

SUPPLEMENTARY INFORMATION:**Background**

A Federal system for recordation of instruments transferring or affecting interests in aircraft was first established by Congress in 1938. Currently section 503 of the Federal Aviation Act of 1958 (the Act) requires the FAA to establish and maintain a system for recording conveyances affecting title to, or interest in, civil aircraft. These documents include bills of sale, contracts of conditional sale, mortgages, and other security agreements. The Act also provides that no conveyance shall be valid against any person other than the persons involved in the conveyance, or a person who has actual notice, until the conveyance affecting the aircraft is recorded with the FAA.

Under the Act, an aircraft may only be registered by its owner. Since 1939, as a result of the O'Conner decision (1 C.A.A. 5, 1939), the regulations have recognized the buyer of an aircraft under a contract of conditional sale as the owner for registration purposes. This is true even though the conditional seller retains legal title until the buyer meets the conditions of the contract. The FAA considers certain leases with option to purchase, and bailment leases, as defined in 49 U.S.C. 1301(19), "conditional sales", to be equivalent to conditional sales and wherever the terms "conditional sales" or "conditional sales contract" are used, they include those leases with option and bailment leases.

Parts 47 and 49 of the Federal Aviation Regulations (FARs) historically have recognized this special character of a contract of conditional sale. Section 47.11, Evidence of Ownership, requires the transferee under a contract of conditional sale to submit the contract (unless it is already recorded at the FAA Aircraft Registry (Registry)) and the transfer from the original buyer, bailee, lessee, or prior transferee. The transfer must bear the written assent of the seller, bailor, lessor, or transferee thereof under the original contract. To obtain a certificate of aircraft registration under § 47.31, the applicant must submit evidence of ownership acceptable under § 47.11.

In addition, §§ 47.11 and 49.17 provide that a transfer of the conditional buyer's interest cannot be recorded and the aircraft cannot be registered to the buyer's transferee without the consent of the conditional seller. However, if a person holds any other kind of security interest in an aircraft, such as a security agreement, or a chattel mortgage, the consent of the secured party is not required for recordation of the transfer

DEPARTMENT OF TRANSPORTATION**Federal Aviation Administration****14 CFR Parts 47 and 49**

(Docket No. 20349; Amdt. Nos. 47-23 and 49-9)

Recordation of Conveyances Affecting Title to, or an Interest in, Aircraft

AGENCY: Federal Aviation Administration, DOT.

*See
Correction*

ACTION: Final rule.

SUMMARY: These amendments adopt rules affecting aircraft registration and the recordation of conveyances, by eliminating the requirement for a conditional sales vendee to have the consent or a release from the conditional sales vendor before transferring the ownership of the aircraft. The amendments are in keeping with the express language of the Uniform Commercial Code. The amendments are in response to petitions for rulemaking filed by Cessna Finance Corporation and the Aircraft Finance Association.

EFFECTIVE DATE: February 25, 1988.

FOR FURTHER INFORMATION CONTACT: Ms. Agnes M. Jones, Aircraft Registration Branch, (AAC-250), Airmen and Aircraft Registry, Aeronautical Center, P.O. Box 25082, Oklahoma City, Oklahoma 73125; Telephone (405) 686-2284.

and registration of the aircraft to the transferee.

The Uniform Commercial Code (U.C.C. or the code) makes no distinction between contracts of conditional sale and other security agreements. Section 1-201(37) of the code states that the retention or reservation of title by a seller, notwithstanding delivery of the property to the buyer, is limited in effect to a reservation of a "security interest". As provided in section 9-306 of the U.C.C., a perfected security interest continues in the collateral regardless of sale or exchange by the debtor. Section 9-311 further states that the debtor's rights in collateral may be voluntarily or involuntarily transferred (by way of sale, creation of a security interest, attachment, levy, garnishment, or other judicial process) notwithstanding a provision in the security agreement prohibiting any transfer of making the transfer constitute a default.

ANPRM

On August 11, 1975, the Cessna Finance Corporation (CFC) submitted a petition for rulemaking to the FAA. The CFC petition asks that Parts 47 and 49 be changed to remove the distinction between the FAA's handling of conditional sales contracts and its handling of other security instruments. This would be done by requiring consent of the holder of every outstanding recorded security interest prior to recording any bill of sale or other transfer from the debtor to a third party, as a prerequisite to issuing a certificate of aircraft registration to the transferee.

The CFC petition prompted the FAA to issue an advance notice of proposed rulemaking (ANPRM) on October 20, 1977 (Notice No. 77-24; 42 FR 55897). This notice, in keeping with the intent of the U.C.C. proposed to abolish the distinction between contracts of conditional sale and other security interests recorded with the FAA. The FAA proposed to accomplish this, not in the manner requested by CFC, but by eliminating the requirement of written consent of the conditional vendor to the transfer of the original buyer's interest before recording the transfer and registering the aircraft. The FAA explained in the ANPRM that an amendment similar to the one proposed by CFC would discourage transfer of the buyer's interest in the aircraft and thus be contrary to the intent of the U.C.C. In addition, the amendment would involve a substantial increase in the administrative costs and workload of the Registry. The ANPRM further solicited suggestions of alternative courses of action which would be

consistent with the U.C.C., administratively reasonable, and also afford protection to persons who hold security interests in aircraft.

Subsequent to the publication of the ANPRM, the Aircraft Finance Association (AFA) filed a petition for rulemaking, dated March 16, 1979, proposing the same requirement as CFC requested. It did not specify, however, when the burden would fall upon the buyer of the aircraft to obtain the consent or release of the security interest by the creditor and when it would fall upon the seller.

NPRM

In response to the AFA petition and in further response to the CFC petition, the FAA published notice of proposed rulemaking (NPRM) No. 80-9 on May 22, 1980 (45 FR 34286). The notice proposed to delegate regulations affording special consideration to conditional sales contracts in view of modern state statutes which, in accordance with the U.C.C., treat alike all instruments executed for security purposes as they concern the rights, duties, and remedies of the parties. Specifically, the notice proposed to amend § 47.11(a) by eliminating the requirement that the transferee under a contract of conditional sale submit with an Aircraft Registration Application, written assent of the seller, bailor, lessor, or assignee thereof, under the original contract, to the assignment. It also proposed to amend § 49.17 to eliminate the consent of the conditional seller and consolidate the recording requirements for instruments executed for security purposes.

In support of the proposal, the FAA made the following observations. For many years, the special character of the contract of conditional sale, i.e., the retention of legal title by the vendor, was thought to have warranted the special protection of consent to transfer. However, the Act does not specifically authorize the Administrator to refuse to record a conveyance affecting title to, or an interest in, aircraft in the absence of a secured creditor's assent to that conveyance. Section 503(c) of the Act leaves the determination of the substantive validity of any conveyance to state law, specifically, the law of the state where the instrument is delivered. To the extent that the Act does not regulate the rights of parties to, and third parties affected by, these transactions, security interests in aircraft are controlled by Article 9 of the U.C.C., which has been adopted in 49 of the 50 states.

The NPRM noted that the CFC, the AFA, and the commenters to the

ANPRM had pointed out that the U.C.C. has eliminated the distinction between conditional vendors and other secured creditors. In view of this virtually uniform policy of state law, the FAA stated, as it did in the ANPRM, that the distinction should be abolished for purposes of aircraft registration and recordation. The NPRM pointed to the policy of the U.C.C. that debtor's rights in collateral be freely transferable notwithstanding a provision in a security agreement making such a transfer a default. The notice concluded that it would be contrary to the policy of the U.C.C. to restrain such transfers by requiring, as a condition of aircraft registration and recordation, the assent of the secured creditor to a conveyance of the aircraft. The FAA stated that it is improper to override these state laws, in the absence of specific Federal statutory authority, unless it is necessary to carry out the provisions of a Federal statute or treaty.

Response to the NPRM

Forty-seven comments were received in response to the NPRM. Thirty-seven commenters oppose the FAA proposal. Twenty of those 37 commenters ask that CFC's proposal be implemented.

Six commenters point out that insurance becomes invalid if ownership is transferred without the lienholder's knowledge. However, maintenance of appropriate insurance is the responsibility of the owner of the aircraft and is not an FAA requirement. While operation of aircraft with appropriate insurance coverage is desirable, and aircraft transfers do affect insurance coverage and the security of the aircraft as collateral, the proposed regulations would not affect the owner's responsibilities as to insurance.

Twenty-four commenters contend that the proposed amendments would adversely affect aircraft financing and commerce. They contend that implementation of the changes proposed in the NPRM would relieve the mortgagor (conditional buyer, lessee, bailee, etc.) of the responsibility of providing either a release of the security agreement or a consent from the security holder, allowing the free transfer of the debtor's interest. The commenters believe that the effect would be that the security holder might then not be aware of the impending transfer, and might not be able to protect its interests or be assured of the continued safety of its collateral.

Although the NPRM invited interested persons to submit data concerning any possible impact, no commenter did so.

As stated in the NPRM, approximately 15 percent of the security transactions filed with the Registry are contracts of conditional sale. The majority of those which require a release or consent to the sale of such aircraft have the required release or consent attached. Sellers who do not submit a release or consent with other documentation of the sale must be advised of the requirement, and this places an additional burden on the Registry. This process impedes expeditious registration to a new buyer. By removing the requirement, a significant amount of time will be saved by the seller, the security holder, and the FAA in documenting and processing such sales and the registration to subsequent buyers.

Nothing the FAA can do will change the prospect that collateral may be sold out of trust, with or without the security holder's consent. While this final rule may remove an obstacle to a sale out of trust, the agency is not persuaded that this will have an appreciable effect on secured transactions generally. Some commenters suggest that removing the release or consent requirement would increase the amount of down payment required in secured sales, or increase the amount of interest charged the buyer, or increase secured party losses, or all three. However, no information in terms of actual increases or events of transfer which result in loss were provided by the commenters, so these anticipated losses must be considered speculative at this time.

One commenter states that the proposed rule will affect a \$6 billion industry. Other banks and aircraft financing concerns also commented that their respective involvement may total over one-half billion dollars a year. Many of these concerns state that they are currently carrying \$50-100 million in outstanding obligations. However, no commenter states what proportion of their transactions were conditional sales, if any, or how many conditional sales were affected by sales out of trust.

One commenter, citing section 9-104 of the U.C.C., stated that the U.C.C. does not apply to aircraft because a security interest in aircraft is subject to a statute of the United States which governs the rights of the parties to, and third parties affected by, the transaction. Section 9-103(3)(a) specifically names airplanes as one of the mobile goods covered by the code. The Act provides a central location whereby recorded conveyances and instruments shall be valid as to all persons without further or other recordation; however, it does not prescribe the rights, obligations, and

remedies of the parties to the transactions.

Three commenters stated that they did not believe security interests in aircraft were covered by the U.C.C. because section 9-302(3) specifies that the filing of a financing statement, otherwise required by Article 9 of the code, is not necessary or effective to perfect a security interest in property subject to a statute or treaty of the United States which provides for a national or international registration or specifies a different place for filing a security interest. The FAA does not have a provision for the filing of a "notice" of interest in aircraft (the financing statement), but rather section 503(a)(1) of the Act provides for the recording of the conveyance which contains all of the terms and provisions of the transaction affecting an interest in aircraft. The Act provides a preempted location for recording security interests, but otherwise does not displace the U.C.C. as to any substantive or procedural rights. *Philko v. Shackel*, 103 S.Ct. 2478 (1983). *In re Gary Aircraft*, 681 F.2d 365 (5th Cir. 1982). *In re Holiday Airlines*, 820 F.2d 731 (9th Cir. 1980). The validity of any instrument is determined by state law, and in the event of default, remedies are in accordance with the provisions of the security instrument and state law.

The FAA does not expect the adoption of the amendment to have an appreciable effect on the choice of security formats available to financiers and their customers. The relations, obligations, and rights of the parties are matters of mutual agreement. The agency action in treating all security transactions alike should not have been an adverse effect on the reciprocal duties of the parties. Most security agreements, by whatever name they are called, contain provisions restricting transfers, perhaps restricting the base or home location of the aircraft, and specifying events of default. FAA regulations and this amendment do not change these provisions; the obligations of the parties remain the same. It should not be the responsibility of the FAA to participate in enforcing the terms of a financing transaction, but rather the parties themselves should select the security format, with its concomitant default and redress clauses, most appropriate to the wishes and needs of the parties.

It appears that only the FAA has the requirement for submission of a consent or release prior to recognition of a sale. Such a requirement would seem to be unenforceable under any state law. The final rule does not change the holder's

right to have the security in the collateral continue notwithstanding the sale, nor change specific contract language, if the contract contains any language to the effect that a sale may be an event of default. The FAA recognizes that a sale by a conditional purchaser may result in the seller losing track of the collateral, but since the Registry records are open to the public, the seller or other security holder can check on the current registration at any time. The FAA places its records at the disposal of the public free of charge and in as expeditious a manner as possible.

As a less sweeping alternative, some commenters suggest that notification be made to all lienholders when registration is transferred (as opposed to a refusal to transfer). However, the implementation of such an alternative would be almost identical to implementation of the complete CFC proposal insofar as increased workload is concerned, with questionable gain to the lienholder, to whom an after-the-fact notification may be untimely.

Three commenters favor the proposal offered in the NPRM. All three oppose the cost of implementing and maintaining the procedures requested by CFC, and two object to the Government taking over the responsibility of furnishing information or a service presently available from the private sector, i.e., the services of aviation title search companies.

Finally, five commenters favor continuing the present procedure. Two state that maintaining the "status quo" is preferable to the "halfway" measures requested by the CFC and changes should be made only if issuance of a "clear and absolutely clean" title replaced the present system. Two others want no change only if CFC procedures could not be implemented. The fifth advocates no change, saying the CFC proposal would only increase the backlog and prolong the time span required to issue a certificate of aircraft registration.

The FAA has carefully considered all comments. However, since the U.C.C. has virtually eliminated any distinction between forms of security interests and the Act provides no basis for such a distinction, the FAA is not justified in perpetuating by regulation, one distinction in one singular type of transaction. The FAA is now fully persuaded that, since the validity of the instruments is governed by state law, and since state law prescribes that collateral shall be fully transferable, regulations should be changed to reflect this law. Without an amendment to the Act specifically authorizing it to do so,

the agency cannot continue an archaic practice that has been specifically changed in intent and in fact by the U.C.C.

The expressed purpose of the Administration's regulatory program is to place less, not more, responsibility on the Government for levying requirements on the public and enforcing those requirements. By requiring less documentation for an aircraft transfer, which is subject to a conditional sales contract, the amendment will place all transferors and all holders of security interests on an equal footing; that is, nothing more will be required of persons selling an aircraft subject to a conditional sales contract than of persons selling an aircraft subject to a chattel mortgage or deed of trust. Similarly, a person holding a security interest called a conditional sales contract will be in no different a position than the holder of any other agreement.

Without specific statutory authority to continue the current practice, the FAA has concluded that Parts 47 and 49 should be amended by deleting the requirement for a release or consent of the holder of a conditional sales security interest prior to registration of an aircraft to a buyer who purchases from a conditional sales vendee, or to record a transfer from the same individual.

Paragraph (a)(2) of § 47.47, *Cancellation of Certificate for Export Purposes*, is being revised to eliminate an unnecessary distinction between contracts of conditional sale and other security agreements. These amendments, however, do not change the requirement for a release or consent from the holders of all recorded rights when the aircraft registration is to be cancelled for export purposes. This requirement implements the Convention on the International Recognition of Rights in Aircraft (4 U.S.T. 1830) (Convention), and is set out in § 47.47 of the FARs. In 1985, over 2,000 U.S. registered aircraft were exported, and consents or releases were provided in all cases where the aircraft were subject to recorded rights. This requirement is placed on all exported aircraft regardless of whether the aircraft is being exported to a country which is also a signatory to the Convention.

Editorial Changes From the NPRM

Editorial changes have been made to the Part 49 amendment from the language of the NPRM in the following manner: all references to "mortgage", or "chattel mortgage", have been changed to the more generic term, "security agreement". This is the term generally accepted by the U.C.C. to refer to such

instruments, regardless of the historical name; names are not critical for recording purposes. Similarly, wherever reference is made to "FAA recorded document number", that is changed to "FAA recorded conveyance number" in accordance with current Registry practice.

Although the NPRM stated that the proposed amendment would not affect § 47.47(a), which deals with the requirements of the Convention on International Recognition of Rights in Aircraft (4 U.S.T. 1830), editorial changes are made to remove those requirements in that section that distinguish conditional sales contract from other security instruments. Under § 47.47(a) the requirement remains exactly the same: All recorded security instruments must be released or have the consent to cancel registration from the holder of the instrument. This is meant to be an editorial change only, and no substantive change is intended.

Benefit-Cost Analysis

The FAA is amending Parts 47 and 49 of the FAR's to eliminate the current requirement for a release or consent from the holder of a conditional sales security interest to registration of an aircraft to a conditional sales buyer. These amendments would treat conditional sales contract the same as other security agreements in which the FAA does not require the consent of the secured party to record the transfer and registration of the aircraft to the buyer. A conditional sales contract is one in which the buyer and seller agree to fulfill certain conditions; e.g., observe warranties, provide proper maintenance, meet a payment schedule. The buyer takes possession of the aircraft and registers it with the FAA even though the seller retains legal title until all the conditions of the contract are satisfied.

Registry experience is that about 15 percent of aircraft security documents are conditional sales contracts, generally involving 4,725 aircraft on an annual basis. Although this proportion is small, it appears that some of the major lenders in the industry rely heavily on this type of financial arrangement. Both Cessna Finance and Chase Manhattan Aircraft Finance, which acquired Piper Acceptance Corporation in 1985, have indicated that the bulk of their aviation lending consists of conditional sales contracts. Both of those companies also indicated that 20 percent of these contracts were to the dealer for inventory financing and 80 percent went to the end user. In the case of an end user conditional sales contract, the dealer will "assign" the contract to the lender. Although information on

individual aviation lenders' use of this type of contract format is very sketchy, it appears that perhaps about half a dozen aviation lenders have significant volume of conditional sales contracts.

The FAA expects that adoption of the proposal would facilitate the sale of used aircraft by requiring less documentation for an aircraft transfer subject to a previously recorded conditional sales contract. As noted above, approximately 15 percent of all security contracts are conditional sales which require the additional documentation. Another expected benefit of this amendment is a reduced workload for the Registry because it would eliminate the need for returning and resubmitting transfer documents when the necessary consents are lacking. This saving in time is not expected to be very significant, however, in view of the fact that only 5 percent of all conditional sales transfer documents (or less than 250 per year) must be returned by the FAA because the required releases have not been obtained.

Another benefit of this rule is consistent treatment of loan collateral involved in conditional sales of aircraft between Federal regulation and the state U.C.C.'s. The U.C.C. makes no distinction between contracts of conditional sale and other forms of security agreements. The validity of the loan instruments is governed by state law and because state law prescribes that collateral shall be fully transferable, the Federal regulation should be consistent.

A half dozen conditional sales lenders were contacted by the FAA. They prefer conditional sales contracts because of the additional protection of the collateral in the form of "registration around liens", under which the FAA will not change registration of an aircraft without the consent of the lienholder. Under a standard loan arrangement, the FAA does not require such a consent prior to registering the aircraft in the name of the purchaser. Some lenders are critical of the proposed rule, claiming it would increase their risk exposure. The lenders assert that they would otherwise have no indication that the borrower was attempting to sell or had sold the collateral and would therefore be forced to search the Registry records to determine if a sale had in fact occurred. Also lenders might lose their collateral insurance because policies terminate with the sale of aircraft. Lenders assert they would be forced to change the terms on aircraft loans by increasing rates and down payment requirements which would ultimately reduce the

overall volume of their aviation loan portfolios. They indicated that the degree of this change would depend largely on their loss experience which cannot be predicted at this time.

The FAA does not expect the adoption of the amendment to have a significant effect on the risk exposure of aviation lenders using the conditional sales format, however. In the first place, the protection of collateral afforded by the FAA requirement for the consent of the lien-holder is not available in the case of conditional sales contract to dealers for inventory financing because the lien would not be enforceable under the state U.C.C.'s after the dealer sells to an end user. Under the U.C.C., a person who buys an aircraft from a dealer takes title to the aircraft free and clear of any security interest in the aircraft. (U.C.C. 9-307(1).)

On the other hand, a person who purchases an aircraft from a person who is not in the business of selling aircraft, i.e., the original purchaser would be legally obligated to release the collateral to the lender in the event the conditional buyer of the aircraft, i.e., the debtor, defaulted on his payments. Effects of this proposal therefore appear limited to "end user" loans.

Conditional sales lenders have expressed concern that implementation of the proposal would force them to institute replevin proceedings (which would take up to 2 years) to recover the collateral in the event of a default, thereby delaying the process and increasing their cost and risk exposure. The FAA maintains that the lenders would not generally be required to follow this protracted course because state laws entitle them to repossess property on which they hold a lien without breaching the peace. Replevin proceedings are not likely to increase since the law presumes that the buyer has knowledge of any debt or security agreement recorded by the Registry that may encumber any purchased aircraft.

In summary, the adoption of the proposal is not expected to have a significant impact on the risk exposure of the lenders. Even if the aircraft is sold out of trust, the lender retains a lien of record on the aircraft in the case of nondealer sales and remains in the same priority with respect to other persons asserting rights in the aircraft. While the possibility exists that FAA may register aircraft to buyers from conditional vendees, thereby creating legal problems for some lenders, lenders can adequately protect rights to the collateral by specifying the obligations of the parties in the loan agreements. The FAA is not persuaded that the terms

of loans will be adversely affected by the implementation of this proposal.

Regulatory Flexibility Analysis

The FAA has determined that the rulemaking action will not have a significant economic impact on a substantial number of small entities.

As noted above, the risks of conditional sales agreements involving aircraft dealers would probably not be affected. The cost of new aircraft to commercial operators of all sizes, which to some extent reflects the financing costs of dealers, would therefore not be affected. Any possible effects on the cost of used aircraft are likely to be minimal in view of the prevalence of the standard "chattel" loan format in the aircraft purchase financing industry which would not be affected by this action.

International Trade Impacts

The Registry is aware of only one foreign aircraft manufacturer which specifically selected the conditional sale format for sales to its U.S. distributors in order to take advantage of the requirement for a release or consent before further transfer would be recognized. However, since a purchaser from a dealer takes possession free and clear of any dealer financing, regardless of FAA's requirements, no impact can be shown other than in those situations where the distributor transfers the aircraft to another dealer. This manufacturer did not comment on the proposed rule change. Accordingly, the FAA has determined that the economic impact of the amendment on international trade would be minimal and imposes no significant barrier.

Conclusion

This amendment will provide consistent treatment of aircraft subject to security agreements and result in a minimal cost benefit by requiring less documentation for the registration of certain used aircraft. It is not expected to have a significant impact on the risk exposure of lenders. For these reasons, the FAA has determined that this amendment is not major under Executive Order 12291 or significant under the Department of Transportation Regulatory Policies and Procedures (44 FR 11034; February 26, 1979). For the same reasons, it is certified that under the criteria of the Regulatory Flexibility Act this amendment will not have a significant economic impact, positive or negative, on a substantial number of entities. A copy of the final regulatory evaluation prepared for this project may be examined in the public docket or

obtained from the person identified under the caption "FOR FURTHER INFORMATION CONTACT".

List of Subjects

14 CFR Part 47

Aircraft, Registration, Security agreements, Transportation.

14 CFR Part 49

Aircraft, Recordation, Security agreements, Transportation.

Denial of Petitions and Adoption of Amendment

For the reasons set out in the preamble, the petitions of Cessna Finance Corporation and Aircraft Finance Association are denied, and 14 CFR, Parts 47 and 49 are amended as set forth below.

PART 47—AIRCRAFT REGISTRATION

1. The authority citations following sections in Part 47 are removed and the authority citation for Part 47 is revised to read as follows:

Authority: 49 U.S.C. 106(g), 1354, 1401, 1403, 1405, 1406, and 1502; 4 U.S.T. 1830.

§ 47.11 [Amended]

2. Section 47.11(a) is amended by removing the phrase "that bears the written assent of the seller, bailor, lessor, or assignee thereof, under the original contract."

3. Section 47.47(a)(2) is revised to read as follows:

§ 47.47 Cancellation of certificate for export purpose.

(a) * * *

(2) Evidence satisfactory to the Administrator that each holder of a recorded right has been satisfied or has consented to the transfer.

PART 49—RECORDATION OF AIRCRAFT TITLE AND SECURITY DOCUMENTS

4. The authority citation for Part 49 is revised to read as follows:

Authority: 49 U.S.C. 106(g), 1354, 1401, 1403, 1405, 1406, and 1502; 4 U.S.T. 1830.

5. Section 49.17 is amended by removing paragraph (e) and revising paragraph (d) to read as follows:

§ 49.17 Conveyances recorded.

(d) The following rules apply to conveyances executed for security purposes and assignments thereof:

(1) A security agreement must be signed by the debtor. If the debtor is not the registered owner of the aircraft, the

security agreement must be accompanied by the debtor's Application for Aircraft Registration and evidence of ownership, as prescribed in Part 47 of this chapter, unless the debtor—

(i) Holds a Dealer's Aircraft Registration Certificate and submits evidence of ownership as provided in § 47.67 of this chapter (if applicable);

(ii) Was the owner of the aircraft on the date the security agreement was signed, as shown by documents recorded at the FAA Aircraft Registry;

or

(iii) Is the vendor, bailor, or lessor under a contract of conditional sale.

(2) The name of a cosigner may not appear in the security agreement as a debtor or owner. If a person other than the registered owner signs the security agreement, that person must show the capacity in which that person signs, such as "cosigner" or "guarantor".

(3) An assignment of an interest in a security agreement must be signed by the assignor and, unless it is attached to and is a part of the original agreement, must describe the agreement in sufficient detail to identify it, including its date, the names of the parties, the date of FAA recording, and the recorded conveyance number.

(4) An amendment of, or a supplement to, a conveyance executed for security purposes that has been recorded by the FAA must meet the requirements for recording the original conveyance and must describe the original conveyance in sufficient detail to identify it, including its date, the names of the parties, the date of FAA recording, and the recorded conveyance number.

(5) Immediately after a debt secured by a conveyance given for security purposes has been satisfied, or any of the encumbered aircraft have been released from the conveyance, the holder shall execute a release on AC Form 8050-41, Part II—Release, provided to him by the FAA when the conveyance was recorded by the FAA, or its equivalent, and shall send it to the FAA Aircraft Registry for recording. If the debt is secured by more than one aircraft and all of the collateral is released, the collateral need not be described in detail in the release. However, the original conveyance must be clearly described in enough detail to identify it, including its date, the names of the parties, the date of FAA recording, and the recorded conveyance number.

(6) A contract of conditional sale, as defined in section 101(19) of the Federal Aviation Act of 1958 (49 U.S.C. 1301(19)), must be signed by all parties to the contract.

Issued in Washington, DC, on January 12, 1988.

T. Allan McArtor,

Administrator,

[FR Doc. 88-1976 Filed 1-22-88; 9:45 am]

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DEPARTMENT OF TRANSPORTATION**Federal Aviation Administration****14 CFR Parts 47 and 49**

[Docket No. 20349; Amdt. Nos. 47-23 and 49-9]

Recordation of Conveyances Affecting Title to, or an Interest in, Aircraft*Correction*

In rule document 88-1376 beginning on page 1911 in the issue of Monday, January 25, 1988, make the following corrections:

1. On page 1912, in the second column, in the second complete paragraph, in the sixth line, "delegate" should read "delete".
2. On page 1913, in the second column, in the second complete paragraph, in the ninth line, delete "been".
3. On page 1914, in the second column, in the first complete paragraph, in the ninth line, "contract" should read "contracts".
4. In the same column, in the second complete paragraph, in the fifth line, insert "prior" after "interest"; and in the eighth line, "contract" should read "contracts".
5. On page 1915, in the first column, in the first complete paragraph, in the ninth line, "contract" should read "contracts".
6. In the same column, four lines from the bottom, insert "their" after "protect".

BILLING CODE 1505-01-D