

103D CONGRESS  
1ST SESSION

# S. 861

To provide assistance to community development financial institutions, and  
for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 30 (legislative day, APRIL 19), 1993

Mr. BRADLEY (for himself, Mr. BIDEN, Mrs. BOXER, Mr. BRYAN, Mrs. FEINSTEIN, Mr. HOLLINGS, Mr. KOHL, Mr. KERREY, Ms. MIKULSKI, Ms. MOSELEY-BRAUN, Mr. REID, Mr. ROBB, Mr. ROCKEFELLER, Mr. SIMON, Mr. WELLSTONE, Mr. KERRY, Mr. LIEBERMAN, and Mr. HATCH) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To provide assistance to community development financial  
institutions, 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,*

### 3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Community Capital Partnership Act of 1993”.

6 (b) TABLE OF CONTENTS.—

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Community Investment Corporation demonstration amendments.
- Sec. 4. Community development credit union assistance.
- Sec. 5. Community development banking transition assistance.

Sec. 6. Federal assistance to community development loan and investment funds.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—The Congress finds that—

3 (1) access to credit is essential to eliminating  
4 poverty and alleviating economically-distressed com-  
5 munities ;

6 (2) many small- and medium-size businesses,  
7 low-income individuals, and economically-distressed  
8 areas lack adequate access to credit and private cap-  
9 ital;

10 (3) community development banks, community  
11 development loan funds, community development  
12 credit unions, micro-enterprise loan funds, and com-  
13 munity development corporations have all been in-  
14 strumental in channeling private capital to economi-  
15 cally-distressed areas;

16 (4) the investments of these community devel-  
17 opment financial institutions have resulted in the de-  
18 velopment of areas that are not currently being ade-  
19 quately served by traditional financial institutions;

20 (5) community development financial institu-  
21 tions often provide a link between conventional lend-  
22 ing institutions and unconventional borrowers by  
23 creating new markets for the lenders while giving  
24 the borrowers access to capital; and

1           (6) the Federal Government can assist in the  
2           development of community development financial in-  
3           stitutions by providing capital and operating assist-  
4           ance.

5           (b) PURPOSE.—The purpose of this Act is to provide  
6           Federal assistance to community development financial in-  
7           stitutions to better enable them to broaden their develop-  
8           ment activities.

9           **SEC. 3. COMMUNITY INVESTMENT CORPORATION DEM-**  
10           **ONSTRATION AMENDMENTS.**

11           (a) DEFINITION OF ELIGIBLE ORGANIZATION.—Sec-  
12           tion 853(b)(3)(D)(i) of the Housing and Community De-  
13           velopment Act of 1992 (42 U.S.C. 5305(b)(3)(D)(i)) is  
14           amended—

15                   (1) by striking “or” at the end of subclause (I);  
16           and

17                   (2) by adding at the end the following:

18                               “(III) a Federal or State credit  
19                               union, as defined in section 101 of the  
20                               Federal Credit Union Act (12 U.S.C.  
21                               1752);

22                               “(IV) a nonprofit organization,  
23                               as provided for under section  
24                               501(c)(3) of the Internal Revenue  
25                               Code of 1986, which acts primarily as

1 a financial intermediary that routinely  
2 takes in funds from many sources in  
3 the form of grants, deposits, or loans,  
4 and routinely lends these funds out or  
5 makes equity investments with these  
6 funds; or

7 “(V) a depository institution that  
8 is not owned by a depository institu-  
9 tion holding company, as both terms  
10 are defined in section 3 of the Federal  
11 Deposit Insurance Act (12 U.S.C.  
12 1813).”.

13 (b) SELECTION CRITERIA.—Section 853(b)(4) of the  
14 Housing and Community Development Act of 1992 is  
15 amended—

16 (1) by striking “and” at the end of subpara-  
17 graph (G);

18 (2) by striking the period at the end of sub-  
19 paragraph (H) and inserting a semicolon;

20 (3) by adding at the end of subparagraph (D)  
21 the following: “, as

22 “measured by—

23 “(i) the number of federally insured  
24 depository institutions serving the area;

1           “(ii) the incidence of poverty in gen-  
2           eral and among specific racial and ethnic  
3           groups in the area; and

4           “(iii) the degree of unemployment in  
5           general and among specific ethnic groups  
6           in the area;”; and

7           (4) by adding at the end the following new sub-  
8           paragraphs:

9           “(I) with respect to federally regulated fi-  
10          nancial institutions, such institutions’ record of  
11          complying with all requirements of the appro-  
12          priate Federal supervisory agencies; and

13          “(J) the financial condition of the appli-  
14          cant.”.

15          (c) CAPITAL ASSISTANCE.—Section 853(b)(7)(A) of  
16          the Housing and Community Development Act of 1992  
17          is amended to read as follows:

18                 “(A) IN GENERAL.—The Secretary shall  
19                 make grants and loans to eligible organiza-  
20                 tions.”.

21          (d) AUTHORIZATION.—Section 853(b)(7)(D) of the  
22          Housing and Community Development Act of 1992 is  
23          amended by striking “\$26,000,000” and inserting  
24          “\$50,000,000”.

1 (e) CAPITAL REQUIREMENTS.—Section 853(b)(7) of  
 2 the Housing and Community Development Act of 1992  
 3 is amended—

4 (1) by striking subparagraph (C); and

5 (2) by redesignating subparagraph (D) as sub-  
 6 paragraph (C).

7 (f) DEVELOPMENT SERVICES AND TECHNICAL AS-  
 8 SISTANCE GRANTS.—Section 853(b)(8)(B) of the Housing  
 9 and Community Development Act of 1992 is amended by  
 10 striking “\$15,600,000” and inserting “\$25,000,000”.

11 (g) TRAINING PROGRAM.—Section 853(b)(9)(B) of  
 12 the Housing and Community Development Act of 1992  
 13 is amended by striking “\$2,100,000” and inserting  
 14 “\$5,000,000”.

15 **SEC. 4. COMMUNITY DEVELOPMENT CREDIT UNION ASSIST-**  
 16 **ANCE.**

17 (a) IN GENERAL.—The Federal Credit Union Act is  
 18 amended by inserting after section 129 (12 U.S.C. 1772c)  
 19 the following new section:

20 **“SEC. 130. COMMUNITY DEVELOPMENT REVOLVING LOAN**  
 21 **FUND FOR CREDIT UNIONS.**

22 “(a) AUTHORIZATION OF APPROPRIATIONS.—There  
 23 is authorized to be appropriated \$25,000,000 for the pur-  
 24 poses of the Community Development Revolving Loan  
 25 Fund.

1       “(b) INVESTMENT OF FUNDS.—The Board may in-  
 2 vest any idle Fund moneys in United States Treasury se-  
 3 curities. Any interest accrued on such securities shall be-  
 4 come a part of the Fund.

5       “(c) AUTHORITY.—Notwithstanding any other provi-  
 6 sion of law, the Board may exercise the authority granted  
 7 it by the Community Development Credit Union Revolving  
 8 Loan Fund Transfer Act (Public Law 99–609, sec. 1,  
 9 Nov. 6, 1986, 100 Stat. 3475), including any additional  
 10 appropriations made and earnings accrued, subject only  
 11 to this section and to rules and regulations prescribed by  
 12 the Board.”.

13       (b) CONFORMING AMENDMENT.—The Federal Credit  
 14 Union Act is amended by striking section 120(k) (12  
 15 U.S.C. 1766(k)).

16 **SEC. 5. COMMUNITY DEVELOPMENT BANKING TRANSITION**  
 17 **ASSISTANCE.**

18       (a) IN GENERAL.—The Secretary of Housing and  
 19 Urban Development (hereafter in this Act referred to as  
 20 the “Secretary”) may provide capital and operating assist-  
 21 ance to—

- 22           (1) existing community development banks to
- 23           expand their activities; and
- 24           (2) community development financial institu-
- 25           tions and community development corporations to

1 assist such institutions to expand into community  
2 development banks.

3 (b) DEFINITION OF COMMUNITY DEVELOPMENT

4 BANK.—For the purposes of this Act, the term “commu-  
5 nity development bank” means an organization—

6 (1) that owns, controls, is affiliated with, or is  
7 a federally insured depository institution which is  
8 regulated by a Federal financial supervisory agency;

9 (2) owns, controls, or is affiliated with at least  
10 one or more subsidiaries or affiliated organizations  
11 that supplement the depository institution’s lending  
12 with technical assistance, direct community develop-  
13 ment activities, or higher risk financing;

14 (3) whose primary or sole mission is to revital-  
15 ize a targeted geographic area;

16 (4) that maintains through significant represen-  
17 tation on its governing board and otherwise, ac-  
18 countability to community residents; and

19 (5) that has principals active in the implemen-  
20 tation of its programs who possess significant expe-  
21 rience in lending and the development of affordable  
22 housing, small business development, or community  
23 revitalization.

24 (c) ELIGIBILITY FOR TRANSITION ASSISTANCE.—



1           (1) IN GENERAL.—The Secretary may provide  
2 transition assistance to any institution, corporation,  
3 or nonprofit community development organization  
4 that is eligible for assistance under section  
5 853(b)(3)(D) of the Housing and Community Devel-  
6 opment Act of 1992 (42 U.S.C. 5305(b)(3)(D)  
7 note), or to a community development corporation as  
8 defined in paragraph (2).

9           (2) DEFINITION.—For the purposes of this sub-  
10 section, the term “community development corpora-  
11 tion” means a private, nonprofit corporation—

12                   (A) the principal purpose of which includes  
13 providing housing or community economic de-  
14 velopment projects that primarily benefit low-in-  
15 come individuals and communities;

16                   (B) that is not owned or controlled by a  
17 depository institution holding company, as de-  
18 fined in section 3 of the Federal Deposit Insur-  
19 ance Act (12 U.S.C. 1813); and

20                   (C) that matches dollar-for-dollar any as-  
21 sistance received under this section with funds  
22 from non-Federal sources.

23       (d) SELECTION CRITERIA.—

24           (1) IN GENERAL.—The Secretary shall select  
25 organizations to provide assistance under this sec-

1       tion based on the selection criteria set forth in sec-  
2       tion 853(b)(4) of the Housing and Community  
3       Development Act of 1992 and additional applicable  
4       selection criteria set forth in paragraph (2).

5               (2) ADDITIONAL SELECTION CRITERIA.—

6                       (A) SELECTION CRITERIA FOR ESTAB-  
7                       LISHED COMMUNITY DEVELOPMENT BANKS.—

8       In addition to the selection criteria set forth in  
9       paragraph (1), the Secretary shall select eligible  
10      community development banks based on—

11                   (i) the potential for the institution to  
12                   expand the scale and range of its develop-  
13                   ment lending;

14                   (ii) the potential for growth in depos-  
15                   its due to increases in the institution's cap-  
16                   ital base;

17                   (iii) the potential for the development  
18                   of new loan products and services which  
19                   could be replicated by other lenders; and

20                   (iv) the potential for refinement of  
21                   staff skills and increased organizational  
22                   self-sufficiency.

23                   (B) SELECTION CRITERIA FOR  
24                   NONDEPOSITORY LENDING INSTITUTIONS.—In  
25                   addition to the selection criteria set forth in

1 paragraph (1), the Secretary shall select eligible  
2 nondepository lending institutions based on—

3 (i) the potential for expansion of the  
4 institution's existing lending targets;

5 (ii) the potential for the institution to  
6 develop banking products and services;

7 (iii) the potential for the institution to  
8 expand its systems, networks, and capac-  
9 ity;

10 (iv) the potential for refinement of  
11 staff skills; and

12 (v) the potential for the institution to  
13 add a depository component by chartering  
14 a new depository institution, merging or  
15 affiliating with an existing depository insti-  
16 tution, or buying a controlling interest in  
17 a stockholder-owned depository institution.

18 (C) SELECTION CRITERIA FOR EXISTING  
19 COMMUNITY DEVELOPMENT CREDIT UNIONS.—

20 In addition to the selection criteria set forth in  
21 paragraph (1), the Secretary shall select eligible  
22 community development credit unions based  
23 on—

24 (i) the potential for expansion of the  
25 institution's existing lending activities;

1 (ii) the potential for the institution to  
2 expand its capacity to undertake sophisti-  
3 cated financing and development services  
4 activities;

5 (iii) the potential for the institution to  
6 expand its deposit base; and

7 (iv) the potential for refinement of  
8 staff skills.

9 (D) SELECTION CRITERIA FOR EXISTING  
10 COMMUNITY DEVELOPMENT CORPORATIONS  
11 NOT ENGAGED IN DEVELOPING LENDING.—In  
12 addition to the selection criteria set forth in  
13 paragraph (1), the Secretary shall select eligible  
14 community development corporations that are  
15 not engaged in development lending based on—

16 (i) the potential for the institution to  
17 undertake development lending;

18 (ii) the potential for the institution to  
19 charter, acquire, or affiliate with a develop-  
20 ment lending institution;

21 (iii) the potential for the institution to  
22 expand its systems, network, and capacity;  
23 and

24 (iv) the potential for refinement of  
25 staff skills.

1 (e) COURSE-OF-ACTION STATEMENT.—

2 (1) IN GENERAL.—The Secretary shall also  
3 base the selection of applicants on a course-of-action  
4 statement submitted by eligible institutions that  
5 describes how the applicant satisfies the selection  
6 criteria set forth in subsection (d), and, where appli-  
7 cable, how the applicant intends to become a com-  
8 munity development bank.

9 (2) IN PARTICULAR.—Each course-of-action  
10 statement shall outline specifically how and over  
11 what time period the applicant will achieve the goals  
12 set out in subsection (d) that apply to the particular  
13 applicant and how the applicant plans to develop  
14 into a community development bank, if applicable.

15 (f) ASSISTANCE.—Assistance available shall be in the  
16 form of operating assistance or capital assistance, and  
17 may vary depending on the recipient's organizational type  
18 or stage of development toward the community develop-  
19 ment banking model. The Secretary may determine the  
20 terms and conditions of such assistance, consistent with  
21 the purposes of this Act.

22 (g) ELIGIBLE ACTIVITIES.—

23 (1) CAPITAL ASSISTANCE.—Capital assistance  
24 provided under this section may only be used to—

1 (A) increase the amount of capital avail-  
2 able to make loans;

3 (B) provide funds for equity investments in  
4 projects;

5 (C) provide credit enhancement;

6 (D) increase an institution's development  
7 lending activities; or

8 (E) further other activities that the Sec-  
9 retary deems appropriate.

10 (2) OPERATING ASSISTANCE.—Operating assist-  
11 ance provided under this section may only be used  
12 to assist in—

13 (A) marketing and management activities;

14 (B) business planning and counseling serv-  
15 ices;

16 (C) staff training;

17 (D) planning the transition of the institu-  
18 tion from its current activities to community  
19 development banking; or

20 (E) other capacity building activities which  
21 the Secretary deems appropriate.

22 (h) PERFORMANCE STANDARDS.—

23 (1) IN GENERAL.—As a condition of assistance,  
24 the Secretary shall negotiate performance standards  
25 with each applicant based on the applicant's course-

1 of-action statement and other factors consistent with  
2 the criteria set forth in subsection (d) that the Sec-  
3 retary deems appropriate. These performance stand-  
4 ards shall be met by the applicant over a period of  
5 time to be determined by the Secretary.

6 (2) IN PARTICULAR.—In addition to other is-  
7 sues deemed appropriate by the Secretary, perform-  
8 ance standards shall relate to an applicant's—

9 (A) lending volume;

10 (B) portfolio performance;

11 (C) staff development; and

12 (D) service to traditionally underserved  
13 communities within the applicant's targeted ge-  
14 ographic area.

15 (3) FAILURE TO MEET PERFORMANCE STAND-  
16 ARDS.—The Secretary may deny funding to an ap-  
17 plicant if the Secretary determines that the appli-  
18 cant has not satisfactorily met performance stand-  
19 ards negotiated pursuant to this subsection.

20 (i) ACTIVITIES REQUIRED.—All eligible organizations  
21 receiving assistance under this Act shall engage in activi-  
22 ties that provide access to capital for initiatives that bene-  
23 fit residents and businesses in targeted geographic areas.

1       (j) AUTHORIZATION.—There are authorized to be ap-  
2       propriated \$400,000,000 for fiscal years 1994 through  
3       1997 for the purpose of carrying out this section.

4       (k) EVALUATION AND REPORT.—The Secretary shall  
5       submit to the Congress an annual report containing a  
6       summary of the activities carried out under this section  
7       during the fiscal year and any preliminary findings or con-  
8       clusions.

9       (l) REGULATIONS.—

10           (1) BY THE SECRETARY.—Not later than 6  
11       months after the date of enactment of this Act, the  
12       Secretary shall issue such regulations as may be nec-  
13       essary to carry out the provisions of this subsection.

14           (2) BY OTHER AGENCIES.—The appropriate  
15       Federal financial supervisory agency, by regulation  
16       or order—

17           (A) may restrict any regulated financial in-  
18       stitution's receipt of an extension of credit  
19       from, or investment by, an eligible organization;

20           (B) may restrict the making, by a regu-  
21       lated financial institution or holding company,  
22       of an extension of credit to, or investment in,  
23       an eligible organization; and



1 (C) shall prohibit any transaction that  
2 poses an undue risk to the affected deposit in-  
3 surance fund.

4 (3) COORDINATION.—To the extent practicable,  
5 the Secretary and the Federal financial supervisory  
6 agencies shall coordinate the development of regula-  
7 tions and other program guidelines.

8 (m) ADVISORY BOARD.—In establishing require-  
9 ments to carry out this section and considering applica-  
10 tions under this section, the Secretary shall consult with  
11 the advisory board established pursuant to section  
12 853(b)(11) of the Housing and Community Development  
13 Act of 1992.

14 (n) SAFETY AND SOUNDNESS OF INSURED DEPOSI-  
15 TORIES.—Nothing in this section shall limit the applicabil-  
16 ity of other law relating to the safe and sound operation  
17 and management of a regulated financial institution (or  
18 a holding company) affiliated with an eligible organization  
19 or receiving assistance provided under this section.

20 **SEC. 6. FEDERAL ASSISTANCE TO COMMUNITY DEVELOP-**  
21 **MENT LOAN AND INVESTMENT FUNDS.**

22 (a) IN GENERAL.—The Secretary may make grants  
23 to nonprofit community development loan and equity  
24 funds that meet the requirements of this section.

1 (b) AMOUNT OF GRANTS.—A grant under this sec-  
2 tion may not exceed \$1,000,000 to each recipient.

3 (c) ELIGIBILITY.—The Secretary may make grants  
4 to any nonprofit community development loan or equity  
5 fund that—

6 (1) is a nonprofit organization;

7 (2) acts primarily as a financial intermediary  
8 that routinely takes in funds from many sources in  
9 the form of grants, deposits, or loans;

10 (3) that routinely lends or invests these funds  
11 out in amounts of between \$25,000 and \$250,000;

12 (4) that has as its primary mission the revital-  
13 ization of a targeted geographic area;

14 (5) that maintains, through significant rep-  
15 resentation on its governing board and otherwise, ac-  
16 countability to community residents;

17 (6) that has principals active in the implemen-  
18 tation of its programs who possess significant expe-  
19 rience in lending and the development of affordable  
20 housing, small business development, or community  
21 revitalization;

22 (7) that directly or through a subsidiary or af-  
23 filiate carries out development services; and

24 (8) that will match any assistance received dol-  
25 lar-for-dollar with non-Federal sources of funds.

1       (d) SELECTION CRITERIA.—The Secretary shall se-  
2 lect eligible organizations from among applications sub-  
3 mitted based on—

4           (1) the capacity of the eligible organization to  
5 carry out the purposes of this section;

6           (2) the range and comprehensiveness of lending,  
7 investment strategies, and development services to  
8 be offered by the organization directly or through its  
9 subsidiaries and affiliates;

10          (3) the types of activities to be pursued, includ-  
11 ing lending and development of small business, in-  
12 dustrial, commercial, or residential projects;

13          (4) the extent of need in the targeted geo-  
14 graphic area to be served;

15          (5) the experience and background of the prin-  
16 cipals at each eligible organization responsible for  
17 carrying out the purposes of this section;

18          (6) the extent to which the eligible organization  
19 directly or through subsidiaries and affiliates has  
20 successfully implemented other revitalization activi-  
21 ties;

22          (7) an appropriate distribution of eligible orga-  
23 nizations among regions of the United States; and

1           (8) other criteria determined to be appropriate  
2       by the Secretary and consistent with the purposes of  
3       this section.

4       (e) ELIGIBLE ACTIVITIES.—Assistance under this  
5       section may only be used to support the following activi-  
6       ties:

7           (1) Increasing the capital available for the pur-  
8       pose of making loans.

9           (2) Providing funds for equity investments in  
10      projects.

11          (3) Providing credit enhancement.

12          (4) Marketing and management assistance.

13          (5) Business planning and counseling services.

14          (6) Other capacity building activities which en-  
15      able borrowers, prospective borrowers, or entities in  
16      which eligible organizations have invested, or expect  
17      to invest, to improve the likelihood of success of  
18      their activities.

19          (7) Other activities that the Secretary deems  
20      appropriate.

21       (f) AUTHORIZATION.—There is authorized to be ap-  
22      propriated \$20,000,000 for fiscal year 1994 to carry out  
23      this section.

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