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"Overcoming Obstacles to Small Business Lending Forum," the event offered two distinct panels: "Framing the Issues1," which provided a macroeconomic context of these funding challenges, and "Confronting the Obstacles2," which offered potential solutions from various perspectives. The first panel offered much familiar information with little debate about where the economy had risen from since the darker days of 2008. Even U.S. Chamber Chair Thomas Bell grudgingly agreed that TARP and other government intervention prevented a meltdown of the capital markets, and was proving to have been legendary action by the Federal Reserve and Bush Administration. . . . [keep reading](#)

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FDIC Assembles Forum to Offer Funding Solutions

By Charles H. Green

The FDIC convened a broad panel of experts and stakeholders of the small business sector in Arlington, Virginia on Thursday to examine the issues of and potential solutions to the challenges facing small business funding.

Entitled “Overcoming Obstacles to Small Business Lending Forum,” the event offered two distinct panels: “Framing the Issues¹,” which provided a macroeconomic context of these funding challenges, and “Confronting the Obstacles²,” which offered potential solutions from various perspectives.

The first panel offered much familiar information with little debate about where the economy had risen from since the darker days of 2008. Even U.S. Chamber Chair Thomas Bell grudgingly agreed that TARP and other government intervention prevented a meltdown of the capital markets, and was proving to have been legendary action by the Federal Reserve and Bush Administration.

But that was to be the only broad agreement on that panel, as Senator Warner offered an insightful discussion about the necessity and wisdom of the Dodd-Frank Financial Regulatory Reform. A 20-year capital markets veteran, Senator Warner reminded the forum that about 50% of our pre-crisis economy was financed outside of government oversight, and it was the conditions created outside of regulatory management that created the crash.

Mr. Bell contributed mostly a dour outlook that the government made everything worse by over-taxing and over-regulating businesses.

Mr. Bernanke and Ms. Bair consistently pointed to the persistent attention they have given, in respective regulatory roles, to address complaints of micro-management and strident attention to managing bank loan risks. Both agencies have recently opened a hotline to field business owner complaints of excessive interference by regulators of banks.

¹ “Framing the Issues” panel included Ben Bernanke, Chair, Federal Reserve Board of Governors, Sheila Bair, Chair, Federal Deposit Insurance Corporation, Senator Mark Warner (D-VA), and Thomas Bell, Jr. Chair, U.S. Chamber of Commerce. Opening remarks were presented by Rep. Spencer Bachus III, Chair, House Financial Services Committee. The panel was moderated by Steve Liesman, CNBC.

² “Confronting the Obstacles” panel included Don Graves, Jr., Deputy Assistant Secretary, US Department of Treasury, Steven Smits, Associate Administrator for Capital Markets, US Small Business Administration, Anthony Lowe, Director, Chicago Regional Office FDIC, John Harrison, Superintendent, Alabama State Banking Department, Jorge Corralejo, Chair, Latino Business Chamber of Greater Los Angeles, William Dennis, Jr., Senior Research Fellow, NFIB, Rebeca Rainey, CEO, Centinel Bank of Taos, and Kathleen Sowa, National Business Credit Executive, Bank of America. The panel was moderated by John Harwood, CNBC.

Chairman Bernanke reminded the audience that robust sales growth is the key to opening more lending, as companies become stronger and lower the risk presented to banks that field their loan requests. Plus, he pointed out that regulatory reform would be heralded for eliminating the moral hazard of “too big to fail.”

Ms. Bair spoke about the need to examine collateral values more closely, and steps the FDIC had taken to avoid criticizing loan renewals based solely on real property appraisals.

The second panel had few solutions to offer. Clearly there was a broad range of political philosophies on the panel, and a shortage of front line experience in the micro economy. Ms. Rainey, a community bank CEO was the exception to this rule, and offered some good perspective on the challenges of balancing heavy regulation with the entrepreneurial spirit of managing a bank.

A consensus of the panel felt as though the funding provided through the Small Business Jobs Act was positive, but would probably not in and of itself be the only answer. A significant problem is that many banks needing capital to expand lending will not qualify for it, under guidelines issued in the wake of the bill's adoption in September. There was even disagreement among the panelists as to how many banks still needed capital.

Each of the second panel agreed that sales activity and loan demand was also an issue, and that a more robust economy would solve many problems. But they were more diverse in their opinions about the effects of bank regulation reform, health care reform, and access to small businesses to government contracts.

While the forum did not offer many firm conclusions to what seemed to be a consensus of what problems were present, it was a positive airing of several viewpoints in the presence of an army of banking regulators, small business advocates, Congressional aides, and the business media.

This article was contributed by Charles H. Green, Executive Director, Small Business Finance Institute www.SBFI.org. Read semi-weekly blog at www.AdviceOnLoan.com.