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Kluga to Geithner: 'Show Me The Money'

Wednesday, February 11, 2009

Treasury Secretary Geithner just announced this morning that he plans on funding small business via the SBA.

Immediately after his premature and unspecific speech, the market drops 300 points. Bond yields fall and bank stocks plummet. His ambiguous solution for small business - the SBA.

I have financed small businesses for 28 years both within regulated banks and nonregulated finance companies. Every small business lender and every small business borrower worth their salt knows that the SBA is the lender of last resort because of its slow, primitive and bureaucratic system. You have less than a 10% chance of approval, and the process can take months, not days. By the time those approvals are issued, less than half actually take the money as they have either laid off staff and are out of business or have gone elsewhere for more expensive funding.

Mr. Geithner would be making a terrible mistake by putting the flow of credit in the hands of federal bureaucrats at the SBA. His announcement can only mean one thing - he simply does not have a lucid plan with respect to small business.

Admittedly, Geithner's SBA solution is a legitimate but frustrated response to banks' unwillingness to start the flow of credit to the most important job creating system in the U.S. - our small businesses. Irrespective of that understandable frustration, Geithner should look outside both the banks and the federal SBA program, which in itself relies on the very bank system that is broken and cannot be repaired in time to create the bulk of the four million jobs promised by President Obama

Mr. Geithner needs to skip the SBA and the stingy banks and directly fund private finance companies that already have the staff, solid underwriting platforms and systems and network of business originators already wired into every small business community in the U.S.

Forget the banks and forget the SBA. Show us the money in the private finance industry and we will get the money to small business more efficiently and with greater speed than any insolvent bank or government bureaucrat. Let us help the small business community create the jobs we need. There is no better solution than finance company entrepreneurs who have skin in the game to stabilize our own local communities.

- Dale Kluga, President, Cobra Capital LLC

SOUND OFF!

Send a letter to the Editor, Stuart Papavassiliou at sppapa@monitordaily.com.

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