



/ inclusiv /

**Emergency Capital Investment Program and
Secondary Capital Resources**

March 11, 2021

AGENDA

Overview of Treasury ECIP Programs

Emergency Capital Investment Program

Understanding Secondary Capital

Inclusiv Resources

Questions & Answers

Upcoming Events

Economic Impact of COVID-19 On US Households

U.S. Economy Sees Sharp Downturn Amid COVID-19 Crisis

Quarterly real GDP growth in the United States*



* percent change from preceding quarter; seasonally adjusted at annual rates
Source: U.S. Bureau of Economic Analysis



statista

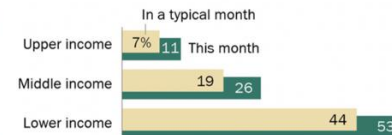
Economic fallout from COVID-19 is hitting lower-income adults harder

% saying ...

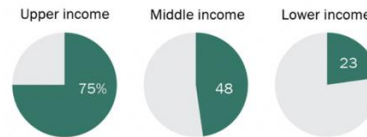
They or someone in their household has lost a job or taken a pay cut due to the coronavirus outbreak



They cannot pay all of their bills in full ...



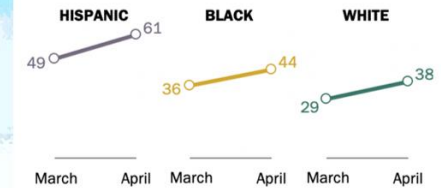
They have rainy day funds that would cover their expenses for three months in case of emergency



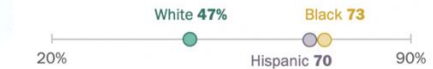
Note: Family income tiers are based on adjusted 2018 earnings.
Source: Survey of U.S. adults conducted April 7-12, 2020.
About Half of Lower-Income Americans Report Household Job or Wage Loss Due to COVID-19

Hispanic and black Americans have been hardest hit in COVID-19 wage, job losses; most do not have rainy day funds

% saying they or someone in their household has lost a job or taken a pay cut due to the corona virus outbreak



% who said in April they do not have rainy day funds to cover expenses for three months in case of emergency

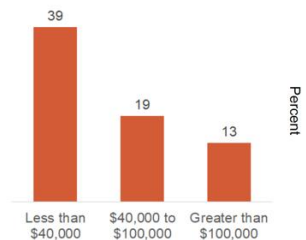


EMPLOYMENT

Job Losses by Pre-Coronavirus Income

- Job losses were concentrated among workers with lower incomes.
- 39 percent of workers with household incomes under \$40,000 reported a job loss in March.
- 13 percent of workers with household incomes over \$100,000 reported a job loss.

Job losses in March among people working in February 2020 (by household income)



CDCUs: Financial First Responders

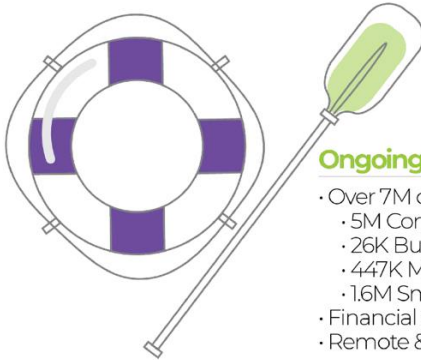
Community Development Credit Unions have been delivering targeted relief to communities in distress on a massive scale since they were founded. We aren't going to stop now.

Vulnerable populations—especially those living in poverty—are less able to prepare to weather a crisis, have smaller financial cushions to rely on in times of economic hardship, and will be less resilient during recovery from economic shocks.



Crisis Response

- Waived ATM & other fees
- Skipped payments
- Low-interest lifeline loans
- Emergency coaching
- Blood & supply drives
- Small business support
- Information sharing
- Online resources



Ongoing Financial Services

- Over 7M outstanding loans—\$101B
- 5M Consumer loans—\$50B
- 26K Business loans—\$11B
- 447K Mortgages—\$35B
- 1.6M Small Dollar loans—\$4B
- Financial Coaching
- Remote & Online access



Community development credit unions

are trained first responders, expert in rapidly deploying targeted economic stimulus into America's hardest hit communities to reach our most vulnerable populations.

315 institutions | 2,161 locations | 50 states & territories

We are the nation's Financial First Responders.



MEETING MEMBERS WHERE THEY ARE, PLUS DIGITAL SERVICES AND PPP LENDING

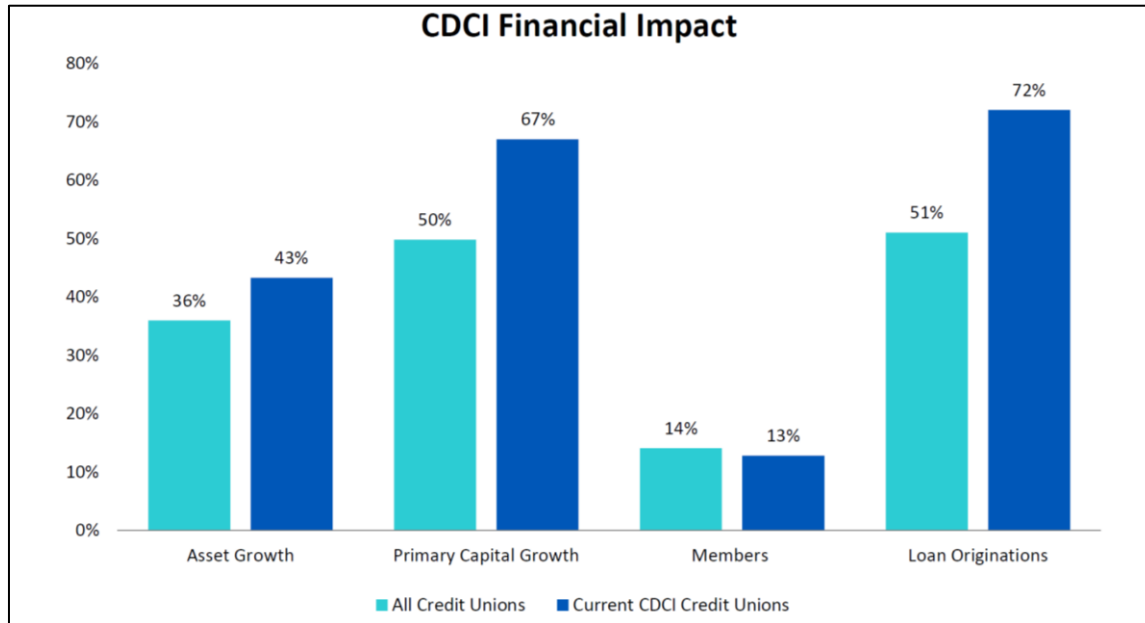


WORKING AROUND THE CLOCK TO SAVE 3,000 BERKSHIRE COUNTY JOBS



\$30 MILLION IN ASSETS, 4 LOAN OFFICERS & UP TO \$5 MILLION IN PPP LOANS

Community Development Capital Initiative: Secondary Capital Impact



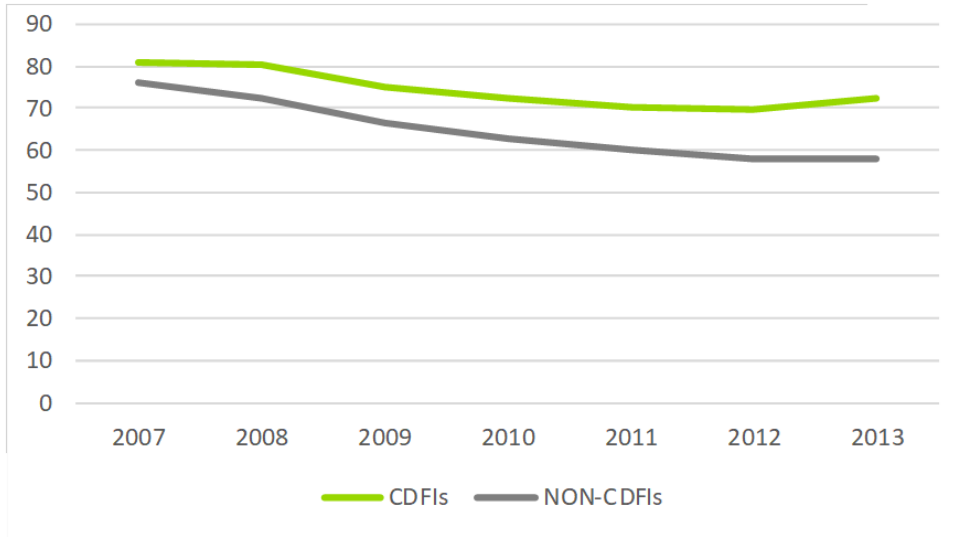
Treasury's CDCI investments in credit unions have been leveraged more than **60 times** in LMI communities and expanded development services and asset building opportunities in underinvested communities.

- **Total Loan Originations since CDCI: \$2.6 billion**
- **Total Mortgages: \$803.7 million**
- **Total 1st Mortgages Financed: 5,666**

- **86% Increase Financial Access LMI consumers**
- **14% Increase Financial Education and Debt/ Money Management Resources**
- **42% Increase Credit Building and Development Services**

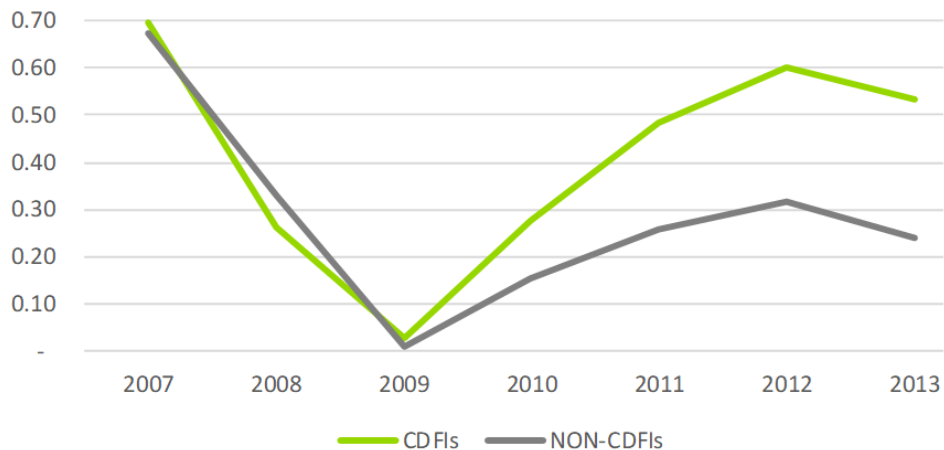
Takeaways From the Great Recession: CDFI Credit Unions

Loans-to-Shares

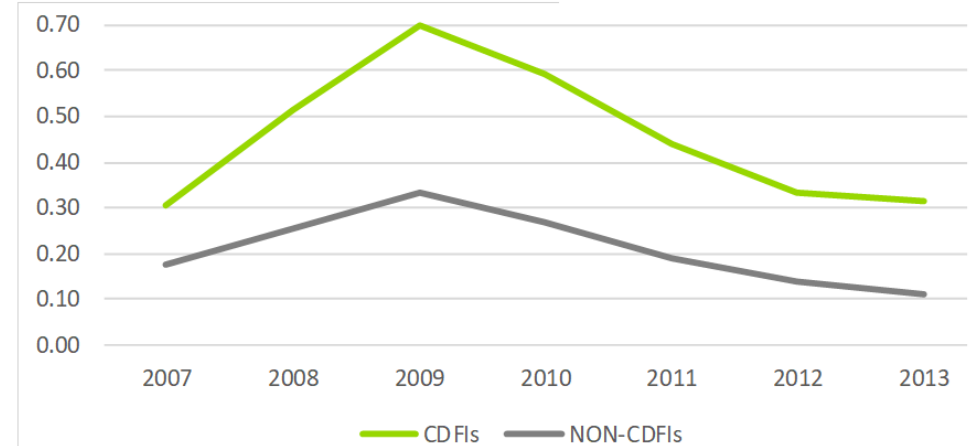


- Mission centered leadership
 - Persistent Lending
 - Additional Capital
- Strengthening Inclusion

Return on Average Assets



Provision for Loan Loss / Average Assets



ECIP Key Resources and Materials

The screenshot shows the U.S. Department of the Treasury website. At the top, it says "An official website of the United States Government" and "Accessil". Below that is the Treasury logo and "U.S. DEPARTMENT OF THE TREASURY". A navigation bar includes "ABOUT TREASURY", "POLICY ISSUES" (highlighted), "DATA", "SERVICES", and "NEWS". A breadcrumb trail reads "HOME > POLICY ISSUES > CARES ACT > EMERGENCY CAPITAL INVESTMENT PROGRAM". The main heading is "Emergency Capital Investment Program" with a sub-heading "Supporting the Efforts of Low- and Moderate-Income Community Financial Institutions". A sidebar on the left lists "Assistance for American Workers & Families", "Assistance for Small Business", and "Assistance for State, Local, ...". The main text states: "Established by the Consolidated Appropriations Act, 2021, the Emergency Capital Investment Program (ECIP) was created to encourage low- and moderate-income community financial institutions to augment their efforts to support small businesses and consumers in their communities. Under the program, Treasury will provide up to \$9 billion in capital directly to depository institutions that are certified Community Development Financial Institutions (CDFIs) or minority depository institutions (MDIs) to, among other things, provide loans, grants, and forbearance for small businesses, minority-

- ECIP Application Portal and Instructions
- ECIP Application Instructions and Materials
- Subordinated Debt Term Sheet for Credit Unions
- Rate Reduction Incentives Guidelines
- Interim Final Rule: ECIP Restrictions on Executive Compensation, Share Buybacks, and Dividends

... *NCUA Secondary Capital Regulations 701.34*

<https://home.treasury.gov/policy-issues/cares/emergency-capital-investment-program>

ECIP Secondary Capital

\$9 Billion in Capital

Directly to CDFIs and MDIs that are federally insured depository institutions to support consumers, small businesses, and LMI and communities of color disparately impacted by COVID

No more than \$250 Million to Any Single Institution

\$2 Billion Set Aside
\$500 Million or
Less in Assets

\$2 Billion Set Aside
\$500 Million to
\$2 Billion In Assets

Greater than
\$2 Billion In Assets

Not more than
22.5% of Total Assets

Not more than
15.0% of
Total Assets

Max: \$250 Million
Not More than
7.5% Total Assets

ECIP Rate and Terms

- Term*: 15 Years (Term Sheet)
- Interest Rate*: Max of 2.50% (Term Sheet)
- Repayment: As approved by Regulator. See NCUA Regulations 701.34
- Interest Free and Non-Accrual for first 24 Months
(Starts from Loan Investment Date Date)
- Interest Rate Adjustments Based On Lending to Minority, Rural, and Urban Low-Income and Underserved Communities and to LMI borrowers:
 - *If qualified lending increases 200%-400% of the capital investment amount, annual payment rate \leq 1.25%*
 - *If qualified lending increases more than 400 percent of the capital investment, the annual payment \leq 0.50%*

**Differences noted between Consolidated Appropriations Act, 2021 vs. Term Sheet*

Interest Rate Reductions

<u>Increase in Qualified Lending Compared to Baseline</u>	<u>First 8 Quarters</u>	<u>After 8 Quarters</u>
Increase less than 200% of Capital Investment	0%	< 2.0% per annum
Increase between 200% and 400% of Capital Investment	0%	< 1.25% per annum
Increase greater than 400% of Capital Investment	0%	< 0.5% per annum

**Differences noted between Consolidated Appropriations Act, 2021 vs. Term Sheet*

What constitutes Qualified Lending?

“Qualified Lending” generally includes the following extensions of credit (including participations in such extensions of credit) to Target Communities:

As reported to the NCUA in the Loans & Leases section of the Call Report:

- (i) non-commercial loans and lines of credit; and
- (ii) commercial loans and lines of credit:

Excludes:

- A. government guaranteed loans, both non-commercial and commercial (except that this exclusion shall not apply to Native American MDIs);
- B. to the extent not included in (A) the portion of any loans held by the issuer for which the risk is assumed by a third party (for example, the portion of loans that have been participated); and
- C. any loan that is an extension or re-write of any existing loan, unless it involves an increase of 20% or more in the principal of the loan,

Qualified Lending (cont'd)

Adding to the amount determined above the cumulative amount of net loan charge-offs with respect to Qualified Lending as measured since, and including, the quarter ended September 30, 2020.

The amount of Qualified Lending, including the exclusions listed above, shall be calculated and reported on the date of Treasury's Investment ("Investment Date") by the issuer in a format specified by the Treasury ("Initial Supplemental Report") and during each full quarter thereafter ("Quarterly Supplemental Report") for the full lifetime of participation in the ECIP.

The interest rate will be adjusted based on the lending growth criteria listed in these terms beginning the first payment date after the 24-month, no interest accrual period ends, and reported results will determine the interest rate due for the remainder of quarterly payments in the remaining thirteen years of investment. The first interest payment due will be a partial, pro-rata amount for accrual

Deep Impact Lending

An investment that qualifies as deep impact lending will provide the institution with double credit toward its dividend or interest rate reduction.

Categories of Target Communities	Qualified Lending	Deep Impact Lending
People	<ul style="list-style-type: none"> LMI borrowers² 	<ul style="list-style-type: none"> Low-income borrowers Mortgage lending to “other targeted populations” as defined by the CDFI Fund
Places	<ul style="list-style-type: none"> 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. 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 	<ul style="list-style-type: none"> 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 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.³ Indian Reservations and Native Hawaiian Homelands U.S. Territories⁴

	<p>statewide Non-Metropolitan Area MFI or the national Non-Metropolitan Area MFI, whichever is greater.</p> <ul style="list-style-type: none"> Underserved Communities: Local community, neighborhood, or rural district that is an “investment area” as defined by the CDFI Fund. Minority Communities: A census tract where the majority of the population consists of “minorities” as defined by the Act. 	
Businesses	<ul style="list-style-type: none"> 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.⁵ Minority Business: A business that is 51% or more owned by a “minority” individual as defined in the Act. 	<ul style="list-style-type: none"> 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.
Borrowers or projects that create direct benefits for LMI communities or to Other Targeted Populations	<ul style="list-style-type: none"> 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. Non-depository CDFI Loan Funds: Purchases of, or participations in, loans made by non-depository CDFI loan funds in regular target communities that were originated within one year of the purchase by the participating financial institution. SBIC or RBIC: A loan to, or purchase of a Limited 	<ul style="list-style-type: none"> 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. Non-depository CDFI Loan Funds: Purchases of, or participations in, loans made by non-profit non-depository CDFI Funds in deep impact target communities that were originated

Determining the Baseline for Qualified Lending

Within 10 days of funding, Credit union submits Initial Supplemental Report reporting Qualified Lending for the annual period ending on September 30, 2020.

In calculating Qualified Lending, if any gains in Qualified Lending resulted from mergers and acquisitions or purchase of loans during any quarter during such four quarter period, the issuer shall recalculate Qualified Lending for the annual period ending on September 30, 2020 based upon instructions contained in the Initial Supplemental Report.

When applicable, at the beginning of each quarter that begins after the Investment Date, the Baseline will be increased by the amount of any gains in Qualified Lending realized by the issuer resulting from mergers and acquisitions, or purchases of loans, as measured since, and including, the quarter ending on September 30, 2020.

Eligibility

CDFI Certified
As of 12/27/20

OR

Minority Designated

At least 30% lending made directly to LMI borrowers, to borrowers that create direct benefits for LMI populations, and/or to Other Targeted Populations in FY 19 & 20*

Federally Insured (NCUSIF)

Low-Income Designated

- Not designated in *Troubled Condition* (see 12 C.F.R. 700.2: CAMEL 4 or 5; Section 208 Assistance)
 - Not subject to formal enforcement action addressing unsafe or unsound lending practices

ECIP Application Process

	Treasury	NCUA and State Supervisory Agency for State Chartered CUs
Application	Emergency Capital Investment Program Application + Lending Plan	Secondary Capital Plan NCUA 701.34 *Includes Strategic Plan
Key Considerations	<ul style="list-style-type: none"> Emergency Investment Lending Plan Impact 	<ul style="list-style-type: none"> Purpose of Secondary Capital Liquidity and Repayment Conformity to strategic plan, business plan, and budget Includes supporting pro forma financial statements Account for different scenarios and underlying and ability to manage/ monitor risk
Submission Process	ECIP Portal Open Date: 3/4/2021 https://home.treasury.gov/policy-issues/cares/emergency-capital-investment-program Deadline: 11:59pm EST 5/7/2021	NCUA Regional Director SSA (for state chartered Cus) <i>Send to Both Regulators</i>
Contacts	ECIPInquiries@treasury.gov <i>*Note: NCUA CURE will communicate status update on applications</i>	Regional Director Examiner State Supervisory Agency
Other Notes	<ul style="list-style-type: none"> Dual Process Review System Turnaround/ Response Time: 60 days* Best efforts; Not Final. ECIP Review and Capital Amounts: Based on lending plan and impact. Not first come, first serve. 	

Emergency Capital Investment Program

Sample Only – Not For Filing

APPLICATION INSTRUCTIONS FOR EMERGENCY CAPITAL INVESTMENT PROGRAM

SAMPLE ONLY – NOT FOR FILING

ALL APPLICATIONS MUST BE SUBMITTED THROUGH THE ONLINE PORTAL FOUND ON THE EMERGENCY CAPITAL INVESTMENT PROGRAM WEBSITE

INTRODUCTION

The Department of the Treasury (Treasury) is providing these Application Instructions for Low- and Moderate-Income Community Financial Institutions that are considering applying for a capital investment under the Emergency Capital Investment Program (ECIP or Program). Capitalized terms used throughout are defined in the Definitions section below.

General Authority. The Consolidated Appropriations Act, 2021 added Section 104A of the Community Development Banking and Financial Institutions Act of 1994 (the “Act”). Section 104A authorizes the Secretary of the Treasury to establish the Program to support the efforts of Low- and Moderate-Income Community Financial Institutions to, among other things, provide loans, grants, and forbearance for small businesses, Minority-owned businesses, and consumers, especially in Low-Income and Underserved Communities, including Persistent Poverty Counties, that may be disproportionately impacted by the economic effects of the COVID-19 pandemic by providing direct and indirect capital investments in Low-and Moderate-Income Community Financial Institutions.

This Program overview, Application Instructions, and application are issued pursuant to Section 104A(d) and (o)(9) of the Community Development Banking and Financial Institutions Act of 1994, as amended by the Consolidated Appropriations Act, 2021. These documents may be updated, revised, or modified at any time, and the requirements contained herein may be waived by the Secretary of the Treasury in his or her sole discretion to the extent permitted by law.

DEFINITIONS

The following definitions apply to these guidelines, the Emergency Investment Lending Plan, and to the application form.

“Act” means the Consolidated Appropriations Act, 2021.

“Affiliate” means any entity or person that Controls, is Controlled by, or is under common Control with another entity or person. For an Applicant that is a credit union, the term “affiliate” includes a credit union service organization, as defined under 12 CFR part 712.

“Applicant” means an institution that is seeking to apply to receive a capital investment under the Program.

“Appropriate Federal Banking Agency” has the same meaning as in 12 U.S.C. 1813.

1

Application Information

Emergency Investment Lending Plan

- Question 1: Lending to LMI and Other Targeted Populations
- Question 2: Business Strategy and Operating Goals
- Question 3: Growth Strategy
- Question 4: Community Outreach and Communication

Question 1:

Lending to LMI and Other Targeted Populations

	Loans originated during FY 2019		Loans originated during FY 2020		Projected loans to be originated during FY 2021		Projected loans to be originated during FY 2022		Projected loans to be originated during FY 2023	
	Number of Loans	\$ Amount of Loans	Number of Loans	\$ Amount of Loans	Number of Loans	\$ Amount of Loans	Number of Loans	\$ Amount of Loans	Number of Loans	\$ Amount of Loans
1. Applicant's Total Loans	[#]	\$	[#]	\$	[#]	\$	[#]	\$	[#]	\$
2. Applicant's lending made directly to LMI borrowers	[#]	\$	[#]	\$	[#]	\$	[#]	\$	[#]	\$
3. Applicant's lending made directly to Other Targeted Populations ² not already included in 2	[#]	\$	[#]	\$	[#]	\$	[#]	\$	[#]	\$
4. Applicant's lending made to borrowers or projects that create direct benefits for LMI populations ³ not already included in 2 and 3	[#]	\$	[#]	\$	[#]	\$	[#]	\$	[#]	\$
5. Applicant's lending made to borrowers in census tracts that are majority Other Targeted Populations not already included 2, 3, and 4	[#]	\$	[#]	\$	[#]	\$	[#]	\$	[#]	\$

Please provide supporting documentation that indicates which figures used for FY 2019 and FY 2020 are estimated and provide the methodology and information used to make such estimates.

UPLOAD BOX for responses

Question 1(b)

For loans originated by the Applicant over the past 2 fiscal years to “borrowers and projects that create direct benefits for LMI populations” counted towards percentages reported in Question 1(a), provide the following information for up to the five largest of such borrowers served by the Applicant.

Description of borrower or project	County	State	Estimated # of LMI individuals benefited	# of loans originated to borrower	Total \$ of loans outstanding to borrower	Description of benefits to LMI communities
(100 characters maximum)			[#]	[#]	[\$]	(100 characters maximum)

Question 1(c)

If the Applicant is unable to show that it meets the 30% threshold as required by the Act in Question 1(a), please provide other data and information that demonstrates that not less than 30 percent of the lending of the Applicant over the past 2 fiscal years was made directly to LMI borrowers, to borrowers or projects that create direct benefits for LMI populations, to Other Targeted Populations, or any combination thereof, as measured by the total number and dollar amount of loans.

[UPLOAD BOX for response]

ECIP Inclusiv Resources

The screenshot shows a web browser window with the URL inclusiv.org/membership/membership-benefits/cdfi-acr/. The page features a navigation menu with 'Certification Report' and 'Our Stories'. The main content area is titled 'FREE CDFI ANNUAL CERTIFICATION REPORT' and includes a breadcrumb trail: 'Home > Network > Membership Benefits > Free CDFI Annual Certification Report'. Below the breadcrumb are social media sharing buttons for 'Like 5', 'Tweet', and 'Share'. The main heading is 'FREE CDFI Annual Certification Report'. The text below reads: 'Inclusiv/Network is offering **free CDFI Annual Certification Reports (ACRs) for CDFI-certified Inclusiv members**. If your credit union received CDFI ACR assistance in 2020, you have been automatically registered for assistance in 2021 and we will reach out to you directly to discuss data collection. This offer is only available to Inclusiv members. We will be in touch with all registered members in mid-January to share the data-collection documents you will need to complete in order for us to prepare the report on your behalf, and will provide instructions for securely sending us your information using our secure FTP server. For questions about this offer, CDFI certification or becoming a Inclusiv member, please contact Jules Epstein-Hebert at jhebert@inclusiv.org. Register for Free CDFI ACR Assistance'.

Certification Report

Our Stories

CDCUs Respond to COVID-19: Self-Help FCU

As a long-time SBA lender, Self-Help began taking Paycheck Protection Program (PPP)...

FREE CDFI ANNUAL CERTIFICATION REPORT

Home > Network > Membership Benefits > Free CDFI Annual Certification Report

Like 5 Tweet Share

FREE CDFI Annual Certification Report

Inclusiv/Network is offering **free CDFI Annual Certification Reports (ACRs) for CDFI-certified Inclusiv members**. If your credit union received CDFI ACR assistance in 2020, you have been automatically registered for assistance in 2021 and we will reach out to you directly to discuss data collection. This offer is only available to Inclusiv members.

We will be in touch with all registered members in mid-January to share the data-collection documents you will need to complete in order for us to prepare the report on your behalf, and will provide instructions for securely sending us your information using our secure FTP server.

For questions about this offer, CDFI certification or becoming a Inclusiv member, please contact Jules Epstein-Hebert at jhebert@inclusiv.org.

Register for Free CDFI ACR Assistance

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1

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- Question 1: Lending to LMI and Other Targeted Populations
- Question 2: Business Strategy and Operating Goals
- Question 3: Growth Strategy
- Question 4: Community Outreach and Communication

The Blueprint

/ inclusiv. /

Secondary Capital + ECIP Application Process Overview



Completed Application
Business & Community
Impact Plan
Financial Projections for
Full Requested Term

ECIP Application:

- Lending Plan
- Impact

Secondary Capital Plan
See NCUA Regs 701.34

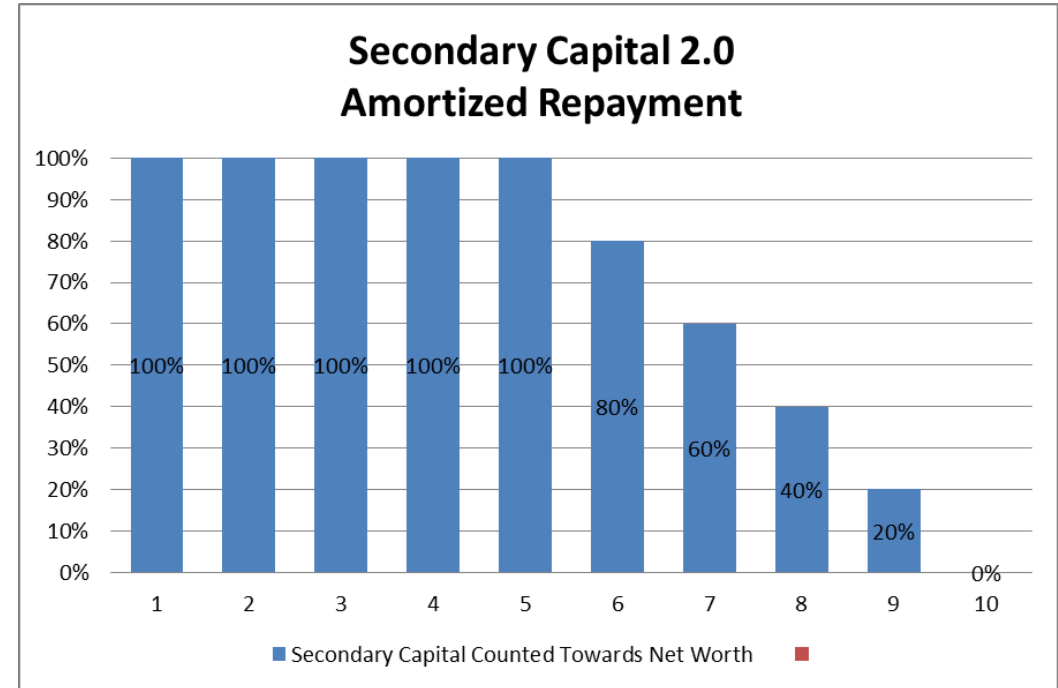
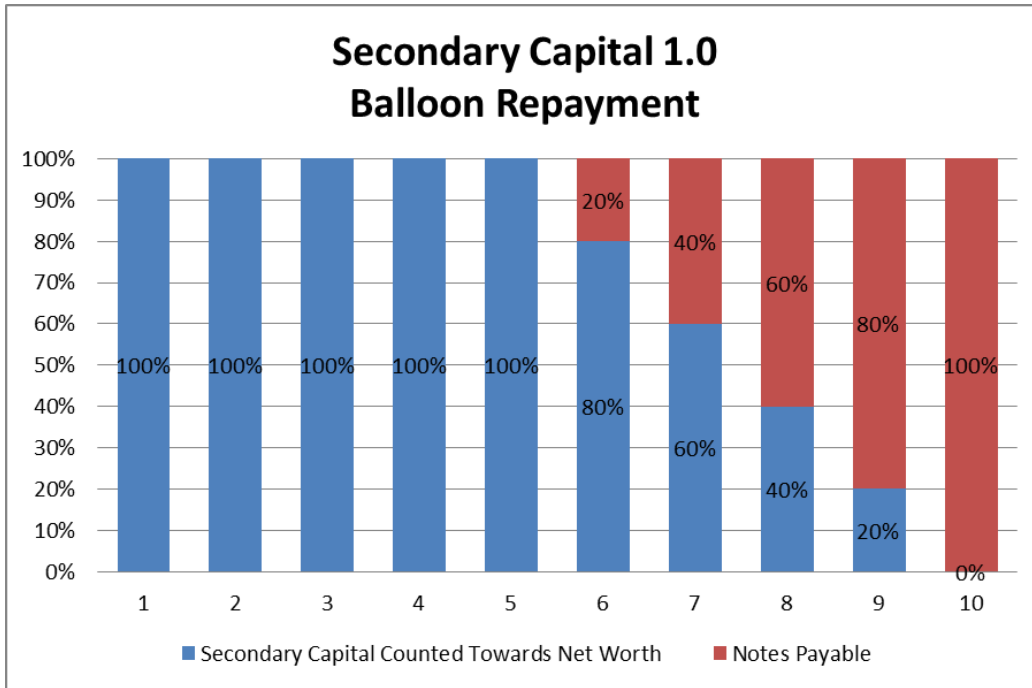
NCUA: Disclosure &
Acknowledgement Form

Inclusiv/ Capital:
Loan Agreement, Promissory Note,
Disclosure & Acknowledgement
Form, Board Authorization

Inclusiv Secondary Capital + ECIP Technical Assistance

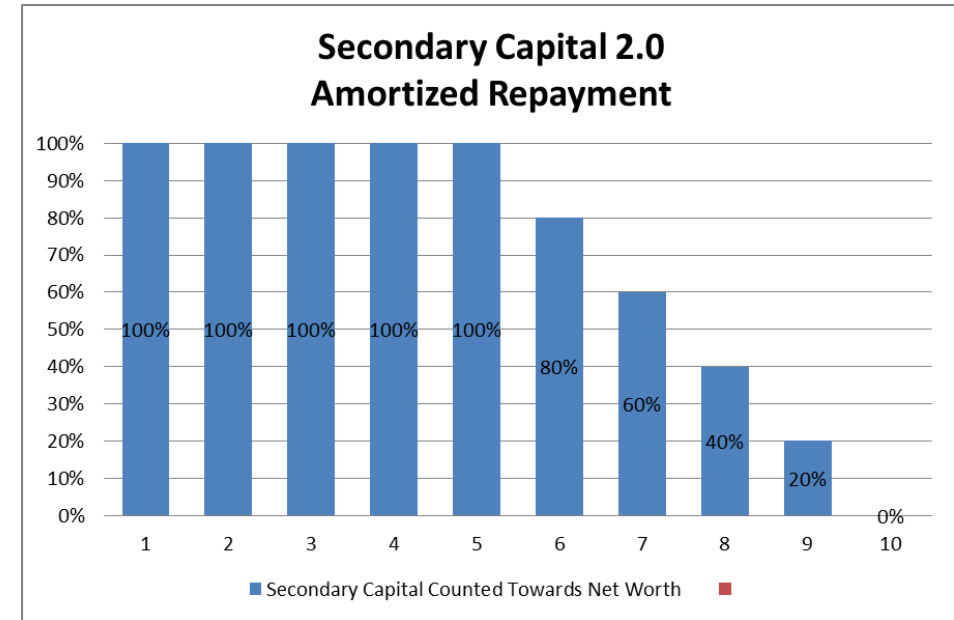
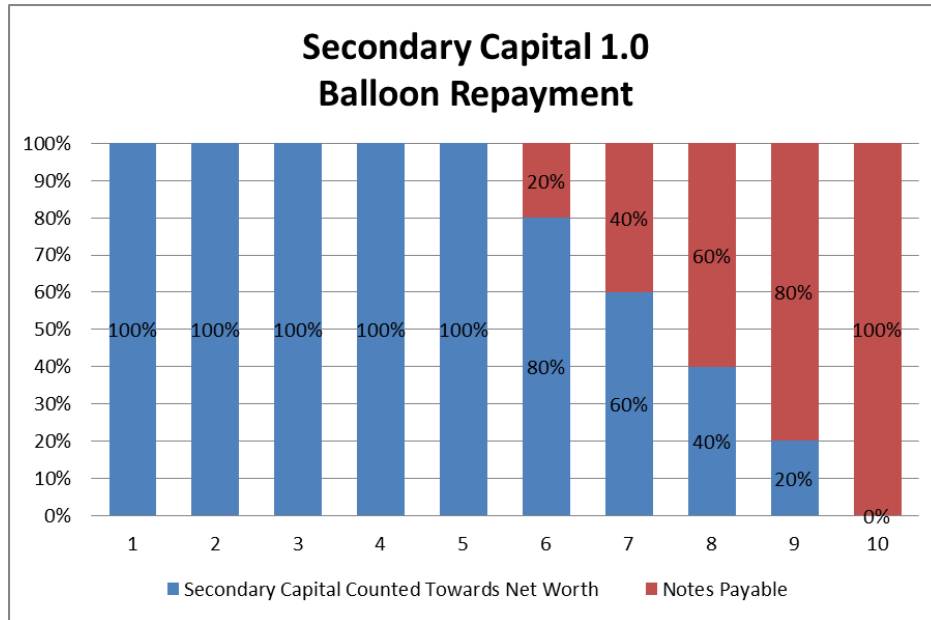
Important Deadlines	Submission
March 31, 2021	Secondary Capital Application to Inclusiv
May 7, 2021	Emergency Capital Investment Program Application + Lending Plan to Treasury

Secondary Capital Products



**RATES AS LOW AS 2% UP TO 10 YEARS
FOR A LIMITED-TIME ONLY!**

Secondary Capital Products



	Secondary Capital 1.0 (Balloon Repayment)	Secondary Capital 2.0 (Amortizing Repayments)	Southern Equity Fund (Amortizing Repayments)
Max Amount *Minimum 1% of assets	\$750,000	\$2,000,000	\$5,000,000
Term	5-7 Years	5-10 Years	5-10 Years
Rate	2.00%-3.00%	2.00%-3.00%	Starts at 4.00%
Application Fee	\$250	\$500	\$500
Closing Fee	NA	10 bps approved loan amount	10 bps approved loan amount

Eligibility: Limited to low-income designated credit unions.
Must submit and receive approval of secondary capital plan by NCUA regional director.

Secondary Capital Plan Requirements:

1. Maximum aggregate amount of uninsured secondary capital the LICU plans to accept;
2. Identifies the purpose for which the aggregate secondary capital will be used, and how it will be repaid;
3. Explains how the LICU will provide for liquidity to repay secondary capital upon maturity;
4. Demonstrates that the planned uses of secondary capital conform to the LICU's strategic plan, business plan and budget; and
5. Includes supporting pro forma financial statements, including any off-balance sheet items, covering min. of the next two years.

Regulation Section 701.34. State chartered credit unions should also consult with their state regulators.

Secondary Capital Best Practices: Purpose Driven Growth

Expand community impact and services to underserved communities

Integrate community development initiatives into larger strategies

Innovate and scale loan products & development services designed for low- income
and marginalized communities

Increase engagement of unbanked/ underbanked communities

Asset Liability Management Resource

Business and Community Development Plan

1	Executive Summary, including summary of growth strategy.
2	Credit Union Description. History, Current Field of Membership, Organization and Management.
3	Market Analysis
4	Loan Products and Development Services + Growth, Delivery and Outreach Strategies.
5	Community Development Impact Plan.
6	Financial Projections. Account for the full requested term of the loan and demonstrate, inter alia, proper accounting for the secondary capital loan, interest payments on the loan (minimum debt-service coverage ratio of 2.5 post-loan), include assumptions.

COMMUNITY IMPACT PLAN

Examples of Impact Products and Services

Development Services	High Impact Consumer Lending	Capital Intensive Community Development Activities
<ul style="list-style-type: none"> • Financial Counseling/ Housing Counseling • Financial inclusion and outreach to target populations including immigrant, older Americans, people with disabilities and/or other underserved population • Savings and asset building programs • EITC/ VITA 	<ul style="list-style-type: none"> • Affordable small dollar/ emergency loans (alternatives to predatory products) • Credit Building • Debt Consolidation • Workforce or transportation related lending (e.g., Wheels to Work) • Consumer loans 	<ul style="list-style-type: none"> • Affordable Home Mortgage Lending • Microfinance and Small Business Lending • Community Facilities • Non-Profit Lending

Make sure to include intended results, benchmarks and indicators of success.

Example:

Target issue: Financial services to immigrants and new Americans

Sample Benchmarks and Metrics Tracked on Investment:

New Accounts Opened/ Previously Unbanked Members:

Loans originated:

Secondary Capital:

- ✓ Makes your CU more profitable!
- ✓ Is regulatory net worth. Thus it can be leveraged with additional member and non-member deposits.
- ✓ Cost should be evaluated with the cost of deposits, not simply on its own. With deposits the blended WACC is lower than the cost of the secondary capital, varying by leverage. Eg. \$1 million of secondary capital at 4% and \$4 million of deposits at X (0.50%) = 1.20%.
- ✓ Can offset the capital charges that are required when new loans and new loan programs start up – especially when those loan programs are impact focused and often require at least minor higher reserve rates. Over time with the successful performance of the loans, the reserve rates come down as the secondary capital is repaid.
- ✓ Makes your CU more money generating additional funds to repay the secondary capital when it comes due. The most successful high growth CUs incorporate secondary capital into their long-term financing structure.

Questions & Answers

Please enter questions in the Q&A or chat field.

Upcoming Events:



A Conversation with The CDFI Fund

Tuesday, March 16 at 1:15 PM ET



Contacts



39 Broadway, Suite 2140
New York, NY 10006-3063
www.inclusiv.org

Cathi Kim

Director, Inclusiv/ Capital
capital@inclusiv.org
212.809.1850 ext. 271

Ahmed Campbell

Director, Lending Development
capital@inclusiv.org
212.809.1850 ext. 229