

Lizzie Rosso: Small businesses are the key for island's economic recovery and growth

New Economic Development Bank president focused on reducing time for loan approvals, cutting down loan delinquencies and assisting start-ups

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New Economic Development Bank President Lizzie Rosso sees small- and medium-size firms as key components of the Fortuño administration's plan to spur economic growth once the local economy recovers from the grips of this extended recession.

The EDB's recently announced Loan Guarantee Program for Small Businesses, is at the core of the administration's \$500 million *criollo* stimulus plan, of which \$180 million, or 36%, has been aimed directly at assisting struggling, but viable local small businesses.

"From all the programs available from the central government, the EDB's loan guarantee program is the most focused on helping small- and medium-size businesses," Rosso said during an exclusive interview with CARIBBEAN BUSINESS. "Small businesses are the island's largest employers."

The \$180 million program is aimed at providing loan guarantees to local banks so that these in turn can provide working capital loans to struggling businesses at immediate risk of reducing or closing operations for lack of liquidity.

POTENTIALLY IMPACTING 8,000 JOBS

"Through the EDB, local participating banks will be able to loan up to \$414 million, impacting approximately 8,000 jobs, assuming a \$50,000 loan average," Rosso indicated, adding job retention and creation are top priorities for the Fortuño administration.

The EDB president is confident the amount allocated for the loan guarantees will be sufficient, as not all small businesses are confronting financial difficulties.

"Some businesses are doing well, have made their adjustments and have enough reserves to weather the storm. Obviously, there will be some businesses that won't make it and that's why we want to make sure we guarantee loans to businesses that have a repayment capacity," said Rosso.

The program will be managed by the EDB in a joint effort with participating local financial institutions including FirstBank, Banco Popular, BBVA, Santander, R-G Premier Bank, Eurobank, Oriental Financial Group, Westernbank and Scotiabank.

Under the program, local commercial banks will issue new working capital loans of up to the \$250,000 maximum per company, based on the number of full-time employees, at \$5,000 per employee (50-employee maximum). Part-timers and contract employees will count for purposes of the loan, Rosso indicated.

Loans will be issued to natural and juridical persons, including corporations, societies,



Economic Development Bank President Lizzie Rosso

cooperatives, profit and nonprofit organizations dedicated to commerce, agriculture, manufacturing, tourism and related services which have been in business at least a year.

"These loans will be issued by local banks and not by the [EDB] and can only be used for working capital purposes [payroll, suppliers, etc], meaning they can't be used to pay off existing loans or lines of credit with local financial institutions," explained Rosso.

The loans will have a payment term of seven years (versus the usual five) and will only pay interest during the first 12 months. Beginning with month 13, businesses will begin to pay principal plus interest, with no penalty for early repayment. There's an initial charge of 3% to the issuing bank on the amount of the loan (for the guarantee).

The EDB will guarantee the loan 100% the first year, and the percentage of the guarantee is reduced gradually in the six subsequent years until the EDB's loan guarantee reaches zero.

"Basically, we are sharing the risks of these loans with the commercial banks. The idea is that commercial banks further develop that relationship with their customers by providing these working capital loans guaranteed by the EDB," said Rosso.

Rosso is in talks with local cooperative banks to get them into the program, confident they are best suited to help very small businesses and the self-employed.

The participating banks will process the application according to their own protocol and if approved by the institution, the paperwork is then sent to the EDB for final processing of the loan guarantee. The EDB, noted Rosso, has made the commitment to process these loan guarantees in 10 working days.

The EDB has designated a 10-member committee to evaluate the final loan guarantee decision.

"The approval committee will probably be meeting every day including weekends to evaluate these cases," said Rosso.

FOCUS ON 3 AREAS TO IMPROVE EDB

Rosso indicated there are three main areas in which she is currently working to improve the EDB's services. One of them is to shorten the time it takes the bank to approve a small-business loan estimated at six months. ■

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