

agreement, the insurance period for that acreage will end. If you do not agree with our appraisal, we may defer the claim only if you agree to continue to care for the crop. We will then make another appraisal when you notify us of further damage or that harvest is general in the area unless you harvested the crop, in which case we will use the harvested production. If you do not continue to care for the crop, our appraisal made prior to deferring the claim will be used to determine the production to count; and

(2) The total meat pounds harvested from the insurable acreage.

12. Written Agreements

Designated terms of this policy may be altered by written agreement. The following conditions will apply:

(a) You must apply in writing for each written agreement no later than the sales closing date, except as provided in subsection 12(e).

(b) The application for written agreement must contain all terms of the contract between you and us and the insured that will be in effect if the written agreement is not approved.

(c) If approved, the written agreement will include all variable terms of the contract, including, but not limited to, crop type or variety, the guarantee, premium rate, and price election.

(d) Each written agreement will only be valid for 1 year. If the written agreement is not specifically renewed the following year, insurance coverage for subsequent crop years will be in accordance with the printed policy.

(e) An application for written agreement submitted after the sales closing date may be approved if, after a physical inspection of the acreage, it is determined that no loss has occurred and the crop is insurable in accordance with the policy provisions.

Signed in Washington D.C., on August 1, 1996.

Kenneth D. Ackerman,
Manager, Federal Crop Insurance
Corporation.

[FR Doc. 96-20193 Filed 8-8-96; 8:45 am]

BILLING CODE 3410-FA-P

FEDERAL HOUSING FINANCE BOARD

12 CFR Part 934

[No. 96-53]

Amendment of Budgets Regulation

AGENCY: Federal Housing Finance Board.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Federal Housing Finance Board (Finance Board) is proposing to amend its regulation governing approval of Federal Home Loan Bank (FHLBank) budgets by removing the requirement that the FHLBanks' budgets be approved by the Finance Board. In order to ensure sufficient data to carry out its

supervisory responsibility to ensure the safety and soundness of FHLBank operations, the Finance Board is further proposing to establish specific requirements for the FHLBanks' preparation and reporting of both budget and other financial information to the Finance Board. Certain of these reporting requirements are derived and streamlined from the Finance Board's current practice for budget and financial information reporting by the FHLBanks. The proposed rule is in keeping with the Finance Board's continuing effort to devolve corporate governance authority to the FHLBanks. It also is consistent with the goals of the Regulatory Reinvention Initiative of the National Performance Review.

DATES: Comments on this proposed rule must be received in writing on or before September 9, 1996.

ADDRESSES: Send comments to Elaine L. Baker, Executive Secretary, 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: John C. Waters or Christina T. Muradian, Office of Policy, (202) 408-2860 or 408-2584, or Sharon B. Like, Senior Attorney-Advisor, Office of General Counsel, (202) 408-2930, Federal Housing Finance Board.

SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

Section 934.6 of the Finance Board's existing regulations provides:

As prescribed by the [Finance] Board or its designee, each Bank shall prepare and submit to the Board for its approval a budget. Each Bank will operate within such budget as approved or as it may be amended by the Bank's board of directors within limits set by the Board. Any amendment beyond such limits must be submitted to the Board for approval. The Board's designee, may approve amendments within limits set by the Board.

See 12 CFR 934.6.

The substance of § 934.6 previously appeared at § 524.6 of the regulations of the Finance Board's predecessor, the Federal Home Loan Bank Board (FHLBB). See 12 CFR 524.6 (1989) (redesignated). The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Pub. L. No. 101-73, 103 Stat. 183 (Aug. 9, 1989), amended the Federal Home Loan Bank Act (Bank Act), 12 U.S.C. 1421 to 1449, by creating the Finance Board and transferring from the FHLBB to the Finance Board the responsibility for the supervision and regulation of the twelve FHLBanks. See *id.* §§ 1422a(a), 1422b(a)(1). Section 524.6 subsequently

was redesignated as § 934.6 of the Finance Board's regulations. See 54 FR 36757 (Sept. 5, 1989).

The Bank Act does not provide explicitly for Finance Board approval of Bank budgets. See 12 U.S.C. 1432(a). Such approval authority is derived from the Finance Board's general powers and duties to supervise the FHLBanks under sections 2A(a)(3) and 2B(a)(1) of the Bank Act, as well as the Finance Board's authority to approve corporate powers granted to the FHLBanks under section 12(a) of the Bank Act. See *id.* §§ 1422a(a)(3), 1422b(a)(1), 1432(a).

II. Analysis of the Proposed Rule

A. Current Practice and Basis For Proposed Amendment

In approving the FHLBanks' budgets under current § 934.6, the Finance Board's practice, which is not codified in the regulation, has been to request from each FHLBank a report on the FHLBank's annual budget approved by its board of directors, including the following information: projected balance sheet; projected income statement (including FHLBank board-approved operating expense budget and staffing levels); FHLBank board-approved capital expenditures budget; supplemental information as requested by the Finance Board; strategic/business plan; organizational chart; FHLBank board-approved budget resolution; and management discussion of the FHLBank's expected financial performance and underlying assumptions and comparisons with the financial performance from the prior year.

The Finance Board reviews this information and, pursuant to § 934.6, approves each FHLBank's operating expense and capital expenditures budget. Generally, budgets have been approved by the Finance Board as submitted by the FHLBanks. The Finance Board also reviews and approves, pursuant to § 934.6, amendments to the FHLBanks' budgets to exceed previously approved limits.

In addition, Finance Board practice has been to require each FHLBank to submit quarterly reports that evaluate year-to-date actual performance results relative to the original approved budget projections, and reforecasted financial projections for the remainder of the year relative to the original approved budget projections. Each FHLBank also submits an annual report that evaluates the actual performance results for the year relative to the original approved budget projections.

The Finance Board has been considering ways to transfer a variety of

governance responsibilities it exercises to the FHLBanks since the completion of studies by the Congressional Budget Office, General Accounting Office, Department of the Treasury, Department of Housing and Urban Development, and Finance Board, which were required by the Housing and Community Development Act of 1992, Pub. L. No. 102-550, 106 Stat. 3672 (Oct. 28, 1992). These studies recommended that the governance and regulatory responsibilities for the FHLBanks be separated, with the FHLBanks carrying out the management functions, and the Finance Board exercising regulatory oversight over the FHLBanks. The Finance Board already has taken actions to devolve some governance functions to the FHLBanks, including its recently adopted final rule transferring responsibility for all FHLBank membership approvals from the Finance Board to the FHLBanks. See Final Membership Rule, adopted July 3, 1996, no. 96-43 (to be codified at 12 CFR part 933).

Approval of the FHLBanks' budgets is a management responsibility which the Finance Board believes is best administered by the FHLBanks' respective boards of directors. The Finance Board believes that Finance Board approval of FHLBank budgets is unnecessary because incentives exist at the FHLBank board level to encourage efficient FHLBank operations: e.g., increased operating expenses reduce shareholder dividends, and since FHLBank elected board members represent FHLBank shareholders, they have an incentive to effectively manage operating expenses. Moreover, over the past few years, FHLBank System operations have become increasingly efficient, with the ratio of operating expenses to total assets declining from 17 basis points in 1990 to 8 basis points in 1995.

In addition, the fact that the Finance Board generally has approved the budgets as submitted by the FHLBanks indicates that Finance Board approval of the budgets is unnecessary.

The Finance Board would continue to exercise its supervisory responsibility to ensure that the FHLBanks are operating in a safe and sound manner by requiring and reviewing FHLBank budget and other financial information, and conducting on-site examinations of the FHLBanks. As further discussed below, the reporting requirements in the proposed rule would codify and streamline current reporting practice.

B. Section-by-Section Analysis of the Proposed Rule

1. Adoption of Annual FHLBank Budget—§ 934.6(a).

Under the proposed rule, Finance Board approval of FHLBank operating expense and capital expenditures budgets no longer would be required. Proposed § 934.6(a)(1) provides that each FHLBank's board of directors shall be responsible for the adoption of an annual operating expense and capital expenditures budget for the FHLBank, and any subsequent amendments thereto, consistent with the requirements of the Bank Act, proposed § 934.6, and other regulations and policies of the Finance Board. Implicit in these requirements are the requirements that the FHLBanks operate in a financially safe and sound manner and carry out their housing finance mission to the extent consistent with the former. See 12 U.S.C. 1422a(a)(3).

The extent to which a FHLBank is operating efficiently pursuant to its approved budget limits may impact on its safety and soundness and ability to carry out its housing finance mission. The proposed rule does not establish a specific "efficiency" standard as part of the overall safety and soundness and housing finance mission requirements. The Finance Board specifically requests comments on whether such a standard should be included in the rule, and if so, what that standard should be.

Proposed § 934.6(a)(2) provides that the board of directors of a FHLBank may not delegate the authority to approve the annual budget, or any subsequent amendments thereto, to FHLBank officers or other FHLBank employees.

Proposed § 934.6(a)(3) requires that each FHLBank's annual budget be prepared based upon an interest rate scenario provided by the Finance Board. This is consistent with current Finance Board practice. The Finance Board specifically requests comments on whether an alternative approach, such as requiring the use of reported interest rates as of a fixed date specified in the regulation, would be preferable to the current approach.

Proposed § 934.6(a)(4) provides that a FHLBank may not exceed its annual budget limits without prior approval by the FHLBank's board of directors of an amendment to such budget.

2. Annual Budget Report—§ 934.6(b)

Proposed § 934.6(b) establishes specific FHLBank reporting requirements, certain of which are codified and streamlined from the Finance Board's current practice for FHLBank reporting.

Specifically, the FHLBanks would be required to submit to the Finance Board, by January 31 of each year, in accordance with reporting formats and as further prescribed by the Finance Board, a report containing such FHLBank budget and other financial information as the Finance Board shall require, which may include the following: (1) balance sheet projections; (2) income statement projections, including operating expense budget data and staffing levels; (3) capital expenditures budget data; (4) management discussion of expected financial performance; (5) strategic or business plan, and (6) a copy of the FHLBank's board of directors resolution adopting the FHLBank's annual operating expense and capital expenditures budget.

3. Report on Amendments to Annual Budget—§ 934.6(c)

Proposed § 934.6(c) requires a FHLBank to submit promptly to the Finance Board a copy of the FHLBank's board of directors resolution adopting any amendment to the FHLBank's annual budget.

4. Mid-year Reforecasting Report—§ 934.6(d)

Rather than requiring the current quarterly reports from the FHLBanks of reforecasted projections for the year relative to original budget projections, proposed § 934.6(d) requires each FHLBank to submit only a mid-year report containing a balance sheet and income statement setting forth reforecasted projections for the year relative to the original budget for that year, including a management discussion explaining any significant changes from the original budget.

5. Annual Actual Performance Results Report—§ 934.6(e)

Rather than requiring the current quarterly reports from the FHLBanks, which analyze actual performance results for the period relative to original budget projections, proposed § 934.6(e) requires each FHLBank to submit only an annual report containing a balance sheet and income statement setting forth actual performance results for the year relative to the original budget for that year, including a management discussion explaining any significant changes from the original budget.

III. Regulatory Flexibility Act

This proposed rule applies only to the FHLBanks, which do not come within the meaning of "small entities," as defined in the Regulatory Flexibility Act. See 5 U.S.C. 601(6). Therefore, in

accordance with 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 impact on a substantial number of small entities.

List of Subjects in 12 CFR Part 934

Federal home loan banks, Securities, Surety bonds.

Accordingly, the Federal Housing Finance Board hereby proposes to amend title 12, chapter IX, subchapter B, part 934, of the Code of Federal Regulations, as follows:

PART 934—OPERATIONS OF THE BANKS

1. The authority citation for part 934 is revised to read as follows:

Authority: 12 U.S.C. 1422a, 1422b, 1442.

2. Section 934.6 is revised to read as follows:

§ 934.6 Budget preparation and reporting requirements.

(a) *Adoption of annual Bank budget.*

(1) Each Bank's board of directors shall be responsible for the adoption of an annual operating expense and capital expenditures budget for the Bank, and any subsequent amendments thereto, consistent with the requirements of the Act, this section, and other regulations and policies of the Board.

(2) A Bank's board of directors may not delegate the authority to approve the Bank's annual budget, or any subsequent amendments thereto, to Bank officers or other Bank employees.

(3) A Bank's annual budget shall be prepared based upon an interest rate scenario provided by the Board.

(4) A Bank may not exceed its annual budget limits without prior approval by the Bank's board of directors of an amendment to such budget.

(b) *Annual budget report.* Each Bank shall submit to the Board, by January 31 of each year, in accordance with reporting formats and as further prescribed by the Board, a report containing such Bank budget and other financial information as the Board shall require, which may include the following:

- (1) Balance sheet projections;
- (2) Income statement projections, including operating expense budget data and staffing levels;
- (3) Capital expenditures budget data;
- (4) Management discussion of expected financial performance;
- (5) Strategic or business plan; and
- (6) A copy of the FHLBank's board of directors resolution adopting the FHLBank's annual operating expense and capital expenditures budget.

(c) *Report on amendments to annual budget.* A Bank shall submit promptly to the Board a copy of the Bank's board of directors resolution adopting any amendment to the Bank's annual budget.

(d) *Mid-year reforecasting report.* Each Bank shall submit to the Board, by July 31 of each year, in accordance with reporting formats and as further prescribed by the Board, a report containing a balance sheet and income statement setting forth reforecasted projections for the year relative to the original budget for that year, including a management discussion explaining any significant changes in the reforecasted projections from the original budget.

(e) *Annual actual performance results report.* Each Bank shall submit to the Board, by January 31 of each year, in accordance with reporting formats and as further prescribed by the Board, a report containing a balance sheet and income statement setting forth the actual performance results for the prior year relative to the original budget for that year, including a management discussion explaining any significant changes in the actual performance results from the original budget.

Dated: July 25, 1996.

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

Bruce A. Morrison,
Chairman.

[FR Doc. 96-20212 Filed 8-8-96; 8:45 am]

BILLING CODE 6725-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 95-NM-167-AD]

RIN 2120-AA64

Airworthiness Directives; Beech (Raytheon) Model BAe 125 Series 1000A and Model Hawker 1000 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 Beech (Raytheon) Model BAe series 1000A and Model Hawker 1000 airplanes. This proposal would require modifications of the thrust reversers. This proposal is prompted by a review of the certification analysis of the thrust

reversers and by testing of the thrust reversers, which indicated that additional design features are necessary to prevent failure of the driver link and the inadvertent deployment of a thrust reverser during flight. The actions specified by the proposed AD are intended to prevent inadvertent deployment of a thrust reverser during flight, which could result in reduced controllability of the airplane.

DATES: Comments must be received by September 17, 1996.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Transport Airplane Directorate, ANM-103, Attention: Rules Docket No. 95-NM-167-AD, 1601 Lind Avenue, SW., Renton, Washington 98055-4056. Comments may be inspected at this location between 9:00 a.m. and 3:00 p.m., Monday through Friday, except Federal holidays.

The service information referenced in the proposed rule may be obtained from Raytheon Aircraft Company, Manager Service Engineering, Hawker Customer Support Department, P.O. Box 85, Wichita, Kansas 67201-0085. This information may be examined at the FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington.

FOR FURTHER INFORMATION CONTACT: Tim Backman, Aerospace Engineer, Standardization Branch, ANM-113, FAA, Transport Airplane Directorate, 1601 Lind Avenue, SW., Renton, Washington 98055-4056; telephone (206) 227-2797; fax (206) 227-1149.

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 notice may be changed in light of the comments received.

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