Panel 1

I'm Kausar Hamdani and I'm the Senior Vice President in charge of the Community Affairs Office at the Federal Reserve Bank of New York and I'm extremely pleased to be here this morning to moderate the first panel discussion today. Now our charge is to examine small business financing through that private sector lens and to help us with this task is a group of experts who I would like to introduce very briefly to you because you have their bios in your packet. So to your left, right here, is Kevin Watters, CEO of Business Banking at JPMorgan Chase where he is a member of the executive committee. From his bio, you can see that he has a breadth of experience across business lines and at different organizations, and he will bring the larger bank perspective to our discussion. Next to him is Jack Hopkins, President and CEO of CorTrust Bank, N.A. A 615-million dollar family owned independent community bank with locations in 17 communities in South Dakota and Minnesota. Jack has been in the industry for over 25 years and will bring the community bank perspective to our discussion. Next to him is Denise Pickett, Executive Vice-President with OPEN American Express, the team responsible for the development, marketing, and sales of the company's products designed for small businesses in the US. Her extensive experience in the consumer and commercial card businesses is important for our discussion today given the importance of these products for small businesses. Balancing the bankers is Todd McCraken, President and CEO of the National Small Business Association, an advocacy-oriented group. He has been with the NSBA since 1988 and over the years has played a key role in developing their policies and implementation strategies. Last but not least is Julie Stackhouse, Senior Vice-President and Managing Officer of Banking Supervision, Discount Window Lending and Community Affairs for the Federal Reserve Bank of Saint Louis. Julie has also worked at the Minneapolis and Kansas city feds and started her Fed career as an examiner. Just a few words on the logistics as to how our discussion will go. This panel will discuss two topical areas for each segment. First the panel will present for about 10 to 15 minutes and then I will turn to you, the audience, for Q and A for 10 to 15 minutes. When I call on you, please use the microphone, state your name and organization name before you ask your question and be brief, very brief so that we can get to everybody in the audience, okay? Time-permitting, we will then try to do a 10-minute open audience discussion in addition to the individual discussions before we conclude with the final summary from the panelists. So with that, let's get started with topic number one. Now, as Ben noted and the Chairman noted earlier and we heard through the regional conversations the observed decline in small business lending has both a supply and demand dimension to it. On the demand side, we heard that small business sales have declined, collateral values, especially around real estate have fallen, and businesses have become generally more cautious, deleveraging in some cases and trying to do more with less. As a consequence, there is less small business demand and fewer credit-worthy businesses. On the supply side with the survey responses that Robin talked about and the regional conversations indicate that some financial institutions' ability and willingness to lend to small business has declined. Stricter underwriting standards takes many different forms but frequently heard issues around especially real estate and collateral reevaluations, greater emphasis on cash flow that might have occurred previously and high credit scores were some of the themes that you hear over and over again. Now, also running through these various discussions around the country is a frustration, maybe an anger, certainly bafflement by small businesses on how to respond to the current environment. And so I'm gonna use that as our filter to ask the panel members, to ask each of you to use your three minutes to help this borrower try to deal with the current environment. So based on your experience, please discuss two priority challenges that small business borrowers encounter today in obtaining credit. Please be specific and connect the dots for us between what small businesses often do and what they should do to maximize the chances of getting quality credit. Please include any changes that they or financial institutions have done or could do. And then also at the regional meetings we heard about the need for stronger collaboration between lenders, traditional and nontraditional, and technical assistance providers. So any thoughts you have on that arena would be very helpful. So, we're going to start off first Kevin, then Jack, then Denise. Let's see if I got my order right here, and then Todd and with that, we'll get started. We'll just go right through.

Okay, so.

Kevin, you're on.

Thank you very much for having me here today. Kevin Watters, I run Business Banking for JPMorgan Chase. Let me address the question in a couple of different things. What we've seen at JPMorgan Chase is really twofold. Healthy borrowers not wanting to borrow and you saw some of that in the previous slides around optimism and is this the right time to expand. I'm looking at my sales and they're down and then people who are either starting a business are really struggling saying, hey, I'd like credit and I can't get at it. And so what we've done recently at JPMorgan Chase to try to get some of those healthy borrowers off the sidelines. We just launched this program loan for hire. If you hire an employee, we'll lower your interest rate by 50 basis points in your line of credit, up to 150 basis points, plus if you have a Chase checking account, another 50 basis points. So you can get 2 percent off your loan and our rates are the lowest at years. We didn't increase the rates so I know that cynics there are saying there must be something in there somewhere. You can pull all the rate sheets that are available. The rates haven't been increased. We're really trying to get those healthy borrowers to invest again. And, but you can see with the confidence slides, you know the program's only two weeks old so our applications are up, people are coming in and talk to their bankers. One advice I do give to small businesses as I travel across the country, go back in and talk to your bankers. Somewhere in here this has been lost that your banker is your friend. Go into your local branch, call your local relationship manager or business banker and go in and see him or her. Have a conversation. Here's what's going on in my business, what can you help me with. Remember these bankers have great expertise. They see a lot of clients across the course of the day and they can help you whether it's with ideas and cash flow. Guess what, you're paying too much for your rent. You're paying too much for this service. Have you looked at these different ways to market your business? You've got to look at different, you know, tell me a little bit about your receivables.

You've got everything in one supplier, that's a problem for you right there. You know, a lot of small business owners get into business 'cause they got passion on something. Whether it's pizza or cupcakes, it doesn't matter, okay. And the last thing they think about is cash flow and other things like that. And so the more, you know, I tell small businesses, come in and talk to us, we can help you along the way.

Okay.

Hey, I just to echo a lot of what Kevin had mentioned before. I think that it is a confidence issue. We need to get the confidence back into the markets and that's difficult when we're hovering around 10 percent unemployment and there has been a deleveraging in the marketplace. From my community bank perspective, I don't think most of us have changed our underwriting standards. We weren't using sophisticated credit scoring models, et cetera, and we always had been relying on cash flow and collateral. Now it is true that collateral values have fallen so this, I keep hearing the remarks that credit standards are tight. I mean I don't believe they have. I believe what you're really saying is that the collateral values have fallen so perhaps what you were using for your margins is causing credit lines to be cut in some cases. You know, I think that the--from our perspective, I want to make loans. I've got a lot of money sitting there and willing, able, and ready to make the loans because I can't make any money in the bond market when the fed has driven the rates down to where they are right now. Trust me. I need to make loans to survive, to make money. You know there is an issue of the, you know, I can't say that banks haven't tightened standards particularly if they're on that one of those 700 banks sit around the troubled bank list. I think those are definitely gonna have tightened their lending standards because they're being asked to increase their capital levels and the reserve levels and typically, the only way they can do that is to tighten their standards. So for those banks, that probably is true and that's gonna be in your major markets that you were talking about earlier, whether it's in Atlanta or some of those major areas.

That's kind of ground zero for troubled assets. But I think that it's important that the customers come in as Kevin had alluded to earlier. Keep in touch with your lender. Come in prepared. I can tell the borrower one thing, come in with your ideas, come in with cash flows that are reasonable, come in with good business plans. Work with your small business development centers in your communities to come in. They do a great of working with the borrowers when they come in to your community, when they come in. And the lenders are more than willing to sit down with you and help you with your business plans, help you, tell you what you need so, come in and talk to us, so.

I don't mean the panelist to be quite as brief as you all are being. You have Julie here to give you a heads up and Kevin, I want to come back to you 'cause you may have short changed yourself there a little bit. So keep going Jack, if you've got a couple more thoughts for that at this point.

Well, you know, we're coming out of a long recession and so hopefully, that the economic activity. I would say that in the last quarter, we're seeing a lot more optimism from our borrowers, more so than we've seen for two years. I think that the last two years particularly going back to September of 2008 people got into a panic mode because their sales were declining, everybody was sitting on their hands and you know, we're more than willing to lend if they want to come in, come in and to talk to your community banks. I guarantee you they got money to lend.

Okay, Jack. Alright. Denise, you're up.

Okay, I'll try and take my three minutes.

Please, thank you.

So, OPEN from American Express is actually a national lender and we've been doing that for over 25 years so we do have a good view on what small businesses' challengers are. The first one that I would point out is that lenders really have limited access to information on which to make decisions and unlike the previous panelists, we don't have local branches, so information is absolutely critical to our ability to make decisions and to lend credit out to small businesses. And I would say that's probably one of the biggest ones. If you think about the consumer credit space there's lots of information and credit bureaus. There is a dearth of information in commercial small business to actually be able to make decisions so that's the first challenge. I think the second challenge I would point out has more to do with the business conditions. You know, for many small businesses, sales are down, revenue is down, cash flow's been impacted and those are many of the variables that we as lenders look at when we're making decisions about accessing credit. We actually ran a survey in the spring of this year and about a third of small businesses said that their customers were taking much longer to pay them. So clearly, that's a much bigger number than it was a couple of years ago and that obviously impacts their ability in terms of their cash flow. So for us, those are two big challenges that we see. Limited information as a lender upon to make decisions and the second thing is just the business conditions that are impacting things like cash flow and revenue. Now what advice would I give to small business owners from our perspective as an unsecured lender without local branches? The first thing I would say is that you know, for small business, they're the head of IT, they're the head of sales, they're the head of marketing and they're the chief financial officer and getting educated about their financial statements and cash flows and there are lots of resources out there whether they're government resources, lenders like ourselves provide lots of resource on how to get educated on financials and financial statements. In fact for women segment, we actually offer a number of programs to help them get educated as an example. So that's the first suggestion I would make. The second suggestion I would make for small businesses is really to provide information. There are a substantial number of applications that we receive for credit that have missing information or information we can't verify. And to make this real, in the first half of this year we had 6,000 potentially credit worthy small businesses. We simply could not approve because we could not verify their tax ID number. So, a simple solution like providing lenders like ourselves the ability to verify information. That's all we want to do, verify information. We don't wanna ask information from others. We wanna verify information small businesses are giving us. That would have had a positive impact in the first half of the year alone.

Good. You're on Todd.

Well, I represent the Small Business Community and I've been doing that for more than 20 years and I think I can safely say we've never seen a credit environment in that span of time like the one we see in the last 18 months or 2 years. And I talk to small business owners all the time who don't perceive that their business operations and their status, credit worthiness as they perceive it has changed but they have seen a dramatic tightening of their available credit. I mean we have a survey in the field right now. It's not complete but it's looking like about a third of small business owners we're surveying say they've seen their credit lines, both credit cards and credit lines reduced at the last 6 months and this is a year and a half into this. So their is still a very substantial problem out there and one of the things that I'd like to raise and ask the other panelist about is the role of credit scores because I think this a really overlooked issue for the Small Business Community as banks increasingly rely on credit scores of this business owner. What impact does that really have? Because if you think about what a really successful growing entrepreneur does, they use all of their credit. They're always looking for new credit. They're extremely busy so they're more likely than not to miss a payment every down again by a few days. All of these things drive down their credit, and that's obviously been the--I mean this is dragging their credit score and that's really always been the case but that's been compounded in the last year and a half by having their credit lines, credit card availability further reduced, which further reduces their credit scores which sends about market shopping for more credit, which further reduces their credit scores but the fundamental underpinnings of the business hasn't really changed but they're sure going to get credit. Now I'm wondering have the banks looked at those kinds of issues and try to come up with some ways around it.

So now Todd brings up an issue we have heard a great deal and it might be nice or useful for the bankers to maybe explain that a little bit and make that a little bit more understandable. Kevin--

Yes. I can address that at least with JPMorgan Chase. So, one of the programs we put in place as a direct result of customers saying hey, my credit was turned down or I couldn't get credit with the second review process that said if you're unhappy with our decisions for any reason, call us. We'll have a separate group of folks that are dedicated at this to go and take a second look at your loans or lines to see if we made a mistake and so we put that in place November of last year. Since that time we've approved an additional 160 million dollars that we didn't approve the first time we looked at it and great. I'm glad we're able to have those conversations. And so one of the things I've encouraged small business owners to do if you're unhappy with the decision back from the bank, come and talk to us about it. So if there's something you can explain away on why I missed these payments, why I was in this credit crunch, let me really understand your business model then that's something that we can work with. You know, the more information, the better. If it's something you can't explain or you know, the answer is hey, I'm just sloppy with my financials. Well, that's not a real good answer. And so, but here again, we're in the business of lending money. It's what we do. We've hired, you know one of the things we announced at JPMorgan Chase we do is that we'd hire an additional 325 bankers to go talk to people face to face in the communities where we live and work. And you know, right now to the end of June, I think we've hired about 250 of them and so we're well on our way to meeting that commitment and those are more men and women that people can come in and talk to, but we can't guess on what's on your bureau. I can at least speak for us. We don't live and die by credit bureau. We have our own scores and especially for folks who are JPMorgan Chase customers, we can see what's going on in your personal life. If you've got a mortgage with us, how you're making payments there. We've got a pretty good view of what you're doing with JPMorgan Chase which helps us identify maybe you did hit a rough patch but guess what, you've been a pretty consistent customer overtime, let's work together and get you back on your feet.

From my community bank perspective and I'm gonna go back and say, you know, we do supply, and these are banks under 10 billion in size, almost 60 percent of the small business for lending in this country. So we feel they were fairly strong in this market. We've been in this market for a long time. We understand our borrowers. I don't think we live and die by credit scores because of that. Now are they important? Absolutely, I mean if somebody's just skipping payments for whatever reasons, as he said sloppiness, generally, that's not gonna get a real favorable response from the banker but if they can explain what's been going on and maybe there was a period of time where they had a rough patch going through there in the last two years. Come in, sit down and talk with us. I mean explain it to us. You know, let us know what was going on. I think it comes down to the communications 'cause one of the things that happens with borrowers that we see is that communication stops when they started getting tight and if anything at that point, they should be communicating with their banker more rather than less. And a lot of times they kind of hide under the rock hoping that it will just go away. Come in and talk to the bank, so.

Great. Denise, do you have any thoughts?

So, I would say you know our average credit limit over the last several years has remained relatively steady. There certainly had been some customers that have had line decreases but there're also been customers that have had line increase as well. So, I would say similar to Kevin said, we have a second look process that allows customers to come back where we've decreased line and question. We have 50 percent more manual underwriters than we did two years ago to make sure that we can take a second look.

And we're looking at a lot more data. Because we are an unsecured financing option, we have to get access to a lot more information to be able to make a decision and that gets to my point earlier about being able to verify tax ID number. So I would say if you actually look at the data in our case as an unsecured payment provider, our average credit limits have been very steady over the past several years.

Okay. So this is why I opened it up to the audience and as I--you know the drill. Please use a microphone, state your name and your organization and now do be brief. So, do I see nobody? Our microphone is right there and Ron, maybe you'll be next in line so why don't you--

My name is Ron Frazier. I'm with the BAC Funding Corporation out of Miami Florida. My question is, what are you doing to provide more flexibility in your underwriting process and mitigation of issues during this timeframe? I heard the first gentleman began to talk of some of those things but I'd like to hear more and just how important is that credit score 'cause we all know there are a lot of issues with how they come up with that following number.

Yes. So, let me--I've got--one of the things that we launched at JPMorgan Chase last year was the ability for people to give us interim statements. So if your last two or three years cash flows had been bad because we had been through this great recession, okay, give us the last 6 months that you have so that we can look at your interim statements and see if you're on a better trajectory than you were before because maybe we can help you then and maybe the two or three years ago wasn't indicative of what you're able to see. So in addition to the second look program and more bankers, we also put in interim process that says look, if your financial's better in the last six months we're gonna put a heavier weight on those and some of the other aspects that we might have looked at historically.

So may I just ask you Kevin, because of these programs have you found that people who were declined before are actually getting credit now?

Yeah, our approval rates are up and I can't comment on our second quarter loan originations 'cause we released our earnings on Thursday but in the first quarter we showed that our originations were up 31 percent to small businesses and within the branch business that I manage it was almost double and so yes, credit approval rates are up, loan originations are up and we've started to see that everywhere. I will also say business balances are higher than they've ever been and I've managed business banking for JPMorgan Chase for the last 5 years and we've got record business balances which tells us lots of small businesses are still sitting on their cash which is part of the reason why we launched our loan for hire program to see if we could get them borrowing and growing again.

Yes, Jack. Do you have thoughts?

The only thoughts and it goes back to the communication again. We do look at the interim statements and if it's on a monthly or quarterly basis, well, we're probably looking for more than anything is your trends or your trends. Have they leveled out or are you still declining in your sales or in your revenues, whatever it is. So, if you can show us that your trends have bottomed maybe they're starting to pick back up again. Obviously, we're going to look to do what we can to help you expand your sales and it probably would change your borrowing basis that you're use to.

So, as an economist, I only admit to periodically. When you--so, if I have hit a bottom, how many observations or how many months of data do you need to make you confident that there's a trend up or improvement?

Well, I think there is, you know, we're gonna--

I don't wanna pin you down but sort of, yeah.

It depends on the industry. I mean 'cause we're gonna look at the industries and see what's happening in the industries. I hate to pick on the auto dealers but you know there was a time period where the auto dealers were really going through some tough times in what was going on. So we're looking at the national data as well as what's going on with the individual dealership 'cause there are areas of the country that perform better than others. I'm fortunate, I live in the South Dakota area and we've had relatively stable. We've had some declines but not like we've seen in other areas of the country.

So my takeaway is that if I'm one of those little pizzeria, ones that somebody talked about, see what's happening to the pizzeria business.

We're seeing one and there we're gonna compare the seasonality 'cause there are different businesses at different seasonality. What were you at the same period of year before, or two years before or when the economy was really going good. So we try to do comparisons to different like periods.

So I would say that there are three things. For new prospects coming in, we've instituted a second look. I mean OPEN is in the business of providing credit so we obviously want to be able to approve customers and give them access to credit. I think for existing customers, what we've done is where they've had a line decrease we put in place an appeals process and in fact, for those small business customers who was appealed a line decrease, two thirds have been able to get that line back by giving us more information. We just needed more information to be able to make that decision. And then I think the third thing we've done in selected cases in some--we've had some customers who've asked for some capacity and have been willing to put up CDs as collateral. In one case, we had a platinum customer in the construction segment and they were able to put up a CD of 160,000 dollars and we were able to give them credit for 160,000 so we're looking at both new prospects, existing customers as well as creative ways to really enable credit for our customers and when I think about where we are as a business, we have a charge card business which is pay in full, and that business in the first quarter enabled about 1.6 billion every week in spend for charge card customers. And on the lending side we enabled about 28 billion through our lines of credit and those levels are fairly similar to what we saw before recession. So we're all working very hard to give access to credit to our small business customers.

For the same number of customers, those levels are?

The levels are fairly similar.

Yeah, okay. Ron, you are next and then I'm gonna go--yes.

Thank you. My name is Ron Phillips from Coastal Enterprises in Maine. We're a CDC and a CDFI. This is a great panel and presentation and a lot of the ideas you expressed resonate with us. We make a lot of loans to small businesses. We also represent the SBDCs and the Women's Business Centers and I do a lot of SBA microlending so we're in effect to extend the capabilities of the SBA institution to reach some of these small businesses. We work with a lot of community banks and it's true that I think your comment was right. I think you made that comment Mr. Hopkins about the SBDCs as a source of information and counseling that goes on. But when it turns to JPMorgan Chase or American Express and perhaps some others, the connection between the infrastructure of business counselors that are out in this country and your institutions, are probably not as robust as they could be to create the kind of perspective and information that you might need. We do a lot of housing counseling and foreclosure mitigation as well and it's a one-on-one situation and are constantly working with the service providers on getting them right and of quality information together to get the loan. So the question here is how can the larger institutions like yourselves who are making small business loans connect better to the counseling programs that are out there in this country, that's number one like the SBDC. And number two, there are bills pending right now in Congress, 50 million dollars for more funding for the SBDC. We don't--we're actually quite challenged with our capacity. We counsel about 2,000 businesses a year by the way just in our operation, so there it needs to be, of course, more resources have come to bear and I think the American Express Foundation has actually funded CEI on some women's business activities so there is a relationship there but it's piecemeal, it could be more robust and consistent. So I guess the question goes to the larger institutions. I know the community banks are busy and have a connection to the counseling programs but the large ones, I'm not sure how well that works. Thank you.

You wanna go first, Kevin?

So I can address that at least for JPMorgan Chase. So we do a couple of different things within SBDCs and different programs that are local grassroots levels. So one, we do have a national philanthropy organization where we fund a lot of those organizations already. So I don't know if we fund yours particularly, but we fund organizations throughout the country at a JPMorgan Chase level. Two, also when we announced this as part of our loan for hire program, we've got 10 seminars that were running across the country, visibly big. In different states, we're actually partnering with the local chamber of commerces and different people on the Feet on the Street, inviting 300 small businesses and really doing workshops with them. Let's look at what a lender looks like. So there's no surprises, you know, here's the cash flows we look at. Here's the information we're looking for and there's a lot of uncertainly out there that tell you exactly what we're doing. Work with the chamber of commerces, work the different SBA groups. And I can at least speak for JPMorgan Chase, we are the number one SBA lender in the country in terms of units through May 31st. I don't think June's data is out yet or if it is, I didn't see it as of this morning and so. And we were the number one ARC loan provider in terms of units in dollars which are the 35,000 dollar loan for the people who are really struggling out there. So I think we've made a commitment to reach those folks who are struggling the most. We've also have your Facebook user and I think I saw some people in the back of the room there using their Facebook earlier. You can go on and make your votes up until tonight for Chase Giving as part of our 5-billion dollar commitment to give money away for nonprofit startups, which is the second time we've done that. So I think we had made a pretty big push in this area.

Denise, do you have--

I mean, I think for us the reality is that our millions of small business customers operate in their community. They work in their community. They live in their community and they play in their community so it's very important to us. And as you referenced the foundation has supported a number of community efforts. I think one of the large ones we've done is the Make Mine a Million for women initiatives and it's really designed to get women their own businesses to the one million revenue mark. So I think that's been an important factor. The other thing I would say is that sometimes connecting small businesses to community is great but I think sometimes connecting small businesses to other small businesses is also great. So we have an open forum that we have where we're really helping small businesses connect to each other because they can often be one of the best sources of information and resource for each other. So I think there's a combination of connecting to the community as well as connecting to each other that we facilitated through the programs that we've offered.

Okay. Yes, you're next.

My name is Jean Horstman. I'm with Interise. We used to be known as Inter-city Entrepreneurs and Denise thank you for the lead out. We're a national non-profit, we serve up for 450 small businesses across the country. We only serve existing small businesses and we only serve people who are committed to creating jobs and have a proven track record to doing so. Eighty nine percent of our businesses are in low to moderate income communities, minority owed or women owned. Last year they created a net two new jobs from April 2009 to June 2010 access to 150 million in government lending and so all their sales go up. As they've said at a recent meeting that we hosted with a small--with the national bank. I survived 2010, I'm growing, I've created jobs, I can't get a loan.

So your question is?

So my question is, how do you connect--and I wanna challenge on this question, the technical assistance point that came up in the data that our businesses that are using the small business network and the technical assistance that folks like us, people like Pacific Community Ventures all across the country are developing but it's very difficult for us to build a relationship with a bank that gets the bank to go look at the business in its community. When you look at the numbers you know one small part of this business. In the communities they ran. They are much different sort of players than their numbers may show.

Yes.

How do you create that bridge and who's the bridging partner for you?

I'll address that first.

Go first.

And then I'll let Denise or Jack answer afterwards. At least you take Morgan Chase. We have branches--we don't, we did two different types of lending if you think about our small business programs. One, similar to American Express is an unsecured credit card nationally, okay. It's tougher for us to build those bridges where we don't have a branch infrastructure. Where we've got a branch infrastructure in our 52 hundred branches there were have men and women who should be that bridge. Your banker is that bridge. They live and work in that community so they understand. I know, I was just in Brooklyn two weeks ago with Congresswoman Velasquez an initiative there down a red hook, and so, yeah. If there's an underwriter sitting somewhere else here she may not understand that but that local banker does understand that and this goes back to having that conversation that says, let me explain my business to you, let me get to know you, what are your looking for, let me tell you my story cause each customer is different, okay. And this goes back to, you know, if you're reaching out to your banker and you're working with him or her, then you shouldn't have to have a big formal meeting. That should be a regular ongoing discussion and so the bridges for us at least are the men and women who are in our branches everyday, there to serve our small business customers.

Well, I think from our standpoint again, we are a community bank. In community banks that's what we do. We live in these communities, we're all small communities. We know our borrowers in many cases. It comes down to the communication. I would challenge these people if they are not coming into a community bank to come into a community bank and sit down and talk with them. Every now and then I hear that they can't get credit. Well, there's normally something else behind that if they can't get credit because if they are credit worthy borrower they're getting credit particularly if they're dealing with a community bank.

So the Make Mine a Million was a--is a female initiative. There is another initiative that we do for government contracting where we are encouraging and educating our customers on how to secure federal government contracts as part of growing their business and there's actually a subset of that called Give Me Five which is designed to encourage women businesses to get federal contract. So I think there's a number of things were doing to really reach out and make sure that in specific segments like females we can actually grow their businesses and reach out to the community. So I would take a look at that component of our government contracting program called Give Me Five and that's very targeted at women.

[Inaudible Remark]

I liked to and in conjunction with this the raise issue that was raised in Robin Prager's presentation before and that is the perception probably that reality that there are smaller loans in many cases that are not profitable enough for the banks, in mini banks at least. To extend that kind of relationship, to extend that king of counseling because it's relatively time sensitive. So the question from a positive perspective is, how do we get to the point where those kinds of loan--that kind of treatment of the small business will be from small loan is, you know, can be profitable? We also hear from businesses all the time where they have trouble getting a loan even though they have a contract in hand. They have a prospect for moving ahead. So the question is, if they can't get in to tell that story, they can't create those jobs and the economy can't move forward. So how do we get around that?

I had promised and you are the last question for this session.

Okay [inaudible].

My name is Michael Banner. I am from Los Angeles. I run a community development finance institution. It's Los Angeles Local Development Corporation. Actually I have two questions. One would be we've come to this period of bad facts. It's gonna be around for a while and there has been regulatory guidance given by Federal Reserve and other regulatory bodies to financial institutions about true lending. How that does changed your judgments that you're making today? Has it had an impact?

You know, that's a great question and I'm gonna call on you first to repeat it again if we don't cover it in the next session, okay?

Alright.

So, because I'm might--

Other question then would be for Julie, the discount window?

Yes.

How was that having an impact on small business men? Is it doing anything to free up capital?

Do you wanna hold that question too?

Yeah, hold it. So, no, wait [laugh]. I'll get to you.

Sorry, I promise.

I'm premature, I guess.

[Laughter]

You know, we're a united front up here [laughs] to keep us on track.

Just everybody is anxious to talk to the regulators.

Yes, indeed, indeed and you have been patient. So actually that's a wonderful opening to go into our next segment. And so at the regional meetings the participants underscored the importance of government programs like the SBA but also know the challenges in the use of such programs as a factor in the flow of credit equation that we've been talking about so far. Also heard, and I'm getting to your question here was that some lenders might be tightening credit in part because of perceived pressure from their bank regulator. So panelists, what has been your experience with federal credit programs like the SBA credit guarantees? What aspects have worked well and any thoughts on areas for improvement? Now, regarding the perceived regulatory pressure what is your perspective on the extent to which financial institutions have received and understand the interagency guidance on small business lending? What more, if anything, might the regulators do in support of appropriately balancing bank safety and soundness with ensuring access to credit for small businesses? And Julie I'm gonna save you for last. So I'm gonna start again with Kevin and then will go down. Thank you.

So let me--there's a bunch of topics in there, so.

Yeah.

SBA obviously is the number SBA provider in loans and units. We're a firm believer in the SBA. We think Karen Mills and the staff of the SBA had been great to work with. Dean Sperling in the funds and Treasury working together to try to find how do we get more credits to small business? I think one of the questions we have out there right now is there's a lot of uncertainty around. Are the extended guarantees and reduce fees going to stay here? Are they gonna come back? It's held up in the hill right now. So I think some of that uncertainty if we can eliminate uncertainly that would be fantastic for both businesses and for lenders if we could do that that would be great. From a regulatory standpoint our regulators and I'm only gonna speak to JPMorgan Chase. We have been--we were conservative lenders before the recession. We've made money every quarter during this recession and I think our conservatism has played out to be prudent on our part. And so we have not had any guidance that has confused us in any way. We've been aggressive in our marked downs in our small business loans because that reflects reality. So if the building is worth half of what it used to be, you should reflect that. Okay, so we haven't asked our regulators to do anything different or to change any of the rules and they've been great partners. We've been fortunate having been profitable through every quarter. That we have capital we have it available to lend and that's why we can launch programs like Loans for Hire. So for us, from the regulatory standpoint, we really haven't seen any change and I think my only request is don't change anything. You know, I think some of this lack of optimism or confusion among small business owners is concerns and confusion around what might be coming, right?

So there's a large health care bill. It may be wonderful for small businesses, it may not be, they're not sure. And the person who owns the dry cleaner, the pizza parlor isn't gonna read a couple thousand page bill to try to figure it out. In fact, I'm sure there are a lot of smart entrepreneurs right now, you know, and I was talking to a CPA in Michigan and I said, "If I was a CPA right now I'd have my white paper on what the health care bill means to small business and I'd be working with them everyday." okay. Because small business they don't understand that. So the more we can simplify things for them and get them back to running their business that would be great.

Jack you are next.

If I had to comment on anything this is just a general comment for the room to help us out here and lobby the hill on getting more of the STBC funding. I think that that's very valid point. And also the lobby during this recession, if we could extend this period rather than going quarter to quarter on reducing the SBA fees, if we can keep these fees reduced, we've been very aggressive on using the SBA to help businesses that are trying to get started up or trying to expand during this market. And this--changing the programs all around is difficult to keep up with. We've got a couple of our lenders dedicated that that's really all they're doing right now is SBA lending. Because we can't have all of them just trying keep up on this program. They're just changing them too often and we don't know when the fees are changed and when they aren't and we wanna make sure we do that. The other thing that would come and then this comes down to the regulatory changes here. We've gotta quit changing these regulations every two weeks. I just had one of my lenders come in yesterday before I left or, excuse me Friday, before I left and he said I just sat in on the [inaudible] of the seminar and he says we went through all of this and he says it's really confusing but he says they've made it simple because on their website they have 1300 frequently asked questions. Thirteen hundred and were supposed to keep up on these stuff. So with the 900 plus regulations we need something to simplify and I go back and I use the housing crisis. I think the regulations would have been simpler and the forms would have simpler, it would have been easier for the customer to understand what they have. This stack of papers now is very confusing. So, simplify the regulations I guess would be the best thing I could say.

So, I'm gonna let Julie go and then Todd I'll come back to you if you have any thoughts to make. Julie you're on.

Okay, thanks.

Go for it.

So you heard a little bit in my bio that I spent my early years at the Kansas City Fed and at that time I had a chance to see several banking crises. The first in energy in the state of Oklahoma, then the AG crisis followed by the real estate and savings and loan crisis and so some of the comments that I hear today about regulators are responsible for banks not lending are the very same comments that I heard back in the 1980s and in fact, there was a policy statement recently reissued that was issued first in 1993 on prudent commercial real estate loan work outs. So there is a little bit of experience that we're bringing forward in today's crisis. But when I look at the area of banks and lending to small businesses it's easiest for me to maybe break it into two pieces. First of all, we are seeing the community banks like Jack's continue to be in the business. So it's small business lending mostly because they make small loans. And so it is part and parcel to what they do. The dilemma that some of these banks are experiencing is that some also have very heavy portfolios of commercial real state loans. In fact, some of the small business loans are commercial real estate loans and many of those loans are experiencing financial difficulties. Jack mentioned and there are 775 institutions on the FDICs problem banking list that's out of the base of 8,000 institutions. And in those cases some of those banks will fail. Many of those banks are no longer able to raise capital because investors aren't interested in taking the risk. We will see a need for small businesses to migrate to other healthier banking organizations and it may well be under different standards. The other thing that we see though are with the larger banking organizations that do rely more on credit scores whether for credit cards or other types of credit score availability. And in those cases we have seen a total amount of credit drop over the past year or so, again, probably not unexpected but I am encouraged as I attend the outreach meetings with the small businesses to hear about the second looked programs that are being put into place. So it is a cycle and we are working our way back through the cycle. In the end though are the regulators fitting the message through to examiners. I'm also responsible for overseeing examiner training guidance for the Federal Reserve and we are certainly doing our part to get that message out there and our bottom line is this, if a banker feels that a regulator is making a wrong call and operating inconsistently with the guidance, then they are welcome, they are invited to contact the local office to discuss it because we are there to listen.

Okay. Todd do you have any comments at this point?

Well, we do hear from many small business owners that they are really told by their banks that the primary reason that they don't get the loan is because of pressure from the examiners not to make certain kinds of loans. And it's really difficult I think for typical small business owner to know whether the problem is with the examiners or with the particular bank or with themselves or some combination of those. So I would be curious if you have any particular advice for those particular businesses when they are in that situation. But also trying to identify where there are areas that policy again needs to address some of these issues. I mean, I mentioned before businesses have a potential contract in hand, maybe their credit score isn't the greatest in the world. Maybe they have in the last six months had some cash flow issues but now they have a chance to hire people and to put them to place a real opportunity. How can we enable them to do that? I mean, our sensors didn't--maybe there needs to be an additional SBA program that might be geared toward that. I also think that we have to keep in mind this whole credit score issue because a successful entrepreneur whose going to be really successful in the long term and there grow lots of businesses and hire lots of people is going to go through significant periods where their credit score is in the cellar because of the very nature of running those businesses. So is there a way the regulators can look at that?

Okay, so now we all, you're back in play. Audience, do you have any questions? I had promised you the first question right? Did they answer your question or not? There is a microphone right there.

I didn't hear specifically if the discount lending windows have any impact on small business whether or not--I'm not sure exactly how it works. But then the assets are coming into the window and the banks are borrowing and relending, that be something I'd be interested in hearing about. And then, you know, the question about credit scores is very important because there was a time in this industry where there weren't credit scores. People made loans. And now we become so reliant on this. That is it's the great predictor of the outcomes and you can see it's maybe not as over sold. It doesn't do what you think it's going to.

So your question is regarding the--

Credit. Is there--is that discount window having an impact on small businesses and then what are you doing beyond credit scores?

Okay. So Julie?

What Chairman Bernanke did address earlier at the discount window program that was been in the place which serve to restart in some ways to secondary market for certain types of consumer credit the term asset backed securities lending facility. And that program, I think, by many measures has been successful not so much in itself but making credit available it has but in building confidence in those markets of securitization and those types of facilities can again begin. But it's not a direct lending program I think in the way maybe you're thinking nor is the discount window designed to be direct lending. It's really intended to create stability in our financial markets. And in the case of the crisis of Fall of 2008 restart some market so probably not gonna get at exactly what you'd want but probably successful for what it was intended to do.

Credit scores, yes go for it.

I'll make comment on that. You know, the discount window just touch on Julie's still it wouldn't have any effect on us. That was always emergency lending if you needed to when you pledge collateral there. Community banks right now are very liquid because we are continuing to have increasing deposits. I think we've touch on this earlier. We're seeing higher deposit balances than we've ever seen in a lot of our customer accounts and it's because of confidence. They don't have the confidence to come out and start or expand right now. There are too many thing changes in the economy right now, too much uncertainty. Are we going into W-shaped recession? Are we V? What? You know, where we at in this whole cycle? So I think that that has--it doesn't have any effect. As far as the credit scores community banks again, I have almost 60 percent of the small business lending in the country so I think we never have relied on credit scores from a community bank perspective because we've always underwritten the business. We live in the communities with these people. We know them generally. We go the same church, schools, whatever. So we haven't been real reliant on the credit scores over the years because obviously we have 60 percent of this lending so we wouldn't have that if we were relying on models.

Great. I have a question back there. Do you have a microphone then I'll come to you, right.

Good morning. I'm Earl Peek with BB&T. This question is not really relevant to my institution.

A little bit more to the microphone. Thank you.

Good morning. My name is Earl Peek I'm with BB&T. This question is not relevant to my institution but I'm just curious to Mr. Hopkins and Mr. McCracken if you can speak to 30 billion dollar business--small business loan fund and ejection capital into smaller banks and if you think that's useful and helpful to some of the people here who may also be going to the small institutions and seeking credit and other ways of work.

Okay, I'll be here next and then I'll go to you, right, go ahead.

Lets all touch on that first. You know I think that the 30 billion dollar fund would be very useful obviously if you look at it from a leveraging standpoint it could create 300 billion dollars and additional lending. And for those institutions that need some additional capital in order to be able to do that I think that would be very helpful I think there are some concerns that would look a little bit like TARP so I don't think anybody wants that. We want the ability to put this into the banks with the idea they would turn around and lend it. There are some very favorable things I mean obviously encouraging banks to lend money because if they do the rate comes down on it. So it's not something that the banks would be sitting on I think it would be--it would be a good boost into the economy to be able to do that.

Other thoughts here?

I actually would agree with that. We've been very supportive of putting into place program like that, it seems to be significantly different from the TARP and the problems that came along with TARP. And it could stand to significantly increase the number of loans of community banks and the incentives that are in place where they get the additional incentives if they make additional loans we think makes a lot of sense. Our concern overtime though is what we hear from banks about again the examiners, I mean is it going to be enough it would have been an incentive if it is really true that some banks at least are being told not to make some particular kinds of loans they might have made otherwise. Will it be fully utilized if that is in fact the case though we think it's a positive thing that certainly will help ease the credit rates for small companies.

Okay, I have a question here.

Yes.

I'm Mary Matthews with the Northeast Entrepreneur Fund we're a small business lender in Minnesota and Wisconsin. And my question we're a non-traditional lender, do you as bankers have strategies, institutional strategies, in place for how you deal with people that you aren't able to provide financing in addition to technical assistance? So my question is about institutional strategies for making referrals to CDFI's and non-traditional lenders and how do you approach that?

Kevin you answer.

Yeah, can I address that? At least for JPMorgan Chase what we do is if we're unable to meet your credit needs perhaps it's an industry that we don't lend in. There are certain industries we don't do for instance we've never been in speculative investment real estate and small business fortunately. And so what we'll do is we'll try to provide borrowers a list of all the other alternatives in the marketplace we'll never give just one referral 'cause we don't want someone thinking, "Oh, I went over to this lender and had a bad experience" and that reflects back on JPMorgan Chase. So we'll say here at 3 or 4 lenders that we've know over the--you know years that might play in this market place and we'll send that referral over to them and then let the borrower choose them so.

Are these usually non-traditional? Are the--

Non-traditional we'll give 'em a range of players based on whom we know based on whatever the need may be.

Jack do you have any thoughts?

Excuse me? I would say the only comment I have is normally we know all the players in the markets so if were--because of the size of the markets we're in et cetera. So we would make referrals but in general, we're finding that we can do the loans for the people if they have--if they would qualify. If we feel there's a little hair on it then we might go to work with the SBA or whoever to try to do the deal.

So in both cases let's say they don't qualify by your standards. Would you still make a referral?

For--absolutely. And if they didn't qualify by our standards definitely we would use the SBA, if it just is a little bit tighter than we would like that's when we're gonna go to work with the SBA.

Yeah, but let's say I'm a little bit beyond that.

[Simultaneous Talking]

Then I can speak to JPMorgan Chase I mean if the way we do our underwriting we'll try to obviously put in on our own books ourselves. We don't sell off our small business loans. So we service all our small business loans ourselves. And if that doesn't work then we run it through the SBA criteria and if we can do it at SBA, great. And I think that's led to some our SBA success over the years. And then if that doesn't work for us we'll say, "Hey look, here are some other people you may wanna talk to because this just doesn't work for us." The only thing--and I know it was in the previous presentation I remind people for a lot of small businesses that used to be my home equity loan friends and family you know there is a lot of other people I talk to. And now my friends and family don't have the money they used to because the markets stay on their 401Ks has been drained, obviously everybody knows what happened to the mortgage evaluations here. So you know the home equity market has been obliterated. And so those used to be the people first place you went and that's not available right now.

Right, right. Okay, there was a question--I had promised that right? Yes. And then I'll come back here. Who was putting a hand up?

[Inaudible]

Oh, I'm sorry.

Lets get the group over here. Go for it.

Roberto Barragan, President Valley Economic Development Center VEDC Los Angeles, we're a large small business development CDFI in LA. We're also the sponsor of federally chartered credit union and I happen to serve in the board of directors of a community bank. Robin mentioned earlier the higher demand for credit union is for small business lending. Small--credit unions are limited by 12 and a half percent of assets to do small business lending and community banks and national banks have been the biggest opponents to changing or increasing that. Would you think that this point would probably be the best time to allow another lender in the game if they are willing to lend?

Well I think one of the comments on dealing with the credit unions is right now if I understand it right I think only 17 of 'em in the country are bumped up against that limit, the 12 and a half percent. And you know if they wanna get into the commercial lending business I'd say more power to 'em. They can be taxed like the rest of us. You know if they wanna compete with us directly just pay the same taxes we do.

Alright. Yes please.

Marilyn Landis Past Chair of NSBA, I also own my home business in Pittsburg. One of the things in discussions with me, the bankers that RMA and the credit risk that they're looking at gets to the heart of some of the regulatory issue, is the bank practice long tried and true of looking at historic cash flow approve this sufficient loan today. Someone on the panel made a comment about not lending the startups. Many businesses were brought to a complete stop by this recession so they are restarting. They have a track record of profitability prior to the recession of 2008. Their coming in with a contract in hand as Todd had mentioned, work orders they've got a record of 2006 or 2007 being profitable, their banker cannot find cash flow even with the interim statements which I greatly appreciate these bankers are taking to show sufficient cash flow to meet their 1.25 to one deck coverage for the new loan. It's truly a projection loan, it's a restart. I'd like to know how the bankers are addressing. I know Todd here says on a regular basis. I've got work in the past I did this profitably how are the bankers addressing this 'cause the regulators are looking at their model and they wanna see historic cash flow and it won't be there in those cases.

Okay so let's go to that 'cause I've heard this a couple of times about contract in hand but I can get the loan. And by the--for the audience we're gonna open up the discussion beyond just the ones--those segments, we'll go for the general ones. So Kevin you're on first again.

Yeah for us we'll look for the cash flows so if you got a contract in hand and we can go out and see that with the contract you'll have an ability to pay us back then that something we can work with and obviously there's a lot other things that go into it. How good have you been historically? Have you--do you have a proven capability to not only manage credit but pay it back on time? And how good is the contract? Okay and so we gotta look at all those things and the only thing I'd say is each borrower is an independent decision, okay? So there is no mass, everything fits for one individual borrower. So here she's got a contract in hand. We've been more than happy to work with them but we've gotta look at all that. And let me just skip to this debt service coverage 'cause we tent to complicate things around here. When we make a loan, we're not trying to get into the back old business, okay. And so the objective here is to make sure you can pay us back. It's interesting you know if you were to play back 2 years ago there was so much--how could the bankers make loans to people who couldn't pay them back? Okay, and now the scrutiny is how can you make loans meet? I might not be able to pay you back but you should make a loan to me, right? And at least for JPMorgan Chase we've tried to stay consistent, we're cash flow lenders--you gotta show us the ability top pay us back. It's not that complicated at the end of the day and that's because you got the cash flows and the contract, how much room do you have to operate there if for some reason the supplier decides to split the order they go a different way. They stretch you out 90 or 120 days, can you still pay? You know what's going on in your operation? There's a lot of questions I'd like to seat down to that bar to understand that. But it's never just one thing.

You know in many cases your talking about the contract in hand. We do a lot of that where we go out and we'll get again, it gets to be the value of the contract but we will take an assignment of that contract. We'll get the legal documents, take an assignment have it acknowledged by the counter party on this and so that we get our name on the check too. So this idea of having a contract in hand, you know, we can figure out ways to do that. I haven't run into that issue.

Okay. So let me ask you and Kevin, 'cause Denise said that incomplete documentation and the ability to verify is like a major problem from the borrowers, right. What are the key problems that you two run into that kind of results in a decline that maybe otherwise it wouldn't have?

Now, I think the biggest thing we've seen is people not having their financials in order, right, so.

[Simultaneous Talking] Papers in order?

I don't have interims, it's gonna cost me 500 bucks or a 1,000 to talk to an accountant to do that. I'm not gonna do that. You know, I'm too busy to get and really understand my financials and so, I bring the shoebox in and you know, hold on, I think it's here and you know, it's difficult to do that and so somewhere in there, there may be a great story that neither one of us can put together because of the framework.

Or it's too much effort for the banker to put it together.

I don't think it's the bankers. Remember the bankers are getting paid for making loans.

Right.

Right, so if they think there's a loan there to be made, now they're making underwriting decisions, right. So there is that separation of duties there but they're gonna work as hard as they can to get that loan across.

So, they'll work with my shoebox for loan, whatever.

They'll work with your shoebox to try to get it done but they've gotta be able to understand it.

Right, Jack how about you?

I think it just comes down to being able to understand the information that's brought in as Kevin had kind of hit on. I don't think I can add anything to that.

No, so if I'm that borrower, what is the one thing? Is it also similar that I don't have my financials together, able to present my story in a coherent way?

I would say that that's probably the most difficult part is when they come in and they don't have financials or their financials are so incomplete that they don't make any sense. You know, so again, it gets down to sometimes I need the technical assistance to help prepare the financials and they have to be willing to invest in QuickBooks or something like that to put their books together for them.

Yeah. Let me just give one example. I was in Detroit two months ago meeting with a new customer of ours. We just made a 700,000 dollar loan to him. Promotions and marketing supplier to General Motors. Okay, and we're meeting with him and his accountant and I said, great. Tell me who are your other customers and he stared at me like I'd asked him strange question and so he was--95 percent of his revenue came from GM and couldn't explain why GM barred his product because he'd always been a GM supplier and so he made it through tier 1 or tier 2 and so I think some of the help we can do as bankers is to say, well, let's really understand your core competency. What do you do well that makes GM buy you? Now, we've got a bunch of other people that may be able to use your services who are customers of Chase. Let me introduce you to them 'cause you gotta diversify, you know, your business practices. Otherwise, the next GM purchasing manager may decide you're not the promotions marketing company. These are the things that maybe the banks can help small business with a little bit more.

And that comes as a surprise to them.

Yeah, it was a surprise to me.

That's right. Alright. Yes, please.

[Pause]

Good morning, Lesia Bates Moss, President of Seedco Financial Services and we are one of those alternative lenders, national, CDFI. My question is twofold, one to the bankers but also to Julie. Is there a way to--we've heard a lot of conversations during this recession and access to capital around sort of the continuum of credit. The reality is, in my humble opinion as a recovering Wall Street analyst and banker, is that we've seen a systemic shift in the financial market. So I'm not sure that the banks, community or national, are ever gonna be able to fulfill all the needs of the marketplace and that's why I think there is an important role for CDFIs and other alternative lenders too. At the same time, I'm also sensitive to the fact that there are these regulatory constraints around capital and et cetera. Is there a way to sort of give credit or to have the CDFI partner with the banks who can actually help do a lot of what the banks are not in a position to do and yet, the banks themselves from an examinatory perspective will actually be able to get some credit for that, not just the investment in the CDFI to get CRA credit but really trying to bridge those gaps because they are real out in the marketplace because of the types of borrowers that we're working with. And so, I think from a policy perspective or an examination perspective, there might be an opportunity where we can leverage the benefits of both sides to create a win-win for both banks and the--

So your question to the bankers are?

So, to the bankers--

What are your doing?

What are you doing to sort of help facilitate that more because you can't be in all places at all times and you can't serve everywhere.

Right, so do you need it--

But from the regulatory perspective, can you do something there?

I'm very short of time. So actually, I'm gonna ask you first, Jack, 'cause I've been picking on Kevin first.

Well, from our standpoint from the CDFIs, we have invested in CDFIs and I think that many community banks have around the country. We have--

I think she's asking for beyond the investment link. Is there some partnerships? I'm not--I don't know the business well enough to be able to use my imagination here but like, you know.

I guess I'd be open to suggestions.

Alright, so they're open to suggestions. Kevin.

Yeah, the only thing--I mean, when we look at different things we can't do, my first question is why can someone else do what we can't, right. How does the CDFI able to make a loan to a customer that JPMorgan Chase can't and so I would actually think that you know, the bigger question is for us at least and we ask this constantly whenever we say no, why couldn't we have done that ourselves and time will tell whether some of those loans we should have made and we didn't were loans that maybe somebody made and they shouldn't have. You know, so for instance, we're not in the broker loan business because I don't wanna go through a third party to make a decision that I should be able to make myself and so, you know, and Lesia and I have talked in the past so I know Lesia and so we've been more than happy and we've worked obviously a lot with CDFIs already. So if there's a way for us to do that and we can really identify why JPMorgan Chase couldn't make that loan but a CDFI could, then that would be something we can really work together on.

Denise, is there any role here for you guys?

I think what I would say is that given that we don't have a local footprint, the reach out to the community is very important to us. So we are very open to providing access to our millions of customers for efforts around community reach out and we're open to that and continue to be so.

So that's something for you to explore, Joseph, later on. Alright, so we're gonna do our wrap up here and Kevin you'll get your two minutes first.

Okay. And I'll make sure I use them all this time, so.

Yes, yes.

So well, let me just highlight a couple of things 'cause we've covered a wide range of topics. One if I can--if you all can leave with anything, remember we did just launch this loan for hire program. You know, for a small business to go out there and say, if I hire some people, I'm actually gonna lower my interest rate and it's good for the life of the line. Okay, so which is I think great news for small businesses. We really want people to go out there and start to grow and hire again. Second, we do have the second look program. So within your communities, if you have people that are coming to you and saying, hey, you know, I tried to work with JPMorgan Chase, it didn't work out, please send them my way. And we'll make sure we hook them up with a local bank and we'll have an independent team go and look at that loan again or line again and see what we can do to help them out. Three, encourage your folks to come in and talk to their bankers, okay. We can--remember, we've got millions of small business customers, chances are we've seen the business in your industry in that market and so we might be able to give some best practices to help you out whether that be here's some different ways to look at your financials, here's some things to look at from the receivable standpoint, did you realize you were 150 days long on this, did you realize you're paying rent at 80 dollars a square foot and your competitor down the street's at 20. You know, so there are some things that we could probably help you out on a little bit more. Also, take advantage of the other programs the banks have to offer. You know, you get a 50-basis point reduction if you got checking account and your business account at the same place at JPMorgan Chase, your consumer account is free. If you have your consumer account at JPMorgan Chase, there's great ways for you to identify different ways to save yourself money if you work with your bank especially across your business and personal relationships. So with that, I know I'm getting flagged over here so, thank you all for your time today.

Great.

So the first thing I'm gonna do is just a little lobbying tip here and I'm gonna ask everybody to go out and talk to their senators, representatives about extending the SBA program and keeping the fees reduced. If I can nail one thing that will help stimulate job growth in this economy, it's to keep the fees low on that which is gonna save a lot of money for the borrowers, so please do that. Please contact them. The 30 million--30-billion dollar lending fund would be another item I would ask you to continue to go after and help the banks get that because I do believe that that will stimulate up to 300 billion dollars of additional lending. Asking the Fed board and our members of Congress to quit passing new regulations or changing the regulations would be a huge help because it is eating up mountains of time for us to be able to visit with customers just by dealing with implementing these new regs and a lot of times we're getting changes at the last minute which is creating a lot of IT work for my people too to create these new forms, et cetera. And lastly, I think a plug for the community banks is come in and visit with your community banks. We live, work, eat, breathe in the same communities you're in.

We do 60 percent of the small business lending now and we intend to stay around to continue to provide that type of lending in the future. Thank you.

Alright.

Okay. So American Express appreciates the opportunity to be part of the panel today. In addition to the advice I provided to small business owners earlier, I would say two concrete next steps would really help. First of all, around data verification. In the case of unsecured lenders like ourselves without a local footprint, if we--if the relevant government agency provided us for a way to verify tax ID number, we could have approved several thousand more small businesses in the first half of this year alone. The second next step that I would say is really around the government contracting point that I made earlier. The surveys show that for small businesses, it takes them on average about two years to secure a federal government contract and if there's any way that that time can be reduced, it'll obviously be a positive story for small business owners. So those for us would be two concrete next steps. When we spoke with our customers in the spring of this year, the reality was that you know, small business in the past six months, 60 percent of them had not even accessed credit because they felt that they didn't have the customer demand to take on new debt levels. So really, I think both sides of the equation are important, both customers and credit, and making sure we can generate credit for small businesses and also generate customer demand I think is gonna be important in terms of the whole picture.

Well, I'd just like to point out that this appears to be at least the first recession in memory from which we didn't grow out through robust small business growth and the real distinction about this recession is the profound tightening of small business credit and I think it's the one thing that's really is keeping that growth back. This is a profoundly important discussion not just for the small business community and the banks, but for the nation as a whole. And we don't think we can sit back and just wait for things to kinda work through over a couple of years 'cause this is an important thing that has to happen very quickly. So we think there is a role for public policy to sort of fill in some of the gaps that we see in the private sector right now. Some of which have been eliminated, I think, here this morning. Second look programs are really important. They're not available everywhere. We're trying to work with some senate offices to get, for instance, a sort of a clearing house for SBA lenders. So if you get turned down to one SBA lender, other ones have access to that information you might get a loan somewhere else. Jack said let's make the fee waivers, you know get that passed and not do that every quarter. I'd go a step further and say that we've seen a dramatic reduction years ago and the number of SBA lenders really went to a totally fee-based system. And now that there are--there's been a reduction in fees in the subsidy of those at that program, we've seen huge increase in the number of lenders. That's very positive and we need to continue that so that the program can reach all corners of the country and not be broken up as it has been sometimes. So we would definitely support that and make that permanent and we defined ways to do some, perhaps with an SBA program, lending to distressed businesses, businesses that are distressed right now and they have this record in the past and a clear plan for the future. I'll stop there 'cause I have my sign.

[Laughter]

Julie.

Okay, thanks. Well, I think as we sort of looked at the array of discussion we've heard here today, it's sometimes easiest just to think of it in three parts. One is the traditional banking system and I am convinced that the--some 7,200 healthy banks in the United States do wanna make loans. It is the bread and butter. They have a responsibility to shareholders and I think they will continue to do so. There is going to be a disconnect with the standards that they've set by the--have been set by their board of directors and what they're able to do and they will be relying on community groups and others to work with those borrowers to make them credit worthy at a bank level. I think too that banks are gonna continue to look at alternative programs like the SBA program. I hear that a lot from banks. I will say that I think we still have a real opportunity for some of the smaller banks to understand how to use that program. They're still very afraid of it and we'll do our part to be sure that they do understand how to make that work and make it more accessible but I went short that the issue of family friends, credit cards, and home equity lines of credit as being an issue here, and I think too, we probably as you saw a week or so ago, Sam's Club announced its program which is by the way an SBA program, if you didn't know that, to really get at that other level of credit that has historically been under met so I do expect we're gonna see more financial innovation as well just simply because it is needed.

Alright, so John, how many pages of notes did you get there?

About four and a half.

Four and a half. Alright, so I want all of you to please join me in thanking the audience.

[Applause]