Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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October 20, 2008

APPLICATIONS TO THE TROUBLED ASSET RELIEF PROGRAM'S CAPITAL PURCHASE PROGRAM

Summary: State nonmember institutions are encouraged to participate in the Troubled Asset Relief Program's (TARP) Capital Purchase Program (CPP) to strengthen their capital positions and ability to prudently make credit available in their lending markets. All financial institutions are eligible to apply for a capital injection from the U.S. Department of Treasury. Applications should be filed with the FDIC according to the instructions in this letter and on the FDIC's Web site at www.fdic.gov.

Distribution:
All FDIC-Supervised Institutions

Suggested Routing:
Chief Executive Officer
Chief Financial Officer

Attachment:
"Instructions for Applying to the Troubled Asset Relief Program's Capital Purchase Program for State Nonmember Institutions"

Contact:
Institution's contact person (Case Manager or Field Supervisor) at applicable FDIC Regional Office

Note:
FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2008/index.html.

To receive FILs electronically, please visit http://www.fdic.gov/about/subscriptions/fil.html.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226.

Highlights:

The FDIC strongly encourages state nonmember institutions to consider applying for infusions of capital under the CPP. The following summarizes the application process:

- Interested state nonmember institutions should contact their appropriate FDIC Regional Office to express interest in the program and file an application with that office using the instructions at www.fdic.gov. The deadline for applying is 5:00 p.m. EST, November 14, 2008.
- The FDIC will review all state nonmember institution applications and make a recommendation to the U.S. Department of Treasury (which will approve or deny program participation).
- 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.
- For those institutions controlled by a holding company, Treasury will make capital injections at the holding company level. Applications should be submitted to the Federal Reserve and the FDIC if the company's largest institution is a state nonmember charter.
- Institutions with less than $1 billion in assets that serve low- to moderate-income populations and underserved communities ***and*** that have been impacted by Fannie Mae or Freddie Mac stock depreciation may apply (under certain conditions) for consideration under the CPP.
- Minority Depository Institutions requiring technical assistance should contact their appropriate FDIC Regional Office.

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, http://www.treas.gov/initiatives/eesa/docs/faq-cpp.pdf, and 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.

<u>Participation</u>

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.

<u>Notification of Treasury's Determinations</u>

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