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HOME > Business

Make the leap -- with a little help

Del.'s small businesses get more money from lenders

By TED GRIFFITH, The News Journal

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In the world of big business, a \$15,000 loan wouldn't merit much notice.

But, for small business owner Thomas Smith, \$15,000 meant the difference between survival and closing his doors.

The owner of Delaware Made General Store -- which sells Delaware-themed merchandise from T-shirts to mugs and tote bags -- recently relocated in downtown Dover.

The cost of moving, plus sales lost during the relocation, likely would have driven the business under if it hadn't been for a \$15,000 loan Smith received through Newark-based CTW & Consulting Associates.

"That loan could not have come at a better time," Smith said.

Increasingly, Delaware's small business owners are finding they're able to borrow small amounts -- which in such cases generally refers to loans of \$50,000 or less. The number of Small Business Administration loans of less than \$50,000 soared nearly 700 percent to 198 last year from just 25 in 2001, according to Jayne Armstrong, director of the SBA's Delaware District office.

Traditionally, banks have shied away from making loans below \$100,000 because small loan amounts were not seen as profitable.

"It's because of the economies of scale," Smith said. "The banks and other lending institutions could make much more from the \$100,000 loan than they could for the \$5,000 or \$15,000 loans."

But, as lenders ratchet up competition for the growing market of small business customers, the willingness to make small loans is increasing.

Lee Caparas, PNC Delaware's business banking sales manager, said his bank is courting small businesses by offering some customers loans of under \$50,000 that don't require collateral. The bank sees an opportunity to generate future loans as the business expands, he said. The small-dollar loans also allow businesses to establish a credit history, which will prove important when they later seek to borrow larger amounts, Caparas said.

Armstrong said that, as director of the SBA's Delaware office, she has pushed to increase the availability of loans under \$50,000. Armstrong said the availability of low-dollar-amount loans is key to fostering the growth of small businesses in the state.

Delaware has been seen by some as lagging the nation in entrepreneurship. The state recently ranked last in the Kauffman Index of Entrepreneurial Activity, which means that, in Delaware, fewer businesses are started per 100,000 residents than in any other state.



A loan let Thomas Smith relocate his Delaware Made General Store in Dover. [\(Buy photo\)](#) The News Journal/GARY EMEIGH



Noah Drummond, 30, of Bear, massages a client of his New Castle business, Noel's Mobile Massage. [\(Buy photo\)](#) The News Journal/JENNIFER CORBETT



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TO GET YOUR LOAN

According to the Small Business Administration, a loan proposal from a small business should include the following information:

- **Purpose of the loan.** Specifically what the loan will be used for and why it is

Greater availability of loans should allow more people in the state to start and maintain businesses, Armstrong said.

"Small businesses come in all sizes," Armstrong said. "A \$30,000 loan can have as much impact on one small business as a \$300,000 loan does on another."

The SBA encourages lenders to make loans to small businesses by providing a federal guarantee in case the borrower defaults. The lenders use their own money, but if the small business doesn't pay it back, the SBA will reimburse the lender for most of the amount of the loan.

In addition to the state's traditional retail banks, there are other sources -- both nonprofit and for-profit -- for business loans of under \$50,000. The Wilmington-based First State Community Loan Fund has two programs for small businesses: "microloans," which refer to loans between \$750 and \$15,000, and "business growth fund" loans -- loans between \$15,000 and \$50,000.

Vandell Hampton Jr., executive director of First State Community Loan Fund, said the average microloan is \$7,000, and the average business growth fund loan is \$34,000.

Hampton said his group recently established a partnership with the SBA to expand the microloan program. SBA is providing an additional \$250,000 in financing for the microloans and the SBA will help with marketing the program, Hampton said.

The Delaware Chapter of SCORE, which provides free counseling to small businesses owners, has established a partnership with Business Loan Express of Panama City Beach, Fla., to make loans of between \$5,000 to \$50,000 available to women- and minority-owned businesses in Delaware. The business owner first must complete free counseling with SCORE before applying for these loans, said Steve DeVeber, a counselor with SCORE in Delaware.

The interest on the loans is several points above the so-called prime rate, currently 8.25 percent. The prime rate is the interest rate banks generally charge their most creditworthy business customers. Although the loans are issued at a rate higher than the prime, the loans still are a good deal for businesses and cheaper than putting expenses on credit cards, DeVeber said. The average rate on a variable-rate credit card is 14.72 percent, and credit card issuers often charge rates above 20 percent, according to Bankrate.com.

CTW & Consulting Associates of Newark also makes loans of up to \$50,000 available through a partnership with two California Banks, Innovative Bank and Superior Financial Group, said Helen R. Foster, president of CTW. The loans are backed by the SBA.

In April, Noah Drummond got a \$5,000 loan through CTW and used it to start his own business, Noel's Mobile Massage, near New Castle. He used the money to cover expenses and buy a massage table.

Drummond, 30, said small loans are ideal for startup ventures such as his because they don't put too much of a burden on fledgling businesses.

"I wouldn't have wanted anything too large. This loan was what I was looking for," said Drummond.

Small loans are also a boon to established businesses, said Smith, proprietor of the Delaware Made General Store, which has been open for 17 years. Smith, 61, said small businesses throughout the state are feeling pressures -- including rising electricity rates -- making access to loans all the more important.

needed.

- **Amount required.** The exact amount you need to achieve your purpose.

- **History and nature of the business.** Details of what kind of business it is, its age, number of employees and current business assets.

- **Clear definition** of your company products and your markets.

- **Short statement on each principal in your business.** Provide background, education, experience, skills and accomplishments.

The Delaware Small Business Development Center (831-1555) and SCORE Delaware provide free help to small businesses in preparing loan applications.

WHERE TO GO

For more information about small business loans in Delaware, contact the following agencies:

FIRST STATE COMMUNITY LOAN FUND: 652-6774; www.firststateloan.org

SCORE DELAWARE: 573-6552 in New Castle, 678-1555 in Kent County and 573-6052 in Sussex County; www.scoredelaware.org

U.S. SMALL BUSINESS ADMINISTRATION: Delaware District Office, 573-6294; www.sba.gov/de

"You don't borrow money just because you can, but people should know loans are available," Smith said.

Contact Ted Griffith at 324-2880 or tgriffith@delawareonline.com.

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