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## SMALL BIZ LOAN TROUBLES GROW

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What a difference a year can make.

A new Small Business Administration analysis of lending data released last week found that the value of small business loans made in the year ended in June 2008 increased 4 percent to \$711.3 billion over the year-ago period.

But then the financial industry went into a free-fall in the months following the report's closing date as the economy soured after the real estate market collapse, causing small business lending to plunge.

"All bank lending has dried up, and it will be awhile before it comes back," said banking analyst and consultant Ken Thomas. "Small business lending has been hard hit."

Bankers argue that loan money is still available, but hard times make it difficult for applicants to qualify. BankFirst CEO Don McGowan, whose institution was the top small business lender in Florida in the year ended in June 2008 with \$251,294 in loans of less than \$1 million, said his bank has nurtured its small business lending division for the past decade, but many businesses are struggling.

"There are businesses that want to borrow money that are losing money," McGowan said. "They are hard to lend to."

### TROUBLED LOANS CURB LENDING

The SBA study examined small- and micro-business lending, breaking out large

interstate lenders from community banks. About 25 Central Florida community lenders were included.

Nationally, the SBA found that business loans of less than \$100,000 rose by nearly 16 percent, while loans of \$100,000 to \$1 million fell by 23 percent. The study relied on call reports from the banks and Community Reinvestment Act data.

Thomas, an expert on the Community Reinvestment Act — which requires banks to invest in the communities where they operate — said many lenders have curtailed small business lending as they focus on creating reserves to cover the troubled loans already on their books.

"Banks are less concerned about CRA requirements and more concerned with just staying afloat," Thomas said.

Eunice Choi, regional director of the Small Business Development Center at the University of Central Florida, said she has seen a marked change in lending in the past year.

"Since the summer of 2008, really no banks have been lending to small businesses," Choi said. "This is not a time to be optimistic for those having trouble finding working capital."

Startup businesses, in particular, "can't get funding whatsoever."

"Banks only want to do business with profitable businesses looking to expand," Choi said. "This is worse than after 9/11 or the hurricanes of 2004."

Claudia Menezes, vice president of Pe-gasus Transportation in Orlando, is a case

in point. Her 15-year-old business operates a fleet of 20 charter buses. The company — which has annual revenue of \$8 million annually, 60 employees and good credit — is having a hard time finding money to build a new parking lot and a repair shop.

"Finding lines of credit for operating money is almost impossible," Menezes said. "Interest rates are so low that the banks don't want to lend. They want high yields, which are impossible right now."

### CUTBACKS BENEFIT OTHERS

Even as the large lenders and community banks continue to struggle with loan issues, other businesses, such as Mercantile Capital Corp. in Altamonte Springs, are benefiting from the current lending environment.

Chairman **Geoff Longstaff** said his company's small business loan operation is growing, partly because banks are cutting back. The company writes SBA loans, which it sells to the government. Mercantile made \$10 million in SBA 504 loans last month.

"Everyone is losing money. Banks are just trying to keep the regulators off their backs," Longstaff said.

Since Mercantile isn't a bank with a portfolio, Longstaff said it is in better shape, and potential customers know it.

"We've had three times the number of applications as last year," he said. "There are a lot of good applications, too." ■