

Op-Eds

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Small Business Takes Big Hit!

Just over a week ago, as Congress came to the rescue of down-trodden, over-leveraged, and over-charged credit card holders they left out one important group; small business.

And, as Cynthia Zwahlen reported in the Los Angeles Times on May 26th, (“Credit Card reform leaves out small entrepreneurs”) an amendment to help small businesses was killed in the Senate before the final vote.

A big blow to small business.

Senator Mary Landrieu (D-LA), the amendment author and Chairwoman of the Senate Committee on Small Business and Entrepreneurship, is still pursuing options to help small business card holders.

Small businesses are possibly the most important element in the economy and its recovery. They are the largest employer in the country, therefore, the health of small business is essential to an economic turn-around.

Senators have gone from television show to television show emphasizing the need to get credit restarted. But they couldn't see far enough into the future to realize that without relief for small business the recent credit card reform was only partial reform.

Of course, small businesses were surprised that their elected Senators would ignore them when passing credit card reform. A vote on the proposed amendment would have gone a long way toward helping small business stoke the economic engine.

Devastating to the health of small business, but what happened a few days later could have even more impact on small businesses.

More than one million small businesses received a damaging blow on Memorial Day; a day that many small businesses will remember for quite some time.

Troubled small business credit card issuer Advanta Bank Corp suspended credit to more than one million of their small business cardholders. Without warning, President John Francis Moore sent out e-mails and letters informing small business clients that they would no longer be able to use their Advanta Small Business cards for purchases, advances, automatic charges, travel, or entertainment.

All accounts had been frozen.

Where were the regulators in all this? What is their role in identifying and preventing egregious actions such as that taken by Advanta Bank on Memorial Day? Advanta is regulated by the FDIC who we know have their

hands full with nationwide bank foreclosures. But that doesn't dismiss them from their charge; regulating the banking industry and preventing these kinds of failure. Did the FDIC know that one of a member bank's divisions was in trouble and being forced to freeze over one million open accounts?

Regardless of the FDIC's knowledge, as the government and big banks are urging consumers and small businesses to spend, one million small businesses are scrambling to find new credit. Many will be unable to get another card issued considering they still owe Advanta the remaining balance on their account.

No longer can they charge essentials or get credit for that one new item that would give them the boost they needed to stimulate their business and the economy.

Advanta, like many other banks, had adopted a policy of charging usurious interest rates even on its good customers. The practice seems to have backfired on Advanta and probably will on the other banks that have adopted the same practice. As a result of high interest rates more businesses, and ultimately more consumers, are being forced into default.

Freezing the accounts of over one million small businesses will have a big impact on the overall economy. It is difficult to ascertain the effect seven to ten billion dollars of frozen credit will have on the economy, but it will surely impede the growth of over a million small businesses.

And, to add to the problem Advanta is taking a hard-line in negotiations with its customers, even those that have met all of their obligations.

A call to their customer service center yields a representative in India. They've been instructed to resist any negotiations. Only anger and a demand to speak to a supervisor, in the United States, will get the customer transferred to the next level.

The supervisor has become the last level of negotiation, and is insistent that they have no option to lower the interest rate; even from an untenable, usurious, 34.99% despite the offer to continue paying at a reasonable interest rate.

Asking them to check the account history is to no avail. Asking them to be a good corporate citizen and negotiate a fair and reasonable interest rate is also useless.

Their hard-line attitude will leave many of Advanta's small business cardholders no other choice but to default on the frozen account. There are far fewer winners in that option.

If only the Senate had the vision to foresee the error of their vote. Given the history of that venerable body it is not hard to understand their lack of vision.

Who's protecting the struggling small businesses, the consumer, the middle class Americans that make up over ninety-five percent of this country's population?

Not the Senate. Not the FDIC. It appears no one is helping. Small businesses, the heart of America's innovation, growth, and economic well-being, are again being ignored while billions of taxpayer dollars are being wheelbarrowed over to those that caused this financial meltdown; the big banks.