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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).

submit a statement during the calendar quarter, and the deadline for submission of the statement to the Finance Board. To provide sufficient time for the member to prepare the required statement, the deadline for submission to the Finance Board must be no less than 45 calendar days from the date of publication of the **Federal Register** notice. Two commenters suggested extending the deadline for statement submission from 45 to 60 days after the date of publication of the **Federal Register** notice. On the basis of past experience and in light of the significantly reduced documentation requirements, the Finance Board believes that the time period provided in the rule is adequate.

Section 936.2(b)(2)(ii) requires each FHLBank to provide written notice to its members of their selection for community support review and of the requirement to submit a statement to the Finance Board by the deadline stated in the **Federal Register** notice. Two commenters suggested requiring notice to members concurrent with publication of the **Federal Register** notice. Since the time provided for submission of statements is adequate, concurrent notice is not required. Two commenters opposed any FHLBank role in the community support process. The Finance Board believes the FHLBanks' limited role, *i.e.*, notifying members of their selection for community support review, is appropriate because it does not place the FHLBanks in a regulatory or supervisory role, but does provide an opportunity for the FHLBanks to offer information about community lending programs and assistance in preparing statements.

3. Required Documents

Section 936.2(c) requires a member to submit to the Finance Board a statement and any other information the Finance Board may require to determine whether the member meets the community support standards. Three commenters suggested permitting members to submit statements electronically. The Finance Board will permit members to submit statements electronically upon establishment of an Internet address for such submissions. The Finance Board will include the electronic mail address on the Community Support Statement Form (Form) as soon as it is available.

Section 10(g)(2) of the Bank Act requires the Finance Board to take into account a FHLBank member's performance under the CRA. See 12 U.S.C. 1430(g)(2); *supra* part I. To streamline the review process, the proposed rule would have required members to submit the portion of the

public disclosure section of the most recent CRA evaluation provided by the member's appropriate federal financial supervisory agency that contains its CRA rating and the date of the CRA evaluation. Twelve commenters supported reliance on a member's federal CRA rating. One commenter suggested using also state CRA ratings. The Finance Board has decided to rely only upon federal CRA ratings in order to maintain a uniform standard. To eliminate duplicative documentation and reduce the burden on members and the Finance Board, the final rule will not require a member to submit its federal CRA rating since the Finance Board is able to obtain the rating directly from the member's appropriate federal financial supervisory agency. Two commenters recommended this approach.

Pursuant to section 10(g)(2) of the Bank Act, the rule provides that the Finance Board also shall consider a FHLBank member's record of lending to first-time homebuyers. See 12 U.S.C. 1430(g)(2); *supra* part I. The proposed rule revised the definition of "first-time homebuyer" in § 936.1(l) to make it consistent with the definition of that term in affordable housing statutes.¹ Six commenters supported the revised definition. Three commenters thought the definition was too complex. The Finance Board believes the definition is appropriate as written because it is substantially similar to the definitions used in various other federal statutes that address housing issues.

To minimize the burden on FHLBank members and the Finance Board, § 936.2(c)(2) requires a member to provide a brief description of its record of lending, or of the assistance it provides, to first-time homebuyers on the Form. Five commenters said the requirement for certification of the Form by a member's board of directors would impose an unnecessary administrative burden and delay the process. The Finance Board agrees that the requirement is unnecessarily burdensome and has deleted it from the final rule. Instead, the rule requires an appropriate senior officer of the member to execute the Form. The information required by the Form, which is included

¹ See, *e.g.*, 42 U.S.C. 12713(b)(2), (3) (standards established by the Cranston-Gonzalez National Affordable Housing Act that must be used to determine eligibility under any federal program to assist first-time homebuyers); 12 U.S.C. 1701x(d)(10)(H), (M) (U.S. Department of Housing and Urban Development's assistance to low- and moderate-income housing program); 42 U.S.C. 1472(h)(12)(B), (C) (U.S. Department of Agriculture's program to provide loans for housing and buildings on adequate farms).

at Appendix A, is discussed in detail below.

4. Public Comment Process

Section 936.2(d) permits members of the public to submit comments concerning a member's community support performance to the Finance Board at any time. The Finance Board will consider all public comments it has received concerning a selected member in conducting its community support review of that member. One commenter supported an open-ended comment process. Four commenters thought the public comment process was no longer necessary because it duplicates other available public comment processes. The Finance Board believes providing the opportunity for open-ended public comment is necessary and valuable because it may provide useful information specific to community support review.

Section 936.2(d)(1) requires each FHLBank to notify its Advisory Council and nonprofit housing developers, community groups, and other interested parties in its district of the members selected for community support review. One commenter thought the rule should require a FHLBank to provide notice only to its Advisory Council because the cost of public notice was not justified by the number of comments received and interested parties still received notice via the **Federal Register**. The Finance Board disagrees because the costs imposed are not excessive and the notice encourages the submission of public comments.

B. Community Support Standards

Section 936.3 establishes the community support standards a FHLBank member must meet in order to maintain access to long-term advances, and the review criteria the Finance Board must apply in evaluating a member's community support performance. The Finance Board has included standards and criteria for the two statutory factors—CRA performance and record of lending to first-time homebuyers. Three commenters agreed that the rule should establish standards only for the factors in section 10(g) of the Bank Act. Twelve commenters argued that section 10(g) of the Bank Act does not require establishment of standards for both or either CRA performance or lending to first-time homebuyers, or only for those factors. Thirteen commenters said the Finance Board should not establish a standard for factors other than those provided in the Bank Act, such as violations of fair housing, equal credit opportunity, or other laws that prohibit discrimination

in lending. Four commenters thought the Finance Board should review information concerning illegal credit practices even though a member's primary regulator already reviews and enforces such practices. For instance, under the CRA regulation, a member's appropriate federal financial supervisory agency must consider the member's response to written complaints and the effect of evidence of discriminatory or other illegal credit practices. *See, e.g.*, 12 CFR 25.26(a)(5), 25.28(c) (Office of the Comptroller of the Currency (OCC)). In order to limit the burden imposed on members, the Finance Board has decided to establish standards only for the two factors mentioned in the Bank Act. Accordingly, § 936.3(a) requires the Finance Board to take into account both the CRA performance and record of lending to first-time homebuyers of FHLBank members that are subject to the CRA, and only the record of lending to first-time homebuyers of FHLBank members that are not subject to the CRA.

1. CRA Standard

Section 936.3(b) establishes the CRA performance standard for FHLBank members that are subject to the requirements of the CRA. Twelve commenters supported application of the CRA standard only to members that are subject to the CRA. Ten commenters supported applying the CRA standard or a CRA-like standard to members that are not subject to the CRA. As stated above, the Finance Board has determined not to formulate a new CRA-like factor for members not subject to the CRA; rather, it is adopting only those factors referenced in the Bank Act.

A member subject to the CRA will be deemed to meet the CRA performance standard in the community support regulation if the rating in the member's most recent federal CRA evaluation is "outstanding" or "satisfactory." If the rating in a member's most recent federal CRA evaluation is "needs to improve," the Finance Board will place the member on probation. The proposed rule provided for a one-year probationary period. Seven commenters suggested extending the probationary period since the period between CRA evaluations may be longer than one year. The Finance Board agrees with the commenters and the final rule provides that the probationary period will extend until the member's next federal CRA evaluation. During the probationary period, the member will be eligible to receive long-term advances. If the member's federal CRA rating does not improve at the end of the probationary

period, the Finance Board will restrict the member's access to long-term advances. One commenter recommended immediate termination of access to long-term advances for a member with a "needs to improve" CRA rating instead of probation. The Finance Board believes that a member with a "needs to improve" CRA rating should be given the opportunity to improve its performance. The Finance Board also wants to distinguish between members with "needs to improve" and "substantial noncompliance" CRA ratings.

If the rating in a member's most recent federal CRA evaluation is "substantial noncompliance," the Finance Board will immediately restrict the member's access to long-term advances. Four commenters suggested subjecting a member with a "substantial noncompliance" CRA rating to a one-year probationary period rather than immediate termination of access to long-term advances. One commenter said that only members with prior unacceptable CRA ratings should be subject to immediate termination. The Finance Board has considered these arguments, but continues to believe that members with "substantial noncompliance" CRA ratings have not met the CRA standard and, at least in that respect, their activities are not advancing the mission of the FHLBanks. In addition, the penalty for a member with a "substantial noncompliance" CRA rating should be more severe than that imposed on a member with a "needs to improve" CRA rating.

2. First-Time Homebuyer Standard

Section 936.3(c) establishes the first-time homebuyer performance standard for all FHLBank members. This is consistent with the goals of the National Homeownership Strategy and the Finance Board's commitments under its National Partners For Homeownership Partnership Agreement. Twelve commenters thought the proposed standard might be inconsistent with their mission or applicable statutory or regulatory constraints, as discussed more fully below. Seven commenters thought the Finance Board should establish a third standard for members that might not be able to meet the first-time homebuyer standard. To accommodate these concerns, the Finance Board has included additional examples of activities that will satisfy the first-time homebuyer standard in the final rule and on the Form. These additions are discussed in detail below. With the inclusion of additional, flexible criteria, the Finance Board feels

that all members should be able to meet the first-time homebuyer standard.

Nine commenters thought the Finance Board should give more weight to the CRA standard than the first-time homebuyer standard because CRA review includes first-time homebuyer lending. Six of those commenters suggested that a member that meets the CRA standard should be deemed to meet the community support requirement, *i.e.*, the member should not also have to meet a separate first-time homebuyer standard. In evaluating CRA compliance, a member's appropriate federal financial supervisory agency must take into account some of the criteria the Finance Board considers when reviewing a member's first-time homebuyer performance, such as innovative or flexible lending practices and home-mortgage loans to low- and moderate-income individuals. *See, e.g.*, 12 CFR 25.22(b)(5), 22.5(b)(3)(i) (OCC). The Finance Board believes these comments have merit and that it can place some reliance on the notion that a member with an "outstanding" CRA rating will have performed adequately in meeting the first-time homebuyer standard. Therefore, the final rule provides that in the absence of public comments or other information to the contrary, a member whose most recent federal CRA rating is "outstanding" will be presumed to have met the first-time homebuyer standard without a separate showing of compliance. If a public comment or other information that may come to the attention of the Finance Board raises concerns regarding the first-time homebuyer performance of a member with an "outstanding" federal CRA rating, the Finance Board may require the member to submit compliance information.

Eight commenters support allowing members to demonstrate compliance with the first-time homebuyer standard in one of several ways. First, a member that demonstrates to the satisfaction of the Finance Board that it has an established record of lending to first-time homebuyers will be deemed to meet the first-time homebuyer standard. In order to demonstrate this aspect of first-time homebuyer performance, part II(A) of the Form asks a member to provide the following information: (1) the number of mortgage loans it has made to first-time homebuyers; (2) the dollar amount of the mortgage loans it has made to first-time homebuyers; (3) loans made to first-time homebuyers as a percentage of all mortgage loans it has made; or (4) dollars loaned to first-time homebuyers as a percentage of all mortgage dollars it has loaned. The

Finance Board specifically requested comments regarding establishment of bright-line numerical thresholds for first-time homebuyer lending. Twenty commenters opposed establishing either a numeric reporting requirement or bright-line numerical thresholds. Fourteen commenters said evaluation of first-time homebuyer performance should be on a case-by-case basis, taking into account the member's market, resources, and applicable statutory and regulatory constraints. Only two commenters supported numerical thresholds. The Finance Board has not established a numeric reporting requirement or bright-line numerical thresholds in the final rule for two reasons. First, it will be difficult for most members to collect accurate data regarding the volume of first-time homebuyer loans. Second, reasonable, uniformly applicable thresholds cannot easily be established due to the great variety of FHLBank members in terms of institution size, location, purpose, and function. For the same reasons the Finance Board did not establish pass/fail criteria for the first-time homebuyer standard, as suggested by four commenters.

A member also may satisfy the first-time homebuyer standard by demonstrating to the satisfaction of the Finance Board that it has a program under which it actively seeks to lend or support lending to first-time homebuyers or to assist or support organizations that assist potential first-time homebuyers to qualify for mortgage loans. In order to demonstrate this alternative, part II(B) of the Form asks a member to indicate whether it offers, participates in, or otherwise supports special loan products, financial services, programs, or activities that benefit, serve, or are targeted to, first-time homebuyers. Twelve commenters suggested including additional examples of activities that will satisfy the first-time homebuyer standard in the final rule and on the Form. The Finance Board has incorporated these suggestions in the following list of activities: (1) providing special credit products with flexible underwriting or qualifying criteria, which includes non-conforming loans; (2) participating in loan consortia for first-time homebuyer loans or loans that serve predominately low- or moderate-income borrowers; (3) participating in federal, state, or local government homeownership or other related programs, like Federal Housing Administration or Veterans Administration mortgage loan programs; (4) participating in programs offered by community or nonprofit groups or

national organizations like the Federal National Mortgage Association (also known as Fannie Mae) or the Federal Home Loan Mortgage Corporation (also known as Freddie Mac); (5) providing, participating in, or supporting counseling programs or other homeownership education activities; (6) providing, participating in, or supporting outreach programs; (7) providing technical assistance or financial support to organizations that assist first-time homebuyers; (8) investments or loans that support first-time homebuyer programs; (9) holding mortgage-backed securities that may include a pool of loans to low- and moderate-income homebuyers; (10) participating or investing in service organizations that assist credit unions in providing mortgages; or (11) participating in FHLBank community lending programs. This list is meant to be illustrative, not exclusive.

A member may, but is not required to, attach to the Form a one-page description of other first-time homebuyer programs or activities in which it is involved. In the one-page attachment, a member may also describe factors that may adversely affect its ability to assist first-time homebuyers, like field of membership restrictions for credit unions or business constraints applicable to insurance companies.

A member also may satisfy the first-time homebuyer standard if it demonstrates to the satisfaction of the Finance Board that it meets a combination of the elements discussed above. In response to several comments, the Finance Board has clarified both the rule and the Form to make clear that a member may meet the standard by meeting one, both, or a combination of the factors described above.

If the Finance Board deems the evidence of first-time homebuyer performance provided by the member to be unsatisfactory, the Finance Board will place the member on probation for a one-year period. One commenter suggested lengthening the probationary period. The Finance Board believes that the time provided is sufficient for a member to comply with the first-time homebuyer standard. During the probationary period, the member will be eligible to receive long-term advances. If the member does not satisfy the first-time homebuyer performance standard before the probationary period ends, the Finance Board will restrict the member's access to long-term advances. The Finance Board will immediately restrict a member's access to long-term advances if the member must show compliance with the first-time homebuyer standard but fails to provide

any evidence of its record of lending to first-time homebuyers.

C. Decisions on Community Support Statements

Section 936.4 sets forth the procedures for review of statements by the Finance Board. To ensure expeditious action on statements, § 936.4(a) requires the Finance Board to act on a statement within 75 calendar days of the date it deems the statement complete. To make certain that the time period provided for review is not unduly restrictive, the rule deems a statement complete, thus triggering the 75-day time period, only after the Finance Board has obtained all of the information required by this part and any other information it considers necessary to process the statement. The rule also permits the Finance Board to stop the 75-day time period if it determines during the review process and notifies the member in writing that additional information is necessary to process the statement. The Finance Board must restart the 75-day time period where it stopped upon receiving the additional required information. The Finance Board will have an additional 10 calendar days to process a statement if it receives additional information on or after the seventieth day of the 75-day time period.

Section 936.4(b) requires the Finance Board to notify a member and the appropriate FHLBank in writing of its determination regarding the member's statement. The notice will identify specifically the reasons for the Finance Board's determination. One commenter supported the requirement that the Finance Board provide specific reasons for its determination.

D. Restrictions On Access To Long-Term Advances

1. Imposing Restrictions

Section 936.5 sets forth the procedures by which the Finance Board may restrict a FHLBank member's access to long-term advances. One commenter suggested clarifying the meaning of a restriction on access to long-term advances. The Finance Board has added a definition at § 936.1(o). For purposes of this part, "restriction on access to long-term advances" means a member may not borrow long-term advances or renew any maturing advance for a term to maturity greater than one year. One commenter thought the definition of the term "long-term advance," which means an advance with a term to maturity greater than one year, should be the same for all purposes under the Bank Act. *See, e.g.,*

12 CFR 935.1 (for purposes of the Finance Board's advances regulation, the term "long-term advance" means an advance with a term to maturity greater than five years). The meaning of the term "long-term advances" for purposes of community support is the same in the proposed rule as it was under the current community support regulation; the Finance Board did not propose changing, nor has it changed, the definition. The reasons underlying this definition are explained in detail in the preamble to the adoption of the current rule. See 56 FR 58639, 58642 (Nov. 21, 1991). The Finance Board continues to believe that it has the legal authority to interpret the same term differently for different purposes in order to fulfill its statutory obligations. See 12 U.S.C. 1422b(a)(1).

Under § 936.5(a), the Finance Board will restrict a FHLBank member's access to long-term advances if it determines that the member:

- (1) Has not complied with the requirements of part 936;
- (2) Has submitted a statement that was not approved by the Finance Board;
- (3) Has not received a CRA rating of "outstanding" or "satisfactory" at the end of the probationary period described in § 936.3(b)(2); or
- (4) Has not provided first-time homebuyer evidence satisfactory to the Finance Board before the end of the probationary period described in § 936.3(c)(2).

Under § 936.5(b), the Finance Board promptly must notify a member and the appropriate FHLBank of its determination to restrict the member's access to long-term advances. The proposed rule provided that the Finance Board would send the notice to the member by certified mail, return receipt requested, and to the FHLBank by regular mail. Six commenters said the FHLBanks should receive notice of a restriction before the member so the FHLBank does not inadvertently provide long-term advances to an ineligible borrower. To accommodate this concern, the final rule provides that the Finance Board will notify the FHLBank by facsimile and by regular mail.

Section 936.5(c) of the proposed rule provided that a restriction on access to long-term advances would become effective automatically on the date the decision notices are mailed. One commenter thought there should be a 30-day delay before a restriction takes effect. The Finance Board agrees that a 30-day delay is appropriate. The Finance Board's goal is to encourage compliance with the community support requirement. Past experience

indicates that many members will comply with the requirement upon receiving a 30-day notice. The 30-day period will also allow the FHLBanks to take administrative steps that may be necessary in order to restrict a member's access to long-term advances.

2. Removing Restrictions

Section 936.5(d) sets forth the bases for removing restrictions on access to long-term advances imposed by the Finance Board under this part. The Finance Board, in its sole discretion, may remove a restriction on a member's access to long-term advances under two circumstances. First, the Finance Board may remove a restriction if it determines that application of the restriction may adversely affect the safety and soundness of the member. Second, the Finance Board may remove a restriction if it determines that the member subsequently has complied with the requirements of part 936. The Finance Board has eliminated the mandatory 180-day waiting period before reinstatement. Six commenters supported the deletion while one commenter thought the waiting period should be at least two years. Since the Finance Board's primary goal is to encourage FHLBank members to comply with the community support regulation, removal of the waiting period is appropriate.

The rule permits a member to submit a detailed written request to the Finance Board to remove a restriction on access to long-term advances. The Finance Board must consider these requests within 30 calendar days of receipt. If a member bases a reinstatement request on safety and soundness concerns, the request must include a statement from the member's primary federal regulator that application of the restriction may adversely affect the safety and soundness of the member.

In order to acknowledge a member's efforts to improve its CRA performance, § 936.5(d)(2) requires the Finance Board to place a member on probation in accordance with § 936.3(b)(2), if: (1) the member's access to long-term advances was restricted on the basis of the member's inadequate performance under the CRA standard, *i.e.*, the rating in the member's most recent federal CRA evaluation was "substantial noncompliance;" (2) the rating in the member's subsequent CRA evaluation is "needs to improve;" and (3) the member did not receive either a "substantial noncompliance" CRA rating or a "needs to improve" CRA rating immediately preceding the CRA rating on which the member's inadequate performance under the CRA standard was based.

To ensure that a FHLBank receives notice of the Finance Board's decision to remove a restriction before the member, § 936.5(d)(3) of the final rule provides for notice to the FHLBanks by facsimile and by regular mail. The proposed rule would have required the Finance Board to send the notice to the member by certified mail, return receipt requested, and to the FHLBank by regular mail. The Finance Board's decision to remove a restriction will become effective automatically on the date the decision notices are mailed.

3. Effect of Restrictions on the Affordable Housing and Community Investment Programs

Under § 936.5(e), if the Finance Board has restricted a member's access to long-term advances under this part, the member will not be eligible to participate in either the Affordable Housing Program (AHP) or the Community Investment Program (CIP). Two commenters supported imposing restrictions on access to AHP and CIP advances for members that fail to meet the community support requirement. Six commenters said a restriction should not be imposed because the member otherwise could use the AHP and CIP to improve its community support performance. However, the Finance Board continues to believe that it should not offer a member the opportunity to participate in community lending programs subsidized by the FHLBanks until the member has demonstrated a willingness to use its own resources to meet community lending needs. Accordingly, the final rule limits participation in the AHP and CIP only to members that have met the community support requirement.

Four commenters said the rule should clarify that the restriction applies only to AHP or CIP applications made after the date the restriction is imposed and not to previously approved AHP or CIP funding. The Finance Board has included clarifying language in the final rule.

E. FHLBank Community Support Programs

Under §§ 936.6 (a) and (b), each FHLBank must consult with its Advisory Council to develop and implement initiatives to increase community-oriented mortgage lending and affordable housing finance activities. The rule also requires each FHLBank to establish and maintain a community support program that: (1) provides technical assistance to members; (2) promotes and expands community-oriented mortgage lending and affordable housing finance; (3)

identifies opportunities for members to expand financial and credit services in underserved neighborhoods and communities; and (4) encourages members to increase their community-oriented mortgage lending and affordable housing finance activities through the use of monetary and nonmonetary incentives. Examples of appropriate incentives include discounts or preferred terms on advances to members or awards or technical assistance to nonprofit housing developers or community groups that have outstanding records of participation in community-oriented mortgage lending and affordable housing finance activities. These examples are meant to be illustrative, not exclusive.

To provide motivation for FHLBank members to meet the community support requirements, § 936.5(c) requires each FHLBank to provide a yearly report to its members that identifies AHP, CIP, and other FHLBank activities, and summarizes community-oriented mortgage lending and affordable housing finance activities undertaken by members, nonprofit housing developers, community groups, or other entities in the FHLBank district, that may provide opportunities for a member to meet the community support requirements. Two commenters supported reducing the frequency of required reports from twice to once a year.

F. Reports

Section 10(j)(11) of the Bank Act requires each FHLBank Advisory Council to submit annually a report to the Finance Board analyzing the low-income housing activity of its FHLBank. See 12 U.S.C. 1430(j)(11). Since the concept of community support includes initiatives related to affordable housing, the Finance Board believes that the annual report each Advisory Council submits should include an analysis of the community support program and activities of its FHLBank. The Finance Board has included this requirement in § 936.7.

Pursuant to section 10(j)(12) of the Bank Act, the Finance Board annually must prepare and submit to Congress a report on FHLBank support of, and use of advances for, low-income housing and community development. See 12 U.S.C. 1430(j)(12)(A). The Finance Board's annual report to Congress must include the annual Advisory Council reports to the Finance Board on the low income housing activity of the FHLBanks. *Id.* 1430(j)(12)(B). The Finance Board intends to include also in its annual report to Congress an analysis

of the FHLBanks community support programs and activities.

III. Regulatory Flexibility Act

The final rule implements statutory requirements binding on all FHLBank members, regardless of their size. The Finance Board is not at liberty to make adjustments in those requirements to accommodate small entities. The Finance Board has not imposed any additional regulatory requirements that will have a disproportionate impact on small entities. By streamlining the regulatory requirements, the Finance Board has, to the maximum extent possible, reduced the costs FHLBank members, the FHLBanks, and Finance Board will incur to produce, review, and process the submissions the Finance Board requires to determine whether a FHLBank member has complied with the community support requirement. Thus, in accordance with the provisions of the Regulatory Flexibility Act, the Finance Board hereby certifies that this final rule will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 605(b).

IV. Paperwork Reduction Act

As part of the notice of proposed rulemaking, the Finance Board published a request for comments concerning the collection of information contained in §§ 936.2 through 936.7 of the proposed rule. See 61 FR 60233. The Finance Board received two comments. Both commenters thought the reporting and recordkeeping burden might be underestimated. The Finance Board continues to believe that the burden estimates are accurate. The Finance Board also submitted an analysis of the information collection to the Office of Management and Budget (OMB) for review in accordance with section 3507(d) of the Paperwork Reduction Act of 1995. See 44 U.S.C. 3507(d). OMB assigned a control number, 3069-0003, and approved the information collection without conditions with an expiration date of December 31, 1999. Potential respondents are not required to respond to the collection of information unless the regulation collecting the information displays a currently valid control number assigned by the OMB. See *id.* 3512(a). Although the final rule does not substantively or materially modify the approved information collection, it reduces the reporting and recordkeeping burden imposed on many respondents by eliminating the requirement that members subject to the CRA submit portions of their CRA evaluation, see 12 CFR 936.2(c)(1), and the submission of information about first-time homebuyer

activities for members with "outstanding" CRA ratings. See *id.* § 936.3(c)(1). The title, description of need and use, and a description of the information collection requirements in the final rule are discussed in parts I and II of the **SUPPLEMENTARY INFORMATION**.

The following table discloses the estimated annual reporting and recordkeeping burden:

a. Number of respondents.....	3000
b. Total annual responses.....	3000
Percentage of these responses collected electronically.....	0%
c. Total annual hours requested.....	4010
d. Current OMB inventory.....	20475
e. Difference	16465

The estimated annual reporting and recordkeeping cost burden is:

a. Total annualized capital/startup costs.....	0
b. Total annual costs (O&M).....	0
c. Total annualized cost requested.....	\$155,800.62
d. Current OMB inventory.....	0
e. Difference	\$155,800.62

Any comments concerning the information collection should be submitted to Elaine L. Baker, Executive Secretary, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006, and the Office of Information and Regulatory Affairs of the Office of Management and Budget, Attention: Desk Officer for Federal Housing Finance Board, Washington, D.C. 20503.

List of Subjects in 12 CFR Part 936

Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

Accordingly, the Federal Housing Finance Board hereby revises title 12, chapter IX, part 936 of the Code of Federal Regulations to read as follows:

PART 936—COMMUNITY SUPPORT REQUIREMENTS

Sec.	
936.1	Definitions.
936.2	Community support requirement.
936.3	Community support standards.
936.4	Decision on community support statements.
936.5	Restrictions on access to long-term advances.
936.6	Bank community support programs.
936.7	Reports.

Authority: 12 U.S.C. 1422a(a)(3)(B), 1422b(a)(1), 1429, and 1430.

§ 936.1 Definitions.

For purposes of this part:
 (a) *Act* means the Federal Home Loan Bank Act, as amended (12 U.S.C. 1421, *et seq.*).
 (b) *Advance* has the same meaning as in § 935.1 of this chapter.

(c) *Advisory Council* means the Advisory Council each Bank is required to establish pursuant to section 10(j)(11) of the Act and part 960 of this chapter.

(d) *Affordable Housing Program or AHP* means the program each Bank is required to establish pursuant to section 10(j) of the Act and part 960 of this chapter.

(e) *Appropriate federal financial supervisory agency* means the Office of the Comptroller of the Currency for national banks; the Board of Governors of the Federal Reserve System for state chartered banks that are members of the Federal Reserve System and bank holding companies; the Federal Deposit Insurance Corporation for state chartered banks and savings banks that are not members of the Federal Reserve System and the deposits of which are insured by the Federal Deposit Insurance Corporation; and the Office of Thrift Supervision for savings associations the deposits of which are insured by the Federal Deposit Insurance Corporation and savings and loan holding companies.

(f) *Bank or Banks* means a Federal Home Loan Bank or the Federal Home Loan Banks.

(g) *Community Investment Program or CIP* means the program each Bank is required to establish pursuant to section 10(i) of the Act.

(h) *Community-oriented mortgage lending* has the same meaning as in section 10(i)(2) of the Act.

(i) *CRA* means the Community Reinvestment Act of 1977, as amended (12 U.S.C. 2901, *et seq.*).

(j) *CRA evaluation* means the public disclosure portion of the CRA performance evaluation provided by a member's appropriate federal financial supervisory agency.

(k) *Finance Board* means the agency established as the Federal Housing Finance Board.

(l) *First-time homebuyer* means:

(1) An individual and his or her spouse, if any, who has had no present ownership interest in a principal residence during the three-year period prior to purchase of a principal residence.

(2) A displaced homemaker who, except for owning a residence with his or her spouse or residing in a residence owned by his or her spouse, meets the requirements of paragraph (l)(1) of this section. For purposes of this paragraph (l)(2), the term *displaced homemaker* means an adult who has not worked full-time, full-year in the labor force for a number of years and, during that period, worked primarily without remuneration to care for a home and family, and currently is unemployed or

underemployed and is experiencing difficulty in obtaining or upgrading employment.

(3) A single parent who, except for owning a residence with his or her spouse or residing in a residence owned by his or her spouse, meets the requirements of paragraph (l)(1) of this section. For purposes of this paragraph (l)(3), the term *single parent* means an individual who is unmarried or legally separated from a spouse and has custody or joint custody of one or more minor children or is pregnant.

(m) *Long-term advance* means an advance with a term to maturity greater than one year.

(n) *Member* means an institution admitted to membership and owning capital stock in a Bank.

(o) *Restriction on access to long-term advances* means a member may not borrow long-term advances or renew any maturing advance for a term to maturity greater than one year.

§ 936.2 Community support requirement.

(a) *Selection for community support review.* The Finance Board shall select a member for community support review approximately once every two years.

(b) *Notice—(1) By the Finance Board.* The Finance Board concurrently shall:

(i) Notify each Bank of the members within its district that are required to submit community support statements during the calendar quarter; and

(ii) Publish a notice in the **Federal Register** that includes the name and address of each member required to submit a community support statement during the calendar quarter, and the deadline for submission of the community support statement to the Finance Board. The deadline for submission of a community support statement shall be no earlier than 45 calendar days after the date of publication of the notice in the **Federal Register**.

(2) *By the Banks.* Within 15 calendar days of the date of publication in the **Federal Register** of the notice required by paragraph (b)(1)(ii) of this section, a Bank shall provide written notice:

(i) To each member within its district that is named in the **Federal Register** notice, that the member is required to submit a community support statement to the Finance Board by the deadline stated in the **Federal Register** notice; and

(ii) Its Advisory Council and nonprofit housing developers, community groups, and other interested parties in its district of the name and address of each member within its district that is required to submit a

community support statement during the calendar quarter.

(c) *Required documents.* Each member selected for community support review shall submit a completed Community Support Statement Form executed by an appropriate senior officer to the Finance Board and any other information the Finance Board may require to determine whether a member meets the community support standards.

(d) *Public comments.* In reviewing a member for compliance with the community support requirement, the Finance Board shall take into consideration any public comments it has received concerning the member.

(The Office of Management and Budget approved the information collection requirements contained in this section and assigned control number 3069-0003 with an expiration date of December 31, 1999.)

§ 936.3 Community support standards.

(a) *In general.* In reviewing a community support statement, the Finance Board shall take into account a member's performance under the CRA if the member is subject to the requirements of the CRA, and the member's record of lending to first-time homebuyers.

(b) *CRA standard—(1) Adequate performance.* A member that is subject to the requirements of the CRA shall be deemed to meet the CRA standard if the rating in the member's most recent CRA evaluation is "outstanding" or "satisfactory."

(2) *Probationary performance.* A member that is subject to the requirements of the CRA shall be subject to a probationary period if the rating in the member's most recent CRA evaluation is "needs to improve." The probationary period shall extend until the member's appropriate federal financial supervisory agency completes its next CRA evaluation and issues a rating. The member will be eligible to receive long-term advances during the probationary period. If the member does not meet the CRA standard at the end of the probationary period, the Finance Board shall restrict the member's access to long-term advances in accordance with § 936.5.

(3) *Inadequate performance.* A member's access to long-term advances shall be restricted in accordance with § 936.5 if the rating in the member's most recent CRA evaluation is "substantial noncompliance."

(c) *First-time homebuyer standard—(1) Adequate performance.* In the absence of public comments or other information to the contrary, a member shall be presumed to meet the first-time

homebuyer standard if the member is subject to the requirements of the CRA and the rating in the member's most recent CRA evaluation is "outstanding." In determining whether other members meet the first-time homebuyer standard, the Finance Board shall consider a member's description of its efforts to assist first-time or potential first-time homebuyers or its explanation of factors that affect its ability to assist first-time or potential first-time homebuyers. A member shall be deemed to meet the first-time homebuyer standard if the member otherwise demonstrates to the satisfaction of the Finance Board that it:

(i) Has an established record of lending to first-time homebuyers; or
 (ii) Has a program whereby it actively seeks to lend or support lending to first-time homebuyers, including, but not limited to, the following:

(A) Providing special credit products with flexible underwriting standards for first-time homebuyers;

(B) Participating in federal, state, or local government, or nationwide homeownership lending programs that benefit, serve, or are targeted to, first-time homebuyers;

(C) Participating in loan consortia for first-time homebuyer loans or loans that serve predominantly low- or moderate-income borrowers; or

(iii) Has a program whereby it actively seeks to assist or support organizations that assist potential first-time homebuyers to qualify for mortgage loans, including, but not limited to, the following:

(A) Providing, participating in, or supporting special counseling programs or other homeownership education activities that benefit, serve, or are targeted to, first-time homebuyers;

(B) Providing or participating in marketing plans and related outreach programs targeted to first-time homebuyers;

(C) Providing technical assistance of financial support to organizations that assist first-time homebuyers;

(D) Participating with or financially supporting community or nonprofit groups that assist first-time homebuyers;

(E) Holding investments or making loans that support first-time homebuyer programs;

(F) Holding mortgage-backed securities that may include a pool of loans to low- and moderate-income homebuyers;

(G) Participating or investing in service organizations that assist credit unions in providing mortgages; or

(H) Participating in Bank community lending programs; or

(iv) Has any combination of the elements described in paragraphs (c)(1)(i), (ii), or (iii) of this section.

(2) *Probationary performance.* If the evidence of first-time homebuyer performance is deemed to be unsatisfactory by the Finance Board, the member shall be subject to a one-year probationary period. The member will be eligible to receive long-term advances during the probationary period. If the member does not demonstrate compliance with the first-time homebuyer standard before the probationary period ends, the Finance Board shall restrict the member's access to long-term advances in accordance with § 936.5.

(3) *Inadequate performance.* A member's access to long-term advances shall be restricted in accordance with § 936.5 if the member provides no evidence of first-time homebuyer performance.

(The Office of Management and Budget approved the information collection requirements contained in this section and assigned control number 3069-0003 with an expiration date of December 31, 1999.)

§ 936.4 Decision on community support statements.

(a) *Action on community support statements.* The Finance Board shall act on each community support statement in accordance with the requirements of § 936.3 within 75 calendar days of the date the Finance Board deems the community support statement to be complete. The Finance Board shall deem a community support statement complete when it has obtained all of the information required by this part and any other information it deems necessary to process the community support statement. If the Finance Board determines during the review process that additional information is necessary to process the community support statement, the Finance Board may deem the community support statement incomplete and stop the 75-day time period by providing written notice to the member. When the Finance Board receives the additional information, it shall again deem the community support statement complete and resume the 75-day time period where it stopped. The Finance Board shall have 10 calendar days in addition to the 75-day time period to act on a community support statement if the Finance Board receives the additional information on or after the seventieth day of the 75-day time period.

(b) *Decision on community support statements.* The Finance Board shall provide written notice to the member and the member's Bank of its

determination regarding the community support statement submitted by the member. The notice shall identify the reasons for the Finance Board's determination.

§ 936.5 Restrictions on access to long-term advances.

(a) *Requirement.* The Finance Board shall restrict a member's access to long-term advances if the member:

(1) Failed to comply with the requirements of this part;

(2) Submitted a community support statement that was not approved by the Finance Board;

(3) Did not receive a rating in a CRA evaluation of "outstanding" or "satisfactory" at the end of the probationary period described in § 936.3(b)(2); or

(4) Failed to provide evidence satisfactory to the Finance Board of its first-time homebuyer performance before the end of the probationary period described in § 936.3(c)(2).

(b) *Notice.* The Finance Board shall provide written notice to a member and the member's Bank of its determination to restrict the member's access to long-term advances, the member by certified mail, return receipt requested, and the member's Bank by facsimile and by regular mail.

(c) *Effective date.* Restrictions on access to long-term advances shall take effect 30 days after the date the notices required under paragraph (b) of this section are mailed unless the member complies with the requirements of this part before the end of the 30-day period.

(d) *Removing restrictions.* (1) The Finance Board may remove restrictions on a member's access to long-term advances imposed under this section:

(i) If the Finance Board determines that application of the restriction may adversely affect the safety and soundness of the member. A member may submit a written request to the Finance Board to remove a restriction on access to long-term advances under this paragraph (d)(1)(i). Such written request submitted shall contain a clear and concise statement of the basis for the request and a statement from the member's appropriate federal financial supervisory agency that application of the restriction may adversely affect the safety and soundness of the member. The Finance Board shall consider each written request within 30 calendar days of receipt.

(ii) If the Finance Board determines that the member subsequently has complied with the requirements of this part. A member may submit a written request to the Finance Board to remove a restriction on access to long-term

advances under this paragraph (d)(1)(ii). Such written request shall state with specificity how the member has complied with the requirements of this part. The Finance Board shall consider each written request within 30 calendar days of receipt.

(2) The Finance Board shall place a member on probation in accordance with § 936.3(b)(2), if:

(i) The member's access to long-term advances was restricted on the basis of the member's inadequate performance under the CRA standard, as described in § 936.3(b)(3);

(ii) The rating in the member's subsequent CRA evaluation is "needs to improve;" and

(iii) The member did not receive either a "substantial noncompliance" CRA rating or a "needs to improve" CRA rating immediately preceding the CRA rating on which the member's inadequate performance under the CRA standard was based.

(3) The Finance Board shall provide written notice to the member and the member's Bank of its determination under this paragraph (d), the member by certified mail, return receipt requested, and the member's Bank by facsimile and by regular mail. The Finance Board's determination shall take effect on the date the notices are mailed.

(e) *AHP and CIP*. A member that is subject to a restriction on access to long-term advances under this part shall not be eligible to participate in the Affordable Housing Program or the

Community Investment Program. The restriction in this paragraph (e) shall not apply to AHP or CIP applications or funding approved before the date the restriction is imposed.

(The Office of Management and Budget approved the information collection requirements contained in this section and assigned control number 3069-0003 with an expiration date of December 31, 1999.)

§ 936.6 Bank community support programs.

(a) *Requirement*. Consistent with the safe and sound operation of the Bank, each Bank shall establish and maintain a community support program. A Bank's community support program should:

(1) Provide technical assistance to members;

(2) Promote and expand community-oriented mortgage lending and affordable housing finance;

(3) Identify opportunities for members to expand financial and credit services in underserved neighborhoods and communities; and

(4) Encourage members to increase their community-oriented mortgage lending and affordable housing finance activities by providing incentives such as awards or technical assistance to nonprofit housing developers or community groups with outstanding records of participation in community-oriented lending or affordable housing finance partnerships with members.

(b) *Advisory Councils*. A Bank shall consult with its Advisory Council to

develop and implement initiatives to increase community-oriented mortgage lending and affordable housing finance activities in the Bank district.

(c) *Notice*. A Bank shall provide annually to each of its members a written notice:

(1) Identifying AHP, CIP, and other Bank activities that may provide opportunities for a member to meet the community support requirements; and

(2) Summarizing community-oriented mortgage lending and affordable housing finance activities undertaken by members, nonprofit housing developers, community groups, or other entities in the Bank's district, that may provide opportunities for a member to meet the community support requirements.

§ 936.7 Reports.

The annual report Advisory Councils are required to submit to the Finance Board pursuant to section 10(j)(11) of the Act shall include an analysis of the appropriate Bank's community support program and activities.

By the Board of Directors of the Federal Housing Finance Board.

Bruce A. Morrison,
Chairperson.

Note: The following appendix will not appear in the Code of Federal Regulations.

Appendix—Community Support Statement Form

BILLING CODE 6725-01-U

**Federal Housing Finance Board
Community Support Statement**

(Instructions on reverse)

Name of Institution: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Docket Number: _____

Contact Person: (Mr./Ms.) _____ Title: _____

Phone Number: (____) _____ Fax Number: (____) _____

I. CRA Standard

Most recent federal CRA rating: _____ CRA evaluation date: _____

II. First-time Homebuyer Standard *(You may complete either Section A or B, or both sections. Members with "outstanding" federal CRA ratings need not complete this section.)*

A. Complete the following four questions using data for the past year.

- 1. Number of mortgage loans made to first-time homebuyers _____
- 2. Dollar amount of loans made to first-time homebuyers \$ _____
- 3. Loans made to first-time homebuyers as a percentage of all mortgage loans _____%
- 4. Dollars loaned to first-time homebuyers as a percentage of all mortgage dollars loaned _____%

B. Check as many boxes as appropriate:

- 1. In-house first-time homebuyer program *(e.g. marketing plans and outreach programs)* _____
- 2. Other in-house lending products that serve first-time homebuyers or low- and moderate-income homebuyers _____
- 3. Flexible underwriting standards for first-time homebuyers _____
- 4. Participate in nationwide first-time homebuyer programs *(Fannie Mae, Freddie Mac, etc.)* _____
- 5. Participate in federal government programs that serve first-time homebuyers *(FHA, VA, etc.)* _____
- 6. Participate in state or local government programs targeted to first-time homebuyers _____
- 7. Financial support or technical assistance to community groups or organizations that assist first-time homebuyers _____
- 8. Participate in loan consortia that make loans to first-time homebuyers _____
- 9. Participate in or support special counseling or homeownership education targeted to first-time homebuyers _____
- 10. Hold investments or make loans that support first-time homebuyer programs _____
- 11. Hold mortgage-backed securities that may include a pool of loans to low- and moderate-income homebuyers _____
- 12. Participate in service organizations that provide mortgages _____
- 13. Participate in FHLBank community lending programs _____
- 14. Other *(see instructions for Part II)* _____

III. Certify that information in this Community Support Statement and the attachments is correct to the best of your knowledge by filling out the information below.

Signed _____ Title _____

Print Name _____ Date _____ *(over)*

Community Support Statement Instructions

Purpose: To maintain continued access to long-term advances, section 10(g) of the Federal Home Loan Bank Act [12 U.S.C. § 1430(g)] requires the Federal Housing Finance Board (Finance Board) to take into account a Federal Home Loan Bank member's performance under the Community Reinvestment Act of 1977 [12 U.S.C. §2901, *et seq.*] (CRA) and its record of lending to first-time homebuyers. For purposes of community support review, the term "long-term advances" means advances with a term to maturity greater than one year.

Part I (CRA Standard): Members subject to CRA may complete this section. Indicate your institution's most recent federal CRA evaluation rating and date. [If your institution is not subject to CRA, indicate this in the CRA evaluation field on this form.]

If your institution's most recent federal CRA rating is "needs to improve," the Finance Board will place your institution on probation until it receives the rating from its next CRA examination. During the probationary period, your institution will retain access to long-term advances. If your institution does not receive an improved CRA rating at its next federal CRA evaluation, its access to long-term advances will be restricted.

If your institution's most recent federal CRA rating is "substantial noncompliance," the Finance Board immediately will take action to restrict its access to long term advances. The restriction will remain in effect until your institution's rating improves.

Part II (First-time Homebuyer Standard): All members, except those with "outstanding" federal CRA ratings, must complete this section. Your institution may demonstrate assistance to first-time homebuyers in many ways, but the Finance Board is particularly interested in actual loans, products, and services to first-time homebuyers. Although completion of both Section A and Section B is requested, your institution may satisfy the first-time homebuyer standard by demonstrating adequate lending performance (Section A), by demonstrating participation in programs that assist first-time homebuyers (Section B), or by a combination of both factors. If the information requested in Part II is inadequate to reflect your institution's compliance with the first-time homebuyer standard, your institution may attach a one-page description of its efforts to assist first-time homebuyers and/or an explanation of factors affecting its ability to assist first-time homebuyers. No other information beyond this one-page description will be considered.

If your institution does not submit evidence of assistance to first-time homebuyers, the Finance Board immediately will take action to restrict its access to long term advances. The restriction will remain in effect until your institution submits information satisfactory to the Finance Board.

Part III (Certification): All members must complete this section. An appropriate senior officer must certify that the information in this Community Support Statement and the attachments is correct to the best of his/her knowledge.

Assistance: Your Federal Home Loan Bank has a Community Support Program that can assist you in preparing your Community Support Statement.

Once you have completed this form, please submit it, along with any attachments, to the Federal Housing Finance Board, Office of Supervision, 1777 F Street, N.W., Washington, D.C. 20006.