

Office, (202) 906-6439, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION: On May 19, 1997, the Office of Thrift Supervision (OTS) published its final rule to revise and update its treatment of *de novo* applications for federal savings association charters.¹ Effective July 1, 1997, new § 543.3(c)(1)(v) requires that business plans include a Community Reinvestment Act (CRA) statement pursuant to 12 CFR Part 563e, and plans for meeting the credit needs of the proposed *de novo* association's community.

Section 563e.4 of OTS's CRA regulation outlines the components of a CRA statement. However, § 563e.4 expires on July 1, 1997 and should not have been referenced in new § 543.3(c)(1)(v). OTS is, therefore, removing this reference and retaining the general requirement that business plans contain the proposed *de novo* association's plans for meeting the credit needs of its community.

In rule FR Doc. 97-12956, published on May 19, 1997 (62 FR 27177), make the following correction.

§ 543.3 [Corrected]

On page 27180, in the second column, in § 543.3(c)(1)(v), remove the phrase "A Community Reinvestment Act statement, pursuant to 12 CFR part 563e, and plans" and add in lieu thereof the word "Plans".

Dated: May 22, 1997.

By the Office of Thrift Supervision.

Mary H. Gottlieb,

Federal Register Liaison Officer.

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FEDERAL HOUSING FINANCE BOARD

12 CFR Part 936

[No. 97-39]

RIN 3069-AA35

Community Support Requirement

AGENCY: Federal Housing Finance Board.

ACTION: Final rule.

SUMMARY: The Federal Housing Finance Board (Finance Board) is amending its regulation on the community support requirement. The rule replaces the existing review process with uniform community support standards all Federal Home Loan Bank (FHLBank) members must meet in order to

maintain access to long-term FHLBank advances, and review criteria the Finance Board must apply when determining a member's compliance with the standards. Consistent with the goals of the Regulatory Reinvention Initiative of the National Performance Review, the rule streamlines the regulatory requirements to reduce the time spent by FHLBank members to prepare and submit, and the Finance Board to review and process, community support submissions.

EFFECTIVE DATE: The final rule will become effective June 30, 1997.

FOR FURTHER INFORMATION CONTACT: Penny S. Bates, Program Analyst, Community Support Program, Office of Supervision, 202/408-2574, or, Janice A. Kaye, Attorney-Advisor, Office of General Counsel, 202/408-2505, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006.

SUPPLEMENTARY INFORMATION:

I. Statutory and Regulatory Background

Section 10(g)(1) of the Federal Home Loan Bank Act (Bank Act) requires the Finance Board to promulgate regulations establishing standards of community investment or service that FHLBank members must meet in order to maintain access to long-term advances. See 12 U.S.C. 1430(g)(1). The regulations promulgated by the Finance Board must take into account factors such as the FHLBank member's performance under the Community Reinvestment Act of 1977 (CRA), 12 U.S.C. 2901, *et seq.*, and record of lending to first-time homebuyers. See 12 U.S.C. 1430(g)(2).

In November 1996, the Finance Board published for notice and comment a proposed rule that would streamline the current regulatory requirements by replacing the existing community support review process with uniform standards and review criteria for determining compliance with section 10(g) of the Bank Act. See 61 FR 60229 (Nov. 27, 1996). The 60-day public comment period closed on January 27, 1997. See *id.* The Finance Board received a total of 56 comments in response to the proposed rule, 13 from FHLBanks, 14 from credit unions, 9 from credit union trade associations, 7 from financial institutions other than credit unions, 5 from trade associations representing financial institutions other than credit unions, 3 from insurance companies, 1 from an insurance company trade association, 2 from community groups, and 1 each from a state banking commissioner and an individual. Most of the commenters supported streamlining the community

support process by implementing uniform standards members must meet, and review criteria the Finance Board must apply, in order for members to maintain access to long-term advances. Specific comments are discussed in Part II of the *Supplementary Information*.

II. Analysis of Public Comments and the Final Rule

A. Community Support Requirement

1. Selection For Community Support Review

Section 936.2(a) establishes the basic requirement that a FHLBank member selected for community support review must submit a community support statement (statement) to the Finance Board. Two commenters thought the Finance Board should select a member for review only after it has applied for a long-term advance. The Finance Board views the requirement imposed by section 10(g) of the Bank Act, *i.e.*, that members must meet standards of community investment or service established by the Finance Board in order to maintain access to a service of the FHLBanks—long-term advances, as an obligation of FHLBank membership, regardless of whether the member has borrowed or plans to borrow long-term advances.

The rule provides that the Finance Board will select approximately one-eighth of the members in each FHLBank district for community support review each calendar quarter so that it will review each FHLBank member about once every two years. Two commenters suggested decreasing the frequency of community support review. The Finance Board believes a two-year review cycle is appropriate both for administrative convenience and because the streamlined review process has minimized to the fullest extent possible the compliance burden on members. Four commenters supported the statement in the preamble to the proposed rule that the Finance Board will review an institution only after it has been a FHLBank member for one year.

2. Notice Provisions

Section 936.2(b) sets out the notice requirements and the deadline by which members must submit statements to the Finance Board for review. Section 936.2(b)(1)(i) requires the Finance Board to notify each FHLBank of the members within its district that must submit a statement during the calendar quarter. At the same time, the Finance Board must publish a notice in the **Federal Register** that includes the name and address of each member required to

¹ 62 FR 27177 (May 19, 1997).