

**PART 566—LIQUIDITY**

14. The authority citation for part 566 continues to read as follows:

**Authority:** 12 U.S.C. 1462, 1462a, 1463, 1464, 1465, 1467a; 15 U.S.C. 1691, 1691a.

15. Section 566.1 is amended by revising the last sentence of paragraph (d) to read as follows:

**§ 566.1 Definitions.**

\* \* \* \* \*

(d) \* \* \* Tax and loan accounts, note accounts, accounts to the extent that security has been given upon them pursuant to any applicable regulations, U.S. Treasury General Accounts, and U.S. Treasury Time Deposit Open Accounts are not withdrawable accounts.

\* \* \* \* \*

**PART 571—STATEMENTS OF POLICY [REMOVED]**

16. Part 571 is removed.

**PART 574—ACQUISITION OF CONTROL OF SAVINGS ASSOCIATIONS**

17. The authority citation for part 574 continues to read as follows:

**Authority:** 12 U.S.C. 1467a, 1817, 1831i.

**§ 574.100 [Amended]**

18. Section 574.100 is amended in the Agreement in section II.A.6.(c) by removing the word "character", and by adding in lieu thereof the word "charter".

**PART 584—REGULATED ACTIVITIES**

19. The authority citation for part 584 continues to read as follows:

**Authority:** 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a, 1468.

20. Section 584.2 is amended by revising paragraph (b)(6)(i) to read as follows:

**§ 584.2 Prohibited activities.**

\* \* \* \* \*

(b) \* \* \*

(6) \* \* \* (i) That the Board of Governors of the Federal Reserve System has permitted for bank holding companies pursuant to 12 CFR 225.24 or 225.28, unless the Office, by regulation, prohibits or limits any such activity for savings and loan holding companies; or

\* \* \* \* \*

21. Section 584.2-1 is amended by removing, in paragraph (b)(1)(v), the phrase "§ 545.50(b) of this chapter," and by adding in lieu thereof the phrase "§ 560.3 of this chapter," and by revising the last sentence in paragraph (a) to read as follows:

**§ 584.2-1 Prescribed services and activities of savings and loan holding companies.**

(a) \* \* \* Notwithstanding and without regard to any other provision of this section other than this sentence, a savings and loan holding company and any subsidiary thereof that is not a savings association, other than a service corporation, may invest in the types of securities specified in § 566.1 of this chapter without regard to any limitation therein as to amount or maturity, except in the case of bankers acceptances, in which case the maturity limits of § 566.1 shall apply.

\* \* \* \* \*

**§ 584.2-2 [Amended]**

22. Section 584.2-2 is amended by removing the phrase "12 CFR 225.23 or 225.25" in the first sentence of paragraph (a), and by adding in lieu thereof the phrase "12 CFR 225.24 or 225.28".

Dated: December 18, 1998.

By the Office of Thrift Supervision.

**Ellen Seidman,**  
*Director.*

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**NATIONAL CREDIT UNION ADMINISTRATION**

**12 CFR Part 701**

**Organization and Operations of Federal Credit Unions**

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Final rule.

**SUMMARY:** The NCUA is incorporating into its regulations the agency's longstanding interpretation that federal credit unions can permit a nonmember to assume a member's long-term residential real estate loan in conjunction with the nonmember's purchase of the member's principal residence.

**EFFECTIVE DATE:** January 25, 1999.

**ADDRESSES:** National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.

**FOR FURTHER INFORMATION CONTACT:** Michael J. McKenna, Staff Attorney, Division of Operations, Office of General Counsel, at the above address or telephone: (703) 518-6540.

**SUPPLEMENTARY INFORMATION:**

**A. Background**

Since 1977, federal credit unions have had the authority to offer long-term real

estate loans to finance a member's principal residence. 12 U.S.C. 1757(A)(i). NCUA's implementing regulation for this authority is set forth at 12 CFR 701.21(g).

In 1985, the NCUA Board issued Interpretive Ruling and Policy Statement 85-3 (IRPS 85-3). 50 FR 51840 (December 20, 1985). IRPS 85-3 stated that, incidental to a federal credit union's authority to make long-term real estate loans to members, a federal credit union may permit assumptions, by either members or nonmembers, under the terms and conditions specified in the loan agreement and consistent with the Federal Credit Union Act and NCUA's Regulations. The NCUA Board also stated that, in the case of a nonmember assumption, there must be no new money lent to the borrower and no extension of the original maturity date specified in the loan agreement with the member.

NCUA has a policy of periodically reviewing its regulations to "update, clarify and simplify existing regulations and eliminate redundant and unnecessary provisions." IRPS 87-2, Developing and Reviewing Government Regulations. As part of its regulatory review program, NCUA reviewed its IRPS to determine their current effectiveness. As a result of that review, the NCUA Board stated that it planned to incorporate IRPS 85-3 into NCUA's Regulations. 62 FR 11773 (March 13, 1997). The Board's goal is to increase regulatory effectiveness by making it easier for credit unions to locate applicable rules regarding real estate lending. Accordingly, at 63 FR 41978 (August 6, 1998), the NCUA Board proposed to add a new paragraph to § 701.21(g) that incorporated IRPS 85-3 so that this provision on nonmember assumption of loans will be in the same place with the other regulatory provisions regarding real estate lending. Although the language is slightly different, the policy set forth in the proposed amendment was, for all practical purposes, identical to the policy set forth in IRPS 85-3.

**B. Comments**

Five comments were received. Comments were received from one federal credit union, two state leagues, one national credit union trade association, and one bank trade association. Except for the bank trade association, the commenters strongly supported the proposal.

The preamble to the proposed rule, just as IRPS 85-3, stated that a federal credit union cannot grant an assumption of a loan to a nonmember if the underlying intent of the original loan to

the member was to grant an assumption by a nonmember immediately or soon after making the original loan. One commenter stated that "intent" is an elusive standard and requested that NCUA provide further guidance in the preamble to the final regulation as to how examiners will construct a showing that a loan was originally granted with the intention that it would be assumed by a nonmember. Intent to conduct such a sham transaction is difficult to define. The question of whether there was an improper intent will depend on the facts in a particular case. An example of a suspicious transaction would be one in which a member receives a real estate loan from the credit union and within a short period of time, contracts to sell the property to a nonmember who wants to assume the loan. Although there may be a legitimate reason for this action, NCUA will review the transaction to ensure that it was not done to circumvent the restrictions on providing services to nonmembers.

One commenter requested that NCUA extend the assumption of a loan by a nonmember to automobile loans when the individual who is assuming the loan is either the co-signer or co-owner of the automobile. The NCUA Board does not believe this authority should be extended in this situation since the practice and process of assuming real estate loans is fundamentally different in complexity, maturity, and value than a situation involving automobile loans. In addition, the NCUA Board does not see a great need for extending this assumption authority to automobile loans.

**Regulatory Procedures**

*Regulatory Flexibility Act*

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact any proposed regulation may have on a substantial number of small entities (primarily those under \$1 million in assets). The NCUA Board has determined and certifies that the final amendment will not have a significant economic impact on a substantial number of small credit unions. Accordingly, the Board has determined that a Regulatory Flexibility Analysis is not required.

*Paperwork Reduction Act*

NCUA has determined that the final amendment does not increase paperwork requirements under the Paperwork Reduction Act of 1995 and regulations of the Office of Management and Budget.

*Executive Order 12612*

Executive Order 12612 requires NCUA to consider the effect of its actions on state interests. The final amendment only applies to federal credit unions. NCUA has determined that the final amendment does not constitute a significant regulatory action for the purposes of the Executive Order.

*Congressional Review*

The Office of Management and Budget has determined that this is not a major rule.

**List of Subjects in 12 CFR Part 701**

Credit, Credit unions, Insurance, Mortgages, Reporting and recordkeeping requirements, Surety bonds.

By the National Credit Union Administration Board on December 17, 1998.

**Becky Baker,**

*Secretary of the Board.*

For the reasons set forth in the preamble, 12 CFR Part 701 is amended as follows:

**PART 701—ORGANIZATION AND OPERATIONS OF FEDERAL CREDIT UNIONS**

1. The authority citation for part 701 continues to read as follows:

**Authority:** 12 U.S.C. 1752(5), 1755, 1756, 1757, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1787, and 1789. Section 701.6 is also authorized by 31 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*, 42 U.S.C. 1861 and 42 U.S.C. 3601-3610. Section 701.35 is also authorized by 42 U.S.C. 4311-4312.

2. Section 701.21 is amended by adding a new paragraph (g)(7) to read as follows:

**§ 701.21 Loans to members and lines of credit to members.**

\* \* \* \* \*

(g) \* \* \*

(7) *Assumption of real estate loans by nonmembers.* A federal credit union may permit a nonmember to assume a member's mortgage loan in conjunction with the nonmember's purchase of the member's principal residence, provided that the nonmember assumes only the remaining unpaid balance of the loan, the terms of the loan remain unchanged, and there is no extension of the original maturity date specified in the loan agreement with the member. An assumption is impermissible if the original loan was made with the intent of having a nonmember assume the loan.

\* \* \* \* \*

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**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**14 CFR Part 39**

[Docket No. 98-NM-360-AD; Amendment 39-10957; AD 98-25-52]

RIN 2120-AA64

**Airworthiness Directives; Boeing Model 747 Series Airplanes**

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Final rule; request for comments.

**SUMMARY:** This document publishes in the **Federal Register** an amendment adopting Airworthiness Directive (AD) T98-25-52 that was sent previously to all known U. S. owners and operators of all Boeing Model 747 series airplanes by individual telegrams. This AD requires revising the Airplane Flight Manual to include procedures to prevent dry operation of the center wing fuel tank override/jettison pumps and, for certain airplanes, to prohibit operation of the horizontal stabilizer tank transfer pumps in flight. This action is prompted by a report indicating that several override/jettison fuel pumps from the center wing tanks and main tanks had been removed because circuit breakers for the override/jettison fuel pumps were tripped, or low pump output pressure was indicated. The actions specified by this AD are intended to prevent contact between the rotating paddle wheel and the stationary end plates within the center wing tank override/jettison fuel pumps or horizontal stabilizer tank transfer pumps due to excessive wear of the pump shaft carbon thrust bearing, which could cause sparks and/or a hot surface condition and consequent ignition of fuel vapor in the center wing tank or horizontal stabilizer tank during dry pump operation (no fuel flowing).

**DATES:** Effective December 29, 1998, to all persons except those persons to whom it was made immediately effective by telegraphic AD T98-25-52, issued on December 3, 1998, which contained the requirements of this amendment.

Comments for inclusion in the Rules Docket must be received on or before February 22, 1999.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 98-NM-360-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056.