



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 1, 2011

The Honorable Charles E. Grassley
United States Senate
Washington, DC 20510

Dear Senator Grassley:

I am writing in response to your recent letter regarding the Department of the Treasury's Small Business Lending Fund ("SBLF").

The purpose of the SBLF is to encourage Main Street banks and small businesses to work together, help create jobs, and promote economic growth in local communities across the nation. The SBLF is a \$30 billion fund created by Congress that encourages lending to small businesses by providing capital to qualified community banks with assets of less than \$10 billion. The SBLF is not part of the Troubled Asset Relief Program ("TARP").

As of March 30, 2011, Treasury has received more than 500 SBLF applications. Treasury and the relevant federal banking regulators currently are reviewing the applications, and we expect to announce a first round of funding as soon as possible. We will release the name of every institution that receives funding under the program, and post it on the Treasury website. However, we will not release the names of every SBLF applicant, because doing so could adversely affect institutions whose applications are denied, or those institutions that apply for funding but subsequently decide to withdraw their application. Harming such institutions – small banks that are vital to their local communities – would be directly contrary to the purpose of the program.

Your letter suggests that the SBLF is being used as a "backdoor repayment mechanism" for the TARP program. This is not the case. Treasury has recovered approximately \$251 billion from institutions that participated in TARP bank programs through repayments, dividends, interest, and other income. That exceeds the original investment Treasury made through those programs (\$245 billion) by nearly \$6 billion. However, it does not include *any* money from the SBLF program. To date, Treasury has not disbursed any SBLF funds to any institutions, including those that received TARP assistance.

In the future, we expect TARP recipients to participate in the SBLF program. In fact, the Small Business Jobs Act of 2010 (the "Jobs Act") – which created the SBLF – expressly directs Treasury to allow TARP recipients to participate:

“The Secretary shall . . . issue regulations and other guidance to permit eligible institutions to refinance securities issued to Treasury under [TARP programs] for securities to be issued under the Program.”

Of course, Treasury will require TARP recipients to meet the same standards as all other SBLF applicants. And, such institutions will face additional requirements. For example, they will be eligible for SBLF *only* if they have satisfied their existing TARP obligations, and they will be subject to a special “lending incentive fee” if they fail to increase their small business lending. We will also break out and report separately any TARP investments repaid using SBLF funds.

Finally, your letter asks about oversight of the SBLF program. The Jobs Act grants oversight authority of the program to the Treasury Inspector General. The statute states that the “Inspector General of the Department of the Treasury shall conduct, supervise, and coordinate audits and investigations.” The statute also creates a Special Deputy Inspector General for SBLF Program Oversight within the Treasury Inspector General’s office; it directs the Special Deputy Inspector General to perform all auditing and investigative activities relating to the SBLF; and it requires her to report at least twice a year to the Congress and to the Secretary of the Treasury. In January 2011, the Special Deputy Inspector General for SBLF initiated an audit of the investment decision process for the program, and my staff is cooperating fully with that review. The Jobs Act also grants oversight authority of the program to the Government Accountability Office (“GAO”). The statute requires the GAO to conduct an annual audit and to issue a report to Congress. The GAO has begun that audit, and we are cooperating fully with that review as well.

Thank you for your letter. We share your interest in helping small businesses succeed in today’s challenging economy. In many markets, access to credit remains limited and community banks lack the capital necessary to expand their lending. The SBLF offers an important opportunity for small banks across the country to invest in their communities and to accelerate our nation’s economic recovery.

Sincerely,



Timothy F. Geithner