

Obama's \$30 Billion Pledge: What's In It for You?

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Who wouldn't want thirty billion dollars? The business community, it seems. As you've probably read or heard, President Barack Obama is making news for proposing that \$30 billion of the money that has been repaid from the Troubled Asset Relief Program (TARP) be now diverted to community banks. Although Obama officially announced it in New Hampshire this week (and, of course, Congress will have to approve it), he first explained the concept in his recent State of the Union address: "I'm proposing that we take 30 billion dollars of the money Wall Street banks have repaid and use it to help community banks give small businesses that credit they need to stay afloat."

On the surface, that sounds like a good idea, but after casting a wide net, soliciting opinions from the business community, the consensus -- and this is strictly anecdotal and not at all a scientific survey -- is that it's a well meaning gesture, but not a very helpful one. That said, the ICBA (Independent Community Bankers of America) has endorsed the move; you can read the entire statement [here](#).

The entrepreneurs don't seem impressed. "I need more customers, not loans," says Howard Ruben, who runs a boutique PR agency with offices in Los Angeles and New York. "Potential clients realize they need to market themselves and their products, but many are reluctant to pull the trigger given the economic climate. For small businesses that need equipment to expand their services or offerings, I think loans do make sense and can help them. But, but for agencies such as mine, I think the best the government could do would be to give us tax breaks which I heard the President mention in his speech last week."

Billie G. Blair, Ph.D., echoes that to the point that you wonder if she and Ruben were separated at birth. "They don't need loans at this time," says Blair, who serves on the U.S. Chamber of Commerce's Small Business Council Board and is president of Change Strategists, an organizational change consultancy in southern California. "They need customers who have money to purchase their goods and services -- in other words, they need job generation programs such as tax cuts that will stimulate business growth and provide the businessman as well as the customer with renewed confidence."

The financial gurus also don't seem impressed. Entrepreneur, actor, investor and Fox Business contributor Wayne Rogers, who I recently interviewed for WalletPop, is not impressed. Rogers fired off an email to me, saying that, "Whether or not there are additional monies advanced to the local and community banking system does not necessarily mean that these banks will be making loans. Four major banks control over fifty percent of the banking assets in the United States. That means they are too big to exist. Then you have a separate banking system, the 10,000-plus community banks that the President is hoping to help. However, these banks are under aegis of the FDIC, whose supervision will not necessarily allow these community banks to make the kinds of loans that the President is hoping to inspire. You cannot have it both ways."

Rogers adds, "It is not that the community banks do not have the capital. They have it, but they cannot be forced to make questionable loans, loans that will be criticized by the FDIC."

Ron Wince is also not reacting the way the White House likely hoped. Wince is the president and CEO of Guidon Performance Solutions, a management consulting firm that works with banks to improve operational efficiency. "Community banks already have money to loan and are making loans," says Wince. "Adding \$30 billion will not help open the flow as most community banks are limited by the amount they can loan due to regulations. Business owners likely won't be pursuing more debt until the economy dictates the need to grow. Right now, spending is only improving slightly so more capital won't be of much help. Also, the proposed tax incentive for hiring will not offset the cost for the new employee entirely, so I don't see a large increase in hiring except for those businesses who were already planning to hire. New hiring will not be impacted."

The credit unions aren't happy either. The Credit Union National Association's office sent us a statement from their

president, Dan Mica.

Mica sees this proposal as something of an insult because he would rather see the White House get behind a bill currently being debated, called the Small Business Lending Enhancement Act of 2009, which would increase how much credit unions are able to lend. Currently, credit unions are required to limit their lending to 12.25 percent of the credit union's total assets; this bill would raise that cap to 25 percent of total assets and increase the minimum business loan subject to the cap from \$50,000 to \$250,000.

"At no cost to the tax payer, credit unions can inject more than \$10 billion into the economy and create 108,000 new jobs if Congress adopted pending, bipartisan legislation in both the Senate and House," declares Mica. "Credit unions are saying that the Administration could have given this legislation and ultimately small business, a huge boost by endorsing these measures. But the Administration overlooked -- or snubbed -- the opportunity."

Even the folks who work in community banking don't seem gung-ho. Make no mistake, the ICBA (Independent Community Bankers of America) has come out in favor of the initiative, but shortly after the State of the Union address, as noted earlier, they released a statement that wavers between gratitude and caution:

"ICBA appreciates President Obama for recognizing that small businesses are the key to our nation's economic recovery and for looking for ways to boost lending through community banks, who are the primary small-business lenders in our nation," the statement begins. "Our nation's nearly 8,000 Main Street community banks continue to lend to the local small businesses that fuel job creation and economic stability within their communities, and we look forward to learning more about President Obama's proposals and Congress's plans for small-business tax relief and TARP-funded initiatives with less onerous restrictions."

It's that last part that sounds wary. Even the ICBA seems worried that this money will have a lot of strings attached.

Still, strings attached or not, someone out there must want \$30 billion or part of it. Anyone? Anyone? Let's not all raise our hands at once.

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