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Beyond the Banks

As traditional lenders get skittish, business owners turn to finance companies, factors, leasing firms, others; the costs can be high BY LAURIE JOAN ARON

HAVING GROWN HER BUSINESS STEADILY OVER THE LAST FOUR YEARS DESPITE THE recession, Dr. Catrise Austin simply assumed that getting a loan to continue the expansion of her dental office would be a snap. She was wrong.

When she approached her bank last spring for a loan to finance a larger home for her Manhattan practice, V.I.P. Smiles, Dr. Austin was flatly rejected. After other banks delivered identical verdicts on her $500,000 in revenues business, she turned to ADC Group Financial, a South Carolina-based finance company. Dr. Austin finally got her $200,000, but instead of her hoped-for bank rate of 6.5%, she ended up paying 9%.

"Sometimes you have to do what you don't want to do," sighs Dr. Austin.

With nervous banks slamming the door on more and more would-be commercial borrowers, desperate small business owners are turning in more costly directions. They are venturing into a vast thicket of nontraditional sources of funding, ranging from finance companies to asset-based lenders, factors and leasing companies—and in many cases are paying dearly for the detour.

"Banks are putting the squeeze on their clients to settle their outstanding debt," says Frank Corso, president of an eponymous consulting firm in Jericho, L.I. As a direct result, last year his business of advising

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