

maintain their deterrent values. An agency must enact regulations that adjust its CMPs pursuant to the inflation adjustment formula of the FCPIA Act. The amended FCPIA Act specifies that inflation-adjusted CMPs will apply only to violations that occur after the effective date of the adjustment.

The inflation adjustment is based on the percentage increase in the Consumer Price Index (CPI) for all consumers (CPI-U).<sup>4</sup> Specifically, the term cost-of-living adjustment is defined as the percentage (if any) for each civil monetary penalty by which the Consumer Price Index for the month of June of the calendar year preceding the adjustment, exceeds the Consumer Price Index for the month of June of the calendar year in which the amount of such civil monetary penalty was last set or adjusted pursuant to law.

Furthermore, any increase to a CMP that is adjusted for inflation must be rounded using a method prescribed by the FCPIA Act. Agencies do not have discretion in choosing whether to adjust a CMP, by how much to adjust a CMP, or the methods used to determine the adjustment.

#### *B. CMPs Imposed Pursuant to Section 5.65 of the Farm Credit Act*

First, section 5.65(c) of the Farm Credit Act, as amended (Act) provides that any insured Farm Credit System bank that willfully fails or refuses to file any certified statement or pay any premium required under this part shall be subject to a penalty of not more than \$100 for each day that such violations continue, which penalty the Corporation may recover for its use. 12 U.S.C. 2277a-14(c). Second, section 5.65(d) of the Act provides that, except with the prior written consent of the Farm Credit Administration, it shall be unlawful for any person convicted of any criminal offense involving dishonesty or a breach of trust to serve as a director, officer, or employee of any System institution. 12 U.S.C. 2277a-14(d). For each willful violation of section 5.65(d), the institution involved shall be subject to a penalty of not more than \$100 for each day during which the violation continues, which the Corporation may recover for its use.

As adjusted for inflation pursuant to the requirements of the DCIA, the

provided for by Federal law; (2) is assessed or enforced by an agency pursuant to Federal law; and (3) is assessed or enforced pursuant to an administrative proceeding or a civil action in the Federal courts. All three requirements must be met for a fine to be defined as a CMP.

<sup>4</sup> The CPI is published by the Department of Labor, Bureau of Labor Statistics, and is available at its Web site: [ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt](http://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt).

current regulation at 12 CFR 1411.1, which was promulgated in 2001, provides that FCSIC can impose a maximum penalty of \$117 per day for a violation under section 5.65(c) and (d) of the Act.

#### 1. Mathematical Calculation

The adjustment calculation will be based on the percentage by which the CPI for June 2006 exceeds the CPI for June 2001.

According to the Bureau of Labor Statistics, the CPI for June 2001 was 178, and the CPI for June 2006 was 202.9, resulting in a percentage change of 14.0 percent.

#### 2. Penalty Amounts Remain the Same in § 1411.1

The maximum CMP in 12 CFR 1411.1 for a violation of section 5.65(c) or (d) of the Act is currently \$117. Multiplying \$117 by 14 percent results in \$16.38. When that number is rounded as required by the FCPIA Act,<sup>5</sup> the inflation-adjusted maximum remains the same.

Dated: January 9, 2007.

**Roland Smith,**

Secretary, Farm Credit System Insurance Corporation Board.

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## FEDERAL HOUSING FINANCE BOARD

[No. 2007-N-02]

### Notice of Annual Adjustment of the Cap on Average Total Assets That Defines Community Financial Institutions; Notice of Annual Adjustment of the Limits on Annual Compensation for Federal Home Loan Bank Directors

**AGENCY:** Federal Housing Finance Board.

**ACTION:** Notice.

**SUMMARY:** The Federal Housing Finance Board (Finance Board) has adjusted the cap on average total assets that defines a "Community Financial Institution" and the limits on annual compensation for Federal Home Loan Bank (Bank) directors based on the annual percentage increase in the Consumer Price Index for all urban consumers (CPI-U) as published by the Department of Labor (DOL). These changes took effect on January 1, 2007.

<sup>5</sup> Any increase must be rounded to the nearest multiple of \$100 in the case of penalties greater than \$100 but less than or equal to \$1,000. Therefore, \$16.38 is rounded to the nearest multiple of \$100, which is \$0.

#### FOR FURTHER INFORMATION CONTACT:

Patricia L. Sweeney, Office of Supervision, by telephone at 202-408-2872, by electronic mail at [sweeney@fhfb.gov](mailto:sweeney@fhfb.gov), or by regular mail at the Federal Housing Finance Board, 1625 Eye Street, NW., Washington DC 20006-4001.

#### SUPPLEMENTARY INFORMATION:

##### A. Statutory and Regulatory Background

Section 2(13) of the Federal Home Loan Bank Act (Bank Act) and § 925.1 of the Finance Board regulations define a member that is a "Community Financial Institution" (CFI) by the member's total asset size. See 12 U.S.C. 1422(13)(A) and 12 CFR 925.1. The Bank Act requires the Finance Board annually to adjust the CFI asset cap to reflect any percentage increase in the preceding year's CPI-U as published by the DOL. See 12 U.S.C. 1422(13)(B).

Section 7(i)(2)(B) of the Bank Act and § 918.3(a)(1) of the Finance Board regulations require the Finance Board to make similar annual adjustments to the annual compensation limits for members of the boards of directors of the Banks. See 12 U.S.C. 1427(i)(2) and 12 CFR 918.3(a).

Effective January 1, 2007, the CPI adjustment provisions in the Affordable Housing Program (AHP) regulation were removed. See 71 FR 59262 (Oct. 6, 2006) (12 CFR 951.3(a)(1)(iii) and 951.3(a)(2) (removed)). The revised provisions of the AHP regulation are located at 12 CFR 951.2(b)(2)(i) and (b)(3). As a result, this notice does not include any CPI adjustments under the AHP regulation.

##### B. Calculating the Annual Adjustments

The annual adjustments to the CFI asset cap and Bank director compensation limits reflect the percentage by which the CPI-U published for November of the preceding calendar year exceeds the CPI-U published for November of the year before the preceding calendar year (if at all). Thus, the adjustments that took effect on January 1, 2007, were based on the percentage increase in the CPI-U from November 2005 to November 2006. The Finance Board uses November data to provide notice of the changes to the annual limits before the January 1st effective date. This practice is consistent with that of other federal agencies.

The DOL encourages use of CPI-U data that has not been seasonally adjusted in "escalation agreements" because seasonal factors are updated annually and seasonally adjusted data are subject to revision for up to 5 years following the original release.

Unadjusted data are not routinely subject to revision, and previously published unadjusted data are only corrected when significant calculation errors are discovered. Accordingly, the Finance Board is using data that has not been seasonally adjusted.

The unadjusted CPI-U increased 2 percent between November 2005 and November 2006. Based on this change, the Finance Board made the following adjustments, which took effect on January 1, 2007:

**CFI Asset Cap:** The CFI Asset Cap, which was \$587 million for 2006, is \$599 million in 2007. The Finance Board arrived at the adjusted limit of \$599 million by rounding to the nearest million.

**Annual Compensation Limits:** The annual compensation limits for members of the Bank boards of directors is as follows in 2007: for a Chairperson—\$29,944; for a Vice-Chairperson—\$23,955; for any other member of a Bank’s board of directors—\$17,967. The Finance Board arrived at the adjusted annual compensation limits by rounding to the nearest dollar.

Date: January 9, 2007.

By the Federal Housing Finance Board.

**Ronald A. Rosenfeld,**

*Chairman.*

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**FEDERAL HOUSING FINANCE BOARD**

[No. 2007-N-01]

**Federal Home Loan Bank Members Selected for Community Support Review**

**AGENCY:** Federal Housing Finance Board.

**ACTION:** Notice.

**SUMMARY:** The Federal Housing Finance Board (Finance Board) is announcing the Federal Home Loan Bank (Bank) members it has selected for the 2006-07 fourth quarter review cycle under the

Finance Board’s community support requirements regulation. This notice also prescribes the deadline by which Bank members selected for review must submit Community Support Statements to the Finance Board.

**DATES:** Bank members selected for this review cycle must submit completed Community Support Statements to the Finance Board on or before February 26, 2007.

**ADDRESSES:** Submit completed Community Support Statements to the Finance Board either by regular mail at the Federal Housing Finance Board, Office of Supervision, Community Investment and Affordable Housing, 1625 Eye Street NW., Washington, DC 20006, or by electronic mail at [FITZGERALDE@FHFB.GOV](mailto:FITZGERALDE@FHFB.GOV).

**FOR FURTHER INFORMATION CONTACT:** Emma J. Fitzgerald, Program Analyst, Office of Supervision, Community Investment and Affordable Housing, by telephone at 202-408-2874, by electronic mail at [FITZGERALDE@FHFB.GOV](mailto:FITZGERALDE@FHFB.GOV), or by regular mail at the Federal Housing Finance Board, 1625 Eye Street NW., Washington, DC 20006.

**SUPPLEMENTARY INFORMATION:**

**I. Selection for Community Support Review**

Section 10(g)(1) of the Federal Home Loan Bank Act (Bank Act) requires the Finance Board to promulgate regulations establishing standards of community investment or service Bank members must meet in order to maintain access to long-term advances. See 12 U.S.C. 1430(g)(1). The regulations promulgated by the Finance Board must take into account factors such as the Bank member’s performance under the Community Reinvestment Act of 1977 (CRA), 12 U.S.C. 2901 *et seq.*, and record of lending to first-time homebuyers. See 12 U.S.C. 1430(g)(2). Pursuant to section 10(g) of the Bank Act, the Finance Board has promulgated a community support requirements regulation that establishes standards a

Bank member must meet in order to maintain access to long-term advances, and review criteria the Finance Board must apply in evaluating a member’s community support performance. See 12 CFR part 944. The regulation includes standards and criteria for the 2 statutory factors—CRA performance and record of lending to first-time homebuyers. 12 CFR 944.3. Only members subject to the CRA must meet the CRA standard. 12 CFR 944.3(b). All members, including those not subject to CRA, must meet the first-time homebuyer standard. 12 CFR 944.3(c).

Under the rule, the Finance Board selects approximately one-eighth of the members in each Bank district for community support review each calendar quarter. 12 CFR 944.2(a). The Finance Board will not review an institution’s community support performance until it has been a Bank member for at least 1 year. Selection for review is not, nor should it be construed as, any indication of either the financial condition or the community support performance of the member.

Each Bank member selected for review must complete a Community Support Statement and submit it to the Finance Board by the February 26, 2007 deadline prescribed in this notice. 12 CFR 944.2(b)(1)(ii) and (c). On or before January 26, 2007, each Bank will notify the members in its district that have been selected for this review cycle that they must complete and submit a Community Support Statement to the Finance Board by the deadline. 12 CFR 944.2(b)(2)(i). The member’s Bank will provide a blank Community Support Statement Form, which also is available on the Finance Board’s Web site: [www.fhfb.gov](http://www.fhfb.gov). Upon request, the member’s Bank also will provide assistance in completing the Community Support Statement.

The Finance Board has selected the following members for the 2006-07 fourth quarter community support review cycle:

**Federal Home Loan Bank of Boston—District 1**

Union Savings Bank .....	Danbury .....	Connecticut
Jewett City Savings Bank .....	Jewett City .....	Connecticut
The First National Bank of Litchfield .....	Litchfield .....	Connecticut
Naugatuck Valley Savings and Loan .....	Naugatuck .....	Connecticut
New Alliance Bank .....	New Haven .....	Connecticut
Newtown Savings Bank .....	Newtown .....	Connecticut
Fairfield County Bank-Corp .....	Ridgefield .....	Connecticut
Patriot National Bank .....	Stamford .....	Connecticut
First County Bank .....	Stamford .....	Connecticut
Dutch Point Credit Union, Inc .....	Wethersfield .....	Connecticut
Windsor Locks Federal Credit Union .....	Windsor Locks .....	Connecticut
Northeast Bank .....	Auburn .....	Maine
Bangor Federal Credit Union .....	Bangor .....	Maine