final rule on March 19, 1997 (62 FR 13276) in which the Board added §§ 208.25 and 208.129 to Regulation H (12 CFR part 208). The Board's amendatory instruction number 3. ''§ 208.129 is added to subpart B'' will be corrected to read ''§ 208.129 is added to subpart E''. In § 208.129, paragraph (b), in the first sentence, the cite ''§ 208.25(b)'' will be corrected to read ''§ 208.25(d).''

In final rule FR Doc. 97–6803, published on March 19, 1997 (62 FR 13276), make the following corrections:

1. On page 13285, in the third column, instruction 3., remove ''subpart B'' and add in its place ''subpart E.''

2. On page 13285, in the third column, under § 208.129, paragraph (b), in the first sentence, remove ''§ 208.25(b)'' and add in its place ''§ 208.25(d).''

By order of the Board of Governors of the Federal Reserve System, March 28, 1997.

Jennifer J. Johnson,

Deputy Secretary of the Board.

[FR Doc. 97–8358 Filed 4–1–97; 8:45 am]

BILLING CODE 6210–01–P

SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

Business Loan Programs

AGENCY: Small Business Administration.

ACTION: Interim final rule.

SUMMARY: The U.S. Small Business Administration (SBA) is modifying its rules regarding the financing and securitization of the unguaranteed portion of loans it guarantees under Section 7(a) of the Small Business Act. Present SBA regulations allow only non-depository lenders to engage in these practices (13 CFR 120.420, revised as of March 1, 1996). This interim rule will permit both depository and non-depository lenders to pledge or sell the unguaranteed portions of SBA guaranteed loans.

During the pendency of this interim final rule, subject to compliance with all other aspects of the interim final rule, SBA expects to give favorable review to any transaction which complies with the retainage requirements described in the notice of proposed rulemaking relevant to financing and securitization which appeared in the **Federal Register** on February 26, 1997. If SBA is presented with a transaction which is not structured in a manner consistent with such retainage requirements, SBA will need to assure itself as to safety and soundness considerations and compliance with the interim rule before giving its approval.

DATES: Effective: April 2, 1997.

Comments must be submitted on or before May 2, 1997.

ADDRESSES: Please mail all comments to Jane Palsgrove Butler, Acting Associate Administrator for Financial Assistance, U.S. Small Business Administration, 409 Third Street, SW, Room 8200, Washington, D.C. 20416.

FOR FURTHER INFORMATION CONTACT: James W. Hammersley, Acting Deputy Associate Administrator for Financial Assistance, (202) 205–7505.

SUPPLEMENTARY INFORMATION: Over the past several years, the average SBA guarantee under its guaranteed business loan program (program) has decreased from nearly 90% to approximately 75%. This 150% increase in lender exposure requires lenders participating in the program to commit substantially more of their own capital in order to support their dollar volume of SBA guaranteed loans. In 1992, SBA promulgated regulations that permitted non-depository lenders participating in the program to pledge or sell the unguaranteed portions of SBA guaranteed loans, thereby permitting them to fund unguaranteed portions of SBA guaranteed loans with the proceeds of loans or securities offerings (securitizations). (See 13 CFR § 120.420, revised as of March 1, 1996.)

Since that time, bank (depository) participants have asked SBA to modify its regulations to provide them the same ability to offset the increase in commitment of capital needed for them to continue participation in the program. These lenders have told SBA that, in many cases, it is more efficient to raise funds through a pledge or securitization than to attract additional deposits.

Congress has now recognized the need to permit all participants in the program to have a level playing field in raising capital needed to fund the increased requirement for unguaranteed portions. Therefore, recent legislation prohibits the sale of unguaranteed portions under SBA's present regulations after March 31, 1997, unless SBA develops regulations permitting all participating lenders to sell the unguaranteed portions of their SBA guaranteed loans. See § 103(e) of Public Law 104–408, Oct. 1, 1996, which directs SBA to promulgate a final regulation ''that applies uniformly to both depository institutions and other lenders * * * setting forth the terms and conditions under which such sales can be permitted, including maintenance of appropriate reserve requirements and other safeguards to protect the safety and soundness of the program.''

On November 29, 1996, SBA published an advance notice of proposed rulemaking which requested the views of interested parties on how this statutory requirement might be satisfied. 61 FR 60649, Nov. 29, 1996.

SBA received nine responses, including one response which had four signatories. The comments addressed several questions posed in the advance notice of proposed rulemaking regarding how the statutory mandate should be satisfied.

On February 26, 1997, at 62 FR 8640, SBA published a notice of proposed rulemaking on this subject. The proposed rulemaking took the comments on the advance notice of proposed rulemaking fully into consideration. The public was given 30 days to comment on the proposal. As of March 21, 1997, SBA had not received any comments from the public in response to the proposed rulemaking.

SBA recognizes the complexity of the issues surrounding the various means for implementing the statutory mandate. It is clear that additional time will be necessary to develop a full spectrum of comment on the notice of proposed rulemaking. It is SBA's desire to have the broadest possible public involvement in this rulemaking. At the same time, SBA does not wish to penalize any lender seeking to conduct a pledging or sale transaction after March 31, 1997.

Under these circumstances, SBA has decided to extend, for an additional 30 days, the comment period on its proposed rule. Pending its review of all comments received and its issuance of a final rule on the subject, SBA also will promulgate an interim final rule which will allow all lenders in the program to proceed with securitizations, subject to prior SBA approval on a case by case basis. In this regard, SBA will extend to all of its lenders, on an interim basis, an existing regulation which previously has been applicable only to non-depository lenders. This will afford SBA the opportunity to obtain further public comment, to consider how best to implement the statutory directive that a new rule be finalized, and to permit interim transactions to go forward on a basis consistent with safety and soundness in the program.

SBA is convinced that it can review any transactions which take place during the interim period in a manner sufficient to protect such safety and soundness. It should be noted that all pledging or sale transactions which have taken place since 1992 have been

carefully reviewed by SBA personnel. SBA has ensured that language adequate to protect its interest has been built into the documentation for all of these transactions and that the transactions themselves do not add undue risk to the program. It will employ similar procedures in reviewing any transactions taking place during the pendency of the interim rule.

While interested in receiving extensive comments on its proposed rule, SBA still believes that it sets out a reasonable approach to approving sales of the unguaranteed portions of SBA loans. Accordingly, subject to compliance with all other aspects of the interim rule, SBA expects to give favorable review to any interim period transaction which complies with the retainage requirements described in the notice of proposed rulemaking. If it is presented with a transaction which is not structured in a manner consistent with such retainage requirements, SBA will need to assure itself as to safety and soundness considerations and compliance with the interim rule before giving its approval.

As expressed in both the advance notice and the notice of proposed rulemaking, SBA is concerned that there are multiple issues which need to be fully explored before this extremely complex matter is finally resolved. It is SBA's expectation that the public will comment on the substance of both the advance notice and the proposed rule during the pendency of this interim final rule, and that such comment will serve as the basis for a new final rule to be published shortly after the extended comment period closes.

Compliance With Executive Orders 12612, 12778, and 12866, the Regulatory Flexibility Act (5 U.S.C. 601, *et seq.*), and the Paperwork Reduction Act (44 U.S.C. Ch. 35).

SBA certifies that this interim final rule does not constitute a significant rule within the meaning of Executive Order 12866 and will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* It believes this rule is not likely to have an annual economic effect of $100 million or more, but requests comment from the public on its perception of the costs and benefits associated with this rule to enable it to decide whether to prepare a cost benefit analysis in conjunction with the final rule. SBA believes that the rule will not result in a major increase in costs or prices, or have a significant adverse effect on competition or the United States economy.

The rule is consistent with the mandate of section 103(e) of Public Law 104–208 that it set forth terms and conditions under which sales for the purpose of securitization can be permitted, including the maintenance of appropriate reserve requirements and other safeguards to protect the safety and soundness of the program. SBA believes that the reserve requirements and other safeguards built into the rule satisfy this concern. For the reasons set forth above, SBA believes that the rule will help SBA lenders support an increased volume of SBA lending. Finally, the rule has no negative impact on State, local, or tribal governments.

For purposes of the Paperwork Reduction Act, 44 U.S.C. Ch. 35, SBA certifies that this final rule contains no new reporting or record keeping requirements.

For purposes of Executive Order 12612, SBA certifies that this rule has no federalism implications warranting the preparation of a Federalism Assessment.

For purposes of Executive Order 12778, SBA certifies that this rule is drafted, to the extent practicable, in accordance with the standards set forth in Section 2 of that Order.

List of Subjects in 13 CFR Part 120

Business loans.

For the reasons set forth above, SBA amends Part 120 of Title 13, Code of Federal Regulations, as follows:

PART 120—BUSINESS LOANS

1. The authority citation for part 120 continues to read as follows:

Authority: 15 U.S.C. 634(b)(6) and 636 (a) and (h).

2. Section 120.420 is revised to read as follows:

§ 120.420 Financings by participating lenders.

(a) A Lender may pledge the notes evidencing SBA guaranteed loans or sell the unguaranteed portions of such loans if SBA, notwithstanding the provisions of Sec. 120.453(c), in its sole discretion, gives its prior written consent. The Lender must be secure financially and have a history of compliance with SBA's regulations and any other applicable state or Federal statutory and regulatory requirements.

(b) The Lender, SBA, and any third party involved in the transaction, as determined by SBA in its sole discretion, must enter into a written agreement satisfactory to SBA acknowledging SBA's interest as guarantor of the subject loans and accepting that all relevant third parties agree to recognize and uphold those interests under the Act, this part, and the contractual provisions of SBA's Loan Guarantee Agreement. In any such agreement, the parties must agree to the following conditions:

(1) The Lender, SBA, or third party custodian agreeable to SBA, will hold all pertinent Loan Instruments, and the Lender will continue to service the loans after the pledge or transfer is made; and

(2) The Lender must retain an economic risk in and bear the ultimate risk of loss on the unguaranteed portions. This must be demonstrated to SBA's satisfaction by establishing a sufficient reserve fund at the time of sale of the unguaranteed portions and, in the case of pledging notes, by retaining all of the economic interest in the unguaranteed portion of any loan which a note evidences.

(c) The Lender may not use SBA guaranteed loans or the collateral supporting such loans as collateral for any borrowing not related to financing of the guaranteed or unguaranteed portion of SBA loans.

Dated: March 26, 1997.

Ginger Ehn Lew,

Acting Administrator.

[FR Doc. 97–8416 Filed 4–1–97; 8:45 am]

BILLING CODE 8025–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Airspace Docket No. 96–ANM–027]

Amendment of Class E Airspace; Montrose, Colorado

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action amends the Montrose, Colorado, Class E airspace to accommodate a new Global Positioning System (GPS) Standard Instrument Approach Procedure (SIAP) to the Montrose Regional Airport.

EFFECTIVE DATE: 0901 UTC, July 17, 1997.

FOR FURTHER INFORMATION CONTACT: Ted Melland, Operations Branch, ANM–532.1, Federal Aviation Administration, Docket No. 96–ANM–027, 1601 Lind Avenue SW., Renton, Washington 98055–4056; telephone number: (206) 227–2535.

SUPPLEMENTARY INFORMATION:

History

On January 29, 1997, the FAA proposed to amend part 71 of the