

and risk management procedures are in place at section 20 subsidiaries.

When a section 20 subsidiary serves as lead underwriter, it is responsible for performing adequate due diligence. In other instances, such as the dealing of an outstanding debt security, a section 20 subsidiary may rely on the due diligence performed by independent rating agencies. Due diligence efforts conducted by a section 20 subsidiary or an independent rating agency often include analyses of factors such as payment history, mortgage and security structure, borrower's income or property cash flow, credit enhancements, and seasoning. In most CMBS transactions, the underlying loans have demonstrated their ability to perform over a period of time. As the underlying commercial real estate loans in a CMBS pool season, appraisals obtained at origination become increasingly less relevant to an investor's decision to purchase the related CMBS because the market assumptions upon which the appraisals were based may have become obsolete. Further, the public rating or due diligence that must be obtained or conducted for CMBS provides investors with sufficient information to assess the risks associated with the CMBS. A majority of the commenters agreed with this assessment of the CMBS market.

In response to the concerns expressed by one commenter that exempting CMBS transactions from the appraisal regulation would pose undue or unacceptable risk to federally-insured depository institutions, the Board notes that the proposed amendment relates solely to section 20 subsidiaries of bank holding companies and would not affect the appraisal requirements applicable to any federally-insured depository institution. In addition, transactions between a federally-insured depository institution and an affiliated section 20 subsidiary would continue to be subject to applicable restrictions in section 23A and 23B of the Federal Reserve Act (12 U.S.C. 37k, 37k-1). At this time, the Board is not considering any additional exemptions from the appraisal regulation for other transactions related to the CMBS market. Further, since the agencies have uniform appraisal regulations, any proposal to exempt CMBS-related transactions for federally-insured depository institutions would be addressed on an interagency basis.

Regulatory Flexibility Act Analysis

This amendment is not expected to have a significant economic impact on a substantial number of small business entities within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) because this amendment will

only affect bank holding companies that have section 20 subsidiaries, which generally are among the largest bank holding companies. Further, the amendment is not expected to impose any additional burdens on regulated institutions.

Paperwork Reduction Act

No collection of information pursuant to section 3504(h) of the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) is contained in this rulemaking.

List of Subjects in 12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

For the reasons set forth in the preamble, the Board amends 12 CFR part 225 as set forth below:

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828o, 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(l), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Subpart G, § 225.63 is amended by removing the word "or" at the end of paragraph (a)(11), by redesignating paragraph (a)(12) as paragraph (a)(13), and by adding a new paragraph (a)(12) to read as follows:

§ 225.63 Appraisals required; transactions requiring a State certified or licensed appraiser.

(a) * * *
(12) The transaction involves underwriting or dealing in mortgage-backed securities; or
* * * * *

By order of the Board of Governors of the Federal Reserve System.

Dated: November 20, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 98-31602 Filed 11-25-98; 8:45 am]

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NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Parts 701, 722, 723 and 741

Organization and Operations of Federal Credit Unions; Appraisals; Member Business Loans; and Requirements for Insurance

AGENCY: National Credit Union Administration (NCUA).

ACTION: Interim final rule; extension of comment period.

SUMMARY: On September 23, 1998, the NCUA issued an interim final rule concerning member business loans and appraisals for federally insured credit unions' as well as implementing recent statutory limitations regarding member business loans. The interim final rule was published in the **Federal Register** on September 29, 1998 (see 63 FR 51793). The NCUA Board stated that comments on the interim final rule must be received by November 30, 1998. Due to a request made, the Board has decided to extend the comment period for an additional 60 days to January 29, 1999.

DATES: The comment period is being extended from November 30, 1998 to January 29, 1999. Comments must be postmarked or received by January 29, 1999.

ADDRESSES: Direct comments to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428. Fax comments to (703) 518-6319. Please send comments by one method only.

FOR FURTHER INFORMATION CONTACT: Michael J. McKenna, Senior Staff Attorney, Division of Operations, Office of General Counsel, at the above address or telephone: (703) 518-6540.

By the National Credit Union Administration Board on November 19, 1998.

Becky Baker,

Secretary of the Board.

[FR Doc. 98-31597 Filed 11-25-98; 8:45 am]

BILLING CODE 7535-01-U

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 708a

Conversion of Insured Credit Unions to Mutual Savings Banks

AGENCY: National Credit Union Administration (NCUA).

ACTION: Interim final rule with request for comments.

SUMMARY: The NCUA is revising its rules that govern the conversion of insured credit unions to mutual savings banks or savings associations, if the savings associations are in mutual form. These revisions will simplify the charter conversion process and reduce regulatory burden for insured credit unions that choose to convert. NCUA is making these revisions in compliance

with recent federal legislation that mandates such revisions.

DATES: This rule is effective November 27, 1998. Comments must be received on or before February 25, 1999.

ADDRESSES: Direct comments to Becky Baker, Secretary of the Board. Mail or hand-deliver comments to: National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314-3428. Fax comments to (703) 518-6319. *Please send comments by one method only.*

FOR FURTHER INFORMATION CONTACT: Frank S. Kressman, Staff Attorney, Division of Operations, Office of General Counsel, at the above address or telephone: (703) 518-6540.

SUPPLEMENTARY INFORMATION:

Background

The Credit Union Membership Access Act (the Membership Access Act) was enacted into law on August 7, 1998. Public Law 105-21. Section 202 of the Membership Access Act amends the provisions of the FCU Act concerning conversion of insured credit unions to mutual savings banks or mutual savings associations. Pursuant to the amendments, NCUA is required to promulgate final rules regarding charter conversions within six months that are: (1) consistent with the Membership Access Act; (2) consistent with the charter conversion rules promulgated by other financial regulators; and (3) no more or less restrictive than rules applicable to charter conversions of other financial institutions. Accordingly, NCUA is revising part 708a to implement the provisions of § 202 of the Membership Access Act. NCUA does not interpret the Membership Access Act to preclude state regulatory authorities from imposing more restrictive charter conversion rules on federally insured state-chartered credit unions.

Interim Final Rule

The NCUA Board is issuing this rule as an interim final rule because there is a strong public interest in having rules in place consistent with the requirements of § 202 of the Membership Access Act. If this rule were not effective immediately, there would be no such rule in place to process credit union conversions to mutual savings banks. Accordingly, for good cause, the Board finds that, pursuant to 5 U.S.C. 553(b)(3)(B), notice and public procedures are impracticable, unnecessary, and contrary to the public interest; and, pursuant to 5 U.S.C. 553(d)(3), the rule shall be effective immediately and

without 30 days advance notice of publication. Although the rule is being issued as an interim final rule and is effective immediately, the NCUA Board encourages interested parties to submit comments.

Section by Section Analysis

Section 708a.1 Definitions

This section defines a number of terms used throughout part 708a. Although the former part 708a did not contain a section specifically designated for definitions, former § 708a.2(c)(2) defined "senior management official." Revised § 708a.1 expands on that definition to include, at the end of the definition, the phrase "and any other senior executive officer as defined by the appropriate federal banking agency pursuant to section 32(f) of the Federal Deposit Insurance Act." 12 U.S.C. 1831i(f).

Section 708a.2 Authority to Convert

This section restates a portion of the Membership Access Act that provides an insured credit union may convert to a mutual savings bank or a savings association that is in mutual form without the prior approval of NCUA. Although the Membership Access Act eliminates the need for credit unions to obtain NCUA's prior approval, it requires NCUA to administer the membership vote. Also, the vote must be verified by the federal or state agency having jurisdiction over the credit union after the conversion. As provided in § 708a.7 discussed below, if NCUA disapproves of the methods or procedures applicable to the membership vote, it may require that another vote be taken. This section also states that conversions require the approval of the credit union's members and are subject to the laws governing mutual savings banks and savings associations and the other requirements of this part.

Section 708a.3 Board of Directors and Membership Approval

This section provides that the board of directors must approve the proposal to convert by a majority vote and must set a date for a membership vote on the proposal. Membership approval requires an affirmative vote of a majority of those members who vote on the proposal. Former § 708a.5 required a majority vote of the entire membership, not just a majority of those members choosing to vote. The former requirements for NCUA approval of a detailed plan and disclosure statement have been deleted.

Section 708a.4 Voting Procedures

This section sets out the voting and notice requirements for the membership vote on the proposal to convert. It provides that members eligible to vote on the proposal to convert may do so in person at the meeting designated for the vote on the proposal or by written ballot filed by the member. It also provides that the credit union must provide members with notice to the members 90, 60, and 30 calendar days before the date of the vote and a ballot not less than 30 calendar days before the date of the vote. This section describes the basic requirements for the content of the notice, namely, that the notice must adequately state the purpose and subject matter of the proposal and inform members that they may vote either at the meeting or by submission of a written ballot. The notice must set out the date, time, and place for the meeting.

Section 708a.5 Notice to NCUA

This section requires the credit union to provide NCUA with notice of its intent to convert during the 90 calendar day period preceding the date for the membership vote. A credit union may fulfill this notification requirement by providing the NCUA a letter describing the material features of the conversion or a copy of the filing made with another federal or state regulatory agency seeking that agency's approval of the conversion. With the notice to NCUA, a credit union must include a copy of the notice, ballot and all other written materials it has provided or intends to provide to members so that NCUA can fulfill its oversight responsibility regarding the methods and procedures of the membership vote. If it chooses, a credit union may provide notice of intent to convert prior to the 90 calendar day period preceding the membership vote. If a credit union submits its notice of intent early, the Regional Director will review it and let the credit union know within 30 calendar days if there is a problem with the methods and procedures for the membership vote. This preliminary review is intended to provide time to credit unions, for example, to correct any defects in the notice to members or other problems in connection with the proposed membership vote. In any event, the credit union will still have to comply with the requirement of verifying the membership vote once it is taken and the Regional Director will still have the right to require a new vote if it is determined that the methods and procedures of the membership vote were not conducted properly.

Section 708a.6 Certification of Vote on Conversion Proposal

This section requires the board of directors of the converting credit union to certify to NCUA the results of the membership vote within 10 calendar days after the vote is taken. The board of directors is also required at this time to certify that all notices, ballots and other written materials provided to members were identical to those submitted to NCUA pursuant to § 708a.5 or to provide copies of any new or revised materials and an explanation of the reason for the changes.

Section 708a.7 NCUA Oversight of Methods and Procedures of Membership Vote

The Membership Access Act specifically requires NCUA to participate in the conversion process by overseeing the membership vote concerning the charter conversion. This oversight function centers on reviewing the methods by which the membership vote was taken and the procedures applicable to the membership vote. The Membership Access Act provides that if, upon review of the membership vote, NCUA disapproves of the methods by which the vote was taken or the procedures applicable to the membership vote, then NCUA is authorized to direct a new membership vote be taken on the proposal to convert. NCUA interprets "methods and procedures" of the membership vote to include determining that the notice that the credit union sends to its members is accurate and not misleading, that all required notices were timely, and that the membership vote was conducted in a fair and legal manner.

This section provides that, once the Regional Director receives a certification from the converting credit union of the results of the membership vote, the Regional Director will have 10 calendar days to issue a determination regarding the methods and procedures applicable to the membership vote. This section also sets out that the Regional Director's review of the methods and procedures will consider whether the notice was accurate and not misleading, that all required notices were provided and that the membership vote was conducted in a fair and legal manner.

Section 708a.8 Other Regulatory Oversight of Methods and Procedures of Membership Vote

The Membership Access Act requires the federal or state regulatory agency that will have jurisdiction over the financial institution after conversion to verify the membership vote, and has

authorized that agency to direct a new membership vote be taken on the proposal to convert if it disapproves of the methods by which the vote was taken or the procedures applicable to the membership vote.

Section 708a.9 Completion of Conversion

This section provides that upon receipt of the approvals discussed in § 708a.7 and § 708a.8, the credit union may complete the conversion transaction. The board of directors of the newly chartered mutual savings bank or mutual savings association is required to certify completion of the conversion transaction to NCUA within 30 calendar days of the effective date of the conversion. Upon receipt of such certification, the NCUA will cancel the credit union's insurance certificate and federal charter, if applicable.

Section 708a.10 Limit on Compensation of Officials

This section provides that directors and senior management officials of a credit union may not receive any economic benefit from the conversion of their credit union other than compensation and benefits paid to them in the ordinary course of business. This section is intended to insure that decisions to convert are based on proper and appropriate business judgment.

Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact any proposed regulation may have on a substantial number of small entities (primarily those under \$1 million in assets). The NCUA has determined and certifies that this interim rule will not have a significant economic impact on a substantial number of small credit unions. Accordingly, the NCUA has determined that a Regulatory Flexibility Analysis is not required.

Paperwork Reduction Act

The NCUA Board has determined that the notice and disclosure requirements in part 708a constitute a collection of information under the Paperwork Reduction Act. NCUA is submitting a copy of this interim final rule to the Office of Management and Budget (OMB) for its review.

The interim final rule requires an insured credit union that intends to convert to a mutual savings bank or savings association to provide notice and disclosure of its intent to convert to its members and NCUA. It also requires

the credit union to provide additional information to NCUA at various points in the conversion process. These notice and disclosure requirements are mandated by the Membership Access Act. They are also necessary to insure safety and soundness in the credit union industry, and to protect the interests of credit union members in the charter conversion context.

The NCUA Board estimates that it will take an average of 15 to 20 hours to comply with the notice and disclosure requirements of part 708a. The NCUA Board also estimates that fewer than 10 insured credit unions will convert per year, so that the total annual collection burden is estimated to be no more than 200 hours.

The Paperwork Reduction Act of 1995 and OMB regulations require that the public be provided an opportunity to comment on information collection requirements, including an agency's estimate of the burden of the collection of information. The NCUA Board invites comment on: (1) whether the collection of information is necessary; (2) the accuracy of NCUA's estimate of the burden of collecting the information; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) ways to minimize the burden of collection of information. Comments should be sent to: OMB Reports Management Branch, New Executive Office Building, Room 10202, Washington, D.C. 20503; Attention: Alex T. Hunt, Desk Officer for NCUA. Please send NCUA a copy of any comments you submit to OMB.

Executive Order 12612

Executive Order 12612 requires NCUA to consider the effect of its actions on state interests. The final rule, as does the current rule, applies to all federally insured credit unions, including federally insured state chartered credit unions. However, since the final rule reduces regulatory burden, NCUA has determined that the final rule does not constitute a "significant regulatory action" for purposes of the Executive Order.

Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104-121) provides generally for congressional review of agency rules. A reporting requirement is triggered in instances where NCUA issues a final rule as defined by Section 551 of the Administrative Procedures Act. 5 U.S.C. 551. The Office of Management and Budget is reviewing this rule to determine whether it is major for

purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.

List of Subjects in 12 CFR Part 708a

Charter conversions, Credit unions.

By the National Credit Union Administration Board on November 19, 1998.

Becky Baker,
Secretary of the Board.

For the reasons set forth above, 12 CFR part 708a is revised to read as follows:

PART 708a—CONVERSION OF INSURED CREDIT UNIONS TO MUTUAL SAVINGS BANKS

Sec.

708a.1 Definitions.

708a.2 Authority to convert.

708a.3 Board of directors and membership approval.

708a.4 Voting procedures.

708a.5 Notice to NCUA.

708a.6 Certification of vote on conversion proposal.

708a.7 NCUA oversight of methods and procedures of membership vote.

708a.8 Other regulatory oversight of methods and procedures of membership vote.

708a.9 Completion of conversion.

708a.10 Limit on compensation of officials.

Authority: 12 U.S.C. 1766, 12 U.S.C. 1785(b).

§ 708a.1 Definitions.

As used in this part:

(a) *Credit union* has the same meaning as insured credit union in section 101 of the Federal Credit Union Act.

(b) *Mutual savings bank* and *savings association* have the same meaning as in section 3 of the Federal Deposit Insurance Act.

(c) *Federal banking agencies* has the same meaning as in section 3 of the Federal Deposit Insurance Act.

(d) *Senior management official* means a chief executive officer, an assistant chief executive officer, a chief financial officer, and any other senior executive officer as defined by the appropriate federal banking agency pursuant to section 32(f) of the Federal Deposit Insurance Act, 12 U.S.C. 1831i(f).

§ 708a.2 Authority to convert.

An insured credit union, with the approval of its members, may convert to a mutual savings bank or a savings association that is in mutual form without the prior approval of the NCUA, subject to applicable law governing mutual savings banks and savings associations and the other requirements of this part.

§ 708a.3 Board of directors and membership approval.

(a) The board of directors must approve a proposal to convert by majority vote and set a date for a vote on the proposal by the members of the credit union.

(b) The membership must approve the proposal to convert by the affirmative vote of a majority of those members who vote on such proposal.

§ 708a.4 Voting procedures.

(a) A member may vote on the proposal to convert in person at a special meeting held on the date set for the vote or by written ballot filed by the member.

(b) A credit union that proposes to convert must provide written notice of its intent to convert to each member who is eligible to vote on the conversion. The notice to members must be sent by registered, certified, or regular mail with postage prepaid and postmarked 90 calendar days, 60 calendar days, and 30 calendar days before the date of the membership vote on the conversion and a ballot must be sent not less than 30 calendar days before the date of the vote.

(c) The notice to members must adequately describe the purpose and subject matter of the vote to be taken at the special meeting or by submission of the written ballot. The notice must clearly inform the member that the member may vote at the special meeting or by submitting the written ballot. The notice must state the date, time, and place of the meeting.

§ 708a.5 Notice to NCUA.

(a) The credit union must provide the Regional Director for the region where the credit union is located with notice of its intent to convert during the 90 calendar day period preceding the date of the membership vote on the conversion.

(b) The credit union must give notice to the Regional Director by providing a letter describing the material features of the conversion or a copy of the filing the credit union has made with another federal or state regulatory agency in which the credit union seeks that agency's approval of the conversion. The credit union must include with the notice to the Regional Director a copy of the notice the credit union provides to members under § 708a.4, as well as, the ballot form and all written materials the credit union has distributed or intends to distribute to the members.

(c) If it chooses, the credit union may provide the Regional Director notice of its intent to convert prior to the 90 calendar day period preceding the date

of completion of the conversion. In this case, the Regional Director will make a preliminary determination regarding the methods and procedures applicable to the membership vote. The Regional Director will notify the credit union within 30 calendar days of receipt of the credit union's notice of intent to convert if the Regional Director disapproves of the proposed methods and procedures applicable to the membership vote. The credit union's prior submission of the notice of intent does not relieve the credit union of its obligation to certify the results of the membership vote required by § 708a.6 or eliminate the right of the Regional Director to disapprove the actual methods and procedures applicable to the membership vote if the credit union fails to conduct the membership vote in a fair and legal manner.

§ 708a.6 Certification of vote on conversion proposal.

The board of directors of the converting credit union must certify the results of the membership vote to the Regional Director within 10 calendar days after the vote is taken. The board of directors must also certify at this time that the notice, ballot and other written materials provided to members were identical to those submitted pursuant to § 708a.5 or provide copies of any new or revised materials and an explanation of the reasons for the changes.

§ 708a.7 NCUA oversight of methods and procedures of membership vote.

(a) The Regional Director will issue a determination that the methods and procedures applicable to the membership vote are approved or disapproved within 10 calendar days of receipt from the credit union of the certification of the result of the membership vote required under § 708a.6.

(b) If the Regional Director disapproves of the methods by which the membership vote was taken or the procedures applicable to the membership vote, the Regional Director may direct that a new vote be taken.

(c) The Regional Director's review of the methods by which the membership vote was taken and the procedures applicable to the membership vote includes determining that the notice to members is accurate and not misleading, that all notices required by this section were timely, and that the membership vote was conducted in a fair and legal manner.

§ 708a.8 Other regulatory oversight of methods and procedures of membership vote.

The federal or state regulatory agency that will have jurisdiction over the financial institution after conversion must verify the membership vote and may direct that a new vote be taken, if it disapproves of the methods by which the membership vote was taken or the procedures applicable to the membership vote.

§ 708a.9 Completion of conversion.

(a) Upon receipt of approvals under § 708a.7 and § 708a.8 of this part, the credit union may complete the conversion transaction.

(b) Within 30 calendar days after the effective date of the conversion, the board of directors of the mutual savings bank or mutual savings association must certify completion of the transaction to the Regional Director. NCUA will cancel the insurance certificate of the credit union and, if applicable, the charter of the federal credit union.

§ 708a.10 Limit on compensation of officials.

No director or senior management official of an insured credit union may receive any economic benefit in connection with the conversion of the credit union other than compensation and other benefits paid to directors or senior management officials of the converted institution in the ordinary course of business.

[FR Doc. 98-31599 Filed 11-25-98; 8:45 am]

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FEDERAL HOUSING FINANCE BOARD

12 CFR Parts 932, 935, 936 and 970

[No. 98-48]

RIN 3069-AA75

Community Investment Cash Advance Programs

AGENCY: Federal Housing Finance Board.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is adopting a final rule establishing a general framework under which the Federal Home Loan Banks (Banks) may offer Community Investment Cash Advance (CICA) programs in addition to their Affordable Housing Programs (AHP) and Community Investment Programs (CIP). CICA programs other than AHP and CIP are entirely optional on the part of the Banks. The final rule is intended to provide the Banks with an array of specific standards for projects, targeted

beneficiaries and targeted income levels that the Finance Board has determined support community lending under all CICA programs, including CIP. The final rule, however, does not apply to a Bank's AHP, which is governed specifically by part 960 of the Finance Board's regulations. A Bank may offer CICA programs, called Rural Development Advance (RDA) and Urban Development Advance (UDA) programs, for community lending using the specified standards for targeted beneficiaries or targeted income levels, without prior Finance Board approval. A Bank also may offer other CICA programs for projects, targeted beneficiaries and targeted income levels established by the Bank with prior Finance Board approval.

EFFECTIVE DATE: December 28, 1998.

FOR FURTHER INFORMATION CONTACT: Charles E. McLean, Deputy Director, Market Research, (202) 408-2537, Stanley Newman, Associate Director, Market Research, (202) 408-2812, or Diane E. Dorius, Associate Director, Program Development, (202) 408-2576, Office of Policy; or Roy S. Turner, Jr., Attorney-Advisor, (202) 408-2512, Sharon B. Like, Senior Attorney-Advisor, (202) 408-2930, or Deborah F. Silberman, General Counsel, (202) 408-2570, Office of General Counsel, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006.

SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

The Banks currently have broad authority under section 10(a) of the Federal Home Loan Bank Act (Bank Act) and part 935 of the Finance Board's regulations to make advances in support of housing finance, including housing for very low-, low- and moderate-income families. See 12 U.S.C. 1430(a); 12 CFR part 935. In the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Congress required the Banks to offer two programs, the AHP and the CIP, to provide advances in support of unmet housing finance and economic development credit needs. See Pub. L. 101-73, § 721, 103 Stat. 183 (Aug. 9, 1989).

The AHP is a subsidy program through which the Banks support the finance of affordable owner-occupied and rental housing. See 12 U.S.C. 1430(j). The Finance Board first issued implementing regulations for the AHP in 1990. See 12 CFR part 960.

The CIP is a program through which the Banks provide advances to members at cost to support the financing of housing benefiting families with incomes at or below 115 percent of the

area median income, and economic development activities benefiting families with incomes at or below 80 percent of the area median income. See 12 U.S.C. 1430(i)(2). The Finance Board previously has not promulgated regulations implementing the CIP.

Section 10(j)(10) of the Bank Act authorizes the Banks to establish CICA programs in addition to the CIP and the AHP to support "community investment." See *id.* section 1430(j)(10). The Finance Board has not previously promulgated regulations or other specific guidance on what kinds of Bank lending are permitted under this authority.

Since the enactment of the Banks' statutory authority to make advances for community investment under FIRREA, the Banks have provided relatively less long-term credit for economic development projects than for housing, and all of the verifiable targeted economic development lending by the Banks has been done under their CIP authority, as opposed to their authority to establish other CICA programs. In the past eight years, the Banks have provided \$18.1 billion in CIP advances to finance 368,359 housing units. Only 25 percent of those units have been rental units that often provide housing for lower-income families and are usually more difficult to finance than single-family owner-occupied housing. In addition, only \$751 million or 4 percent of CIP advances have financed economic development projects. Furthermore, CIP advances are not available to the Banks' nonmember borrowers. See *id.* section 1430(i)(1).

The Finance Board believes there is a need for long-term financing for economic development that is not being met by the financial community generally, nor by members using the CIP specifically. The Banks can help to meet this need through the establishment of other CICA programs to provide long-term financing for economic development. In order to facilitate and encourage such community lending, the Finance Board issued a proposed rule to establish uniform standards for all CICA programs defining the kinds of housing and economic development projects and activities, targeted beneficiaries and targeted income levels that would constitute "community investment" eligible to be financed by advances under section 10(j)(10) of the Bank Act. This proposed rule was published in the **Federal Register** on May 8, 1998, with a 90-day period for public comment that closed on August 6, 1998. See 63 FR 25718 (May 8, 1998).