



Catching the Last Wave of the ECIP Plan

📌 industry update capital

Summary: The federal government is investing more than \$8.28B in community development financial institutions and minority depository institutions through the Emergency Capital Investment Program. See how your CDFI or MDI can benefit before the application deadline Jan. 31.

In late 2018, a volcanic eruption created a tsunami that struck the Sunda Strait in Indonesia. The tsunami wreaked havoc over 200 miles of coastline, claiming hundreds of lives and causing catastrophic structural damage. In the aftermath, the estimated [cost of repairs totaled over 200B in local currency](#). The recent global crisis of a pandemic also had a massive economic impact itself, and may require investments to repair the damage done to businesses. That's especially true for businesses that didn't have a lot of resources in the first place.

Late last year, community development financial institutions (CDFIs) and minority deposit institutions (MDIs) had an opportunity with the federal government to help ease the economic pressure on themselves and the small businesses they serve. The Emergency Capital Investment Program (ECIP) provides up to \$9B in capital directly to low- and moderate-income community financial institutions. It's intended to shore up their ability to make loans, as well as grants and forbearance, to small businesses and consumers within their communities.

How did ECIP start?

The 2021 Consolidated Appropriations Act is part of the American Rescue Plan Act. It established the ECIP to help low- and middle-income CFIs make loans to small businesses and people who were disproportionately hurt by the COVID-19 pandemic. To receive funding, CFIs are required to [fill out an application](#). The first round of ECIP closed last fall, but in December, a new round of ECIP was announced, with a smaller amount of \$160MM to \$340MM available. Though, it's much less than the original offering, this amount of funding could make a huge difference to some smaller CFIs. The second wave of applications closes on Jan. 31, so there's still a short amount of time to submit your CFI for consideration.

Which CFIs qualify?

To get any ECIP funds, a financial institution needs to be a community development financial institution (CDFI) and/or a minority deposit institution (MDI). This second round will prioritize institutions that were ineligible for the first round, yet have since become eligible, or institutions in communities that were underserved by the first round and show strong indications that they can help execute the Emergency Investment Lending Plan.

In addition, the CDFI or MDI must also meet **one of the following criteria from the first round:**

- A federally insured depository institution that is not controlled by a bank holding company or a savings and loan holding company that's also eligible for the ECIP.
- A bank holding company.
- A savings and loan holding company.
- A federally insured credit union.

CDFIs and MDIs that aren't federally insured — whether they're not banking institutions, are cooperatives based in Puerto Rico, or are credit unions with private insurance — can't participate in ECIP. ECIP sets aside \$2B for CDFIs and MDIs with less than \$2B in assets. Another \$2B goes to CDFIs and MDIs with assets of less than \$500MM.

ECIP funds can comprise no more than 7.5% of total assets for qualifying institutions with total assets of more than \$2B, no more than 15% of total assets for qualifying institutions with total assets between \$500MM and \$2B, and no more than 22.5% of total assets for qualifying institutions with total assets of less than \$500MM.

CDFIs and MDIs that participate in ECIP must calculate and report their baseline amounts of qualified lending within 10 days of receiving their ECIP funds. The program will use this number to calculate the interest rates (or dividend) for each participant under the rate reduction incentive guidelines.

Who are the borrowers?

The program is meant to help CDFIs and MDIs offer loans, grants, and forbearance to individuals, small businesses, and nonprofit organizations in their communities that have been hit disproportionately hard by Covid-19. ECIP primarily supports recipients with low and middle incomes, minority-owned businesses and communities, rural communities, and underserved areas.

In practice, this has spread the funds unevenly over the US, because some areas have more qualified potential participants and recipients than others. In Minnesota, for instance, one institution received ECIP money whereas in Mississippi, 25 financial institutions are participating in the program.

CDFIs and MDIs across the country still have the opportunity to obtain federal funds to support loans, grants, and forbearance for underserved, rural, and minority people and businesses.

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ECONOMY & RATES

Rates As Of: 01/20/2023 08:32AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	4.71	0.29	0.29
6M	4.79	0.03	0.03
1Y	4.66	-0.05	-0.05
2Y	4.16	-0.27	-0.27
5Y	3.56	-0.45	-0.45
10Y	3.46	-0.42	-0.42
30Y	3.62	-0.35	-0.35
FF Market	FF Disc	IORR	
4.33	4.50	4.40	
SOFR	Prime	ORER	

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