5 or worse) because of test weight, percentage of sound barley (heat-damaged kernels will be considered to be sound barley), damaged kernels (heat-damaged kernels will not be considered to be damaged), thin barley, black barley, a musty, sour, or commercially objectional foreign odor (except smut or garlic odor), or grading blighted, smutty, garlicky, or ergoty;

(C) Oats not meeting the grade requirements for U.S. No. 4 (grade U.S. sample grade) because of test weight or percentage of sound oats (heat-damaged kernels will be considered to be sound oats), a musty, sour, or commercially objectional foreign odor (except smut or garlic odor), or grading smutty, thin, garlicky, or ergoty;

(D) Rye not meeting the grade requirements for U.S. No. 3 (grades U.S. No. 4 or worse) because of test weight, percent damaged kernels (heat-damaged kernels will not be considered to be damaged) or thin rye, a musty, sour, or commercially objectional foreign odor (except smut or garlic odor), or grading light smutty, smutty, light garlicky, garlicky, or ergoty;

(E) Flaxseed not meeting the grade requirements for U.S. No. 2 (grades U.S. sample grade) due to test weight, damaged kernels (heat-damaged kernels will not be considered to be damaged), or a musty, sour, or commercially objectional foreign odor (except smut or garlic odor);

(ii) Deficiencies in the quality of buckwheat, determined in accordance with applicable state grading standards, result in it having a test weight lower than 42 pounds per bushel, or a musty, sour or commercially objectional foreign odor (except smut or garlic odor), or grading garlicky, smutty or ergoty if such grades are provided for by the applicable state grading standards;

(iii) Quality factors for Kamut fall below the levels contained in the Official United States Standards for Grain that cause durum wheat to grade less than U.S. No. 4. For example, if durum wheat grades less than U.S. No. 4 when its test weight falls below 54.0 pounds per bushel, Kamut would be eligible for quality adjustment if its test weight falls below 54.0 pounds per bushel. The same quality factors considered for quality adjustment of durum wheat will be applicable and determination of deficiencies will be made in accordance with the Federal Grain Inspection Service directive that establishes procedures for quality factor analysis of Kamut seed; or

(iv) Substances or conditions are present, including mycotoxins, that are identified by the Food and Drug Administration or other public health organizations of the United States as being injurious to human or animal health.

(3) Quality will be a factor in determining your loss only if:

(i) The deficiencies, substances, or conditions resulted from a cause of loss against which insurance is provided under these crop provisions;

(ii) All determinations of these deficiencies, substances, or conditions are made using samples of the production obtained by us or by a disinterested third party approved by us; and

(iii) The samples are analyzed by a grain grader licensed under the authority of the United States Grain Standards Act or the United States Warehouse Act with regard to deficiencies in quality, or by a laboratory approved by us with regard to substances or conditions injurious to human or animal health. Test weight for quality adjustment purposes may be determined by our loss adjustor.

(4) Small grain production that is eligible for quality adjustment, as specified in sections 11(d)(2) and (3), will be reduced by the quality adjustment factor contained in the Special Provisions.

* * * * *

12. Late Planting

A late planting period is applicable to small grains, except, to any wheat acreage covered under the terms of the Wheat Crop Insurance Winter Coverage Endorsement. Wheat covered under the terms of the Wheat Crop Insurance Winter Coverage Endorsement must be planted on or prior to the applicable final planting date specified in the Special Provisions. In counties having a fall final planting date for acreage covered under the Wheat Winter Coverage Endorsement and a fall final planting date for acreage not covered under the endorsement, the fall late planting period will begin after the final planting date for acreage not covered under the endorsement.

* * * * *

3. Amend the crop insurance endorsement contained in § 457.102 as follows:

a. Revise section (b);

b. Add section (c)(5);

c. Amend Option A by revising the heading, the introductory paragraph and paragraph (a) introductory text; and

d. Amend Option B by revising the heading, the introductory paragraph and paragraph (c) introductory text, all to read as follows:

§ 457.102 Wheat crop insurance winter coverage endorsement.

* * * * *

(b) This endorsement is available only in counties for which the Special Provisions designate both a fall final planting date and a spring final planting date, and for which the actuarial table provides a premium rate for this coverage.

(c) * * *

(5) All eligible winter wheat acreage must be insured under this endorsement.

* * * * *

Option A (50 Percent Coverage and Acreage Release)

Whenever any winter wheat is damaged during the insurance period and at least 20 acres or 20 percent of the acreage in the unit, whichever is less, does not have an adequate stand to produce at least 90 percent of the production guarantee for the acreage, you may, at your option, take one of the following actions:

(a) Destroy the remaining crop on such acreage. By doing so, you agree to accept an amount of production to count against the unit production guarantee equal to 50 percent of the production guarantee for the damaged acreage, or an appraisal determined in accordance with section 11(c)(1) of the Small Grains Crop Provisions if such an appraisal results in a greater amount of production. This amount will be considered production to count in determining any final indemnity on the unit and will be used to settle your claim as described in section 11 (Settlement of Claim) of the Small Grains Crop Provisions. You may use such acreage for any purpose, including planting and separately insuring any other crop. If you elect to plant spring wheat, it will be insured in accordance with the policy provisions that are applicable to acreage that is initially planted to spring wheat, and you must:

* * * * *

Option B (70 Percent Coverage and Acreage Release)

Whenever any winter wheat is damaged during the insurance period and at least 20 acres or 20 percent of the acreage in the unit, whichever is less, does not have an adequate stand to produce at least 90 percent of the production guarantee for the acreage, you may, at your option, take one of the following actions:

* * * * *

(c) Destroy the remaining crop on such acreage. By doing so, you agree to accept an amount of production to count against the unit production guarantee equal to 30 percent of the production guarantee for the damaged acreage, or an appraisal determined in accordance with section 11(c)(1) of the Small Grains Crop Provisions if such an appraisal results in a greater amount of production. This amount will be considered production to count in determining any final indemnity on the unit and will be used to settle your claim as described in section 11 (Settlement of Claim) of the Small Grains Crop Provisions. You may use such acreage for any purpose, including planting and separately insuring any other crop. If you elect to plant spring wheat, it will be insured in accordance with the policy provisions that are applicable to acreage that is initially planted to spring wheat, and you must:

* * * * *

Signed in Washington, DC, on April 11, 2000.

Kenneth D. Ackerman,

Manager, Federal Crop Insurance Corporation.

[FR Doc. 00–9599 Filed 4–19–00; 8:45 am]

BILLING CODE 3410–08–P

FARM CREDIT ADMINISTRATION

12 CFR Parts 614, 615, and 618

RIN 3052–AB96

Loan Policies and Operations; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; General Provisions; OFI Lending

AGENCY: Farm Credit Administration (FCA).

ACTION: Advance notice of proposed rulemaking (ANPRM).

SUMMARY: The FCA is considering whether to revise its regulations governing how Farm Credit System (System) banks lend to other financing institutions (OFIs). OFIs include commercial banks, savings institutions, credit unions, trust companies, agricultural credit corporations, and other agricultural and aquatic lenders. This ANPRM asks you to comment on the appropriate risk weighting of System bank loans to OFIs, the public availability of the identities of OFIs, cross-district funding of OFIs, and ways to improve System banks' funding of OFIs.

DATES: You may send us comments by June 19, 2000.

ADDRESSES: Send us your comments by electronic mail to ''reg-com@fca.gov'' or through the Pending Regulations section of our Web site at ''www.fca.gov.'' You may also send written comments to Patricia W. DiMuzio, Director, Regulation and Policy Division, Office of Policy and Analysis, Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102–5090, or by facsimile transmission to (703) 734–5784. You may review copies of all comments we receive in the Office of Policy and Analysis, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT:

Dennis K. Carpenter, Senior Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4498, TDD (703) 883–4444,

or

Rebecca S. Orlich, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION:

I. Objective

The objective of this ANPRM is to seek comment on whether we should revise FCA's regulations to improve and better promote OFI access to System funding. Through this ANPRM, we seek comment on issues related to:

- Revising System banks' capitalization requirements for loans to OFIs;
- Permitting disclosure of OFI corporate identities;
- Removing geographical impediments to OFIs' obtaining System bank funding; and
- Identifying other impediments to System bank funding of OFIs.

This ANPRM is another step in supporting the FCA Board's Philosophy Statement of July 14, 1998, in which we explained our goal to give farmers and ranchers greater access to credit.

II. Background

The Farm Credit Act of 1971, as amended (1971 Act),[1] authorizes Farm Credit Banks (FCBs) and agricultural credit banks (ACBs) (collectively, System banks) to fund and discount short- and intermediate-term loans for certain non-System lenders. The 1971 Act refers to these non-System lenders as other financing institutions, or OFIs.[2] Under the 1971 Act, OFIs include:

- National and State banks;
- Trust companies;
- Agricultural credit corporations;
- Incorporated livestock loan companies;
- Savings institutions;
- Credit unions;
- Any association of agricultural producers making loans to farmers and ranchers; and
- Any corporation making loans to producers or harvesters of aquatic products.

Section 1.7(b) of the 1971 Act[3] enables OFIs to get funding from FCBs or ACBs for any loan that a production credit association (PCA) could make under section 2.4[4] of the 1971 Act. PCA loans are short-and intermediate-term loans with maturities ranging up to 10 years (15 years to producers or harvesters of aquatic products). Only eligible farmers, ranchers, aquatic producers and harvesters, processing and marketing operators, farm-related businesses, and rural homeowners can get these loans.

The OFI discount and lending authorities of System banks help to fulfill the banks' mission to finance agriculture, aquaculture, and other named rural needs. Congress first granted OFI lending authorities to System banks in 1923 and 1930, in the predecessor legislation to the 1971 Act.

Legislative history reveals that Congress originally granted OFIs discount privileges at System banks because operating credit for farmers and ranchers was scarce. Since then, Congress has continued to respond to the changing needs of agricultural producers and other rural residents for affordable short-and intermediate-term credit. Over the decades, Congress has updated the authorities of System banks to fund and aid both System and non-System lenders. As our Philosophy Statement on competition provides and as directed by provisions of the 1971 Act, we continue to explore ways of making competitive credit available through more avenues to farmers, ranchers, and other eligible borrowers.

In the early 1980s, both the number of OFIs and the volume of business they do with System banks peaked and subsequently declined and have since remained significantly low. In 1997, to expand OFIs' access to System bank funding and discounting, we amended our regulations to remove many OFI eligibility limits not required by the 1971 Act.[5] We also required a System bank's assessment of total charges for an OFI loan to be comparable to the charges the bank imposes on its direct lender System institutions. In addition, to improve safety and soundness, those amendments also required all OFI loans to be full-recourse loans.

III. Philosophy Statement

Among other things, our 1998 Philosophy Statement on competition communicates our desire for the System to more fully serve the credit needs of agricultural producers and other rural borrowers, as Congress intended, including short-and intermediate-term credit. The System banks' relationship with OFIs is important for meeting these needs. To support the bank and OFI relationship, we continue to identify ways to improve OFIs' access to System funding. After reviewing our regulatory requirements, we have decided to consider the following changes:

(1) Revising the level of capital System banks must hold against their loans to OFIs based on certain risk characteristics;

(2) Permitting disclosure of the names of entities that have an OFI relationship with a System bank; and

(3) Removing impediments to setting up an OFI relationship outside a System bank's territorial boundaries.

We believe that revising these requirements may spur development of more OFI relationships and, thus, provide added avenues of credit available to farmers and ranchers.

We recognize that reducing the risk weighting on OFI loans could reduce capital available to support the risk in the bank's assets. However, if the risk is properly assessed, such adjustment to the risk weighting should not pose a safety and soundness concern. Furthermore, we believe an approach to capital requirements of OFIs that is more consistent with those of System associations is appropriate.

[1] 12 U.S.C. 2001 *et seq.*

[2] 12 U.S.C. 2020(b).

[3] 12 U.S.C. 2015(b).

[4] 12 U.S.C. 2075.

[5] *See* 63 FR 36541 (July 7, 1998).

In this ANPRM, we seek comments from all interested parties to aid us in developing proposed regulations that increase opportunities for OFI lending to the extent allowed by the Act and within appropriate safety and soundness boundaries. We also ask for your help in identifying other impediments to System bank funding of OFIs.

A. Risk-Weighting Requirements of Capital

1. Current Basis for Risk-Weighting Requirements

Subparts H and K of part 615 of FCA regulations impose risk-based capital requirements on System banks. We adopted risk-weighting categories for System bank assets as part of the 1988 regulatory capital revisions required by the Agricultural Credit Act of 1987. The categories are similar to the risk-weighting categories from the 1988 International Basle Accord, whose principles the Federal banking regulators have also adopted.

Under our regulations, a System bank's loan to an OFI receives a risk weighting of 100 percent.[6] This means that, for a System bank to meet its minimum 7-percent permanent capital requirement on a loan to an OFI, it would need to hold a minimum of $7.00 in capital against each $100 of the loan to the OFI ($100 × 100 percent × 7 percent). By contrast, a loan to an affiliated System association receives a risk weighting of 20 percent.[7] This translates to the bank's holding a minimum of $1.40 in capital for each $100 of loan to the association ($100 × 20 percent × 7 percent).

The FCA's decision to risk-weight a loan to an affiliated System institution at 20 percent was based on several general characteristics that serve to lower the risk of that category of loans. They are:

- *GFA Requirements.* The association must enter a general financing agreement (GFA) with its bank, under which the association must meet the bank's lending and loan underwriting standards.[8]
- *Pledge of Collateral.* The association typically pledges all its assets as collateral for the loan from the bank, and the bank is usually the association's only source of funding.
- *Bank Supervision.* System banks, under the 1971 Act and related FCA regulations, have supervisory authority over certain aspects of System association operations.
- *FCA Examination and Regulation.* Our examination of System associations ensures that we are aware of any creditworthiness or other concerns at an early stage and can take corrective action. Under our statutory authority, we can take supervisory and enforcement actions against System associations when the need arises.[9]
- *FCA Capital Rules.* We prescribe capital standards that System associations must meet, to ensure the associations have enough capital to operate safely and soundly.[10]

2. Comparison of OFI Funding Characteristics

System bank funding relationships with OFIs have some, but not all, of the risk-reducing features of System bank loans to System associations. They are:

- *GFA Requirement.* A System bank must have the same type of GFA with an OFI that it has with a System association.[11]
- *Pledge of Collateral.* Although some OFIs use System banks as their sole source of funding and pledge all assets to the loan, more typically an OFI has multiple sources of funding and does not pledge all assets as collateral to the System bank. Nevertheless, FCA regulations require a System bank to take as collateral all notes, drafts, and other obligations it funds or discounts for an OFI, and the OFI must endorse each obligation with full recourse or an unconditional guarantee. The bank must also require the OFI to provide extra collateral or other credit enhancements when needed.[12]
- *Bank Supervision.* The 1971 Act and our regulations do not give System banks supervisory authority over OFIs.
- *FCA Examination and Regulation.* The law does not require us to examine OFIs, but the 1971 Act and regulations enable us either to examine OFIs or to have access to other regulators' examination reports. The 1971 Act allows us to examine all OFIs, except federally regulated financial institutions, and allows Federal agencies to give us all reports and other information they have on the condition of any OFI.[13] In addition, under the 1971 Act and our regulations, each OFI that is a State-chartered bank, trust company, or savings institution must authorize its State regulator to give us examination reports. Each OFI that is not a depository institution must consent in writing to be examined by us.[14] However, we do not have general authority to regulate the activities of OFIs (other than the funding relationship with the System bank) or to take supervisory or enforcement actions against OFIs.
- *FCA Capital Rules.* We do not impose capital requirements on OFIs. However, the 1971 Act does limit OFI funding and discounting to OFIs whose debt is less than 10 times their paid-in and unimpaired capital and surplus, or a lesser amount if allowed by the laws of the OFI's jurisdiction.[15] In addition, some OFIs, such as commercial banks and savings institutions, have capital requirements that are similar to our requirements for System institutions.

3. Risk-Weighting Options

We have several choices for revising the risk weighting of loans to OFIs. If we decide that OFI loans, as a class, have a lower risk than other assets in the 100-percent risk-weighting category, we can lower the risk weighting uniformly on all OFI loans.

Another alternative is to place OFI loans in different risk-weighting categories to reflect differences in the type of OFI. Loans to OFIs that are regularly examined and have capital requirements similar to our capital rules, such as commercial banks, might qualify for a lower risk weighting. Other OFIs that are unregulated and do not have capital requirements similar to our capital rules might have a higher risk weighting.

Yet another choice would be to lower the risk weighting on loans to OFIs that meet certain risk mitigation criteria. For example, a proposed June 1999 revision to the Basle Accord seeks to reassess the risk weightings currently assigned to assets.[16] The proposed revision would place a new emphasis on using risk mitigation techniques and differentiating risk exposures. To mitigate risk on an OFI loan, and thus lower the risk weighting, the OFI could pledge additional security in the form of readily marketable, highly liquid securities (such as AAA-or AA-rated securities). Another risk mitigation technique would be for a System bank to analyze an OFI's capital and financial condition and to require the OFI to meet and maintain certain capital standards, through terms of their GFA.

[6] 12 CFR 615.5210(f)(2)(iv)(C).

[7] 12 CFR 615.5210(f)(2)(ii)(I).

[8] 12 CFR 614.4120 and 614.4125.

[9] 12 U.S.C. 2261–2274.

[10] 12 U.S.C. 2154, 2154a: 12 CFR part 615, subparts H through M.

[11] 12 CFR 614.4120, 614.4130, and 614.4560(a)(1).

[12] 12 CFR 614.4570.

[13] 12 U.S.C. 2254(a), 2255, 2257.

[14] 12 U.S.C. 2256; 12 CFR 614.4560(e).

[15] 12 U.S.C. 2015(b)(3).

[16] Information about the Basle Accord proposals is at the Web site for the Bank for International Settlements, *www.bis.org.*

B. Disclosure of Names of OFIs

The FCA's regulations on releasing information [17] currently prohibit System institutions from disclosing information about borrowers and stockholders. Also, the FCA has routinely kept confidential the names of borrowers that we have obtained during examinations. However, we have never interpreted these prohibitions as preventing release of the names of PCAs (or other System associations) that, like OFIs, borrow from a System bank but are not retail borrowers. In fact, this information is widely known because each System bank issues publicly available financial statements identifying its PCAs and other affiliated associations.

The reasons for protecting the identity of retail borrowers, who are mostly individual consumers such as farmers and ranchers or rural homeowners, may not be present for OFIs.[18] Keeping the identities of retail borrowers confidential shields them from unwanted marketing solicitations or publicity involving their personal financial business. It is unlikely that publicly identifying OFIs would have these effects. On the contrary, disclosing the names of lenders with OFI relationships could benefit OFIs because it could make prospective retail borrowers aware of these added sources of credit.

In this light, we are considering a requirement to disclose the names of entities that have OFI relationships with System banks. We are interested in receiving your comments and recommendations on the conditions under which to release the information. We note that we are not considering the release of any information about OFIs except the name of the business and other identifying information such as the type of agricultural credit the OFI offers.

C. Cross-District Lending

In July 1998, we amended the regulations to authorize a System bank to lend to an OFI whose headquarters are outside of the bank's territory or a majority of whose loan volume is outside of the bank's territory.[19] The final OFI regulations specifically revised § 614.4550 to allow:

(1) FCBs and ACBs to provide funding to any OFI applicant that maintains its headquarters in the funding bank's chartered territory, or has more than 50 percent of its outstanding eligible loan volume in the funding bank's chartered territory; and

(2) OFIs to apply to any other FCB or ACB if the original FCB or ACB denies or otherwise fails to approve an OFI's funding request within 60 days of receipt of a ''completed application'' as defined by 12 CFR 202.2(f).

In addition, an FCB or ACB may grant its consent for an OFI to seek financing from another System bank. The regulation also provides that no OFI will be required to terminate its existing funding or discount relationship with an FCB or ACB if, at a subsequent time, an OFI relocates its headquarters to the chartered territory of another System bank or the loan volume in the relevant territory falls below 50 percent.

The 1998 amendments gave new flexibility to OFIs for choosing a System bank for establishing a funding relationship. But we retained some restrictions because, at the time, System associations were restricted in their ability to seek financing from other System banks. However, the Board's subsequent Philosophy Statement supports broader funding access for borrowers and lending institutions. Therefore, given our continued interest to explore different alternatives that provide greater access to System funding, we are seeking comment on possible ways to provide greater flexibility to OFIs setting up funding relationships with System banks in different districts.

IV. Questions

In this ANPRM, we seek your comments on the following:

1. If we lower the risk weighting of capital to be held by System banks for all types of loans to OFIs, what risk-weighting category would be appropriate? Please provide your analysis of the level of risk weighting that you recommend.

2. How should we address the variety of possible OFI types and OFI relationships:

a. Would it be more appropriate to lower the risk weighting on OFI loans on a case-by-case basis, based on underwriting criteria for various risk categories? Why or why not? What underwriting criteria should we require System banks to establish for the various levels of risk weighting?

b. Should we consider the use of risk mitigation techniques (such as a pledge of added security), or differentiate between direct retail credit risk exposure and wholesale credit risk exposure? Why or why not? Please recommend how we should address risk mitigation techniques in our regulations.

c. What is the appropriate level of risk weighting on loans to OFIs that meet risk mitigation criteria? Please provide your recommendations and analysis.

3. Should we allow or require System banks to release the names of OFIs on request? Are there any drawbacks for the System bank, the OFI, or the OFI's customers, if the identities of OFIs are released? Do you believe any limits on the release of such information are necessary? Please provide your recommendations and associated explanation.

4. Should new regulations continue the territorial limits for OFIs' funding access to System banks as addressed in existing § 614.4550? If not, what if any factors should limit an OFI's choice of System bank? Please provide your recommendations and explanation.

5. Are there other regulatory changes we could make or alternatives not addressed above that we should consider to improve a System bank's ability to serve an OFI and its agricultural customers? Please provide your recommendations and explanation for such alternatives.

Dated: April 13, 2000.

Vivian L. Portis,

Secretary, Farm Credit Administration Board.

[FR Doc. 00–9849 Filed 4–19–00; 8:45 am]

BILLING CODE 6705–01–P

[17] 12 CFR part 618, subpart G.

[18] We note that the financial privacy protections of the recently enacted Gramm-Leach-Bliley Act, Pub. L. 106–102 (Nov. 12, 1999), protect only financial institution customers that are ''consumers''—that is, individuals.

[19] *See* 63 FR 36541 (July 7, 1998).

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99–NM–240–AD]

RIN 2120–AA64

Airworthiness Directives; Airbus Industrie Model A300, A300–600, and A310 Series Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the supersedure of an existing airworthiness directive (AD), applicable to certain Airbus Model A300, A300–600, and A310 series airplanes, that currently requires inspections to detect cracks in the lower spar axis of the nacelle pylon between ribs 9 and 10, and repair, if necessary. The existing AD also provides for optional modification of the pylon, which terminates the inspections for Model A300 and A310