goods would be considered part of the original money transaction for purposes of the rule.

* * * * *

Section 227.14 Unfair or Deceptive Practices Involving Cosigners.

The reference to section 226.16 in the answer to Q14–1 should be changed to section 227.16.

* * * * *

14(b) Disclosure Requirement

* * * * *

Q14(b)-13: *Continuing guaranties.* When must a bank give the cosigner notice to a guarantor who has executed a guaranty for not only the original loan, but also for future loans of the primary debtor? Must a cosigner notice be given to the guarantor with each subsequent loan to the primary debtor?

A: The cosigner notice should be provided before the guarantor becomes obligated on the guaranty—that is, at the time the guaranty is executed. The cosigner notice need not be given to the guarantor with each subsequent loan made to the primary debtor, since the cosigner is already obligated under the original contract to guarantee future indebtedness. However, since the guarantor is being asked to guarantee not only the original debt, but also the future debts of the primary obligor, the cosigner notice should be modified to accurately reflect the extent of the guaranty obligation. For example, the first sentence of the cosigner notice could read "You are being asked to guarantee this debt, as well as all future debts of the borrower entered into with this bank through December 31, 1987."

Q14(b)-13a: *Continuing guaranties—open-end plan.* If a cosigner executes a guaranty on an open-end credit plan (that is, one guaranteeing all advances made under the plan), does the bank have to modify the cosigner notice to indicate that all advances made under the plan are being guaranteed?

A: No, the bank is not required to modify the cosigner notice since the future advances are all being made as part of the same open-end credit plan.

Q14(b)-14: *Renewal or refinancing of credit obligation.* What happens when a credit obligation involving a cosigner is renewed or refinanced? Must a bank give the cosigner another notice at the time of the renewal or refinancing?

A: If under the terms of the original credit agreement the cosigner is obligated for renewals or refinancings of the credit obligation, a bank would not be required to give another cosigner notice at the time of each renewal or refinancing.

Section 227.15 Unfair Late Charges.

* * * * *

Q15–2: *Skipped and partial payments.* What happens if a consumer misses or partially pays a monthly payment and fails to make up that payment month after month? May the bank assess a delinquency charge for each month that passes in which the consumer fails to make the missed or "skipped" payment or to pay the outstanding balance of the partial payment?

A: Yes, the rule does not prohibit the bank from assessing a delinquency charge for each month that the skipped or partial payment remains outstanding.

* * * * *

Q15–5a: *Allocation of excessive payment.* Assume that beginning in January a consumer's payment on an installment loan is $40 a month. The consumer pays only $35 of a $40 January payment and a late charge of $5 is imposed on the account. If the following month's payment is for $45, may the creditor use the extra $5 to pay off the late charge and impose another late charge since the previous month's payment is still deficient $5?

A: If a consumer's payment could bring the account current except for an outstanding late charge, no additional late charge may be imposed.

* * * * *

Board of Governors of the Federal Reserve System, October 24, 1986.

William W. Wiles,

Secretary of the Board.

[FR Doc. 86–24517 Filed 10–27–86; 3:16 pm]

BILLING CODE 6210-01-M

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Airspace Docket No. 86-AWP-31]

Alteration of VOR Federal Airways

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment alters the descriptions of Federal Airways V–195, V–585 and V–386 due to navigational aid (NAVAID) name changes which appear in their descriptions. In addition, the description of V–197 has been changed by one degree to precisely align the radial to intercept the KELEN, CA, Intersection. These actions are editorial in nature and do not substantially alter controlled airspace.

EFFECTIVE DATE: 0901 UTC, December 18, 1986.

FOR FURTHER INFORMATION CONTACT: Lewis W. Still, Airspace and Air Traffic Rules Branch (ATO–230), Airspace-Rules and Aeronautical Information Division, Air Traffic Operations Service, Federal Aviation Administration, 800 Independence Avenue, SW., Washington, DC 20591; telephone: (202) 267–9254.

SUPPLEMENTARY INFORMATION:

The Rule

This amendment to Part 71 of the Federal Aviation Regulations changes the descriptions of VOR Federal Airways V–195, V–386 and V–585 to include the NAVAID name changes that were recently implemented. In addition, the description of V–197 has been altered to show a one degree change in the airway alignment between Palmdale, CA, and Shafter, CA. Except for this minor change to V–197, the amendment does not affect controlled airspace. Because these changes are minor amendments and editorial in nature in which the public would have no particular interest in commenting, I find that notice and public procedure under 5 U.S.C. 553(b) are unnecessary. Section 71.123 of Part 71 of the Federal Aviation Regulations was republished in Handbook 7400.6B dated January 2, 1986.

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. It, therefore—(1) is not a "major rule" under Executive Order 12291; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule, will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 71

Aviation safety, VOR Federal airways.

Adoption of the Amendment

PART 71—[AMENDED]

Accordingly, pursuant to the authority delegated to me, Part 71 of the Federal Aviation Regulations (14 CFR Part 71) as amended (51 FR 8 and 6103) is further amended, as follows:

1. The authority citation for Part 71 continues to read as follows:

Authority: 49 U.S.C. 1348(a), 1354(a), 1510; Executive Order 10854; 49 U.S.C. 106(g) (Revised Pub. L. 97–449, January 12, 1983); 14 CFR 11.69.

§ 71.123 [Amended]

2. Section 71.123 is amended as follows:

V–195 [Amended]

Where "Stockton" appears substitute "Manteca".

V–386 [Amended]

Where "Santa Barbara" appears substitute "San Marcus".

V–585 [Amended]

Where "Fresno" appears substitute "Pinedale".

Where "Stockton" appears substitute "Manteca".

V–197 [Amended]

By removing the words "INT Palmdale 314°" and by substituting the words "INT Palmdale 313°".

Issued in Washington, DC, on October 23, 1986.

Daniel J. Peterson,

Manager, Airspace-Rules and Aeronautical Information Division.

[FR Doc. 86–24505 Filed 10–29–86; 8:45 am]

BILLING CODE 4910-13-M

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14 CFR Part 73

[Airspace Docket No. 86–AWA–24]

Alteration of Restricted Area R–5803 Chambersburg, PA

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment expands the size of Restricted Area R–5803 Chambersburg, PA, from a 2,400-foot radius circular area to a 5,500-foot radius area centered on the present location at the Letterkenny Army Depot. This change is required because the Department of the Army has determined that the existing area is not large enough to adequately protect aircraft from activities conducted at the Depot.

EFFECTIVE DATE: 0901 UTC, December 18, 1986.

FOR FURTHER INFORMATION CONTACT: Paul Gallant, Airspace and Aeronautical Information Requirements Branch (ATO–240), Airspace-Rules and Aeronautical Information Division, Air Traffic Operations Service, Federal Aviation Administration, 800 Independence Avenue, SW., Washington, DC 20591; telephone: (202) 267–9246.

SUPPLEMENTARY INFORMATION:

History

On July 22, 1986, the FAA proposed to amend Part 73 of the Federal Aviation Regulations (14 CFR Part 73) to expand the size of Restricted Area R–5803 Chambersburg, PA (51 FR 26263). Interested parties were invited to participate in this rulemaking proceeding by submitting written comments on the proposal to the FAA. No comments objecting to the proposal were received. Except for editorial changes, this amendment is the same as that proposed in the notice. Section 73.58 of Part 73 of the Federal Aviation Regulations was republished in Handbook 7400.6B dated January 2, 1986.

The Rule

This amendment to Part 73 of the Federal Aviation Regulations expands the boundaries of Restricted Area R–5803 Chambersburg, PA, from a 2,400-foot radius circular area to a 5,500-foot radius area centered on the present location at the Letterkenny Army Depot. Designated altitudes, time of designation and using agency of the restricted area remain unchanged by this amendment.

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. It, therefore—(1) is not a "major rule" under Executive Order 12291; (2) is not a "significant rule" under DOT Regulatory Policies and Procedures (44 FR 11034; February 26, 1979); and (3) does not warrant preparation of a regulatory evaluation as the anticipated impact is so minimal. Since this is a routine matter that will only affect air traffic procedures and air navigation, it is certified that this rule will not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 73

Aviation safety, Restricted areas.

Adoption of the Amendment

PART 73—[AMENDED]

Accordingly, pursuant to the authority delegated to me, Part 73 of the Federal Aviation Regulations (14 CFR Part 73) is amended, as follows:

1. The authority citation for Part 73 continues to read as follows:

Authority: 49 U.S.C. 1348(a), 1354(a), 1510, 1522; Executive Order 10854; 49 U.S.C. 106(g) (Revised Pub. L. 97–449, January 12, 1983); 14 CFR 11.69.

§ 73.58 [Amended]

2. Section 73.58 is amended as follows:

R–5803 Chambersburg, PA [Amended]

By removing the present boundary description and substituting the following:

Boundaries. A circular area with a 5,500-foot radius centered at lat. 40°02′29″ N., long. 77°44′20″ W.

Issued in Washington, DC, on October 23, 1986.

Daniel J. Peterson,

Manager, Airspace-Rules and Aeronautical Information Division.

[FR Doc. 86–24506 Filed 10–29–86; 8:45 am]

BILLING CODE 4910-13-M

FEDERAL TRADE COMMISSION

16 CFR Part 460

Labeling and Advertising of Home Insulation

AGENCY: Federal Trade Commission.

ACTION: Final rule.

SUMMARY: The Federal Trade Commission announces an amendment to its trade regulation rule concerning the labeling and advertising of home insulation (16 CFR Part 460), pursuant to an Order issued by the United States Court of Appeals. The amendment is limited to deleting from the rule all requirements for affirmative disclosures in television advertisements. All other parts of the rule remain in effect.

This notice sets out the specific provisions of the rule that are amended. The television advertising disclosure requirements of the rule never became effective, having been stayed by the Commission when it announced the effective date of the rule [45 FR 54702].

EFFECTIVE DATE: October 30, 1986. Concurrent with the issuance of these amendments, the Commission lifts the stay of the affirmative disclosure requirements for television advertisements.

FOR FURTHER INFORMATION CONTACT: Kent C. Howerton, R-value Rule Coordinator, Division of Enforcement, Bureau of Consumer Protection, Room B–425, Federal Trade Commission, Washington, DC 20580, (202) 376–8934.

SUPPLEMENTARY INFORMATION: In August, 1979, the Commission published its Statement of Basis and Purpose and promulgated a trade regulation rule on the labeling and advertising of home insulation (hereinafter cited as the "R-value Rule" or the "Rule"), 16 CFR Part 460.[1] Following a series of

[1] Final trade regulation rule (hereinafter cited as the "Statement of Basis and Purpose"), 44 FR 50218 (Aug. 27, 1979).

postponements, the Rule became effective (with certain exceptions discussed below) on September 29, 1980.[2] Statutory authority for the Rule is provided under Section 18 of the Federal Trade Commission Act, 15 U.S.C. 57a, as amended.

In summary, the major provisions of the Rule: (1) Prescribe standardized test methods for determining the R-values, or effectiveness, of home insulation materials; (2) mandate prepurchase point-of-sale disclosures of R-values and related information to consumers; (3) require disclosure of R-values or related information in advertisements which make specific claims about home insulation products; and (4) require substantiation and qualifying disclosures in advertisements which make energy savings claims about home insulation products. The Rule is designed to enable consumers to evaluate and compare the thermal performance characteristics of home insulation products, and to ensure that promotional claims for these materials will be fair and nondeceptive.

Four manufacturers of mineral wool insulation thereafter filed timely petitions for review of the Rule in the United States Court of Appeals. The petitions were consolidated in the Tenth Circuit; [3] and the Commission and the mineral wool manufacturers subsequently agreed to ask the Tenth Circuit to remand the Rule to the Commission. On January 4, 1980, pursuant to a joint stipulation signed by all the parties, the Court remanded the Rule to the Commission for further proceedings.[4]

Under the Court's Order of January 4, 1980, remanding the Rule, the Commission was required to reconsider issues relating to the representative thickness testing requirement, and to the advertising disclosure requirements of the Rule insofar as they would have applied to television advertisements. The Commission was required to conduct complete rulemaking proceedings under the requirements of Section 18 of the Federal Trade Commission Act, 15 U.S.C. 57a, prior to making any disclosure requirements effective for television advertisements.

To comply with the Court's Order, on August 15, 1980, the Commission stayed the affirmative disclosure requirements of the Rule insofar as they would have applied to television advertising, pending the initiation and completion of further rulemaking proceedings concerning these requirements.[5] It also stayed the Rule's representative thickness testing requirement, until such time as the National Bureau of Standards (hereinafter cited as "NBS") resolved certain problems concerning that testing.[6] The Commission made all other requirements of the Rule effective as of September 29, 1980.[7]

On August 24, 1982, the Commission announced its intention to lift the temporary stay of the effective date of the representative thickness testing requirement because NBS had resolved the technical testing problems concerning such testing. The representative thickness testing requirement, § 460.6 of the Rule, became effective on September 23, 1982.[8]

To resolve the remanded appeal and remove it from the appellate court's docket, the Commission recently agreed that the Court could enter an Order vacating the television advertising disclosure requirements of the Rule without prejudice to the Commission's right to recommence new rulemaking proceedings in the future.[9] On May 8, 1986, the Court issued its Order vacating the affirmative disclosure requirements of the Rule and dismissed the appeal.[10] The Court's Order is without prejudice to the Commission initiating rulemaking proceedings and promulgating television advertising disclosure requirements for home insulation in the future pursuant to the statutory rulemaking requirements of section 18 of the Federal Trade Commission Act, 15 U.S.C 57a. The Commission issues the amendment to the Rule in this notice to implement the Court's Order of May 8, 1986.[11]

Although the Court's Order does not restrict the Commission in conducting rulemaking proceedings to consider affirmative disclosure requirements for television advertising, the Commission has decided not to conduct such proceedings at this time and therefore terminates the proposed rulemaking it announced on September 25, 1981.[12]

Concurrent with the issuance of the amendment, the Commission lifts the stay of the affirmative disclosure requirements for television advertisements that it issued on August 15, 1980. The amendment obviates the need for the stay.

List of Subjects in 16 CFR Part 460

Advertising, Home insulation, Labeling, Trade practices.

PART 460—[AMENDED]

For the reasons set forth in the preamble, 16 CFR Part 460 is amended as follows:

1. The authority citation for Part 460 continues to read as follows:

Authority: 38 Stat. 717, as amended, 15 U.S.C. 41 *et seq.*

2. Section 460.10 is revised to read as follows:

§ 460.10 How statements must be made.

All statements called for by this regulation must be made clearly and conspicuously. Among other things, you must follow the Commission's Enforcement Policy Statement for Foreign Language Advertising (July 24, 1973) (Appendix). The above document is in the Appendix to this regulation.

3. Section 460.18(f) is added to read as follows:

§ 460.18 Insulation ads.

* * * * *

(f) The affirmative disclosure requirements in § 460.18 do not apply to ads on television.

4. Section 460.19(g) is added to read as follows:

§ 460.19 Savings claims.

* * * * *

(g) The affirmative disclosure requirements in § 460.19 do not apply to ads on television.

5. Appendix A to Part 460 is amended by revising the title to read:

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[2] Notice of effective date of rule, and of a stay of the effect of the representative thickness testing and television advertising disclosure requirements of the rule, 45 FR 54702 (Aug. 15, 1980).

[3] *Manville Corp.* v. *FTC*, Nos. 79–1955, 80–1075, 83–1043 [10th Cir., filed Aug. 31, 1979.].

[4] *Id.*, Order of January 4, 1980.

[5] *See supra note* 2.

[6] *Id.*

[7] *Id.*

[8] Notice of lifting of stay of effective date of Final Rule, 47 FR 36806 (Aug. 24, 1982).

[9] *See supra note* 3, Joint Motion For Dismissal dated March 19, 1986.

[10] *Id.*, Order of May 8, 1986. Because affirmative disclosure requirements for television advertisements never became effective, the Court's action does not change any compliance obligations under the Rule.

[11] Only the affirmative disclosure requirements for television advertisements are affected by the actions by the Court and the Commission. Other requirements of the Rule apply equally to promotional claims made in television advertisements as to those made in other media. For example, the requirements in § 460.5 that R-values claimed for home insulation products must be based on the specific test methods listed in § 460.5, and the requirements in § 460.11 concerning the rounding of R-values, apply to R-value claims made in television advertisements. Similarly, the savings claim substantiation requirements in §§ 460.19(a) and 460.19(e), and the recordkeeping requirement in § 460.19(f), apply to advertisers who make savings claims about home insulation products in television advertisements. Lastly, the prohibitions in §§ 460.20, 460.21 and 460.22 against specific representations apply to television advertisements, as well as to those in other media. These requirements became effective, along with other requirements of the Rule, on September 29, 1980.

[12] Advance notice of proposed rulemaking, 46 FR 47236 (1981).

Appendix—Enforcement Policy Statement for Foreign Language Advertising

Appendix B [Removed]

6. Appendix B to Part 460 is removed.

By direction of the Commission.

Emily H. Rock,

Secretary.

[FR Doc. 86-24549 Filed 10-29-86; 8:45 am]

BILLING CODE 6750-01-M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 211

[Release No. 33-6671; 34-23746; 35-24220; IC-15372; FR-26]

Interpretive Release About Disclosure of the Effects of the Tax Reform Act of 1986

AGENCY: Securities and Exchange Commission.

ACTION: Interpretation.

SUMMARY: The provisions of the Tax Reform Act of 1986 (the "Act") may significantly affect the future financial position, liquidity and results of operations of some registrants. Registrants may present disclosures which quantify the effects of the Act on the deferred tax amounts in their historical financial statements by the pro forma application of the provisions of the Financial Accounting Standards Board's Exposure Draft, "Proposed Statement of Financial Accounting Standards—Accounting for Income Taxes" (the "ED"). This release contains guidelines for such quantified disclosures, and discusses other areas in which the potential effects of the Act should be discussed by registrants, if material.

DATE: October 23, 1986.

FOR FURTHER INFORMATION CONTACT: John A. Heyman (202-272-2130), Office of the Chief Accountant, or Howard P. Hodges (202-272-2553), Division of Corporation Finance, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549.

SUPPLEMENTARY INFORMATION:

Background

On October 22, 1986, the President signed the Act, which significantly changes the federal income taxation of corporations. Its provisions include an overall reduction in corporate income tax rates, the elimination of the investment tax credit and reduction of investment tax credit carryforwards, changes in depreciation rates and lives and various provisions which affect specific industries. For many registrants, the reduction in corporate tax rates will cause future payments of deferred tax amounts to be at rates which are significantly lower than those used to determine the deferred income tax provision under Accounting Principles Board Opinion (APB) No. 11.

On September 2, 1986, the Financial Accounting Standards Board (FASB) requested public comment on the ED, which would supersede APB No. 11 as the authoritative literature on accounting for income taxes in financial statements prepared in accordance with generally accepted accounting principles (GAAP). The principles proposed in the ED would significantly change the manner in which income taxes are accounted for under GAAP. APB No. 11 presently utilizes a deferred credit approach under which deferred taxes are provided based on the tax rates during the current year without consideration of, or adjustment for, subsequent changes in future tax rates. In contrast, the ED proposes a liability approach under which deferred taxes would be provided based on enacted tax rates which would apply during the period the taxes become payable. Deferred tax liabilities would then be subsequently adjusted for changes in future tax rates. The ED would also require companies to provide deferred taxes on certain differences between financial and income tax reporting which are not currently required under APB No. 11 and would be more restrictive than APB No. 11 with respect to the recognition of deferred tax debits (assets).

Types of Disclosure

The provisions of the Act will impact the timing and amount of taxes payable upon the reversal of book/tax differences for which deferred tax amounts have previously been provided. They may also affect future financial position, liquidity and results of operations for certain registrants.

Effects on Existing Deferred Tax Amounts

The reductions in corporate tax rates may result in actual tax payments, when book/tax differences reverse, which are lower than the related deferred tax amounts which were previously established. This savings of liquid assets may, however, be partially offset by the reduction of investment tax credit carryforwards. Additionally, the timing of the payments of deferred tax amounts for some registrants may be accelerated by the amended alternative minimum tax. The interaction of these provisions of the Act and the liability approach in the ED would, for many registrants, produce a significant reduction in recorded deferred taxes when a final standard is applied in the preparation of registrants' financial statements.

Quantification by registrants of the potential effects of FASB exposure drafts is not generally required since any final standards may differ from those proposed in the exposure draft. However, some registrants may desire to present disclosures which quantify the effects of the Act on their existing deferred tax liabilities through the application of the liability method of accounting for income taxes because they believe such disclosures are practicable and informative. Disclosures quantifying those effects may be made as discussed below under "Quantification of Effects on Existing Deferred Tax Amounts."

Regulation S-K, Item 303 "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") (17 CFR 229.303) calls for the discussion of any known trends or events or uncertainties that a registrant reasonably expects will have a material impact on liquidity or income from continuing operations.[1]

As previously indicated, certain provisions of the Act will affect registrants' future liquidity through their effect on the amount and timing of future tax payments upon the reversal of book/tax differences for which deferred tax amounts were not previously established. Registrants which do not elect to present disclosures which quantify the effects of the Tax Reform Act on existing deferred tax amounts should, nonetheless, discuss these potential effects on future liquidity, if material, as required by the MD&A rules. Such discussions should include both the potential effects upon reversal of book/tax differences for which deferred taxes have been provided and the potential effects upon the reversal of book/tax differences for which deferred taxes have not been provided pursuant to APB No. 23.[2]

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[1] Regulation S-K, Items 303 (a)(1) and (a)(3)(ii).

[2] APB No. 23 provides that deferred taxes need not be provided for certain timing differences that may not reverse until indefinite future periods. Those timing differences are the undistributed earnings of subsidiaries and corporate joint ventures which will be indefinitely reinvested, certain bad debt reserves of savings and loan associations and policy holder surpluses of stock life insurance companies.