

## **Instructions for Applying to the Troubled Asset Relief Program's Capital Purchase Program for State Nonmember Institutions**

On October 14, 2008, the U.S. Treasury Department announced a Capital Purchase Program (CPP) under the Troubled Asset Relief Program mandated by the Emergency Economic Stabilization Act of 2008. The CPP is designed to encourage U.S. financial institutions to build capital to increase the flow of financing to U.S. businesses and consumers and support the U.S. economy. Under this program, the Treasury will purchase up to \$250 billion of senior preferred shares in financial institutions on standardized terms as described in the program's term sheet available at <http://www.treas.gov/press/releases/hp1207.htm>. The Treasury's investment agreement and associated documents will be posted on the Treasury Web site soon.

### **How to Apply**

Any state nonmember institution may apply to the FDIC for a CPP capital infusion using the application materials and frequently asked questions posted on the Internet at <http://www.treas.gov/initiatives/eesa/docs/application-guidelines.pdf> (PDF Help), <http://www.treas.gov/initiatives/eesa/docs/faq-cpp.pdf> (PDF Help), and [www.fdic.gov](http://www.fdic.gov). Although the U.S. Treasury ultimately will make decisions regarding capital injections, applications should be submitted through an institution's primary federal regulator. Applications must be received by the FDIC by 5:00 p.m. EST on November 14, 2008, to receive consideration.

Interested institutions should submit their applications to the appropriate FDIC Regional Office via e-mail or U.S. mail. If interested in electronic submission, applying institutions should contact their FDIC Regional Office. Once applications are considered complete, they will be formally accepted for processing by the FDIC Regional Office, and applicants will be advised in writing. Applications will then be forwarded to the FDIC's Washington Office for final consideration and submitted to the Treasury for action. At any time during this process, an applicant may withdraw its request to participate in the CPP.

Prospective applicants are encouraged to begin a dialogue immediately with their FDIC Regional Office to express interest in participating in the program and discuss any corporate structure obstacles or other challenges. The FDIC Regional Office staff is available to answer questions and provide consultation on program requirements.

### *State Nonmember Institutions Within a Bank Holding Company Structure*

Treasury will be making CPP injections at the bank holding company level for institutions controlled by a bank holding company. Therefore, state nonmember institutions controlled by a bank holding company will apply to the Federal Reserve for a CPP injection. The holding company should provide a copy of the application to the appropriate FDIC Regional Office. The Federal Reserve will make a recommendation on the application to Treasury in consultation with the FDIC.

### *Institutions with a Non-Public, Subchapter S, or Mutual Corporate Structure*

Treasury is aware of potential legal and tax obstacles in these corporate structures in relation to the terms of the CPP senior perpetual preferred shares and warrants. Accordingly, Treasury is investigating possible alternatives. State nonmember institutions with these non-public structures that are interested in applying should submit their CPP application to their FDIC

Regional Office by November 14, 2008, and describe any structural conditions that may not comply with the Treasury's guidelines.

**Participation**

The FDIC encourages all state nonmember institutions to seriously consider applying for CPP injections. Participation in this low-cost capital program can bolster financial strength, or potentially support acquisitions, both of which ultimately allow for prudent lending that may currently be constrained by capital levels. Any questions on the application process should be directed to the institution's FDIC Regional Office.

*Institutions Serving Low- to Moderate-Income or Underserved Communities*

Institutions with less than \$1 billion in assets that serve low- to moderate-income populations and other underserved communities that were well or adequately capitalized as of June 30, 2008, and will drop one or more regulatory capital levels because of depreciation in Fannie Mae or Freddie Mac equity securities, are identified for specified consideration for a CPP injection under Section 103 of the Emergency Economic Stabilization Act of 2008. The FDIC encourages such institutions to apply for a CPP capital injection; these institutions should note their status under Section 103 in application materials.

*Minority Depository Institutions*

If state nonmember minority-owned or -operated depository institutions require technical assistance in completing CPP applications, they should contact their FDIC Regional Office.

**Notification of Treasury's Determinations**

Institutions will be advised in writing by the U.S. Treasury of their decisions by year-end 2008.