

OBAMA KEYS IN ON JOBS, MONEY AND LOANS

WASHINGTON -- The Obama administration has proposed a series of initiatives to alleviate financial stress and boost business for the nation's entrepreneurs.

Here are three the president announced in a speech at the Brookings Institution, which are, not surprisingly, easier said than done.

Waiving fees and increasing guarantees for loans backed by the Small Business Administration: While the Government Accountability Office recently issued a report criticizing the SBA's risk-assessment techniques, increasing guarantees would help allay fear among lenders, who are understandably gun-shy about SBA loans. "They're being told not to take additional risks," says **Chris Hurn, co-founder and chief executive officer of Mercantile Capital Corp.**, an Orlando, Fla.-based lender that issues commercial real estate loans through the SBA's 504 loan program. "And in banking parlance, a risk is a loan."

At any rate, SBA programs clearly need help. The number of 7(a) and CDC/504 loans issued by the administration fell 35% to 50,829 in fiscal 2009. The number of banks issuing those types of loans increased, thanks to American Recovery Act (stimulus) funding, with Recovery Act loans guaranteeing 90% of each loan. But in November, the organization announced that it essentially had run out of stimulus funding for both loans. Currently, the only way a small business can get a new loan through stimulus funding is if the lender cancels somebody else's previously approved loan. As things stand now, the SBA is closing the queue for Recovery Act loan applications in January. Standard guarantees for Small Business Administration

loans are at 85% of the total if they're smaller than \$150,000 and 75% for larger amounts.

Eliminating capital gains taxes on small business investment for a year: But the day after the president announced the proposal, the House of Representatives voted to increase the capital gains tax rate for venture capitalists and hedge fund managers, from 15% to 35%, the amount everyone else pays. The Senate could still eschew the increase. **Mercantile Capital's Hurn**, for one, thinks eliminating the tax altogether would be a small-business boon. "My theory is that there's still a tremendous amount of capital that's sitting on the sidelines," he says. "If you believe the future of our economy starts with small business, then you ought to give an extra incentive to invest in that particular sector."

Encouraging small businesses to add and keep employees via a proposed tax incentive: For small businesses looking to hire anyway, a tax break would be a nice perk, but small businesses aren't likely to take on a new employee unless there's work to do. According to an October survey of 250 entrepreneurs by The Ewing Marion Kauffman Foundation, more than a third of respondents said they had shed jobs in the past year, only 5% had added jobs, and more than half said business volume and profits had decreased. "You might hire marginally more employees if already in hiring mode due to the tax credit," says Ron Seide, president of Summit Data Communications, an Akron, Ohio-based technology startup that has increased its staff of 20 by 30% in the past year. "But, no, it's not going to make a company that's not hiring begin hiring." ■