



## Small business bill passes, now what?

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As President Obama gets set to sign off on the [\\$30-billion small business lending bill](#), people want to know one thing: how will it help me?

That's what small business owners like Bruce Freeman want to know. Freeman, who runs [Proline Communications](#), a marketing and consulting business in New Jersey and writes a syndicated column "Ask The Small Business Professor", said the the \$12 billion in tax breaks included in the bill will help, but the larger \$30-billion portion earmarked for small community banks should instead be given directly to small businesses.



"Give it to me. Don't give it to somebody else to then hopefully, maybe, get it to me," said Freeman, who would prefer to get the money in the form of tax credits, or some other more direct assistance. "Give it to me in the form of beer bottles with the name of my business on it, but give it to me. This loan stuff is ridiculous, because I don't know if I could ever get one."

Brian Miller, the president and COO of [The Entrepreneur's Source](#) – a Southbury, Connecticut-based facilitator of startup financing – said the new legislation will only work if the government is able to get it into the hands of small business owners quickly.

"If it does not and we're faced with the same kind of situation that we were with TARP, where the banks just sit on the money and they don't get it in the hands of people that need it, then it's going to be a colossal failure," said Miller, who added his company is currently hearing from 10,000 people a month inquiring about financing, about a 25-percent increase from pre-recessionary levels.

Rohit Arora, who co-founded the New York-based website [Biz2Credit](#) to help small businesses get financing, said credit is virtually frozen right now and the government's main lending arm – the Small Business Administration – has virtually stopped since the end of May, when TARP-assisted programs elapsed.

"Most of the mainstream banks are not lending money to small businesses in spite of all the announcements they (government) keep making," insisted Arora, adding 85 percent of small businesses are making getting a loan a priority right now before interest rates start climbing again. "Community banks and smaller banks have started coming back, but there's a lot of pressure from regulators that if they're lending money they need to be more conservative."

## **SBA LENDING STALLED**

Additionally, Arora said the stalled SBA lending program has hurt small businesses who have already been approved, but “are waiting to close their loans, because they’re hoping this bill goes through and they don’t have to pay guaranteed fees.”

The American Recovery Act bill temporarily eliminated SBA loan fees that were as much as 3 percent, increased SBA-backed guarantees from 75 to 90 percent and raised the maximum on its smaller 7(a) loans from \$2 million to \$5 million.

“Those three are more critical than the \$30-billion new funding coming in, because banks don’t have an issue with the capital or credit,” said Arora, who noted that during the height of the recession as much as 85 percent of small business loans were backed by the SBA. “Banks have an issue right now with how to lend, whom to lend to and the underwriting criteria.”

Bank of America small business executive Robb Hilson said in cases where a loan applicant has weaker collateral (i.e., low home equity) but good cashflow from the business: “That SBA guarantee in many cases makes the deal work.”

Hilson said most small businesses that he has dealt with hit “rock bottom” in the the spring of 2009 and have been getting back on their feet over the last 12 months. Hilson said small business owners have told him they have the capacity to expand their businesses, but are holding off until they feel more confident the economic recovery is underfoot.

“They want to see more traction in this economy,” said Hilson, who admitted it’s harder for these companies to get a loan now than it was three years ago. “We’re asking for more information in many cases and that may feel like we’re not as excited to be lending.”

Hilson said Bank of America instituted its Second Look program last January that automatically sends a rejected loan application to a senior manager for another look. He also said B of A – the top lender of SBA 504 loans – was on track to increase its lending to small businesses by \$5 billion to roughly \$85 billion.

David Berenbaum would like to see banks such as B of A and Citigroup that took taxpayer bailouts continue to step up lending to small businesses.

“We need the banks that have benefited from TARP and other public programs now to invest in frankly the future of this country,” said Berenbaum, the chief operating officer for the National Community Reinvestment Coalition, which represents more than 600 community-based lending institutions. “There’s no question that lending right now needs to be jumpstarted and we need to see sustainable loans that are soundly underwritten.”

As far as the new small business bill creating as many as 500,000 jobs, economist Peter Cohan is not sold.

“They (small businesses) make decisions based on whether the revenues will justify hiring the people,” said Cohan, a Babson University economics professor and co-author of the book “Capital Rising: How Capital Flows are Changing Business Systems All Over the World”. “This is a time to a great extent where the only people who can get money are people who don’t need it. A change in that small business credit seems to me to be a very small player in that overall picture.”

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