eligible entities carrying out qualified activities under this section will no longer be considered as subrecipients under the CDBG program. In this final rule, § 570.500(c) has been amended, in part, to reflect this change.

Issue. Two commenters addressed the general jurisdictional limitations for organizations qualifying under this section as proposed at $\S 570.204(c)(1)(i)$. One of these, a national association, recommended that these regulations mirror the Community Housing Development Organization (CHDO) requirements which permit an entity to operate in a rural "multi-county area (but not a whole state)." The other commenter, a local government agency, recommended that the proposed regulatory language be amended to read:

. . . primarily within an identified geographic area of operation within the jurisdiction of the recipient. . . ." The commenter argues that this would permit an organization with a successful track record to share its experience by consulting or entering into a joint venture to support a project in other areas. (1 national association and 1 local

government agency)

Response. HUD has determined not to accept the "multi-county" recommendation because maintaining local community control of a organization qualifying under § 570.204 is crucial. Also, it should be noted that truly rural organizations would not be subject to these regulatory restrictions anyway. This is because Section 807(f) of the 1992 Act expanded the list of organizations eligible to carry out activities in nonentitlement areas under Section 105(a)(15) of the Housing and Community Development Act of 1974, as amended. "Nonprofit organizations serving the development needs of the communities of nonentitlement areas' now qualify under Section 105(a)(15) of the Act. Since the State CDBG program regulations contain no listing of eligible activities, no regulatory language is needed to implement that change.

In regard to the second comment above regarding jurisdictional limitations, the Department agrees with the commenter's reasoning and has revised § 570.204(c)(1)(i) to reflect the recommended language in this final rule. In this regard, however, HUD does note that it interprets the term "primarily" as it is used in this section to mean that most of the organization's projects are located, funds are used, and staff time is expended on a project or projects within the identified geographic area of operation and that outside projects are largely incidental to the organization's activities and purposes.

Issue. One commenter recommended that HUD provide a definition for the term "particular attention" as it is used in the new § 570.204(c)(1)(ii) regarding addressing the needs of low- and moderate-income persons. (1 national association)

Response. The "particular attention" language as used in the above-noted section comes from those statutes that have been referenced for several years in the CDBG regulations at § 570.204(c)(3) defining local development corporations. The Department is not aware of any significant problems with conflicting interpretations of this language, which is the commenter's stated concern. Thus, the rule has not been modified to include a formal definition of this term. In general, HUD would expect the charter, bylaws, etc., of the CBDO to reflect a commitment to meeting the needs of low- and moderate-income persons.

Issue. In reference to the new § 570.204(c)(1)(iii), another commenter expressed "serious reservations" about allowing for-profit organizations to qualify under this section of the regulations. (1 development organization)

Response. The statute at Section 105(a)(15) and the CDBG regulations at § 570.204 have long permitted for-profit organizations under this section with the inclusion of Small Business Investment Companies. The rule now includes only a clearer statement of what already is permitted. The rule does provide a stipulation that any monetary profits to a CBDO's shareholders or members must be only incidental to its

Issue. Four commenters addressed the board structure requirements under § 570.204(c)(1)(iv). Concerns raised included an objection to excluding organizations composed solely of institutional members from qualifying under this section and comments both for and against the inclusion of business owners in defining permitted board structures. One of the commenters also recommended that HUD permit the lowand moderate-income presumptions added by the 1992 Act to be used under this section in determining whether a sufficient percentage of board members are low- and moderate-income persons. (1 local government agency, 2 development organizations, and 1 national association)

Response. HUD has determined that all of the comments regarding the inclusion of institutions and business owners on the boards of qualifying CBDOs have some merit. Thus, the Department has refined the requirements at § 570.204(c)(1)(iv) in

this final rule to permit consideration of both institutional board members and business owners, but only to the extent that the entities that they represent are both located in and serve the CBDO's geographic area of operation. In regard to the comment about permitting the presumption of low- and moderateincome residents status under this section, it is noted that the presumptions at Section 105(c)(4) of the HCD Act, as added by Section 806(e) of the 1992 Act, apply only to activities qualifying under the national objective of job creation or retention for low- and moderate-income persons. Permitting them to be used in determining compliance with the board structure requirements of this section would include too broad of a spectrum of organizations to qualify under this provision. Thus, the Department has rejected this comment.

Issue. Three commenters addressed the proposed $\S 570.204(c)(2)$ that provided further ways in which an organization might qualify as an eligible CBDO under this section. These commenters requested clarification of when this paragraph would apply, and two of the commenters specifically requested that HUD expand the jurisdictional restrictions imposed on CHDOs, as designated by the HOME program, qualifying under this paragraph. (1 national association, 1 development organization, and 1 HUD

Field staff person)

Response. HUD's intent in the proposed § 570.204(c)(2) was to give organizations that did not meet the general qualification requirements of (c)(1) certain additional ways of qualifying as a CBDO under this section of the CDBG regulations. It was not intended that qualifying organizations would have to meet both (c) (1) and (2); an entity can qualify under either standard. HUD has revised the introductory language to § 570.204(c)(2) in this final rule to clarify that intent. An understanding of this approach is critical in assessing the requirements that a CHDO under the HOME program must meet in order to qualify under § 570.204 of the CDBG Entitlement regulations. A CHDO qualifying under the HOME program may or may not meet the general qualification requirements for a CBDO under the CDBG Entitlement program, as delineated at § 570.204(c)(1) of this final rule. If a CHDO meets those requirements, it may have an area of operation as large as the jurisdiction of the recipient, just as any other qualified CBDO. The more restrictive jurisdictional limits at § 570.204(c)(2)(iii) are only applicable to