

Small Business Lending Fund

Mission Statement

Public Law 111-240, also known as the Small Business Jobs Act (hereafter “the Act”), established the Small Business Lending Fund (SBLF). The SBLF is a program designed to increase the availability of credit to small businesses by providing capital to eligible institutions with assets of less than \$10 billion.

Program Summary

Section 4108 of the Act provides that the cost of purchases of preferred stock and other financial instruments made as capital investments shall be determined as provided under the Federal Credit Reform Act (FCRA) of 1990 (2 U.S.C. 661 et seq.). Per the terms of the Act, all investment activity will occur in FY 2011. After analysis of demand for the program and anticipated uptake by eligible institutions, the program is expected to provide \$17.4 billion in investments designed to increase the availability of credit to small business. Treasury has calculated that, using FCRA methodology, the program’s subsidy cost will be \$1.26 billion.

FY 2011 Estimates		
(in millions)		
Program Level	Subsidy Amount	Subsidy Rate
\$17,399	\$1,260	7.24%

The Act also provides for the reasonable costs of administering the program, including making, holding, managing, and selling the capital investments. These activities will occur in FY 2011 and beyond.

SBLF	FY 2010	FY 2011	FY 2012	
	Estimated	Estimated	Estimated	\$ Change % Change
Program*	0	1,260,000	0	(1,260,000) -100.00%
Administration	0	54,649	72,603	17,954 32.85%
Total Outlays	\$0	\$1,314,649	\$72,603	(\$1,242,046) -94.48%
Total FTE	0	41	55	14 34.15%

* Reflects only on-budget amounts.

FY 2011 and 2012 Priorities

- Process all received applications by September 27, 2011 in strict adherence to the eligibility requirements of the legislation
- Execute a compliance regimen to ensure that all Fund participants abide with the terms of the program
- Install an asset management capability to effectively monitor the Fund and minimize risk to Treasury.

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Section 1 – Purpose

1A – Description of Vision and Priorities

Enacted into law as part of the Small Business Jobs Act (P.L. 111-240), the Small Business Lending Fund (SBLF) encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than \$10 billion. Through the SBLF, Main Street banks and small businesses can work together to help create jobs and promote economic growth in local communities across the nation.

1B – Program Description and Future Outlook

The SBLF is intended to increase the availability of credit to small businesses by providing capital to eligible institutions with assets of less than \$10 billion. The dividend or interest rate a bank pays for SBLF funding will be reduced as the institution's qualified small business lending increases, relative to the bank's baseline small business lending established at the time the applicant is awarded SBLF funding by the Treasury. Because banks leverage their capital, the SBLF could help increase lending to small businesses in an amount that is multiples of the total capital provided to participating institutions. These new loans will help small businesses grow and create new jobs.

An insured depository institution is eligible if it has assets of less than \$10 billion and it meets the other requirements for participation. If the institution is controlled by a holding company, the combined assets of the holding company determine eligibility. Community development loan funds are also eligible.

Banks that have total assets of \$1 billion or less may apply for SBLF funding that equals up to 5% of risk-weighted assets. Banks that have assets of more than \$1 billion, but less than \$10 billion, may apply for SBLF funding that equals up to 3% of risk-weighted assets. The Small Business Lending Fund also provides an option for eligible community banks to refinance preferred stock issued to the Treasury through the Capital Purchase Program (CPP) or the Community Development Capital Initiative (CDCI) under certain conditions.

An institution is not eligible if it is on the Federal Deposit Insurance Corporation's problem bank list (or similar list) or has been removed from that list in the previous 90 days.

With the approval of its regulator, an institution may exit the Small Business Lending Fund at any time simply by repaying the funding provided along with any accrued dividends.

Pursuant to the Act, all funds received by the Treasury in connection with purchases made, including interest payments, dividend payments, and proceeds from the sale of any financial instrument, will be used to pay down the public debt.

Though all investments will be occurring in FY 2011, the holding, managing, and selling the capital investments will require a staff presence in future years. The SBLF program office has

been designed to ensure that strong internal controls are in place and that costs are minimized by leveraging existing Treasury infrastructure whenever possible.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table – Administration Costs

Dollars in Thousands

Small Business Lending Fund	FY 2010 Obligated	FY 2011 Estimated	FY 2012 Estimated
FTE	-	41	55
Object Classification:			
11.1 Full-Time Permanent Positions.....	\$0	\$5,488	\$7,435
12.0 Personnel Benefits.....	0	1,537	2,509
21.0 Travel.....	0	187	187
25.1 Advisory & Assistance Services.....	0	38,812	51,645
25.3 Purchase of Goods/Serv. from Govt. Accts.	0	8,625	10,827
Total.....	\$0	\$54,649	\$72,603
Activities:			
Administration	0	54,649	72,603
Total.....	\$0	\$54,649	\$72,603

2.3 – SBLF Financing Account Summary

Financing Accounts – Non-Budgetary Financial Summary			
(dollars in millions)			
	2010	2011	2012
Obligations	\$0	\$17,724	\$628
Collections	\$0	\$2,162	\$1,979
Financing Authority (net)	\$0	\$15,562	-\$1,351
Financing Disbursements (net)	\$0	\$15,562	-\$1,351

2.4 – SBLF Investment Level Summary

FY 2011 Estimates		
(in millions)		
Program Level	Subsidy Amount	Subsidy Rate
\$17,399	\$1,260	7.24%

2A – Enacting Legislation

Small Business Jobs Act of 2010 (P.L. 111-240).

2B – Legislative Proposals

There are no current proposals for amending the enacting legislation.

Section 3 – Budget and Performance Plan

This table lists FYs 2011-2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Documents/strategic-plan2007-2012.pdf>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome*	FY 2011 Estimated	FY 2012 Estimated	Percent Change
Prevented or mitigated financial and economic crises	\$1,314,649	\$72,603	-94.5%
Total	\$1,314,649	\$72,603	-94.5%

* Reflects only on-budget amounts.

3A – SBLF Program (\$1,260,000,000 on-budget in FY 2011; \$0 in FY 2012): Pursuant to the Act, all investment activity will occur in FY 2011. The Act also requires that the cost of purchases of preferred stock and other financial instruments made as capital investments shall be determined as provided under the Federal Credit Reform Act of 1990.

After careful analysis and credit modeling, Treasury estimates a total program volume of \$17.4 billion. Treasury credit modeling also indicates a projected subsidy rate of 7.24% and a budget cost of \$1.26 billion for SBLF.

The total program volume and anticipated repayments are reflected in the SBLF financing account. This non-budgetary account records all cash flows to and from the Government resulting from direct capital obligated in 2011 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

3.2.1 – SBLF Program Budget and Performance Plan

SBLF Program	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Estimated	FY 2012 Estimated
SBLF Program Outlay Levels*	\$0	\$0	\$0	\$1,260,000	\$0
Total Program Outlay Levels	\$0	\$0	\$0	\$1,260,000	\$0

* Reflects only on-budget amounts.

Performance metrics are currently in development for the SBLF program and will be finalized in 2011.

3B – SBLF Administration (\$54,649,000 in FY 2011; \$72,603,000 in FY 2012): The authority to pay administrative expenses is provided by Section 4108(b) of the Act. Administrative expenses will include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of Inspector General for program audits. Pursuant to the Act, Treasury will be submitting semi-annual reports to the appropriate committees of Congress detailing administrative expenses.

3.2.2 – SBLF Administration Budget and Performance Plan

Administration	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Estimated	FY 2012 Estimated
Administration Outlay Levels	\$0	\$0	\$0	\$54,649	\$72,603
Total Administration Outlay Levels	\$0	\$0	\$0	\$54,649	\$72,603

Performance metrics are currently in development for the SBLF program and will be finalized in 2011.