

PART 870—FEDERAL EMPLOYEES' GROUP LIFE INSURANCE PROGRAM

1. The authority citation for part 870 is revised to read as follows:

Authority: 5 U.S.C. 8716; subpart J also issued under sec. 599C of Pub. L. 101-513, 104 Stat. 2064, as amended; § 870.302 also issued under sections 11202(f), 11232(e), and 11246(b) and (c) of Pub. L. 105-33, 111 Stat. 251; §§ 870.101, 870.801, 870.802, and 870.901 also issued under Pub. L. 105-205, 112 Stat. 683.

2. In § 870.101, the definition *Court order* is added in alphabetical order to read as follows:

§ 870.101 Definitions.

* * * * *

Court order means any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement relating to any court decree of divorce, annulment, or legal separation, the terms of which require FEGLI benefits to be paid to a specific person or persons.

* * * * *

3. In § 870.506, the third sentence of paragraph (e)(2) is revised to read as follows:

§ 870.506 Optional insurance: cancelling a waiver.

* * * * *

(e) * * *

(2) * * * If the employee doesn't file a Life Insurance Election, in a manner designated by OPM, within the 31-day period, the employee gets whatever Optional insurance coverage he/she had immediately before separating from Federal service and is considered to have waived any other Optional insurance. * * *

* * * * *

4. In § 870.801, paragraph (a), introductory text, is revised, paragraphs (d) and (e) are redesignated as paragraphs (e) and (f), and a new paragraph (d) is added to read as follows:

§ 870.801 Order of precedence and payment of benefits.

(a) Except as provided in paragraph (d) of this section, benefits are paid according to the order of precedence stated in 5 U.S.C. 8705(a), as follows:

* * * * *

(d)(1) If there is a court order in effect naming a specific person or persons to receive life insurance benefits upon the death of an insured individual, Basic insurance and Option A and Option B insurance will be paid to the person or persons named in the court order, instead of according to the order of precedence.

(2) To qualify a person for such payment, a certified copy of the court order must be received by the appropriate office on or after July 22, 1998, and before the death of the insured.

(3)(i) For employees, the appropriate office is their employing agency.

(ii) For annuitants, the appropriate office is OPM.

(iii) For compensationers during the first 12 months of nonpay status, the appropriate office is their employing agency.

(iv) For compensationers after separation or the completion of 12 months in nonpay status, the appropriate office is OPM.

(4) If, within the applicable time frames, the appropriate office receives conflicting court orders entitling different persons to the same insurance, benefits will be paid based on whichever court order was issued first.

* * * * *

5. In § 870.802, the first sentence of paragraph (a) is revised, and a new paragraph (i) is added to read as follows:

§ 870.802 Designation of beneficiary.

(a) Except as provided in paragraph (i) of this section, if an insured individual wants benefits paid differently from the order of precedence, he/she must file a designation of beneficiary. * * *

* * * * *

(i) (1) Except as provided in paragraph (i)(2) of this section, if a court order has been received in accordance with § 870.801(d), an insured individual cannot designate a different beneficiary, unless

(i) The person(s) named in the court order gives written consent for the change, or

(ii) The court order is modified.

(2) If a court order has been received in accordance with § 870.801(d), and the court order applies to only part of the insurance benefits, an insured individual can designate a different beneficiary to receive the insurance benefits that are not included under the court order. If the insured individual does not make a designation for these benefits and there is no previous valid designation on file, benefits will be paid according to the order of precedence shown in § 870.801(a).

(3) If a court order received in accordance with § 870.801(d) is subsequently modified without naming a new person to receive the benefits, and a certified copy of the modified court order is received by the appropriate office before the death of the insured, the insured individual can designate a beneficiary. Benefits will be

paid according to the order of precedence shown in § 870.801(d) if the insured individual does not complete a new designation of beneficiary.

6. In § 870.901, paragraph (i) is added to read as follows:

§ 870.901 Assignments permitted

* * * * *

(i) A court order can direct that an insured individual make an irrevocable assignment to the person(s) named in the court order. For an assignment to be effective, the insured individual must follow the procedures in § 870.902.

[FR Doc. 99-8279 Filed 4-5-99; 8:45 am]

BILLING CODE 6325-01-P

DEPARTMENT OF AGRICULTURE

Rural Utilities Service

7 CFR Part 1753

RIN 0572-AB34

Telecommunications System Construction Policies and Procedures

AGENCY: Rural Utilities Service, USDA.

ACTION: Final rule.

SUMMARY: The Rural Utilities Service (RUS) hereby amends its regulations on telecommunications system construction policies and procedures. This revision includes empowering the telecommunications borrowers by reducing oversight by RUS with respect to preparation of plans and specifications, bid approvals, and final document approvals. In addition to reducing the requirements for facilities construction, RUS will also make technical corrections and clarifications, and minor technical changes.

EFFECTIVE DATE: This regulation is effective on May 6, 1999.

FOR FURTHER INFORMATION CONTACT: Orren E. Cameron III, Director, Telecommunications Standards Division, Rural Utilities Service, U.S. Department of Agriculture, 1400 Independence Avenue, SW, STOP 1598, Washington, DC 20250-1598. Telephone: (202) 720-8660; e-mail: ecameron@rus.usda.gov.

SUPPLEMENTARY INFORMATION:

Executive Order 12866

This final rule has been determined to be not significant for purposes of Executive Order 12866 and therefore has not been reviewed by the Office of Management and Budget.

Executive Order 12988

This final rule has been reviewed under Executive Order 12988, Civil

Justice Reform. RUS has determined that this final rule meets the applicable standards provided in Section 3. of the Executive Order. In addition, all State and local laws and regulations that are in conflict with this rule will be preempted, no retroactive effect will be given to this rule, and, in accordance with § 212(e) of the Department of Agriculture Reorganization Act of 1994 (7 U.S.C. 6912(e)), administrative appeal procedures, if any, must be exhausted before an action against the Department or its agencies may be initiated.

Regulatory Flexibility Act Certification

The Administrator of RUS has determined that this final rule will not have a significant economic impact on a substantial number of small entities, as defined in the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). The RUS telecommunications program provides loans to borrowers at interest rates and terms that are more favorable than those generally available from the private sector. RUS borrowers, as a result of obtaining federal financing, receive economic benefits which exceed any direct economic costs associated with complying with RUS regulations and requirements. Moreover, this action liberalizes certain contract requirements by changing contract limits thereby reducing RUS oversight requirements and further offsetting economic costs. Therefore an analysis under the Regulatory Flexibility act is not required.

Information Collection and Recordkeeping Requirements

The Office of Management and Budget (OMB) approval of the information collection requirements of this rule under the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35, as amended), OMB control number 0572-0059, has expired. In the preamble of its Notice of Proposed Rulemaking on Telecommunications System Construction Policies and Procedures, published July 17, 1998, (63 FR 38503), RUS included a statement regarding the collection of information in this rule and provided an opportunity for public comment. RUS will publish a Notice in the **Federal Register** upon receipt of OMB approval of the collection of information. No person is required to respond to the collection of information required by this rule until such Notice is published.

National Environmental Policy Act Certification

The Administrator of RUS has determined that this final rule will not significantly affect the quality of the

human environment as defined by the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*). Therefore, this action does not require an environmental impact statement of assessment.

Catalog of Federal Domestic Assistance

The program described by this final rule is listed in the Catalog of Federal Domestic Assistance Programs under No. 10.851, Rural Telephone Loans and Loan Guarantees, and No. 10.852, Rural Telephone Bank Loans. This catalog is available on a subscription basis from the Superintendent of Documents, United States Government Printing Office, Washington, DC 20402-9325.

Executive Order 12372

This final rule is excluded from the scope of Executive Order 12372, Intergovernmental Consultation, which may require consultation with State and local officials. See notice related to a final rule entitled "Department Programs and Activities Excluded from Executive Order 12372," (50 FR 47034) which published re-determined that RUS loans, loan guarantees, and RTB bank loans were exempted from coverage under this order.

Unfunded Mandates

This rule contains no Federal Mandates (under the regulatory provision of Title II of the Unfunded Mandates Reform Act of 1995) for State, local, and tribal governments or the private sector. Thus, this rule is not subject to the requirements of section 202 and 205 of the Unfunded Mandates Reform Act.

Background

RUS has undertaken a strategic review of all policies and procedures covering its preloan and postloan requirements of borrowers. This review was part of RUS efforts in governmental streamlining and empowering the recipients of the loans provided under the Rural Electrification Act (RE Act) of 1936, (7 U.S.C. 901 *et seq.*). As a result of this review, several procedures and policies were deemed no longer necessary. Other policies and procedures have been streamlined and RUS will place more responsibility with the borrowers to insure a more cost effective review process while maintaining the required loan security. In view of this increased reliance upon borrowers and their consultants, certain provisions have been added to reduce the government's vulnerability to conflicts of interest. Provisions have also been added for construction of headquarters facilities pursuant to the Rural Electrification

Loan Restructuring Act of 1993 (107 Stat. 1356).

RUS is also making technical corrections to final regulations which were reorganized and redesignated on September 27, 1990, at 55 FR 39393. In particular, certain regulations contained cross references which inadvertently had not been updated. This action is simply a correction to these regulations with no change to substance. Changes to regulatory text are merely to update cross references. As currently published, the final regulations may prove to be misleading.

Comments

Public comments were received from Hicks and Ragland Engineering Company, Harry Hutson, and Century Telephone Enterprises. The comments, recommendations, and responses are summarized as follows:

Comment: In regard to § 1753.7(e) one commenter questioned whether new bids had to be taken on a project or changes with the awarded bidder could be negotiated when a substantial change in the plans and specifications (P&S) is required after executed contracts have been obtained.

Response: Changes in the plans and specifications do not require new bids but can be handled by contract amendments as described in § 1753.11.

Comment: One commenter stated that § 1753.2 defines major construction as projects estimated to cost more than \$250,000, and minor construction as projects estimated to cost \$250,000 or less. Section 1753.46(2) states that contracts under \$250,000, may, at the borrower's option, be negotiated. Section 1753.5(2) states that RUS approval is required for negotiated major construction contracts. By definition there is no major construction below \$250,000. Therefore, we cannot have a negotiated major construction contract.

Response: Certain RUS contracts such as RUS Forms 525 and 545 for central office equipment may be used for negotiated major construction with RUS approval.

Comment: One commenter stated that § 1753.46 discusses minor construction. Since the limit for minor construction is now \$250,000, this information should be in the minor construction section not the major construction section.

Response: RUS believes that a discussion of the use of the RUS Forms 515 and 773 is appropriate in this section. RUS added a sentence to § 1753.77 in this final rule indicating that the rules for using these forms are contained in subpart F.

Comment: One commenter stated that minor construction can be accomplished via work order, RUS Forms 773 or 515. A Form 515 contract under \$250,000 can be negotiated except if equal to \$250,000, which is almost impossible. To make this more sensible, the borrower should be able to negotiate, at their option, Form 515 contracts costing \$250,000 or less.

Response: RUS agrees with this comment and made the change in the appropriate paragraphs.

Comment: One commenter stated that § 1753.7(e) contains the statement "estimated to cost over \$500,000 or 25% of the total loan, whichever is less." This statement appears in numerous paragraphs throughout this part 1753 but in these statements "whichever is less" does not appear. For clarity, it should be stated each time the statement appears whether you mean it to be less than or more than.

Response: RUS agrees with this comment. The phrase "whichever is less" is added in the appropriate paragraphs.

Comment: One commenter stated § 1753.48(b) should be eliminated since you can not negotiate above \$250,000.

Response: RUS agrees in part with this comment. The first sentence in § 1753.48(b) raises the negotiation limit to \$250,000 and is useful. The second sentence is deleted in this final rule.

Comment: One commenter said there should be no reference in the major construction section to negotiated RUS Form 515 or 773 contracts.

Response: Negotiated RUS Form 515 contracts operate under the same rules as any other Form 515 contract so it is covered in subpart F. RUS Form 773 is only mentioned in subpart F for the reader's convenience. For rules regarding the use of RUS Form 773, the reader is referred by subpart F to subpart I.

Comment: One commenter stated that § 1653.47(c) requires checklist Form 553 be completed and signed by the borrower's engineer and submitted to RUS for review with the plans and specifications. RUS Form 553 is so out of date that the Washington, D.C., staff does not use it or require it. RUS Form 553 should be updated or eliminated.

Response: RUS agrees with this comment and references to Form 553 are deleted in this final rule.

Comment: One commenter stated that there is confusing language in § 1753.48(b) regarding negotiated procurement for RUS Form 515 contract. The first part of the paragraph says bids are not required for outside plant construction which is estimated to cost less than \$250,000, but the last part

says plans and specifications for proposed contracts exceeding \$500,000 must be approved by RUS before negotiations with a contractor may begin.

Response: RUS agrees with this comment. The second sentence in § 1753.48(b) is deleted in this final rule.

List of Subjects in 7 CFR Part 1753

Communications equipment, Loan programs—communications, Reporting and recordkeeping requirements, Rural areas, Telecommunication, Telephone.

For reasons set forth in the preamble, 7 CFR chapter XVII is amended as follows:

PART 1753—TELECOMMUNICATION SYSTEM CONSTRUCTION POLICIES AND PROCEDURES

1. The authority citation for part 1753 is revised to read as follows:

Authority: 5 U.S.C. 501, 7 U.S.C. 901 et seq.

2. Revised § 1753.1, paragraph (a) to read as follows:

§ 1753.1 General.

(a) The standard RUS Telecommunications Loan Documents contain provisions regarding procurement of materials and equipment and construction of telecommunications facilities by telecommunications borrowers. This part implements certain of the provisions by setting forth requirements and procedures. Borrowers shall follow these requirements and procedures whenever using loan funds to purchase materials and equipment or perform construction, unless they have received the Administrator's written approval to do otherwise.

* * * * *

3. Amend § 1753.2 to add a new definitions for "loan purposes," "RUS," and "RTB," and revise the definitions of "major construction", "minor construction" and "modernization plan" to read as follows:

§ 1753.2 Definitions.

* * * * *

Loan purposes—The high level objectives of the loan are to fund the construction. These purposes are first stated in the characteristics letter described in 7 CFR 1737.80, which is sent to the applicant to offer a loan after RUS has completed its preloan studies.

Major construction—A telecommunications plant project estimated to cost more than \$250,000, including all labor and materials.

Minor construction—A telecommunications plant project

estimated to cost \$250,000 or less, including all labor and materials.

* * * * *

Modernization plan—A State plan, which has been approved by RUS, for improving the telecommunications network of those Telecommunications Providers covered by the plan. A Modernization Plan must conform to the provisions of 7 CFR part 1751, subpart B.

* * * * *

RTB—the Rural Telephone Bank, established as a body corporate and an instrumentality of the United States, to obtain supplemental funds from non-Federal sources and utilize them in making loans, for the purposes of financing, or refinancing, the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, or systems, for RUS borrowers financed under sections 201 and 408 of the Act.

RUS—the Rural Utilities Service, an agency of the United States Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance and Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178), successor to Rural Electrification Administration with respect to administering certain electric and telecommunications program. See 7 CFR 1700.1.

* * * * *

4. Revise the first word of § 1753.3(a) from "Prior" to "Advance."

5. Amend § 1753.5, to revise paragraph (b)(1), redesignate paragraph (b)(2) to (b)(3), and add a new paragraph (b)(2) to read as follows:

§ 1753.5 Methods of major construction.

* * * * *

(b) Contract construction. (1) RUS approval of the borrower's award of the contract is not required if the contractor is selected through sealed competitive bidding, the bid amount is \$500,000 or less and the contractor is not a company or organization affiliated with the borrower. This does not relieve the borrower of the requirements of bidding or bid evaluation set contained in this part.

(2) RUS approval of the borrower's award of the contract is required for all other competitively-bid and for negotiated major construction contracts.

* * * * *

6. Amend § 1753.6, to revise paragraph (a) and add paragraph (e) to read as follows:

§ 1753.6 Standards, specifications, and general requirements.

(a) Materials, equipment, and construction financed with loan funds must meet the standards and specifications established by RUS. 7 CFR part 1755 lists the RUS Bulletins containing the standards and specifications for telephone facilities. Materials and equipment meeting these standards are included on the List of Material Acceptable for Use on Telecommunications Systems of RUS Borrowers, I.P. 300-4. This bulletin may be obtained by subscription from the Superintendent of Documents, Government Printing Office, Washington, DC 20402.

(e) All software, software systems, and firmware financed with loan funds must be year 2000 compliant, as defined in 7 CFR 1732.22(e).

7. Amend § 1753.7, to revise paragraphs (c) and (e) to read as follows:

§ 1753.7 Plans and specifications (P&S).

(c) The appropriate standards and specifications listed in 7 CFR part 1755 shall be included in the P&S. When RUS has not prepared standards and specifications, the borrower shall use general engineering requirements and specifications prepared by the borrower's engineer. The specifications prepared by the borrower's engineer and based on general engineering requirements shall be subject to review and approval by RUS for all major construction, including major projects which would be exempted from RUS approval under paragraph (e) of this section.

(e) RUS approval of P&S is required for construction that is estimated to cost over \$500,000 or 25% of the total loan, whichever is less, and for all building construction. P&S for all other construction are exempt from RUS review and approval except that, at the time of contract approval, RUS will examine the plans and specifications for conformity with the loan purposes and to determine that they comply with other requirements of this part.

8. Amend § 1753.8, to revise paragraphs (a)(1), (a)(11)(i), (a)(11)(ii) introductory text, (a)(11)(iii) introductory text, and (a)(12)(i), and add a new paragraph (a)(11)(iv) is added to read as follows:

§ 1753.8 Contract construction procedures.

(a) Sealed, competitive bidding—(1) *Bid opening date*: The borrower is

responsible for scheduling the bid opening date. If RUS review of P&S is required by § 1753.7, the borrower shall wait until approval has been received before setting the date. In setting the date, sufficient time should be allowed for the bidders to examine the project site and prepare their bids. The borrower shall notify GFR of the bid date and invite GFR to attend.

(11) *Award of contract*: (i) The borrower shall obtain from the engineer the determination of the lowest responsive bid, a tabulation of all bids and the engineer's recommendation for award of the contract. Contract award is subject to RUS approval if either the cost of the project is over \$500,000 or the contract is with an organization affiliated with the borrower. Contract award of all other projects is not subject to RUS approval.

(ii) If an award is made, the borrower shall award the contract to the lowest responsive bidder. The borrower may award the contract immediately upon determination of the lowest responsive bidder if the following conditions are met:

(iii) If RUS approval of the award of contract is required under this paragraph (a)(11), the borrower shall send to RUS for consideration of approval of the award:

(iv) If RUS approval of the award of contract is not required under this paragraph (a)(11), the borrower shall keep a file available for inspection by RUS. The file shall be kept for at least two years and shall include:

- (A) One copy of all received bids.
- (B) The engineer's recommendation and tabulation of all bids including "Buy American" evaluations, if any, and all other evaluations required by law.
- (C) Evidence of acceptance of the low bid by the borrower, such as a copy of the board resolution certified by the Secretary of the board.

(12) *Execution of contract*: (i) The borrower shall submit to RUS three original counterparts of the contract executed by the contractor and borrower.

9. Revise § 1753.11, paragraphs (a)(3), (b) and (d) to read as follows:

§ 1753.11 Contract amendments.

(3) The amendment causes an unbonded contract to require a contractor's performance bond. This would occur when a contract that is

executed in an amount below that requiring a performance bond by 7 CFR part 1788, subpart C, is amended to an amount above that amount.

(b) Advance RUS approval to execute other contract amendments is not required. These amendments may be submitted to RUS at any time prior to closeout. If a borrower wishes to receive an advance of funds based on an amended contract amount (i.e., amendments that increase a contract by less than 20%), the borrower may initiate an increase in the amount approved for advance by submitting three copies of the amendment to RUS for approval.

(d) Upon execution of any amendment that causes the amended contract amount to exceed the original contract amount by 20% or more, three copies of the amendment shall be submitted to RUS for approval.

10. Amend § 1753.15, to redesignate paragraphs (a)(2) through (a)(5) as (a)(3) through (a)(6), add a new paragraph (a)(2), and revise paragraphs (a)(1) and newly designated paragraphs (a)(5)(i) and (ii) to read as follows:

§ 1753.15 General.

(a)(1) The standard RUS loan documents contain provisions regarding engineering and architectural services performed by or for RUS telecommunications borrowers. This part implements certain of the provisions by setting forth the requirements and procedures to be followed by borrowers in selecting architects and engineers and obtaining architectural and engineering services by contract or by force account.

(2) Borrowers shall obtain architectural and engineering services only from persons or firms which are not affiliated with, and have not represented, a contractor, vendor or manufacturer who may provide labor, materials, or equipment to the borrower under any current loan.

(5)(i) For major construction, services provided by architects and engineers not on the borrower's staff must be provided under Form 220, Architectural Service Contract, or Form 217, Postloan Engineering Service Contract—Telecommunications. These contracts require RUS approval.

(ii) For minor construction, borrowers may use the contracts in paragraph (a)(5)(i) of this section for postloan architectural or engineering services or any other form of contract, such as Form 245, Engineering Service Contract, Special Services—Telephone. RUS

approval of contracts for postloan architectural or engineering services associated with minor construction, except for buildings covered in paragraph (a)(6) of this section, is not required.

11. Amend § 1753.16, to revise paragraphs (b)(1) through (b)(4) to read as follows:

§ 1753.16 Architectural services.

(b)(1) The borrower shall use Form 220 when contracting for architectural services for major construction, except that the borrower may use either Form 220 or Form 217 if the building is an unattended central office building.

(2) The borrower and the architect negotiate the fees for services under Form 220.

(3) Reasonable modifications or additions to the terms and provisions in Form 220 may be made, subject to RUS approval, to obtain the specific services needed for a building.

(4)(i) Three copies of Form 220, executed by the borrower and the architect, shall be sent to GFR to be forwarded to RUS for approval. RUS will review the contract terms and conditions. RUS will not approve the contract if, in RUS's judgment:

(A) Unacceptable modifications have been made to the contract form.

(B) The contract will not accomplish loan purposes.

(C) The architectural service fees are unreasonable.

(D) The contract presents unacceptable loan security risk to RUS.

(ii) If RUS approves the contract, RUS will send one copy to the architect and one copy to the borrower.

12. Amend § 1753.17(b)(1)(ii)(D) to remove "(See 7 CFR part 1758)", add paragraph (b)(1)(ii)(E), and revise paragraphs (c)(1)(i)(C) and (c)(2)(i)(A) to read as follows:

§ 1753.17 Engineering services.

- (b) * * *
(1) * * *
(ii) * * *

(E) The consulting engineering firm is affiliated with or has represented a contractor, vendor, or manufacturer who may provide labor, materials, or equipment to the borrower under any current loan.

- (c) * * *
(1) * * *
(i) * * *

(C) The names, qualifications, and responsibilities of other principal

employees who will be associated with providing the engineering services.

(2) * * *
(i) * * *
(A) A copy of the employee's qualifications and experience record, unless previously submitted. RUS requires a minimum of four years of construction and inspection experience. The employee cannot be engaged in the actual construction.

13. Add § 1753.18 to read as follows:

§ 1753.18 Engineer and architect contract closeout certifications.

A certification of completion and inspection of construction signed by the borrower and countersigned in accordance with accepted professional engineering and architectural practice, by the engineer or architect, shall be prepared as evidence of completion of a major construction project. This certification shall make reference to the contract number and contract amount, and shall include the following:

(a) A statement that the construction is complete and was done in accordance with the RUS approved system design or layout or subsequent RUS approved changes.

(b) A statement that the construction was for loan purposes.

(c) A statement that construction used RUS-accepted materials and was in accordance with specifications published by RUS covering the construction which were in effect when the contract was executed, or in the absence of such specifications, that it meets other applicable specifications and standards (specify), and that it meets all applicable national and local code requirements as to strength and safety.

(d) A statement that the construction complies with the "Buy American" provision (7 U.S.C. 903 note) of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.).

(e) A statement that all necessary approvals have been obtained from regulatory bodies and other entities with jurisdiction over the project.

(f) A statement that all closeout documents required by this part have been examined and found complete such that the Contractor has fulfilled all obligations under the contract except for warranty coverage.

(g) A statement that the engineer or architect is not affiliated with and does not represent the contractor, vendor, or manufacturer who is a participant in the contract.

14. Revise § 1753.25, paragraphs (a), (c), and (d) as follows:

§ 1753.25 General.

(a) This subpart implements and explains the provisions of the Loan Documents setting forth the requirements and the procedures to be followed by borrowers in constructing headquarters, commercial office, central office, warehouse, and garage buildings with loan funds.

(c) All plans and specifications for buildings to be constructed with loan funds are subject to the approval of RUS. In addition, preliminary plans and specifications for headquarters and commercial office buildings to be constructed with loan funds are subject to RUS approval.

(d) RUS Form 257, Contract to Construct Buildings, shall be used for the construction of all headquarters, commercial office, central office, warehouse, and garage buildings with loan funds. Refer to § 1753.26 for further instructions.

15. Amend § 1753.26, to redesignate paragraphs (a) through (d) and (b) through (e) respectively, revise redesignated paragraph (b)(1) and add a new paragraph (a) to read as follows:

§ 1753.26 Plans and specifications (P&S).

(a) For headquarters and commercial office buildings only, the borrower shall prepare preliminary P&S showing the floor plan and general architectural details of the building to be constructed using loan funds. In particular, the preliminary P&S shall address the requirements of § 1753.25(f) and the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.). The P&S shall be submitted to the GFR and are subject to RUS approval.

(1) RUS Contract Form 257, Contract to Construct Buildings, completed to the extent explained in (c) of this section.

16. Revise § 1753.30, paragraphs (b), (c)(2), and (c)(3) to read as follows:

§ 1753.30 Closeout procedures.

(b) RUS Form 257 Contract. (1) Whenever changes were made in the plans and specifications which did not require immediate submission to RUS of an amendment under § 1753.11, a final contract amendment showing the changes shall be prepared.

(2) Upon completion of the project, the borrower shall obtain certifications from the architect or engineer that the project and all required documentation are satisfactory and complete. The

requirements for this certification are contained in § 1753.18.

(3) The engineer's or architect's contract closeout certification and the final amendment shall be submitted to RUS as a basis for the final advance of funds for the contract.

(4) After all required RUS approvals are obtained, final payment is made in accordance with article III of RUS Form 257 once the borrower has received the architect's or engineer's certifications regarding satisfactory completion of the project.

(c) * * *

(2) Complete, with the assistance of its architect or engineer, the documents listed in the following table that are required for the closeout of force account construction.

DOCUMENTS REQUIRED TO CLOSEOUT CONSTRUCTION OF BUILDINGS

RUS Form No.	Description	Use with		No. of copies prepared by		Distribution	
		Contract	Force account	Contractor	Architect/engineer	Borrower	Contractor
238	Construction or Equipment Contract Amendment (if not previously submitted, send to RUS for approval).	X	.....	.....	(3)	(to RUS)	(to RUS)
181	Certificate of Completion (contract construction) ¹ .	X	.....	.....	2	1	1
231	Certificate of Contractor	X	.....	1	.....	1	.....
224	Waiver and Release of Lien From Each Supplier.	X	.....	1	.....	1	.....
213	Certificate (buy American) ...	X	.....	1	.....	1	.....
None ² ...	"As Built" Plans and Specifications.	X	X	.....	1	1	.....
None	Guarantees, Warranties, Bonds, Operating or Maintenance Instructions, etc.	X	.....	1	.....	1	.....
None	Architect/Engineer seismic safety certification.	X	X	.....	2	1	1

¹ Cost of materials and services furnished by borrower are not to be included in Total Cost on RUS Form 181.

² When only minor changes were made during construction, two copies of a statement to that effect from the Architect will be accepted instead of the "as built" Plans and Specifications.

(3) Make distribution of the completed documents as indicated in the table in this section.

* * * * *

17. Revise § 1753.36, paragraph (g) to read as follows:

§ 1753.36 General.

* * * * *

(g) Materials and equipment must meet the standards and general specifications approved by RUS. Materials and equipment included in I.P. 300-4, "List of Materials Acceptable for Use on Telecommunications Systems of RUS Borrowers", have been accepted as meeting these requirements. If the equipment is not included in the "List of Materials" but has been approved for field trial installation, the borrower must in each instance obtain field trial approval from RUS prior to entering into any agreement with a supplier.

* * * * *

18. Revise § 1753.37, paragraph (c) to read as follows:

§ 1753.37 Plans and specifications (P&S).

* * * * *

(C) RUS review of P&S is required for construction estimated to cost over \$500,000 total or estimated to cost more

than 25% of the total loan, whichever is less.

(1) If RUS review is required, the borrower shall submit one copy of the P&S to the GFR for RUS review.

(2) RUS will review the P&S and notify the borrower in writing of approval or disapproval.

19. Revise § 1753.38, paragraphs (a)(1)(i), (a)(1)(v), (a)(2)(i), (a)(2)(v), (b)(1), (b)(3), (b)(5), (e)(2), and (e)(3) to read as follows:

§ 1753.38 Procurement procedures.

(a) * * *

(1) *Solicitation of bids.* (i) After RUS approval of the specifications and equipment requirements (required only for projects expected to exceed \$500,000 or 25% of the loan, whichever is less), the borrower shall send "Notice and Instructions to Bidders" to suppliers with central office equipment included in the current Informational Publication (I.P.) 300-4, "List of Materials Acceptable for Use on Telecommunications Systems of RUS Borrowers." I.P. 300-4 is a subscription item available from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954. This "Notice" may also be sent to suppliers of non-domestic equipment currently accepted by RUS as meeting RUS

technical standards. The "Notice" may also be sent to suppliers of central office equipment accepted for field trial.

* * * * *

(v) At the request of an invited supplier, the borrower shall provide two copies of the P&S.

(2) *Technical sessions.* (i) The borrower shall schedule individual technical sessions by the suppliers, notify each supplier of its scheduled date and time, notify the GFR of all scheduled dates and times, and request the following be available at the technical session:

* * * * *

(v) After evaluation of the technical proposals and RUS approval of the changes to P&S (required only for projects that are expected to exceed \$500,000 or 25% of the loan, whichever is less), sealed bids shall be solicited from only those bidders whose technical proposals meet P&S requirements. When fewer than three bidders are adjudged qualified by the borrower to bid, RUS approval must be obtained to proceed. Generally, RUS will grant such approval only if the borrower can demonstrate to the satisfaction of RUS that a good faith effort was made to obtain at least three competitive bids. This would be demonstrated if all suppliers currently listed in I.P. 300-4

were invited to submit technical proposals.

(b) After RUS approval of the P&S and equipment requirements (required only for contracts expected to exceed \$500,000 or 25% of the loan, whichever is less), the borrower shall send two complete copies of the approved P&S to the supplier an request that a proposal be submitted.

(3) If the contract is expected to exceed \$500,000 or 25% of the loan, whichever is less, changes in the P&S resulting from the technical session shall be subject to RUS review and approval.

(5) The borrower shall obtain an award recommendation from its engineer.

(2) The borrower shall prepare a plan containing an outline of the proposed use of the equipment, the proposal from the supplier and an estimate of the installation cost. If the total cost exceeds \$500,000, RUS approval of the award of contract is required. The borrower shall in this case submit its plan and the supplier's proposal to GFR. If the cost does not exceed \$500,000, the borrower's award of contract is not subject to RUS approval.

(3) If RUS approval was required by paragraph (e)(2) of this section, upon RUS approval the purchase may be made using RUS Contract Form 525, or 545, or when applicable, the procedures contained in subpart I of this part.

(20) Amend § 1753.39 to revise paragraphs (a), (e)(1), (3)(2), (f) introductory text, (f)(1)(ii)(A), (f)(1)(iii), (f)(1)(iv) and (g), delete paragraph (e)(3), and add paragraph (h) to read as follows:

§ 1753.39 Closeout documents.

(a) Contract amendments. Amendments that must be submitted to RUS for approval, as required by § 1753.11, shall be submitted promptly. All other amendments may be submitted to RUS with the engineer's contract closeout certification.

(1) Obtain from the engineer a certification of partial closeout.

(2) Submit one copy of the summary to RUS with an FRS.

(f) Final contract closeout procedure. The documents required for the final closeout of the central office equipment contract, RUS Contract Forms 525 and 545, are listed in the following table, which also indicates the number of copies and their distribution. The procedure to be followed is as follows:

DOCUMENTS REQUIRED TO CLOSEOUT CENTRAL OFFICE EQUIPMENT CONTRACT

RUS Form No.	Description	Use with		Prepared by		Distribution	
		RUS Form 525	RUS Form 545	Contractor	Engineer	Borrower	Contractor
238	Construction or Equipment Contract Amendment (if not previously submitted, send to RUS for approval).	X	X		(3)	(to RUS)	(to RUS)
754	Certificate of Completion and Certificate of Contractor and Indemnity Agreement (if submitted, Form 744 is not required).	X		3	3	2	1
517	Results of Acceptance Tests (prepare and distribute copies immediately upon completion of the acceptance tests of each central office).	X			2	1	1
752a	Certificate of Completion—Not Including Installation.		X		2	1	1
224	Waiver and Release of Lien (from each supplier).	X		1		1	
231	Certificate of Contractor	X		1		1	
213	Certificate (Buy American)	X	X	1		1	
None	Switching Diagram, as installed	X	X	2		2	
None	Set of Drawings (each set to include all the drawings required under the Specification, RUS Form 522).	X	X	2		2	

(1) Prepare and assemble the documents listed in the table in this section, Documents Required to Close Out Central Office Equipment Contracts.

(iii) Make the documents listed in the table available for GFR review on the date of final inspection.

(iv) Distribute the documents as indicated in the table. The documents listed for RUS shall be retained by the borrower for inspection by RUS for at

least two years from the date of the engineer's contract closeout certificate.

(g) Once RUS approval has been obtained for any required amendments, the borrower shall obtain certifications from the engineer that the project and all required documentation are satisfactory and complete. The requirements for the final contract certification are contained in § 1753.18.

(h) Once these certifications have been received, final payment shall be made according to the payment terms of the contract. Copies of the certifications

shall be submitted with the FRS, requesting the remaining funds on the contract.

21. Revise § 1753.46, paragraphs (c)(2) and (c)(3) to read as follows:

§ 1753.46 General.

(2) Contract Form 515, which is for \$250,000 or less, may, at the borrower's option, be negotiated. See § 1753.48(b).

(3) RUS Form 773 may be used for minor outside plant projects which are not competitively bid because they cannot be designed and staked at the

time of contract execution. Projects of this nature include routine line extensions and placement of subscriber drops. See subpart I of this part.

22. Revise § 1753.47, paragraph (c) to read as follows:

§ 1753.47 Plans and specifications (P&S).

* * * * *

(c) *Submission of plans and specifications to RUS.* (1) If the project does not exceed \$500,000 or 25% of the loan, whichever is less, the borrower shall furnish GFR one set of P&S. The borrower may then proceed with procurement in accordance with § 1753.48.

(2) If the project exceeds \$500,000 or 25% of the loan, whichever is less, RUS

approval of P&S is required. Two sets of P&S shall be furnished to GFR. RUS will return one set to the borrower upon notice of approval. The borrower may then proceed with procurement in accordance with § 1753.48.

23. Revise § 1753.48, paragraphs (a)(4) and (b)(1) to read as follows:

§ 1753.48 Procurement procedures.

(a) * * *

(4) *Bid openings.* (i) Bid openings and award of the contract shall be conducted in accordance with §§ 1753.5(b)(1) and 1753.8(a).

(ii) If § 1753.8 requires RUS approval of award of the bid, the borrower shall submit to RUS two copies of the assembly unit sections of the apparent

lowest responsive bid accepted by the borrower.

(b) *Negotiated procurement.* (1) Competitive bids are not required for outside plant construction that is estimated to cost \$250,000, or less, inclusive of labor and materials.

* * * * *

24. Revise § 1753.49, paragraphs (b), (c)(2) and (c)(3) to read as follows:

§ 1753.49 Closeout documents.

* * * * *

(b) *Documents required.* The following table lists the documents required to closeout the RUS contract Form 515.

DOCUMENTS REQUIRED TO CLOSEOUT CONSTRUCTION CONTRACT
[RUS Form 515]

RUS Form No.	Description	No. of copies prepared by		Distribution	
		Contractor	Engineer	Borrower	Contractor
724	Final Inventory—Certificate of Completion		2	1	1
724a	Final Inventory—Assembly Units		2	1	1
None	Contractor's Bond Extension (send to RUS when required)	(3)		(to RUS)	(to RUS)
281	Tabulation of Materials Furnished by Borrower	2		1	1
213	Certificate—"Buy American"	1		1	
None	Listing of Construction Change Orders		1	1	
224	Waiver and Release of Lien (from each supplier)	1		1	
231	Certificate of Contractor	1		1	
527	Final Statement of Construction		2	1	1
None	Reports on Results of Acceptance Tests		1	1	1
None	Set of Final Staking Sheets		1	1	
None	Tabulation of Staking Sheets		1	1	
None	Correction Summary (legible copy)		1	1	
None	Treated Forest Products Inspection Reports or Certificates of Compliance (prepared by inspection company or supplier).			1	
None	Final Key Map (when applicable)		1	1	
None	Final Central Office Area and Town Maps		1	1	

(c) * * *

(2) *Final inventory documents.* (i) The borrower shall obtain certifications from the engineer that the project and all required documentation are satisfactory and complete. Requirements for these

contract closeout certifications are contained in § 1753.18.

(ii) The borrower shall prepare and distribute the final inventory documents in accordance with the tables contained in this section. The documents listed for

RUS shall be retained by the borrower for inspection by RUS for at least two years from the date of the engineer's contract closeout certification.

STEP-BY-STEP PROCEDURE FOR CLOSEOUT OF CONSTRUCTION CONTRACT
[RUS Form 515]

Step No.	Sequence		By	Procedure
	When			
1	Upon Completion of Construction		Borrower's Engineer.	Prepares the following: a set of Detail Maps and a set (when applicable) of Key Maps which show in red the work done under the 515 contract; a Tabulation of Staking Sheet; and a tentative Final Inventory, RUS Forms 724 and 724a.
2	After acceptance tests made		Borrower's Engineer.	Forwards letter to the borrower with copies to the GFR stating that the project is ready for final inspection. Schedules inspection date.
3	Upon receipt of letter from Borrower's Engineer.		GFR	Advise borrower whether attending the final inspection will be possible.

STEP-BY-STEP PROCEDURE FOR CLOSEOUT OF CONSTRUCTION CONTRACT—Continued
[RUS Form 515]

Sequence		By	Procedure
Step No.	When		
4	By inspection date	Borrower's Engineer.	Obtains and makes available the following documents: a set of "as constructed" detail maps and (when applicable) "as built" key maps; a list of construction change orders; the final staking sheets; the tabulation staking sheets; the treated forest products inspection reports or certificates of compliance; the tentative final inventory, RUS Forms 724 and 724a; the tentative tabulation, RUS Form 231 (if borrower furnished part of material); and, a report of results of acceptance tests.
5	During inspection	Borrower's Engineer.	Issues instructions to contractor covering corrections to be made in construction as a result of inspection.
6	During inspection	Contractor	Corrects construction on basis of instructions from the borrower's engineer. The corrections should proceed closely behind the inspection in order that the borrower's engineer can check the corrections before leaving the system.
7	During inspection	Borrower's Engineer.	Inspects and approves corrected construction. Marks inspected areas on the key map, if available, otherwise on the detail maps.
8	Upon completion of inspection	Borrower's Engineer.	Prepares or obtains all the closeout documents listed in Table 3.
9	After signing final inventory	Borrower	Prepares and submits to RUS the engineer's certifications of completion and a Financial Requirement Statement, RUS Form 481, requesting amount necessary to make final payment due under contract.
10	On receipt of final advance	Borrower	Promptly forwards check for final payment to contractor.
11	During subsequent loan fund audit review following final payment.	RUS Field Accountant.	Examines borrower's construction records for compliance with the construction contract and Subpart F, and examines RUS Form 281 (Tabulation of Materials Furnished by Borrower) if any, for appropriate costs.

(iii) When the total inventory price exceeds the maximum contract by more than 20 percent, an extension to the contractor's bond is required.

(iv) The borrower shall submit the engineer's contract closeout certification with FRS for the final advance of funds.

(3) Final payment shall be made according to the payment provisions of article III of RUS Form 515, except that

certificates and other documents required to be submitted to or approved by the Administrator shall be submitted to and approved by the Owner.

§ 1753.50 [Removed and Reserved]

25. Section 1753.50 is removed and reserved.

26. Revise § 1753.58, paragraphs (b), (c)(2) and (c)(5) to read as follows:

§ 1753.58 Closeout documents.

* * * * *

(b) *Documents.* The documents required to close the FAP are listed in the following table. The following is a brief description of the closeout documents:

DOCUMENTS REQUIRED TO CLOSE OUT FORCE ACCOUNT OUTSIDE PLANT CONSTRUCTION

RUS Form No.	Description
817, 817a, 817b	Final Inventory Force Account Construction and Certificate of Engineer. Submit one copy to RUS, if required ¹
213	Certificate—"Buy American" (as applicable from each supplier).
None	Detail Maps.
None	Key map, if applicable.
None	Staking Sheets.
None	Tabulation of staking sheets.
None	Treated Forest Products Inspection Reports or Certificates of Compliance (prepared by inspection company or supplier).

¹ RUS Forms 817, 817a, and 817b are to be submitted to GFR only if required in paragraph (c)(5) of this section. Otherwise, the final inventory documents are to be assembled and retained by the borrower for at least two years.

(c) * * *
(2) The GFR shall be invited to make the final inspection accompanied by the engineer and the borrower.

* * * * *

(5) After inspection, the final inventory documents shall be assembled as indicated in the table in this section. RUS Forms 817, 817a, and 817b are to be submitted to GFR only if the amount of the closeout exceeds the original

force account proposal by 20% or more. Otherwise, the final inventory documents are to be assembled and retained by the borrower for at least two years.

* * * * *

27. Revise § 1753.68, paragraphs (b)(2)(i), (b)(2)(ii), (b)(2)(iii), (b)(2)(iv), (b)(2)(v), (b)(4)(i), (b)(4)(ii), (c)(2), and (d)(3) to read as follows:

§ 1753.68 Purchasing special equipment.

- (b) * * *
 - (2) *Initial equipment purchase.* (i) The borrower prepares P&S and, for projects estimated to exceed \$500,000 or 25% of the loan, whichever is less, sends two copies to GFR for approval.
 - (ii) For projects estimated to exceed \$500,000 or 25% of the loan, whichever is less, RUS will either approve P&S in writing or notify the borrower of the reasons for withholding approval.
 - (iii) For projects estimated to cost less than \$500,000 or 25% of the loan, whichever is less, the borrower may proceed with procurement upon completion of the P&S.
 - (iv) If the borrower has employed full competitive bidding in the selection, a contract may be executed with the successful bidder and the borrower may proceed to paragraph (b)(2)(vi) of this section.

(v) If the borrower did not follow a fully competitive bidding process as described in § 1753.8, the selection, along with a summary of all proposals and an engineer's recommendation, shall be sent to RUS. RUS shall approve the proposal selection in writing or notify the borrower of any reason for withholding approval.

(4) *New system additions.* (i) The borrower prepares the P&S and, if the project is estimated to exceed \$500,000 or 25% of the loan, whichever is less, sends two copies to the GFR for approval. The borrower may request RUS approval to negotiate for the purpose of standardization on a system basis prior to preparing the P&S.

(ii) RUS notifies the borrower in writing as to whether the borrower may negotiate for specific equipment. If P&S were required to be submitted to RUS under paragraph (b)(4)(i) of this section, RUS notifies the borrower in writing of P&S approval (or notifies the borrower

of the reasons for withholding approval).

(c) * * *
 (2) The borrower shall prepare any required amendments to the special equipment contract, arrange for the execution by all parties, and submit these amendments to RUS in accordance with § 1753.11(d). RUS Form 238, Construction or Equipment Contract Amendment, shall be used for this purpose.

(d) * * *
 (3) *Closeout documents.* When the acceptance tests have been completed and all deficiencies have been corrected, the borrower:

(i) Assembles and distributes the documents listed in the following table that are required for the closeout of the special equipment contract. The documents listed for RUS shall be retained by the borrower for inspection by RUS for at least two years from the date of the engineer's contract closeout certification.

DOCUMENTS REQUIRED TO CLOSE OUT SPECIAL EQUIPMENT CONTRACTS
 [RUS Forms 397 and 398]

RUS Form No.	Description	No. of copies prepared by			Engineer	Distribution	
		Form 397	Form 398	Contractor		Borrower	Contractor
238	Construction or Equipment Contract Amendment (if not previously submitted, send to RUS for approval).	.....	(3)	.....	(3)	(to RUS)	(to RUS)
396	Certificate of Completion—Special Equipment Contract (Including Installation).	.....	2	.....	.....	1	1
396a	Certificate of Completion—Special Equipment Contract (Not Including Installation).	.....	.....	.....	2	1	1
744	Certificate of Contractor and Indemnity Agreement.	1	.....	.....	.....	1	.....
213	Certificate (Buy American)	1	.....	1	.....	1	.....
None	Report in writing, including all measurements and other information required under Part II of the applicable specifications.	1	.....	.....	1	1	.....
None	Set of maintenance recommendations for all equipment furnished under the contract.	1	.....	1	.....	1	.....

- (ii) Obtains certifications from the engineer that the project and all required documentation are satisfactory and complete. Requirements for this contract closeout certification are contained in § 1753.18.
- (iii) Submits copies of the engineer's certifications to RUS with the FRS

requesting the remaining funds on the contract.

(iv) Makes final payment in accordance with the payment terms of the contract.

28. Revise § 1753.76, paragraph (a) is revised to read as follows:

§ 1753.76 General.

(a) This subpart implements and explains the provisions of the Loan Documents containing the requirements and procedures to be followed by borrowers for minor construction of telecommunications facilities using RUS

loan funds. Terms used in this subpart are defined in § 1753.2.

* * * * *

29. Revise § 1753.77 to read as follows:

§ 1753.77 Methods of minor construction.

Minor construction may be performed by contract using RUS Contract Form 773, "Miscellaneous Construction Work and Maintenance Services", by RUS Contract Form 515, or by work order construction. The rules for using Form 515 for minor construction are contained in subpart F of this part.

30. Revise § 1753.80, paragraph (b) to read as follows:

§ 1753.80 Minor construction procedure.

* * * * *

(b) RUS financing under Form 773 contracts dated in the same calendar year is limited to the following amounts for the following discrete categories of minor construction. The date of the Form 773 contract is the date the Form 773 contract is executed.

(1) For outside plant construction, the limit is \$500,000 or ten per cent (10%) of the borrower's previous calendar year's outside plant total construction, whichever is greater.

(2) For central office equipment, the limit is \$500,000.

(3) For special equipment and buildings, the limit is \$250,000 in each category.

* * * * *

Appendices A-F Removed

31. Remove Appendices A through F to part 1753.

Dated: March 31, 1999.

Inga Smulkstys,

Deputy Under Secretary, Rural Development.

[FR Doc. 99-8380 Filed 4-5-99; 8:45 am]

BILLING CODE 3410-15-M

FEDERAL RESERVE SYSTEM

12 CFR Part 213

[Regulation M; Docket No. R-1028]

Consumer Leasing

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule; official staff interpretation.

SUMMARY: The Board is publishing revisions to the official staff commentary to Regulation M, which implements the Consumer Leasing Act. The commentary applies and interprets the requirements of the regulation. The update provides guidance on

disclosures for lease renegotiations and extensions, official fees and taxes, multiple-item leases, and advertisements.

DATES: This rule is effective March 31, 1999. Compliance is optional until March 31, 2000.

FOR FURTHER INFORMATION CONTACT:

Kyung Cho-Miller or Obrea Poindexter, Staff Attorneys, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, at (202) 452-3667. For users of Telecommunications Device for the Deaf (TDD) *only*, Diane Jenkins at (202) 452-3544.

SUPPLEMENTARY INFORMATION:

I. Background

The Consumer Leasing Act (CLA), 15 U.S.C. 1667-1667e, was enacted in 1976 as an amendment to the Truth in Lending Act (TILA), 15 U.S.C. 1601 *et seq.* The Board's Regulation M (12 CFR part 213) implements the act. The CLA requires lessors to provide consumers with uniform cost and other disclosures about consumer lease transactions. The act generally applies to consumer leases of personal property in which the contractual obligation does not exceed \$25,000 and has a term of more than four months. An automobile lease is the most common type of consumer lease covered by the act.

The commentary (12 CFR Part 213 (Supp. I)) is a substitute for individual written staff interpretations; it is updated as necessary, but generally not more frequently than annually, to address significant questions that arise. This is the first update since the January 1, 1998, effective date for complying with the revised regulation. Except as discussed below, the interpretations are adopted as proposed, with some technical edits to address concerns raised by commenters. In response to concerns about the uncertainty of computer readiness for the Year 2000 date change, the effective date for mandatory compliance with the commentary update is March 31, 2000.

In December, the Board published proposed amendments to the commentary to Regulation M (63 FR 67434, December 7, 1998). The Board received comments from leasing industry representatives. Overall, commenters generally supported the proposed amendments, except for the guidance on estimating official fees and taxes.

II. Commentary Revisions

Section 213.3—General Disclosures Requirements

3(d) Use of Estimates

As proposed, the example about estimating official fees and taxes in comment 3(d)(1)-1(i) is removed. A cross reference to the commentary to section 213.4(n), which provides guidance on estimating official fees and taxes, is added to comment 3(d)(1)-2.

Section 213.4—Content of Disclosures

4(c) Payment Schedule and Total Amount of Periodic Payments

Comment 4(c)-1 is revised to clarify that scheduled payments can occur at both regular and irregular intervals. A similar revision is also made in comment 1 to appendix A.

4(f) Payment Calculation

Motor vehicle lease disclosures must include a mathematical progression of how periodic payments are derived. Comment 4(f)-2 is added to address lease transactions that involve multiple items of leased property if one of the items is not a motor vehicle under state law.

4(n) Fees and Taxes

Lessors must disclose the total amount payable by the lessee during the lease term for official and license fees, certificate of title fees, registration, and taxes. Commenters supported the need for guidance about this disclosure but thought proposed comment 4(n)-2 did not provide sufficient flexibility given the difficulty in projecting future fees and taxes on some lease transactions. Fees and taxes may differ widely, state by state and jurisdiction by jurisdiction. In addition, some of the taxes and fees being projected may involve amounts that are billed directly to consumers and not through the lessor. Comment 4(n)-2 is revised to provide guidance and flexibility in determining rates and fees.

Section 213.5—Renegotiations, Extensions, and Assumptions

5(a) Renegotiations

A renegotiation occurs where a lease is satisfied and replaced by a new lease. Under Regulation M, a renegotiation generally triggers new disclosures. Several commenters requested further guidance on how to properly complete model forms where, by renegotiation, the initial lease term is extended and the consummation date remains unchanged from the initial lease. Comment 5(a)-1 is added to clarify that disclosures should conform to the