

### III. Regulatory Flexibility Analysis

The Board certifies that this amendment will not have a substantial effect on regulated entities because the only change is to raise the threshold for transactions requiring HOEPA disclosures.

#### List of Subjects in 12 CFR Part 226

Advertising, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Truth in lending.

■ For the reasons set forth in the preamble, the Board amends Regulation Z, 12 CFR part 226, as set forth below:

#### PART 226—TRUTH IN LENDING (REGULATION Z)

■ 1. The authority citation for part 226 continues to read as follows:

**Authority:** 12 U.S.C. 3806; 15 U.S.C. 1604 and 1637(c)(5).

■ 2. In Supplement I to Part 226, under *Section 226.32—Requirements for Certain Closed-End Home Mortgages*, under Paragraph 32(a)(1)(ii), paragraph 2.x. is added.

#### SUPPLEMENT I TO PART 226—OFFICIAL STAFF INTERPRETATIONS

\* \* \* \* \*

#### Subpart E—Special Rules for Certain Home Mortgage Transactions

\* \* \* \* \*

#### § 226.32—Requirements for Certain Closed-End Home Mortgages

##### 32(a) Coverage

\* \* \* \* \*

##### Paragraph 32(a)(1)(ii)

\* \* \* \* \*

##### 2. Annual adjustment of \$400 amount.

\* \* \* \* \*

x. For 2005, \$510, reflecting a 2.29 percent increase in the CPI-U from June 2003 to June 2004, rounded to the nearest whole dollar.

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division of Consumer and Community Affairs under delegated authority, August 10, 2004.

**Jennifer J. Johnson,**

*Secretary of the Board.*

[FR Doc. 04-18650 Filed 8-13-04; 8:45 am]

BILLING CODE 6210-01-P

### DEPARTMENT OF TRANSPORTATION

#### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. 97-NM-235-AD; Amendment 39-12861; AD 2002-16-22]

RIN 2120-AA64

#### Airworthiness Directives; Boeing Model 727 Series Airplanes Modified in Accordance With Supplemental Type Certificate SA1767SO or SA1768SO

**AGENCY:** Federal Aviation Administration, DOT.

**ACTION:** Final rule; correction.

**SUMMARY:** This document corrects an error that appeared in airworthiness directive (AD) 2002-16-22 that was published in the **Federal Register** on August 15, 2002 (67 FR 53434). The error resulted in an incorrect reference to a supplemental type certificate. This AD is applicable to certain Boeing Model 727 series airplanes that have been converted from a passenger- to a cargo-carrying ("freighter") configuration. This AD requires, among other actions, installation of a fail-safe hinge, redesigned main deck cargo door warning and power control systems, and 9g crash barrier.

**DATES:** Effective September 19, 2002.

**FOR FURTHER INFORMATION CONTACT:** M. Hassan Amani, Aerospace Engineer, Airframe Branch, ACE-117A, FAA, Atlanta Aircraft Certification Office, One Crown Center, 1895 Phoenix Boulevard, suite 450, Atlanta, Georgia 30349; telephone (770) 703-6080; fax (770) 703-6097.

#### SUPPLEMENTARY INFORMATION:

Airworthiness Directive (AD) 2002-16-22, amendment 39-12861, applicable to certain Boeing Model 727 series airplanes that have been converted from a passenger- to a cargo-carrying ("freighter") configuration, was published in the **Federal Register** on August 15, 2002 (67 FR 53434). That AD requires, among other actions, installation of a fail-safe hinge, redesigned main deck cargo door warning and power control systems, and 9g crash barrier.

As published, Note 5 of AD 2002-16-22 states, "Installation of National Aircraft Service, Inc. (NASI), Vent Door System STC ST01438CH, is an acceptable means of compliance with the requirements of paragraph (e) of this AD." However, the correct supplemental type certificate (STC) is ST01270CH, as discussed in paragraph 13 of "Main Deck Cargo Door Systems" in the preamble of the final rule.

Paragraph 13 also contains an error in that it refers to "Pemco ST01270CH" rather than "NASI ST01270CH."

Since no other part of the regulatory information has been changed, the final rule is not being republished in the **Federal Register**.

The effective date of this AD remains September 19, 2002.

#### § 39.13 [Corrected]

■ On page 53446, in the second column, Note 5 of AD 2002-16-22 is corrected to read as follows:

\* \* \* \* \*

**Note 5:** Installation of National Aircraft Service, Inc. (NASI), Vent Door System STC ST01270CH, is an acceptable means of compliance with the requirements of paragraph (e) of this AD.

\* \* \* \* \*

Issued in Renton, Washington, on August 9, 2004.

**Ali Bahrami,**

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

[FR Doc. 04-18634 Filed 8-13-04; 8:45 am]

BILLING CODE 4910-13-P

### DEPARTMENT OF TRANSPORTATION (DOT)

#### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. FAA-2004-18648; Directorate Identifier 2004-NE-26-AD; Amendment 39-13773; AD 2004-15-03R1]

RIN 2120-AA64

#### Airworthiness Directives; General Electric Company CF34-3A1 and -3B1 Series Turbofan Engines

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

**ACTION:** Final rule; request for comments.

**SUMMARY:** The FAA is revising an existing airworthiness directive (AD) for General Electric Company (GE) CF34-3A1 and -3B1 series turbofan engines with certain serial numbers (SNs) of stage 5 low pressure turbine (LPT) disks, part number (P/N) 6078T92P01, and/or certain SNs of stage 6 LPT disks, P/N 6078T89P01. That AD currently requires initial and repetitive visual and eddy current inspections of those disks. That AD also allows as optional terminating action to the repetitive inspections, replacement of those SN disks. Also, that AD requires replacement of certain stage 5 and stage 6 LPT disks. This AD requires the same actions. This AD results from the discovery that an

incorrect part number for stage 6 LPT disks was published in the existing AD and from the need to allow credit for actions completed per previous releases of Alert Service Bulletin CF34-AL S/B 72-A0173. We are issuing this AD to prevent LCF failure of stage 5 LPT disks and stage 6 LPT disks, which could lead to uncontained engine failure.

**DATES:** Effective August 31, 2004. The incorporation of certain publications, as listed in the regulations, was approved previously by the Director of the Federal Register as of August 16, 2004 (69 FR 45562; July 30, 2004).

We must receive any comments on this AD by October 15, 2004.

**ADDRESSES:** Use one of the following addresses to submit comments on this proposed AD.

- DOT Docket Web site: Go to <http://dms.dot.gov> and follow the instructions for sending your comments electronically.

- Government-wide rulemaking Web site: Go to <http://www.regulations.gov> and follow the instructions for sending your comments electronically.

- Mail: Docket Management Facility; U.S. Department of Transportation, 400 Seventh Street, SW., Nassif Building, Room PL-401, Washington, DC 20590-001.

- Fax: (202) 493-2251.

- Hand Delivery: Room PL-401 on the plaza level of the Nassif Building, 400 Seventh Street, SW., Washington, DC, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

You can get the service information identified in this AD from GE Aircraft Engines, 1000 Western Avenue, Lynn, MA 01910; Attention: CF34 Product Support Engineering, Mail Zone: 34017; telephone (781) 594-6323; fax (781) 594-0600.

You may examine the comments on this AD in the AD docket on the Internet at <http://dms.dot.gov>.

**FOR FURTHER INFORMATION CONTACT:**

Robert Grant, Aerospace Engineer, Engine Certification Office, FAA, Engine and Propeller Directorate, 12 New England Executive Park, Burlington, MA 01803-5299; telephone (781) 238-7757; fax (781) 238-7199.

**SUPPLEMENTARY INFORMATION:** On July 20, 2004, the FAA issued AD 2004-15-03, Amendment 39-13737 (69 FR 45562; July 30, 2004). That AD requires:

- Initial and repetitive visual and eddy current inspections of certain SN stage 5 LPT disks and stage 6 LPT disks.
- Replacement of the suspect disks as optional terminating action to the repetitive inspections.
- Replacement of certain stage 5 LPT disks and stage 6 LPT disks.

That AD was the result of a report of a stage 5 LPT disk that failed due to cracking from low-cycle-fatigue (LCF) during factory testing. That condition, if not corrected, could result in uncontained engine failure.

**Actions Since AD 2004-15-03 Was Issued**

Since that AD was issued, we discovered that we published an incorrect part number (P/N) of 6089T89P01 for stage 6 LPT disks. This AD revision corrects that P/N to 6078T89P01. Also, since that AD was issued, we determined that credit for actions completed per previous releases of Alert Service Bulletin CF34-AL S/B 72-A0173 need to be allowed. This AD revision adds a paragraph in the compliance section to allow that credit.

**Relevant Service Information**

We have reviewed and approved the technical contents of GE Alert Service Bulletin No. CF34-AL S/B 72-A0173, Revision 3, dated July 20, 2004, that lists applicable disks by SN, and describes the procedures for performing visual and eddy current inspections on the applicable stage 5 LPT disks and stage 6 LPT disks.

**FAA's Determination and Requirements of This AD**

The unsafe condition described previously is likely to exist or develop on other GE CF34-3A1 and -3B1 series turbofan engines of the same type design. We are issuing this AD to prevent LCF failure of stage 5 LPT disks and stage 6 LPT disks, which could lead to uncontained engine failure. This AD requires:

- Initial and repetitive visual and eddy current inspections of certain SN stage 5 LPT disks and stage 6 LPT disks.
- Replacement of the suspect disks as optional terminating action to the repetitive inspections.
- Replacement of certain stage 5 LPT disks and stage 6 LPT disks.

You must use the service information described previously to perform the actions required by this AD.

**FAA's Determination of the Effective Date**

Since an unsafe condition exists that requires the immediate adoption of this AD, we have found that notice and opportunity for public comment before issuing this AD are impracticable, and that good cause exists for making this amendment effective in less than 30 days.

**Docket Management System (DMS)**

We have implemented new procedures for maintaining AD dockets electronically. As of May 17, 2004, we posted new AD actions on the DMS and assigned a DMS docket number. We track each action and assign a corresponding Directorate identifier. The DMS docket No. is in the form "Docket No. FAA-200X-XXXXX." Each DMS docket also lists the Directorate identifier ("Old Docket Number") as a cross-reference for searching purposes.

**Comments Invited**

This AD is a final rule that involves requirements affecting flight safety and was not preceded by notice and an opportunity for public comment; however, we invite you to submit any written relevant data, views, or arguments regarding this AD. Send your comments to an address listed under **ADDRESSES**. Include "AD Docket No. FAA-2004-18648; Directorate Identifier 2004-NE-26-AD" in the subject line of your comments. We specifically invite comments on the overall regulatory, economic, environmental, and energy aspects of the rule that might suggest a need to modify it.

We will post all comments we receive, without change, to <http://dms.dot.gov>, including any personal information you provide. We will also post a report summarizing each substantive verbal contact with FAA personnel concerning this AD. Using the search function of the DMS Web site, anyone can find and read the comments in any of our dockets, including the name of the individual who sent the comment (or signed the comment on behalf of an association, business, labor union, etc.). You may review the DOT's complete Privacy Act Statement in the **Federal Register** published on April 11, 2000 (65 FR 19477-78) or you may visit <http://dms.dot.gov>.

We are reviewing the writing style we currently use in regulatory documents. We are interested in your comments on whether the style of this document is clear, and your suggestions to improve the clarity of our communications with you. You can get more information about plain language at <http://www.faa.gov/language> and <http://www.plainlanguage.gov>.

**Examining the AD Docket**

You may examine the docket that contains the AD, any comments received, and any final disposition in person at the DMS Docket Offices between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The Docket Office (telephone (800) 647-

5227) is located on the plaza level of the Department of Transportation Nassif Building at the street address stated in **ADDRESSES**. Comments will be available in the AD docket shortly after the DMS receives them.

### Regulatory Findings

We have determined that this AD will not have federalism implications under Executive Order 13132. This AD will 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.

For the reasons discussed above, I certify that the regulation:

1. Is not a "significant regulatory action" under Executive Order 12866;
2. Is not a "significant rule" under the DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979); and
3. Will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

We prepared a summary of the costs to comply with this AD and placed it in the AD Docket. You may get a copy of this summary at the address listed under **ADDRESSES**.

### List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference.

### Adoption of the Amendment

■ Under the authority delegated to me by the Administrator, the Federal Aviation Administration amends part 39 of the Federal Aviation Regulations (14 CFR part 39) as follows:

### PART 39—AIRWORTHINESS DIRECTIVES

■ 1. The authority citation for part 39 continues to read as follows:

**Authority:** 49 U.S.C. 106(g), 40113, 44701.

#### § 39.13 [Amended]

■ 2. The FAA amends § 39.13 by removing Amendment 39–13737 (69 FR 45562; July 30, 2004), and by adding a new airworthiness directive, Amendment 39–13773, to read as follows:

**2004–15–03R1 General Electric Company:**  
Amendment 39–13773. Docket No. FAA–2004–18648; Directorate Identifier 2004–NE–26–AD.

#### Effective Date

(a) This airworthiness directive (AD) becomes effective August 31, 2004.

#### Affected ADs

(b) This AD revises AD 2004–15–03, Amendment 39–13737.

#### Applicability

(c) This AD applies to General Electric Company (GE) CF34–3A1 and –3B1 series turbofan engines with stage 5 low pressure turbine (LPT) disks, part number (P/N) 6078T92P01, and or stage 6 LPT disks, P/N

6078T89P01, with serial numbers (SNs) listed in Figure 3 of GE Alert Service Bulletin (ASB) No. CF34–AL S/B 72–A0173, Revision 3, dated July 20, 2004. These engines are installed on, but not limited to, Bombardier Canadair CL600–2B19 (RJ) airplanes.

### Unsafe Condition

(d) This AD results from a report of a stage 5 LPT disk that failed due to cracking from low-cycle-fatigue during factory testing. The crack started at the site of an electrical arc-out.

### Compliance

(e) You are responsible for having the actions required by this AD performed within the compliance times specified unless the actions have already been done.

### Initial Inspection or Replacement

(f) Using the compliance schedule in Table 1 of this AD:

(1) Visually inspect and eddy current inspect (ECI) applicable stage 5 LPT disks and applicable stage 6 LPT disks using paragraphs 3.C.(1) through 3.E.(6) of GE ASB No. CF34–AL S/B 72–A0173, Revision 3, dated July 20, 2004, if the inspections can be completed within 9 calendar months after the effective date of this AD; or

(2) If the inspections specified in paragraph (f)(1) of this AD cannot be completed within 9 calendar months after the effective date of this AD, replace applicable stage 5 LPT disks and applicable stage 6 LPT disks with a serviceable disk using the compliance schedule in Table 1 of this AD.

(3) The requirements of paragraphs (f)(1) and (f)(2) of this AD do not apply if the inspections were conducted using paragraph (g)(1) of this AD.

TABLE 1.—COMPLIANCE SCHEDULE

On the effective date of this AD, if the disk has:	Then perform the actions defined in paragraph (f) of this AD at next piece-part exposure, not to exceed the accumulation of:
(i) 14,750 or more cycles-since-new (CSN) and has not been fluorescent penetrant inspected (FPI) at an earlier piece-part exposure.	An additional 250 cycles-in-service (CIS) after the effective date of this AD.
(ii) 14,750 or more CSN and has been FPI at an earlier piece-part exposure.	An additional 500 CIS after the effective date of this AD.
(iii) 14,500 or more CSN but fewer than 14,750 CSN .....	An additional 500 CIS after the effective date of this AD.
(iv) 14,250 or more CSN but fewer than 14,500 CSN .....	An additional 750 CIS after the effective date of this AD.
(v) 13,000 or more CSN but fewer than 14,250 CSN .....	An additional 1,000 CIS after the effective date of this AD.
(vi) 2,500 or more CSN but fewer than 13,000 CSN .....	An additional 4,000 CIS after the effective date of this AD, or 14,000 CSN, whichever comes first.
(vii) Fewer than 2,500 cycles-since-new (CSN) .....	6,500 CSN.

(g) Before installation in an airplane:

(1) Visually inspect and ECI applicable stage 5 LPT disks and applicable stage 6 LPT disks installed in replacement engines or replacement LPT modules using paragraphs 3.C.(1) through 3.E.(6) of GE ASB No. CF34–AL S/B 72–A0173, Revision 3, dated July 20, 2004, if the inspections can be completed within 9 calendar months after the effective date of this AD; or

(2) If the inspections specified in paragraph (g)(1) of this AD cannot be completed within 9 calendar months after the effective date of this AD, replace applicable stage 5 LPT disks and applicable stage 6 LPT disks installed in

replacement engines or replacement LPT modules with a serviceable disk.

### Repetitive Inspections

(h) For stage 5 LPT disks and stage 6 LPT disks initially inspected as specified in paragraph (f)(1) or (g)(1) of this AD, perform repetitive visual inspections and ECIs within every 3,100 cycles-since-last-inspection, using paragraphs 3.C.(1) through 3.E.(6) of GE ASB No. CF34–AL S/B 72–A0173, Revision 3, dated July 20, 2004, until the life limit of the part is reached.

### Disks That Pass Inspection

(i) If a disk passes inspection, it must be reinstalled into the same LPT module it was removed from.

### Optional Terminating Action

(j) Replacement of an applicable stage 5 LPT disk or applicable stage 6 LPT disk with a disk not listed in Figure 3 of GE ASB No. CF34–AL S/B 72–A0173, Revision 3, dated July 20, 2004, is terminating action to the inspections required by this AD for that disk.

### Actions Completed per Previous Releases of Alert Service Bulletin CF34-AL S/B 72-A0173

(k) Actions completed before the effective date of this AD using GE ASB No. CF34-AL S/B 72-A0173, dated April 2, 2004; or Revision 1, dated May 20, 2004; or Revision 2, dated June 22, 2004; or Revision 3, dated July 20, 2004; are considered acceptable for compliance with the corresponding action in this AD.

### Definitions

(l) For the purposes of this AD, a serviceable disk is defined as a disk that has a SN not listed in Figure 3 of GE ASB No. CF34-AL S/B 72-A0173, Revision 3, dated July 20, 2004.

(m) For the purposes of this AD, the definition of piece-part exposure for the stage 5 LPT disk is when the disk is separated from the forward and aft bolted joints.

(n) For the purpose of this AD, the definition of piece-part exposure for the stage 6 LPT disk is when the disk is separated from the forward bolted joint.

(o) For the purposes of this AD, the definition of a replacement engine or replacement LPT module is an engine or LPT module that is not installed on an operational airplane on the effective date of this AD.

### Alternative Methods of Compliance

(p) The Manager, Engine Certification Office, has the authority to approve alternative methods of compliance for this AD if requested using the procedures found in 14 CFR 39.19.

### Material Incorporated by Reference

(q) You must use GE ASB No. CF34-AL S/B 72-A0173, Revision 3, dated July 20, 2004, to perform the visual inspections, ECIs, and disk replacements required by this AD. The incorporation by reference of this publication was approved previously by the Director of the Federal Register as of August 16, 2004 (69 FR 45562; July 30, 2004), in accordance with 5 U.S.C. 552(a) and 1 CFR part 51. You can get a copy from GE Aircraft Engines, 1000 Western Avenue, Lynn, MA 01910; Attention: CF34 Product Support Engineering, Mail Zone: 34017; telephone (781) 594-6323; fax (781) 594-0600, or at the National Archives and Records Administration (NARA). For information on the availability of this material at NARA, call 202-741-6030, or go to: [http://www.archives.gov/federal\\_register/code\\_of\\_federal\\_regulations/ibr\\_locations.html](http://www.archives.gov/federal_register/code_of_federal_regulations/ibr_locations.html).

### Related Information

(r) GE Alert Service Bulletin No. CF34-AL S/B 72-A0178 pertains to the subject of this AD.

Issued in Burlington, Massachusetts, on August 9, 2004.

**Ann Mollica,**

*Acting Manager, Engine and Propeller Directorate, Aircraft Certification Service.*

[FR Doc. 04-18635 Filed 8-13-04; 8:45 am]

**BILLING CODE 4910-13-P**

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

### 26 CFR Part 1

[TD 9152]

RIN 1545-BB02

### Reduced Maximum Exclusion of Gain From Sale or Exchange of Principal Residence

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Final regulations.

**SUMMARY:** This document contains final regulations relating to the exclusion of gain from the sale or exchange of a taxpayer's principal residence. The final regulations apply to a taxpayer who has not owned and used the property as the taxpayer's principal residence for two of the preceding five years or who has excluded gain from the sale or exchange of a principal residence within the preceding two years. The final regulations reflect changes to the law by the Taxpayer Relief Act of 1997, as amended by the Internal Revenue Service Restructuring and Reform Act of 1998, and the Military Family Tax Relief Act of 2003.

**DATES:** *Effective Date:* These final regulations are effective August 13, 2004.

*Applicability Date:* For dates of applicability, see §§ 1.121-3(h) and 1.121-5(e).

**FOR FURTHER INFORMATION CONTACT:** Sara Paige Shepherd, (202) 622-4960 (not a toll-free number).

### SUPPLEMENTARY INFORMATION:

#### Background

This document contains amendments to 26 CFR part 1. On December 24, 2002, the IRS and Treasury Department published in the **Federal Register** a notice of proposed rule making (67 FR 78398) by cross reference to temporary regulations (REG-138882-02; 67 FR 78367) under section 121(c) of the Internal Revenue Code (Code). The regulations relate to the exclusion of gain from the sale or exchange of the principal residence of a taxpayer who has not owned and used the property as the taxpayer's principal residence for two of the preceding five years or who has excluded gain on the sale or exchange of a principal residence within the preceding two years. Written and electronic comments were received. No public hearing was requested or held.

After considering all of the comments, the proposed regulations are adopted as

amended by this Treasury decision, and the corresponding temporary regulations are removed.

### Explanation and Summary of Comments

#### 1. Facts and Circumstances Test

Under section 121(a), a taxpayer may exclude up to \$250,000 (\$500,000 for certain joint returns) of gain realized on the sale or exchange of the taxpayer's principal residence if the taxpayer owned and used the property as the taxpayer's principal residence for at least two years during the five-year period ending on the date of the sale or exchange. Section 121(b)(3) allows the taxpayer to apply the maximum exclusion to only one sale or exchange during the two-year period ending on the date of the sale or exchange. Section 121(c) provides that a taxpayer who fails to meet any of the conditions by reason of a change in place of employment, health, or, to the extent provided in regulations, unforeseen circumstances, may be entitled to an exclusion in a reduced maximum amount.

The temporary regulations provide, as a general definition, that a sale or exchange is by reason of change in place of employment, health, or unforeseen circumstances only if the taxpayer's primary reason for the sale or exchange is a change in place of employment, health, or unforeseen circumstances. The temporary regulations provide factors that may be relevant in determining the taxpayer's primary reason for the sale or exchange.

One commentator asserted that the factors are beyond Congressional intent, unnecessary, and overbroad. The final regulations retain the list of factors because it is helpful in determining the taxpayer's primary reason for the sale or exchange.

For each of the three grounds for claiming a reduced maximum exclusion, the temporary regulations provide a general definition and one or more safe harbors. Under the temporary regulations, if a safe harbor applies, the taxpayer's "primary reason" for the sale or exchange is deemed to be change in place of employment, health, or unforeseen circumstances. For greater simplicity, the final regulations delete the primary reason test from the safe harbors and provide that, if a safe harbor applies, the sale or exchange is deemed to be "by reason of" a change in place of employment, health, or unforeseen circumstances. If a safe harbor does not apply, the taxpayer may be eligible to claim a reduced maximum exclusion if the taxpayer establishes, based on the facts and circumstances, that the