

EXPANDING SMALL BUSINESS FINANCE SOLUTIONS

BY P.D. MEHIGAN

Small businesses play a vital part in the American economy. They employ over half of all U.S. workers and generate the bulk of GDP, according to the Small Business Administration (SBA).

Yet while many large corporations have benefited from improved access to capital this year, small and medium-sized businesses continue their struggle to find financing solutions that can help them thrive and, in turn, help the economy grow.

A September study of 7,502 small businesses by Pepperdine University's Graziadio School of Business and Management found that over the past 12 months fewer than half—just 44.5%—of small business loan applications were approved by banks. “Taking 16 to 24 hours away from minding the store to pursue a loan can be extremely detrimental to any small business, especially when the odds are not in their favor,” says John Paglia, the professor who led the study.

Recent research by the SBA finds that access to capital remains one of the central concerns of businesses, even though three years have elapsed since the financial crisis began. “Small businesses in any environment often have to work to have access to capital. That has been exacerbated as the economy has tightened—a lot of credit isn't as available as it had been in the past,” explains Bill Glenn, President, Global Merchant Services at American Express.

New American Express Program Provides Vital New Financing

To address the lack of financing options for small and medium-sized businesses, American Express has



rolled out American Express Merchant Financing. This new financing tool provides quick and straightforward access to cash for business needs. Effectively, this gives small and medium-sized companies access to the type of cash-flow-gap financing that large companies have always enjoyed.

The American Express program provides for monthly or annual loan disbursements based on anticipated customer payments with American Express cards. Small businesses that

meet basic criteria of having \$100,000 to \$10 million of American Express charge volume annually for at least two years and have no prior account delinquencies can take a loan against that anticipated charge volume. Under the monthly option, businesses can take 12 monthly loan disbursements of up to \$500,000 each.

Businesses get paid at the start of the month, with the loan repaid by month's end from American Express charges. Currently, the interest rate is 0.5% per month with no other loan fees, according to Glenn. Similarly, the annual option carries a 6% yearly interest rate and allows for the business owner to take up to 25% of annual American Express charge volume, up to a \$750,000 loan limit, which is repaid by year's end from charges. Perhaps the best news of all to cash-strapped small businesses is that American Express can provide cash within three days of enrollment in the program.

“We know from the pilot we ran earlier this year that this is a viable program,” adds Glenn. “We're really excited about the prospects in terms of growth and the value we are delivering to these customers.” ■

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