

Editor's note: Kathryn S. Erber, senior vice president and Petoskey market manager with The Bank of Northern Michigan, submitted the following guest commentary explaining current trends in small-business lending.

The economy may be creating 96,000 new jobs per month, but the country needs at least 100,000 net jobs every month just to keep pace with new job seekers entering the workforce.

With more than 740,000 people in the state already unemployed, Northern Michigan will have to lean on the collective innovations of individual entrepreneurs rather than wait for big industries to start hiring again.



Small businesses have been the perennial engine for creating employment and account for 67 percent of net job growth according to the U.S. Small Business Administration (SBA). But that engine is sputtering if a small business operator is treading the rough waters of this slow recovery because there isn't enough cash on hand. If credit is tight, hiring

employees is not even on the small business owner's radar.

Well-run businesses that had substantial cash reserves and great credit are now finding their liquid assets are very low or depleted because this downturn has lasted so long. To buy inventory, fund capital improvements and bring on summer staffing they are for the very first time checking out SBA programs. SBA loans could grow from 7 percent of all small business lending to as much as 15 percent this year, according to the Coleman Report. Indeed, the Bank of Northern Michigan already is seeing a record number of applications.

Ultimately the prospect of more sales is what drives entrepreneurs to hire. But the Obama Administration's focus on pumping stimulus toward small businesses could result in a firmer balance sheet and eventually a decision to post more help wanted notices. One program already available and providing quicker access to credit is the SBA Express Loan. This financing uses a simplified application and approval process which reduces processing time from weeks to about 36 hours.

A quick turnaround is particularly crucial this month because the federal government's waiver of SBA guarantee fees that borrowers pay, typically 2 to 3.75

percent depending on the loan size, will expire on Feb. 28. However, Congress is already proposing to extend that waiver through the end of the year as part of the upcoming Jobs Bill.

Loosening credit is not by itself the silver bullet for the economy's woes. But giving small firms the ability to meet their daily financial obligations could keep the country's most potent job creation engine open for business and ready to hire.