

become the purchaser of the whole or any part of the honey at either a public or private sale.

(c) If the honey is removed from storage by CCC and is sold, the value of the settlement shall be the proceeds from the sale of the honey minus costs associated with the disposition of the honey and shall be applied to the amount owed CCC by the producer; and

(1) If the value of the collateral computed at settlement is less than the amount due, the producer shall pay to CCC the amount of such deficiency and charges, plus interest on such deficiency and CCC may take any action against the producer to recover the deficiency; or

(2) If the proceeds received from the sale of the honey so computed are greater than the sum of the amount due plus any cost incurred by CCC in conducting the sale of the honey, such excess shall be paid to the producer or, if applicable, to any secured creditor of the producer.

**§ 1434.17 Handling payments and collections not exceeding \$9.99.**

In order to avoid administrative costs of making small payments and handling small accounts, amounts of \$9.99 or less which are due the producer will be paid only upon the producer's request. Deficiencies of \$9.99 or less, including interest, may be disregarded unless demand for payment is made by CCC.

**§ 1434.18 Death, incompetency, or disappearance; appeals; other loan provisions.**

(a) In the case of death, incompetency, or disappearance of any producer who is entitled to the payment of any sum in settlement of a loan, payment shall, upon proper application to the county office which made the loan, be made to the persons who would be entitled to such producer's share under the regulations contained in part 707 of this title. Applications for loans may be made upon application of a representative of the producer as allowed under standard practice for farm programs.

(b) Appeals of adverse decisions made under this part shall be subject to the provisions of 7 CFR parts 11 and 780.

(c) The Executive Vice President, CCC, may impose such additional loan conditions as are determined to be necessary or appropriate to insure that the purposes and goals of the program provided for in this part are met.

Signed at Washington, D.C., on March 2, 1999.

**Keith Kelly,**

*Executive Vice President, Commodity Credit Corporation.*

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**DEPARTMENT OF AGRICULTURE**

**Commodity Credit Corporation**

**7 CFR Part 1469**

**RIN 0560-AF63**

**Recourse Loan Regulations for Mohair**

**AGENCY:** Commodity Credit Corporation, USDA.

**ACTION:** Final rule.

**SUMMARY:** In accordance with the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, this final rule sets forth the regulations for a recourse loan program for mohair. The program will be conducted during the 1999 fiscal year and applies to mohair produced during and before the 1999 fiscal year.

**DATES:** Effective March 3, 1999.

**FOR FURTHER INFORMATION CONTACT:** Margaret Wright, Program Specialist, Farm Service Agency (FSA), USDA, STOP 0512, 1400 Independence Avenue, SW, Washington, D.C. 20250-0512; telephone: (202) 720-8481.

**SUPPLEMENTARY INFORMATION:**

**Executive Order 12866**

This rule is in conformance with Executive Order 12866 and has been determined to be significant and therefore has been reviewed by the Office of Management and Budget.

**Federal Assistance Program**

The title and number of the Federal Assistance Program, as found in the Catalog of Federal Domestic Assistance, to which this rule applies, are Commodity Loans and Purchases—10.051.

**Environmental Evaluation**

It has been determined by an environmental evaluation that this action will have no significant impact on the quality of the human environment. Therefore, neither an environmental assessment nor an environmental impact statement is needed.

**Executive Order 12372**

This activity is not subject to the provisions of Executive Order 12372, which requires intergovernmental

consultation with State and local officials. See the notice related to 7 CFR part 3014, subpart V, published at 48 FR 29115 (June 24, 1983).

**Executive Order 12988**

This final rule has been reviewed in accordance with Executive Order 12988. The provisions of this final rule are not retroactive and preempt State laws to the extent that such laws are inconsistent with the provisions of the final rule. Before any legal action is brought regarding determinations made under provisions of 7 CFR part 723, the administrative appeal provisions set forth at 7 CFR part 780 must be exhausted.

**Regulatory Flexibility Act**

It has been determined that the Regulatory Flexibility Act is not applicable to this final rule since the Commodity Credit Corporation (CCC) is not required by 5 U.S.C. 553 or any other provision of law to publish a notice of proposed rule making with respect to the subject matter of this rule.

**Unfunded Federal Mandates**

This rule contains no Federal mandates under the regulatory provisions of Title II of the Unfunded Mandate Reform Act of 1995 (UMRA) for State, local, and tribal governments or the private sector. Thus, this rule is not subject to the requirements of sections 202 and 205 of the UMRA.

**Paperwork Reduction Act and Notice and Comment**

Section 1133 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (1999 Act) provides that this rule-making shall be issued without regard to the public notice and comment provisions of section 5 U.S.C. 553 or the Paperwork Reduction Act, and provides that the provisions of 5 U.S.C. 808 which allows exemption from layovers for Congressional review shall be applied. Accordingly this rule and its information collection requirements are made effective immediately in accordance with these provisions. Because of the foregoing provisions and because this rule provides needed time-sensitive relief, delay in completing this rule would be contrary to the public interest.

**Background**

Section 1126 of the 1999 Act provides that the Secretary of Agriculture (Secretary) shall make available recourse loans, as determined by the Secretary, to producers of mohair produced during or before that fiscal

year. This final rule contains the terms and conditions that the Secretary has determined are necessary to implement Sec. 1126 of the 1999 Act. The terms and conditions focus on three critical issues: (1) eligibility, (2) adequate loan collateralization, and (3) program administration.

### Eligibility

Section 1469.4 lists the eligibility requirements for both the persons applying for a recourse loan (loan) and for the mohair being tendered as loan collateral. The essence of the eligibility requirements with respect to loan applicants is that they must be "producers" of mohair and not speculators who have purchased the mohair. In general, a loan applicant must have a separate and identifiable interest in both the goats and the mohair. This means, in part, as defined in the regulations, that the loan applicant must have been responsible for the financial risk of raising the animal(s) and of producing the mohair, and must have owned, at time of shearing and for the previous 180 calendar days (or less, if the kids are younger), in the United States, the goats from which the mohair was shorn. The 180 calendar day requirement begins to run for imported goats after their quarantine period ends. In any case, regardless of the period the goat is held, loan applicants will be ineligible for a loan if the goats that produced the mohair were imported to provide meat.

The loan applicant must also hold a beneficial interest in the mohair collateral until the loan is paid. Under the regulations, such an interest will require that the producer maintains title and control over the disposition of the mohair, as well as the risk of loss on the mohair.

Persons handling the marketing of the mohair through a CCC-approved cooperative marketing association (CMA) are also eligible to participate in the loan program, provided the beneficial interest in the mohair remains with the CMA member/loan applicant who shares in the marketing proceeds realized by the CMA. Two or more applicants may be eligible for a joint loan if, as individuals, they would fulfill the eligibility requirements and the commingled mohair is not already under a CCC loan.

With respect to the mohair itself, these regulations apply to mohair produced before and during the 1999 fiscal year. However, mohair that was used to qualify for an incentive payment under the previous mohair payment program, which was terminated by Pub. L. 103-130, is only eligible to be

tendered as collateral for a loan under these regulations if the incentive payment has been repaid to CCC. In addition, the mohair pledged as loan collateral must be stored in a warehouse carrying adequate insurance to cover the mohair and must be contained in standard burlap mohair bags identified by signed and dated receipts and other warehouse records provided by the warehouse.

### Collateralization

Section 1126(3) of the 1999 Act provides that the loan rate for mohair "shall be equal to \$2 per pound" and requires that it be a recourse loan. Because certain mohair may not generate sufficient revenue to allow for full loan repayment, CCC shall retain (and the producer must agree that CCC may retain) a first and superior security interest on all of a loan recipient's existing and future production of mohair, until the loan and all related charges are paid; the security interest will not be restricted to the mohair actually used for calculating the loan amount but shall cover all mohair of the producer. Mohair used in calculating this amount is referred to as "loan mohair" and all other mohair of the producer is referred to as "non-loan mohair" although "non-loan mohair" may be subject to CCC's security interests. CCC will determine when to apply proceeds of sales of non-loan mohair which secures the loan against the loan amounts, but it is expected that the proceeds from the sale of non-loan mohair will not be required in advance of the maturity date of the loan and the county office will be authorized to sign a waiver of CCC's security interest for the sale of the non-loan mohair.

Also, producers will be required to make certain representations concerning loan repayment as may be needed to provide adequate security for the loans with the representations being enforceable by remedies that apply to false or misleading statements made to obtain federal benefits. While the loan is interest-free, as compelled by statute, interest charges and costs will accrue on amounts outstanding after maturity and may accrue from the date of loan disbursement if it is determined that the producer was ineligible for the loan, committed a loan violation, or obtained the loan on false or misleading pretenses.

In the event that the loan recipient's present production capability is such that a security interest on production is not deemed to be sufficient security, or if the loan is otherwise considered to be insufficiently secured, the CCC, as determined appropriate by the

Executive Vice President, CCC, may require the loan recipient to agree that 75 cents per pound, or such other amount as may otherwise be deemed appropriate by the Executive Vice President (taking into consideration the market value of the mohair and other factors) may be deducted from the loan to provide additional security to CCC. Loan recipients, in lieu of such reduction, may provide an acceptable letter of credit, bond, or other form of security for the reduction amount, if approved by CCC.

CCC may foreclose on the collateralized mohair and other mohair subject to a security interest and sell it if the loan is not repaid. The government may also pursue other options open to it, including remedies against persons handling loan mohair in disregard of the security interest.

### Program Administration

In accordance with the 1999 Act, loans will be made only during the 1999 fiscal year and will mature 12 months after they are made. CCC has determined that the final date to request a loan will be September 30, 1999. Anyone interested in applying for a loan and who has questions concerning eligibility or any other matter covered under this regulation will be able to obtain assistance from their local county FSA office.

Any loan recipient seeking to sell any mohair loan collateral to repay the loan will be required to obtain written authorization from the county office before moving the mohair for sale. If the loan recipient fails to obtain such authorization, or has also provided incorrect certifications or made fraudulent representations, that person will be in violation of the terms and conditions of the loan note and security agreement and will be subject to liquidated damages and other actions as provided in § 1469.11 of the regulations. These remedies are in addition to the obligation to repay the loan.

### List of Subjects in 7 CFR Part 1469

Mohair, Loan programs/agriculture, Reporting and record keeping requirements, Warehouses.

Accordingly, 7 CFR part 1469 is added to chapter XIV, subchapter B, to read as follows:

### PART 1469—RECOURSE LOAN REGULATIONS FOR MOHAIR

Sec.

- 1469.1 Applicability.
- 1469.2 Administration.
- 1469.3 Definitions.
- 1469.4 Eligibility.

- 1469.5 Application, availability, disbursement, and maturity.
- 1469.6 Security interests.
- 1469.7 Fees.
- 1469.8 Determination of quantity.
- 1469.9 Transfer of producer's interest prohibited.
- 1469.10 Loss or damage.
- 1469.11 Personal liability of the producer.
- 1469.12 Release of the mohair pledged as collateral for a loan.
- 1469.13 Liquidation of loans.
- 1469.14 Foreclosure.
- 1469.15 Handling payments and collections not exceeding \$9.99.
- 1469.16 Death, incompetency, or disappearance; other regulations, additional loan provisions.

**Authority:** Section 1126, Pub. L. 105-277, 112 Stat. 2681.

#### § 1469.1 Applicability.

The regulations of this part provide the terms and conditions under which the Commodity Credit Corporation (CCC) may issue recourse loans for mohair which was both produced during or before fiscal year 1999, and has remained continuously within the beneficial interest of the producer. Additional terms and conditions that must be followed to obtain a loan will be set forth in the applicable note and security agreements. All forms needed to obtain a loan will be available from State and county Farm Service Agency (State and county) offices.

#### § 1469.2 Administration.

(a) The regulations of this part shall be administered under the general supervision of the Executive Vice President, CCC, and shall be carried out in the field by State and county committees.

(b) State and county committees, and representatives and employees thereof, do not have the authority to modify or waive any of the provisions of the regulations of this part.

(c) The State committee shall take any action required by these regulations that has not been taken by the county committee. The State committee shall also:

- (1) Correct, or require a county committee to correct, any action taken by such county committee that is not in accordance with the regulations of this part; or
- (2) Require a county committee to withhold taking any action that is not in accordance with the regulations of this part.

(d) No provision or delegation herein to a State or county committee shall preclude the Executive Vice President, CCC, or a designee, from determining any question arising under the program or from reversing or modifying any

determination made by a State or county committee.

(e) The Deputy Administrator for Farm Programs, Farm Service Agency, may authorize State and county committees to waive or modify deadlines and other program requirements in cases where timeliness or failure to meet such other requirements does not adversely affect the operation of the program.

(f) An approving official may execute loans and related documents only under the terms and conditions determined and announced by CCC. Any such document that is not executed in accordance with such terms and conditions, including any purported execution before the date authorized by CCC, shall be null and void unless affirmed by the Executive Vice President, CCC.

#### § 1469.3 Definitions.

The definitions set forth in this section shall be applicable for all purposes of program administration. The terms defined in part 718 of this title shall also be applicable except where those definitions conflict with the definitions set forth in this section or in program instruments created under this part.

*Administrator* is the FSA Administrator.

*Approving official* is a representative of CCC who is authorized by the Executive Vice President, CCC, to approve loan documents prepared under this part.

*CMA* is a cooperative marketing association engaged in marketing mohair.

*County office* is the local FSA office.

*FSA* is the Farm Service Agency, United States Department of Agriculture.

*Goat* is an adult Angora goat or the kid of an Angora goat.

*Loan* is a recourse loan on mohair.

*Loan quantity* is the quantity on which the loan was disbursed, as shown on the note and security agreement.

*Loan mohair* is the quantity of mohair tendered by an eligible producer that is used in calculating the amount the loan.

*Mohair* is the hair sheared from a live goat before applying any process that removes the natural oils or fats or produces a mohair product. Mohair does not include pelts or hides or grease mohair shorn from pelts or hides, scoured, carbonized, or dyed mohair or yarn, skeins or other mohair which is identified for marketing by terms which identify the mohair as being other than in its natural greasy state.

*Non-loan mohair* is mohair securing a loan made under this part that was not

used in calculating the amount of a loan made under this part.

*Ownership* is control, title, risk of loss, and the right to make all decisions regarding the tender of mohair to CCC for a loan or for marketing.

*Person* is the individual, partnership, association, corporation, estate or trust, or other business enterprise or other legal entity and, whenever applicable a State, political subdivision of a State, or any agency thereof.

*Program* is the administration and issuance of a loan in accordance with the terms and conditions of this part and of any note and security agreement which must be executed by a loan recipient under this part.

*Representative* is a receiver, executor, administrator, guardian, or trustee representing the interests of a person or an estate.

*State committee* is the FSA committee so designated for the applicable state.

#### § 1469.4 Eligibility.

(a) To be eligible to receive an individual or joint loan under this part, a person must:

(1) Own, other than through a security interest, mortgage, or lien, the goats that produced the mohair which is the basis for the loan sought under this part, which goats must be of domestic origin or imported for purposes other than for slaughter and which in all cases were located in the United States for a period of not less than 180 calendar days (excluding days in quarantine if imported) prior to shearing, except that kids younger than 180 calendar days must be located in the United States from birth to shearing;

(2) Share in the risk of raising and shearing the goats;

(3) Comply with subsection (h) of this section;

(4) Store the mohair pledged as loan collateral in a warehouse:

(i) In standard burlap wool and mohair bags identified by signed and dated receipts provided by the warehouse and other warehouse records, in which the warehouse certifies to CCC the name of the person requesting the loan, lot number, number of bags in storage, and net weight; and

(ii) Which has certified to CCC that it carries insurance to cover the stored mohair or can provide some other type of financial assurance;

(5) Adequately protect the interests of CCC by providing security for a loan in accordance with the requirements in §§ 1469.5 and 1469.6 which is superior to all other security interests and by maintaining in good condition the mohair pledged as security for a loan;

(6) Be accurate and truthful and not make any misrepresentations with

respect to any information provided to CCC concerning any activity covered by this part;

(7) Not have been convicted of a crime as provided in part 718 of this title; and

(8) Not have received an incentive payment under the previous mohair payment program for a quantity of mohair pledged as loan collateral covered by this part, unless the incentive payment is repaid to CCC.

(b) Loan mohair must be mohair of merchantable quality deemed by CCC to be suitable for a loan and must have been shorn in the United States and not shorn while the producing goat was in quarantine.

(c) Two or more applicants may be eligible for a joint loan if:

(1) The conditions in paragraphs (a) and (b) of this section are met with respect to the commingled mohair they are tendering for a loan; and

(2) The commingled mohair is not used as collateral for an individual loan that has not been repaid.

(d) Heirs who succeed to a beneficial interest in the mohair are eligible for a loan if they:

(1) Assume the decedent's obligation under a loan if such loan has already been obtained; and

(2) Assure continued safe storage of the loan mohair if such mohair has been pledged as collateral for a loan.

(e) A representative may be eligible to receive a loan on behalf of a person or estate who or which meets the requirements in paragraphs (a), (b), (c), and (d) of this section, and the mohair tendered as collateral by the representative, in his capacity as a representative, shall be considered as tendered by the person or estate being represented.

(f) A minor who otherwise meets the requirements of this part for a loan shall be eligible to receive a loan only if the minor meets one of the following requirements:

(1) A court or statute has conferred the right of majority on the minor;

(2) A guardian has been appointed to manage the minor's property, and the applicable loan documents are signed by the guardian;

(3) Any note signed by the minor is cosigned by a person determined by the county committee to be financially responsible; or

(4) A surety, by furnishing a bond, guarantees to protect CCC from any loss incurred for which the minor would be liable had the minor been an adult.

(g) A CMA which the Executive Vice President, CCC, determines meets the requirements for CMA's in part 1425 of this title may be eligible to obtain a loan on behalf of those members who

themselves are eligible to obtain a loan provided that:

(1) The beneficial interest in the mohair must always, until loan repayment or forfeiture, remain in the member who delivered the mohair to the eligible CMA or its member CMA's, except as otherwise provided in this part; and

(2) The mohair delivered to an eligible CMA shall establish eligibility for a loan if the member who delivered the mohair does not retain the right to share in the proceeds from the marketing of the mohair as provided in part 1425 of this title.

(h)(1) To be eligible to receive loans under this part a producer must have the beneficial interest in the mohair that is tendered to CCC for a loan. The producer must always have had the beneficial interest in the mohair unless, before the mohair was sheared, the producer and a former producer whom the producer tendering the mohair to CCC has succeeded had such an interest in the mohair. Mohair obtained by gift or purchase shall not be eligible to be tendered to CCC for loans. Heirs who succeed to the beneficial interest of a deceased producer or who assume the decedent's obligations under an existing loan shall be eligible to receive loans whether succession to the mohair occurs before or after shearing so long as the heir otherwise complies with the provisions of this part.

(2) A producer shall not be considered to have divested the beneficial interest in the mohair if the producer retains control, title, and risk of loss in the mohair including the right to make all decisions regarding the tender of such mohair to CCC for a loan, and the producer takes one of the following actions:

(i) Executes an option to purchase, whether or not a payment is made by the potential buyer for such option to purchase, with respect to such mohair if all other eligibility requirements are met and the option to purchase contains the following provision:

Notwithstanding any other provision of this option to purchase, title, risk of loss, and beneficial interest in the mohair, as specified in 7 CFR part 1469, shall remain with the producer until the buyer exercises this option to purchase the mohair. This option to purchase shall expire, notwithstanding any action or inaction by either the producer or the buyer, at the earlier of: (1) the maturity of any CCC loan which is secured by such mohair; (2) the date the CCC claims title to such mohair; or (3) such other date as provided in this option.

(ii) Enters into a contract to sell the mohair if the producer retains title, risk of loss, and beneficial interest in the

mohair and the purchaser does not pay to the producer any advance payment amount or any incentive payment amount to enter into such contract except as provided in part 1425 of this chapter.

(3) If loans are made available to producers through an approved CMA in accordance with part 1425 of this chapter, the beneficial interest in the mohair must always have been in the producer-member who delivered the mohair to the CMA or its member CMA's, except as otherwise provided in this section. Mohair delivered to such a CMA shall not be eligible for loans if the producer-member who delivered the mohair does not retain the right to share in the proceeds from the marketing of the mohair as provided in part 1425 of this chapter.

(i) A producer may, before the final date for obtaining a loan for mohair, re-offer as loan mohair any mohair that has been previously pledged as loan mohair except that the loan on such re-offered mohair shall have the same maturity date as the original loan.

#### **§ 1469.5 Application, availability, disbursement, and maturity.**

(a) The deadline for requesting a loan offered under this part is September 30, 1999.

(b) Loans mature on demand but not later than the last day of the twelfth calendar month following the month in which the note and security agreement was approved. When the final maturity date falls on a non-workday for county offices, CCC shall extend the final date to the next workday.

(c) A producer must request loans on mohair at the county office serving the county where the headquarters of the producer's farm, ranch, or feed lot is located. If the producer has more than one farm, ranch, or feed lot, with headquarters in more than one county, separate non-duplicative applications for loans may be filed with the county office serving each such headquarters covering only the mohair at each such location. A CMA must request loans at the county office for the county in which the principal office of the CMA is located unless the State committee designates another county office. If the CMA has operations in two or more States, the CMA must file its loan applications at the county office for the county in which its principal office for each State is located.

(d) Loans will be made on the mohair (i.e., adult, yearling, spring kid, fall kid) as declared and certified by the producer on Form CCC-633 (Mohair), (Mohair Loan Certification and

Worksheet) at the time the mohair is pledged as collateral for a loan.

(e) CCC shall not approve a loan application until the producer provides adequate assurance that the loan and all related charges will be paid to CCC in accordance with paragraph (f) of this section. The disbursement of loans will be made by county offices on behalf of CCC.

(f) The loan rate under this part shall be \$2 per pound for all mohair eligible to be pledged as collateral under this part. Until the loan and all related charges have been paid, CCC shall retain (and the producer shall agree that CCC shall retain) a first and superior security interest on all of the producer's current and future production of mohair, the security interest shall not be restricted to the mohair used in calculating the amount of the loan but shall cover all mohair (current and future) owned by the producer. Proceeds from the sale of loan mohair will be applied to the loan. Proceeds from the sale of non-loan mohair in which CCC holds a security interest will be applied to the loan only if the proceeds from the sale of the loan mohair are inadequate to pay the loan in full. The security interest shall also apply to the current and future mohair production of affiliated producers as defined in this part. CCC may require such additional security as it deems needed to assure repayment of the loan. In the event that the producer's present capability for producing mohair is such that a security interest on the producer's current and future production of mohair is not deemed to be sufficient, or if the loan is otherwise considered to be insufficiently secured, the CCC, as determined by the Executive Vice President, CCC, may require that 75 cents per pound, or such other amount as may be deemed appropriate by the Executive Vice President (taking into consideration the market value of the mohair) be deducted from the loan to provide additional security. Producers, in lieu of such reduction, may provide a letter of credit, bond, or other form of security for the reduction amount, as approved by CCC. The Executive Vice President, CCC, may allow for releases from the security interest provided for in this section as needed to accomplish the goals of the program, and require the necessary assurances to determine the future production capability of a producer seeking a loan under this part.

(g) If, after a loan is made, CCC determines that the producer or the mohair collateral is not in compliance with any of the provisions of this part, the producer shall refund the total amount disbursed under loan together with interest and other charges as may

apply, including late payment interest as provided in part 1403 of this title.

#### § 1469.6 Security interests.

(a) CCC's security interest in the mohair pledged as collateral is first and superior to all other security interests.

(b) The county office may file or record, as required by State law, all financing statements needed to perfect a security interest in mohair pledged as collateral for loans. The cost of filing and recording shall be for the account of CCC.

(c) If there are any security interests or encumbrances on the mohair, waivers that fully protect the interest of CCC must be obtained. For non-loan mohair which is subject to the security interest provided for in this part, CCC may require waivers of pre-existing security interests.

#### § 1469.7 Fees.

A producer shall pay a non-refundable loan service fee to CCC at a rate determined by CCC. The amount of such fees will be available in State and county offices.

#### § 1469.8 Determination of quantity.

The amount of a loan on the quantity of eligible loan mohair shall be based on 100 percent of the net weight in pounds of such quantity certified by the producer and verified by the warehouse for mohair which is pledged as security for the loan and covered by the note and security agreement.

#### § 1469.9 Transfer of producer's interest prohibited.

Absent written approval from CCC, the producer shall not transfer either the remaining interest in, or right to redeem, the mohair pledged as collateral for a loan nor shall anyone acquire such interest or right. Subject to the provisions of § 1469.12, a producer who wishes to liquidate all or part of a loan by contracting for the sale of the loan mohair must obtain written approval of the county office on a form prescribed by CCC to remove a specified quantity of the mohair from storage. Any such approval shall be subject to the terms and conditions set forth in the applicable form, copies of which may be obtained by producers at the county office.

#### § 1469.10 Loss or damage.

The producer is responsible for any loss in quantity or quality of the mohair pledged as collateral for a loan. CCC shall not assume any loss in quantity or quality of the loan collateral.

#### § 1469.11 Personal liability of the producer.

(a) When applying for an individual or joint loan, each producer agrees:

(1) When signing any document, including Form CCC-633 (Mohair), (Mohair Loan Certification and Worksheet) and Form CCC-677 (Farm Storage Note and Security Agreement), that the producer will:

(i) Provide correct, accurate, and truthful certifications and representations of the loan quantity and all other matters of fact and interest; and

(ii) Not remove or dispose of any amount of the loan quantity without prior written approval from CCC in accordance with this section; and

(2) That violation of the terms and conditions of this part and Form CCC-677 will cause harm or damage to CCC in that funds may be disbursed to the producer for a loan quantity which is not actually in existence or for an amount of mohair for which the producer is not eligible.

(b) For purposes of this section, a "violation" shall refer to any violation of the loan agreement and this part which shall include, but not be limited to, any incorrect certification made with respect to obtaining a loan, any misrepresentation with respect to a loan, or any mis-disposition of loan collateral.

(c) The producer and CCC agree that it will be difficult, if not impossible, to prove the amount of damages to CCC for conduct which is in violation of this part or the loan agreement. Accordingly, if the county committee determines that the producer has engaged in any such violation, liquidated damages shall be assessed and shall be due in addition to any loan refund that may be due plus interest and charges. The amount of such liquidated damages shall be computed using the quantity of mohair that is involved in the violation and the formula set out below. If CCC determines the producer:

(1) Acted in good faith when the violation occurred, liquidated damages will be assessed by multiplying the quantity of mohair involved in the violation by:

(i) 10 percent of the loan rate applicable to the loan note for the first offense; or

(ii) 25 percent of the loan rate applicable to the loan note for the second offense; or

(2) Did not act in good faith with regard to the violation, or for cases other than the first or second offense, liquidated damages will be assessed by multiplying the quantity involved in the violation by 25 percent of the loan rate applicable to the loan note.

(d) For liquidated damages assessed in accordance with paragraph (c)(1) of this section, the county committee shall:

(1) Require repayment of the loan principal applicable to the loan quantity which was the subject of the violation plus charges, plus interest applicable to the amount repaid; and

(2) If the producer fails to pay such amount within 30 calendar days from the date of notification, call the applicable loan in its entirety, plus charges, plus interest assessed from the date of the loan disbursement.

(e) For liquidated damages assessed in accordance with paragraph (c)(2) of this section, the county committee shall call the entirety of the loan, plus charges, plus interest assessed from the date of the loan disbursement.

(f) The county committee:

(1) May waive the administrative actions taken in accordance with paragraphs (c)(1) and (d) of this section if the county committee determines that the violation occurred inadvertently, accidentally, or unintentionally.

(2) Shall furnish a copy of its determination to the State committee, and the Administrator. If the determination of the county committee is not disapproved by either the State committee or the Administrator, or a designee, within 60 calendar days from the date the determination is received, such determination may be considered to have been approved unless the Administrator issues procedures that allow for more time, or decides in an individual case that more time is needed.

(g) If, there is any violation of the loan agreement or this part, the loan may be terminated in which case there must be a full refund of the loan plus interest, and costs.

(h) If the county committee determines that the producer has violated this part or the loan agreement, the county committee shall notify the producer in writing that:

(1) The producer has 30 calendar days to provide evidence and information regarding the circumstances which caused the violation, to the county committee, and

(2) Administrative actions will be taken in accordance with paragraph (d) or (e) of this section.

(i)(1) If a producer makes any fraudulent or misleading representation in obtaining, maintaining, or settling a loan, the producer shall be liable for:

(i) The amount of the loan;

(ii) Any additional amounts paid by CCC with respect to the loan;

(iii) All other costs which CCC would not have incurred but for the fraudulent representation;

(iv) Interest from the date of the loan disbursement;

(v) Late payment interest as may be provided for in part 1403 of this title; and

(vi) Liquidated damages assessed under paragraph (c) of this section; and

(2) Notwithstanding any provisions of the note and security agreement, if a producer has made any such fraudulent or misleading representation to CCC, the value of the settlement for such collateral removed by CCC shall be determined by CCC according to § 1469.14.

(j) If the amount disbursed under a loan or in settlement thereof, exceeds the amount authorized under this part, the producer shall be personally liable for repayment of such excess, plus charges, plus interest, and for any other sanction as may be allowed by law.

(k) If the amount collected from the producer in satisfaction of the loan is less than the amount required in accordance with this part, the producer shall be personally liable for repayment of the amount of such deficiency plus charges, plus interest.

(l) In the case of joint loans, the personal liability for the amounts specified in this section shall be joint and several on the part of each producer signing or responsible under the loan note. Further, each producer who is a party to a joint loan will be jointly and severally liable for any violation of the terms and conditions of the note, security agreement, and the regulations set forth in this part. Each such producer shall also remain liable for repayment of the entire loan amount until the loan is fully repaid without regard to such producer's claimed share in the mohair, or loan proceeds, after execution of the note and security agreement by CCC.

(m) Any or all of the liquidated damages assessed in accordance with the provisions of paragraph (c) of this section may be waived by CCC.

(n) Remedies set out here are in addition to remedies the CCC will have through its security interest on non-loan mohair which secures the repayment of the loan made on the loan mohair.

(o) All remedies provided for in this section or part are in addition to any remedies as may otherwise be provided for in law.

**§ 1469.12 Release of the mohair pledged as collateral for a loan.**

(a)(1) A producer shall not move or dispose of any loan mohair pledged as collateral for a loan until prior written approval for such removal or disposition has been received from the

county committee in accordance with this section.

(2) A producer may at any time obtain a release of all or part of the mohair remaining as loan collateral by paying to CCC the amount of the loan and any charges which had been made by CCC to the producer with respect to the quantity of the loan mohair released.

(3) When the proceeds of a sale of loan mohair are needed to repay all or part of a loan, the producer must request and obtain prior written approval of the county office on a form prescribed by CCC in order to remove a specified quantity of the mohair from storage.

Any such approval shall be subject to the terms and conditions set forth in the applicable form, copies of which may be obtained by producers at the county office. Any such approval shall not constitute a release of CCC's security interest in the commodity or release the producer from liability for any amounts due and owing to CCC with respect to any loan indebtedness. With respect to non-loan mohair securing the loan, CCC may, in its discretion, release its security interest in the mohair if there are no loan amounts overdue at the time of the release.

(b) The note and security agreement shall not be released until all loan liability has been satisfied in full.

(c) After satisfaction of a loan, CCC shall release CCC's security interest in the mohair at the producer's request. The producer shall be responsible for payment of any fee for such release if such fee can be determined.

**§ 1469.13 Liquidation of loans.**

(a) The producer is required to repay the loan on or before maturity by payment of the amount of loan, plus any charges.

(b) If a producer fails to settle the loan in accordance with paragraph (a) of this section within 30 calendar days from the maturity date of such loan, or other reasonable time period as established by CCC, a claim for the loan amount plus charges, plus interest shall be established. Interest shall accrue from the next calendar day after the maturity date. CCC shall inform the producer before the maturity date of the loan of the date by which the loan must be settled or a claim will be established in accordance with part 1403 of this title. A failure to pay timely will start the accrual of interest, late payment interest, and costs.

**§ 1469.14 Foreclosure.**

(a) Upon maturity and nonpayment of the loan, title to the unredeemed loan mohair securing the loan shall vest in CCC.

(b) If the total amount due on a loan or the unpaid amount of the note and charges is not satisfied upon maturity, CCC may remove the loan mohair from storage and assign, transfer, and deliver the mohair or documents evidencing title thereto at such time, in such manner, and upon such terms as CCC may determine at a public or private sale. Any such disposition may also be effected without removing the mohair from storage. CCC may become the purchaser of the whole or any part of the mohair at either a public or private sale.

(c) If the mohair is removed from storage by CCC and is sold, the value of the settlement shall be the proceeds from the sale of the mohair minus costs associated with the disposition of the mohair, and:

(1) If the value of the collateral computed at settlement is less than the amount due, the producer shall pay to CCC the amount of such deficiency plus charges, plus interest on such deficiency and CCC may take any action against the producer to recover the deficiency; or

(2) If the proceeds received from the sale of the loan mohair so computed are greater than the sum of the amount due, such excess shall be paid to the producer or, if applicable, to any secured creditor of the producer.

(d) In addition, CCC may take any action with respect to non-loan mohair as may be needed to assure collection of all loans including, if need be, possession of the mohair. Nothing in this section of this part shall constitute a waiver of its lien on such mohair except when an express waiver has been executed by CCC. Absent such a waiver, all proceeds from such mohair shall be the property of CCC until the producer's loans have been repaid in full.

**§ 1469.15 Handling payments and collections not exceeding \$9.99.**

In order to avoid administrative costs of making small payments and handling small accounts, amounts of \$9.99 or less which are due the producer will be paid only upon the producer's request. Deficiencies of \$9.99 or less may be disregarded by CCC unless demand for payment is made by CCC.

**§ 1469.16 Death, incompetency, or disappearance; other regulations, additional loan provisions.**

(a) In the case of death, incompetency, or disappearance of any producer who is entitled to the payment of any sum in settlement of a loan, payment shall, upon proper application to the county office which made the loan, be made to the persons who would be entitled to such producer's share under the

regulations contained in part 707 of this title. Applications for loans may be made upon application of a representative of the producer as allowed under standard practice for farm programs.

(b) Appeals of adverse decisions made under this part shall be subject to the provisions of 7 CFR parts 11 and 780.

(c) The Executive Vice President, CCC, may impose such additional loan conditions as are determined to be necessary or appropriate to insure that the purposes and goals of the program provided for in this part are met.

Signed at Washington, D.C., on March 2, 1999.

**Keith Kelly,**

*Executive Vice President, Commodity Credit Corporation.*

[FR Doc. 99-5558 Filed 3-3-99; 3:20 pm]

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**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**14 CFR Part 39**

[Docket No. 99-NM-09-AD; Amendment 39-11063; AD 99-05-15]

RIN 2120-AA64

**Airworthiness Directives; Boeing Model 737-100, -200, -200C, -300, -400, and -500 Series Airplanes**

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

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

**SUMMARY:** This amendment adopts a new airworthiness directive (AD) that is applicable to certain Boeing Model 737-100, -200, -200C, -300, -400, and -500 series airplanes. This action requires a one-time inspection of the attachment nuts at each end attachment of the elevator tab push rods to measure run-on torque values, and corrective actions, if necessary. This amendment is prompted by reports of excessive high-frequency airframe vibration during flight, with consequent structural damage to the elevator tab, elevator, and stabilizer. The actions specified in this AD are intended to prevent detachment of an elevator tab push rod due to a detached nut at either end attachment of a push rod, which could result in excessive high-frequency airframe vibration during flight; consequent structural damage to the elevator tab, elevator, and horizontal stabilizer; and reduced controllability of the airplane.

**DATES:** Effective March 23, 1999.

The incorporation by reference of certain publications listed in the

regulations is approved by the Director of the **Federal Register** as of March 23, 1999.

Comments for inclusion in the Rules Docket must be received on or before May 7, 1999.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 99-NM-09-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056.

The service information referenced in this AD may be obtained from Boeing Commercial Airplane Group, P.O. Box 3707, Seattle, Washington 98124-2207. This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington; or at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Greg Schneider, Aerospace Engineer, Airframe Branch, ANM-120S; FAA, Transport Airplane Directorate, Seattle Aircraft Certification Office, 1601 Lind Avenue, SW., Renton, Washington 98055-4056; telephone (425) 227-2028; fax (425) 227-1181.

**SUPPLEMENTARY INFORMATION:** The FAA has received two reports indicating that excessive high-frequency airframe vibration occurred during flight on Boeing Model 737-200 and 737-300 series airplanes, which resulted in severe damage to the elevator, elevator tab, and elevator tab control mechanism. One report indicated that the source of the vibration was due to a detached elevator tab push rod that resulted from a missing or detached end attachment nut. The other report indicated that the initial source of vibration was a missing end bearing on an elevator tab push rod.

The FAA also has reviewed the results of inspections that were accomplished in accordance with Boeing Alert Service Bulletin 737-27A1205, dated August 28, 1997, and Boeing All-Base Telex M-7272-97-0897, dated February 13, 1997. Findings revealed that after 478 airplanes were inspected, 3 loose end attachment nuts and 7.9 per cent of all end attachment nuts inspected (a total of 2,278 nuts) did not have adequate run-on torque. These findings indicate that the occurrence of inadequate run-on and seating torque values of the end attachment nuts of the elevator tab push rods is not an isolated event.

The FAA has determined from these reports that, if an end attachment nut of an elevator tab push rod is removed and