

Frequently Asked Questions regarding the Capital Purchase Program (CPP) for Small Banks

Who is eligible to participate in the expansion of CPP, also known as CPP for Small Banks?

The expansion of CPP is designed to encourage participation by small community banks which are qualified financial institutions as defined under any published term sheet. For the purposes of the CPP expansion, viable banks with less than \$500 million of total assets are eligible to apply for up to 5% of their RWA. For holding companies with more than one bank, all bank assets will be aggregated and only holding companies with total assets of less than \$500 million are eligible.

Is Treasury accepting applications under all seven term sheets?

Yes. The new application deadline for small banks to apply, under any term sheet, is November 21, 2009.

Where can my bank find an application form?

Please use the existing CPP application form, which can be found at <http://www.financialstability.gov/docs/CPP/application-guidelines.pdf>.

If my bank has never applied to CPP, are we eligible for the expansion?

Yes. The application process for new applicants is the same as the original CPP application process. Please see previously posted FAQs for application details, and apply to both your primary and holding company regulator, if applicable.

If my bank is currently a participant in CPP, can we apply for additional funds up to the 5% maximum?

Yes. Treasury is working with the federal banking agencies to establish an expedited application process for banks in your situation. Your bank will need to fill out the original application available which will be posted on all four federal banking agencies' websites. Please note on the application that this is a supplemental request, the total assets held by your bank, and your UST sequence number, assigned by the Treasury. Please apply to both your primary and holding company regulator, if applicable. The agencies will evaluate the application and make a recommendation to the Treasury, which will process the applications as quickly as possible on a first come, first serve basis.

If my bank is currently a participant in CPP and has not declared a dividend for at least one quarter, are we eligible for the expansion?

CPP participants need to be current on dividend payments in order to qualify for additional CPP capital. Participants that issued cumulative preferred must not have any deferred dividends, and participants that issued non-cumulative preferred must have paid a dividend for the most recent period.

If my bank has received preliminary approval from the Treasury and has not yet completed the transaction, are we eligible to apply for additional funds up to the 5% maximum?

Yes. If your institution is in this situation, please notify the Treasury and your primary federal banking agency of your increased request. Please notify the Treasury via CPP@do.treas.gov. Treasury will confirm your request with your primary federal banking agency, and your institution can work with assigned UST closing counsel to finalize all necessary transaction documentation and schedule a funding date.

If my bank has submitted an application for CPP under the original program and has not yet received preliminary approval from Treasury, are we eligible for the expansion?

Yes, please contact the appropriate federal banking agency to inform them of your request.

The Secretary said that there would be expedited processing. How will this be implemented?

As noted above, institutions that have been preliminarily approved but not funded can contact Treasury directly to increase their request to 5% of risk weighted assets. Existing CPP participants can submit a revised application to the appropriate FBA, and Treasury will receive a brief analysis from the FBA discussing an institution's continued qualification for participation in CPP. Treasury will process these applications on an expedited basis.

If my bank would like to form a holding company for the purposes of participating in the CPP expansion, how long do we have to apply for holding company status?

Your bank must receive approval to become a holding company by November 21, 2009.

If my bank participates in the CPP expansion, will we be required to issue warrants to Treasury for the additional investment?

No. Small banks will only be required to issue warrants for the first 3% of Treasury's CPP investment, and not for any incremental investment.

If my bank participates in the CPP expansion, how long after receiving preliminary approval do we have to decide whether or not to complete the transaction?

Your bank will have six months from the date of preliminary approval, but in no event later than December 31, 2009, as may be extended pursuant to EESA, to enter into a binding Letter Agreement with Treasury to fund the transaction.