Report on SBLF Participants' Small Business Lending Growth

Submitted to Congress pursuant to Section 4106(3) of the Small Business Jobs Act of 2010

July 2024

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QUALIFIED SMALL BUSINESS LOAN GROWTH BY ALL PARTICIPANTS, CURRENT AND HISTORICAL

HIGHLIGHTS

- **As of Q1 2024, the total cumulative net impact on qualified small business lending (or QSBL) over the baseline reported by current and former SBLF participants is $19.1 billion. As established in the Small Business Jobs Act of 2010, the baseline is the average of the amounts reported for the four calendar quarters ended June 30, 2010.**
- **As of June 1, 2024, 327 institutions with aggregate investments of $3.95 billion have fully redeemed their SBLF Treasury investment and exited the program, and 1 institution has partially redeemed $2.5 million (or 50 percent of its SBLF securities) while continuing to participate in the program.**

Breakout of Qualified Small Business Lending (QSBL) Growth at SBLF Participants, Current and Former[1] ($ Billions)[3]

	Q4 2011	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q4 2018	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q1 2024
Current Particpants														
Cumulative Net Increase in QSBL (Baseline - Q3 2011) [2]	$3.5	$3.5	$3.8	$3.6	$1.7	$0.9	$0.6	$0.3	$0.22	$0.20	$0.19	$0.19	$0.19	$0.19
Cumulative Net Increase in QSBL (Q3 2011 - Present)	$1.2	$5.2	$8.7	$11.5	$7.1	$2.4	$1.5	$1.1	$0.05	($0.11)[4]	($0.23)[4]	($0.23)[4]	($0.25)[4]	($0.25)[4]
Total Cumulative Net Increase in QSBL	**$4.7**	**$8.8**	**$12.5**	**$15.1**	**$8.8**	**$3.2**	**$2.1**	**$1.3**	**$0.3**	**$0.1**	**($0.03)**[4]	**($0.04)**[4]	**($0.05)**[4]	**($0.06)**[4]
Former Participants														
Total Cumulative Net Increase in QSBL	**$0.0**	**$0.1**	**-$0.2**	**$0.7**	**$9.6**	**$15.6**	**$16.8**	**$17.7**	**$18.8**	**$19.0**	**$19.1**	**$19.1**	**$19.1**	**$19.1**
Current and Former Participants														
Total Cumulative Net Increase in QSBL	**$4.7**	**$8.8**	**$12.4**	**$15.8**	**$18.4**	**$18.8**	**$18.9**	**$19.1**	**$19.1**	**$19.1**	**$19.1**	**$19.1**	**$19.1**	**$19.1**

[1] Figures reflect lending conducted by redeemed participants over the course of their participation and held constant at the levels reported in the final period of their reporting to SBLF. When the SBLF program does not receive an updated QSBL report from an institution that has not redeemed its SBLF investment, the institution will be considered a former participant for the purposes of reporting lending growth; the institution's lending growth will be held constant and carried forward as of the final period of its QSBL reporting to the SBLF program. Three institutions in bankruptcy or no longer operating with unredeemed SBLF investments totaling $45.3 million did not report QSBL to the SBLF program this quarter.
[2] As established in the Small Business Jobs Act of 2010, the baseline for measuring the change in small business lending is the average of the amounts reported for the four calendar quarters ended June 30, 2010.
[3] Due to rounding, numbers presented in this document may not add up precisely to the totals provided.
[4] The cumulative net increase in QSBL (Q3 2011 to present) went negative as a result of institutions exiting from the program.

Please see Appendix A for additional information regarding background and the methodology used in this report.

APPENDIX A: BACKGROUND AND REPORT METHODOLOGY

BACKGROUND

This report is submitted to Congress pursuant to Section 4106(3) of the Small Business Jobs Act of 2010 (Act), which directs the Secretary of the Treasury to provide a quarterly written report on how institutions participating in the SBLF program have used the funds they received under the program.

From June 21, 2011 to September 27, 2011, Treasury invested more than $4.0 billion in 332 institutions through the SBLF program. These amounts include investments of $3.9 billion in 281 community banks and $104 million in 51 CDFI Fund certified nonprofit community development loan funds (CDLFs). Collectively, these institutions operate in more than 3,000 locations across 47 states and the District of Columbia. This report includes information on the 2 community banks that continued to participate in the program as of March 31, 2024 and submitted quarterly supplemental reports for the quarter.[1]

The SBLF program was designed using an incentive mechanism to encourage participant lending to small businesses.

- For community banks, the SBLF program was structured to encourage small business lending through a dividend or interest rate incentive structure. The initial rate payable on SBLF capital was, at most, 5 percent, and the rate fell to 1 percent if a bank's small business lending increased by 10 percent or more.[2] If a bank had not repaid the SBLF funding after four and a half years, the rate increased to 9 percent.

- For CDLFs, the SBLF program was structured to encourage small business lending through access to low-cost capital at a 2 percent interest rate. At the eight-year anniversary, CDLFs had the option to extend the maturity of the investment for two years at a 9 percent interest rate.

The additional lending capacity provided by SBLF capital – coupled with the program's dividend or interest rate incentives in the case of community banks – encouraged institutions to increase small business lending.
Because of the program's structure, increases in small business lending cannot be directly linked to the use of SBLF funds. The program's impact can only be observed indirectly.

REPORT METHODOLOGY

This report provides information on changes in small business lending by SBLF participants as of March 31, 2024, relative to baseline levels. The baseline is the average of the amounts reported for the four calendar quarters ended June 30, 2010. For each institution analyzed for this report, changes in lending are measured as the dollar value or percentage change, as noted, in lending between March 31, 2024 and the baseline period, unless otherwise specified.

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[1] For accounting purposes, an SBLF investment remains outstanding and payable until it has been written off. One bank holding company, with an aggregate SBLF investment of $37.9 million, remains in bankruptcy, after its bank subsidiary was closed by its state regulator and placed into FDIC receivership. One bank holding company, with an aggregate SBLF investment of $6.7 million, discontinued operations after its sole bank subsidiary was seized and sold in auction following a default on a loan secured by the stock of the subsidiary. One CDLF, with an aggregate SBLF investment of $0.7 million, filed for bankruptcy protection.

[2] The initial interest rate paid by S corporations and mutual institutions was, at most, 7.7 percent. If these institutions increased their small business lending by 10 percent or more, then the rate fell to as low as 1.5 percent. These interest rates equate to after-tax effective rates (assuming a 35 percent tax rate) equivalent to the dividend rate paid by C corporation participants.

Measurement of Small Business Lending

The Act defines "small business lending" as business loans that are (i) $10 million or less in amount to businesses with $50 million or less in revenue and (ii) any of the following types:

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

The SBLF program terms provide for additional adjustments to the calculation of small business lending relating to net charge-offs with respect to small business lending and portions of loans guaranteed by the U.S. government or for which risk has been assumed by third parties, as well as gains realized by mergers and acquisitions and purchases of loans.

Changes in small business lending are calculated as the difference between the level of loans outstanding as of March 31, 2024 and the baseline amount. Treasury publishes updated information quarterly in its Report on SBLF Participants' Small Business Lending Growth (previously titled the SBLF Use of Funds Report). This report includes restatements of prior period institution-specific information in the report appendices. These resubmissions may yield minor differences in reporting, with each report including the most recent available data for the then-current period as well as all prior periods. Because the most recent information available for all periods is included in each quarterly report, Treasury does not generally revise prior-period reports to reflect these resubmissions.

Beginning in late 2015, SBLF experienced a significant increase in redemptions by bank participants, potentially in anticipation of the Act's step-up in interest or dividend rates in Q1 2016. A similar pattern for CDLFs is noted in Q3 2019, potentially in anticipation of the Act's step-up in CDLF interest rates in September 2019. As institutions redeem from the SBLF program, their respective increases or decreases in lending over baseline are removed from total qualified small business loan growth calculations going forward.

When an SBLF participant exits the program[3], the associated changes to qualified small business lending (or QSBL), as defined in the Act, are removed from the total qualified small business growth for *current* participants in the quarter of redemption, as well as all future reporting periods. When presenting changes in QSBL by *current and former* participants, small business lending balances by institutions that have redeemed are held constant and carried forward at the level reported in the final quarter prior to redemption. In certain instances where SBLF is unable to acquire updated QSBL reporting from a participating institution, the institution's lending growth will be held constant and carried forward as of the final period of their reporting to the SBLF program. Three participants did not report QSBL growth to SBLF in the current period.

[3] Through redemption, bankruptcy, insolvency, asset seizure, or closure by its regulator.

APPENDIX B: CHANGES IN LENDING SINCE BASELINE

The table on this page includes the aggregate increases in qualified small business lending by participants since the baseline. Additionally, it shows quarter-over-quarter changes in the number of participants reporting lending in the five ranges of small business loan growth that correspond to various dividend or interest rates payable on SBLF securities. Please see Appendix C for institution-specific reporting of small business lending by SBLF participants.

Participant Changes in Qualified Small Business Lending over Baseline

	Q4 2011	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q4 2018	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q1 2024
Cumulative Increase in Small Business Lending ($ in Billions)	$4.7	$8.8	$12.5	$15.1	$8.8	$3.2	$2.1	$1.3	$0.3	$0.1	-$0.03	-$0.04	-$0.05	-$0.06
Change in Small Business Lending (# of Participants)														
Under 2.5% or Reduced	66	35	14	8	7	6	5	6	1	1	1	1	1	1
2.5 to 4.9% Increase	10	3	1	3	2	1	0	0	0	0	0	0	0	0
5.0 to 7.4% Increase	14	14	4	3	0	0	0	0	0	0	0	0	0	0
7.5 to 9.9% Increase	18	5	9	3	1	0	1	1	1	0	0	0	0	0
10.0% or Greater Increase	224	263	270	257	152	59	50	43	7	6	1	1	1	1

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APPENDIX C: INSTITUTION-SPECIFIC REPORTING ON SMALL BUSINESS LENDING BY SBLF PARTICIPANTS

The table below presents for each of the currently reporting SBLF participant institutions the change in qualified small business lending (as defined in the Act) through Q1 2024 compared to the baseline.

Institutions Participating in SBLF
Report on Information from 03/31/2024 Quarterly Supplemental Reports transmitted with July 2024 Report

Institution			Bank or CDLF?	SBLF Funding Outstanding	Qualified Small Business Lending as of 3/31/2024				
Name	City	State			Baseline Level	Current Level	Increase (Decrease) over Baseline	% Change over Baseline	Resulting Rate
Enterprise Financial Services Group, Inc.	Allison Park	PA	Bank	2,500,000	87,306,000	118,046,000	30,740,000	35.21%	9.00%
Medallion Bank	Salt Lake City	UT	Bank	26,303,000	233,231,000	146,346,000	(86,885,000)	-37.25%	9.00%