

Corporate & Financial Weekly Digest

Posted at 12:06 PM on January 7, 2011 by [Jeffrey M. Werthan](#)

OCC Describes Small Business Lending Fund Program and Underwriting Standards for National Banks

On December 21, the Office of the Comptroller of the Currency (OCC) issued Bulletin 2010-45, which describes how national banks can apply to receive Tier 1 capital in exchange for lending to small businesses. The Small Business Lending Fund (SBLF) aims to stimulate small business lending by providing capital to participating community banks, generally defined as those banks with \$10 billion or less in assets. The U.S. Treasury Department will provide banks with capital by purchasing Tier 1-qualifying preferred stock or equivalents in each bank. The price a bank pays for SBLF funding will be reduced as the bank's small business lending increases. (The program is also available to state-chartered banks as well as savings banks and their holding companies.)

The dividend rate on SBLF funding will be reduced as a participating community bank increases its lending to small businesses. The initial dividend rate will be, at most, 5%. If a bank's small business lending increases by 10% or more, then the rate will fall to as low as 1%. Banks that increase their lending by amounts less than 10% can benefit from rates set between 2% and 4%. If lending does not increase in the first two years, however, the rate will increase to 7%. After 4.5 years, the rate will increase to 9% if the bank has not already repaid the SBLF funding.

The SBLF was created pursuant to the Small Business Jobs Act of 2010, which directs the Treasury, acting through its Secretary, to make capital investments in eligible financial institutions to address the continuing effects of the financial crisis on small businesses and to increase those businesses' access to credit. The Act authorizes the Treasury to purchase up to \$30 billion in preferred stock and other financial instruments from financial institutions to increase the availability of credit for small businesses.

Click [here](#) to read OCC Bulletin 2010-45.

Click [here](#) to read more about the Small Business Lending Fund.

Katten Muchin Rosenman LLP

Charlotte Chicago Irving London Los Angeles New York Washington, DC