

ORDER

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION

8720.1A

9125179

SUBJ: TRUTH IN LEASING NOTIFICATION (FAR SECTION **91.54**)

1. PURPOSE. This order provides guidance concerning the "Truth in leasing clause requirements in leases and conditional sales contracts" of Section **91.54**, and contains guidelines for the uniform disposition of advance notification of the first flight of an aircraft under such leases or contracts. Prudent use of these required notifications should assist in detection and surveillance of suspected illegal operations.

2. DISTRIBUTION. This order is distributed to all Flight Operations and Airworthiness Offices in Washington headquarters, to all Flight Standards Offices in the regions, and the Aeronautical Center to the branch level; to all General Aviation, Air Carrier, and Flight Standards District Offices, and to all International Field Offices.

3. CANCELLATION. Order **8720.1**, dated December **30, 1977**, is cancelled.

4. BACKGROUND. In **1972**, Section **91.54** was adopted establishing truth in leasing clause requirements in leases and conditional sales contracts of large civil aircraft of U.S. registry. In addition to the truth in leasing clause, the rule required that the lease identify the maintenance program the aircraft had been under for the preceding **12** months and the person or parties considered to be responsible for operational control of the aircraft. Further, during all operations conducted under the terms of such leases or contracts, a copy of the agreement was required to be on board the aircraft. A recent amendment to Section **91.54** requires, unless otherwise authorized, **48-hour** advance notification of the first flight to be conducted under the lease agreement or conditional sales contract. Advisory Circular **91-37**, Truth in Leasing, establishes procedures for use in the notification
* required by Section **91.54**. Order **8720.1**, issued December **30, 1977**, established certain recordkeeping and reporting requirements to be used in evaluating the effectiveness of Section **91.54**. This evaluation has been completed and those records required by paragraph 9 of the subject order are no longer necessary. Consequently, they have been deleted from this order. *

5. APPLICABILITY. Section **91.54** applies to large civil aircraft of U.S. registry. It does not apply to public aircraft which are defined in the Federal Aviation Act as an aircraft used exclusively in the service of any government of any state, territory, or possession of the United States, or the District of Columbia, but not including any government-owned aircraft engaged in carrying persons or property for commercial purposes.

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6. NOTIFICATION. Most notifications will be by telephone rather than a personal visit. Regardless of the type of notification, the following information should be obtained.

a. Required under Section 91.54:

- (1) Location of the airport of departure.
- (2) Departure time.
- (3) Registration number of aircraft involved.

b. Information needed for planning purposes.

- (1) Who is going to fly the aircraft (crew names if known)?
- (2) Where is the aircraft now?
- (3) Airport of destination and en route stops, if any.
- (4) Nature of mission (cargo, passenger, **or** both).
- (5) Where and when can the aircraft be seen prior to departure.
- (6) Type of aircraft.
- (7) Who is the lessee?
- (8) Who is the lessor?
- (9) Name of person or parties considered to be responsible for operational control of the aircraft.
- (10) Type of inspection and **maintenance** program the aircraft has been under during the preceding 12 months.
- (11) Status of compliance with applicable maintenance and inspection requirements.

7. FACTORS TO BE CONSIDERED AFTER RECEIPT OF A LEASE NOTIFICATION. The chief of the **GADO/PSDO/ACDO/TFO** is in the best position to decide if a ramp inspection is necessary or should be conducted under workload and manpower conditions at the time of notification. The following suggestions are presented for the purpose of evaluating a lease notification in respect to the need for an inspection and should not be construed to imply that an inspection must be made of every notification required by Section **91.54.**

a. Personal knowledge of the lessee or lessor. No purpose would be served in conducting a ramp inspection of an aircraft leased from an owner that the district office knows to have a good compliance and safety record.

b. Personnel qualifications. Effective ramp inspections can be conducted without the inspector (airworthiness or operations) being personally qualified in or familiar-with the aircraft involved. However, if there is reason to suspect either the condition of the aircraft or qualifications of the crew, personnel should be assigned that have the expertise to conduct the appropriate inspection. At times, it might be necessary to request outside assistance from the appropriate regional office.

c. Type of mission. It may be appropriate to give greater consideration to an aircraft involved in passenger carrying operations than one limited to cargo only.

d. Type of inspection and maintenance program. A determination should be made as to the type of inspection and maintenance program the aircraft has been under during the preceding 12 months. If the aircraft is currently maintained under a known program such as a continuous airworthiness inspection program of a Part 121 operation or an approved aircraft inspection program of a Part 135 operator, there may be little need for an airworthiness inspection. If the aircraft has been operated as a public aircraft immediately preceding the current lease agreement, consideration should be given to an inspection to determine if the airworthiness certificate is still valid.

8. INSPECTION.

a. If an inspection is to be conducted, a form or checklist should be used to ensure uniform administration of Section 91.54. ACDO inspectors are familiar with and may prefer using FM Form 8430-15, Ramp/Base Inspection Report, or FAA Form 3112, Inspection and Surveillance Record.

b. The guide "Managing a GADO" has a suggested checklist for air taxi ramp inspections. Figure B-28, Appendix B, page 171, might be preferred by GADO/FSDO/IFO inspectors. This checklist, and those used by ACDOs, were not designed with Section 91.54 in mind; therefore, a locally developed checklist may be used, if desired.

NOTE: REQUESTS FOR AIRCRAFT LOGBOOK ENDORSEMENTS OR SIGNED STATEMENTS THAT A SECTION 91.54 INSPECTION HAS BEEN COMPLETED MUST BE DENIED AS THEY COULD BE CONSTRUED AS AIRWORTHINESS CERTIFICATIONS IRRESPECTIVE OF HOW THE ENDORSEMENT OR STATEMENT IS LIMITED OR QUALIFIED.

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