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Comptroller Tours Empowerment Zone; Announces New Community Development Investment Provisions

DETROIT -- Comptroller of the Currency Eugene A. Ludwig announced the revision of the Office of the Comptroller of the Currency's (OCC) Community Development Investments regulation (12 C.F.R. Part 24), during a visit to Detroit's Empowerment Zone today.

"The revised regulation facilitates and encourages innovative investments to benefit low- and moderate-income individuals and areas, or selected government areas targeted for redevelopment," says Comptroller Ludwig. "The regulation specifically emphasizes national banks' authority to make qualifying investments in federal Empowerment Zones and Enterprise Communities."

The Detroit empowerment zone is one of six cities and three rural areas in the United States designated to receive $100 million in special tax benefits over a ten-year period for economic recovery and renewal under the Omnibus Budget and Reconciliation Act of 1993.

Under the revised regulation, the OCC will use more flexible and streamlined criteria to review national banks' proposed community development (CD) and other investments that primarily promote the public welfare. The OCC has replaced the old four-part public welfare test in Part 24 with criteria permitting national banks to make a broader range of investments that primarily benefit low- and moderate-income areas or other areas that have been targeted for redevelopment by local, state, tribal or federal government authority (including federal Empowerment Zones and federal Enterprise Communities).

Part 24 continues to encourage public-private partnership between national banks and their communities by requiring banks to demonstrate non-bank community support for or participation in their CD investments. This support or participation may be demonstrated in a variety of ways, including representation on the bank's board of directors by non-bank community representatives; establishment of an advisory board for the banks' community development activities; formation of a formal business relationship with a community based organization; contractual agreements with community partners to provide services in connection with the investment; joint ventures with local small businesses; and, joint financing from the public sector or community development organizations.

The new rule also reduces regulatory burden by simplifying and expanding the availability of the self-certification process. Activities eligible for self-certification include affordable housing primarily for low- and moderate-income (LMI) individuals, financing for small businesses in LMI areas or that create jobs for LMI individuals, investments in community development financial institutions and investments previously approved by the OCC for other national banks.

The Community Development Investments regulation was originally adopted in 1993, and in December 1995, the OCC amended it to remove a provision that required national banks to reinvest the proceeds of their community development investments in new activities that also promote public welfare. Since 1993, national banks and their community development partners have invested a combined total of over $3 billion in community development corporations and community development projects.

The OCC sent the final Part 24 regulation to the Federal Register on September 13, 1996, for publication. The amendments will become effective 30 days after they are published.

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The OCC charters, regulates and examines approximately 2,800 national banks
and 66 federal branches and agencies of foreign banks in the U.S., accounting
for more than half the nation's banking assets. Its mission is to ensure the
safety and soundness of the national banking system.