Congressional Committees

Troubled Asset Relief Program

Community Development Capital Initiative

Accessible Version

Background

The Department of the Treasury (Treasury) created the Community Development Capital Initiative (CDCI) to help mitigate the adverse impacts of the financial crisis on communities underserved by traditional banks. CDCI provided capital to certain Community Development Financial Institutions, including banks, thrifts, and credit unions, which offer financial services to low- and moderate-income, minority, and underserved communities.

Treasury announced the program in October 2009; it was closed to new participants in September 2010.

CDCI provided capital to Community Development Financial Institutions by purchasing preferred equity or subordinated debt from them. These institutions are required to make quarterly dividend or interest payments to Treasury until they exit the program. Institutions are expected to repay the investments with the approval of their primary federal bank regulator. CDCI preferred equity investments had an initial dividend rate of 2 percent. Since 2018, the dividend rate has increased to 9 percent for all program participants. The terms of the rates are specified in the agreements between Treasury and the institutions.

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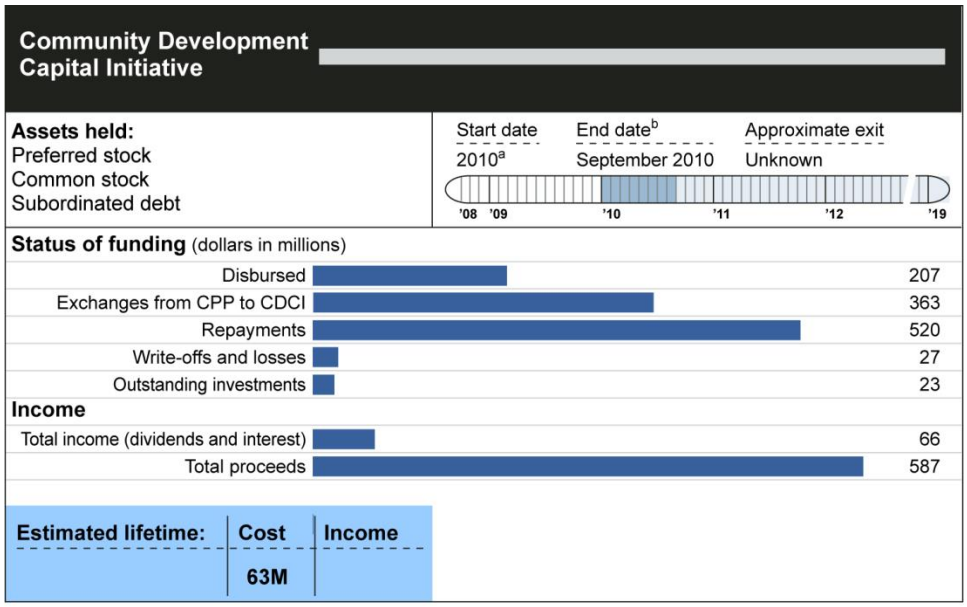
Status

Treasury continues to manage CDCI. Treasury's total investment for this program has been $570 million for 84 institutions. As shown in figure 3, Treasury originally disbursed $207 million through CDCI from February through September 2010. An additional $363 million represented exchanges of investments from the Capital Purchase Program into CDCI. As of September 30, 2019, Treasury had received $587 million in principal repayments and dividend income from CDCI participants; its original outstanding investment balance was $23 million. As of the same date, Treasury had written off $27 million and CDCI participants had paid $66 million in dividends. Treasury has estimated the program's lifetime costs to be $63 million.

Figure 3: Status of the Community Development Capital Initiative, as of September 30, 2019



Source: GAO analysis of Department of the Treasury data. | GAO-20-218R

Note: Treasury began holding common stock for CDCI on October 28, 2011, after entering into an agreement with one institution to convert all of its preferred stock held by Treasury for common stock.

[a]Treasury first announced CDCI in October 2009. The program first provided capital to Community Development Financial Institutions in 2010.

[b]End date is the date on which the program stopped acquiring new assets and receiving funding.

Accessible Data for Figure 3: Status of the Community Development Capital Initiative, as of September 30, 2019

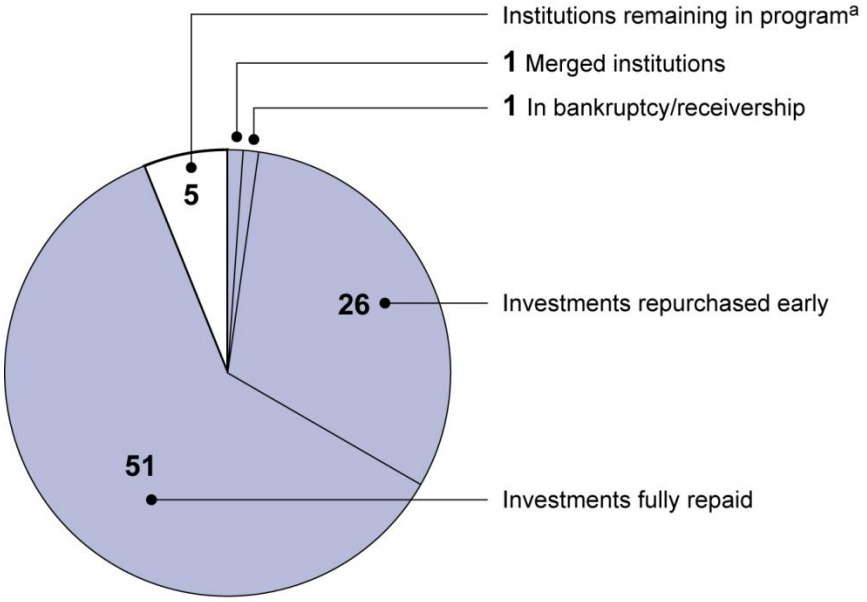
Category	Dollars (in millions)
Disbursed	207
Exchanges from Capital Purchase Program to CDCI	363
Repayments	520
Write-offs and losses	27
Outstanding investments	23
Total income (dividends and interest)	66
Total proceeds	587
Estimated lifetime cost	63

As shown in figure 4, as of September 30, 2019, five of the original 84 CDCI institutions remained in the program. Institutions have exited the program by:

- repaying Treasury in full;
- merging with another institution;
- leaving as a result of its subsidiary bank's failure; or
- leaving through Treasury's CDCI Early Repurchase Option.

Under the CDCI Early Repurchase Option, eligible institutions were able to repurchase their outstanding securities owned by Treasury at fair value for a limited period of time. To participate in this option, institutions must have submitted a proposal to Treasury no later than December 9, 2016.

Figure 4: Status of Institutions that Received Community Development Capital Initiative Investments, as of September 30, 2019



Source: GAO analysis of Department of the Treasury data. | GAO-20-218R

[a]On October 16, 2019, the North Side Community Federal Credit Union made a full repayment and is no longer part of the CDCI program. The data in this report are as of September 30, 2019.

Accessible Data for Figure 4: Status of Institutions that Received Community Development Capital Initiative Investments, as of September 30, 2019

Category	Category member total
Total Remaining in program	5
Merged Institutions	1
Bankruptcy/Receivership	1
Early Repurchase	26
Full Repayments	51

As shown in table 2, as of September 30, 2019, the remaining $22.75 million in outstanding CDCI investments was distributed among five institutions, with one institution accounting for 83 percent of the total. The institutions remaining in CDCI showed improvement from 2011 to 2016, but some of the metrics of loans ratio and median net worth ratio of the credit unions worsened from 2016 to 2018.

Table 2: Remaining Community Development Capital Initiative Investments, as of September 30, 2019

Institution	Location	Investment amount (dollars in millions)	Percentage of total outstanding (percentage)
Carver Bancorp, Inc	New York, NY	18.98	83.39
Cooperative Center Federal Credit Union	Berkeley, CA	2.80	12.30
D.C. Federal Credit Union	Washington, D.C.	0.50	2.20
North Side Community Federal Credit Union[a]	Chicago, IL	0.33	1.45
Buffalo Cooperative Federal Credit Union	Buffalo, NY	0.15	0.66
All CDCI outstanding		**22.75[b]**	**100.00**

Source: GAO analysis of the Department of the Treasury data. | GAO-20-218R

[a]On October 16, 2019, the North Side Community Federal Credit Union made a full repayment and is no longer part of the CDCI program. The data in this report are as of September 30, 2019.

[b]Outstanding investments do not sum to total due to rounding.