February 7, 2020

Dear Chair Lively,

My name is Will Cervarich. I'm an owner at betsy & iya LLC in the city of Portland. We've been in operation since 2008. betsy & iya designs, manufactures, and sells fine and fashion jewelry online, in our Portland brick & mortar store, and at wholesale across the country. We are majority woman owned and almost entirely bootstrapped with the exception of two tenant improvement loans we've been able to secure. We employee around 16 full-time people, provide 401k and employer sponsored health insurance, pay well above minimum wage, and have grown every year of our 12 years in business.

I am writing today in support of HB 4033. I have included my own access to capital story below and am writing to advocate for other entrepreneurs and small business owners like me.

We had a particularly terrible time getting financing for our recent tenant improvement project we completed in 2018. As our loan was eventually approved, it wasn't that we didn't have access to capital, but boy, did it hurt getting there.

We started the process with a lender who'd previously lent to us for our first tenant improvement project. That first loan was paid in full and on time prior to our most recent application. Our first loan was only secured by business property and inventory. The full amount of that first loan was $90k. We were probably half as big then as we are now (gross revenue). It was approved and funded in a few weeks.

When we decided to move our operation to expand and accommodate increased demand, we began talking to that lender very early on, sharing current financials, discussing the reasons for our business relocation and expansion. They were up to speed on every detail of our decision and they made repeated verbal assurances we'd be approved once the application was submitted to underwriting. But when they submitted to underwriting, we got a hard 'No.' We had to switch lenders late in the process when we were told the first lender wouldn't make loans based on projections, but rather they required our historical cash flow support prospective loan payments. Why this didn't come up months earlier in the process, I still don't understand.

We'd already signed a 5-year lease, paid lawyers to negotiate and review it, paid an architect to draw up plans, and we were soliciting bids from contractors based on those verbal assurances from the first lender. Real money was on the line if we weren't able to finance this project. Not finding financing could have devastated our business.

We scrambled to find a new lender. We had no history with this new lender, but at least they considered loans based on revenue projections. This recent SBA loan ended up being $350k (we wanted more, but we made it work). It took three months of hard work with the new lender to get approved. That whole time, the clock was ticking and our construction was stalled. We lost tens of thousands of dollars paying two rents longer than we'd expected to, not able to leverage the expansion for increased revenue until months after we'd anticipated, and forced to focus on jumping through hoop after financial hoop instead of on running and growing our business.

Our current loan is secured by business property and inventory; we've got a lien on our house, making refinancing or selling difficult if not impossible until our business loan is paid off; we had to make the bank a beneficiary on my partner's life insurance policy, and we personally guaranteed the loan. All said and done, it took almost a year to get the financing done when you look at the whole process that began with one lender and ended with another. I understand the banks are only responsible for 15% of an SBA loan value in the event of default. The question I've asked myself is: why was this so difficult when the bank is responsible for less if we defaulted on this SBA loan than our first non-SBA loan of $90k ($52,500 = 15% of $350k). We were bigger, had more cash on hand, larger assets, more history, have been profitable and growing every year of business, and we were *less* of a risk to the lender for our second loan than our first... Why was it so hard this time?

While I'm pleased we were eventually funded by this second lender, I feel the personal encumbrances and guarantee we were required to make were unduly burdensome to us personally and I still struggle to understand why a customer in good standing was turned away by lender #1.

Thank you for your consideration of HB4033 which closes the current funding gap allowing lenders to take a calculated risk on hard working small business owners like myself who may not have the collateral to secure a traditional loan.

Sincerely,
Will Cervarich

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