

**Glossary**<sup>15</sup>

“Cash Basis” method of income recognition is set forth in GAAP and means while a loan is in nonaccrual status, some or all of the cash interest payments received may be treated as interest income on a cash basis as long as the remaining recorded investment in the loan (i.e., after charge-off of identified losses, if any) is deemed to be fully collectible.<sup>16</sup>

“Charge-off” means a direct reduction (credit) to the carrying amount of a loan carried at amortized cost resulting from uncollectability with a corresponding reduction (debit) of the ALLL. Recoveries of loans previously charged off should be recorded when received.

“Cost Recovery” method of income recognition means equal amounts of revenue and expense are recognized as collections are made until all costs have been recovered, postponing any recognition of profit until that time.<sup>17</sup>

“Generally accepted accounting principles (GAAP)” means official pronouncements of the FASB as memorialized in the FASB Accounting Standards Codification® as the source of authoritative principles and standards recognized to be applied in the preparation of financial statements by federally-insured credit unions in the United States with assets of \$10 million or more.

“In the process of collection” means collection of the loan is proceeding in due course either: (1) Through legal action, including judgment enforcement procedures, or (2) in appropriate circumstances, through collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status in the near future, i.e., generally within the next 90 days.

“Member Business Loan” is defined consistent with Section 723.1 of NCUA’s Member Business Loan Rule, 12 CFR 723.1.

“New Loan” means the terms of the revised loan are at least as favorable to the credit union (i.e., terms are market-based, and profit driven) as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan with the credit union, and the revisions to the original debt are more than minor.

“Past Due” means a loan is determined to be delinquent in relation to its contractual repayment terms including formal restructures, and must consider the time value of money. Credit unions may use the

following method to recognize partial payments on “consumer credit,” i.e., credit extended to individuals for household, family, and other personal expenditures, including credit cards, and loans to individuals secured by their personal residence, including home equity and home improvement loans. A payment equivalent to 90 percent or more of the contractual payment may be considered a full payment in computing past due status.

“Recorded Investment in a Loan” means the loan balance adjusted for any unamortized premium or discount and unamortized loan fees or costs, less any amount previously charged off, plus recorded accrued interest.

“Troubled Debt Restructuring” is as defined in GAAP and means a restructuring in which a credit union, for economic or legal reasons related to a member borrower’s financial difficulties, grants a concession to the borrower that it would not otherwise consider.<sup>18</sup> The restructuring of a loan may include, but is not necessarily limited to: (1) The transfer from the borrower to the credit union of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan, (2) a modification of the loan terms, such as a reduction of the stated interest rate, principal, or accrued interest or an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, or (3) a combination of the above. A loan extended or renewed at a stated interest rate equal to the current market interest rate for new debt with similar risk is not to be reported as a restructured troubled loan.

“Well secured” means the loan is collateralized by: (1) A perfected security interest in, or pledges of, real or personal property, including securities with an estimable value, less cost to sell, sufficient to recover the recorded investment in the loan, as well as a reasonable return on that amount, or (2) by the guarantee of a financially responsible party.

“Workout Loan” means a loan to a borrower in financial difficulty that has been formally restructured so as to be reasonably assured of repayment (of principal and interest) and of performance according to its restructured terms. A workout loan typically involves a *re-aging, extension, deferral, renewal, or rewrite* of a loan.<sup>19</sup> For purposes

<sup>18</sup> FASB ASC 310-40, “Troubled Debt Restructuring by Creditors.”

<sup>19</sup> “Re-Age” means returning a past due account to current status without collecting the total amount of principal, interest, and fees that are contractually due.

“Extension” means extending monthly payments on a closed-end loan and rolling back the maturity by the number of months extended. The account is shown current upon granting the extension. If extension fees are assessed, they should be collected at the time of the extension and not added to the balance of the loan.

“Deferral” means deferring a contractually due payment on a closed-end loan without affecting the other terms, including maturity, of the loan. The account is shown current upon granting the deferral.

“Renewal” means underwriting a matured, closed-end loan generally at its outstanding principal amount and on similar terms.

of this policy statement, workouts do not include loans made to market rates and terms such as refinances, borrower retention actions, or new loans.<sup>20</sup>

[FR Doc. 2012-13214 Filed 5-30-12; 8:45 am]

BILLING CODE 7535-01-P

## NATIONAL CREDIT UNION ADMINISTRATION

### 12 CFR Chapter VII

#### Guidelines for the Supervisory Review Committee

**AGENCY:** National Credit Union Administration (NCUA).

**ACTION:** Direct final Interpretive Ruling and Policy Statement (IRPS) 12-1, with request for comments.

**SUMMARY:** This direct final policy statement amends IRPS 11-1, which addresses appeals to NCUA’s Supervisory Review Committee. NCUA adopts IRPS 12-1 to remove Regulatory Flexibility designation determinations from the list of material supervisory determinations credit unions may appeal to the Committee because NCUA is eliminating the RegFlex program contemporaneously with the issuance of this IRPS.

**DATES:** This IRPS is effective August 29, 2012 unless NCUA withdraws the IRPS by July 30, 2012. Comments must be received by July 2, 2012.

**ADDRESSES:** You may submit comments by any of the following methods (Please send comments by one method only):

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.

- **NCUA Web Site:** <http://www.ncua.gov/Legal/Regs/Pages/PropRegs.aspx> Follow the instructions for submitting comments.

- **Email:** Address to [regcomments@ncua.gov](mailto:regcomments@ncua.gov). Include “[Your name] Comments on IRPS 12-1” in the email subject line.

- **Fax:** (703) 518-6319. Use the subject line described above for email.

- **Mail:** Address to Mary Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428.

“Rewrite” means significantly changing the terms of an existing loan, including payment amounts, interest rates, amortization schedules, or its final maturity.

<sup>20</sup> There may be instances where a workout loan is not a TDR even though the borrower is experiencing financial hardship. For example, a workout loan would not be a TDR if the fair value of cash or other assets accepted by a credit union from a borrower in full satisfaction of its receivable is at least equal to the credit union’s recorded investment in the loan, e.g., due to charge-offs.

<sup>15</sup> Terms defined in the Glossary will be italicized on their first use in the body of this guidance.

<sup>16</sup> Acceptable accounting practices include: (1) Allocating contractual interest payments among interest income, reduction of the recorded investment in the asset, and recovery of prior charge-offs. If this method is used, the amount of income that is recognized would be equal to that which would have been accrued on the loan’s remaining recorded investment at the contractual rate; and, (2) accounting for the contractual interest in its entirety either as income, reduction of the recorded investment in the asset, or recovery of prior charge-offs, depending on the condition of the asset, consistent with its accounting policies for other financial reporting purposes.

<sup>17</sup> FASB Accounting Standards Codification (ASC) 605-10-25-4, “Revenue Recognition, Cost Recovery.”

• *Hand Delivery/Courier*: Same as mail address.

*Public Inspection*: You can view all public comments on NCUA's Web site at <http://www.ncua.gov/Legal/Regs/Pages/PropRegs.aspx> as submitted, except for those we cannot post for technical reasons. NCUA will not edit or remove any identifying or contact information from the public comments submitted. You may inspect paper copies of comments in NCUA's law library at 1775 Duke Street, Alexandria, Virginia 22314, by appointment weekdays between 9 a.m. and 3 p.m. To make an appointment, call (703) 518-6546 or send an email to [OGCMail@ncua.gov](mailto:OGCMail@ncua.gov).

**FOR FURTHER INFORMATION CONTACT:**

Chrisanthy Loizos, Staff Attorney, Office of General Counsel, at the above address or telephone (703) 518-6540.

**SUPPLEMENTARY INFORMATION:**

- I. Background
- II. IRPS 12-1
- III. Issuance as Direct Final
- IV. Regulatory Procedures

**I. Background**

In 1995, the NCUA Board (Board) adopted guidelines that established an independent appellate process to review material supervisory determinations, entitled "Supervisory Review Committee" (IRPS 95-1). Public Law 103-325, § 309(a), 108 Stat. 2160 (1994); 60 FR 14795 (Mar. 20, 1995). Through IRPS 95-1, NCUA established a Supervisory Review Committee (Committee) consisting of three senior staff members to hear appeals of material supervisory determinations. IRPS 95-1 defined material supervisory determinations to include determinations on composite CAMEL ratings of 3, 4 and 5, all component ratings of those composite ratings, significant loan classifications and adequacy of loan loss reserves. In 2002, the Board amended IRPS 95-1 by issuing IRPS 02-1, which added Regulatory Flexibility (RegFlex) designation determinations to the list of material supervisory determinations credit unions may appeal to the Committee. 78 FR 19778 (Apr. 23, 2002). In order to centralize all applicable guidance on the Committee and ensure ease of understanding by credit unions, the Board combined IRPS 95-1 and 02-1 into IRPS 11-1. 83 FR 23871 (Apr. 29, 2011).

In December 2011, the Board issued a Notice of Proposed Rulemaking (NPRM) to eliminate its RegFlex program and remove corresponding part 742 of NCUA's regulations. 76 FR 81421 (Dec. 28, 2011). In the NPRM, the Board

notified the public that, upon issuance of a final RegFlex rule, it would amend IRPS 11-1 to remove the RegFlex appeals process. 76 FR at 81422. Contemporaneous with this adoption of IRPS 12-1, the Board is adopting the NPRM as a final rule in a separate rulemaking. The final rule provides regulatory relief by expanding RegFlex authorities to all federal credit unions, rather than only those that qualified for a RegFlex designation. The final rule also removes or amends related rules to ease compliance burden while retaining certain safety and soundness standards.

**II. IRPS 12-1**

IRPS 12-1 amends IRPS 11-1 by removing all references to the RegFlex program. The amendments remove RegFlex designations as the fourth type of material supervisory determination a federal credit union could appeal in subpart A's third paragraph. It also removes subpart A's seventh paragraph, which set the time frame for filing RegFlex appeals. Finally, it removes the second sentence in the last paragraph in subpart A, which permitted further appeals to the Board.

**III. Issuance as Direct Final**

The Board is issuing this IRPS as a direct final IRPS under the Administrative Procedure Act (APA), 5 U.S.C. 553(b)(3)(A) and § 553(b)(3)(B), because these provisions allow an agency to issue rules without notice and comment in the case of interpretative rules and when it finds for good cause that these procedures are unnecessary. IRPS 11-1, as amended by IRPS 12-1, is an interpretation of agency procedure. Notice and public procedures are unnecessary because the Board finds that IRPS 12-1 is noncontroversial and believes it will not elicit significant adverse comments. The Board's rulemaking action to remove part 742 renders the RegFlex appeals process in IRPS 11-1 moot. IRPS 12-1, therefore, is merely a housekeeping measure to remove references to a nonexistent program. The Board finds these reasons are good cause to dispense with the APA's notice and comment period and the procedures in NCUA's IRPS 87-2. 5 U.S.C. 553(b)(3)(B); 52 FR 35213 (Sept. 18, 1987), as amended by IRPS 03-2, 68 FR 31949 (May 29, 2003).

Although the IRPS is being issued as a direct final IRPS, interested parties have a 30-day comment period. If NCUA receives a significant adverse comment that explains why the IRPS is inappropriate, challenges its underlying premise, or states why it would be ineffective or unacceptable without a change, the agency will withdraw the

IRPS by July 30, 2012. Unless NCUA publishes a **Federal Register** notice withdrawing the IRPS by this date, the IRPS will become effective on August 29, 2012.

**IV. Regulatory Procedures**

*Regulatory Flexibility Act*

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a rule may have on a substantial number of small entities (primarily those under ten million dollars in assets). This final IRPS removes the appeal of RegFlex designations from the Committee's purview because the RegFlex program no longer exists. NCUA has determined and certifies that this IRPS will not have a significant economic impact on a substantial number of small credit unions.

*Paperwork Reduction Act*

The Paperwork Reduction Act of 1995 (PRA) applies to rulemakings in which an agency by rule creates a new paperwork burden on regulated entities or modifies an existing burden. 44 U.S.C. 3507(d); 5 CFR part 1320. For purposes of the PRA, a paperwork burden may take the form of either a reporting or a recordkeeping requirement, both referred to as information collections. NCUA has determined that this final IRPS does not increase paperwork requirements under the PRA and regulations of the Office of Management and Budget.

*Executive Order 13132*

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests. NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order to adhere to fundamental federalism principles. This final IRPS applies to credit unions that appeal NCUA's material supervisory determinations before the Committee. It does not have a substantial direct effect on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined that this final IRPS does not constitute a policy that has federalism implications for purposes of the executive order.

*Assessment of Federal Regulations and Policies on Families*

NCUA has determined that this final IRPS will not affect family well-being within the meaning of Section 654 of

the Treasury and General Government Appropriations Act, 1999, Public Law 105–277, 112 Stat. 2681 (1998).

*Small Business Regulatory Enforcement Fairness Act*

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the APA, 5 U.S.C. 551. The Office of Management and Budget has determined that this rule is not a major rule for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.

Dated: By the National Credit Union Administration Board on May 24, 2012.

**Mary F. Rupp,**

*Secretary of the Board.*

Accordingly, for the reasons set forth in the preamble, IRPS 12–1 amends IRPS 11–1 as follows:

**Note:** The following ruling will not appear in the Code of Federal Regulations.

■ 1. Authority: Section 309 of the Riegle Community Development and Regulatory Improvement Act of 1994, Pub. L. 103–325.

■ 2. Amend the third paragraph in subpart A to read as follows:

Material supervisory determinations are limited to: (1) Composite CAMEL ratings of 3, 4, and 5 and all component ratings of those composite ratings; (2) adequacy of loan loss reserve provisions; and (3) loan classifications on loans that are significant as determined by the appealing credit union. Subject to the requirements discussed below, credit unions may also appeal to the Committee a decision of the Director of the Office of Small Credit Union Initiatives (OSCU) to deny Technical Assistance Grant (TAG) reimbursements.

■ 3. Remove the 7th paragraph in subpart A.

■ 4. Revise the last paragraph in subpart A to read as follows:

Committee decisions on the denial of a TAG reimbursement are the final decisions of NCUA and are not appealable to the NCUA Board. All other appealable decisions must be appealed to the NCUA Board within 30 days of the appellant's receipt by the party of the Committee's decision.

[FR Doc. 2012–13210 Filed 5–30–12; 8:45 am]

**BILLING CODE 7535–01–P**

**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**14 CFR Part 25**

[Docket No. NM438 Special Conditions No. 25–423–SC]

**Special Conditions: Gulfstream Model GVI Airplane; High Incidence Protection**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Final special conditions; correction.

**SUMMARY:** This document corrects an error that appeared in Docket No. NM438, Special Conditions No. 25–423–SC, which were published in the **Federal Register** on March 28, 2011. The error resulted in the omission of two paragraphs of text in The Special Conditions section.

**DATES:** Effective May 31, 2012.

**FOR FURTHER INFORMATION CONTACT:** Joe Jacobsen, FAA, Airplane and Flight Crew Interface Branch, ANM–111, Transport Standards Staff, Transport Airplane Directorate, Aircraft Certification Service, 1601 Lind Avenue SW., Renton, Washington 98057–3356; telephone (425) 227–2011; facsimile (425) 227–1320.

**SUPPLEMENTARY INFORMATION:** The document designated as “Docket No. NM438, Special Conditions No. 25–423–SC” was published in the **Federal Register** on March 28, 2011 (76 FR 17022). The document issued special conditions pertaining to a high incidence protection system that replaces the stall warning system during normal operating conditions, prohibits the airplane from stalling, limits the angle of attack at which the airplane can be flown during normal low speed operations, and cannot be overridden by the flight crew. These special conditions were, and continue to be applicable to, Gulfstream Model GVI airplanes.

As published, the document contained an error because paragraphs 3(e)(6) and 3(e)(7) were omitted. Due to its complexity the entire text of paragraph 3(e) is included below, including paragraphs 3(e)(6) and 3(e)(7).

3. *Minimum Steady Flight Speed and Reference Stall Speed*—In lieu of the requirements of § 25.103, the following special condition is issued:

(e)  $V_{SR}$  must be determined with the following conditions:

(1) Engines idling, or, if that resultant thrust causes an appreciable decrease in stall speed, not more than zero thrust at the stall speed.

(2) The airplane in other respects (such as flaps and landing gear) in the condition existing in the test or performance standard in which  $V_{SR}$  is being used.

(3) The weight used when  $V_{SR}$  is being used as a factor to determine compliance with a required performance standard.

(4) The center of gravity position that results in the highest value of reference stall speed.

(5) The airplane trimmed for straight flight at a speed selected by the applicant, but not less than 1.13  $V_{SR}$  and not greater than 1.3  $V_{SR}$ .

(6) The high incidence protection function disabled, or adjusted to a high enough incidence to allow full development of the maneuver to the angle of attack corresponding to  $V_{SR}$ .

(7) From the stabilized trim condition, apply the longitudinal control to decelerate the airplane so that the speed reduction does not exceed one knot per second.

Since no other part of the regulatory information has been changed, the special conditions are not being republished.

**Correction**

In Final special conditions document [FR Doc. 2011–7144 Filed 3–25–11; 8:45 a.m.] published on March 28, 2011 (76 FR 17022), make the following correction:

On page 17024, in the first column, which begins with (e), include the following paragraphs after (5) and before (f):

(6) The high incidence protection function disabled, or adjusted to a high enough incidence to allow full development of the maneuver to the angle of attack corresponding to  $V_{SR}$ .

(7) From the stabilized trim condition, apply the longitudinal control to decelerate the airplane so that the speed reduction does not exceed one knot per second.

Issued in Renton, Washington, on May 18, 2012.

**Michael J. Kaszycki,**

*Acting Manager, Transport Airplane Directorate, Aircraft Certification Service.*

[FR Doc. 2012–13213 Filed 5–30–12; 8:45 am]

**BILLING CODE 4910–13–P**