

# Bankers Weekly Special Edition

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## News You Can Use



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### **Bank executives met with Small Business Administration and Treasury Department officials at the White House March 5 to discuss small business needs.**

The meeting took place as lending through the SBA's programs continued to decline. Through March 7, the number of business loans made through the SBA's 7(a) program so far this fiscal year had fallen by more than 15 percent compared with the same period a year earlier. The dollar value of these loans had declined by more than 7 percent. SBA's fiscal year began October 1. This compares to a 21 percent drop in SBA 7(a) loan demand for the SBA North Florida District for the first five months of the current fiscal year, where total 7(a) loan approvals moved from 688 loans at February 28, 2007 to 544 loans at February 29, 2008.

Last year, nationally the SBA approved nearly 100,000 7(a) loans totaling \$14.3 billion.

"Loan volume is declining at an alarming rate," said Tony Wilkinson, president of the National Association of Government Guaranteed Lenders, at a March 5 House hearing on SBA lending. "With each passing week of this fiscal year, the problem has been getting worst."

The SBA's 504 program, which offers loans for real estate and other fixed assets, also is down compared with the same time a year ago. The number of 504 loans approved so far this fiscal year dropped 3 percent and the dollar value is down 1 percent. In north Florida, SBA 504 loan volume has declined by 34% from the five month total of 160 approved loans at February 28, 2007 to 105 loans at February 29, 2008.

These declines are unusual because banks typically steer more borrowers to government-guaranteed SBA loans when credit standards tighten. Banks blame higher loan fees and 7(a) program costs for the decline, contending the loans are no longer profitable enough for many lenders.

SBA officials, however, say most of the overall decline is due to banks raising the credit score needed to qualify for its streamlined SBA Express loans. They're working to make the loan programs more attractive and are meeting with lenders around the country to get their input, said Eric Zarnikow, who heads SBA's capital access division.

Senator John Kerry, D-Mass., said the White House meeting was "long overdue." It should have happened months ago when the Bush administration's own data predicted a credit crunch for small businesses," Kerry said.

Kerry, who chairs the Senate Small Business and Entrepreneurship Committee, said the Bush administration should support legislation that would appropriate \$200 million to the SBA so it could reduce fees on 7(a) loans and expand the Microloan program, which provides small loans and technical assistance to low-income entrepreneurs.

Meanwhile, economic development groups that make 504 loans expect lending through that program to rebound later this year. They want Congress to increase the