

## Why GAO Did This Study

The Small Business Jobs Act of 2010 aimed to stimulate job growth by, among other things, establishing the SBLF and SSBCI programs within Treasury. SBLF uses capital investments to encourage community banks with assets of less than \$10 billion to increase their small business lending. SSBCI provides funding to strengthen state and municipal programs that support lending to small businesses. Under the act, GAO is required to conduct an audit of both programs annually. GAO's first reports were on the programs' implementation and made recommendations. This second report examines (1) the status of Treasury's efforts to monitor participants' compliance with program requirements under SBLF and SSBCI, (2) the status of SBLF's and SSBCI's small business lending, and (3) Treasury's evaluation of SBLF and SSBCI and communication of outcomes to Congress and interested parties. GAO reviewed Treasury documents on SBLF and SSBCI procedures; analyzed the most recent available performance information for both programs and data on financial institutions; and interviewed officials from Treasury and nine states participating in SSBCI.

## What GAO Recommends

Treasury should develop a policy on how it will use its authority to terminate SSBCI funds. Treasury should also expand its methodology discussion in SBLF reports and make the results of SSBCI performance measures public. In written comments on a draft of this report, Treasury agreed to implement these recommendations.

View [GAO-13-76](#). For more information, contact Daniel Garcia-Diaz (202) 512-8678 or [garcia Diaz@gao.gov](mailto:garcia Diaz@gao.gov).

## SMALL BUSINESS LENDING

### Opportunities Exist to Improve Performance Reporting of Treasury's Programs

## What GAO Found

The U.S. Department of the Treasury (Treasury) has made progress in developing guidance and procedures to monitor participants' compliance with requirements for the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI) programs. In response to GAO's previous recommendation on SBLF monitoring, Treasury has developed procedures for monitoring SBLF participant compliance with legal and reporting requirements. Treasury also issued standards to provide states with best practices for reviewing participants' compliance with SSBCI's legal and policy requirements and developed procedures for sampling transaction-level data to evaluate the accuracy of the states' SSBCI annual reports.

As of June 30, 2012, SBLF participants had increased their business lending over the 2010 baseline. The median SBLF participant had a 31 percent increase in total business lending and a 14 percent increase for small business loans under \$1 million, according to GAO's analysis. For SSBCI, states had used about 10 percent of the funds as of June 30, 2012. The act provides Treasury with authority to terminate funds that have not been allocated to states within 2 years of Treasury's approval of the state's participation in SSBCI. However, Treasury has not yet developed a formal written policy explaining what actions it will take if SSBCI participants have not met the requirements to receive their full allocation of funds within the 2-year time frame. Treasury officials said that they currently have no plans to use this authority but retain the ability to do so in the future. Nevertheless, formal guidelines on how Treasury will use this authority could help ensure consistent use of the authority if used in the future and provide clarity to states about the consequences of not using the funds in a timely manner.

Treasury has taken steps to evaluate SBLF's and SSBCI's performance but could enhance public reporting of program outcome information. In a quarterly report to Congress, Treasury compares business lending in SBLF participants to a large comparison group that it adjusted for certain aspects of bank size and geography. GAO's analysis using a peer group that was adjusted for financial health as well as geography and size showed that in nearly every case, the difference in total business lending growth was somewhat smaller than in Treasury's analysis. Treasury considered using a more refined peer group that adjusted for these factors but judged that the differences were not significant. However, Treasury did not disclose these options in the report or explain why the larger comparison group was chosen, which compromised the transparency of Treasury's methodology. Furthermore, Treasury's approach did not isolate the impact of SBLF from other factors that could affect lending, as GAO recommended in its first SBLF report. Treasury officials said they are continuing to explore evaluation approaches, including collecting additional data from a survey of SBLF institutions. In response to GAO's 2011 recommendation on SSBCI performance measures, Treasury has designed performance measures, such as the amount of private leverage states have achieved with SSBCI funds. However, Treasury has not yet developed a way to make this performance information public. Treasury shares information with the states through conferences and technical assistance, but performance information could help Congress and the states to better understand the effectiveness of SSBCI's various programs.