

Fed stresses loans

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Federal Reserve Chairman Ben Bernanke has stepped up his efforts to get banks to loan more money to small businesses.

Bernanke and other regulators have urged banks since February to boost lending to small businesses, and lawmakers have complained that small companies that want to take out loans are having trouble getting them.

"Making credit accessible to sound small businesses is crucial to our economic recovery," Bernanke said. "More must be done."

But one Southland banker says few small companies are financially qualified to get loans. And scores of others aren't even trying for fear they won't be able to pay the money back.

"At the end of the day, we'd all like to be able to lend money to small businesses because that's our bread and butter," said Timothy P. Walbridge, president and chief executive officer at Stellar Business Bank in Covina. "But the number of qualified buyers has fallen. When a company's profits are down, they've laid off people and they are in survival mode ... it's difficult to want to risk shareholder money."

Chris Thornberg, a founding principal with Beacon Economics in Los Angeles, said many of the businesses that are clamoring for loans are probably not performing well. And securing a loan wouldn't necessarily change that equation, he said.

"The question is, OK, maybe they can't get it, but why do that want it?" he asked. "Do they want it so they can make make money and hope it will tide

them over to better times?"

Thornberg said the number of Chapter 11 bankruptcy filings hasn't risen dramatically.

In the 12-month period that ended in March, he said, there were 15,251 filings nationwide - not that much more than the 11,477 that were filed during the year ending in March 2002 during the last economic downturn.

"So for all the problems we've had this time around - which is far worse than the last recession - the filings were up about 30 percent," he said. "That doesn't strike me as extraordinary."

In early May, the Obama administration sent Congress a proposal to create a \$30 billion support program to unfreeze credit for the nation's small businesses. The fund would provide support to banks with assets under \$10 billion to encourage them to increase lending to small businesses.

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The legislation has yet to pass in the Senate.

Many small businesses have said they are having a tough time getting loans from banks. But others say they simply don't need the loans.

"I haven't had to do that," said Brent Foes, owner of Foes Racing, a Pasadena- based business that makes bicycle frames and custom bikes. "We have some reserve to fall back on in case things get slow. And I have a line of credit through the bank, but I try to keep that at a minimum."

The disparity between large and small businesses has been one reason the recovery has not picked up and could even stall. Small businesses usually help drive job creation during recoveries.

The Associated Press contributed to this report.

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