

105TH CONGRESS  
1ST SESSION

# H. R. 1555

To amend the Housing and Community Development Act of 1974 and the Federal Home Loan Bank Act to authorize Federal Home Loan Banks to make guaranteed advances for community development activities to units of general local government and advances of future community development block grant entitlement amounts, and to expand the community participation requirements relating to community development loan guarantees to include participation of major community stakeholders, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 8, 1997

Mr. FATTAH (for himself, Mr. CONYERS, Ms. JACKSON-LEE of Texas, Mrs. MEEK of Florida, Ms. MCKINNEY, Ms. EDDIE BERNICE JOHNSON of Texas, Ms. NORTON, Mr. PAYNE, Mr. FROST, Mr. RUSH, Mr. CLAY, Mr. DAVIS of Illinois, Mrs. CLAYTON, Mr. BARRETT of Wisconsin, Mr. THOMPSON, Mr. FORD, Mr. JEFFERSON, Ms. CARSON, Mr. BLUMENAUER, Mr. GEPHARDT, Mr. CLYBURN, Mr. SHAYS, Mr. HASTINGS of Florida, Ms. DEGETTE, Mr. DELLUMS, Mr. FILNER, Mr. MARTINEZ, Mr. EVANS, Mr. BORSKI, Mr. HILLIARD, Mr. MASCARA, Mr. FALEOMAVAEGA, Mr. WAXMAN, Ms. KILPATRICK, Mr. FOGLIETTA, Mr. COYNE, Mr. BROWN of California, Mr. LEWIS of Georgia, Ms. CHRISTIAN-GREEN, Mr. FLAKE, Ms. KAPTUR, Mr. ALLEN, Mr. TOWNS, Ms. WATERS, Mr. SNYDER, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To amend the Housing and Community Development Act of 1974 and the Federal Home Loan Bank Act to authorize Federal Home Loan Banks to make guaranteed advances for community development activities to units of general local government and advances of future com-

munity development block grant entitlement amounts, and to expand the community participation requirements relating to community development loan guarantees to include participation of major community stakeholders, 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.**

4       This Act may be cited as the “American Cities In-  
5 vestment Act of 1997”.

6 **SEC. 2. COMMUNITY DEVELOPMENT LOAN GUARANTEES.**

7       (a) ADVANCES FROM FEDERAL HOME LOAN  
8 BANKS.—Section 108 of the Housing and Community De-  
9 velopment Act of 1974 (42 U.S.C. 5308) is amended by  
10 adding at the end the following new subsection:

11       “(s) AUTHORITY TO GUARANTEE ADVANCES FROM  
12 FEDERAL HOME LOAN BANKS.—

13               “(1) LIMITATION ON MAXIMUM OUTSTANDING  
14 LOAN GUARANTEES.—Notwithstanding any other  
15 provision of this section, the maximum aggregate  
16 outstanding amount of notes and obligations of a  
17 single issuer guaranteed under this section shall be  
18 an amount determined by the Secretary based on the  
19 amount of the grant approval for the issuer under  
20 section 106 or 107, the fiscal condition of the issuer,  
21 and the potential return on investment of the

1 projects to be undertaken with the proceeds of such  
2 notes and obligations, but may not in any case ex-  
3 ceed the discounted present value of the grants that  
4 the issuer would receive over a period not to exceed  
5 20 years if the issuer's annual grant amount over  
6 such period were equal to 80 percent of the current  
7 grant approval for the issuer. The amount of an ad-  
8 vance guaranteed under paragraph (2) shall be in-  
9 cluded in the aggregate outstanding amount of notes  
10 and loans for purposes of the limitation under this  
11 paragraph.

12 “(2) SECURITY.—The Secretary may use any  
13 authority provided for guaranteed loans authorized  
14 by this section to guarantee advances made under  
15 section 10b(c) of the Federal Home Loan Bank Act,  
16 but only if the unit of general local government for  
17 the eligible public entity or designated public agency  
18 to which the advance is made pledges any grants to  
19 which it becomes eligible under this title as security  
20 for repayment of the advance.”

21 (b) STAKEHOLDER PARTICIPATION.—Section 108 of  
22 the Housing and Community Development Act of 1974  
23 (42 U.S.C. 5308) is amended by adding after subsection  
24 (s), as added by subsection (a) of this section, the follow-  
25 ing new subsection:

1 “(t) STAKEHOLDER PARTICIPATION.—

2 “(1) REQUIREMENT.—For the purposes of the  
3 development of activities to be funded under this  
4 section, the community participation requirements of  
5 section 104(a) shall be expanded to include partici-  
6 pation of major stakeholders. Such stakeholders may  
7 include, but not be limited to the representatives of  
8 the following community interests:

9 “(A) Business.

10 “(B) Banking.

11 “(C) Education.

12 “(D) Public health and safety.

13 “(E) Labor.

14 “(F) Arts, cultural, religious, philan-  
15 thropic, professional, and civic organizations.

16 “(2) DEFINITION.—For purposes of this sub-  
17 section, the term ‘stakeholder’ means a public or pri-  
18 vate organizational entity whose future well-being  
19 depends upon the applicant’s continued social and  
20 economic viability.”.

21 **SEC. 3. FEDERAL HOME LOAN BANK ADVANCES.**

22 Section 10b of the Federal Home Loan Bank Act (12  
23 U.S.C. 1430b) is amended by adding at the end the follow-  
24 ing new subsections:

1       “(c) ADVANCES TO UNITS OF LOCAL GOVERNMENT  
2 FOR COMMUNITY DEVELOPMENT PURPOSES.—A Federal  
3 Home Loan Bank may make advances to an metropolitan  
4 city or urban county (as such terms are defined in section  
5 102) of the Housing and Community Development Act of  
6 1974) or a public agency designated by a metropolitan city  
7 or urban county in the same manner provided for advances  
8 to nonmember mortgagees under this section, except that  
9 advances under this subsection shall not be subject to the  
10 requirements under this section regarding security, but  
11 may be made only—

12               “(1) pursuant to a guarantee provided under  
13 section 108(s)(2) of the Housing and Community  
14 Development Act of 1974; or

15               “(2) in accordance with subsection (d).

16       “(d) 3-YEAR ADVANCES OF CDBG ENTITLEMENT  
17 GRANT AMOUNTS.—

18               “(1) AUTHORITY.—An advance by a Federal  
19 Home Loan Bank made in accordance with this sub-  
20 section in any fiscal year may be made only to a  
21 metropolitan city or urban county that—

22                       “(A) receives grant amounts under sub-  
23 section (b) or (d) of section 106 of the Housing  
24 and Community Development Act of 1974 for  
25 such fiscal year;

1           “(B) includes, in its statement under sec-  
2           tion 104 of such Act of community development  
3           objectives and projected use of funds, the infor-  
4           mation required under paragraph (3);

5           “(C) agrees to use such funds only for ex-  
6           traordinary or pressing community development  
7           needs, in accordance with the statement under  
8           paragraph (3).

9           “(2) USE OF ADVANCES.—

10           “(A) IN GENERAL.—Amounts from an ad-  
11           vance under this subsection may be used only  
12           for eligible activities under section 105 of the  
13           Housing and Community Development Act of  
14           1974 to meet extraordinary or pressing commu-  
15           nity development needs of a non- or infre-  
16           quently recurring nature that—

17                   “(i) require amounts greater than the  
18                   annual block grant amounts provided  
19                   under title I of the Housing and Commu-  
20                   nity Development Act of 1974 to the met-  
21                   ropolitan city or urban county; and

22                   “(ii) cannot be funded with other  
23                   amounts available to the city or county.

24           “(B) PROHIBITION OF SUBSTITUTION OF  
25           FUNDS.—A metropolitan city or urban county

1           may use amounts received from an advance  
2           under this subsection only to supplement and,  
3           to the extent practical, increase the level of  
4           funds that would, in the absence of the ad-  
5           vance, be available to the city or county from  
6           other Federal and non-Federal sources for the  
7           activities for which the advance is used, and in  
8           no case may such funds be used so as to sup-  
9           plant funds from Federal or non-Federal  
10          sources.

11           “(3) STATEMENT OF COMMUNITY DEVELOP-  
12          MENT OBJECTIVES.—The information required  
13          under this paragraph is information that—

14                   “(A) describes the projected use of the  
15                   funds received in the advance under this sub-  
16                   section and the proposed community develop-  
17                   ment activities to be conducted with such  
18                   amounts;

19                   “(B) explains why such activities comply  
20                   with the requirements under paragraph (2)(A);

21                   “(C) sets forth a business plan for using  
22                   such funds and conducting such activities; and

23                   “(D) certifies that the metropolitan city or  
24                   urban county is not violating the prohibition  
25                   under paragraph (2)(B).

1           “(4) AMOUNT.—The amount of an advance  
2           made under this subsection in any fiscal year to any  
3           metropolitan city or urban county may not exceed 3  
4           times the amount of the grant under subsection (b)  
5           or (d) (as applicable) of section 106 of the Housing  
6           and Community Development Act of 1974 made to  
7           such city or county for such fiscal year. Any advance  
8           shall be in addition to the grant under section 106  
9           of such Act for the city or county for the fiscal year  
10          in which the advance is made.

11          “(5) REPAYMENT.—Notwithstanding any other  
12          provision of title I of the Housing and Community  
13          Development Act of 1974, a metropolitan city or  
14          urban county that receives an advance under this  
15          subsection shall be subject to the following provi-  
16          sions:

17                 “(A) DIRECT REPAYMENT OF GRANT  
18                 AMOUNTS TO FEDERAL HOME LOAN BANK DUR-  
19                 ING PERIOD OF INELIGIBILITY.—For each fiscal  
20                 year after the year in which the advance was  
21                 made, the Secretary of Housing and Urban De-  
22                 velopment shall pay directly to the Federal  
23                 Home Loan Bank that made the advance (out  
24                 of any amounts appropriated for grants under  
25                 section 106 of the Housing and Community De-

1           velopment Act of 1974) any grant amounts that  
2           are allocated under such section for such city or  
3           county (and would otherwise be made available  
4           to the city or county in the form of a grant  
5           under title I of such Act) until the sum of the  
6           amounts repaid to the Bank pursuant to this  
7           subparagraph for the city or county is equal to  
8           the amount of the advance.

9           “(B) INELIGIBILITY FOR ENTITLEMENT  
10          GRANTS.—Such city or county may not be pro-  
11          vided any grant under section 106 of such Act  
12          from amounts allocated under such section 106  
13          for such city or county for any fiscal year oc-  
14          curring after the fiscal year in which such ad-  
15          vance is made, until the first fiscal year that  
16          the sum of the amounts repaid to the Bank  
17          pursuant to subparagraph (A) is equal to the  
18          amount the advance.

19          “(C) GRANT AMOUNT DURING FIRST YEAR  
20          OF RENEWED ELIGIBILITY.—For the first fiscal  
21          year after an advance under this subsection is  
22          made that such city or county is eligible under  
23          subparagraph (B) to receive any grant amounts  
24          under section 106 of the Housing and Commu-  
25          nity Development Act of 1974, the amount of

1 a grant under such section 106 for such city or  
2 county shall not exceed the difference be-  
3 tween—

4 “(i) the total amount allocated under  
5 such section 106 for such city or county  
6 for such fiscal year; and

7 “(ii) the amount by which the advance  
8 exceeds the sum of the amounts repaid  
9 pursuant to subparagraph (A) to the Bank  
10 for such city or county in preceding fiscal  
11 years occurring after the year in which the  
12 advance was made.

13 “(6) INELIGIBILITY FOR ADVANCES.—A metro-  
14 politan city or urban county that receives an ad-  
15 vance under this subsection shall not be eligible to  
16 receive a subsequent advance under this subsection  
17 until the first fiscal year commencing after the fiscal  
18 year in which the final payment to the Bank making  
19 the advance is made pursuant to paragraph (5)(A)  
20 to repay the advance for the city or county.”.

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