Small Business Lending Fund

Program Disbursement and Cost
(Dollars in Millions)

<table>
<thead>
<tr>
<th>FY 2011 Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Level</strong></td>
</tr>
<tr>
<td><strong>Subsidy Amount</strong>: $1,260</td>
</tr>
<tr>
<td><strong>Subsidy Rate</strong>: 7.24%</td>
</tr>
</tbody>
</table>

All investment activity will take place in FY 2011

Program Summary by Budget Activity
(Dollars in thousands)

<table>
<thead>
<tr>
<th>Budget Activity</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Estimated</th>
<th>FY 2012 Estimated</th>
<th>Change FY10-FY12</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program*</td>
<td>$0</td>
<td>$1,260,000</td>
<td>$0 ($1,260,000)</td>
<td>-100.00%</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>$0</td>
<td>$54,649</td>
<td>$72,603</td>
<td>$17,954</td>
<td>32.9%</td>
</tr>
<tr>
<td>Total Outlays</td>
<td>$0</td>
<td>$1,314,649</td>
<td>$72,603 ($1,242,046)</td>
<td>-94.5%</td>
<td></td>
</tr>
<tr>
<td>Total FTE</td>
<td>0</td>
<td>41</td>
<td>55</td>
<td>14</td>
<td>34.2%</td>
</tr>
</tbody>
</table>

*Reflects only on-budget amounts

Summary

Public Law 111-240, also known as the Small Business Jobs Act (hereafter “the Act”), established the Small Business Lending Fund (SBLF). The SBLF encourages lending to small businesses by providing Tier 1 capital to qualified community banks with assets of less than $10 billion. Through the SBLF, Main Street banks and small businesses can work together to help create jobs and promote economic growth in local communities across the nation.

FY 2011 and 2012 priorities include processing all received applications by September 27, 2011 in strict adherence to the eligibility requirements of the legislation; executing a compliance regimen to ensure that all fund participants abide with the terms of the program; and installing an asset management capability to effectively monitor the Fund and minimize risk to Treasury.

Purpose of Program

The SBLF is intended to increase the availability of credit to small businesses by providing capital to eligible institutions with assets of less than $10 billion. The dividend or interest rate a bank pays for SBLF funding will be reduced as the institution’s qualified small business lending increases, relative to the bank’s baseline small business lending established at the time the applicant is awarded SBLF funding by the Treasury. Because banks leverage their capital, the SBLF could help increase lending to small businesses in an amount that is multiples of the total capital provided to participating institutions. These new loans will help small businesses grow and create new jobs.

An insured depository institution is eligible if it has assets of less than $10 billion and it meets the other requirements for participation. If the institution is controlled by a holding company, the combined assets of the holding company determine eligibility. Community development loan funds are also eligible.

Banks that have total assets of $1 billion or less may apply for SBLF funding that equals up to 5% of risk-weighted assets. Banks that have assets of more than $1 billion, but less than $10 billion may apply for SBLF funding that equals up to 3% of risk-weighted assets.

The Small Business Lending Fund also provides an option for eligible community banks to refinance preferred stock issued to the Treasury
through the Capital Purchase Program (CPP) or the Community Development Capital Initiative (CDCI) under certain conditions.

An institution is not eligible if it is on the Federal Deposit Insurance Corporation’s problem bank list (or similar list) or has been removed from that list in the previous 90 days.

With the approval of its regulator, an institution may exit the Small Business Lending Fund at any time simply by repaying the funding provided along with any accrued dividends.

Pursuant to the Act, all funds received by the Treasury in connection with purchases made, including interest payments, dividend payments, and proceeds from the sale of any financial instrument, will be used to pay down the public debt.

Though all investments will be occurring in FY 2011, the holding, managing, and selling the capital investments will require a staff presence in future years. The SBLF program office has been designed to ensure that strong internal controls are in place and that costs are minimized by leveraging existing Treasury infrastructure whenever possible.

**Explanation of Budget Activities**

Pursuant to the Act, all investment activity will occur in FY 2011. The Act also requires that the cost of purchases of preferred stock and other financial instruments made as capital investments shall be determined as provided under the Federal Credit Reform Act of 1990.

After careful analysis and credit modeling, Treasury estimates a total program volume of $17.4 billion. Treasury credit modeling also indicates a projected subsidy rate of 7.24% and a budget cost of $1.26 billion for SBLF.

The authority to pay administrative expenses is provided by Section 4108 (b) of the Act. Administrative expenses will include the costs of government employee salaries, contract support, and reimbursement to the Treasury Office of Inspector General for program audits. Pursuant to the Act, Treasury will be submitting semi-annual reports to the appropriate committees of Congress detailing administrative expenses.

**Legislative Proposals**

The SBLF has no legislative proposals.

**Description of Performance**

Performance metrics are currently in development for the SBLF and will be finalized in 2011.