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#### OCC Proposes Amendment to Community Development Regulation

The Office of the Comptroller of the Currency (OCC) is proposing to amend its community development regulations by eliminating a provision that requires national banks to reinvest the proceeds of their community development investments into other public welfare activities.

The OCC is seeking comments on whether eliminating the reinvestment provision will further the basic objective of Part 24 by helping to encourage banks to make more investments. The OCC also believes that enabling national banks to retain profits, dividends and other distributions from these investments is consistent with bank safety and soundness.

The Community Development regulation, 12 C.F.R. Part 24, was adopted in December 1993 and authorizes national banks to make investments "designed primarily to promote the public welfare, including the welfare of low and moderate income families and communities (such as through the provision of housing, services or jobs)."

The reinvestment provision of the rule was a carryover from an earlier OCC interpretative ruling, which reasoned that requiring profits from investment in community development projects and corporations to be reinvested would provide a safeguard against speculation and ensure that the primary purpose of a bank investment under the rule was promotion of the public welfare. Some banks, however, have expressed concern to the OCC that the reinvestment provision may actually create a disincentive to invest in public welfare projects, particularly projects involving low income housing tax credits.

As proposed, the amended regulation would continue to encourage national banks to make investments to promote the public welfare but would not constrain a bank's use of investment proceeds or hamper bank management's ability to ensure the sound operation of the bank as a whole.

The OCC is currently reviewing all of the provisions of Part 24 under its Regulation Review Program and may be proposing additional changes later this fall. This proposal was undertaken separately to address the reinvestment requirement more quickly.

The proposed rule will be published in the Federal Register on October 26, 1995, and the public comment period is for 30 days following the date of publication. Comments should be sent to OCC Communications, 250 E Street S.W., Washington, DC 20219, or faxed to (202) 874-5274.

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The OCC charters, regulates and examines America's approximately 3,000 national banks which hold more than 50 percent of the nation's bank assets.

Its mission is to engender confidence in the nation's financial structure by safeguarding the safety and soundness of the national banking system.