

Loans fueling businesses

Increase in borrowing another sign economy in region getting better

By Erika D. Smith

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It was an opportunity Michael Simcox couldn't ignore.

A building just two-tenths of a mile from his business lay empty, ready for the taking. The bigger space was a chance for Express Furniture to expand its operations and stop paying rent.

The time seemed right for a move. The only problem was money.

So, Simcox applied for a loan and bought the Brittain Road building.

"It will allow our business to grow for years to come," he said.

Simcox isn't alone.

More and more small business owners are taking out loans to buy equipment, hire workers and relocate. Experts cite various reasons for the increase, from tax incentives to bank acquisitions. But whatever the cause, the effect could be further evidence that the nation's economic problems are on borrowed time.

"Lending is up significantly nationwide and I think that shows that things are bottoming out," said Gil Goldberg, Cleveland district director of the Small Business Administration.

Loan approvals are already ahead of the last fiscal year for the sprawling SBA district. And Summit is at the top of the 28-county pile.

Since Oct. 1, the SBA has cleared eight capital improvement loans for businesses in the Akron area. All of them came through Cascade Capital Corp., an authorized loan provider that's doing roughly double the business of its competitors.

Goldberg attributes the skewed results to Cascade's aggressiveness in Summit, Medina, Portage and Wayne counties. But the company's executive director said it's also something else.

"It shows that the local economy is improving," Bob Filipak said from Cascade's

Akron office. "Banks tightening their lending standards have also had an effect."

Certified development companies like Cascade act as intermediaries between banks and the SBA.

For example, a person who applies for a capital improvement loan, known as an SBA 504, will get half the funding from a bank and half from the SBA. However, banks provide the total amount for SBA 7(a) loans, which are generally smaller and used for hiring or soft assets, like lease agreements. Lenders count both as part of their business loan rates.

FirstMerit spokesman Jacques SirLouis said small business lending is "pretty much on track with last year" for the Akron-based bank. But Cleveland's KeyBank has seen an increase.

"Of our 24 districts across the country, we've seen the largest increase in small business lending in the Akron, Canton and Youngstown areas," said Eric Babbert, senior vice president for small business banking in KeyBank's eastern Ohio district.

He attributes the rise to the high number of bank acquisitions in northern Ohio. Business owners want to re-examine their options now that the players have changed, he said.

Different people cite different reasons for the increase in lending. But the real question is whether it will lead to jobs. Economist Ken Mayland said yes -- even in the next few months.

"I think the economy has reached the threshold where it will start getting jobs," said Mayland, of ClearView Economics in Pepper Pike. "Companies want to make sure the economy is on track before they buy new equipment. And the same is true for hiring."

Some economists have started to downplay capital spending as a sign of job creation. They say companies are buying high-tech equipment to delay hiring, contributing to a "jobless recovery."

Mayland admits there is some of that going on, but he said capital spending is growing so fast that it won't make a difference.

"Somebody has to run all those machines," he said.

Regardless of who's right, more positions should spring up in the Akron area because Cascade's loan programs are tied to job creation.

"A borrower must create or retain one job for each \$50,000 borrowed," he said,

“so the loans we approved represent more than 180 jobs in our region.”

Simcox, who used Cascade, already expects to hire more employees. Express Furniture's staff of 17 is struggling to keep up with the crush of new business.

“If it doesn't slow down, we're going to have to hire two to three more people,” he said.