

GAO Highlights

Highlights of [GAO-17-96](#), a report to congressional committees

Why GAO Did This Study

Treasury established CDCI under the Troubled Asset Relief Program (TARP) in February 2010 to help banks and credit unions certified as Community Development Financial Institutions (CDFI) maintain services to underserved communities after the 2007–2009 financial crisis. Eighty-four institutions originally participated in CDCI. The program offered favorable terms for raising capital, including a low dividend or interest rate, an important benefit for CDFIs that did not have the same access to capital markets as larger banks. The program's initial dividend or interest rate of 2 percent on investments increases to 9 percent in 2018 for most of the remaining banks and credit unions in the program. The Emergency Economic Stabilization Act of 2008 includes a provision that GAO report at least every 60 days on TARP activities. This report examines the status of CDCI.

To assess the program's status, GAO reviewed Treasury reports on the status of CDCI and documents related to the Early Repurchase Option. GAO also interviewed Treasury officials to examine the agency's early repurchase option for the program and interviewed representatives from four trade associations whose member institutions received CDCI capital.

GAO provided a draft of this report to Treasury for its review and comment. Treasury provided technical comments that GAO incorporated as appropriate.

GAO makes no new recommendations in this report.

View [GAO-17-96](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or GarciaDiazD@gao.gov.

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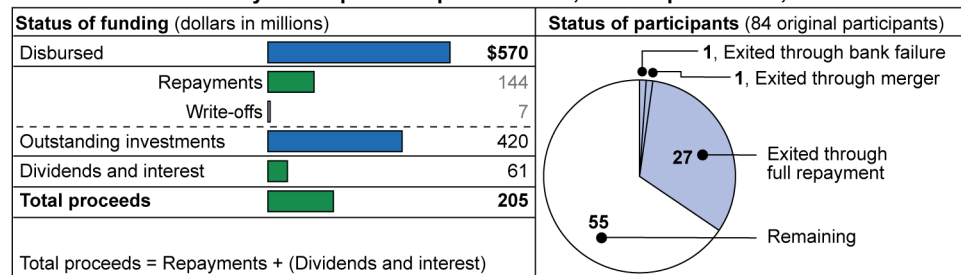
TROUBLED ASSET RELIEF PROGRAM

New Effort to Wind Down the Community Development Capital Initiative

What GAO Found

As of September 30, 2016, the Department of the Treasury (Treasury) had approximately \$420 million, or 75 percent, of the original Community Development Capital Initiative (CDCI) investment of \$570 million, outstanding. Of the original 84 participating institutions, 55 remained. Treasury has received about \$144 million in principal repayments and about \$61 million in dividend and interest payments from program participants. Treasury has written off about \$7 million, which came from an investment in one institution whose assets were liquidated when its banking subsidiary entered receivership. Treasury's most recent estimate of the program's lifetime cost was about \$104 million (as of September 2016).

Status of the Community Development Capital Initiative, as of September 30, 2016



Source: GAO analysis of Treasury data. | GAO-17-96

As part of its ongoing effort to wind down TARP, Treasury began offering participating CDCI institutions an opportunity to repurchase their outstanding securities owned by Treasury at fair value. According to Treasury, it will only accept repurchase proposals that are at or above Treasury's own determination of fair value. To participate in the early repurchase option, eligible institutions must submit a proposal to Treasury no later than November 18, 2016. Treasury anticipates that all proposed repurchases that are accepted will be completed by December 30, 2016. Representatives from bank and credit union trade associations with CDCI participating members told GAO that the current low interest rate environment and the expected increases in CDCI dividend payments would likely cause some of their members to pursue this early exit option. GAO will continue monitoring Treasury's implementation of this option, including evaluating its valuation methodology.