



An Overview of the Emergency Capital Investment Program (ECIP)

Speakers:

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Welcome everyone

- **Today's session**
- **Questions:**
 - Email your question to: asktheregulators@stls.frb.org
 - or
 - Use the "Ask Question" button in the webinar tool
- **This call is being recorded.**
 - Archived recording can be accessed using the same link as today's webinar.
- **A survey will be delivered via email following the call. Let us know your thoughts or ideas for future sessions.**



Disclaimer

- **“The OCC, Federal Reserve Board of Governors, and FDIC issued an interim final rule regarding capital treatment under the ECIP that was published on March 22, 2021, that included a request for public comment through May 21, 2021. Because the comment period on the interim final rule is open, we will not engage with comments on the interim final rule during this discussion.”**



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Emergency Capital Investment Program



- Consolidated Appropriations Act, 2021 provided \$9 billion for the Emergency Capital Investment Program (ECIP)
 - Provides direct investments into Community Development Financial Institution (CDFI) and Minority Depository Institution (MDI) banks, credit unions and holding companies.
 - The investments are to support the efforts of CDFIs and MDIs to provide loans, grants, and forbearance to Low-and-Middle Income (LMI) and minority individuals and communities.
 - The ECIP design places an emphasis on communities disproportionately impacted by the COVID-19 pandemic.
- The Act also provides \$3 billion in capital for the development of CDFI Fund Programs (Rapid Response Program (RRP) and Minority Lending Program (MLP))

Eligibility Requirements



Applicants must be a:

- Community Development Financial Institution (CDFI); or
- Minority Depository Institution (MDI)

AND

- Bank Holding Company (BHC)
- Savings and Loan Holding Company (SLHC)
- Insured Depository Institution not controlled by a BHC or SLHC that is eligible; or
- Federally Insured Credit Union

Ineligibility of Certain Institutions



- Institutions designated in troubled condition by federal banking agency or by the National Credit Union Administration (NCUA);

OR

- Institutions subject to a formal enforcement action with its primary federal regulator that addresses unsafe or unsound lending practices.

Types of Instruments:

- Secretary will purchase **Preferred Stock** from eligible institutions; or
- **Subordinated Debt** from those eligible institutions that cannot issue preferred stock
 - (e.g. Subchapter S corporations, mutuals and credit unions)

Amount per issuer cannot exceed \$250 million and is limited to:

- 7.5% of total assets for institutions with greater than \$2 billion in total assets
- 15% of total assets for institutions with between \$500 million and \$2 billion in assets
- 22.5% of total assets for institutions with less than \$500 million in assets



- **Term Sheets for ECIP instruments:**
 - Senior Preferred Stock Term Sheet
 - Subordinated Debt Term Sheet (Mutuals and S Corps)
 - Credit Union Subordinated Debt Term Sheet
- **Key Terms (All ECIP instruments):**
 - Non-voting, non-cumulative or interest deferral available
 - No payments for first 24 months
 - Adjusted dividend / interest rate in years 3-10 will be based on Rate Reduction Guidelines (available on ECIP website)

Qualified and Deep Impact Lending



Target Communities	Qualified Lending	Deep Impact Lending
People	LMI borrowers	Low Income Borrowers Mortgage Lending to Minority Borrowers
Places	Rural Communities Urban Low-Income Communities CDFI Investment Areas Minority Communities	Persistent Poverty Counties Indian Reservations Hawaiian Homelands U.S. Territories
Businesses	Small Businesses or Farms Minority Businesses	LMI or Minority Small Businesses with revenues that do not exceed \$100,000
Projects	Affordable Housing Purchase of loans made by non-depository CDFIs Investment in an SBIC or RBIC	Deeply Affordable Housing Purchase of loans made by non-depository non-profit CDFIs Investment in an SSBIC

Rate Reduction Guidelines



- To set payment rates after year 2, Treasury will compare increases in qualified lending and deep impact lending to the amount of qualified lending in the 12 months ending September 30, 2020.
- Dividend / interest rates as low as:
 - 1.25% if the institution increases its qualified lending by 200% to 400% of the amount of Treasury investment
 - 0.5% if the institution increases its qualified lending by more than 400% of the amount of Treasury investment
- Deep Impact Lending will receive double credit towards an institution's dividend or interest rate reduction.

ECIP Application Process



- ECIP application components consist of the following:
 - ECIP application
 - Emergency Investment Lending Plan
- Complete applications must be certified and submitted to Treasury's online portal on the ECIP Website
 - Application

- Emergency Investment Lending Plan must include the following:
 - Demonstrated 2-year track record of at least 30% of lending directly to LMI borrowers, minority borrowers or borrowers that create direct benefits for LMI borrowers. (Question 1)
 - Business strategy and operating goals that demonstrate an understanding of the target market and are tailored to meet the needs of that market, especially those needs that have arisen as a result of COVID. (Question 2)
 - Growth Strategy for:
 - All qualified lending (Question 3(a))
 - Minority Borrowers, LMI minority communities and historically disadvantaged communities (Question 3b)
 - Community Outreach and Communication Plan

- Individual review of each application will consider:
 - Financial condition and ability to pay dividends or interests
 - Capacity to execute on the lending plan
 - Responsiveness to community needs, especially those needs that have arisen as a result of COVID
- Collective review of all applications will consider:
 - Adequate geographic coverage
 - Adequate demographic coverage
 - Compliance with statutory set-asides based on asset size

ECIP Compliance Requirements



- Interim Final Rule on Executive Compensation, Share Buybacks, and Dividends:
 - Designed to generally align with requirements issued by primary federal supervisory regulator
 - Applicable during the earlier of the end of the ECIP investment period, until Treasury no longer holds the investment, or 10 years
 - Available at ECIP website and Federal Register website
- Reporting Requirements:
 - Periodic reporting of Qualified Lending and Deep Impact Lending
 - Requirements will be issued through notice and comment process

Resources & Application Deadline



- Submit Questions about ECIP to ECIPInquiries@treasury.gov
- ECIP webpage: <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-small-businesses/emergency-capital-investment-program>
- The ECIP application window closes on July 6, 2021.

ask the Regulators



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Thanks for joining us.