have sufficient income available to pay all family living and operating expenses, other creditors, and FSA. This determination will be based on the borrower's actual production, income and expense records for the disaster or affected year and any other records required by the servicing official. Compensation received for losses shall be considered as well as increased expenses incurred because of the disaster.

(8) For the next business accounting year, the borrower must develop a positive cash flow projection showing that the borrower will at least be able to pay all operating expenses and taxes due during the year, essential family living expenses and meet scheduled payments on all debts, including FLP debts. The cash flow projection must be prepared in accordance with 7 CFR § 1924.56. The borrower will provide any documentation required to support the cash flow projection.

(9) After the scheduled installments are set-aside, all FLP and NP farm type loans must be current.

(10) The borrower's FLP loan has not been accelerated.

(11) The borrower does not have a loan servicing application pending under subpart S of this part.

(12) The borrower's FLP loans have not been restructured under subpart S of this part since the natural disaster occurred.

(b) *Loan limitation requirements.* (1) The loan must have been outstanding at the time of the natural disaster.

(2) The term remaining on the loan receiving DSA equals or exceeds 2 years from the due date of the installment being set-aside.

(3) The installment that may be set-aside is limited to the first scheduled annual installment due immediately after the disaster occurred.

(4) The amount of set-aside shall be limited to the amount the borrower was unable to pay FSA from the production and marketing period in which the disaster occurred. Borrowers are required to pay any portion of an installment that they are able to pay.

(5) The amount set-aside will be the unpaid balance remaining on the installment at the time the borrower signs Exhibit A of FmHA Instruction 1951–T (available in any FSA office.) This amount will include the unpaid interest and any principal that would be credited to the account as if the installment were paid on the due date taking into consideration any payments applied to principal and interest since the due date. Recoverable cost items may not be set aside and the account must be serviced in accordance with § 1951.907(d). The amount set aside will accrue interest from the time of the set-aside and will be due with the final installment.

6. Amend § 1951.957 as follows:

a. Revise paragraphs (a), (b)(4), and (b)(7); and

b. Remove paragraph (c).

§ 1951.957 Eligibility determination and processing.

(a) *Eligibility determination.* (1) Upon receipt of a complete DSA application, the Agency official will determine if the borrower meets the requirements set forth in § 1951.954. Approval shall be contingent upon the borrower's continuing eligibility through the signing of Exhibit A of FmHA Instruction 1951–T (available in any FSA office).

(2) The borrower has up to 30 days to sign Exhibit A of FmHA Instruction 1951–T (available in any FSA office) for each loan installment set-aside approved. The Agency may provide for a longer period of time not to exceed 30 additional days under extenuating circumstances, such as where the Agency's approval is contingent upon the borrower paying a portion of the FLP payments from proceeds that may not be available until after the initial 30 day period.

(b) * * *

(4) If the borrower is not current on all FLP loans when Exhibit A of FmHA Instruction 1951–T (available in any FSA office) is executed, the borrower, and all obligors in the case of an entity, must execute and provide to the Agency a best lien obtainable on all of their assets except:

(i) When taking a lien on such property will prevent the borrower from obtaining credit from other sources;

(ii) When the property could have significant environmental problems or costs;

(iii) When the Agency cannot obtain a valid lien;

(iv) When the property is the borrower's personal residence and appurtenances and:

(A) They are located on a separate parcel, and

(B) The real estate that serves as collateral for the Agency loan plus crops and chattels are valued at greater than or equal to 150 percent of the unpaid balance due on the loan;

(v) When the property is subsistence livestock, cash, special collateral accounts the borrower uses for the farming operation, retirement accounts, personal vehicles necessary for family living, household goods, or small equipment such as hand tools and lawn mowers; or

* * * * *

(7) Payments applied to the amount set-aside will be applied first to interest and then to principal.

§ 1951.1000 [Removed and Reserved]

7. Remove and reserve § 1951.1000.

Signed in Washington, DC, on May 31, 2002.

J.B. Penn,

Under Secretary for Farm and Foreign Agricultural Services.

[FR Doc. 02–15506 Filed 6–19–02; 8:45 am]

BILLING CODE 3410–05–P

FEDERAL HOUSING FINANCE BOARD

12 CFR Part 951

[No. 2002–26]

RIN 3069–AB15

Affordable Housing Program Amendments

AGENCY: Federal Housing Finance Board.

ACTION: Proposed rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is proposing to amend its regulation governing the operation of the Affordable Housing Program (AHP) to authorize a Federal Home Loan Bank (Bank) to set aside annually an additional amount, up to the greater of $1.5 million or 10 percent of the Bank's annual required AHP contribution, to assist low-or moderate-income, first-time homebuyers under the Bank's homeownership set-aside program. This increased discretionary funding authority would supplement the Banks' current discretionary authority to fund homeownership set-aside programs subject to the $3.0 million or 25 percent allocation cap. Under the Banks' AHP contribution requirement for 2002, this increased funding authority would enable the twelve Banks to provide an additional $24.0 million to assist 2,400 to 4,800 additional low-or moderate-income, first-time homebuyers. This additional set-aside funding authority would complement national housing policy initiatives to broaden first-time homeownership, especially among minority and immigrant households and households living in rural areas and on Native American tribal lands.

DATES: The Finance Board will accept written comments on the proposed rule that are received on or before August 19, 2002.

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

FOR FURTHER INFORMATION CONTACT: Charles E. McLean, Deputy Director, (202) 408–2537, Melissa L. Allen, Program Analyst, (202) 408–2524, Program Assistance Division; Sylvia C. Martinez, Policy Development and Analysis Division, (202) 408–2825; Sharon B. Like, Office of General Counsel, (202) 408–2930, Federal Housing Finance Board, 1777 F Street, NW., Washington, DC 20006.

SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

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 of the Bank System 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). The Finance Board is required to promulgate regulations governing the AHP. *See id.* The Finance Board's existing regulation governing the operation of the AHP is codified at 12 CFR part 951.

II. Goal To Broaden Homeownership

It is widely recognized that homeownership contributes to community stability and upward mobility of homeowners. A key goal of national housing policy is to broaden homeownership, especially among minority and immigrant households and households living in rural areas and on Native American tribal lands. Based on 2000 Census data, the homeownership rate is approximately 66.3 percent nationwide.[1] The homeownership rate for all minority groups is 48.6 percent, compared to 72.4 percent for non-minorities. The homeownership rate for immigrant households is 47 percent. According to data of the Department of Housing and Urban Development (HUD), in fiscal year 2001, 45.1 percent of Federal Housing Administration (FHA) loans to first-time homebuyers with incomes at or below 80 percent of area median income were to members of minority groups.

To achieve this goal of broadening homeownership, a number of initiatives for assistance to first-time homebuyers have been proposed or implemented, including: the Self-Help Homeownership Opportunity Program (SHOP); the Section 8 Homeownership Program vouchers; the HOME American Dream Downpayment Fund; and a new FHA hybrid adjustable-rate mortgage for low-or moderate-income homebuyers. HUD and state and local housing authorities also are seeking to assist households in achieving homeownership through Family Self-Sufficiency (FSS) and Individual Development Account (IDA) savings programs. Two of the Banks currently use part or all of their homeownership set-aside funding authority to supplement the savings of households participating in FSS and IDA programs.

The Finance Board believes that, in addition to the Banks' current authority to set aside AHP funds for homeownership assistance, authorizing a Bank to set aside annually up to the greater of $1.5 million or 10 percent of its annual required AHP contribution to assist low- or moderate-income, first-time homebuyers would complement these initiatives to broaden homeownership, especially among minority and immigrant households and households living in rural areas and on tribal lands. An increase in AHP subsidy of 10 percentage points for all twelve Banks would increase the total amount of potential funds available from the twelve Banks for downpayment and closing cost assistance to low- or moderate-income, first-time homebuyers by $24.0 million in 2002.[2] This could assist 2,400 to 4,800 additional low- or moderate-income, first-time homebuyers.

The proposed changes to the AHP regulation are discussed further below under the Analysis of Proposed Rule section. The Finance Board welcomes written comments on all aspects of the proposed rule.

III. Analysis of Proposed Rule

A. Current AHP Set-Aside Program Authority

The current AHP regulation requires each of the twelve Banks to operate a competitive application program in its district for the awarding of AHP grants or subsidized advances to members to assist in the purchase, construction or rehabilitation of housing for very low- and low- or moderate-income households. *See* 12 CFR 951.3(a)(2), 951.5(b), 951.6(b). In addition, the AHP regulation authorizes each Bank, in its discretion, to adopt homeownership set-aside programs for the disbursement of AHP grants to members to assist low- or moderate-income households with the purchase or rehabilitation of owner-occupied housing units. *See* 12 CFR 951.3(a), 951.5(a), 951.6(a). ''Low- or moderate-income households'' are defined generally as households with incomes of 80 percent or less of the median income for the area. *See* 12 CFR 951.1. Specifically, each Bank, after consultation with its Advisory Council, may set aside annually, in the aggregate, up to the greater of $3.0 million or 25 percent of its annual required AHP contribution to provide funds to members participating in homeownership set-aside programs at the Bank. 12 CFR 951.3(a)(1). In addition, in cases where the amount of homeownership set-aside funds applied for by members in a given year exceeds the amount available for that year, a Bank may allocate up to the greater of $3.0 million or 25 percent of its annual required AHP contribution for the subsequent year to the current year's homeownership set-aside programs. 12 CFR 951.3(a)(1).[3]

The AHP regulation provides that households must use the homeownership set-aside grants to pay for downpayment, closing cost, counseling, or rehabilitation assistance in connection with the household's purchase or rehabilitation of an owner-occupied housing unit. *See* 12 CFR 951.5(a)(4). The AHP regulation also provides that households must complete a homebuyer or homeowner counseling program, and must meet such other allocation and eligibility criteria as may be established by the Bank, such as a matching funds requirement or criteria that give priority for the purchase or rehabilitation of housing in particular areas or as part of a disaster relief effort. *See* 12 CFR 951.5(a)(1), (2)(ii) and (iii). The Banks have used this authority over the years to adopt a variety of different eligibility requirements and priorities under their homeownership set-aside programs. In addition, a housing unit purchased or rehabilitated using homeownership set-aside funds must be subject to a five-year retention agreement requiring that if the unit is sold to an income-ineligible household or refinanced prior to the end of the five-year retention period and is no longer subject to a deed restriction, a *pro rata* share of the subsidy shall be

[1] According to the United States Department of Commerce, U.S. Census Bureau Housing Vacancies and Homeownership Survey, the fourth quarter 2001 national homeownership rate was approximately 67.8 percent.

[2] The total required AHP contribution of the twelve Banks in 2002 is $240 million. *See* 12 U.S.C. 1430(j)(5)(C).

[3] The AHP regulation was amended in October 2001 to increase these maximum allowable annual allocations from the greater of $1.5 million or 15 percent of the annual required AHP contribution. *See* 66 FR 50296 (Oct. 3, 2001).

repaid to the Bank. *See* 12 CFR 951.5(a)(5), 951.13(d)(1).

B. Proposed Amendment

For the reasons discussed above, the Finance Board believes that increasing the Banks' current maximum allowable annual homeownership set-aside amount, with the incremental increase targeted to low- or moderate-income, first-time homebuyers, would assist the national housing policy goal of broadening homeownership, including homeownership among minority and immigrant groups and households living in rural areas and on tribal lands. Accordingly, § 951.3(a)(1)(ii) of the proposed rule would authorize a Bank, after consultation with its Advisory Council, to set aside annually up to the greater of $1.5 million or 10 percent of its annual required AHP contribution to assist low- or moderate-income, first-time homebuyers (first-time homebuyer set-aside program). Proposed § 951.3(a)(1)(ii) also would authorize a Bank, in cases where the amount of funds applied for by members in a given year under the first-time homebuyer set-aside program exceeds the amount available for that year, to set aside up to the greater of $1.5 million or 10 percent of its annual required AHP contribution for the subsequent year to the current year's first-time homebuyer set-aside program. The proposed increased discretionary funding authority would supplement the Banks current discretionary authority to fund homeownership set-aside programs subject to the existing $3.0 million or 25 percent allocation cap. The proposed rule also would make a technical amendment to require that the Consumer Price Index (CPI) adjustments of the maximum dollar limits be made beginning in 2003 instead of 2002.

Under the existing AHP regulation, prior to disbursement of homeownership set-aside funds by a Bank to a member, the Bank must require the member to certify that, among other things, the funds received from the Bank will be provided to a household meeting the eligibility requirements of § 951.5(a)(2). *See* 12 CFR 951.8(b)(2). The proposed rule would amend § 951.5(a)(2)(iii) to include the first-time homebuyer requirement as an eligibility requirement under the first-time homebuyer set-aside program. Therefore, a member would be required to certify that funds to be disbursed to households under the first-time homebuyer set-aside program will be provided to eligible first-time homebuyers.

The proposal entails use of the Banks' existing set-aside program operations, thereby minimizing additional administrative costs on the Banks. The proposal would not affect the Banks' and Advisory Councils' current discretionary authority regarding funding and operation of existing or new set-aside programs under the $3.0 million or 25 percent allocation cap. Thus, the Banks, in consultation with their Advisory Councils, could continue their existing set-aside programs, and would have the flexibility to adopt new set-aside programs based on local needs, subject to the current $3.0 million or 25 percent allocation cap. A determination on whether to use the proposed increased funding authority would be in the discretion of each Bank, after consultation with its Advisory Council. The proposal would require, however, that if a decision is made to use the increased funding authority, such increased funding must be targeted to low- or moderate-income, first-time homebuyers, subject to any additional eligibility criteria adopted by the Bank, in its discretion, for the program. *See* 12 CFR 951.5(a)(2)(iii). A Bank could, of course, choose, in its discretion, to also target some or all of its existing or new set-aside programs operating under the current $3.0 million or 25 percent allocation cap to low- or moderate-income, first-time homebuyers, as some Banks do now. Consistent with the current AHP regulation, the proposed rule does not define the term "first-time homebuyer," leaving such determination to the discretion of each Bank, as set forth in its AHP Implementation Plan.

The Banks' homeownership set-aside programs have proven to be an efficient and effective means for the Banks and their members to provide homeownership opportunities for low- or moderate-income homebuyers, including first-time homebuyers. Homeownership set-aside funds help finance affordable housing in underserved areas and for underserved households, and often are the only way to effectively meet scattered-site, affordable housing needs in rural areas or tribal areas, which have difficulty scoring well under the competitive AHP application program and where rental projects are not feasible. Homeownership set-aside programs also allow a member to use AHP funds to finance housing for individual eligible households on an as-needed basis, even if it is only for one household in the member's market area. These are households that the competitive AHP application program might not otherwise reach.

In addition, homeownership set-aside funds often are the only way to meet the need for homeownership opportunities for low-income and very low-income households, which require larger per-unit subsidies and, therefore, may not score well under the competitive AHP application program. Set-aside funds could be made available, in conjunction with funds offered by other homeownership programs, to assist households purchasing homes under such programs. Many households that meet the eligibility requirements of HUD and FSS and IDA homeownership programs may still have difficulty meeting the financial demands of homeownership. Providing additional set-aside funds as downpayment assistance could help lower housing costs to a level that will improve the chances of successful homeownership for such households. The current AHP regulation requires members to provide homeownership set-aside funds as a grant, in an amount up to a maximum of $10,000 per household, as established by the Bank, with such limit applying to all households. *See* 12 CFR 951.5(a)(3). This $10,000 limit per household may impede the ability of Banks and members to assist eligible households that have lower incomes or live in high cost areas and that may require larger per-unit subsidies in the purchase or rehabilitation of homes. Accordingly, the Finance Board is requesting comment on whether the regulation should be amended to increase the maximum subsidy limit per household and the amount of such limit, or whether the Banks should be provided the authority to determine, in their discretion, whether to adopt a maximum subsidy limit per household and the amount of any such limit.

IV. Paperwork Reduction Act

The proposed rule does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995. *See* 44 U.S.C. 3501 *et seq.* Therefore, the Finance Board has not submitted any information to the Office of Management and Budget for review.

V. Regulatory Flexibility Act

The proposed rule would apply only to the Banks, which do not come within the meaning of "small entities," as defined in the Regulatory Flexibility Act (RFA). *See* 5 U.S.C. 601(6). Thus, in accordance with section 605(b) of the RFA, 5 U.S.C. 605(b), the Finance Board hereby certifies that the proposed rule, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities.

List of Subjects in 12 CFR Part 951

Community development, Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

Accordingly, the Finance Board hereby proposes to amend part 951, title 12, chapter IX, Code of Federal Regulations, as follows:

PART 951—AFFORDABLE HOUSING PROGRAM

1. The authority citation for part 951 continues to read as follows:

Authority: 12 U.S.C. 1430(j).

2. Revise § 951.3(a)(1) to read as follows:

§ 951.3 Operation of Program and adoption of AHP implementation plan.

(a) *Allocation of AHP contributions*—(1) *Homeownership set-aside programs*—(i) *Homeownership set-aside programs subject to $3.0 million or 25 percent cap.* Each Bank, after consultation with its Advisory Council, may set aside annually, in the aggregate, up to the greater of $3.0 million or 25 percent of its annual required AHP contribution to provide funds to members participating in the Bank's homeownership set-aside programs, pursuant to the requirements of this part. In cases where the amount of homeownership set-aside funds applied for by members in a given year exceeds the amount available for that year, a Bank may allocate up to the greater of $3.0 million or 25 percent of its annual required AHP contribution for the subsequent year to the current year's homeownership set-aside programs pursuant to written policies adopted by the Bank's board of directors. A Bank may establish one or more homeownership set-aside programs pursuant to written policies adopted by the Bank's board of directors.

(ii) *Additional first-time homebuyer set-aside program subject to $1.5 million or 10 percent cap.* In addition to the authority provided under paragraph (a)(1)(i) of this section, each Bank, after consultation with its Advisory Council, and pursuant to written policies adopted by the Bank's board of directors, may set aside annually up to the greater of $1.5 million or 10 percent of its annual required AHP contribution to provide funds to members participating in a Bank homeownership set-aside program to assist first-time homebuyers, pursuant to the requirements of this part. In cases where the amount of homeownership set-aside funds applied for by members in a given year under such a program exceeds the amount available for that year, a Bank may allocate up to the greater of $1.5 million or 10 percent of its annual required AHP contribution for the subsequent year to the current year's program pursuant to written policies adopted by the Bank's board of directors.

(iii) *Requirements applicable to all homeownership set-aside programs.* Beginning in 2003 and for subsequent years, the maximum dollar limits set forth in paragraphs (a)(1)(i) and (a)(1)(ii) of this section shall be adjusted annually by the Finance Board to reflect any percentage increase in the preceding year's Consumer Price Index (CPI) for all urban consumers, as published by the Department of Labor. Each year, as soon as practicable after the publication of the previous year's CPI, the Finance Board shall publish notice by **Federal Register**, distribution of a memorandum, or otherwise, of the CPI-adjusted limits on the maximum set-aside dollar amount. A Bank's board of directors shall not delegate to Bank officers or other Bank employees the responsibility for adopting its homeownership set-aside program policies.

* * * * *

3. Revise § 951.5(a)(2)(iii) to read as follows:

§ 951.5 Minimum eligibility standards for AHP projects.

(a) * * *

(2) * * *

(iii) Meet the first-time homebuyer requirement, in the case of households receiving funds pursuant to a first-time homebuyer set-aside program established pursuant to § 951.3(a)(1)(ii), and meet such other eligibility criteria that may be established by the Bank, such as a matching funds requirement or criteria that give priority for the purchase or rehabilitation of housing in particular areas or as part of a disaster relief effort, in the case of households receiving funds pursuant to homeownership set-aside programs established pursuant to § 951.3(a)(1)(i) or (ii);

* * * * *

Dated: June 12, 2002.

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

John T. Korsmo,

Chairman.

[FR Doc. 02–15626 Filed 6–19–02; 8:45 am]

BILLING CODE 6725–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 2001–SW–59–AD]

RIN 2120–AA64

Airworthiness Directives; Sikorsky Aircraft Corporation Model S–76A, S–76B and S–76C Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) for Sikorsky Aircraft Corporation Model S–76A, S–76B and S–76C helicopters. The AD would require removing and inspecting each main rotor spindle attachment bolt (bolt) to ensure that the correct bolts are installed. This proposal is prompted by the discovery of improper bolts installed on a helicopter during its production. The actions specified by the proposed AD are intended to detect installation of incorrect bolts, which could result in reduced hub or bolt fatigue life, separation of the main rotor blade at the spindle attachment, and subsequent loss of control of the helicopter.

DATES: Comments must be received on or before August 19, 2002.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 2001–SW–59–AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137. You may also send comments electronically to the Rules Docket at the following address: *9-asw-adcomments@faa.gov.* Comments may be inspected at the Office of the Regional Counsel between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Kirk Gustafson, Aviation Safety Engineer, Boston Aircraft Certification Office, Engine and Propeller Directorate, FAA, 12 New England Executive Park, Burlington, MA 01803, telephone (781) 238–7190, fax (781) 238–7170.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to