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There are options for getting a small business loan

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Looking to secure capital in this tight lending market but can't get a conventional bank loan?

There are alternative funding sources you can turn to, including government-backed loans and asset-based lending, say experts.

"Clearly banks have tightened up criteria in response to the economic downturn, forcing many small businesses to seek alternatives," says Roslyn Goldmacher of the [Long Island](#) Development Corp. in [Bethpage](#), which lends to small businesses and nonprofits.

A lot of people are overleveraged, making it harder to get conventional financing, notes Marianne Garvin, president and chief executive of the Community Development Corp. of [Long Island](#), a nonbank lender in [Centereach](#) that provides financing to such companies.

That was the case for Powertech Controls Co. in Hauppauge. In 2004, the electrical distributor needed more capital to grow but couldn't get the financing it needed -- \$750,000 to \$1 million -- from conventional bank sources.

Asset-based lending

"We were considered overleveraged for a bank," said company president AnneMarie Leigh Austin, noting she and her husband had taken on a lot of debt to get the business going.

Working with financial consultant Asset Enhancement Solutions in Port Washington, Powertech got an asset-based loan, which is secured by a company's assets -- most commonly accounts receivable and inventory -- and generally carries higher fees or interest rates than traditional bank loans, said Neil Seiden, Asset's managing director.

Powertech initially secured a \$500,000 asset-based line of credit, which was extended to \$1.5 million in 2007. The line is up for renewal in April, at which time company officials said they will likely pursue another asset-based funding option, but they hope the company will be eligible for traditional bank financing within a year.



Seiden said that nationally asset-based lending has grown into a \$590-billion market.

But there are other options:

Family and friends. Companies like Waltham, Mass.-based [Virgin Money](#), which structures loans between friends and family, says it has seen continued growth in these kinds of deals.

Angels. These high-net-worth individuals are often willing to take a risk on a company they believe in, say experts.

Government-related sources. Thanks to the American Recovery & Reinvestment Act, Small Business Administration lending on [Long Island](#) grew from \$19.4 million in the first quarter of fiscal 2009 to \$28.6 million in the first quarter of fiscal 2010, according to the SBA.

This included loans issued through programs like the SBA-guaranteed 7a program, which provides funding up to \$2 million to small businesses, Goldmacher says.

It's administered locally by banks, credit unions and groups like the CDC, which lends up to \$300,000 per 7a loan. The CDC also offers a microloan up to \$35,000.

Microloan.

Diane and Michael Coppola, partners in FenceSerts in [Nesconset](#), got a microloan to secure inventory required by [Home Depot](#).com to sell their company's see-through decorative fence inserts on the national retailer's Web site.

"You have to keep an eight-week inventory," says Diane Coppola, noting that the microloan enabled them to do so.

Other non-bank financing options include the LI Targeted Industry Loan Fund that is administered by the LIDC in partnership with New York State and the U.S. Department of Commerce and makes loans up to \$250,000 for industries such as manufacturing.

The LIDC's LI Small Business Assistance Corp. loans provide funding up to \$10,000 for small businesses and those owned by minorities or women.

"They're options out there," says Garvin.

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