

ORLANDO BUSINESS JOURNAL

OrlandoBusinessJournal.com

SEPT. 19-25, 2008

SOME LOCAL FIRMS TURNING TO ALTERNATIVE FUNDING SOURCES

BY KARI WILBERG

After nearly 20 years of doing business in a 7,600-square-foot space, Xerographic Digital Printing built a new 27,000-square-foot building on 33rd Street in Orlando four years ago. But when it came time to pay for the \$2 million facility, the firm didn't go the typical route of getting a bank loan.

To be sure, Xerographic's president, Keith Kemp, spoke with five banks . . . but then decided to look into alternative financing.

"We actually had a commitment letter from a couple banks, but they had high interest rates and a seven-to-10-year balloon payment," Kemp said.

Instead, he opted to borrow \$1.7 million from Mercantile Commercial Capital LLC, where he got a Small Business Administration 504 loan – available for growing businesses for major fixed assets such as land, buildings and machinery – with an interest rate less than 7 percent, and was able to set the amount of the loan payments.

Since then, Xerographic Digital Printing – one of 50-75 small business clients Mercantile Commercial has each year – has grown from 25 employees to 43, and its annual revenue has grown from \$3 million to \$5 million.

Certified Financial Group Inc. of Altamonte Springs also decided to seek alternative funding from Mercantile Commercial when it built its own \$1.5 million 8,000-square-foot building in 2003.

"They had a competitive program in terms of interest rates and an upfront down payment that allows us to leverage our purchase to the max," said Joe Bert, chairman and CEO of Certified Financial. "It allowed us to take our capital and put it into other areas of business." Mercantile Commercial is a non-bank commercial real estate lender for small and mid-sized businesses nationwide, and specializes in SBA 504 loans. It made about \$100 million in loans last year, averaging \$1.5 million on an individual transaction.

When considering lending money to a client, Mercantile Commercial takes many things into account, including: business cash flow, personal liquidity, credit score, property type and condition, and the borrower's industry experience. Mercantile Commercial also applies logic toward transactions and only pursues it if the deal makes sense, said Tony Zara, executive vice president for Mercantile Commercial.

Most Mercantile Commercial customers have annual revenue ranging from \$500,000 to \$10 million.

Mercantile Commercial often has customers referred to it by banks that lack expertise with the SBA's 504 loan program, said Zara. "Without the experience, a bank may feel out of its comfort zone if a client requests this type of loan."

The 504 loan program offers many advantages over conventional financing because of its longer amortizations, long-term fixed interest rates and 90 percent loan-to-cost financing, he said. Perhaps that's why, in the current era of tightened bank credit, Mercantile Commercial has grown consistently each year since it was founded in 2002.



Xerographic took out a \$2 million SBA loan to construct its building.