



Chris Reilly, President, CIT Small Business Lending

The Importance of Financing Small Business

Elliott Forrest: Elliott Forrest: Welcome to CIT's 5 Minute Capital. I'm Elliott Forrest. In this episode we welcome Chris Reilly, President, CIT Small Business Lending Corporation. Thanks for coming in.

Chris Reilly: Great to be here Elliott.

Forrest: Let's talk about the brief bankruptcy and emergence from that right at the top. How has that affected your business?

Reilly: Well, clearly it was a big challenge for us. But what was amazing was the enormous support we got not only from our customer base but also from the industry at large. And what a lot of people don't know is that we continued to lend before and during the bankruptcy. We're a 101-year-old company. We serve a very important niche and we have a very loyal customer base who needs us.

Forrest: Smooth sailing from here on out? Positive about where it is going at this point?

Reilly: We have a lot of customer support and there are some things that are happening on the legislative front that could be very helpful to small business.

Forrest: Can you define what the Small Business Sector is?

Reilly: There's a lot of different definitions of what constitutes a small business, but I would say it is a company that has an employee base of less than five hundred and revenues of less than 15 million per year.

Forrest: How important is the small business sector to the US economy at this point?

Reilly: Small businesses are the backbone of the US economy, and also the source of innovation in this country, and so it is very important for small business to rebound if our economy is going to rebound and we are going to be able to get the unemployment rate down.

Forrest: So catch us up. What's the current state of the small business sector, particularly?

Reilly: I think it's still very challenging, and directly related to access to capital. Larger corporations, their ability to access capital is starting to normalize. But small business is still struggling to get funding for their business operations

Forrest: Why is that?

Reilly: The real estate and inventory that they typically would need to put up as collateral against any new loan has deteriorated pretty significantly in value, so a lot of lenders just look at the space and they just feel it is too risky. The stimulus initiatives were pretty focused on big business. So I think there's a lot of pressure right now on Congress to focus on small business because everyone realizes that there is no way we are going to be able to deal with the rate of unemployment, unless we can help small business rebound.

Forrest: Are banks just a little shy at this point?

Reilly: You know, 53% of all small business start-ups fail within the first three years. So small business, in and of itself, is a riskier venture for lenders, and that's why it's very important to know what you're doing. And that's what we are good at, at CIT. We are a specialized lender. This is our niche. We're focused on small business customers. We think we're very good at understanding the needs of our customers and evaluating the associated risk. And so lenders need to have that confidence, because with scarce liquidity and precious capital, they want to make sure they can get an acceptable return on that capital.

Forrest: So what are the positive trends? Where is the money going for small business right now?

Reilly: There's a lot of emphasis right now, in industry and on Capitol Hill, that's focusing on the needs of small business. Take the Small Business Job Creation and Access to Capital Act of 2009. We strongly support this legislation and there is broad consensus in the industry quick passage of this bill is going to be necessary to help small businesses and our economy rebound in 2010.

Forrest: With or without the legislation, are you already seeing some loosening of lending to small business at this point?

Reilly: Yes, demand is definitely on the increase. Recently, we announced that in 2010 we were allocating up to 500 million dollars in funding for small business. We also announced that, as a thank you to our customers for their loyalty and support, preceding and during bankruptcy, we were going to waive the packaging fee on all new loan applications for a 90 day period, and we are already seeing the results of that program in increased application flow. So we are very excited about that for 2010.

Forrest: Any advice for an existing small business to be able to find some capital and keep going in this challenging time?

Reilly: I think my advice to small business right now would be: focus on what you do best. Because what we have seen is that management experience has been a key differentiator in today's marketplace, to help get small business over to the other side. Small business owners should also focus on getting to know their lenders and developing a strong working relationship with the

lender, a lender like CIT who knows the SBA space well so that they have a partnership in good times and bad.

Forrest: CIT and Forbes has partnered several times over the last year or more for a couple of different studies. There's a new one coming out in a month or so. Can you give us a little sneak preview of what we will find in this new Forbes study?

Reilly: The study is examining how small business owners and entrepreneurs are navigating through the current environment and it provides an outlook, or their outlook, for 2010. The preliminary findings are pretty intriguing. For example, 90% of our respondents agreed that the current economic stimulus has not benefited small business. So there is a lot more work to be done there to get things back on track.

Forrest: We'll look forward to the full study when it comes out. Chris, thank you so much. Chris Reilly, President, CIT Small Business Lending Corporation. And thanks for listening. Log into 5MinuteCapital.com for more. I'm Elliott Forrest. This has been a production of CIT.



Chris Reilly is President of **CIT Small Business Lending (SBL)**, which has provided billions of dollars in loans to thousands of entrepreneurs nationwide to help them grow their businesses. CIT Small Business Lending remains a top-tier **Small Business Administration (SBA)** lender to women-, minority-, and veteran-owned small businesses, and is a leader in commercial real estate purchases and new construction financing for owner-occupied properties. SBL has approximately 7,000 customers, and services a portfolio in excess of \$3.5 billion.