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## **Small businesses seeking conventional bank loans is still problematic**

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Small business advocates complain that banks have lost interest in making small business loans since the financial crisis of late 2008 and the beginning of 2009. Bank executives will point out that the ensuing recession curtailed loan demand however both sides have agreed that tougher government regulations for originating small business loans has definitely become more onerous for the banks. In terms of loan demand, my company can attest to the fact that there are literally thousands of small businesses and real estate developers in Connecticut and New England alone who are seeking conventional bank financing but are unable to access capital from these institutions.

In order to better illustrate this fact, The Federal Reserve Bank of Cleveland recently conducted a nationwide study that showed that the outstanding loan balances for small businesses at 12/31/12 was 78% less than the outstanding loan balances at 6/30/07. That is a compelling statistic that Fed's study uncovered and clearly demonstrates that the appetite that banks have for small business loans has diminished dramatically in the last five plus years. Further to this point is data that was recently compiled by the FDIC in which this key government regulator was quoted as stating: "It is unlikely that small business credit will spontaneously increase anytime in the near future." The FDIC's reference in this analysis of the data clearly points to the banks.

Another important contributor to the bank's "lukewarm" approach to small business lending is the fact that the bank's profit margins on these loans have shrunk during the last several years making it even less desirable for banks to allocate additional resources to this business sector. As a result of this continued phenomenon, small businesses and real estate developers are now dealing with the conundrum of accessing capital from non-bank and other alternative lending sources who have acted aggressively at extending capital to these entities in the marketplace.

It is not a coincidence then that these alternative lending sources have increased their market share in the small business sector and are continuing to embrace the small business and real estate borrower. Alternative lending sources such as Worth Avenue Capital, LLC are seeing a plethora of bankable credits that were shunned by the banks and we expect to continue to attract very credible loan requests from the small business and real estate community in the near future.

We continue to speak with small businesses on a daily basis who continue to put tremendous reliance on the banking community to satisfy their working capital needs. In most instances, these businesses "shop" three or four banks in their local community with their loan request and are universally turned away. These businesses allocate a tremendous amount of time and energy in their quest for a conventional bank loan and end up feeling very frustrated and hopeless. The business that lacks initiative and creativity ends their search for capital at that point and resigns themselves to believing that there are no other options available to them. On the other hand; the

business that has initiative and desire will canvass the marketplace for a suitable alternative source of capital and will use the necessary contacts to locate one or more non-bank sources.

Since our inception in 2008, Worth Avenue Capital, LLC has closed numerous loan transactions for both small businesses and real estate developers who were unable to obtain conventional bank financing. We expect to remain very active going forward in assisting the small business and real estate development sectors with their financing needs.

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