

## A Local Lending Rush

Incentives End Next Week

THE BANK OF

northern michigan

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TRAVERSE CITY — A week from today, small business loans will get even riskier for lenders and more expensive for borrowers, prompting a rush among local entrepreneurs and banks and credit unions to beat the clock.

A year ago, President Obama signed the American Recovery and Reinvestment Act (ARRA) into law, which allowed the Small Business Administration (SBA) to set aside \$375 million to temporarily eliminate loan fees and increase the agency's loan guarantee to 90%.

Jeremy Hawke, VP & Market Manager for The Bank of Northern Michigan, has seen "a dramatic upswing in loan applications." But he cautions that the no-fee loans are slated to end February 28, when they will revert back to their pre-Recovery Act Status.

Seeing an opportunity, The Bank of Northern Michigan launched a marketing campaign to reach out to area businesses struggling with diminished cash reserves and few options.

Like other regional lenders, the bank now underwrites "SBA Express Loans," which can provide needed cash flow to qualified businesses by cutting processing time to no more than 36 hours. Business owners who might otherwise have difficulty securing credit because they lack collateral might be able to borrow as much as \$350,000.



So what about demand? Just ask Brian Johnson, co-owner of Applied Energy Solutions, who says "It was impossible for a new business like ours, without any credit history, to get a conventional business loan." Johnson saw a notice about SBA loans on the Department of Energy

website and promptly found a local intermediary SBA micro-lender. "At our first meeting, we had a, 'it really looks good,' type of conversation," says Johnson. He's currently nearing the end of the SBA loan process and will invest dollars into new equipment.

SBA loans were once the last resort for businesses at the end of their tether—you only went for an SBA loan when no one else would have you. But these days, with so many businesses grasping at straws, the perception of the lowly SBA loan has changed.

Many big lenders are said to be restricting access to small businesses as worries over defaulting loans and a still weak economy continue. Sure, banks are lending -- some, like TC-based Northwestern Bank, even make their lending flexibility the basis for their advertising campaign. But the SBA has become the standard for the small business needing cash.

For those thinking about an SBA loan, know that the SBA itself does not make direct loans to businesses. It sets guidelines for the loans, which are then made by SBA partners (lenders, community development organizations, and micro-lending institutions) and it guarantees that the loans will be repaid, thus eliminating some of the risk to the lending partners.

If your small business seeks funding, discuss your options with your local lender or consult the Small Business Administration website, [www.sba.gov](http://www.sba.gov). And, see the April print edition of the TC Business News for a list of the largest SBA lenders in the region.