



This Banker Made 1 Year Of Loans In 10 Days. He's Ready For Another Mad Dash Today



Get ready for another footrace, as struggling small businesses scramble to grab hold of a financial lifeline.

The federal government is restarting an emergency loan program for small businesses Monday, with \$320 billion. The program burned through its first \$349 billion in less than two weeks.

After complaints that some of that money went to big businesses or the preferred customers of big banks, lawmakers directed that a chunk of the new money be funneled through smaller, community banks.

That means more long hours for Edward Barry and his colleagues.

"It's like being in a pie-eating contest where first prize is more pie," said Barry, CEO of Capital Bank, a Maryland-based bank with about \$1.4 billion in assets.

During the first round of lending, Capital Bank made \$172 million in loans to 598 small businesses. That's about as much money as the bank would ordinarily lend in a year ... all in 10 days.

Barry recognized early on in the coronavirus lockdown that small businesses would be desperate for credit and that federal money for emergency loans would quickly run out. He urged his team to get ready in order to give the bank's customers a head start.

Capital Bank has a long history of working with both the Small Business Administration and mom and pop borrowers, so the bank could anticipate what the government would be looking for. Barry and his colleagues built their own loan application website before the government's rules were even finalized.

"We started to lay out end-to-end what do we think needs to happen, knowing there was a lot of empty boxes," Barry said. "We said, 'What do we think the answers are?' And write them in pencil or in chalk, and we'll write them in ink when the government gives us answers."

This process was more challenging because most of the bank's branches were closed. Barry and the rest of his team were working out of their homes.

"I have three kids at home who are online doing their schoolwork and I've got two dogs and my wife," Barry said. "When it gets really crowded or noisy here, I tend to do my conference calls walking around my neighborhood."

Barry pulled bankers off other projects to work with small-business workers who needed loans — often at night and on weekends.

That personal hand-holding made a difference to Jennifer Taxson, co-owner of a Washington business that sells light fixtures. She was forced to close her showroom last month and idle some of her seven employees.

"Working with our small local bank — knowing who to call, getting guidance without being prompted on how this process works — is a whole lot different than not knowing where you upload your documents, not knowing who you call, not hearing back from anybody," Taxson said.

While many customers at big banks were left hanging, Taxson's loan was approved in about a week. And since she's using the money to pay her employees, she doesn't believe she'll have to pay it back.

"We just received the funds and we will be bringing on everybody we've had to furlough or partially furlough," Taxson said. "Next week we'll have a full staff of gainfully employed people," though she noted some may still be working from home.

Barry said the biggest loan his bank made under the emergency government program was for \$5 million and the smallest was for \$2,500. The median loan was \$118,000, and the bank's typical small business borrower has about a dozen employees.

The average loan size for all banks in the emergency lending program was \$206,000, according to the SBA.

While some big banks drew complaints they were only lending money to preferred customers, about a third of Barry's loans went to people who'd never banked with him before.

The government is paying bankers both fees and interest to make these loans. But Barry said it also feels like an opportunity for banks to do their part to help those who are hurting.

"They're people you know — your neighbors, your friends, family members. It's your local restaurant, your local coffee shop, your pizza parlor," Barry said. "That's what keeps people working so hard."

Even after the first pool of emergency money ran out, would-be borrowers kept coming to Capital Bank. Barry and his colleagues stayed busy in recent days preparing those loan applications so they would be ready to file immediately when the program restarted. Once again, the money is likely to go quickly.