



Issue No. 2
February 4, 2010



\$30 Billion for Community Banks

President Obama revealed details of the \$30 billion for small banks he announced in his State of the Union address last week. If passed by Congress, this program would be monumental for capital needs of small banks. The \$30 billion in loan financing would come from money repaid by big banks that got help from the \$700 billion Troubled Asset Relief Program. The \$30 billion would be used to create the Small Business Lending Fund, separate and distinct from TARP.



The fund would be available to community banks with assets of \$10 billion or less for small-business lending. About 8,000 such small and community banks would be eligible. Banks with assets less than \$1 billion could apply for 5.0% of risk-weighted assets and banks with assets between \$1 billion and \$10 billion could apply for 3.0% of risk-weighted assets.

President Obama acknowledged that the small community banks drive the economy. "These are the small, local banks that work most closely with our small businesses - that provide them their first loan, and watch them grow through good times and bad..." The idea is to bolster banks' balance sheets and enable banks to make more loans to small businesses that can use the money to expand, hire or make other investments.

Banks that increase lending to small businesses would see reductions for up to five years in the dividend tax rate they owe the government.

President Obama called on Congress to pass the legislation necessary to create the new fund, one of several ideas he has promoted recently to help small businesses. He has called for tax credits for those small businesses that hire new workers or raise wages, and for eliminating all capital gains taxes on small-business investment. He also has proposed tax incentives for all businesses to invest in new plants and equipment.

The banks would pay a 5.0% dividend, but as they increased lending to small business (2.5% increase in incremental business lending over a two-year period) the dividend rate would drop by 1 percentage point (for every 2.5% increase) to a minimum 1.0% dividend rate.

The lending program is designed to help small business create jobs and shrink the nation's high unemployment rate. It is part of the White House's proposed budget for the fiscal year 2011, which also includes \$33 billion in tax cuts for firms that create jobs or increase wages.

President Obama stated, "Combined with my proposal back in December to continue waiving fees and increasing guarantees for SBA-backed loans, this will help small banks do even more of what our economy needs - ensure that small businesses are once again the engine of job growth in America."

Details will follow as they become available.

Articles in this newsletter are for general information only and do not represent any specific financial or legal advice for any individual institution.

For more information, contact [MDI Investments, Inc.](#)

[Forward email](#)

✉ **SafeUnsubscribe®**

This email was sent to kmetzler@qwurk.com by info@mdiinvestments.com.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



MDI Investments | 159 N. Marion Street #282 | Oak Park | IL | 60301-1032