

In the know

Industry, paperwork knowledge are key factors in facilitating SBA lending

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Will the real largest SBA lender please stand up? In newspaper advertisements, and in other media, lenders seem to fall all over themselves claiming to be the largest Small Business Administration (SBA) lender.

Largest in the state. Largest in the county. Largest government-guaranteed lender.

The question is: who is in fact the largest? And, moreover, why should potential borrowers care?

While SBA loans don't offer the lowest interest rates, the longer terms and fixed interest rates make them appealing to some. And for some borrowers, a conventional bank loan isn't feasible. With a portion of the loan guaranteed by the SBA, funds are available to businesses that might otherwise have trouble borrowing. But lenders and borrowers each need to wade through a little red tape to realize the benefits.

And experience navigating that red tape is key, according to Mike Kiser, the former Wisconsin district director of the SBA and a former banker who now heads up his own consulting practice — Small Business Advisors of Wisconsin, based in Pewaukee.

"It is important," Kiser said of SBA loan origination experience. "It is one of the factors that the owner should look at that would show the experience level a particular lender would have in using the SBA programs. You would have to look at the individual bank loan officers and their experience levels. You also have to look at the industry you are in and the experience that lender has in your industry. You even want to look at the financing need that you have and look at the level of experience that bank has with something on the level of your needs."

Kiser consults with business owners on their financing structure and, for an additional fee, helps a potential borrower find a suitable bank.

Bankers involved in SBA lending echoed Kiser's emphasis on experience with the programs.

"We did the 9th most 7A loans in the state. Since everything we do is in Waukesha County, logic would tell you that we are largest in the county," Waukesha State Bank Executive Vice President Ty Taylor said. "Despite the fact that it is a great program, it is

still a government program, so it is a complicated program."

"You do become more efficient and cost effective," said Russ Schuler, chairman of Wisconsin Business Bank, in Sheboygan. "Once you get the experience and have the centralized processing like we do, you can improve the turnaround time and reduce paperwork for the customer."

Even the sole SBA lender at US Bank's newly-created SBA department in Menomonee Falls brings to the job extensive experience. "I am busier than heck right now," US Bank Business Development Officer Jessie Hagen said. "I was hired to handle real estate financing using the SBA program, but we are now doing more non-real estate deals."

Hagen brought to the department, created in August of last year, nine years of SBA experience, including stints with Wisconsin Business Development Finance Corp., The Moneystore Investment Corp., and Associated Bank.

While levels of SBA lending by the new US Bank entity appear limited, Hagen said much of her activity is flying below the radar because she is also processing loans originating in other states.

"For every one deal you see, we might be doing 15 of them," Hagen said.

One dynamic that Schuler said is taking place is a trend toward smaller banks making more SBA loans than larger banks. There are a few reasons for that, he said.

"In the mid '90s, 70% of the SBA loans were done by the large banks, but now, 70% are done by smaller banks," Schuler said. "For instance, in 1995, Firststar did 340 SBA loans. Last year, they did seven. Some of this has to do with the SBA symposium. They have been doing a good job of getting the word out."



Hagen



Kiser



Taylor



Schuler

Schuler recalled a recent seminar on SBA lending that was attended by more than 300 bankers. But the ability of small banks to deal personally with borrowers is also an attraction.

"The fact that small to medium-size businesses like dealing in-person with the lender and the decision maker is significant," Schuler said. "Larger lenders do a nice job, but they are more centralized. They might be able to originate the loan, but then they have to send it off to Milwaukee, Chicago or St. Paul or some other centralized area."

That can add to the time it takes to get a loan approved, according to Schuler.

US Bank sends its SBA loans to San Diego for approval, but Hagen said that would not necessarily affect approval time.

"It depends on so many different factors," Hagen

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said. "It can take five days to weeks, and usually it is because things are very complicated or things change. I always tell people that the key to SBA financing is to settle on what you want and settling on a number, and not changing those things." SBA loans

In announcing the new SBA office last year, US Bank stressed that the Wisconsin market was underserved, and that massive potential exists for additional SBA loans.

"Given the economic situation we are in nationally and locally, and lending industry mergers, I think there is a huge potential for additional loan guarantees to be used," Kiser said. "When you look at the numbers by county, there are some counties that have a higher penetration by county than others. But there isn't a particular county where I would say SBA is saturated in that county or overused. You certainly don't see that."

According to Wisconsin Business Bank's Schuler, the potential is there, but SBA is not the only government program that can satisfy the need, particularly in Sheboygan County. Rural Development money, which comes through a United States Department of Agriculture (USDA) Business and

Wisconsin Business Bank ranks in Top 10 Rural Development lenders

Rank	Lender	#	Amount
1	First International	32	\$79,796,000
2	B&I Lending	15	\$49,580,000
3	Stearns Bank	7	\$39,480,000
4	BLC Commercial	11	\$38,765,000
5	First National Bank	19	\$37,546,344
6	Butte Community	13	\$24,165,000
7	Wis. Business Bank	7	\$18,350,000
8	Bank One	3	\$15,565,150
9	Branch Bank & Trust	10	\$14,763,440
10	First Bank	6	\$14,672,000

Source: USDA B&I Loan Office

Industry Guaranteed Loans program which targets businesses outside of cities or unincorporated areas larger than 50,000 in population, is one reason Schuler's bank can tout itself as the largest government guaranteed lender in the state.

"The Rural Development program will do \$25 million in one crack," Schuler said. "With the \$100,000 and \$200,000 SBA loans, you have to do quite a lot of them to match that. So when someone comes in and wants to do something more than \$1 million, we also look to Rural Development before we look to SBA."

Top SBA Lenders

2002 Fiscal Year to Date – October 2001 to June 2002
Institutions lending more than \$1 million to date

Bank	No.	Total
Wisconsin Business Development Finance Corp.	71	\$36,392,000
M&I Marshall Isley Bank	110	\$16,999,160
Associated Bank	93	\$14,329,000
Community Bank & Trust	53	\$12,500,608
Wells Fargo Bank	31	\$5,099,100
Business Loan Center	5	\$5,040,000
Baylake Bank	33	\$3,846,400
Hometown Bank	16	\$3,812,500
Waukesha State Bank	10	\$3,588,000
Investors Bank	3	\$3,202,424
Legacy Bank	13	\$3,002,787
First National Bank Fox Valley	16	\$2,936,500
River Bank	4	\$2,792,000
Firststar Bank	14	\$2,711,500
American National Bank Fox Cities	8	\$2,670,000
First National Bank in Manitowoc	13	\$2,426,300
Amcore Bank	13	\$2,374,350
Newcourt Small Business Lending Corp.	6	\$2,369,500
Bank One Wisconsin	23	\$2,220,700
Great Lakes Asset Corp.	5	\$1,854,000
Park Bank	15	\$1,675,300
State Bank of Chilton	5	\$1,671,896
Milwaukee Economic Development Corp.	3	\$1,660,000
Nicolet National Bank	2	\$1,630,000
Bank of Luxemburg	1	\$1,503,000
Middleton Community Bank	2	\$1,481,500
Peoples State Bank Wausau	3	\$1,453,000
First Business Bank Madison	7	\$1,416,947
First International Bank	1	\$1,405,000
Racine County Business Development Corp.	3	\$1,405,000
United Bank	2	\$1,352,750
First Banking Center	16	\$1,351,807
Borrego Springs Bank	1	\$1,250,000
Farmers & Merchants State Bank Eau Claire	1	\$1,100,000
Citizens Bank of Mukwonago	9	\$1,099,000
Wisconsin Business Bank	5	\$1,068,840
The Stephenson National Bank & Trust	1	\$1,046,000
Investors Community Bank	6	\$131,800

SBA lending to date has been affected by a soft market, according to Mark Maurer of Wisconsin Business Bank. The Sheboygan-based SBA lender approved \$9,473,000 in SBA loans in calendar year 2001, but for the fiscal year starting in October, the amount has barely crested \$1 million.

But other leaders from the 2001 figures are not as far off their marks of the previous year. M&I Marshall & Isley Bank approved \$11 million in SBA loans last calendar year and has already eclipsed that for the 2002 fiscal year. And Wells Fargo is well on its way to its 2001 total of \$7 million in SBA loans.

Maurer said the fact that his institution does a lot of construction lending might have something to do with it as projects are already under way in spring. He also stated that the process of deciding to go ahead with projects for 2003 has been slower than usual, pushing the approval cycle later in the year. The bank has also been working on projects out of state, including loans to businesses in the Upper Peninsula of Michigan and in Kansas. An uptick in USDA Rural Development lending may also be impacting SBA activity, he said.