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Big red Xs mark vehicles
that could be cut. METRO, B1



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The Atlanta Journal-Constitution

Wednesday, April 21, 2010

WEATHER

Pleasant, sunny

High: 74; Low: 49.

0% chance of rain.

Thursday: Sunny, 78/50.

Friday: Partly cloudy, 81/57.

Saturday: Rain, 71/61.

Details on the back of Metro



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\$1

Bank loans available, if you know where to look

By Paul Donsky pdonsky@ajc.com
The Atlanta Journal-Constitution

How tough is it to get a loan these days? Ask Dave Gardner, who spent nearly two years trying to secure funding to build an animal clinic in Henry County with his wife, a veterinarian.

Eight banks turned down the couple's request for about \$1.8 million, including four lenders that appeared ready to make a deal only to back out at the last minute.

Gardner's luck finally changed last year, when The Private Bank of Buckhead, a 3-year-old company with a single branch, said yes. The clinic, called Mallards Landing, opened this month in Locust Grove, employing a staff of about 20.

"We were extremely worried, because every time we turned around, everyone was saying no," said Gardner. "They weren't saying no because our package looked bad, or our credit was bad. They were saying no because they didn't have the resources" to make the loan.

The clinic's saga is a stark example of how much the banking landscape has changed in just a few years. Not too long ago, banks competed fiercely to make loans amid a roaring economy. The recession forced many to rein in lending to protect dwindling capital levels, while also cutting loan demand from both businesses and consumers.

But lending hasn't stopped. Even in a horrid economy, and with banks being more selective, some businesses open and existing companies get cash to fund daily operations or launch new products. Families refinance mortgages or buy cars.

Banks don't publicly report how many new loans they originate each quarter, making it difficult to determine how much new lending is taking place. But they do tell regulators how many loans they hold each quarter, and that data shows that total loans at Georgia-

based banks fell 11 percent in 2009.

Still, even with the drop in overall loans, the Georgia Bankers Association said it estimates the state's banks made \$26 billion in new loans last year.

An Atlanta Journal-Constitution review of data that banks submit to federal regulators each quarter shows that about one-third of Georgia's banks had a larger loan portfolio at the end of 2009 than at the start of the year.

Many are small, young institutions like Private Bank that are not saddled with bad real estate loans, giving them more freedom to make deals.

The lending process, though, has changed greatly. Banks scrutinize borrowers more closely, require larger down payments and charge higher interest rates, experts say.

Lending has stiffened most for deals involving real estate -- the root of the current cri-



s. Business loans are also considered more risky given the still-shaky economy, making it tough for people like Gardner to get financing.

Dave Gardner watches his wife, Dr. Lisa Chambers, give Chewey a checkup at their new Mallards Landing Veterinary Hospital in Henry County. They went to eight banks before they got a loan. **Tips for pre-loan approval, A10.**

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Some lenders say they haven't toughened standards for certain types of personal loans, such as auto loans and home equity lines of credit. But lending is down in those categories as people focus on paying down debts rather than adding new ones.

Financing is available if you know where to look, said real estate investor Quill Healey. The firm he co-owns, HW Properties, recently got a loan to buy a 5-acre shopping center in the Atlanta area at a steep discount when the owner neared default.

"Generally, the banks that made it through [the crisis] relatively intact are the ones that are interested in lending money," said Healey. "There's a lot smaller number out there today, but you can still find a loan."

The multi-million dollar loan was financed by State Bank and Trust, formed last summer when a deep-pocketed group of investors took over failed Security Bank of Macon.

The big regional and national banks like SunTrust, Wachovia and Bank of America are making new loans as well, despite criticism from some politicians and pundits that they've throttled back too much.

Alabama-based Regions Bank, which has a large presence in Atlanta, touts its lending track record. A recent ad said the bank made 166,639 new or renewed loans in 2009 totaling \$65 billion.

Some of the new lending activity in Georgia can be traced to the popularity of Small Business Administration loans, which banks like because 90 percent of the risk is now covered by the federal government. SBA lending for the last quarter of 2009 hit \$219 million in Georgia, more than double the same period a year earlier.

Georgia credit unions are taking advantage of the crisis to muscle in on the small business lending market, an area of lending that credit union regulators didn't even allow until about eight years ago. The renovation of the



Dave Gardner and his wife, Dr. Lisa Chambers, began building a veterinary clinic with money from savings and credit cards. They finally got a construction loan from a small bank.

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downtown Macy's building into a restaurant and event space is being financed by a group of credit unions that banded together to offer business loans.

Gardner and his wife were just glad to find anyone to back their project

At first, the couple was so confident they'd get financing for their animal clinic and hospital that they began construction as they searched for a loan. As time dragged on, they burned through their savings and loaded up on credit card debt to move the project forward. **An SBA lender the bank had talked to suggested they reach out to Private Bank, which finally approved their loan.**

Upon hearing the news, "I think I cried," Gardner said

Private Bank's loans grew by \$50 million in 2009, to a total of \$128 million – a tiny amount in the world of banking, where loan volumes at big institutions are measured in the tens and hundreds of billions of dollars.

But the loans have had an impact on the local economy, helping a range of businesses open their doors, from an Irish pub in downtown Atlanta to a daycare center in Buckhead.

"We never slowed down lending," said Charlie Crawford, Private Bank's CEO.

The financial crisis has left borrowers with fewer places to shop, he said.

"Compared to a couple of years ago, we see less competition," Crawford said. "Part of that is bank failures. Part of it is there's a group of banks that are just not able to lend money right now."

Since 2008, 37 small Georgia banks have failed, the nation's highest total. At least half of the state's 300 banks are under regulatory enforcement actions and are trying to reduce the amount of loans they carry.

One Atlanta lender, Fidelity Bank, has billboards with the tagline: "Looking for a loan?" The bank has also doubled the size of its commercial lending department in the past

year.

"We are calling on everybody we can call on to stir up business," said Jim Miller, Fidelity's president.

Joe Evans, president and CEO of Macon-based State Bank and Trust, which also has operations in metro Atlanta, said his company is aggressively looking to make loans, with only limited success.

Many small businesses seeking loans have been hammered by the recession and are simply too risky to back, Evans said. Some of the loans being generated are not due to businesses growing but simply customers searching for a new home after their bank failed, Evans said.

"We don't see a lot of businesses in expansion mode," he said.

Bankers say it's difficult to say what kind of commercial borrowers they are looking for, other than those with good credit and a strong track record of success.

Types of loans that bankers like include financing for professionals like doctors and dentists to buy or expand their offices. These deals are viewed as less risky than deals for shopping centers and other properties that rely on rental income from tenants.

State Bank's Evans and Fidelity Bank's Miller say they're also interested in financing new home construction, though they're being cautious given the recent real estate meltdown. Few new homes have been built over the past few years, leaving an opening for modestly priced homes in closer-in suburbs and intown Atlanta, Evans said.

"Believe it or not, we've made a few construction loans recently," he said. "We think we've found a bottom in the single-family home market."

Pre-loan prep

The basics for asking a bank for money are having good credit, proving you have the income to repay the loan and having money for a down payment.

Once you're sure you really need a loan and have a plan for repaying it, here are a few tips.

- Before applying, get your credit score from all three credit agencies. Give yourself time to dispute errors. Get your scores free from AnnualCreditReport.com.
- A credit score of 700 or above will get you a competitive rate, said Bankrate.com's Greg McBride. It's tougher if your score is below 650.
- Pay down debt. In the world of lending, the best prepared come out winners.
- Build cash, if you have the money to place a down payment, you're less likely to default on a loan.

To improve your chance of getting a small business loan, ask yourself:

- Do you have a strong business plan that shows specifically what you'll do with the loan?
- Can you show how you'll make money that will go toward repaying the loan?
- What other assets do you have? A lender will want to know that if you default, there is something else it can fall back on.

Rana L. Cash