

103D CONGRESS
1ST SESSION

H. R. 2250

To establish the National Community Development Administration to facilitate community and economic development in low-income neighborhoods in the United States, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 25, 1993

Mr. RUSH (for himself, Mr. FRANK of Massachusetts, Mr. DELLUMS, Mr. LEWIS of Georgia, Mr. FORD of Tennessee, Mr. EVANS, Mr. DURBIN, Mrs. COLLINS of Illinois, Ms. FURSE, Mr. JEFFERSON, Ms. CANTWELL, Mrs. CLAYTON, Ms. NORTON, Mr. BERMAN, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. WATT, Mr. WYNN, Ms. ROYBAL-ALLARD, Mrs. MALONEY, Mr. HINCHEY, Mr. SCOTT, Mr. TUCKER, Mr. REYNOLDS, Mr. BLACKWELL, Ms. VELÁZQUEZ, Mr. RICHARDSON, Mr. BROWN of Ohio, Ms. BROWN of Florida, Mr. CLYBURN, Mr. BARRETT of Wisconsin, Mrs. MEEK, Mr. FILNER, Mr. HASTINGS, Mr. FIELDS of Louisiana, Mr. TOWNS, Mr. MENENDEZ, Mr. GENE GREEN of Texas, Mr. PASTOR, Mr. BISHOP, Ms. MCKINNEY, and Mr. NADLER) introduced the following bill; which was referred jointly to the Committees on Banking, Finance and Urban Affairs and Ways and Means

A BILL

To establish the National Community Development Administration to facilitate community and economic development in low-income neighborhoods in the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
 3 “Community Development Financial Institutions Act of
 4 1993”.

Sec. 1. Short title and table of contents.

Sec. 2. Definitions.

TITLE I—NATIONAL COMMUNITY DEVELOPMENT
 ADMINISTRATION

Sec. 101. Establishment.

Sec. 102. Board of directors.

Sec. 103. Duties of board and powers of Administration.

Sec. 104. Capitalization.

Sec. 105. Obligations.

Sec. 106. Management reports and audits.

Sec. 107. Reports to Congress.

Sec. 108. Authorization of appropriations.

TITLE II—CERTIFICATION PROGRAMS

Sec. 201. Certification of CDFI's.

Sec. 202. Certification of entities to provide technical assistance to CDFI's and
 secondary market institutions.

TITLE III—ASSISTANCE TO COMMUNITY DEVELOPMENT
 FINANCIAL INSTITUTIONS

Subtitle A—Assistance to Existing Community Development Financial
 Institutions

Sec. 301. Authority.

Sec. 302. Forms of assistance to CDFI's.

Sec. 303. Eligible uses of assistance by CDFI's.

Sec. 304. Community development financing initiatives.

Sec. 305. Matching requirement.

Subtitle B—Assistance to Establish Community Development Financial
 Institutions

Sec. 321. Program authority.

Sec. 322. Program requirements.

TITLE IV—ASSISTANCE FOR COMMUNITY DEVELOPMENT
 SECONDARY MARKET INSTITUTIONS

Sec. 401. Authority.

Sec. 402. Eligible uses of assistance.

Sec. 403. Community development loans.

Sec. 404. Standards for secondary market institutions.

Sec. 405. Secondary market initiatives.

Sec. 406. Matching requirement.

Sec. 407. Tax-exempt bond financing for secondary market institutions.

Sec. 408. Coordination with secondary mortgage market entities.

TITLE V—COMMUNITY DEVELOPMENT INDIVIDUAL INVESTMENT
CERTIFICATES

Sec. 501. Authorization to issue.

Sec. 502. Limitation on amount issued to any person.

Sec. 503. Terms of issuance.

Sec. 504. Tax treatment.

1 **SEC. 2. DEFINITIONS.**

2 For purposes of this Act:

3 (1) ADMINISTRATION.—The term “Administra-
4 tion” means the National Community Development
5 Administration established in section 101.

6 (2) BOARD.—The term “Board” means the
7 board of directors of the Administration established
8 in section 102.

9 (3) CERTIFIED TECHNICAL ASSISTANCE PRO-
10 VIDER.—The term “certified technical assistance
11 provider” means an individual, an organization, or
12 any other entity certified under the program pursu-
13 ant to section 202 to provide technical assistance to
14 community development financial institutions or to
15 secondary market institutions.

16 (4) COMMUNITY DEVELOPMENT FINANCING INI-
17 TIATIVE.—The term “community development fi-
18 nancing initiative” means a plan under section 304
19 by a community development financial institution for
20 financing community development activities using
21 assistance amounts provided under title III.

1 (5) COMMUNITY DEVELOPMENT FINANCIAL IN-
2 STITUTION.—The term “community development fi-
3 nancial institution” means an entity certified pursu-
4 ant to the program established under section 201 as
5 a community development financial institution for
6 purposes of this Act.

7 (6) DISPLACED HOMEMAKER.—The term “dis-
8 placed homemaker” means an individual who—

9 (A) is an adult;

10 (B) has not worked full-time full-year in
11 the labor force for a number of years but has,
12 during such years, worked primarily without re-
13 muneration to care for the home and family;
14 and

15 (C) is unemployed or underemployed and
16 is experiencing difficulty in obtaining or up-
17 grading employment.

18 (7) EXISTING COMMUNITY DEVELOPMENT FI-
19 NANCIAL INSTITUTION.—The term “existing commu-
20 nity development financial institution” means a com-
21 munity development financial institution that (A)
22 has been determined by the Administration pursuant
23 to certification under section 201, to have been oper-
24 ating in the same manner required of a community
25 development financial institution continuously during

1 the 3-year period ending upon the submission of an
2 application for assistance under title III, or (B) has
3 been certified under section 201 as a community de-
4 velopment financial institution continuously for such
5 3-year period.

6 (8) FIRST-TIME HOMEBUYER.—The term “first-
7 time homebuyer” means an individual (and his or
8 her spouse) who has not had a present ownership in-
9 terest in a principal residence during the 3-year pe-
10 riod ending upon the purchase of a principal resi-
11 dence (or ending upon the date of redemption of a
12 Community Development Individual Investment Cer-
13 tificate issued pursuant to title V, if applicable), ex-
14 cept that—

15 (A) any individual who is a displaced
16 homemaker may not be excluded from consider-
17 ation as a first-time homebuyer under this
18 paragraph on the basis that the individual,
19 while a homemaker, owned a home with his or
20 her spouse or resided in a home owned by the
21 spouse;

22 (B) any individual who is a single parent
23 may not be excluded from consideration as a
24 first-time homebuyer under this paragraph on
25 the basis that the individual, while married,

1 owned a home with his or her spouse or resided
2 in a home owned by the spouse;

3 (C) an individual shall not be excluded
4 from consideration as a first-time homebuyer
5 under this paragraph on the basis that the indi-
6 vidual owns or owned, as a principal residence
7 during such 3-year period, a dwelling unit
8 whose structure is—

9 (i) not permanently affixed to a per-
10 manent foundation in accordance with local
11 or other applicable regulations, or

12 (ii) not in compliance with State,
13 local, or model building codes, or other ap-
14 plicable codes, and cannot be brought into
15 compliance with such codes for less than
16 the cost of constructing a permanent struc-
17 ture; and

18 (D) with respect to any individual redeem-
19 ing a Community Development Individual In-
20 vestment Certificate issued under title V, such
21 individual may not be considered a first-time
22 homebuyer if subsection (a)(6), (h), or (k) of
23 section 1034 of the Internal Revenue Code of
24 1986 suspended the running of any period of
25 time specified in section 1034 of such Code

1 with respect to such individual on the date of
2 redemption.

3 (9) INVESTMENT CERTIFICATE.—The term “In-
4 vestment Certificate” means a Community Develop-
5 ment Individual Investment Certificate issued pursu-
6 ant to title V.

7 (10) LOW-INCOME FAMILY.—The term “low-in-
8 come family” means a family or individual whose in-
9 come does not exceed 80 percent of the median in-
10 come for the area involved, as determined by the Ad-
11 ministration with adjustments for smaller and larger
12 families, except that the Administration may estab-
13 lish income ceilings higher or lower than 80 percent
14 of the median for the area on the basis of the find-
15 ings of the Administration that such variations are
16 necessary because of prevailing levels of construction
17 costs or unusually high or low family incomes.

18 (11) PRINCIPAL RESIDENCE.—The term “prin-
19 cipal residence” has the same meaning as when used
20 in section 1034 of the Internal Revenue Code of
21 1986.

22 (12) SECONDARY MARKET INITIATIVE.—The
23 term “secondary market initiative” means a plan
24 under section 405 by a secondary market institution

1 for carrying out secondary market activities using
2 assistance amounts provided under title IV.

3 (13) SINGLE PARENT.—The term “single par-
4 ent” means an individual who—

5 (A) is unmarried or legally separated from
6 a spouse; and

7 (B)(i) has 1 or more minor children for
8 whom the individual has custody or joint cus-
9 tody; or

10 (ii) is pregnant.

11 (14) STATE.—The term “State” means the
12 States of the United States, the District of Colum-
13 bia, the Commonwealth of Puerto Rico, the Com-
14 monwealth of the Northern Mariana Islands, Guam,
15 the Virgin Islands, American Samoa, the Trust Ter-
16 ritory of the Pacific Islands, and any other territory
17 or possession of the United States.

18 (15) TARGET COMMUNITY.—The term “target
19 community” means a geographical area established
20 by a community development financial institution for
21 purposes of this Act—

22 (A) that is located wholly within a State or
23 contiguous States;

24 (B) that has a continuous boundary; and

1 (C)(i) within which not less than 75 per-
2 cent of the residents are members of low-income
3 families; or

4 (ii) that is an area of pervasive poverty,
5 unemployment, and general distress, as deter-
6 mined by the Administration.

7 **TITLE I—NATIONAL COMMUNITY**
8 **DEVELOPMENT ADMINISTRA-**
9 **TION**

10 **SEC. 101. ESTABLISHMENT.**

11 (a) ESTABLISHMENT.—There is hereby established
12 an Administration to be known as the National Commu-
13 nity Development Administration. The principal office of
14 the Administration shall be in the District of Columbia.

15 (b) PURPOSES.—The purposes of the National Com-
16 munity Development Administration are—

17 (1) to certify community development financial
18 institutions as eligible for assistance under this Act
19 from the Administration;

20 (2) to certify entities as certified technical as-
21 sistance providers eligible to provide technical assist-
22 ance to community development financial institu-
23 tions and secondary market institutions;

24 (3) to provide assistance under title III to assist
25 existing community development financial institu-

1 tions to help provide credit and promote com-
2 prehensive community development in low-income
3 communities;

4 (4) to provide assistance under title IV to assist
5 secondary market institutions to purchase and
6 securitize loans for community development activities
7 in low-income communities to increase the liquidity
8 of community development investments in such com-
9 munities and improve the distribution of investment
10 capital available for community development financ-
11 ing; and

12 (5) to promote the use of Community Develop-
13 ment Individual Investment Certificates authorized
14 under title V by institutions eligible to issue such
15 Certificates.

16 **SEC. 102. BOARD OF DIRECTORS.**

17 (a) INITIAL BOARD.—

18 (1) COMPOSITION.—The Administration shall
19 be under the management of a board of directors
20 which, unless membership of the Board is expanded
21 pursuant to subsection (b), shall be composed of 24
22 members, of which—

23 (A) 4 members shall be—

24 (i) the Secretary of the Treasury (or
25 the Secretary's delegate);

1 (ii) the Secretary of Housing and
2 Urban Development (or the Secretary's
3 delegate);

4 (iii) the Secretary of Health and
5 Human Services (or the Secretary's dele-
6 gate); and

7 (iv) the Secretary of Commerce (or
8 the Secretary's delegate); and

9 (B) 20 members shall be appointed by the
10 President, who shall be—

11 (i) 4 persons who are officers of exist-
12 ing community development financial insti-
13 tutions;

14 (ii) 4 persons who are officers of na-
15 tional consumer or public interest organi-
16 zations;

17 (iii) 3 persons who are officers of in-
18 sured depository institutions (as such term
19 is defined in section 3 of the Federal De-
20 posit Insurance Act);

21 (iv) 2 persons who are officials of
22 State government agencies involved in
23 community development;

1 (v) 2 persons who are officials of local
2 government agencies involved in commu-
3 nity development; and

4 (vi) 5 persons who have expertise in
5 community development.

6 (2) APPOINTMENT.—The President shall first
7 appoint the members referred to in paragraph
8 (1)(B) not later than 6 months after the date of the
9 enactment of this Act.

10 (3) TERMS AND VACANCIES.—Members ap-
11 pointed by the President under paragraph (1)(B)
12 shall serve for terms of 3 years, except as provided
13 in paragraph (4) of this subsection and subsection
14 (c). Any vacancy in any position of the Board under
15 paragraph (1)(B) shall be filled by appointment by
16 the President.

17 (4) TERMS OF INITIAL APPOINTEES.—As des-
18 ignated by the President at the time of appointment,
19 of the members first appointed—

20 (A) 6 shall be appointed for terms of 1
21 year; and

22 (B) 7 shall be appointed for terms of 2
23 years.

1 (5) QUORUM.—Unless membership of the
2 Board is expanded pursuant to subsection (b), 13
3 members of the Board shall constitute a quorum.

4 (b) EXPANDED BOARD.—

5 (1) AUTHORITY.—If the Board provides for the
6 issuance of voting common stock under section 104,
7 the Board shall be composed of—

8 (A) the 24 members of the Board under
9 subsection (a)(1); and

10 (B) for every additional 71,400 shares of
11 voting common stock issued under section 104,
12 1 additional member, who shall be elected by
13 the holders of voting common stock of the Ad-
14 ministration, except that the number of mem-
15 bers of the Board elected pursuant to this sub-
16 paragraph may not at any time exceed 14.

17 (2) TERMS AND VACANCIES.—The members
18 elected by the shareholders of the Administration
19 under paragraph (1)(B) shall be elected at the an-
20 nual meeting of the voting common stockholders for
21 terms of 3 years ending on the date of such annual
22 meeting occurring 3 years after such election, except
23 as provided in paragraph (4) of this subsection and
24 subsection (c). Any position on the Board under
25 paragraph (1)(B) of this subsection that becomes

1 vacant before the expiration of the term for such po-
2 sition shall be filled by the Board, but only for the
3 remainder of such term.

4 (3) FIRST ELECTION.—The first election for
5 members referred to in paragraph (1)(B) shall be
6 held at the first annual meeting of the voting com-
7 mon stockholders of the Administration occurring
8 after the Board elects to provide for the issuance of
9 voting common stock of the Administration, pursu-
10 ant to section 104.

11 (4) TERMS OF FIRST MEMBERS ELECTED.—Of
12 the members first elected pursuant to paragraph
13 (3)—

14 (A) 4 shall be elected for terms of 1 year;
15 and

16 (B) 5 shall be elected for terms of 2 years.

17 (5) QUORUM.—If membership of the Board is
18 expanded pursuant to this subsection, 20 members
19 of the Board shall constitute a quorum.

20 (c) SERVICE AFTER EXPIRATION OF TERM.—A
21 member of the Board may serve after the expiration of
22 that member's term until a successor has taken office.

23 (d) PROHIBITION OF COMPENSATION OF FEDERAL
24 EMPLOYEES.—Members of the Board who are full-time
25 officers or employees of the United States may not receive

1 additional pay, allowances, or benefits by reason of their
2 service on the board.

3 (e) CHAIRPERSON.—The President shall appoint the
4 Chairperson of the board of directors.

5 (f) MEETINGS.—The Board shall meet annually and
6 shall meet at the call of the Chairperson or a majority
7 of its members.

8 **SEC. 103. DUTIES OF BOARD AND POWERS OF ADMINISTRA-**
9 **TION.**

10 (a) DUTIES OF BOARD.—

11 (1) IN GENERAL.—The Board shall—

12 (A) determine the general policies that
13 shall govern the operations of the Administra-
14 tion and establish the standards for carrying
15 out the programs and activities of the Adminis-
16 tration under this Act;

17 (B) select, appoint, and determine the
18 compensation of qualified persons to serve as
19 the officers of the Administration established
20 under subsection (b)(4), pursuant to the bylaws
21 of the Administration; and

22 (C) assign to such persons such executive
23 functions, powers, and duties as may be pre-
24 scribed by the bylaws of the Administration or
25 by the Board.

1 (2) EXECUTIVE OFFICERS AND FUNCTIONS.—

2 The persons elected or appointed under paragraph
3 (1)(B) shall be the executive officers of the Adminis-
4 tration and shall discharge the executive functions,
5 powers, and duties of the Administration.

6 (b) POWERS OF THE ADMINISTRATION.—The Admin-
7 istration shall be a body corporate and shall have the fol-
8 lowing powers:

9 (1) To operate under the direction of the
10 Board.

11 (2) To issue stock in the manner provided in
12 section 104.

13 (3) To adopt, alter, and use a corporate seal,
14 which shall be judicially noted.

15 (4) To provide for a chief executive officer,
16 president, chief fiscal officer, 1 or more vice presi-
17 dents, secretary, treasurer, and such other officers,
18 employees, and agents, as may be necessary, define
19 their duties and compensation levels, all without re-
20 gard to title 5, United States Code, and require sur-
21 ety bonds or make other provisions against losses oc-
22 casioned by acts of such persons.

23 (5) To prescribe and impose fees and charges
24 for services by the Administration.

1 (6) To have succession until dissolved by a law
2 enacted by the Congress.

3 (7) To prescribe bylaws, through the Board, not
4 inconsistent with this Act or any other law, that
5 shall provide for—

6 (A) the classes of the stock of the Adminis-
7 tration; and

8 (B) the manner in which—

9 (i) the stock shall be issued, trans-
10 ferred, and retired;

11 (ii) the officers, employees, and agents
12 of the Administration are selected;

13 (iii) the property of the Administra-
14 tion is acquired, held, and transferred;

15 (iv) the commitments and other finan-
16 cial assistance of the Administration are
17 made;

18 (v) the general business of the Admin-
19 istration is conducted; and

20 (vi) the privileges granted by law to
21 the Administration are exercised and en-
22 joyed.

23 (8) To carry out the programs and activities of
24 the Administration under this Act.

1 (9) To prescribe such standards as may be nec-
2 essary to carry out this Act.

3 (10) To enter into contracts and make pay-
4 ments with respect to the contracts.

5 (11) To sue and be sued in its corporate capac-
6 ity and to complain and defend in any action
7 brought by or against the Administration in any
8 State or Federal court of competent jurisdiction.

9 (12) To make and perform contracts, agree-
10 ments, and commitments.

11 (13) To acquire, hold, lease, mortgage or dis-
12 pose of, at public or private sale, real and personal
13 property, purchase or sell any securities or obliga-
14 tions, and otherwise exercise all the usual incidents
15 of ownership of property necessary and convenient to
16 the business of the Administration.

17 (14) To exercise such other incidental powers
18 as are necessary to carry out the powers, duties, and
19 functions of the Administration in accordance with
20 this Act.

21 (c) TAX-EXEMPT STATUS.—The Administration, in-
22 cluding its franchise, activities, capital, reserves, surplus,
23 and income, shall be exempt from all taxation imposed by
24 any territory, dependency, or possession of the United
25 States or by any State, county, municipality, or local tax-

1 ing authority, except that any real property of the Admin-
2 istration shall be subject to State, territorial, county, mu-
3 nicipal, or local taxation to the same extent according to
4 its value as other real property is taxed.

5 (d) FEDERAL JURISDICTION.—Notwithstanding sec-
6 tion 1349 of title 28, United States Code, or any other
7 provision of law:

8 (1) The Corporation shall be considered an
9 agency under sections 1345 and 1442 of such title.

10 (2) All civil actions to which the Corporation is
11 a party shall be deemed to arise under the laws of
12 the United States and, to the extent applicable, shall
13 be deemed to be governed by Federal common law.
14 The district courts of the United States shall have
15 original jurisdiction of all such actions, without re-
16 gard to amount of value.

17 (3) Any civil or other action, case, or con-
18 troversy in a court of a State or any court, other
19 than a district court of the United States, to which
20 the Corporation is a party may at any time before
21 trial be removed by the Corporation, without the giv-
22 ing of any bond or security—

23 (A) to the District Court of the United
24 States for the district and division embracing
25 the place where the same is pending; or

1 (B) if there is no such district court, to the
2 District Court of the United States for the dis-
3 trict in which the principal office of the Cor-
4 poration is located;
5 by following any procedure for removal for causes in
6 effect at the time of such removal.

7 (4) No attachment or execution shall be issued
8 against the Corporation or any of the property of
9 the Corporation before final judgment in any Fed-
10 eral, State, or other court.

11 (e) CONFLICTS OF INTEREST.—The Board shall
12 adopt and publish its own conflict of interest rules, which
13 shall be no less stringent in effect than the Federal Execu-
14 tive conflict of interest rules contained in Executive Order
15 11222 (18 U.S.C. 201 note) in prohibiting participation
16 or action or the use of inside information for personal ad-
17 vantage on any matter involving a corporation, trust, part-
18 nership, or cooperative organization in which a Board
19 member, officer, or employee holds a substantial financial
20 interest or holds a position as board member or senior offi-
21 cer, the activities of which organization might be relevant
22 to, competitive with, or inconsistent with the objectives of
23 the Administration. The rules established under this sub-
24 section shall require—

1 (1) each nominee for membership on the Board
2 to make public and file with the designated officer
3 of the Administration a statement of the nominee's
4 financial interest and position, if any, in such orga-
5 nization; and

6 (2) each executive officer and appointed mem-
7 ber of the Board to file with the designated officer,
8 before entering such office, a statement of the offi-
9 cer's or member's financial interest and position, if
10 any, in such organizations, which shall be available
11 for inspection upon request by any interested party.

12 **SEC. 104. CAPITALIZATION.**

13 (a) COMMON STOCK.—

14 (1) INITIAL OFFERING OF NONVOTING STOCK
15 TO TREASURY.—The members of the Board under
16 section 102(a) shall arrange for an initial offering of
17 2,000,000 shares of the nonvoting common stock of
18 the Administration. The shares initially offered shall
19 be issued only to the Secretary of the Treasury who,
20 to the extent or in such amounts as are appropriated
21 pursuant to section 108(1), purchase such shares at
22 a par value of \$50. Such shares shall not be trans-
23 ferable. Any proceeds from the sale of shares under
24 this paragraph shall be used by the Administration
25 only to carry out title III.

1 (2) SUBSEQUENT PUBLIC OFFERING OF VOTING
2 STOCK.—

3 (A) AUTHORITY AND TERMS.—If at any
4 time the Board, by vote of a majority of its
5 members so provides, the Administration may
6 issue shares of voting common stock of the Ad-
7 ministration having such par value as the
8 Board shall fix. Each share of voting common
9 stock shall be entitled to one vote with rights of
10 cumulative voting at all elections of directors.
11 Not more than 1,000,000 shares of voting com-
12 mon stock of the Administration may be out-
13 standing at any time.

14 (B) TRANSFERABILITY.—Subject to the
15 provisions of this section and such limitations
16 as the Board may impose, the voting common
17 stock issued under this paragraph shall be free-
18 ly transferable among all persons, Administra-
19 tions, and other entities, except that, as to the
20 Administration, such shares shall be transfer-
21 able only on the books of the Administration.

22 (b) DIVIDENDS.—Such dividends as may be declared
23 by the Board, in the discretion of the Board, shall be paid
24 by the Administration to the holders of the voting common

1 stock of the Administration pro rata based on the total
2 number of shares of such stock outstanding.

3 (c) AUTHORITY OF BOARD TO ESTABLISH TERMS
4 AND PROCEDURES.—Subject to the provisions of this sec-
5 tion, the Board shall adopt such terms, conditions, and
6 procedures with regard to the issue of stock under this
7 section as may be necessary and may establish limitations
8 on the concentration of ownership.

9 **SEC. 105. OBLIGATIONS.**

10 (a) AUTHORITY.—Subject to the applicable provisions
11 of chapter 91 of title 31, United States Code, the Adminis-
12 tration may borrow, give security, and issue notes, deben-
13 tures, bonds, and other obligations upon such terms and
14 conditions as the Administration may prescribe.

15 (b) LIMITATION ON OUTSTANDING OBLIGATIONS.—
16 The aggregate amount of any obligations of the Adminis-
17 tration outstanding at any 1 time may not exceed the
18 greater of (1) the amount that is 20 times the sum of
19 the Administration's capital, capital surplus, general sur-
20 plus, reserves, and undistributed earnings, or (2) such
21 other amount as the Secretary of the Treasury may
22 establish.

23 (c) PURCHASE BY SECRETARY.—

1 (1) IN GENERAL.—The Secretary of the Treas-
2 ury may purchase any obligation issued by the Ad-
3 ministration.

4 (2) LIMIT ON AGGREGATE AMOUNT OF OBLIGA-
5 TIONS HELD BY TREASURY.—The aggregate amount
6 of obligations of the Administration which may be
7 held by the Secretary of the Treasury at any time
8 shall not exceed \$250,000,000.

9 (3) TERMS AND CONDITIONS.—

10 (A) IN GENERAL.—Except as provided in
11 subparagraph (B), the purchase or sale by the
12 Secretary of any obligation of the Administra-
13 tion under this subsection shall be upon such
14 terms and conditions as the Secretary deter-
15 mines to be appropriate.

16 (B) RATE OF RETURN.—In considering
17 any term or condition for the purchase of any
18 obligation of the Administration by the Sec-
19 retary under this subsection which would deter-
20 mine the rate of return from such investment,
21 the Secretary shall take into account the aver-
22 age rate on outstanding obligations of the Unit-
23 ed States under chapter 31 of title 31, United
24 States Code, at similar maturities and rates of
25 interest as of the last day of the month preced-

1 ing the making of such purchase and may take
2 into account rates of interest up to 2 percent
3 less than the rates on such obligations.

4 **SEC. 106. MANAGEMENT REPORTS AND AUDITS.**

5 (a) IN GENERAL.—The Administration shall submit
6 such reports and conduct such audits as required of the
7 Administration under title 31, United States Code.

8 (b) AMENDMENT TO TITLE 3.—Section 9101(2) of
9 title 31, United States Code, is amended by adding at the
10 end the following new subparagraph:

11 “(N) the National Community Develop-
12 ment Administration.”.

13 **SEC. 107. REPORTS TO CONGRESS.**

14 The Administration shall annually submit a report to
15 the Congress regarding its activities and programs.

16 **SEC. 108. AUTHORIZATION OF APPROPRIATIONS.**

17 There is authorized to be appropriated to carry out
18 this Act \$200,000,000 for fiscal year 1994, of which—

19 (1) \$100,000,000 shall be available to the Sec-
20 retary of the Treasury to carry out section
21 104(a)(1);

22 (2) \$50,000,000 shall be available to the Ad-
23 ministration only to carry out title III;

24 (3) \$30,000,000 shall be available to the Ad-
25 ministration only to carry out title IV; and

1 (4) \$20,000,000 shall be available to the Ad-
2 ministration only to carry out section 501(b).
3 Any amounts appropriated pursuant to this section shall
4 remain available until expended.

5 **TITLE II—CERTIFICATION**
6 **PROGRAMS**

7 **SEC. 201. CERTIFICATION OF CDFI'S.**

8 (a) IN GENERAL.—The Administration shall carry
9 out a program to review and certify financial institutions
10 and other entities as community development financial in-
11 stitutions for purposes of this Act.

12 (b) STANDARDS.—The Board shall establish stand-
13 ards for certification of financial institutions and other en-
14 tities as community development financial institutions,
15 which shall—

16 (1) provide for the certification of—

17 (A) depository institutions (as such term is
18 defined in section 3(c) of the Federal Deposit
19 Insurance Act) and credit unions (including
20 community development credit unions, savings
21 and loan associations, and other depository in-
22 stitutions) that meet the requirements pursuant
23 to this section; and

24 (B) such other corporations, partnerships,
25 organizations, agencies, persons, and other enti-

1 ties as the Administration considers appropriate
2 (which may include for-profit and nonprofit en-
3 tities, community development loan funds,
4 microenterprise loan funds and organizations,
5 and community organizations) and that meet
6 the requirements pursuant to this section;

7 (2) require for certification that any such entity
8 have among its principal purposes making credit and
9 credit-related services available to low-income fami-
10 lies and in low-income communities and promoting
11 the development and revitalization of low-income
12 communities;

13 (3) require for certification that any such entity
14 carry out such purpose in a target community by—

15 (A) providing financing to individuals,
16 families, businesses, organizations, and other
17 entities, which may include mortgage loans,
18 loans for housing development, rehabilitation,
19 and weatherization, business development and
20 assistance loans, personal loans, operating
21 loans, construction loans, loans for community
22 and economic development activities, and other
23 repayable assistance; and

24 (B) conducting such other activities and
25 services relating to making loans (such as loan

1 counseling and servicing) as the institution con-
2 siders appropriate;

3 (4) require for certification that any such entity
4 (or the portion of such entity acting as the commu-
5 nity development financial institution) be governed
6 by a board of directors that—

7 (A) is solely responsible for determining
8 policy for the community development financial
9 institution with respect to management and op-
10 erations, lending activities, loan standards and
11 implementation, employment, asset manage-
12 ment, and any other issues; and

13 (B) includes among its members a signifi-
14 cant number of members who are individuals
15 meeting the requirements of any of clauses (i)
16 through (ii), who shall include—

17 (i) individuals who are experienced in
18 providing financial assistance or financial
19 advice to low-income individuals or resi-
20 dents, businesses, or organizations in low-
21 income neighborhoods; and

22 (ii) individuals who have significant
23 experience in serving the target community
24 served by the community development fi-

1 nancial institution or any other low-income
2 neighborhood;

3 (5) require for certification that any such entity
4 meet such standards for safety and soundness of fi-
5 nancial operations and for capital reserves as the
6 Administration shall establish; and

7 (6) provide for determining whether community
8 development financial institutions may be treated as
9 existing community development financial institu-
10 tions (pursuant to section 2(7)) for purposes of as-
11 sistance under title III.

12 (c) COORDINATION.—Notwithstanding any provision
13 of title III, the Administration shall provide for coordinat-
14 ing certification of entities as community development fi-
15 nancial institutions in connection with the submission of
16 applications by such entities for assistance to carry out
17 community development financial initiatives under title
18 III.

19 **SEC. 202. CERTIFICATION OF ENTITIES TO PROVIDE TECH-**
20 **NICAL ASSISTANCE TO CDFI'S AND SECOND-**
21 **ARY MARKET INSTITUTIONS.**

22 (a) IN GENERAL.—The Administration shall carry
23 out a program to review and certify individuals, organiza-
24 tions, and other for-profit and nonprofit entities as cer-
25 tified technical assistance providers for purposes of this

1 Act. Under the program, the Administration shall certify
2 entities that are competent to provide technical assistance
3 regarding—

4 (1) conducting community and economic devel-
5 opment activities in low-income neighborhoods;

6 (2) providing financing for such activities;

7 (3) educating individuals, businesses, and orga-
8 nizations about the capabilities and advantages of
9 community development financial institutions;

10 (4) establishing, managing, or operating com-
11 munity development financial institutions in target
12 communities and other low-income neighborhoods;

13 (5) carrying out secondary market activities
14 with respect to community development loans; and

15 (6) assisting community development financial
16 institutions to meet specific community development
17 needs in target communities, including providing job
18 training programs, assisting in optimizing compo-
19 nents of loan applications, and assisting small busi-
20 nesses to prepare business plans and obtain financial
21 management, accounting, and marketing services.

22 (b) STANDARDS.—To be eligible for certification
23 under the program established pursuant to this section,
24 an individual, organization, or other entity shall have such
25 demonstrated experience in the activities for which the in-

1 dividual, organization, or entity is to be certified, as the
2 Administration shall prescribe.

3 **TITLE III—ASSISTANCE TO COM-**
4 **MUNITY DEVELOPMENT FI-**
5 **NANCIAL INSTITUTIONS**

6 **Subtitle A—Assistance to Existing**
7 **Community Development Finan-**
8 **cial Institutions**

9 **SEC. 301. AUTHORITY.**

10 (a) PROGRAM AUTHORITY.—The Administration
11 shall establish and carry out a program under this subtitle
12 to provide assistance to existing community development
13 financial institutions, using amounts available pursuant to
14 section 108, to assist such institutions to carry out com-
15 munity development financing initiatives to stimulate
16 broad-based and long-range community development in
17 target communities and to enable such financial institu-
18 tions to obtain technical assistance regarding such activi-
19 ties from certified technical assistance providers.

20 (b) AUTHORITY TO ESTABLISH PROGRAM REQUIRE-
21 MENTS.—The Administration may establish any condi-
22 tions, terms, or requirements under the program under
23 this subtitle that the Administration considers appropriate
24 to carry out the purposes of this subtitle and that are not
25 inconsistent with the provisions of this subtitle.

1 **SEC. 302. FORMS OF ASSISTANCE TO CDFI'S.**

2 Assistance may be provided under the program to ex-
3 isting community development financial institutions in the
4 form of grants, loans, equity advances, or loan guarantees,
5 or in any other form that the Administration determines
6 is appropriate and effective. Notwithstanding any other
7 provision of law, any loan guarantee made under this title
8 by the Administration shall not constitute a guarantee,
9 debt, or obligation of the United States or any other agen-
10 cy or instrumentality of the United States, other than the
11 Administration.

12 **SEC. 303. ELIGIBLE USES OF ASSISTANCE BY CDFI'S.**

13 (a) ELIGIBLE COMMUNITY ACTIVITIES.—Except as
14 provided in subsection (c), assistance provided to an exist-
15 ing community development financial institution under
16 this subtitle may be used by the institution only to provide
17 financing for community development activities conducted
18 in accordance with a community development financing
19 initiative approved by the Administration under section
20 304. Such community development activities shall include
21 the following activities:

22 (1) REAL PROPERTY.—Acquisition or develop-
23 ment of real property that is—

24 (A) to be used for providing affordable
25 housing;

1 (B) to be made available for purchase by
2 low-income families or first-time homebuyers;

3 (C) blighted, deteriorated, deteriorating, or
4 inappropriately developed, for purposes of reha-
5 bilitating the property in accordance with a spe-
6 cific plan for rehabilitation in existence at the
7 time of acquisition or development;

8 (D) to be rehabilitated or used for con-
9 servation activities; or

10 (E) to be used as a center for senior citi-
11 zen activities, a day care center, a job training
12 site, a recreation facility, or a facility to provide
13 assistance to for-profit or non-profit businesses
14 or economic development organizations.

15 (2) CLEARANCE AND DEMOLITION.—Activities
16 involving the clearance, demolition, removal, or reha-
17 bilitation of buildings and improvements, including
18 interim assistance and financing rehabilitation of
19 privately owned properties.

20 (3) AFFORDABLE HOUSING.—Development of
21 new housing affordable to low-income families, which
22 shall include acquisition, new construction, recon-
23 struction, or moderate or substantial rehabilitation
24 of such housing, and site improvement, conversion,

1 demolition, financing, and other activities necessary
2 to develop such housing.

3 (4) SMALL BUSINESS ASSISTANCE.—Providing
4 assistance to small businesses, including financing,
5 marketing, management, business counseling, and
6 business planning assistance.

7 (5) MICROENTERPRISE ASSISTANCE.—Develop-
8 ment of microenterprises (as such term is defined in
9 section 102 of the Housing and Community Devel-
10 opment Act of 1974).

11 (6) CAPACITY BUILDING.—Activities designed
12 to enable borrowers and prospective borrowers of
13 amounts made available under this subtitle and or-
14 ganizations and entities in which such amounts are
15 invested or to be invested by such borrowers, to fa-
16 cilitate the activities under this subsection carried
17 out with such amounts and improve the effectiveness
18 of such activities.

19 (7) OTHER ACTIVITIES.—Such other commu-
20 nity development activities as the Administration
21 may prescribe generally or approve pursuant to a
22 specific community development financing initiative.

23 (b) INELIGIBLE ACTIVITIES.—Assistance provided to
24 an existing community development financial institution

1 under this subtitle may not be used, directly or indirectly,
2 for any of the following activities:

3 (1) PUBLIC FACILITIES.—Development or as-
4 sistance of public facilities not specifically referred
5 to in subsection (a), which public facilities shall in-
6 clude buildings and facilities for the general conduct
7 of government, stadiums and sports arenas, audito-
8 riums, concert halls, convention centers, museums,
9 schools, airports, subways, trolley lines, bus or other
10 transit terminals, and hospitals or other general
11 public medical facilities.

12 (2) GOVERNMENT EXPENSES.—Payment of ex-
13 penses required to carry out the general responsibil-
14 ities of any unit of general local government or
15 State.

16 (3) OPERATING AND MAINTENANCE EX-
17 PENSES.—Payment of any expense associated with
18 operating, repairing, or maintaining public facilities,
19 improvements, or services.

20 (4) POLITICAL ACTIVITIES.—Financing the use
21 of facilities or equipment for political purposes or to
22 engage in other partisan political activities.

23 (5) INCOME SUPPLEMENT PAYMENTS.—Provid-
24 ing any income payments for housing or any other
25 purpose.

1 (c) TECHNICAL ASSISTANCE.—

2 (1) IN GENERAL.—An existing community de-
3 velopment financial institution that receives assist-
4 ance under this subtitle may use such assistance to
5 obtain technical assistance from certified technical
6 assistance providers regarding the management, op-
7 eration, and activities of the financial institution,
8 but only if such use is expressly authorized by the
9 Administration in approving the community develop-
10 ment financing initiative of the institution and then
11 only to the extent provided by the Administration.

12 (2) PERMISSIBLE ASSISTANCE.—Technical as-
13 sistance obtained under this subsection may in-
14 clude—

15 (A) conducting an analysis of the market
16 of the community development financial institu-
17 tion;

18 (B) preparing business or marketing plans
19 for the community development financial insti-
20 tution;

21 (C) designing instruments, financing initia-
22 tives, and other offerings to meet the economic
23 and community development needs of the target
24 community for the institution;

1 (D) training and assistance to expand the
2 real estate and business development activities
3 of the institution;

4 (E) improving the financial management of
5 the institution;

6 (F) revising the governance of the institu-
7 tion; and

8 (G) any other technical assistance activi-
9 ties described in section 202(a) or that the Ad-
10 ministration determines are appropriate to as-
11 sist the institution to carry out the purposes of
12 this subtitle.

13 **SEC. 304. COMMUNITY DEVELOPMENT FINANCING INITIA-**
14 **TIVES.**

15 (a) REQUIREMENT FOR ASSISTANCE.—The Adminis-
16 tration may provide assistance under this subtitle only to
17 an existing community development financial institution
18 that has had a community developing financing initiative
19 reviewed and approved under this section by the Adminis-
20 tration.

21 (b) REQUIREMENTS OF INITIATIVE.—For purposes
22 of this subtitle, a community development financing initia-
23 tive shall be a plan for an existing community development
24 financial institution to provide financing to individuals,
25 businesses, organizations, or other entities to carry out eli-

1 gible community development activities under section
2 303(a) within a target community, using amounts pro-
3 vided under this subtitle and amounts from other sources
4 (including amounts required under section 305). Under an
5 initiative, financing may be limited to particular activities,
6 types of assistance, or locations.

7 (c) APPLICATION.—The Administration shall provide
8 for community development financial institutions to sub-
9 mit applications for approval of community development
10 financing initiatives under this section. Each such applica-
11 tion shall include such information as the Administration
12 considers appropriate to carry out this subtitle and ensure
13 that assistance is provided and used in accordance with
14 the provisions of this subtitle, including—

15 (1) a description of the existing community de-
16 velopment financial institution that is requesting as-
17 sistance under this subtitle and any information that
18 the Board considers necessary to indicate the finan-
19 cial soundness of the institution;

20 (2) a description of the boundaries and charac-
21 teristics of the target community in which activities
22 to be financed under the community development fi-
23 nancing initiative are to be carried out, which shall
24 include descriptions of the income characteristics of

1 the community or neighborhood and the need for the
2 initiative in the community or neighborhood;

3 (3) a description of the community development
4 activities or types of such activities to be financed
5 under the initiative;

6 (4) evidence of amounts or commitments to
7 provide amounts to supplement assistance provided
8 under this subtitle in accordance with the require-
9 ment under section 305;

10 (5) a description of any participation in devel-
11 oping or carrying out the initiative by any individ-
12 uals, businesses, organizations, and governments lo-
13 cated or interested in the community in which the
14 initiative is to be carried out; and

15 (6) a description of the type and amount of as-
16 sistance that institution is requesting from the Ad-
17 ministration.

18 (d) SELECTION.—

19 (1) IN GENERAL.—The Administration shall re-
20 view each application submitted under this section.
21 The Administration may approve a community de-
22 velopment financing initiative to receive assistance
23 under this subtitle only if the Administration deter-
24 mines that the application complies with the require-

1 ments pursuant to this section and the initiative
2 complies with the requirements pursuant to this Act.

3 (2) RATING SYSTEM.—

4 (A) USE.—The Administration shall estab-
5 lish a competitive rating system by which to
6 rank community development financing initia-
7 tives for which applications have been submitted
8 under this paragraph and shall use the rating
9 system to determine which community develop-
10 ment financing initiatives to approve for assist-
11 ance under this subtitle.

12 (B) GOALS.—The rating system shall be
13 designed to select for approval initiatives that—

14 (i) will result in significant develop-
15 ment in the communities in which such ini-
16 tiatives are to be carried out or that will
17 have significant positive effects on the
18 economies of such communities; and

19 (ii) will be carried out in a financially
20 responsible manner by community develop-
21 ment financial institutions that have the
22 capability, capacity, resources, and com-
23 mitment to provide such financing for such
24 purposes.

1 (C) IMPACT ON TARGET COMMUNITY.—

2 The rating system shall take into consideration,
3 with respect to each community development fi-
4 nancing initiative, the extent to which—

5 (i) the initiative will assist individuals,
6 businesses, and organizations within the
7 target community for the initiative;

8 (ii) the initiative is designed to meet
9 specific community and economic develop-
10 ment needs of the target community for
11 the initiative;

12 (iii) the community development fi-
13 nancial institution that will carry out the
14 initiative has previously provided financing
15 for individuals, businesses, and organiza-
16 tions within the target community for the
17 initiative;

18 (iv) amounts other than assistance
19 under this subtitle have been acquired to
20 carry out the initiative or commitments for
21 such amounts have been obtained, and the
22 rating system shall specifically provide for
23 a series of higher levels of ranking of ini-
24 tiatives based on the extent to which such

1 amounts exceed the amounts required
2 under section 305;

3 (v) individuals and organizations in
4 the target community for the initiative
5 have been involved in developing the initia-
6 tive or other activities carried out by the
7 community development financial institu-
8 tion that will carry out the initiative; and
9 (vi) the initiative comprehensively ad-
10 dresses development needs of the target
11 community.

12 **SEC. 305. MATCHING REQUIREMENT.**

13 (a) IN GENERAL.—The Administration may not pro-
14 vide assistance under this subtitle in any form to any com-
15 munity development financial institution in an amount in
16 excess of the amount that the institution certifies, as the
17 Administration shall require, that the institution will con-
18 tribute from non-Federal sources to the community devel-
19 opment financing initiative to be assisted under this sub-
20 title.

21 (b) PROHIBITION OF SUBSTITUTION OF FUNDS.—A
22 community development financial institution may use as-
23 sistance received under this Act only so as to supplement
24 and increase any amounts that would, in the absence of
25 assistance provided under this subtitle, be made available

1 for carrying out the community development initiative of
2 the institution from other sources, and in no case may
3 such assistance be used so as to supplant amounts for
4 such purpose from other sources.

5 **Subtitle B—Assistance to Establish**
6 **Community Development Finan-**
7 **cial Institutions**

8 **SEC. 321. PROGRAM AUTHORITY.**

9 The Administration shall establish and carry out a
10 program to provide assistance to nonprofit and for-profit
11 organizations for the establishment of community develop-
12 ment financial institutions. Any institution established
13 with assistance provided under this subtitle shall be estab-
14 lished for the purpose of providing financing for commu-
15 nity development activities described in section 303(a).
16 The Administration shall provide for such organizations
17 to submit applications for assistance under this subtitle,
18 which shall be in such form and contain such information
19 as the Administration shall provide.

20 **SEC. 322. PROGRAM REQUIREMENTS.**

21 The Administration shall require that—

22 (1) the program carried out under this subtitle
23 shall be, to the extent practicable, consistent with
24 the provisions of subtitle A; and

1 (2) any financial institution receiving assistance
2 provided under this subtitle shall carry out a com-
3 munity development financing initiative approved by
4 the Administration for a target community.

5 **TITLE IV—ASSISTANCE FOR**
6 **COMMUNITY DEVELOPMENT**
7 **SECONDARY MARKET INSTI-**
8 **TUTIONS**

9 **SEC. 401. AUTHORITY.**

10 (a) PROGRAM AUTHORITY.—The Administration
11 shall establish and carry out a program under this title
12 to provide assistance to secondary market institutions,
13 using amounts available pursuant to section 108 and sec-
14 tion 407, to assist such institutions to—

15 (1) establish a secondary market for community
16 development loans and provide stability for such
17 market; and

18 (2) increase the liquidity of community develop-
19 ment investments and improve the distribution of in-
20 vestment capital available for community develop-
21 ment financing.

22 (b) AUTHORITY TO ESTABLISH PROGRAM REQUIRE-
23 MENTS.—The Administration may establish any condi-
24 tions, terms, or requirements under the program under
25 this title that the Administration considers appropriate to

1 carry out the purposes of this title and that are not incon-
2 sistent with the provisions of this title.

3 **SEC. 402. ELIGIBLE USES OF ASSISTANCE.**

4 (a) IN GENERAL.—Assistance under this title may be
5 used by the secondary market institution receiving the as-
6 sistance only for the following purposes:

7 (1) CAPITAL FOR SECONDARY MARKET ACTIVI-
8 TIES.—To carry out secondary market activities
9 under the secondary market initiative for the institu-
10 tion approved by the Administration pursuant to
11 section 405.

12 (2) TECHNICAL ASSISTANCE.—To obtain tech-
13 nical assistance from certified technical assistance
14 providers regarding the management, operation, and
15 activities of the secondary market institution, but
16 only if such use is expressly authorized by the Ad-
17 ministration in approving the secondary market ini-
18 tiative of the institution and then only to the extent
19 provided by the Administration.

20 (b) SECONDARY MARKET ACTIVITIES.—For purposes
21 of this title, secondary market activities shall include such
22 activities as the Administration shall prescribe, including
23 the following:

1 (1) LOAN PURCHASE.—Purchasing of commu-
2 nity development loans and making of commitments
3 to purchase such loans.

4 (2) LOAN PORTFOLIOS AND DEALING.—Main-
5 taining a portfolio of community development loans
6 and otherwise dealing in and disposing of such
7 loans.

8 (3) LENDING.—Lending on the security of, and
9 to make commitments to lend on the security of,
10 community development loans.

11 (4) SECURITIES.—Issuing securities represent-
12 ing interests in, or secured by, a pool of community
13 development loans held by the secondary market in-
14 stitution.

15 (5) GUARANTEE OF SECURITIES.—Guarantee-
16 ing the timely payment of principal and interest on
17 securities representing interests in, or secured by, a
18 pool of community development loans.

19 **SEC. 403. COMMUNITY DEVELOPMENT LOANS.**

20 For purposes of this title, the term “community de-
21 velopment loan” means a loan—

22 (1) made for the purpose of carrying out, with-
23 in a target community—

24 (A) a community development activity re-
25 ferred to in section 303(a);

1 (B) an activity generally prescribed by the
2 Administration as an eligible community devel-
3 opment activity under section 303(a)(7); or

4 (C) any other activity approved by the Ad-
5 ministration as a community development activ-
6 ity pursuant to a specific secondary marketing
7 initiative;

8 (2) that meets such standards and requirements
9 as the Administration shall establish.

10 **SEC. 404. STANDARDS FOR SECONDARY MARKET INSTITU-**
11 **TIONS.**

12 (a) IN GENERAL.—For purposes of this title, a sec-
13 ondary market institution shall be an organization, agen-
14 cy, corporation, or other entity engaged primarily in sec-
15 ondary market activities with respect to community devel-
16 opment and similar loans that meet such standards and
17 requirements as the Administration shall establish, which
18 shall include standards and requirements regarding own-
19 ership, organization, management, capital reserves, invest-
20 ments, functions and activities, accounting practices, and
21 reporting.

22 (b) SECONDARY MARKET ACTIVITIES.—To be eligible
23 to receive assistance under this title, a secondary market
24 institution shall comply with such standards and qualifica-
25 tions and shall operate in accordance with such guidelines,

1 as the Administration shall establish regarding the second-
2 ary market activities under section 402(b). Such stand-
3 ards and guidelines shall provide that a secondary market
4 institution receiving such assistance may purchase, hold,
5 securitize, or lend on the security of community develop-
6 ment loans—

7 (1) only from sellers and servicers meeting such
8 standards and requirements as the Administration
9 shall establish, which may include standards and re-
10 quirements regarding, among other things, (A) mini-
11 mum net worth, (B) supervisory mechanisms, (C)
12 warranty compensation mechanisms, (D) prior ap-
13 proval of facilities, (E) prior origination and servic-
14 ing experience with respect to different types of
15 loans, (F) capital contributions and substitutes, (G)
16 loan purchase volume limits, and (H) reduction of
17 loan purchases during periods of borrowing;

18 (2) that are of such quality, type, and class as
19 the Administration shall provide; and

20 (3) that have original principal obligations not
21 exceeding such maximum amounts as the Adminis-
22 tration shall establish for various qualities, types,
23 and classes of loans.

1 **SEC. 405. SECONDARY MARKET INITIATIVES.**

2 (a) REQUIREMENT FOR ASSISTANCE.—The Adminis-
3 tration may provide assistance under this title only to a
4 secondary market institution that has had a secondary
5 market initiative reviewed and approved under this section
6 by the Administration.

7 (b) REQUIREMENTS OF INITIATIVE.—For purposes
8 of this title, a secondary market initiative shall be a plan
9 for a secondary market institution to carry out eligible sec-
10 ondary market activities under section 402(b) within a
11 specified area or region within the States or with respect
12 to specified types of community development loans, using
13 amounts provided under this title and amounts from other
14 sources (including amounts required under section 406).

15 (c) APPLICATION.—The Administration shall provide
16 for secondary market institutions to submit applications
17 for approval of secondary market initiatives under this
18 section. Each such application shall include such informa-
19 tion as the Administration considers appropriate to carry
20 out this title and shall ensure that assistance amounts are
21 provided and used in accordance with the requirements
22 pursuant to this title.

23 (d) SELECTION.—

24 (1) IN GENERAL.—The Administration shall re-
25 view each application submitted under this section.

26 The Administration may approve a secondary mar-

1 ket initiative to receive assistance under this title
2 only if the Administration determines that the appli-
3 cation complies with the requirements pursuant to
4 this section and the initiative complies with the re-
5 quirements pursuant to this title.

6 (2) LIMITATIONS.—In selecting secondary mar-
7 ket initiatives to approve to receive assistance under
8 this title, the Administration shall attempt to ensure
9 that each such initiative is carried out with respect
10 to a geographic area or region, or types of commu-
11 nity development loan, that is not the primary re-
12 gion or loan classification for any other secondary
13 market initiative approved and receiving assistance
14 under this title.

15 (3) PREFERENCES.—In selecting secondary
16 market initiatives to approve to receive assistance
17 under this title, the Administration shall take into
18 consideration the extent to which amounts other
19 than assistance under this title have been acquired
20 to carry out the initiative or commitments for such
21 amounts have been obtained, and shall specifically
22 provide for a series of higher levels of ranking of ini-
23 tiatives based on the extent to which such amounts
24 exceed the amounts required under section 406.

1 **SEC. 406. MATCHING REQUIREMENT.**

2 (a) IN GENERAL.—The Administration may not pro-
3 vide assistance under this title to any secondary market
4 institution in an amount in excess of the amount that the
5 institution certifies, as the Administration shall require,
6 that the institution will contribute from non-Federal
7 sources to the secondary market initiative to be assisted
8 under this title.

9 (b) PROHIBITION OF SUBSTITUTION OF FUNDS.—A
10 secondary market institution may use assistance received
11 under this title only so as to supplement and increase any
12 amounts that would, in the absence of assistance provided
13 under this title, be made available for carrying out the
14 secondary market initiative of the institution from other
15 sources, and in no case may such assistance be used so
16 as to supplant amounts for such purpose from other
17 sources.

18 **SEC. 407. TAX-EXEMPT BOND FINANCING FOR SECONDARY**
19 **MARKET INSTITUTIONS.**

20 (a) AUTHORITY.—The Administration may issue
21 such bonds and other obligations the proceeds of which
22 shall be used to provide assistance under this title to sec-
23 ondary market institutions in the form of loans for carry-
24 ing out secondary market initiatives approved under sec-
25 tion 405. In determining the terms and conditions of re-
26 payment of any loan financed with the proceeds of any

1 bonds or obligations issued pursuant to this section, the
2 Administration shall consider the terms and conditions of
3 such bonds or obligations. Any bonds or obligations shall
4 be issued under this section only upon the approval of the
5 Secretary of the Treasury.

6 (b) TERMS.—Bonds and other obligations guaranteed
7 pursuant to this section shall be in such form and denomi-
8 nation, have such maturities, be redeemable, bear interest
9 at such rates, and be subject to such conditions, as the
10 Administration shall provide by regulation, with the ap-
11 proval of the Secretary of the Treasury.

12 (c) TAX-EXEMPT STATUS.—Notwithstanding any
13 other provision of law, any interest on any bond or other
14 obligation issued under this section shall be exempt from
15 tax under subtitle A of the Internal Revenue Code of
16 1986.

17 **SEC. 408. COORDINATION WITH SECONDARY MORTGAGE**
18 **MARKET ENTITIES.**

19 In carrying out this title, the Administration shall
20 consult with the Federal National Mortgage Association,
21 the Federal Home Loan Mortgage Corporation, and other
22 appropriate entities and shall, to the extent feasible, co-
23 ordinate the activities under the program under this title
24 to carry out the purposes of this title.

1 **TITLE V—COMMUNITY DEVEL-**
2 **OPMENT INDIVIDUAL INVEST-**
3 **MENT CERTIFICATES**

4 **SEC. 501. AUTHORIZATION TO ISSUE.**

5 (a) IN GENERAL.—Any community development
6 credit union or community development bank may issue
7 certificates of indebtedness to be known as “Community
8 Development Individual Investment Certificates”. Such
9 Certificates shall be issued by any such credit union in
10 a manner designed to ensure that at least 35 percent of
11 the Investment Certificates issued by such institution are
12 issued to persons within its area of business or to organi-
13 zations exempt from tax under chapter 1 of the Internal
14 Revenue Code of 1986. Notwithstanding any provision of
15 law other than the preceding sentence, there shall be no
16 limitation on type or location of persons to which such
17 Certificates may be issued.

18 (b) PROMOTION OF CERTIFICATES BY ADMINISTRA-
19 TION.—The Administration shall carry out a program to
20 promote the use of Community Development Individual
21 Investment Certificates to institutions eligible to issue
22 such Certificates.

1 **SEC. 502. LIMITATION ON AMOUNT ISSUED TO ANY PER-**
2 **SON.**

3 The aggregate amount of Investment Certificates is-
4 sued to any individual during any calendar year shall not
5 exceed \$2,500 (\$3,200 in the case of a married couple).
6 The aggregate amount of Investment Certificates issued
7 to any entity during any calendar year shall not exceed
8 \$100,000.

9 **SEC. 503. TERMS OF ISSUANCE.**

10 (a) DISCOUNT BASIS.—Investment Certificates shall
11 be issued—

12 (1) on a discount basis;

13 (2) with a fixed term of 4 years (8 years in the
14 case of a Certificate issued to an entity), except that
15 any such Certificate may be redeemed before its ma-
16 turity for an amount equal to its redemption value
17 (as of such time) reduced by any reasonable prepay-
18 ment penalty specified by the issuer;

19 (3) with an investment yield determined by the
20 issuer; and

21 (4) on a nontransferable basis.

22 For purposes of paragraph (2), the redemption value
23 of any Certificate as of any time is an amount equal
24 to the sum of its issue price and the portion of the
25 original issue discount which has accrued before

1 such time (as determined under the principles of sec-
2 tion 1272(a) of the Internal Revenue Code of 1986).

3 (b) CERTAIN EARLY REDEMPTIONS WITHOUT PRE-
4 PAYMENT PENALTY.—

5 (1) IN GENERAL.—Notwithstanding subsection
6 (a), any Investment Certificate may be redeemed be-
7 fore its maturity without any prepayment penalty if
8 the proceeds from such redemption are to be used
9 for a qualified purpose.

10 (2) QUALIFIED PURPOSE.—For purposes of
11 paragraph (1), the term “qualified purpose”
12 means—

13 (A) any payment of qualified acquisition
14 costs with respect to a principal residence of a
15 first-time homebuyer who is the individual re-
16 ceiving the proceeds of the redemption, or the
17 spouse, child, or grandchild of such individual;

18 (B) any payment of qualified higher edu-
19 cation expenses; or

20 (C) any use to capitalize a trade or small
21 business carried on (directly or through a cor-
22 poration or other entity) by an individual de-
23 scribed in subparagraph (A).

1 For purposes of paragraph (1), any redemption after
2 the individual has attained age 59½ shall be treated
3 as a redemption for a qualified purpose.

4 (c) QUALIFIED ACQUISITION COSTS.—For purposes
5 of this section, the term ‘qualified acquisition costs’ means
6 the costs of acquiring, constructing, or reconstructing a
7 residence. Such term includes any usual or reasonable set-
8 tlement, financing, or other closing costs.

9 (d) QUALIFIED HIGHER EDUCATION EXPENSES.—
10 For purposes of this section, the term “qualified higher
11 education expenses” means tuition, fees, books, supplies,
12 and equipment required for the enrollment or attendance
13 of—

14 (1) the individual receiving the proceeds of the
15 redemption,

16 (2) such individual’s spouse, or

17 (3) such individual’s child (as defined in section
18 151(c)(3) of the Internal Revenue Code of 1986) or
19 grandchild,

20 at an eligible educational institution (as defined in section
21 135(c)(3) of the Internal Revenue Code of 1986).

22 **SEC. 504. TAX TREATMENT.**

23 For purposes of the Internal Revenue Code of
24 1986—

1 (1) section 1271 of such Code (requiring cur-
2 rent inclusion of accrued original issue discount)
3 shall not apply to any Investment Certificate; and
4 (2) except as provided in section 454 of such
5 Code, any income from an Investment Certificate
6 shall be included in gross income only when such
7 Certificate is redeemed.

○

HR 2250 IH——2

HR 2250 IH——3

HR 2250 IH——4

HR 2250 IH——5