

(c) *Ruling.* It is our conclusion that the \$13,700,000 Arizona State University System Improvement and Refunding Revenue Bonds Series of 1976 are issued by an agency of a State for University purposes and are eligible under paragraph Seventh of 12 U.S.C. 24 for purchase, dealing in, underwriting and holding by national banks within the ten percent limitation with respect to aggregate holdings of obligations issued by the Arizona Board of Regents. (Letter dated Nov. 10, 1976.)

Dated: December 15, 1976.

ROBERT BLOOM,
Acting Comptroller
of the Currency.

[FR Doc. 76-37244 Filed 12-17-76; 8:45 am]

CHAPTER II—FEDERAL RESERVE SYSTEM

SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. Z; Docket No. R-0067]

PART 226—TRUTH IN LENDING

Supplement V

This supplement to Regulation Z prescribes the criteria and procedures under which a State may apply for an exemption from the provisions of Chapter 4 (Credit Billing) of the Truth in Lending Act or for a ruling regarding whether a provision of State law is inconsistent with a provision of Chapter 4 of the Act. The Fair Credit Billing Act added Chapter 4 to the Truth in Lending Act. Section 171 of Chapter 4 authorizes the Board to grant exemptions from Chapter 4 to States, if the Board determines that the State's law imposes requirements substantially similar to those of Chapter 4 or that the State's law provides greater protection to consumers than is provided by Chapter 4. Additionally, the Board must determine that there is adequate provision for enforcement of the State's law. Section I of the supplement sets out the criteria and procedures under which a State may secure such an exemption.

Section 171 also authorizes the Board to make determinations as to whether a State's law is inconsistent with Chapter 4 of the Federal law in any respect. The Board is prohibited from determining that a State's law is inconsistent with any provision of Chapter 4 when the State's law provides greater protection to consumers than does Chapter 4. Section II of the supplement prescribes the criteria and procedures under which a State may secure such a determination.

The provisions of section 553 of Title 5, United States Code, relating to notice, public participation, and deferred effective dates are not followed in connection with the adoption of the action because the rules relate to agency procedures and, accordingly, do not constitute substantive rules subject to the requirements of such section.

Pursuant to section 171 of Chapter 4 of the Truth in Lending Act, as amended in Pub. L. 93-495, the Board hereby amends 12 CFR Part 226, effective immediately, by the addition of Supplement V as follows:

SUPPLEMENT V TO REGULATION Z

TRUTH IN LENDING

[Sections 226.12 & 226.6(b) (2) — Supplement]

SECTION I

Procedures and criteria under which any State may apply for exemption from the provisions of Chapter 4 of the Truth in Lending Act pursuant to paragraph (a) of § 226.12.

(a) *Application.* Any State may make application to the Board, pursuant to the terms of Section I of this supplement and the Board's Rules of Procedure (12 CFR Part 262), for a determination that under the laws of that State,¹ transactions under open end credit plans, including credit card plans, as provided in section 103 (f) and (i) of the Act and § 226.3(x) of this part, within that State are subject to requirements which are substantially similar to those imposed under Chapter 4 of the Act² or which provide greater protection to customers than those provided under Chapter 4 of the Act, and that there is adequate provision for enforcement of such requirements. Such application shall be made by letter addressed to the Board signed by the Governor, the Attorney General, or any official of the State having responsibilities under the State laws which are applicable to the relevant class of transactions. The application shall be supported by the documents specified in paragraph (b) of Section I of this supplement.

(b) *Supporting documents.* The application shall be accompanied by:

(1) A copy of the full text of the laws of the State which are claimed by the applicant to impose requirements substantially similar to those imposed under Chapter 4 of the Act or to provide greater protection to customers than does Chapter 4 of the Act with respect to open end credit and credit card transactions as defined in § 226.2(x) of Regulation Z, including credit other than open end extended by use of a credit card.

(2) A comparison of each requirement of State law with the corresponding requirement of Chapter 4 of the Act, together with reasons to support the claim that the requirements of State law are substantially similar to or provide greater protection to customers than requirements imposed under Chapter 4 of the Act with respect to the class of credit transactions, and to demonstrate that any differences are not inconsistent with and do not result in a diminution in the protection otherwise afforded customers by the requirements of Chapter 4 of the Act and a statement that there are no other State laws which are related to or would have an effect upon the State law which is being considered for exemption and which should be considered by the Board in making its determination.

(3) A copy of the full text of the laws of the State which provide for enforcement of the State laws referred to in subparagraph (1) of this paragraph.

¹ Any reference to State law in Supplement V includes a reference to any regulations which implement State law and formal interpretations thereof by a court of competent jurisdiction or a duly authorized agency of that State.

² Any reference in Supplement V to Chapter 4 of the Act or any section thereof includes a reference to the implementing provisions of this part and the Board's formal interpretations thereof. Additionally, any reference to Chapter 4 of the Act includes a reference to sections 127(a) (8), 127(b) (11), and 127(c) of Chapter 2 of the Act (and any implementing provisions in this Part) which, though technically a part of Chapter 2, implement and relate to substantive requirements of Chapter 4.

(4) A comparison of the provisions of State law with the provisions of sections 108, 112, 130, 131, and 161(e) of the Act, together with reasons to support the claim that such State laws provide for:

(i) Administrative enforcement of the State laws referred to in subparagraph (1) of this paragraph which is equivalent to the enforcement provided under section 108 of the Act;

(ii) Criminal liability for willful and knowing violation of the State law with penalties substantially similar to those prescribed under section 112 of the Act, except that more severe penalties may be provided;

(iii) Civil liability for failure to comply with the requirements of the State law, including class action liability, which is substantially similar to that provided under sections 130 and 131 of the Act, except that more severe penalties may be provided;

(iv) A forfeiture penalty substantially similar to that provided by section 161(e) of the Act, except that a more severe forfeiture penalty may be provided;

(v) A statute of limitations that prescribes a period with respect to civil liability actions of substantially similar duration as that provided under paragraph (e) of section 130 of the Act, except that a longer period may be provided.

(5) A statement identifying the office designated or to be designated to administer the State laws referred to in subparagraph (1) of this paragraph, together with complete information regarding the fiscal arrangements for administrative enforcement (including the amount of funds available or to be provided), the number and qualifications of personnel engaged therein, and a description of the procedures under which such State laws are to be administratively enforced, including administrative enforcement with respect to Federally chartered creditors.³ The foregoing statement should include reasons to support the claim that there is adequate provision for enforcement of such State laws.

(c) *Criteria for determination.* The Board will consider the following criteria along with any other relevant information in making a determination of whether the laws of a State impose requirements substantially similar to or provide greater protection to customers than those requirements imposed under Chapter 4 of the Act with respect to open end credit and credit card transactions including credit other than open end extended by use of a credit card, and whether there is adequate provision for enforcement of such laws:

(1) In order for provisions of State law to be substantially similar to or provide greater protection to customers than the provisions of Chapter 4 of the Act, the provisions of State law⁴ shall require that:

(i) Definitions and rules of construction, as applicable, import the same meaning and

³ Transactions within a State in which a Federally chartered institution is a creditor shall not be subject to the exemption, and such Federally chartered creditors shall remain subject to the requirements of the Act and administrative enforcement by the appropriate Federal authority, under section 108 of the Act, unless it is established to the satisfaction of the Board that appropriate arrangements have been made with such Federal authorities to assure effective enforcement of the requirements of State laws with respect to such creditors.

⁴ This paragraph is not to be construed as indicating that the Board would consider adversely any additional requirements of State law which are not inconsistent with the purpose of the Act or the requirements imposed under Chapter 4 of the Act.

have the same application as those prescribed under § 226.2 of this part;

(ii) Creditors make all of the applicable disclosures required by this part and deliver required notices in the form, content, terminology, and time periods as prescribed by this part: *Provided*, That references to Federal law in the statement required under §§ 226.7(a)(9), 226.7(d), and 226.7(i) may be changed so as to refer to State law. The text of the statements required by State law which correspond to those required by §§ 226.7(a)(9), 226.7(d), and 226.7(i) of this part must be varied to accurately reflect the State law if there are any differences between the State law and Chapter 4 which are determined by the Board not to be inconsistent with Chapter 4 when granting any exemption and which would affect the accuracy of the statement as provided in this part;

(iii) Creditors take all affirmative actions and abide by obligations substantially similar to those prescribed by Chapter 4 of the Act, under substantially similar conditions and within the same (or more stringent) time periods as are prescribed in Chapter 4 of the Act;

(iv) Creditors abide by the same (or more stringent) prohibitions as are provided by Chapter 4 of the Act;

(v) Customers need comply with no obligations or responsibilities which are more costly, lengthy, or burdensome as a condition of exercising any of the rights or gaining the benefits of the protections in the State law which correspond to those afforded by Chapter 4 of the Act, than those obligations or responsibilities imposed upon customers in Chapter 4 of the Act;

(vi) Substantially similar or more favorable rights and protections are provided to customers under conditions substantially similar or more favorable to customers than those afforded by Chapter 4 of the Act.

(2) In determining whether the provisions for enforcement of the State law referred to in paragraph (b)(1) are adequate, consideration will be given to the extent to which, under the laws of the State, provision is made for:

(i) Administrative enforcement, including necessary facilities, personnel, and funding;

(ii) Criminal liability for willful and knowing violation with penalties substantially similar to or more severe than those prescribed under section 112 of the Act;

(iii) Civil liability for failure to comply with the provisions of State law substantially similar to that provided under sections 130 and 131 and a forfeiture penalty substantially similar to that provided in section 161(e) of the Act, except that more severe civil liability and forfeiture penalties may be prescribed; and

(iv) A statute of limitations with respect to civil liability of substantially similar duration as that provided under § 130 of the Act, except that a longer duration may be provided.

(d) *Public notice of filing and proposed rulemaking.* In connection with any application which has been filed in accordance with the requirements of paragraphs (a) and (b) of Section I, following initial review of said application, notice of such filing and proposed rulemaking will be published by the Board in the FEDERAL REGISTER, and a copy of such application will be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which any part of the State of the applicant is situated. A reasonable period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to that application.

(e) *Exemption from requirements of Chapter 4.* If the Board determines on the

basis of the information before it that under the law of a State open end credit and credit card transactions, including credit transactions other than open end extended by use of a credit card are subject to requirements which are substantially similar to or which provide greater protection to customers than those imposed under Chapter 4 of the Act and that there is adequate provision for enforcement, the Board will exempt such class of transactions in that State from the requirements of Chapter 4 of the Act in the following manner and subject to the following conditions:

(1) Notice of the exemption will be published in the FEDERAL REGISTER, and the Board will furnish a copy of such notice to the official who made application for such exemption and to each Federal authority responsible for administrative enforcement of the requirements of Chapter 4 of the Act.

(2) The appropriate official of any State which receives an exemption shall inform the Board within 30 days of the occurrence of any change in its related law (including regulations). The report of any such change shall contain copies of the full text of that change together with statements setting forth the information and opinions with respect to that change as specified in subparagraphs (2) and (4) of paragraph (b). The appropriate official of any State which has received an exemption shall file with the Board from time to time such reports as the Board may require.

(3) The Board will inform the appropriate official of any State which receives an exemption of any subsequent amendments of Chapter 4 of the Act (including the implementing provisions of this part and the Board's formal interpretations) which might call for amendment of State law, regulations or formal interpretation thereof.

(f) *Adverse Determination.* (1) after publication of notice in the FEDERAL REGISTER as provided under paragraph (d) the Board finds on the basis of the information before it that it cannot make a favorable determination in connection with the application, the Board will notify the appropriate State official of the facts upon which such finding is based and shall afford that State a reasonable opportunity to demonstrate or achieve compliance.

(2) If, after having afforded the State such opportunity to demonstrate or achieve compliance, the Board finds on the basis of the information before it that it still cannot make any favorable determination in connection with the application, the Board will publish in the FEDERAL REGISTER a notice of its decision with respect to such application and will furnish a copy of such notice to the official who made application for such exemption.

(g) *Revocation of Exemption.* (1) The Board reserves the right to revoke any exemption if at any time it determines that the State law does not, in fact, impose requirements which are substantially similar to or provide greater protection to customers than those imposed under Chapter 4 of the Act or that there is not, in fact, adequate provision for enforcement.

(2) Before revoking any State exemption, the Board will notify the appropriate State official of the facts or conduct which in the opinion of the Board warrant such revocation and shall afford that State such opportunity as the Board deems appropriate in the circumstances to demonstrate or achieve compliance.

(3) If, after having been afforded the opportunity to demonstrate or achieve compliance, the Board determines that the State has not done so, notice of the Board's intention to revoke such exemption shall be published as a notice of proposed rulemaking in

the FEDERAL REGISTER. A period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to the proposed rulemaking.

(4) In the event of revocation of such exemption, notice of such revocation shall be published by the Board in the FEDERAL REGISTER, and a copy of such notice shall also be furnished to the appropriate State official and to the Federal authorities responsible for enforcement of requirements of Chapter 4 of the Act, and the class of transactions affected within that State shall then be subject to the requirements of Chapter 4 of the Act and subject to administrative enforcement as provided under section 108 of the Act.

SECTION II

Procedures and criteria under which any State may apply for a determination that a State law is not inconsistent with and not preempted by a provision of Chapter 4 of the Act pursuant to § 226.6(b)(2) of this part.

(a) *Application.* Any State may make application to the Board pursuant to the terms of Section II of this supplement and the Board's rules of procedure (12 CFR Part 262), for a determination that a law of such State is consistent* with a provision of Chapter 4 of the Act, because such State law provides greater protection to customers than does the provision of Chapter 4 of the Act, that such law is consistent with a provision of Chapter 4 for any other reasons, or for a determination of any issues not clearly covered by § 226.6(b) with regard to the relationship of the Federal law to the State's law. Such application shall be made by letter addressed to the Board signed by the Governor, Attorney General, or any official of the State having responsibilities under the State law put forward for consideration and supported by the documents specified in paragraph (b) of Section II of this supplement.

(b) *Supporting Documents.* The application shall be accompanied by:

(1) A copy of the full text of the laws of the State which are claimed by the applicant to be consistent with a provision of Chapter 4 of the Act or whose relationship (with regard to consistency or inconsistency) to a provision of Chapter 4 of the Act is claimed by the applicant to be not clearly covered by the standards and criteria for comparison set forth in § 226.6(b) of this part.

(2) A comparison of each requirement of the State law with the corresponding requirement of Chapter 4 of the Act, together with reasons to support the claim that the State law is consistent with a provision of Chapter 4 of the Act or that the relationship (with regard to consistency or inconsistency) between the State law and a provision of Chapter 4 of the Act is not clearly covered by the standards and criteria set forth in § 226.6(b) of this part.

(3) A copy of the full text of any provisions of State law corresponding to sections 112, 130, 131, and 161(e) (if applicable) together with reasons for applicant's claim that such State provisions are not inconsistent (because they provide greater protection to customers or for other reasons) with the Act.

(4) A statement that there are no State laws (including administrative or judicial interpretations) other than those submitted to the Board which have any bearing on whether or not the State law is consistent with a provision of Chapter 4 of the Act.

*For purposes of this supplement the terms "consistent" and "not inconsistent" shall convey the same meaning and shall involve the same evidentiary showing.

(5) A statement identifying the office designated or to be designated to administer the State laws referred to in subparagraph (1) of this paragraph. If no such administrative office exists, then a statement identifying the office to which the Board can address any correspondence regarding the request for such determination shall accompany the application.

(c) *Criteria for determination.* The Board will consider the following criteria along with any other relevant information, in addition to the criteria set forth in § 226.6(b) of this part, in making a determination of whether or not State law is inconsistent with a provision of Chapter 4 of the Act. In order for provisions of State law to be determined to be consistent with a provision of Chapter 4 of the Act, the provisions of State law shall, to the extent relevant to the determination, require that:

(1) Definitions and rules of construction, as applicable, import the same meaning and have the same application as those prescribed by this part;

(2) Creditors make all of the applicable disclosures required by the corresponding provision of Chapter 4 of the Act and this Part and deliver required notices with the content and in the terminology, form, and time periods prescribed by this part; however, variations in form, content, and terminology from the disclosures required by this part will be permitted in order to accurately reflect a State law which is different from the Federal law but determined to be consistent therewith, and more frequent disclosures which do not frustrate any of the purposes of the Act may be determined to be consistent with the Act;

(3) Creditors take all affirmative actions and abide by obligations substantially similar to those prescribed by a provision of Chapter 4 of the Act under substantially similar (or more stringent) conditions and within the same (or more stringent) time periods as are prescribed in Chapter 4 of the Act;

(4) Creditors abide by the same (or more stringent) prohibitions as are prescribed by the corresponding provision of Chapter 4 of the Act;

(5) Customers need comply with obligations or responsibilities which are not more costly, lengthy, or burdensome as a condition of exercising any of the rights or gaining the benefits of the protections provided in the State law, which correspond to those afforded by Chapter 4 of the Act, than those obligations or responsibilities imposed on customers in Chapter 4 of the Act;

(6) Customers are to have rights and protections substantially similar to or more favorable than those provided by the corresponding provision of Chapter 4 of the Act under conditions and within time periods which are substantially similar to or more favorable to customers than those prescribed by Chapter 4 of the Act.²

² This paragraph is not to be construed as indicating that the Board would consider adversely any additional requirements of State law which are not inconsistent with the purposes of the Act or the requirements imposed under Chapter 4 of the Act.

³ A State may make a showing that in certain limited readily identifiable circumstances a law which may otherwise be inconsistent with a provision of Chapter 4 of the Act is not inconsistent under the criteria set forth in paragraph (c) of Section II of this supplement. The Board may determine such State law to be consistent only under those circumstances but will make no such determination if doing so would mislead or confuse customers.

(d) *Public notice of filing and proposed rulemaking.* In connection with any application which has been filed in accordance with the requirements of paragraphs (a) and (b) of Section II of this supplement, notice of such filing and proposed rulemaking will be published by the Board in the FEDERAL REGISTER, and a copy of such application will be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which any part of the State of the applicant is situated. A period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to that application.

(e) *Determination that a State law is consistent with chapter 4.* If the Board determines on the basis of the information before it that the law of a State is consistent with a provision of chapter 4 of the Act, notice of such determination shall be published in the following manner and shall be subject to the following conditions:

(1) Notice of the determination will be published in the FEDERAL REGISTER, and the Board will furnish a copy of such notice to the official who made application for such exemption and to each Federal authority responsible for administrative enforcement of the requirements of Chapter 4 of the Act.

(2) The appropriate official of any State which receives such a determination shall inform the Board within 30 days of the occurrence of any change in its related law (or regulations). The report of any such change shall contain copies of the full text of the law, as changed, together with statements setting forth the information and opinions with respect to that change as specified in subparagraphs (2) and (4) of paragraph (b) of Section II. The appropriate official of any State which has received such a determination shall file with the Board from time to time such reports as the Board may require.

(3) The Board will inform the appropriate official of any State which receives such a determination of any subsequent amendments of Chapter 4 of the Act (including the implementing provisions of this Part and the Board's formal interpretations) which might call for amendment of State law, regulations, or formal interpretations.

(f) *Adverse Determination.* (1) If after publication of notice in the FEDERAL REGISTER as provided under paragraph (d) the Board finds on the basis of the information before it that such State law is inconsistent with a provision of Chapter 4 of the Act, the Board will notify the appropriate State official of the facts upon which such finding is based and shall afford that State authority a reasonable opportunity to demonstrate further that such State law is not inconsistent with the corresponding provision of Chapter 4 of the Act, if such State authority desires to do so.

(2) If, after having afforded the State authority such further opportunity to demonstrate that the State law is consistent with a provision of Chapter 4 of the Act, the Board finds on the basis of the information before it that the State law is inconsistent, the Board will publish in the FEDERAL REGISTER a notice of its decision with respect to such application and will furnish a copy of such notice to the official who made application for the determination.

(g) *Reversal of determination.* (1) The Board reserves the right to reverse any determination made under Section II of this supplement to the effect that a State law is consistent with a provision of Chapter 4 of the Act, if at any time it determines that the State law is in fact inconsistent with a provision of Chapter 4 of the Act because of subsequently discovered facts, a change in the State or Federal law (by amendment or

administrative or judicial interpretation or otherwise) or for any other reason bearing on the coverage or impact of the State or Federal law.

(2) Before reversing any such determination, the Board will notify the appropriate State official of the facts or conduct which, in the opinion of the Board, warrant such reversal and shall afford that State such opportunity as the Board deems appropriate in the circumstances to demonstrate that the determination should not be reversed.

(3) If, after having been afforded the opportunity to demonstrate that its law is consistent with a provision of Chapter 4 of the Act, the Board determines that the State has not done so, notice of the Board's intention to reverse such determination shall be published as a notice of proposed rulemaking in the FEDERAL REGISTER. A reasonable period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to the proposed rulemaking.

(4) In the event of reversal of such determination, notice of such reversal shall be published by the Board in the FEDERAL REGISTER, and a copy of such notice shall also be furnished to the appropriate State official and to the Federal authorities responsible for enforcement of the requirements of Chapter 4 of the Act and the State law affected shall then be considered inconsistent with and preempted by Chapter 4 of the Act within the meaning of section 171(a) of the Act.

By order of the Board of Governors,
December 10, 1976.

THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc.76-27243 Filed 12-17-76;8:45 am]

Title 14—Aeronautics and Space

CHAPTER I—FEDERAL AVIATION ADMINISTRATION, DEPARTMENT OF TRANSPORTATION

[Docket No. 76-CE-23-AD; Amdt. 39-2789]

PART 39—AIRWORTHINESS DIRECTIVES

Beech Model 19, 23 and 24 Airplanes

A proposal to amend Part 39 of the Federal Aviation Regulations to include an Airworthiness Directive (AD) applicable to Beech Model 19, 23 and 24 airplanes (also commonly known as Beech Musketeer series airplanes) was published in the FEDERAL REGISTER on November 1, 1976, (41 FR 47916). This proposal would require modification of the wing trailing edge on these aircraft in accordance with Beechcraft Service Instructions No. 0510-032 to prevent interchanging left and right ailerons during reinstallation.

Interested persons were afforded an opportunity to participate in the making of the amendment. One adverse comment was received. The commentator objected to the proposal because he believed that competent licensed mechanics, authorized inspectors and pilots should provide sufficient protection to assure that ailerons are properly installed on these aircraft. He further stated that only one accident resulting from improper aileron installation in the last few years does not warrant AD action. In response to these comments, the Federal Aviation Administration states that even after the agency's publication of a General Aviation Inspection Aid and the manufac-