

GAO Highlights

Highlights of [GAO-14-135](#), a report to congressional committees

Why GAO Did This Study

The Small Business Jobs Act of 2010 aimed to stimulate job growth by, among other things, establishing the SBLF program within Treasury. SBLF was authorized to make up to \$30 billion in capital investments to encourage banks and community development loan funds with assets of less than \$10 billion to increase their small business lending. The act generally defined “small business lending” as loans not more than \$10 million originally. Under the act, GAO is mandated to conduct an audit of SBLF annually. GAO’s first and second reports were on the program’s implementation and performance reporting and made recommendations on management oversight, program evaluation, and performance reporting. This third report examines (1) the growth in qualified small business lending and reasons for variations in the growth at SBLF banks and (2) actions Treasury has taken to evaluate participant lending patterns. GAO analyzed the most recent available performance and financial information on SBLF participants; reviewed government and private sector surveys on small business credit conditions; and interviewed officials from Treasury and representatives from SBLF participants.

What GAO Recommends

Treasury should follow through in conducting an impact evaluation that includes methods to isolate the effect of SBLF from other factors on participants’ small business lending. In written comments on a draft of this report, Treasury agreed to implement the recommendation.

View [GAO-14-135](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

December 2013

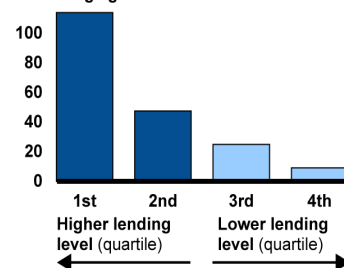
SMALL BUSINESS LENDING FUND

Treasury Should Ensure Evaluation Includes Methods to Isolate Program Impact

What GAO Found

According to the U.S. Department of the Treasury (Treasury), as of June 30, 2013, Small Business Lending Fund (SBLF) participants had increased their qualified small business lending by \$10.4 billion over their aggregate 2010 baseline of \$36.5 billion. However, SBLF participants varied greatly in the extent to which they had increased small business lending. GAO analysis for the quarter ending June 30, 2013, showed that the median SBLF bank in the top (first) quartile had over a 100 percent increase over the baseline, compared to a 9.1 percent increase for the median SBLF bank in the bottom (fourth) quartile. Several factors GAO analyzed could help explain this variation. For example, the median bank in the bottom quartile had more troubled loans than banks in the top quartile, which could affect a bank’s lending capacity. Also, a majority of banks in the bottom lending quartile used much of their SBLF funds to repay investments received from Treasury’s Capital Purchase Program, leaving them with a much smaller net increase in available capital. Several banks GAO interviewed said that they have seen increased demand for credit as the economy improved. In addition, publicly reported surveys indicate that credit conditions have improved, but some small businesses continue to face challenges securing credit.

Median Changes in SBLF Banks’ Qualified Small Business Lending by Quartile, June 30, 2013
Percentage growth



Source: GAO analysis of Treasury data.

Note: SBLF banks in the first quartile had the highest levels of qualified small business lending and the most growth in small business lending compared to SBLF banks in the other three quartiles.

Treasury has taken steps to assess SBLF participants’ lending patterns, including conducting a peer-group analysis and collecting performance data through an annual survey of SBLF participants. However, these steps are not sufficient to isolate the net impact of SBLF on participants’ lending. Treasury officials said that they are exploring evaluation approaches and have a firm under contract to help identify statistical analyses that could be used, but have not provided documentation of its evaluation plan committing to an approach. GAO guidance on program evaluation suggests that impact evaluations are usually required to assess the net impact of a program by comparing the observed outcomes to an estimate of what would have happened in the program’s absence. By conducting an evaluation that includes methods to assess the net impact of SBLF, Treasury could more effectively inform the public and Congress on how SBLF has affected the participants’ lending compared to other factors, such as economic conditions, and could better assist Congress in making future decisions about similar capital investment programs or alternative programs that support small business access to capital.