

## Overview of the Small Business Lending Fund For Community Development Loan Funds

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 capital to qualified community banks and community development loan funds (CDLFs) with assets of less than \$10 billion. Through the Small Business Lending Fund, CDLFs 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.<sup>1</sup>

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

### How the Small Business Lending Fund Works for CDLFs

The Small Business Lending Fund aims to stimulate small business lending by providing capital to participating CDLFs. The initial dividend rate will be 2% for the first 8 years. After the eighth year, the rate will increase to 9% if the CDLF has not already repaid the SBLF funding.

Because CDLFs 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 CDLFs. These new loans will enable small businesses to grow and create new jobs.

The U.S. Department of the Treasury will provide CDLFs with funding by purchasing equity equivalent (EQ2) securities from each participating CDLF.

### The Small Business Lending Fund

- Supports Main Street banks, community development loan funds, and small businesses
- Enables community development loan funds to access capital at 2% as an incentive to increase their lending to small businesses

### Amount of Funding Available

A CDLF may apply for SBLF funding in an amount not less than 1% and not more than 5% of its total assets as reported in its audited financial statements for the fiscal year ended in calendar year 2009.

### Application Process for CDLFs

If your CDLF would like to apply to participate in the Small Business Lending Fund, it must submit the required application materials and a small business lending plan to Treasury at [CDLFApps@treasury.gov](mailto:CDLFApps@treasury.gov).

The application deadline for CDLFs is June 22, 2011.

Treasury encourages eligible CDLFs to submit their application as soon as possible to allow sufficient time for processing.

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

### Eligibility Requirements

To be eligible for participation in the Small Business Lending Fund, a CDLF must:

- be certified by the Community Development Financial Institutions Fund (CDFI Fund) as a CDFI;
- be exempt from taxation under the Internal Revenue Code of 1986;
- have at least three years of operating experience;
- have audited financial statements for the three most recent fiscal years ended and a clean audit opinion with respect to its audited financial statements for the most recent fiscal year-end;
- have total assets not more than \$10 billion; and,
- satisfy the financial eligibility criteria.

### Financial Eligibility Criteria

Participating CDLFs must meet the following financial eligibility criteria:

- average net income for the past three years must be positive;
- cash and cash equivalents are equal to or greater than operating expenses for each of the four most recent quarters ended;
- year-end cash and cash equivalents are equal to or greater than 25% of annual operating expenses for one or both of the two most recent fiscal years ended;
- net assets plus EQ2 as a percentage of total assets must be at least 20%;
- loan loss reserves as a percentage of loans that are 90 days or more delinquent must be at least 30%;
- loans 90 days or more delinquent as a percentage of unrestricted net assets plus loan loss reserves must be less than 40%; and,
- at least 10% of total loans must be Qualified CDLF Small Business Lending (as defined in the SBLF Initial Call Report for Community Development Loan Funds).

### Repayments

A CDLF will be responsible for making quarterly interest payments to Treasury. A CDLF may exit the Small Business Lending Fund at any time simply by repaying the funding provided along with any accrued dividends.

### Application Materials

The following checklist, which is also included in the [Application Instructions for Community Development Loan Funds](#), should be used to ensure that your application includes all of the required application documents:

- A completed, signed, and dated application package, which includes the Application, SBLF Initial Call Report for Community Development Loan Funds, Eligibility Worksheet, and Loan Portfolio Quality Worksheet.
- Audited annual financial statements for each of the three most recent fiscal years, prepared in accordance with GAAP.
- An audit opinion letter for the annual financial statements of the most recent fiscal year-end.
- Quarterly financial statements for each of the four most recent quarters ended, prepared in accordance with GAAP.
- An IRS determination letter with respect to your CDLF's tax-exempt status.
- A completed, signed, and dated [Certification of Material Events Form](#).
- A small business lending plan (guidance and a template for your CDLF's small business lending plan can be found at [www.treasury.gov/SBLF](http://www.treasury.gov/SBLF)).

### Additional Information

To learn more, visit the Small Business Lending Fund website at [www.treasury.gov/SBLF](http://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 [CDLFInstitutions@treasury.gov](mailto:CDLFInstitutions@treasury.gov), a Treasury email address.

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