



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

**SR 10-2**

**February 12, 2010**

**TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE BANK  
AND TO BANKING ORGANIZATIONS SUPERVISED BY THE FEDERAL RESERVE**

**SUBJECT: Interagency Statement on Meeting the Needs of Creditworthy Small Business Borrowers**

The Board of Governors of the Federal Reserve System, along with the other financial regulatory agencies<sup>1</sup> and the state supervisors<sup>2</sup> (collectively, the regulators), has adopted the attached statement on *Meeting the Credit Needs of Creditworthy Small Business Borrowers*. The regulators have issued this statement to restate and elaborate their supervisory views on prudent lending to creditworthy small business borrowers. They recognize that small businesses play an important role in the economy and that some are experiencing difficulty in obtaining or renewing credit.

The regulators are mindful of the harmful economic effects of an excessive tightening of credit availability in an economic downturn and are working, through outreach and communication with the industry and supervisory staff, to ensure that supervisory policies and actions do not inadvertently curtail the availability of credit to sound small business borrowers. The Federal Reserve has undertaken a range of related training and informational initiatives for examiners in this regard.

The statement also discusses sound underwriting and risk-management considerations. For instance, an institution should understand the long-term viability of a borrower's business and focus on cash flows and the strength of the borrower's business plan, including its plan for the use and repayment of borrowed funds.

Federal Reserve Banks are asked to distribute this letter to financial institutions supervised by the Federal Reserve in their districts, as well as to their own supervisory and examination staff. If you have any questions, please contact Jon Greenlee, Associate Director, Risk Management, at (202) 452-2962; Sabeth Siddique, Assistant Director, Credit Risk, at (202) 452-3861; Melissa Vanouse, Supervisory Financial Analyst, Credit Risk, at (202) 452-3814; or Dwight Smith, Senior

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<sup>1</sup> The other federal financial institution regulatory agencies consist of the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

<sup>2</sup> The state supervisors are represented through the Conference of State Bank Supervisors.

Supervisory Financial Analyst, Supervisory Policy and Guidance, at (202) 452-2773. In addition, questions may be sent via the Board's public website.<sup>3</sup>

Patrick M. Parkinson  
Director

Attachment:

*Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers*

Cross References:

- *Interagency Statement on Meeting the Needs of Creditworthy Borrowers*, Board press release issued November 12, 2008
- SR letter 09-7, "Prudent Commercial Real Estate Loan Workouts"

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<sup>3</sup> See <http://www.federalreserve.gov/feedback.cfm>.