

of Warehouse Receipts (referred to in this subpart as "Form 813"), shall use Form 211, except that a power of attorney on another form will be accepted if it is determined by CCC to be sufficient. The original or facsimile of the power of attorney or a copy certified by a notary public as a true and correct copy must be filed with the county office. The attorney-in-fact must execute and file with the county office an agreement of attorney-in-fact, Form CCC-815 (referred to in this subpart as "Form 815"), and the attorney-in-fact will not be allowed to redeem cotton, or to execute Form 813, pursuant to the power of attorney if the attorney-in-fact does not file the required Form 815. The attorney-in-fact shall not make any purchase of cotton redeemed from a CCC loan or producers' equities in such cotton for the attorney-in-fact's own account or as agent for others, or sell any such cotton or equities therein to any person by whom the attorney-in-fact is employed or who has the right to control or direct the attorney-in-fact's sale of the redeemed cotton or equities in any case where the attorney-in-fact redeems the cotton under authority of the power of attorney or signs the Form 813 under authority of the power of attorney. The attorney-in-fact shall not adopt any scheme or device to circumvent the intent of the regulations in this subpart or Form 815. If the attorney-in-fact holds powers of attorney from more than one producer, the attorney-in-fact may not pool their cotton or the proceeds therefrom nor make settlement with such producers on a pool basis upon sale of the cotton or the equities therein and will make an accounting to each producer for the proceeds of each bale of the producer's cotton which the attorney-in-fact redeems and sells and each equity which the attorney-in-fact transfers, unless the attorney-in-fact has a valid annual marketing agreement with such producers authorizing the attorney-in-fact to pool the cotton or the proceeds therefrom.

(c) A producer or the producer's authorized agent may enter into an agreement with a person or persons to redeem the producer's cotton and may authorized the release of the applicable warehouse receipts to such person(s) or transferee (hereinafter called the buyer) on Form 813. If the buyer executes and files the Form 813 with the county office, the buyer shall be obligated to redeem the cotton specified on such form on or before the maturity date of the loan on such cotton. CCC will use its best efforts to make certain that the cotton is not redeemed by anyone other than the buyer and to provide for the delivery to the buyer of the warehouse receipts

(and the classification memorandums, if requested) covering the cotton on payment to the county office of the loan, interest and charges within 5 business days after the documents are received by the bank. All charges assessed by the bank to which the documents are sent must be paid by the buyer. Redemptions will not be permitted after the maturity date of the loan. On failure of the buyer to redeem all such cotton:

(1) At CCC's election, title to the cotton shall, without a sale thereof, immediately vest in CCC, and CCC shall have no obligation to pay for any market value which such cotton may have in excess of the amount of the loan thereon, plus interest and charges. The buyer shall be personally liable for any amount by which the amount due on the loan on such cotton exceeds the market value of the cotton as of the date title vests in CCC, as determined by CCC.

(2) At CCC's election, CCC is authorized, without notice to the buyer, to sell, transfer and deliver the cotton or documents evidencing title thereto, at such time, and in such manner, and upon such terms and conditions as CCC may determine, at any cotton exchange or elsewhere, or through any agency, at public or private sale, for immediate or future delivery, and without demand, advertisement, or notice of the time and place of sale or adjournment thereof or otherwise; and upon such sale, CCC may become the purchaser of the whole or any part of such cotton at its market value, as determined by CCC. Any overplus remaining from the proceeds received therefrom, after deducting from such proceeds the amount of the loan on such cotton, plus interest and charges, shall be paid to the buyer or the buyer's personal representative without right of assignment to or substitution of any other person. If the proceeds from the sale do not cover the amount of the loan on such cotton, plus interest and charges, the buyer shall be liable to CCC for any difference.

(d) Warehouse receipts will not be released except as provided in paragraphs (a), (b), and (c) of this section.

**§ 1427.25 Cotton cooperative marketing association loans.**

A cotton cooperative marketing association which meets the eligibility requirements established by CCC as contained in the regulations in part 1425 of this chapter and any amendment thereto may enter into a cotton cooperative loan agreement, Form CCC Cotton G, which provides for loans through the association to its producer-members. Copies of the form of agreement will be furnished to all associations which have been approved

under such regulations. The loan rates under this agreement will be the same as for loans made to individual producers on Forms A and eligibility requirements for cotton and producers tendering cotton to the association and other loan provisions will be similar to those for Form A loans made to individual producers. Producers must furnish the cooperative a CCC 822, certificate of eligibility, before the cooperative can pledge the producer's cotton for loan.

**§ 1427.26 Death, incompetency, or disappearance.**

In the case of death, incompetency, or disappearance of any producer who is entitled to the payment of any proceeds in settlement of a loan, payment shall, upon proper application to the county office which disbursed the loan, be made to the person or persons who would be entitled to such producer's payment as provided in the regulations entitled Payment Due Persons Who Have Died, Disappeared, or Have Been Declared Incompetent, part 707 of this title, and any amendment thereto.

Signed at Washington, D.C., on July 26, 1978.

RAY FITZGERALD,  
Executive Vice President,  
Commodity Credit Corporation.

[FR Doc. 78-21500 Filed 8-2-78; 8:45 am]

**[6210-01]**

**Title 12—Banks and Banking**

**CHAPTER II—FEDERAL RESERVE SYSTEM**

**SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

[Reg. Z; Docket No. R-0134]

**PART 226—TRUTH IN LENDING**

**Right of Rescission**

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule and interpretation.

SUMMARY: The Board hereby adopts an amendment to § 226.9(g) of Regulation Z creating an exception to the rescission provisions of the regulation for individual transactions under certain open end credit plans secured by consumers' residences. The amendment applies only to open end transactions in which the creditor and the seller are not the same or related persons. Concurrently, the Board is issuing an official Board interpretation of the amendment.

Regulation Z provides that in the case of any credit transaction in which

a security interest is retained or acquired in the principal residence of the consumer, the consumer shall have 3 business days from consummation of the transaction in which to rescind the transaction. The creditor is required to disclose this right to the consumer and may not disburse the proceeds of the credit transaction, except in escrow, during the 3-day period.

The Board finds that requiring the right of rescission, notice of that right, and the 3-day cooling off period in connection with each individual transaction under certain types of open end credit plans secured by consumers' residences unduly complicates compliance with Regulation Z, hampers creditors that desire to offer such credit plans, and, thereby, may prevent consumers from utilizing the equity in their homes to obtain open end credit. The amendment, which is designed to remedy these problems, exempts from the rescission provisions of Regulation Z individual transactions on an open end credit account secured by the customer's residence if the creditor provides an appropriate disclosure, as specified in the amendment, upon the opening of such an account, prior to any increase in the line of credit associated with the account, prior to a change in the terms of the account, and at the time of an addition of a security interest in the customer's residence to an existing open end account. Additionally, a disclosure must be provided at least annually reminding customers of such accounts that their homes stand as security for their accounts.

The interpretation of the amendment, which is issued herewith, provides sample disclosures which creditors may use to achieve compliance with certain of the amendment's requirements.

**EFFECTIVE DATE:** August 3, 1978.

**FOR FURTHER INFORMATION CONTACT:**

Glenn E. Loney, Section Chief, Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, 202-452-3867.

**SUPPLEMENTARY INFORMATION:** Section 226.9(a) of Regulation Z provides that a customer shall have the right to rescind any credit transaction in which a security interest is or will be retained or acquired in any real property which is used or is expected to be used as the principal residence of the customer. The right to rescind continues for 3 business days from the consummation of the transaction or the delivery of all specified disclosures, whichever is later. Under § 226.9(b), whenever a customer has the right to rescind a transaction, the

creditor must provide a disclosure of that right in the form prescribed by the regulation. Under § 226.9(c), the creditor must delay its performance (i.e., refrain from disbursing the proceeds of the credit transaction) until the rescission period has expired and the creditor has satisfied itself that the customer has not exercised the right of rescission.

Several creditors that desired to offer open end credit plans secured by consumers' residences asserted that requiring the right of rescission, disclosure of that right, and the 3-day cooling off period in connection with each individual transaction under an open end account secured by the customer's residence presented operational problems which prevented the extension of such credit. It was pointed out that in connection with 3-party credit transactions under an open end plan (e.g., use of a cash advance check to obtain goods or services from a party other than the creditor of the open end account), the customer decides when and for what purpose to use the credit, and the creditor can neither readily provide disclosure of the right of rescission nor effectively delay its performance for the requisite 3 days. In an effort to alleviate these difficulties without depriving consumers of the protection of their homes intended by Congress when it created the right of rescission, the Board proposed an amendment to Regulation Z which it now adopts, with modifications, in final form.

As a result of comments received in response to its proposal and based upon its own analysis, the Board believes that the amendment, including the modifications discussed below, will facilitate compliance with Regulation Z by creditors that wish to offer open end credit plans secured by consumers' residences and will afford continued protection for consumers who enter into such plans. Perhaps most significantly, the Board feels that the amendment will enable consumers to utilize the equity in their homes to obtain the convenience and flexibility offered by open end credit which might otherwise be unavailable to them.

Under the amendment, individual transactions on an open end credit account secured by the customer's residence are not subject to the right of rescission if the creditor provides the customer with the applicable disclosure prescribed in the amendment at the time the disclosures required by § 226.7(a) of Regulation Z are required to be made, prior to any increase in the line of credit associated with the account, prior to a change in terms (within the meaning § 226.7(f) of the regulation) of the account, and at the time of an addition of a security inter-

est in the customer's residence to an existing open end account. A disclosure reminding customers of such accounts that their homes stand as security for their accounts must also be provided at least annually.

The amendment as adopted by the Board includes certain modifications of the original proposal. The amendment applies only to open end credit transactions in which the creditor of the open end credit plan and the seller of goods or services purchased by means of the plan are not the same or related persons. A change in the terms of an open end account secured by the customer's residence has been added to the amendment as an occasion on which a disclosure must be provided to the customer. An annual disclosure reminding customers of the security interest in their homes is also required.

The Board has restricted the applicability of the amendment to transactions on open end credit plans in which the creditor and the seller are not the same or related persons for two reasons. First, the Board feels that the operational problems attendant to providing the right of rescission in connection with individual transactions on an open end credit account where the creditor and the seller are not the same or related persons do not arise where the creditor is also the seller. Second, the possibility of undue influence by the creditor is less in transactions in which the creditor and the seller are unrelated because the customer chooses when and for what purpose to use the open end account and the seller obtains no interest in the customer's home.

The Board believes that a change in the terms of an open end account, within the meaning of § 226.7(f) of Regulation Z, merits a notice reminding the customer that his or her residence stands as security for the account. As pointed out by the Federal Reserve Bank of Cleveland, which suggested this modification of the amendment, if the notice is not required prior to a change in terms, a customer could find that his or her residence stands as security for extensions of credit, some of the terms of which were imposed unilaterally by the creditor.

Under the amendment as adopted, a creditor may not change the terms of a customer's open end account (within the meaning of § 226.7(f) of Regulation Z) without affording the customer an opportunity to refuse the change in terms and repay any existing obligation on the account under the existing terms of the account. However, if the customer refuses the change in terms, the creditor need not extend any further credit on the account.

The Board is concerned that customers of open end credit plans which are

subject to the amendment may, after a period of time, lose sight of the fact that their accounts are secured by their homes. For this reason, the Board has required that a disclosure be provided annually to customers of open end accounts which fall within the amendment.

Several comments on the amendment as originally proposed suggested that the disclosure of the right of rescission prescribed by § 226.9(b) of Regulation Z is inappropriate for some of the occasions on which disclosure would be required under the amendment and could cause confusion among consumers. The amendment as adopted, therefore, specifies that the disclosure required by § 226.9(b) is to be used in connection with the opening of an account and the addition of a security interest in a consumer's residence to an existing account. The amendment also prescribes disclosures to be furnished to a consumer prior to an increase in the line of credit or a change in the terms of the consumer's account and at least once each calendar year to remind the consumer that the consumer's home stands as security for the account.

Simultaneously with the adoption of this amendment to Regulation Z, the Board is issuing an official Board interpretation of the regulation, § 226.904, which provides sample disclosures which creditors may use in order to satisfy the requirements, as to form and content, of §§ 226.9(g)(6) (iii) and (iv) of the regulation as amended.

Finally, it should be noted that when a disclosure under the amendment is furnished to a consumer prior to an increase in the line of credit or a change in the terms of the consumer's account, the effect of the disclosure is prospective only and the consumer is not thereby entitled to void the creditor's security interest in the consumer's residence insofar as it secures prior extensions of credit on the account. Similarly, the disclosure furnished to a consumer prior to the addition of a security interest in the consumer's residence to a preexisting open end account would not enable the consumer to rescind prior transactions on the account. Likewise, the required annual disclosure would not enable consumers to rescind any prior transactions or cancel any existing obligation on their accounts or void any security interest insofar as it secured those existing obligations.

Therefore, pursuant to the authority granted in 15 U.S.C. § 1604 (1970):

The Board hereby amends § 226.9(g) of Regulation Z, 12 CFR 226, as follows:

§ 226.9 Right to rescind certain transactions.

(g) Exceptions to general rule. . . .  
(6) Individual transactions under an open end credit account: *Provided*,

(i) That the creditor and the seller are not the same or related persons.<sup>14</sup>

(ii) That the creditor provides the disclosure required by § 226.9(b) at the time the disclosures required under § 226.7(a) are required to be made, or, if the security interest is not retained or acquired at the time the § 226.7(a) disclosures are required to be made, at the time the security interest is retained or acquired.

(iii) That the creditor does not change the terms of a customer's account within the meaning of § 226.7(f) or increase the customer's line of credit without affording the customer the opportunity to refuse the change in terms of the increase. If the customer refuses the change in terms, the creditor need not extend any further credit on the account; however, the customer shall have the right to repay any existing obligation on the account under the then existing terms of the account. At the time a disclosure of a change in terms under § 226.7(f) is required to be made or prior to an increase in the customer's line of credit, the creditor shall provide the customer with two copies of a disclosure setting forth, as applicable: The fact that the creditor intends to change the terms or increase the line of credit of the customer's account; the fact that the account is secured by the customer's real property; and the fact that the customer may refuse the change in terms and repay any existing obligation under the then existing terms of the account, or refuse the increase in the line of credit, by giving the creditor written notice within 3 business days of the date of the disclosure.

(iv) That at least once each calendar year the creditor furnishes to the customer a disclosure of the fact that the customer's account is secured by the customer's real property and that failure to pay any outstanding balance in accordance with the terms of the account could result in the loss of the customer's real property.

(v) That each disclosure provided pursuant hereto is made on one side of a statement separate from any other documents, that the disclosure sets forth the name of the creditor and, in the case of the disclosures required by paragraph (g)(6)(iii) of this section, the creditor's address, the date on which the disclosure is furnished to the customer, the date by which the

<sup>14</sup> For purposes of § 226.9(g)(6) a person is related to a creditor if that person would be deemed related to the creditor under footnote 9b to § 226.7(k).

customer should give notice of refusal of the increase in the line of credit or the change in terms of the account, and the fact that one copy of the disclosure can be used for that purpose. [End of amendment.]

The Board hereby adopts the following official board interpretation of regulation Z, 12 CFR Part 226:

SECTION 226.904—RIGHT OF RESCISSION FOR CERTAIN OPEN END CREDIT ACCOUNTS

Section 226.9(g)(6) provides an exception to the right of rescission for individual transactions on an open end credit account provided, among other things, that the disclosures required by that section are made at the times specified. The question arises as to what disclosures will satisfy the requirements of §§ 226.9(g)(6) (iii) and (iv).

The disclosures set forth below, if accurate and when properly completed, will satisfy the requirements, as to form and content, of the indicated sections of the regulation. No specific type size or style is required. If the real property on which the security interest may arise does not include a dwelling, the creditor may substitute such words as "the property you are purchasing" for "your home" or "lot" for "home" where these words appear in the disclosure.

Section 226.9(g)(6)(iii) (increase in line of credit).

NOTICE TO CUSTOMER REQUIRED BY FEDERAL LAW

(Name of creditor)

Has approved an increase in the amount of credit available to you on your open end account secured by your home. Any additional credit you use will also be secured by your home. You have a right to refuse to accept this increase. You may exercise this right within three business days from (date disclosure delivered to customer) by notifying us at (address of creditor's place of business) by mail or telegram sent not later than midnight of (date). You may also use any other form of written notice to refuse the increase if it is delivered to the above address not later than that time. This notice may be used for that purpose by dating and signing below.

I hereby refuse the increase in the credit available on my account; (date) (customer's signature).

Section 226.9(g)(6)(iii) (change in terms).

NOTICE TO CUSTOMER REQUIRED BY FEDERAL LAW

(Name of creditor)

Intends to change the terms of your open end credit account which is secured by your home. You have a right to refuse to accept this change in terms. If you refuse this change in terms, we have the right to refuse to extend any further credit on your open end account and may require you to repay any existing obligation on your account under the present terms of the account. You may exercise your right to refuse the change in terms within three business days of (date disclosure delivered to customer) by

notifying us at (address of creditor's place of business) by mail or telegram sent not later than midnight of (date). You may also use any other form of written notice to refuse the change in terms if it is delivered to the above address not later than that time. This notice may be used for that purpose by dating and signing below.

I hereby refuse the change in the terms of my account; (date) (customer's signature).

Section 226.9(g)(6)(iv) (annual disclosure).

#### NOTICE TO CUSTOMER REQUIRED BY FEDERAL LAW

This is to remind you that your open end credit account with (name of creditor) is secured by a lien, mortgage, or other security interest on your home. This means that your failure to pay any outstanding balance in accordance with the terms of the account could result in the loss of your home.

By order of the Board of Governors,  
July 26, 1978.

THEODORE E. ALLISON,  
*Secretary of the Board.*

[FR Doc. 78-21570 Filed 8-2-78; 8:45 am]

#### [4910-13]

#### Title 14—Aeronautics and Space

### CHAPTER I—FEDERAL AVIATION ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

[Airspace Docket No. 78-SO-51]

## PART 71—DESIGNATION OF FEDERAL AIRWAYS, AREA LOW ROUTES, CONTROLLED AIRSPACE, AND REPORTING POINTS

### Revocation of Transition Area and Control Zone, Donaldson Center Airport, Greenville, S.C.

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action revokes the Donaldson Center Airport, Greenville, S.C., 700-foot transition area and control zone because the IFR ASR approach procedure to the airport has been canceled and the nonfederal Airport Traffic Control Tower is no longer in operation.

EFFECTIVE DATE: 0901 G.m.t., November 2, 1978.

ADDRESS: Federal Aviation Administration, Chief, Air Traffic Division, P.O. Box 20636, Atlanta, Ga. 30320.

#### FOR FURTHER INFORMATION CONTACT:

Ronald T. Niklasson, Airspace and Procedures Branch, Federal Aviation Administration, P.O. Box 20636, Atlanta, Ga. 30320; telephone: 404-763-7646.

#### SUPPLEMENTARY INFORMATION:

The Donaldson Center Airport, Greenville, S.C., control zone described in § 71.171 (43 FR 355), and transition area, described in § 71.181 (43 FR 440), were designated to provide controlled airspace for IFR operations at Donaldson Center Airport. The IFR ASRA approach procedure has been canceled and the nonfederal Airport Traffic Control Tower is no longer in operation. Therefore, it is necessary to revoke the control zone and transition area. Since this amendment lessens the burden on the public, notice and public procedure hereon are unnecessary.

#### DRAFTING INFORMATION

The principal authors of this document are Ronald T. Niklasson, Airspace and Procedures Branch, Air Traffic Division, and Keith S. May, Office of Regional Counsel.

#### ADOPTION OF THE AMENDMENT

Accordingly, subpart F, § 71.171 (43 FR 355) and subpart G, § 71.181 (43 FR 440) of part 71 of the Federal Aviation Regulations (14 CFR 71) are amended, effective 0901 G.m.t., November 2, 1978, as follows:

#### GREENVILLE, S.C.

"\* \* \* within a 5-mile radius of Donaldson Center Airport (latitude 34°45'7" N., longitude 82°22'30" W.) \* \* \*" is deleted from § 71.171.

#### GREENVILLE, S.C.

"\* \* \* within an 8.5-mile radius of Donaldson Center Airport (latitude 34°45'17" N., longitude 82°22'30" W.) \* \* \*" is deleted from § 71.181.

(Sec. 307(a) of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1348(a)) and Sec. 6(c) of the Department of Transportation Act (49 U.S.C. 1655(c)).

NOTE.—The Federal Aviation Administration has determined that this document does not contain a major proposal requiring preparation of an Economic Impact Statement under Executive Order 11821, as amended by Executive Order 11949, and OMB Circular A-107.

Issued in East Point, Ga., on July 24, 1978.

GEORGE R. LACAILLE,  
*Acting Director, Southern Region.*

[FR Doc. 78-21366 Filed 8-2-78; 8:45 am]

#### [4910-13]

[Airspace Docket No. 77-WE-20]

## PART 71—DESIGNATION OF FEDERAL AIRWAYS, AREA LOW ROUTES, CONTROLLED AIRSPACE, AND REPORTING POINTS

### Alteration of Transition Area, Victorville, Calif.

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This amendment alters the 700-foot transition area at Victorville, Calif. This revision is necessary in order to provide additional 700-foot controlled airspace for radar vector services for procedures at George Air Force Base (AFB) Victorville, Calif.

EFFECTIVE DATE: September 7, 1978.

ADDRESSES: Copies of this final rule may be obtained from: Federal Aviation Administration, Air Traffic Division, Chief, Airspace and Procedures Branch, 15000 Aviation Boulevard, Lawndale, Calif. 90261.

#### FOR FURTHER INFORMATION CONTACT:

Thomas W. Binczak, Airspace and Procedures Branch, Air Traffic Division, Federal Aviation Administration, 15000 Aviation Boulevard, Lawndale, Calif. 90261, telephone: 213-536-6182.

#### SUPPLEMENTARY INFORMATION:

##### HISTORY

On November 28, 1977, a notice of proposed rulemaking (NPRM) was published in the FEDERAL REGISTER (42 FR 60569) stating that the Federal Aviation Administration proposed to alter the 700-foot transition area at Victorville, Calif. to provide additional controlled airspace for radar vector services for George AFB, Calif. Interested persons were invited to participate in the rulemaking proceeding through submission of written comments on the proposal to the FAA. We received 11 responses to the NPRM in which 5 of the 11 commenters posed no objection to the proposal. Section 71.181 was republished in the FEDERAL REGISTER on January 3, 1978 (43 FR 440).

##### THE RULE

This amendment to part 71 of the Federal Aviation Regulations alters the 700-foot transition area in the vicinity of George AFB, Victorville, Calif. to provide additional controlled airspace for radar vector services for George AFB. This amendment adopts the airspace proposed in the NPRM (42 FR 60569) with changes recom-