

Department of the Treasury, Departmental Offices
Small Business Lending Fund
Request for Emergency Processing and Approval
Application, Lending Plan and Supplemental Report

Emergency Justification

The Department of the Treasury (Treasury) requests emergency processing and approval of the collection of information related to the Small Business Lending Fund (SBLF), which was created when the President signed into law the Small Business Jobs Act of 2010 (P.L. 111-240) on September 27, 2010. SBLF will provide up to \$30 billion in needed capital to community banks in order to increase lending to America's small businesses. The collection of information is needed to certify that the banks that ultimately receive funding are indeed eligible institutions as defined by the legislation and that their plans to increase lending to small businesses meet the legislation's intent. Treasury cannot reasonably comply with the normal clearance procedures under 5 C.F.R. Part 1320 because of the necessity to provide this economic catalyst as soon as possible.

Department of the Treasury, Departmental Offices
Supporting Statement and Request for Clearance
SBLF Application, Lending Plan and Supplemental Report

1. Circumstances necessitating the collection of information

To participate in the SBLF program, small banks are required to submit an Application Form to Treasury. The purpose of the one-page Application is to collect basic identifying and contact information, but more importantly, to determine the bank's eligibility with respect to three of the legislation's requirements:

1. Does the bank have assets of less than \$10 billion?
2. Is the bank on the FDIC's or OCC's "Problem Bank" list?
3. Is the bank currently participating in Treasury's Capital Purchase Program or Community Development Capital Initiative?

This information is collected on a one-page form with check boxes and one-line answers.

Along with their Application, the bank is also required to submit a Lending Plan that describes their intention to increase lending to small businesses in their community. The Lending Plan (Plan) is an open-text form where the bank answers broad questions concerning how they intend to use the SBLF capital to address the needs of small business and the projected increase in small business lending that they plan to achieve in the next two years. In the Plan, the bank also describes their planned outreach activities aimed at small businesses employing veterans, women and minorities, as required by the legislation. During their five-year participation in the SBLF program, the bank may choose to update their Plan to reflect changing lending expectations and new outreach activities.

Once accepted into the SBLF program, the bank is required to submit a Supplemental Report each quarter. The Supplemental Report serves two purposes.

1. When a bank first joins the SBLF program the Supplemental Report is used to determine the bank's small business lending baseline. The baseline is the bank's historical amount of small business lending for the period October 2009 to September 2010. The program considers a bank's increases in small business lending against this historical baseline. In addition, a bank's initial dividend rate is determined based on the increase in small business lending (over this baseline) in the quarters since October 2010.
2. Every quarter thereafter, the bank files a Supplemental Report quarterly so that Treasury can assess the change in the small business lending for the previous quarter. That change from the historical baseline is used to set the dividend rate for the next quarter.

The program does pose a voluntary* information collection burden on state banking regulators. In the case of state-chartered banks, the legislation requires that the Secretary to "consider any views received from state banking regulators" regarding the financial condition of the institution applying for SBLF funds. Treasury intends to implement this provision of the legislation by supplying the state regulators with a two-page form, the "State Regulator's Views" form, that

they can submit if they wish to provide input to Treasury decision to purchase preferred shares in the applying institution.

*Note: this information from the state banking regulator is in addition to similar mandatory information that Treasury will collect from the federal regulator. About 75% of all bank applying for the SBLF program are state chartered banks.

2. Use of the data

The Application is used by Treasury to establish the bank's eligibility to participate in the SBLF program. The legislation requires that the bank have assets less than \$10 billion and not be on the "Troubled Banks" list.

The Lending Plan is one input used by Treasury and the Federal Banking Agencies to decide whether to purchase the bank's stock. Specifically, the Lending Plan contains the bank's justification of its planned increase in small business lending and describes the methods the bank will use to create this increase. As required by the legislation, the plan also describes how the bank will outreach to veteran, minority and women-owned small businesses

The Supplemental Report is used by Treasury to set the dividend rate paid by the bank. Increases or decreases in the dividend rate is the primary incentive/penalty of the program to encourage small business lending. If a bank increases small business lending by 10%, it could see its dividend rates drop to 1 percent. Failure to increase small business lending could cause a bank's dividend rate increase to 7 percent.

When supplied, the voluntary State Regulator's Views form is used by Treasury to inform the decision of the Investment Committee regarding the institution's application for SBLF funds. The form provides the state regulator's assessment of the applicant's financial condition, their likelihood of repayment, and any supervisory findings that might influence the Investment Committee's decision.

3. Use of information technology

In most cases, the collection of information will be via electronic means, using standard desktop tools. The Application and Lending Plan will be submitted to Treasury and the banks regulators via electronic mail as encrypted attachments. They will be provided to the banks as "fillable" PDF files. For those banks without email capability, Treasury will permit physical mail or facsimile transmissions.

The Supplemental Report will be a fillable PDF file in a fashion similar to the Application and Lending Plan. However, we expect that the Supplemental reporting process will eventually be automated by the participating banks. We specially designed the Supplemental report to mirror existing reports (see below) that the banks provide their Federal regulators. Depending on the number of SBLF participants, it is likely that software vendors who develop off-the-shelf

banking systems may develop modules that automatically generate the data of the quarterly Supplemental Report.

The voluntary State Regulator's Views form will be a fillable PDF file in a fashion similar to all other SBLF forms.

4. Efforts to identify duplication

For Application and Lending Plan:

The information is not collected or reported through any other collection processes, except for those banks that currently participating in the Capital Purchase Program or Community Development Capital Initiative who choose to apply.

For Quarterly Supplemental Report:

The Supplemental Report was specially designed to mirror the quarterly Call Reports that each bank files with their federal regulator. The visual appearance, data categories, format and reporting periods are similar. The detailed data used by the bank for its Call Report can be easily transferred to the Supplemental Report. Note that there is an important difference between the reports: the legislation defines small business lending in a manner that does not precisely match the data reported on the Call Report. This necessitated the creation of a separate Supplemental Report for the SBLF program.

However, to the fullest extent, we matched the data elements the Supplemental Report to detailed data used by the bank in the preparation of its Call Report in order to minimize the bank's effort in completing the Supplemental Report.

5. Impact on small entities

The Small Business Lending Fund is intended for banks with total assets of less than \$10 billion and small businesses as defined in the legislation.

6. Consequences of less frequent collection and obstacles to burden reduction

Data collected by the Application, Lending Plan, and Supplemental Report are required by the legislation. The information must be collected for interested banks to participate in the program and receive capital intended to increase small business lending. In addition, the Supplemental Report is the only method by which Treasury can confirm the bank's actual increase in small business lending – the intent of the legislation.

The State Regulator's Views form is voluntary. Treasury designed the form to minimize the reporting burden on the state regulators who choose to respond. Further, the instructions that accompany the form clearly state that the form is voluntary. Treasury designed its investment analysis processes to operate consistently even when data is not supplied by the state regulators.

7. Circumstances requiring special information collection

Not applicable.

8. Solicitation of comments on information collection

Treasury has engaged a marketing firm with significant experience in the banking industry. This firm has designed a number of information collection forms for the banks that Treasury is targeting for the SBLF program. The firm has made a special effort to simplify and reduce the data collection burden.

In designing the Supplemental Report, the firm engaged a number of experts with experience with the Call Reports required by the Federal banking regulators. This enabled the design of a Supplemental Report that leveraged the data collection processes already in place in the banks. In addition, the firm is pilot testing the form with a small number of banks to perfect its clarity and format, and to determine the approximate burden hours required to complete it.

9. Provision of payments to recordkeepers

Not applicable.

10. Assurance of confidentiality

Any confidential information provided voluntarily by SBLF recipients will be maintained as confidential consistent with applicable provisions of the Trade Secrets Act and Freedom of Information Act.

Section 4103.d.1(E) of the legislation defines the Lending Plan as confidential supervisory information. Although the Lending Plan will not contain examination-specific information or a bank's CAMELS rating, the banking regulatory agencies place special penalties on the inappropriate disclosure of any supervisory information. The "Interagency Advisory on the Confidentiality of the Supervisory Rating and Other Nonpublic Supervisory Information", issued jointly by the four Federal banking regulatory agencies on February 28 2005 states that the inappropriate disclosure of supervisory information is subject to criminal penalties provided in 18 USC 641.

For this reason, the SBLF Program Office is placing additional information security controls on the Lending Plans submitted by the banks. These plans will be transmitted as encrypted files and stored in a password-protected directory where access is limited to only those analysts assigned to a specific bank.

11. Justification of sensitive questions

Not applicable.

12. Estimated burden of information collection

Application

Estimated number of respondents: 1000
Estimated frequency of response: Once at outset
Estimated burden hours per respondent: Ten minutes
Recordkeeping: Ten minutes
Total burden per respondent: Twenty minutes
Total annual burden: 333 hours (for first year only)

Follow-on “Dividend Inquiry Letter”* to applicants deemed viable by FBA

Estimated number of respondents: 500
Estimated frequency of response: Once at outset
Estimated burden hours per respondent: Five minutes
Recordkeeping: Five minutes
Total burden per respondent: Ten minutes
Total annual burden: 83 hours (for first year only)

*Purpose this letter is to confirm that the bank has no restriction that prevents the payment of dividends. Because it is temporal, this information needs to be collected soon before closing. We are limiting this mailing to those institutions likely to be approved for funding (i.e. deemed by ‘viable’ by the FBAs).

Lending Plan

Estimated number of respondents: 1000
Estimated frequency of response: Once at outset, each year thereafter for two years
Estimated burden hours per respondent (first year): 40 hrs
Estimated burden hours per respondent (2nd-3rd years): 20 hrs
Recordkeeping: one hour annually
Total burden per respondent: 41 hours
Total annual burden: 41,000 hours for first year (41 x 1000)
Total annual burden: 21,000 hours for second and third years (21 x 1000)

Supplemental Report

Estimated number of respondents: 1000
Estimated frequency of response: Once at outset, each quarter thereafter for nine quarters
Estimated burden hours per respondent (first year): 18 hrs. (6 hrs for first quarter, 4 hrs each quarter thereafter)
Estimated burden hours per respondent (2nd year): 16 hrs (4hrs per quarter x 4)
Estimated burden hours per respondent (3rd year): 8 hrs (4hrs per quarter x 2)
Recordkeeping: one hour annually
Total annual burden: 19,000 hours for first year (19 x 1000)
Total annual burden: 17,000 hours for second year (17 x 1000)

Total annual burden: 9,000 hours for third year (9 x 1000)

State Regulator's Views Form*

Estimated number of respondents: 750

Estimated frequency of response: Once at outset

Estimated burden hours per respondent: 1.5 hours

Recordkeeping: Twelve minutes

Total burden per respondent: 1.7 hours

Total annual burden: 1275 hours (for first year only)

*Note: this form is voluntary and completed by state banking regulators. These calculations assume that all state banking regulators choose to respond.

13. Estimated total annual cost burden to respondents

Assuming the average cost of a bank employee is \$85 per hour, the total cost burden for a participating bank is as follows:

Total annual cost burden (first year)

0.33 hrs + 41 hrs + 19 hrs = 60.33 hrs

60.33 hrs x \$85/hr = \$5,128

Total annual cost burden (second year)

21 hrs + 17 hrs = 38 hrs

38 hrs x \$85/hr = \$3,230

Total annual cost burden (third year)

21 hrs + 9 hrs = 30 hrs

30 hrs x \$85/hr = \$2,550

The collection of the information contained in the Application, Lending Plan and Supplemental Report creates a direct benefit to the bank in the form of low cost capital. If a bank increases its small business lending, it can receive the benefit of a 1-percent coupon rate on millions of dollars of capital. In choosing to participate in the SBLF program, the bank has determined the benefit of this low cost capital for small business lending exceeds the cost of data reporting.

Assuming the cost of a state banking regulator as \$100 per hour, the total cost burden for all state banking regulatory agencies is as follows:

Total annual cost burden (first year)

1275 hrs x \$100/hr = \$127,500

The participation of state banking regulators is entirely voluntary. These calculations assume that all state banking regulators choose to respond. Of course, these costs reflect the total costs borne

by all fifty state banking regulators. There are no costs incurred by state banking regulators beyond the first year of the program.

14. Estimated cost to the federal government

The collection of the information contained in the Application, Lending Plan and Supplemental Report is essential for the execution of the SBLF program as defined in the legislation. These are not additional reporting requirements for solely statistical purposes – this data is, in fact, the basis of the program. The information collected creates direct benefit to the bank (lower coupon rate) and to the public (increased small business lending and employment). The cost to the Federal Government of collecting and processing this information is embedded in the overall administration of the program and cannot be isolated.

15. Reasons for change in burden

This is a new collection.

16. Plans for tabulation, statistical analysis and publication

Not applicable.

17. Reasons why displaying the OMB expiration date is inappropriate

The OMB control number will be displayed in the interim rule.

18. Exceptions to certification requirement of OMB Form 83-I

Not Applicable.