

proposed rules

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF AGRICULTURE

Rural Electrification Administration

[7 CFR Part 1701]

RURAL TELEPHONE PROGRAM

Proposed New Specification for Electronic Trunk Circuits

Notice is hereby given that, pursuant to the Rural Electrification Act, as amended (7 USC 901 et seq.), REA proposes to issue REA Bulletin 345-75 to announce a new REA Specification PE-65 for Electronic Trunk Circuits. On issuance of REA Bulletin 345-75, Appendix A to Part 1701 will be modified accordingly.

Persons interested in the new specification may submit written data, views or comments to the Director, Telephone Operations and Standards Division, Rural Electrification Administration, Room 1355, South Building, U.S. Department of Agriculture, Washington, D.C. 20250, on or before January 17, 1976. All written submissions made pursuant to this notice will be made available for public inspection at the Office of the Director, Telephone Operations and Standards Division during regular business hours.

A copy of the new REA Specification PE-65 may be secured in person or by written request from the Director, Telephone Operations and Standards Division.

The text of the new REA Bulletin 345-75 announcing the issuance of the new specification is as follows:

REA BULLETIN 345-75

Subject: REA Specification for Electronic Trunk Circuits.

I. Purpose: To announce the issuance of a new REA Specification PE-65 for Electronic Trunk Circuits.

II. General: REA Specification PE-65 has been developed to cover requirements for electronic trunk circuits for direct acting offices. The equipment covered by this specification will result in substantial size reduction compared to electromechanical circuits. This new specification will become effective April 1, 1977. This does not preclude the adoption of the new specification by manufacturers prior to the effective date.

III. Availability of Specification: Copies of the new PE-65 will be furnished by REA upon request. Questions concerning the new specifications may be referred to the Chief, Central Office Equipment Branch, Telephone Operations and Standards Division, Rural Electrification Administration, U.S. Department of Agriculture, Washington, D.C. 20250, telephone number 202-447-5773.

Dated: December 8, 1976.

C. R. BALLARD,

Assistant

Administrator, Telephone.

[FR Doc.76-36908 Filed 12-16-76; 8:45 am]

FEDERAL RESERVE SYSTEM

[12 CFR Part 226]

[Docket No. R-0066; Reg. Z]

TRUTH IN LENDING

Proposed Amendment to Regulation Z Permitting Spanish Language Truth in Lending Disclosures in the Commonwealth of Puerto Rico

The Board of Governors of the Federal Reserve System proposes to amend Regulation Z to permit Spanish language Truth in Lending disclosures in the Commonwealth of Puerto Rico with English language disclosures provided upon the customer's request, either in substitution for the Spanish disclosures or as additional information. The purpose of this amendment is to conform the Act's disclosure requirements to language usage in Puerto Rico where the pervasive and dominant language is Spanish. In developing this proposal, the Board has preliminarily examined relevant case and statutory law and statistical data, as well as the potential effects on administrative enforcement should such an amendment be adopted. The assistance of Commonwealth officials has also been solicited in determining Spanish language usage in Puerto Rico. The Board's proposal is based upon the premise that Spanish is an official language as well as the prevailing and predominant language of the people of Puerto Rico and that to provide solely English disclosures in this Spanish speaking jurisdiction might be contrary to the purpose and intent of the Truth in Lending Act.

Although the statutory laws of Puerto Rico generally evince a spirit and effort to create a bilingual system in the Commonwealth,¹ a review of the applicable case law indicates that Spanish is the traditionally favored language of the Puerto Rican people. The Supreme Court of Puerto Rico has recognized the underlying spirit of bilingualism, while demanding recognition of the Spanish language as the pervasive, dominant and permanent language of the Common-

¹ Title I L.P.R.A. 51 designates both English and Spanish official languages of Puerto Rico. See also Title 31 L.P.R.A. 13(c), which reflects a Spanish language preference when discrepancies exist between the English and Spanish texts of statutes passed by the Legislative Assembly of Puerto Rico and Title 32 L.P.R.A., Appendix II: Rules of Civil Procedure, Rule 8.5 which mandates that pleadings, petitions, motions, and other papers be drawn in Spanish, although they may be drawn in English provided they are accompanied by the necessary Spanish copies.

wealth.² Moreover, statistical data taken from the 1970 Census indicates that more than half the Puerto Rican population³ 10 years old and over cannot speak English.

It has been indicated to the Board that there would be few dialect problems in Puerto Rico should such an amendment be adopted. Therefore, the Board would welcome comments, particularly from government agencies and other authorities, regarding the feasibility of drafting approved and accepted Spanish translations of the required terminology of Regulation Z.

In light of this information, the Board proposes for comment that Spanish language Truth in Lending disclosures be permitted in Puerto Rico with English language disclosures provided upon the customer's request, either in substitution for the Spanish disclosures or as additional information in accordance with § 226.6(c). In proposing this amendment the Board is not suggesting that foreign language Truth in Lending disclosures are advisable or practical in the United States. Significantly, statistics made available from a Department of Commerce, Bureau of the Census Study, issued July, 1976, indicate that only 4.1 per cent of United States residents claim a language other than English as their usual language, and only 2.5 per cent indicate difficulty with the English language.⁴ Therefore, the Board believes that the statistical data does not support a finding that the use of foreign language Truth in Lending disclosures would be of substantial benefit to customers in the United States.

The Board invites comments on the proposed amendment generally and is especially interested in receiving comments regarding the effect of the proposed amendment on transactions which are conducted by mail and subject to Regulation Z.

The deadline for receipt of written comments on the proposed amendment is January 15, 1977. Comments should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Comments should include a reference to Docket No. R-0066.

Pursuant to the authority granted in 15 U.S.C. 1604 (1968) the Board pro-

² See *People v. Superior Court*, 82 P.R.R. 580, 588-590 (1965).

³ General Social and Economic Characteristics, Puerto Rico, 1970 Census of Population, United States Department of Commerce, Bureau of the Census, October, 1972.

⁴ Current Population Reports, Special Studies, United States Department of Commerce, Bureau of the Census, July, 1976.

poses to amend 12 CFR Part 226 by adding a new paragraph to § 226.6(a) to read as follows:

§ 226.6 General disclosure requirements.

(a) Disclosures: General rule. . . .

All disclosures required to be given by this Part shall be made in the English language except in the Commonwealth of Puerto Rico where disclosures may be made in the Spanish language with English language disclosures provided upon the customer's request, either in substitution for the Spanish disclosures or as additional information in accordance with § 226.6(c).

By order of the Board of Governors,
December 6, 1976.

THEODORE E. ALLISON,
Secretary to the Board.

[FR Doc. 76-37075 Filed 12-16-76; 8:45 am]

**NATIONAL CREDIT UNION
ADMINISTRATION**

[12 CFR Part 704]

SHARE CERTIFICATES

Proposed Rulemaking

Notice is hereby given that the Administrator of the National Credit Union Administration, pursuant to the authority conferred by section 120, 73 Stat. 635, 12 U.S.C. 1766, and section 209, 84 Stat. 1014, 12 U.S.C. 1789, proposes to promulgate regulations authorizing and governing the issuance of share certificates by Federal credit unions.

The purpose of the proposed regulation is to implement the authority granted to the Administrator and to Federal credit unions by Pub. L. 91-468. That law amended section 101^a(4), 12 U.S.C. 1752^a(4), by defining "member accounts" to include shares, share certificates, or share deposit accounts of the type approved by the Administrator. In addition, Pub. L. 91-468 amended section 107(7), 12 U.S.C. 1757(7), by authorizing Federal credit unions to receive payments on shares, share certificates, and share deposit accounts. However, the authority granted to Federal credit unions by that amendment, to receive payment on share certificates, had not been implemented because the Administrator had not approved share certificates. Thus, the purpose of the proposed regulation is to grant approval to Federal credit unions to issue share certificates in conformity with the regulation.

The basic concept of the share certificate is a share account evidenced by a certificate, upon which a rate of return, in excess of that paid on regular share accounts will be paid if a specified minimum amount is maintained for a certain fixed qualifying period. A significant dividend penalty will be assessed for withdrawals prior to maturity. The rate of return on share certificates will vary according to the minimum amount requirement and the length of the qualifying

period. In drafting the proposed regulation, it is the intention of the National Credit Union Administration to conform share certificates to the Federal Credit Union Act's requirements for regular share accounts. In those areas of regulation not covered in the proposed amendment, it is intended that share certificates be treated in the same manner as regular share accounts. For example, share certificates will be entitled to the same insurance coverage as regular share accounts under Title II of the Federal Credit Union Act and shall be subject to the same regulations on insurance coverage set forth in Part 745 of the National Credit Union Administration's Rules and Regulations (12 CFR Part 745). The National Credit Union Administration specifically invites comments on those areas not covered by the proposed regulation where questions may arise as to similar treatment of share certificates and regular share accounts.

The following is a paragraph by paragraph explanation of the proposed regulation.

Section 704.1 is a definition section. Subsection (a) defines a share certificate as having four significant features. First, it is a share account evidenced by a certificate. Second, it will receive a rate of return in excess of that paid on regular share accounts. Third, it must be held for a fixed period of time in order to qualify for the special rate of return. Fourth, a substantial dividend penalty will be assessed for any withdrawal prior to maturity.

Section 704.2(a) establishes the date of maturity for all share certificates as the last dividend declaration date of the qualifying period. Since Federal credit unions cannot establish a dividend prior to the dividend declaration date, no determination could be made as to the dividends earned by a share certificate during the period from the last dividend period to the date of maturity if the maturity date fell within a dividend period. In addition, since the earnings on a share certificate are expressed as a rate of return in excess of that paid on regular share accounts, the rate of return on regular share accounts must be established before the share certificate's earnings are determined. Therefore, the maturity date must coincide with a dividend declaration date.

Section 704.2(b) authorizes the board of directors to establish the rate of return on share certificates. This rate is to be expressed as a percentage in excess of the dividend rate on regular share accounts. Thus, the board of directors will, prior to the issuance of a share certificate, establish that share certificates meeting a certain minimum amount and qualifying period will receive a dividend at a rate, for example, one percent (1 percent) greater than the regular share accounts. This is necessary because Federal credit unions cannot establish or guarantee a dividend rate prior to the close of a dividend period and thus could not establish or guarantee a total rate of return on share certificates prior to their

issuance. Subsection (b) also directs the board of directors to take into account the qualifying periods and minimum amount requirements of the share certificates that the credit union will issue, in establishing the rate of return in excess of that paid on regular share accounts.

Section 704.2(c) provides that a minimum amount requirement be established for share certificates receiving a specified rate of return. For example, a credit union may provide a \$1,000 minimum amount requirement for one year certificates receiving an excess rate of one percent. It may provide the same minimum amount requirement and pay a greater rate of return by establishing a longer qualifying period for other share certificates. (The figures quoted above are meant as examples only and do not indicate that such minimum amount requirements, qualifying periods, or rate of return should be adopted. Such decisions are reserved for the board of directors of each Federal credit union.) Federal credit unions may receive payments on share certificates in excess of the minimum amount requirement. The rate of return on a certificate issued for more than the minimum amount requirement will be the same as the rate of return for certificates with the same minimum amount requirement and qualifying period but the actual return will be calculated upon the amount received for the share certificate. Using the figures in the above example, a Federal credit union could issue share certificates with a \$1,000 minimum amount requirement, one year qualifying period, and one percent excess rate, in amounts of \$1,000, \$1,500, \$1,685, etc. The actual return on these certificates would be based upon the amount of the certificate (\$1,000, \$1,500, \$1,685) and not on the minimum amount requirement.

Section 704.2(c) does require, however that, in establishing minimum amount requirements, a Federal credit union must offer share certificates of at least \$100. The Board of Directors may however authorize minimum amount requirements less than \$100. This requirement is in keeping with the purpose of Federal credit unions, namely, to promote thrift among persons of small or limited means.

Section 704.2(d) establishes a minimum qualifying period of 90 days (three months). This minimum time requirement, however, is subject to the provisions of § 704.2(a) which requires that the date of maturity coincide with a dividend declaration date. The effect of subsection (a) on subsection (d) is best explained by an example. In the case of a Federal credit union that declares dividends on a semi-annual basis, for example on June 30 and December 31 of each year, a share certificate with a minimum qualifying period of three months could not be issued on January 1 because the certificate would mature in the middle of the dividend period. This would be in violation of § 704.2(a). A three month certificate, in this example, could only be issued on March 30 and September 30.