August 11, 2021

EMERGENCY CAPITAL INVESTMENT PROGRAM

Rate Reduction Incentive Guidelines

U.S. Department of the Treasury

The Emergency Capital Investment Program (ECIP) is designed to support access to capital in communities traditionally excluded from the financial system and that have struggled the most during the COVID-19 crisis. Under the program, the Treasury Department will invest up to $9 billion in depository community development financial institutions (CDFIs) and minority depository institutions (MDIs), supporting their efforts to provide financial products for small and minority-owned businesses and consumers in low-income and underserved communities.

In general, Treasury's investments under the ECIP will take the form of preferred stock issued by participating institutions. However, if Treasury determines that an institution cannot feasibly issue preferred stock under the program, Treasury's investment in the institution may take the form of subordinated debt.

Rate Reductions for Qualified Lending

The maximum annual dividend or interest rate for preferred stock or subordinated debt issued to Treasury is 2%. However, under the terms of the program, the dividend or interest rate will decrease if a participating institution increases its loan originations to target markets above certain thresholds. Specifically, Treasury will compare an institution's qualified lending during each year of the program with the institution's qualified lending during the 12 months ending September 30, 2020.[1] The dividend or interest rate will be (1) 1.25% if the institution increases its qualified lending by 200% to 400% of the amount of Treasury's investment, or (2) 0.5% if the institution increases its qualified lending by more than 400% of the amount of Treasury's investment.

After the tenth anniversary of the issuance date of the instrument, the dividend or interest rate will be fixed at a rate equal to (1) 0.5%, if the ECIP recipient's average annual amount of qualified lending over the preceding 9 years has totaled more than 400% of the recipient's baseline amount of qualified lending; (2) 1.25%, if the ECIP recipient's average annual amount of qualified lending over the preceding 9 years has totaled 200% to 400% of the recipient's baseline amount of qualified lending; or (3) 2%, if the ECIP recipient's average annual amount of qualified lending over the preceding 9 years has totaled less than 200% of the recipient's baseline amount of qualified lending. For example, if an ECIP recipient's baseline qualified lending was $1 million, then during years 2 through 10, the recipient's aggregate qualified lending must total at least $36 million ($1 million baseline x 400% x 9 years) to achieve a

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[1] An ECIP recipient's baseline will be calculated based on the total amount of qualified loans *originated* for the annual period between September 30, 2019 and September 30, 2020. Since the baseline counts loan originations, an ECIP recipient will receive full credit for loans sold.

dividend rate or interest rate of 0.5% after the tenth anniversary of the issuance date of the preferred stock or subordinated debt.

Additional Incentives for Deep Impact Lending

Treasury recognizes the value of "deep impact" lending to establish a level playing field for those lenders that provide the most impactful lending to the most underserved communities. Deep impact lending is a subset of the qualified lending described above. An investment that qualifies as deep impact lending will provide the institution with double credit toward its dividend or interest rate reduction. For example, a 200% increase in ordinary qualified lending is required to decrease a dividend rate to 1.25%, but if all of those loans qualify as deep impact lending, then this rate reduction can be achieved with only a 100% increase in loan originations over the baseline. This approach will allow CDFIs and MDIs to do more challenging types of lending to more underserved target communities without experiencing a disincentive in the rate-reduction structure that could otherwise arise, in light of the fact that deep impact loans can be more time-consuming and burdensome for a lender to make than other types of loans.

Definitions of Qualified Lending and Deep Impact Lending

The following table sets forth the categories of loans that Treasury anticipates including in its definitions of qualified lending and deep impact lending. The term sheets for the financial instruments to be issued by institutions participating in ECIP provide additional detail regarding the definition of qualified lending.[2]

Categories of Target Communities	Qualified Lending[3]	Deep Impact Lending[4]
People	• LMI borrowers[5] • "Other Targeted Populations," as defined in the ECIP application	• Low-income borrowers • Mortgage lending to Other Targeted Populations
Places	• **Rural Communities:** Areas within a county not contained within a Metropolitan Statistical Area, as defined in OMB Bulletin No. 15-01 and applied using 2010 census tracts.	• **Persistent Poverty Counties (PPCs):** Any county, including county equivalent areas in Puerto Rico, that has had 20% or more of its population living in poverty over the past 30 years, as measured

[2] See senior preferred stock term sheet, available at https://home.treasury.gov/system/files/136/Senior_Preferred_Stock_Term_Sheet.pdf; subordinated debt term sheet (mutual and S corps), available at https://home.treasury.gov/system/files/136/Subordinated_Debt_Term_Sheet_for_Mutual_Institutions_and_S_Corporations.pdf; and credit union subordinated debt term sheet, available at https://home.treasury.gov/system/files/136/Subordinated_Debt_Term_Sheet_for_Credit_Unions.pdf.

[3] Purchases of, or participations in, loans made by non-depository CDFI loan funds that meet the definition of qualified lending as defined in these guidelines and were originated within one year of the purchase by the participating financial institution shall also be included in qualified lending.

[4] Purchases of, or participations in, loans made by non-profit non-depository CDFI Funds that meet the definition of deep impact lending defined in these guidelines and were originated within one year of the purchase by the participating financial institution shall also be included in deep impact lending.

[5] "Low Income" means equal to or less than 80% of the area median income and "moderate income" means equal to or less than 120% of the area median income.

	• **Urban Low-Income Communities:** A local community, neighborhood, or rural district in which the median income does not exceed 80% of the median income for the area in which such census tract or block numbering area is located. With respect to a census tract or block numbering area located within a Metropolitan Area, the median family income (MFI) shall be at or below 80% of the Metropolitan Area MFI or the national Metropolitan Area MFI, whichever is greater. In the case of a census tract or block numbering area located outside of a Metropolitan Area, the MFI shall be at or below 80% of the statewide Non-Metropolitan Area MFI or the national Non-Metropolitan Area MFI, whichever is greater. • **Underserved Communities:** Local community, neighborhood, or rural district that is an "investment area" as defined by the CDFI Fund regulations in 12 CFR 1805.201 (b)(3)(ii). • **Minority Communities:** A census tract where the majority of the population consists of "minorities" as defined by the Act.	by the 1990 and 2000 decennial censuses and the 2011–2015 5-year data series available from the American Community Survey of the Bureau of the Census or any other territory or possession of the United States that has had 20% or more of its population living in poverty over the past 30 years, as measured by the 1990, 2000 and 2010 Island Areas Decennial Censuses, or equivalent data, of the Bureau of the Census.[6] • **Indian Reservations and Native Hawaiian Homelands** • **U.S. Territories**[7]
Businesses	• **Small Businesses or Farms:** A business or farm with annual revenues that do not exceed $1 million at the time of underwriting, consistent with the Federal Reserve's definition of the small business size that defines an investment eligible for CRA credit.[8]	• **Underserved Small Business:** A loan made to a business with revenues that do not exceed $100,000 or that is majority owned by individual(s) that are low income and/or from Other Targeted Populations.

[6] See Consolidated Appropriations Act, 2020 (Pub. L. No. 116-93), Division C, Title I.
[7] U.S. Territories include American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands
[8] The Federal Reserve's definition of investments that qualify for credit under the CRA includes loans to businesses or small farms with annual revenue less than $1 million.

Borrowers or projects that create direct benefits for LMI communities or to Other Targeted Populations	• **Affordable Housing:** Financing for any affordable housing development project that has received a funding allocation under a state's LIHTC program (9% or 4% credits) or from a HUD grantee utilizing HOME or Housing Trust Fund grant funds. • **Public Welfare and Community Development Investments:** Public Welfare Investments pursuant to 12 U.S.C. 24(eleventh) or 12 U.S.C. 338a if they primarily benefit LMI individuals or communities. • **Community Serving Facility:** Financing of a facility that is underwritten on the basis of primarily serving low-income households or Other Targeted Populations or are sponsored by a unit of government to serve low-income households or Other Targeted Populations.	• **Deeply Affordable Housing:** Financing for any (1) affordable housing units restricted to households earning below 30% of AMI for a period not less than 10 years, prorated based on the percentage that such units make up of the total number of housing units; or (2) affordable housing development project in a "high opportunity area" as defined by FHFA. • **Public Welfare and Community Development Investments:** Public Welfare Investments pursuant to 12 U.S.C. 24(eleventh) or 12 U.S.C. 338a if they primarily benefit Low Income or Minority individuals or businesses.[9]

[9] A "minority business" or "minority-owned business" is a business that is 51% or more owned by a "minority" individual as defined in the Act.