



United States Senate

WASHINGTON, DC 20510-0905

BILL NELSON
FLORIDA

August 26, 2009

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Ave. N.W.
Washington, D.C. 20510

Dear Mr. President,

It's come to my attention banks that have received billions of dollars of bailout money now are refusing to help small businesses in my state and elsewhere. In a nutshell, the banks are refusing to administer a federal small business loan program despite the bailout help and despite the loans posing little or no risk.

More specifically, the American Recovery and Reinvestment Act included a program to provide government-backed, no-fee, no-interest loans of up to \$35,000 to help struggling small business owners get back on their feet. The \$255 million program, called America's Recovery Capital (ARC), was launched in June by the U.S. Small Business Administration (SBA) and relies on banks to process and issue these loans to small businesses. These loans are 100% federally guaranteed so banks don't have to worry if a loan goes bad. And, in return for participating in the program, banks receive interest from the government on the money they lend.

Despite the benefit to both the borrower and lender, many of the nation's largest banks have thus far refused to participate in the program. As a result, less than 10 percent of the money had been disbursed nationwide by the end of July. And, so far only 65 such loans have been issued in Florida – a pitiful number for a state that has nearly two million small businesses.

Meantime, many of the banks not offering the ARC loans have received billions in taxpayer-financed handouts from the Troubled Asset Relief Program (TARP). In fact, two of the largest recipients of TARP funds – Bank of America and Citigroup – have actually reduced their SBA lending by more than 85 percent in the first seven months of fiscal year 2009.

Additionally, there have been reports that some major financial institutions are more aggressively marketing high-interest-rate business credit cards to people seeking small business loans. Currently, the nation's 10 largest banks control over 80 percent of the small business credit card market.

At a time when our largest financial institutions are being sustained on the backs of American taxpayers, it's appalling to know that so few lenders are willing to help keep small businesses on their feet by extending risk-free loans to eligible borrowers.

Fortunately, sections 106, 111, and 113 of the Emergency Economic Stabilization Act provide the administration with the authority and leverage to ensure that TARP recipients act as responsible corporate citizens. Therefore, I urge you to direct the Treasury Secretary, in consultation with the Small Business Administrator, to immediately develop an aggressive plan of action to increase participation in SBA loan programs by all TARP recipients and other banks that are well-positioned to assist struggling small businesses. Additionally, I'm asking you to direct the appropriate federal agency to look into whether the practice of pushing high-interest credit cards to small businesses is behind the refusal of some banks to participate in the ARC loan program.

Thank you in advance for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Bill Nelson". The signature is written in a cursive style with a prominent "B" and "N".