

may not be essential to insure the watch is stood in accordance with the rules.

4. Therefore, we are issuing this Notice of Proposed Rule Making to amend the rules as requested by petitioner RCA Globcom. However, we wish to note that since this proposed amendment may possibly have a negative effect on maintaining the existing level of compliance with watch standing requirements on 500 kHz, the Commission seeks comments from concerned members of the public regarding the desirability of deleting the subject log entry requirements.

5. Accordingly, we propose to amend § 81.214(a) (4) to delete the requirement that a positive entry be made at least once each 15 minutes stating whether or not signals were received on the assigned frequency 500 kHz.

6. The proposed amendments to the Commission's rules, as set forth below, is issued pursuant to the authority contained in Sections 4(i) and 303(r) of the Communications Act of 1934, as amended.

7. Pursuant to the applicable procedures set forth in § 1.415 of the Commission's rules, interested persons may file comments on or before November 26, 1976, and reply comments on or before December 6, 1976. All relevant and timely comments will be considered by the Commission before final action is taken in this proceeding.

8. In accordance with the provisions of § 1.419 of the Commission's rules, an original and 11 copies of all statements, briefs or comments shall be furnished the Commission. All comments received in response to this notice of proposed rulemaking, will be available for public inspection in the Docket Reference Room in the Commission's Offices in Washington, D.C.

FEDERAL COMMUNICATIONS  
COMMISSION,<sup>1</sup>

VINCENT J. MULLINS,  
Secretary.

Part 81 of Chapter I of Title 47 of the Code of Federal Regulations is amended as follows:

**PART 81—STATIONS ON LAND IN THE MARITIME SERVICES AND ALASKA PUBLIC FIXED STATIONS**

Section 81.214(a) (4) is amended by deleting the last sentence, to read as follows:

§ 81.214 Station records.

(a) \* \* \*

(4) With respect to coast stations which, by reason of the provisions of Subpart G of this part, are required to maintain a watch on the radio-channel designated for radiotelegraph calling and distress (assigned frequency 500 kHz), entries shall be made showing each time this watch is begun, suspended, or concluded; without any requirement, however, of making such entries during interruption of this watch as may be necessary during hours of service for calling, answering, and exchanging op-

erating signals and safety communications on this radio-channel. In respect to coast stations which, under applicable provisions of Subpart G of this part are required to maintain a watch on 500 kHz during the 500 kHz silence periods, a positive entry shall be made in respect to each such silence period, stating whether or not signals were received during that time and, if signals are received, entry shall be made of the call sign(s) of the station(s) heard and the time(s) of such reception. The use of a rubber stamp or equivalent device for making entries to show observation of the silence period is prohibited.

[FR Doc. 76-31640 Filed 10-23-76; 8:45 am]

**FEDERAL RESERVE SYSTEM**

[12 CFR Part 226]

[Docket No. R-0003, Reg. Z]

**DISCLOSURE OF VARIABLE INTEREST RATE LOANS**

**Proposed Rulemaking**

The Board of Governors of the Federal Reserve System is publishing for comment a proposed amendment to Regulation Z to require creditors to disclose to customers, in advance of their becoming obligated on a credit contract, a variable interest rate clause if the contract, note, or other instrument evidencing the obligation so provides. On December 27, 1974, the Board published for comment in the Federal Register (39 FR 44779) a proposed amendment to Regulation Z, § 226.8(b) (8), which would have required disclosure of the fact that the annual percentage rate is subject to change, the conditions under which the rate may be changed and, if applicable, the maximum and minimum rates stipulated in the credit contract.

The comments received by the Board on its earlier proposal generally supported mandatory disclosure of variable rate clauses, but several commenters suggested that the proposed regulation did not require disclosure of sufficient information to enable customers to compare variable rate loans with fixed rate loans or to alert customers to the impact of a change in rates. Therefore, the proposed amendment has been expanded to require disclosure of certain additional information that may be necessary for a meaningful evaluation of the economic consequences to the customer of a variable rate loan.

This new proposed amendment to § 226.8(b) establishes disclosure requirements for certain other than open end credit plans in which the annual percentage rate is prospectively subject to change. The Truth in Lending disclosures given to the customer prior to the consummation of the original extension of credit would include:

(1) the conditions under which any change in rate may occur;

(2) the manner in which the change in rate may be effected, e.g., change of maturity, change in periodic payments, or change in the amount due at maturity;

(3) a statement of the change in the amount of the periodic payment caused by an immediate decrease and increase of one quarter of one percentage point in the annual percentage rate (or a greater change if that is permitted in the contract), assuming no change in maturity; and

(4) a statement of the change in maturity caused by an immediate decrease and increase of one quarter of one percentage point in the annual percentage rate (or a greater change if that is permitted in the contract) assuming no change in the amount of the periodic payment.

The third and fourth disclosures would be applicable primarily to a typical real estate mortgage transaction but would not apply to some other credit transactions, such as single payment loans and demand loans. An example of how these disclosures could be made, assuming a 20-year, level monthly payment real estate mortgage for \$40,000 at an initial annual percentage rate of 9 percent, in which the mortgage note permitted a maximum incremental change of one percentage point in the annual percentage rate, and in which the change could be effected either by changing the amount of the monthly payment or by changing the maturity, is shown below:

A. Based on the principal outstanding at the time this contract is consummated, if the annual percentage rate were decreased one percentage point, to 8 percent, under the terms of this contract, the monthly payment to principal and interest would be decreased by \$25.33. If the annual percentage rate were increased one percentage point, to 10 percent, under the terms of this contract, the monthly payment to principal and interest would be increased by \$29.11. Under either condition the maturity of the debt and the number of payments would remain unchanged.

B. Based on the principal outstanding at the time this contract is consummated, if the annual percentage rate were decreased one percentage point, to 8 percent, under the terms of this contract, the number of monthly payments would be decreased by 36. If the annual percentage rate were increased one percentage point, to 10 percent, under the terms of this contract, the number of monthly payments would be increased by 75. Under either condition the amount of the monthly payment to principal and interest would remain unchanged.

This example is presented for illustrative purposes only and does not indicate that any particular format or substantive credit terms are required by the Board.

Pursuant to the authority granted in 15 U.S.C. § 1604 (1970), the Board proposes to amend Regulation Z, 12 CFR Part 226, as follows:

1. Section 226.8(b) would be amended by the addition of paragraph (8) as follows:

§ 226.8 Credit other than open-end—  
Specific disclosures.

(b) \* \* \*

(8) If the annual percentage rate as disclosed under § 226.8(b) (2) is prospectively subject to change, the following additional disclosures shall be made:

(i) The fact that the annual percentage rate is subject to change and the conditions under which such rate may change, including: (A) Identification of

<sup>1</sup> Commissioner White not participating.

the index, if any, with respect to which such change in annual percentage rate is tied; and (B) Any limitation on such change;

(ii) The manner (such as a change in payment amounts, number of scheduled periodic payments, or change in the amount due at maturity) in which any change in the annual percentage rate may be effected;

(iii) If the obligation is repayable in substantially equal installments at substantially equal intervals (including those obligations providing for "balloon" payments) and the change could be effected by a change in the periodic payment amount, a statement of the estimated decrease and increase in the amount of the payment caused by a hypothetical immediate decrease and increase of the maximum amount of incremental change in the annual percentage rate allowed by the contract, or if there is no such limitation, a change of one quarter of one percentage point, based upon the number of scheduled periodic payments and original amount financed disclosed at consummation;

(iv) If the obligation is repayable in substantially equal installments at substantially equal intervals (including those obligations providing for "balloon" payments) and the change could be effected by a change in the number of periodic payments, a statement of the estimated decrease and increase in the number of periodic payments caused by a hypothetical immediate decrease and increase of the maximum amount of incremental change in the annual percentage rate allowed by the contract, or if there is no such limitation, a change of one quarter of one percentage point, based upon the periodic payment amount and the original amount financed disclosed at consummation.

Any change in the annual percentage rate within the conditions or limitations disclosed in accordance with this paragraph is a subsequent occurrence under § 226.6(g) and is not a refinancing under § 226.8(j).

2. Should the Board adopt the proposed amendment after considering the comments received, § 226.810 would be rescinded, and an effective date would be set far enough in advance to allow for the orderly change of forms where necessary.

3. To aid in the consideration of these matters by the Board, interested persons are invited to submit relevant data, views, comments, or arguments. Any such material should be submitted in writing to the Secretary, The Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received at the Board not later than November 29, 1976. All material submitted should include the docket number R-0003.

4. This notice is published pursuant to § 553(b) of Title 5 United States Code and § 262.2(a) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2(a)).

By order of the Board of Governors,  
October 20, 1976.

THEODORE E. ALLISON,  
Secretary of the Board.

[FR Doc. 76-31693 Filed 10-28-76; 8:45 am]

## POSTAL RATE COMMISSION

[39 CFR Part 3001]

[Docket No. RM77-2]

### RULES OF PRACTICE AND PROCEDURE

#### Proposed Rulemaking

OCTOBER 20, 1976.

Notice is hereby given that the Postal Rate Commission is considering rulemaking action for the purpose of amending its rules of practice. The proposed amendments are attached to this notice.

The Commission is considering a number of miscellaneous rule changes, most of which are designed to update our rate case filing requirements so as to more accurately reflect our decisions in Docket Nos. R74-1<sup>1</sup> and R76-1.<sup>2</sup> The remainder are concerned with other aspects of our hearing procedures, including interlocutory appeals, a new type of hearing participant, viz, commenters, and related amendments. While not first in numerical order, the amendments to our rate filing requirements are the most important change, and are therefore discussed initially.

#### CHANGES IN RATE CASE FILING REQUIREMENTS

Subpart B of our rules of practice (39 CFR 3001.51-56) pertains to requests for changes in rates and fees. In this discussion, we are presently concerned only with Rule 54 (39 CFR 3001.54), dealing with contents of formal requests.

#### AMENDMENT TO § 3001.54(h) (2)

Section 3001.54(h) (2) requires that postal costs be separated as between direct and indirect costs which can be attributed to classes of mail,<sup>3</sup> any other costs which can reasonably be assigned to each class of mail,<sup>4</sup> and any costs which cannot be attributed or reasonably assigned.<sup>5</sup> Footnote "d" to § 3001.54 (h) (iv) indicates that in the presiding officer's initial decision in Docket No. R71-1 (I.D. R74-1, Vol. 1, 1-9), two possible interpretations of 39 U.S.C. 3622 (b) (3)<sup>6</sup> were noted. First, that all costs

are either "attributable" or "reasonably assignable" and, second, that there are some "remaining costs which cannot be attributed or reasonably assigned to classes of mail." (ID.) If the first interpretation were deemed correct, no costs would be reported in the category denominated by § 3001.54(h) (2) (iv). It was further recognized in this footnote that it was not necessary in Docket No. R71-1 to adopt either reading as exclusive.

In Docket No. R74-1, the Commission adopted the position that all postal costs are either attributable (i.e., causally related to classes of mail) or institutional (overhead costs), and that institutional costs would be assigned to the mail classes and services on the basis of market factors.<sup>7</sup> Since we have adopted this position, the requirement of listing costs that cannot be attributed or reasonably assigned has become meaningless and we propose to eliminate it as well as the accompanying footnote.

In Docket No. R74-1 the Commission also decided that attributable costs are those costs that vary with volume.<sup>8</sup> However, rule 54(h) (2) (i), (ii), which requires that the direct costs be separated from the indirect costs was adopted prior to our decision that attributable costs are variable costs. The terms direct and indirect costs are accounting terms<sup>9</sup> which have little relevance to an economic analysis of costs that vary with volume.<sup>10</sup> The Postal Service attributes both direct and indirect costs.<sup>11</sup> Therefore, in light of our rate case decisions the requirement that direct costs be separated from indirect costs has no value and we propose to permit the aggregation of both types of costs.<sup>12</sup>

We also propose to add a requirement that costs for each subclass of mail be presented as well as each class of mail. In the past, the Service has failed to furnish separate costs for certain subclasses, such as third class circulars and catalogs. Instead, an aggregated cost for the class as a whole was provided. This is insufficient for our needs since we recommend rates for each separate subclass and we must know the attributable cost for that subclass.

#### AMENDMENT TO § 3001.54(j)

This section of our rules requires data on postal revenues and volume. Specifically, data is requested on price and cross-elasticities for each class of mail as

<sup>1</sup> Opinion and Recommended Decision of the Postal Rate Commission, Postal Rate and Fee Increases, 1973, Docket No. R74-1, Vol. 1, 1-471-1349 (hereinafter cited as PRC Op. R74-1, 1- ).

<sup>2</sup> Opinion and Recommended Decision of the Postal Rate Commission, Postal Rate and Fee Increases, 1975, Docket No. R76-1.

<sup>3</sup> 39 CFR 3001.54(h) (2) (i), (ii).

<sup>4</sup> 39 CFR 3001.54(h) (2) (iii).

<sup>5</sup> 39 CFR 3001.54(h) (2) (iv).

<sup>6</sup> One of the factors in ratemaking is "the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all costs of the Postal Service reasonably assignable to such class or type." 39 U.S.C. 3622(b) (3).

<sup>7</sup> See PRC Op. R74-1, 1-623-45.

<sup>8</sup> PRC Op. R74-1, 1-587-612.

<sup>9</sup> Direct costs are traceable to a specific production order, while indirect costs are not so traceable. See Gordon and Shillinglaw, Accounting A Management Approach 624 (5th ed. 1974).

<sup>10</sup> See Docket No. R76-1, USPS Exh. 38, pp. 3-4; see also PRC Op. R74-1, 1-573-70.

<sup>11</sup> See Docket No. R76-1, USPS Exh. 38, pp. 5-10.

<sup>12</sup> Of course, we recognize that the In-Office Cost System separates the indirect from the direct costs, and, therefore, as a practical matter, the Service presumably will continue its past practice of segregating these costs.