

Claims by Small Business Lending Fund Opponents That It Is a TARP Initiative are Unfounded and Untrue

1. **The Small Business Lending Fund is a new program completely separate from TARP, just for small banks, with incentives for lending to small businesses.**
 - ***The SBLF is a Brand New Program with New Legislation:*** The Small Business Lending Fund will be established and funded through new legislation, and has a structure specifically designed to provide small banks with incentives to do additional small business lending.
 - ***Financing of Program Has No Connection to TARP:*** The Small Business Lending Fund itself will be financed without any relation to TARP, and is actually expected to raise nearly \$1 billion in savings for the taxpayer over the next 10 years.
2. **The Small Business Lending Fund is directed only towards small banks – the banks on Main Street that extend credit to businesses in their communities.**
 - ***The Program Is Directed Toward Community Banks that Do 80% of Their Commercial Lending in Small Loans to Small Businesses:*** For example, at the average bank under \$1 billion in assets, about 80 percent of commercial and industrial (C&I) lending is in loans smaller than \$1 million.
 - ***These Small Banks Increased Lending During the Crisis Even as Their Larger Peers Reduced Lending:*** Commercial and industrial and commercial real estate lending at banks with less than \$1 billion in assets grew 3.5 percent annually from the beginning of 2008 through the end of 2009, while it contracted 8.1 percent annually at banks with more than \$10 billion in assets.
3. **The program would not include TARP restrictions, but would still be subject to strong oversight to protect the taxpayer.**
 - ***TARP Restrictions Would Not Apply:*** The program would not include TARP-like restrictions that have discouraged participation from community banks, including requirements to issue warrants and limits on the Net Operating Loss carryback institutions can take on their taxes.
 - ***Strong Oversight Would Be In Place:*** While the SBLF would not include any TARP-like restrictions, the program would face strict oversight by the Treasury Inspector General and new taxpayer protections, including a required “small business lending plan” and reports on how funds have been used under the program.
4. **The program is strictly performance-based – targeting its incentives only to banks that do more lending. For banks that do not increase their lending, the dividend rates they pay will increase.**
 - ***The Dividend Rates These Small Banks Pay on Their Capital Will Be Directly Tied To Their Small Business Lending.*** These rates would start at 5 percent, but could be reduced as low as 1 percent for participants that increase lending by at least 10 percent. However, banks that do not increase their lending after two years will see the rate they pay increase to 7 percent.
5. **The SBLF is for community banks only – and these banks, willing to participate in a new program only if it is separate from TARP, have endorsed the proposal, along with small business organizations.**
 - ***The Independent Community Bankers of America – Which Represents Nearly 5,000 Community Banks – Wrote in Strong Support of the Program:*** “We applaud the new program focused on getting funds to Main Street small businesses using Main Street community banks. “
 - ***The National Small Business Association Endorsed Quick Passage:*** “Unlike last year’s TARP program, the SBLF would only advantage banks actually making small business loans ... In fact, the legislation explicitly states that the SBLF would have no connection to TARP or its requirements whatsoever.”