

The Main Street Lending Restoration Act

“A bill to jump start small business growth and create local jobs by redirecting TARP funding from big banks on Wall Street to community banks on Main Street. A focused proposal to expand the availability of credit for households and small businesses by strengthening the balance sheets of our community banks.”

The Problem: Small, community banks, which constitute more than 90 percent of all banks nationwide, have had to restrict their lending to the small businesses and families in their communities because of the continued presence of troubled assets on their books. This has meant that many small businesses, our nation’s largest job producers, have been unable to hire, or have had to cut jobs.

Behind the Problem: Many community banks have impaired real estate-related assets on their books that stem from the collapse of the housing market and overall economic recession. Because of these troubled assets, many banks have struggled to raise new capital and are restricting lending to lend to small businesses and families in their communities because they anticipate they will need additional capital to cover against future losses from those assets. This has meant that banks can’t provide small businesses with the loans that create local jobs and rebuild local economies.

What President Obama Has Said About the Problem: *“Small businesses, mom-and-pop businesses, often who are more reliant on small banks, they're having some tough problems. And I think that there's a perception that it was just the big banks that were in trouble, not the small banks. The truth is, the community banks, the local banks, they were very involved in commercial real estate. That is a problem that is actually still there, it has not bottomed out, and was in some ways just as significant, although not as large, as the housing market problem that we saw.”* – **USA Today, Detroit Free Press Interview 12/3/09**

What Can Be Done: Removing impaired loans will help strengthen community banks and expand their capacity to lend again. It will improve investor confidence and enhance the ability of the bank to raise new private capital. It will also free up much of the capital that banks are setting aside to protect against future losses so that it can be used today to provide start-up loans, operating lines of credit, and capital for businesses to expand and create local jobs.

Senator Murray’s Solution: Senator Murray is introducing legislation that will require Treasury to dedicate not less than \$30 billion in unused Troubled Asset Relief Program (TARP) funding to strengthen community banks on Main Street.

Freeing Community Banks to Lend Again: Under Senator Murray’s bill, \$30 billion in TARP funding will be dedicated to assist community banks in lending again. The funding would be used to remove impaired loans from their balance sheets of community banks under the Treasury’s Public-Private Investment Program (PPIP) for Legacy Loans.