

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2972

To provide for community development banks.

---

IN THE HOUSE OF REPRESENTATIVES

AUGUST 6, 1993

Mr. McCOLLUM (for himself, Mr. SAM JOHNSON of Texas, Mr. KNOLLENBERG, and Mr. LINDER) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

---

## A BILL

To provide for community development banks.

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.**

4 This Act may be cited as the “Community Develop-  
5 ment Bank Act”.

6 **SEC. 2. STATEMENT OF PURPOSES.**

7 The purposes of this Act are as follows:

8 (1) To increase the amount of credit available  
9 for the economic revitalization of distressed urban  
10 and rural communities.

1           (2) To enable economically disadvantaged per-  
2           sons and small, minority-owned, and women-owned  
3           businesses to have improved access to the resources  
4           of our financial system, and to use such resources as  
5           a foundation for economic growth, increased employ-  
6           ment and community development.

7           (3) To increase the supply of mortgage credit  
8           and other financing necessary for the private sector  
9           to rehabilitate the housing stock in inner cities and  
10          rural areas for low- and moderate-income families.

11          (4) To provide capital for housing construction  
12          and development, small businesses, and community  
13          development projects.

14          (5) To provide technical and managerial assist-  
15          ance to small businesses and other entrepreneurs lo-  
16          cated in economically distressed areas.

17          (6) To encourage the establishment of privately  
18          capitalized community development banks to serve  
19          the credit needs of financially underserved residents  
20          of urban and rural areas of our country.

1                   **TITLE I—COMMUNITY**  
2                   **DEVELOPMENT BANKS**

3   **SEC. 101. ESTABLISHMENT OF A COMMUNITY DEVELOP-**  
4                   **MENT BANKERS' BANK.**

5           (a) **IN GENERAL.**—The Comptroller of the Currency  
6 is hereby authorized to issue a certificate of authority to  
7 commence the business of banking to a national banking  
8 association that is owned exclusively (except to the extent  
9 directors' qualifying shares are required by law) by one  
10 or more insured depository institutions and will be en-  
11 gaged primarily in community development activities.

12          (b) **REQUIRED NAME.**—A national banking associa-  
13 tion chartered pursuant to subsection (a) shall be known  
14 as a “community development bank”, and shall use the  
15 term “community development bank” and the name of the  
16 community in which it is located and will serve, in its title.

17          (c) **REGULATION.**—A community development bank  
18 chartered pursuant to subsection (a) shall be subject to  
19 such rules and orders as the Comptroller deems appro-  
20 priate, and, except as otherwise specifically provided in  
21 this title or in such rules and orders, shall be vested with  
22 and subject to the same rights, duties and limitations that  
23 apply to other national banking associations, including the  
24 right to accept deposits.

1 (d) BOARD OF DIRECTORS.—At least 25 percent of  
2 members of the community development bank’s board of  
3 directors shall be individuals residing in and representing  
4 the interests of the community that the bank will serve.

5 **SEC. 102. AUTHORITY TO INVEST IN A COMMUNITY DEVEL-**  
6 **OPMENT BANK.**

7 An insured depository institution may invest in the  
8 shares of one or more community development banks.  
9 Such investment may not exceed, in the aggregate, an  
10 amount in excess of 5 percent of the depository institu-  
11 tion’s tier one or core capital or, in the case of a particular  
12 institution, such lesser amount as the appropriate Federal  
13 banking agency determines to be necessary in order to  
14 protect the safety and soundness of the institution.

15 **SEC. 103. EXPEDITED PROCEDURES.**

16 Within six months after the date of enactment of this  
17 Act, the Comptroller of the Currency shall develop and  
18 publish in the Federal Register expedited procedures for  
19 the consideration of applications for a certificate to com-  
20 mence the business of banking for a community develop-  
21 ment bank. The Federal Deposit Insurance Corporation  
22 shall develop expedited procedures for consideration of an  
23 application by a community development bank for deposit  
24 insurance. Final decisions shall be made by the Comptrol-

1 ler and the Federal Deposit Insurance Corporation within  
2 nine months after the receipt of completed applications.

3 **SEC. 104. COMMUNITY DEVELOPMENT BANK ACTIVITIES.**

4 (a) PRIMARY PURPOSE.—A community development  
5 bank may only make loans and other investments designed  
6 to provide a reasonable economic return to the bank and  
7 its shareholders, consistent with its primary purpose of  
8 providing credit, capital, and related services to targeted  
9 persons and targeted geographic areas within its commu-  
10 nity.

11 (b) LOAN AND INVESTMENT ACTIVITIES.—In order  
12 to accomplish the purposes of this Act, a community devel-  
13 opment bank may engage in activities consistent with this  
14 Act, including the making or providing of the following:

15 (1) Residential mortgage loans.

16 (2) Residential construction loans.

17 (3) Small business commercial loans.

18 (4) Home improvement and rehabilitation loans.

19 (5) Neighborhood commercial revitalization  
20 loans.

21 (6) Small farm loans.

22 (7) Industrial development loans.

23 (8) Equity investments in low- and moderate-in-  
24 come real estate development and rehabilitation  
25 projects.

1           (9) Equity investments in community develop-  
2           ment corporations and projects.

3           (10) Equity investments in small business de-  
4           velopment corporations.

5           (11) Marketing and management assistance.

6           (12) Business planning and counseling services.

7           (13) Financial and technical services.

8           (14) Vocational training.

9           (15) Deposit funds in credit unions serving pre-  
10          dominately low-income members as defined by the  
11          National Credit Union Administration Board.

12         (c) COORDINATION.—A community development  
13         bank shall coordinate its activities with activities and pro-  
14         grams of the Department of Housing and Urban Develop-  
15         ment, the Department of Veterans Affairs, the Depart-  
16         ment of Commerce, the Small Business Administration,  
17         and other agencies with respect to the development and  
18         financing of community development organizations and  
19         projects and small businesses.

20         (d) COMPETITION WITH EXISTING INSTITUTIONS.—  
21         A community development bank shall target its activities  
22         to customers do adequately served by existing depository  
23         institutions.

1 **SEC. 105. OTHER COMMUNITY DEVELOPMENT BANKS.**

2 Any insured depository institution may apply to the  
3 appropriate Federal banking agency to be certified as a  
4 “community development bank”. The agency shall issue  
5 such certification if it finds that such bank is primarily  
6 engaged in community development activities, and other-  
7 wise complies with the provisions of this Act, other than  
8 subsections (a), (b) and (c) of section 101, and that such  
9 certification will further the purposes of this title.

10 **SEC. 106. COMMUNITY REINVESTMENT ACT EVALUATION.**

11 (a) EXAMINATION.—The appropriate Federal bank-  
12 ing agency shall conduct an annual onsite examination  
13 and evaluation of every community development bank in  
14 order to determine compliance with this Act and to assess  
15 the bank’s record of meeting the credit needs of its com-  
16 munity, as described in section 804 of the Community Re-  
17 investment Act of 1977.

18 (b) HEARING REQUIRED.—Prior to issuing a final  
19 Community Reinvestment Act evaluation and rating, the  
20 appropriate Federal banking agency shall—

21 (1) publish in two or more newspapers of gen-  
22 eral circulation a statement that an informal hearing  
23 on the bank’s success in meeting the credit needs of  
24 its community is to be held; and

25 (2) directly notify known representatives of  
26 consumer and community groups located within the

1 bank's community that an informal hearing is to be  
2 held.

3 (c) NOTICE.—The publication and notice required  
4 under subsection (b) shall state the date and place for the  
5 hearing, which must be at least thirty days following the  
6 date of the publication or mailing of the notice, and shall  
7 invite interested persons and organizations to provide oral  
8 and written testimony concerning the performance of the  
9 community development bank.

10 (d) CONSIDERATION OF TESTIMONY.—The appro-  
11 priate Federal banking agency shall consider and take into  
12 account the testimony and statements provided by commu-  
13 nity representatives in evaluating the performance of a  
14 community development bank under this section.

15 (e) FINAL EVALUATION.—Following the hearing, the  
16 appropriate Federal banking agency shall provide a final  
17 Community Reinvestment Act of 1977 evaluation and rat-  
18 ing, including a written explanation for any findings and  
19 conclusions.

20 (f) RE-EVALUATION.—A community development  
21 bank that receives a final rating that is less than a satis-  
22 factory rating shall be reevaluated within ninety days by  
23 the appropriate Federal banking agency in order to deter-  
24 mine whether it has made the necessary changes in poli-  
25 cies or practices to warrant a satisfactory rating.

1 **SEC. 107. COMMUNITY REINVESTMENT ACT COMPLIANCE.**

2 (a) EFFECT OF RATING.—For purposes of the Com-  
3 munity Reinvestment Act of 1977, the evaluation and rat-  
4 ing of a community development bank shall be deemed to  
5 be the evaluation and rating of each insured depository  
6 institution that has made a qualifying investment in such  
7 community development bank. Any insured depository in-  
8 stitution receiving a satisfactory or outstanding rating  
9 pursuant to this section shall be deemed to have met the  
10 credit needs of its community.

11 (b) COORDINATION WITH OTHER LAW.—An insured  
12 depository institution that maintains a qualifying invest-  
13 ment in a community development bank shall not be sub-  
14 ject to an evaluation conducted pursuant to section 804  
15 of the Community Reinvestment Act of 1977.

16 (c) EFFECT OF NON-QUALIFYING INVESTMENT.—An  
17 insured depository institution that makes an investment  
18 that is not a qualifying investment shall have that invest-  
19 ment considered by the appropriate Federal banking agen-  
20 cy when that institution is evaluated under sections 804  
21 and 807 of the Community Reinvestment Act of 1977.

22 **SEC. 108. BANK HOLDING COMPANY ACT.**

23 No person shall be considered a bank holding com-  
24 pany, or subject to the Bank Holding Company Act of  
25 1956, due to an investment in a community development  
26 bank authorized under this title.

1 **SEC. 109. DEFINITIONS.**

2 For purposes of this title—

3 (1) the term “community development bank”  
4 means—

5 (A) a bank established pursuant to section  
6 101, or

7 (B) certified as a community development  
8 bank pursuant to section 105,

9 that is primarily engaged in the business of provid-  
10 ing credit and investment capital and related serv-  
11 ices to targeted populations and targeted geographic  
12 areas;

13 (2) the term “targeted population” means mi-  
14 nority-owned and women-owned businesses, non-  
15 profit organizations, community groups, and eco-  
16 nomically disadvantaged persons;

17 (3) the term “targeted geographic area” means  
18 a neighborhood or other geographic area that is suf-  
19 fering economic distress, as measured by unemploy-  
20 ment, poverty, condition of housing stock, availabil-  
21 ity of credit, or other indicator of relative economic  
22 condition;

23 (4) the term a community development bank’s  
24 “community” means one or more contiguous geo-  
25 graphic areas that represent the combined market or

1 service areas of the financial institutions that have  
2 made qualifying investments in such bank;

3 (5) the term “insured depository institution”  
4 shall have the meaning given such term in section 3  
5 of the Federal Deposit Insurance Act;

6 (6) the term “appropriate Federal banking  
7 agency” shall have the meaning given such term in  
8 section 3 of the Federal Deposit Insurance Act; and

9 (7) the term “qualifying investment” means an  
10 investment in the equity shares of a community de-  
11 velopment bank in an amount that is equal to the  
12 maximum permissible amount for that investing in-  
13 stitution, as prescribed in section 102.

14 **SEC. 110. SAFETY AND SOUNDNESS.**

15 Nothing in this title shall be deemed to interfere with  
16 the authority of the appropriate Federal banking agency  
17 or the Federal Deposit Insurance Corporation to limit the  
18 permissible activities or investments of an insured deposi-  
19 tory institution or depository institution holding company,  
20 by order or regulation, in order to protect the safety or  
21 soundness of such institution or holding company.

22 **SEC. 111. DISCRIMINATION AND FAIR HOUSING.**

23 (a) IN GENERAL.—Nothing in this title shall be  
24 deemed to interfere with the authority of the appropriate  
25 Federal banking agencies to examine institutions for com-

1 pliance with or to enforce the Equal Credit Opportunity  
2 Act, the Fair Housing Act, or the Home Mortgage Disclo-  
3 sure Act.

4 (b) APPLICABILITY OF SECTION 107.—Section 107  
5 shall not apply to any institution found, in a civil or crimi-  
6 nal judicial proceeding or final agency adjudication, to  
7 have violated any law described in subsection (a).

## 8 **TITLE II—CONFORMING** 9 **AMENDMENTS**

### 10 **SEC. 201. COMMUNITY DEVELOPMENT REVOLVING LOAN** 11 **FUND FOR CREDIT UNIONS.**

12 (a) REPEAL.—Section 120(k) of the Federal Credit  
13 Union Act (12 U.S.C. 1766(k)) is repealed.

14 (b) AMENDMENT.—The Federal Credit Union Act is  
15 amended by inserting after section 129 (12 U.S.C. 1772c)  
16 the following new section:

### 17 **“SEC. 130. COMMUNITY DEVELOPMENT REVOLVING LOAN** 18 **FUND FOR CREDIT UNIONS.**

19 “(a) IN GENERAL.—The Board may exercise the au-  
20 thority granted it by the Community Development Credit  
21 Union Revolving Loan Fund Transfer Act (Public Law  
22 99–609) including any additional appropriation made or  
23 earnings accrued, subject only to this section and to regu-  
24 lations prescribed by the Board.

1       “(b) INVESTMENT.—The Board may invest any idle  
2 Fund moneys in United States Treasury securities. Any  
3 interest accrued on such securities shall become a part of  
4 the Fund.

5       “(c) LOANS.—The Board may require that any loans  
6 made from the Fund be matched by increased shares in  
7 the borrower credit union.

8       “(d) INTEREST.—Interest earned by the Fund may  
9 be allocated by the Board for technical assistance to com-  
10 munity development credit unions.

11       “(e) DEFINITION.—As used in this section, the term  
12 ‘Fund’ means the Community Development Credit Union  
13 Revolving Loan Fund.”.

14 **SEC. 202. STUDY OF COMMUNITY DEVELOPMENT CREDIT**  
15 **UNION.**

16       (a) IN GENERAL.—The National Credit Union Ad-  
17 ministration Board in consultation with representatives of  
18 the credit union industry shall conduct a study of commu-  
19 nity development credit activities by credit unions. In con-  
20 ducting the study, the Board shall consider—

21               (1) the role of these institutions in providing  
22 credit and related financial services to inner city and  
23 rural areas,

24               (2) the failure rate of these institutions in the  
25 past,

1           (3) the desirability of establishing a special ex-  
2           amination force for community development credit  
3           unions, and mentor programs,

4           (4) the desirability of establishing a clearing-  
5           house for the recirculation of startup equipment and  
6           furniture for community development credit unions,  
7           and

8           (5) appropriate startup and permanent financ-  
9           ing programs for such credit unions.

10          (b) REPORT.—Not later than October 1, 1993, the  
11 Board shall issue a report to the Committee on Banking,  
12 Housing, and Urban Affairs of the Senate and the Com-  
13 mittee on Banking, Finance and Urban Affairs of the  
14 House of Representatives on the study and the regulatory  
15 and legislative changes that may be necessary to ensure  
16 that community development activity by credit unions be-  
17 come and remain viable and productive.

○