaining credit. The amount, type, and quality of supplemental collateral or other credit enhancements specified by such policies and procedures must be proportional to the level of risk that the OFI poses to its System funding bank. Provisions in the GFA or the security agreement would govern collateral pledged by each OFI to its System funding bank.

V. Limitation on the Extension of Funding, Discount and Other Similar Financial Assistance to an OFI

The FCA proposes to redesignate § 614.4560(b)(3) as new § 614.4580. This regulation derives from section 1.7(b)(3) of the Act, which prohibits a System funding bank from extending credit to an OFI if its aggregate liabilities exceed 10 times its paid-in and unimpaired capital and surplus, or a lesser amount established by the laws of the jurisdiction creating the OFI. Although the FCA proposes to omit the last three sentences of existing § 614.4560(b)(3), System banks may still establish, by policy, a lower liabilities-to-capital ratio for their OFIs. In this context, the FCA expects that each FCB or ACB will establish in its underwriting policies and procedures, as referred to in § 614.4540(c), specific capital standards that address risks posed by its OFIs. A commercial bank trade association asked the FCA to adopt a liabilities-to-capital ratio of 20:1 because this is the standard for members of the Federal Home Loan Bank System. *See* 12 U.S.C. 1430(c). The FCA is unable to adopt the commenter's suggestion because section 1.7(b)(3) of the Act does not provide that flexibility.

VI. Lending Limit to a Single OFI Borrower

The ANPRM requested comments about how the regulations should address concentration risk in an OFI's loan portfolio. More specifically, the FCA asked whether the current 50-percent lending limit in existing § 614.4565 is appropriate or whether the Agency should consider alternative approaches. The FCA received responses to these questions from three trade associations, a commercial bank, an FCB, and a pair of jointly managed FCS associations. The NLPA and the FCB suggested that the FCA retain the existing 50-percent lending limit, while the FCS associations advised the Agency to repeal the regulatory lending limit so that OFIs and their respective FCS funding bank could determine the appropriate lending limit when they negotiate their GFAs. The three commercial bank commenters opined that the OFI lending limits in existing § 614.4565 are overly restrictive and should be raised. These commenters claimed that the 50-percent lending limit enables only OFIs with substantial capital to make loans of a significant size.

The FCA proposes that it will no longer impose a regulatory lending limit on extensions of credit that OFIs make to their borrowers with FCS funds. Some OFIs will remain subject to the lending limits that their primary regulator imposes under applicable Federal or State law. The FCA will rely on the OFI's primary Federal or State regulator where one exists to ensure that an OFI does not lend a disproportionate amount of its capital and surplus to a single credit risk. However, the FCA further expects each FCB or ACB to prudently manage its exposure to risks caused by concentrations in OFI loan portfolios through both its loan underwriting standards and the GFA. During examinations, the FCA will review the controls that each FCB or ACB establishes to address such single-credit risk concentrations in OFI loan portfolios.

The FCA observes that opportunities for FCBs and ACBs to fund OFIs are substantially increased by this proposal. While considering the safety and soundness risks associated with such an expansion the Agency considered alternative approaches for controlling risk exposure to the FCS. Specifically, the FCA is considering whether the final regulation should establish a lending limit on the extension of credit from a Farm Credit bank to each OFI. *See* §§ 614.4350 and 614.4352. The FCA solicits commenters' views as to whether the final rule should contain a lending limit to an OFI as a percent of the funding bank's capital base similar to the approach delineated in § 614.4352, and if so, at what percent should the limit be established. Finally, the FCA welcomes suggestions for other approaches to manage and control risks originating through OFI lending relationships.

VII. Equitable Treatment of OFIs and FCS Associations

The FCA requested comments about how the proposed regulations could ensure that System funding banks accord impartial and equitable treatment to both OFIs and FCS direct lender associations. Three trade associations, three FCS banks, three System associations, two commercial banks, and one non-depository OFI responded to the FCA's questions. The NLPA and one FCS commenter replied that existing § 614.4640 is adequate because it ensures that System banks treat OFIs and FCS direct lender associations equitably. One FCB urged the FCA to repeal § 614.4640 so that title I banks could negotiate interest rates and servicing fees with prospective OFIs. The ACB and the non-depository OFI opined that System funding banks should accord essentially the same treatment to the their direct lender associations and OFIs, but disparity in interest rates and fees could be justified by different levels of risk that such institutions pose to their System funding bank. Two FCS associations suggested that the proposed regulation impose the same capital investment requirement on both OFIs and direct lender associations. One of these associations suggested that if the FCA permits FCBs and ACBs to establish different capital requirements for OFIs and direct lender associations, interest rates should be charged which result in similar levels of overall financial return to the funding bank from all borrowing entities. One pair of jointly managed associations commented that the proposed regulations should require OFIs to contribute to the funding bank's premium to the Farm Credit System Insurance Corporation (FCSIC). Three commercial bank commenters suggested that the FCA encourage FCBs and ACBs to pay dividends to OFIs on their non-voting stock. The IBAA commented that the proposed regulation should require each FCB and ACB to disclose to OFI applicants information about its rates, spreads, and dividends for direct lender associations.

The FCA proposes a new regulatory approach that balances a System funding bank's obligation to accord equitable treatment to both direct lender associations and OFIs with its needs for greater business flexibility to price and structure its credit to all lending institutions. Whereas existing § 614.4640 specifically requires FCBs

and ACBs to charge OFIs and direct lender associations the same rates and fees on the same basis, the proposed regulation would require that the *overall* costs of funds to OFIs and associations be comparable, irrespective of the individual components of credit costs, such as interest rates and fees. Proposed § 614.4590(a) requires each FCB and ACB to apply similar objective loan underwriting standards to both OFIs and direct lender associations, and proposed § 614.4590(b) states that any variation in the overall amounts that OFIs and direct lender associations are charged by the funding bank for capitalization requirements, interest rates, and fees shall be attributed to differences in credit risk and administrative costs to the bank.

The FCA declines suggestions by a System commenter that the proposed regulation establish identical capital investment requirements for both OFIs and direct lender associations. The FCA believes that FCBs and ACBs should have the flexibility to impose different capital requirements because risk levels are different and the Act does not allow OFIs to own voting stock in the FCBs or ACBs. In response to an association's comment about OFI contributions to the premium that its funding bank pays to FCSIC, the FCA notes that the proposed regulation allows the FCB or ACB to take FCSIC premiums into account when they price OFI loans. The proposed regulation does not require FCBs and ACBs to pay dividends to OFIs, as commercial bank commenters requested, because the FCA does not prescribe business practices to FCS institutions in the absence of compelling safety and soundness reasons. From the FCA's perspective, an institution's bylaws best prescribe detailed capitalization requirements, dividend policies, and cooperative principles. The FCA declines the IBAA's request to compel FCBs and ACBs to disclose pricing information about their loans to their affiliated direct lender associations because the regulations can promote impartial and equitable treatment of OFIs and direct lender associations without requiring Farm Credit banks to disclose confidential and proprietary information affecting its other customers.

VIII. Insolvency

The ANPRM inquired how new regulations could safeguard the interests of an FCB or ACB when an OFI is liquidated. An ACB and the IBAA responded that a System bank should maintain a senior security interest in all assets that an OFI pledges as collateral. An FCB and a pair of jointly managed FCS associations opined that liquidation of an OFI should be addressed in the GFA, not FCA regulations.

Under proposed § 614.4600, the System funding bank may take over loans and other assets that the OFI pledged as collateral if the OFI becomes insolvent, is in process of liquidation, or fails to service its loans properly. As a result, the FCB or ACB will have the authority to make additional advances, to grant renewals and extensions, and to take such other actions as may be necessary to collect and service loans to the OFI's borrowers. The System funding bank may also liquidate the OFI's loans and other assets that it has pledged in order to fully realize repayment from the OFI.

In contrast to existing § 614.4630(a), proposed § 614.4600 no longer requires an FCB or ACB to obtain FCA approval before it takes over the loans and other assets of an insolvent OFI. From a safety and soundness perspective, FCBs and ACBs should be able to exercise creditor remedies whenever the OFI defaults on the GFA. The prior-approval requirements in existing § 614.4630(a) were established before the FCA became an arms-length regulator. This approach is consistent with the FCA's general policy of repealing Agency approval requirements that are not imposed by the Act.

The FCA proposes to repeal § 614.4630(b), which prohibits FCBs and ACBs from assigning obligations handled for an insolvent OFI as collateral for bonds without FCA prior approval. The applicable requirements for collateral pledged by FCBs and ACBs for bond obligations are contained in § 615.5050, and FCA approval for each issuance is required by § 615.5101(d) of this chapter. The FCA also proposes to repeal § 614.4630(c), which places restrictions on interest rates that an FCB or ACB can charge borrowers whose loans were taken over from a defaulting OFI. The FCA believes the restrictions in § 614.4630(c) are no longer necessary because the FCA's examinations will assure sufficient controls and monitoring exist in this area.

List of Subjects

12 CFR Part 611

Agriculture, Banks, banking, Rural areas.

12 CFR Part 614

Agriculture, Banks, banking, Flood insurance, Foreign trade, Reporting and recordkeeping requirements, Rural areas.

12 CFR Part 620

Accounting, Agriculture, Banks, banking, Reporting and recordkeeping requirements, Rural areas.

12 CFR Part 630

Accounting, Agriculture, Banks, banking, Credit, Organization and functions (Government agencies), Reporting and recordkeeping requirements, Rural areas.

For the reasons stated in the preamble, parts 611, 614, 620, and 630 of chapter VI, title 12 of the Code of Federal Regulations are proposed to be revised to read as follows:

PART 611—ORGANIZATION

1. The authority citation for part 611 continues to read as follows:

Authority: Secs. 1.3, 1.13, 2.0, 2.10, 3.0, 3.21, 4.12, 4.15, 4.21, 5.9, 5.10, 5.17, 7.0–7.13, 8.5(e) of the Farm Credit Act (12 U.S.C. 2011, 2021, 2071, 2091, 2121, 2142, 2183, 2203, 2209, 2243, 2244, 2252, 2279a–2279f–1, 2279aa–5(e)); secs. 411 and 412 of Pub. L. 100–233, 101 Stat. 1568, 1638; secs. 409 and 414 of Pub. L. 100–399, 102 Stat. 989, 1003, and 1004.

Subpart P—Termination of Farm Credit Status—Associations

2. Section 611.1205 is amended by revising paragraph (c) to read as follows:

§ 611.1205 Definitions.

* * * * *

(c) *OFI* means an other financing institution that has established a funding and discount relationship with a Farm Credit Bank or an agricultural credit bank pursuant to section 1.7(b)(1) of the Act and the regulations in subpart P of part 614.

* * * * *

PART 614—LOAN POLICIES AND OPERATIONS

3. The authority citation for part 614 continues to read as follows:

Authority: 42 U.S.C. 4012a, 4014a, 4104b, 4106, and 4128; secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 1.11, 2.0, 2.2, 2.3, 2.4, 2.10, 2.12, 2.13, 2.15, 3.0, 3.1, 3.3, 3.7, 3.8, 3.10, 3.20, 3.28, 4.12, 4.12A, 4.13, 4.13B, 4.14, 4.14A, 4.14C, 4.14D, 4.14E, 4.18, 4.18A, 4.19, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 7.7, 7.8, 7.12, 7.13, 8.0, 8.5 of the Farm Credit Act (12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2019, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2096, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2206a, 2207, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a–2, 2279b, 2279b–1, 2279b–2, 2279f, 2279f–1, 2279aa, 2279aa–5); sec. 413 of Pub. L. 100–233, 101 Stat. 1568, 1639.

Subpart J—Lending Limits

4. Section 614.4350 is amended by revising paragraph (a) to read as follows:

§ 614.4350 Definitions.

* * * * *

(a) *Borrower* means an individual, partnership, joint venture, trust, corporation, or other business entity (except a Farm Credit System association or other financing institution that complies with the criteria in section 1.7(b) of the Act and the regulations in subpart P of this part) to which an institution has made a loan or a commitment to make a loan either directly or indirectly.

* * * * *

5. Subpart P of part 614 is revised to read as follows:

Subpart P—Farm Credit Bank and Agricultural Credit Bank Financing of Other Financing Institution

Sec.

614.4540 Other financing institution access to Farm Credit Banks and agricultural credit banks for funding, discount, and other similar financial assistance.
614.4550 Place of discount.
614.4560 Requirements for OFI funding relationships.
614.4570 Recourse and security.
614.4580 Limitation on the extension of funding, discount and other similar financial assistance to an OFI.
614.4590 Equitable treatment of OFIs and Farm Credit System associations.
614.4600 Insolvency of an OFI.

§ 614.4540 Other financing institution access to Farm Credit Banks and agricultural credit banks for funding, discount, and other similar financial assistance.

(a) *Basic criteria for access.* Any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings association, credit union, or any association of agricultural producers engaged in the making of loans to farmers and ranchers, and any corporation engaged in the making of loans to producers or harvesters of aquatic products may become an other financing institution (OFI) that funds, discounts, and obtains other similar financial assistance from a Farm Credit Bank or agricultural credit bank in order to extend short-and intermediate-term credit to eligible borrowers for authorized purposes pursuant to sections 1.10(b) and 2.4(a) and (b) of the Act. Each OFI shall be duly organized and qualified to make loans and leases under the laws of each jurisdiction in which it operates.

(b) *Assured access.* Except when an OFI's funding request would adversely affect a Farm Credit bank's ability to achieve and maintain established or projected capital levels, raise funds in the money markets, or would otherwise expose the Farm Credit bank to other safety and soundness risks, each Farm Credit Bank or an agricultural credit bank shall fund, discount, and provide other similar financial assistance to any creditworthy OFI that:

(1) Maintains at least 15 percent of its loan volume at a seasonal peak in loans and leases to farmers, ranchers, aquatic producers and harvesters. The Farm Credit Bank or agricultural credit bank shall not include the loan assets of the OFI's parent, affiliates, or subsidiaries when determining compliance with the requirement of this paragraph; and

(2) Executes a general financing agreement with the Farm Credit Bank or agricultural credit bank that establishes a financing or discount relationship for at least 2 years.

(c) *Denial of OFI access.* Each Farm Credit Bank and agricultural credit bank shall establish objective loan underwriting policies and procedures for determining the creditworthiness of each OFI applicant. No Farm Credit Bank or agricultural credit bank shall deny access to any creditworthy OFI that meets the conditions in paragraph (b) of this section.

§ 614.4550 Place of discount.

(a) A Farm Credit Bank or agricultural credit bank may provide funding, discount, and other similar financial assistance to any OFI whose headquarters is located within the funding bank's chartered territory.

(b) A Farm Credit Bank or agricultural bank may provide funding, discount, and other similar financial assistance to an OFI whose headquarters is not located in the funding bank's chartered territory only if the Farm Credit Bank or agricultural credit bank referred to in paragraph (a) of this section either grants its consent, or denies or otherwise fails to approve such OFI's funding request within 60 days of receipt of a ''completed application'' as defined by 12 CFR 202.2(f).

§ 614.4560 Requirements for OFI funding relationships.

(a) As a condition for extending funding, discount and other similar financial assistance to an OFI, each Farm Credit Bank or agricultural credit bank shall require every OFI to:

(1) Execute a general financing agreement pursuant to the regulations in subpart C of part 614; and

(2) Purchase non-voting stock in its Farm Credit Bank or agricultural credit bank pursuant to the bank's bylaws.

(b) A Farm Credit Bank or agricultural credit bank shall extend funding, discount and other similar financial assistance to an OFI only for purposes and terms authorized under sections 1.10(b) and 2.4(a) and (b) of the Act.

(c) Rural home loans to borrowers who are not *bona fide* farmers, ranchers, and aquatic producers and harvesters are subject to the restrictions in § 613.3030 of this chapter. Loans that an OFI makes to processing and marketing operators who supply less than 20 percent of the throughput shall be included in the calculation that § 613.3010(b)(1) of this chapter establishes for Farm Credit Banks and agricultural credit banks.

(d) The borrower rights requirements in part C of title IV of the Act, and section 4.36 of the Act, and the regulations in subparts K, L, and N of part 614 shall apply to all loans that an OFI funds or discounts through a Farm Credit Bank or agricultural credit bank, unless such loans are subject to the Truth-in-Lending Act, 15 U.S.C. 1601 *et seq.*

(e) As a condition for obtaining funding, discount and other similar financial assistance of a Farm Credit Bank or agricultural credit bank, all State banks, trust companies, or State-chartered savings associations shall execute a written consent that authorizes their State regulators to furnish examination reports to the Farm Credit Administration upon its request. Any OFI that is not a depository institution shall consent in writing to examination by the Farm Credit Administration as a condition precedent for obtaining funding, discount and other similar financial assistance from a Farm Credit Bank or agricultural credit bank, and file such consent with its Farm Credit funding bank.

§ 614.4570 Recourse and security.

(a) *Full recourse and guarantee.* All obligations that are funded or discounted through a Farm Credit Bank or agricultural credit bank shall be endorsed with the full recourse or unconditional guarantee of the OFI.

(b) *General collateral.* (1) Each Farm Credit Bank and agricultural credit bank shall take as collateral all notes, drafts, and other obligations that it funds or discounts for each OFI; and

(2) Each Farm Credit Bank and agricultural credit bank shall perfect, in accordance with State law, a senior security interest in any and all obligations and the proceeds thereunder that the OFI pledges as collateral.

(c) *Supplemental collateral.* (1) Each Farm Credit Bank and agricultural credit bank shall develop underwriting

policies and procedures that establish uniform and objective standards to determine the need and amount of supplemental collateral or other credit enhancements that each OFI shall provide as a condition for obtaining funding, discount and other similar financial assistance from such Farm Credit bank.

(2) The amount, type, and quality of supplemental collateral or other credit enhancements required for each OFI shall be established in the general financing agreement and shall be proportional to the level of risk that the OFI poses to the Farm Credit Bank or agricultural credit bank.

§ 614.4580 Limitation on the extension of funding, discount and other similar financial assistance to an OFI.

(a) No obligation shall be purchased from or discounted for and no loan shall be made or other similar financial assistance extended by a Farm Credit Bank or agricultural credit bank to an OFI if the amount of such obligation added to the aggregate liabilities of such OFI, whether direct or contingent (other than bona fide deposit liabilities), exceeds 10 times the paid-in and unimpaired capital and surplus of such OFI or the amount of such liabilities permitted under the laws of the jurisdiction creating such OFI, whichever is less.

(b) It shall be unlawful for any national bank that is indebted to any Farm Credit Bank or agricultural credit bank, on paper discounted or purchased, to incur any additional indebtedness, if by virtue of such additional indebtedness its aggregate liabilities, direct or contingent, will exceed the limitation described in paragraph (a) of this section.

§ 614.4590 Equitable treatment of OFIs and Farm Credit System associations.

(a) Each Farm Credit Bank and agricultural credit bank shall apply similar objective credit underwriting standards to both OFIs and Farm Credit System direct lender associations.

(b) The total charges that a Farm Credit Bank or agricultural credit bank assesses an OFI through capitalization requirements, interest rates, and fees shall be comparable to the charges that the same Farm Credit bank imposes on its direct lender associations. Any variation between the overall funding costs that OFIs and direct lender associations are charged by the same funding bank shall result from differences in credit risk and administrative costs to the Farm Credit Bank or agricultural credit bank.

§ 614.4600 Insolvency of an OFI.

If an OFI that is indebted to a Farm Credit Bank or agricultural credit bank becomes insolvent, is in process of liquidation, or fails to service its loans properly, the Farm Credit Bank or agricultural credit bank may take over such loans and other assets that the OFI pledged as collateral. Once the Farm Credit Bank or agricultural credit bank exercises its remedies, it shall have the authority to make additional advances, to grant renewals and extensions, and to take such other actions as may be necessary to collect and service loans to the OFI's borrower. The funding Farm Credit bank may also liquidate the OFI's loans and other assets in order to achieve repayment of the debt.

PART 620—DISCLOSURE TO SHAREHOLDERS

6. The authority citation for part 620 continues to read as follows:

Authority: Secs. 5.17, 5.19, 8.11 of the Farm Credit Act (12 U.S.C. 2252, 2254, 2279aa–11); sec. 424 of Pub. L. 100–233, 101 Stat. 1568, 1656.

Subpart B—Annual Report to Shareholders

§ 620.5 [Amended]

7. Section 620.5 is amended by removing the words '', as defined in § 614.4540(e) of this chapter,'' and by removing the word ''financial'' and adding in its place the word ''financing'' in paragraph (a)(8).

PART 630—DISCLOSURE TO INVESTORS IN SYSTEMWIDE AND CONSOLIDATED BANK DEBT OBLIGATIONS OF THE FARM CREDIT SYSTEM

8. The authority citation for part 630 continues to read as follows:

Authority: Secs. 5.17, 5.19 of the Farm Credit Act (12 U.S.C. 2252, 2254).

Subpart B—Annual Report to Investors

§ 630.20 [Amended]

9. Section 630.20 is amended by removing the words '', as defined in § 614.4540(e) of this chapter,'' in paragraph (a)(1)(v).

Dated: July 14, 1997.

Floyd Fithian,

Secretary, Farm Credit Administration Board.

[FR Doc. 97–18827 Filed 7–16–97; 8:45 am]

BILLING CODE 6705–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Food and Drug Administration

21 CFR Part 872

[Docket No. 97N–0239]

Dental Devices; Effective Date of Requirement for Premarket Approval; Temporomandibular Joint Prostheses

AGENCY: Food and Drug Administration, HHS.

ACTION: Proposed rule; opportunity to request a change in classification.

SUMMARY: The Food and Drug Administration (FDA) is proposing to require the filing of a premarket approval application (PMA) or a notice of completion of a product development protocol (PDP) for the total temporomandibular joint (TMJ) prosthesis, the glenoid fossa prosthesis, the mandibular condyle prosthesis, and the interarticular disc prosthesis (interpositional implant). The agency is also summarizing its proposed findings regarding the degree of risk of illness or injury intended to be eliminated or reduced by requiring the devices to meet the statute's approval requirements as well as the benefits to the public from the use of the devices. In addition, FDA is announcing the opportunity for interested persons to request the agency to change the classification of the devices based on new information.

DATES: Submit written comments by October 15, 1997; requests for a change in classification by August 1, 1997. FDA intends that if a final rule based on this proposed rule is issued, PMA's or notices of completion of PDP's will be required to be submitted within 90 days of the effective date of the final rule.

ADDRESSES: Submit written comments to the Dockets Management Branch (HFA–305), Food and Drug Administration, 12420 Parklawn Dr., rm. 1–23, Rockville, MD 20857.

FOR FURTHER INFORMATION CONTACT: Mary S. Runner, Center for Devices and Radiological Health (HFZ–480), Food and Drug Administration, 9200 Corporate Blvd., Rockville, MD 20850, 301–827–5283.

SUPPLEMENTARY INFORMATION:

I. Background

Section 513 of the Federal Food, Drug, and Cosmetic Act (the act) (21 U.S.C. 360c) requires the classification of medical devices into one of three regulatory classes: Class I (general controls), class II (special controls), and class III (premarket approval).