



## **Part 24 Community Development Investments**

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### **What are Part 24 investments?**

Under the OCC's community development investment authority, national banks may make investments in community and economic development entities (CEDE) and projects that are designed primarily to promote the public welfare, as specified in the statute (12 USC 24 (Eleventh)) and regulation (12 CFR part 24) commonly known as "part 24". Part 24 allows national banks to make investments not otherwise expressly permitted under the National Bank Act.

Part 24 requires that a bank's investment must be designed primarily to promote the public welfare, such as by providing housing, services, or jobs. Specifically, a national bank or national bank subsidiary may make an investment directly or indirectly if the investment primarily benefits low- and moderate-income individuals, low- and moderate-income areas, or other areas targeted by a governmental entity for redevelopment, or the investment would receive consideration as a "qualified investment" under 12 CFR 25.23 of the Community Reinvestment Act (CRA).

National banks use the part 24 authority to make investments in a variety of activities, such as creating affordable housing and supporting other residential and commercial real estate development, providing equity for small business start-ups and expansions, and revitalizing or stabilizing government-designated development areas. Many of the

activities undertaken by banks under part 24 are eligible to receive positive consideration as qualified investments under CRA.

Banks make part 24 investments directly or indirectly through community and economic development entities (CEDEs) that make or conduct eligible activities. CEDEs may include (but are not limited to) subsidiary community development corporations (CDCs), multi-investor CDCs, limited partnerships and limited liability companies, community development financial institutions (CDFIs), and community development (CD) loan funds.

### **What does a bank need to do to make a part 24 investment?**

A national bank seeking to make a part 24 community development investment may provide after-the-fact notifications or seek prior OCC approval. With either approach, the bank must complete the OCC's CD-1 *Form for Processing National Bank Community Development (Part 24) Investments*. A Bank may access and submit the form electronically through the OCC's Banknet web site: <https://www.banknet.occ/cd1invest/default.aspx>.

## After-the-Fact Notifications

Banks eligible to provide after-the-fact notifications may make part 24 investments without prior OCC approval, but should notify the OCC within 10 days of making the investment. The requirements for after-the-fact notifications are described in 12 CFR 24.5(a).

A well-capitalized bank is eligible to provide an after-the-fact notification if it meets all of the following criteria outlined in 12 CFR 24.2(e):

- Has a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System
- Has a CRA rating of “Outstanding” or “Satisfactory”
- Is not subject to a cease-and-desist order, consent order, formal written agreement, or Prompt Corrective Action directive

If a bank does not meet all of these criteria it will not be eligible to provide an after-the-fact notification. However, if the bank is at least adequately capitalized and has a composite rating of at least 3 with improving trends it may send a letter to the OCC requesting authorization to provide an after-the-fact notification. With that special written permission, the bank may provide after-the-fact notifications. Otherwise the banks must request prior OCC approval for a part 24 investment. In addition, to provide an after-the-fact notification, a bank’s part 24 investment must meet the tests for qualifying public welfare investments and investment limits. A bank may not provide an after-the-fact notification if any of the following apply:

- The bank’s aggregate Part 24 investments and outstanding commitments, including the proposed investment, exceed 5 percent of its capital and surplus. Note that a bank whose aggregate Part 24 investments exceeds 5 percent of its capital and surplus may seek

prior OCC approval to provide after-the-fact notifications up to an amount not exceeding 15 percent of capital and surplus.

- The investment involves properties carried on the bank’s books as “other real estate owned” (OREO).
- The OCC determines in published guidance that the investment is inappropriate for submission through the after-the-fact notice process. This information is maintained on OCC’s Web site at: <http://www.occ.treas.gov/cdd/PriorAprvlReq.pdf>
- Generally, for after-the-fact notification process, a bank’s Part 24 investment is consistent with the examples of qualifying public welfare investments found at 12 CFR 24.6. Further, the investment structure generally should be consistent with the list of examples of the types of CEDEs found at 12 CFR 24.2(c).

## Prior OCC Approval

If either the bank or the proposed part 24 investment does not meet the requirements for providing an after-the-fact notification, then the bank must submit a request for prior approval and must receive such approval from the OCC before it can make the investment. The process for prior approval and the factors that the OCC considers when evaluating a bank’s proposal are described in 12 CFR 24.5(b). The OCC, generally, will notify a bank of the agency’s decision in writing within 30 days after receiving the request. It may extend the review period by notifying the bank. The OCC may also impose conditions in connection with its approval of an investment under part 24. A bank should maintain information concerning its Part 24 investment in a form that is readily accessible and available for OCC examination.

## Where to send the form

The CD-1 form should be sent to:

Community Affairs Department  
Office of the Comptroller of the Currency  
Washington, DC 20219

Fax: 301-433-9062

Email: [CommunityAffairs@occ.treas.gov](mailto:CommunityAffairs@occ.treas.gov)

## BankNet filings

National banks may also submit their part 24 filings electronically through BankNet at:  
<https://www.banknet.occ/cdlinvest/default.aspx>.

## For more information

The OCC's Community Affairs Department maintains information about national bank investments in CDCs, community development projects, and other public welfare investments on its Web-site at:  
<http://www.occ.treas.gov/cdd/pt24toppage.htm>.

That site provides banks with a host of community development investment resources, including examples of specific bank investments and OCC policy materials, such as:

- Common Part 24 questions  
<http://www.occ.treas.gov/cdd/commonpart24.htm>
- Part 24 precedent letters  
<http://www.occ.treas.gov/interp/monthly.htm>
- At-a-Glance Chart  
<http://www.occ.treas.gov/cdd/2005quarter1.pdf>
- Compendium of National Bank Part 24 National and Regional Funds  
<http://www.occ.treas.gov/cdd/fundslist.htm>

In addition, the OCC's District Community Affairs Officers, located in each district, can provide assistance to banks interested in establishing or participating in a CDC, investing in low-income housing tax credit projects, or making other part 24 community development investments. A listing of community affairs officers is provided at:  
<http://www.occ.treas.gov/cdd/contacts.htm>.