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Why Business Loans Are Up for Grabs

By Toddi Gutner | [Business on Main](#)

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Lending experts suggest that, finally, small-business owners and entrepreneurs can secure loans for their businesses — if only they wanted them.

After years of being beaten up and blamed for every ailment besetting the economy, banks may be able to start defending themselves a bit. For several years now, many small-business owners reported having trouble securing loans for their enterprises. That certainly sounded consistent with what we know about the economic downturn — small companies and their balance sheets were hit hard during the recession, and increased bank regulation made it increasingly challenging for some businesses to qualify for a loan.

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But that situation has changed.

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To put our finger on the pulse of small-business lending for the first half of 2013, we spoke to several experts. What they revealed is surprising: Lending opportunities are available, but small-business owners don't seem to want or need them. To find out more, read what lending experts had to say to Business on Main about the state of small-business lending:

William C. Dunkelberg, chief economist of the National Federation of Independent Business (NFIB):

"The banks have plenty of money to lend. In fact, the excess reserves at the Fed are at an astounding all-time high. With a capital reserves requirement of 10 percent, banks look to invest the other 90 percent. The problem is, no one is coming and asking for loans.

"In NFIB's December survey of nearly 600 people, an estimated 65 percent of those surveyed said they didn't want a loan, and 29 percent responded that their credit needs were met. The truth is interest in borrowing remains historically weak, and the outlook for business conditions for mid-2013 remained at the second-lowest reading in 38 years of the survey.

"What's more, small businesses aren't that optimistic, with 45 percent of those surveyed [thinking] that business conditions will be worse six months from now. With consumer spending down, companies aren't growing. So what would small companies want a loan for? Many of them aren't planning on expanding in the coming months ahead. Capital spending remained in 'maintenance' mode — historically low — and plans to make capital outlays remained at recession levels."

Michael Alter, president and CEO of SurePayroll:

"Small businesses are remaining in neutral. We have a challenge in the economy: The demand for business services isn't growing fast enough for the majority of them to need extra capital. Even though we had some uncertainty cleared up with the fiscal cliff decision, there is a lot of long-term uncertainty. That means that small businesses are sitting on the sidelines rather than investing aggressively; there just isn't as much demand for lending.

"Our Small Business Scorecard survey reported 82 percent of small-business owners said they didn't need money in 2012. Of those that did, only 32 percent

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couldn't get the loan they wanted.

"During the recession in 2009-2010, small businesses needed money — not to grow — but to survive. Banks were hit aggressively and regulators required increases in capital. In 2011-2012, banks were better positioned financially and even though regulators said, 'Don't make risky loans,' the banks' balance sheets could handle them.

"Once we get some clarity around taxation, it will drive more demand into businesses and drive more need for loans. So we don't have a doomsday scenario — we are no worse off, but we are no better off either."



Jordan Peterson, senior vice president of Business Banking Credit Strategy at PNC Bank:

"PNC is actively lending to businesses of all sizes. Last year, we committed more than \$4 billion in small-business loans. However, due to the slow pace of economic recovery and continued uncertainty in Washington, we expect small-business owners to remain cautious moving into 2013. Banks are eager to lend to qualified applicants, but demand continues to be down as businesses struggle to regain confidence that was lost during the recession.

"The recent recession took a big toll on small businesses and their appetite for financing. Small-business owners were the first to get hit by the slumping economy, and were often the hardest hit due to their size and ability to withstand losses. As the economy recovered, owners regained confidence and started to invest more in their businesses. If the recovery continues to build steam, loan demand and access to financing should continue to increase as a result.

"The takeaway? If your business is stable and seriously looking for lending as a way to grow, now is a good time to get in touch with your banker. But be sure to shop around — banks often specialize in different industries. Also, community banks may be willing to take on a small-business loan, even though it's deemed riskier, because they have a longstanding relationship with you, the business owner."

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Toddi Gutner is an award-winning journalist, writer and editor and currently a contributing writer covering personal finance for Reuters.

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