



July 12, 2012

The Honorable Timothy F. Geithner  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Regarding: Small Business Lending Fund

Dear Secretary Geithner:

The Community Bankers Association of Illinois (CBAI) proudly represents nearly 400 community banks throughout the state of Illinois and we are writing to you regarding the Small Business Lending Fund (SBLF). Early in 2010, CBAI leadership bankers joined with Illinois Senator Richard Durbin at a news conference in Chicago to introduce the Administration's proposed SBLF. The stated goal of this program was to provide \$30 billion of Tier 1 capital to community banks to encourage additional small business lending, fuel job creation, and help create economic stability. CBAI supported this program from the beginning, and we were pleased that the SBLF was included in the Small Business Jobs Act and signed into law by the President on September 27, 2010.

As the SBLF legislation developed, CBAI encouraged Congress to create a program that would maximize the number of community banks eligible for these capital funds. We were disappointed that Congress failed to broaden eligibility and we were equally disappointed that many community banks were excluded from participation during the program's implementation. The program applications, particularly for Subchapter "S" banks, were not released in a timely manner which caused significant delays. Additionally, once the applications were submitted, many otherwise qualified community banks were unable to participate because they did not receive dividend waivers from their regulators. Some banks were denied without reason while others found the application process so frustrating they simply gave up. The net result was that a small percentage of the available SBLF funds were deployed to support additional small

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business lending. We are encouraged, however, that the vast majority of banks which successfully received capital funds are increasing their lending to small businesses.

Now, it has come to our attention that several CBAI participating members are experiencing problems regarding their interest payments for SBLF capital funds. We understand there are approximately 50 community banks in a similar situation throughout the country.

A requirement of the SBLF is for the holding company/bank to deliver audited financial statements/certification within 90 days after the end of the year. The penalty for not delivering audited financial statements/certification by the deadline is an increase in the interest rate to the maximum allowable. We believe it would make sense for Treasury to work with banks on this requirement to make the program as successful as possible, but that apparently has not been the case.

One of our members proactively contacted Treasury as they knew their audit/certification was going to be delayed. They received written approval from Treasury for an extension. Our member delivered the financial statements/certification well within the approved extension period. Our member was subsequently informed that the penalty would apply during the period of non-compliance even though that was not mentioned when the extension was granted. Another member applied for an extension and was denied with no explanation given. In both cases our members used the SBLF capital funds to support increased small business lending, earned a significant reduction in their interest rate, yet they incurred tens of thousands in additional interest expense in the form of a penalty. The additional interest (penalty) reduced the bank's profitability and capital which could have been used to support additional small business lending.

We are requesting that Treasury reconsider its decision to assess the penalty and adopt a less rigid response to these reasonable requests for more time to submit audited financial statements/certifications.

We remember that over a remarkably short period of time the U.S. Government agreed to bail out the largest banks in this country with trillions of dollars of direct capital injections and numerous guarantees. Based on that precedent we hope that approximately 50 community banks that are fulfilling the mission of the SBLF by lending to small businesses could receive some modest degree of accommodation.

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Thank you very much for your consideration of our position on this important issue. If you have any questions or require additional information, please contact me at 847-909-8341 or by e-mail at [davids@cbai.com](mailto:davids@cbai.com).

Sincerely,

/s/

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Vice President Federal Governmental Relations

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