



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

January 19, 2012

The Honorable Pat Quinn
Governor of Illinois
JRTC, 100 W. Randolph, Suite 16-100
Chicago, Illinois 60601

Dear Governor Quinn:

I am responding on behalf of Acting Comptroller John Walsh to your letter dated December 15, 2011, regarding the *Advantage Illinois* program. This program, launched by the Illinois Department of Commerce and Economic Opportunity (DCEO), is designed to help enhance access to capital and lending for small businesses in your state. *Advantage Illinois* uses funding provided by the Small Business Credit Initiative (SSBCI), part of the Small Business Jobs Act of 2010 (SBJA), to offer three programs to encourage bankers to make loans to small and new businesses that might otherwise not qualify for bank loans. The Capital Access Program is designed to allow bankers to make loans beyond their conventional risk threshold by establishing a “pooled reserve” at each participating bank for loans made under this program. This reserve pool would be funded by the bank and/or borrower and DCEO, based on a percentage of the loan. The resulting reserve pool would be available for a bank to draw upon to recover losses on loans made under the program. The Participation Loan Program mitigates lender risk by having DCEO purchase part of the loan and take a subordinate position to the lender. The Collateral Support Program establishes savings accounts or certificates of deposit to provide additional collateral support for eligible loans.

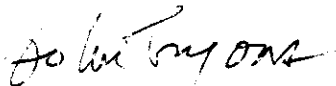
In your letter, you state that numerous Illinois lenders and state banking associations have voiced concern about how federal and state bank regulators will view loans that are made as part of the *Advantage Illinois* program. In response to these concerns, you indicate that it would be helpful if the OCC could provide some form of assurance that no additional or unnecessary scrutiny will be placed on banks participating in these and other SSBCI programs.

The OCC recognizes the important role that small businesses play to your state and our nation’s economy as a whole. We support national banks and federal savings associations who participate in these and other innovative programs that can assist them in meeting the credit needs of small business owners in a prudent and safe manner. In this regard, the OCC has undertaken a number of initiatives to encourage prudent lending to small businesses. For example, we have partnered with representatives from the Small Business Administration (SBA) to offer Web and telephone seminars for bankers on how bankers can effectively use various

SBA programs to meet small business lending needs. Our June 2011 *Community Developments Investments* publication (copy enclosed) was devoted to highlighting how the SBJA can assist bankers in supporting their local small business communities. In February 2010, the OCC and other federal banking agencies and Conference of State Bank Supervisors issued the *Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers* (see OCC Bulletin 2010-6, copy enclosed). 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. Consistent with this statement, a bank's participation in the *Advantage Illinois* program would not, by itself, prompt OCC examiners to subject a national bank or federal savings association to increased supervisory scrutiny. As your letter acknowledges, bankers must continue to conduct sufficient due diligence in evaluating borrowers and underwriting loans that are made under this program. We would also expect national banks and federal savings associations to ensure that their participation in this and similar programs is consistent with, and support their institution's overall strategic goals and objectives. Examiners would consider and evaluate this due diligence process as part of their normal safety and soundness examinations.

Thank you for contacting the OCC about this program. If you have further questions or would like to discuss this matter further, please feel free to contact me at (202) 874-2870, Darrin Benhart, Deputy Comptroller for Credit Risk at (202) 874-1711, or Bert Otto, Deputy Comptroller for our Central District, at (312) 360-8802.

Sincerely,



John C. Lyons, Jr.
Senior Deputy Comptroller for Bank Supervision Policy
and Chief National Bank Examiner

Enclosures