

U.S. DEPARTMENT OF THE TREASURY

Community Development Capital Initiative

FAQs

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CDCI Repayment

If my institution determines that it would like to redeem its CDCI investment, what is the process?

Please notify your primary regulator of your desire to redeem. Also please notify Treasury at CDCI@treasury.gov. After receiving your notice, Treasury and your primary regulator will consult about the request. When such consultations have been completed, we will contact you to discuss the redemption request and as appropriate provide the contact information for UST outside counsel that will be handling the redemption. Details of the redemption and completion of all necessary documentation will be handled by outside UST counsel.

What does the consultation with my primary regulator involve?

Treasury will request that your primary federal regulator directly contact Treasury to consent to your redemption request. Treasury cannot accept correspondence between your institution and its appropriate federal banking agency in lieu of the formal notification described above.

Can my bank redeem part of its CDCI investment at this time?

CDCI participants wishing to redeem part of its CDCI investment must redeem an amount that is not less than the greater of (i) 5% of the aggregate liquidation preference or principal amount of the preferred or subordinated debentures issued on the original issue date or (ii) \$100,000.

Where should my institution send the money?

It is important that you go through the process noted above to get detailed transfer instructions to make sure that all payments are attributed correctly.

Can my institution purchase the warrants at the time we redeem Treasury's investment?

Yes. If your institution has outstanding warrants from originally participating in the Capital Purchase Program (CPP), you may do so pursuant to the rights provided for under Section 4.9 of the CPP Securities Purchase Agreement, which permits the issuer to repurchase the warrants at "fair market value" as defined in the agreement, which details the procedure for determining this value. Treasury will work with you to facilitate the repurchase process. Your warrants cannot be sold to an investor until you have had the opportunity to repurchase them. Warrants cannot be repurchased until all outstanding preferred stock has been repurchased.

If my institution does not purchase the warrants at this time, what happens to them?

If your bank does not choose to exercise its option to repurchase the warrants, Treasury will attempt to liquidate the warrants as soon as possible.

When my institution repays Treasury's investment, are we responsible for unpaid dividends?

Yes. In the case of the cumulative senior preferred and subordinated debentures, you must pay any accrued and unpaid dividends. In the case of the non-cumulative senior preferred, you must pay accrued and unpaid dividends for the current dividend period, regardless of whether any dividends are actually declared for that period.

CDCI Program

Please note, the final investment under the CDCI was made in September 2010. These FAQs are provided for historical purposes only.

Which financial institutions are eligible to participate in the TARP Community Development Capital Initiative (CDCI)?

Generally speaking, the following institutions are eligible to apply to participate in the CDCI: any bank, savings association, bank holding company, savings and loan holding company which engages solely or predominately in activities that are permitted for financial holding companies under relevant law, and federally insured low-

income designated credit union is eligible to participate if it is (i) certified by the United States Department of the Treasury's (Treasury) CDFI Fund as a Community Development Financial Institution (CDFI); (ii) regulated by a federal banking or credit union agency; and (iii) organized under the laws of the United States. Financial institutions that are controlled by a foreign entity will not be eligible. The appropriate federal banking or credit union agency will make a recommendation to Treasury regarding an applicant's viability. In the case of state-regulated credit unions, an eligibility and viability determination will be made jointly by the state agency and the federal agency.

Viability will be determined either (i) without CDCI funds or (ii) on a pro forma basis. Pro forma viability means that the regulator may take into account junior private investor capital raised in conjunction with capital provided under the CDCI in an amount at least equal to the CDCI funding. If CDCI funding is contingent on successful completion of a private capital raise, the amount of CDCI funding (inclusive of any other Treasury bank capital programs) shall not exceed the CDCI program limits (5% of risk-weighted assets or 3.5% of total assets, in the case of credit unions). As a condition of funding, applicants must also comply with any other requirements set forth by their regulator.

Can a Qualified Financial Institution (QFI) apply to exchange securities issued under the TARP Capital Purchase Program for securities issued under the CDCI?

Yes, a QFI may apply to exchange securities issued under the TARP Capital Purchase Program for securities issued under the CDCI without applying for additional capital under the CDCI. QFIs seeking to exchange Capital Purchase Program securities as well as receive additional capital for a combined total of 5% of risk-weighted assets under the CDCI must be reviewed and recommended by the institution's regulator for the additional capital. Exchanges of existing CPP preferred stock for preferred stock under the CDCI shall occur as soon as practicable upon filing of an application for exchange without regard to whether the institution is also seeking additional capital.

How does a QFI apply to participate in the CDCI?

A QFI must submit an application to the appropriate federal banking agency or credit union agency or, in the case of an exchange, Treasury. If the applicant is a bank holding company, the application should be submitted to both the applicant's holding company supervisor and the supervisor of the largest insured depository institution controlled by the applicant. The application is available at www.financialstability.gov.

What is the deadline for applying to be certified as a CDFI in order to become eligible for the CDCI?

The institution must submit its application for certification as a CDFI to the CDFI Fund no later than 5:00 p.m. (EST) on April 30, 2010 (revised from April 16th deadline previously). Institutions that are applying to become CDFIs should also apply to the CDCI as soon as practicable.

What is the deadline for applying to participate in the CDCI?

The application by a QFI must be received by the institution's appropriate federal banking or credit union agency or, in the case of an exchange, Treasury, at the location specified by the agency no later than 5:00 p.m. (EST) on April 30, 2010 (revised from April 2nd deadline previously). QFIs are encouraged to submit their applications as soon as practicable.

Is there an application form?

Yes. The federal banking and credit union agencies, working in consultation with Treasury, have developed application forms that may be used by QFIs seeking to participate in the CDCI. The application forms are available at www.financialstability.gov. All inquiries regarding preparation of the application should be directed to the appropriate agency.

Will applications filed by the QFIs be released publicly?

No. The CDCI applications are confidential proposals submitted for review by each institution's regulator. Applications that are denied or withdrawn will not be disclosed. However, Treasury will provide electronic reports detailing any completed transactions, as required by the Emergency Economic Stabilization Act of 2008, within 48 hours. These reports will be made available at financialstability.gov.

Who should a QFI contact if it has a question regarding how to file an application or the status of a submitted application?

The QFI should contact the appropriate federal banking or credit union agency using the contact information provided on the above referenced agency's web site.

Will a QFI receive verification that its application has been filed with the appropriate federal banking or credit union agency or, in the case of an exchange, Treasury?

Yes.

How long will it take for an application to be processed?

Treasury, working in consultation with the federal banking and credit union agencies, will process and make a determination on all applications submitted to the CDCI as soon as reasonably possible. The completion of processing will depend on the complexities of the application. Where additional private investor capital is deemed necessary, it will be incumbent on the applicant to provide sufficient detailed information to their primary banking regulator and/or Treasury to support their application.

How will a QFI that has filed a timely application be notified when a preliminary decision on the application has been made by Treasury?

Preliminary decisions on application will be communicated by Treasury to the representative of the institution identified on the application form.

What is the deadline for funding and exchanges?

Funding and exchanges must be completed no later than 5:00 p.m. (EST) on September 30, 2010.

Will Treasury require warrants?

Treasury does not anticipate requiring participating institutions to issue warrants under the CDCI. In accordance with the requirements of Section 113(d)(3)(A) of the Emergency Economic Stabilization Act of 2008, a QFI participating in this program will not be required to issue warrants to Treasury unless it has received TARP funds totaling more than \$100 million under any TARP program, including the CDCI.

Are participants in the CDCI subject to executive compensation requirements?

Yes, participants in the CDCI will be subject to the same executive compensation requirements that apply to other TARP recipients.

Are institutions organized as mutuals and S-Corporations eligible for funding under the CDCI?

Yes, these institutions are eligible for funding and should apply to their primary federal regulator using the bank application form available on www.financialstability.gov.

When does a QFI submit the final documentation to complete the Treasury investment?

For institutions accepted into the program without a requirement to raise additional capital, final documentation must be submitted no later than 30 days after a QFI has been notified that it has received preliminary acceptance. Instructions for submitting final documentation will be available on Treasury's web site at www.financialstability.gov. Any QFI required by its regulator to raise additional capital as a condition of program participation must submit its proposed plan for raising such capital, including an expected closing date, no later than 30 days following receipt of this notice.

My institution was not a CDFI and previously issued a warrant to United States Department of the Treasury (Treasury) when participating in the Capital Purchase Program (CPP). How will Treasury treat the outstanding warrants if my institution now participates in the CDCI?

If a CPP participant issued a warrant to Treasury for common shares, the warrant shall remain outstanding. If a CPP participant issued a warrant to Treasury for preferred shares or senior securities, Treasury would have exercised the warrant at closing, and the capital or principal amount, as applicable, of those financial instruments will be aggregated with the capital or principal amount of all outstanding CPP financial instruments when it is exchanged into the CDCI financial instrument.

QFIs must be in "good standing" under any outstanding Troubled Asset Relief Program (TARP) financial instrument in order to participate in CDCI. What does that mean?

Each QFI must be in material compliance with all the terms, conditions and covenants of any TARP financial instrument including, but not limited to, executive compensation requirements, reporting requirements and payment of dividends or interest. In addition, (i) for cumulative instruments, issuers must pay as of the closing date in immediately available funds all accrued and unpaid dividends or interest; and (ii) for non-cumulative instruments, issuers must pay as of the closing date in immediately available funds the amount, if any, of unpaid dividends or interest for the fiscal quarter prior to the closing date plus the accrued and unpaid dividends or interest as of the closing date for the fiscal quarter in which the closing shall occur.

I am a current participant in the CPP, am (or will become) a QFI for the CDCI, and would like to both (1) exchange my current CPP instrument(s) for the CDCI instrument(s); and (2) apply for incremental funding amounts under the CDCI. Do I need to both file an exchange application with Treasury at CDCI@do.treas.gov and a "new investment" application with the relevant Federal Banking Agency?

Yes.

CDCI Regarding Application Deadline

Please note, the final investment under the CDCI was made in September 2010. These FAQs are provided for historical purposes only effective September 16, 2010.

Was the deadline for submitting applications to CDCI and for applying to become a CDFI with the CDFI Fund extended?

Yes, the deadline to apply for the CDCI program has been extended from 5:00 p.m. (EST) April 2nd to 5:00 p.m. (EST) April 30th, 2010. The deadline for institutions to apply for CDFI certification with the CDFI Fund in order to participate in the program has been extended from 5:00 p.m. (EST) April 16th to 5:00 p.m. (EST) April 30th, 2010.