

In N.J., Obama's SBA loan plan is a welcome idea

BY BETH FITZGERALD

NEW JERSEY BUSINESS experts welcome President Barack Obama's plan to ask Congress to extend Small Business Administration loans to refinancing commercial real estate loans on owner-occupied offices and factories.

Obama wants to broaden SBA's 504 program, now used for real estate and equipment purchases, to refinancing loans secured by those fixed assets. This requires legislation; right now, 504 loans can't refinance maturing debt.

Ira Lutsky, president of New Jersey's largest 504 lender, the New Jersey Business Finance Corp., in Fort Lee, said he is very much in favor of Obama's refinancing proposal.

"There is a lot of commercial real estate coming up for refinancing, and with the banks being more cautious, this will be very helpful," he said. He would like to see borrowers who have equity in their property be allowed to use 504 to both refinance and obtain working capital, and not just use it to refinance debt.

Alan D. Sobel, managing member of Sobel & Co., a CPA and consulting firm in Livingston, said he is actively exploring SBA loans for several clients.

"In all my years in business, I have never seen it as difficult as it is today for small businesses to obtain bank financing," Sobel said. "It can only be helpful" if the SBA 504 expansion gets through Congress.

Sobel said several of his clients have been told by their bank to find different lenders, even though they are making their loan payments on schedule. He said the issues involve the capital or collateral position of the borrower, or the bank may simply have decided they no longer want to continue making loans to certain industries.

"It is very hard to find another bank when you go to a bank and tell them that your lender has asked you to leave," Sobel said. He said none of his clients has had their credit pulled by their bank, but their borrowing costs have risen while they seek a new lender. He said about 40 percent of the business owners he works with have reduced or eliminated their salaries, and several have invested personal assets in their companies.

Jim Kocsi, New Jersey district director for the SBA, said if Congress approves the expansion of the 504 program, he expects to see increased use of the program, which is generally used for larger loans on real estate and equipment. Already this year, 504 lending in New Jersey is running 50 percent ahead of last year, he said. ♦



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