

Senate Democratic Policy Committee

**“Removing Barriers to Job Creation:
Are Banks Lending to Small Businesses That Are Ready to Hire?”**

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Good morning Chairman Dorgan, Assistant Majority Leader Durbin and the other distinguished members of this panel. My name is Alicia Lingenfelter, and I am an owner of 4D Equipment & Services LLC (4D), a small, successful, woman-owned, Dallas-based concrete truck leasing company. I would like to thank you and the Senate Democratic Policy Committee for providing us this opportunity to discuss the current credit market and its impact on small businesses and job creation. Joining me today are two of my business partners, Dena Bartnicki and Stephanie Colovas. Our fourth owner, Helen Chandler, is unable to be here today because of other professional commitments. While I will be speaking to you today, Dena, Stephanie and Helen are very much a part of this testimony.

4D is currently seeking to expand and vertically integrate its construction-related investments by opening and operating an aggregate plant in southeast of Austin, Texas. Today, I will be speaking about the challenges we have had accessing credit to finance this opportunity, which would impact more than 100 jobs during construction and maintain 14 full-time jobs once completed. Unfortunately, while the elements and details of this testimony are specific to 4D, our story is not unique. Rather, it reflects the issues and barriers that many other small businesses face as they attempt to expand and create new jobs in this difficult economic environment.

In 2004, before 4D was formed, the four of us were approached individually to consider an investment opportunity to help capitalize the start-up of a small ready-mix concrete company near Austin, Texas. The ready-mix company was very successful, and less than two years later, our new partners approached us again, seeking additional capital to expand their company. Specifically, they needed capital to purchase additional concrete trucks. Enthusiastic about the growth of the company, we were eager to invest additional capital, but we began to consider a different investment strategy.

We decided to form our own company with the objective of purchasing the concrete trucks and leasing them to our ready-mix business partners. This allowed our ready mix company to not only increase capacity, but helped to create new jobs in the community.

As a new company one of our first actions was to apply for and receive the Women Business Enterprise (WBE) and Historically Under-Utilized Business (HUB) certifications and to identify avenues of expanding 4D where those certifications would be valued and could be implemented. In early 2009, Dena and I began meeting with the owners of the ready-mix concrete company to discuss the best possible way to grow all of our businesses and to increase our presence in the marketplace. After much planning and due diligence, we determined that we should vertically integrate 4D in the construction industry by opening and operating an aggregate plant. Essence, we would expand our business to mine the gravel and sand needed for nearly all construction projects.

Based on our research, if we are able to get off the ground, we believe 4D would be the only women-owned and -operated aggregate company in Texas. With our designation as a women-owned and -operated business, we anticipate that we will be able to provide aggregate and sand to our ready-mix concrete partner and to also participate in local, state and federally

funded construction projects that have minority and/or women-business-enterprise participation goals.

Once we finalized our strategy to vertically integrate, we put together a thorough business plan that included interviews with major construction contractors who work on private sector and public sector projects at the local, state and federal level. During those interviews, we assessed the interest and willingness of those primary contractors to work with 4D as a WBE partner. We also met with city personnel and discussed helping them meet their WBE participation goals. All of the discussions and meetings netted an extremely positive response with some potential partners asking us how quickly we could become operational. With our research completed, a fully-vetted business plan finished, a thorough understanding of our business expansion, strong creditworthiness in our favor, and personal capital to contribute to our venture, we started exploring financing opportunities.

Our business plan seeks \$3.3 million, of which approximately 95 percent will go to the acquisition of land, equipment, and the work needed to establish the mine and make it operational. If funded, work would begin immediately and the mine could be opened in six months, during which time an estimated 104 persons – electricians, welders, plumbers, heavy equipment operators, factory technicians, and manufacturers – would be employed. Once completed, 4D would hire and sustain a minimum of 14 full-time employees, mostly skilled workers such as heavy equipment operators as well as experienced plant staff. Over time, as demand dictates we would add more employees.

We began our search for financing by using resources at the Southwest Women's Business Council (SWBC) and the Fort Worth Business Assistance Center (FWBAC) to assist us in understanding our options, particularly the SBA lending programs. We were able to

determine that the SBA 7(a) and 504 loan programs were not only the best options for us but that we also personally met all of the qualifications as a possible recipient. After determining our financing strategy, Cheryl Jones, at FWBAC, used her long-term banking relationships and extensive experience to make introductions to banks who would most likely consider our business expansion.

To date we have discussed our business plan with four banks: Chase, Frost Bank, Wells Fargo, and BBVA Compass. Unfortunately, despite our creditworthiness and the soundness, thoroughness, and likely success of our plan, we have not yet been able to secure financing for our expansion. The explanation: banks are not lending and our needs exceed SBA loan limits.

- **(Chase Bank)** – Even though they were impressed with our business plan and we are a customer in good standing, Chase Bank a –TARP- recipient would not take a meeting with us. Ironically, we received our original start up loan from them. Yet, when we approached them about the aggregate plant, they stated they are not loaning any types of money, including SBA 504 or 7(a), for start-ups in the construction market.
- **Frost Bank of Texas** met with us, but after taking several days to consider our proposal, they declined to even vet us because, as an internal policy, they too are not making any loans, including SBA loans, on businesses they consider start-ups or that are linked to the construction industry.
- **However, Wells Fargo** – also a TARP recipient – has met with us and has expressed enthusiasm for our plan. They are interested in funding our SBA loan, however, given the limits that currently exist on the 7(a) loan, coupled with internal restrictions on the 504 program, Wells Fargo indicates that they will not be able to fund our start-up costs in their entirety for two reasons: first, the loan amount we are seeking currently exceeds the \$2

million dollar SBA 7(a) loan limit, and, second, Wells Fargo imposes an internal restriction that does not allow them to fund any type of construction, under the 504 program. The restriction on construction funding means, essentially, that Wells Fargo could help us *purchase* our plant and pre-fabricated office and shop equipment but would not be able to provide the funding necessary to *construct* the plant or office that would make the plant operational. Wells Fargo further explained that, optimistically, if the SBA 7(a) limits were to be raised, as suggested under S. 1832, sponsored by Senator Mary Landrieu and co-sponsored by you, Chairman Dorgan, as well as others on this panel, they would be able to cover all the funding we seek (subject to their standard investment committee approvals).

- Last but not least, we are in the beginning stages with **BBVA Compass Bank** and they seem interested enough to give us an opportunity to meet with them and tell our story.

Although we have received overwhelmingly positive feedback on the merits of our business plan as well as our business acumen and financial credit, banks are still not lending. If it continues, we risk missing a window of opportunity to expand our business and to provide jobs in the area. This leads us to ask: If we can't get funding, who can? Moreover, how long do we have to wait? Lastly, if businesses like ours cannot get funding to expand, and create jobs, what will be the long-term impact on the local and national economy?

While the unemployment rate in Texas is lower than the national average, it is still significant. The area that surrounds our proposed plant is a small-town community where job opportunities are not readily available but greatly needed. The owners of 4D Equipment & Services want to meet the community's needs and the needs of our nation. I do not believe that it is an overstatement to say that our small business can create the kind of ripple effect that is needed to create jobs and revive the nation's economy. The ripple effect starts with an

entrepreneurial spirit, a great idea, a willingness to risk a large part of your life's savings and a clear understanding of how one small company can really make a difference, if given the chance. Thus, as this panel considers measures that would free up credit for small businesses, we ask that you remember that small businesses are the engine of our economy; *we are* the ripple effect that will create growth and ongoing opportunity throughout our country.

We thank you for your time and for allowing us a voice in this venue. It has been an honor to be a part of this hearing.