



## Community Development Investment Program (CDIP) for CDCUs APPLICATION FOR SECONDARY CAPITAL II

The purpose of the Community Development Investment Program is to provide capital to strengthen the capacity of CDCUs in furthering the Federation’s mission of “helping low- and moderate-income individuals and communities achieve financial independence.” The Federation’s Secondary Capital II product is intended to advance the institutional community development missions of our member credit unions. As a Secondary Capital II borrower, an institution’s community development impacts should relate to specific activities and products for your community and include measurable, reportable impact goals over the life of this loan.

In this application, you will be asked to provide a statement of purpose for this secondary capital investment as well as a copy of your business and community development plan outlining the impact you have and expect to have as a result of this loan.

Please also note the following regulatory qualifications and considerations for borrowing Secondary Capital II:

- A credit union must also be designated as low-income by either NCUA or their state regulatory agency;
- A credit union must be solvent at the time of application;
- Credit unions must also submit payment of the application fees;
- Eligible to receive streamlined approval of secondary capital redemption as detailed in the NCUA’s National Supervisory Policy Manual (see excerpt below.)<sup>1</sup>

### NCUA National Supervisory Policy Manual (Excerpts)

A request for approval to redeem discounted secondary capital may be submitted in writing at any time, must specify the increment(s) to be redeemed and the schedule for redeeming all or any part of each eligible increment, and must demonstrate to the satisfaction of NCUA that for each year:

- (i) The LICU will have a post-redemption net worth classification of “adequately capitalized”;
- (ii) The discounted secondary capital has been on deposit at least two years;
- (iii) The discounted secondary capital will not be needed to cover losses prior to final maturity of the account;
- (iv) The LICU’s books and records are current and reconciled;
- (v) The proposed redemption will not jeopardize other current sources of funding, if any, to the LICU; and
- (vi) The request to redeem is authorized by resolution of the LICU’s board of directors.

and the following criteria:

- Composite CAMEL rating of 1 or 2
- The credit union has properly recognized costs and impairments consistent with GAAP
- Net worth trends are stable or growing, and the credit union will have a post-redemption net worth classification of “well capitalized” under Part 702
- The credit union’s post redemption capital level will remain sufficient relative to an extraordinary risks associated with its financial and operational activities.

<sup>1</sup> **\*Note:** If your credit union does not meet the NCUA Regulations Section 701.34(d)(1) criteria stated above, you may not qualify for a Secondary Capital II Loan from the Federation. Please consider submitting an application for Secondary Capital I rather than Secondary Capital II.

**CREDIT UNION AND CONTACT INFORMATION**

Date: \_\_\_\_\_

Credit Union: \_\_\_\_\_

Charter Number: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Title : \_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_

E-mail \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_

**1. CREDIT UNION PROFILE.**

- Is your credit union a Federation member?\*       Yes |  No\*
- Is your credit union low-income designated?       Yes |  No, but our application is pending |  No\*\*  
If yes, what percentage of your membership is "low-income"<sup>2</sup>? \_\_\_\_\_
- Is your credit union CDFI certified?       Yes |  No, but our application is pending |  No

\*Please note that while any credit union may apply for secondary capital, only Federation members will receive funding from the Community Development Investment Program. By completing this application, your credit union is committing to becoming a member of the Federation and maintaining membership throughout the term of the loan if your credit union receives and accepts and funding commitment from CDIP.

\*\* NCUA regulations only allow credit unions with low-income designation to receive secondary capital.

Credit Union Charter Type: \_\_\_\_\_

Credit Union Field of Membership: \_\_\_\_\_

**2. AMOUNT REQUESTED.** *(Please consider how the additional funds and associated costs will affect your assets and liability management. Terms range from 5-7 years)*

**Amount Requested:** \_\_\_\_\_  
(Maximum for Secondary Capital II: \$1,000,000)

**Term:** \_\_\_\_\_  
(Terms may range from 5-7 years)

Rates are determined by the CDI Committee. Rates for Secondary Capital II range from 3.25%-3.75%.

<sup>2</sup> "Low-income members" includes members with a family income 80% or less than the median family income for the metropolitan area where they live or national metropolitan area, whichever is greater. Members enrolled as students in a college, university, high school, or vocational school also qualify. For the full definition, refer to NCUA Rules and Regulation 701.34.

**3. COMPREHENSIVE BUSINESS AND COMMUNITY DEVELOPMENT IMPACT PLAN.**

Your business plan must include community development impact objectives, and state what issue/ problem your credit union is seeking to address, as well as financial projections that cover the full loan term.

**Below is a sample outline for your business/ community development impact plan:**

1.	<p><b>Executive Summary, including summary of growth strategy.</b> Tell us about the current state of your credit union, your vision and how you will accomplish this goal. Describe your credit union's accomplishments or plans to serve your community, your overall growth plans and how, specifically, the Federation's Secondary Capital you requested will help you meet the goals and needs of your community.</p>						
2.	<p><b>Credit Union Description.</b> History, Current Field of Membership, Organization and Management</p>						
3.	<p><b>Market Analysis.</b> Summary of current membership, potential membership, demographic trends of community at large and financial needs/ gaps, competition, challenges. Describe in detail the neighborhood or community you serve: its particular problems, its needs, and its goals.</p>						
4.	<p><b>Loan Products and Development Services + Growth, Delivery and Outreach Strategies.</b> What do you currently offer and plan to offer? How will you achieve this?</p>						
5.	<p><b>Community Development Impact.</b> What is the intended impact your credit union will achieve with this investment? Please identify the larger issue (see strategic initiatives above for examples), products and services that will be used to meet those needs and how do you intend to measure these outcomes? (eg metrics, definitions)</p> <p>The Federation invests in scaling existing community development impact plans as well as the development of new products and services. Applicants and investees are not limited to addressing these issues, however successful candidates must demonstrate current initiatives or plans to address financial service gaps and needs within their market (current and prospective), as well as outcomes by which they will measure success.</p> <p><b>Examples of Impact Products and Services</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Development Services</th> <th style="width: 33%;">High Impact Consumer Lending</th> <th style="width: 33%;">Capital Intensive Community Development Activities</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>• Financial Counseling/ Housing Counseling</li> <li>• Financial inclusion and outreach to target populations including immigrant, older Americans, people with disabilities and/or other underserved population</li> <li>• Savings and asset building programs</li> <li>• EITC/ VITA</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Affordable small dollar/ emergency loans (alternatives to predatory products)</li> <li>• Credit Building</li> <li>• Debt Consolidation</li> <li>• Workforce or transportation related lending (e.g., Wheels to Work)</li> <li>• Consumer loans</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Affordable Home Mortgage Lending</li> <li>• Microfinance and Small Business Lending</li> <li>• Community Facilities</li> <li>• Non-Profit Lending</li> </ul> </td> </tr> </tbody> </table> <p><b>Make sure to include intended results, benchmarks and indicators of success.</b> Example: <b>Target issue:</b> Financial services to immigrants and new Americans <b>Sample Benchmarks and Metrics Tracked on Investment:</b> New Accounts Opened/ Previously Unbanked Members: Loans originated:</p>	Development Services	High Impact Consumer Lending	Capital Intensive Community Development Activities	<ul style="list-style-type: none"> <li>• Financial Counseling/ Housing Counseling</li> <li>• Financial inclusion and outreach to target populations including immigrant, older Americans, people with disabilities and/or other underserved population</li> <li>• Savings and asset building programs</li> <li>• EITC/ VITA</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable small dollar/ emergency loans (alternatives to predatory products)</li> <li>• Credit Building</li> <li>• Debt Consolidation</li> <li>• Workforce or transportation related lending (e.g., Wheels to Work)</li> <li>• Consumer loans</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable Home Mortgage Lending</li> <li>• Microfinance and Small Business Lending</li> <li>• Community Facilities</li> <li>• Non-Profit Lending</li> </ul>
Development Services	High Impact Consumer Lending	Capital Intensive Community Development Activities					
<ul style="list-style-type: none"> <li>• Financial Counseling/ Housing Counseling</li> <li>• Financial inclusion and outreach to target populations including immigrant, older Americans, people with disabilities and/or other underserved population</li> <li>• Savings and asset building programs</li> <li>• EITC/ VITA</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable small dollar/ emergency loans (alternatives to predatory products)</li> <li>• Credit Building</li> <li>• Debt Consolidation</li> <li>• Workforce or transportation related lending (e.g., Wheels to Work)</li> <li>• Consumer loans</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable Home Mortgage Lending</li> <li>• Microfinance and Small Business Lending</li> <li>• Community Facilities</li> <li>• Non-Profit Lending</li> </ul>					

**Secondary Capital II Application**

National Federation of Community Development Credit Unions  
39 Broadway, Suite 2140, New York, NY 10006

Tel. 212-809-1850 / fax 212-809-3274 / www.cdcu.coop/ email: cdinvestment@cdc.cu.coop

<b>6.</b>	<p><b>Financial Projections.</b></p> <p>Make sure to account for the full requested term of the loan and demonstrate, inter alia, proper accounting for the secondary capital loan, interest payments on the loan (minimum debt-service coverage ratio of 2.5 post loan), repayments (see p. 1 of this application for details). Also include assumptions.</p>
-----------	--

**4. LOAN POLICIES AND PROCEDURES.**

*(Credit Unions must have at least 3 years of lending experience to be eligible to receive secondary capital from the Federation.)*

Please provide copies of relevant loan and collections policies and/or procedures. The Federation reserves the right to request additional policies as needed. Policies should indicate their last approval/ review date.

If you are planning to launch new loan products, please include a copy of your plans to do so (product design, experience of lending staff, market analysis, projected impact and anticipated loss rates etc.)

**5. ADDITIONAL CONTACT INFORMATION.**

Please provide contact information for all of the following officers:

CEO / President / Manager Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Home Phone: (\_\_\_\_) \_\_\_\_\_ Cell Phone: (\_\_\_\_) \_\_\_\_\_

Personal E-mail \_\_\_\_\_

Home Address: \_\_\_\_\_  
 \_\_\_\_\_

Board President or Secretary Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Home Phone: (\_\_\_\_) \_\_\_\_\_ Cell Phone: (\_\_\_\_) \_\_\_\_\_

Personal E-mail \_\_\_\_\_

Home Address: \_\_\_\_\_  
 \_\_\_\_\_

I certify that the information in this application is accurate to the best of my knowledge. By completing this application and signing below, my credit union is committing to becoming a member of the Federation and maintaining membership throughout the term of the loan if it receives and accepts and funding commitment from CDIP.

\_\_\_\_\_  
**Name**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Date**

**Community Development Investment Program for CDCUs  
SECONDARY CAPITAL APPLICATION- CHECK LIST**

Please use the following as a checklist for **required documentation** for the Secondary Capital Loan II application. If the following information is not provided, your application will be considered incomplete.

- \_\_\_\_\_ 1. Federation's Secondary Capital Loan Application (this form).
- \_\_\_\_\_ 2. **Comprehensive Business and Community Development Plan.** Please include detailed and feasible financial projections which cover the full requested term of the loan.
- \_\_\_\_\_ 3. Loan Policies and Procedures. (You must have 3 or more years of lending experience to be eligible.)
- \_\_\_\_\_ 4. Delinquency and Collection Policies and Procedures.
- \_\_\_\_\_ 5. Allowance for Loan and Lease Losses Policies and Procedures.
- \_\_\_\_\_ 6. **Most Recent Monthly Financial Report.** *It **must** include all loan and delinquency information.*
- \_\_\_\_\_ 7. Resumes of key management personnel and lending officer(s).
- \_\_\_\_\_ 8. Copy of each for the last two years annual fiscal statements audited by an independent certified public accountant and/ or Supervisory Committee.
- \_\_\_\_\_ 9. Copy of your Charter (Indicating your Field-Of-Membership)
- \_\_\_\_\_ 10. Any additional material which you feel will help us to better understand your credit union and your community. This may include brochures, newspaper articles, etc.
- \_\_\_\_\_ 11. Application Fee (\$500). Please also note that approved investments will also be subject to a closing fee. Closing fees will be 10 basis points of the total approved secondary capital loan amount. Please forward payment of application fees to the National Federation of Community Development Credit Unions (NFCDCU), 39 Broadway, Suite 2140, New York, NY 10006-3063.

**THANK YOU FOR YOUR COOPERATION**

Please return all documentation to:

**National Federation of Community Development Credit Unions**

**Attn.: Community Development Investment Program**

**39 Broadway, Suite 2140, New York, NY 10006**

**Tel: (800) 437-8711 | Fax: (212) 809-3274**

**Email: [cdinvestment@cdcu.coop](mailto:cdinvestment@cdcu.coop)**

**If you have any questions, please contact the Community Development Investment Program at  
(800) 437-8711 or (212) 809-1850**

**Secondary Capital II Application**

National Federation of Community Development Credit Unions

39 Broadway, Suite 2140, New York, NY 10006

Tel. 212-809-1850 / fax 212-809-3274 / [www.cdcu.coop](http://www.cdcu.coop) / email: [cdinvestment@cdcu.coop](mailto:cdinvestment@cdcu.coop)