



## Small business lending falls short

by Claude Solnik

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Bi-County Scale & Equipment, a profitable West Babylon-based supplier of supermarket equipment, has a lot going for it. The firm for each of the last three years has turned a profit on more than \$3.5 million in sales, is hiring and enjoying a steady stream of business.

But when the company sought to double its credit line to \$150,000, a half-dozen banks, including some that took months to make a final decision, turned it down.

After a two-year search, Bi-County finally got an approval from Bridgehampton Nationals Bank, leaving the company with the cash it wanted – and a belief that borrowing isn't what it used to be.

Many small companies, sensing an economic turnaround, are looking for loans to help them grow again. But they're running into problems as the vestiges of the Great Recession make it tough for businesses to pass muster.

Ira Kantor, director in the accounting services department of Marcum, said even healthy companies may struggle to get loans, due to tougher underwriting requirements – and a tougher economy.

But if companies knock on enough doors, he said they should find financing.

"There are more questions and things being looked at. In the past, a real strong company would be rubber-stamped," Kantor said, noting firms may have to provide income and revenue projections, along with other documents. "They may have to go to a couple of places. They may have to get creative."

Bi-County President Ira Rosenfeld said the pendulum has swung too far, making loans seem almost a luxury.

"Banks aren't lending money to businesses unless they're a triple-A company," he said. "Before the bank crash of four years ago, if I went to borrow money, I could get any amount. When that bubble burst, it was no loans, no matter what."

The Federal Reserve Bank of New York's latest Small Business Borrowers Poll found that only 13 percent of borrowers got the full amount they requested, although 63 percent received some financing.

The Fed's poll cited a "limited supply for smaller loans" as a big problem for small businesses, while larger firms often have an easier time obtaining financing. Big companies often bring big deposits and assets, even if they have big problems.

Banks' slim profit margins on loans to small businesses don't help. Neither does small businesses' sometimes less-than-stellar performance over the past few years, as banks look at credit scores, at least two years of tax returns, collateral and any tax and legal problems when assessing whether to make loans.

**"The problem with a bank is they're looking at a lot of criteria," said Neil Seiden, managing director at Port Washington-based [Asset Enhancement Solutions](#), which helps firms obtain financing. "If one of those criteria is out of whack, it can affect the judgment of whether someone should get a loan."**

Not all banks, however, make decisions based on long checklists.

"Small business lending most of the time is done through credit scoring or rigid, formula-driven underwriting," Bridge Bancorp CEO Kevin O'Connor said. "We're not credit scoring loans. We look at each individual company."

Douglas Manditch, CEO of Islandia-based Empire National Bank, which is increasing its small-business lending, said a bad economy left many small businesses with a history of losses, making banks more reluctant to lend.

"Generally, the smaller companies are not that well-capitalized," he said. "Many really small companies with revenues less than \$1 million work very hard to just eke out a living and pay the employees they have."

The real estate meltdown took a bite out of assets, making it tougher for small businesses to back up loans with property, said Frank Fillipo, chief operating officer of Riverhead-based Suffolk Bancorp. "That could impact someone getting as much credit as they desire."

And profitability, at least on paper, can be an issue, since small business borrowers sometimes underreport cash earnings, so tax returns paint a gloomy profile.

"A lender who's regulated looks at this tax return that says you grossed \$100,000," said Roslyn Goldmacher, CEO of the Long Island Development Corp. "They can't consider that."