

## **Statements in Support of Small Business Lending Proposals**

### **Neil Milner, President and CEO, Conference of State Bank Supervisors**

*"The proposals—the Small Business Lending Fund and the State Small Business Credit Initiative—will provide much-needed access to capital to support small business lending, the lifeblood of our national economy.... We encourage Congress to coordinate with the Department of the Treasury to rapidly implement these much needed initiatives to assist community banks as they continue to support small businesses around the country."*

### **Statement by the National Small Business Association**

*"Unlike last year's TARP program, the SBLF would only advantage banks actually making small business loans ... Generally supportive of the proposal, NSBA looks forward to working with Congress and the administration as its details are hammered out. NSBA has advocated for the creation of such a fund to improve small-business owners' access to capital since early 2009. NSBA also continues to urge quick action on the proposal, as America's small-business owners can afford further delay."*

### **John Arensmeyer, Founder & CEO, Small Business Majority**

*"The Small Business Lending Fund will create a program that will provide up to \$30 billion in capital for smaller banks to spur lending to small businesses and help create new jobs. Small businesses will also benefit from the State Small Business Credit Initiative, which aims to strengthen state programs that support lending to small businesses and manufacturers. There's no "silver bullet" that will pull small business owners out of the financial hole....But these initiatives are an important piece of the overall plan to help revive our struggling economy by making sure small businesses have the financing they need to grow and create jobs."*

### **Independent Community Bankers of America and 28 State Community Bank Associations**

*"On behalf of the nearly 5,000 members of the Independent Community Bankers of America and its partner state community banking associations, we strongly support the proposed Small Business Lending Fund Act of 2010 (H.R. 5297). We urge prompt passage of this important legislation ... The nation's 8,000-strong community banks are well positioned to leverage the Fund and have the established relationships with small businesses in their communities to get credit flowing. The \$30 billion in capital provided the Fund could be leveraged by community banks to support as much as \$300 billion in additional small business lending. ... ICBA, along with the undersigned partner state community banking associations, firmly supports the central purpose of the program to spur further lending to small businesses by means of community banks. We applaud the new program focused on getting funds to Main Street small businesses using Main Street community banks."*

### **Michael Grant, President, National Bankers Association**

*"The Obama Administration - continuing its efforts to lift the country out of a two-year recession - has hit a home run with its proposed \$30 billion Small Business Lending Fund. I believe the dividend to U.S. taxpayers will be compounded over and over during the course of the next five years. And the net effect of this capital investment, which will generate billions from business and personal tax revenues, can only have a reversing effect on the budget deficit. This is not a bailout to small and medium - sized banks; it is, instead, a true investment in a brighter future for America's working class."*

**Statement for the Record, American Bankers Association**

*“ABA supports H.R. 5297, the Small Business Lending Fund Act of 2010, which was recently proposed to stimulate small business lending. This bill can help community banks meet the needs of small businesses across America ... In conclusion, the Small Business Lending Fund can provide a needed boost to assist viable community banks weather the economic storm and lend to small businesses as the economy gains momentum. ABA would be pleased to work with this Committee in this important program.”*

**Statement by National Association for the Self-Employed**

*“The National Association for the Self-Employed (NASE) strongly supports efforts by President Obama and Congress to create a Small Business Lending Fund, aimed at increasing small business lending by community banks, credit unions, Community Development Financial Institutions, and other smaller financial institutions... The NASE applauds efforts by the Obama Administration and congressional leaders to spur small business lending and ensure that businesses of all sizes can access the credit and funding they need to continue to lead our nation’s economic recovery.”*

**Letter by Governors of Michigan, Ohio, Colorado, Connecticut, Illinois, Massachusetts, New Mexico, New York, North Carolina, Oregon, Washington, West Virginia and Wisconsin**

*“We strongly support a comprehensive package being considered that would include expanding the size of Small Business Administration loans and temporarily extending successful Recovery Act provisions reducing fees and raising guarantees for SBA loans, enacting tax incentives for small business investment, and a proposal for a \$30 billion Small Business Lending Fund that would provide community banks with capital and incentives to increase lending to small businesses. In addition, we especially want to convey our support for a new proposal for a State Small Business Credit Initiative, which would strengthen innovative state programs that support small business lending. In our states, these programs are facing increased demand, yet the budgetary pressures we face have limited their ability to fill the credit gap left by the financial crisis.”*

## **FULL STATEMENTS:**

### **Neil Milner, President and CEO, Conference of State Bank Supervisors**

#### **Conference of State Bank Supervisors**

#### **State Regulators Support Administration's Small Business Lending Proposals**

May 14, 2010

The Conference of State Bank Supervisors (CSBS) supports the Obama Administration's small business lending proposals to stimulate small business stability and growth.

The proposals—the Small Business Lending Fund and the State Small Business Credit Initiative—will provide much-needed access to capital to support small business lending, the lifeblood of our national economy.

The Administration's proposals will provide capital injections to fund new small business loans to financial institutions with assets less than \$10 billion. In the past few years, the government has gone to extraordinary lengths to prop up our capital markets by providing assistance to the nation's largest institutions. CSBS is pleased the Administration is taking the next steps to promote a full economic recovery by assisting those institutions which largely did not contribute to the economic crisis and have played such a pivotal role in our recovery to date.

Further, CSBS is pleased the proposals are independent initiatives separate from the TARP program. By separating the small business proposals from TARP, we believe the programs will enjoy wider participation and greater success.

We encourage Congress to coordinate with the Department of the Treasury to rapidly implement these much needed initiatives to assist community banks as they continue to support small businesses around the country.

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*The Conference of State Bank Supervisors (CSBS) is the nationwide organization for state bank regulation, representing the bank regulators of the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. State authorities supervise approximately 6,000 state-chartered financial institutions. Further, the majority of state banking departments also oversee mortgage providers and other financial service providers. CSBS is also responsible for improving the quality of state bank*

## **Statement by the National Small Business Association**

### **House Committee Marks-Up Small Biz Lending Fund**

May 19, 2010

Less than two weeks after the Treasury Department delivered a legislative proposal to create a Small Business Lending Fund, the House Financial Services Committee has held a hearing and is in the process of holding a mark-up, positioning the legislation for floor action. The program would offer strong incentives to small- and medium-sized banks to increase their small-business lending.

Unlike last year's TARP program, the SBLF would only advantage banks actually making small business loans, and would not place the federal government in a potential "ownership" position with participating banks. In fact, the legislation explicitly states that the SBLF would have no connection to TARP or its requirement whatsoever.

Generally supportive of the proposal, NSBA looks forward to working with Congress and the administration as its details are hammered out. NSBA has advocated for the creation of such a fund to improve small-business owners' access to capital since early 2009.

NSBA also continues to urge quick action on the proposal, as America's small-business owners can ill afford further delay.

**John Arensmeyer, Founder & CEO, Small Business Majority**



May 17, 2010  
Timothy F. Geithner  
Secretary of the Treasury  
US Department of the Treasury  
Washington, DC 20003

Dear Mr. Geithner:

This recession has hit small businesses particularly hard, leaving them unable to play the vital role they've always played in the past: creating the jobs that can get the country back on its feet. One reason for this is the general lack of capital available to them.

Without adequate credit to fuel growth and job creation, small businesses will continue to suffer and millions of Americans will continue to face a severe lack of employment opportunities. Small Business Majority strongly supports strategies to increase small businesses' access to capital, such as those included in the administration's small business lending proposal.

The Small Business Lending Fund will create a program that will provide up to \$30 billion in capital for smaller banks to spur lending to small businesses and help create new jobs. Small businesses will also benefit from the State Small Business Credit Initiative, which aims to strengthen state programs that support lending to small businesses and manufacturers.

There's no "silver bullet" that will pull small business owners out of the financial hole many have found themselves in. But these initiatives are an important piece of the overall plan to help revive our struggling economy by making sure small businesses have the financing they need to grow and create jobs.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer".

John Arensmeyer  
Founder & CEO  
[www.smallbusinessmajority.org](http://www.smallbusinessmajority.org)

## **Independent Community Bankers of America and State Community Bank Associations**

June 15, 2010

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

The Honorable Spencer Bachus  
Ranking Member  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Frank and Ranking Member Bachus:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America and its partner state community banking associations, **we strongly support the proposed Small Business Lending Fund Act of 2010 (H.R. 5297). We urge prompt passage of this important legislation.**

The Act would offer capital to interested community banks to use to increase small business credit. The nation's 8,000-strong community banks are well positioned to leverage the Fund and have the established relationships with small businesses in their communities to get credit flowing. The \$30 billion in capital provided the Fund could be leveraged by community banks to support as much as \$300 billion in additional small business lending.

Under the Act, interested banks with less than \$1 billion in assets could receive capital investments up to 5 percent of their risk-weighted assets, and those with between \$1 and \$10 billion in assets could receive up to 3 percent. The SBLF has important incentives to encourage greater small business lending by reducing the dividend rate community banks pay on the capital as they increase their lending.

ICBA, along with the undersigned partner state community banking associations, firmly supports the central purpose of the program to spur further lending to small businesses by means of community banks. We applaud the new program focused on getting funds to Main Street small businesses using Main Street community banks.

**We urge all members of Congress to vote for the Small Business Lending Fund Act of 2010 (H.R. 5297)**

Sincerely,  
Independent Community Bankers of America  
Community Bankers Association of Alabama  
Arkansas Community Bankers  
California Independent Bankers

**Independent Bankers of Colorado**  
**Florida Bankers Association**  
**Community Bankers Association of Georgia**  
**Community Bankers of Iowa**  
**Community Bankers Association of Illinois**  
**Indiana Bankers Association**  
**Community Bankers Association of Kansas**  
**Louisiana Bankers Association**  
**Maryland Bankers Association**  
**Massachusetts Bankers Association**  
**Maine Association of Community Banks**  
**Michigan Association of Community Bankers**  
**Independent Community Bankers of Minnesota**  
**Missouri Independent Bankers Association**  
**Nebraska Independent Community Bankers**  
**Independent Community Bankers Association of New Mexico**  
**Community Bankers Association of Ohio**  
**Pennsylvania Association of Community Bankers**  
**Independent Community Bankers of South Dakota**  
**Tennessee Bankers Association**  
**Independent Bankers Association of Texas**  
**Virginia Association of Community Banks**  
**Community Bankers of Washington**  
**Community Bankers of Wisconsin**  
**Community Bankers of West Virginia**

cc: Members of the U.S. House of Representatives

## **Michael Grant, President, National Bankers Association**

Statement of Michael A. Grant  
President of the National Bankers Association  
Tuesday, February 02, 2010

The Obama Administration - continuing its efforts to lift the country out of a two-year recession - has hit a home run with its proposed \$30 billion Small Business Lending Fund.

If Congress has the foresight and political fortitude to see what the President is attempting to accomplish, it will allow \$30 billion in returned Tarp funds to be leveraged to help community and minority banks do what they do best: provide economic stimulation - in the form of small business loans and job creation - in communities all across America.

I believe the dividend to U.S. taxpayers will be compounded over and over during the course of the next five years. And the net effect of this capital investment, which will generate billions from business and personal tax revenues, can only have a reversing effect on the budget deficit. This is not a bailout to small and medium - sized banks; it is, instead, a true investment in a brighter future for America's working class.

Michael A. Grant, J.D.  
President, National Bankers Association  
1513 P Street, NW  
Washington, D.C. 20005  
(202)588-5432

## Statement by the American Bankers Association

**Statement for the Record  
by the  
American Bankers Association  
for the hearing before the  
Committee on Financial Services  
of the  
United States House of Representatives  
May 18, 2010**

Chairman Frank, Ranking Member Bachus, members of the Committee, the American Bankers Association (ABA) is pleased to submit for the record this statement in support of the proposed Small Business Lending Fund and proposals for state small business credit initiatives . The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$13 trillion banking industry and its two million employees.

ABA supports H.R. 5297, the Small Business Lending Fund Act of 2010, which was recently proposed to stimulate small business lending. This bill can help community banks meet the needs of small businesses across America. As Congress considers efforts to help small businesses, it is important to keep in mind that most banks are small businesses in their own right. In fact, over 3,400 banks (41 percent) have fewer than 30 employees. Small steps taken by the government now can make a huge difference to small banks, their customers, and their communities – keeping capital and resources focused where they are needed most.

The success of the Small Business Lending Fund will depend in part on whether those banks that can benefit the most will be allowed to participate. In particular, viable banks that are located in the hardest-hit parts of this country should be allowed to participate. It is these banks in economically-challenged areas that are the ones likely to have the greatest interest in this new fund. Since banks are a reflection of their communities, they are suffering right along with the communities they serve. Business failures and unemployment have impaired credit quality and increased loan losses. As a result, capital – which underpins every loan made by banks – has been stressed.

Moreover, in hard-hit areas, meeting the needs of borrowers has been made more difficult by regulatory pressure on banks to maintain (and even increase) capital-to-asset ratios. Given the severity of the downturn, it is very difficult if not impossible for community banks to find new sources of capital. Thus, for some banks, reducing the size of the bank often becomes the only viable alternative for maintaining regulatory capital-to-assets ratios.

The proposed new fund can help reverse this need to downsize and help stimulate lending to small businesses. With a comparatively small investment from Treasury, these banks will be in a better position to provide credit where it is needed the most, and hard-hit areas will recover faster. **It is critical that Treasury judge a bank's application by how strong the bank would be with the Treasury investment.** In this way, taxpayers would be protected while the program's reach is expanded. The fund also would be more effective if it recognized the dynamic nature of a bank's loan portfolio. H.R. 5297 would reduce the required dividend payable to Treasury (providing an incentive to lend) based upon the degree to which the volume of outstanding small business loans each quarter is greater than volume of

lending at the end of 2009. In determining the base lending volume, the bill subtracts out loan losses that the bank has charged off. This is appropriate because the bank would have to **more than replace these loan losses** to show an increase in loan volume. What is **not** recognized, however, is that **roughly 20 percent of a bank's loan portfolio is repaid each year. Under H.R. 5297, a bank would not be viewed as increasing its small business lending until it made enough loans to replace that 20 percent.**

To illustrate this, at the start of 2009, total loans across all business lines on the books of banks totaled \$7.9 trillion. Over the course of the year, banks set aside \$248 billion in provisions for anticipated loan losses. In addition, a rough estimate is that at least \$1.6 trillion of loans matured or were paid off. If banks had initiated no new lending, the year-end loan volume would have been \$6.1 trillion.

**Just to stay even with last year, banks would have to originate over \$1.8 trillion of new loans.** In normal times of economic growth, with strong loan demand and low loan losses, this is possible. But it is impossible today with the many economic challenges, such as 61,000 business failures, 4.7 million jobs lost, and a 10 percent reduction in business inventories. It is remarkable, in this context, that banks were able to originate about \$1.2 trillion in new loans, for a total of \$7.3 trillion at year-end 2009.

In regions where the economy has yet to emerge from this recession, replacing loans that are maturing with new loans would be a monumental feat – let alone lending beyond that level as the program requires. Simply looking at loan volume from one period to the next misses a large part of the lending that banks are doing every single day. Thus, H.R. 5297 should recognize **all** of a bank's small business lending. By doing so, it would make the program far more attractive, particularly in economically hard-hit areas.

It is vitally important that the new program be removed from TARP, both in form and in substance. The statement in H.R. 5297 regarding the distinction between TARP and this program is helpful, and we urge Congress and the regulators to communicate clearly that the small business lending program is in no way a bailout.

Another idea that we also find very promising is the state small business lending initiatives. Efforts like this in Michigan, for example, have shown great promise over the years they have been in place. Under the Michigan Strategic Fund (MSF), the MSF deposits the cash into an interest bearing account with that lender and this account will then be pledged as collateral on behalf of the borrower. Based on an amortization schedule, the MSF will draw down the account as the loan principal is paid. In the event of full default, the lender will have rights to the account less a liquidation fee. Loan-flow in Michigan's pilot program has been high, with close to 300 inquiries and at least \$150 million in requests in the first two months of the program. The loans in which Michigan banks have participated have created or saved jobs at a "cost" of approximately \$6000 per job. That is particularly exciting when you consider that the \$6000 is in the form of a loan/deposit which we are confident will be repaid with interest. This creates a real negative cost per job.

The proposed State Small Business Credit Initiative would function in a similar manner and, we believe, could provide much needed support for loans made by participating banks. As with the Small Business Lending Fund, ABA recommends that Congress and the Administration create criteria for participation in the state credit initiatives that allow all viable community banks to participate. The state credit initiative is to be available to a bank that "has sufficient commercial lending expertise and financial and managerial capital to participate in the approved State capital access program." We propose that all banks that meet those criteria, but particularly banks that did not qualify for Capital Purchase Program

(CPP), be permitted to participate. Otherwise, Congress will miss an opportunity to help the customers and communities of many banks across the country.

In conclusion, the Small Business Lending Fund can provide a needed boost to assist viable community banks weather the economic storm and lend to small businesses as the economy gains momentum. ABA would be pleased to work with this Committee in this important program.

## **National Association for the Self-Employed Statement on Small Business Lending Fund**

Our nation's smallest businesses have often been forced to utilize their personal savings, home equity, credit cards, and loans from family and friends as primary sources of capital to start and grow their businesses. In this difficult economic climate in which traditional lending institutions have clamped down on lines of credit and lending, the self-employed and micro-business communities have been particularly hit hard and left without essential sources of operating capital.

The National Association for the Self-Employed (NASE) strongly supports efforts by President Obama and Congress to create a Small Business Lending Fund, aimed at increasing small business lending by community banks, credit unions, Community Development Financial Institutions, and other smaller financial institutions.

Now more than ever America's self-employed community, representing 78% of all small business in the United States, needs access to additional credit to weather this economic storm and/or grow their business. Local lending institutions, such as community banks, are in a unique position to help small business and the Small Business Lending Fund will assist them with the additional funding needed to support their local micro-businesses.

The NASE applauds efforts by the Obama Administration and congressional leaders to spur small business lending and ensure that businesses of all sizes can access the credit and funding they need to continue to lead our nation's economic recovery.

**Letter by Governors of Michigan, Ohio, Colorado, Connecticut, Illinois, Massachusetts, New Mexico, New York, North Carolina, Oregon, Washington, West Virginia and Wisconsin**

Dear Speaker Pelosi, Majority Leader Reid, Minority Leader McConnell and Minority Leader Boehner:

We urge you to take immediate action to increase small business lending in the United States. While our nation's economy continues to recover from this great recession, small businesses in our states continue to struggle to gain access to the credit they need to create jobs. We believe federal action is necessary to remedy this issue.

We strongly support a comprehensive package being considered that would include expanding the size of Small Business Administration loans and temporarily extending successful Recovery Act provisions reducing fees and raising guarantees for SBA loans, enacting tax incentives for small business investment, and a proposal for a \$30 billion Small Business Lending Fund that would provide community banks with capital and incentives to increase lending to small businesses.

In addition, we especially want to convey our support for a new proposal for a State Small Business Credit Initiative, which would strengthen innovative state programs that support small business lending. In our states, these programs are facing increased demand, yet the budgetary pressures we face have limited their ability to fill the credit gap left by the financial crisis. These innovative programs include those that augment collateral values for small businesses and manufacturers who have seen them decline as a result of the financial crisis, capital access programs that contribute to loan loss reserves that allow banks to expand credit to more businesses, and loan guarantee and other programs that help share risk with lenders that are willing to extend credit to viable small businesses, manufacturers and farms that are crucial to a strong recovery. By supporting these programs, the State Small Business Credit Initiative would leverage Federal funds several times over to enable billions in new lending to small businesses that can support new job creation.

We strongly encourage you to adopt these proposals. We applaud you for taking action on this urgent matter and look forward to partnering with you to ensure small businesses and manufacturers have the financing they need to create jobs and sustain our economic recovery.

Governor Jennifer Granholm  
Michigan

Governor Christine O.  
Gregoire  
Washington

Governor Deval Patrick  
Massachusetts

Governor Bill Ritter  
Colorado

Governor Jim Doyle  
Wisconsin

Governor David A. Paterson  
New York

Governor Pat Quinn  
Illinois

Governor Ted Strickland  
Ohio

Governor Theodore R.  
Kulongoski  
Oregon

Governor Bill Richardson  
New Mexico

Governor M. Jodi Rell  
Connecticut

Governor Joe Manchin III  
West Virginia

Governor Bev Perdue  
North Carolina