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## NATIONAL CREDIT UNION ADMINISTRATION

### 12 CFR Part 725

#### Central Liquidity Facility

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Final rule.

**SUMMARY:** The National Credit Union Central Liquidity Facility (the Facility), a mixed-ownership government corporation within the NCUA, serves as a liquidity source for its member credit unions. The NCUA Board is issuing this rule to permit the Facility to take, in lieu of a blanket security interest, a first priority security interest in specific assets of the credit union with a net book value at least equal to 110% of the amounts owed on the Facility advance or Agent loan. The final rule will provide credit unions with greater flexibility in their normal operations while ensuring that the Facility is adequately protected for any loans that it makes.

**DATES:** Effective January 28, 1998.

**FOR FURTHER INFORMATION CONTACT:** Herbert S. Yolles, President, National Credit Union Central Liquidity Facility, 1775 Duke Street, Alexandria, VA 22314-3428. Telephone Number (703) 518-6391 or (703) 518-6363.

#### SUPPLEMENTARY INFORMATION:

##### A. Background

Public Law 96-630, Title XVIII, 12 U.S.C. 1795, *et seq.*, enacted in 1979, created the Facility. Its purpose is to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

Most credit unions are members of a corporate credit union. In addition,

credit unions are now eligible for Federal Home Loan Bank membership. Both corporate credit unions and Federal Home Loan Banks require that a credit union provide collateral for borrowing. In addition, credit unions may also borrow from other financial institutions and are required to provide collateral for such borrowings. While multiple security agreements are not prohibited under the current regulation, the presence of competing security interests could result in the Facility being under-collateralized for any advances.

##### B. Comments

Twenty-six comment letters were received. Of these, eleven were received from corporate credit unions, eleven from natural person credit unions and four from credit union associations. All twenty-six concurred with the final rule change. One natural person credit union commented that the requirement to provide collateral with a net book value of at least 110 percent of the amount owed appeared to be excessive. They recommend that NCUA establish a loan-to-value ratio of 100 percent unless an assessment of risk, i.e., as indicated by the credit union's last examination, indicated the need for a lower loan-to-value. The Board continues to believe that collateral with a net book value of at least 110 percent of the amount owed is needed to adequately protect the Facility.

##### Collateral—Net Book Value

Currently, Section 725.19 requires that the Facility secure each loan with a blanket security interest in all of the assets of the member credit union. The final rule gives the Facility the option of taking either a blanket security interest or a first priority security interest in specific collateral of the credit union with a net book value at least equal to 110% of the amounts owed on the Facility advance or Agent loan. This requirement will permit a credit union to provide collateral to other lenders and still have the ability to borrow from the Facility, so long as it has other assets with sufficient net book value to support the Facility advance or Agent loan. It also will permit the Facility to accept a security interest in all assets of the credit union as collateral for a Facility advance to a Regular member. However, the net book value of the

assets will still have to be at least equal to 110% of the amounts owed on the Facility advance or Agent loan.

##### Superior Perfected Interest

In calculating the value of the assets covered by the security interest, assets in which any third party has a superior perfected interest will be excluded.

##### Section 208 Assistance

The final rule also expressly authorizes the Facility to accept the guarantee of the National Credit Union Share Insurance Fund as collateral for borrowings by a credit union. This provision facilitates advances by the Facility to credit unions receiving assistance under Section 208 of the Federal Credit Union Act.

##### Regulatory Procedures

##### *Regulatory Flexibility Act*

The NCUA Board certifies that this final rule will not have a significant impact on a substantial number of small credit unions (those under \$1 million in assets). The final rule will make it easier for credit unions to obtain loans from both Facility and other sources. Accordingly, a regulatory flexibility analysis was not required.

##### *Paperwork Reduction Act*

The final rule has no information collection requirements; therefore, no Paperwork Reduction Act analysis was required.

##### *Executive Order 12612*

The NCUA Board has determined that the final rule will not have a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among various levels of government.

##### List of Subjects in 12 CFR Part 725

Credit, Credit unions, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board on December 18, 1997.

**Becky Baker,**  
*Secretary of the Board.*

For the reasons set forth in the preamble, NCUA amends 12 CFR part 725 as set forth below:

## PART 725—NATIONAL CREDIT UNION ADMINISTRATION CENTRAL LIQUIDITY FACILITY

1. The authority citation for part 725 continues to read as follows:

**Authority:** Secs. 301–307 Federal Credit Union Act, 92 Stat. 3719–3722 (12 U.S.C. 1795–1795f).

2. Section 725.19 is revised to read as follows:

### **§ 725.19 Collateral requirements.**

(a) Each Facility advance and each Agent loan shall be secured by a first priority security interest in collateral of the credit union with a net book value at least equal to 110% of all amounts due under the applicable Facility advance or Agent loan, or by guarantee of the National Credit Union Share Insurance Fund.

(b) The Facility may accept as collateral for each Facility advance to a Regular member, a security interest in all assets of the Regular member; provided however, that the value of any assets in which any third party has a perfected security interest that is superior to the security interest of the Facility shall be excluded for purposes of complying with the requirements of paragraph (a) of this section.

(c) The Facility may accept as collateral for each Facility advance to an Agent member, a security interest in the Agent loans for which the Facility advance was made; provided however, that the collateral for such Agent loan meets the requirements of paragraph (a) of this section.

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 97–NM–294–AD; Amendment 39–10264; AD 97–26–21]

RIN 2120–AA64

### **Airworthiness Directives; Boeing Model 747–100, 747–200, 747–300, 747SR, and 747SP Series Airplanes**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Final rule; request for comments.

**SUMMARY:** This amendment adopts a new airworthiness directive (AD) that is applicable to certain Boeing Model 747–100, 747–200, 747–300, 747SR, and 747SP series airplanes. This action

requires a one-time inspection to detect cracking of the longeron splice fittings at stringer 11, on the left and right sides at body station 2598, and replacement of any cracked fitting with a new fitting. This amendment is prompted by reports that fatigue cracking was found on longeron splice fittings. The actions specified in this AD are intended to detect and correct such fatigue cracking, which could result in reduced controllability of the horizontal stabilizer.

**DATES:** Effective January 13, 1998.

The incorporation by reference of certain publications listed in the regulations is approved by the Director of the Federal Register as of January 13, 1998.

Comments for inclusion in the Rules Docket must be received on or before February 27, 1998.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM–114, Attention: Rules Docket No. 97–NM–294–AD, 1601 Lind Avenue, SW., Renton, Washington 98055–4056.

The service information referenced in this AD may be obtained from Boeing Commercial Airplane Group, P.O. Box 3707, Seattle, Washington 98124–2207. This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington; or at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Bob Breneman, Aerospace Engineer, Airframe Branch, ANM–120S, FAA, Seattle Aircraft Certification Office, 1601 Lind Avenue, SW., Renton, Washington; telephone (425) 227–2776; fax (425) 227–1181.

**SUPPLEMENTARY INFORMATION:** The FAA has received three reports indicating that fatigue cracking was found on the longeron splice fittings at stringer 11 on Boeing Model 747SR and 747–200 series airplanes. The most recent cracking was detected on an airplane that had accumulated 62,783 total flight hours and 16,867 total flight cycles. Such fatigue cracking, if not detected and corrected in a timely manner, could result in reduced controllability of the horizontal stabilizer.

### **Explanation of Relevant Service Information**

The FAA has reviewed and approved Boeing Alert Service Bulletin 747–53A2410, Revision 2, dated October 30, 1997, including Addendum, which describes procedures for repetitive detailed inspections to detect cracking

of the longeron splice fittings at stringer 11, on the left and right sides at body station 2598, and replacement of any cracked fitting with a new fitting. The alert service bulletin specifies various compliance times for groups of airplanes having different flight hour and flight cycle thresholds.

### **Explanation of the Requirements of the Rule**

Since an unsafe condition has been identified that is likely to exist or develop on other Boeing Model 747–100, 747–200, 747–300, 747SR, and 747SP series airplanes of the same type design, this AD requires a one-time detailed inspection to detect cracking of the longeron splice fittings at stringer 11, on the left and right sides at body station 2598, and replacement of any cracked fitting with a new fitting. The actions are required to be accomplished in accordance with the alert service bulletin described previously.

### **Differences Between the AD and the Alert Service Bulletin**

The AD differs from the previously described alert service bulletin in that the AD requires a one-time inspection and shortened compliance time, rather than the repetitive inspections and multiple compliance times specified in the referenced alert service bulletin. The recent report of cracking detected on a Boeing Model 747–200 series airplane at a relatively low threshold has indicated the need for interim action requiring inspection at an early date, directed to those airplanes that have accumulated the highest number of flight hours or flight cycles (i.e., 78,000 total flight hours or 22,000 total flight cycles).

In addition, the AD differs from the alert service bulletin by providing a compliance period in terms of calendar time, rather than flight cycles/hours, for those airplanes that have exceeded the threshold. Due to the limited availability of replacement fittings, a 90-day compliance period is provided by this AD. This compliance period will allow the operators of affected airplanes an opportunity to schedule the inspection and have necessary replacement fittings available if cracks are found during the inspection.

### **Interim Action**

This AD is considered to be interim action. The FAA is considering separate rulemaking action that would propose similar inspections at repetitive intervals for all airplanes affected by the previously described alert service bulletin.