

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

March 15, 2010

To State Member Banks, Bank  
Holding Companies, Financial Holding  
Companies, and Foreign Bank Offices  
in the Twelfth Federal Reserve District

**Regulators Issue Statement on Lending to Creditworthy Small Businesses**

The federal financial regulatory agencies and the Conference of State Bank Supervisors (the regulators) issued a statement on February 5, 2010 on prudent lending to creditworthy small business borrowers.<sup>1</sup> The regulators recognize that small businesses play an important role in the economy and know that some are experiencing difficulty in obtaining or renewing credit.

The statement emphasizes that financial institutions that engage in prudent small business lending after performing a comprehensive review of a borrower's financial condition will not be subject to supervisory criticism for small business loans made on that basis. Financial institutions should understand the long-term viability of the borrower's business and focus on the strength of a borrowers' business plan to manage risk rather than using portfolio management models that rely primarily on general inputs, such as a borrower's geographic location or industry.

The regulators are working with the industry and supervisory staff to ensure that supervisory policies and actions do not inadvertently curtail the availability of credit to sound small business borrowers. The statement builds upon principles in existing guidance, including the *Interagency Statement on Meeting the Needs of Creditworthy Borrowers*<sup>2</sup> issued in November 2008 and the *Policy Statement on Prudent Commercial Real Estate Loan Workouts*<sup>3</sup> issued in October 2009.

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

Federal Reserve Bank of San Francisco  
Banking Supervision and Regulation  
(415) 974-2136

**Attachment:** [Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers](#)

---

<sup>1</sup> Financial institutions should apply the principles of this statement in accordance with their internal definitions of small business loans or as appropriate in their loan portfolios. Small business lending includes loans to small businesses and farms, such as working capital lines of credit, secured and unsecured term loans, as well as unsecured revolving credit.

<sup>2</sup> <http://www.federalreserve.gov/newsevents/press/bcreg/20081112a.htm>

<sup>3</sup> <http://www.ffiec.gov/press/pr103009.htm>