18(g) Payment schedule.

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5. *Mortgage insurance.* The payment schedule should reflect the consumer's mortgage insurance payments until the date on which the creditor must automatically terminate coverage under applicable law, even though the consumer may have a right to request that the insurance be cancelled earlier. ►The payment schedule must reflect the legal obligation. For example, assume that under applicable law, mortgage insurance must terminate after the 130th scheduled monthly payment, and the creditor collects at closing and places in escrow two months of premiums. If the legal obligation provides that the creditor will collect 130 payments and refund the escrowed payments when the insurance is terminated, the payment schedule should reflect 130 premium payments. If the legal obligation provides that the creditor will apply the amount escrowed to the two final insurance payments, the payment schedule should reflect 128 monthly premium payments.◄ (For assumptions in calculating a payment schedule that includes mortgage insurance that must be automatically terminated, see comments 17(c)(1)–8 and 17(c)(1)–10.)

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Subpart E—Special Rules for Certain Home Mortgage Transactions

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Section 226.32—Requirements for Certain Closed-End Home Mortgages

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32(a) Coverage.

Paragraph 32 (a)(1)(i).

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►4. *Treasury securities.* To determine the yield on comparable Treasury securities for the annual percentage rate test, creditors may use the yield on actively traded issues adjusted to constant maturities published in the Board's ''Selected Interest Rates'' (statistical release H–15). Creditors must use the yield corresponding to the constant maturity that is closest to the loan's maturity. If the loan's maturity is exactly halfway between security maturities, the annual percentage rate on the loan should be compared with the yield for Treasury securities having the lower yield. For example:

i. If the H–15 contains a yield for Treasury securities with constant maturities of 7 years and 10 years and no maturity in between, the annual percentage rate for an 8-year mortgage loan is compared with the yield of securities having a 7-year maturity, and the annual percentage rate for a 9-year mortgage loan is compared with the yield of securities having a 10-year maturity.

ii. If a mortgage loan has a term of 15 years, and the H–15 contains a yield of 5.21 percent for constant maturities of 10 years, and also contains a yield of 6.33 percent for constant maturities of 20 years, then the creditor compares the annual percentage rate for a 15-year mortgage loan with the yield for constant maturities of 10 years.

iii. If a mortgage loan has a term of 30 years, and the H–15 does not contain a yield for 30-year constant maturities, but contains a yield for 20-year constant maturities, and an average yield for securities with remaining terms to maturity of 25 years and over, then the annual percentage rate on the loan is compared with the yield for 20-year constant maturities.◄

[4. *Treasury securities.* To determine the yield on a Treasury security for the annual percentage rate test, creditors may use the Board's ''Selected Interest Rates'' (statistical release H–15) or the actual auction results. Treasury auctions are held at regular intervals for the different types of securities. These figures are published by major financial and metropolitan newspapers and are also available from Federal Reserve Banks. Creditors must use the yield on the security that has the nearest maturity at issuance to the loan's maturity. For example, if a creditor must compare the annual percentage rate to Treasury securities with either 7-year or 10-year maturities, the annual percentage rate for an 8-year loan is compared with securities that have a 7-year maturity; the annual percentage rate for a 9-year loan is compared with securities that have a 10-year maturity. If the loan maturity is exactly halfway between, the annual percentage rate is compared with the Treasury security that has the lower yield. For example, if the loan has a maturity of 20 years and comparable securities have maturities of 10 years with a yield of 6.501 percent and 30 years with a yield of 6.906 percent, the annual percentage rate is compared with 10 percentage points over the yield of 6.501 percent, the lower of the two yields.]

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By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Consumer and Community Affairs under delegated authority, November 26, 2002.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 02–30545 Filed 12–5–02; 8:45 am]

BILLING CODE 6210–01–P

SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

Business Loan Program

AGENCY: Small Business Administration.

ACTION: Advanced notice of proposed rulemaking (ANPRM).

SUMMARY: The U.S. Small Business Administration (SBA) is considering ways to improve coverage of the Certified Development Company (CDC) Loan Program (the ''CDC Program'' or the ''504 Program'') to ensure that all small businesses have access to long-term fixed-rate financing. After a review of public comments, SBA will consider proposing amendments to existing program regulations that will improve overall program management. SBA also anticipates that some changes suggested by commenters may ultimately require new legislation.

SBA is revisiting the 504 Program policies as a prudent management exercise in light of major changes in the economy, the financial services industry, technology, and in CDCs' operations since the program's inception in 1980. The review has also been prompted by SBA's on-going discussions with the 504 industry and by specific requests made to SBA to expand CDCs' product base to include 7(a) loans or Small Business Investment Companies. In particular, SBA is seeking comments on the following: Whether the 504 Program is meeting its statutory purpose as defined in section 501(a) of the Small Business Investment Act; the appropriate long-term goals and annual performance measures for the program given its statutory requirement; the appropriate data elements required to assure solid program oversight while minimizing public data collection burdens; operational or regulatory impediments to providing long-term financing in rural or urban areas; and programmatic changes that could increase CDC competition and increase small businesses' access to loans.

This ANPRM and request for comments are intended to stimulate dialogue on these and other issues pertaining to the CDC Program.

DATES: All interested parties are invited to submit written comments. Comments must be received on or before February 4, 2003.

ADDRESSES: Mail written comments to: James E. Rivera, Associate Administrator for Financial Assistance, U.S. Small Business Administration, 409 Third Street, SW., 8th Floor, Washington, DC 20416. Comments may be sent by e-mail to *ANPR@sba.gov.*

FOR FURTHER INFORMATION CONTACT: Gail H. Hepler, Chief, 504 Loan Policy Branch, U.S. Small Business Administration, 409 Third Street, SW., 8th Floor, Washington, DC 20416. Questions may be sent by e-mail to *gail.hepler@sba.gov* or by telephone at (202) 205–7530. This is not a toll-free number.

SUPPLEMENTARY INFORMATION:

History and Purpose of the 504 Program

During the late 1970s and early 1980s, the prime interest rate and unemployment reached historically high levels. It was generally believed that long-term, fixed-rate money was not available at a reasonable cost to small businesses because of these high prevailing rates and that this was hindering job creation.

Congress enacted Section 503 of Title V of the Small Business Investment Act in 1980. The 504 Program was intended to provide fixed-rate financing for small businesses at favorable terms unavailable in the marketplace. Congress specified in the Act that this program ''foster economic development and create or preserve job opportunities in both urban and rural areas by providing long-term financing for small business concerns . . .''

The statute authorizes SBA to guarantee debentures backing long-term, fixed-asset loans (504 Loans) issued by Certified Development Companies (CDCs). It also authorizes SBA to pool the guarantees and sell interests in the pools to investors.

SBA guarantees the debentures pursuant to terms and conditions set forth in SBA regulations. These regulations are found at 13 CFR Part 120. Sections 120.800 through 120.991 are exclusive to the CDC Program. In support of the statutory mandate to create or preserve jobs, SBA currently requires each CDC to affirm that its 504 loan portfolio creates, on average, one job per $35,000 of CDC financing.

Certified Development Companies

Since enactment of the 504 program, the CDC industry has been developed to meet the job creation and economic development goals of the program. Several hundred CDCs either were started in local communities or amended their existing operations to participate in the program. There are currently approximately 270 CDCs. Each CDC has a specific geographic area of operations. In general, CDCs have a membership comprised of financial institutions, community organizations, businesses, and government organizations responsible for economic development in the CDC's area of operations. Over the years, SBA has made changes to the CDC program to help ensure its vitality. For example, the original job opportunity objective was one job created or retained per $15,000 of guaranteed debenture investment. In 1990, SBA raised the job opportunity objective to one job per $35,000 of guaranteed debenture investment to reflect the inflationary factors of the previous 10 years. Congress also has amended the program legislation in a variety of ways including incorporating other economic development goals such as assisting businesses located in rural areas or veteran-owned businesses.

The characteristics of individual CDCs vary significantly. Some are independent entities devoted primarily to making 504 Loans. Others are part of local or state governments. These organizations use the 504 Program along with many other economic development programs such as HUD 108 and EDA revolving loan funds. For these entities, the 504 Program is but one program in an array of economic development tools. Any cash flow over and above related 504 staff and overhead expenses is available to these CDCs to support other economic development activities such as establishing revolving loans funds or microloan programs. Most CDCs fall in between these two types of entities.

The role of a CDC in the 504 Program loan process has expanded over the years. Initially, the CDC identified prospective small business borrowers and assisted with application processing and servicing. SBA made all credit decisions and approved, in advance, all servicing actions. The CDC did not have any financial stake in the loan other than the on-going servicing fee that it was paid by the borrower. As the program has evolved and SBA's personnel resources have diminished, CDCs, along with other types of lenders, have developed substantial SBA lending expertise and have assumed greater processing, closing, and servicing responsibilities. Some CDCs even liquidate defaulted loans. These responsibilities have increased the ability of CDCs to serve small business borrowers.

Under the Premier Certified Lenders Program (PCLP) authorized by the Congress through Public Law 103–403, approved October 22, 1994, participating CDCs have increased authority to perform origination, servicing, and liquidation functions for their 504 Loans. By statute, all PCLP CDCs are required to deposit into a reserve fund one percent of the value of all PCLP loans that they fund. Cash from these reserve funds is then available to reimburse SBA for 10 percent of any loss incurred by SBA in connection with any individual PCLP loan. The reserve also creates a financial incentive for PCLP CDCs to originate high-quality loans and to service and liquidate their loans in a prudent manner. PCLP authority is limited to those CDCs that demonstrate on an on-going basis sound and effective loan processing, servicing, and liquidation practices.

Accomplishments

As a result of the CDC Program, long-term, fixed-asset financing by SBA has grown dramatically since its inception. Almost 5,500 504 loans for an approximate total of $2.47 billion were approved in FY 2002. Over the life of the program, more than $15 billion has been funded. Combined with the required private sector financing this represents $42 billion in funding for growing small businesses. This tremendous growth is largely attributable to the solid program structure, the hard work of the CDCs, and the ability of the program to provide financing appropriate for the economic times. Overall, more than 39,000 loans have been approved resulting in the creation or retention of over 1,000,000 jobs since 1980.

Policy Considerations

Since the CDC program was initially authorized, both the CDC industry and the economic environment in which it operates have changed significantly. As a result, it is vitally important that the SBA and those interested in the 504 Program work together to re-examine existing program policies and to consider new or revised policies to assure the program's continuing vitality and compliance with its statutory purpose, to foster economic development and create or preserve jobs.

For example, a CDC that has managed to accumulate substantial cash reserves from its fee income has requested that SBA permit it to establish a subsidiary to make 7(a) Guaranty loans. This subsidiary would be initially financed by the CDC, managed by the CDC, and owned 100 percent by the CDC to make 7(a) loans. Other CDCs wishing to expand or new CDCs that wish to establish themselves where existing, active CDCs operate are finding it increasingly difficult to meet the membership requirements and have asked for waivers of the membership requirements. While SBA may have the legal discretion to grant these requests, it is not clear whether or how these changes would serve the broader purpose of the statutory authorization. It is in this context that SBA seeks public input on these and other issues.

In addition, SBA continues to be concerned that a large proportion of the counties in the country are not receiving 504 financing even though there are active CDCs that include those counties in their areas of operations. For example, of the 67 counties in Alabama, 31 did not receive any 504 Loan approvals for the 24 month-period between November 1, 1999 and October 31, 2001. During that same time period, 59 of the 75 counties in Arkansas did not. Nationwide, more than 64 percent of the counties did not receive one 504 Loan approval per 100,000 population per year averaged over a two-year period. Most of these counties are included in one or more CDC's area of operations. A large proportion of these counties have small populations.

SBA needs additional information to determine the reasons why these areas are not receiving 504 financing. If there is a lack of demand for small business capital in general, or if there are other, more attractive, small business financing opportunities in these areas, a change that would permit additional CDC competition in these areas, such as a relaxation of the CDC membership requirements may not have any appreciable effect. Similarly, a new CDC loan product designed specifically for rural counties, such as a stand-alone debenture that does not require the participation of a first mortgage lender, might be warranted, but only if existing 504 loans do not meet the existing unmet demand for small business capital.

Issues raised by the noted circumstances as well as those arising through the SBA/financial services industry dialogue are among those addressed by the questions posed to the public for comment in this advance notice of proposed rulemaking. Additional questions relate to issues raised in connection with regulations published on July 11, 2000 (65 FR 42624) which permitted CDCs to apply to expand their areas of operations beyond their state of incorporation into a contiguous state beyond a local economic area.

Financial markets change over time, and the Agency wants to insure that the CDC Program is flexible enough to meet the long-term, fixed-asset needs of small businesses in all geographic locations.

Request for Comments

While SBA has posed specific questions in this ANPRM, SBA seeks input from the public on the entire 504 program. The public, including the CDCs and small businesses, are welcome to provide comment on all aspects of the program, from its regulatory structure to the ability of the program to meet its statutory goals, and to suggest amendments to the program. SBA is also willing to consider changes that may require additional statutory authorization. SBA intends to pursue feasible suggestions that further the statutory purposes of the program.

SBA would like feedback on whether the program is meeting its goals to bring economic development loan funds into local communities. The Agency also seeks to determine if there are unmet needs in business lending that the financial services industry is not serving. As the SBA is a "gap lender," the Agency is interested in hearing from both SBA borrowers and individuals who may wish to use the 504 Program in the future.

In addition, as part of SBA's review of the 504 program, SBA is evaluating its goals and performance measurements for the 504 Program, particularly in the context of the Government Performance and Results Act of 1993 (Pub. L. 103–62).

SBA invites public comments on the following questions as well as any other topic related to the 504 program. Comments may be addressed to one, all, or any combination of the following questions. Questions are grouped under the following headings for ease of review by the public.

Questions About Overall 504 Program Effectiveness

1. Does the problem which the 504 Program was created to remedy, lack of small business access to long-term fixed-rate capital, still exist? What evidence exists to demonstrate this need?

2. Is the 504 Program optimally designed to address the problem?

3. Is the 504 Program designed to make a unique contribution in addressing the problem (*i.e.*, not needlessly redundant of any other Federal, state, local or private effort)? Are there financial products in the private market that can remedy this problem?

4. Does the 504 Program collaborate and coordinate effectively with related programs that share a similar purpose?

5. How would the 504 Program demonstrate adequate progress in meeting the statutory goals of the program?

6. What long-term performance goals would be appropriate for the 504 Program? Performance goals should be specific, ambitious, focused on outcomes, and meaningfully reflect the purpose of the program. In other words, how can we demonstrate the scale of the problem and show that the 504 Program is working to remedy the problem?

7. What kind of evaluation would be most beneficial in measuring program effectiveness, both over the short term and the long term? Does the program currently gather the information necessary to make this evaluation?

8. Does the performance of this program compare favorably to other programs with similar purposes, if any, and goals?

Questions to Current and Potential Small Business Borrowers

9. Because 64% of all counties nationally did not receive any 504 funding averaged over a 2-year period, are the CDCs meeting all of the public demand for capital in both rural and urban areas?

10. Would "special programs" in rural areas attract the needed capital that does not currently exist in the market today?

11. Is the process for receiving a 504 Loan reasonable compared to other business lending? Substantive comments/recommendations are encouraged to provide the broadest benefit to the Agency.

12. Does the cost, time and requirements of receiving a 504 Loan make the program unattractive compared to the 7(a) program?

13. Is the 504 Program fulfilling its mission to bring fixed-rate financing to small business? If not, what steps can be taken to further the mission of the program?

14. Many of the stated uses for 504 funding are similar to requests for funding for 7(a) loans. Are the programs redundant, are there additional changes that are required to the 504 Program to fill the lending gap to small business borrowers?

CDC Organizational Structure

15. Should the CDC membership requirements be changed? If so, how should they be changed and still meet the test that the membership represents the economic development interests of the CDC's area of operations? For example, should a CDC be permitted to only have financial institutions as members? Should there be fewer members than 25?

16. Should SBA permit for-profit CDCs again? If so,why? If not, why not? Should the existing, for-profit CDCs be required to become non-profit CDCs and thus meet the regulations governing all other CDCs? If so, by what period of time?

17. Should SBA establish requirements to assure that a CDC remains viable? For example, should

SBA establish a minimum cash reserve requirement? If so, at what level?

18. What modifications to the regulations governing PCLP CDCs should be considered to increase participation by a larger number of CDCs?

Increasing Geographic Coverage by the 504 Program

19. If a CDC has an existing area of operations in which it is not meeting the ''adequately served'' benchmark of one 504 Loan per 100,000 population per year averaged over a 2-year period, should it be permitted to expand its area of operations? Should it be required to shrink its area of operations?

20. Should this same CDC have to shrink its area of operations by those counties in which it has not made a 504 Loan? If so, when? What would be the period of time that would be reviewed?

21. Even if a county is ''adequately served,'' should a new CDC or an existing CDC be permitted to apply to include that county in its area of operations if there is only one CDC currently including that county in its area of operations?

22. Depending on when a statewide CDC was approved and depending on whether other CDCs have been decertified or have been converted to Associate Development Companies, a statewide CDC may or may not include the entire state in its area of operations. Should all statewide CDCs be permitted to include the entire state in their area of operations?

23. Should the definition of ''adequately served'' change to something other than one 504 Loan per 100,000 population per year averaged over twenty-four months? If so, what would be a better benchmark?

24. When the Section 503 Development Company Loan Program was authorized in 1980, its purpose was to provide financing through corporations ''formed by local citizens whose primary purpose is to improve their community's economy. They assist in the planned economic growth of the community by promoting and assisting the development of small business concerns in their area.'' (Legislative History, Pub. L. 100–590, p. 22) Should SBA eliminate the requirement that a CDC have a specific area of operations? If so, how would the purpose of economic development be defined and monitored for each CDC?

25. Would permitting applications for a multi-state CDC where the state is not contiguous to the CDC's state of incorporation provide greater access and a wider range of choices for borrowers?

26. Should CDCs be required to adequately serve certain areas (*e.g.* rural areas, enterprise zones) as a prerequisite to serving other areas? If so, what would be the requirement for ''adequately served'' in this case?

27. Should SBA relax its standard of two CDC loan approvals per year for those CDCs that operate in a rural area?

28. How can SBA best assure that small businesses in rural areas, where lack of population density makes lending more difficult and more expensive, have appropriate access to the 504 Program?

29. Should SBA promulgate regulations that recognize that operational difference between CDCs that, because of local government affiliation or support, are limited to serving specified areas, and those CDCs that do not have such constraints.

30. In order to encourage a variety of thoughtful comments, the following are potential scenarios presented to encourage commenters to consider the ramifications of various approaches to ensuring equal access by all eligible borrowers, regardless of their geographic location. These are not meant to address every issue that may be relevant but are designed to illuminate the various approaches that could be applied to encourage complete coverage.

Scenario 1: Make all CDCs statewide CDCs with no restrictions.

Discussion: This would eliminate the need for SBA to determine if a county was considered adequately served. The number of CDCs would be controlled by local economic development professionals. If local economic development professionals considered an area to be adequately served, they would not propose the addition of more CDCs. This should also reduce the problem that some new CDCs now have with finding government representatives for the board of directors. There should be an adequate number of individuals available to serve on a CDC board when the geographic region is the whole state. The benefits to this approach are (1) a CDC would know that any county in a state would be open and (2) SBA staff would not have to process requests for expansion within a state. A potential downside is the possibility that CDCs may not adequately serve rural areas if access to the more populous areas is not restricted. Conversely, it is also possible that competition in the urban areas would encourage CDCs to do a better job seeking deals in rural areas.

Scenario 2: Redefine ''adequately served'' to 1 loan for every 10,000 in population. For rural counties, do not apply the prohibition for ''adequately served''. Allow any statewide CDC to market and do projects throughout the state and not just in the counties where there is no CDC as well as those counties where there is a local CDC and the statewide CDC was approved to overlap with the local CDC. Also the statewide CDC's loan activity would not be included in the ''adequately served'' calculation. This would permit local CDCs to expand into counties that the statewide CDC is also in. All existing CDCs would have 1 year to meet the new definition of ''adequately served''. After 1 year, any county that was not adequately served would be available to other new or expanding CDCs.

Discussion: The current definition of ''adequately served'' only requires that a CDC make 2 loans in a county over a two year period per 100,000 population. By only requiring 2 loans in a 2-year period this standard has the effect of limiting access to the program in over 83% of all counties. Raising the standard has the benefit of continuity of process. The same procedures now used to determine if a county is adequately served could be used for new determinations. The 1 loan per 10,000 population standard is slightly higher than what the portfolio averages now (30,000 loans divided into 282,000,000 Americans).

Scenario 3: Determination of an appropriate level of coverage is based on a combination of total population and population density. This scenario is designed to encourage more access in areas capable of supporting multiple CDCs while providing shelter from ''cherry picking'' in rural, more difficult to serve areas. Areas that meet the following criteria will be considered sheltered exceptions:

1. County population is less than 125,000; or

2. County population is more than 125,000 but less than 500,000, and the population density of the county is less than the population density of the entire state. Neither of these criteria would apply in any state where the population density is greater than 600 per square mile.

CDCs that serve a county (or portion of a county) meeting the sheltered criteria will have ''right of first refusal'' on a loan in that county. The CDC must act to the satisfaction of the borrower within 30 days or the borrower may opt to use the services of another CDC willing to consider the loan, even if that CDC does not serve the sheltered county. New CDCs can be approved in sheltered areas where there is no coverage, or where an existing CDC poses no objection. As an exception to policy, SBA may declare as sheltered, a portion of a county that does not meet the criteria, if the geographic distance from a heavily populated portion of the county is sufficient to support a contention that the area should qualify as sheltered.

For areas not meeting the sheltered criteria, any CDC who can service a loan would be allowed to make a loan. All existing CDCs would be grandfathered into their current areas of operations. New CDCs (and expansions of existing CDCs) could occur so long as they met the representation requirements.

Any borrower in an area that does not have CDC coverage can be served by any CDC that has the capacity to service the loan. Generally, we should assume that anything less than 75 miles from the CDC's office is acceptable. In western states, the DD may make the call if there is a concern.

Discussion: This approach assumes that CDCs serving rural areas should be provided some assistance in ensuring a sufficient level of 504 activity to sustain their operations but does not penalize a potential borrower if the CDC cannot effectively handle the loan request. From an administrative standpoint, the ''adequately served'' decision is much easier, because it is based on population and population density statistics that can be made readily available to the public by putting U.S. Census data on SBA's Web site.

504 Loan and Debenture Structure

31. Presently only 10 and 20-year fixed-rate debentures are offered. Would 504 Program economic development objectives be better served if SBA made changes to the terms of debentures offered?

32. What would the costs and benefits to borrowers, CDCs, private sector lenders, and any other party be if SBA provided a debenture product that amortizes monthly rather than semi-annually?

33. Are there benefits to allowing CDCs to jointly participate in a 504 Loan project?

34. Would a stand-alone debenture (no third-party lender requirement) for projects located in rural counties make 504 financing more attractive in these under-represented counties? If so, should there be a dollar limit on the project?

Performance Requirements

35. SBA has developed a system that enables SBA and the CDC to track a CDC's 504 Loan portfolio performance as measured against SBA-established benchmarks as well as the CDC's peer group. In order to insure the quality of the 504 Loan portfolio as well as the accessibility of the program that could be severely jeopardized if defaults increase and/or recoveries decrease, resulting in an increase in future borrowers' fees to maintain the program at its zero subsidy, should SBA establish 504 Loan portfolio performance requirements by CDC as a regulation? If so, since CDCs with large portfolios have a proportionately greater effect on the overall portfolio performance, but CDCs' with small portfolios are disproportionately affected by the failure of 1 loan, should there be a minimum portfolio size under which the regulation takes affect? If so, what should the size be?

36. Should SBA require CDCs to have a financial stake in the performance of all of their 504 Loans, not just in the performance of any loan processed under PCLP authority? If so, what should be the requirement?

Operational/Logistical Issues

37. What regulatory impediments are there to processing or closing 504 Loans?

38. If a 7(a) lender closes and disburses a loan that SBA subsequently determines to be ineligible, SBA can deny liability under its regulations. If a CDC closes and disburses a 504 Loan that SBA subsequently determines to be ineligible, what financial or other penalty should be imposed on the CDC?

Definition of Economic Development

39. Current regulations require a CDC to provide evidence to SBA that it has created at least one job per $35,000 of 504 debentures that it has issued. At the two-year anniversary of the small business's receipt of the loan proceeds, the CDC is required to document how many jobs were actually created. Should SBA require CDCs to provide evidence of other economic development in their Areas of Operations in addition to creating jobs? If so, what other evidence of economic development should be required, and what quantitative measures should be used?

40. Should SBA develop a list of acceptable ''economic development activities'' in which SBA permits a CDC to invest its resources? If yes, what activities should be included? What activities should be excluded?

Participation in Other Programs

41. Should SBA permit a CDC to contribute to the financial support of a 7(a) lender? Is this economic development as intended by Congress when it created the development company loan program?

42. Should SBA permit a CDC to establish an affiliate relationship with a 7(a) lender through a management contract? Are there any benefits or drawbacks for borrowers?

43. Should SBA permit a CDC to establish or acquire a 7(a) lender subsidiary? Is this economic development as intended by Congress? What are the benefits and drawbacks for borrowers?

44. SBA's regulations prohibit a financial institution, among others, from controlling a CDC. (§ 120.824) Should SBA permit a 7(a) lender to establish a CDC affiliate or subsidiary controlled by the 7(a) lender?

45. Should SBA permit a CDC to financially contribute to an SBIC? If so, under what limitations?

46. Should SBA permit a CDC to establish an affiliate relationship with an SBIC through a management contract?

47. Should SBA permit a CDC to establish an SBIC subsidiary? If so, under what limitations?

48. Should SBA permit a separate corporation to have control through common management of the corporation, a CDC, and other corporations such as a 7(a) lender, an SBIC and so on? If so, under what limitations?

Comments on any other aspect of the CDC Program are also welcome. SBA reminds commenters that all submissions by commenters are available to the public upon request.

Dated: December 2, 2002.

Hector V. Barreto,

Administrator.

[FR Doc. 02–30905 Filed 12–5–02; 8:45 am]

BILLING CODE 8025–01–P

POSTAL SERVICE

39 CFR Part 111

Indemnity Claims; Notice of Changes

AGENCY: Postal Service.

ACTION: Proposed rule.

SUMMARY: The Postal Service proposes to revise its standards concerning indemnity claims as set forth in the *Domestic Mail Manual* (DMM) S010, Indemnity Claims; and related provisions of S913, Insured Mail, and S920, Collect on Delivery (COD) Mail. Other than the proposed changes concerning time periods for filing claims and retention periods for undelivered Insured Mail, the changes clarify existing DMM provisions or codify, in the DMM, policies not currently set forth in that manual.

DATES: Comments must be received on or before 30 days from date of publication.