

## Submission of Views from State Banking Regulators Regarding Small Business Lending Fund Applications – Instructions and FAQs

Established by the Small Business Jobs Act of 2010 (the Jobs Act), the Small Business Lending Fund (SBLF or the Fund) is a \$30 billion fund that encourages lending to small businesses by providing capital to qualified community banks with assets of less than \$10 billion. Through the Small Business Lending Fund, Main Street banks and small businesses can work together to help create jobs and promote economic growth in local communities across the nation.

State banking regulators have the opportunity to provide views to Treasury regarding certain applications to the Fund. For each eligible state-chartered financial institution that applies to receive a capital investment through the Fund, Treasury will consider any views received from that institution's state banking regulator regarding the financial condition of the applicant.

In addition, every applicant to the Fund must submit a small business lending plan describing how the applicant's business strategy and operating goals will allow it to address the needs of small businesses in the areas it serves, as well as a plan to provide linguistically and culturally appropriate outreach, where appropriate. Applicants that are state-chartered are required to deliver their small business lending plans to their appropriate state banking regulator, in addition to their appropriate federal banking agency. Treasury will receive each applicant's small business lending plan from its appropriate federal banking agency.

In the case of applicants that are bank holding companies and that have state-chartered insured depository subsidiaries, Treasury will request the views of your agency regarding the relevant insured depository subsidiaries.

**Please provide any information your agency would like to submit within 30-calendar-days after receiving an application from Treasury.**

Because the Jobs Act requires that Treasury must complete all investments by September 2011, we would appreciate your agency's prompt review of each application. Please send any requests for additional time to consider an application prior to the close of the 30-calendar-day period to [SBLF@treasury.gov](mailto:SBLF@treasury.gov).

**Using the attached form, please send any information regarding an institution via email to [SBLFstate@treasury.gov](mailto:SBLFstate@treasury.gov).**

***Please note that Treasury is subject to the Freedom of Information Act (FOIA) provisions applicable to federal agencies. If your agency's submission contains confidential information, please indicate on your submission that "FOIA confidential treatment is requested."***

For more information about the Small Business Lending Fund, including eligibility criteria, please review the frequently asked questions presented as follows, visit [www.treasury.gov/SBLF](http://www.treasury.gov/SBLF), or call one of the appropriate numbers listed in this document (note that points of contact vary by type of inquiry).

## Frequently Asked Questions

### 1. How does the Small Business Lending Fund work?

The Small Business Lending Fund aims to stimulate small business lending by providing capital to participating community banks. The dividend rate on SBLF funding will be reduced as a participating community bank increases its lending to small businesses. The initial dividend rate will be, at most, 5%. If a bank's small business lending increases by

10% or more over the calculated baseline, then the rate will fall to as low as 1%. Banks that increase their lending by amounts less than 10% can benefit from rates set between 2% and 4%. If lending does not increase in the first two years, however, the rate will increase to 7%. After 4.5 years, the rate will increase to 9% if the bank has not already repaid the SBLF funding.

## **2. What institutions are eligible to participate in the Small Business Lending Fund, and what are the terms of participation?**

An institution is eligible if it has total assets of less than \$10 billion (as of the end of the fourth quarter of calendar year 2009). If an institution is controlled by a holding company, the combined assets of the holding company determine eligibility and the holding company must apply.

An institution is not eligible if it is on the FDIC's problem bank list (or similar list) or has been removed from that list in the previous 90 days. Generally, this will include any bank with a composite CAMELS rating of 4 or 5.

Participants in Treasury's Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI) may also apply to receive capital from the Fund. To be eligible, an institution must be in material compliance with all the terms, conditions, and covenants of its CPP or CDCI agreement, be current on its dividend payments to Treasury, and not previously have missed more than one dividend payment. In addition, all outstanding CPP and CDCI securities must be refinanced or repaid in full at or prior to the closing.

Treasury will publish separate terms for mutual institutions, Subchapter S corporations, and community development loan funds (CDLFs). Terms for such institutions are not currently available. When available, terms will be posted on [www.treasury.gov/SBLE](http://www.treasury.gov/SBLE).

## **3. What information is relevant to Treasury's application review and selection process?**

Treasury will typically purchase preferred stock or subordinated debt instruments from the institution as a form of funding.

Treasury would appreciate your agency's assessment of the financial condition of the institution and whether your agency would recommend that Treasury approve the institution for participation in the Small Business Lending Fund. In addition, Treasury would appreciate any views regarding the likelihood that the applicant will be able to:

1. Repay Treasury's investment at the end of the 4.5-year incentive period;
2. Consistently pay Treasury dividends or interest, as applicable, while the investment remains outstanding; and,
3. Increase its small business lending in a safe and sound manner.

In your agency's submission, please discuss any material supervisory issues, enforcement actions or other relevant issues applicable to the institution, including any documented matters requiring attention. Please note any history of such supervisory issues, enforcement actions, or matters requiring attention, and describe their continuation or resolution over time.

The Jobs Act also provides for the consideration of applications for which an applicant raises "matching private capital" concurrently with Treasury's investment. Matching private capital must (i) come from private, non-governmental sources, (ii) be equal or greater in amount to Treasury's investment, and (iii) be subordinate to Treasury's investment. Applications funded by Treasury on this basis may receive a maximum investment of 3% of the institution's risk-weighted assets.

If your agency would not recommend an institution for participation in the Fund in its current financial condition, please note whether your agency would recommend the institution, provided that it raises matching private capital, and if so, what amount of capital (in addition to Treasury's investment) would be required.

#### 4. How and when will Treasury send applications to your agency?

Treasury will send applications to the primary and secondary (if available) contact email addresses your agency submitted to the Conference of State Banking Supervisors for this program. These emails will begin with the subject heading of "U.S. Treasury - SBLF Request for Views."

Treasury will send applications for funding under SBLF to your agency after Treasury has completed initial processing and eligibility verification. Applications will typically be sent to your agency within two weeks following receipt by Treasury.

If your agency has not yet submitted contact email addresses for the Small Business Lending Fund, we ask that you please send this information as soon as possible to [SBLFstate@treasury.gov](mailto:SBLFstate@treasury.gov).

#### 5. Whom at Treasury will receive information submitted by your agency?

All information submitted by your agency will be reviewed by the Small Business Lending Fund's application processing and review team, and incorporated into Treasury's investment process.

#### 6. How can my agency determine whether an institution has been funded?

Treasury will publicly post the names of all institutions that have received SBLF funding, and the amount of funding received, on its website at [www.treasury.gov/SBLF](http://www.treasury.gov/SBLF). This list will be updated at least monthly, within seven days of the end of each month.

Treasury expects that initial investments will take place in early 2011, and will continue thereafter on a rolling basis.

#### 7. What other opportunities are available for your agency with respect to the Fund?

Treasury would welcome the opportunity to engage in outreach and education regarding the Small Business Lending Fund with members of your agency and institutions in your state. Please contact Treasury for further information.

#### 8. Whom may your agency contact directly at Treasury?

Treasury has designated an initial point of contact specifically for state banking regulators. Please email [SBLFstate@treasury.gov](mailto:SBLFstate@treasury.gov) or call (202) 622-0667. **This email address and telephone number are reserved for the use of state banking regulators; please do not distribute them outside of your organization.**

#### 9. Where should your agency direct banks or members of the public that have questions regarding the Fund?

All questions from banks or other members of the public should be directed to the Small Business Lending Fund information line at 888-832-1147 (Monday-Friday, 9:00 AM-7:00 PM ET) or to [SBLFinstitutions@treasury.gov](mailto:SBLFinstitutions@treasury.gov).