

Which lenders are most committed to small business?



By **JAN NORMAN**
COLUMNIST
THE ORANGE COUNTY REGISTER
jnorman@ocregister.com

Plaza Bank in Irvine had \$258.4 million in deposits as of June 30 and \$117.7 million in outstanding small loans to business, a loans-to-deposits ratio of 46%. In contrast, **California First National Bank**, an Internet bank based in Irvine, had \$281.7 million in deposits and zero small loans to business.

This contrast illustrates the wide range of commitment in small-business lending by Orange County-based banks, according to **MultiFunding LLC**, a national small-business loan adviser that combed through the Call reports for 7,000 U.S. banks to compare total deposits to loans of less than \$1 million to businesses.

(See the nearby charts of 20 Orange County-based banks and of the nation's five largest banks.)

Small businesses' inability to access capital has been cited as a reason for the slow economic recovery.

"In today's tough economic environment, there are banks making loans to small businesses," Kassar said. "The banks that are actively committed to small-business lending deserve all our recognition and support as they are focused on helping unemployment and regional growth."

Some reports count as small-business loans any that are made to companies with revenues of less than \$20 million, said MultiFunding Chief Executive Ami Kassar. "We've always contended that is not true main street lending activity."

Business loans of less than \$1 million are more likely to be made to truly small businesses, he added.

The Office of Advocacy within the U.S. Small Business Administration had a similar attitude, publishing an annual report based on business loans of less than \$1 million and of less than \$100,000 as measures of small-business lending.

Gene Galloway, chief executive at Plaza Bank, said, "We are totally focused on small-business lending, to manufacturers, distributors, professional services. We don't do any construction lending or land development. We're very targeted."

Kassar's company helps small businesses find the right lender for their needs and properly prepare applications in order to get loans.

"Smaller banks are usually more committed to small-business lending," he said. "The business models of the largest banks are not designed to accommodate small business lending very well. Small-business loans are not easy to do...A lot of small-business owners spend a lot of time applying for the wrong loan or with flawed financial information so they won't get the loan."

The nation's largest banks commit a tiny portion of their deposits to small loans to business, according to the Call reports. For example, **Bank**

of America is the largest U.S. bank by deposits - \$948.7 billion - and only 2.62 percent of it is in business loans of less than \$1 million. None of the nation's 25 largest banks commit more than 10 percent of their deposits to these small loans.

However, because the banks have a nationwide presence and such large resources, the amount committed to small loans to business is still much larger than small banks. For example, Bank of America has \$24.8 billion in business loans of less than \$1 million apiece and Wells Fargo has \$36.3 billion.

The nation's biggest banks tend to focus on companies with more than \$50 million in annual sales while community banks deal with businesses of \$500,000 to \$10 million in annual sales, according to Galloway.

"Smaller businesses get better service at community banks. They take more time; they need customized attention because every business is unique," he added. "My background was in big banks and it's 'paint by the numbers,' centralized decision making and credit scoring."

Even the Orange County-based community banks showed a wide range of commitment to small loans to businesses. In addition to Plaza Bank, **Pacific Enterprise Bank**, **South County Bank**, **American Security Bank**, **Sunwest Bank** and **Los Angeles National Bank** committed more than 23 percent of deposits to small business loans. But **Independence Bank** and **California Republic Bank** joined California First in committing less than 14 percent.

In a previous report, MultiFunding looked at banks participation in Small Business Administration-guaranteed loans. The nation's largest banks substantially reduced their SBA lending from 2006 to 2010. During that time, total deposits of the 25 largest banks increased 61 percent to \$5.8 trillion but their SBA loan volume declined 4 percent to \$3.6 billion. Pacific Enterprise Bank and Plaza Bank were among the 25 most committed to SBA loans as a ratio to total deposits.

In September, Kassar was unimpressed Vice President Joe Biden and SBA Administrator Karen Mills met with representatives of 13 major banks who promised to increase their lending to small businesses by \$20 billion over the next three years.

"The participating banks got a lot of positive press coverage," Kassar said, "but how do they define a small-business loan? Most include loans to companies with \$20 million in revenue and this doesn't help Main Street businesses."

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David Simkin, senior vice president; Gene Galloway, CEO; and Al De Grassi, senior vice president, from left, pose in the conference room at Plaza Bank in Irvine. The bank has a strong commitment to lending to small businesses. "Smaller businesses get better service at community banks. They take more time; they need customized attention because every business is unique," Galloway said.

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Here are data compiled by MultiFunding for the Orange County-based banks and their small loans to business as a percentage of total deposits:

- Plaza Bank, Irvine, 45.6%
- Pacific Enterprise Bank, Irvine, 44.1%
- South County Bank, Rancho Santa Margarita, 24.3%
- American Security Bank, Newport Beach, 23.7%
- Sunwest Bank, Tustin, 23.4%
- Los Angeles National Bank, Buena Park, 23.4%
- Commerce National Bank, Newport Beach, 23.0%
- CommerceWest Bank, Irvine, 22.7%
- Uniti Bank, Buena Park, 22.6%
- Premier Commercial Bank, Anaheim, 20.8%
- Pacific Premier Bank, Costa Mesa, 18.5%
- Orange Community Bank, Orange, 18.4%
- Commercial Bank of California, 16.6%
- Centennial Bank, Fountain Valley, 15.8%
- First Security Business Bank, Orange, 14.5%
- Pacific Mercantile Bank, Costa Mesa, 14.5%
- Orange County Business Bank, Newport Beach, 14.0%
- Independence Bank, Newport Beach, 13.7%
- California Republic Bank, Newport Beach, 10.8%
- California First National Bank, Irvine, 0

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Contact the writer: 714-796-7927 or jnorman@ocregister.com