

# SBS IN THE NEWS

## DAILY NEWS

### Loan tap tight for small biz, especially startups

BY PHYLLIS FURMAN  
DAILY NEWS BUSINESS WRITER  
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Despite some recent improvement, many of the city's small businesses are still finding it very tough to land a loan.

"It's extremely difficult, especially for startups," said Robert Moses, chairman of the small business outreach committee of the New York State Society of Certified Public Accountants.

In recent months, the loan tap has begun to open for government-backed small business loans.

After falling off a cliff, the number of U.S. Small Business Administration-backed loans to city businesses surged 70%, while loan amounts doubled to \$88.9 million from October through January compared with the same period a year earlier.

Addressing 500 entrepreneurs at a recent event, SBA New York District Director Pravina Raghavan said, "The banks here are willing to lend."

However, SBA-backed loans represent only a fraction of small business lending and many firms say they are still shut out.

"Most banks won't lend to you unless you have been in business for three years," said Moses, who's also a volunteer at business counseling group Score NYC. "For startups, they are looking for 100% collateral" and high credit scores from applicants.

Bank execs insist they're in a tough position. While government officials want them to boost

lending, they're under pressure to be more disciplined about risk.

"We want to do business, but it has got to be good underwriting," said Gregory Hoffman, a vice president at Flushing Bank.

Some entrepreneurs don't realize that, to secure a loan, they have to invest their own money in their business, as well, lenders said.

"Sometimes startup business owners want the banks to provide 100% financing, which the banks can't do," said Hoffman, who was meeting prospective customers at the SBA event.

Alfonsina Morel, a business loan officer at the Lower East Side People's Federal Credit Union, said some entrepreneurs looking for loans may find better results at credit unions than commercial banks.

"When you come to my credit union, you are speaking to me," Morel said. "If you don't have an excellent credit history, you can explain what happened in the past."

Another option is turning to the city for help. While the city doesn't make loans, the Department of Small Business Services works with lenders and helped arrange 404 loans amounting to \$22 million last year, compared with 187 loans totaling \$12 million in 2008.

"We will work with you," said Commissioner Robert Walsh. "We will look to where we can connect you to incentives."

Army Sgt. First Class Gregory Henderson, 39, who's stationed at Fort Hamilton, Brooklyn,

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### **Loan tap tight for small biz, especially startups (Continued)**

owns a small business, 3D Construction Cleaning, on the side and came to the SBA event looking for help.

He wants a \$150,000 loan to invest in supplies and to hire employees for his eight-year-old company, based in Newark.

“Being a veteran, there are programs set aside for us,” said Henderson, who was dressed in military fatigues.

Another entrepreneur, 41-year-old Susan Baida, said she learned that securing a loan will be more difficult than she expected.

Baida, who six months ago co-founded eCareDiary, a midtown-based consumer Web site and technology company that sells long-term care management software, wants to borrow \$200,000.

“I learned banks don’t really invest in startups,” Baida said. “They want to see two to three years of revenues.”

She’s seeking the help of counselors at a city Business Solutions Center who’ll help her broaden her search for funding. “I am submitting an application,” Baida said. “We will take it from there.”