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SMALL TALK

Small Signs That Small Business Lending Is Up

By **ANGUS LOTEN**

There are signs that more banks may be loosening the purse strings for small firms, as business conditions improve and as borrowers become more willing and able to take on debt.

Small-business lending hit a four-year high in November, according to the latest Thomson Reuters/PayNet lending index, for instance.

The total volume of small-business financing increased by 18% over the same period last year, and reached the highest level since Feb. 2008, its [latest data show](#).



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Fewer small firms were falling behind in loan repayments, with delinquencies of 30 days or more down five basis points to 1.5%, and "severe delinquencies" of more than 90 days down 1 basis point to 0.39%, according to the index.

Rohit Arora, chief executive of Biz2Credit, a small-business lending broker based in New York, says demand for loans from small firms is picking up as sales improve and businesses become more creditworthy.

But these are small signs at best. For some small firms, significant barriers to credit remain.

Bank of America Corp. is requiring some small-business owners to pay off their credit line balances in a lump sum, rather than monthly installments, or face higher interest rates – a move that appears to buck the industry-wide trend of easing access to credit for small firms.

According to this [story](#) in the Los Angeles Times on Monday, the move stems from a corporate overhaul launched by the bank's new chief executive Brian Moynihan, who has promised to "address losses caused by loose lending and rapid expansion by reining in risks and shedding investments deemed non-core."

Jefferson George, a Bank of America spokesman, told the Wall Street Journal Tuesday that the move impacted a "very, very, very small percentage" of small-business clients in a single lending portfolio that had lines of credit without maturity dates. More than 90% of those clients have

since renegotiated terms with the bank, he said. The bank currently provides lines of credit to more than 1.5 million small businesses, he added.

Access to credit tightened dramatically for small firms in the wake of the financial market crisis and a plunging in housing values. A study by Pepperdine University found that more than 60% of small-business loan applications last year were denied.

According to the National Federation of Independent Business, a Washington, D.C.-based small business lobby group, most small-business owners have either foregone seeking investment capital from banks due to weak prospects for growth, or simply given up trying after being rejected multiple times.

One in five of more than 500 small firms recently surveyed by SurePayroll, a Chicago small-business payroll firm, said they were planning to borrow to grow their business in the months ahead.

Still, [some caution](#) that ongoing weaknesses in the housing market, along with uncertainties about the federal budget and the Euro zone crisis, among other issues, could derail any renewed optimism among borrowers and lenders alike in the coming year.

"If there's too much uncertainty, no one will want to take the first step," John Paglia, a small-business researcher at Pepperdine University, says of kick-starting the cycle of credit, spending and growth.

Fred Graziano, head of regional commercial banking, government banking and small business at TD Bank, says while loan demand from small firms is getting stronger, it won't increase significantly until "there's more of a predictable environment."

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