LeMieux-Landrieu Amendment

S. AMDT 4500

The Small Community Business Lending Fund

A New Program, Separate From TARP, Providing Small Banks With Incentives to Lend to Small Businesses

- **Small Business Lending Fund Saves Taxpayers $1.1 billion**
  - ***CBO Estimates Program Would Provide Over $1 Billion in Savings to Taxpayer:*** With strong protections in place to ensure Treasury only lends to viable institutions and incentives to encourage timely repayment, CBO estimates that the program will provide $1 billion in savings to the taxpayer over 10 years.
- **New Small Business Lending Fund (SBLF) to Provide Needed Capital to Community and Smaller Banks**
  - ***$30 Billion in Capital Could Provide Ten Times That Amount in New Lending:*** By providing $30 billion in capital to small banks, the Small Business Lending Fund could support $300 billion in new lending.
- **Program Limited to Smaller Banks – The Banks on Main Street That Focus Their Lending On Small Businesses**
  - ***Only the Smallest Lenders Eligible for the Small Business Lending Fund:*** Only lenders with less than $10 billion in assets will be eligible for the SBLF. Over 90% of eligible banks will be community banks with less than $1 billion of assets.
  - ***The Small Banks Eligible for The Program Are the Lenders That Focus Their Lending on Small Businesses:*** For example, at the average bank under $1 billion in assets, about 80 percent of commercial and industrial (C&I) lending is in loans under $1 million.
  - ***While These Lenders Have Been Challenged by the Financial Crisis, They've Dramatically Outperformed Larger Banks in Maintaining Lending During the Crisis:*** For instance, commercial and industrial (C&I) and commercial real estate lending at banks *with less than $1 billion in assets grew at an average annual rate of 3.5 percent* for the eight quarters ending with the 4th quarter of 2009, *while lending at banks with more than $10 billion in assets contracted at an average annual rate of 8.1 percent*.
- **Program is Performance-Based – With Capital Structured With Incentives to Increase Small Business Lending**
  - ***Dividend Rates Paid on SBLF Capital Decline As Banks Increase Lending:*** The dividend rate that banks pay on SBLF capital would decrease as they increase lending relative to a 2009 baseline level – falling to as low as 1 percent if they increase their lending more than 10 percent.
  - ***Banks That Do Not Increase Lending Face Higher Dividend Rate:*** The dividend rate would increase to 7 percent for banks that show no increase in small business lending in the first two years after receiving capital.
- **Small Business Lending Fund Established Completely Separate From TARP**
  - ***Program Established By New Legislation As Separate from TARP:*** The new program is not connected to TARP at all – it is established and funded through new legislation, with no financing from TARP.
  - ***Restrictions Associated With TARP Would Not Apply:*** The program would not include TARP restrictions that have discouraged participation from community banks, including requirements to issue warrants and limits on compensation or Net Operating Loss carrybacks. However, the program would be subject to strong oversight from the Treasury Inspector General, and requires applying institutions to submit a "small business lending plan" as well as reports on how funds have been used under the program.
- **SBLF STRONGLY SUPPORTED BY COMMUNITY BANKS AND SMALL BUSINESS ORGANIZATIONS:** The legislation has been endorsed by the **Independent Community Bankers of America**, the **American Bankers Association**, the **National Small Business Association**, the **National Association for the Self-Employed, Small Business Majority**, the **National Bankers Association** and the **Conference of State Bank Supervisors**, among others.

In addition, the amendment:

- **<u>Fights Rising Health Care Costs by Eliminating Fraud in Medicare</u>**
    - ***Health Care Fraud is Rampant:*** A leading contributor to rising costs in our health care system is the alarming instances of waste, fraud and abuse. Loss estimates range from a conservative $60 billion, to a staggering $226 billion per year. It is estimated that $1 out of every $7 in Medicare claims is lost to fraud. Current mechanisms to detect and prevent health care fraud fall far short of what is needed to prevent it before it occurs. Instead, government takes a "pay and chase" approach, often unsuccessfully seeking taxpayer funds that are long gone.
    - ***Phase-in Predictive Modeling at CMS:*** The LeMieux-Landrieu Amendment would require CMS to use technology similar to what credit card companies employ to detect Medicaid fraud. This proposal creates an aggressive timeline for responsible usage of predictive modeling to first analyze Medicare claims, and if found by the HHS Office of the Inspector General to be a good return on investment, gradually phase in greater usage of the technology throughout Medicare, Medicaid and CHIP.
    - ***Save Taxpayers Billions of Dollars:*** While it is estimated Medicare loses $1 out of every $7 to fraud, the credit card industry loses only 7 cents for every $100. Credit card companies often call customers after purchases are made to verify it was a legitimate transaction, particularly when those purchases are either large or outside a customer's normal geographical area. This is done to prevent payment of a fraudulent transaction before money changes hands. This legislation would apply this same technology to Medicare and eventually the Medicaid and CHIP programs stopping the waste, fraud and abuse before it occurs. *This is a proven technology that will save taxpayers tens of billions of dollars once fully implemented.*
- **<u>Strengthens Small Business Exporting Opportunities at the Department of Commerce</u>**
    - **Increasing the Number of Small Businesses that Export:** The LeMieux-Landrieu Amendment would include a version of S. 3084, a Klobuchar/LeMieux trade promotion bill that enhances trade and export through the Commerce Department. Using common sense, cost effective changes, this language would complement the bill's other trade provisions.