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REGISTERED LOBBYIST CONTACT DISCLOSURE FORM

This form is to be completed by Executive Branch employees who are contacted by registered lobbyists regarding **EESA**. This report includes a written description of each contact, the date and time of the contact, and the names of the registered lobbyist(s) and the employee(s) with whom the contact took place. Written materials prepared by registered lobbyists should be attached to this form for posting on the website. The information on this form will be available to the public on Treasury's website.

To be completed by the employee contacted

Date and time of contact:	Name of the Employee(s) Contacted (Name and Title)	Brief description of the communication: (attach separate sheet if necessary)
March 1, 2010	Gene Sperling Counselor to the Secretary of the Treasury	On March 1, 2010, Paul emailed Gene a copy of the summary for the Senate's Manufacturing Modernization and Diversification Act. This is is small business proposal that was introduced by Senator Levin and Senator Stabenow and calls for a $20 billion TARP-funded lending program. Gene did not respond.

Name of the Employee(s) who prepared this form:	Date
Victoria Suarez-Palomo	March 18, 2010

Registered Lobbyist Name:	Title:	Firm or Organization:, if applicable	Client
Paul Merski	Senior Vice President, Chief Economist	Independent Community Bankers of America (ICBA)	

Palomo, Victoria

From: Paul Merski [Paul.Merski@icba.org]
Sent: Monday, March 01, 2010 10:19 AM
To: Sperling, Gene
Subject: Another Senate Small Business Proposal
Attachments: Summary - Manufacturing Modernization and Diversification Act.pdf

Gene. Just FYI. Any support behind another $20 billion TARP-funded lending program. Sens. Levin and Stabenow introduced legislation and pushing in Banking hearing tomorrow. This seems it would distract/compete with the Administration's $30 billion Small Business Lending Fund efforts? Best regards, Paul

Paul G. Merski

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Summary of the Manufacturing Modernization and Diversification Act

January 2010

Issue

Many manufacturers and small businesses cannot obtain sufficient capital to operate, reorganize, or diversify into emerging growth industries such a clean energy, technology, defense, or aerospace. According to the Federal Deposit Insurance Corporation (FDIC), commercial and industrial loans by FDIC-insured banks fell by 15 percent in the third quarter of 2009 versus the year earlier. In far too many instances, successful businesses that have orders and revenues, or viable plans to diversify, simply cannot stay in operation because banks have been unwilling or unable to lend.

Proposed Fix

The Manufacturing Modernization and Diversification Act would set aside $20 billion in TARP-reserved capital to help manufacturers access badly needed credit. Specifically, the program would target businesses that may be good credit risks, but have collateral or cash flow shortfalls.

Based on an operating program in Michigan, the proposed legislation would allow states (through an approved economic development entity) to access a revolving loan fund at Treasury to fund two eligible loan programs: the Collateral Support Program and the Loan Participation Program. Each state's program would rely on private underwriting standards and commercial banks would in all cases bear the majority of the credit risk of the loan.

Interest would be charged under both programs, and states would be authorized to also charge appropriate fees to participating manufacturers. States would return the funds to the Treasury with interest as the loans are repaid. Fees and interest beyond that required to repay the Treasury could be retained by the states for administrative costs.

Governors from the States of Illinois, Michigan, North Carolina, Ohio, Pennsylvania, and Wisconsin recently asked Secretary Geithner to implement such a program.

Collateral Support Program

States would be authorized to provide up to 49.9 percent of the required collateral for an eligible loan by placing cash on deposit in an interest bearing account with the lender. In the event of a default, the account would be available for repayment of the loan (with a haircut). As the loan is repaid, the state would draw down the deposit account.

This program could greatly assist businesses that have had their collateral depreciate, but which still have the ability to repay loans. Normally, the bank regulators (*e.g.*, FDIC) would object to a loan for more than the collateral value. Thus, even if the bank is confident of the borrower's ability to repay a loan, if the value of the collateral has decreased because of the recession, then the bank still cannot make the loan. This program would allow for the loan to be made provided that the bank concludes that the borrower is a good credit risk.

Loan Participation Program

States would be authorized to purchase up to 49.9 percent of an eligible loan from a commercial lender and defer interest and principal payments for up to three years. The resulting combined loan would have lower initial payments, providing the manufacturer with a lower debt service burden until their business more fully recovers or their investments generate sufficient cash flow. The terms of the loan would be determined on a commercial basis by the bank and the bank would continue to service the entire loan.

Prepared by the Office of Senator Levin