

Published based on [More Problems for Small Business Finance Programs](#)

More Problems for Small Business Finance Programs

Based on what has been seen and reported, it is reasonable to wonder if commercial banking has more big problems lurking in the wings. For at least a year, banks have been experiencing both negative operating results and poor publicity. The [commercial mortgage loans](#) activity reported by most banks tells a different story than the portrayal as healthy and normal by bankers and politicians. The financial results have been questionable after banks have worked hard to solve their massive problems involving residential loans.

Unfortunately one problem will lead to another, as is common with complex circumstances. An increasing number of small business loan defaults will be the most likely result of failure to obtain normal [commercial financing](#). Prudent business owners should begin to take action now in a timely manner to avoid such negative consequences. With proper actions, the biggest small business finance problems can be anticipated and avoided.

Based on a number of business financing statistics, commercial lending to small businesses is already on life support. Without government bailouts, commercial banking companies would have failed some time ago in many cases. Even though that outlook is bleak, this report will provide an even more negative analysis for small business finance services. Overall it currently appears that commercial loans and [working capital finance](#) represent the next big problem for banks and other lenders.

Several banking problems have resulted in significant negative publicity during the past year. These difficulties were largely related to the rising number of home foreclosures which in turn caused a ripple effect involving various investments tied to home loans. The questionable bank investments became known as toxic assets after losing much of their value. The federal government provided bailouts to many banks to help them to keep operating when banks stopped making many loans that included small business financing. The banks have seemingly been hoarding these taxpayer-provided funds while most would argue that the bailouts were made with a specific understanding that normal lending would resume after receiving the funds. By almost any objective standard, commercial lending activities have all but abandoned small business finance needs.

Small business financing appears to already look like the next big problem based on commercial finance statistics recently released by many banks. The general decline in commercial real estate values during the past several years is a major factor in this conclusion. Because many large commercial real estate owners could not make their commercial mortgage loan payments or refinance business debt, this has resulted in some significant bankruptcies. The resulting bank losses are clearly having an impact now on commercial lending to small business owners even though these difficulties were primarily happening with large real estate owners and did not usually involve small businesses.

If recent events are any indication, the banks themselves will not be very forthcoming about problems with their commercial lending practices. At a minimum, small business owners should have a candid discussion with a small business finance expert to determine how exposed their business might be to the developing problems with commercial banking. To best ensure that they obtain adequate small business loans for their business in the face of serious banking problems, a healthy amount of caution and skepticism is in order for commercial borrowers. For many small businesses, the most objective business financing expert is not likely to be their current banker.