

September 13, 2010

To: Members of the United States Senate

From: Floyd E. Stoner, Executive Vice President, Congressional Relations & Public Policy

Re: H.R. 5297, the Small Business Lending Fund Act

On behalf of the members of the American Bankers Association (ABA), I am writing to express our support for H.R. 5297, the Small Business Lending Fund Act. As proposed, Treasury would invest in community banks through a new program that would be separate and apart from the Troubled Assets Relief Program (TARP). This legislation would authorize another tool for community banks to meet the needs of small businesses in their communities, and we urge the Senate to pass this legislation.

There are many areas of the United States that struggle under the weight of the severe downturn the economy has experienced. Since banks are a reflection of their communities, they are suffering with the communities they serve. Yet even in areas beset by poor economic conditions there are strong borrowers.

Meeting the needs of these borrowers has been made more difficult as regulators pressure many banks to increase their capital-to-asset ratios. Given the slow recovery and the severity of the downturn, it is difficult if not impossible for community banks to find new sources of capital. Thus, the only option for many banks is to shrink, which can mean making fewer loans. H.R. 5297 provides an option for banks to avoid that result and continue meeting the needs of their communities. With an improving economy and public investments, such as those proposed in H.R. 5297, lending can increase faster in some of the hardest hit areas of the country. Community banks, which are the life blood of many communities, can provide the needed capital.

ABA also supports language in the Senate bill that would increase the maximum loan sizes for the 7(a) small business loan program from \$2 million to \$5 million, with a temporary 90-percent guarantee through December 31, 2010. The 7(a) program has historically been a critical lending tool for traditional banks to help meet the credit needs of small businesses. The enhancements provided in this legislation are critically important and will help lenders provide loans so that small businesses can create jobs in their communities.

We encourage the Senate to support community banks by supporting H.R. 5297.