

Broken Promises: The Small Business Lending Fund's Backdoor Bank Bailout
Committee on Oversight and Government Reform
Congressman Cárdenas
Wednesday, April 24, 2013

- Thank you Chairman Issa and Ranking Member Cummings for calling this important hearing today to discuss the benefits and shortfalls of the Department of Treasury's Small Business Lending Fund (SMLF) and the steps we can take to ensure that small businesses have access to the capital they need to stay competitive, expand, and create jobs.
- Everyone understands that growing our small business sector is critical to our economic recovery and fostering a vibrant and strong economy in the long-term. Small businesses are some of our best innovators and biggest job creators in our country and provide millions of worker with their livelihoods.
- In 2010, the Small Business Jobs Act sought to stimulate job growth through the creation of the Small Business Lending Fund. This program directed the Treasury to invest up to \$30 billion in small banks so they could in turn provide financing to small businesses at lower rates. This bill was intended to boost lending so that small businesses could access the capital they needed to expand their operations, hire new workers, and remain afloat during one of the worst economic times in recent history.
- I am very disappointed that the study conducted by the Special Inspector General for the Trouble Asset Relief Program (SIGTARP) earlier this month showed that merely \$4 billion out of the \$30 billion available for SMLF was invested by the Treasury. I am even more disappointed to hear that two-thirds of this money (\$2.7 billion) went to 137 Trouble Asset Relief Program (TARP) banks, which used \$2.1 billion (80% of SMLF money) to exit TARP.
- But how did we get here? A major problem is that the lending plans submitted by applicant banks were not considered or even assessed by Treasury; it sounds like these plans played no part in the decision of whether a bank should receive SMLF funds or not. According to the SIGTARP study, these plans were used to check-the-box and both the Treasury and banking regulators thought that the other was responsible of evaluating them!
- Neither has assumed the responsibility of their mistakes or this underperforming program. This is truly appalling and demonstrates the great need for addition and more effective oversight.
- As a former small business owner myself, I understand the difficulties and challenges that small business owners face when managing their business, especially in financially trying times when capital is unavailable or extremely expensive.
- I represent many of these small business owners – restaurants, construction companies, corner stores, manufacturers of parts and components – who are struggling to make ends meet and stretch every dollar to keep their businesses afloat.

- Staying afloat is especially important to many minority and women business owners who depend on their businesses to make a living and whose entire life savings are tied to their business' success.
- As far as I know, they do not get the same benefit-of-the-doubt that banks applying for SMLF funds have gotten from the Treasury Department. When these small business owners apply for loans, their applications are scrutinized and assessed by the banks for risk. And that is because the banks want to ensure that they get their money back. We should be doing the same.
- We should be making sure that the taxpayer dollars that we have committed to SMLF actually increase access to capital for small businesses. We should also make sure that banks that have used these funds to pay their way out TARP are held accountable and penalized for their improperly use.
- I look forward to hearing from the Honorable Romero how we can work together to ensure that this fund accomplishes what it was intended to do; and that is to help our small businesses thrive and push our economy into full recovery.