

demand for Initiative funds in that year exceeded that year's set-aside. The commitment in the current year of future AHP contributions currently is not permitted under the AHP regulation. The Board specifically requests comment on this aspect of the proposed rule as well.

Third, the Board specifically solicits comment on whether other, non-conforming set-aside programs proposed by a Bank under proposed § 960.5(g)(2) should be limited to programs that assist first-time homebuyers, or whether it would be practicable to broaden the language of the proposal to allow for assistance to be provided to other categories of activities related to homeownership that promote the National Homeownership Strategy, such as improving and rehabilitating existing homes and encouraging homeownership strategies that revitalize distressed communities.

Finally, the Board specifically requests comment on whether the funding limit of the greater of \$1 million or 10 percent of a Bank's annual required AHP contribution: (a) is appropriate generally; and (b) should apply to other, non-conforming set-aside programs under proposed § 960.5(g)(2), or whether the funding limits for such other programs should be left to the discretion of the Board.

III. Regulatory Flexibility Act

The proposed rule applies only to the Banks, which do not come within the meaning of "small entities," as defined in the Regulatory Flexibility Act (RFA). See 5 U.S.C. 601(6). Therefore, in accordance with section 605(b) of the RFA, see *id.* section 605(b), the Board hereby certifies that this proposed rule, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities.

List of Subjects for 12 CFR Part 960

Banks, Banking, Credit, Federal home loan banks, Housing.

Accordingly, part 960, chapter IX, title 12, subchapter E, Code of Federal Regulations, is hereby proposed to be amended as follows:

SUBCHAPTER E—AFFORDABLE HOUSING

PART 960—AFFORDABLE HOUSING PROGRAM

1. The authority citation for part 960 is revised to read as follows:

Authority: 12 U.S.C. 1422a, 1422b, 1430(j).

2. Section 960.4 is amended by revising the first sentence of paragraph (a) to read as follows:

§ 960.4 Applications for funding.

(a) Except as provided in § 960.5(g), the Program is based on District-wide competitions administered by the Board. * * *

3. Section 960.5 is amended by adding a new paragraph (g) and by revising paragraph (a)(1) to read as follows:

§ 960.5 Project scoring and funding.

(a) *General.* (1) Each Bank will evaluate all applications received pursuant to § 960.4(a) from its members that satisfy the use provisions identified in § 960.3(b).

* * * * *

(g) *Set-Aside programs.*—(1) *Programs exempt from prior board approval.*

Without the prior approval of the Board, a Bank may set aside annually up to the greater of \$1 million or 10 percent of its annual required Affordable Housing Program contribution to implement a matched savings first-time homebuyers' initiative that meets all of the following requirements:

(i) *Announcement of available bank funds.* The Bank shall notify its members of the amount of annual funds available under the initiative;

(ii) *Pre-approval of member participants.* The Bank shall approve a member's participation in the initiative if the member has:

(A) Established a savings account program offering dedicated savings accounts to eligible households;

(B) Established a first-time homebuyer policy that defines the qualifications for being a "first-time homebuyer" and that includes financial or other incentives for such first-time homebuyers;

(C) Established a homebuyer counseling program based on those offered by or in conjunction with a not-for-profit housing agency or other recognized counseling organization;

(D) Committed that the Bank or member participant will be entitled to recapture of the equivalent amount of the matching funds, as provided in paragraph (g)(1)(ix) of this section;

(iii) *Approval of initial enrollment of households.* The Bank shall approve the initial enrollment, through the approved member participant, of a household as a potential beneficiary in the initiative, if the household:

(A) Is low- or moderate-income, as defined in § 960.1(g);

(B) Has opened a dedicated savings account with the member participant and established a schedule of savings into the account;

(C) Meets the requirements of the member participant's first-time homebuyer policy;

(D) Has enrolled in a homebuyer counseling program established by the member participant that is based on those offered by or in conjunction with a not-for-profit housing agency or other recognized counseling organization;

(E) Has agreed to obtain mortgage financing from the member participant for the purchase of a home;

(iv) *Bank program acceptance six months after initial enrollment and reservation of bank matching funds.* The Bank shall accept a household into its initiative, shall reserve, in the name of the household, matching funds as targeted in the household's schedule of savings for a period of one year, and shall notify the member participant and household of such acceptance, if, six months after the initial enrollment date of the household, the member participant certifies to the Bank that the household is progressing satisfactorily by participating in the homebuyer counseling program and systematically depositing funds to its dedicated savings account according to its agreed schedule of savings;

(v) *Verification of household progress.* The Bank shall require the member participant to verify, every six months from a household's acceptance date into the initiative, the household's progress in completing the homebuyer counseling program and making deposits to its dedicated savings account according to its agreed schedule of savings;

(vi) *Approval of matching funds drawdown.* The Bank shall approve a request from a member participant for matching funds, in an amount equal to, in the Bank's discretion, up to three times the amount of a household's savings in its dedicated savings account, up to a maximum of \$5,000 per household, and shall credit such funds to the member participant's account, if the member participant certifies to the Bank that:

(A) The household made deposits to its dedicated savings account according to its agreed schedule of savings for a minimum of ten months;

(B) Closing on the sale of a home to the household has occurred within one year of the household's acceptance date into the initiative, or a later period if the Bank determines that reasonable circumstances justified extending such time period for the use of the funds;

(C) The household has completed the required homebuyer counseling program;

(D) The household has received the financial or other incentives committed by the member participant pursuant to its first-time homebuyer policy;