

**STATEMENT OF JOSEPH ZUCCHERO TO THE
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER
CREDIT**

Good afternoon, Chairman Gutierrez and members of the Committee. On behalf of myself, my business partner Michael Genovise and my attorney Jim DiChristofano, I thank the Committee for inviting us to participate in this crucial hearing. I sincerely believe it is essential that during this tumultuous time, the voices of small business owners are heard and their struggles reported.

I am the owner and operator of Mr. Beef on Orleans in the City of Chicago. I began the restaurant in 1979 and over the past 30 years have built a reputable and thriving business. In addition, I am an owner along with Michael Genovise of an apartment building and an Italian fine dining restaurant named Natalino's also located in the City of Chicago. Natalino's was opened in March, 2008 after substantial remodeling of the building.

Combined, both restaurants employ 50 hard-working people. We provide much needed sales tax receipts to the City, Cook County and the State of Illinois. We source our food and products from numerous small business owners.

The economic downturn has had impacts on my business due to the loss of jobs and income from the local residents that live and work near downtown Chicago.

Many small businesses are being starved of needed lines of credit or are having their lines of credit not renewed upon maturity. Not only have I seen and heard this from a variety of small businesses, but I have personally lived this nightmare.

I have two loans of comparatively small amounts that have matured in October and November of last year. The loans have been paid every month and I continue to submit payments. I do not have the funds to give the entire loan amounts due. Midwest Bank, which received approximately \$85 million in TARP funds will not re-new or extend the matured loans further. This places my business in jeopardy.

Another bank will not refinance the two matured loans because the new bank would be placed in a third lien position. Thus, the banks want us to try and obtain funding to re-finance all the loans in Mr. Beef and Natalino's.

This has severely hampered our non-stop efforts to find financing or a resolution to the problem. Small banks do not have the capital to take on a large loan. Again,

big banks are not even the slightest bit interested and are using the TARP money to inflate their own revenues.

We have been actively submitting loan packages to various banks and loan brokers in order to extract us from this situation.

Our current loans are at an approximate 60% loan to value, based on recent appraisals. Our loans carry interest rates of 8 ½ % and 9%. Recent rates are around 6.5% to 7%. Just lowering our interest rates would provide a dramatic savings to our business, would prevent us from letting go of more employees, and would also give us breathing room to ride out the economic turmoil out.

Midwest Bank frustrates me in that they received TARP money and are not willing to either extend our loans or lower the interest rates on the non-matured loans. They have been patient with us while we seek alternative banks to finance us, but in reality that means they are doing nothing.

Many bankers seem to be paying us lip service and are not actually interested in providing financing, but rather seek free publicity.

We have been dealing with one small bank for six months. We keep giving them documents, we paid for expensive appraisals and tried to accommodate every request they make. To this day, we have been consistently given optimistic outcomes that have increased our hopes that an end is near to our situation. Yet, they have not approved or denied a loan. They have enjoyed the publicity.

My situation is just one example. I am fortunate to have a successful business in downtown Chicago. There are other business owners who are not so fortunate. At the end of the day, we are at the mercy of the banks, who have no willingness or obligation to help us.

I was approached by a local banker who found out I was coming here with my attorney to testify in front of this Committee, and he strongly suggested that we should not appear. He wanted us to “just lay low and let this situation blow over!” I politely asked him to give me the extra \$84,000.00 a year that lower rates would save, and he promptly walked out of my establishment.

I do fear a backlash within the local banking industry for us coming here today. I implore this honorable Committee to set my mind at ease.

I do not need, nor want, a bailout from the taxpayers. I only want the banks to be fair.

Congress needs to take action. Congress needs to know that small businesses drive the economy, that we are fighting everyday to keep the doors open and people employed. It is time that TARP funds come with requirements that banks must actively seek out and help lower small businesses' interest rates or extend their matured loans or lines of credit that were performing.

On behalf of myself, Michael Genovise, Jim DiChristofano and all the small businesses that run this economy I thank Chairman Gutierrez and the members of this Committee for the opportunity to come here and tell our story.

I welcome any and all questions that the Committee may have at this time.