

## Startup Stories: 'How we got the cash.'

# A new lease on life.

By Emily Maltby

**Borrower:** Kip Bennett  
Owner, Lake Powell Furniture  
Page, Ariz.

**Lender:** Mercantile Commercial Capital

**Lending volume:** Mercantile has made 31% more small business loans this year than last year, with a 22% increase in the dollar volume of those loans.

**Their story:** Kip Bennett took over Lake Powell Furniture six years ago, but quickly outgrew the old location and needed to find a new showroom. On the corner of Page's main street, he saw opportunity in a vacant building available for sale. Seeking a commercial mortgage loan, Bennett began bank shopping - but the first bank he tried to work with went under, taking with it the \$7,000 Bennett had already invested in his application.

At the recommendation of another business owner in town, he approached Mercantile. Based in Orlando, Mercantile is a nationwide non-bank lender that relies heavily on the Small Business Administration's loan programs: 95% of Mercantile's loans are SBA-guaranteed "504" loans. If the business owner defaults, the SBA pays the lender back for the insured portion of the loan.

Mercantile CEO Christopher Hurn says he saw a slowdown in deal flow starting in September, when Lehman Bros. collapsed and sent shivers through the global financial mar-



COURTESY: KIP BENNETT

kets. But in mid-February, the pace began to pick up again.

"I believe the total universe of owner-user commercial property deals has shrunk, but because so few lenders are actually lending these days, we're getting a much larger share of the fewer deals that are out there," Hurn says. "The creditworthiness of our deals is increasing, as only the strongest and healthiest transactions are getting done these days. Deals that would have ordinarily gone to a large regional bank are now coming to us."

Getting a commercial loan is a slow process. Bennett started signing papers in September, but bringing the old building up to code took months. Mercantile stayed in touch throughout: "If I called and left a message, I'd get a call back that day," Bennett says.

As the recession deepened, sales at Bennett's store slipped - a problem that has killed off many a pending small business loan. But Mercantile stayed committed, and by the first week of January, Bennett had \$500,000 of the money he needed to buy and renovate the building. His new store opened within the month.

Lake Powell Furniture is now on track to match its 2007 sales, its best-ever year. Bennett credits the new location for his sales turnaround.