

# The Atlanta Journal-Constitution

WEATHER

Cooler, rainy

High: 48; Low: 38.  
60% chance of rain.

Thursday: Mostly sunny, 49/35.

Friday: Wintry mix in A.M., 46/32.

Saturday: Mostly sunny, 45/24.



Details on the back of Metro

Wednesday, Jan. 5, 2011

Breaking news all day on AJC.com

## GEORGIA'S ECONOMY

### Small business loans surge in last quarter

Extension of Job Act credited with boosting lenders' confidence.

By David Markiewicz  
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The number and value of federal loans to small businesses in Georgia and across the U.S. soared in the last three months of 2010.

Loans in Georgia made through a U.S. Small Business Administration program offering 90 percent loan guarantees to lenders and eliminating fees for borrowing companies increased by nearly 52 percent.

From October to December 2009, 449 loans were issued; during that same period in 2010, the number of loans increased to 681.

#### More good news, A12

● **Auto sales rise:** U.S. auto sales sputtered back to life in 2010, and car companies expect them to keep climbing this year as the economy recovers and buyers grow more confident.

● **Factory orders climb:** Businesses ordered more factory goods in November, responding to stronger consumer demand for household appliances, computers and furniture.

The value of those loans increased by 142.6 percent, from \$220 million to \$533 million.

Signs of recovery have been seen in other business loan data, too.

As for the recent rise of SBA

Economy continued on A10

A10

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### Loans surge in quarter

#### Economy

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loans, they occurred during a period of economic recovery, "so more entrepreneurs had more confidence they could make a go of it," said Jeff Humphreys, the director of economic forecasting at the University of Georgia.

"It's a slow recovery, but it's a recovery."

Chris Callas, owner of Q Care, a residential and commercial cleaning company in Roswell, received a \$400,000 SBA

loan in December to buy land and build and renovate new facilities. He had been denied by lenders for conventional loans before turning to Cornerstone Bank.

"I've owned this business for years and was cash-flow positive [despite slowing sales] but the banks were gunshy about lending," he said. The loan is 90 percent guaranteed and Callas didn't have to pay \$12,000 in fees.

"It allowed the transaction to happen," Callas said.

Now, he added, his expansion will stimulate the hiring of construction workers and others building his new business quarters, further stimulating the local economy.

The latest figures are even more striking when compared to data from

the same quarter in 2008, when the economic recession took hold. For that three-month period, 224 loans were made through the program, valued at \$92 million.

The higher loan percentage guarantees and fee elimination were continued for the last three months of 2010 after President Barack Obama signed the Small Business Jobs Act, which extended those incentives.

Terri Denison, district director at the Georgia District Office of the SBA, said the surge in the number and value of the loans could be attributed to the improved incentives under the loan programs and to the nascent economic recovery.

"The point was to create a little more favorable environment in which

lenders would be willing to make loans," she said. "That would be kind of a way to get the ball rolling again."

She said about two-thirds to three-quarters of borrowers were existing businesses that operated in a diverse group of industries including professional services, construction and agribusiness.

The loans made under the SBA's programs from February 2009, when the American Recovery and Reinvestment Act was signed, through the end of 2010 carried 90 percent loan guarantees, up from 75 to 85 percent guarantees, and no borrower fees, instead of 2 to 3 percent fees on the loan amount.

Those enhancements were intended to prod reluctant lending institu-

tions to lend money to businesses, while allowing the borrowers to use money that otherwise would have gone to fees for their business.

Nationally, the SBA said it approved more than \$10.3 billion in loan guarantees in the last three months of 2010, which supported more than \$12 billion in loans. The guarantees were funded by \$505 million in subsidy funds provided during the period.

Funding for the higher guarantee/no fee loans has expired, although the SBA continues to offer its loan programs at the original rates and terms.

Charlie Crawford, chairman, president and CEO of Private Bank of Buckhead, said he expects some banks to pull back slightly on SBA lending as guarantees on

many loans return to 75 percent. Demand also could dip as the fees borrowers are charged are restored.

Meanwhile, demand for traditional business loans by companies of all sizes increased slightly in October and November, after steady declines for nearly two years, according to a December report by the Federal Reserve.

For Georgia-based banks, total business loans not backed by real estate have increased three straight quarters, according to FDIC data. Total commercial and industrial loans to companies of all sizes are up 6.2 percent to \$32.47 billion.

Those figures include loans inside and outside Georgia.

Staff writer Scott Trubey contributed to this article.