

DEPARTMENT OF THE TREASURY**Community Development Financial Institutions Fund****12 CFR Part 1805****RIN 1505-AA92****Community Development Financial Institutions Program**

AGENCY: Community Development Financial Institutions Fund, Department of the Treasury.

ACTION: Revised interim rule with request for comment.

SUMMARY: The Department of the Treasury is issuing a revised interim rule implementing the Community Development Financial Institutions Program (CDFI Program) administered by the Community Development Financial Institutions Fund (Fund). The mission of the CDFI Fund is to increase the capacity of financial institutions to provide capital, credit and financial services in underserved markets. Its long-term vision is an America in which all people have access to affordable credit, capital and financial services. The purpose of the CDFI Program is to promote economic revitalization and community development through investment in and assistance to Community Development Financial Institutions (CDFIs). Under the CDFI Program, the Fund provides financial and technical assistance in the form of grants, loans, equity investments and deposits to CDFIs selected through a merit-based application process. The Fund provides such assistance to CDFIs to enhance their ability to make loans and investments, and to provide related services for the benefit of designated investment areas, targeted populations, or both. In order for an organization to qualify as a CDFI, the organization must meet specific eligibility criteria. One such criterion is that the organization shall have a primary mission of promoting community development. This revised interim rule: Revises the primary mission eligibility test to comply with the plain meaning of the Community Development Banking and Financial Institutions Act of 1994 (the Act); reduces the frequency of previously approved collections of information by replacing semi-annual reporting requirements with annual reporting requirements; clarifies the terms and conditions underlying an award of assistance prior to the execution of an assistance agreement; achieves regulatory economy and efficiency by deleting references to application content requirements and

other matters that have been and will continue to be thoroughly addressed in the various applications and in the Notices of Funds Availability (NOFA); and makes other technical and clarifying changes that the Fund believes will generally inure to the benefit of CDFIs and entities proposing to become CDFIs.

DATES: Revised interim rule effective February 4, 2003; comments must be received in the offices of the Fund on or before April 7, 2003.

ADDRESSES: You may send hard copy comments concerning this interim rule to the Deputy Director for Policy and Programs, Community Development Financial Institutions Fund, Department of the Treasury, 601 13th Street, NW., Suite 200 South, Washington, DC 20005. You may also send us comments by e-mail at reg_comments@cdfi.treas.gov. When sending comments by e-mail, please use an ASCII file format and provide your full name and mailing address. Comments may be inspected at the above address weekdays between 9:30 a.m. and 4:30 p.m. Other information regarding the Fund and its programs may be obtained through the Fund's Web site at <http://www.cdfifund.gov>.

FOR FURTHER INFORMATION CONTACT: Fredric C. Cooper, Deputy Director for Policy and Programs, Community Development Financial Institutions Fund, at (202) 622-6355. (This is not a toll free number.)

SUPPLEMENTARY INFORMATION:**I. Background**

The Community Development Financial Institutions Fund (Fund) was established as a wholly owned government corporation by the Act. Subsequent legislation placed the Fund within the Department of the Treasury and gave the Secretary of the Treasury all powers and rights of the Administrator of the Fund as set forth in the authorizing statute.

The mission of the Fund is to increase the capacity of financial institutions to provide capital, credit and financial services in underserved markets. Its long-term vision is an America in which all people have access to affordable credit, capital and financial services. The Fund's programs are designed to facilitate the flow of lending and investment capital to distressed communities and to individuals who have been unable to take full advantage of the financial services industry. Access to credit, investment capital, and financial services are essential ingredients for creating and retaining jobs, developing affordable housing,

revitalizing neighborhoods, unleashing the economic potential of small businesses, and empowering people.

The Fund was established to promote economic revitalization and community development through, among other things, investment in and assistance to CDFIs, which specialize in serving underserved markets and the people who live there. CDFIs—while highly effective—are typically small in scale and often have difficulty raising the capital needed to meet the demands for their products and services. Under the CDFI Program, the Fund provides CDFIs with financial and technical assistance in the form of grants, loans, equity investments, and deposits in order to enhance their ability to make loans and investments, and provide services for the benefit of designated investment areas, targeted populations or both. Additionally, CDFIs are in formation or in the early stages of development in many markets underserved by traditional financial institutions, including rural and Native American communities. The CDFI Program assists such entities in acquiring technical assistance to build their capacity to serve such markets. Applicants participate in the CDFI Program through a merit-based qualitative application and selection process in which the Fund makes funding decisions based on pre-established evaluation criteria. Program participants generally receive monies from the Fund only after being certified as a CDFI and entering into an assistance agreement with the Fund. These assistance agreements include performance goals, matching funds requirements and reporting requirements.

On August 14, 2000, the Fund published in the **Federal Register** a revised interim rule (65 FR 49642) implementing the CDFI Program (the current rule). The deadline for the submission of comments was October 13, 2000.

II. Comments on the August 14, 2000 Interim Rule

By the close of the October 13, 2000 comment period, the Fund received no comments on the August 14, 2000 interim rule.

III. Summary of Changes*Purpose*

Section 1805.100 of the current rule contains a description of the purpose of the CDFI Program. This interim rule revises such purpose to conform to the purpose set forth in Section 102 of the Act (12 U.S.C. 4701(b)).