



Mission-Driven Bank Fund

AT-A-GLANCE

WHAT IS THE MISSION-DRIVEN BANK FUND?

Provides investors with an opportunity to support mission-driven banks that support low- and moderate-income, minority, and rural communities.

PROVIDE

affordable financial products
and services

STIMULATE

economic and community
development

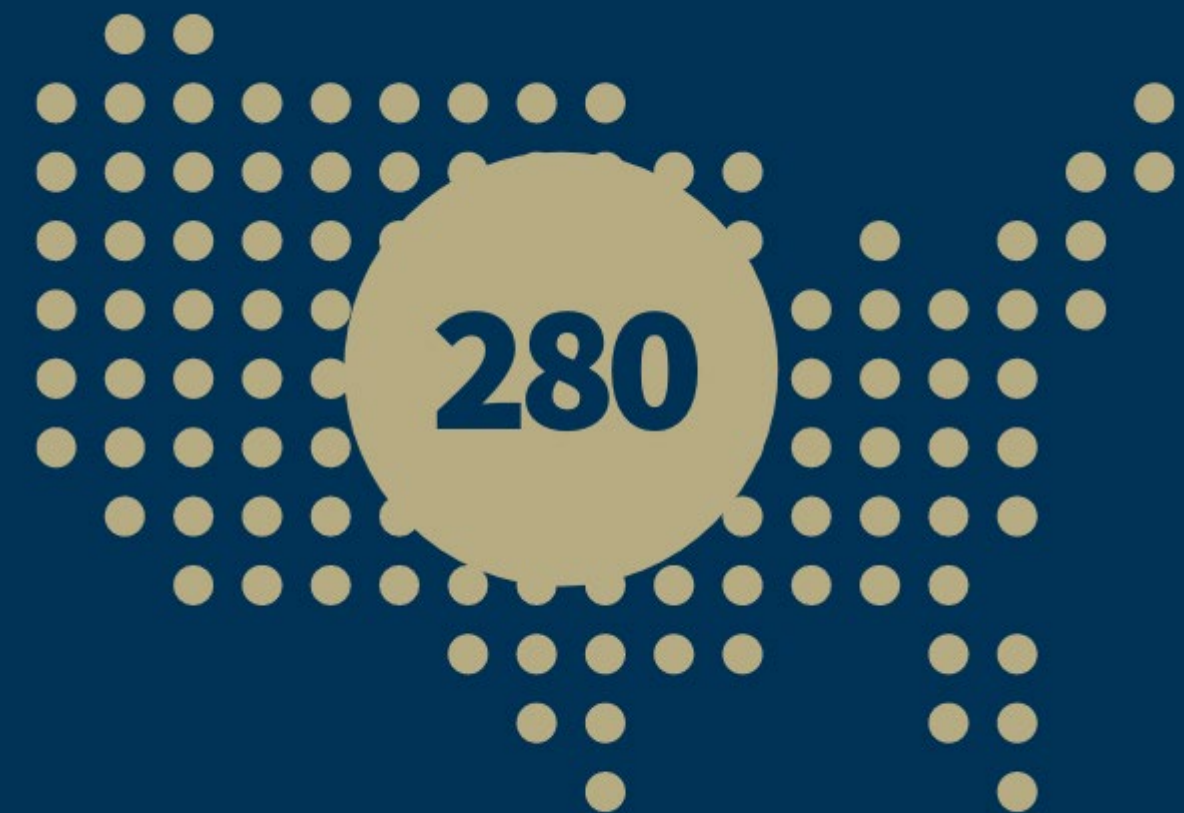
BUILD

opportunity and prosperity

Support for these institutions helps them build size, scale, and capacity—enabling them to have a greater impact in the communities they serve.

WHAT MISSION-DRIVEN BANKS DO

- About **280 banks** with branches in **29 states** serve communities that are often the first to experience the effects of economic downturns and among the last to recover.
- FDIC research shows **Minority Depository Institutions (MDIs)** commit a large portion of their portfolios to minority and lower income communities compared to non-MDIs.
- FDIC-insured **Community Development Financial Institutions (CDFIs)** deliver at least 60% of their total lending, services, and other activities in low-income communities, many of them in rural areas.



HOW THE MISSION-DRIVEN BANK FUND WORKS



FUND STAKEHOLDERS

Fund design seeks to balance the needs and preferences of the various stakeholders, while prioritizing impact within the communities the MDIs/CDFIs serve.

MDI/CDFI Banks

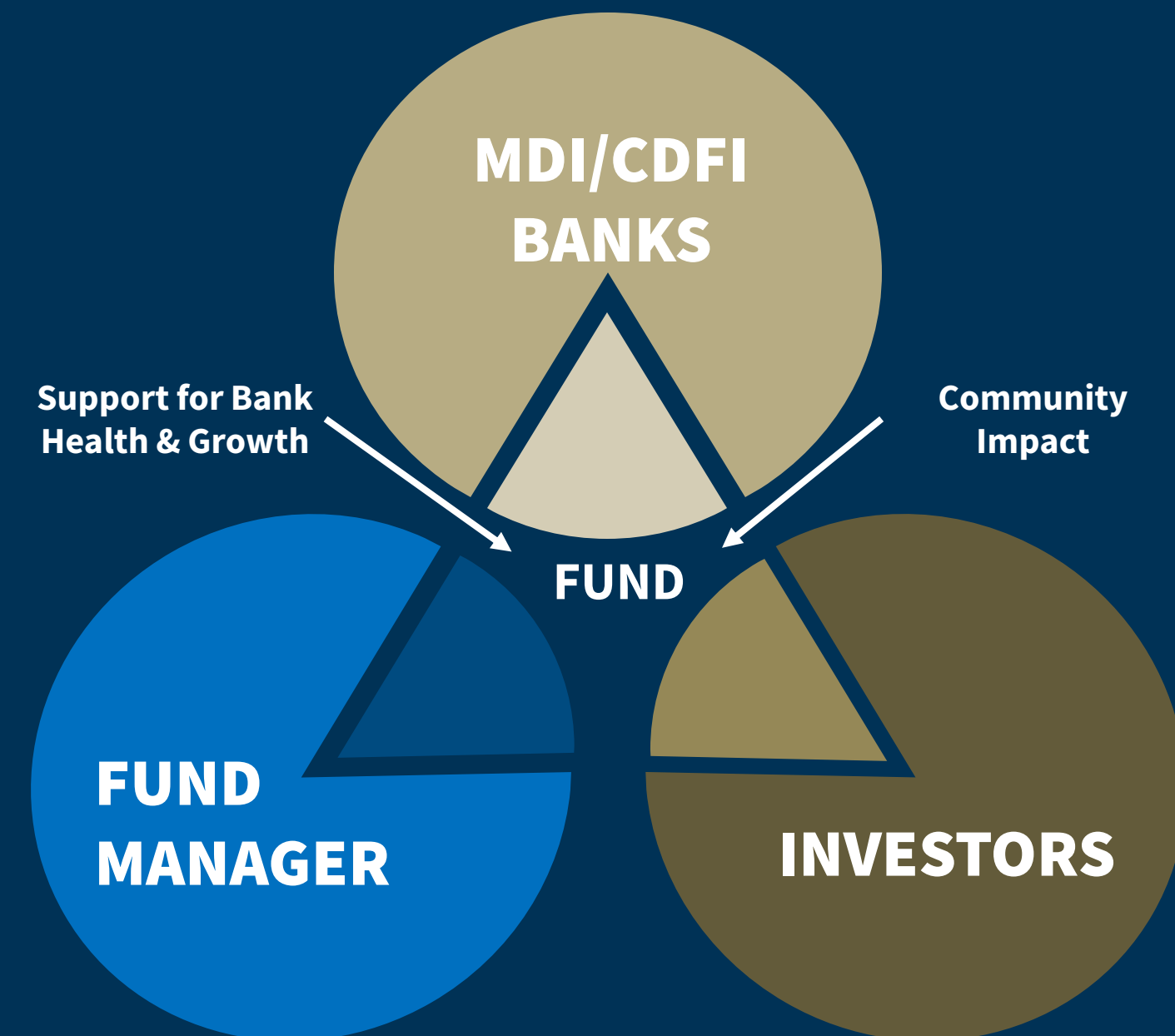
- Patience and permanence of capital
- Investment flexibility (investment type, size, structure)
- Minimize operational burden of investment diligence, reporting requirements
- Business and social impact

Investors

- Timing and expectation for return of capital (capital preservation)
- Return on capital
- Access to liquidity
- Impact measurement/use of proceeds requirements
- Business, marketing, and social impact

Fund Manager

- Minimize operational complexity/costs
- Meet fund performance targets (impact measurement, returns)
- Planning for and execution of fund exit
- Business, marketing, and social impact

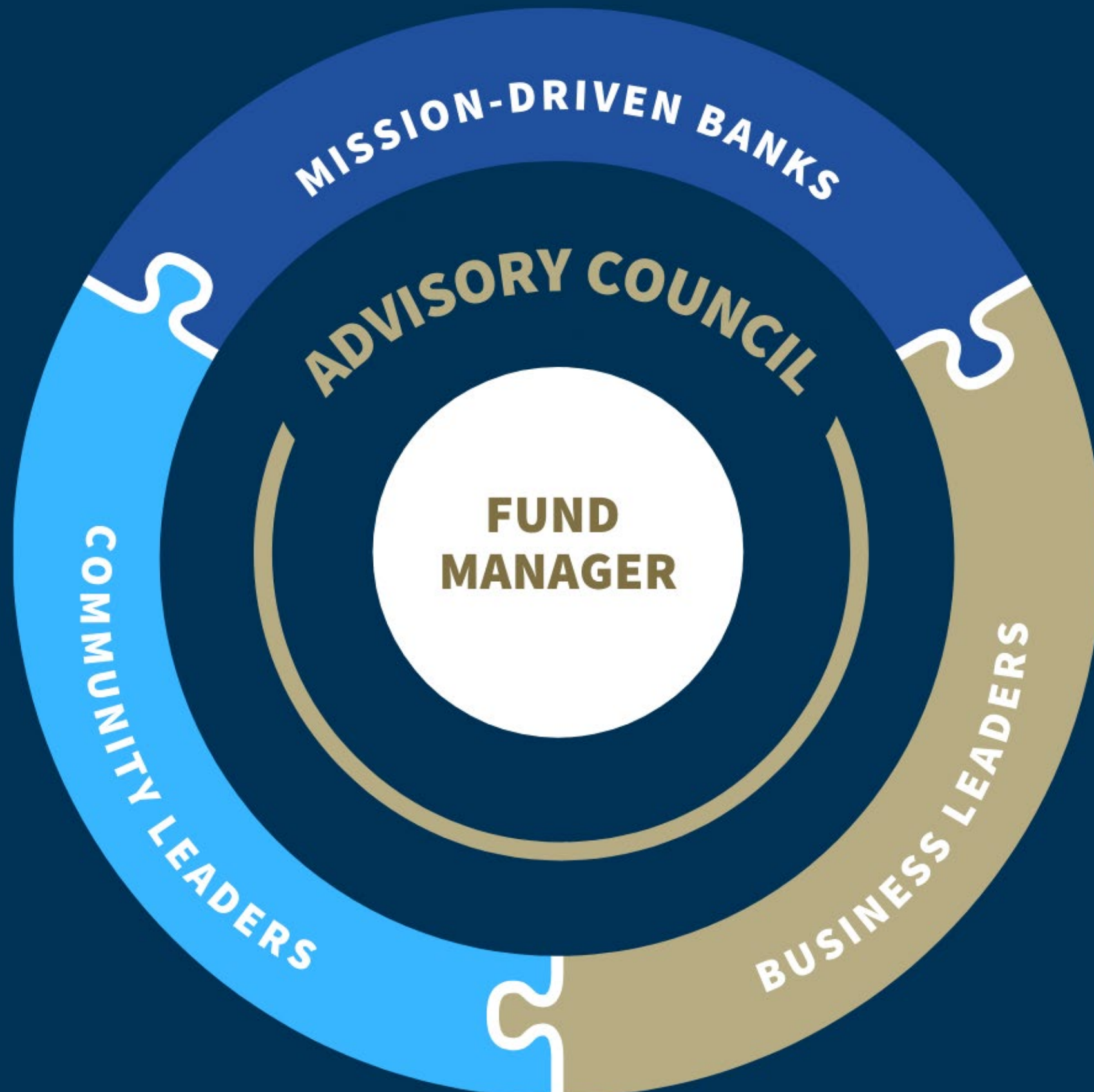


Mission-driven banks make pitches to the fund for potential investments in a variety of asset classes that will help them **build size, scale, and capacity** to grow their impact in communities.

- Equity in form of common or perpetual preferred shares (provides up to 10X multiplier for new lending in the community)
- Loan participations
- Loss share agreements
- Certificates of deposits
- Term debt
- Investments proposed by mission-driven banks
- Strategic advisory services

The pitch process **empowers FDIC-insured MDIs and CDFIs to seek support for their unique needs** and to demonstrate how the investments will support minority, low- or moderate-income, or rural communities.

HOW THE FUND MANAGER SUPPORTS THE FUND



ADVISORY COUNCIL:

- Supports mission focus
- Shares community perspectives
- FDIC is a non-voting member

FUND MANAGER:

- Underwrites pitches and provides consulting services
- Manages fund performance targets
- Plans for and executes fund exit
- Selected by anchor investors through a competitive process emphasizing mission perspective and informed by input from mission-driven banks
- Assists with sourcing investments
- Seeks to engage with third parties as additional avenues for investment ideas
- Facilitates stakeholder and community involvement through partnerships and advisory groups

MILESTONES AND NEXT STEPS

COMPLETED

- Secured \$120 million (and growing) in private investor commitments to date
- Designed fund structure with input from 70 CEOs of mission-driven banks, trade groups, bank potential investors, investment consultants, and philanthropic organizations
- Drafted terms and conditions

UPCOMING

Q3 2021

- Announce anchor investors of fund
- Anchor investors solicit fund manager

Q4 2021

- Onboard fund manager
- Finalize terms and conditions
- Form Advisory Council
- Secure first round of funding
- Advise mission-driven banks about pitch process

Q1 2022

- Accept first round of pitches from mission-driven banks

For more information, contact MissionDrivenFund@fdic.gov

HOW THE FUND WORKS FOR INVESTORS

01 Target Size

The Mission-Driven Bank Fund will be a Delaware limited partnership and have a target size of \$500 million - \$1 billion of capital commitments, with the first closing upon receipt of at least \$[100] million in capital commitments and engagement of a specific Fund Manager. The minimum LP commitment will be [\$10 million] unless adjusted by the GP.

02 Fund Terms

The term of the Fund will be [ten] years from the Final Closing Date unless extended by the General Partner (GP) of the Fund (typically the Fund Manager) with the consent of either the LP Advisory Committee or a majority-in-interest of the Limited Partners (LPs), for up to two additional one-year periods.

03 Mission Alignment

The Fund Manager will establish and engage an Advisory Council to ensure the Fund's investments are consistent with its mission focus, and provide broad stakeholder input into the oversight of the investments and the impact on the communities served by mission-driven banks. The FDIC will have an observer role on the Advisory Council.

04 Fund Purpose

Fund formation documentation mandates that the purpose of the Fund is to (i) make investments in FDIC-insured MDIs and CDFIs, (ii) provide complementary strategic advisory services, in the form of financial or technical support, to such entities (potential strategic advisory services include financial and business strategy, operations, and technology), and (iii) promote and encourage the creation of new MDIs and CDFIs.

05 Investment Period

The GP will generally not be permitted to make any capital calls for the purpose of making investments after the termination of the period commencing on the First Closing Date and ending on the date that is [four][five] years from the First Closing Date.

06 Distributions

Distributions from the Fund may be made at any time as determined by the GP in its sole discretion, except in certain limited circumstances. The GP will be entitled to withhold from any distribution amounts that may otherwise be retained for reinvestment.

07 Investment Limitations

The Fund will only make investments if they are consistent with the Fund's mission-driven purpose. The legal documentation includes stringent restrictions on changing the purpose of the Fund. Key thematic investment priorities are expected to be in equity and loan-based investments.

08 Reporting & Impact

The Fund will provide audited financial statements each fiscal year as well as unaudited quarterly reports that include a summary of investments made and the then-current valuation of the capital accounts.

The annual statements will be accompanied by an analysis describing the social impact of the Fund's investments, including metrics on performance and impact to communities served.

Note: Management fees will be determined during the Fund Manager selection process.

*This is a summary of proposed terms for the Fund based on the most recent dialogue with key stakeholders. While the FDIC has established the framework for the Fund, it will not manage the Fund, contribute capital to the Fund, or be involved in the Fund's investment decisions. The FDIC will have an observer role on the Advisory Council.

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