
Small businesses face increased scrutiny in pursuit of funding

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Entrepreneur Steven Koepfel sees opportunity in these downtrodden days. But as he expands his established business, Scottsdale Jean Co., he says he's getting extra attention — not the good kind.

Koepfel's retail stores specialize in high-end denim, clothing and accessories for men and women. He opened his first store in 2006 in the Raintree Boulevard area of the Scottsdale Airpark, selling designer denim brands including 7 and For All Mankind. Last month, he expanded into the West Valley with a 6,300-square-foot store at the Park West Center in Peoria.

Koepfel said business is good and he's confident about his company's future, but vendors and bankers are looking at him twice.

"I am self-financing this expansion ... so on that end, I am fortunate," Koepfel said. "But we have been placing very healthy orders for the holiday season, and we have had to provide much more documentation."

While Koepfel hasn't been turned down for credit, he and many other small businesses are feeling the national crunch.

According to a 2008 National Small Business Association survey, 44 percent of small-business owners say they are using credit cards to help finance their operations, compared with just 16 percent in 1993.

Monique Howard, owner of Dessert Noir Cafe in Beaverton, Ore., is one such entrepreneur. Reached through an Internet query, Howard said she has been operating her small cafe with a degree of success in the heart of Beaverton's downtown since 2005. Business has dropped off significantly in recent months, however, and her bankers won't work with her despite her track record. In addition, she said, she recently was turned down by her credit card company for an additional \$3,000 credit line.

"I am in a serious bind," she said. "I am not currently generating enough revenue to cover my expenses and don't have access to working capital to get by in the meantime."

She is managing the issue by closing early and monitoring inventories. In addition, she has a full-time "day job" that helps her stay afloat.

Phoenix executive Robyn Barrett said small-business owners like Howard still may be able to find alternative funding, even in this environment.

"There is money out there, but you have to keep looking and know where to look," she said.

Barrett is the founder of **Factors Southwest**, a Phoenix-based firm that loans money to small and midsize businesses through a process called factoring. This option provides funding based on the creditworthiness of a loan applicant's clients. It offers fewer limitations, fewer restrictions and more flexibility than more traditional loans.

"I am looking beyond the borrower and looking at who they are doing business with," she said.

Barrett said instead of interest, her company charges fees based on the amount loaned. The company also provides the funding itself, often in less than five business days. She said her fees typically are higher than traditional loan fees.

While liquidity in the commercial markets is problematic, the U.S. Small Business Administration still is funding loans through commercial lenders, said Chris Chavez, the SBA's regional spokesman in Denver.

"We are still supporting business through our lending program. We don't do any direct lending, but do provide small-business loan guarantees through commercial lenders," Chavez said. "Creditworthy small businesses are still getting financing through our programs."

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