

32. South Jersey Siding & Building
33. Master Sheet Metal, Furnace & Roofers Association
34. National Bureau of Standards
35. University of Washington
36. Rochester Gas & Electric Corp.
37. Stephen L. Neal, U.S. Congress
38. Clairborne Pell, United States Senate
39. Salt River Project
40. Public Service Co. of N.C., Inc.
41. Energy Masters Corp.
42. Rapco Insulation of Tidewater
43. S&S Gasket Co., Inc.

Issued in Washington, D.C., on May 14, 1980.

Maxine Savitz,  
Deputy Assistant Secretary, Conservation  
and Solar Energy.

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## FEDERAL RESERVE SYSTEM

### 12 CFR Part 226

[Reg. Z; Docket No. R-0295]

#### Truth in Lending; Increased Tolerance for Annual Percentage Rates in Irregular Mortgage Transactions

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule.

**SUMMARY:** The Board seeks comment on a proposed amendment to Regulation Z that would increase the tolerance for accuracy in disclosing the annual percentage rate in irregular mortgage transactions. If adopted, the more generous tolerance would be available only until April 1, 1981; after that date, the annual percentage rates for those transactions would have to meet the general standard of accuracy. The proposed amendment follows the recommendation in the Conference Report on the recent Truth in Lending Simplification and Reform Act, and is intended to insulate certain creditors from civil liability temporarily while they acquire the calculation tools necessary to determine rates more accurately.

**DATE:** Comments must be received on or before June 20, 1980.

**ADDRESS:** Comments may be mailed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or delivered to Room B-2223, 20th and Constitution Avenue, N.W., Washington, D.C., between 8:45 a.m. and 5:15 p.m. Comments may also be inspected at Room B-1122 between 8:45 a.m. and 5:15 p.m. The comments should refer to docket number R-0295.

**FOR FURTHER INFORMATION CONTACTS:** Ellen Maland, Senior Attorney, Division of Consumer and Community Affairs,

Board of Governors of the Federal Reserve System, Washington, D.C. 20551, (202-452-3867).

**SUPPLEMENTARY INFORMATION:** The Truth in Lending Simplification and Reform Act (Title VI of Public Law 96-221, the Depository Institutions Deregulation and Monetary Control Act of 1980) was signed into law by the President on March 31, 1980. Although the simplification act does not become fully effective until April 1, 1982, it requires the Board to adopt implementing regulations no later than April 1, 1981. The Board recently proposed for comment a completely revised version of Regulation Z (45 FR 29702, May 5, 1980) to implement the statutory amendments. The proposal discussed in this notice, although occasioned by the new act, is a special matter that the Board believes merits prompt and separate consideration.

The Conference Report on the Truth in Lending Simplification and Reform Act recommends that the Board consider a temporary relaxation of the rules for accuracy of annual percentage rates in irregular mortgage transactions. It suggests:

That, for a period of one year from the date of enactment of the restitution provision [March 31 1980], the Federal Reserve Board may allow a tolerance increased by one quarter of one percentage point for calculation of the APR on irregular mortgage transactions. However, the tolerance shall be no greater than one half of one percent between the disclosed rate and the actual rate.

An irregular mortgage transaction is a loan secured by real estate for which the APR cannot be calculated using Volume I of the Federal Reserve System's Truth in Lending, Regulation Z, Annual Percentage Rate Tables.

(H.R. Rep. No. 96-842, 96th Cong., 2nd Sess. 81 (1980).)

The general standard of accuracy for an annual percentage rate under Regulation Z is  $\frac{1}{8}$  of a percentage point; that is, the disclosed rate must be within  $\frac{1}{8}$  of a percentage point above or below the actual rate. The increased tolerance suggested in the Conference Report for lenders making complex mortgage loans is intended to give them time to acquire the calculation tools needed to determine accurate annual percentage rates. The effect of the special rule would be to insulate those lenders from civil liability for errors within the tolerance limits for a limited time.

The Board is therefore proposing for comment an amendment to the annual percentage rate provisions of Regulation Z to provide a greater tolerance for irregular mortgage transactions until April 1, 1981. The proposal allows for a

tolerance of  $\frac{1}{2}$  of a percentage point, thus permitting disclosure of an annual percentage rate for such a transaction to be considered accurate under the regulation as long as it is within  $\frac{1}{8}$  of one percentage point above or below the actual rate. The maximum tolerance mentioned in the Conference Report is being proposed, but the Board specifically solicits comment on whether a smaller tolerance would be appropriate. If adopted, the tolerance for irregular mortgage transactions would be in lieu of, not in addition to, the general  $\frac{1}{8}$  percentage point tolerance.

Irregular mortgage transactions are defined in the proposal as those involving multiple advances or irregular payment schedules (other than an irregular first period or an irregular first or last payment amount). The annual percentage rate for those types of transactions cannot be determined by use of Volume I of the Board's APR tables, which is designed for regular transactions. The category of irregular mortgage transactions includes, for example, construction financing involving multiple advances, loans with government or private mortgage insurance premiums that vary during the loan term, graduated payment and step-rate mortgages, and mortgages involving required deposit balances.

The proposal would add a new paragraph to § 226.5 of Regulation Z, as that section was amended in January 1980.

The Board solicits comment on the following questions, as well as on any other aspect of the proposal:

—Is an increased tolerance needed by mortgage lenders?

—Is the size of the proposed tolerance ( $\frac{1}{2}$  of one percentage point) appropriate or should it be smaller? Should the tolerance be expressed as a percent of the actual rate or, as stated in the proposal, as a fraction of a percentage point?

—Is the definition of an irregular mortgage transaction an appropriate one?

The comment period for this proposal is only 30 days rather than the normal 60 days. The Board has decided that a shorter comment period is advisable in order to expedite consideration of the matter since any special tolerance would expire on April 1, 1981, under the amended act.

In consideration of the foregoing and pursuant to the authority granted in § 105 of the Truth in Lending Act (15 U.S.C. 1604, as amended), the Board proposes to amend Regulation Z (12 CFR 226) by adding a new paragraph (d) to § 226.5, to read as follows:

§ 226.5 Determination of annual percentage rate.

\* \* \* \* \*

(d) *Special rule for irregular mortgage transactions.* Notwithstanding any other provision in this section, the annual percentage rate in an irregular mortgage transaction shall be considered accurate if it is not more than  $\frac{1}{2}$  of 1 percentage point above or below the annual percentage rate determined in accordance with either the actuarial method or the United States Rule method. For the purpose of this paragraph, an irregular mortgage transaction is a real property transaction involving one or more of the following features: multiple advances, irregular payment periods (other than an irregular first period, as defined in footnote 5c), and irregular payment amounts (other than irregular first and last payment amounts). This paragraph shall cease to be effective on April 1, 1981, after which date the general standard of accuracy in paragraph (b) of this section will apply.

By order of the Board of Governors, May 14, 1980.

Theodore E. Allison,  
Secretary of the Board.

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## SMALL BUSINESS ADMINISTRATION

### 13 CFR Part 121

**Small Business Size Standards; Change in Location and Time for Hearing on Proposed Small Business Size Standards in Atlanta, Georgia**

**AGENCY:** Small Business Administration.

**ACTION:** Notice of Change in Location and Time of Public Hearing in Atlanta, Georgia.

**SUMMARY:** On April 8, 1980, SBA published in the Federal Register [45 FR 23704] a notice of public hearings concerning its size standards. Because of the unusually great interest shown, the location and time for the Atlanta, Georgia, hearing is changed from 1375 Peachtree Street, Small Business Administration, 9:30 a.m. to L. D. Strom Auditorium, Richard Russell Federal Building, 75 Spring Street, S.W., Atlanta, Georgia 30303, at 9:00 a.m., May 29, 1980.

**DATE:** The hearing will be held on the same date as originally scheduled—May 29, 1980.

**FOR FURTHER INFORMATION CONTACT:** Dave Coker, Small Business Administration, 1375 Peachtree Street, Atlanta, Georgia 30309, (404) 881-4950.

Dated: May 14, 1980.

A. Vernon Weaver,  
Administrator.

[FR Doc. 80-15317 Filed 5-19-80; 8:45 am]  
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## DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

### 15 CFR Part 936

#### The Looe Key Marine Sanctuary

**AGENCY:** National Oceanic and Atmospheric Administration (NOAA), Department of Commerce.

**ACTION:** Proposed rule.

**SUMMARY:** The National Oceanic and Atmospheric Administration proposes the designation by the Secretary of Commerce of the Looe Key Marine Sanctuary 6.7 nmi southwest of Big Pine Key, Florida. Presidential approval of the designation is required. After designation, the Secretary of Commerce must promulgate necessary and reasonable regulations to control activity within the sanctuary. These proposed regulations define permissible activities within the Sanctuary, the procedures by which persons may obtain permits for prohibited activities, and the penalties for committing prohibited acts without a permit.

**DATE:** Comments due July 21, 1980.

**ADDRESS:** Send comments to: Director, Sanctuary Programs Office, Office of Coastal Zone Management, NOAA, 3300 Whitehaven Street, N.W., Washington, D.C. 20235.

**FOR FURTHER INFORMATION CONTACT:** Dr. Nancy Foster, Deputy Director, Sanctuary Programs Office, Office of Coastal Zone Management, NOAA, 3300 Whitehaven Street, N.W., Washington, D.C. 20235, (202) 634-4236.

**SUPPLEMENTARY INFORMATION:** Title III of the Marine Protection, Research, and Sanctuaries Act of 1972, 16 U.S.C. 1431-1434 (the Act) authorizes the Secretary of Commerce, with Presidential approval, to designate ocean waters as far seaward as the outer edge of the Continental Shelf as marine sanctuaries to preserve or restore distinctive conservation, recreational, ecological, or aesthetic values. Section 302(f) of the Act directs the Secretary to issue necessary and reasonable regulations to control any activities permitted within a designated marine sanctuary. The authority of the Secretary to administer the provisions of the Act has been delegated to the Assistant Administrator for Coastal Zone Management within

the National Oceanic and Atmospheric Administration, U.S. Department of Commerce (the Assistant Administrator).

The Office of Coastal Zone Management proposes to designate a 5.32 square nautical mile (sq nmi) marine sanctuary 6.7 miles southwest of Big Pine Key in the lower Florida Keys. It is one of the most diverse and biologically productive coral reef communities in the entire Florida Reef tract, supporting representatives of West Indian biota, including an array of tropical fish and invertebrates.

In 1977 the Florida Keys Citizens Coalition (an association of 21 public groups including the Izaak Walton League and Florida Keys Audubon) recommended the Looe Key area as a marine sanctuary. In January of 1978 NOAA held a public workshop on the proposal at Big Pine Key in the Florida Keys. The Florida Audubon Society, the Sierra Club, Miami Chapter, the Izaak Walton League, Florida Chapter, the Florida Keys Citizens Coalition and the Upper Keys Citizens Association testified on behalf of the proposal. The Newfoundland Harbor Marine Institute spoke in support of a core area where only non-consumptive uses would be permitted. The Lower Keys Chapter of the Organized Fishermen of Florida (OFF) testified that their members were opposed to any regulation of fishing which would reduce their income and local residents in the nearby Keys expressed concern that the sanctuary would only attract more tourists to the area which, in turn, would further deplete and damage renewable resources.

Following the workshop, the South Atlantic and Gulf of Mexico Fishery Management Councils requested that NOAA delay further steps until the Councils' joint coral reef fishery management plan (FMP) was completed. NOAA agreed to the delay. Extensive consultation with both Councils culminating in the signing of Memoranda of Understanding on consultation procedures, resulted in revised council recommendations that NOAA proceed with the evaluation of Looe Key as a marine sanctuary candidate. Based on consultation with other Federal agencies, State agencies, the Gulf and South Atlantic Regional Fishery Management Councils, and local interest groups, NOAA prepared a draft environmental impact statement (DEIS) which is being published concurrently with these regulations (A copy can be obtained in writing to the contact identified above.).

The DEIS describes the impacts of the marine sanctuary proposal including its