



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 10-17

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TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE BANK

SUBJECT: Underwriting Standards for Small Business Loans Originated under the Small Business Lending Fund Program

The federal banking agencies¹ are issuing the attached guidance on underwriting standards for lending conducted under the Small Business Lending Fund (SBLF) Program, which is being administered by the U.S. Department of the Treasury (Treasury). Pursuant to the Small Business Jobs Act of 2010 (the Act), Treasury is authorized to purchase up to \$30 billion in preferred stock and other financial instruments from eligible financial institutions to increase the availability of credit for small businesses.² Small institutions with assets \$10 billion or less may apply for the program and are encouraged to submit their SBLF applications to Treasury by March 31, 2011.

Details on the SBLF program and application process are available on Treasury's website.³ Separate from the SBLF application, in accordance with the Act, an institution wishing to participate in the program must provide to its primary federal regulator and state regulator, if applicable, a small business lending plan. The statute requires that the plan describe how the institution's business strategy and operating goals will allow it to address the needs of small businesses in the areas it serves and its plan for linguistically and culturally appropriate outreach. The plan will be confidential supervisory information. A participating institution regulated by the Federal Reserve should submit a small business lending plan to the appropriate regional Federal Reserve Bank using

¹ The federal banking agencies include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

² Title IV, Subtitle A, Section 4102 (18) of the Act defines small business lending as "lending, as defined by and reported in an eligible institution's [sic] quarterly Call Report, where each loan is one of the following types: (i) Commercial and industrial loans; (ii) Owner-occupied nonfarm, nonresidential real estate loans; (iii) Loans to finance agricultural production and other loans to farmers; and (iv) Loans secured by farmland." This definition excludes any loan with an original amount greater than \$10 million or that goes to a business with more than \$50 million in gross revenues.

³ See <http://www.treasury.gov/resource-center/sb-programs/Pages/Small-Business-Lending-Fund.aspx> Under the "Resources" heading on this webpage, there are several documents, including the *Comprehensive Getting Started Guide for Banks* (SBLF Guide), with information and instructions for submission of applications and small business lending plans.

existing procedures for filing applications-related documentation.⁴ Guidance on preparation of the small business lending plans can be found in the SBLF Guide on Treasury's website.

Under the Treasury's program parameters, if a bank is controlled by a bank holding company, the holding company's combined assets, as stated on the company's relevant financial report, determine eligibility and the Treasury requires that the holding company submit the application to participate in the SBLF. When the holding company submits the application, it should also submit the program's required small business lending plan to the primary federal regulator and state regulator, if applicable, for each of its insured depository institution subsidiaries.

Federal Reserve Banks are asked to distribute this letter to state member banks and bank holding companies in their districts as well as to their own supervisory and examination staff as appropriate. Questions about these guidelines may be directed to Virginia M. Gibbs, Senior Supervisory Financial Analyst, Policy Implementation and Effectiveness, at (202) 452-2521, or John F. Connolly, Manager, Capital and Regulatory Policy, at (202) 452-3621, Division of Banking Supervision and Regulation; or April C. Snyder, Counsel, at (202) 452-3099, or Benjamin W. McDonough, Counsel, at (202) 452-2036, Legal Division. In addition, questions may be sent via the Board's public website.⁵

Patrick M. Parkinson
Director

Attachment:

[Underwriting Standards for Small Business Loans Originated Under the Small Business Lending Fund Program](#)

⁴ Contacts for each of the Federal Reserve Banks who can provide additional information on the process for filing the small business lending plans are listed on the Federal Reserve Board's website at: http://www.federalreserve.gov/generalinfo/applications/afi/res_contacts.htm

⁵ See <http://www.federalreserve.gov/feedback.cfm>.