



OFFICE OF THE SPECIAL INSPECTOR GENERAL

FOR THE TROUBLED ASSET RELIEF PROGRAM

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WASHINGTON, D.C. 20220

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MEMORANDUM FOR: Jason Tepperman - Director for Small Business Lending Fund,
U.S. Department of the Treasury

Don Graves, Jr. - Deputy Assistant Secretary for Small
Business, Community Development, and Housing Policy,
U.S. Department of the Treasury

FROM: Christy L. Romero - Deputy Special Inspector General for the
Troubled Asset Relief Program ("SIGTARP") *C.L.R.*

SUBJECT: Engagement Memo - Update on Announced Review of the
Process for Refinancing Treasury's TARP Investments to
SBLF

On February 4, 2011, SIGTARP announced an audit of the process to evaluate applications submitted by recipients of Troubled Asset Relief Program ("TARP") funds to exit TARP by refinancing into the Small Business Lending Fund ("SBLF"). As you know, on September 27, 2011, Treasury announced that it received 320 applications from existing TARP banks, of which 137 banks were approved to refinance \$2.7 billion out of TARP and into SBLF.

In light of the high number of TARP institutions that exited TARP by refinancing into SBLF and the significant amount of TARP investment that was refinanced, and after reviewing potential risk areas for the U.S. Government associated with the application and TARP refinancing/exit process, we are refining the objectives described in our original announcement letter to better reflect our planned scope going forward. Our audit objectives are: (1) to determine whether Treasury and Federal banking regulators consistently evaluated applications submitted by TARP recipients to exit TARP by refinancing into SBLF; and (2) to assess the extent to which Treasury and Federal banking regulators established internal controls to ensure the accuracy of lending data or other data reported by the TARP institutions that successfully exited TARP by refinancing into SBLF.

We will continue to perform this work under engagement code 026. We expect to conduct our fieldwork at Treasury, the Office of the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation, and we will coordinate with Treasury's Office of the Inspector General. A member of my staff will contact your office to arrange an entrance conference. At that time, we will discuss our scope, methodology, and Time frames in more detail. In the meantime, if you have any questions, please contact Mr. Kurt Hyde, Deputy Special Inspector General for Audit and Evaluation (Kurt.Hyde@treasury.gov / 202-622-4633), or Ms. Kimberley A. Caprio, Assistant Deputy

Special Inspector General for Audit and Evaluation (Kim.Caprio@treasury.gov / 202-927-8978).

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