

rules and regulations

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Title 5—Administrative Personnel CHAPTER I—CIVIL SERVICE COMMISSION

PART 213—EXCEPTED SERVICE Environmental Protection Agency

AGENCY: Civil Service Commission.
ACTION: Final rule.

SUMMARY: This section is amended to reflect a change in title from Regional and Intergovernmental Liaison Specialist to Liaison Specialist to the Director, Office of Regional and Intergovernmental Operations.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3318(e) (1) is amended as set out below:

§ 213.3318 Environmental Protection Agency.

(e) Office of Regional and Intergovernmental Operations.

(1) One Liaison Specialist to the Director.

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,

Executive Assistant
to the Commissioners.

[FR Doc.77-19523 Filed 7-7-77; 8:45 am]

PART 213—EXCEPTED SERVICE Department of the Interior

AGENCY: Civil Service Commission.
ACTION: Final rule.

SUMMARY: This amendment excepts from the competitive service under Schedule A temporary staff positions in the Youth Conservation Corps Centers operated by the Department of the Interior. Employment under this authority shall not exceed 11 weeks a year. This exception is granted because it is impracticable to examine for these positions.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3112(a) (11) is added to read as follows:

§ 213.3112 Department of the Interior.

(a) General. * * *

(11) Temporary staff positions in the Youth Conservation Corps Centers operated by the Department of the Interior. Employment under this authority shall not exceed 11 weeks a year.

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,
Executive Assistant
to the Commissioners.

[FR Doc.77-19524 Filed 7-7-77; 8:45 am]

PART 213—EXCEPTED SERVICE National Aeronautics and Space Administration

AGENCY: Civil Service Commission.
ACTION: Final rule.

SUMMARY: This amendment extends the exception from the competitive service of 25 additional positions in the Secretarial Science program at Langley Research Center when occupied by students at Thomas Nelson Community College with the provisions that no one may be employed under this authority for more than 1,280 hours in a service year and no new appointments may be made after September 30, 1977. This extension is granted because it continues to be impracticable to examine for these positions.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3148(e) is amended as set out below:

§ 213.3148 National Aeronautics and Space Administration.

(e) Forty-five positions in the Secretarial Science program at Langley Research Center when occupied by students at Thomas Nelson Community College. No one may be employed under this authority for more than 1,280 hours in a service year. No new appointments may be made under this authority after September 30, 1977.

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,
Executive Assistant
to the Commissioners.

[FR Doc.77-19526 Filed 7-7-77; 8:45 am]

PART 213—EXCEPTED SERVICE

National Foundation on the Arts and the Humanities

AGENCY: Civil Service Commission.
ACTION: Final rule.

SUMMARY: This addition excepts from the competitive service under Schedule C one position of Assistant to the Chairman, National Endowment for the Arts because it is confidential in nature. This section is also amended to show that one position of Assistant to the Chairman, National Endowment for the Arts is revoked under Schedule A because it is confidential in nature and therefore has been excepted under Schedule C.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3182(a) (17) is revoked and 213.3382(b) is amended to read as follows:

§ 213.3182 National Foundation on the Arts and the Humanities.

(a) National Endowment for the Arts.

(17) (Revoked).

§ 213.3382 National Foundation on the Arts and the Humanities.

(b) Two Assistants to the Chairman, National Endowment for the Arts.

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,

Executive Assistant
to the Commissioners.

[FR Doc.77-19525 Filed 7-7-77; 8:45 am]

PART 213—EXCEPTED SERVICE

Department of Transportation

AGENCY: Civil Service Commission.
ACTION: Final rule.

SUMMARY: This section is amended to show that one position of Special Assistant to the Associate Administrator for Planning, Federal Highway Administration, is excepted under Schedule C because it is confidential in nature.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3394(d) (4) is added as set out below:

§ 213.3394 Department of Transportation.

(d) *Federal Highway Administration.*

(4) One Special Assistant to the Associate Administrator for Planning.

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,
Executive Assistant
to the Commissioners.

[FR Doc. 77-19522 Filed 7-7-77; 8:45 am]

PART 213—EXCEPTED SERVICE Department of Labor

AGENCY: Civil Service Commission.

ACTION: Final Rule.

SUMMARY: This amendment excepts from the competitive service under Schedule C one position of Counselor and Executive Assistant to the Secretary, Office of the Secretary, Department of Labor because the position is confidential and policy determining in nature.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION ON POSITION AUTHORITY CONTACT:

Dean Bollman, Civil Service Commission, 202-632-7676.

FOR FURTHER INFORMATION ON POSITION CONTENT CONTACT:

Margaret Giovanni, Assistant Director for Executive Staffing, Department of Labor, 202-523-6555.

Accordingly, 5 CFR 213.3315(a) (57) is added as set out below:

§ 213.3315 Department of Labor.

(a) *Office of the Secretary.* * * *

(57) Counselor and Executive Assistant to the Secretary.

(5 U.S.C. 3301, 3302; E.O. 10577, 3 CFR 1954-1958 Comp., p. 218)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,
Executive Assistant to
the Commissioners.

[FR Doc. 77-19561 Filed 7-7-77; 8:45 am]

Title 7—Agriculture

CHAPTER IX—AGRICULTURAL MARKETING SERVICE (MARKETING AGREEMENTS AND ORDERS; FRUITS, VEGETABLES, NUTS), DEPARTMENT OF AGRICULTURE

[Lemon Reg. 100]

PART 910—LEMONS GROWN IN CALIFORNIA AND ARIZONA

Limitation of Handling

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This regulation establishes the quantity of California-Arizona lemons that may be shipped to fresh market during the weekly regulation period July 10-16, 1977. This regulation is needed to provide for orderly marketing of fresh lemons for the regulation period because of the production and marketing situation confronting the lemon industry.

EFFECTIVE DATE: July 10, 1977.

FOR FURTHER INFORMATION CONTACT:

Charles R. Brader, Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250 (202-447-3545).

SUPPLEMENTARY INFORMATION:

(a) *Findings.* (1) Pursuant to the amended marketing agreement and Order No. 910, as amended (7 CFR Part 910), regulating the handling of lemons grown in California and Arizona, effective under the applicable provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), and upon the basis of the recommendations and information submitted by the Lemon Administrative Committee established under the amended marketing agreement and order, and upon other available information, it is found that the limitation of handling of such lemons, as provided in this section will tend to effectuate the declared policy of the act.

(2) The need for this regulation to limit the quantity of lemons that may be marketed during the specified week stems from the production and marketing situation confronting the lemon industry.

(i) The committee has submitted its recommendation for the quantity of lemons it considers advisable to be handled during the specified week. The recommendation resulted from consideration of the factors covered in the order. The committee further reports the demand for lemons is similar to last week with size 165's and smaller strong and size 140's and larger steady. Average f.o.b. price was \$6.33 per carton the week ended July 2, 1977, compared to \$6.51 per carton the previous week. Track and rolling supplies at 240 cars were the same amount as last week.

(ii) Having considered the recommendation and information submitted by the committee, and other available information, the Secretary finds that the quantity of lemons which may be handled should be established as provided in this section.

(3) It is further found that it is impracticable and is contrary to the public interest to give preliminary notice, engage in public rule-making procedure, and postpone the effective date until 30 days after publication in the FEDERAL REGISTER (5 U.S.C. 553), because the time intervening between the date when information upon which this regulation is based became available and the time when it must become effective to effectuate the declared policy of the act is insufficient. A reasonable time is permitted,

for preparation for the effective time; and good cause exists for making the regulation effective as specified. The committee held an open meeting during the current week, after giving due notice, to consider supply and market conditions for lemons and the need for regulation. Interested persons were afforded an opportunity to submit information and views at this meeting. The recommendation and supporting information for regulation during the period specified were promptly submitted to the Secretary after the meeting was held, and information concerning the provisions and effective time has been provided to handlers of lemons. It is necessary, to effectuate the declared policy of the act, to make this regulation effective as specified. The committee meeting was held on July 5, 1977.

§ 910.400 Lemon Regulation 100.

(b) *Order.* (1) The quantity of lemons grown in California and Arizona which may be handled during the period July 10, 1977, through July 16, 1977, is established at 275,000 cartons.

(2) As used in this section, "handled" and "carton (s)" have the same meaning as when used in the amended marketing agreement and order.

(Secs. 1-19, 48 Stat. 31, as amended; 7 U.S.C. 601-674.)

Dated: July 6, 1977.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc. 77-19406 Filed 7-7-77; 11:45 am]

PART 915—AVOCADOS GROWN IN SOUTH FLORIDA

Expenses for 1977-78 Fiscal Year and Carryover of Unexpended Funds

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This document authorizes expenses of \$58,760 and the carryover as a reserve of unexpended funds for the functioning of the Avocado Administrative Committee for the 1977-78 fiscal year. The committee administers locally a Federal marketing order program regulating the handling of avocados grown in South Florida. The regulation enables the committee to use available reserve funds for its operational expenses to support its activities under the program.

DATES: Effective for fiscal year April 1, 1977, through March 31, 1978.

FOR FURTHER INFORMATION CONTACT:

Charles R. Brader, Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250 (202-447-3545).

SUPPLEMENTARY INFORMATION: On June 15, 1977, notice of rulemaking was published in the FEDERAL REGISTER (42 FR 30513) inviting written comments

not later than June 29, 1977, regarding proposed expenses for the period beginning April 1, 1977, through March 31, 1978, and carryover of unexpended funds, under the marketing agreement and Order No. 915, both as amended (7 CFR Part 915), regulating the handling of avocados grown in South Florida. None were received. This regulatory program is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674).

After consideration of all relevant matters presented, including the proposals set forth in such notice which were submitted by the Avocado Administrative Committee (established pursuant to said marketing agreement and order), it is hereby found and determined that:

§ 915.216 Expenses and carryover of unexpended funds.

(a) *Expenses.* Expenses which are reasonable and likely to be incurred by the Avocado Administrative Committee during the period April 1, 1977, through March 31, 1978, will amount to \$58,760.

(b) *Reserve.* Unexpended assessment funds in the amount of approximately \$63,910, which are in excess of expenses incurred during the fiscal year ended March 31, 1977, shall be carried over as a reserve in accordance with §§ 915.42 and 915.205 of the amended marketing agreement and order.

It is hereby further found that good cause exists for not postponing the effective date hereof until 30 days after publication in the *FEDERAL REGISTER* (5 U.S.C. 553) in that (1) shipments of avocados began on or about May 30, 1977, (2) the recommendations upon which this regulation is based were developed by the committee at open meetings on April 13 and May 11, 1977, after due notice thereof, and all interested persons present were given an opportunity to express their views; (3) a notice of proposed expenses and carryover of unexpended funds for the functioning of the Avocado Administrative Committee for the 1977-78 fiscal year was published in the *FEDERAL REGISTER* (42 FR 30513); and (4) the expenses and carryover of funds herein authorized are the same as those in the proposal.

(Secs. 1-19, 48 Stat. 31, as amended (7 U.S.C. 601-674).)

Dated: July 1, 1977.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc. 77-19417 Filed 7-7-77; 8:45 am]

[Nectarine Reg. 9, Amdt. 1]

PART 916—NECTARINES GROWN IN CALIFORNIA

Minimum Grade and Size Requirements

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This amended regulation continues through May 31, 1978, cur-

rent minimum grade and size requirements for fresh shipments of California nectarines. The amended regulation recognizes the marketing situation facing the industry and is necessary to assure that the nectarines shipped will be of suitable quality and size in the interest of consumers and producers.

EFFECTIVE DATE: July 16, 1977.

FOR FURTHER INFORMATION CONTACT:

Charles R. Brader, Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250, 202-447-3545.

SUPPLEMENTARY INFORMATION:

Notice was published in the *FEDERAL REGISTER* on June 1, 1977, (42 FR 27911), that consideration was being given to a proposal to amend Nectarine Regulation 9 (§ 916.351; 42 FR 24229), effective pursuant to the applicable provisions of the marketing agreement, as amended, and Order No. 916, as amended (7 CFR Part 916), regulating the handling of nectarines grown in California. This regulatory program is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674). The proposed amendment was recommended by the Nectarine Administrative Committee, established under the amended marketing agreement and order as the agency to administer the terms and provisions. The notice provided that all written data, views, or arguments in connection with Nectarine Regulation 9 or the proposed amendment be submitted by June 27, 1977. None were received.

The amendment reflects the Department's appraisal of the need for regulation of shipments of California nectarines during the aforesaid period based on the available supply and current and prospective market conditions. Fresh shipments of California nectarines from the 1977 crop are estimated at 10,977,000 packages compared to the record large 11,218,000 packages last season. The minimum grade and size requirements specified for California nectarines are consistent with the quality and size composition of the estimated crop of nectarines. The amendment is necessary to ensure the continued shipment of nectarines which satisfy the demands of the fresh fruit market. The amendment is consistent with the objective of the act of promoting orderly marketing and protecting the interest of consumers.

After consideration of all relevant matter presented, including the proposal set forth in the notice and other available information, it is found that the regulation of shipments of California nectarines, as set forth, is in accordance with the amended marketing agreement and order and will tend to effectuate the declared policy of the act.

It is further found that good cause exists for making this amendment effective at the time set forth and for not postponing the effective date until 30 days after publication in the *FEDERAL REGISTER* (5 U.S.C. 553) in that (1) ship-

ments of nectarines are currently in progress and this amendment should be applicable to all nectarine shipments occurring during the effective period specified in order to effectuate the declared policy of the act; (2) the amendment is the same as that specified in the notice; and (3) compliance with this amended regulation will not require any special preparation on the part of the persons subject thereto which cannot be completed by the effective time.

Order. Section 916.351 (Nectarine Regulation 9 (42 FR 24229)) is amended to read as follows:

§ 916.351 Nectarine Regulation 9.

Order. (a) During the period July 16, 1977, through May 31, 1978, no handler shall handle:

(1) Any package or container of any variety of nectarines unless such nectarines grade at least U.S. No. 1: *Provided*, That nectarines 2 inches in diameter or smaller, shall not have fairly light colored, fairly smooth scars which exceed the aggregate area of a circle $\frac{3}{8}$ inch in diameter, and nectarines larger than 2 inches in diameter shall not have fairly light colored, fairly smooth scars which exceed an aggregate area of a circle $\frac{1}{2}$ inches in diameter: *Provided further*, That an additional tolerance of 25 percent shall be permitted for fruit that is not well formed but not badly misshapen.

(2) Any package or container of May-red variety nectarines unless:

(i) Such nectarines, when packed in molded forms (tray pack) in a No. 22D standard lug box, are of a size that will pack, in accordance with the requirements of a standard pack, not more than 118 nectarines in the lug box;

(ii) Such nectarines in any container when packed other than as specified in subdivision (i) of this subparagraph (2) are of a size that a 16 pound sample, representative of the nectarines in the package or container, contains not more than 112 nectarines.

(3) Any package or container of May-fair variety nectarines unless:

(i) Such nectarines, when packed in molded forms (tray pack) in a No. 22D standard lug box, are of a size that will pack, in accordance with the requirements of a standard pack, not more than 112 nectarines in the lug box;

(ii) Such nectarines in any container when packed other than as specified in subdivision (i) of this subparagraph (3) are of a size that a 16 pound sample, representative of the nectarines in the package or container, contains not more than 105 nectarines.

(4) Any package or container of Crimson Gold, June Belle, June Grand, May Grand, Red June, Spring Grand, Armking, or Zee Gold variety nectarines unless:

(i) Such nectarines, when packed in molded forms (tray pack) in a No. 22D standard lug box, are of a size that will pack, in accordance with the requirements of a standard pack, not more than 108 nectarines in the lug box;

(1) Such nectarines in any container when packed other than as specified in subdivision (1) of this subparagraph (4) are of a size that a 16 pound sample, representative of the nectarines in the package or container, contains not more than 102 nectarines.

(5) Any package or container of Early Sungrand, Independence, Moon Grand, Star Grand I, Star Grand II, Sun Flame, Summer Grand, Sun Grand, Kent Grand, Early Star, Firebright, or Red Diamond variety nectarines unless:

(i) Such nectarines, when packed in molded forms (tray pack) in a No. 22D standard lug box, are of a size that will pack, in accordance with the requirements of a standard pack, not more than 96 nectarines in the lug box; or

(ii) Such nectarines in any container when packed other than as specified in subdivision (1) of this subparagraph (5) are of a size that a 16 pound sample, representative of the nectarines in the package or container, contains not more than 90 nectarines.

(6) Any package or container of Autumn Grand, Clinton-Strawberry, Fantasia, Flamekist, Flavortop, Gold King, Granderli, Grand Prize, Harry Grand, Hi-Red, Late Le Grand, Le Grand, Niagara Grand, Red Grand, Regal Grand, Richards Grand, Royal Grand, September Grand, Fairlane, Red Free, Bob Grand, or Tom Grand variety nectarines unless:

(i) Such nectarines, when packed in molded forms (tray pack) in a No. 22D standard lug box, are of a size that will pack, in accordance with the requirements of a standard pack, not more than 88 nectarines in the lug box; or

(ii) Such nectarines in any container when packed other than as specified in subdivision (1) of this subparagraph (6) are of a size that a 16 pound sample, representative of the nectarines in the package or container, contains not more than 78 nectarines.

(7) When used herein, "U.S. No. 1" and "standard pack" shall have the same meaning as set forth in the United States Standards for Grades of Nectarines (7 CFR 51.3145-51.3160); the term "No. 22D standard lug box" shall have the same meaning as set forth in Section 1387.11 of the "Regulations of the California Department of Food and Agriculture", and all other terms shall have the same meaning as when used in the marketing agreement and order.

(Secs. 1-19, 48 Stat. 31, as amended (7 U.S.C. 601-674).)

Dated: July 1, 1977, to become effective July 16, 1977.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc. 77-19416 Filed 7-7-77; 8:45 am]

PART 922—APRICOTS GROWN IN WASHINGTON

Expenses and Rate of Assessment for 1977-78 Fiscal Period and Carryover of Unexpended Funds

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This document authorizes expenses of \$2,692 and a rate of assessment of \$0.70 per ton of apricots for the functioning of the Washington Apricot Marketing Committee for the 1977-78 fiscal period. The committee administers locally a Federal marketing order program regulating the handling of apricots grown in Washington. The regulation will enable the committee to collect assessments from first handlers on all assessable apricots handled and to use the resulting funds for its expenses.

DATES: Effective for fiscal year April 1, 1977, through March 31, 1978.

FOR FURTHER INFORMATION CONTACT:

Charles R. Brader, Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250, 202-447-3545.

SUPPLEMENTARY INFORMATION: On June 15, 1977, notice of proposed rule making was published in the FEDERAL REGISTER (42 FR 30514), regarding proposed expenses and the proposed rate of assessment, under the amended marketing agreement and Order No. 922, as amended (7 CFR Part 922) regulating the handling of apricots grown in the State of Washington. This notice allowed interested persons until June 30, 1977, during which they could submit written comments pertaining to these proposals. None were submitted. This regulatory program is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674).

After consideration of all relevant matters presented, including the proposals which were set forth in the notice, which were submitted by the Washington Apricot Marketing Committee (established pursuant to the amended marketing agreement and order), it is hereby found and determined that:

§ 922.217 Expenses, rate of assessment, and carryover of unexpended assessment funds.

(a) *Expenses.* Expenses that are reasonable and likely to be incurred by the Washington Apricot Marketing Committee during the fiscal year April 1, 1977, through March 31, 1978 will amount to \$2,692.

(b) *Rate of assessment.* The rate of assessment for the fiscal year payable by each handler in accordance with § 922.41,

is established at \$0.70 per assessable ton of apricots.

(c) *Carryover of unexpended funds.* Unexpended funds in excess of expenses incurred during the fiscal year ended March 31, 1977, will be carried over as a reserve in accordance with § 922.42 of said amended marketing agreement and order.

It is hereby further found that good cause exists for not postponing the effective date until 30 days after publication in the FEDERAL REGISTER (5 U.S.C. 553) in that (1) shipments of the current crop of apricots grown in the designated production area are now being made; (2) provisions of the marketing agreement and this part require that the rate of assessment shall apply to all assessable apricots handled during the fiscal year, and (3) the year began on April 1, 1977, and the rate of assessment will automatically apply to all apricots handled during the year.

(Secs. 1-19, 48 Stat. 31, as amended (7 U.S.C. 601-674).)

Dated: July 1, 1977.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc. 77-19419 Filed 7-7-77; 8:45 am]

PART 945—IRISH POTATOES GROWN IN CERTAIN DESIGNATED COUNTIES IN IDAHO AND MALHEUR COUNTY, OREGON

Handling Regulation

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: During the period July 15 through August 15, 1977, this regulation will require fresh market shipments of potatoes grown in certain counties in Idaho and Malheur County, Oregon, to be inspected and meet minimum grade, size, maturity and pack requirements. The regulation should promote orderly marketing of such potatoes by keeping less desirable quality and sizes from being shipped to consumers.

DATE: Effective date July 15, 1977.

FOR FURTHER INFORMATION CONTACT:

Charles R. Brader, Deputy Director, Fruit and Vegetable Division, AMS, U.S. Department of Agriculture, Washington, D.C. 20250, Telephone: 202-447-3545.

SUPPLEMENTARY INFORMATION: *Findings.* (1) Pursuant to Order No. 945, as amended (7 CFR Part 945), regulating the handling of potatoes grown in designated counties of Idaho and Malheur County, Oregon, effective under

the applicable provisions of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), and upon the basis of the recommendations of the Idaho-Eastern Oregon Potato Committee established pursuant to the order, and upon other available information, it is hereby found that the handling regulation, hereinafter set forth, will tend to effectuate the declared policy of the act.

(2) The regulation imposes minimum grade, size, maturity and pack requirements on the handling of potatoes. The regulation is based upon an appraisal of the crop and prospective market conditions as required in § 945.50 of the order. This regulation is necessary to prevent the handling of any potatoes of lower grades or smaller sizes than those specified in the regulation, and to provide the trade and consumers with potatoes of acceptable quality pursuant to the declared policy of the act.

(3) It is hereby further found that it is impracticable and contrary to the public interest to give preliminary notice, engage in public rulemaking procedure, and postpone the effective date of this regulation until 30 days after publication thereof in the FEDERAL REGISTER (5 U.S.C. 553) because shipments of potatoes from the production area are expected to begin on or about the effective date hereof. The recommendation and supporting information for regulation were submitted to the Department after a public meeting of the Idaho-Eastern Oregon Potato Committee; said meeting was held to consider recommendations for regulation, after giving due notice of the meeting, and interested persons were afforded an opportunity to submit their views at this meeting; and handlers have been informed of the proposal. It is necessary, in order to effectuate the declared policy of the act, to make this regulation effective during the period hereinafter set forth so as to provide for the regulation of the handling of such potatoes, and compliance with this regulation will not require any special preparation on the part of the persons subject thereto which cannot be completed by the effective date of the regulation.

§ 945.336 Handling regulation.

During the period July 15, 1977, through August 15, 1977, no person shall handle any lot of potatoes unless such potatoes meet the requirements of paragraphs (a), (b), (c) and (d) of this section, or unless such potatoes are handled in accordance with paragraphs (e), (f), or (g) of this section.

(a) *Minimum quality requirements.*—(1) *Grade.* All varieties—U.S. No. 2 or better grade.

(2) *Size.*—(i) *Round red varieties.*—1½ inches minimum diameter.

(ii) *All other varieties.* 2 inches minimum diameter, or 4 ounces minimum weight.

(iii) *All varieties.* Size B if U.S. No. 1 or better grade.

(3) *Cleanliness.* All varieties—"Fairly clean."

(b) *Minimum maturity requirements.*—(1) *White Rose and red skin varieties.* "moderately skinned."

(2) *Norgold variety.* "Moderately skinned."

(3) *All other varieties.* "Slightly skinned."

(4) *Exceptions.* (i) Subject to compliance with subdivision (iii) of this subparagraph, any lot of potatoes not exceeding a total of 50 hundredweight of each variety may be handled for any producer without regard to the foregoing maturity requirements.

(ii) If an officially inspected lot of potatoes meets the foregoing maturity requirements, but fails to meet the grade and size requirements, the lot may be regraded. If, after regrading, such lot then meets the grade and size require-

ments but fails to meet the maturity requirements, as indicated by the applicable Federal-State inspection certificate, such lot if not exceeding 100 hundredweight shall be exempt from the foregoing maturity requirements: *Provided*, That the handler complies with subdivision (iii) of this subparagraph.

(iii) Prior to each shipment of potatoes exempt from the foregoing maturity requirements, the handler thereof shall report to the committee the name and address of the producer of such potatoes, and each such shipment shall be handled as an identifiable entity.

(c) *Pack.* (1) When 50-pound containers (except master containers) of long varieties of potatoes are marked with a count, size or similar designation they must meet the count, average count and weight ranges for the count designation listed below.

	Range		
	Count	Average count ¹	Weight
Larger than 50 count	10 per over or under	5 per over or under	15 oz or larger
50 count	45 to 55	48 to 52	12 to 19
60 count	54 to 66	57 to 63	10 to 16
70 count	63 to 77	67 to 74	9 to 15
80 count	72 to 88	76 to 84	8 to 13
90 count	81 to 99	86 to 95	7 to 12
100 count	90 to 110	95 to 105	6 to 10
110 count	99 to 121	105 to 116	5 to 9
120 count	108 to 132	114 to 126	4 to 8
130 count	117 to 143	124 to 137	4 to 8
140 count	126 to 154	133 to 147	4 to 8
Smaller than 140 count	10 per over or under	5 per over or under	4 to 8

¹ Applicable to lots.

The following tolerances by weight, are provided for potatoes in any lot which fail to meet the weight range for the designated count:

(i) Not to exceed 5 percent for under-size; and

(ii) Not to exceed 10 percent for over-size.

(2) Potatoes packed in 50-pound cartons shall be U.S. No. 1 or better grade.

(d) *Inspection.* (1) No handler shall handle potatoes unless such potatoes are inspected by either the Idaho Federal-State Inspection Service or Oregon Federal-State Inspection Service and are covered by a valid inspection certificate except when relieved of such requirement pursuant to paragraphs (e), (f), or (g) of this section.

(2) Each lot moving by truck shall be accompanied by a copy of a valid inspection certificate.

(e) *Special purpose shipments.* (1) The minimum grade, size, cleanliness, maturity and pack requirements set forth in paragraphs (a), (b) and (c) of this section shall not be applicable to shipments of potatoes for any of the following purposes:

- (i) Charity;
- (ii) Certified seed;
- (iii) Seed pieces cut from stock eligible for certification as certified seed;
- (iv) Experimentation; and
- (v) Canning, freezing and "other processing" as hereinafter defined: Except shipments of potatoes for the purpose specified in this subdivision (v) shall be exempt from inspection require-

ments specified in § 945.65 and paragraph (d) of this section and from assessment requirements specified in § 945.42.

(2) The minimum grade, size, cleanliness, maturity and pack requirements set forth in paragraphs (a), (b) and (c) of this section shall be applicable to shipments of potatoes for each of the following purposes:

(i) *Export.* Except potatoes of a size not smaller than 1½ inches in diameter may be shipped if the potatoes grade not less than U.S. No. 2; and

(ii) *Prepeeling.* Except potatoes of a size not smaller than 1½ inches in diameter may be shipped if the potatoes grade not less than Idaho Utility or Oregon Utility grade.

(f) *Safeguards.* (1) Each handler making shipments of potatoes for charity, seed pieces cut from stock eligible for certification, experimentation, export, or for prepeeling pursuant to paragraph (e) of this section shall:

(i) First, apply to the committee for and obtain a Certificate of Privilege to make shipments for each purpose;

(ii) Upon request by the committee, furnish reports of each shipment pursuant to the applicable Certificate of Privilege;

(iii) At the time of applying to the committee for a Certificate of Privilege, or promptly thereafter furnish the committee with a receiver's or buyer's certification that the potatoes so handled are to be used only for the purpose stated in the application and that such receiver

will complete and return to the committee such periodic receiver's reports that the committee may require;

(iv) Mail to the office of the committee a copy of the bill of lading for each Certificate of Privilege shipment promptly after the date of shipment;

(v) Bill each shipment directly to the applicable receiver.

(2) Each handler making shipments of potatoes for canning, freezing, or "other processing" pursuant to paragraph (e) of this section shall:

(i) First apply to the committee for and obtain a Certificate of Privilege to make shipments for processing;

(ii) Make shipments only to those firms whose names appear on the committee's current list of manufacturers of potato products;

(iii) Upon request by the committee, furnish reports of each shipment pursuant to the applicable Certificate of Privilege;

(iv) Mail to the committee's office a copy of the bill of lading for each Certificate of Privilege shipment promptly after the date of shipment;

(v) Bill each shipment directly to the applicable processor.

(3) Each receiver of potatoes for processing pursuant to paragraph (e) of this section shall:

(i) Complete and return an application form for listing as a manufacturer of potato products;

(ii) Certify to the committee and to the Secretary that potatoes received from the production area for processing will be used for such purpose and will not be placed in fresh market channels;

(iii) Report on shipments received as the committee may require and the Secretary approve.

(g) *Minimum quantity exception.* Each handler may ship up to, but not to exceed, five hundredweight of potatoes any day without regard to the inspection and assessment requirements of this part, but this exception shall not apply to any shipment that exceeds five hundredweight of potatoes.

(h) *Definitions.* The terms "U.S. No. 1," "U.S. No. 2," "Size B," "fairly clean," "moderately skinned," and "slightly skinned," shall have the same meaning as when used in the United States Standards for Potatoes (§§ 51.1540-51.1566 of this title), including the tolerances set forth therein. The term "pre-peeling" means the commercial preparation in a prepeeling plant of clean, sound, fresh potatoes by washing, peeling or otherwise removing the outer skin, trimming, sorting, and properly treating to prevent discoloration preparatory to sale in one or more of the styles of peeled potatoes described in § 52.2422 of the United States Standards for Peeled Potatoes (§§ 52.2421-52.2433 of this title). The term "other processing" has the same meaning as the term appearing in the act and includes, but is not restricted to, potatoes for dehydration, chips, shoestrings, starch, and flour. It includes only that preparation of potatoes for market which involves the application of heat or cold to such an extent that the natural form or stability

of the commodity undergoes a substantial change. The act of peeling, cooling, slicing, dicing, or applying material to prevent oxidation does not constitute "other processing." The terms "Idaho Utility" grade and "Oregon Utility" grade shall have the same meaning as when used in the respective standards for potatoes for the respective States. Other terms used in this section shall have the same meaning as when used in Marketing Agreement No. 98 and Order No. 945, both as amended.

(i) *Applicability to imports.* Pursuant to section 8e of the act and § 980.1 "Import regulations" (7 CFR 980.1), Irish potatoes of the long varieties imported during the effective period of this section shall meet the grade, size, cleanliness and maturity requirements specified in paragraphs (a) and (b) of this section.

Effective date and termination of previous regulation. This regulation will become effective July 15, 1977, and will supersede § 945.335 which is hereby terminated upon such effective date.

(Secs. 1-19, 48 Stat. 31, as amended; (7 U.S.C. 601-674).)

Dated: July 5, 1977.

CHARLES R. BRADER,
Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service.

[FR Doc. 77-19520 Filed 7-7-77; 8:45 am]

PART 999—SPECIALTY CROPS—IMPORT REGULATIONS

Amendment of Regulation Governing Imports of Walnuts

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This rule amends the walnut import regulation. The amendment deletes provisions on inshell walnut quality requirements, which are obsolete.

EFFECTIVE DATE: July 18, 1977.

FOR FURTHER INFORMATION CONTACT:

Charles R. Brader, Deputy Director, Fruit and Vegetable Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C. 20250, 202-447-3545.

SUPPLEMENTARY INFORMATION: The regulation governing imports of walnuts (7 CFR Part 999.100) is effective pursuant to Section 8e (7 U.S.C. 608e-1) of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674). Section 8e requires the Secretary of Agriculture to issue, after reasonable notice, quality restrictions on imported walnuts, which are the same as, or comparable to, those imposed upon domestic walnuts under a Federal marketing order (7 CFR Part 984). Section 999.100(b) (1) of the walnut import regulation currently states that imported inshell walnuts shall meet U.S. No. 2 grade as prescribed in the U.S. Standards for Walnuts (*Juglans Regia*) in the Shell (§§ 51.2945-51.2966 of this title), except

that the total kernel defect tolerance shall be 15 percent and the tolerance for serious kernel defects shall be 8 percent. This exception is now obsolete and should be deleted.

These same requirements, including the tolerances prescribed in the exception, were imposed on domestic walnuts until December 1976, when the exception was deleted following a revision of the U.S. Grade Standards November 15, 1976. That revision lowered the total tolerance for kernel defects in the U.S. No. 2 grade from 20 to 15 percent and the serious damage tolerance from 10 to 8 percent—the same as those then prescribed under the marketing order.

Based on the foregoing, and all other relevant information, it is hereby found that the amendment of the inshell walnut import grade requirements, as hereinafter set forth, will tend to effectuate the declared policy of the act.

It is hereby further found that it is impracticable, unnecessary, and contrary to the public interest to give preliminary notice and engage in public rulemaking procedure, and that good cause exists for making this action effective July 18, 1977, and for not postponing the effective time until 30 days after publication in the Federal Register (5 U.S.C. 553) in that: (1) The requirements of section 8e of the act make this action mandatory; (2) this amendment merely deletes an obsolete provision and thus imposes no additional restrictions on importers; (3) importers of walnuts need no time for advance preparation to comply with this action; and (4) no useful purpose would be served by delaying the effective date of this action.

Therefore, § 999.100 is amended by revising subparagraph (b) (1) to read as follows:

§ 999.100 Regulation governing imports of walnuts.

(b) * * *

(1) *Inshell walnuts.* All inshell walnuts shall be of a quality equal to or better than the requirements of U.S. No. 2 and "baby" size as prescribed in the United States Standards for Walnuts (*Juglans Regia*) in the Shell (§§ 51.2945-51.2966 of this title); or

(Secs. 1-19, 48 Stat. 31, as amended (7 U.S.C. 601-674).)

Dated: July 1, 1977, to become effective July 18, 1977.

CHARLES R. BRADER,
Deputy Director,
Fruit and Vegetable Division.

[FR Doc. 77-19418 Filed 7-7-77; 8:45 am]

Title 12—Banks and Banking CHAPTER II—FEDERAL RESERVE SYSTEM SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. Z; FC-0083 through FC-0093]

PART 226—TRUTH IN LENDING

Official Staff Interpretations

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Official staff interpretation(s).

SUMMARY: The Board is publishing the following official staff interpretations of Regulation Z, issued by a duly authorized official of the Division of Consumer Affairs.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

D. Edwin Schmelzer, Chief, Fair Credit Practices Section, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-2412).

SUPPLEMENTARY INFORMATION:

(1) Identifying details have been deleted to the extent required to prevent a clearly unwarranted invasion of personal privacy. The Board maintains and makes available for public inspection and copying a current index providing identifying information for the public subject to certain limitations stated in 12 CFR 261.6.

(2) Official staff interpretations may be reconsidered upon request of interested parties and in accordance with 12 CFR 226.1(d)(2). Every request for reconsideration should clearly identify the number of the official staff interpretation in question, and should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

(3) 15 U.S.C. 1640(f).

[12 CFR Part 226, FC-0083]

§ 226.8(b) In simple interest loans, the continued accrual of interest on the unpaid balance after the date when an installment payment is due need not be disclosed as a "default, delinquency, or similar charge payable in the event of late payments." Similarly, interest accrual after the maturity date of the loan contract need not be disclosed if the interest rate after maturity is the same as the rate stated in the loan contract or if the rate permitted by statute is lower than the stated rate.

JUNE 20, 1977.

This will respond to your letter of * * *. You request an official staff interpretation of Regulation Z as to whether or not the accrual of simple interest on the unpaid principal balance of a closed end credit transaction beyond the date on which an installment is due is a "default, delinquency, or similar charge payable in the event of late payment" for purposes of § 226.8(b)(4).

In such transactions, the finance charge (or the interest component of the finance charge) is determined by application of a periodic rate (daily, monthly, or annual) to the unpaid principal balance for the actual period that the balance has been outstanding. As you note, the finance charge and annual percentage rate that are initially disclosed are computed on the basis of periodic installment payments that will be payable by the borrower on certain dates or at fixed intervals. If these periodic installments are made as scheduled, the interest that accrues on the decreasing principal balance will correspond to the finance charge (or the interest component of the finance charge) initially disclosed to the borrower. However, the finance charge (or the interest component of the finance charge) will vary from that initially disclosed if payments are received

on other than the scheduled dates. A payment that is made by the borrower after its due date will result in the accrual of more interest, just as an installment made in advance of its due date will result in the accrual of less interest. As to successive payment cycles, interest accrues from the date of the immediately preceding payment.

It is staff's opinion that, in the situation you describe, the continued accrual of interest beyond the date on which an installment is due does not constitute a "default, delinquency, or similar charge payable in the event of late payment" for purposes of § 226.8(b)(4). If a creditor imposes a late payment charge in addition to the accrual of simple interest, such charges are, of course, subject to disclosure under § 226.8(b)(4).

You also ask whether a creditor must disclose that, after the maturity date of a simple interest loan contract, interest may or will accrue on any principal balance that remains unpaid.

It is staff's opinion that as to simple interest loans, such continued accrual of interest need not be disclosed if the periodic rate applicable after maturity is the same as the stated periodic rate under the loan contract, or if the rate permitted by statute after the loan maturity date is lower than the stated rate. Where the interest on the unpaid balance accrues at a higher rate after the maturity date, however, staff believes disclosure is required by § 226.8(b)(4).

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation and limited in its application to the facts outlined herein. I trust this is responsive to your inquiry.

Sincerely,

JERAULD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0084]

§ 226.6(a) Consumer leasing disclosures need not be more conspicuous than non-required contract provisions when lease and disclosure statement are combined.

§ 226.6(a) does not require use of any particular sequence of disclosures to comply with clear, conspicuous and meaningful sequence requirements; disclosures need not be made in § 226.15(b) sequence. (See FC-0054.)

JUNE 20, 1977.

This is in reply to your letter of * * *, requesting an official staff interpretation of the requirements of the consumer leasing disclosure provisions of Regulation Z in the context of the lease disclosure form and agreement enclosed with your letter. This letter is an official staff interpretation of the meaning of the § 226.6(a) terms "clearly," "conspicuously" and "meaningful sequence" as applied to a consumer leasing disclosure.

The staff considers the other questions raised in your letter to be inappropriate for an official staff interpretation as staff's positions in response thereto do not appear to be such that a lessor would wish to rely upon them in attempting to comply with the regulation. A response to those issues will, therefore, be provided in a separate unofficial letter to you.

Question 2 in your letter inquires whether the regulation requires that the consumer leasing disclosures be more conspicuous than non-required contract provisions when the disclosure statement and lease contract are integrated. There is no requirement in the regulation that the required disclosures be more conspicuous than other terms in a combined contract-disclosure statement.

Since the remainder of the questions answered herein address the same issue, the following discussion groups those questions as specified.

Although phrased in various manners, your questions 3 and 4 and the first part of questions 5, 7, 8 and 9 request an official staff interpretation regarding the requirement in § 226.6(a) that the disclosures be made "clearly, conspicuously, (and) in meaningful sequence."

Section 226.6(a) does not require the use of any particular sequential system or arithmetical progression in making the disclosures required in connection with a consumer leasing transaction. The disclosures need not be made in the sequence of required disclosures set forth in § 226.15(b). We believe that § 226.6(a) requires related terms to be presented in an order which will assist the customer in understanding their relationship to each other. Given the wide variety and varying complexity of terms and conditions which can be encountered in consumer leases, the meaning of "clearly," "conspicuously" and "meaningful sequence" must be determined by reference to the particular set of disclosures under consideration. I am enclosing a copy of Official Staff Interpretation FC-0054. Although framed in the context of a consumer credit transaction disclosure, it contains a discussion of the "meaningful sequence" requirements which may be helpful to you.

Unfortunately, staff cannot accommodate your request for specific review of the disclosure form enclosed with your letter. Limitations upon our resources and the marginal usefulness of such a specific review to other lessors have led staff to adopt a general policy or not undertaking this type of individual review. Staff, however, directs your attention to the sample consumer leasing disclosure forms contained in the copy of the Regulation Z pamphlet enclosed with this letter. Although use of these sample forms is not required, their use, when properly completed, insures compliance with the consumer leasing disclosure requirements of the regulation.

This letter is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation, and limited in its application to the facts and issues presented herein. I trust it will be of assistance to you.

Sincerely,

JERAULD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0085]

§ 226.15(a) Two sides of a single page may be used when making consumer leasing disclosures in a combined lease-disclosure statement so long as all disclosures are above the place for the lessee's signature.

JUNE 20, 1977.

This is in response to your letter of * * *, which requested an official staff interpretation of Regulation Z. You inquire whether § 226.15(a)(1) permits, where the lessor has combined the consumer leasing disclosures and the lease contract, the use of two sides of a single page, if the required disclosures are made together and above the place for the lessee's signature.

It is the staff's opinion that § 226.15(a)(1) permits the use of two sides of a single page when making the consumer leasing disclosures required by § 226.15(b) in a combined contract-disclosure statement. As you point out in your letter, § 226.15(a)(1) should be contrasted with § 226.8(a)(1). That subparagraph states that all Truth in Lending disclosures for a consumer credit transaction must be made "on the same side of the page and above the place for the customer's signature." (Emphasis added.) Section 226.15(a)(1), on the other hand, states that "All of the disclosures shall

be made together on * * * [t]he contract or other instrument evidencing the lease on the same page and above the place for the lessee's signature * * *." (Emphasis added.)

You state in your letter that the signature must be at the end of the second side to fulfill the requirements of § 226.15(a)(1). While that may be true if both sides of the single page contain required disclosures, it is the staff's opinion that compliance with § 226.15(a)(1) may also be achieved by placing the lessee's signature at the bottom of the first side, so long as all the required consumer leasing disclosures are made together on the first side of the two-sided document. This would permit the placement of the signature on the first side of the page and the incorporation of other non-disclosure contract provisions from the second side into the body of the contract in those instances where operational limitations (e.g., the use of carbons to make multiple copies) would dictate the use of a signature on the bottom of the first side. It should be pointed out, however, that there is no signature requirement in the regulation and that the requirement that all the disclosures be above the place for the lessee's signature applies only where, for contract or evidentiary purposes, the lessor wishes to have the lessee sign the combined contract and disclosure document.

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation and limited to the facts as outlined herein. I trust this is responsive to your inquiry.

Sincerely,

JERAULD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0086]

§ 226.7(b) It is permissible to provide a periodic statement for an open end account that separately discloses the purchase and cash advance portions of finance charge without disclosing a total of the two figures.

JUNE 20, 1977.

This will respond to your letter of * * *, in which you request official confirmation of the opinion expressed by staff in Public Information Letter 666 to the effect that § 226.7(b)(1)(iv) of Regulation Z (formerly § 226.7(b)(3)) does not require the elements of the finance charge to be added together and disclosed as a total on the periodic statement for an open end credit account.

Section 226.7(b)(1)(iv) requires the itemization and identification of the amounts of the finance charge attributable to the application of periodic rates and itemization and identification of the amounts of any other finance charges. You specifically ask whether it is permissible to provide a periodic statement for an open end account that separately discloses the purchase and cash advance portions of the finance charge computed by applying one periodic rate to the appropriate cash advance balance and a separate periodic rate (though not necessarily a different one) to the appropriate purchase balance without disclosing a total of the two figures.

It is the staff's opinion that the disclosure of the finance charge under the method outlined above meets the requirements of § 226.7(b)(1)(iv). There is no requirement under open end credit that these various elements must be added together or that the total finance charge be disclosed, as there is for credit other than open end.

This letter is an official staff interpretation of Regulation Z, issued pursuant to § 226.1(d)(3) of the regulation. Because the facts submitted with your inquiry varied somewhat from the facts supporting Public In-

formation Letter 666, we do not believe it is appropriate to designate that letter as an official staff interpretation. Nothing in this letter should be construed as staff review or approval of the periodic statement form you enclosed with your letter. I note that you may represent creditors subject to the laws of the State of Connecticut. Since Connecticut has been granted an exemption under the applicable portions of the Truth in Lending Act, you may wish to contact the office of Mr. Lawrence Connell, Jr., Bank Commissioner of the State of Connecticut, for his views. I trust this is responsive to your inquiry.

Sincerely,

JERAULD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0087]

§ 226.8(j) and 226.817 Where a creditor adjusts accounts after discovery of APR computation error to insure that customers do not pay more than the disclosed rate, this is not an 8(j) refinancing requiring new disclosures. Rather, it is analogous to a § 226.817 APR reduction.

JUNE 22, 1977.

This is in reply to your letter of * * *, requesting an official staff interpretation concerning the requirements of Regulation Z in the following situation. Your client, a creditor, discovered that it may have erroneously computed the annual percentage rate on certain loans. After discovery of the apparent error, it refunded amounts paid to date in excess of the stated annual percentage rate and prospectively adjusted the accounts over the balance of their term to insure that customers will not pay any charges in excess of the percentage rate stated. You ask whether Regulation Z requires your client to provide new disclosures under these circumstances.

The answer to this question, staff believes, depends on whether the adjustment could be considered a "refinancing" under § 226.8(j). Although the payment amounts and/or the number of payments remaining may be adjusted, staff believes that the adjustment does not constitute a refinancing as contemplated by § 226.8(j). Staff's opinion is based, to some extent, on the fact that, since the adjustment is made in order to charge the customer at a lower annual percentage rate than that which had previously been charged, the situation is somewhat analogous to that addressed in Board Interpretation § 226.817. Section 226.817 states that a reduction in the annual percentage rate applicable to an existing extension of credit does not constitute a refinancing and does not require new disclosures to be made. The adjustment made by your client in reducing the annual percentage rate charged to that initially disclosed is similar to the situation contemplated by § 226.817. In light of these considerations, staff does not believe new disclosures are required.

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation and limited to the facts stated herein. I trust that this will prove helpful to you.

Sincerely,

JERAULD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0088]

§ 226.7(b), 226.7(g), and 226.7(k). When only one date corresponding to each account entry is disclosed on a periodic statement, that date need not be described as the "transaction date," "posting date," etc.

JUNE 22, 1977.

This is in response to your letter of * * *, in which you request an official staff interpretation of §§ 226.7(b)(1)(iii), 226.7(g), and 226.7(k) of Regulation Z. Specifically, you inquire whether the portions of those sections which require particular dates to accompany the account activity reflected on periodic statements also require that the dates themselves be described (i.e., as a "transaction date," as a "posting date," etc.). Staff does not believe that the regulation imposes such a requirement. As you suggest, it is sufficient to have a single columnar heading such as "Date," identifying a column in which the required dates are placed.

Staff's conclusion, and advice to you, is based upon the assumption that only one date will be disclosed to describe each account entry. Official Staff Interpretation FC-0055, issued on March 22, 1977, explains that where a creditor desires to provide both a transaction date and a crediting date for every transaction on an account, then the dates should be separately and appropriately identified.

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation and limited in its application to the issue and facts presented herein. I trust it is responsive to your inquiry.

Sincerely,

JERAULD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0089]

§ 226.7(b) Creditor that has increased periodic rates (and gives notice as required by § 7(f)) must disclose on the periodic statement only those periodic rates which may be used during the billing cycle to which the statement applies; unnecessary to disclose rates which will be in effect in future cycles.

JUNE 22, 1977.

This is in reply to your letter of * * *, in which you request an official staff interpretation concerning the proper method of disclosing the periodic rate in the periodic statement given to a customer during the last billing cycle before the periodic rate is increased. You indicate that your client is raising the periodic rates on its open end accounts and will give its existing customers notice of the change of the periodic rates pursuant to § 226.7(f) of Regulation Z. You question, however, whether § 226.7(b)(1)(v) only requires disclosure of the periodic rates in effect during the last billing cycle or whether that section requires disclosure of both the periodic rates in effect and the periodic rates which will be applied during the next billing cycle.

Section 226.7(b)(1)(v) requires that the periodic statement disclose:

"Each periodic rate, using the term 'periodic rate' (or 'rates'), that may be used to compute the finance charge (whether or not applied during the billing cycle) * * *"

You indicate that the phrase "may be used" could be interpreted to be prospective in nature and that, consequently, it could be concluded that § 226.7(b)(1)(v) requires disclosure of the periodic rate or rates which would apply in the next billing cycle (i.e., the one in which the increased rates first take effect).

In staff's opinion, the only periodic rates which must be disclosed are those periodic rates which may be used during the billing cycle to which the particular periodic statement applies. The notice of change of terms required by § 226.7(f) has already notified the customer of the periodic rate or rates which will be applied to the balance due as shown by the periodic statement supplied during the next billing cycle. Therefore, staff believes it unnecessary to notify the customer on the periodic statement for the last billing cycle prior to the one in which the rates are increased of periodic rates which

would only be applied during future billing cycles.

This is an official staff interpretation of Regulation Z, issued pursuant to § 226.1(d)(3) of the regulation and limited in its application to the facts as outlined above. We note, however, that the creditor you represent may be subject to the laws of the State of Massachusetts, which has been granted an exemption under the applicable portion of the Federal Act. If your client is such a creditor, we suggest that you contact the office of Ms. Carol S. Greenwald, Commissioner of Banks of the State of Massachusetts, for her views. I trust that this is responsive to your inquiry.

Sincerely,

JERARD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0090]

§ 226.8(b) Single composite APR, rather than 2 APR's or maximum of 2 rates, must be disclosed in transaction where 2 different interest rates are applied to different portions of loan amount.

§ 226.8(c) Portions of finance charge applicable to imposition of 2 different interest rates are single component of finance charge and need not be separately itemized.

JUNE 23, 1977.

This is in response to your letter of * * *, to () requesting an official staff interpretation of Regulation Z with regard to the proper disclosure of the finance charge and annual percentage rate when different interest rates are imposed on two portions of an obligation.

You indicate that your client is engaged in making government-subsidized residential rehabilitation loans. Based on certain income limits of the borrower, your client will make a closed end loan, a portion of which will be at a low interest rate and the remainder of which will be at a higher interest rate. The loan is amortized over a fixed term, and your client provides for an even payment schedule for the term of the loan.

It is staff's position that, with respect to the annual percentage rate disclosure, § 226.8(b)(2) requires the disclosure of a single composite annual percentage rate which is computed by relating the total finance charge to the total amount financed in accordance with the applicable portions of § 226.5 of the regulation. In closed end credit transactions, it would not be permissible to show two annual percentage rates, nor would it be proper to simply state the maximum of the two rates, since this would not accurately reflect the annual percentage rate imposed on the transaction.

Your second question is whether § 226.8(c)(8)(i) requires the creditor to separately describe the portions of the finance charge applicable to the imposition of each rate. In staff's opinion, the amount of finance charge computed by the imposition of the applicable interest rate to the two portions of the obligation constitutes a single component of the finance charge. Thus, it need not be further itemized on the disclosure statement to indicate the portions of the finance charge attributable to the imposition of each rate.

This is an official staff interpretation of Regulation Z, issued pursuant to § 226.1(d)(3) of the regulation and limited in its application to the facts as outlined above. I trust that this is responsive to your inquiry.

Sincerely,

JERARD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0091]

§ 226.6(c) Use of name of savings and loan association which solicits credit card accounts for bank on the credit card, periodic statement and card brochure does not violate the general guidelines of § 226.6(c).

JUNE 24, 1977.

This is in response to your letter of * * * requesting an official interpretation of Regulation Z. Your company services the (credit card) accounts for a large number of () banks, and you ask staff's view about the application of §§ 226.6 and 226.7 of the regulation to a proposal which you have outlined.

You intend to have savings and loan associations solicit their customers to apply to your company for a (credit card) account. For the applications so generated and approved by your company, you intend to specifically reference the savings and loan association's involvement in the following ways: (1) The name of the savings and loan will appear on the top front of the credit card; (2) the name of the savings and loan, followed by your company's post office box address, will appear on the top-left portion of the front side of the periodic billing statement; and (3) the name of the savings and loan will appear at the top of the brochure which encloses the actual credit card. The back side of your (credit) cards, which presently state "This card is the property of the Bank which issued it * * *," will not be changed, but your Cardholder and User Agreement will be modified to read, "The (credit) card has been issued by a () bank through the courtesy of a savings and loan association and is issuer's property * * *."

You also indicated that your primary reason for requesting an official interpretation was to insure that the modifications proposed in your (credit) card and accompanying documents not be viewed as violating the general guidelines of § 226.6(c) regarding disclosure of additional information. It is staff's opinion that your proposal, as outlined in your letter, is consistent with those guidelines.

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation and limited to the facts and issues stated herein. I trust that we have been responsive to your inquiry.

Sincerely,

JERARD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0092]

§ 226.8(b) The fact that habitual late payments on a single interest loan may cause final payment to amount to a "balloon payment" does not require disclosure of this fact or labeling of final payment as "balloon payment."

§ 226.8(n) Statement sent to customer with simple interest loan showing (1) difference between estimated and actual principal balance caused by late payments and suggesting payment of difference to return to schedule, or (2) amount due for final payment, is not periodic statement.

JUNE 24, 1977.

This is in response to your letter of * * *, in which you requested an official staff interpretation of § 226.8(n) of Regulation Z concerning periodic statements for closed end credit.

Your client is in the process of converting its closed end credit loans to a simple interest basis. This means that a customer's regular monthly payment will be credited on the date received, and interest will continue to accrue at a simple interest rate until the actual date of payment. For this reason, if a customer is habitually somewhat slow in making payments, the interest earned will be somewhat greater than that originally estimated based on payment on, for example,

the first of the month. This increase in the finance charge will reduce the amount of principal reduction made with each payment so that it is possible that the final payment will be larger than that initially anticipated. Because of this discrepancy between the amount of the final payment and the amount of the regular payments, the bank sends out two types of notices. You have asked whether either of these notices would be considered a periodic statement for purposes of 226.8(n).

The first type of notice which may be sent out is a notice of the need for additional principal payment. If the total amount of principal due falls somewhat behind the estimated principal balance based on regular first-of-the-month payments, the bank sends out a notice which tells the customer that he "may wish to submit the difference indicated below along with your next regular payment in order to return to schedule and to avoid a final payment higher than your normal payment." The current principal balance is set forth, the estimated principal balance is subtracted from it, and the difference between them is shown. The regular payment is shown and added to the difference figure, and the total is labeled "total payment required to return to schedule." You have indicated by telephone that this notice of need for additional principal payment would not be sent out at any regular intervals but, rather, would be sent out when the total amount of principal actually due exceeds the estimated principal balance by some specified percentage.

Staff is of the opinion that the notice of need for additional principal payment described above would not be considered a periodic statement for purposes of § 226.8(n) of Regulation Z. The notice is not mailed periodically, and it does not relate to any particular installment payment. Furthermore, it does not notify the customer of a payment which is due; on the contrary, it merely tells the customer that if he does not pay the amount specified, his final payment will be larger than his regular payments. While it is true that the customer will continue to receive similar notices prior to each regular payment if he does not make the additional principal payment, staff nevertheless believes that this would not transform a notice of this type into a periodic statement.

The other type of notice which your client will send in connection with its closed end loans is a notice of final payment. The bank issues coupons to its borrowers and does not send out regular periodic notices of payments due. The last payment, however, is not covered by a coupon because it is usually not the same as the regular payments. Thus, a final payment notice is sent to the customer prior to the due date of the final payment advising him of the amount due.

Staff is of the opinion that the notice of final payment described above is not a periodic statement under § 226.8(n) because the notice is not mailed periodically. That is, only one such final notice is mailed with respect to any one loan.

Your final question is whether it is necessary in making the initial disclosures to advise the customer that, if payments are not made on time, it is possible that the final payment will amount to more than twice the regular payment and, thus, be a "balloon payment." It is staff's view that it is inherent in the definition of a simple interest installment loan that interest will be calculated and charged on a daily basis on the unpaid balance of the loan and that late or early payments will thus affect the amount of the final payment. Staff believes that, in the case of a simple interest installment loan, disclosures required under Regulation Z should

be made on the assumption that the loan payments will be made when due. Therefore, staff believes that Regulation Z does not require that, in the above described fact situation, the creditor disclose that it is possible that the final payment will amount to more than twice the regular payment and, thus, be a "balloon payment." This information may, however, be given as additional information pursuant to § 226.6(c). Of course, this view assumes that if payments were made on time, the final payment would not amount to a "balloon payment."

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) and confined to the facts as stated. I trust that it is responsive to your inquiry.

Sincerely,

JERARD C. KLUCKMAN,
Associate Director.

[12 CFR Part 226, FC-0093]

§ 226.2(q) Sale of cancellable credit life insurance on existing obligations subsequent to consummation, where premium amounts are computed on outstanding indebtedness, remitted to creditor as part of increased monthly payment, and incur no finance charge, is not a credit transaction.

JUNE 24, 1977.

This is in reply to your letter of * * *, requesting an official staff interpretation on the applicability of the Truth in Lending Act and Regulation Z to certain sales of credit life insurance.

According to your letter, your client proposes to contact persons who have existing debts and offer to sell them credit life insurance on those obligations. Any sales of insurance would, therefore, be made separately from, and after the consummation of, the underlying credit obligation. The insurance agreement would permit the customer to cancel the insurance coverage at any time. The customer's monthly premium payments would be computed on the outstanding daily balance of the indebtedness and would be remitted to the original creditor as part of an increased monthly payment. You indicate that these insurance premium payments would incur no finance charge and would be made concurrently with monthly coverage.

You state that, in your opinion, such sales of credit life insurance are not credit transactions subject to the Truth in Lending Act and Regulation Z for the reasons that no debtor-creditor relationship is created between the seller and the customer, and that no finance charges are imposed. The staff agrees with your conclusion on the facts you present.

This staff has consistently taken the position that Truth in Lending disclosures are not required for instalment insurance premium plans if there is no debtor-creditor relationship established between the insurer and the insured with respect to future premiums. (See Public Information Letters 200, 432 and 809.) Since the plan you describe calls for monthly payments coinciding with coverage, and since the customer can cancel the coverage at any time with no further obligation, the staff is of the view that no debtor-creditor relationship is established and no disclosures are required.

This is an official staff interpretation of Regulation Z, issued in accordance with § 226.1(d)(3) of the regulation and limited in its application to the facts and issues outlined herein. We trust it is responsive to your inquiry.

Sincerely,

JERARD C. KLUCKMAN,
Associate Director.

Board of Governors of the Federal Reserve System, July 1, 1977.

THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc. 77-19414 Filed 7-7-77; 8:45 am]

Title 13—Business Credit and Assistance CHAPTER I—SMALL BUSINESS ADMINISTRATION

[Rev. 6, Amdt. 13]

PART 120—BUSINESS LOAN POLICY

Eligible Participants

AGENCY: Small Business Administration.

ACTION: Final rule.

SUMMARY: This rule establishes new requirements and procedures for participating with SBA in its business loan programs. With one exception, these changes apply only to small business lending companies. (These are companies formed solely to make loans to small business concerns, in participation with SBA, and are referred to in the Regulations as "Subsection (b)" lenders.) The Regulation dealing with participation with SBA is § 120.4. The rule also establishes new limits on the operations of Subsection (b) lenders.

EFFECTIVE DATE: July 8, 1977.

FOR FURTHER INFORMATION CONTACT:

Stuart Harbour, Office of Program Development, Finance, and Investment, U.S. Small Business Administration, Washington, D.C. 20416 (202-653-6423).

SUPPLEMENTARY INFORMATION: The changes were proposed in the FEDERAL REGISTER for September 29, 1976 (41 FR 42963). A comment period was given. Only one person responded. After giving consideration to the comments, the amendments are being adopted as proposed.

The first amendment establishes separate procedures for determining the eligibility of banks and other Subsection (a) lenders, on the one hand, and Subsection (b) lenders, on the other, to participate in SBA guaranteed loan programs. Prospective Subsection (b) lenders will be required to pay SBA a non-refundable \$500 fee for processing an application for determination of eligibility, and may be required to publish a public notice of the application.

A second group of amendments establishes several new limitations on the operations of Subsection (b) lenders. For example, the new amendments specify contractual requirements before a lender or associate may furnish services to a small business concern. Also included in the amendments are restrictions on borrowing to buy stock of a Subsection (b) lender, common control of more than one such lender, and the employment of a manager or advisor by one of these lenders. The amendment also prohibits a commonly-owned Subsection (b)

lender and a licensed small business investment company from financing the same small business. Also, editorial changes have been made in the examination-fee table to remove ambiguities in the table as previously published.

Pursuant to the authority of section 5 of the Small Business Act, 72 Stat. 385 15 U.S.C. 634, and section 7 of such Act, as amended, 72 Stat. 387 15 U.S.C. 636, Part 120 of Title 13, CFR is amended in the manner set forth below:

1. Section 120.4(c) (1) and (2) is revised as follows:

§ 120.4 Eligible loan participants.

(c) *Determination of eligibility*—(1) *Application by prospective Subsection (a) Lenders.* A lending institution wishing to participate with SBA in making loans to small business concerns and meeting all requirements set forth in paragraph (a) of this section should submit its request to the SBA District Office serving the area in which the lending institution intends to participate with SBA in making loans to small business concerns. The District Office may require further evidence of the lending institution's qualifications.

(2) *Application by prospective Subsection (b) Lenders.* A lending institution wishing to participate with SBA as a Subsection (b) Lender shall submit its application for determination of its qualifications on SBA Form 1080, accompanied by a non-refundable processing fee of \$500, to the Associate Administrator for Finance and Investment, Washington, D.C. 20416. SBA will publish in the FEDERAL REGISTER a notice of each application and will provide an opportunity for submission of written comments. The applicant, upon request of SBA, shall publish a similar notice in a newspaper of general circulation in the city or other proposed area of operation.

2. Section 120.5(b) (10) through (14) is revised as follows:

§ 120.5 Operations of eligible participants.

(b) *Special requirements applicable to Subsection (b) Lenders.* * * *

(10) *Services to borrowers.* Where a Subsection (b) Lender or any of its associates provides services permitted under § 120.5(a) (2), such services shall be furnished pursuant to a written contract approved by the board of directors, partners, or proprietor of the small business concern. Records of time spent and charges made for such service shall be maintained for examination by SBA. Charges made shall not exceed those charged by established professional consultants providing similar services.

(11) *Common control.* Without prior written SBA approval, a Subsection (b) Lender shall not have any officer, director, or holder of ten percent or more of its voting securities who is an officer, director, or holder of ten percent or more of the voting securities either of another Subsection (b) Lender, or of any entity which directly or indirectly controls or is