

The statute calls for the Secretary of Agriculture to designate for each fiscal year up to 10 community development venture organizations to demonstrate the utility of guarantees to attract increased private investment in rural private business enterprises.

To be eligible to participate in the demonstration program, an organization shall establish a rural business private investment pool (referred to as a 'pool') for the purpose of making equity investment in rural private business enterprises.

From amounts in the national reserve account of the Trust Fund authorized under Subtitle E—Rural Community Advancement Program, section 381E, the Secretary shall guarantee the funds in a pool against loss, except that the guarantee shall not exceed an amount equal to 30 percent of the total funds in the pool. The Secretary shall issue guarantees covering not more than \$15,000,000 of contingent liabilities for each of fiscal years 1996 through 2002. The term of a guarantee shall not exceed 10 years.

To be eligible to participate in the demonstration program, an organization shall submit a plan that describes potential sources and uses of the pool to be established by the organization; the utility of the guarantee authority in attracting capital for the pool; and, on selection, mechanisms for notifying State, local, and private nonprofit business development organizations and business of the existing pool.

The Secretary shall conduct a competition for the designation and establishment of pools. In conducting the competition, the Secretary shall give priority to organizations that have a demonstrated record of performance or have a board and executive director with experience in venture capital, small business equity investment, or community development finance; propose to serve low-income communities; propose to maintain an average investment of not more than \$500,000 from the pool of the organization; invest funds statewide or in a multicounty region; and propose to target job opportunities resulting from the investments primarily to economically disadvantaged individuals, as determined by the Secretary. To the extent practicable, the Secretary shall designate organizations in diverse geographic areas.

Programs Affected

No program in the Catalog of Federal Domestic Assistance is impacted by this action.

Intergovernmental Review

As set forth in the final rule and related Notice to 7 CFR part 3015, subpart V, 48 FR 29112, June 24, 1983, Rural Venture Capital Demonstration Program investments are subject to the provisions of Executive Order 12372 which requires intergovernmental consultation with state and local officials. RBS conducts intergovernmental consultation in the manner delineated in RD Instruction 1940-J, "Intergovernmental Review of Farmers Home Administration Programs and Activities."

Comments Invited

Interested parties are invited to participate in the making of the proposed rule by submitting such written data, views, arguments, or proposal as they may desire. Comments and proposals may include illustrations or references to forms and procedures utilized in other program areas in the industry.

Comments are specifically solicited concerning the choice and relative importance of selection criteria, structuring of the guarantee, when and under what circumstances the Agency will make payment under the guarantee, requirements of the community development venture organization's proposed workplan, rights and restrictions of investors in the rural business private investment pools, requirements for the organizational structure of the community development venture organizations, Agency oversight responsibilities, investment pool management, and any other comments concerning this issue.

Dated: April 1, 1997.

Inga Smulkstys,

Acting Under Secretary for Rural Development.

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FEDERAL HOUSING FINANCE BOARD

12 CFR Chapter IX

[No. 97-35]

Mission Achievement by the Federal Home Loan Banks

AGENCY: Federal Housing Finance Board.

ACTION: Advance notice of proposed rulemaking (ANPRM).

SUMMARY: The Federal Housing Finance Board (Finance Board) is requesting public comment on ways in which the Federal Home Loan Banks (Banks) can

further achieve their statutory mission to support housing finance and community investment and ways in which the Finance Board, as regulator of the Federal Home Loan Bank System (Bank System), could measure and ensure that the Banks achieve their mission.

DATES: Comments must be received in writing on or before May 9, 1997.

ADDRESSES: Comments should be mailed to: Elaine L. Baker, Secretary to the Board, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006. Comments will be available for public inspection at this address.

FOR FURTHER INFORMATION CONTACT: Jonathan Curtis, Senior Financial Analyst, Office of Policy, (202) 408-2866, or Brandon B. Straus, Attorney-Advisor, (202) 408-2589, Office of General Counsel, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006.

SUPPLEMENTARY INFORMATION:

I. Background and General Issues

A. Introduction

The Finance Board has a statutory mandate to supervise the Banks in order to ensure that they carry out their housing finance mission. See 12 U.S.C. 1422a(a)(3). The Federal Home Loan Bank Act (Bank Act) authorizes, and in some instances requires, the Banks to make advances and other credit products available to member and nonmember borrowers to support both housing finance and community investment. See *id.* sections 1430, 1430b. For instance, section 10(a) of the Bank Act authorizes the Banks to make advances to provide members with a source of funding to support housing finance. See *id.* section 1430(a). Sections 10(i) and 10(j) of the Bank Act require the Banks to establish two specific advances programs, an Affordable Housing Program (AHP) and a Community Investment Program (CIP), to promote affordable housing and community investment finance. See *id.* section 1430(j), (i). Section 10(j)(10) of the Bank Act authorizes the Banks to establish community investment cash advance programs in addition to the AHP and CIP. See *id.* section 1430(j)(10). In sum, the Finance Board believes it is clear from the Bank Act that the mission of the Banks is to support and promote housing finance and community investment.

The Finance Board is in the process of devolving to the Banks functions currently performed by the Finance Board in a number of areas that are more appropriately viewed as Bank

management and governance functions. As part of that process, the Finance Board has established clear regulatory standards within which the Banks must operate in making management decisions. The Finance Board believes this approach may be appropriate for regulation of the Banks' achievement of their mission. Comments are requested on whether the Finance Board should define and measure mission fulfillment for the Banks through a regulation. Could the goals of the Finance Board in promoting more focused mission activities by the Banks be fully achieved through some means other than a regulation, such as a policy statement including a non-exclusive list of activities that the Banks may undertake in order to achieve their statutory mission?

Should the Banks establish annual plans setting out their goals for identifying and implementing mission-focused activities, including the identification of unmet credit needs in the Bank's district? Should such plans serve as the benchmark for determining whether or not a Bank is fulfilling its mission? Are there other possible options for the identification and achievement of mission by a particular Bank and the Bank System, as a whole?

The Banks currently fulfill their mission, in part, through many of the advances the Banks make and through their activities under the AHP and the CIP. As further discussed below, the Finance Board believes that the Banks have an obligation to use their statutory powers to assist member and nonmember borrowers in meeting housing finance and community investment needs through means other than advances, the AHP, and the CIP. Several of the Banks have made efforts to fulfill this obligation through the establishment of pilot programs under the Banks' investment and incidental authorities, with the approval of the Finance Board, designed to assist members in meeting unmet credit needs in specific segments of the housing finance and community investment market. These initiatives are important first steps towards fulfillment of the Banks' broader mission, and the Finance Board continues to encourage the Banks to bring innovative programs to the agency. In addition, the Finance Board wishes to facilitate all of the Banks' establishing additional programs to support affordable housing and community investment finance by member and nonmember borrowers through community investment cash advance programs, through the Bank's investment and credit activities, and by providing technical assistance. The

Bank's efforts should focus on assisting member and nonmember borrowers in meeting the housing and community investment needs in their communities, including the credit needs of low- or moderate-income families and small businesses.

The Finance Board recognizes that housing and community investment credit needs may be different in each Bank's district, and the Banks are in the best position to identify those needs. Furthermore, each Bank may have proven and innovative strategies to help member and nonmember borrowers meet those needs. Consequently, the Finance Board does not intend to substitute its judgment for the Banks on these matters. Among the purposes of this notice is to solicit comments, generally, on: (1) How the Banks could identify and meet unmet credit needs, and (2) how the Finance Board shall ensure that the Banks identify and meet those unmet credit needs.

B. Defining Mission-Focused Activities

There are five broad categories of activities through which the Banks carry out their mission. The Finance Board requests comments on the following questions related to these five categories of activities.

1. Regular Advances

Many of the Banks' regular advances support our nation's housing finance system in ways not otherwise provided by the mortgage markets. These regular advances further the Banks' mission. While the Finance Board wishes to find ways beyond regular advances for the Banks to focus their housing and community investment mission, there are special programs or products that may be offered through the traditional advances mechanism, such as discounts or rebates for members meeting certain affordable housing or community investment goals or advance-related donations to affordable housing providers. What kinds of special programs structured using regular advances, including letters of credit, should qualify as mission-focused activities?

2. AHP

Because the income limits (80 percent of area median income, or AMI) and the annual subsidy amount of the AHP are fixed by statute and full participation is required by all of the Banks, the Banks' AHP activities are by definition mission-focused activities. See 12 U.S.C. 1430(j). It is the Finance Board's belief that the Banks' statutory mission responsibilities cannot be satisfied solely by participating in the AHP.

3. CIP

The general parameters of the CIP, including income-targeting (115 percent of AMI) and pricing benefits, are also set by statute and are by definition a minimum standard of mission achievement, which the Finance Board seeks to expand beyond. See *id.* section 1430(i). The Bank Act does not prescribe the volume of CIP credit that the Banks must extend on an annual basis. The Finance Board specifically requests comment on whether and how the CIP could be used more aggressively in mission fulfillment.

4. Investments

The Banks may have the greatest flexibility for increased and more focused financial support of housing and community investment activities through their investment authority. The Finance Board has revised the Financial Management Policy for the Bank System to permit double-A investments, such as state housing finance agency bonds, that further the Banks' mission. In addition, the Finance Board recently approved three pilot programs that allow several Banks to purchase participations in targeted mixed-use and multifamily project loans and to purchase whole single-family loans from member institutions. The Finance Board specifically requests comment on what other types of investments the Banks could make that would be mission-focused and what types of housing and community credit needs are not being met that could be assisted through investment, rather than advance, products.

5. Other Activities

The Finance Board wishes to promote opportunities for the Banks to achieve their mission in non-financial or non-balance-sheet activities, for example, by offering technical assistance, educational programs and business development for affordable housing, or by offering grants or awards out of earnings to housing organizations. The Finance Board specifically requests comments on whether—and if so, what kinds of—non-financial, charitable or other non-balance sheet funding could be considered as mission-focused and included in determining a Bank's mission fulfillment.

II. Issues For Consideration

A. Specific Characteristics of Mission-Focused Activities

There are a variety of activities that the Banks might engage in as a means of carrying out their mission. The following is only a partial list of

alternatives from which the Banks might choose. Should the following activities be considered ways in which the Banks achieve their mission: (1) Providing products that are targeted to meet multiple policy objectives, such as low-income housing and mixed-income community revitalization; (2) pricing Bank products to encourage member institutions to be active in affordable housing and community revitalization; (3) developing strategies to encourage partnerships among and between members, nonmembers, housing and community development organizations, and government agencies; (4) providing technical and educational assistance to members and affordable housing and community development organizations?

The Finance Board also requests comment on how the Banks could use their cooperative structure to assist members in acquiring, developing, and implementing emerging technologies.

B. Measurement of Mission Achievement

The Finance Board requests comment on ways in which the Banks' mission achievement can or should be measured. One option would be for the Finance Board to establish, or require the Banks to establish, quantitative targets for specific mission-related activities undertaken by the Banks. However, the Finance Board understands that the efficacy of some mission-related activities, such as promoting public-private partnerships, may be difficult to measure quantitatively. Therefore, comments are requested on what other methods of measurement, such as qualitative measurements, may be appropriate for these kinds of activities. Comments also are requested on whether and through what medium the results of a Bank's performance in achieving its mission should be communicated to the public.

C. Role of Advisory Councils

Comments are requested on what role the Banks' Advisory Councils should play in achievement of the Banks' mission. Under statute, it is the role of the Advisory Council to provide guidance to a Bank on the low- and moderate-income housing programs and needs in the Bank's district and on the utilization of advances to meet these needs. See *id.* section 1430(j)(11). If the Banks were required to establish mission achievement plans, as discussed above, one option would be to require each Bank to provide its Advisory Council a reasonable period of time to review the mission achievement plan and provide its recommendations to the Bank's board of directors.

Comments received in response to this ANPRM will be reviewed and considered by the Finance Board in preparation of further action in connection with the issues discussed in this ANPRM. In addition, the Finance Board expects to hold a public hearing on these issues in the near future.

Dated: April 2, 1997.

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

Bruce A. Morrison,
Chairman.

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DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Parts 516, 543, 545, 552, 556, 563

[No. 97-30]

RIN 1550-AA83

Application Processing

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: As a part of its ongoing effort to review and streamline its regulations, the Office of Thrift Supervision (OTS) is proposing to revise its regulations governing the comment procedures for certain specified applications and notices (collectively "applications"). In addition to reorganizing the regulations, the OTS proposes to amend the existing procedures to expand the comment period on these applications, prescribe the information that comments must contain in order to be considered by the OTS in its evaluation of applications, and remove existing provisions that require the OTS to conduct an oral argument on applications under certain circumstances and replace these provisions with discretionary conference procedures.

DATES: Comments must be received on or before June 9, 1997.

ADDRESSES: Send comments to Manager, Dissemination Branch, Records Management and Information Policy, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552, Attention Docket No. 97-30. These submissions may be hand-delivered to 1700 G Street, NW., from 9:00 a.m. to 5:00 p.m. on business days; they may be sent by facsimile transmission to FAX Number (202) 906-7755; or they may be sent by e-mail: public.info@ots.treas.gov. Those commenting by e-mail should include their name and telephone number.

Comments will be available for inspection at 1700 G Street, NW., from 9:00 a.m. until 4:00 p.m. on business days.

FOR FURTHER INFORMATION CONTACT: Catherine Shepard, Senior Attorney, Regulations and Legislation Division, (202) 906-7275, Kevin Corcoran, Assistant Chief Counsel, Business Transactions Division, (202) 906-6962, Office of Chief Counsel; or Diana L. Garmus, Director, Corporate Activities Division, (202) 906-5683, Office of Thrift Supervision, 1700 G Street NW., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION:

I. Background

OTS regulations governing applications for permission to organize a federal stock or mutual savings association, to establish or relocate a branch office of a federal savings association, and to engage in a transaction that is subject to the Bank Merger Act require applicants to follow the public comment and review procedures at 12 CFR 543.2 (e) and (f).

Currently, § 543.2 provides an opportunity for the public to submit communications in favor or in protest of applications, and permits the applicant to respond to any protest. Where a protest is timely submitted, meets specified criteria, and includes a request for oral argument, or if an applicant requests an oral argument, the regulation requires the OTS to conduct an oral argument on the merits of the application. The OTS may also hold an oral argument in the absence of any specific request, if it determines that additional proceedings are desirable.

Today, the OTS is proposing to revise these procedures. The proposed revisions, discussed more fully below, would consolidate the public comment procedures for the cited applications. The proposal would also expand existing public comment periods, prescribe the information that a comment must contain to be considered in the evaluation of applications, and delete existing provisions requiring the OTS to conduct an oral argument on applications under certain circumstances and replace these provisions with discretionary conference procedures. The OTS believes that these changes will make the application processing procedures easier to understand and apply. Additionally, the proposed discretionary conference procedures will conform OTS regulations more closely to those of the other federal banking agencies, in accordance with