

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@cdfit.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: Margaret Nilson, Depository Institutions Manager, the 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 Community Development Banking and Financial Institutions Act of 1994. 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.

Through the BEA Program, the Fund seeks to: strengthen and expand the financial and organizational capacity of CDFIs; provide financial incentives to insured depository institutions to increase their lending and services in Distressed Communities; and increase the flow of private capital into Low- and Moderate-Income areas. Applicants participate in the BEA Program through a competitive process, which evaluates applications based on the value of their increases in certain Qualified Activities.

Program participants receive BEA Program award proceeds only after successful completion of the specified Qualified Activities.

On December 5, 1997, the Fund published in the **Federal Register** an interim regulation (62 FR 64439) implementing the BEA Program (the current rule). The deadline for the submission of comments was April 6, 1998.

II. Comments on the December 5, 1997 Interim Rule

By the close of the April 6, 1998 comment period, the Fund received no comments on the December 5, 1997 interim rule.

III. Summary of Changes

(1) *Purpose:* Section 1806.100 of the current rule contains a description of the purpose of the BEA Program. This interim rule revises such purpose to more accurately describe the purpose of the BEA Program.

(2) *New Definitions:* Section 1806.103 of the revised interim rule contains a number of new definitions: Community Development Entity (§ 1806.103(m)) which includes entities certified through the New Markets Tax Credit Program; CDFI Partner (§ 1806.103(o)) which includes CDFIs to which Applicants have provided assistance; and Deposit Liabilities (§ 1806.103(s)) includes savings and other deposit accounts. In addition, the revised interim rule defines Electronic Transfer Account (ETA) (§ 1806.103(w)), First Account (§ 1806.103(aa)), and Individual Development Account (IDA) (§ 1806.103(ff)) (such terms were defined in Notices of Funds Availability for certain prior BEA Program funding rounds).

(3) *Definitions for New Categories of Qualified Activities:* The revised interim rule creates Service Activities (§ 1806.103(oo)), a new category of Qualified Activities (§ 1806.103(mm)). The Service Activities category includes: Community Services (§ 1806.103(r)); Deposit Liabilities (§ 1806.103(s)); Financial Services (§ 1806.103(z)); Targeted Financial Services (§ 1806.103(rr)); and Targeted Retail Savings/Investment Products (§ 1806.103(ss)). Targeted Financial Services is a new category that includes ETAs, First Accounts, and IDAs. Targeted Retail Savings/Investment Products is a new sub-category that includes savings and other investment products targeted to Low- and Moderate-Income Residents of Distressed Communities.

The revised interim rule eliminates Development Activities

(§ 1806.201(b)(4) of the current rule), re-designating Development Activities as Distressed Community Financing Activities (§ 1806.103(u)). Distressed Community Financing Activities include: Affordable Housing Development Loans (§ 1806.103(b)); Affordable Housing Loans (§ 1806.103(c)), Home Improvement Loans (§ 1806.103(dd)); Education Loans (§ 1806.103(v)); Commercial Real Estate Loans (§ 1806.103(l)); and Small Business Loans (§ 1806.103(pp)). Affordable Housing Development Loan activities comprise loans related to the development of residential real property that is affordable to Low- and Moderate-Income households. Affordable Housing Loan means origination of a loan to finance the purchase or improvement of the borrower's primary residence, and that is secured by such property, where such borrower is a Low- and Moderate-Income individual (included in the Single Family Loans category of the current rule). Correspondingly, Single Family Loans have been re-designated as Home Improvement Loans and mean advances of funds, either unsecured or secured by a one-to-four family residential property, the proceeds of which are used to improve the borrower's primary residence. Education Loan means an advance of funds to a Resident of a Distressed Community for the purpose of financing a college or vocational education. Small Business Loan has been modified from focusing on the size of the loan to the size of the business and means an origination of a loan used for commercial or industrial activities (other than an Affordable Housing Finance Loan, Affordable Housing Development Loan, Commercial Real Estate Loan, Home Improvement Loan) to a business or farm that meets the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less.

(4) *Definitions Related to Certain Qualified Activities:* Consistent with the Fund's objective of ensuring that BEA Program awards are targeted to institutions that provide capital and services to CDFIs and other enterprises that have significant impact in their communities, the revised interim rule provides that certain types of CDFI Support Activities (§ 1806.103(q)), Community Services (§ 1806.103(r)), and Financial Services (§ 1806.103(z)), must be, among other requirements, provided to CDFIs or other enterprises, as applicable, that are Integrally