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# GENERAL AGREEMENT ON TARIFFS AND TRADE

Agreement on Trade in Civil Aircraft

Original: English

## END-USE SYSTEMS

### Notification by the United States

The United States delegation has forwarded, on 4 June 1984, final US Customs Service Regulations (annexed hereto) regarding the importation of civil aircraft and parts, pursuant to the implementation of the Agreement on Trade in Civil Aircraft. These procedures replace the draft US Customs Service Notice, circulated on 18 February 1980 in document AIR/2 (page 21). The secretariat is informed that the final rule brings no practical change to the draft rule in document AIR/2.

ANNEX



DEPARTMENT OF THE TREASURY

Customs Service

19 CFR Parts 6 and 10

[T.D. 84-109]

## Customs Regulations Amendments Relating to Civil Aircraft

AGENCY: U.S. Customs Service, Treasury.

ACTION: Final rule.

SUMMARY: This document amends the Customs Regulations to reflect the changes made by the civil aircraft provisions, Title VI, of the Trade Agreements Act of 1979. The amendments eliminate Customs duties on (1) civil aircraft, parts for civil aircraft certified for use in civil aircraft, flight simulators, and parts for flight simulators, and (2) equipment or any part thereof purchased, or repair parts or materials used, or expenses of repairs made in a foreign country upon a United States civil aircraft.

EFFECTIVE DATE: June 7, 1984.

FOR FURTHER INFORMATION CONTACT: The following listed individuals located at Headquarters, U.S. Customs Service, 1301 Constitution Avenue, NW., Washington, D.C. 20229, may be contacted for further information on the identified subject matter:

Aircraft Repair Matters:
- Legal Aspects—Edward B. Gable, Carriers, Drawback and Bonds Division (202-566-5706);
- Operational Aspects—Joseph E. O'Gorman, Cargo Enforcement and Facilitation Division (202-566-8151);

Classification Matters:
- Legal Aspects—James Seal, Classification and Value Division (202-566-8181); Operational Aspects—Herbert Geller, Duty Assessment Division (202-566-5307);

Certification and Entry Matters:
- Legal Aspects—Jerry Laderberg, Entry Procedures and Penalties Division (202-566-5765); Operational Aspects—Joseph E. O'Gorman, Cargo Enforcement and Facilitation Division (202-566-8151).

SUPPLEMENTARY INFORMATION:

### Background

Title VI, "Civil Aircraft Agreement" of the Trade Agreements Act of 1979 (the "Act"), implemented the Agreement on Trade in Civil Aircraft (the Agreement), which entered into force with respect to the United States on January 1, 1980.

The Agreement established a framework of rules governing trade in civil aircraft and parts for civil aircraft. The Agreement addresses both tariff and non-tariff measures; focusing on problems peculiar to the civil aircraft sector of the aerospace industry.

In the tariff area, the Agreement requires the elimination of customs duties and similar charges on, or in connection with, the importation of products, classified for Customs purposes under specific tariff items enumerated in the Annex to the Agreement, if the products are for use in a civil aircraft and incorporated therein, in the course of its manufacture, repair, maintenance, rebuilding, modification or conversion. The Agreement also requires the elimination of customs duties and similar charges on repairs to civil aircraft.

Title VI of the Act implemented those parts of the Agreement relating to duty-free treatment by the United States of (1) specified civil aircraft and aircraft parts certified for use in civil aircraft and admitted into the United States from a nation entitled to most favored nation (Column 1, Tariff Schedules of the United States (TSUS) (19 U.S.C. 1202)), tariff treatment; and (2) the cost of repair parts, materials, or expenses of repairs made in a foreign country upon a United States civil aircraft under section 466, Tariff Act of 1930, as amended (19 U.S.C. 1466).

Aircraft and aircraft parts imported prior to the Act were subject to a column 1 rate of duty of 5 percent ad valorem. General Headnote 10(ij), TSUS, (setting forth interpretative rules pertaining to the tariff schedules), limited the application of former TSUS item 694.60 to aircraft parts solely or chiefly used as parts of aircraft if those parts were not specifically provided for elsewhere in the TSUS. Numerous aircraft parts were more specifically provided for elsewhere in the TSUS. Certain aircraft and aircraft parts could be admitted duty-free under the Generalized System of Preferences (General Headnote 3(c), TSUS), if they were produced in a beneficiary developing country.

Section 601(a)(1) of the Act created a new headnote 3 under subpart C, part 6, schedule 6, TSUS, defining the term "certified for use in civil aircraft". That term means that the imported article:

1. Has been imported for use in civil aircraft;
2. Will be so used in civil aircraft; and
3. Has been approved for such use by the Federal Aviation Administration (FAA), or that an application for approval has been submitted to and accepted by that agency, or that the article has been approved by the airworthiness authority in the country of exportation if such authority is recognized by the FAA as an acceptable substitute for FAA certification.

In order to obtain duty-free treatment under this headnote, the importer is required to file a written certification with Customs stating that the merchandise to be imported meets these three criteria.

The new headnote also defined the term "civil aircraft" to mean "all aircraft other than aircraft purchased for use by the Department of Defense or the United States Coast Guard."

On January 8, 1980, a notice of proposed rulemaking (NPRM) was published in the Federal Register (45 FR 1633) which proposed amendments to Parts 6 and 10, Customs Regulations (19 CFR Parts 6, 10), to implement Title VI of the Act. The NPRM was published even though it was recognized that several substantive problems existed with the Act. The need for certain technical amendments was, in fact, identified in the NPRM. The problems requiring technical amendments occurred in several sections of the Act.

Section 601(a)(3) of the Act amended section 466, Tariff Act of 1930, as amended (19 U.S.C. 1466), by adding a new subsection (f). This provision eliminated the duty on the cost of repair parts, materials, or expenses of repairs made in a foreign country upon a United States civil aircraft. However, in reviewing the unamended provisions of section 466 and the amendment, it became clear that foreign equipment purchases for use in United States-registered civil aircraft would remain dutiable. This was not in accord with the Agreement which required that duty be eliminated on equipment purchases. Because of this omission, legislative action was taken to amend section 466. On October 17, 1980, Pub. L. 96-467, titled "Tariff Treatment of Certain Articles", 94 Stat. 2225, expanded the scope of the Act to exempt equipment from the requirement of duty payment under section 466.

Another problem arose with section 601(a)(1) of the Act which created the new headnote 3 under subpart C, part 6, schedule 6, TSUS, defining the term "certified for use in civil aircraft". As indicated above, the importer is required to file a written statement with Customs to the effect that the article meets the definition if the acticle is to be imported duty-free. Section 601(a)(2) of the Act listed those tariff item numbers for which certification was required. Those tariff item numbers included flight simulators and aircraft. Accordingly, a certification for use in civil aircraft was required for those articles even though it is impossible to use an aircraft in an aircraft or a flight simulator in an aircraft. Pub. L. 96-467 corrected this problem by amending section 601(a)(2) to exclude "flight simulating machines classified in item 678.50 and civil aircraft classified in item 694.15, 694.20, or 694.40" from the certification requirement.

Appropriate changes have been made in this document to incorporate the statutory changes. However, while Pub. L. 96-467 modified both section 601(a)(2) and section 486 to correct the problems discussed above, the amendment was made effective on January 1, 1980, only as to section 486. January 1, 1980, was the date of enactment of the Act. Since no effective date was listed in Pub. L. 96-467 as to the section 601(a)(2) amendment, under generally accepted rules of statutory construction, it was effective as to that section on the date of enactment (October 17, 1980). Accordingly, there was no legal authority to dispense with the certification requirement of the headnote for articles entered, or withdrawn for consumption under items 678.50, 694.15, 694.20, and 694.40, TSUS, between January 1, 1980, and October 17, 1980. Appropriate legislation to correct the effective date provisions was subsequently passed on December 28, 1980, by Pub. L. 96-609, 94 Stat. 3558.

In response to the NPRM, several comments were received from a wide variety of sources representing the full spectrum of the aerospace industry. A discussion of the comments follows:

**Discussion of Comments**

One commenter, a major international air carrier, vigorously opposed the continuation of the reporting requirement for foreign aircraft repairs and part purchases contained in proposed and existing § 6.7, Customs Regulations (19 CFR 6.7). The commenter believed the reporting requirement was burdensome and unnecessary in view of the elimination of duties by the Act. In the alternative the commenter suggested that if the reporting requirement is continued that it be accomplished by means of a periodic report rather than the present and proposed entry by entry basis for reporting. The commenter further stated that if Customs continued the present entry procedures that it is unreasonable to require the entry at the first U.S. entry point for the aircraft.

The above comments were also made by an organization which represents many segments of the civil aircraft industry. A union representing a segment of the aerospace industry indicated that the entry requirement should be retained but did not object to a periodic entry requirement.

The requirement to report foreign aircraft repairs and part purchases at the time of arrival of each United States-registered aircraft is not specifically required by statute. The provisions of 19 U.S.C. 1466 are only applied to aircraft under 19 U.S.C. 1644 and 49 U.S.C. 1509 "upon such conditions" as Customs "deems necessary." The application of the reporting requirements to duty-free aircraft purchases and costs for each United States-registered aircraft is not deemed necessary by Customs. In fact, under Customs present regulations such purchases and costs need not be reported at the time of arrival of United States-registered aircraft under certain circumstances (see 19 CFR 6.7(e)). In light of the foregoing, paragraphs (d) and (e) of § 6.7 have been deleted by the final rule.

One commenter suggested that the requirement in proposed § 6.7(d) that the aircraft commander or an authorized person exhibit the journey log book to the Customs officer at the place of arrival, be modified to require presentation only when requested by Customs. Another commenter noted that proposed § 6.7(d) would require a notation of any foreign equipment purchases or repair work to be made in the "aircraft journey log book." The commenters stated that this reference appears to be an adoption of maritime terminology and suggested it be changed to reflect terminology used by air carriers. In light of the elimination of paragraphs (d) and (e) there is no need to respond to these comments.

*Part 10 Comments*

Civil aircraft is defined in the Act and proposed § 10.180(a) to mean "all aircraft other than aircraft purchased for use by the Department of Defense or the U.S. Coast Guard." (In this document the civil aircraft provisions have been redesignated as section 10.183 because (1) the provisions of Title V of the Act relating to importation of certain fresh, chilled, or frozen beef, were implemented by T.D. 82-8, published in the Federal Register on January 8, 1982 (47 FR 944), and appear in § 10.180, Customs Regulations (19 CFR 10.180), (2) procedures designed to stimulate watch assembly activity in the U.S. insular possessions were implemented by T.D. 84-16, published in the Federal Register on January 12, 1984 (49 FR 1480), and appear in § 10.181, Customs Regulations (19 CFR 10.181), and (3) procedure to provide for the duty-free treatment of imported articles specially designed or adapted for the use or benefit of physically or mentally handicapped persons were implemented by T.D. 84-17, published in the Federal Register on January 12, 1984 (49 FR 1482), and appear in § 10.182, Customs Regulations (19 CFR 10.182)). The commenter indicates that a strict interpretation of this definition implies that foreign military aircraft are civil aircraft under the Act. The commenter suggests that to insure consistent interpretation and enforcement that the definition be modified to include foreign military aircraft.

Customs agrees that the definition in the Act of civil aircraft includes foreign military aircraft. Customs does not agree that the definition should be modified to specifically identify foreign military aircraft as being within the scope of coverage. While the Act includes foreign military aircraft, the Agreement specifically excluded all military aircraft from its coverage. Thus the Act, by excluding from its coverage aircraft purchased for use by the Department of Defense and the Coast Guard, rather than all military aircraft (both foreign and domestic), has gone beyond the coverage of the Agreement to allow aircraft purchased for military use by foreign governments to be treated as civil aircraft for U.S. tariff purposes. Customs is considering whether a request should be made to Congress to amend the Act to conform it to the Agreement. In any event, the FAA certification criteria for duty-free treatment cannot be met by many military aircraft as they are not subject to FAA certification.

The commenter also addressed the problem of Foreign Military Sales (FMS) contracts and stated that to completely clarify the status of foreign military aircraft and articles imported for their manufacture, Customs must address the meaning of the phrase "use by the Department of Defense". The commenter stated that, in its opinion, sales of military aircraft to the Department of Defense under FMS contracts do not constitute "use" by that

agency as the aircraft are immediately delivered to a foreign government and are not used by the U.S. Armed Forces.

Customs does not agree. The question of "use" depends upon all the facts, circumstances, and the FMS contract provisions. Accordingly, each case must be considered separately. These questions are more appropriately handled by individual requests to Customs for ruling letters under Part 177, Customs Regulations (19 CFR Part 177).

The commenter also notes that while foreign military aircraft fall within the definition of civil aircraft, military aircraft manufactured in the United States do not fall under the jurisdiction of the FAA but are certified by the U.S. Government military agency concerned. The commenter believes the Customs Regulations should recognize the independent authority of the military to approve imported parts for use in aircraft.

Customs does not agree. Recognizing an independent authority of the military to approve aircraft for purposes of the Act would be beyond the scope of the Act. Only the FAA, or the airworthiness authority in the foreign country recognized by the FAA as an acceptable substitute for the FAA, can approve aircraft and aircraft parts under the Act. If Congress had intended U.S. military departments to approve parts for aircraft for purposes of the Act, it would have so stated.

Another commenter, in discussing the definition of civil aircraft, questioned whether an aircraft purchased initially for use by the Department of Defense and subsequently sold to an air carrier would prevent the aircraft from being classified as a civil aircraft under the provisions of the Act and implementing regulations. Customs does not believe that the fact an aircraft is purchased for use by DOD or the Coast Guard would, in and of itself, preclude subsequent classification as a civil aircraft for U.S. tariff purposes.

Several commenters were concerned with the provisions of proposed § 10.180(c) which indicated that the certification required by proposed § 10.180(d) may not be treated as a missing document for which a bond may be posted. Customs believes that the certification should not be treated as a missing document, for which a bond may be posted. However, after publication of the NPRM, Customs issued instructions to its field offices which authorized the acceptance of a blanket certification. Virtually all entries under the Act are now made by blanket certification. This action has removed most concerns in this area.

Another commenter was concerned with the provisions of proposed § 10.180(c) which required a copy of the written order, contract, or any additional documentation Customs may require to verify the duty-free entry claim, to be filed with the entry summary. The commenter indicated that the provision is so open ended that importers could be denied free entry for almost any reason

Customs does not agree. The proposed section also included a provision which authorized the posting of a bond for the missing document. The requirement was implemented by means of instructions to field offices. Importers have been complying with this provision for over three years without complaint or problem. Customs is unaware of any instance in which an importer has been denied duty-free treatment because of the requirement. Accordingly, we see no reason to modify the requirement.

Several commenters raised questions regarding the certification format set forth in proposed section 10.180(d). Most offered alternative language to the certification form and several suggested that a blanket certification be authorized. As noted, based upon the concerns expressed, the use of a blanket certification has been authorized and used for over three years without any significant problem. Accordingly, a blanket certification form is set forth in § 10.183(d)(2). The entry-by-entry certification form has been retained in § 10.183(d)(1) for use by the one time or occasional importer.

Proposed § 10.180(e) covered conditionally-free entry of articles under item 2(c) of the certification form. Item 2(c) related to submission of an application for approval for use in civil aircraft to the Administrator of the FAA and acceptance by the Administrator. One commenter indicated that in its opinion the conditionally-free entry provision would be unwieldy and seldom used. The commenter further indicated importations falling under the provisions of item 2(c) should be subjected to the same test as all other civil aircraft parts.

Customs agrees and has deleted paragraph (e) from the final rule.

One commenter questions whether Customs has authority under the Act to promulgate the regulations proposed in § 10.180(f) relating to diversions.

Upon further consideration Customs is of the opinion that it lacks statutory authority to require parties to report diversions or tender duties. Accordingly, proposed paragraph (f) is deleted from the final rule.

Another commenter objected to the inclusion of proposed § 10.180(h) relating to penalties. The commenter opined it was unnecessary since the importing community is aware that filing a false or fraudulent document is subject to the provisions of section 592, Tariff Act of 1930, as amended (19 U.S.C. 1592).

Customs agrees and has not included the section in the final rule.

In light of the elimination of § 6.7 (d) and (e), proposed § 10.180(i) which cross-referenced those provisions has been deleted from the final rule.

**Miscellaneous Comments**

Several commenters raised questions which went beyond the scope of the proposed regulations. Many of these questions have been the subject of specific rulings issued by Customs and published in the Customs Bulletin as Customs Service Decisions (CSD's). For the benefit of the importing community, the issues raised and the holdings in each ruling are set forth below. A complete discussion of the facts, law, and analysis is contained in each ruling. These rulings, while of general interest to the importing community, are limited in their application to the unique factual situations presented by the party requesting the ruling. Accordingly, importers and other interested parties, should not assume that these CSD's are dispositive of other, but related issues or questions they might have regarding the application of the Agreement, Act, TSUS, or Customs Regulations to their particular situation. If there is any doubt, an importer or other interested party should request a ruling from Customs under the provisions of Part 177, Customs Regulations (19 CFR Part 177), relating to administrative rulings.

*CSD 80-225*

*Issue:* Can the required Customs certification statement be given on the invoice?

*Holding:* The Customs certification statement required in connection with the importation of aircraft parts under the Agreement may be given on the invoice submitted with the entry summary.

*Issue:* Does the term "certified for use in civil aircraft" as used in the Agreement require that the aircraft part be imported for use in civil aircraft in the United States?

*Holding:* The certification for use in civil aircraft does not require that such part be used in civil aircraft in the United States.

*CSD 80-242*

*Issue:* Do aircraft subassemblies and aircraft parts, which have not been

tested by an airworthiness authority, imported from Canada for assembly in the United States as a "knock-down" aircraft, which will be assembled in Japan, meet the certification requirements of the Agreement, if the aircraft model involved has been approved by the FAA?

*Holding:* The fact that the aircraft subassemblies and aircraft parts were not examined by an airworthiness authority would not preclude them from being certified under the Agreement, since the aircraft model involved has been approved by FAA.

*CSD 80-249*

*Issue:* Are aircraft tires imported for retreading and subsequent use on a civil aircraft entitled to duty-free entry under the Agreement?

*Holding:* Aircraft tires imported for retreading and subsequent use on a civil aircraft are entitled to duty-free entry.

*CSD 81-28*

*Issue:* Does the fact that drawback was previously paid on a civil aircraft preclude it from being entered duty-free under the Agreement?

*Holding:* The fact that drawback was previously paid would not preclude a civil aircraft from being entered duty-free.

*CSD 83-44*

*Issue:* Are certain subassemblies used in the passenger service/entertainment system on an aircraft properly classifiable under the provision for parts of aircraft, certified for use in civil aircraft, in item 694.82, TSUS, or under the provisions for electrical articles and parts of articles, not specially provided for, in item 688.45, TSUS?

*Holding:* The aircraft passenger service/entertainment system is properly classifiable under the provision for other parts of aircraft, in item 694.61, TSUS, dutiable at the rate of 3.8 percent ad valorem, or in item 694.62, TSUS, entitled to entry free of duty, if certified for use in civil aircraft.

**Paperwork Reduction Act**

This document is subject to the Paperwork Reduction Act of 1980, Pub. L. 96-511. Applicable sections of the document have been cleared by the Office of Management and Budget.

**Executive Order 12291**

These amendments do not meet the criteria for a major rule as defined in section 1(b) of E.O. 12291. Accordingly, a regulatory impact analysis is not required.

**Regulatory Flexibility Act**

The provisions of the Regulatory Flexibility Act (RFA) relating to an initial and final regulatory flexibility analysis (5 U.S.C. 603, 604) are not applicable to this document because the NPRM on this matter was published before the effective date of the RFA.

**Drafting Information**

The principal author of this document was John E. Elkins, Regulations Control Branch, Office of Regulations and Rulings, U.S. Customs Service. However, personnel from other Customs offices participated in its development.

**List of Subjects**

*19 CFR Part 6*

Air carriers, Air transportation, Aircraft, Customs duties and inspection, Imports.

*19 CFR Part 10*

Aircraft, Customs duties and inspection, Imports.

**Amendments to the Regulations**

Parts 6 and 10, Customs Regulations (19 CFR Parts 6, 10), are amended as set forth below.

Alfred R. De Angelus,
*Acting Commissioner of Customs.*

Approved: April 6, 1984.

John M. Walker, Jr.,
*Assistant Secretary of the Treasury.*

## PART 6—AIR COMMERCE REGULATIONS

**§ 6.7 [Amended]**

1. Section 6.7 is amended by removing paragraphs (d) and (e) and reserving them.

(R.S. 251, as amended, secs. 466, 624, 46 Stat. 718, as amended, 759 (19 U.S.C. 66, 1466, 1624))

## PART 10—ARTICLES CONDITIONALLY FREE, SUBJECT TO A REDUCED RATE, ETC.

1. Section 10.41(c) is amended by revising it to read as follows:

**§ 10.41 Instruments; exceptions.**

* * * * *

(c) Foreign-owned aircraft arriving in the United States shall be subject to the treatment provided for in Part 6 of this chapter, unless entered under the provisions of §§ 10.31, 10.183, or paragraph (d) of this section.

* * * * *

2. Part 10 is amended by adding a new center heading and section 10.183 to read as follows:

**Civil Aircraft**

**§ 10.183 Civil aircraft, flight simulators, parts for civil aircraft, and parts for flight simulators.**

(a) *Definition.* "Civil aircraft", when used in this section, means all aircraft other than aircraft purchased for use by the Department of Defense or the United States Coast Guard.

(b) *Admission free of duty.* Civil aircraft parts for civil aircraft certified for use in accordance with the provisions of headnote 3, subpart C, part 6, schedule 6, Tariff Schedules of the United States (19 U.S.C. 1202), flight simulators, and parts for flight simulators, may be admitted free of duty upon compliance with the provisions of this section.

(c) *Documentation*—(1) *Generally.* Each entry summary for civil aircraft, flight simulators, civil aircraft parts, or flight simulator parts shall be filed with a copy of the written order, contract, or any additional documentation Customs shall require, to verify the claim for admission free of duty unless the district director is satisfied that the documents will be available for inspection for five years from the time of entry, as provided by Part 162 of this chapter. "Time of entry" is defined in section 141.68 of this chapter. Proof of end use of the civil aircraft, flight simulators, civil aircraft parts, or flight simulator parts need not be furnished. If the district director determines that documentation necessary to verify the claim for entry free of duty is not available at the time of filing the entry summary, the importer may enter the civil aircraft, flight simulator, civil aircraft part, or flight simulator part and post a bond for the missing document in accordance with §§ 141.66 and 141.91 of this chapter. The fact that a civil aircraft, flight simulator, civil aircraft part, or flight simulator part has previously been exported with benefit of drawback does not preclude free entry under this section and subpart C, part 6, schedule 6, Tariff Schedules of the United States.

(2) *Civil aircraft parts.* At the time of filing the entry summary, the importer of civil aircraft parts shall submit a certificate in substantially the form described in paragraph (d)(1) of this section. As an alternative, an importer who expects to file more than one entry for civil aircraft parts during any 12 month period may submit a blanket certification in substantially the form described in paragraph (d)(2) of this section with the district director at each district where civil aircraft parts are to be entered under the provisions of headnote 3, subpart C, part 6, schedule

6, Tariff Schedules of the United States. Upon approval by the district director, the blanket certification shall be valid for a period of one year from the date of approval. The blanket certification may be renewed for additional one year periods upon written request to each concerned district director. The certification may not be treated as a missing document for which a bond may be posted. Failure to provide the certification at the time of filing the entry summary or to have an approved blanket certification on file with the district director in the district where the entry summary is filed shall result in a dutiable entry.

(d) *Certification*—(1) *Entry-by-entry certification.* If the certification is to be filed with each entry summary, it shall be substantially in the following form and may be stamped, typed, or printed on the entry summary or submitted as a separate document:

ENTRY-BY-ENTRY CERTIFICATION FOR CIVIL AIRCRAFT PARTS

I certify that:

(1) The aircraft part(s) specifically identified in the entry summary has (have) been imported for use in civil aircraft and, to the best of my knowledge and belief, will be so used.

(2) (Check the appropriate box(es))

[ ] (a) The article(s) specifically identified in the entry summary has (have) been approved for use in civil aircraft by the Administrator of the Federal Aviation Administration ("FAA").

Approved part number(s) may be shown here or reference the appropriate attached invoice(s) ————.

[ ] (b) The article(s) specifically identified in the entry summary has (have) been approved for use in civil aircraft by ————, the airworthiness authority in the country of exportation. This approval is recognized by the FAA as an acceptable substitute for FAA approval.

Approved part number(s) may be shown here or reference the appropriate attached invoice(s) ————.

[ ] (c) An application for approval for use in civil aircraft for the article(s) specifically identified in the entry summary has been submitted to, and accepted by, the Administrator of the FAA.

Importer's Signature and Date

(2) *Blanket certification.* The certification may be in the form of a blanket certification which shall be valid for a period of one year from the date of approval by the district director in the district where the civil aircraft parts will be entered. The blanket certification may be renewed for additional one-year periods upon written request to each concerned district director. If a blanket certification is used it shall be substantially in the following form.

BLANKET CERTIFICATION FOR CIVIL AIRCRAFT PARTS

I importer's name, address, IRS number————, certify that the use by me or my authorized agent on an entry summary, or other entry documentation of a TSUS item number for civil aircraft parts, the item number description of which requires certification for use in civil aircraft, means that the articles identified on the entry summary or entry documentation are imported for use in civil aircraft within the meaning of subpart C, part 6, schedule 6, TSUS, and section 10.183, Customs Regulations (19 U.S.C. 10.183), that the articles will be so used and that the articles have been approved for such use by the Administrator of the Federal Aviation Administration (FAA) or by the airworthiness authority in the country of exportation, if such approval is recognized by the FAA as an acceptable substitute for FAA certification, or that an application for approval for such use has been submitted to, and accepted by, the Administrator of the FAA.

I agree (1) that documentation will be maintained to support the above certification, and (2) to inform the district director of any change which would affect the validity of this certification.

I understand that this certification will be valid for a period of one year from the date of approval by the district director and will cover entries made only in the district where filed.

Signature ————
Title ————
District Director ————
Approval date ————

(e) *Verification.* The district director shall monitor and periodically audit selected entries made under this section.

(R.S. 251, as amended, secs. 466, 624, 801, 46 Stat. 718, as amended, 759, 93 Stat. 287 (19 U.S.C. 66, 1202, 1466, 1624))

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## DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

### Office of the Assistant Secretary for Housing—Federal Housing Commissioner

### 24 CFR Parts 200, 203, 234 and 235

[Docket No. R-84-1084; FR-1573]

### Insurance of Growing Equity Mortgages

**AGENCY:** Office of the Assistant Secretary for Housing—Federal Housing Commissioner, HUD.

**ACTION:** Final rule.

**SUMMARY:** This final rule provides for the insurance of Growing Equity Mortgages (GEMs) covering certain one- to four-family dwellings under section 203 of the National Housing Act and one-family condominium units under section 234(c) of the Act. The GEM described in this rule is a type of graduated payment mortgage in which, during the first year or such other initial period approved by HUD, the monthly payments for principal and interest cover full debt service based on a 30-year level payment schedule. After the initial period the monthly payments increase either annually, biennially, or at such other interval as may be approved by HUD, over the life of the mortgage or for a shorter period approved by HUD, with the amount of the increase applied to reduce the outstanding principal obligation of the loan. The rate of increase in the mortgage payment is a fixed percentage, not exceeding 5 percent of the preceding period's payment.

Demand for alternatives to the level payment, fixed-rate mortgage has risen in recent years. This rule provides one alternative which will increase homeownership affordability for consumers and also encourage continued investment in housing.

The rule also makes a number of technical amendments to clarify the scope and applicability of the Graduated Payment Mortgage Program under section 245(a) of the National Housing Act and the Modified Graduated Payment Mortgage Program under section 245(b) of the Act.

**EFFECTIVE DATE:** June 13, 1984.

**FOR FURTHER INFORMATION CONTACT:** John J. Coonts, Director, Single Family Development Division, Room 9270, Department of Housing and Urban Development, 451 Seventh Street, SW., Washington, D.C. 20410, (202) 755-6720. (This is not a toll-free number.)

**SUPPLEMENTARY INFORMATION:**

### I. Growing Equity Mortgage Insurance Program

Since the introduction by HUD of the Graduated Payment Mortgage (GPM) in 1976 and the Federal Home Loan Bank Board's introduction of the variable rate mortgage in 1979, the shift by lenders and investors away from the level payment, fixed-rate mortgage has increased. While these alternative mortgages have facilitated the financing of homes for many purchasers, the instruments have characteristics which discourage complete acceptance by both consumers and lenders. The GPM, for example, provides the consumer the advantages of a fixed-rate mortgage for 30 years with a predetermined payment schedule. Yet these same features, the fixed-rate and long term, discourage lenders and investors from committing