5. Amend § 718.205 by:
a. Revising paragraph (a);
b. Revising paragraph (b)(1); to
c. Revising paragraphs (b)(4), (c)(2), and (c)(3);
d. Redesignating paragraph (c)(4)(ii) as paragraph (c)(4)(iii);
e. Adding a new paragraph (c)(4)(ii);
f. Revising newly redesignated paragraph (c)(4)(iii);
g. Revising paragraph (d)(1);
h. Revising paragraph (e);
i. Redesignating paragraphs (f) through (i) as paragraphs (g) through (j);
j. Adding a new paragraph (f);
k. Revising newly redesignated paragraph (i)(1) introductory text; and
l. Revising newly redesignated paragraph (i)(2).

The revisions and additions read as follows:

§ 718.205 Rules for determining farms, allotments, quotas, and acreage when reconstitution is made by division.

(a) The methods for dividing farms, allotments, quotas, and acreages in order of precedence, when applicable, are estate, designation by landowner, contribution, agricultural use, default, cropland, and history. The proper method shall be determined on a crop-by-crop basis.

(b)(1) The estate method is the proration of allotments, quotas, and acreages for a parent farm among the heirs in settling an estate. If the estate sells a tract of land before the farm is divided among the heirs, the allotments, quotas, and acreages for that tract shall be determined by using one of the methods provided in paragraphs (c) through (h) of this section.

* * * * *

(4) If allotments, quotas, and acreages are not apportioned in accordance with the provisions of paragraph (b)(2) or (3) of this section, the allotments, quotas, and acreages shall be divided pursuant to paragraphs (d) through (h) of this section, as applicable.

(c)(1) * * *

(2) If the county committee determines that allotments, quotas, and acreages cannot be divided in the manner designated by the owner because of the conditions set forth in paragraph (c)(4) of this section, the owner shall be notified and permitted to revise the designation so as to meet the conditions in paragraph (c)(4) of this section. If the owner does not furnish a revised designation of allotments, quotas, and acreages within a reasonable time after such notification, or if the revised designation does not meet the conditions of paragraph (c)(4) of this section, the county committee will prorate the allotments, quotas, and acreages in accordance with paragraphs (d) through (h) of this section.

(3) If a parent farm is composed of tracts, under separate ownership, each separately owned tract being transferred in part shall be considered a separate farm and shall be constituted separately from the parent farm using the rules in paragraphs (d) through (h) of this section, as applicable, prior to application of the provisions of this paragraph.

(4) * * *

(ii) Where the land of the parent farm is subject to deed of trust, lien, or mortgage, the holder of the deed of trust, lien, or mortgage must agree to the division of allotments, quotas, or acreage.

(iii) Where the part of the farm from which the ownership is being transferred was owned for a period of less than 3 years, the designation by landowner method shall not be available with respect to the transfer unless the county committee determines that the primary purpose of the ownership transfer was other than to retain or sell allotments, quotas, or acreages. In the absence of such a determination, and if the farm contains land which has been owned for less than 3 years, that part of the farm which has been owned for less than 3 years shall be considered as a separate farm and the allotments, quotas or acreages shall be assigned to that part of the farm in accordance with paragraphs (d) through (h) of this section. Such apportionment shall be made prior to any designation of allotments, quotas or acreages with respect to the part of the farm which has been owned for 3 years or more.

* * * * *

(d) (1) The contribution method is the proration of a parent farm's allotments or quotas to each tract as the tract contributed to the allotments or quotas at the time of combination. The contribution method may be used when the provisions of paragraphs (b) and (c) of this section do not apply.

* * * * *

(e) The agricultural use method is the proration of the acreage to the resulting tracts in the same proportion that the agricultural use land for each resulting tract relates to the agricultural use land for the parent tract. This method of division shall be used if the provisions of paragraphs (b) and (c) of this section do not apply.

(f) The default method is the separation of tracts from a farm with each tract maintaining the acreage attributed to the tract when the reconstitution is initiated.

* * * * *

(i) (1) Allotments, quotas, and acreages apportioned among the divided tracts pursuant to paragraphs (d) through (h) of this section may be increased or decreased with respect to a tract by as much as 10 percent of the allotment, quota, or acreage determined under such subsections for the parent farm if:

* * * * *

(2) Farm program payment yields calculated for the resulting farms of a division may be increased or decreased if the county committee determines the method used did not provide an equitable distribution considering available land, cultural operations, and changes in the type of farming conducted on the farm. Any increase in a farm program payment yield on a resulting farm shall be offset by a corresponding decrease on another resulting farm of the division.

* * * * *

6. Add a new § 718.210, to read as follows:

§ 718.210 OMB control numbers assigned pursuant to the Paperwork Reduction Act.

The information collection requirements contained in this part have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. Chapter 35 and have been assigned OMB control numbers 0560–0025.

Signed at Washington, DC, on January 19, 2000.

Keith Kelly,

Administrator, Farm Service Agency.

[FR Doc. 00–1967 Filed 2–3–00; 8:45 am]

BILLING CODE 3410–05–P

FEDERAL HOUSING FINANCE BOARD

12 CFR Parts 951 and 997

[No. 2000–03]

RIN 3069–AA92

Determination of Appropriate Present-Value Factors Associated with Payments Made by the Federal Home Loan Banks to the Resolution Funding Corporation

AGENCY: Federal Housing Finance Board.

ACTION: Proposed rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is proposing to amend its regulations by adding a new part to implement provisions of the

Gramm-Leach-Bliley Act (Gramm-Leach-Bliley) related to the aggregate value of, and end date for, payments made by the Federal Home Loan Banks (Banks) to the Resolution Funding Corporation (REFCORP). These payments are used to pay a portion of the interest owed on bonds issued by REFCORP. Gramm-Leach-Bliley changed the method of assessing the Banks for mandated annual payments to REFCORP from a fixed payment of $300 million to a payment of 20 percent of the net earnings of the Banks. Gramm-Leach-Bliley also requires the Finance Board to adjust the final payment date for the Banks' obligation so that the value of the actual payments made under the new methodology will be equivalent to the value of a benchmark annuity, which corresponds to the payments that would have been made under the prior law. The relevant values are required to be discounted to reflect the time value of money, using appropriate present-value factors selected by the Finance Board in consultation with the Secretary of the Treasury.

The proposed rule establishes a method for making the required present value calculations and for adjusting the termination date for the Banks' payments to REFCORP. As described more completely in the Supplementary Information, when 20 percent of the Banks' quarterly net earnings exceeds or falls short of a specified benchmark annuity, the excess or shortage will be "used" to defease or to extend the Banks' future obligations by simulating the purchase or sale of zero-coupon Treasury securities. The Banks' REFCORP obligation would cease when their payments equal the value of the benchmark annuity.

DATES: The Finance Board will accept comments on the proposed rule in writing on or before March 6, 2000.

ADDRESSES: Send comments to Elaine L. Baker, Secretary to the Board, by electronic mail at *bakere@fhfb.gov,* or by regular mail to the Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006. Comments will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT: Joseph A. McKenzie, Deputy Chief Economist, Office of Policy, Research, and Analysis, (202) 408–2845, *mckenziej@fhfb.gov;* Austin J. Kelly, Senior Financial Economist, Office of Policy, Research, and Analysis, (202) 408–2541, *kellya@fhfb.gov;* or Thomas E. Joseph, Attorney-Advisor, (202) 408–2512, *josepht@fhfb.gov.* Staff also can be reached by regular mail at the Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006. A telecommunication device for deaf persons (TDD) is available at (202) 408–2579.

SUPPLEMENTARY INFORMATION:

I. Statutory Background

A. FIRREA

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Public Law 101–73, 103 Stat. 183 (Aug. 9, 1989), established REFCORP to provide funds for the Resolution Trust Corporation (RTC). 12 U.S.C. 1441b. REFCORP was authorized to issue up to $30 billion in debt obligations; as of September 20, 1999, REFCORP had $29.9 billion in non-callable bonds outstanding with maturities ranging from October 15, 2019, to April 15, 2030. The RTC used the proceeds from the sale of these bonds to pay the costs of liquidating failed savings associations. FIRREA amended the Federal Home Loan Bank Act (Bank Act) to require the Banks to pay $300 million annually toward the interest on those bonds if REFCORP's income from other sources specified in the Bank Act was insufficient to pay the interest on the REFCORP bonds. Income from these other sources has always been insufficient to pay the interest on the REFCORP bonds, and the Banks have paid $300 million annually to REFCORP. To the extent amounts available from the other statutorily specified sources and the Banks' $300 million are insufficient to pay the interest on the REFCORP bonds, the Bank Act directs the United States Department of the Treasury (Treasury) to pay to REFCORP additional amounts that will be used by REFCORP to pay the interest. 12 U.S.C. 1441b(f)(2)(E).

It has been the practice of the Banks to make payments to REFCORP on a quarterly basis, typically on January 15, April 15, July 15, and October 15 of each year. These dates correspond to the dates on which REFCORP makes coupon payments on the outstanding bonds. The aggregate amount of the Banks' quarterly interest payments has been $75 million, which the Banks have accrued during the calendar-year quarter immediately preceding the payment. To date, the Banks have made all required REFCORP interest payments.[1] Prior to the enactment of Gramm-Leach-Bliley, Public Law 106–102, 113 Stat. 1338 (Nov. 12, 1999), the Banks' obligation to pay interest on the REFCORP bonds would have terminated upon payment of the $75 million due for the first quarter of 2030, which would have been paid on April 15, 2030, the final maturity date for the last REFCORP bond.

As previously noted, the Banks' REFCORP obligation prior to the enactment of Gramm-Leach-Bliley was a fixed dollar amount that bore no relationship to the net income of any Bank. As a result, in the years that the Banks experience reduced income, as occurred in the early 1990's, each Bank's REFCORP obligation, as a percent of its income, increases significantly. This historically has caused the Banks to seek ways to generate higher earnings to meet the statutorily mandated REFCORP and Affordable Housing Program[2] obligations and to continue to pay a dividend sufficient to retain members. The Banks' historical solution to the dilemma has been to amass large portfolios of investment securities and generate arbitrage earnings. While this strategy has been profitable and has posed no safety and soundness threat to the Bank System, the Finance Board, Congress, and the Treasury have noted and criticized the strategy because the investments do not advance the mission of the Banks, which are government sponsored enterprises with a public purpose. The fixed-dollar nature of the REFCORP obligation has been cited by critics as part of the cause of the problem.

B. Gramm-Leach-Bliley

Gramm-Leach-Bliley changed the Banks' REFCORP assessment from a fixed-dollar $300 million annual payment to an annual payment of 20 percent of each Bank's net earnings. *See* Public Law 106–102, sec. 607, 133 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)). Gramm-Leach-Bliley also contains provisions intended to assure that the change in the method of assessing the Banks' REFCORP obligation does not increase or decrease

[1] REFCORP was capitalized through statutorily mandated contributions from the Banks that are held in the REFCORP principal fund. *See* 12 U.S.C. 1441b(g)(2). Those contributions, which the Bank Act required to be subtracted from the Banks' gross annual REFCORP interest obligation, ended in January 1991, and were sufficiently large so as to offset through January 1991 the Banks' annual obligations to pay a portion of the interest on the REFCORP bonds. The first Bank payment used exclusively to cover interest on the REFCORP bonds was that made for the first quarter of 1991, which was made on April 15, 1991.

[2] The Bank Act also requires each Bank to establish an Affordable Housing Program (AHP). *See* 12 U.S.C. 1430(j). In 1995 and subsequent years, each Bank annually must contribute 10 percent of its preceding year's net earnings (*i.e.,* after REFCORP) to its AHP, subject to a Bank System-wide minimum contribution of $100 million. *Id.* The actual aggregate Bank-System AHP contribution in 1999 exceeded $190 million.

the burden of paying interest on the REFCORP bonds either for the Banks or the Treasury. To accomplish this goal, the Gramm-Leach-Bliley amendments require the value of payments actually made by the Banks to REFCORP to equal the value of a $300 million annual annuity that commences on the issuance date of the first REFCORP bond (October 15, 1989) and ends on the maturity date of the last REFCORP bond (April 15, 2030), where the relevant values are properly discounted to account for the time value of money. This annuity exactly mimics the amounts that had been due from the Banks for interest on REFCORP bonds under the prior law.

Gramm-Leach-Bliley specifically requires the Finance Board to make an annual determination of the extent to which the value of the aggregate amounts paid by the Banks exceeds or falls short of the value of an annuity of $300 million per year that commences on the issuance date and ends on the final scheduled maturity date of the obligations and to select appropriate present-value factors for making such determinations, in consultation with the Secretary of the Treasury. *See* Public Law 106–102, sec. 607, 113 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)(ii)). The Finance Board also is required to shorten or extend the term of the Banks' REFCORP obligation as necessary to ensure that the value of all payments made by the Banks is equivalent to the value of the referenced annuity. *See id.* (*amending* 12 U.S.C. 1441b(f)(2)(C)(iii)). The Finance Board may, if required, extend the term of the payment obligation beyond the final scheduled maturity date for the REFCORP bonds. *Id.* (*amending* 12 U.S.C. 1441b(f)(2)(C)(iii) and (iv)).

II. Analysis of the Proposed Rule

A. Overview of the Proposed Present-Value Calculation

In order to implement the provisions of Gramm-Leach-Bliley discussed above, the Finance Board is proposing a methodology for adjusting the date of the final REFCORP payment due from the Banks. The methodology entails the simulated purchase or sale each quarter of zero-coupon Treasury bonds.[3] The effect of the simulated purchase or sale of the zero-coupon bonds will be to defease the most distant outstanding quarterly benchmark annuity payment or, in the case of a sale, to extend the benchmark annuity payment schedule in quarterly increments. When all quarterly annuity payments have actually been covered through payment or defeasance, the Banks' REFCORP obligation would cease. While this explanation discusses benchmark annuity ''payments'' and the ''purchase'' and ''sale'' of zero coupon bonds, we emphasize that these payments, purchases, and sales are simulated and do not actually occur. They are used as a device to equate the cash flows, on a present-value basis, of the amounts paid by the Banks under the Gramm-Leach-Bliley provisions with the payments that would have been made under the prior law.

In theory, when an assessment of 20 percent of the Banks' net earnings exceeds the benchmark annuity value of $75 million, the excess amount would be used to simulate the purchase of zero-coupon Treasury bonds, the maturity dates of which correspond to the payment dates for the most-distant, non-defeased quarterly benchmark annuity and the par amount of which corresponds to the benchmark annuity payment due in that specific quarter. Because the purchased bonds ''mature'' on the ''payment'' date for the benchmark annuity and have a par amount equal to the benchmark amount, the amount ''received'' upon maturity of the bonds can be used to ''pay'' the benchmark annuity payment. The simulated purchase of the zero-coupon bonds will defease the future benchmark annuity obligations. The estimates for the applicable interest rates on zero-coupon Treasury bonds maturing on specific dates in the future are available from, and will be provided to, the Finance Board by the Treasury's Office of Market Finance.

For example, assume that on April 15, 2000, the date of the first REFCORP payment under the Gramm-Leach-Bliley provisions, 20 percent of the Banks' quarterly net earnings equals $86.3 million. Of that $86.3 million, $75 million would be used to ''cover'' the quarterly benchmark annuity due on April 15, 2000 and the amount in excess of $75 million, or $11.3 million, would be used to simulate the purchase of a 30-year zero-coupon Treasury bond with a par amount of $75 million and a maturity date of April 15, 2030, the date of the final benchmark annuity payment. (The cost of the purchase of a zero-coupon bond can be found by taking the present value of the par amount of the bond, discounted at current interest rates.) At current interest rates, the (estimated) cost of a zero-coupon Treasury bond that matures on April 15, 2030, has a par amount of $75 million, and is purchased on April 15, 2000, would be approximately $11.3 million. The available excess, therefore, could completely defease the benchmark annuity payment of $75 million due on April 15, 2030.

If 20 percent of net earnings for the first quarter of 2000 were greater than $86.3 million, then all or part of the penultimate benchmark annuity payment of $75 million due on January 15, 2030 also could be defeased. In this case, the ''cost' of the relevant 29-year, 9-month zero-coupon Treasury bond with a par amount of $75 million and maturity date of January 15, 2030 would be approximately $11.5 million. Thus, if 20 percent of net earnings for the first quarter of 2000 were $97.8 million, the $75 million payment due on January 15, 2030, could also be fully defeased. (A payment of $97.8 million on April 15, 2000 would be sufficient to cover the current $75 million quarterly benchmark annuity plus the $11.3 million required to defease the April 15, 2030 annuity payment plus the $11.5 million needed to defease the quarterly annuity payment for January 15, 2030.)

The reported net income for the Banks was $496 million in the second quarter of 1999 and $556 million in the third quarter of 1999. Twenty percent of these amounts would be $99.2 million and $111.2 million, respectively, which would have produced an available quarterly excess much larger than was used in the above examples if the new assessment methodology had been in effect in 1999.

The Finance Board is proposing that fractional parts of future payments can be defeased if the excess quarterly payment would defease less than a full payment. Using the previous example, if 20 percent of quarterly net income for the first quarter of 2000 were $80 million, only $5 million would be available to simulate the purchase of a zero-coupon Treasury bond. This excess would go towards defeasing about 44 percent of the April 15, 2030 payment (*i.e.,* $5.0 million divided by $11.3 million). Any ''excess'' above $75 million from the Banks REFCORP payment due on July 15, 2000, would then be put toward defeasing the remainder of the April 15, 2030, benchmark annuity payment. Specifically, the July excess payment would be first used to simulate the purchase of a 29-year and 9-month zero-coupon Treasury bond that matures on April 15, 2030.

[3] The use of zero-coupon Treasury bonds is consistent with Office of Management and Budget (OMB) Circular A–11, which implements the Federal Credit Reform Act of 1990 (FCRA). Under the FCRA, cash flows stemming from direct government loans and government loan guarantees are discounted by the interest rate nor zero-coupon Treasury securities with the same maturity as each quarter's projected cash flow. Thus, the recommended approach is consistent with the budgetary treatment of other government loan activities.

If 20 percent of quarterly net income were less than $75 million, the defeasance scheme would work in reverse. Instead of simulating the purchase of zero-coupon Treasury bonds, the calculation would simulate the sale of zero-coupon bonds with a maturity corresponding to the last non-defeased quarterly annuity payment or to the first quarter thereafter if the last non-defeased annuity payment already equaled $75 million. The interest rate would be the same as that for a zero-coupon Treasury bond with the same maturity date. In effect, the Banks are agreeing to pay back the deficit still owed on the quarterly benchmark annuity at a future date, and are being charged interest at the zero-coupon Treasury rate.

Because no quarterly benchmark annuity payment will be more than $75 million, if a payment deficit has a future value of more than $75 million (or raises the value of a partially defeased quarterly benchmark annuity payment to more than $75 million), another quarter will be added at the end of the annuity schedule and the amount in excess of $75 million will be owed in that newly added quarter. The interest rate for a zero-coupon Treasury maturing in the newly added quarter will be used to calculate the future value of such excess amount. The result of these calculations would be to lengthen the end date of the quarterly benchmark annuity payments and effectively extend the Banks' REFCORP obligation. To the extent that the Banks must make any payments beyond the final maturity date of the REFCORP bonds, those payments would be made to the Treasury.

The Finance Board believes the proposed methodology will be simple to implement. The only information needed to calculate the date of the Banks' last REFCORP payment is quarterly net income and the interest rate on zero-coupon Treasury bonds the maturities of which coincide with and bracket the date of the last non-defeased benchmark quarterly payment. The Treasury's Office of Market Finance has indicated that it will provide and certify these rates to the Finance Board, as it does for a number of other agencies. The Treasury uses information from market transactions when it estimates the interest rates on zero-coupon Treasury bonds.

The Finance Board solicits comments on all aspects of the proposed methodology.[4]

B. Definitions—Section 997.1.

Section 997.1 of the proposed rule sets forth the definitions for a number of terms used in new part 997.

The term "actual quarterly payment" is defined as the amounts that the Banks actually pay to REFCORP in accordance with a calendar-year quarterly assessment equal to 20 percent of each Bank's quarterly net earnings. The Finance Board understands from discussions with REFCORP that the Banks will continue to make quarterly payments to REFCORP as set forth in the now-existing payment schedule. Specifically, quarterly payments are proposed to be made, as they are now, on January 15, April 15, July 15, and October 15 of each year (or on the next business day if those dates fall on weekends or holidays).

The term "benchmark quarterly payment" is defined as $75 million, which equals one-quarter's payment on the benchmark annuity of $300 million per year prescribed in Gramm-Leach-Bliley, or such amounts that may result from adjustments required by the calculations made in accordance with part 997. The definition, therefore, recognizes that the value of certain benchmark quarterly payments will be adjusted in line with the calculations set forth in proposed §§ 997.2 and 997.3. Initially, the end date for all benchmark quarterly payments will be April 15, 2030, although that date will be adjusted by the calculations made under the proposed rule. The implicit assumption in the proposed rule is that the benchmark quarterly payments are due on the same date that the Banks' actual quarterly payments are due.

By dividing the annual annuity into quarterly payments, the annuity schedule exactly corresponds to the payment schedule of $75 million per quarter that existed prior to the enactment of Gramm-Leach-Bliley. Using a quarterly benchmark annuity payment, therefore, best assures that the Banks' RECORP payments made under Gramm-Leach-Bliley will be compared exactly to the payments that would have been made under the prior law.

The term "current benchmark quarterly payment" is defined in the proposed rule as the benchmark quarterly payment that corresponds to the actual quarterly payment. The current benchmark quarterly payment will almost always equal $75 million. The only exception may occur for the final remaining benchmark quarterly payment if that payment is less than $75 million because of adjustments made under § 997.2 or § 997.3.

The terms "excess quarterly payment" and "deficit quarterly payments" are defined in the proposed rule as the amounts by which the payments actually assessed and made by the Banks to REFCORP either exceed or fall short of the current quarterly benchmark annuity, respectively. These will be the amounts used to simulate the purchase of the zero-coupon Treasury bonds needed to defease future benchmark quarterly payments or used to simulate the sale of the zero-coupon bonds which will effectively extend the term of the Banks' REFCORP obligation.

The term "quarterly present value determination" is defined by the proposed rule to mean the calculation that will be performed under either § 997.2 or § 997.3. More importantly, the definition is designed to provide the method whereby the Finance Board can fulfill the requirement in Gramm-Leach-Bliley that "the [Finance] Board annually shall determine the extent to which the value of the aggregate amounts paid by the Federal home loan banks exceeds or falls short of the value of [the benchmark] annuity." Public Law 106–102, sec. 607 113 Stat. 1456 (*amending* 12 U.S.C. 1441b(f)(2)(C)(ii)).

The proposed quarterly determination reflects the longstanding practice that the Banks pay REFCORP quarterly. More importantly, a calculation on other than a quarterly basis, for example on an annual basis, would not give the Banks credit for the time value of money associated with excess quarterly payments. Conversely, an annual calculation would not charge the Banks any interest during a year for a deficit quarterly payment. The Finance Board believes its proposal is consistent with the requirements of Gramm-Leach-Bliley. Further, the Finance Board believes that making its determination quarterly and at the same time when the Banks make their actual REFCORP payments will best serve Gramm-Leach-Bliley's goal of assuring that the change in the method of assessing the Banks' obligation will not increase or decrease the burden of paying interest on the REFCORP bonds either for the Banks or the Treasury. The Finance Board recognizes that, if the quarterly payment schedule for the Banks' REFCORP obligations changes, corresponding modifications to these rules may be necessary.

[4] Gramm-Leach-Bliley provides that the Finance Board shall select appropriate present-value factors for making the statutorily required determinations in "consultation with the Secretary of the Treasury." Pub. L. 106–102, sec. 607,113 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)(ii). Finance Board staff has met with staff from OMB and Treasury, and will provide a copy of the proposed rule to the Secretary of the Treasury for comment.

C. Reduction of the Payment Term—Section 997.2.

Section 997.2 sets forth the calculation that the Finance Board proposes to use to determine the amount by which the term of the Banks' REFCORP obligation will be reduced when the Banks actual quarterly payment results in an excess quarterly payment. Under § 997.2 of the proposed rule, the future value of any excess quarterly payment would be calculated using the interest rate on a zero-coupon Treasury bond rate that matures on the date of the last outstanding benchmark quarterly payment. The interest rate will be obtained from the Treasury and will be the spot interest rate for the relevant Treasury zero-coupon bond as of the day of the Banks' actual quarterly payment. The future value calculation set forth in § 997.2 of the proposed rule is the mathematical equivalent of the calculations discussed in the explanation in Part I above. Specifically, the calculation described in the proposed rule is equivalent to calculating the present value, or ''cost,'' of a zero-coupon Treasury bond with a par amount and maturity date that are the same as the amount and due date for the last non-defeased benchmark quarterly payment.

The applicable interest rate would always be for a zero-coupon Treasury bond maturing on the due date of the benchmark quarterly payment that is affected by the defeasance calculation. Therefore, where an excess quarterly payment is sufficiently large so that more than one benchmark quarterly payment can be defeased, additional calculations would be made with respect to the future value amount remaining after the last outstanding benchmark quarterly payment has been defeased. First, the future value calculation for this residual amount would be reversed. Then, a new future value for the resulting residual excess quarterly payment would be calculated using the interest rate for a zero-coupon Treasury bond maturing in the quarter immediately prior to the one for which the benchmark quarterly payment had just been defeased.

Given the proposed calculation, an excess quarterly payment would always result in removing from the benchmark annuity schedule both the current benchmark quarterly payment and all or part of the most-distant, outstanding quarterly benchmark payment(s) still remaining on the schedule.

D. Extension of the Payment Term—Section 997.3

Section 997.3 of the proposed rules sets forth the calculation that the Finance Board proposes to use to determine the amount by which the term of the Banks' REFCORP obligation will be extended if the Banks actual quarterly payment results in a deficit quarterly payment. The future value calculation under this section is proposed to be the same as the one described for proposed § 997.2, except that the amount resulting from the calculation will be added to the last outstanding partial quarterly benchmark payment. Where the last outstanding quarterly benchmark payment is $75 million, the future value of the deficit quarterly payment would be applied to a new quarterly payment extending the annuity schedule. In no case would a benchmark quarterly payment exceed $75 million.

The zero-coupon interest rate used in the proposed calculation would always correspond to a zero-coupon Treasury bond maturing in the quarter for which a new benchmark quarterly payment is being adjusted upward or which is being added to the annuity schedule. Given the proposed calculation, a deficit quarterly payment would always result in removing from the benchmark annuity schedule the current benchmark quarterly payment but adding amounts to the last outstanding benchmark quarterly payment or adding new benchmark quarterly payments to the schedule. The proposed rule makes clear that the Finance Board would act on its authority to extend the Banks REFCORP payment obligation beyond April 15, 2030, if required to do so based upon the calculations made under this section. *See* Public Law 106–102, sec. 607, 113 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)(iii) and (iv)).

E. Calculation of the Quarterly Present-Value Determination—Section 997.4

Section 997.4 of the proposed rule is based upon the assumption that REFCORP will make the calculations required under §§ 997.2 and 997.3, and provide the results of the calculations to the Finance Board. The Finance Board understands that REFCORP is willing and able to perform this task. Moreover, the Finance Board believes that REFCORP is the best entity to calculate the quarterly present-value determination. A REFCORP model is currently used both to assess the Banks' actual quarterly payments and to calculate the Banks' required AHP payments. It would be relatively simple to adjust the existing REFCORP model to perform the calculations required under this part. Allowing REFCORP both to estimate the Banks' quarterly payment assessment and to calculate the quarterly present-value determination would also centralize the relevant calculations in one entity, and thus facilitate the supervision and auditing of the process set forth in this rule.

As proposed, § 997.4 requires the Finance Board to obtain from Treasury the zero-coupon Treasury bond interest rates needed to complete the calculations and provide those rates to REFCORP. REFCORP, itself, will know the value of the Banks' actual quarterly payments since REFCORP collects those payments from the Banks. The Finance Board would maintain the official record of the results of the calculations. Section 997.4 of the proposed rule also makes clear that the Finance Board will perform the calculations required under this part if the Banks' payment obligations extend beyond April 15, 2030 or if REFCORP is for any reason unable to perform the calculations or make the results known to the Finance Board. With respect to the date of April 15, 2030, REFCORP is to be dissolved ''as soon as practicable, after the maturity and full payment of all obligations issued by [it],'' 12 U.S.C. 1441b(j), which occurs on April 15, 2030, when the last REFCORP bond matures, and this contingency provision has been included in case the term of the Banks' payment obligation has been extended beyond that date.

F. Termination of the Obligation—Section 997.5.

Section 997.5 of the proposed rules establishes a method for determining when the Banks' obligation to pay REFCORP will terminate. Gramm-Leach-Bliley provides that the Finance Board must extend or shorten the Banks' payment obligation to REFCORP until such time as ''the value of all payments made by the Banks is equivalent to the value of [the benchmark] annuity [described therein].'' Public Law 106–102, sec. 607, 113 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)(iii)). This will occur when the actual quarterly payment, after performing any calculation required by proposed § 997.2, equals the last outstanding quarterly benchmark payment(s). It should be noted that if the sole remaining outstanding quarterly benchmark payment is less than $75 million because of adjustments made under proposed §§ 997.2 and 997.3, the Banks will terminate their obligation as long as 20 percent of net earnings at least equals that outstanding amount,

even if 20 percent of net earnings is less than $75 million.

Gramm-Leach-Bliley requires the Banks' REFCORP obligation to terminate when the aggregate value of their payments equals the value of the benchmark annuity. To ensure that these values are equal, the final actual quarterly payment (after making any calculation required by proposed § 997.2) made by the Banks must not be more than any outstanding benchmark quarterly payment(s). This would require the final actual quarterly payment to be reduced if 20 percent of the Banks' quarterly net earnings exceeds the amounts needed to cover the outstanding benchmark quarterly payment(s). In fact, Gramm-Leach-Bliley specifically directs the Finance Board to pro rate the final REFCORP payment to assure the equivalence in the value of the Banks' aggregate payments and the benchmark annuity, if the final payment occurs after April 15, 2030. *See* Public Law 106–102, sec. 607, 113 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)(iv)). However, if the Banks' final payment occurs before April 15, 2030, the authority to assess the Banks' quarterly payments will continue to rest with REFCORP, acting under the supervision of Treasury, *see* 12 U.S.C. 1441b and 12 CFR part 1510, and REFCORP would need to make any required adjustments.

The wording of § 997.5 also reflects the fact that Gramm-Leach-Bliley requires the Banks to make their payments to REFCORP until April 15, 2030 and directly to Treasury after that date. Public Law 106–102, sec. 607, 113 Stat. 1455–56 (*amending* 12 U.S.C. 1441b(f)(2)(C)(i) and (iv)).

G. Technical Amendment—Section 951.1.

The Finance Board is also proposing to amend the definition of the term ''net earnings of a Bank'' as used in the Finance Board's Affordable Housing Program regulation and set forth in recently proposed redesignated 12 CFR 951.1 (formerly 12 CFR 960.1) (64 FR 52148, September 27, 1999). The amendment is technical in nature and reflects the fact that under the Gramm-Leach-Bliley amendments, each Bank will pay to REFCORP an amount equal to 20 percent of its net earnings rather than a pro rata amount of the Bank System's fixed annual contribution of $300 million, as required under the prior law. Accordingly, the Finance Board is proposing to delete the words ''pro rata share of the'' from the definition of ''net earnings of a Bank'' in § 951.1.

III. Regulatory Flexibility Act

The proposed rule applies only to the Finance Board and to the Banks, which do not come within the meaning of small entities as defined in the Regulatory Flexibility Act (RFA). *See* 5 U.S.C. 601(6). Therefore, in accordance with section 605(b) of the RFA, 5 U.S.C. 605(b), the Finance Board hereby certifies that this proposed rule, if promulgated as a final rule, will not have a significant economic effect on a substantial number of small entities.

IV. Paperwork Reduction Act

The proposed rule does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995. *See* 33 U.S.C. 3501 *et seq.* Therefore, the Finance Board has not submitted any information to the Office of Management and Budget for review.

List of Subjects

12 CFR Part 951

Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

12 CFR Part 997

Federal home loan banks, Resolution funding corporation.

For the reasons set forth in the preamble, the Finance Board proposes to amend 12 CFR chapter IX as follows:

PART 951—AFFORDABLE HOUSING PROGRAM

1. The authority citation for part 951, as proposed to be redesignated at 64 FR 52150, continues to read as follows:

Authority: 12 U.S.C. 1430(j).

§ 951.1 [Amended]

2. Amend § 951.1, as proposed to be redesignated at 64 FR 52150, by removing the words ''pro rata share of the'' from the definition ''Net earnings of a Bank''.

3. Add part 997 to subchapter L, as proposed to be added at 64 FR 52150, to read as follows:

PART 997—RESOLUTION FUNDING CORPORATION OBLIGATIONS OF THE BANKS

Sec.
997.1 Definitions.
997.2 Reduction of the payment term.
997.3 Extension of the payment term.
997.4 Calculation of the quarterly present-value determination.
997.5 Termination of the obligation.

Authority: 12 U.S.C. 1422b(a) and 1441b(f).

§ 997.1 Definitions.

As used in this part:

Actual quarterly payment means the quarterly amount paid by the Banks to fulfill the Banks' obligation to pay toward interest owed on bonds issued by the REFCORP. The amount will equal 20 percent of the quarterly net earnings of the Banks, or such other amount assessed in accordance with the Act and the regulations adopted thereunder.

Benchmark quarterly payment means $75 million, or such amount that may result from adjustments required by calculations made in accordance with §§ 997.2 and 997.3.

Current benchmark quarterly payment means the benchmark quarterly payment that corresponds to the date of the actual quarterly payment.

Deficit quarterly payment means the amount by which the actual quarterly payment falls short of the current benchmark quarterly payment.

Excess quarterly payment means the amount by which the actual quarterly payment exceeds the current benchmark quarterly payment.

Quarterly present-value determination means the quarterly calculation that will determine the extent to which an excess quarterly payment or deficit quarterly payment alters the term of the Banks' obligation to the REFCORP. This determination will fulfill the requirements of 12 U.S.C 1441b(f)(2)(C)(ii), as amended by section 607, Public Law 106–102, 113 Stat. 1455–1456.

REFCORP means the Resolution Funding Corporation established in 12 U.S.C. 1441b.

§ 997.2 Reduction of the payment term.

(a) *Generally.* The Finance Board shall shorten the term of the obligation of the Banks to make payments toward the interest owed on bonds issued by the REFCORP each quarter in which there is an excess quarterly payment.

(b) *Excess quarterly payment.* Where there is an excess quarterly payment, the quarterly present-value determination shall be as follows:

(1) The future value of the excess quarterly payment shall be calculated using the estimated interest rate, as provided to the Finance Board by the Department of the Treasury, on a zero-coupon Treasury bond the maturity of which is the payment date of the last non-defeased benchmark quarterly payment.

(2) The future value calculated in paragraph (b)(1) of this section shall be subtracted from the amount of the last non-defeased quarterly benchmark payment.

(3) If the difference resulting from the calculation in paragraph (b)(2) of this

section is greater than zero, then the last non-defeased quarterly benchmark payment is reduced by the future value of the excess quarterly payment.

(4) If the difference resulting from the calculation in paragraph (b)(2) of this section is less than zero, then the last non-defeased quarterly benchmark payment shall be defeased and the payment term shall be shortened.

(5) The amount of the excess quarterly payment that is not already applied to defeasing the payment under paragraph (b)(4) of this section shall be applied toward defeasing the last non-defeased quarterly benchmark payment using the estimated interest rate, as provided to the Finance Board by the Department of the Treasury, on a zero-coupon Treasury bond the maturity of which is the date of the payment to be defeased.

§ 997.3 Extension of the payment term.

(a) *Generally.* The Finance Board will extend the term of the obligation of the Banks to make payments toward interest owed on bonds issued by the REFCORP each calendar quarter in which there is a deficit quarterly payment.

(b) *Deficit quarterly payment.* Where there is a deficit quarterly payment, the quarterly present-value determination shall be as follows:

(1) The future value of the deficit quarterly payment shall be calculated using the estimated interest rate, as provided to the Finance Board by the Department of the Treasury, on a zero-coupon Treasury bond the maturity of which is the payment date of the last non-defeased benchmark quarterly payment, or the first quarter thereafter if the last non-defeased benchmark quarterly payment already equals $75 million.

(2) The future value calculated in paragraph (b)(1) of this section shall be added to the amount of the last non-defeased quarterly benchmark payment if that sum is $75 million or less.

(3) If the sum calculated in paragraph (b)(2) of this section exceeds $75 million, the last non-defeased quarterly benchmark payment will become $75 million, and the quarterly benchmark payment term will be extended.

(4) The extended payment will equal the future value of the amount of the deficit quarterly payment that has not already been applied to raising the quarterly benchmark payment to $75 million under paragraph (b)(3) of this section, using the estimated interest rate, as provided to the Finance Board by the Department of the Treasury, on a zero-coupon Treasury bond whose maturity is the date of the extended payment.

(c) *Term beyond maturity.* The benchmark quarterly payment term may be extended beyond April 15, 2030, if such extension is necessary to ensure that the value of the aggregate amounts paid by the Banks exactly equals the present value of an annuity of $300 million per year that commences on the date on which the first obligation of the REFCORP was issued and ends on April 15, 2030.

§ 997.4 Calculation of the quarterly present-value determination.

(a) *Applicable interest rates.* The Finance Board shall obtain from the Department of the Treasury the applicable estimated zero-coupon bond interest rates and provide those rates to the REFCORP so that the REFCORP can perform the calculations required under §§ 997.2 and 997.3.

(b) *Calculation by the Finance Board.* If § 997.3 requires that the term for the Banks' actual quarterly payments extend beyond April 15, 2030 or if, for any reason, the REFCORP is unable to perform the calculations or provide to the Finance Board the results of the calculations, the Finance Board shall make all calculations required under this part.

(c) *Records.* The Finance Board will maintain the official record of the results of all quarterly present-value determinations made under this part by either the REFCORP or the Finance Board.

§ 997.5 Termination of the obligation.

(a) *Generally.* The Banks' obligation to the REFCORP, or to the Department of the Treasury if the term of that obligation extends beyond April 15, 2030, will terminate when the aggregate actual quarterly payments made by the Banks exactly equal the present value of an annuity that commences on the date on which the first obligation of the REFCORP was issued and ends on April 15, 2030.

(b) *Date of the final payment.* The aggregate actual quarterly payments made by the Banks exactly equal the present value of the annuity described in paragraph (a) of this section when the value of any remaining benchmark quarterly payment(s), after the benchmark quarterly payments have been adjusted as required by §§ 997.2 and 997.3, exactly equals the actual quarterly payment.

Dated: January 19, 2000.

By the Board of Directors of the Federal Housing Finance Board.

Bruce A. Morrison,

Chairman.

[FR Doc. 00–1852 Filed 2–3–00; 8:45 am]

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99–SW–73–AD]

Airworthiness Directives; Eurocopter Deutschland GMBH Model MBB-BK 117 A–1, A–3, A–4, B–1, B–2, and C–1 Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) applicable to Eurocopter Deutschland GMBH (ECD) Model MBB-BK 117 A–1, A–3, A–4, B–1, B–2, and C–1 helicopters. This proposal would require modifying the engine and transmission cowling doors (cowling doors). This proposal is prompted by an emergency landing of an ECD Model MBB-BK 117 helicopter after the No. 1 engine cowling opened, separated from the helicopter, and struck the main and tail rotor blades resulting in a tail rotor imbalance and subsequent departure of the tail rotor gear box from the helicopter. The actions specified by the proposed AD are intended to prevent the cowling doors opening during flight, separating from the helicopter and impacting the main or tail rotor blades, and subsequent loss of control of the helicopter.

DATES: Comments must be received on or before April 4, 2000.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 99–SW–73–AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas. Comments may be inspected at this location between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from American Eurocopter Corporation, 2701 Forum Drive, Grand Prairie, Texas 75053–4005, telephone (972) 641–3460, fax (972) 641–3527. This information may be examined at the FAA, Office of the Regional Counsel, Southwest Region, Room 663, Fort Worth, Texas.

FOR FURTHER INFORMATION CONTACT: Richard A. Monschke, Aerospace Engineer, FAA, Rotorcraft Directorate, Rotorcraft Standards Staff, Fort Worth, Texas 76193–0110, telephone (817) 222–5116, fax (817) 222–5961.

SUPPLEMENTARY INFORMATION: