on September 3, 1995; (60 FR 29965). This increase is consistent with the increase in the annual average price of domestic barrows and gilts for calendar year 1996 as reported by USDA, AMS, Livestock and Grain Market News (LGMN) Branch. This increase in assessments would make the equivalent market value of the live porcine animal from which the imported pork and pork products were derived reflect the recent increase in the market value of domestic porcine animals, thereby promoting comparability between importer and domestic assessments. This proposed rule would not change the current assessment rate of 0.45 percent of the market value.

The methodology for determining the per pound amounts for imported pork and pork products was described in the Supplementary Information accompanying the Order and published in the September 5, 1986, Federal Register at 51 FR 31901. The weight of imported pork and pork products is converted to a carcass weight equivalent by utilizing conversion factors which are published in the Department's Statistical Bulletin No. 697 ''Conversion Factors and Weights and Measures.'' These conversion factors take into account the removal of bone, weight lost in cooking or other processing, and the nonpork components of pork products. Secondly, the carcass weight equivalent is converted to a live animal equivalent weight by dividing the carcass weight equivalent by 70 percent, which is the average dressing percentage of porcine animals in the United States. Thirdly, the equivalent value of the live porcine animal is determined by multiplying the live animal equivalent weight by an annual average market price for barrows and gilts as reported by USDA, AMS, LGMN Branch. This average price is published on a yearly basis during the month of January in LGMN Branch's publication ''Livestock, Meat, and Wool Weekly Summary and Statistics.'' Finally, the equivalent value is multiplied by the applicable assessment rate of 0.45 percent due on imported pork and pork products. The end result is expressed in an amount per pound for each type of pork or pork product. To determine the amount per kilogram for pork and pork products subject to assessment under the Act and Order, the cent per pound assessments are multiplied by a metric conversion factor 2.2046 and carried to the sixth decimal.

The formula in the preamble for the Order at 51 FR 31901 contemplated that it would be necessary to recalculate the equivalent live animal value of imported pork and pork products to reflect changes in the annual average price of domestic barrows and gilts to maintain equity of assessments between domestic porcine animals and imported pork and pork products.

The average annual market price increased from $41.99 in 1995 to $52.77 in 1996, an increase of about 25 percent. This increase would result in a corresponding increase in assessments for all HTS numbers listed in the table in § 1230.110, 60 FR 29965; June 7, 1995, of an amount equal to eight-hundredths of a cent per pound, or as expressed in cents per kilogram, nineteen-hundredths of a cent per kilogram. Based on the most recent available Department of Commerce, Bureau of Census, data on the volume of imported pork and pork products available for the period January 1, 1995, through September 30, 1995, the proposed increase in assessment amounts would result in an estimated $310,000 increase in assessments over a 12-month period.

List of Subjects in 7 CFR Part 1230

Administrative practice and procedure, Advertising, Agricultural research, Marketing agreement, Meat and meat products, Pork and pork products.

For the reasons set forth in the preamble, it is proposed that 7 CFR Part 1230 be amended as follows:

PART 1230—PORK PROMOTION, RESEARCH, AND CONSUMER INFORMATION

1. The authority citation for 7 CFR Part 1230 continues to read as follows:

Authority: 7 U.S.C. 4801–4819.

2. In Subpart B—Rules and Regulations, § 1230.110 is revised to read as follows:

§ 1230.110 Assessments on imported pork and pork products.

(a) The following HTS categories of imported live porcine animals are subject to assessment at the rate specified.

Live porcine animals	Assessment
0103.10.0000 ...	0.45 percent Customs Entered Value.
0103.91.0000 ...	0.45 percent Customs Entered Value.
0103.92.0000 ...	0.45 percent Customs Entered Value.

(b) The following HTS categories of imported pork and pork products are subject to assessment at the rates specified.

Pork and pork products	Assessment	
	Cents/lb	Cents/kg
0203.11.0000	.34	.749564
0203.12.1010	.34	.749564
0203.12.1020	.34	.749564
0203.12.9010	.34	.749564
0203.12.9020	.34	.749564
0203.19.2010	.39	.859794
0203.19.2090	.39	.859794
0203.19.4010	.34	.749564
0203.19.4090	.34	.749564
0203.21.0000	.34	.749564
0203.22.1000	.34	.749564
0203.22.9000	.34	.749564
0203.29.2000	.39	.859794
0203.29.4000	.34	.749564
0206.30.0000	.34	.749564
0206.41.0000	.34	.749564
0206.49.0000	.34	.749564
0210.11.0010	.34	.749564
0210.11.0020	.34	.749564
0210.12.0020	.34	.749564
0210.12.0040	.34	.749564
0210.19.0010	.39	.859794
0210.19.0090	.39	.859794
1601.00.2010	.47	1.036162
1601.00.2090	.47	1.036162
1602.41.2020	.51	1.124346
1602.41.2040	.51	1.124346
1602.41.9000	.34	.749564
1602.42.2020	.51	1.124346
1602.42.2040	.51	1.124346
1602.42.4000	.34	.749564
1602.49.2000	.47	1.036162
1602.49.4000	.39	.859794

Dated: February 20, 1997.

Lon Hatamiya,

Administrator.

[FR Doc. 97–4772 Filed 2–25–97; 8:45 am]

BILLING CODE 3410–02–P

SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

Business Loan Programs

AGENCY: Small Business Administration.

ACTION: Proposed Rule.

SUMMARY: The U. S. Small Business Administration (SBA) is proposing to modify its rules regarding the financing and securitization of the unguaranteed portion of loans guaranteed under Section 7(a) of the Small Business Act. Present regulations provide these options only to non-depository lenders. (13 CFR 120.420, Revised as of March 1, 1996) These proposed rules would permit both depository and non-depository lenders to pledge or securitize the unguaranteed portions of SBA guaranteed loans.

DATES: Comments must be received March 28, 1997.

ADDRESSES: Comments may be mailed to Jane Palsgrove Butler, Acting Associate

Administrator for Financial Assistance, U.S. Small Business Administration, 409 Third Street, SW, Washington, DC 20416, Room 8200.

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 guaranty 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 securitize the unguaranteed portions of SBA guaranteed loans, thereby permitting them to fund unguaranteed portions of SBA guaranteed loans with the proceeds of loans and securities offerings. (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 the same ability to them, in order to offset the increase in commitment of capital needed to continue participation in the program. Bankers 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 any securitization under SBA's present regulations after March 31, 1997, unless SBA develops regulations permitting all participating lenders to pledge and securitize the unguaranteed portions of their SBA guaranteed loans. See section 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 maintenance of appropriate reserve requirements and other safeguards to protect the safety and soundness of the program.''

I. Advance Notice of Proposed Rulemaking

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 60,649, Nov. 29, 1996.

SBA received nine responses, including one response which had four signatories. The comments corresponded to questions posed in the Advance Notice Proposed Rulemaking. The following is a discussion of the comments received.

Item one—How should lenders demonstrate a retained tangible economic interest in a guaranteed loan? Should lenders be required to retain an unguaranteed portion and/or a reserve? What level of retention and/or reserve is adequate to protect the interest of SBA?

Each of the respondents provided comments on this item. One suggested a 10% retention, one suggested a retention of 50% of the unguaranteed portion of the loan and five suggested a retention of 5% of the total amount of the loan. One respondent offered to work with the Agency to develop a retention level appropriate to the credits and one respondent proposed that a lender provide risk retention or supply a credit enhancement of the lesser of (1) the level required to cause all securities issued under the securitization transaction to third parties to receive an investment grade rating, or (2) 5% of the total outstanding principal of the loans which unguaranteed portion are securitized.

Item two—Should we permit financing transactions on a periodic scheduled basis or should lenders be permitted to submit transactions whenever they want?

All of the respondents who commented on this item suggested that there should not be a set schedule and that issuers should decide when to take an issue to market.

Item three—Should we permit multiple lenders to ''pool'' transactions in one multi-party transaction? If so, how should this be regulated?

Of the respondents who commented on this item, six were in favor and one was against. Those in favor stated that pooling will be necessary to make securitization available to small volume lenders. The respondent opposing this idea suggested that multi-issuer pools would allow lenders with poorer quality loans to spread their risk over a larger number of loans.

Item four—Should we use third party resources to help process the contemplated transactions? If so, what type of third parties? Who should bear the costs associated with using third parties?

Only one respondent was against using third parties. This respondent wants to keep the process as simple as possible and feels that adding third parties will complicate the process. All others did not object to using third parties as long as the fee for their services was reasonable.

II. Background

In developing these proposed regulations, SBA attempted to balance the needs of financial institutions, especially non-depository financial institutions, to raise funds for operations with the mandate that the program be operated on a safe and sound basis to protect the interests of the taxpayers.

SBA has deliberated extensively over the issue of requiring a retained economic interest in the loans. The Agency continues to believe that the risk of loss to the originating lender has been the cornerstone of the 7(a) loan program. For example, the Agency has previously taken steps to reduce the premium received by lenders upon the sale of the guaranteed portion of a loan when the Agency thought that premiums had reached the level at which they may be reducing the economic interest in the loans to the point that lenders would not be cautious providers of credit.

In determining the proposed regulatory structure, the Agency also tried to balance the ability of lenders to pledge the future income on the loan with the need to maintain a level of safety for lenders. The securitization structures used to date attempt to put the entire risk of loss on the lender. In reviewing these structures, the Agency has become concerned that there may not be a sufficient reserve available for the entity to survive a modest increase in the historic loss rate. One must remember that rating agencies involved in these transactions are rating the security and the cash flows associated with it. They are not making any type of determination as to whether the originator will survive for the duration of the securitization.

Absent a securitization, a lender will have a guaranty on 75% of a loan and have a 25% risk. If the unguaranteed portion of loans are securitized, underwriters will require that the securitization be structured so that investors are virtually protected from any loss. To do this, securitizing lenders have had to pledge all of the cash flow on the unguaranteed portion and a part of the cash flow on the guaranteed portion that would otherwise be received by the lender. Because the securitization does not change the risk of default on loans, a lender is left in the position of assuming, in this example, the entire risk associated with the 25% unguaranteed portion, but not having

the assets associated with that portion of the loan to offset its securitization.

SBA has proposed regulations with these concerns in mind. Clearly, it is not in SBA's interest to eliminate an avenue of funding used by some of its lenders. Therefore, the Agency will review any final regulations after a reasonable period of use and consider whether changes are necessary based on experience with the structure that is permitted.

III. Proposed Regulations

After having carefully considered all of these matters and the responses to the advance notice, SBA is now proposing the following regulations to satisfy the statutory requirement. The regulations being proposed extend the coverage of the 1992 regulations to depository lenders and propose a few changes in those regulations.

A. Technical Change

When SBA first considered securitization and pledging regulations in 1992, it was confident that it had the resources to take over the portfolio of a securitizing lender if the lender failed or defaulted on its obligations under a securitization agreement. Since the promulgation of those regulations, SBA has greatly decreased its staff. The reduction of personnel has reduced SBA's ability to absorb servicing and liquidation responsibilities for a large portfolio of loans in the case of failure or default by a participating lender which has securitized its unguaranteed portions. Therefore, as a condition to the approval of any securitization of unguaranteed portions under the 1992 regulations, the Agency has required in securitization documentation that a lender qualified to participate in the program, and acceptable to SBA, identified as a back up servicer, will take over the responsibilities required by SBA Form 750, ''Guaranty Loan Agreement,'' for servicing and liquidation of loans made by a failed participant. The proposed regulations incorporate this requirement. Such servicing and liquidation must be performed under the terms of SBA's Blanket Guaranty Agreement.

B. Extent of Securitization

SBA has had over three years to review the use of securitization by non-depository participants. The Agency has decided that less than 100% securitization of unguaranteed portions by lenders participating in the program will provide them with enough capital to support adequate levels of SBA guaranteed lending. Therefore, SBA is proposing to modify its present regulations to require that participating lenders which undertake securitizations retain the equivalent of at least a 5% interest in each loan the unguaranteed portion of which is securitized.

In this regard, the proposed regulations are intended to provide a level playing field for both depository and non-depository lenders to securitize assets and ensure the safety and soundness of the program. SBA intends to require that any securitizing lender demonstrate its continuing economic interest in the securitized loans by one of the following: (1) Retaining in its own portfolio unguaranteed portions equal to 5% of the face value of all loans (guaranteed plus unguaranteed portions) the unguaranteed portions of which are contained in the securitization, (2) retaining a subordinate tranche equal to 5% of the face value of all the loans the unguaranteed portions of which are contained in the securitization, or (3) establishing a cash reserve equal to 5% of the total face value of all of the loans the unguaranteed portions of which are contained in the securitization. Under any of the options, only the participating lender may regain use of the proportional retained amount of funds after each corresponding loan has been paid in full, or, in the case of a default, after the collateral for the loan has been liquidated and a determination has been made that there is no additional collectability.

If option (1) is used, the retained amount may be pledged as collateral for a loan to fund the retainage. If option (3) is used, the lender must establish the cash reserve at the time of the securitization. The retainage in the case of option (3) must be held by a custodian acceptable to SBA. In the event of a failure by the securitizing lender, it must become available first to SBA to offset expenses relative to servicing or liquidating the loans, and secondly, to a subsequent servicer to be available for the same purposes.

C. Pledging

The 1992 regulations provided a method for non-depository lenders to pledge the guaranteed and unguaranteed portions of their loans as a means of financing the loans. The proposed regulations will extend the same option to depository lenders. However under this regulation, all lenders using a pledge agreement will be required to retain a cash flow equal to 1% of the principal balance of any loan pledged if the percentage of the loan pledged exceeds the unguaranteed percentage of the loan. Thus, if a lender is pledging 100% of a portfolio of loans, it must retain a cash flow equal to 1% of the principal balance of each loan pledged. The documentation for the pledge must indicate that the purpose of this holdback is to provide a sufficient reserve to pay the cost of a new participating lender to take over servicing of pledged loans in the event of the failure of the originating lender or its default under the pledge agreement.

D. Capital Requirements

Presently under SBA's regulations, Small Business Lending Companies (SBLCs), a subset of non-depository lenders, must maintain a minimum private capital of $1,000,000 or 10% of the unguaranteed portions of SBA guaranteed loans, whichever is more. (13 CFR 120.453) SBA is proposing to continue the minimum capital requirement for SBLCs. However, it is also proposing that SBLCs which securitize unguaranteed portions and choose the option under these regulations either to retain a percentage of the loans or a tranche of the securities must increase their private capital by 8% of the unguaranteed portions retained or of the tranche retained. This additional capital requirement will put depository lenders and non-depository SBLC lenders in an equivalent capital position with respect to SBA loans in which all or a part of their unguaranteed portions are securitized. Thus, under this proposal, an SBLC lender which retains a 5% tranche in a securitization, or retains unguaranteed portions equal to 5% of the face amount of the loans the unguaranteed portions of which are securitized must increase its private capital by an amount equal to 8% of the retained tranche. If the SBLC lender puts up a 5% cash reserve, the increase in capital will not be necessary.

E. Custodial Agent

SBA is proposing that physical custody of the pertinent loan documents relevant to pledging and securitizations be retained by the SBA's fiscal and transfer agent (FTA) for the Section 7(a) loan program, acting as custodian for the SBA and the parties to the transaction. Although SBA has approved securitizations using other entities as the custodian of the loan documents, the Agency is concerned that increased securitization activity could make it difficult for SBA to locate a particular borrower's note and collateral documents if multiple custodians are permitted. Therefore, SBA is proposing that the FTA handle this responsibility for all pledgings and securitizations. The FTA already performs this service for several existing transactions, and this requirement is not expected to have a negative effect on the

ability of any lender to pledge or securitize unguaranteed portions of loans.

Under the proposed regulations lenders which securitize will continue to be bound by any other regulations and requirements that otherwise apply to lenders making SBA loans. Thus, for example, should a denial of liability on a guaranty or suit against a lender become necessary, SBA will hold the lender or subsequent servicer, if appropriate, responsible. The fact that unguaranteed portions of SBA guaranteed loans have been sold to a trust for the purpose of a securitization will not negate the requirements of SBA Form 750, ''Blanket Loan Guaranty Agreement,'' and SBA's regulations which require the prudent servicing of SBA loans.

Compliance With Executive Orders 12612, 12778, and 12866, the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*), and the Paperwork Reduction Act (44 U.S.C. Ch. 35).

SBA certifies that this proposed rule does constitute a significant rule within the meaning of Executive Order 12866 but would not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq*. We believe this rule is likely to have an annual economic effect of $100 million or more, but we request comment from the public on its perception of the costs and benefits associated with this rule to enable SBA to prepare a cost benefit analysis in conjunction with the final rule. It will not result in a major increase in costs or prices, or have a significant adverse effect on competition or the United States economy.

The proposed rule is consistent with the mandate of section 103(e) of Public Law 104–208 which is to set forth terms and conditions under which sales for the purpose of securitization can be permitted, including the maintenance of appropriate reserve requirements and other safeguards to protect the safety and soundness of the program. We believe that the reserve requirements and other safeguards built into the proposed regulations satisfy this concern. For the reasons set forth above, we feel that the proposed regulations have the benefit of permitting SBA's lenders to support an increased volume of SBA lending without the outlay of the cost of unguaranteed portions. There are reasonable alternatives involving retention of less or no reserve requirement, but we do not believe that they are as likely to uphold the safety and soundness of the program as are the proposed regulations. Finally, the proposed regulations have no negative impact on State, local, or tribal governments.

For purposes of the Paperwork Reduction Act, 44 U.S.C. Ch. 35, SBA certifies that this final rule contains no new reporting or record keeping requirements.

For purposes of Executive Order 12612, SBA certifies that this rule has no federalism implications warranting the preparation of a Federalism Assessment.

For purposes of Executive Order 12778, SBA certifies that this rule is drafted, to the extent practicable, in accordance with the standards set forth in section 2 of that Order.

List of Subjects in 13 CFR Part 120

Business loans.

For the reasons set forth above, SBA proposes to amend Part 120 of title 13, Code of Federal Regulations, as follows:

PART 120—BUSINESS LOANS

1. The authority citation for 13 CFR part 120 continues to read as follows:

Authority: 15 U.S.C. 634(b)(6) and 636(a) and (h).

2. Section 120.420 is revised to read as follows:

§ 120.420 Financings by participating lenders.

(a) A participating lender may pledge the notes evidencing SBA guaranteed loans or sell interests in such notes representing the unguaranteed portions of such loans if SBA, in its sole discretion, gives its prior written consent. In order to obtain that consent, the lender must be secure financially and have a history of compliance with SBA's regulations and any other applicable state or Federal statutory and regulatory requirements, and agree to the terms of these regulations.

(b) A participating lender, SBA, and any third party involved in a pledging or securitization transaction must enter into a written agreement satisfactory to SBA in its sole discretion which acknowledges SBA's interest as guarantor of the subject loans and in which all relevant third parties agree to recognize and uphold those interests under the Act, this part, and the contractual provisions of SBA's Loan Guarantee Agreement. In any such agreement, the parties must agree to the following conditions:

(1) Except in extremely unusual circumstances as determined by SBA in its sole discretion, the fiscal and transfer agent for SBA will hold all pertinent loan instruments as designated by SBA, and the lender will continue to service the loans after the pledge or transfer is made.

(2) It must be demonstrated to SBA's satisfaction that the lender retains an economic risk in and bears the ultimate risk of loss on the unguaranteed portions. In the case of a pledge of notes, the lender must retain all of the economic interest in the unguaranteed portion of any loan which a pledged note evidences. In the case of a sale of unguaranteed portions of SBA guaranteed loans to support a securitization, the lender must agree to either hold unguaranteed portions equal to 5% of the total amount of the loans the remaining unguaranteed portions of which are contained in the securitization, or purchase or retain a subordinate tranche of the securitization equal to 5% of the total principal outstanding of the loans the unguaranteed portions of which are contained in the securitization, or establish a cash reserve of 5% of the face amount of the loans the unguaranteed portions of which are contained in the securitization. Any cash reserve retainage must be held in a bankruptcy remote environment, and in the event of a default by the lender under the securitization agreement shall become the property of SBA to be used first to cover SBA expenses and losses, and secondly for payment of servicing and liquidating expenses for the loans the unguaranteed portions of which are contained the securitization. Any retainage covered in this paragraph shall be proportionately decreased by the payment in full of each correspondent loan or when the collateral for each correspondent loan has been fully liquidated and a determination has been made that there is no additional collectability.

(c) A lender which pledges notes must retain an income stream equal to 1% of the face amount of any notes pledged if the percentage of the corresponding loan pledged exceeds the unguaranteed percentage. The fund must become the property of SBA in the event of a default by the lender under the pledging agreement to be used first to cover SBA expenses and losses, and secondly for payment to a backup servicer of servicing and liquidating expenses for the loans pledged.

(d) Other than for the pledging against Treasury Loans and Tax Accounts, a lender may not use SBA guaranteed loans or the collateral supporting such loans as collateral for any borrowing not related to financing of the guaranteed or unguaranteed portion of SBA loans.

(e) Any pledge or securitization agreement must identify a successor servicer to the pledging or securitizing

lender, agreeable to SBA which will be responsible for servicing and liquidating loans in the case of default under the agreement by the lender. A lender, or any successor servicer under a pledge or securitization agreement, will be considered the lender of the loan pledged or securitized under SBA rules, and will be bound by all restrictions that otherwise apply to lenders making SBA loans as long as either continues to act as servicer. SBA will hold the lender or successor servicer responsible in the case of a denial of liability or other adjustment to the amount of any SBA guaranty.

§ 120.470 [Amended]

3. Section 120.470(b)(3) is amended by adding the following sentence at the end thereof:

* * * * *

(b) * * *

If pursuant to Section 420 of these regulations an SBLC sells the unguaranteed portion of loans and retains either an amount of unguaranteed portions equal to 5% of the total amount of the loans the unguaranteed portions of which are contained in securitization, or a subordinate tranche of a securitization equal to 5% of the face value of the loans the unguaranteed portions of which are contained in the securitization, it must increase its private capital by 8% of either the face value of the unguaranteed portions of the loans retained or 8% of the face value of the subordinate tranche.

Dated: February 12, 1997.

Ginger Ehn Lew,

Acting Administrator.

[FR Doc. 97–4785 Filed 2–25–97; 8:45 am]

BILLING CODE 8025–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 96–NM–272–AD]

RIN 2120–AA64

Airworthiness Directives; McDonnell Douglas Model DC–9–10, –15, and –30 Series Airplanes, and C–9 (Military) Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) that is applicable to certain McDonnell Douglas Model DC–9–10, –15, and –30 series airplanes, and C–9 (military) airplanes. This proposal would require a one-time visual inspection to determine if all corners of the upper cargo doorjamb have been previously modified, various follow-on repetitive inspections, and modification, if necessary. This proposal is prompted by reports of fatigue cracks found in the fuselage skin and doubler at the corners of the upper cargo doorjamb. The actions specified by the proposed AD are intended to detect and correct such fatigue cracking, which could result in rapid decompression of the fuselage and consequent reduced structural integrity of the airplane.

DATES: Comments must be received by April 7, 1997.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM–103, Attention: Rules Docket No. 96–NM–272–AD, 1601 Lind Avenue, SW., Renton, Washington 98055–4056. Comments may be inspected at this location between 9:00 a.m. and 3:00 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from McDonnell Douglas Corporation, 3855 Lakewood Boulevard, Long Beach, California 90846, Attention: Technical Publications Business Administration, Department C1–L51 (2–60). This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington.

FOR FURTHER INFORMATION CONTACT: Wahib Mina, Aerospace Engineer, Airframe Branch, ANM–120L, FAA, Los Angeles Aircraft Certification Office, 3960 Paramount Boulevard, Lakewood, California 90712; telephone (310) 627–5324; fax (310) 627–5210.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications shall identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments, specified above, will be considered before taking action on the proposed rule. The proposals contained in this notice may be changed in light of the comments received.

Comments are specifically invited on the overall regulatory, economic, environmental, and energy aspects of the proposed rule. All comments submitted will be available, both before and after the closing date for comments, in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this proposal will be filed in the Rules Docket.

Commenters wishing the FAA to acknowledge receipt of their comments submitted in response to this notice must submit a self-addressed, stamped postcard on which the following statement is made: ''Comments to Docket Number 96–NM–272–AD.'' The postcard will be date stamped and returned to the commenter.

Availability of NPRMs

Any person may obtain a copy of this NPRM by submitting a request to the FAA, Transport Airplane Directorate, ANM–103, Attention: Rules Docket No. 96–NM–272–AD, 1601 Lind Avenue, SW., Renton, Washington 98055–4056.

Discussion

The FAA has received reports of fatigue cracks in the fuselage skin and doubler at the corners of the upper cargo doorjamb on Model DC–9 series airplanes. These cracks were discovered during inspections conducted as part of the Supplemental Structural Inspection Document (SSID) program, required by AD 96–13–03, amendment 39–9671 (61 FR 31009, June 19, 1996). Investigation revealed that such cracking was caused by fatigue-related stress. Fatigue cracking in the fuselage skin or doubler at the corners of the upper cargo doorjamb, if not detected and corrected in a timely manner, could result in rapid decompression of the fuselage and consequent reduced structural integrity of the airplane.

Explanation of Relevant Service Information

The FAA has reviewed and approved McDonnell Douglas Service Bulletin DC9–53–276, dated September 30, 1996. The service bulletin describes the following procedures:

1. For airplanes on which the modification specified in Service Bulletin DC9–53–276 has not been accomplished: Performing x-ray inspections to detect cracks of the fuselage skin and doubler at all corners of the upper cargo doorjamb;

2. Conducting repetitive inspections, or modifying the corner skin of the upper cargo doorjamb and performing follow-on action eddy current inspections, if no cracking is detected;