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## Lending a Helping Hand to Small Businesses

A common misconception regarding loans from the Small Business Administration (SBA) is that they are for businesses that do not qualify for conventional financing. Not true, says James Davis, president of Southland Economic Development Corporation, an SBA lender. In fact, a large percentage of Southland's customers are borrowers who could have qualified for conventional financing, but chose to use an SBA loan because the lower down payment allows the borrower to keep cash on hand for working capital and business expansion.

"With conventional financing, the borrower puts 25 or 30 percent down and the bank writes a loan for the remainder," says Davis. "With an SBA 504 loan, the borrower puts down just 10 percent, the bank loans 50 percent and the SBA loan provides the remaining 40 percent.

"Not only does the borrower keep most of the down payment, the smaller bank loan usually results in lower interest rates and better terms," Davis adds.

SBA 504 loans are designed to assist existing businesses with hard asset acquisitions, such as real estate, says Davis. "They're for the business that's expanding and needs a larger facility or is transitioning from a rented facility to a facility owned by the business." Since the 504 loans are considered an economic development program, businesses are required to create or retain one job for every \$50,000 borrowed.



**James Davis**  
President, Southland Economic  
Development Corporation

### Customer-Focused Service

Davis says many financial services corporations are staffed by salespeople who have to understand a wide range of products. "Southland is the opposite side of that coin," he says. "Our loan officers specialize in SBA 504 loans and only SBA 504 loans. So they understand every aspect of that loan process, inside and out. We run them through the entire gauntlet, from origination to closing to servicing. In

fact, our training process generally lasts two to three years."

This extensive training program was created when Southland made a strategic decision to look for qualities other than financial acumen in its employees, says Davis. "We knew that, with the right training program, we could teach people to work the numbers. So we hire people who are warm and gracious and can make borrowers feel comfortable with the loan process, people who are willing to go the extra mile to provide good customer service."

### SBA 504 Low Fixed Interest Rate Financing

Southland looks for specific qualities in its borrowers as well. While some SBA lenders focus only on loan quantity, Southland prefers to deal in quality. In fact, the industry average for delinquent loans is 3 percent but Southland's is under 1 percent. "When the SBA sets its nationwide interest rate each month, one of the factors considered is the level of loss in previous loans," says Davis. "So taking on risky loans can actually raise interest rates for borrowers who pay on time. We take great pride in the relationships we build with our customers. We'd rather do less volume and know we're doing our part to keep rates low."



400 North Tustin Avenue, Suite 375 | Santa Ana, CA 92705  
714-647-1143

[www.southlandedc.com/forbes](http://www.southlandedc.com/forbes)

### Unit Industries knows expertise is essential...

"Thanks to Southland's quick, responsive attitude and top-of-the-game SBA 504 loan expertise, we got the space we needed to expand."

— Anthony Codet, President and CEO  
Unit Industries, Inc.