distressed neighborhoods because they often address the financing needs of these areas that are otherwise unmet. Existing CDFIs have demonstrated their ability to identify and respond to community needs for equity investments, loans, and development services. Thus, HUD has decided to include a modified version of the proposed presumption in this final rule.

First, it is important to define the types of entities that may qualify as CDFIs, as some of the commenters noted. As noted earlier in this preamble, HUD is herein adding to the CDBG regulations a definition of the term CDFI that references the Title I, Subtitle A of the Riegle Community Development and Regulatory Improvement Act of 1994 (P. L. 103–325, enacted September 23, 1994). Secondly, HUD has determined that it is more appropriate to create separate paragraphs in § 570.208 of the Entitlement regulations and § 570.483 of the State regulations to reflect the options that may be used for activities carried out by certain CDFIs, rather than to simply include the proposed presumption in § 570.208(a)(1)(i) and § 570.483(b)(1). Thus, in this final rule, HUD has added new paragraphs under the "additional criteria" section of the national objective requirements at § 570.208(d)(6) of the Entitlement regulations and § 570.483(e)(4) of the State regulations to list the options that may be used for CDBG activities carried out by any CDFI whose charter limits its investment area to a primarily residential area consisting of at least 51 percent low- and moderate-income persons. The new paragraphs § 507.208(d)(6)(i) and § 570.483(e)(4)(i) cross reference with additional new paragraphs § 570.208(a)(1)(v) and  $\S 570.483(b)(1)(iv)$  of the Entitlement and State regulations, respectively. Pursuant to these paragraphs, job creation or retention activities carried out by CDFIs meeting the above criteria may be presumed to meet the low- and moderate-income area benefit criteria. It should be noted that with the area benefit presumption applied in this manner, the "exception criteria" for Entitlement communities cannot be used in this regard. Thus, in order to take advantage of the area benefit presumption, the CDFI's investment area must be at least 51 percent lowand moderate-income regardless of the community's usual area benefit threshold requirement.

HUD has determined that it is also appropriate to offer a similar benefit for job creation or retention activities carried out under certain other circumstances. Thus, in this final rule, HUD has also added § 570.208(d)(5) in

the Entitlement regulations, which is cross-referenced in § 570.208(a)(1)(v). Under this provision, job creation or retention activities undertaken in an area pursuant to a HUD-approved economic revitalization strategy developed in accordance with the authority of § 91.215(e) of the Consolidated Plan final rule may be presumed to meet the low- and moderate-income area benefit criteria. It should be noted that in order to reduce the potential for abuse of this provision, HUD is limiting this form of area benefit presumption to areas that are primarily residential and contain a percentage of low- and moderate-income residents that is no less than the percentage computed by HUD pursuant to § 570.208(a)(1)(ii) but in no event less than 51 percent. This means that the required low- and moderate-income percentage for the area may be significantly higher than that which the community generally uses for its area benefit activities. For those communities that generally use the "exception criteria," the required lowand moderate-income percentage for this area benefit presumption is 51 percent. For a community that generally is required to meet 51 percent for regular area benefit activities, the required low- and moderate-income percentage for this area benefit presumption is that percentage level of low- and moderate-income persons in the last census block group in the community's highest quartile of block groups ranked in order of proportion of low- and moderate-income persons, as computed by HUD pursuant to § 570.208(a)(1)(ii).

The Department will develop guidelines for determining when grantees should be authorized to take advantage of the benefits of this economic revitalization strategy area approach. These guidelines will be distributed to both grantees and HUD Field Office staff.

In developing this approach for the Entitlement program, the Department became aware of significant issues concerning how the economic revitalization strategy provision might be applied to the State program. Therefore, the Department is not implementing comparable regulation language for the State program at this time. In order to gain public comment, the economic revitalization strategy area concept for states will be the subject of a future proposed rule. In the meantime, the Department welcomes any comments or suggestions on how the economic revitalization strategy area approach might be applied to the State CDBG program.

Two commenters expressed concern about the requirement in § 570.208(a)(1)(i) that limits the use of the low- and moderate-income area benefit provision in general to only those activities that serve areas that are "primarily residential." It should be noted this requirement is a longstanding provision of the CDBG regulations and has served the program well. Thus, HUD has decided not to make any changes to that requirement in this final rule. One of the commenters, a HUD Field staff person, recommended that a specific exception to the "primarily residential" requirement be made for projects qualifying under § 570.204 of the Entitlement regulations [Section 105(a)(15) of the HCD Act] because the types of projects made eligible under that section, including "neighborhood revitalization" and "community economic development," appear to lend themselves to an areawide benefit test. Such a change has not been incorporated into this final rule. The activities most often carried out under § 570.204 [Section 105(a)(15)] involve the provision of housing, and Section 105(c)(3) of the HCD Act specifically precludes the use of a lowand moderate-income area benefit national objective claim for such activities. However, in recognition of the merit of the recommendation, HUD has made certain changes in this final rule to ease grantees' burden in tracking low- and moderate-income national objective compliance for housing activities in certain areas. These changes are more fully discussed later in this preamble.

One commenter, a national association, expressed support for a supposed "revision to permit area benefit . . . without requiring that the area be defined in terms of census tracts or other official boundaries." The commenter appears to misunderstand current requirements. While the CDBG regulations do require entitlement grantees to use, to the greatest extent feasible, the most recently available decennial census data to support the low- and moderate-income character of the area (and § 570.208(a)(1)(iv) has been modified to incorporate a reference to the new § 570.208(a)(1)(v) in this regard), there is no current requirement that the service area be defined along census tract or other official boundaries. The language included in this regard in § 570.208(a)(1)(i) (for Entitlements) and § 570.483(b)(1) (for States) in the proposed rule is unchanged from current requirements.