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he federal government has implemented a number of programs to alleviate the lack of liquidity in the credit markets, with programs such as the Troubled Asset Relief Program (TARP). The government's primary focus thus far has been on aiding banks. Do you think the federal government should expand any future stimulus initiatives to include nonbank financial companies? Are you concerned the access to credit for nonbank asset-based lenders and factors will affect the ability of those lenders to provide funding to their borrowers in 2009?

Ivan Baker, managing partner
United Capital Funding Corp.
Saint Petersburg, FL

I do not think (or expect) the government to provide any stimulus to the nonbank financial sector. I would hope that any additional assistance to any industry would be facilitated through a program with greater accountability and stricter language than TARP. From a long-term perspective, we will be better served by embracing the free-market system and minimizing the government intervention.

I would anticipate that access to capital for the private players in the industry to be very limited in 2009. You have seen a significant reduction in the number of institutions that are willing to lend to the industry and this trend is going to continue. This lack of supply will also translate into more expensive capital for organizations that have the ability to attract financing. The capital will also come with stricter covenants, shorter terms, and less leveragability. On a positive note, this environment should create opportunities to acquire transactions through acquisition as organizations that lack funding are forced to jettison assets.

John W. Kiefer, chief executive officer
FCC, LLC D/B/A First Capital
Boca Raton, FL

I am very concerned about the effect on nonbank-owned finance companies such as First Capital. The TARP money has not been used in the manner that the program was sold to Congress. The banking industry received an injection of \$350 billion, yet they continue to raise rates and tighten credit structures. Nonbank finance companies can't raise deposits or go to the Fed window. We rely on borrowing at wholesale rates from the banks and reselling that money to our clients. The businesses that companies like ours support are the main engine of job growth in this country. Less availability to us means tighter supply to the mainstream borrower.

Lenders such as CIT and GMAC, who clearly mismanaged their lending policies and procedures, are receiving Federal support, while those of us who made prudent and well-structured loans are put at a disadvantage.

The next round of TARP money should require that the participants lend the money back out at a ten-to-one ratio, i.e., \$350 billion should generate enormous liquidity.

Left to Right:
Ivan Baker
John Kiefer

