



The Community Development Capital Initiative (CDCI)

On February 3, 2010, Secretary of the Treasury Timothy Geithner announced a new program to help two specific types of credit unions and banks expand their credit and services “to the country’s hardest hit communities.” The announcement was the culmination of six months of collaboration with Treasury by the Federation on behalf of the nation’s 1,000 low-income credit unions.

- **Which credit unions are eligible for the CDCI?** The CDCI is restricted to credit unions that **both** (a) are certified by the Treasury Department’s Community Development Financial Institutions (CDFI) Fund **AND** (b) have low-income designation from NCUA or state regulators.
- **What kind of funding is available?** This is **not a grant program**. Rather, it is in the form of long-term **secondary capital loans** – deeply subordinated debt that is classified as net worth, subject to certain conditions. Only low-income credit unions can accept this kind of loan.
- **Is this part of the \$30 Billion Program Treasury Announced for Community Banks?** No.
- **Is it part of TARP?** It comes under TARP authority, but it is **very different from TARP for banks**. It is not to bail out failing institutions. It is a highly targeted program to enhance lending in low-income communities.
- **How much is available?** There is no set amount for CDCI, but it will probably be less than \$1 billion.
- **What are the terms?** The basic terms for the loans are: two-percent (2%) for the first eight years, then escalating to nine-percent (9%) for an additional five years, should CUs choose to retain the loans.
- **How much can credit unions get?** Credit unions can apply for amounts up to 3.5% of their total assets (e.g., \$35,000/million in assets).
- **What are the conditions and restrictions?** Credit unions must be approved by NCUA to participate in the program. NCUA must ascertain the applicant credit union is “viable.” Viability has not yet been defined. Credit unions that fall short of this standard may be able to access CDCI funds if they are able to raise dollar-for-dollar *matching funds* from non-federal sources.
- **Who administers the CDCI program?** Treasury’s Office of Financial Stabilization, in cooperation with NCUA and the Treasury Department’s CDFI Fund.

More Information and Help

The National Federation of CDCUs is offering intensive technical assistance to its members, support to state leagues that are members of the Federation, and consulting services to others. Additional information is available at: www.cdcu.coop or by writing Pablo DeFilippi, Director of Membership Services (pablo@cdc.u.coop).

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