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Small Wisconsin Banks Use TARP Funds to Boost State Economy

Small state-based banks outperform large banks in lending and fiscal stability

Wisconsin's small, community banks—with a little help from the federal government—have played a valuable role in helping stabilize the state economy during this deep recession, according to a new report from the Institute for Wisconsin's Future (IWF).

While some of Wisconsin's largest banks continue to struggle for survival, its nearly three hundred community banks have increased lending while maintaining fiscal health, according to IWF's analysis of bank data. The full report is online at IWF's web site: www.wisconsinsfuture.org.

It has been two years since the recession began and one year since the federal bank assistance program—TARP (Troubled Asset Relief Program)—was enacted. Twenty Wisconsin banks received TARP assistance. While the three huge TARP recipients are still struggling (M&I Marshall & Ilsley, Associated, AnchorBank), the 17 small banks that received TARP funds have as a group been Wisconsin's strongest in terms of increased lending, stable capital, and maintenance of employment. These seventeen banks used the federal TARP funds to increase their lending, boosting small business activity around the state.

Financial giants caused the threat of global financial collapse and the worldwide recession. But small banks don't deserve to be blamed for the economic disaster. Wisconsin's smaller banks have helped the state weather the resulting storm. TARP has been an effective tool for the Wisconsin community lenders who did accept the federal money. The government funds enabled them to maintain their capital stability and continue their expanded loan activities.

The success of local TARP-assisted banks is an example of how government can help pave the way for business success. Wisconsin's prosperity is based on a partnership among government, citizens and small business. The resilience of Wisconsin's small banks and their ability to use TARP funds effectively demonstrate that proactive intervention by government is a critical tool for restoring Wisconsin's prosperity. Government efforts to direct the flow of money during this economic crisis have been a vital safety net for Wisconsin's middle class and small businesses.

The Institute for Wisconsin's Future is a non-profit research and public education organization based in Glendale, a suburb of Milwaukee. Its work is funded primarily by national philanthropies.

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