planting season for flue-cured tobacco begins in April, it is urgent that flue-cured tobacco producers make their planting decisions for the 1997 crop. Therefore, this rule is effective immediately upon publication in the **Federal Register**. It does not appear that Congress meant, by the production flexibility contract provisions, to adversely affect the ability of flue-cured tobacco producers to conduct normal operations to produce their crop, except as such restrictions might be needed to protect the production flexibility program.

Accordingly, this rule amends the tobacco regulations in 7 CFR part 723 to allow the Deputy Administrator to permit special highly limited combinations of flue-cured tobacco allotments and quotas on PFC farms and non-PFC farms which will be effective for flue-cured tobacco purposes only. Such permission will be conditioned upon the agreement of interested parties not to use the land on the PFC farm that otherwise would have been planted to tobacco to produce a PFC commodity. The following commodities are PFC commodities under the 1996 Act: wheat, corn, grain sorghum, barley, oats, upland cotton, and rice. Failure to comply with that agreement will render the special combination void and can result in penalties for tobacco marketings that are in excess of allowable marketings. The Deputy Administrator may set other conditions as necessary to comply with all relevant statutory schemes.

In addition, a related change is made for burley tobacco in 7 CFR part 723 concerning situations in which, due to a farm reconstitution by division, a resulting farm may have less than 1,000 pounds of burley quota. That restriction is derived from section 379(c) of the Agricultural Adjustment Act of 1938. In order to avoid the loss of such quota on these farms, the quota may be sold, additional quota purchased, or the farm combined with another farm owned by the person so that at least 1,000 pounds of quota is amassed on the resulting farm. Here also, because of a PFC participation, some farm combinations which would otherwise be permitted, may no longer be allowed. This rule allows the Deputy Administrator to grant an exception to this minimum quota requirement if the farm could otherwise be combined with another farm so that the resulting farm would meet the 1,000 pound minimum, but such combination is prohibited because of PFC participation.

Regulations governing the reconstitutions of farms that were previously in 7 CFR part 719 are now found in 7 CFR part 718, subpart C as a result of a rule published in the **Federal Register** on July 18, 1996 (61 FR 37544, July 18, 1996). This interim rule corrects the references contained in part 723 accordingly.

List of Subjects in 7 CFR Part 723

Acreage allotments, Auction warehouses, Dealers, Domestic manufacturers, Marketing quotas, Penalties, Reconstitutions, Tobacco.

Interim Rule

For the reasons set forth in the preamble, 7 CFR part 723 is amended as follows:

1. The authority citation for 7 CFR part 723 continues to read as follows:

PART 723—[AMENDED]

Authority: 7 U.S.C. 1301, 1311–1314, 1314–1, 1314b, 1314b–1, 1314b–2, 1314c, 1314d, 1314e, 1314f, 1314i, 1315, 1316, 1362, 1363, 1372–75, 1377–79, 1421, 1445–1, and 1445–2.

2. Section 723.209 is amended by adding paragraph (c) to read as follows:

§ 723.209 Determination of acreage allotments, marketing quotas, and yields for combined farms.

* * * * *

(c) *Special combinations.* Notwithstanding other provisions of this title, the Deputy Administrator may, upon proper application and to the extent deemed consistent with other obligations, permit, with respect to allotments and quotas for flue-cured tobacco, two farms to be considered combined for purposes of this part and part 1464 of this title only, even though one of the farms involved is subject to a production flexibility contract (PFC) entered into under the provisions of 7 CFR part 1412. Such farms must otherwise meet the requirements for farm combinations in part 718. Such permission shall be conditioned upon the agreement of all interested parties that land on the PFC flue-cured quota farm that would have been used for the production of tobacco shall not be used for the production of any PFC commodity. A failure to comply with this provision shall render this special combination void, retroactive to the date of original approval. Such action may result in tobacco acreage in excess of the allotment and in marketing quota penalties on any excess marketings of tobacco. The Deputy Administrator may set such additional conditions on the production of tobacco on such farms as deemed necessary to serve the goals of the tobacco program and the goals of the production flexibility contract. The term ''PFC commodity'' for purposes of this paragraph means wheat, corn, grain sorghum, barley, oats, upland cotton, and rice.

3. Section 723.208 is amended by adding paragraph (b)(6)(v) to read as follows:

§ 723.208 Determination of acreage allotments, marketing quotas, and yields for divided farms.

* * * * *

(b) * * *

(6) * * *

(v) when the individual tract or farm with less than 1,000 pounds of quota could be combined with another tract or farm with sufficient quota to reach 1,000 pounds but for the existence of a production flexibility contract on one of the farms.

* * * * *

§§ 723–723.509 [Amended]

4. Sections 723.101 through 723.509 are amended by removing the numbers ''719'' each time they appear and adding in their place ''718''.

Signed at Washington, DC, on March 25, 1997.

Bruce R. Weber,

Acting Administrator, Farm Service Agency.

[FR Doc. 97–8415 Filed 4–1–97; 8:45 am]

BILLING CODE 3410–05–P

FEDERAL RESERVE SYSTEM

12 CFR Part 208

[Regulations H and K, Docket No. R–0921]

Government Securities Sales Practices; Correction

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Joint final rule; correction.

SUMMARY: The Office of the Comptroller of the Currency (OCC), Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) published in the **Federal Register** of March 19, 1997, a document regarding sales practices concerning government securities by depository institutions within their respective jurisdictions. This document corrects two inadvertent errors regarding the Board's interpretation entitled ''Obligations concerning institutional customers.''

DATES: Effective on July 1, 1997.

FOR FURTHER INFORMATION CONTACT: Lawranne Stewart, Senior Attorney (202–452–3513), Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, D.C. 20551. For the hearing impaired only, Telecommunications Device for the Deaf (TDD), Diane Jenkins (202–452–3544).

SUPPLEMENTARY INFORMATION: The OCC, Board and FDIC published their joint

final rule on March 19, 1997 (62 FR 13276) in which the Board added §§ 208.25 and 208.129 to Regulation H (12 CFR part 208). The Board's amendatory instruction number 3. ''§ 208.129 is added to subpart B'' will be corrected to read ''§ 208.129 is added to subpart E''. In § 208.129, paragraph (b), in the first sentence, the cite ''§ 208.25(b)'' will be corrected to read ''§ 208.25(d).''

In final rule FR Doc. 97–6803, published on March 19, 1997 (62 FR 13276), make the following corrections:

1. On page 13285, in the third column, instruction 3., remove ''subpart B'' and add in its place ''subpart E.''

2. On page 13285, in the third column, under § 208.129, paragraph (b), in the first sentence, remove ''§ 208.25(b)'' and add in its place ''§ 208.25(d).''

By order of the Board of Governors of the Federal Reserve System, March 28, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 97–8358 Filed 4–1–97; 8:45 am]

BILLING CODE 6210–01–P

SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

Business Loan Programs

AGENCY: Small Business Administration.

ACTION: Interim final rule.

SUMMARY: The U.S. Small Business Administration (SBA) is modifying its rules regarding the financing and securitization of the unguaranteed portion of loans it guarantees under Section 7(a) of the Small Business Act. Present SBA regulations allow only non-depository lenders to engage in these practices (13 CFR 120.420, revised as of March 1, 1996). This interim rule will permit both depository and non-depository lenders to pledge or sell the unguaranteed portions of SBA guaranteed loans.

During the pendency of this interim final rule, subject to compliance with all other aspects of the interim final rule, SBA expects to give favorable review to any transaction which complies with the retainage requirements described in the notice of proposed rulemaking relevant to financing and securitization which appeared in the **Federal Register** on February 26, 1997. If SBA is presented with a transaction which is not structured in a manner consistent with such retainage requirements, SBA will need to assure itself as to safety and soundness considerations and compliance with the interim rule before giving its approval.

DATES: Effective: April 2, 1997.

Comments must be submitted on or before May 2, 1997.

ADDRESSES: Please mail all comments to Jane Palsgrove Butler, Acting Associate Administrator for Financial Assistance, U.S. Small Business Administration, 409 Third Street, SW, Room 8200, Washington, D.C. 20416.

FOR FURTHER INFORMATION CONTACT: James W. Hammersley, Acting Deputy Associate Administrator for Financial Assistance, (202) 205–7505.

SUPPLEMENTARY INFORMATION: Over the past several years, the average SBA guarantee under its guaranteed business loan program (program) has decreased from nearly 90% to approximately 75%. This 150% increase in lender exposure requires lenders participating in the program to commit substantially more of their own capital in order to support their dollar volume of SBA guaranteed loans. In 1992, SBA promulgated regulations that permitted non-depository lenders participating in the program to pledge or sell the unguaranteed portions of SBA guaranteed loans, thereby permitting them to fund unguaranteed portions of SBA guaranteed loans with the proceeds of loans or securities offerings (securitizations). (See 13 CFR § 120.420, revised as of March 1, 1996.)

Since that time, bank (depository) participants have asked SBA to modify its regulations to provide them the same ability to offset the increase in commitment of capital needed for them to continue participation in the program. These lenders have told SBA that, in many cases, it is more efficient to raise funds through a pledge or securitization than to attract additional deposits.

Congress has now recognized the need to permit all participants in the program to have a level playing field in raising capital needed to fund the increased requirement for unguaranteed portions. Therefore, recent legislation prohibits the sale of unguaranteed portions under SBA's present regulations after March 31, 1997, unless SBA develops regulations permitting all participating lenders to sell the unguaranteed portions of their SBA guaranteed loans. See § 103(e) of Public Law 104–408, Oct. 1, 1996, which directs SBA to promulgate a final regulation ''that applies uniformly to both depository institutions and other lenders * * * setting forth the terms and conditions under which such sales can be permitted, including maintenance of appropriate reserve requirements and other safeguards to protect the safety and soundness of the program.''

On November 29, 1996, SBA published an advance notice of proposed rulemaking which requested the views of interested parties on how this statutory requirement might be satisfied. 61 FR 60649, Nov. 29, 1996.

SBA received nine responses, including one response which had four signatories. The comments addressed several questions posed in the advance notice of proposed rulemaking regarding how the statutory mandate should be satisfied.

On February 26, 1997, at 62 FR 8640, SBA published a notice of proposed rulemaking on this subject. The proposed rulemaking took the comments on the advance notice of proposed rulemaking fully into consideration. The public was given 30 days to comment on the proposal. As of March 21, 1997, SBA had not received any comments from the public in response to the proposed rulemaking.

SBA recognizes the complexity of the issues surrounding the various means for implementing the statutory mandate. It is clear that additional time will be necessary to develop a full spectrum of comment on the notice of proposed rulemaking. It is SBA's desire to have the broadest possible public involvement in this rulemaking. At the same time, SBA does not wish to penalize any lender seeking to conduct a pledging or sale transaction after March 31, 1997.

Under these circumstances, SBA has decided to extend, for an additional 30 days, the comment period on its proposed rule. Pending its review of all comments received and its issuance of a final rule on the subject, SBA also will promulgate an interim final rule which will allow all lenders in the program to proceed with securitizations, subject to prior SBA approval on a case by case basis. In this regard, SBA will extend to all of its lenders, on an interim basis, an existing regulation which previously has been applicable only to non-depository lenders. This will afford SBA the opportunity to obtain further public comment, to consider how best to implement the statutory directive that a new rule be finalized, and to permit interim transactions to go forward on a basis consistent with safety and soundness in the program.

SBA is convinced that it can review any transactions which take place during the interim period in a manner sufficient to protect such safety and soundness. It should be noted that all pledging or sale transactions which have taken place since 1992 have been