



# The Neal Asbury Show

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## SBA Associate Administrator Eric Zarnikow Predicts Recovery Act Will Improve Access to Capital for Small Businesses



Appearing on the Neal Asbury Show on WZAB-AM, Eric Zarnikow, associate administrator for SBA's Office of Capital Access, predicted that the Obama Recovery Act and other steps the government is taking, will improve access to capital for small businesses. "We have increased the guarantee on a number of loans in our programs -- from 70 percent to 90 percent -- which should help address the reduced credit worthiness of many small businesses," said Zarnikow, who as head of SBA's small business finance programs, manages and oversees SBA's lending, venture capital, international trade and surety bond programs.

Zarnikow believes that the new access to funding for small business will encourage an increase in the demand for credit by small businesses, especially among small businesses that may not be as credit worthy as they were a year or two ago. He also hoped

that such credit access will encourage small businesses to seek out opportunities for acquisitions, where the SBA can guarantee \$4 million on even a \$10 million loan depending on the industry and size of the business.

A new lending initiative still in development called the American Recovery Credit program (ARC), is targeted to viable small businesses that can receive a loan up to \$35,000 and which is 100 percent guaranteed by the SBA. Zarnikow noted that the funding for the ARC program is coming from \$255 million appropriated by Congress.

Zarnikow was joined on the Neal Asbury show by John Asbury, (no relationship to Neal Asbury), who leads the Business Banking line of business for Regions Financial Corporation, a top U.S. bank-holding company headquartered in Birmingham, Alabama, with \$144 billion in assets, operating over 2,000 branches in 16 states.

Asbury is concerned that small businesses have adopted a negative mindset and are exhibiting a bunker mentality, characterized by business owners who are reluctant to spend money to expand their businesses. He suggested that the level of demand for small business loans is the lowest he's seen in the business banking environment.

"If you think about how a bank works, our money is made from lending. Banks don't make their money from selling treasury bonds or CDs; we make money on loans, so it doesn't make any sense for there to be a perception that banks do not want to lend to small businesses," said Asbury.

However, Asbury is optimistic that the Recovery and Reinvestment Act may spur more credit demand. "Maybe business owners will start saying 'hmmm, the government is doing something to help me here, maybe I should take a look at available credit'", said Asbury.

Picking up on the conversation was John Manzella, president of Manzella Trade

Communications and a world-recognized author and speaker on international trade, policy and business, who joins the show each week with his perspective. Manzella focused on President Obama's trip to the G-20 Summit, and his participation in talks with other nations to prevent the world-wide recession from becoming a world-wide depression.

Manzella is particularly concerned that the talks seemed to support a rise in government intervention in businesses, which is especially favored by European nations.

"I prefer the American business model to the European model, which is based on a constitution that advocated a separation between church and state. Or to apply it to the business community, making sure that the American business community maintains a high level of independence from the government. In fact, the business community has always rejected invitations from the government to cozy up," said Manzella.

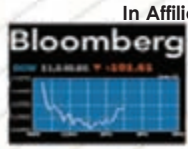
Manzella maintained that when government interferes with business, the outcome is less freedom, less entrepreneurship, less innovation, and a less flexible work force.

"Do we really want the government forging industrial policy in America? We're now firing CEOs. Now granted, the firing of GM's CEO may have been the right thing to do, but not by the government. That was the job of the Board of Directors. Not the government," said Manzella.

**The Neal Asbury Show tackles key trade issues every Friday from 5:00 PM until 6:00 PM on WZAB-AM 880. The show is streamed live on line at WWW.880THEBIZ.COM, which is affiliated with Bloomberg Radio and CNBC.**



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