



## Business loans said to be loosening up in Fox Valley, but at agonizingly slow pace

By Maureen Wallenfang • Post-Crescent staff writer • May 10, 2010

MENASHA — When veterinarian Maureen Flatley went hunting for \$325,000 to buy a building for her Fox Valley Cat Clinic, she was in the enviable top tier of borrowers who didn't have a problem getting a loan.

With good credit, a solid business plan and the new building as collateral, she was courted by several banks.

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"I played one against the other," she said. "I ended up going with a local bank that gave me a better rate and was more flexible on terms."

Her experience, however, is rare these days.

Though credit is loosening up, many borrowers still are having a tough time getting money, especially to refinance existing debt or aid cash flow rather than expand, as Flatley had done.

Those who are keeping a close eye on lending patterns say business borrowing has been helped by a current short-term government stimulus program through the U.S. Small Business Administration, or SBA. The program bumped up the government's guaranteed backing on qualified bank loans to 90 percent and eliminated some borrower fees.

Even with it, banks are gun shy and business loan recovery has a long way to go.

"It is still extremely difficult for small businesses and startups to get financing," said Randall Melzer, Fox Cities chapter chairman for SCORE, a nonprofit organization of volunteer counselors assisting startups and existing businesses. "Right now, the lending situation is getting a little better. Before it was really bad. Now it's just bad."

Kent Nelson, owner of the business services firm QuickStart in Menasha, also works with small firms. While he says lending still is relatively tight, he thinks it's looser than it was six months ago. "It's going in the right direction. It's just not going as fast as it needs to go."

When Patrick and Lori LeBlanc from Arrow Moving Systems wanted a loan to refinance some trucks, the bank holding their existing loan said no.

Their story had a happy ending, however, because a credit union they'd worked with in the past, Capital Credit Union, was moving into commercial lending and gave them the \$50,000 loan.

"It wasn't that hard because we had a longstanding relationship with them," said Patrick LeBlanc. "We decided we were going to move most of our business to the credit union."

His lender at Capital Credit Union in Kimberly, Julie Wettstein, said to date the credit union has handled a lot of small business refinancing loans, but no SBA-backed loans so far. They're exploring that possibility.

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She said customers were just becoming aware that the credit union offers business loans.

"I hear that a lot," she said. "People say, 'I didn't know credit unions did a lot of commercial lending.' We're doing a lot more lending than a year ago."

### Lessons learned

Flatley of the Fox Valley Cat Clinic had the right elements in place when she went to get a loan.

She had an established business with a positive cash flow, so she was seen as a low-risk borrower. She was well prepared. She did a lot of homework on the [www.sba.gov](http://www.sba.gov) site.

"One of the things that made a difference was I went to some local banks I'd heard good things about," she said. "I went to four — three banks and a credit union. Each offered different things. I ended up going with a locally owned bank that gave me a better rate and more flexible terms."

Her brother, a retired banker, gave her a few more tips.

"He told me to go into the meeting (with each bank) and treat it as if it were an interview. Dress professionally, be prepared, have the information they're going to want with you. Be able to ask questions and answer their questions," she said.

At SCORE, Meltzer said being well prepared with a good business plan is key, but also loan applicants must be very clear on exactly how they're going to repay the loan. Starting with smaller banks is better.

"We're finding that some of the smaller banks, community banks and credit unions are a little more available as far as lending is concerned than the big national banks," he said. "The bigger the bank, the more scrutiny they're under. Big regionals and national banks are under the microscope by the FDIC for their lending practices. Small community banks haven't had problems with defaults and still are in the position to lend."

Melzer said even when a bank says no, persistence can pay off.

"If you get turned down, we recommend talking to that loan officer to find out what they're looking for

that you didn't have. You find out what you're missing and that will help you with the next lender."

At QuickStart, Kent Nelson packages SBA loans for small banks. He, too, says loans are more readily available from local institutions.

"Most of my successes have been from small town community banks and smaller credit unions. These smaller banks haven't done SBA lending in the past. A lot of smaller banks have started or come back to SBA loans because of the 90 percent guarantee."

Currently, the SBA's 90 percent loan guarantee, with reduced borrower fees, has been extended through May within the American Recovery and Reinvestment Act. Nelson said pending legislation could extend it through the end of the year.

"I've been doing this for 10 years and this is the first time in 10 years, even after 9/11, that we've had such a downturn in startups," he said. Extending the SBA program is key to getting new businesses started and boosting employment.

"Startups are scary for banks," he said. "The buzz in the community is 'why bother, banks are not going to give you money.' But we need new businesses to jump-start the jobs in the economy. If they don't, we won't get out of this recession for five years."

### Tough times getting better

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was unbelievably tough, said Craig Meyer, co-owner of the Appleton firm Watertax, a tax and accounting firm for individuals and small businesses.

"I have seen a number of customers — 10 to 15 I'm aware of — who applied for SBA ARC loans (America's Recovery Capital loans for existing businesses wanting to pay off debt). I had just one client get one," Meyer said. "You're seeing the SBA offer a 90 percent guarantee and banks still aren't willing to do it. Banks don't like to give cash flow loans. One client who needed \$25,000 to \$50,000 for equipment in a profitable business couldn't get it."

Meyer said not getting loans effectively cuts off small-business growth.

"Businesses grow through credit. When banks shut that credit off, how do you grow? When banks stop, everyone else stops."

"We're not back to 'normal' yet," said Mike Waters, market president of The Business Bank in Grand Chute. "We're not back to pre-fourth quarter 2008. That's going to take some time; 2009 was certainly an unbelievably tough year. It was the worst year in many companies' histories. In 2010, I do think things are improving. It's not just a snap back. It's a slow deliberate process and lending is going to mirror that."

Likewise, both Nelson and Meyer are seeing some slight improvement.

"In the first quarter, we've seen a lot of startups coming back," Nelson said. "We didn't see that in 2009. It pretty much died. When I talked to the banks, not many have funded a startup in the last few years."

"I have a few customers saying it's getting a little better. You get a sense in certain pockets that things are improving slightly," said Meyer.

Restaurants, service and retail generally have a more difficult time getting loans, while some small manufacturers have had it somewhat easier.

At The Business Bank, Waters sees improvement in local manufacturing, **health care** and some services. Lending will continue to be unworkable in areas like speculative real estate. "Lenders aren't going to get into the spec game," he said. "They want established

tenants."

With a year of rejection behind them, Meyer said some customers are simply staying away from banks and finding more creative ways to **finance** growth.

"They're working more closely with vendors to work out more flexible payment plans. Before, businesses never considered vendors as partners. Now they're saying, 'We're all in this together. We have to help each other and we'll get through it.'"

SCORE's Melzer said some startups also are turning to nontraditional forms of financing, including angel investors and equity investors who want a shorter payback, higher return or ownership stake in the business.

When working with traditional lenders, he said those with a personal relationship have generally fared better. "Get to know your banker first rather than after," he said. "Talk to them about your business. Don't walk in cold and hand them a business plan."

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Veterinarian Maureen Flatley, of the Fox Valley Cat Clinic, examines Silly Gilly, a 3-month-old male kitten brought in by Emily Anderson from the Neenah organization Orphan Animal Rescue & Sanctuary on Friday in Menasha. Flatley was able to get a business loan in a tough economy, but many borrowers still are having a tough time getting money to refinance existing debt. (Post-Crescent photo by Sharon Cekada)

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