Independence SW, Washington, DC 20250.

For the reasons set forth above, Part 354 of Title 9, Code of Federal Regulations, is amended as follows.

List of Subjects for 9 CFR Part 354

Voluntary inspection of rabbits, Fees and charges, Continuous inspection performed on a resident basis, Meat inspection.

PART 354—VOLUNTARY INSPECTION OF RABBITS AND EDIBLE PRODUCTS THEREOF

1. The authority citation of Part 354 continues to read as follows:

Authority: 60 Stat. 1087, as amended [7 U.S.C. 1622 *et seq.*], 60 Stat. 1090, as amended 7 U.S.C. 1624.

2. Section 354.107 is revised to read as follows:

§ 354.107 Continuous inspection performed on a resident basis.

The charges for inspection of rabbits and products thereof shall be those provided for in § 354.101(b) when the inspection service is performed on a continuous year-round resident basis and the services of an inspector or inspectors are required 4 or more hours per day. When the services of an inspector are required on an intermittent basis, the charges shall be at the hourly rate provided for in § 354.101(b) plus the travel expense and other charges provided for in § 354.106.

Done at Washington, D.C. on May 21, 1985.

Donald L. Houston,

Administrator, Food Safety and Inspection Service.

[FR Doc. 85-14474 Filed 6-14-85; 8:45 am]

BILLING CODE 3410-DM-M

FEDERAL RESERVE SYSTEM

12 CFR Part 226

[Reg. Z; Doc. No. R-0539]

Truth in Lending; Determination of Effect of State Laws (Arizona)

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Preemption determination.

SUMMARY: The Board is publishing in final form a determination as to whether certain provisions in the law of Arizona are inconsistent with the Truth in Lending Act or Regulation Z and therefore preempted. The Board has determined that one state disclosure requirement is preempted. Effective October 1, 1986, creditors in Arizona are prohibited from using that disclosure; they have the option of complying with the determination before that date.

EFFECTIVE DATE: October 1, 1986, with compliance optional before that date.

FOR FURTHER INFORMATION CONTACT: Susan M. Werthan, Senior Attorney, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, at (202) 452-3867; or Joy W. O'Connell, Telecommunication Device for the Deaf (TDD) at (202) 452-3244.

SUPPLEMENTARY INFORMATION:

(1) General

Section 111(a)(1) of the Truth in Lending Act authorizes the Board to determine whether any inconsistency exists between chapters 1, 2, and 3 of the federal act or regulation and any state laws relating to the disclosure of information in connection with consumer credit transactions. If the Board determines that a state-required disclosure is inconsistent with the federal law, the state law is preempted to the extent of the inconsistency, and creditors in that state may not make disclosures using the inconsistent term or form. A determination on provisions in the law of one state has no effect on the validity of similar provisions in other states.

The determination regarding Arizona law is issued under authority delegated to the Director of the Division of Consumer and Community Affairs, as set forth in the Board's Rules Regarding Delegation of Authority (12 CFR 265.2(h)(2)).

Preemption determinations have an effective date of the October 1 that follows the determination by at least 6 months, as required by section 105(d) of the act. As a result, this determination has an effective date of October 1, 1986, although creditors may begin complying with the determination before that time. After October 1, 1986, creditors in Arizona may not use the inconsistent term in making the state-required disclosure.

(2) Principles Followed in Preemption Analysis

In regard to whether a state law is inconsistent with the federal provisions, § 226.28(a)(1) of Regulation Z, which implements section 111 of the act, provides that a state law is inconsistent with the federal provisions if it requires a creditor to make disclosure or take actions that contradict the federal law. A state law is contradictory, and therefore preempted, if it significantly impedes the operation of the federal law or interferes with the purposes of the federal statute. Two examples of contradictory state laws are included in § 226.28(a)(1). They are (1) a law that requires the use of the same term for a different amount or a different meaning than the federal law, and (2) a law that requires the use of a different term than the federal term to describe the same item.

The following principles, which were developed in previous preemption determinations (48 FR 4454, February 1, 1983), were applied in making the current determination:

- For purposes of preemption determinations, state law is deemed to require the use of specific terminology in the state disclosures if the statute uses certain terminology in the disclosure provision.
- A state disclosure does not "describe the same item," under § 226.28(a)(1), if it is not the functional equivalent of a federal disclosure.
- Preemption occurs only in those transactions in which an actual inconsistency exists between the state law and the federal law.
- A state law is not inconsistent merely because it requires more information than federal law or requires disclosure in transactions where federal law requires none.

Preemption determinations are generally limited to those provisions of state law identified in the request for a determination, and that is the case in the present determination. At the Board's discretion, however, other state provisions that may be affected by the federal law also may be addressed.

(3) Discussion of Specific Request and Final Determination

The Board was asked to examine section 6-621A.2 of Arizona's Small Loans Act, as amended April 24, 1984, to determine whether several requirements imposed by this provision in Arizona's law are inconsistent with section 128 of the federal act and §§ 226.18 and 226.27 of Regulation Z.

The Board published a proposed determination on March 5, 1985 (50 FR 8737). In that proposal, the Board proposed to preempt one of three requirements reviewed. The Board received two comments on the proposal, which focused on the proposed preemption of the term "THE TOTAL SUM of $_____." The final determination regarding the state law at issue, together with the reasons for the Board's action, are set forth below.

The pertinent provisions of the state statute (which became effective January 1, 1985) are as follows:

6-621. *Requirements for loan transactions*

A. Every licensee shall:

* * * * *

2. Give to the borrower, or if there are two borrowers, to one of them, a statement written in both English and Spanish which shall read as follows:

I understand that the documents I have signed in this transaction obligate me to pay to ——— (name of lender) the total sum of $—— and that I am required to make a total of —— payments of $—— each and payments of $—— to be paid —— (weekly or monthly) ——— over the life of the loan. I further understand that in the event that I fail to make the payments according to the terms contained in these documents I may lose the property which I have given as security for this loan which is the following:

(Description of property given as security)
Borrower ———
Borrower ———

The requesting party asked for a determination as to whether the Spanish language requirement imposed by this section contradicts § 226.27 of Regulation Z, which provides that all of the disclosures required by the regulation be made in the English language (except in the Commonwealth of Puerto Rico). Since the state law requires that the prescribed notice be given in both Spanish and English, the Board has determined that the state's Spanish language requirement does not contradict and is not preempted by the federal law because under the regulation Spanish translations are permissible as additional information. (See Regulation Z Official Staff Commentary § 226.27–2.)

The requesting party also asked for a determination as to whether certain terms required to be used in the prescribed notice are preempted by the federal act and regulation. The term "THE TOTAL SUM OF $———" corresponds to § 226.18(h) of Regulation Z, which requires disclosure of the total dollar amount owed, using the term "total of payments." One of the commenters recommended that the Board not preempt this disclosure. The commenter believed that in the context of the required notice, the state-required term more effectively informed consumers of their total debt than the federal term. However, because the state law requires the use of a different term than federal law to describe the same item, the Board has determined that this portion of the state-required disclosure is preempted. The Board notes that only the specific term "THE TOTAL SUM OF" is preempted, not the remainder of the notice. One way to modify the notice would be to delete the term "THE TOTAL SUM OF"—leaving only the dollar amount of the debt to be filled in by the lender.

The requesting party also suggested that the term "TOTAL OF ——— PAYMENTS" is inconsistent, and therefore preempted, because it seems to require the use of the federally prescribed term "total of payments" to represent a different meaning from the federal law. The Board has determined that the state term "TOTAL OF ——— PAYMENTS" is not the same as the federally required "total of payments" disclosure because it requires the *number* of payments to be substituted for the blank shown in the phrase, clearly distinguishing it from the federal term both in language and meaning. For instance, an example of the state disclosure would be "TOTAL OF 60 PAYMENTS" while the federal term would appear as "total of payments=$10,000." Because the state law does not in this instance prescribe a federal term to represent a different meaning, the Board has determined that the state disclosure does not contradict federal law and is therefore not preempted.

List of Subjects in 12 CFR Part 226

Advertising, Banks, Banking, Consumer protection, Credit, Finance, Penalties, Truth in lending.

(4) Preemption Determination

The following order sets forth the preemption determination, which will also be reflected in the Official Staff Commentary on Regulation Z (Supplement I to Part 226).

Order

Pursuant to section 111 of the federal Truth in Lending Act as revised in March 31, 1980 (Title VI of the Depository Institutions Deregulation and Monetary Control Act of 1980, Pub. L. 96–221), the Board has determined that a certain provision in the law of Arizona is inconsistent with and preempted by the federal law. The determination is as follows:

Preemption determination—Arizona. Effective October 1, 1986, the following provision in the state law of Arizona is preempted by the federal law:

In section 6–621A.2 of Arizona's Small Loans Act (as amended April 24, 1984), the use of the term "THE TOTAL SUM OF" is inconsistent with § 226.18(h) of Regulation Z, and is preempted.

Board of Governors of the Federal Reserve System, June 11, 1985.

James McAfee,

Associate Secretary of the Board.

[FR Doc. 85–14414 Filed 6–14–85; 8:45 am]

BILLING CODE 6210–01–M

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of the Assistant Secretary for Housing—Federal Housing Commissioner

24 CFR Parts 232 and 235

[Docket No. R–85–1245; FR–2129]

Mortgage Insurance; Changes in Interest Rates

AGENCY: Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

ACTION: Final rule.

SUMMARY: This change in the regulations decreases the maximum allowable interest rate on section 232 (Mortgage Insurance for Nursing Homes) and on section 235 (Homeownership for Lower Income Families) insured loans. This final rule is intended to bring the maximum permissible financing charges for these programs into line with competitive market rates.

EFFECTIVE DATE: June 5, 1985.

FOR FURTHER INFORMATION CONTACT: John N. Dickie, Chief Mortgage and Capital Market Analysis Branch, Office of Financial Management, Department of Housing and Urban Development, 451 Seventh Street SW., Washington, D.C. 20410. Telephone, (202) 755–7270. (This is not a toll-free number.)

SUPPLEMENTARY INFORMATION: The following amendments to 24 CFR Chapter II have been made to decrease the maximum interest rate which may be charged on loans insured by this Department under section 232 (fire safety equipment) and section 235 of the National Housing Act. The maximum interest rate on the HUD/FHA section 232 (fire safety equipment) and section 235 insurance programs has been lowered from 12.00 percent to 11.50 percent.

The Secretary has determined that this change is immediately necessary to meet the needs of the market and to prevent speculation in anticipation of a change, in accordance with his authority contained in 12 U.S.C. 1709–1.

As a matter of policy, the Department submits most of its rulemaking to public comment, either before or after effectiveness of the action. In this instance, however, the Secretary has determined that advance notice and public comment procedures are unnecessary and that good cause exists for making this final rule effective immediately.

HUD regulations published at 47 FR 56266 (1982), amending 24 CFR Part 50,