may be added to a previously issued non-credit card only upon the consumer's specific request.

ii. *Examples.* A purchase-price discount card may be sent on an unsolicited basis by an issuer that does not propose to connect the card to any credit plan. An issuer demonstrates that it proposes to connect the card to a credit plan by, for example, including promotional materials about credit features or account agreements and disclosures required by § 226.6. The issuer will violate the rule against unsolicited issuance if, for example, at the time the card is sent a credit plan can be accessed by the card or the recipient of the unsolicited card has been preapproved for credit that the recipient can access by contacting the issuer and activating the card.

* * * * *

4. In Supplement I to Part 226, *Section 226.14—Determination of Annual Percentage Rate*, under *Paragraph 14(c) Annual percentage rate for periodic statements.*, paragraph 10.ii. is republished and paragraph 10.ii.B. is revised to read as follows:

* * * * *

Section 226.14—Determination of Annual Percentage Rate

* * * * *

14(c) Annual percentage rate for periodic statements.

* * * * *

10. *Prior-cycle adjustments.*

* * * * *

ii. Finance charges relating to activity in prior cycles should be reflected on the periodic statement as follows:

* * * * *

B. If a finance charge that is posted to the account relates to activity for which a finance charge was debited or credited to the account in a previous billing cycle (for example, if the finance charge relates to an adjustment such as the resolution of a billing error dispute, or an unintentional posting error, or a payment by check that was later returned unpaid for insufficient funds or other reasons), the creditor shall at its option:

1. Calculate the annual percentage rate in accord with ii.A. of this paragraph, or

2. Disclose the finance charge adjustment on the periodic statement and calculate the annual percentage rate for the current billing cycle without including the finance charge adjustment in the numerator and balances associated with the finance charge adjustment in the denominator.

* * * * *

5. In Supplement I to Part 226, under *Section 226.18—Content of Disclosures*, the following amendments are made:

a. Under *18(g) Payment schedule.*, a new paragraph 5. is added; and

b. Under *18(j) Total sale price.*, a new paragraph 3. is added.

The additions read as follows:

* * * * *

Subpart C—Closed-end Credit

* * * * *

Section 226.18—Content of Disclosures

* * * * *

18(g) Payment schedule.

* * * * *

5. *Mortgage insurance.* The payment schedule should reflect the consumer's mortgage insurance payments until the date on which the creditor must automatically terminate coverage under applicable law, even though the consumer may have a right to request that the insurance be cancelled earlier. (For assumptions in calculating a payment schedule that includes mortgage insurance that must be automatically terminated, see comments 17(c)(1)–8 and 17(c)(1)–10.)

* * * * *

18(j) Total sale price.

* * * * *

3. *Effect of existing liens.* When a credit sale transaction involves property that is being used as a trade-in (an automobile, for example) and that has a lien exceeding the value of the trade-in, the total sale price is affected by the amount of any cash provided. (See comment 2(a)(18)–3.) To illustrate, assume a consumer finances the purchase of an automobile with a cash price of $20,000. Another vehicle used as a trade-in has a value of $8,000 but has an existing lien of $10,000, leaving a $2,000 deficit that the consumer must finance.

i. If the consumer pays $1,500 in cash, the creditor may apply the cash first to the lien, leaving a $500 deficit, and reflect a downpayment of $0. The total sale price would include the $20,000 cash price, an additional $500 financed under § 226.18(b)(2), and the amount of the finance charge. Alternatively, the creditor may reflect a downpayment of $1,500 and finance the $2,000 deficit. In that case, the total sale price would include the sum of the $20,000 cash price, the $2,000 lien payoff amount as an additional amount financed, and the amount of the finance charge.

ii. If the consumer pays $3,000 in cash, the creditor may apply the cash first to extinguish the lien and reflect the remainder as a downpayment of $1,000. The total sale price would reflect the $20,000 cash price and the amount of the finance charge. (The cash payment extinguishes the trade-in deficit and no charges are added under § 226.18(b)(2).) Alternatively, the creditor may elect to reflect a downpayment of $3,000 and finance the $2,000 deficit. In that case, the total sale price would include the sum of the $20,000 cash price, the $2,000 lien payoff amount as an additional amount financed, and the amount of the finance charge.

* * * * *

6. In Supplement I to Part 226, *Section 226.32—Requirements for Certain Closed-end Home Mortgages*, under *Paragraph 32(a)(1)(ii)*, paragraph 2.iv. is added to read as follows:

* * * * *

Subpart E—Special Rules For Certain Home Mortgage Transactions

* * * * *

Section 226.32—Requirements for Certain Closed-end Home Mortgages

* * * * *

32(a) Coverage.

* * * * *

Paragraph 32(a)(1)(ii).

* * * * *

2. *Annual adjustment of $400 amount.*

* * * * *

iv. For 1999, $441, reflecting a 1.4 percent increase in the CPI–U from June 1997 to June 1998, rounded to the nearest whole dollar.

* * * * *

By order of the Board of Governors of the Federal Reserve System, acting through the Secretary of the Board under delegated authority, March 31, 1999.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 99–8413 Filed 4–5–99; 8:45 am]

BILLING CODE 6210–01–P

FARM CREDIT ADMINISTRATION

12 CFR Parts 611 and 620

RIN 3052–AB79

Organization; Disclosure to Shareholders; FCS Board Compensation Limits

AGENCY: Farm Credit Administration.

ACTION: Final rule.

SUMMARY: This final rule amends Farm Credit Administration (FCA) regulations on Farm Credit System (System or FCS) bank director compensation. The amendment removes the requirement for FCS banks to obtain our prior

approval before paying their directors more than the generally applicable limit.

EFFECTIVE DATE: This regulation will become effective 30 days after publication in the **Federal Register** during which either or both houses of Congress are in session. We will publish a notice of the effective date in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT: Alan Markowitz, Senior Policy Analyst, Office of Policy and Analysis, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4479; or Rebecca S. Orlich, Senior Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102–5090, (703) 883–4020, TDD (703) 883–4444.

SUPPLEMENTARY INFORMATION: We adopt these amendments without change from the proposed rule (63 FR 49305, September 15, 1998), as part of our continuing efforts to reduce the burden of regulatory compliance. We amend § 611.400 to remove the requirement for System banks to obtain our prior approval before paying director compensation in excess of the generally applicable limit. Section 4.21(a) of the Farm Credit Act of 1971, as amended (Act), provides for the maximum amount of annual compensation that System banks may ordinarily pay to directors. Section 4.21(b) authorizes us to waive this limitation under exceptional circumstances. The amended rule provides that:

- Banks may pay a director more than the maximum amount when a director has spent extraordinary time and effort on bank business in exceptional circumstances.
- The additional compensation may not exceed 30 percent of the annual limit.
- Each bank must have a written policy describing any exceptional circumstances under which the board will pay additional compensation.
- Banks must document the exceptional circumstances for each case in which additional amounts are paid.

We also make a conforming amendment to § 620.5(i)(1), regarding disclosure of additional compensation in the annual report to shareholders.

We received comments on the proposed rule from the Farm Credit Council on behalf of its member banks; Western Farm Credit Bank; AgAmerica, FCB; and CoBank, ACB (CoBank). All commenters agreed with us that elimination of our prior approval reduces regulatory burden while preserving the requirement that banks pay additional compensation only in exceptional circumstances. The following excerpt from CoBank's comment was typical of the comments we received. ''Since FCA can and will effectively monitor the payment of director compensation through the examination process, CoBank believes it is both fair and achievable to allow the Banks to make additional compensation determinations based on exceptional circumstances and the documentation to support such compensation.''

List of Subjects

12 CFR Part 611

Agriculture, Banks, banking, Rural areas.

12 CFR Part 620

Accounting, Agriculture, Banks, banking, Reporting and recordkeeping requirements, Rural areas.

For the reasons stated above, parts 611 and 620 of chapter VI, title 12 of the Code of Federal Regulations are amended to read as follows:

PART 611—ORGANIZATION

1. The authority citation for part 611 continues to read as follows:

Authority: Secs. 1.3, 1.13, 2.0, 2.10, 3.0, 3.21, 4.12, 4.15, 4.20, 4.21, 5.9, 5.10, 5.17, 7.0—7.13, 8.5(e) of the Farm Credit Act (12 U.S.C. 2011, 2021, 2071, 2091, 2121, 2142, 2183, 2203, 2208, 2209, 2243, 2244, 2252, 2279a—2279f–1, 2279aa–5(e)); secs. 411 and 412 of Pub. L. 100–233, 101 Stat. 1568, 1638; secs. 409 and 414 of Pub. L. 100–399, 102 Stat. 989, 1003, and 1004.

Subpart D—Rules for Compensation of Board Members

2. Section 611.400 is amended by revising paragraphs (c) and (d)(3) to read as follows:

§ 611.400 Compensation of bank board members.

* * * * *

(c)(1) A Farm Credit bank is authorized to pay a director up to 30 percent more than the statutory compensation limit in exceptional circumstances where the director contributes extraordinary time and effort in the service of the bank and its shareholders.

(2) Banks must document the exceptional circumstances justifying additional director compensation. The documentation must describe:

(i) The exceptional circumstances justifying the additional director compensation, including the extraordinary time and effort the director devoted to bank business; and

(ii) The amount and the terms and conditions of the additional director compensation.

(d) * * *

(3) The exceptional circumstances under which the board would pay additional compensation for any of its directors as authorized by paragraph (c) of this section.

* * * * *

PART 620—DISCLOSURE TO SHAREHOLDERS

3. The authority citation for part 620 continues to read as follows:

Authority: Secs. 5.17, 5.19, 8.11 of the Farm Credit Act (12 U.S.C. 2252, 2254, 2279aa-11); sec. 424 of Pub. L. 100–233, 101 Stat. 1568, 1656.

Subpart B—Annual Report to Shareholders

§ 620.5 [Amended]

4. Section 620.5(i)(1) is amended by removing the words ''under which a waiver of section 4.21 of the Act was granted by the FCA'' and adding in their place the words ''justifying the additional director compensation as authorized by § 611.400(c)(1) of this chapter'' in the second sentence.

Dated: March 30, 1999.

Vivian L. Portis,

Secretary, Farm Credit Administration Board.

[FR Doc. 99–8310 Filed 4–5–99; 8:45 am]

BILLING CODE 6705–01–P

FEDERAL HOUSING FINANCE BOARD

12 CFR Part 935

[No. 99–20]

RIN 3069–AA77

Collateral Eligible To Secure Federal Home Loan Bank Advances

AGENCY: Federal Housing Finance Board.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is amending its regulation governing eligible collateral for Federal Home Loan Bank (FHLBank) advances to clarify that certain assets, including the insured or guaranteed portions of federally-insured or guaranteed loans and securities representing an equity interest in eligible collateral, qualify as eligible collateral to secure FHLBank advances. The final rule also amends the Finance Board's regulation on collateral verification to eliminate certain ambiguities therein.

DATES: This final rule is effective on April 15, 1999.

FOR FURTHER INFORMATION CONTACT: Eric M. Raudenbush, Attorney-Advisor,