

U.S. DEPARTMENT OF THE TREASURY

Treasury to Invest \$9 billion in Community Development Financial Institutions and Minority Depository Institutions through Emergency Capital Investment Program (ECIP)

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ECIP Provides Capital and Services to Low- and Moderate-Income, Historically Disadvantaged Communities Impacted by COVID-19

WASHINGTON - The U.S. Department of the Treasury announced that it was opening the application process for the Emergency Capital Investment Program (ECIP), a new initiative 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. The program will ultimately invest \$9 billion in 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. Treasury's \$9 billion investment under ECIP will complement the \$3 billion of grants being provided by the CDFI Fund through the [CDFI Rapid Response Program](#) and the Emergency Support and Minority Lending Program.

ECIP will provide up to \$9 billion in capital directly to depository CDFIs and MDIs to support the provision of loans, grants, and forbearance for small and minority businesses and consumers in low income communities. The program sets aside \$2 billion for participants with less than \$500 million in assets and an additional \$2 billion for participants with less than \$2 billion in assets. The funding will provide long-term, low-cost equity and subordinated debt for participating institutions to support low-and-middle income (LMI) communities.

"America has always had financial services deserts, places where it's very difficult for people to get their hands on capital so they can, for example, start a business. But the pandemic has made these deserts even more inhospitable," said Secretary Janet L. Yellen. "The Emergency Capital Investment Program will help these places that the financial sector hasn't typically served well. It will allow people to access capital, especially in communities of color and rural areas."

These programs are designed to provide relief at a moment when many households and small businesses are struggling as a result of the pandemic – and when that pain is not evenly distributed across the country. The American Rescue Plan that President Biden and Vice President Harris have put forward is designed to address that challenge, with measures focused on getting relief to underserved communities, including new emergency grants to help struggling small businesses, investments in state programs that support small business credit, and additional rental assistance to support families trying to stay in their homes. As the Biden-Harris administration works with Congress to pass that plan, Treasury is taking steps with its existing authorities to provide support to those who need it.

PROGRAM HIGHLIGHTS

- *Incentivizing impactful lending*: Treasury’s investments in participating institutions will be at a capped low-cost dividend or interest rate, with no dividends or interest payable or accruing during the first 24 months after issuance. This structure provides an incentive for impactful lending. Treasury is developing additional “deep impact” metrics to further incentivize targeted investments by participants in those communities most in need of capital.
- *Ensuring capital treatment that maximizes program effectiveness*: Treasury has collaborated closely with federal banking regulators to ensure the preferred stock investments under ECIP qualify for beneficial capital treatment. This will allow institutions to leverage their capital to maximize lending reach and impact.
- *Planning for the long term*: Treasury intends for this program to immediately provide support to CDFIs and MDIs, improving the fiscal health of participating institutions and enhancing real-time impact. Over the long term, Treasury expects the program will strengthen the viability of the CDFIs and MDIs, sustaining their role as important vehicles for fostering access and inclusion in low-income and traditionally underserved communities.

COMPLEMENTARY PROGRAMS

Today’s announcement is part of \$12 billion of emergency support being provided by Treasury to CDFIs and MDIs to help their communities respond to the economic hardships

created by the COVID-19 pandemic. In addition to the Emergency Capital Investment Program, Treasury is also implementing two other complementary programs:

- **CDFI Rapid Response Program** is a \$1.25 billion program for depository and non-depository CDFIs intended to support, prepare for, and respond to the economic impact of the coronavirus crisis. Funding will be distributed rapidly and broadly by formula allocation and will provide grants for a variety of needs in response to the pandemic. The funding round was opened on February 25, 2021.
- **Emergency Support and Minority Lending Program** is a \$1.75 billion program to expand lending, grant making, or investment activity in LMI minorities communities and to minorities that have significant unmet capital or financial services needs. Funding from this program will provide a combination of grant capital and technical assistance that target communities impacted by the pandemic. Eligible participants include depository and non-depository CDFIs, including a \$1.2 billion set-aside for a new category of CDFIs, “minority lending institutions.” Treasury expects to open this program by early summer 2021.

Taken together, these three programs, created under the Consolidated Appropriations Act, 2021, enable Treasury to take aggressive action to address the impacts of the ongoing COVID-19 pandemic, and to promote an equitable economic recovery. These historic investments are intended to provide catalytic growth for institutions and communities that have traditionally been underserved by the financial sector.

For more information about the Emergency Capital Investment Program, please visit <https://home.treasury.gov/policy-issues/cares/emergency-capital-investment-program>.

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