Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FARM CREDIT ADMINISTRATION

12 CFR Part 614

RIN 3052–AB98

Loan Policies and Operations; Loans to Designated Parties

AGENCY: Farm Credit Administration.

ACTION: Proposed rule.

SUMMARY: The Farm Credit Administration (FCA or we) is reproposing amendments to its regulations for the approval of loans to designated parties. The term ''designated parties'' includes Farm Credit System (FCS or System) ''insiders'' most likely to have a conflict of interest and those FCA and Farm Credit System Insurance Corporation (FCSIC) employees who may legally borrow from the System. The reproposed rule would require the lender's board, or its delegated committee, to approve all loans to a designated party that exceed the greater of $150,000 or 0.5 percent of permanent capital (not to exceed $250,000). The reproposed rule would also eliminate the System banks' approval requirement and include an option allowing an association to enter into an agreement with its affiliated bank to permit the bank to perform the designated party loan approval.

DATES: Please send your comments to us by October 18, 2001.

ADDRESSES: We encourage you to send comments by electronic mail to ''reg-comm@fca.gov'' or by accessing the Pending Regulations section of our Web site at ''www.fca.gov.'' You may also send comments to Thomas G. McKenzie, Director, Regulation and Policy Division, Office of Policy and Analysis, Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102–5090 or by fax to (703) 734–5784. You may review copies of all comments we receive in the Office of Policy and Analysis, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT:
Tong-Ching Chang, Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4498, TDD (703) 883–4444,
or
Alison C. Samarias, Attorney Advisor, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION:

I. Objectives

The objectives of our reproposed amendment are to:

- Provide greater flexibility for banks and associations to approve loans to designated parties, including System ''insiders'' most likely to have a conflict of interest and those FCA and FCSIC employees who may legally borrow from the System;
- Increase accountability of association boards when making decisions on loans to designated parties;
- Require the board of each System institution to adopt policies and procedures to prevent undue influence when making loans to designated parties and ensure that designated parties do not receive loans on more favorable terms than other borrowers;
- Reduce unnecessary burden on System banks by removing the requirement that System banks approve all designated party loans made by their related associations; [1] and
- Make our regulations easier to understand and use.

II. Background

Sections 614.4450, 614.4460, and 614.4470 of FCA regulations require a funding bank to approve all loans that it and its related associations make to designated parties. On August 18, 1998, we published a notice inviting public comment to identify existing regulations and policies that imposed unnecessary burdens on System institutions. *See* 63 FR 44176, August 18, 1998. Among other things, you [2] asked that we update § 614.4460 to remove the obsolete term ''district boards'' [3] and repeal § 614.4470, which requires banks to approve all loans that their affiliated associations make to designated parties.

III. Direct Final Rule and Its Withdrawal

On August 9, 1999, we published a direct final rule with opportunity to comment. *See* 64 FR 43046, August 9, 1999. The direct final rule would have, in relevant part, allowed System banks or associations to make loans to designated parties with the approval of their respective boards of directors. One association provided a significant adverse comment on the revision. Four other associations also provided comments on the revision. Because of these comments, we withdrew the portion of the direct final rule with respect to loans to designated parties on October 14, 1999 (64 FR 55621).

IV. Previously Published Proposed Rule

We revised the provisions on loans to designated parties withdrawn from the direct final rule and published the changes in a proposed rule on March 17, 2000 (65 FR 14491).

The proposed rule updated the definition of ''designated parties'' to include other legal entities and employees of FCA and FCSIC who are allowed to borrow from you.[4] The proposed rule also would have required you to adopt a policy addressing the approval of loans to designated parties. We would have required your policy to describe procedures for loans to designated parties. Depending on the size of the loan, you could have chosen one of three approval options for making loans to designated parties.

The first option would have allowed your board of directors (or a committee of your board) to approve all loans made to designated parties. The second option would have maintained the existing practice of allowing the funding bank to approve loans made by its associations. Finally, the third option would have permitted your board of directors to

[1] Associations may enter into agreements with their funding banks to permit the bank to perform the approvals.

[2] As part of our objective to use plain language in our regulations, we use the word ''you'' to refer to Farm Credit System banks and associations in this preamble and the reproposed regulation.

[3] The district boards were abolished by the Agricultural Credit Technical Corrections Act of 1988, Pub. L. No. 100–399, 102 Stat. 1003 (Aug. 17, 1988).

[4] Most FCA and FCSIC employees are prohibited from borrowing from you under 5 CFR Parts 4101 and 4001. For example, FCA and FCSIC Board members, examiners, procurement personnel, and all employees over a certain civil service grade level cannot legally borrow from System institutions.

delegate approval of loans to designated parties of $25,000 or less to your management with post review by your board.

V. Comments on the March 2000 Proposed Rule

We received seven comment letters on the proposed rule (one each from the Farm Credit Council (Council), two banks, and four associations). A majority of the commenters stated that the proposed rule was more restrictive and burdensome than the existing regulations, would have increased costs, and would not have achieved its stated objectives.[5] Three commenters were opposed to certain provisions as proposed. The commenters also asked us to clarify certain provisions and offered suggestions to improve the regulations. The following summarizes the comments received.

A. Board Approval

The commenters generally viewed the board approval requirement, combined with the other two approval options, as impractical because the boards would have had to approve practically all loans to designated parties. Two commenters indicated that the proposed rule might have encouraged association boards to send all loan approvals for designated parties to their funding banks to avoid their boards' involvement in the burdensome loan approval process. Thus, associations might never assume the responsibility of approving their own loans to designated parties.

Two commenters expressed concerns that the board approval requirement would discourage the best qualified farmers and ranchers from serving on System boards and cause them to take their personal business elsewhere. One commenter stated that board members would not be comfortable knowing financial information of their fellow board members and would not want their own financial information divulged to their peers. Another commenter stated that the institutions do not share detailed information about designated parties in the boardroom because directors are often competitors. Commenters also stated that directors lack the necessary expertise to make credit decisions on complex loans and that requiring board actions on loans to designated parties would delay loan decisions, increase costs, and contribute to making FCS institutions noncompetitive.

Response: Directors are ultimately responsible for all credit decisions their institutions make and are in the best position to approve loans to designated parties. Nevertheless, we agree with some of the commenters' concerns and have modified the board approval requirements in the reproposed rule.

The reproposed rule would permit your board to delegate approval of loans to designated parties to a committee comprised of at least three individuals, as long as directors constitute the majority of the committee. Requiring a majority of directors on the committee would maintain the board's accountability to ensure that decisions on loans to designated parties are not made under undue influence. The reproposed rule would also permit management to serve on the committee to provide directors with the credit expertise needed to approve loans to designated parties in a timely manner.

B. Bank Approval

As an option to System associations, the March 2000 proposed rule continued the existing practice that a funding bank could approve all loans its associations make to designated parties. One bank commented that the Farm Credit Act of 1971, as amended (Act), does not require banks to approve loans made by related associations. The bank and Council suggested that the funding banks should have discretion to voluntarily accept the responsibility of approving loans to designated parties for their associations.

Commenters generally objected to our previously proposed $25,000 management delegation limit because the threshold was too low. Commenters asserted that associations would always want their funding banks to approve associations' loans to designated parties. As a result, associations could abdicate their responsibility and remove themselves from the loan approval process and the banks would have had no relief from the existing regulation. In contrast, one commenter stated that allowing banks to cease approving loans to designated parties made by their associations would increase costs, delay loan decisions, and degrade customer service.

Response: We agree with the Council and bank's comment that the boards of associations generally should be responsible for approving their own loans and that banks should approve loans made by their associations only if the banks agree. The reproposed rule would change the existing regulatory requirement so that a System bank may approve all or any portion of the loans made by related associations to designated parties at the option of both the bank and its related associations. The reproposed rule would require any loans to designated parties approved by the funding bank for its related associations to be reviewed by the association boards at the first board meeting following the loan approval.

C. Management Delegation and Threshold

A majority of the commenters believed that a management delegation threshold of $25,000 would have provided little relief to System boards of directors. A bank noted that the existing regulations permit a bank board to delegate the loan approval authority to bank management without any limitation on the amount. Two commenters suggested that we delete the dollar limit and allow the respective boards to set adequate controls over such approval authority. Two others suggested we increase the delegation limit from $25,000 to $250,000.

Response: Loans to designated parties is one area that requires higher scrutiny and attention by the board of any financial lending institution. Because directors oversee management's performance, management may not be able to exercise independent, objective credit decisions on loans to directors or other superiors. Establishing thresholds for management delegation would limit the degree of risk exposure and inhibit improper lending to designated parties.

However, upon further investigation and comparison to similar limits imposed by other financial regulators, we agree with the commenters that a $25,000 threshold for management delegation would have provided little relief to your boards. The reproposed rule would increase the regulatory threshold for board approval to any loan that, when aggregated with all other loans to a designated party, exceeds the greater of $150,000 or 0.5 percent of your permanent capital (not to exceed $250,000).

We developed the board approval requirement based on our review of the number and size of the System's designated party loans and an approach similar to that used by the Office of the Comptroller of the Currency (OCC) and the Federal Reserve System (FED) on insider lending for commercial banks. *See* 12 CFR parts 31 and 215, respectively. However, we noted that the regulatory threshold for approval does not limit an institution board from setting a lower threshold within its policies and procedures. In some

[5] The stated objectives of the proposed rule were to: (1) Provide greater flexibility for banks and associations to approve loans to designated parties; (2) keep adequate controls on loans that banks and associations make to designated parties; and (3) make our regulations easier to understand and use.

circumstances, a lower threshold may be entirely appropriate.

D. Definitions in the Proposed Rule

1. *Designated Parties.* Two commenters pointed out that the previously proposed definition of ''designated parties'' was not compatible with existing § 614.4460(f). A bank commented that the definition did not consider regional and local cooperative relationships.

Response: We evaluated the bank's comment and believe the comment has merit. We revised the definition of ''designated parties'' to govern parties most likely to have a ''conflict of interest.'' The reproposed definition of ''designated parties'' would include insiders (e.g., directors, officers, employees and their immediate family members) of your institution. However, it also would add clarifying language concerning any borrower who is an ''entity controlled by'' those insiders. The reproposed rule would define the term ''control'' based on a percentage (i.e., 5 percent) of ownership or voting power in a legal entity. We believe the new definition will address the concerns expressed about loans made to entities, such as cooperatives, where a System director, officer, or employee does not exercise control over the entity obtaining the loan or the loan proceeds.

2. *Loans.* A bank asked that we clarify whether the definition of loans covers various loan-servicing actions, such as waivers or extensions.

Response: The definition contained in the reproposed rule would include any loan-servicing actions that increase the lender's exposure to credit risk.

VI. The Reproposed Rule

After a careful review of all comments received, we made several substantive changes to the proposed rule to repeal the existing §§ 614.4450, 614.4460, and 614.4470 and replace them with new §§ 614.4450 and 614.4460 in the reproposed rule.

The reproposed rule would repeal existing § 614.4450, which provides ''the authority for loan approval is vested in the Farm Credit banks and associations.'' More specific regulations providing for System lending authorities make this provision unnecessary.[6] This reproposed rule also would delete all references to district boards.

We believe each direct lender institution should be responsible for decisions made on its loans, including loans to designated parties. Because the Act does not require System banks to approve loans made by associations, the reproposed rule would revise the bank approval requirement found in existing § 614.4470. As an alternative, however, a bank may approve loans to designated parties made by its related associations based on the mutual agreement of the bank and its associations. If no such agreement exists, the board of each association, or a committee of at least three individuals, a majority of whom are directors, will be responsible for approving the association's loans to designated parties. The reproposed rule also changes the level of designated party loans requiring approval by the board. Loans to designated parties that do not exceed the greater of $150,000 or 0.5 percent of your permanent capital (not to exceed $250,000) may be approved in accordance with your policies and procedures for loans to designated parties, which is a significant increase from the proposed rule.

Thus, the reproposed rule provides your board with several options for approving loans to designated parties. First, your board may approve all your loans to designated parties. Second, a committee of at least three individuals, a majority of whom are directors, may approve all your loans to designated parties. Third, your board may also delegate approval of loans to designated parties that fall below the regulatory threshold to appropriate staff as established by your policies and procedures. Finally, your board may enter into an agreement with your affiliated bank to permit the bank to approve your loans to designated parties. In addition, rather than adopting a single option for approvals, your board may adopt a policy that combines the above options.

A discussion of significant provisions of the reproposed rule follows.

A. Section 614.4450—Definitions

The term ''designated party or parties'' as defined in reproposed § 614.4450(b) would include your directors, officers, employees, and their immediate family members. The definition also includes any entity that borrows from you and is an ''entity controlled by'' any of your directors, officers, employees, or their immediate family members.

Under reproposed § 614.4450, director, officer, employee, entity, and person have the same meaning as in § 612.2130 of this chapter. The term ''immediate family member'' defined in reproposed § 614.4450(e) includes the spouse, children, or the parents of an individual.

Under reproposed § 614.4450(c), an ''entity controlled by'' an individual is an entity in which the individual, directly or indirectly, or acting through or in concert with one or more persons:

(1) Owns 5 percent or more of the equity; or

(2) Owns, controls, or has the power to vote 5 percent or more of any class of voting securities.

The term ''entity controlled by'' used in reproposed § 614.4450(c) is similar, but not identical, to the definition of ''entity controlled by'' in FCA's conflict of interest rule in § 612.2130(c). ''Entity controlled by'' in reproposed § 614.4450(c) excludes paragraph (c)(3) of § 612.2130, i.e., individuals with a controlling influence over the management of the entity.

Unless the 5-percent equity ownership or voting power requirement is satisfied, a director or officer of any cooperative or other legal entity is not deemed to have control over the entity by virtue of their position alone. For example, directors or officers of an entity who also sit on your board but do not own 5 percent or more of the entity's equity or voting power would not be subject to the requirements of this reproposed rule when the entity borrows from you.

B. Section 614.4460—Loans to Designated Parties

Your board of directors is ultimately accountable for all decisions made by your institution. After careful consideration of the comments received; however, we revised the board approval requirement to provide your board with greater flexibility in approving loans to designated parties.

The reproposed level of approval is a result of our review of loans made to designated parties in a sample group of recently examined associations and one bank. We found that the number of loans to designated parties is relatively few, but the average loan size is generally greater than the average of all loans held by the institution. We also evaluated the approval requirements imposed by other financial regulators for insider loans. After considering cooperative principles and various comments on the System's unique cooperative relationships, we increased the level of approval for System institutions' designated party loans.

We developed the board approval requirement contained in the reproposed rule based on our review of the number and size of System institutions' designated party loans and an approach similar to that used by the OCC and the FED for ''insider lending.'' The board approval requirement would

[6] *See* 12 CFR Part 614, Subpart A—Lending Authorities.

ensure that System institutions' boards of directors have adequate involvement in approving their institutions' designated party loans. We believe board involvement is an essential ingredient of oversight for this critical area of lending. Board involvement is necessary to avoid the possibility of inappropriate or undue influence on loans to insiders or other designated parties.

Reproposed § 614.4460(a) would require your board to adopt and implement policies and procedures for approving loans to designated parties. Your board must establish appropriate control procedures to ensure that loans to designated parties are not made on terms that are more favorable than those afforded to other borrowers under the same circumstances. Your policies and procedures must not be less stringent than the loan underwriting standards that you adopted under § 614.4150.

Reproposed § 614.4460(b) would require your board, or a committee of at least three individuals, a majority of whom are directors, to approve all loans to designated parties that, in the aggregate, exceed the greater of $150,000 or 0.5 percent of your permanent capital (not to exceed $250,000). Permanent capital as calculated for the most recent calendar quarter will be used for your determination of the board approval requirement. Your board may delegate approval authority for all other designated party loans in accordance with your policies and procedures. Therefore, institution boards may delegate approval authority for designated party loans as follows:

- $150,000 or less—your board may delegate approval authority on all loans of $150,000 or less.
- $150,001 to $250,000—your board may delegate approval authority on loans in an amount not exceeding 0.5 percent of your permanent capital up to a limit of $250,000.
- $250,001 and greater—your board may not delegate approval of loans that exceed $250,000.

Any individual approving designated party loans must be in a position to exercise independent, objective decisions on the approvals. For example, to prevent undue influence and an actual conflict of interest or the appearance of a conflict of interest as described in § 612.2130(b) of this chapter, your policies and procedures could specify that loans to directors, officers, their immediate family members, and entities controlled by any of your directors or executive officers should be approved by a committee rather than an individual. The committee could consist of management alone, directors, or a combination of both as specified in your policies and procedures for loans to designated parties. Similarly, your policies could provide that only individuals with greater authority in the organization than the designated party borrower should approve loans to any other designated parties. We will evaluate the appropriateness and effectiveness of your policies and procedures during our normal examination process.

Reproposed § 614.4460(c) would prohibit designated parties from participating, directly or indirectly, in the deliberations on or the determination to make any loan in which the designated party has an interest as described in § 612.2140(a) of this chapter. Also, all members of the board approval committee must act in accordance with the requirements of 12 CFR part 612—Standards of Conduct.

Reproposed § 614.4460(d) provides that an association may enter into an agreement with its affiliated bank to authorize the affiliated bank to perform any approvals required by reproposed § 614.4460. Therefore, System banks and associations have an option to continue the existing practice when mutually acceptable terms and conditions for approval are established.

In reproposed § 614.4460(e), we require all loans to designated parties not approved by the full board, including all loans approved by the funding bank, to be reported to your board no later than the first board meeting following approval. We believe this is an essential component of proper control and oversight for all loans made to designated parties. A review by your board will help ensure loans made to designated parties are made without undue influence.

List of Subjects in 12 CFR Part 614

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

For the reasons stated in the preamble, we propose to amend part 614 of chapter VI, title 12 of the Code of Federal Regulations to read as follows:

PART 614—LOAN POLICIES AND OPERATIONS

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

Authority: 42 U.S.C. 4012a, 4104a, 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, 4.25, 4.26, 4.27, 4.28, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 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, 2097, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2206a, 2207, 2211, 2212, 2213, 2214, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a-2, 2279b, 2279c-1, 2279f, 2279f-1, 2279aa, 2279aa-5); sec. 413 of Pub. L. 100–233, 101 Stat. 1568, 1639.

2. Revise subpart M to read as follows:

Subpart M—Approval of Loans to Designated Parties

Sec.

§ 614.4450 Definitions applicable to subpart M.

(a) *You* means a Farm Credit bank or association.

(b) *Designated party or parties* means:

(1) Farm Credit Administration employees allowed to borrow from you under 5 CFR 4101.104;

(2) Farm Credit System Insurance Corporation employees allowed to borrow from you under 5 CFR 4001.104;

(3) Your directors, officers, or employees;

(4) An immediate family member of your directors, officers, or employees;

(5) An entity controlled by your directors, officers, or employees or their immediate family members;

(6) Any of the parties in paragraphs (b)(3), (b)(4), or (b)(5) of this section who have a relationship to a bank or association under a joint management agreement with you;

(7) Directors, officers, or employees of your funding bank if you are an association; and

(8) Other borrowers if any of the designated parties identified in this paragraph are:

(i) Recipients of the proceeds of a loan made by you;

(ii) Stockholders or other equity owners of a borrower that has a material interest in the proceeds of or collateral for a loan made by you; or

(iii) Endorsers, guarantors or comakers on a loan made by you.

(c) *Entity controlled by* means an entity in which an individual identified in paragraph (b)(3) or (b)(4) of this section, directly or indirectly, or acting through or in concert with one or more persons:

(1) Owns 5 percent or more of the equity; or

(2) Owns, controls, or has the power to vote 5 percent or more of any class of voting securities.

(d) *Director, officer, employee, entity, and person* have the same meaning as in § 612.2130 of this chapter.

(e) *Immediate family member* means the spouse of an individual, the children of an individual, or the parents of an individual.

(f) *Loan or loans* means the total of all loans, leases and other extensions of credit, including undisbursed commitments, from you to any designated party.

(g) *Permanent capital* means your permanent capital as calculated for the most recent calendar quarter.

§ 614.4460 Loans to designated parties.

(a) You must adopt and implement policies and procedures for approving loans to designated parties. Your policies must include appropriate controls to ensure that loans to designated parties will not be made on terms or conditions that are more favorable than those afforded to other borrowers under the same circumstances. Your policies and procedures must not be less stringent than the loan underwriting standards that you adopted under § 614.4150.

(b) All loans to any designated party that exceed the greater of $150,000 or 0.5 percent of your permanent capital (not to exceed $250,000) must be approved by your board of directors or by a committee of at least three individuals, a majority of whom are directors.

(c) A designated party must not participate, directly or indirectly, in deliberations on or the determination to make any loan in which the designated party has an interest as described in § 612.2140(a) of this chapter.

(d) Notwithstanding any provision in this section, an association may enter into an agreement with its affiliated bank to permit the affiliated bank to perform any approvals required by this section.

(e) All loans to designated parties not approved by your full board must be reported to your board no later than the first board meeting following approval.

Dated: September 11, 2001.

Kelly Mikel Williams,

Secretary, Farm Credit Administration Board.

[FR Doc. 01–23208 Filed 9–17–01; 8:45 am]

BILLING CODE 6705–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 2001–SW–27–AD]

RIN 2120–AA64

Airworthiness Directives; Enstrom Helicopter Corporation Model TH–28 and 480 Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) for Enstrom Helicopter Corporation (EHC) Model TH–28 and 480 helicopters. The AD would require establishing a life limit for certain upper and lower main rotor hub plates of 5000 hours time-in-service (TIS), creating a component history card or equivalent record, and replacing each main rotor hub plate (hub plate) having 5000 or more hours TIS with an airworthy hub plate. This proposal is prompted by a recent reliability-based stress analysis that indicates a 5000-hour TIS life limit should be imposed on certain hub plates. The actions specified by the proposed AD are intended to prevent failure of a hub plate, loss of control of the main rotor, and subsequent loss of control of the helicopter.

DATES: Comments must be received on or before November 19, 2001.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 2001–SW–27–AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137. You may also send comments electronically to the Rules Docket at the following address: *9-asw-adcomments@faa.gov.* Comments may be inspected at the Office of the Regional Counsel between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Joseph McGarvey, Fatigue Specialist, FAA, Chicago Aircraft Certification Office, Airframe and Administrative Branch, 2300 East Devon Ave., Des Plaines, Illinois 60018, telephone (847) 294–7136, fax (847) 294–7834.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments will be considered before taking action on the proposed rule. The proposals contained in this document may be changed in light of the comments received.

Comments are specifically invited on the overall regulatory, economic, environmental, and energy aspects of the proposed rule. All comments submitted will be available, both before and after the closing date for comments, in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this proposal will be filed in the Rules Docket.

Commenters wishing the FAA to acknowledge receipt of their mailed comments submitted in response to this proposal must submit a self-addressed, stamped postcard on which the following statement is made: ''Comments to Docket No. 2001–SW–27–AD.'' The postcard will be date stamped and returned to the commenter.

Availability of NPRMs

Any person may obtain a copy of this NPRM by submitting a request to the FAA, Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 2001–SW–27–AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137.

Discussion

This document proposes the adoption of a new AD for EHC Model TH–28 and 480 helicopters. This AD would require establishing a life limit of 5000 hours TIS for both upper and lower hub plates, part number (P/N) 28–14280–1 and 28–14281–1. This proposal is prompted by a recent reliability-based stress analysis of loads, their frequency of occurrence, and fatigue strength data, which showed that a life limit of 5000 hours TIS should be established for hub plates, P/N 28–14280–1 and 28–14281–1. The actions specified by the proposed AD are intended to prevent failure of a hub plate, loss of control of the main rotor, and subsequent loss of control of the helicopter.

We have identified an unsafe condition that is likely to exist or develop on other EHC Model TH–28 and 480 helicopters of the same type designs. Therefore, the proposed AD would require establishing a 5000-hour TIS life limit and creating a component history or equivalent record for hub