



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

June 30, 2011

The Honorable Charles E. Grassley  
United States Senate  
Committee on the Judiciary  
Washington, DC 20510

Dear Senator Grassley:

I am writing in response to your recent letter to Jennifer Psaki, the White House Deputy Communications Director, regarding the Department of the Treasury's Small Business Lending Fund ("SBLF"). As you know, the SBLF is a dedicated 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 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.

As an initial matter, please allow me to provide an update about the status of the program. As of June 28, 2011, Treasury has received over 900 applications seeking approximately \$11.8 billion in funding. We sent a first round of preliminary approval letters to qualified applicants in early June, and we expect to announce initial fundings very soon. As for the other applications, Treasury and the relevant federal banking regulators are continuing to review them carefully, which takes considerable time. Treasury has designed a thorough investment decision process that involves multiple reviews and consultations, because we believe it is critically important not only to avoid needless delay but also to protect limited taxpayer resources. We expect to review all of the applications by the end of the summer.

Your letter raises questions about the relationship between the SBLF and the Troubled Asset Relief Program ("TARP"). As Secretary Geithner has stated, the SBLF is not a TARP program. The Small Business Jobs Act of 2010 (the "Jobs Act"), which created the SBLF, clearly states that the SBLF is entirely separate from TARP. Specifically, section 4111 of the statute provides "assurances" that the SBLF "is established as *separate and distinct* from the Troubled Asset Relief Program . . . . An institution shall not, by virtue of a capital investment under the Small Business Lending Fund Program, be considered a recipient of the Troubled Asset Relief Program" (emphasis added). Treasury has incorporated this language in the SBLF term sheet and the SBLF securities purchase agreement.

Nonetheless, we do expect TARP recipients will participate in the SBLF program. In fact, under the law, Treasury *must* allow such participation. The Jobs Act expressly directs Treasury to allow TARP recipients to refinance their TARP investments. Your letter suggests that Treasury's previous use of the term "refinance" demonstrates a linkage between TARP and the SBLF. The term comes directly from the text of the statute: "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.”

We believe that the White House blog post highlighted in your letter is fair, accurate, and consistent with all of the information described above. It repeats the statutory language—passed by Congress—that the SBLF is “separate” from TARP. Moreover, it does not deny or disclaim any connection or linkage between TARP and the SBLF. It merely describes the intent and the design of the SBLF, and highlights how the program is different from TARP.

Finally, your letter requests a staff briefing regarding the status of the SBLF and the issues raised in your letter. We would be happy to arrange such a briefing at your convenience.

Thank you for your letter. Secretary Geithner shares your interest in helping small businesses succeed in today’s challenging economy. We look forward to working with you in the future on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Graves", followed by a long horizontal flourish line.

Don Graves  
Deputy Assistant Secretary  
Small Business, Community Development, and  
Housing Policy