This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FEDERAL HOUSING FINANCE BOARD

12 CFR Part 960

[No. 95–37]

Amendment of Affordable Housing Program Regulation; Affordable Housing Program Application Requirements

AGENCY: Federal Housing Finance Board.

ACTION: Proposed rule.

SUMMARY: The Federal Housing Finance Board (Board) is proposing to amend its regulation governing the Affordable Housing Program (AHP) to provide the Federal Home Loan Banks (Banks) with the authority to limit the maximum amount of AHP subsidy that may be requested for a given AHP funding period in the following ways: a uniform limit per member; a limit per project application; a limit per project unit; or a limit per amount of AHP direct subsidy per project application. A Bank would have the authority to establish any other subsidy limit or substantive AHP application requirement not specifically provided for in the AHP regulation, only if such subsidy limit or substantive AHP application requirement has received prior approval of the Board. A Bank would have to consult with its Advisory Council in establishing its subsidy limits or substantive AHP application requirements. Any subsidy limit or AHP application requirement established by a Bank would have to apply equally to all members.

The Board requests comments on this proposal. In addition, the Board requests comments on whether the AHP regulation also should be amended to authorize the Banks in their discretion to: Establish AHP subsidy limits based on the level of a member’s mortgage-related assets or its use of Bank credit products; establish other specified types of AHP subsidy limits that would promote AHP goals; limit or prohibit AHP applications from out-of-district projects; or require involvement by members in an AHP project as a threshold criterion in order to be considered for scoring and approval of AHP funding.

DATES: Comments on this proposed rule must be received in writing on or before December 18, 1995.

ADDRESSES: Send comments to: Elaine L. Baker, Executive Secretary, Federal Housing Finance Board, 1777 F Street, N.W., Washington, DC 20006. Comments will be available for public inspection at this address.


SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

A. AHP Statutory and Regulatory Requirements

Section 10(j)(1) of the Federal Home Loan Bank Act (Bank Act) requires each Bank to establish a program to subsidize the interest rate on advances to members engaged in lending for long term, low- and moderate-income, owner-occupied and affordable rental housing at subsidized interest rates. See 12 U.S.C. 1430(j)(1). While requiring the Banks to make subsidized advances to their members, section 10(j) of the Bank Act is silent as to whether a Bank may impose limits on the amount of AHP subsidy a member may obtain. The Board is required to promulgate regulations governing the AHP. See id. sec. 1430(j)(9); 12 CFR part 960.

Under the Bank Act and the Board’s AHP regulation, each Bank must make a specified annual contribution to fund its AHP. See 12 U.S.C. 1430(j)(5); 12 CFR 960.10. While the Bank Act does not specifically address the method by which the Banks’ required annual contribution to the AHP is to be allocated among potential recipients, the AHP regulation establishes threshold criteria that applications must satisfy and a competitive application scoring process to be used to determine the distribution of AHP funds. See 12 CFR 960.10.

Under the AHP regulation, during each calendar year, each Bank accepts applications for funds from its members by specific application due dates during two of four quarterly funding periods. See id. § 960.4(a). Each Bank must notify its members of the approximate amount of annual AHP funds available and the approximate amount to be offered in each funding period. See id. § 960.4(b). Applications must contain detailed information described in the AHP regulation. See id. § 960.4(c). AHP funds are awarded to the applicants whose applications score the highest, pursuant to the scoring criteria set forth in the AHP regulation, among all the applications received by the Bank in that funding period. See id. § 960.5(f). It was anticipated that, in this way, the best, most competitive projects would be funded with AHP subsidies.

B. Current Bank Policies on AHP Subsidy Limits, Member Involvement, and Out-of-District AHP Projects

1. Current Bank Policies

Pursuant to prior legal advice that, absent guidance from or definitive action by the Board on specific policies and statutory interpretations, the Banks had to determine for themselves whether their actions were consistent with a reasonable interpretation of the AHP provisions of the Bank Act and AHP regulation, a number of Banks adopted AHP policies that impose requirements in addition to, or different from, the comprehensive AHP application requirements contained in the Board’s AHP regulation.

More specifically, several Banks unilaterally have imposed maximum limits on the amount of AHP subsidy that may be requested in a given AHP funding period, including limits applicable per member; per project application; per project unit; and per amount of AHP direct subsidy per project application. One Bank has adopted member subsidy limits that are based on the level of a member’s use of Bank credit products in the preceding year. Another Bank has established a policy prohibiting members from submitting AHP applications for projects located outside of the Bank’s district.

Yet another Bank has adopted a threshold criterion that a project must include member involvement in order to be scored and approved for AHP funding, through: financing other than through an AHP direct subsidy;
servicing project loans at no cost to the project sponsor; making cash contributions of $500 per project unit; providing a minimum 100 hours of volunteer labor per unit provided by employees of the member; or contributing land or real estate owned by the member to be used in the project.

2. Reasons Provided for Policies

None of the Bank policies discussed above has been acted upon by the Board prior to its issuance of this proposed rule. All of the policies presumably have been adopted pursuant to determinations by the Banks that these policies were consistent with a reasonable interpretation of the Bank Act and AHP regulation.

One reason that has been expressed for permitting various AHP subsidy limits is that they encourage greater participation by members in the AHP. Section 10(j) does not explicitly require or encourage widespread member participation in the AHP. On the other hand, the legislative history of the AHP statutory provisions does indicate that Congress was aware of “uneven use of similar special advance programs maintained by the [Banks] in the past and the reluctance of some of the [Banks] to actively encourage their member institutions to address critical community investment and affordable housing needs.” See Conference Report accompanying Financial Institutions Reform, Recovery and Enforcement Act of 1989, H.R. Conf. Rep. No. 101-222, 101st Cong., 1st Sess. (Aug. 4, 1989) at 429. The principle of encouraging even administration of special advances programs among the Banks arguably also could be applied within each Bank, i.e., to encouraging the use of AHP programs by all members within the Bank, on a broad basis, in order to meet community investment and affordable housing needs.

3. Reasons for Change

In light of the level of detail set forth in the AHP regulation, which includes particularized filing requirements (down to specifying the dates by which applications must be filed), details of the required contents of applications, and explicit procedures for applications review, see 12 CFR 960.4, 960.5, the Board is concerned that some forms of additional substantive AHP application requirements may tend to undermine the regulatory scheme. The Board would prefer that the regulation provide flexibility through the establishment of clear standards under which the Banks must operate. The Board also is mindful of the importance of ensuring that the AHP remain responsive to the unique circumstances within each Bank District, and that program standards not hamper responsive local administration of the AHP.

The proposed rule would allow the Banks to establish the listed AHP application requirements, as well as any other subsidy limit or substantive AHP application requirement not specifically provided for in the AHP regulation, only if such other subsidy limit or substantive application requirement has received the prior approval of the Board. The Board requests comment on whether this or some other approach would best maintain the appropriate balance between clear regulatory standards and responsiveness and flexibility for the program.

The Board wishes to emphasize that the proposed rule is meant to clarify the regulatory scheme and should not be construed as representing a retreat by the Board from its consideration of the decentralization of the AHP by giving the Banks greater flexibility and control in implementing their AHP programs. None of the Bank policies discussed above was addressed or noticed for comment in the Board’s proposed AHP regulation issued in January 1994. See 59 Fed. Reg. 1323 (Jan. 10, 1994). In order to ensure that full consideration is given to the consequences of the proposed rule, the Board is requesting comments on any provisions that should be added to the regulation for any currently existing Bank AHP application policies or any other substantive AHP application requirements a Bank may wish to impose that are not specifically provided for in the AHP regulation.

II. Analysis of the Proposed Rule

A. Notice to Members of Subsidy Limits

Section 960.4(b)(1) of the proposed rule requires each Bank to notify members of the applicability of any subsidy limits or other application requirements established pursuant to section 960.4(b) of the proposed rule.

B. Per Member Limits

Section 960.4(b)(2) of the proposed rule provides that a Bank may establish a uniform maximum dollar limit on the amount of AHP subsidy, or a uniform maximum limit on the percentage of total available AHP subsidy, that may be requested by a member in a given AHP funding period.

Limiting the amount of subsidy that may be requested by a member may prevent a small number of members from receiving all of the subsidy, thereby encouraging participation by a greater number of members in the AHP.

While there may be an effect on the AHP regulatory program goal of promoting competition if highly competitive projects have difficulty finding available members that have not exceeded their limits to submit applications for them, sufficient numbers of members should be available to handle applications for AHP funds. Accordingly, any noncompetitive effect of per member subsidy limits likely would be minimal in comparison to the benefit of greater member participation in the AHP.

The proposed rule does not authorize a Bank to establish AHP subsidy limits that are based on the level of a member's mortgage-related assets or its use of Bank credit products. See further discussion in III.D. below.

C. Per Project Application Direct Subsidy Limits

Section 960.4(b)(2) of the proposed rule provides that a Bank may limit the maximum amount of AHP direct subsidy that may be requested per project application, in a given AHP funding period.

Such a limit may promote greater member involvement in the AHP by encouraging more members to borrow AHP subsidized advances and, in turn, lend their own funds to borrowers, thereby building greater member affordable housing lending capacity and expertise. If members’ own funds were at risk as a result of such a limit, members would have greater incentive to underwrite and monitor projects for AHP compliance and AHP finance feasibility. Direct subsidies, which, in some cases, are passed on by members to borrowers without members putting any of their own funds at risk, do not promote these goals.

A direct subsidy limit would not prevent competitive projects seeking direct subsidies from being funded; it merely would cause those projects to be funded at lower levels, with the gaps in funding made up from other funding sources. There may be an effect on the AHP regulatory program goal of promoting competition if otherwise highly competitive projects that need a large amount of direct subsidy have difficulty finding other available sources for such funding, and therefore remain financially unfeasible. However, any noncompetitive effect of direct subsidy limits may be outweighed by the benefit of greater member involvement in the AHP.

D. Per Project Application or Per Project Unit Limits

Section 960.4(b)(2) of the proposed rule provides that a Bank may limit the
maximum amount of AHP subsidy that may be requested per project application or per project unit, in a given AHP funding period. Per project application or per project unit limits may prevent a small number of projects from receiving all or most of the available AHP funds in a given funding period, thereby encouraging funding of a greater number of AHP projects, which also may benefit housing needs in more areas of the district. Such limits would not prevent competitive projects from being funded; they would merely cause those projects to be funded at lower levels, with the gaps in funding made up from other funding sources, thereby enabling the funding of additional AHP projects. Again, there may be an effect on the AHP regulatory program goal of promoting competition if otherwise highly competitive projects that need a large amount of subsidy have difficulty finding other available sources for funding, and therefore remain financially unfeasible. However, any noncompetitive effect of such limits may be outweighed by the benefit of funding a greater number of AHP projects in the district. Per project unit limits also conform with the goal of the effectiveness scoring criterion in the AHP regulation to encourage lower levels of AHP subsidy per unit by giving additional scoring points for projects with lower ratios. See 12 CFR 960.5(d)(3).

Per project unit limits could have an impact on the AHP statutory and regulatory program goal of promoting funding of units for very low-income households which often need larger subsidies to make the projects financially feasible. See 12 U.S.C. 1430(j)(2)(B); 12 CFR 960.3(b), 960.5(b)(1), (2), (d)(1). However, the ability to receive additional scoring points under the AHP regulatory scoring criterion for targeting units for occupancy by very low-income households, see 12 CFR 960.5(d)(1), the importance of encouraging efforts to find other available sources of funding and the goal of promoting the funding of a greater number of projects together may outweigh any effect on funding of units for very low-income households.

E. Board Waiver Authority

Section 960.4(b)(3) of the proposed rule provides that a Bank may establish any other subsidy limit or substantive AHP application requirement not specifically provided for in sections 960.4(b) or 960.5(a)(2) of the AHP regulation, on only if such subsidy limit or substantive AHP application requirement has received the prior approval of the Board. The Board requests comments on whether such additional subsidy limits or substantive AHP application requirements should depend on whether application of the limit or requirement would adversely affect achievement of the purposes of the AHP provisions of the Bank Act, or upon a showing of good cause.

F. Subsidy Limits Applied Equally to All Members

Section 960.4(b)(4) of the proposed rule provides that any subsidy limits or AHP application requirements established by a Bank pursuant to section 960.4(b) must be applied equally to all members. See further discussion in III.D. below.

G. Bank Consultation With Advisory Council

Sections 960.4(b)(2) and (3) of the proposed rule require that a Bank have consulted with its Advisory Council in establishing any subsidy limits or other substantive AHP application requirements pursuant to section 960.4(b). Advisory Council members typically have affordable housing expertise that may be very useful to the Banks in determining the affordable housing needs of the Bank district and how any subsidy limit or other substantive AHP application requirement would promote those needs.

III. Related Request for Comments

A. Other Types of Subsidy Limits

The Board requests comments on any other types of subsidy limits that would promote AHP goals that should be considered appropriate for establishment by a Bank. For example, a maximum limit on the amount of AHP subsidy that may be requested per sponsor arguably might be appropriate to encourage greater participation by sponsors in the AHP, increase the affordable housing development capacity of more sponsors, and encourage the creation of more sponsors, especially where one large or particularly active sponsor in a district is winning a large portion of the Bank's AHP funds.

B. Limiting or Prohibiting AHP Applications From Out-Of-District Projects

The Board requests comments on whether the Banks should have authority to limit or prohibit the submission of AHP applications from projects located outside of the Bank's district, and the reasons for or against such authority.

One reason expressed for imposing such a restriction is that the Bank's Advisory Council, whose members are drawn from the Bank's district and who are required to advise on the low- and moderate-income housing programs and needs of the district, do not have the familiarity and expertise to provide guidance on projects located outside the district. See 12 U.S.C. 1430(j)(11). However, it also is noted that Advisory Council members, while most familiar with the housing needs of their local communities, often are very familiar with the network of affordable housing providers that are active across the country and could advise the Banks on affordable housing issues of general applicability.

Another reason given for imposing an out-of-district restriction is that such a restriction is warranted when there is an overwhelming demand for AHP funds within the district.

In addition, it is argued that the administrative costs incurred by the Bank to monitor out-of-district projects for compliance with the AHP statutory and regulatory requirements would be significantly greater than those for in-district projects. However, particularly in Bank districts that cover large geographical areas, it is possible that the cost of monitoring and conducting on-site visits of out-of-district projects would be no greater than the cost of conducting such activities in-district.

Another argument made in support of an out-of-district restriction is that sponsors of out-of-district projects would not be precluded from participating in the AHP, as they could apply for AHP funds through a member of another Bank.

It also is argued that an out-of-district restriction will have only a limited effect on the desirability of Bank membership, since there are other benefits to membership besides access to the AHP.

Another argument made is that out-of-district projects located in lower-cost districts may be able to compete more successfully for AHP funds against higher-cost projects located in the district.

It also is noted that one or a few large multistate members have the ability to win a substantial portion of AHP funds for out-of-district projects, thereby resulting in significantly less AHP funds for use by other members and sponsors within the district.

The Bank Act and Board regulations provide that an eligible institution may only be a member of and obtain advances from one Bank; even though members may do business through branch offices outside that Bank district.
The Board requests comments on whether the Banks should have authority to require certain types of member involvement in a project as a threshold criterion the project must satisfy in order to be considered for scoring and approval for AHP funding. Member involvement could include, for example: providing financing other than a direct subsidy to the project; servicing project loans at no cost to the sponsor of the project; contributing a minimum cash amount per unit to the project; providing a minimum number of hours of volunteer labor per project unit from its employees; or contributing land or real estate owned by the member to be used in the project.

Where members' own funds and contributions are at risk, members would be more likely to be involved in individual AHP projects, thereby building member affordable housing lending capacity and expertise, and creating greater incentives for members to underwrite and monitor projects for AHP compliance and financial feasibility. In the Board's proposed AHP regulation issued for comment in January, 1994, the Board proposed including the extent of member involvement in a project as a separate scoring criterion, rather than as a threshold requirement that members must meet in order for projects even to be considered for scoring and approval of AHP funding. See 59 Fed. Reg. 1323, 1335, 1354 (Jan. 10, 1994). The Board requests comments on whether the extent of member involvement in a project should be included as a threshold criterion, scoring criterion or not at all in the final AHP regulation and, if it should be included, how it should be implemented.

D. Limits Based on the Level of a Member's Mortgage-Related Assets or Its Use of Bank Credit Products

The proposed rule does not authorize a Bank to establish AHP subsidy limits based on the level of a member's mortgage-related assets or its use of Bank credit products. The Board requests comments on whether the Banks should have authority to impose AHP subsidy limits based on the level of a member's mortgage-related assets or its use of Bank credit products. Commenters should address how such subsidy limits would advance the overall goals of the AHP, the reasons for or against such linkage, whether any such limits are compatible with the requirement in proposed section 960.4(b)(4) that subsidy limits be applied equally to all members, and whether any such limits are permissible under section 7(i) of the Bank Act, which requires the Banks to administer their affairs fairly and impartially and without discrimination in favor of or against any member borrower. See 12 U.S.C. 1427(i).

One reason that has been expressed for imposing such limits is that they would encourage broader participation by members in the AHP. Involving more members in the AHP could give project sponsors more options for financing AHP projects, and provide experience and education to more members that could help them develop additional capacity to engage in affordable housing lending.

However, imposing limits based on levels of member mortgage-related assets or borrowings may not achieve this goal if members with high levels of mortgage-related assets or borrowings who already participate in the AHP would be allowed to apply for and win the additional AHP subsidy no longer available to those members subject to the limits. Uniform limits on the amount of AHP subsidy for which each member may apply, such as those currently imposed by a number of Banks (see discussion in I.B.1. above), may have a greater likelihood of increasing member participation in the AHP.

Another objective expressed for imposing subsidy limits based on member use of Bank credit products is that they would increase the pool of available AHP funds by encouraging greater borrowing from the Bank and therefore increasing Bank earnings, from which AHP funds are derived. Increased AHP funds could be used by the Bank to finance more AHP projects, thereby benefiting more low- and moderate-income households and furthering the housing finance mission of the Bank System. See id. sec. 1422a(a)(3)(ii). The argument also is made that members that contribute to Bank earnings by borrowing should have greater access than non-borrowing members to AHP funds derived from such earnings.

The Bank Act does not restrict availability of AHP subsidies to “borrowing” members. Nor does it specify any correlation between the member's contribution to Bank earnings and its access to AHP funds. Bank earnings are affected by economic factors other than the amount of outstanding advances of members participating in the AHP. Thus, even non-borrowing members contribute to Bank earnings and, therefore, to the AHP fund. The limits do not enlarge the AHP fund by increasing member borrowing because small
member institutions, by virtue of their limited asset size, would be incapable of increasing or unwilling to increase their borrowings (due to the increased cost of borrowing resulting from investing in additional Bank stock) just to receive “preferred treatment” under an AHP subsidy limits policy.

Another possible reason for limiting access to AHP subsidies based on a member’s level of mortgage-related assets may be to encourage members to do more home financing, consistent with the provisions of the Bank Act that impose less burdensome advances and stock requirements on institutions that devote a greater percentage of their assets to housing finance (qualified thrift lenders). See id. sec. 1430(e)(1), (2); 12 CFR 935.13. However, such a limit may defeat this goal since members with lower levels of mortgage-related assets would have limited access to AHP subsidies which they could use for such housing finance purposes.

IV. Regulatory Flexibility Act

The proposed rule applies only to the Banks, 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 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 for 12 CFR Part 960

Banks, banking, Credit, Federal home loan banks, Housing.

Accordingly, part 960 of title 12 of its Code of Federal Regulations is hereby proposed to be amended as follows:

SUBCHAPTER E—AFFORDABLE HOUSING

PART 960—AFFORDABLE HOUSING PROGRAM

1. The authority citation for part 960 continues to read as follows:

Authority: 12 U.S.C. 1422a, 1422b, 1430(j).

2. Paragraph (b) of § 960.4 is revised to read as follows:

960.4 Applications for funding.

(b)(1) Each Bank shall notify its members of the approximate amount of annual program funds available for the District, the approximate amount to be offered in each funding period, and the applicability of any subsidy limits or other application requirements established pursuant to this paragraph (b). The amount of funds made available in each offering should be comparable.

(2) A Bank, after consultation with its Advisory Council, may limit the maximum dollar amount of subsidy, or the maximum percentage of total available subsidy, that may be requested in a given funding period in the following ways:

(i) A uniform limit per member;

(ii) A limit per project application, including limits varying according to project size;

(iii) A limit per project unit; or

(iv) A limit on the amount of direct subsidy per project application.

(3) A Bank, after consultation with its Advisory Council, may establish any other subsidy limit or substantive application requirement not specifically provided for in this paragraph (b) or § 960.5(a)(2), only if such subsidy limit or substantive application requirement has received the prior approval of the Board.

(4) Any subsidy limit or application requirement established by a Bank pursuant to this paragraph (b) must apply equally to all members.

* * * * *


By the Federal Housing Finance Board.

Bruce A. Morrison,
Chairman.

[FR Doc. 95–27023 Filed 10–31–95; 8:45 am]
BILLING CODE 6725–01–U

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 23

[ Docket No. 27316 Notice No. 93–5 ]

RIN 2120–AE86

Accelerated Stalls in Commuter Category Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of Proposed Rulemaking (NPRM); Withdrawal.

SUMMARY: The FAA is withdrawing a previously published Notice of Proposed Rulemaking (NPRM) that proposed to eliminate the certification requirement to demonstrate an accelerated entry stall for commuter category airplanes. The proposed rule would have removed an unwarranted hazard during flight demonstrations required for airplane type certification, and would not compromise passenger safety. This hazard was a direct result of the high power-to-weight ratios of new commuter airplanes. The FAA has proposed a similar requirement in the Airworthiness Standards; Flight Proposals Based on European Joint Aviation Requirements, Docket No. 27807, Notice No. 94–22 (59 FR 37878), published July 25, 1994.

FOR FURTHER INFORMATION CONTACT: Lowell Foster, Standards Office (ACE–111), Small Airplane Directorate, Aircraft Certification Service, Federal Aviation Administration, 601 East 12th Street, Kansas City, Missouri 64106; telephone (816) 426–5688.

SUPPLEMENTARY INFORMATION: On June 7, 1993, the FAA published Notice of Proposed Rulemaking No. 93–5 (58 FR 32034), Docket No. 27316, to announce its intention to amend 14 CFR part 23. Concurrent with publication of that notice, the FAA published notice of availability of a proposed change to AC 23–BA.

The FAA proposed a similar requirement in Notice No. 94–22 (59 FR 37878; July 25, 1994), Docket No. 27807, which covers the accelerated stall demonstration and would harmonize it with the Joint Aviation Requirements. The proposed requirement, based on the European rules, provides relief from high power settings for the accelerated stall demonstration, removing the condition that created the hazard that was the subject of the petition for rulemaking. Therefore the FAA considers that Notice No. 94–22 addresses the petitioner’s original concerns for hazardous flight demonstrations, even though it is not identical to the original rule change proposed by the petitioner. Accordingly, the Accelerated Stalls Notice of Proposed Rulemaking and the draft advisory circular, published in the Federal Register on June 7, 1993 (58 FR 32034), are withdrawn.

Comments submitted to Docket No. 27316 are being reviewed, and will be disposed of as part of Docket No. 27807.

Issued in Washington, DC on October 25, 1995.

Daniel P. Salzano,
Acting Director, Aircraft Certification Service.

[FR Doc. 95–26993 Filed 10–31–95; 8:45 am]
BILLING CODE 4910–13–M

14 CFR Part 39

[ Docket No. 95–SW–04–AD ]

Airworthiness Directives; Societe Nationale Industrielle Aerospatiale and Eurocopter France Model AS 350B, BA, B1, B2, and D, and Model AS 355F, F1, F2, and N Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).