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This form is to be completed by Executive Branch employees who are contacted by registered lobbyists regarding **EESA**. This report includes a written description of each contact, the date and time of the contact, and the names of the registered lobbyist(s) and the employee(s) with whom the contact took place. Written materials prepared by registered lobbyists should be attached to this form for posting on the website. The information on this form will be available to the public on Treasury's website.

To be completed by the employee contacted

Date and time of contact:	Name of the Employee(s) Contacted (Name and Title)	Brief description of the communication: (attach separate sheet if necessary)
June 21, 2010 11:19 a.m.	Timothy F. Geithner Secretary, United States Department of the Treasury	Letter regarding Shorebank.

Name of the Employee(s) who prepared this form:	Date
Peter Lee	June 22, 2010

Registered Lobbyist Name:	Title:	Firm or Organization:, if applicable	Client
(not lobbyists) 1. Bobby L. Rush 2. Jesse L. Jackson Jr. 3. Danny K. Davis 4. Janice D. Schakowsky	1. Member of Congress 2. Member of Congress 3. Member of Congress 4. Member of Congress	1. United States House of Representatives 2. United States House of Representatives 3. United States House of Representatives 4. United States House of Representatives	(not applicable)

Congress of the United States
Washington, DC 20515

EXECUTIVE SECRETARIAT

2010 JUN 21 A 11: 19

DEPARTMENT OF THE TREASURY

June 18, 2010

The Honorable Timothy F. Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Mr. Secretary:

We are writing to inquire about the process for approving the application of a critically important Illinois Community Development Financial Institution—ShoreBank—for funds under the Department of the Treasury's Community Development Capital Initiative (CDCI). We are extremely concerned that the process for approval of CDCI applications has been misguided, lengthy, and opaque at a time when CDFI banks and credit unions are desperately in need of new capital so they can lend in Illinois communities that have been devastated by the financial and economic crises.

Pursuant to FDIC recommendations over a month ago, ShoreBank raised more than $146 million, which has been placed in escrow, pending approval of the CDIC funding application. These funds, along with the eligible CDCI award, ShoreBank would be a viable entity under the FDIC guidelines. We understand the release of the escrowed funds to ShoreBank is conditional upon Treasury taking action before the quickly approaching deadline.

Regarding the process for receipt of CDCI funds, we would appreciate replies to the following as soon as possible:

1. Why has Department of the Treasury delegated virtually all authority to act under this Treasury program—and certainly authority to screen applicants—to bank and credit union regulators without (a) giving them guidance that distinguishes this program, meant to include institutions not currently "viable," from the prior Capital Purchase Program or (b) giving them a firm timeline in which to act?

2. While primary regulators have concluded that specific institutions, including some in need of private equity, should receive CDCI funds, why are those conclusions not sent directly to Treasury rather than being sent to an "Interagency Task Force"? These taskforce members may or may not know about the institution, its market, or its

management. How does the Treasury program operate effectively if some of the applications never get to the Treasury for approval—even if approved by the primary regulator?

3. Treasury officials state that determinations on all applications would be made "as soon as reasonably possible." President Obama announced the program on November 17, 2009, Treasury guidelines were published on February 3, 2010, and applications have been filed since April 3, 2010. However, we understand that initial applications received preliminary approval just last week, and not a single dollar has actually gone out. Meanwhile institutions are becoming more and more capitally constrained and unable to lend. How soon will the other applications, including ShoreBank's, be acted on? How soon will money flow?

4. If the CDCI money is not forthcoming, we worry that ShoreBank will not survive, notwithstanding the outpouring of private and philanthropic funds ready to support it. Without these funds, what alternative sources of credit would you suggest under these circumstances, as we await action upon the application?

We were heartened last October when the President announced this program, and pleased in February when the Treasury announced the guidelines. Now, upon implementation, we are left sorely disappointed when considering our community's options. Mr. Secretary, you have the ability to bring ShoreBank back to life, but quick action is essential. The CDCI program has been a beacon of hope for our communities and our institutions, and we hope that these expectations were not unfounded.

Sincerely,

Bobby L. Rush
Member of Congress

Jesse L. Jackson Jr.
Member of Congress

Danny K. Davis
Member of Congress

Janice D. Schakowsky
Member of Congress

Enclosure

Community Development Bankers Association
1801 K Street NW - Suite M-100 - Washington, DC 20006 - (202) 689-8935 - (202) 689-8938 fax

June 14, 2010

The Honorable Timothy Geithner
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue NW
Washington DC 20220

Dear Mr. Secretary:

On behalf of the members of the Community Development Bankers Association (CDBA), we are writing to express our deep concern about implementation of the Community Development Capital Initiative (CDCI). Based on the experiences of our member banks to date, we fear the CDCI review process will result—like the old Capital Purchase Program (CPP) it was meant to replace—in only a small portion of CDFI banks and thrifts being able to participate. This outcome for CDCI would be a tragedy for low income communities across the United States that would be at heightened risk of losing critical mission-focused financial institutions that provide quality financial services in places others do not serve.

We strongly urge the Department to revisit and restructure the review process to increase the likelihood of success of the initiative. This is a Treasury Department program, designed by the Treasury specifically to support mission-oriented institutions in low income communities so they can lend where others will not. It explicitly includes a provision for banks that "might not otherwise be approved by their regulator." Yet the current review process severely undermines the ability of CDFI banks to participate in the program as envisioned by Treasury. Unless Treasury takes full ownership of the program, it is not likely to meet its goals.

At the core of our concern are: (1) the lack of ownership by the regulatory agencies for the public policy objectives articulated by the Treasury Department when CDCI was created; and (2) an overly cumbersome, multi-layer review process is preventing the vast majority of applicants from even being considered for investment by the Treasury Department. Even though the CDCI program was initially announced in November 2009, and officially started in February 2010, more than four months later, not a single CDCI dollar has been invested in any CDFI bank or credit union.

Treasury has the authority to approve or reject CDFI applications. Yet, it has essentially delegated this authority to the regulatory agencies. Applicants must be approved by the regional office of their banks' primary regulator -- and later by the agency headquarters in Washington DC. In many regional offices, agency personal have so many completing priorities that some CDCI applicants have received scant attention. Other regional offices have stated to CDCI applicants they have been given insufficient guidance on implementation of the program. Still others explicitly state their agencies will generally review and make recommendations on CDCI using the same "viability" review standards as used for the CPP despite the vastly different programmatic objectives of CDCI.

Moreover, after review by their primary regulatory agencies, many banks with holding companies are being further reviewed by the Federal Reserve Banks and Board. Finally, based on communications from the regulatory agencies, it appears that the regulators intend most CDCI applications to be reviewed by an Interagency Regulatory Council before being forwarded to Treasury.

Regulator communications with our member banks indicates that each of these bodies appears to have different standards and expectations for performance, and that the standards are incompatible with the purposes of CDCI. Some applicants are being given contradictory guidance on issues related to performance, and applications are being delayed in a manner that puts the institutions at significant risk of not receiving critically needed investments before the expiration of the funding deadline this fall. This process leaves many applications at risk of "withering on the vine" within the regulatory agencies or Interagency Regulator Council, severely limiting the pool of CDCI applicants the Treasury Investment Committee will likely have an opportunity to review. This undermines Treasury's purposes in creating CDCI, which was to prevent the demise of institutions uniquely serving distressed communities.

We believe the current review process is flawed. The process needs to be streamlined, with the Treasury Department actively engaged early on. The Treasury Department should be fully knowledgeable of all CDCI applications filed at each of the regulatory agencies and the status of each application in the process. The opinions of the regulatory agencies should only be advisory in nature. Furthermore, the recommendations, opinions, or inactions of the agencies or Interagency Regulatory Council should not prevent any applicant from being considered by the Treasury Investment Committee.

In closing, we strongly urge the Treasury Department to revisit the current review process and take a lead and proactive role in the review of CDCI applications. This is essential to implementation of the CDCI and to the program's success.

We also thank you for your commitment to low income communities. Your efforts to empower CDFIs will help restore economic vitality to low income and minority communities across the nation.

Sincerely,

William Dana
Board Chairperson

Jeannine Jacokes
Chief Executive and Policy Officer

cc:
The Honorable Herbert Allison, Assistant Secretary for Financial Stability
The Honorable Michael Barr, Assistant Secretary for Financial Institutions
The Honorable Gene Sperling, Senior Advisor to the Secretary
The Honorable Donna Gambrell, Director, Community Development Financial Institutions Fund

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

June 22, 2010

The Honorable Bobby L. Rush
The Honorable Jesse L. Jackson Jr.
The Honorable Danny K. Davis
The Honorable Janice D. Schakowsky
Members of Congress
United States House of Representatives
Washington, DC 20515

Dear Representatives Rush, Jackson, Davis, and Schakowsky:

I am writing in response to your letter regarding the approval process for applications under the Community Development Capital Initiative ("CDCI"). The Administration is keenly aware of the difficulties facing underserved and other hard-hit communities. We have launched several efforts aimed at supporting both stability and growth, and we believe these actions already are having a strong and positive impact.

The Administration recognizes that more needs to be done, and it is dedicated to taking further steps to support small, community financial institutions that are the key to helping businesses expand and to creating new jobs in underserved communities. For just this reason, the President announced the $30 billion Small Business Lending Fund, recently passed by the House of Representatives, that would provide capital to community and smaller banks to support an increase in their lending to small businesses.

Community Development Financial Institutions ("CDFI"s) are particularly important to the long term financial health of these communities, and we believe that the CDCI will lead to the long-term stability of these critical institutions. As you know, the CDCI is a program under the Troubled Asset Relief Program ("TARP") that was established by the Emergency Economic Stabilization Act of 2008 ("EESA"). Your letter cites a particular CDCI application. We cannot comment, because Treasury Guidelines generally prohibit Treasury officials from discussing specific applications for EESA funding. These Guidelines are intended to protect confidentiality and to limit improper influences on funding decisions. In addition, information about a pending CDCI application may constitute confidential supervisory information that cannot be disclosed. For these reasons, Treasury has maintained an unwavering practice of not commenting on specific pending applications.

We are pleased, however, to address your questions regarding the general CDCI application process. The goals of EESA are to promote the stability and liquidity of the overall financial system. In doing so, Treasury has the responsibility to protect taxpayers by minimizing costs and maximizing returns on investments. To insure that it fulfills its statutory duties, Treasury has established a process for reviewing CDCI applications that relies on the federal regulators that supervise eligible financial institutions.[1]

Under this review process, CDFIs submit applications to their primary federal regulators, who initially review the applications and provide recommendations. The review process is similar to the process used for the Capital Purchase Program ("CPP"), with one notable difference. CDFIs may demonstrate viability—and thereby qualify for federal funding—by raising matching private capital. In those cases (and in certain other circumstances), applications are also reviewed by a council of regulators. The council includes representatives of the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and Board of Governors of the Federal Reserve System. The council reviews every case in which additional third-party capital is recommended as a condition of funding, in order to provide a consistent approach. Treasury will not consider an application without a positive funding recommendation from the relevant federal regulators.

Treasury relies on the various federal regulators because they are most familiar with the respective CDFIs and have the necessary expertise to evaluate whether the institutions are viable. The regulators perform periodic safety and soundness examinations of the CDFIs, which includes detailed analyses of their overall financial conditions and operations, *e.g.*, capital, assets, management, earnings, liquidity, and sensitivity to market risk. Regulators also examine the institutions for compliance with applicable laws and regulations. Nonetheless, Treasury does not defer entirely to the regulators. Treasury conducts its own review of every application that receives a positive funding recommendation from the regulators. Treasury staff reviews the successful applications and presents them to the TARP Investment Committee, which in turn makes recommendations to the Assistant Secretary for Financial Stability. At that time, preliminary approval letters may be sent to applicants and closing dates, when applicable, are scheduled for the investments.[2]

We firmly believe that a consistent process for reviewing TARP program applications is critical. It helps strengthen internal controls and prevents undue influence by facilitating objective decision making. In this regard, we note that the Office of the Special Inspector General for the Troubled Asset Relief Program has conducted a review of the CPP investment approval process, which again is quite similar to the CDCI process. The SIGTARP concluded that the process designed by Treasury "contains several organizational and documentation controls that help prevent undue influence by facilitating objective decision-making" and that it "comprises multiple levels of review that limit any one person's ability to influence decisions."[3] Treasury is implementing the CDCI application process as quickly and as diligently as possible, and we expect to announce completed transactions in the coming weeks.

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[1] This letter describes the application review process for bank and thrift CDFIs. A separate process applies to credit union CDFIs.

[2] The process by which applications were submitted and reviewed in the CPP was set forth in detail in an audit report by the Office of the Special Inspector General for the Troubled Asset Relief Program. *See* Opportunities to Strengthen Controls to Avoid Undue External Influence Over Capital Purchase Program Decision-Making, Office of the Special Inspector General for the Troubled Asset Relief Program at 4-9, August 6, 2009 ("SIGTARP Report").

[3] See SIGTARP Report referenced at footnote 2.

Thank you for your letter and for your attention to this important matter.

Sincerely,

Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability