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Small businesses squeezed out of loans

By JIM WYSS

Buckling under the subprime crisis and a limping economy, many banks are turning off the money taps to local entrepreneurs, forcing some to put their dreams on ice or scale back plans to expand.

The Small Business Administration, which provides banks with guarantees to encourage them to lend to entrepreneurs that might not otherwise qualify, reported Wednesday it had backed 2,337 loans worth \$571.2 million in the South Florida District, which covers 24 counties south of Orlando, from October through June. That's down 31 percent in volume and 9 percent in dollar terms versus the same period last year.

One entrepreneur who's losing out is Mario Agudelo, who at 67 says he is still young enough to turn Del Sur Trading, the company he runs out of his Kendall home, into a thriving enterprise. But first, he needs a loan.

"I'm losing money because I cannot get the financing I need to bring in larger shipments," said Agudelo, who makes about \$500 from each container of bananas, plantains and lemons he imports from Latin America. "If you're a big company it seems easy to get loans, but what about the small businesses? The mom and pops?"

Banks that once generated thousands of SBA loans are now doing just a few hundred.

"To be honest with you, the numbers are horrible, atrocious, catastrophic," SBA South Florida District Director Francisco "Pancho" Marrero said.

"I believe virtually all of this is directly related to the real estate collapse," Marrero said. "The woes in the mortgage area have moved over to commercial lending."

The agency's flagship 7(a) program, which entrepreneurs use as a source of growth capital, saw lending fall 33 percent in volume and 12.4 percent in dollar terms to 3,044 loans worth \$448.9 million.

The 504 program, typically used to buy office space and machinery, saw 299 loans worth \$178 million through the third quarter. That's down 14 percent in volume and flat in dollar terms.

Locally, the figures also were grim.

Miami-Dade and Broward counties saw loan volume drop 29 percent and 36 percent, respectively; while loans in Palm Beach and Monroe counties were down 36 percent and 35 percent compared to last year.

"I'm losing sales because I don't have the capital to expand," said Luz "Lucero" Leon, the owner of Existenze Christian Distributors, a Miami book and music wholesaler.

In business for five years and with sales of \$270,000 annually, Leon said that, because she recently reincorporated her business, she cannot even get a corporate credit card, much less a loan.

'FINDING THE MONEY'

Leon said she has stayed afloat thanks to strong relationships with suppliers who, collectively, have extended her a \$60,000 line of credit.

"My obstacle here has never been finding the clients but finding the money to grow," she said.

Agudelo, of Del Sur Trading, said he did not qualify for an SBA loan and instead took a \$5,000 loan at 15 percent interest from micro-lender Accion USA.

"I am very grateful for the loan because it has helped me get off the ground, but it's hard to run a business with those kind of interest rates," he said.

South Florida is awash in small companies. Of the 480,000 companies in Miami-Dade and Broward counties, 78 percent are like Del Sur, owner-run and with no employees, according to the U.S. Census.

If there is a bright spot in the lending landscape, it's that the 504 program -- used for real estate and capital purchases -- hasn't been tracking the downward spiral of 7(a) loans. While the volume of the 504 loans was down by double digits, the dollar value of those loans was actually up -- albeit, a tenth of 1 percent.

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"There will always be business owners who want to move into their own place and keep the equity in their business," said Manny Manos, the president of Florida Business Development Corp. -- the state's largest 504 lender and the third largest in the nation.

"In that sense, regardless of what is going on in the economy, our niche is relatively stable."

While that niche may be stable, the commercial real estate market isn't. Sales of industrial, office and retail space in Florida plunged 75 percent in the second quarter to \$1.1 billion, according to Real Capital Analytics.

With the real estate market in the doldrums, consumer confidence at historical lows and gas prices at all-time highs, the outlook for small business can seem bleak, said the SBA's Marrero.

"The optimist in me says this too shall pass," he said. "But at the same time it's not around the corner."