

of the debt written down at the end of the 5 year period.

FSA can only ask you to repay if the value of your real estate collateral goes up.

If either 1, 2, or 3 above occurs in the first four years of the agreement, FSA will ask you to pay 75 percent of the increase in value of the real estate. In the last year, you will be asked to pay only 50 percent of the increase in value. FSA will not ask you to pay more than the amount of the debt written down.

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Signed in Washington, DC, on March 1, 2002.

J.B. Penn,

*Under Secretary for Farm and Foreign
Agricultural Services.*

[FR Doc. 02-6210 Filed 3-18-02; 8:45 am]

BILLING CODE 3410-05-P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 702 and 741

Prompt Corrective Action; Requirements For Insurance

AGENCY: National Credit Union
Administration (NCUA)

ACTION: Final rule.

SUMMARY: NCUA is revising 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 final amendment is a necessary component of NCUA's examination program that will use a risk-focused approach to examinations and extend the examination cycle for credit unions that meet certain criteria. In conjunction with this change, we are making two conforming changes to NCUA's prompt corrective action rule.

DATES: This rule is effective July 1, 2002.

FOR FURTHER INFORMATION CONTACT: Peter Majka, Data Analysis Officer, Office of Examination and Insurance, 1775 Duke Street, Alexandria, VA 22314, or telephone (703) 518-6540.

SUPPLEMENTARY INFORMATION:

Background

On July 26, 2001, the NCUA Board requested comment on a proposed change to § 741.6(a), the provision governing the filing of quarterly Financial and Statistical Reports, also known as call reports or 5300 Reports. 66 FR 40642 (August 3, 2001). In

conjunction with this change, the NCUA Board proposed revising its prompt corrective action rule to eliminate the requirement of written notice to NCUA of net worth changes and the 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.

NCUA received 65 comments regarding the proposed changes from 34 federal credit unions, 14 federally-insured state chartered credit unions, one non-federally-insured state chartered credit union, one unidentified credit union, one individual, nine credit union leagues, three credit union trade associations, one bank trade association, and one state supervisory authority (SSA).

Summary of Comments

Quarterly Call Reports

Forty-four of the commenters generally supported the revision to § 741.6(a), of which 11 agreed with one or more conditions stipulated. Twenty-one commenters objected to the proposed change. Overall, many of the commenters expressed concern regarding the additional burden quarterly reporting would place on credit unions, especially smaller credit unions. Several commenters provided suggestions for reducing the additional burden.

The 33 commenters that supported the changes without qualification believed the proposal would: (1) Result in an offsetting time savings for credit unions through the Risk Based Examination Scheduling Program; (2) help NCUA and the SSAs to identify emerging problems in a timely manner; and, (3) permit NCUA and the SSAs to concentrate their supervisory resources on those credit unions that represent a risk.

Negative and qualified commenters expressed concern with the additional time and resource burden on credit unions. Thirty of the commenters are particularly concerned with the effect on small credit unions. Seven commenters noted that smaller credit unions have to work harder to compete. They noted that smaller credit unions usually have a limited number of staff members and believe the limited resources of smaller credit unions could be better used to increase assets and services.

Ten commenters generally did not believe it was necessary for credit unions rated a CAMEL Code 1 and 2 to file quarterly call reports. Several of the commenters did not believe a credit union's financial condition would deteriorate in a 3 to 6 months time

frame. Two commenters noted that the burden of completing two more call reports was more detrimental than having a yearly examination; one of which believed examiners and auditors were effective in correcting problems and providing guidance. Four of the commenters suggested that CAMEL Code 1 and 2 credit unions and those credit unions with a long-term trend of stability that have been in existence for more than a few years should be required to file call reports on a semi-annual basis. Three commenters who opposed the proposal noted that the proposed rule will result in the additional collection of information for a small percentage of the industry's credit union assets and therefore is not necessary.

The NCUA Board believes the requirement for filing quarterly call reports is a key element in implementing the Risk Based Examination Scheduling and Risk Focused Examination programs. CAMEL Code 1 and 2 credit unions, no matter the asset size, could be eligible for deferral under the Risk Based Examination Program for one examination cycle. Quarterly filing enhances NCUA's ability to allocate its resources effectively and focus its supervisory efforts on risk regardless of a credit union's asset size. NCUA's 2002 operating budget included a reduction of approximately 33 full-time equivalent staff positions. The deferral of examinations for approximately 1,500 federal credit union with assets under \$50 million and the implementation of the Risk Based Examination Scheduling Program were contributing factors to the budgeted staff reductions. In addition, quarterly call reports also provide credit unions, the SSAs, and NCUA with the ability to monitor trends and expeditiously address emerging concerns in an ever-changing economic environment. Overall, the NCUA Board believes the benefits and efficiencies derived from the Risk Based Examination Scheduling and Risk Focused Examination programs outweigh the burden of two additional call reports.

Several commenters believe the proposal places a burden on state-chartered credit unions without providing a corresponding benefit. They noted that the state regulator sets their exam cycle and that this rule may have no effect on their examination cycle or their supervisory fees. Two additional commenters stated that the additional call reports would put a strain on the SSAs' supervisory resources. They urge NCUA to be sensitive to the SSAs' budgetary restraints and work with the

SSAs to implement quarterly reporting in a manner compatible with their budgetary processes.

Many SSAs are reviewing the possibility of including NCUA's Risk Based Examination Scheduling and Risk Focused Examination programs in their supervisory programs. The NCUA Board believes a key benefit of the Risk Based Examination Scheduling Program is the ability to delay examinations for one examination cycle for the well-run, financially strong credit unions. The program, if adopted by the SSAs, should assist the SSAs in focusing their supervisory resources on areas of risk regardless of the credit unions' asset size.

In addition, as manager of the NCUSIF, NCUA needs quarterly financial information from all federally-insured credit unions in order to assess risk to the NCUSIF on a timely and ongoing basis.

Currently, seven state regulators require quarterly call reports and some state regulators have NCUA process their credit unions' call reports. Each SSA could contact their respective Regional Director for assistance, if needed, in gathering and uploading the call reports. NCUA will continue to remain sensitive to the SSA's budgetary restraints. As noted previously, the NCUA Board, primarily through its adoption of the Risk Based Examination Scheduling Program, has been able to reduce its staffing needs by approximately 33 full-time equivalent positions.

One commenter did not believe that the benefit the Central Liquidity Facility (CLF) would receive from more frequent reporting justifies the implementation of quarterly call reports due to the CLF's loan volume. The NCUA Board noted in the proposal that the CLF would have the most recent financial information to help evaluate a credit union's CLF loan request. The NCUA Board did not consider this a primary reason for proposing quarterly call reports. The Board recognizes that the CLF's loan volume is low. However, the CLF's main purpose is to provide emergency liquidity to the credit union system as quickly as possible when other traditional liquidity sources are unavailable. The Board believes quarterly call reports will expedite the loan evaluation process. The ability to quickly provide liquidity under emergency circumstances benefits all credit unions.

Twenty-five commenters suggested NCUA develop a shorter version of the call report for credit unions. Most of the commenters recommended that credit unions with various asset thresholds

ranging from under \$500,000 to \$50 million be permitted to file a short version of the call report. Two commenters in support of an abbreviated form for smaller credit unions suggested that, if a more complex version is needed during the 5300 process, NCUA could e-mail or FAX a copy to the credit unions. Seven commenters suggested requiring an abbreviated version of the 5300 for the first and third quarters.

Four commenters opposed the development of a short version of the call report. One or more of these commenters stated: (1) A short version would not provide timely and complete information for identifying emerging trends; (2) a short version is unnecessary; and (3) only one format should exist in order to avoid confusion and the need for NCUA to provide follow-up for additional information.

Several years ago, NCUA redesigned the call report with small credit unions in mind. NCUA developed a core call report, with supporting schedules that provided more detail if required. The NCUA Board remains sensitive to this issue. Upon further review and the comments received, the NCUA Board has decided to develop a short form 5300 that does not compromise NCUA's and the SSAs' ability to provide adequate supervision. Credit unions with assets of less than \$10 million will be required to file the complete version of the Form 5300 for the second and the fourth quarters of the year and may file either the short version or the long version of the 5300 for the first and third quarters of the year.

Five commenters emphasized the need to minimize the frequency of changes to the call report format. One commenter suggested that the call report be color coded to provide guidance to credit unions in preparing those sections of the call report that apply to their operations.

The NCUA Board remains committed to requiring the minimum information needed to provide adequate supervision. The Board believes NCUA has a process that works to assure unnecessary information is not requested on the call report. NCUA's 5300 Working Group, which includes an SSA representative, generally reviews changes to the call report once a year. However, changes may need to be made more frequently due to regulatory changes. Before implementation, any recommended changes go through a review process that considers the burden a change would place on credit unions versus the benefit to be gained.

Several commenters made suggestions regarding the use of technology. One

commenter stated that quarterly call reporting would not be a burden to credit unions if their data systems were automated and suggested that NCUA and the credit union industry provide support to unautomated filers such as discounts to purchase personal computers. With this support, NCUA should establish a timetable to discontinue manual remittance of the call report. The NCUA Board does not believe it is necessary to impose upon credit unions a requirement to file electronic versions of the call report. During the June 30, 2001, call report cycle, 9,686 federally-insured credit unions, out of 10,415, filed their call reports using the PC 5300 automated system. Credit unions need to evolve towards understanding the benefits and responsibilities associated with using automated data systems within the scope of their operations. Furthermore, the Board believes it would be more appropriate for another party, such as a credit union trade association, to seek discounts on the purchase of computers for credit unions.

Two commenters suggested that NCUA alleviate the burden of submitting call reports by initiating uploads of call reports to its database. Currently, NCUA offers credit unions the ability to e-mail an electronic version of their completed call report to their examiner or SSA for uploading. NCUA staff plans to develop improved methods for filing call reports as NCUA's technological capabilities improve.

One state-chartered credit union commenter suggested the burden for credit unions could be reduced by automating the Reserve Sheet into a schedule versus a separate remittance sheet. The Reserve Sheet is a supplemental schedule required by the credit union's SSA. This suggestion should be provided to the credit union's state examiner for consideration.

One commenter questioned to what extent NCUA's AIREs (Automated Integrated Regulatory Examination System) Program duplicates the call report program. The commenter suggested that an AIREs download be created each quarter and the call report be used simply to fill in information not available through AIREs. The NCUA Board does not believe this is a viable alternative. AIREs only has the capacity to download certain financial information from a credit union's data system. Any download performed would require an examiner to go on-site or receive a diskette that requires an additional download into the call report system. Effective September 1, 2002, an examiner will be able to download the

most recent call report information into AIREs for an examination. This will help reduce the amount of time needed for an examiner to be on-site.

One commenter made two suggestions to mitigate the potential financial impact on small credit unions. The first recommendation is that NCUA should work with data processors to develop a standard report format consistent with available software. The NCUA Board believes the credit union industry needs to address this matter with its vendors. NCUA can provide the specifications to the vendors upon their request and has done so in the past.

The second recommendation is that NCUA delay the March 2002 quarterly reporting implementation date until the data processing standard report format previously discussed is complete. NCUA is in the process of developing a shortened version of the 5300 for use during the first and third quarters of the year for credit unions with assets of less than \$10 million. This short form will not be available until the September 2002 reporting cycle, so the NCUA Board is delaying the effective date of the final rule to July 1, 2002.

One commenter suggested that NCUA develop an electronic worksheet to reduce the preparation time. The Board does not believe a worksheet would assist credit unions in preparing the call report. The call report is in an electronic format. The current call report format includes detailed summary schedules regarding various general operational matters for all credit unions. The Board believes credit unions would be best served by requesting their data processing vendors to develop any detailed summary reports of the information they need to complete the call report.

Five commenters made suggestions regarding a phase-in process for NCUA's implementation of the proposal to help alleviate the burden on credit unions not currently required to file quarterly call reports. Two suggested that quarterly reporting should be phased in over two or three years; one of which suggested that NCUA initially consider only those credit unions for the Risk Based Examination Scheduling Program that are currently required to file quarterly call reports. One suggested that credit unions under \$50 million in assets have the option of filing on a quarterly basis. In both cases, those credit unions filing on a quarterly basis would be considered for an extended examination cycle. One commenter suggested that the implementation of quarterly reporting should be delayed to allow sufficient time to adjust staff and operations.

Although the Board is delaying effective date of the regulation, the Board does not believe the extensive delays suggested by the commenters are viable options. The suggestions would delay a smooth transition towards the risk-focused approach to supervising credit unions. In addition, the savings currently reflected in NCUA's 2002 operating budget may not be fully realized if the suggestions were adopted.

Three commenters suggested excluding credit unions with assets of \$10 million or less from quarterly reporting for five years. After five years, smaller credit unions should have access to electronic record keeping and should be better able to handle the additional record keeping requirements.

The NCUA Board does not agree with these suggestions. The Board notes that a credit union must file a quarterly call report to qualify for a deferred examination under the Risk Based Examination Scheduling Program. Any qualifying credit union would be excluded from receiving the benefit of a delayed examination. Reducing the number of credit unions qualifying for the program would impact the staff reductions projected in NCUA's approved 2002 budget. In addition, quarterly call reports are intended to reveal emerging problems through quarterly trend analysis so any noted concerns can be addressed in an expeditious manner. This applies to all credit unions no matter what their asset size, capital position, or CAMEL Code. As previously explained, in an effort to ease the burden, the NCUA Board will have staff develop a short form 5300 for credit unions with assets of less than \$10 million that does not compromise NCUA's and the SSAs ability to provide adequate supervision for use during the first and third quarters of the year.

Two commenters believed that, instead of quarterly reporting, the burden of collecting any needed additional information should be shifted to the regulator. One suggested that more on-site contacts be scheduled; the other suggested that the regulators receive monthly financial statements.

The NCUA Board does not believe these are viable alternatives. These suggestions diminish the economies that will result from implementing the Risk Based Examination Scheduling Program. In all likelihood, NCUA's current projected reduction in staffing levels may not be fully realized if these suggestions were adopted.

Four commenters conditioned their support of the proposal on the implementation of the Risk Based Examination Scheduling Program. Another commenter, who agreed with

the proposal, voiced the concern that, once quarterly call reporting was implemented, the Risk Based Examination Scheduling Program may stop and the credit unions would still have to file quarterly call reports. The NCUA Board has adopted the program through the approval of the 2002 NCUA budget. However, quarterly call reporting has benefits other than the potential deferral of examinations over one examination cycle. Quarterly reporting provides both the credit unions and the regulators the ability to timely detect emerging concerns in an ever-changing economic environment. NCUA, in cooperation with the SSAs, reviews call report requirements at least annually and makes adjustments to the reporting requirements after weighing the benefit gained versus the burden that additional reporting places on the credit unions.

Notice of Requirement To Report Under Prompt Corrective Action

Six commenters provided comments regarding the proposed change eliminating the requirement of § 702.101(c) for written notice from a credit union when its net worth decreases. Four of the commenters agreed with the change; two did not agree. The two objecting commenters did so because they objected to the proposed rule as a whole.

The NCUA Board recognizes that the filing of quarterly call reports obviates the need for written notice and it is deleting this requirement from the rule.

Final Change

Based on the comments received, the NCUA Board is modifying the proposed changes to § 741.6(a). The NCUA Board will have staff develop a short form 5300 that may be used by credit unions with assets under \$10 million for the first and third quarters of each year. In addition, the NCUA Board will make the final rule's effective date July 1, 2002. This effective date will provide NCUA staff with sufficient time to develop the short version of the 5300 for use during the year 2002's third quarter call report cycle and the first and third quarters' reporting cycles for each year thereafter.

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 final amendment will require all federally-insured credit unions to file quarterly call reports. Credit unions with assets of less than \$10 million will be required to file the complete version of the Form 5300 for

the second and the fourth quarters of the year and may file either the short or the complete version of the 5300 for the first and third quarters of the year.

This amendment is a necessary component of NCUA's revised examination program. The revised 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 meeting certain risk criteria. Approximately 1,500 federal credit unions under \$50 million will participate in the extended examination cycle program during the 2002 NCUA budget year. Requiring those credit unions to file quarterly call reports is an essential part of their participation. The credit unions' financial condition must be monitored over the examination cycle to identify emerging trends that may impact the safety and soundness of the credit unions' operations.

The second is a risk-focused approach for all examinations. The 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 conjunction with the change to § 741.6(a), the Board is making a technical correction to § 741.6(b) by deleting the reference to semi-annual reporting and revising the prompt corrective action rule to eliminate the requirement of written notice to NCUA and the option of filing a call report for the first and third quarter for credit unions that file call reports semi-annually. 12 CFR 702.101(c), 702.103(b).

Regulatory Procedures

Paperwork Reduction Act

The NCUA Board has determined that the final rule to require all federally-insured credit unions to file call reports on a quarterly basis is covered under the Paperwork Reduction Act. NCUA submitted a copy of the proposed rule to the Office of Management and Budget (OMB) for its review. The OMB Control Number for the call report is 3133-0004.

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. Although no commenters specifically commented on the paperwork requirements, their comments on the proposed rule indirectly addressed some of the issues.

The NCUA Board estimated in the proposal that it takes a federally-insured credit union six hours on average to complete a call report. The proposal, using the six-hour call report average, estimated the rule would result in an additional 100,272 hours of call report preparation. Sixteen commenters' reported an average of 10 hours to complete a call report. Three of the commenters were credit union trade associations that surveyed their membership. NCUA has determined, based on the comments and its own research that a more accurate average for call report preparation is eight hours. This eight hour average does not take into account the fact that the proposed amendments only apply to credit unions under \$50 million. NCUA's research and the comments indicate that the time to prepare a call report decreases with the size of the credit union. In addition, the proposal did not include a short form option for credit unions under \$10 million. This will affect 5,864 federally-insured credit unions. Since the final amendments only apply to credit unions under \$50 million and a short form is being created for credit unions under \$10 million, NCUA concludes that its original net burden estimate may have overestimated the additional hours resulting from the rule change.

Regulatory Flexibility Act

The Regulatory Flexibility Act (5 U.S.C. 601-612)(RFA) requires, subject to certain exceptions, that NCUA publish an initial regulatory flexibility analysis (IRFA) with a proposed rule and a final regulatory flexibility analysis (FRFA) with a final rule, unless NCUA certifies that the rule will not have a significant economic impact on a substantial number of small credit

unions. For purposes of the Regulatory Flexibility Act, and in accordance with NCUA's authority under 5 U.S.C. 601(4), NCUA has determined that small credit unions are those with less than one million dollars in assets. See 12 CFR § 791.8(a) and NCUA's Interpretive Ruling and Policy Statement, No. 87-2. NCUA's final rule will apply to approximately 1,489 small credit unions, out of 10,316 federally-insured credit unions. Of these 1,489 small credit unions, approximately 55 of the federally-insured state chartered credit unions are already required to file quarterly call reports by their respective SSAs.

At the time of issuance of the proposed rule, NCUA could not make such a determination for certification. Therefore, NCUA issued an IRFA pursuant to section 603 of the Regulatory Flexibility Act. After reviewing the comments submitted in response to the proposed rule, NCUA believes it does not have sufficient information to determine whether the final rule would have a significant economic impact on a substantial number of small credit unions. Therefore, pursuant to section 604 of the Regulatory Flexibility Act, NCUA provides the following FRFA.

The FRFA incorporates NCUA's initial findings, as set forth in its IRFA, addresses the comments submitted in response to the IRFA, and describes the steps NCUA plans to take to minimize the impact on small entities. Currently, all federally-insured credit unions, no matter their asset size, are required to file call reports semi-annually. The current call report contains explicit instructions for completing the report. NCUA will continue this practice for the two additional call reports required from credit unions with assets under \$50 million. We believe the instructions meet the requirement to provide guidance to small credit unions in complying with this rule, under Section 212 of the Small Business Regulatory Enforcement Fairness Act of 1996 (P.L. 104-121).

1. Statement of Need

The final 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 Final Change section above. The adoption of the final 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 Final Change section above contains this information. The legal basis for the final rule is in the Federal Credit Union Act, 12 U.S.C. 1756 and 1782.

3. Burdens and Cost Upon Small Credit Unions with the Adoption of this Rule

In general, the commenters were concerned with the additional time and resource burden that would be placed on credit unions if the amendment to the rule were adopted. Thirty of the commenters were specifically concerned with the burden that would be placed on small credit unions. Seven of the commenters noted that smaller credit unions have a limited number of staff members. Several commenters provided various opinions as to what credit union asset size they considered as "small". The asset sizes noted varied within the range of less than \$500,000 to less than \$50 million in assets.

As noted previously, the combined credit union surveys calculated eight hours as the average for all credit unions to complete a call report. For credit unions with assets of \$10 million or less, the average time was five hours. One credit union league commenter surveyed mostly small credit unions. The league reported six hours as the average time to complete a call report. We could not determine from the comments provided the average hours calculation for credit unions with assets less than one million dollars. However, NCUA calculated three hours as the average for credit unions with assets less than two million dollars based on its own research. The commenters did not provide any specific dollar cost estimates associated with quarterly call reporting.

4. Discussion of Significant Alternatives To Alleviate Burden

In the proposal, NCUA considered the following alternative approaches in reducing the burden on smaller credit unions:

a. Federally-Insured Credit Unions With Assets Less Than \$10 Million

NCUA considered revising the regulation to require only federally-insured credit unions with assets greater than \$10 million to file quarterly call reports. This alternative was not pursued due to the changes in NCUA's examination program. Although the NCUA Board has not been persuaded to change its original determination, as discussed below, the Board has made some adjustments to the requirements to reduce the burden on these credit

unions. The NCUA Board has adopted the new examination program through its approval of NCUA's 2002 Budget. Approximately 950 federal credit unions with assets less than \$10 million have been considered in NCUA's 2002 Budget for examination deferral under the Risk Based Examination Scheduling Program. Of these 950 federal credit unions, approximately 120 have assets less than one million dollars. The program permits deferral of an examination for every other examination cycle. The NCUA Board believes quarterly reporting is necessary to monitor the credit union's financial trends during the deferral period. The NCUA Board 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 Final Change section.

b. 5300 Short Form

NCUA originally considered the alternative of requiring a credit union with assets of less than \$10 million to file a short version of the call report during the March and September cycles. The short form would reduce the burden for those credit unions. The NCUA Board was initially concerned that this alternative may result in insufficient trend information when compared to the full semi-annual call report. However, upon further review and the comments received, the NCUA Board will have staff develop a short form 5300 that does not compromise NCUA's and the SSAs' ability to provide adequate supervision for use during the first and third quarters of the year.

5. Proposed Reporting, Record Keeping, and Other Compliance Requirements

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

6. 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. A final short version of the call report will be developed for credit unions with assets of \$10 million or less. Staff anticipates the short form will be available for September 2002 call report cycle. Credit unions meeting the asset size requirements will be permitted to use the short form during the first and third quarters of each year.

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.

7. Identification of Duplicative, Overlapping, or Conflicting Federal Rules.

NCUA is unable to identify any federal statutes or rules that duplicate, overlap or conflict with the proposed rule; however, NCUA has identified seven states that already require their state-chartered federally-insured credit unions to file quarterly call reports. Although the final rule duplicates those state's requirements, it does not impose any significant, additional burden on those federally-insured 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. The final rule will not have substantial direct effect 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.

Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996 (Pub. L. 104-121) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the Administrative Procedures Act, 5 U.S.C. 551. The Office of Management and Budget has determined that, for purposes of SBREFA, this is not a major rule.

Treasury and General Government Appropriations Act, 1999

NCUA has determined that the final 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, understandable regulations that impose minimal regulatory burdens. The regulatory change is understandable and imposes minimal regulatory burden. NCUA requested comments on whether the proposed rule change was understandable and minimally intrusive if implemented as proposed. No comments were received.

List of Subjects

12 CFR Part 702

Credit unions, Reporting and record keeping requirements.

12 CFR Part 741

Bank deposit insurance, Credit unions.

By the National Credit Union Administration Board on March 13, 2002.

Becky Baker,

Secretary of the Board.

Accordingly, NCUA is amending 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 this paragraph (b) of this section, or the affected credit union's corresponding legal obligations under this part.

3. Amend § 702.103 by removing and reserving 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) and removing the words “or semiannually” from paragraph (b) 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 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. Insured credit unions with assets of \$10 million or greater must file all quarterly reports on Form NCUA 5300. Insured credit unions with assets of less than \$10 million must file their first (due April 22) and third (due October 22) quarter reports on Form NCUA 5300SF or Form NCUA 5300 and their second (due July 22) and fourth (due January 22) quarter reports on Form NCUA 5300.

(b) *Consistency with GAAP.* The accounts of financial statements and reports required to be filed quarterly under paragraph (a) of this section must reflect GAAP if the credit union has assets of \$10 million or greater, but may reflect regulatory accounting principles other than GAAP if the credit union has total assets of less than \$10 million (except that a federally-insured state-chartered credit union may be required by its state credit union supervisor to follow GAAP regardless of asset size).

* * * * *

[FR Doc. 02–6512 Filed 3–18–02; 8:45 am]

BILLING CODE 7535–01–U

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 2002–NM–32–AD; Amendment 39–12678; AD 2002–06–02]

RIN 2120–AA64

Airworthiness Directives; Boeing Model 747 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 all Boeing Model 747 series airplanes. This action requires repetitive inspections for cracking of the upper skin of the horizontal stabilizer center section and the rear spar upper chord, and repair, if necessary. This action is necessary to find and fix such cracking, which could lead to reduced structural capability of the horizontal stabilizer center section, and result in

loss of controllability of the airplane. This action is intended to address the identified unsafe condition.

DATES: Effective April 3, 2002.

The incorporation by reference of certain publications listed in the regulations is approved by the Director of the Federal Register as of April 3, 2002.

Comments for inclusion in the Rules Docket must be received on or before May 20, 2002.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM–114, Attention: Rules Docket No. 2002–NM–32–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-iarcomment@faa.gov. Comments sent via fax or the Internet must contain “Docket No. 2002–NM–32–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 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:

Tamara Anderson, Aerospace Engineer, Airframe Branch, ANM–120S, FAA, Seattle Aircraft Certification Office, 1601 Lind Avenue, SW., Renton, Washington 98055–4056; telephone (425) 227–2771; fax (425) 227–1181.

SUPPLEMENTARY INFORMATION: The FAA has received a report that a 3.5-inch crack was found in the upper skin of the horizontal stabilizer center section on a Boeing Model 747SR series airplane. The crack ran forward from the rear spar at left buttock line (LBL) 37.8. While the area where the crack was found is subject to inspections per a certain Supplemental Structural Inspection Document (SSID), the airplane on which the crack was found was not an SSID candidate. Such cracking, if not fixed, could lead to reduced structural capability of the horizontal stabilizer center section, which could result in loss of controllability of the airplane.