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Federal loan money heading to small businesses

Money for loans backed by the Small Business Administration that could be used for hiring and expansion had been delayed for weeks in Congress.



With his SBA loan, Jim Harper, co-owner of Anaheim Machine Products in Fullerton, plans to bring in two programmers and refinance equipment. (Don Bartletti / Los Angeles Times)



After months of frustration and delays, small-business owners in Southern California are finally getting long-awaited loans to hire new workers and expand their operations.

Money for loans backed by the Small Business Administration, but held up for weeks in Congress, is on its way. Just days after President Obama signed a \$30-billion-plus package of incentives for small businesses, Southland bankers, bureaucrats and borrowers are scrambling to nail down the final details and get the money flowing.

"This is a dream come true for me," said Pasadena rare-coin dealer Richard Heller, who spent much of last week driving around picking up documents so that his new loan could be completed. Heller is using a loan from Wells Fargo Bank to buy a tiny building in San Francisco so he can open a second shop there.

In Fullerton, Jim Harper is finally ready to crack open the stack of resumes that has been on his desk for months. He's looking for two programmers for his computerized aerospace machine shop, Anaheim Machine Products.

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"Right now, my partner and I are doing all the programming," said Harper, who is also busy lining up more work and managing the firm. A \$350,000 loan will allow him to refinance expensive equipment, he said. He figures that will free up \$10,000 a month to reduce other debts and hire the programmers.

SBA spokesman Christopher Lorenzana said the agency began making money for the loans available late Friday, and lenders say they hope to get the funds in the hands of their customers within the next few days.

Nationally, about 1,400 businesses waited all summer for the loans. Thousands more loans are expected to be funded by the end of the year.

The loans, which were authorized along with tax breaks and other incentives, will not solve all of the problems faced by small businesses in a rough economy, but experts say they're a key step.

Elizabeth Echols, the SBA's new regional administrator for the western United States, said increasing the flow of loans is key to addressing the single most important concern cited by business owners she has met — the incredibly difficult time they have had finding capital to buy equipment, hire new people or expand.

"In all the districts I've visited — in California, Arizona and Nevada — the No. 1 thing they have said is they need access to capital," Echols said. "This will help address that need."

The SBA is a federal agency that provides a number of services to small businesses, including backing for loans, information on how to start a business and advice on keeping a struggling enterprise afloat.

Some of the incentives passed by Congress last month — including increasing loan guarantees to 90% of what a borrower owes and waiving many expensive fees charged to borrowers on SBA loans — had already been part of federal economic stimulus programs.

But the money for those programs ran out in late May. Businesses that were approved for the loans had to wait in limbo until last week, when President Obama signed the legislation that started the funding up again. The law also set up a \$30-billion fund to encourage community banks to lend more to small businesses.

The news that money would begin to flow in the next few days came as a great relief to business owners — and their bankers, said Rachel Zippwald, a vice president of California Bank & Trust who specializes in SBA loans.

Many borrowers, she said, would have lost deals to buy property or equipment had the SBA not acted quickly to get its programs moving.

Roberto Barragan, director of the nonprofit lender Valley Economic Development Center, said last week that he expected to begin funding new loans in the next couple of days. It will mark a sharp turnaround from the summer, he said, when demand for SBA loans dropped in half after the federal supports dried up and clients backed out of \$20 million in loans.

In the West Adams neighborhood of South Los Angeles, Barragan's client Seth Cartwright plans to use the money from his new loan to expand his restaurant and bar, the Cork, into a building next door to his West Adams Boulevard location.

When he bought the place 11 years ago, Cartwright said, the Cork had just two employees. Now 35 people work in the 2,500-square-foot space, and Cartwright has drawn up plans for a separate dining room next door.

He acknowledged, though, that the wait over the summer hadn't hurt his plans much. Cartwright said it's taking so long to get his building permits through the city of Los Angeles' notoriously Byzantine planning process that when his loan comes through in the next few days, he still won't be able to start construction.

"It's like pulling teeth," he said.

Kent Peterson, who owns an engineering company in Long Beach with his twin brother, Kevin, said he has already swung into action on the remodel he is planning with his loan money.

Peterson had put off construction on his project to redo the offices of P2S Engineering as his loan — approved way back in the spring — languished while Congress bickered over the small-business-stimulus legislation.

"It's going to be a fantastic space when we're all done," said Peterson, who plans to make his offices more energy efficient, install a gym and create new windows in the building. "We're really looking forward to it."

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