

600 N.C. Jobs Saved Through Federal Stimulus Loan

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WENDELL, N.C. (AP) — More than 600 people in Nash, Johnston and eastern Wake counties still have jobs because of provisions in a federal stimulus package that loosened underwriting rules for loans to companies in rural areas.

Mortex, headquartered in Wendell, makes sportswear from raw materials and sells them under brand names such as Eagle to companies that print logos on them and sell them to colleges and universities across the country.

The company employs 601 people at facilities in Wendell, Middlesex, Spring Hope and Princeton. Most of those jobs - 385 of them - are in Wendell.

Mortex owner Ed Morrell met with U.S. Rep. Brad Miller last week to explain how the U.S. Department of Agriculture's Rural Development office helped work out the details for a loan that kept his company afloat.

Morrell said his bank informed him in April 2009 that it would no longer extend a \$3 million line of credit the company used for its daily operations.

That notice gave Morrell about three months to secure another source of funding, but there weren't many takers.

Morrell met with several other lending institutions before calling on Capital Bank. Officials there were interested in working with Mortex, but said they couldn't go it alone.

Capital's Todd Warwick suggested the company and the bank work on an application to the USDA.

Under the terms of the deal, Capital Bank loaned Mortex \$2.6 million on a 15-year note. The bank loaned the company an additional \$500,000 on a 10-year note. The bank also extended a \$750,000 line of credit, which Morrell says he does not plan to use. The loans are collateralized by the buildings and Morrell's personal savings.

Mortex didn't borrow any money from the government, a point Morrell made in a meeting with employees. The deal calls for the USDA to guarantee 80 percent of the loans.

That means if Mortex defaults, the USDA would pay Capital Bank 80 percent of the loan balance.

And because the loans are fully collateralized, Capital Bank's exposure is limited.

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That puts the pressure on Morrell and his family, which owns the privately held company.

"(Morrell's wife) Kissie and I are on the hook," Ed Morrell told employees. "If we fail, we lose everything we have."

At one point last year, Morrell was concerned that would happen. He said he had met with a bankruptcy attorney as he struggled to find a bank to work with him.

The loans provide cash for the company, which has a \$242,000 payroll, to manage its daily operations. Without that liquidity, Mortex wouldn't be able to make payroll, manage its inventory or take care of other routine obligations.

Mortex is an anomaly in the U.S. textile industry. While most companies have closed or moved overseas, the Morrells have committed to a domestic operation.

"I get e-mails on a daily basis from people who want us to move our operation to Pakistan or India, but we want to be here," said company president Brian Morrell.

The domestic operation means goods cost more than other manufacturers charge, but Ed Morrell points out that his company can provide a quicker turnaround time for customers than his competitors can.

That kind of service generates the customer loyalty Mortex depends on.

The Mortex deal has become a poster child for the USDA, which touts the arrangement as an example of how the American Recovery and Reinvestment Act has not only created jobs, but saved others.

Miller made that point to Mortex employees during his visit.

"If you hear of people who say the stimulus package never saved a job, you can look at them and tell them it saved yours," Miller said.

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