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No help on small-biz loans before September

Many North Texas lenders willing to make loans now, but say they are waiting for renewal of increased guarantees

Dallas Business Journal - by [Kent Hoover and Chad Eric Watt](#) Staff Writers

See you in September — that's the message Congress sent to small businesses looking for help in getting loans.

Before leaving Washington, D.C., for its August recess, Congress failed to complete action on legislation that would make **Small Business Administration** loans more available and provide community banks with up to \$30 billion in cheap capital for use in making small business loans.

Chances of the Small Business Jobs Act being enacted before September ended when the Senate failed to resolve a procedural dispute on the legislation before the House recessed July 30.

This means SBA lenders will go at least another month without a 90 percent government guarantee on the agency's flagship 7(a) loans.

The economic stimulus bill created that enhancement, an increase from the typical 75 percent guarantee. The higher guarantee, which expired June 1, made SBA loans less risky for lenders.

Fee waivers on 7(a) loans and the SBA's 504 loans, which are used primarily to finance real estate, also expired June 1.

These breaks made the loans more affordable for small businesses.

The higher guarantee and lower fees helped revitalize SBA lending after it cratered during the financial crisis of 2008. More than \$200 million in 7(a) loans were being made each week before June 1. That weekly volume fell to below \$100 million, on average, in June and came in at under \$130 million for July.

Congress' failure to reinstate the 7(a) loan breaks means SBA lending will remain depressed through August and into September, said Tony Wilkinson, president and CEO of the **National Association of Government Guaranteed Lenders**.

Plus, many of the 1,300 lenders who returned to SBA lending because of the higher guarantee and fee waivers "are beginning to question why," he said.

"They can't count on anything in Congress being done in a timely fashion," he said.

Dual damper on lending

The delay has put a dual damper on small-business lending.

The prospect of reinstating a 90 percent guarantee has some lenders holding off on making loans, said Mike Rozman, executive vice president of BoeFly, a New York-based online marketplace for SBA loans.

"If a lender's happy to loan at 75 percent, but believes that the 90 percent is coming back, they're willing to wait on the loan," he said.

In July, BoeFly surveyed North Texas SBA lenders at an industry conference in Dallas. Some 56 percent said they are waiting for the 90 percent guarantee to return before they fund or approve some loans.

At the same time, 93 percent say they are willing to fund loans with only the 75 percent guarantee.

Three out of four North Texas lenders surveyed said qualified borrowers are hard to find.

The reinstated SBA loan fee has fewer borrowers putting in for SBA loans, said Greg Hassell a spokesman for **JPMorgan Chase bank**.

The fee, typically 2.15 percent of the loan amount, is expected to be again waived when Congress reinstates the other enhancements.

A recent **National Small Business Association** survey of small-business owners found that 41 percent say they can't obtain adequate financing, the highest percentage in 17 years.

Small businesses are "the sector of our economy that's supposed to lead us out of recessions," Wilkinson said.

If the small-business lending bill doesn't get enacted, "they're really not going to be in a position to do that," he said.

khoover@bizjournals.com | 703-258-0845 cwatt@bizjournals.com | 214-706-7123

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