sblf small business lending fund

Overview of the Small Business Lending Fund

Enacted into law as part of the Small Business Jobs Act, the Small Business Lending Fund (SBLF) is a $30 billion fund that encourages lending to small businesses by providing Tier 1 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.

Benefits to the Nation's Economy

Small businesses play a critical role in the U.S. economy. They are central to creating jobs and restoring our economic prosperity. According to Federal Reserve Board data, small businesses employ roughly one-half of all Americans and account for about 60 percent of gross job creation. And newer small businesses, those less than two years old, are especially important: over the past 20 years, these start-up enterprises accounted for roughly one-quarter of gross job creation.[1]

The Small Business Lending Fund enables community banks across the nation to help small businesses put Americans back to work.

How the Small Business Lending Fund Works

The Small Business Lending Fund aims to stimulate small business lending by providing capital to participating community banks.[2] The price a bank pays for SBLF funding will be reduced as the bank's small business lending increases.

Because banks leverage their capital, the Small Business Lending Fund could help increase lending to small businesses in an amount that is multiples of the total capital provided to participating banks. These new loans will enable small businesses to grow and create new jobs.

The U.S. Department of the Treasury will provide banks with capital by purchasing Tier 1-qualifying preferred stock or equivalents in each bank.

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, 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.

The Small Business Lending Fund

- Supports Main Street banks, community development loan funds, and small businesses
- Enables community banks to access Tier 1 capital
- Provides incentives for Main Street banks to increase their lending to small businesses

Qualifying Small Business Loans

The Small Business Jobs Act defines small business lending as certain loans of up to $10 million to businesses with up to $50 million in annual revenues. Those loans include:

- Commercial and industrial loans
- Owner-occupied nonfarm, nonresidential real estate loans
- Loans to finance agricultural production and other loans to farmers
- Loans secured by farmland

[1] Ben Bernanke, Federal Reserve Board Chairman, "Addressing the Financing Needs of Small Businesses," Federal Reserve Meeting Series, July 12, 2010.

[2] For purposes of this fact sheet, the terms "bank" and "community bank" encompass banks, thrifts, and bank and thrift holding companies with consolidated assets of less than $10 billion. This fact sheet does not apply to mutual institutions, Subchapter S corporations, or community development loan funds.

Dividend Rate Over Time

Time Period	Lending Increase	Dividend Rate
Dividend rates upon funding and for the next nine calendar quarters, adjusted quarterly (based on outstanding loans at the end of the second previous quarter):	Less than 2.5%	5%
	2.5% or more, but less than 5%	4%
	5% or more, but less than 7.5%	3%
	7.5% or more, but less than 10%	2%
	10% or more	1%
Dividend rate for the tenth quarter after funding through the end of the first 4.5 years:	If lending has increased at the end of the eighth quarter after funding	Rate set as above for the tenth quarter
	If lending has not increased at the end of the eighth quarter after funding	7%
Dividend rate after 4.5 years (if funding has not already been repaid):		9%

Eligibility
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 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.

Repayments
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.

Application Process
If your institution wants to apply to participate in the Small Business Lending Fund, it must submit an application to Treasury at SBLFApps@do.treas.gov.

The application form is available on the Small Business Lending Fund website at www.treasury.gov/SBLF. Given application processing times, applications for banks eligible to apply under the available term sheets should be submitted by March 31, 2011.

In addition to the application, your institution must submit a small business lending plan of approximately two pages in length to its primary federal regulator and to its state regulator, if applicable. Also, please note that the lending plan should not be sent to Treasury. (Your institution's regulator will forward it to Treasury.)

Mutual Institutions, Subchapter S Corporations, and Community Development Loan Funds
Treasury is developing terms and guidance for mutual institutions, Subchapter S corporations, and community development loan funds. Terms for such institutions may vary from those described in this document, and separate application dates will apply for these institutions.

Additional Information
To learn more, visit the Small Business Lending Fund website at www.treasury.gov/SBLF or make contact in one of the three ways shown below.

For general inquiries and questions, please call the Small Business Lending Fund information line at 888-832-1147.

For communications pertaining to a specific institution, please email SBLFInstitutions@do.treas.gov, a confidential email address.

For media inquiries, please call the U.S. Department of the Treasury Press Office at 202-622-2960.