

THURSDAY, APRIL 16, 2009

Orlando Sentinel

By Sara K. Clarke
SENTINEL STAFF WRITER

The parts of the federal government's stimulus program aimed at small-business owners aren't working as they should, say local owners and small-business experts who are trying to figure out what to do about the problem.

Claudia Menezes said there's a barrier between the government aid allotted for small businesses and companies like hers, Pegasus Transportation, which runs tours for international travelers. And she isn't alone in that opinion.

"We can't get a loan out of anybody to help these people," said Rich Jaeckle, chairman of the Orlando chapter of Score, a business-counseling group. Entrepreneurs approach the nonprofit organization for help, he said, but it can't provide it. "They're good ideas and they can't go anywhere."

The American Recovery and Reinvestment Act of 2009, also known as the stimulus bill, included several provisions aimed at loosening up lending for small businesses. The law includes money to temporarily eliminate fees on loans backed by the U.S. Small Business Administration, as well as a provision to that allows the SBA to guarantee as much as 90 percent of a small-business loan.

At a meeting Wednesday between area lenders and the local small-business community, banks said the new programs have issues that prevent them from handing out loans.

"There's really a gulf between what politicians and the public want to see happen ... versus what we know is occurring," said Chris Hurn, chief executive officer of Mercantile Capital Corp. in Altamonte Springs. "We need to see some easing from the regulators if, in fact, we're going to properly deploy some of these pro-

PLEASE SEE **SBA, B7**

Business

SBA help not getting through to businesses

By Sara K. Clarke
SENTINEL STAFF WRITER

grams."

Small-business lending has plummeted in recent months, as lenders have become more selective. Some small-business experts have suggested that those banks with money to lend are cherry-picking only the best loan applicants, said Ralph Ross, the SBA's deputy district director for North Florida, which includes the Orlando area.

"We just went into total free fall in SBA lending," Ross said.

Lawmakers hoped to solve that problem in part by offering enhanced loan guarantees, which were supposed to reduce the risk for financial institutions and encourage renewed lending.

But some banks said they fear the SBA will subsequently deny claims for repayment of loans made to businesses that are already losing money because of the recession. Others lenders said an interest-rate cap on guaranteed loans — based on a prime rate that is currently extremely low — results in margins that are too thin to justify the risk of lending to small businesses and startup companies.

Bankers did praise the elimination of fees on SBA loans, which they say has made deals much more affordable for clients.

U.S. Rep. Suzanne Kosmas, D-New Smyrna Beach, who arranged Wednesday's meeting at the Disney Entrepreneur Center in downtown Orlando, said she wanted to "bring together the forces from all perspectives."

"We opened a dialogue between the small-business community and the lenders," Kosmas said. "At the same time, we heard from the lenders that they had some speed bumps along the way."

Sara K. Clarke can be reached at
skclarke@orlandosentinel.com or 407-420-5664.