

BANK ADVISORY

Regulators' Statement on Small Business

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Dear clients and friends:

The federal financial institutions regulators and the Conference of State Bank Supervisors on February 5 issued an **interagency statement** that restates and elaborates their views on prudent lending to creditworthy small business borrowers. They emphasized that banks should adhere to prudent standards, but not become overly cautious in lending to small businesses.

In a **press release**, the regulatory agencies said they issued the statement because some small businesses are “experiencing difficulty in obtaining or renewing credit.”

The **Federal Deposit Insurance Corporation** and the other regulators listed these expectations for financial institutions and examiners:

- 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 criticism for loans made on that basis.
- Financial institutions should not automatically refuse credit to sound borrowers because of a borrower’s industry or geographic location. To the maximum extent possible, loan decisions should be made based on creditworthiness of the individual borrower consistent with prudent management of credit concentrations.
- As a general principle, examiners will not adversely classify loans solely due to a decline in the collateral value below the loan balance, provided the borrower has the ability to repay the loan according to reasonable terms.
- Examiners will not classify loans due solely to the borrower’s association with a particular industry or geographic location that is experiencing financial difficulties.

If you would like additional information on the interagency statement on lending to small businesses, do not hesitate to contact us at (305) 373-5500.

Sincerely,



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