
CONSIDERING TARP-LIKE SMALL BUSINESS LENDING HELP

The Headache: Washington wants to see more small-business lending.

Our Question: President Obama proposed transforming \$30 billion in TARP funds into a separate, new "Small Business Lending Fund." How would your bank respond if this proposal were passed by Congress?

Come see what other bankers think, and add your own views

One banker's viewpoint: Unlikely to participate in anything labeled "TARP"

Here's how Laurie Stewart, president and CEO, Sound Community Bank, Seattle, Wash., \$337.1 million-assets, "passed the aspirin."

Like most banks, we are conserving capital in reaction to the recessionary environment and the regulators' pressure to retain higher-than-required statutory minimums to be considered well capitalized. That means, given the difficult earning environment, that we have been forced to hold growth to a modest level in 2010. Meanwhile we are experiencing steady-albeit not robust-loan demand. Some of this demand is the result of other community banks in our area being forced to shrink their balance sheets. They are not renewing credits.

We would grow our small business, multifamily, and mortgage portfolios if we had access to additional capital. This would continue to support the recovery and could produce a win for borrowers; a win for the bank; and a win for the government. And, if you consider the likelihood that taxpayers would be the ultimate beneficiaries of a self-sustaining program that pays dividends, you have a genuine home run.

However, we would be unlikely to participate if this program was labeled "TARP" and subject to "after the fact" adjustments to terms and conditions, as TARP was.

UPDATE:

On May 7, the Obama administration sent a draft bill to Congress that would create a \$30 billion fund to provide capital for banks with assets under \$10 billion to increase their small-business lending. The President had mentioned the program in his State of the Union address and provided some details on Feb. 2. "ABA generally supports the program and has been working with the Administration on it. But the association will raise concerns about the program's eligibility requirements and its formula to determine whether banks are meeting those requirements.

Now let's hear your views and ideas below!

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