Rules and Regulations

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FARM CREDIT ADMINISTRATION

12 CFR Parts 614 and 627

RIN 3052–AB09

Loan Policies and Operations; Title IV Conservators, Receivers, and Voluntary Liquidation

AGENCY: Farm Credit Administration.

ACTION: Final rule.

SUMMARY: The Farm Credit Administration (FCA), through the Farm Credit Administration Board (Board), issues a final rule amending its regulation that governs the funding relationship between a Farm Credit Bank (FCB) or agricultural credit bank (ACB) and a direct lender association or other financing institution (OFI). This rule repeals the requirement that the FCA prior approve the General Financing Agreement (GFA) between an FCB or ACB and a direct lender association or OFI and eliminates a regulatory direct loan limitation. The rule also amends another regulation to permit the voluntary liquidation of Farm Credit institutions by means of an FCA-approved liquidation plan.

EFFECTIVE DATE: This regulation shall become effective 30 days after publication in the **Federal Register** during which either or both houses of Congress are in session. Notice of the effective date will be published in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT:

S. Robert Coleman, Senior Policy Analyst, Regulation and Policy Division, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102–5090, 703) 883–4498,

or

James M. Morris, Senior Counsel, Legal Counsel Division, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION: On March 24, 1997, the FCA proposed amendments to the regulation in subpart C of part 614 that governs the funding relationship between FCBs or ACBs and direct lender [1] associations or OFIs. The FCA also proposed amendments to the regulation contained in part 627 that governs liquidations. These amendments would authorize the voluntary liquidation of Farm Credit System (FCS or System) institutions by means of an FCA-approved liquidation plan. *See* 62 FR 13842. The amendments were proposed as part of the FCA's continuing effort to streamline its regulations, provide flexibility to address issues that pertain to funding relationships, and outline minimum regulatory criteria for GFAs.

The FCA received 9 comment letters in response to this proposal, including a comment letter from the Farm Credit Council (FCC or Council) on behalf of its members,[2] 5 responses from FCBs, 1 response from an ACB, and 2 responses from FCS direct lender associations (an agricultural credit association (ACA) and a jointly managed production credit association (PCA) and Federal land credit association (FLCA)).

In general, all the comments expressed support for the proposed regulation and its goal to streamline the regulations and provide flexibility. One FCB commended the FCA for properly relying on its ongoing examination process and enforcement powers to ensure that GFAs preserve the interests of the parties and do not pose excessive safety and soundness risks to the parties involved. Another FCB indicated that it supports the proposed regulation and, in particular, the elimination of the requirement for prior FCA approval, as a significant step toward the streamlining and modernization of the debtor/creditor relationship between the FCS banks and the direct lender associations.

The FCA responds to specific concerns below as it explains aspects of the rule commented upon. After considering the comments received in response to the proposed regulation, the FCA adopts a final rule governing GFAs and permitting voluntary liquidation of Farm Credit institutions under FCA-approved liquidation plans.

[1] As defined in § 619.9135 of this chapter.

[2] The national trade association serving the Farm Credit System, including FCBs, ACBs, direct lender associations, and Federal land bank associations.

I. Maximum Term of the General Financing Agreement

The FCA received a comment from the FCC concerning the proposed 3-year limitation on the term of GFAs. The FCC argued that the final rule should leave the term of the GFA to the discretion of the parties involved. The FCC believes that the length or term of the GFA should be negotiable, like other terms and conditions of the GFA. Further, the commenter stated that many types of commercial agreements include ''evergreen'' provisions automatically renewing the agreement for an additional term unless, within a prescribed period of time related to the stated renewal date, either party gives written notice to the other of an intent to terminate or renegotiate the arrangement. The commenter noted that some existing GFAs have terms in excess of 3 years. The FCC sees no compelling reason for the FCA to restrict by regulation the parties' latitude to negotiate this aspect of the GFA. As additional support for its position, the FCC stated that the credit policies and underwriting standards of many funding banks typically require a periodic review of their direct lender association's lending relationship, which includes a review of the GFA itself.

The FCA believes that it is appropriate for each FCS bank's credit policies and underwriting standards to require a periodic review of each direct lender's and OFI's lending relationship. These reviews enable the funding banks to determine if the existing terms and conditions of the GFA continue to appropriately address relevant risks in the lending relationship. Because it is this review, rather than a re-execution of the GFA, that is fundamental to prudent lending, the FCA has modified proposed § 614.4120 to require that FCBs and ACBs adopt policies requiring a review of the terms of each GFA at least every 5 years. The final regulation permits GFAs to renew automatically for an additional term if neither the bank, after reviewing the terms, nor the direct lender association (or OFI) offers objection. The FCA believes this approach satisfies its concerns while

allowing the parties to GFAs to operate more efficiently.

The FCA also increases the maximum term for most GFAs from 3 years, as proposed, to 5 years. This limit will accommodate the maximum term on all existing GFAs. The FCA believes that its safety and soundness concerns can be addressed if the FCS banks review GFA terms and seek modifications as appropriate at least every 5 years. In addition, the direct lender association should be provided a reasonable opportunity to periodically request new terms and conditions in its borrowing arrangement with the funding bank. Accordingly, final § 614.4120 adopts a maximum term of 5 years for any GFA used for secured lending. The FCA continues to believe that the maximum term for any GFA that provides for unsecured lending to direct lender associations should not exceed 1 year because of the additional risks inherent in unsecured lending.

II. Unsecured Lending

In the preamble to the proposed regulation, the FCA specifically requested comments as to whether there is a need for special limitations or restrictions on unsecured lending in addition to the 1-year limit on the term of any GFA that provides for unsecured lending. The FCC submitted a comment letter on behalf of its membership, in which it stated it would be inappropriate for FCA to define further the circumstances under which unsecured lending may be appropriate or to impose any additional limitations or restrictions on unsecured lending.

The FCA received no comments indicating a need for additional limitations or restrictions on unsecured lending activity. Accordingly, in adopting the final rule, the FCA has not changed any provisions of the proposed rule related to unsecured lending.

III. Providing the FCA Copies of the General Financing Agreement and Related Documents

The FCC commented on the proposed requirement in §§ 614.4125(b) and 614.4130(b) that a funding bank deliver to the FCA's Chief Examiner, or designee, a copy of each GFA and all related documents within 10 business days after their execution. The FCC suggested,

> To the extent the substantive terms and conditions of two or more GFAs in a particular district are identical, the Council's membership believe it would be more efficient, and less burdensome, for the funding bank to provide FCA one copy of the GFA, together with the names of all direct lender associations or OFIs, as the case may be, that have executed identical agreements.

The FCA agrees that submitting duplicate copies of identical GFAs may not be necessary. Although FCA has not changed the final regulation's general requirement to submit copies of GFAs to the Chief Examiner, FCS banks that execute identical GFAs should contact the FCA field offices that examine the FCS institutions involved to arrange an efficient means of satisfying this requirement.

IV. Maximum Credit Limit Calculation

Proposed § 614.4125(d) would require that each GFA establish a maximum credit limit consistent with the FCS bank's lending policies and underwriting standards and the creditworthiness of the direct lender association. The proposed regulation would also establish a ceiling for any maximum credit limit that was equal to the value of the ''direct lender association's assets available'' to the FCS bank to support outstanding obligations under section 4.3(c) of the Farm Credit Act of 1971, as amended (Act). The FCA received comments from 6 FCS banks and 1 jointly managed PCA/FLCA on this issue.

Upon further consideration of this issue, the FCA has concluded that, in establishing the maximum credit limit in each GFA, each FCS bank should be guided by the underwriting standards that FCA regulations require it to develop. The FCA believes that the proposed regulatory ceiling is unnecessary and potentially misleading for the reasons outlined below. Accordingly, the last sentence in each of proposed §§ 614.4125(d) and 614.4130(c) has been deleted in the final regulation.

The comments received generally supported the flexibility offered by replacing the existing direct loan formula with a requirement that the FCS bank establish credit limits in accordance with its lending policies and underwriting standards. The comments differed, however, as to the components appropriately included in calculating the proposed regulatory ceiling. Most commenters believed that the calculation should give a direct lender association at least some credit for its investment in the FCS bank, but one bank suggested that the amount of a direct lender association's investment should not be included in the calculation.

The comments helped the FCA recognize the potentially misleading effect of establishing a regulatory ceiling on maximum credit limits that is solely tied to an asset-based calculation. As proposed, the ceiling would have been a theoretical, not a practical, limit. The FCA believes that if FCS banks develop, and apply to their relationship with direct lender associations, sound lending policies and underwriting standards, as required by the regulation, the banks will establish maximum credit limits that are below the proposed regulatory ceiling. The FCA expects the banks' lending policies and underwriting standards to produce an appropriate credit limit tailored to each direct lender association's circumstances. As required in § 614.4120, and further explained in the preamble to the proposed rule, each FCS bank must evaluate the creditworthiness of a direct lender association on the basis of lending policies and loan underwriting standards set forth in § 614.4150. The loan underwriting standards will require the bank to go beyond any simple asset-based calculation to consider risk factors such as the direct lender association's capital adequacy and adherence to all regulatory capital requirements, repayment ability, asset quality, liquidity, quality of collateral offered, business plan objectives, and quality of board and management. This credit evaluation will determine an appropriate upper limit on funding for each direct lender association. Each FCS bank must also have adequate internal controls in place to manage the debtor/creditor relationship, including appropriate disbursement and monitoring controls to ensure on-going compliance with the funding agreement. Including in the regulation a ceiling based simply on the direct lender association's available collateral may suggest, incorrectly, that such an asset-based limit could be a safe and sound maximum credit limit for most or all associations. Consistent with the FCA's emphasis on loan underwriting standards as the key to prudent lending, the final regulation eliminates the asset-based ceiling for credit extensions to associations and OFIs.

V. Notice of Material Defaults—Monetary Penalties

The FCC submitted a comment concerning notification to the FCA and the Farm Credit System Insurance Corporation (FCSIC) in case of ''material defaults'' under the GFA. Proposed § 614.4125(e) would require that any funding bank that provides notice to a direct lender association that it is in material default of any covenant, term, or condition of the GFA, promissory note, security agreement, or other related documents simultaneously provide written notification to the FCA

and the FCSIC. Proposed § 614.4125(f) would impose a similar requirement on a direct lender association that receives such notice from an FCB, ACB or non-FCS institution. The FCC suggested that the FCA remove the references to the FCSIC in proposed § 614.4125 (e) and (f). The FCA has not adopted this suggestion because it believes there is a benefit in a direct notice to the FCSIC.

Finally, the FCA wishes to clarify the discussion contained in the preamble to the proposed regulation regarding the ''material default'' notice. The discussion indicated that the ''material default'' notice requirement ''include[s], but is not limited to, notice from the FCB or ACB about the imposition of any monetary penalties on the direct lender association, including penalty interest, additional fees, or other service charges imposed based on a default by the direct lender association.'' *See* 62 FR 13844, Mar. 24, 1997. Two FCBs, an ACA, and a jointly managed PCA/FLCA requested that the FCA clarify that the term ''penalty interest'' would not include changes in pricing under normal differential pricing and price incentive structures. The commenters noted that some GFAs provide different interest rates at different levels of financial performance as an incentive to improve overall credit quality and financial condition. The commenters expressed a concern that imposition of notice requirements might encourage elimination of these incentive programs. Accordingly, the FCA clarifies that final § 614.4125 does not require institutions to notify the FCA when changing interest rates in accordance with normal differential pricing and price incentive structures. Specifically, if monetary penalties are imposed based on a default by the direct lender association, notice to the FCA is required. If no default in the GFA occurs, notice to the FCA is not required.

VI. Additional Regulatory Protections

The FCA received comments from the FCC and an ACA responding to the FCA's request for comments as to whether specific regulations are needed to protect the interests of FCS institutions negotiating the terms and conditions of the GFAs. The FCC indicated that its membership believes that ''a sufficiently level playing field between funding banks and their direct lender association-stockholders currently exists.'' In addition, the FCC, on behalf of its members, stated that the ''promulgation of additional regulations specifically designed to 'protect' the interest of either party in the negotiation process is wholly unnecessary and would be inappropriate, in our judgment, for an arm's-length regulator.'' The FCC comments provided in response to the proposed GFA regulation were developed by the FCC's membership as a result of a process that included two Systemwide conference calls. The FCC indicates that prior to being finalized, draft comments were circulated throughout the FCS for review, and a third Systemwide conference call was then held to discuss and finalize the comments provided. The result was a consensus that a sufficiently level playing field between funding banks and their direct lender association-stockholders currently exists.

Only the ACA took exception to the FCC's comment. The commenter stated that direct lender associations are at a competitive disadvantage when negotiating the GFA and that voting strength alone does not level that playing field, particularly for associations who are minority shareholders in their bank. The commenter noted that FCS associations cannot obtain financing from a source other than their funding bank without the bank's consent. This dependence places associations at a disadvantage in negotiating the terms of a GFA. The commenter did not recommend specific rules that would address the perceived imbalance in bargaining power but did suggest that the GFA regulation should provide the associations ''meaningful remedies'' in the event that an FCS bank fails to perform under the GFA. In addition, the commenter suggested that the FCA should devise a mechanism for consistently measuring the effective wholesale cost of funding that each FCS bank offers to affiliated associations and make that information available on a Systemwide basis. Finally, the commenter suggested that FCS banks should be required to establish a specific policy on approving outside sources of funding for affiliated associations.

After considering the comments received, the FCA does not believe that it has been demonstrated that there is a disparity of negotiating power between FCS banks and direct lender associations that requires a regulatory solution.[3] Further, the FCA believes that the remedies suggested by the ACA commenter go beyond the scope of this regulation.

[3] While the FCA agrees with the comment that based on current information a regulatory solution is unnecessary, the FCA does not agree that it would be ''inappropriate'' for an arm's-length regulator to provide a regulatory solution to protect the interest of either party in the negotiation process, if necessary.

The FCA adopts conforming changes to the regulations at §§ 614.4000(b) and 614.4010(b) to include the reference to the appropriate sections of the final GFA regulation and references the definition of an OFI contained in the final regulation at § 614.4130(a).

List of Subjects

12 CFR Part 614

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

12 CFR Part 627

Agriculture, Banks, Banking, Claims, Rural areas.

For the reasons stated in the preamble, parts 614 and 627 of chapter VI, title 12 of the Code of Federal Regulations are amended 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, 2096, 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, 2279b–1, 2279b–2, 2279f, 2279f–1, 2279aa, 2279aa–5); sec. 413 of Pub. L. 100–233, 101 Stat. 1568, 1639.

Subpart A—Lending Authorities

§ 614.4000 [Amended]

2. Section 614.4000 is amended by removing the reference ''§ 614.4130(b)'' and adding in its place, the reference ''§ 614.4125'' in the last sentence of paragraph (b).

§ 614.4010 [Amended]

3. Section 614.4010 is amended by removing the reference ''§ 614.4130(b)'' and adding in its place, the reference ''§ 614.4125'' in the last sentence of paragraph (b).

Subpart C—Bank/Association Lending Relationship

4. Section 614.4120 is revised to read as follows:

§ 614.4120 Policies governing extensions of credit to direct lender associations and OFIs.

The board of directors of each Farm Credit Bank and agricultural credit bank shall adopt policies and procedures governing the making of direct loans to and the discounting of loans for direct lender associations and OFIs. The policies and procedures shall prescribe lending policies and loan underwriting standards that are consistent with sound financial and credit practices. The policies shall require a periodic review of the lending relationship with each direct lender association and OFI at intervals consistent with the term of the general financing agreement but in no case longer than 5 years. The policies shall require an evaluation of the creditworthiness of a direct lender association on the basis of credit factors and lending policies and loan underwriting standards set forth in part 614, subpart D, and may permit lending to such an institution on an unsecured basis only if the overall condition of the institution warrants. The stated term of a general financing agreement shall not exceed 5 years but may be automatically renewable for additional terms not to exceed 5 years if neither party objects at the time of renewal. The term of any general financing agreement that provides for unsecured lending to a direct lender association shall not exceed 1 year and may not be automatically renewed.

5. Section 614.4125 is added to read as follows:

§ 614.4125 Funding and discount relationships between Farm Credit Banks or agricultural credit banks and direct lender associations.

(a) A Farm Credit Bank or agricultural credit bank shall not advance funds to, or discount loans for, any direct lender association except pursuant to a general financing agreement.

(b) The Farm Credit Bank or agricultural credit bank shall deliver a copy of the executed general financing agreement and all related documents, such as a promissory note or security agreement, and all amendments of any of these documents, within 10 business days after any such document or amendment is executed, to the Chief Examiner, Farm Credit Administration, or to the Farm Credit Administration office that the Chief Examiner designates.

(c) The general financing agreement shall address only those matters that are reasonably related to the debtor/creditor relationship between the Farm Credit Bank or agricultural credit bank and the direct lender association.

(d) The total credit extended to a direct lender association, through direct loan or discounts, shall be consistent with the Farm Credit Bank's or agricultural credit bank's lending policies and loan underwriting standards and the creditworthiness of the direct lender association. The general financing agreement or promissory note shall establish a maximum credit limit determined by objective standards as established by the Farm Credit Bank or agricultural credit bank.

(e) A Farm Credit Bank or agricultural credit bank that provides notice to a direct lender association that it is in material default of any covenant, term, or condition of the general financing agreement, promissory note, security agreement, or other related documents simultaneously shall provide written notification to the Chief Examiner, Farm Credit Administration, or to the Farm Credit Administration office that the Chief Examiner designates and the Director, Risk Management, Farm Credit System Insurance Corporation.

(f) A direct lender association shall provide written notification to the Chief Examiner, Farm Credit Administration, or to the Farm Credit Administration office that the Chief Examiner designates, and the Director, Risk Management, Farm Credit System Insurance Corporation immediately upon receipt of a notice that it is in material default under any general financing agreement, loan agreement, promissory note, security agreement, or other related documents with a Farm Credit Bank, agricultural credit bank or non-Farm Credit institution.

(g) A Farm Credit Bank or agricultural credit bank shall obtain prior written consent of the Farm Credit Administration before it takes any action that leads to or could lead to the liquidation of a direct lender association.

(h) No direct lender association shall obtain financing from any party unless the parties agree to the requirements of this paragraph. No Farm Credit Bank, agricultural credit bank, or other party shall petition any Federal or State court to appoint a conservator, receiver, liquidation agent, or other administrator to manage the affairs of or liquidate a direct lender association.

6. Section 614.4130 is revised to read as follows:

§ 614.4130 Funding and discount relationships between Farm Credit Banks or agricultural credit banks and OFIs.

(a) A Farm Credit Bank or agricultural credit bank shall not advance funds to, or discount loans for, an OFI, as defined in § 611.1205(c) of this chapter, except pursuant to a general financing agreement.

(b) The Farm Credit Bank or agricultural credit bank shall deliver a copy of the executed general financing agreement and all related documents, such as a promissory note or security agreement, and all amendments of any of these documents, within 10 business days after any such document or amendment is executed, to the Chief Examiner, Farm Credit Administration, or to the Farm Credit Administration office that the Chief Examiner designates.

(c) The total credit extended to the OFI, through direct loan or discounts, shall be consistent with the Farm Credit Bank's or agricultural credit bank's lending policies and loan underwriting standards and the creditworthiness of the OFI. The general financing agreement or promissory note shall establish a maximum credit limit determined by objective standards as established by the Farm Credit Bank or agricultural credit bank.

7. The heading for part 627 is revised to read as follows:

PART 627—TITLE IV CONSERVATORS, RECEIVERS, AND VOLUNTARY LIQUIDATIONS

8. The authority citation for part 627 is revised to read as follows:

Authority: Secs. 4.2, 5.9, 5.10, 5.17, 5.51, 5.58 of the Farm Credit Act (12 U.S.C. 2183, 2243, 2244, 2252, 2277a, 2277a–7).

9. Section 627.2700 is revised to read as follows:

Subpart A—General

§ 627.2700 General—applicability.

The provisions of this part shall apply to conservatorships, receiverships, and voluntary liquidations.

Subpart B—Receivers and Receiverships

10. Section 627.2720 is amended by removing paragraph (a); redesignating paragraphs (b), (c), (d), (e), and (f) as new paragraphs (a), (b), (c), (d), and (e); and revising newly designated paragraph (b) to read as follows:

§ 627.2720 Appointment of receiver.

* * * * *

(b) The receiver appointed for a Farm Credit institution shall be the Insurance Corporation.

* * * * *

11. Section 627.2730 is amended by removing paragraph (b); redesignating paragraph (c) as new paragraph (b); and

revising newly designated paragraph (b) to read as follows:

§ 627.2730 Preservation of equity.

* * * * *

(b) Notwithstanding paragraph (a) of this section, eligible borrower stock shall be retired in accordance with section 4.9A of the Act.

* * * * *

12. Part 627 is amended by adding a new subpart D to read as follows:

Subpart D—Voluntary Liquidation

§ 627.2795 Voluntary liquidation.

§ 627.2797 Preservation of equity.

§ 627.2795 Voluntary liquidation.

(a) A Farm Credit institution may voluntarily liquidate by a resolution of its board of directors, but only with the consent of, and in accordance with a plan of liquidation approved by, the Farm Credit Administration Board. Upon adoption of such resolution to liquidate, the Farm Credit institution shall submit the proposed voluntary liquidation plan to the Farm Credit Administration for preliminary approval. The Farm Credit Administration Board, in its discretion, may appoint a receiver as part of an approved liquidation plan. If a receiver is appointed for the Farm Credit institution as part of a voluntary liquidation, the receivership shall be conducted pursuant to subpart B of this part, except to the extent that an approved plan of liquidation provides otherwise.

(b) If the Farm Credit Administration Board gives preliminary approval to the liquidation plan, the board of directors of the Farm Credit institution shall submit the resolution to liquidate and the liquidation plan to the stockholders for approval.

(c) The resolution to liquidate and the liquidation plan shall be approved by the stockholders if agreed to by at least a majority of the voting stockholders of the institution voting, in person or by written proxy, at a duly authorized stockholders' meeting.

(d) The Farm Credit Administration Board will consider final approval of the liquidation plan after an affirmative stockholder vote on the resolution to liquidate.

(e) Any subsequent amendments, modifications, revisions, or adjustments to the liquidation plan shall require Farm Credit Administration Board approval.

(f) The Farm Credit Administration Board, in its discretion, reserves the right to terminate or modify the liquidation plan at any time.

§ 627.2797 Preservation of equity.

(a) Immediately upon the adoption of a resolution by its board of directors to voluntarily liquidate a Farm

Credit institution, the capital stock, participation certificates, equity reserves, and allocated equities of the Farm Credit institution shall not be issued, allocated, retired, sold, distributed, transferred, assigned, or applied against any indebtedness of the owners of such equities. Such activities could resume if the stockholders of the Farm Credit institution disapprove the resolution to liquidate or the Farm Credit Administration Board disapproves the liquidation plan. In the event the resolution to liquidate is approved by the stockholders of the Farm Credit institution and the liquidation plan is approved by the Farm Credit Administration Board, the liquidation plan shall govern disposition of the equities of the Farm Credit institution, except that if the Farm Credit institution is placed in receivership, the provisions of § 627.2730(a) shall govern further disposition of the equities of the Farm Credit institution.

(b) Notwithstanding paragraph (a) of this section, eligible borrower stock shall be retired in accordance with section 4.9A of the Act.

Dated: January 27, 1998.

Floyd Fithian,

Secretary,

Farm Credit Administration Board.

[FR Doc. 98–2726 Filed 2–3–98; 8:45 am]

BILLING CODE 6705–01–P]

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 97–NM–334–AD; Amendment 39–10302; AD 98–03–10]

RIN 2120–AA64

Airworthiness Directives; Boeing Model 737, 747, 757, and 767 Series Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule; request for comments.

SUMMARY: This amendment supersedes an existing airworthiness directive (AD), applicable to certain Boeing Model 737, 747, 757, and 767 series airplanes, that currently requires a one-time operational test of the pilots' seat locks and the seat tracks to ensure that the seats lock in position and the seat tracks are aligned correctly; and re-alignment of the seat tracks, if necessary. This amendment revises the applicability of the existing AD. The actions specified in this AD are intended to prevent uncommanded movement of the pilots' seats during acceleration and take-off of the airplane, and consequent reduced controllability of the airplane.

DATES: Effective February 19, 1998.

The incorporation by reference of certain publications, as listed in the regulations, is approved by the Director of the Federal Register as of February 19, 1998.

The incorporation by reference of certain other publications, as listed in the regulations, was approved previously by the Director of the Federal Register as of July 31, 1997 (62 FR 38017, July 16, 1997).

Comments for inclusion in the Rules Docket must be received on or before April 6, 1998.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM–114, Attention: Rules Docket No. 97–NM–334–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: Meghan Gordon, Aerospace Engineer, Airframe Branch, ANM–120S, FAA, Seattle Aircraft Certification Office, 1601 Lind Avenue, SW., Renton, Washington 98055–4056; telephone (425) 227–2207; fax (425) 227–1181.

SUPPLEMENTARY INFORMATION: On July 9, 1997, the FAA issued AD 97–15–06, amendment 39–10079 (62 FR 38017, July 16, 1997), applicable to certain Boeing Model 737, 747, 757, and 767 series airplanes equipped with non-powered IPECO pilots' seats, to require a one-time operational test of the pilots' seat locks and the seat tracks to ensure that the seats lock in position and the seat tracks are aligned correctly; and re-alignment of the seat tracks, if necessary. That action was prompted by reports indicating that a pilot's seat slid from the forward position to the aft-most position during acceleration and take-off of the airplane due to misalignment of the seat tracks. The actions required by that AD are intended to prevent uncommanded