

FOR IMMEDIATE RELEASE

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**Proposed Small Business Assistance and Relief Act (SBARA) Needs Attention and
Implementation by US Treasury**

Small Business Assistance and Relief Act (SBARA)

- 1. The purpose of this program is to provide debt relief and assistance to small businesses and especially emerging small businesses during these times of economic crisis and frozen and evaporating credit markets.**
- 2. Small businesses and especially emerging small businesses are adversely and disproportionately impacted during difficult economic times.**
- 3. A survey sponsored by Discover Financial Services (Discover Small Business Watch) published October 27, 2008 indicates some five million small businesses employing five people or less, and generating more than \$230 billion in annual receipts may be seeking loans with nearly 70 percent experiencing difficulty. The total number of small businesses employing five people or less is estimated at 22 million, generating more than one trillion dollars in annual receipts.**
- 4. Business and personal credit lines and credit cards are the financial vehicle of choice for nearly all purposes for small business including long and short term financing, capitalization, inventory, operating expenses, education, and investing in existing and new growth markets.**

5. As a result of tightening credit markets, and investors transferring cash from the stock and fund markets to the US Treasury for safety, lenders have arbitrarily and severely reduced credit lines and credit card limits and increased interest rates charged on these credit lines significantly. Bank of America recently raised the interest rates on some credit lines to twenty five percent (24.99%) and Chase recently announced it's default rate will be over twenty nine percent (29.99%) resulting in substantial increased payments while at the same time curtailing credit availability – even while they stand in line for low interest cash at the US Treasury for nearly guaranteed liquidity. Bank of America advertised on it's website, www.bankofamerica.com, on October 30 a zero interest for 12 months credit card program. Then what? 25%? This is the same predatory lending practiced by lenders that contributed to the US economic crisis. Chase also announced recently what appears to be charging interest on interest on daily balances “. . .we will add the previous day's daily interest when we calculate your daily balances each day for determining daily interest.” This is the treatment given to one of their best customers. Without a doubt, credit reform is needed in many areas to prevent gouging consumers especially when these same companies are getting low interest cash from the US Government.

6. Lenders have failed to seize the opportunity presented by the \$700 billion bailout recently enacted into law and other recent multi-billion dollar programs initiated by the US Treasury. In fact, lenders have taken an approach of hoarding cash, arbitrarily refusing to lend, reducing credit lines, and increasing interest rates to existing borrowers. Moreover, some lenders have announced they will use US Treasury recapitalization funds not for new loans, but to acquire rival banks and pay operating expenses including multi-million dollar salaries and bonuses to executives.

7. Accordingly, it is incumbent upon the United States Government to initiate a credit program for small businesses and especially emerging small businesses as follows:

- A. Loans: For debt relief, investment, inventory, capital and operating expenses, and any other valid business purpose. Small businesses may include personal debt if same was acquired during business development.**
- B. Small business defined under this program is \$1,000,000 or less annual revenue and 5 employees or less.**
- C. Security: Unsecured to borrower. None required when the primary purpose is replacing existing unsecured credit lines. US Treasury shall establish a program for the purchase and recapitalization of loans made for lenders participating in this program and a secondary securities market for these loans backed by the US Treasury.**
- D. Maximum Loan(s) to any single person or business entity: \$500,000. \$250,000 maximum initially and an additional \$250,000 maximum 12 months from original loan date.**
- E. Maximum Interest Rate chargeable by lender to borrower: US Treasury published 5 Year Daily Yield Curve Rate (2.67% on 10/27/08) plus 2.75%.**
- F. Maximum loan maturity: 5 years. Automatically renew for like term.**
- G. Interest only payments are permitted during the loan term.**
- H. Interest and payment deferral. Up to six months of interest and / or principal payments may be deferred during the loan term. Interest shall continue to accrue, but not added to principal.**
- I. Additional cash proceeds (cash out) up to an additional 25% of base loan amount being used for debt relief.**
- J. Lending criteria: Borrowers must have good historical credit payment experience as of September 30, 2008, and reasonable forecast for business**

operations. 12 months of continuous business operations. Seasonal businesses, such as the marine and boating industry, shall be eligible for participation in this program notwithstanding the seasonal nature of the business.

K. Participating lenders shall be prohibited from reducing any existing credit line on account of a borrower taking advantage of this program except for a failure to make payments. Lenders shall not unreasonably terminate or reduce credit limits, or increase interest rates on existing credit lines except for good cause shown and shall not otherwise discriminate against borrower participating in this program due to the amount of debt, or credit availability, provided payments are being made on time.

L. Default. Loans made under this program shall not be dischargeable in bankruptcy for a period of five (5) years from date of original loan.

M. Participating lenders shall be participating lenders in this program, and lenders who are participating in the Troubled Asset Relief Program (TARP), Commercial Paper Program (CPP) and other similar US Treasury programs.

8. This program will create and foster a new competitive lending market for participating lenders, and reduce demand on the US Treasury TARP and CPP due to the reduction of existing lender obligations to borrowers. The program will provide an immediate positive result in the US economy by placing funds in the hands of small businesses where it will be wisely invested, instead of lining the pockets of Wall Street fat cats.

9. Lenders participating in TARP, CPP and other US Treasury programs should be required to roll back recent interest rate hikes on credit cards, credit lines, and loans as a condition of their continued participation in these US Government low interest bailout programs.

10. Charles (Charlie) Taylor has owned and managed small businesses for over 20 years.

-30-

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