

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

April 15, 2011

Honorable Ben Bernanke
Chairman
Board of Governors
Federal Reserve System
Washington, 20551

Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
Washington, DC 20419

Honorable John Walsh
Acting Comptroller
Office of the Comptroller
of the Currency
Washington, DC 20219

Honorable John E. Bowman
Acting Director
Office of Thrift Supervision
Washington, DC 20552

Dear Chairman Bernanke, Chairman Bair, Acting Comptroller Walsh and Acting Director Bowman:

I write to urge the federal banking agencies to assist the Treasury Department in its efforts to make the Small Business Lending Fund program of maximum use to U.S. banks, particularly mutual and Subchapter S institutions.

Treasury has already issued term sheets for stock institutions, but I understand that issuance of terms sheets for mutual and Subchapter S institutions has been delayed by concerns among the bank regulators regarding the appropriate capital status for Treasury investments in debt instruments that would be issued by these institutions under the SBLF program. The record surrounding passage of the Act creating the SBLF is very clear: Congress intended that investments in all institutions eligible for the program should be treated as Tier 1 capital. As I stated on the floor of the House, in a colloquy with Rep. Melissa Bean:

The gentlelady from Illinois is absolutely correct. I agree, that, the intention of this legislation from the very start has always been that all investments made through the Small Business Lending Fund in all eligible institutions should be treated as Tier 1 capital in a manner consistent with that accorded to other capital securities issued to Treasury by eligible institutions.

Mutual and Subchapter S community banks are a mainstay of our financial system, and can and will play a prominent role in reviving small business lending to strengthen our economic recovery. Given Congress' clear intent in this matter, I urge each of your agencies to affirm Tier 1 designation for SBLF investments in mutual and Subchapter S institutions, which will enable the Treasury Department the ability to issue the terms necessary for these institutions to participate effectively in the program.


BARNEY FRANK
Ranking Member