

Small Business Lending Fund

Program Summary

Dollars in Thousands

| | FY 2012 | FY 2013 | FY 2014 | FY 2012 to FY 2014 | |
|---|-----------------|-----------------|-----------------|--------------------|----------------|
| | Actual | Estimated | Estimated | \$ Change | % Change |
| Obligations | | | | | |
| Small Business Lending Fund Program Account | 22,831 | 24,707 | 20,469 | (2,362) | -10.35% |
| Total Obligations | \$22,831 | \$24,707 | \$20,469 | (\$2,362) | -10.35% |
| Budget Authority | | | | | |
| Small Business Lending Fund Program Account | 22,831 | 24,707 | 20,469 | (2,362) | -10.35% |
| Total Budget Authority | \$22,831 | \$24,707 | \$20,469 | (\$2,362) | -10.35% |
| Outlays | | | | | |
| Small Business Lending Fund Program Account | 23,000 | 24,000 | 20,000 | (3,000) | -13.04% |
| Total Outlays | \$23,000 | \$24,000 | \$20,000 | (\$3,000) | -13.04% |

*Amounts may differ from those printed in the FY 2014 President's Budget Appendix due to rounding.

Summary and Explanation of Programs

The Small Business Jobs Act of 2010 (P. L. No. 111-240) (the "Act") established the Small Business Lending Fund ("SBLF"). The SBLF is a dedicated fund designed to provide capital to qualified community banks (including banks, thrifts, and bank and thrift holding companies) and community development loan funds (CDLFs) with consolidated assets of less than \$10 billion in order to encourage small business lending. 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 communities across the nation.

SBLF supports the Treasury strategic goal, "repair and reform the financial system and support the recovery of the housing market." In total, the SBLF invested \$4.03 billion in 332 community banks and CDLFs.

As of September 30, 2012, SBLF participants have increased their small business lending by \$7.4 billion over a \$36.5 billion baseline, and by \$740 million over the prior quarter. Increases in small business lending are

widespread across SBLF participants, with 89 percent of participants having increased their small business lending over baseline levels. Over three-quarters of SBLF participants (78 percent) have increased small business lending by 10 percent or more. Over the same period, banks participating in SBLF have increased business loans outstanding by a median of 32.2 percent over baseline levels, versus a 5.7 percent median increase for a representative peer group of non-SBLF banks and a 2.1 percent median increase for a broader comparison group non-SBLF banks. As of December 31, 2012, all participants have made all expected interest and dividend payments for a total of \$82 million in payments received.

For FY 2013 and forward, the SBLF program office plans to continue its focus on investment management, dividend and interest operations, compliance and oversight, and outreach and reporting.

Investment Management: SBLF plans to continue to monitor the SBLF investment portfolio and make recommendations to senior

Treasury officials on decisions related to investment performance and activities.

Operations: SBLF plans to continue to manage the program’s data and information in connection with participant reporting, dividend and interest payments, and capital repayments.

Compliance and Controls: SBLF plans to continue to execute a compliance program to monitor participant conformance with program terms, including lending data, certification requirements, and other requirements provided for by the SBLF Securities Purchase Agreement. SBLF also plans to continue executing internal control procedures for processes across SBLF program office functions.

Reporting and Outreach: SBLF plans to continue its outreach and reporting efforts. These activities include reporting to Congress on the program’s transactions, costs, and the participants’ use of funds, correspondence, and publishing the results of the program’s first annual lending survey and issuing the second annual survey.

SBLF FY 2014 Budget Highlights

| Small Business Lending Fund | FTE | Amount |
|------------------------------------|-----------|-----------------|
| FY 2012 Actual | 27 | \$22,381 |
| FY 2013 Estimated Budget | 28 | \$24,707 |
| Changes to Base: | | |
| Maintaining Current Levels (MCLs): | - | \$444 |
| Pay-Raise | - | \$29 |
| Non-Pay | - | \$415 |
| Subtotal Changes to Base | - | \$444 |
| Total FY 2014 Base | 28 | \$25,151 |
| Program Changes: | | |
| Program Decreases: | -3 | (\$4,682) |
| Staff/Contract Update | -3 | (\$4,682) |
| Total FY 2014 Request | 25 | \$20,469 |

FY 2014 Budget Adjustments

Maintaining Current Levels (MCLs)

Pay-Raise +\$29,000 / +0 FTE

The President's Budget proposes a one percent pay-raise for federal employees in 2014.

Non-Pay +\$415,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment.

Program Decreases

Staff/Contract Update -\$4,682,000 / -3 FTE

Reductions in contract support and other adjustments.

Legislative Proposals

SBLF has no legislative proposals in the FY 2014 budget.

Description of Performance

The Small Business Jobs Act of 2010 includes specific reporting requirements for SBLF. The legislation requires the quarterly reporting of funds used by participating banks, a semi-annual report on administrative costs and a report on the program’s impact on small business lending among women-, minority-, and veteran-owned businesses.

In accordance with these statutory requirements, Treasury has published 34 transaction and program reports, including a detailed study of the impact of the SBLF program on women-, minority-, and veteran-owned businesses, as well as five quarterly “Use of Funds” reports. In addition, Treasury plans to expand program reporting with respect to how SBLF funds were used with an annual lending survey completed by all program participants.

The SBLF program completed the review and, if applicable, funding of all eligible program applicants by the September 27, 2011 statutory deadline.

The SBLF program office developed a set of asset management performance measures to continually monitor the impact of the Fund's investments and the efficiency of its operations. The measures address two aspects of program performance:

1. Efficiency Measures (to assess the administrative aspects of the program)
 - a. Monitoring of investment portfolio condition
 - b. Review of compliance and supplemental report submissions by participants
 - c. Publication of reports as required by statute

In FY 2012, the SBLF program office has (a) produced, on a quarterly basis, portfolio monitoring reports that include institution-specific credit scores, dashboards, and watch lists; (b) maintained a record of compliance submissions and implemented an analytical process for identifying errors in supplemental report submissions; and (c) published all reports required by the Small Business Jobs Act of 2010.

2. Outcome Measures (to assess the impact of the program on small business lending)
 - a. Increase in small business lending by participating institutions
 - b. Increase in business lending by participating banks versus comparable institutions
 - c. Receipt of expected interest and dividend payments by participating institutions