

**Regulatory Procedures**

*Regulatory Flexibility Act*

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a proposed rule may have on a substantial number of small entities (primarily those under one million dollars in assets). The proposed rule will not have a significant economic impact on a substantial number of small credit unions, and therefore, a regulatory flexibility analysis is not required.

*Paperwork Reduction Act*

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

*Executive Order 13132*

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their regulatory actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. This proposed rule, if adopted, will apply only to all federal credit unions. It will not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. The Board believes that a credit union's board of directors is in the best position to know who among the credit union staff should be responsible for carrying out the important responsibilities of the vital records preservation program. In revising this regulation to eliminate the requirement that designated the financial officer as responsible, the NCUA Board does not want to replace it with another provision removing the ability and responsibility of a credit union's board of directors to make the selection itself. NCUA has determined that the proposed rule does not constitute a policy that has federalism implications for purposes of the executive order.

*The Treasury and General Government Appropriations Act, 1999—Assessment of Federal Regulations and Policies on Families*

The NCUA has determined that this proposed rule will not affect family well-being within the meaning of section 654 of the Treasury and General

Government Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

*Agency Regulatory Goal*

NCUA's goal is to promulgate clear and understandable regulations that impose minimal regulatory burden. We request your comments on whether the proposed rule is understandable and minimally intrusive if implemented as proposed.

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

Credit unions, Reporting and recordkeeping requirements, Travel and transportation expenses, Travel restrictions.

By the National Credit Union Administration Board on July 26, 2001.

**Becky Baker,**

*Secretary of the Board.*

For the reasons set forth in the preamble, the National Credit Union Administration proposes to amend 12 CFR part 701 as follows:

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

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

**Authority:** 12 U.S.C. 1752(5), 1755, 1756, 1757, 1759, 1761a, 1761b, 1766, 1767, 1782, 1784, 1787, and 1789.

Section 701.6 is also authorized by 31 U.S.C. 3717.

Section 701.31 is also authorized by 15 U.S.C. 1601 *et seq.*, 42 U.S.C. 1861 and 42 U.S.C. 3601-3610.

Section 701.35 is also authorized by 42 U.S.C. 4311-4312.

2. Revise the last sentence of paragraph (b)(2)(i) of § 701.33 to read as follows:

**§ 701.33 Reimbursement, insurance, and indemnification of officials and employees.**

\* \* \* \* \*

(b) \* \* \*

(2) \* \* \*

(i) \* \* \* Such payments may include the payment of travel costs for officials and one guest per official;

\* \* \* \* \*

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**NATIONAL CREDIT UNION ADMINISTRATION**

**12 CFR Parts 702 and 741**

**Prompt Corrective Action; Requirements for Insurance**

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

**ACTION:** Notice of proposed rulemaking and request for comment.

**SUMMARY:** NCUA proposes to amend its rule concerning financial and statistical reports to require all federally-insured credit unions to file quarterly Financial and Statistical Reports with NCUA. Currently, only federally-insured credit unions with assets over \$50 million must file these reports quarterly. All other federally-insured credit unions are required to file these reports semi-annually. The proposed amendment is a necessary component of NCUA's proposed examination program that will use a risk-focused approach to examination and extend the examination cycle for credit unions that meet certain criteria. If adopted, NCUA plans to implement the change for the March 31, 2002, call report cycle.

**DATES:** Comments must be received on or before November 1, 2001.

**ADDRESSES:** Comments should be directed to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, VA 22314-3428. Fax comments to (703) 518-6319. E-mail comments to [regcomments@ncua.gov](mailto:regcomments@ncua.gov). Please send comments by one method only.

**FOR FURTHER INFORMATION CONTACT:** Peter Majka, Data Analysis Officer, Office of Examination and Insurance, at the above address or telephone number: (703) 518-6360 or Mary F. Rupp, Staff Attorney, Office of General Counsel, at the above address or telephone number: (703) 518-6540.

**SUPPLEMENTARY INFORMATION:**

**Proposed Change**

The NCUA Board proposes revising § 741.6(a), the provision governing the filing of quarterly Financial and Statistical Reports, also known as call reports or 5300 reports. 12 CFR 741.6(a). Currently, this section requires all federally-insured credit unions with assets in excess of \$50 million to file a quarterly call report with NCUA. All other federally-insured credit unions file semiannually. The proposed amendment will require all federally-insured credit unions to file quarterly call reports.

This amendment is a necessary component of NCUA's proposed examination program. The proposed examination program has two new features. The first is risk based examination scheduling that will result in an extended examination cycle program for credit unions that meet certain risk criteria. Some credit unions

under \$50 million, that are currently not required to file quarterly call reports, may be eligible for participation in the extended examination cycle program. Requiring those credit unions to file quarterly call reports is an essential part of their participation.

The second is a risk-focused approach for all examinations. The proposed risk-focused approach will focus the examination process on those operational areas that represent the greatest risk to the credit union. The process includes evaluating the credit union's financial trend information and management's ability to identify and adapt to changing economic, competitive, technological, and other factors.

These two features will permit NCUA to adjust the examination process for a select number of credit unions based on workload demands in relation to available resources and the risk the credit unions represent to the National Credit Union Share Insurance Fund. Both features will result in better use of available resources and reduce the amount of NCUA on-site contact time needed to assess the overall financial health of federally-insured credit unions. Quarterly financial information will provide NCUA the ability to administer these approaches successfully through off-site review of a credit union's financial trends to detect emerging problems.

In addition, requiring all federally-insured credit unions to file quarterly call reports will provide NCUA and the State Supervisory Authorities (SSAs) with timely and complete financial data to use in supervising their credit unions. It will also enable NCUA, the SSAs, and other federal regulatory agencies, as applicable, to: identify emerging trends and monitor current trends in individual federally-insured credit unions and the credit union industry as a whole; make more efficient use of their time during on-site contacts and examinations, resulting in more time available for analysis and communication with credit union officials; and monitor a federally-insured credit union's net worth position more readily for Prompt Corrective Action purposes and eliminate the need for a credit union to notify NCUA and the SSA of its net worth change when required. 12 CFR 702.101(c).

In conjunction with the change to § 741.6(a), the Board is revising the prompt corrective action rule to eliminate the requirement of written notice to NCUA and the voluntary option of filing a call report for the first and third quarter for credit unions that

file call reports semi-annually. 12 CFR part 702.

The quarterly filing requirement will also provide the Central Liquidity Facility with the most recent financial information to process member emergency liquidity requests and allow all federally-insured credit unions to monitor their individual trends more frequently. It also enhances NCUA's ability to monitor its strategic plan goals for credit unions' safety and soundness, membership growth and member services as required by the Public Law 103-62—Government Performance and Results Act of 1993 and OMB Circular A-11—Section 200.

## Regulatory Procedures

### *Paperwork Reduction Act*

The NCUA Board has determined that the proposed rule to require all federally-insured credit unions to file call reports on a quarterly basis is covered under the Paperwork Reduction Act. NCUA is submitting a copy of this proposed rule to the Office of Management and Budget (OMB) for its review.

Currently, only federally-insured credit unions with assets in excess of \$50 million must file quarterly call reports with NCUA. All other federally-insured credit unions are required to file a semiannual call report.

The NCUA Board estimates it takes a federally-insured credit union 6 hours on average to complete a call report. By adopting the proposed rule, the NCUA Board also estimates that an additional 8,758 of the current 10,316 federally-insured credit unions would be required to file two additional call reports during the calendar year. This results in an additional 105,096 hours for call report preparation. However, seven SSAs already require their credit unions to file quarterly call reports. Based on this, the NCUA Board estimates that the proposed rule will have an estimated net burden of 100,272 additional hours.

The Paperwork Reduction Act of 1995 and OMB regulations require that the public be provided an opportunity to comment on the paperwork requirements, including an agency's estimate of the burden of the paperwork requirements. The NCUA Board invites comment on: (1) Whether the paperwork requirements are necessary; (2) the accuracy of NCUA's estimate on the burden of the paperwork requirements; (3) ways to enhance the quality, utility, and clarity of the paperwork requirements; and (4) ways to minimize the burden of the paperwork requirements. The time required by a federally-insured credit union to

complete the call report will depend on the complexity of its operations. The NCUA Board is especially interested in receiving comments on the actual hours it takes a credit union to complete its call report based on its asset size and complexity of operations. The actual hours should exclude the time associated with the month-end closing and the preparation of the monthly financial statements.

Comments should be sent to: OMB Reports Management Branch, New Executive Office Building, Room 10202, Washington, DC 20503; Attention: Alex T. Hunt, Desk Officer for NCUA. Please send NCUA a copy of any comments you submit to OMB.

### *Regulatory Flexibility Act*

The Regulatory Flexibility Act (5 U.S.C. 601-612) (RFA) requires an agency to publish an initial regulatory flexibility analysis with this proposed rule, except to the extent provided in the RFA, whenever the agency is required to publish a general notice of proposed rulemaking for a proposed rule. The Board cannot, at this time, determine whether the proposed rule would have significant economic impact on a substantial number of small entities as defined by the RFA. Therefore, pursuant to subsections 603(b) and (c) of the RFA, the Board provides the following initial regulatory flexibility analysis.

#### 1. Reasons for Proposed Rule

The proposed amendment will provide NCUA and the SSAs with timely and complete financial data to be used in supervising their credit unions as discussed in the **SUPPLEMENTARY INFORMATION** section above. The adoption of the proposed amendment to § 741.6(a) of the NCUA's regulations will account for all of the economic impact on small credit unions.

#### 2. Statement of Objectives and Legal Basis

The **SUPPLEMENTARY INFORMATION** section above contains this information. The legal basis for the proposed rule is in the Federal Credit Union Act. 12 U.S.C. 1756 and 1782.

#### 3. Estimate of Small Credit Unions to Which the Rule Applies

The proposed rule would apply to all federally-insured credit unions. Small credit unions are those with less than \$1,000,000 in assets. There are approximately 1,489 small credit unions. Of these 1,489 small credit unions, 55 of the federally-insured state chartered credit unions are already required to file quarterly call reports.

#### 4. Proposed Reporting, Record Keeping, and Other Compliance Requirements

The information collection requirements imposed by the proposed rule are discussed above in the section on the Paperwork Reduction Act.

#### 5. General Requirements

The proposed rule will require all federally-insured credit unions to file quarterly call reports. The call reports are based on financial and other information relevant to a federally-insured credit union's operations. Federally-insured credit unions with assets of \$50 million or more are already required to file quarterly reports. All other credit unions are required to file semi-annual call reports. The quarterly call report would be the same report format required on a semi-annual basis. Requiring quarterly call reports is a sound business practice that would provide: (1) A more cost effective supervisory effort when coupled with NCUA's proposed examination approaches; and (2) a quarterly operational monitoring tool for the credit unions.

Some small credit unions may incur additional cost in preparing the two additional call reports, but the cost of doing so is unknown. NCUA seeks any information or comments on the costs associated with preparing the two additional call reports.

#### 6. Identification of Duplicative, Overlapping, or Conflicting Federal Rules

NCUA is unable to identify any federal statutes or rules which duplicate, overlap or conflict with the proposed rule, however, NCUA has identified seven states that require their state chartered federally-insured credit unions to file quarterly call reports. Although the proposed rule is duplicative of those state's requirements, it does not impose any significant, additional burden on those federally-insured credit unions.

#### 7. Discussion of Significant Alternatives

NCUA considered revising the regulation to require only federally-insured credit unions with assets in excess of \$10 million to file quarterly call reports. This alternative was not pursued due to proposed changes in NCUA's examination program. Quarterly reporting is a key element to the success of these programs. If the proposal were not adopted, consideration would need to be given to excluding these credit unions from the extended examination cycle approach that defers an examination for one cycle. This results in an examination being

conducted every other year. This period of time is too great without the benefit of quarterly trend analysis. NCUA believes the burden of the additional hours it takes a credit union to prepare two additional call reports is outweighed by the advantages outlined in the Proposed Change section.

NCUA also considered the alternative of requiring a credit union with assets of less than \$10 million to file a short version of the Form 5300 during the March and September cycles. This alternative would result in additional programming changes and two different call report formats. Credit unions, at present, are only required to prepare those sections of the call report that are pertinent to their operations. A short version of the Form 5300 could result in insufficient trend information when compared to the full semi-annual call report.

NCUA welcomes comment on any significant alternatives, consistent with NCUA's goal of adjusting the examination program and without causing undue risk to the National Credit Union Share Insurance Fund, that would minimize the impact on small credit unions.

#### *Executive Order 13132*

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their regulatory actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. This proposed rule, if adopted, will not have substantial direct effects on the states, on the relationship between the national government and states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined the proposed rule does not constitute a policy that has federalism implications for purposes of the executive order.

#### *Treasury and General Government Appropriations Act, 1999*

NCUA has determined that the proposed rule will not affect family well-being within the meaning of section 654 of the Treasury and General Appropriations Act, 1999, Pub. L. 105-277, 112 Stat. 2681 (1998).

#### **Agency Regulatory Goal**

NCUA's goal is clear. The proposed regulatory change is understandable and imposes minimal regulatory burden. NCUA requests comments on whether the proposed rule change is

understandable and minimally intrusive if implemented as proposed.

#### **List of Subjects**

##### *12 CFR Part 702*

Credit unions, Reporting and recordkeeping requirements.

##### *12 CFR Part 741*

Bank deposit insurance, Credit unions.

By the National Credit Union Administration Board on July 26, 2001.

#### **Becky Baker,**

*Secretary of the Board.*

Accordingly, NCUA proposes to amend 12 CFR parts 702 and 741 as follows:

#### **PART 702—PROMPT CORRECTIVE ACTION**

1. The authority citation for part 702 continues to read as follows:

**Authority:** 12 U.S.C. 1766(a), 1790(d).

2. Amend § 702.101 by revising paragraph (c) to read as follows:

#### **§ 702.101 Measures and effective date of net worth classification.**

\* \* \* \* \*

(c) *Notice by credit union of change in net worth category.* (1) When filing a Call Report, a federally-insured credit union need not otherwise notify the NCUA Board of a change in its net worth ratio that places the credit union in a lower net worth category; and (2) Failure to timely file a Call Report as required under this section in no way alters the effective date of a change in net worth classification under paragraph (b) of this section, or the affected credit union's corresponding legal obligations under this part.

3. Amend § 702.103 by removing paragraph (b).

#### **PART 741—REQUIREMENTS FOR INSURANCE**

4. The authority citation for part 741 continues to read as follows:

**Authority:** 12 U.S.C. 1757, 1766(a), and 1781-1790; Pub.L. 101-73.

5. Amend § 741.6 by revising paragraph (a) to read as follows:

#### **§ 741.6 Financial and statistical and other reports.**

(a) Each operating insured credit union must file with the NCUA a quarterly Financial and Statistical Report on Form NCUA 5300, on or before January 22 (as of the previous December 31), April 22 (as of the previous March 31), July 22 (as of the

previous June 30), and October 22 (as of the previous September 30) of each year.

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 2000-NM-362-AD]

RIN 2120-AA64

#### Airworthiness Directives; McDonnell Douglas Model DC-9-81, -82, -83, and -87 Series Airplanes, and Model MD-88 Airplanes

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

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** This document proposes the adoption of a new airworthiness directive (AD) that is applicable to certain McDonnell Douglas Model DC-9-81, -82, -83, and -87 series airplanes, and Model MD-88 airplanes. This proposal would require replacement of the dust seals of the passenger service unit (PSU) panels of the overhead stowage compartment with new dust seals. This action is necessary to ensure replacement of dust seals of the lower PSU panel that may contribute to the spread of a fire when ignition occurs from electrical arcing of a failed light holder assembly, which could cause consequent damage to adjacent structure and smoke emitting from the PSU panel into the passenger cabin. This action is intended to address the identified unsafe condition.

**DATES:** Comments must be received by September 17, 2001.

**ADDRESSES:** Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 2000-NM-362-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056. Comments may be inspected at this location between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays. Comments may be submitted via fax to (425) 227-1232. Comments may also be sent via the Internet using the following address: 9-anm-nprmcomment@faa.gov. Comments sent via fax or the Internet must contain "Docket No. 2000-NM-362-AD" in the subject line and need not be submitted in triplicate. Comments sent via the

Internet as attached electronic files must be formatted in Microsoft Word 97 for Windows or ASCII text.

The service information referenced in the proposed rule may be obtained from Boeing Commercial Aircraft Group, Long Beach Division, 3855 Lakewood Boulevard, Long Beach, California 90846, Attention: Data and Service Management, Dept. C1-L5A (D800-0024). This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington; or at the FAA, Los Angeles Aircraft Certification Office, 3960 Paramount Boulevard, Lakewood, California.

#### FOR FURTHER INFORMATION CONTACT:

Albert Lam, Aerospace Engineer, Systems and Equipment Branch, ANM-130L, FAA, Los Angeles Aircraft Certification Office, 3960 Paramount Boulevard, Lakewood, California 90712-4137; telephone (562) 627-5346; fax (562) 627-5210.

#### SUPPLEMENTARY INFORMATION:

##### Comments Invited

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

Submit comments using the following format:

- Organize comments issue-by-issue. For example, discuss a request to change the compliance time and a request to change the service bulletin reference as two separate issues.
- For each issue, state what specific change to the proposed AD is being requested.
- Include justification (e.g., reasons or data) for each request.

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

Commenters wishing the FAA to acknowledge receipt of their comments

submitted in response to this action must submit a self-addressed, stamped postcard on which the following statement is made: "Comments to Docket Number 2000-NM-362-AD." The postcard will be date stamped and returned to the commenter.

##### Availability of NPRMs

Any person may obtain a copy of this NPRM by submitting a request to the FAA, Transport Airplane Directorate, ANM-114, Attention: Rules Docket No. 2000-NM-362-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056.

##### Discussion

The FAA has received a report of an incident of fire, smoke, and strong odors emitting from the passenger service unit (PSU) panel on a McDonnell Douglas Model DC-9-82 series airplane. Investigation revealed damage on the PSU panel, insulation blanket, lower dust seal, fluorescent lamp, and lamp holder of the cabin lower sidewall, and associated wiring. The cause of the fire has been attributed to a failed light holder assembly that generated enough heat to ignite the lower dust seals. Further investigation revealed that the dust seals, which did not meet the current flammability requirements, provided an additional source of fuel for the fire. Dust seals of the lower PSU panel, if not replaced, may contribute to the spread of a fire when ignition occurs from electrical arcing of a failed light holder assembly, which could cause consequent damage to adjacent structure and smoke emitting from the PSU panel into the passenger cabin.

##### Other Relevant Rulemaking

The FAA has previously issued AD 2000-23-31, amendment 39-12004 (65 FR 70783, November 28, 2000), which requires deactivating the left and right lower sidewall lights located in the passenger compartment. That AD prevents arcing and heat damage of the Luminator fluorescent lamp holders located outboard of the PSU panel, which could result in smoke and fire in the passenger compartment.

##### Explanation of Relevant Service Information

The FAA has reviewed and approved Boeing Service Bulletin MD80-25-377, dated March 14, 2001, which describes procedures for replacement of the dust seals of the PSU panels of the overhead stowage compartment with new dust seals. The replacement includes removing adhesive, cleaning the PSU rail, and removing/installing tape. Accomplishment of the actions specified in the service bulletin is