

# A new twist on loans

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■ Pretzel maker found financing in credit card

■ With lending tight, option helps small firms

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Last year, Jill Frechtman decided to expand her Plainview-based online chocolate-covered-pretzel business into wholesale distribution.

She started aggressively soliciting retailers and before she knew it had landed in almost 200 stores, including The Fresh Market and Nordstrom.

Fast growth meant she needed more capital to fill the larger orders. "Most places won't pay until at least 30 days after delivery," explains Frechtman, founder of Fretzels by Jill.

With a \$50,000 purchase order in hand, she approached her bank for an extension of an existing line of credit that had since been converted into a loan. She was turned down, based in part on her income before entering the wholesale market and an outstanding loan balance, she says.

At the advice of Farmingdale State College's Small Business Development Center, she brought in a small-business lending specialist. After exploring different options, including one loan that carried not-so-favorable terms, she finally secured a business credit card with a 9.25 percent rate through a local credit union. The \$25,000 limit allowed her to satisfy her large order.

"There was no way I would be able to fulfill that order without the credit card," says Frechtman, 32, who learned to make chocolate-covered pretzels as a child. Today she produces her gourmet pretzels in the kitchen at 5th Avenue Chocolatiere in Valley Stream.

## Credit's in the cards

With lending so tight, many businesses have turned to credit cards for financing. A survey released in January by the National Federation of Independent Business found that credit cards are the most common type of credit available to small business owners, with 79 percent now using one or more cards in operation of



PHOTO BY BARRY SLOAN

Jill Frechtman, chief pretzel designer and founder of Fretzels by Jill, transforms pretzels at the 5th Avenue Chocolatiere in Valley Stream by dipping them in chocolate and coating them with M&Ms.

## AT A GLANCE

<b>Name</b>	Fretzels by Jill, Plainview
<b>Owner</b>	Jill Frechtman
<b>Established</b>	2005
<b>Employees</b>	4 part-time
<b>Revenue</b>	Six-figure range
<b>Retail outlets</b>	Almost 200 stores plus online sales
<b>Production</b>	60,000 pretzels a month, in peak months

their business.

"The credit card is often the option of last resort for small businesses that don't qualify for small business loans," says Nessa Feddis, vice president and senior counsel to the American Bankers Association in Washington. "That's always been their safety net."

Financial institutions may be more willing to lend through a credit card because it typically offers lower lending limits than lines of credit, which tend to have higher limits and greater administrative and underwriting costs, she notes.

The pros of credit card usage include their wide acceptance among merchants, year-end transaction summaries and reward incentives, says Feddis.

"The con, as with any loan, is you have to repay it," she notes. You don't want to accrue a large balance you can't repay, particularly if it carries a high interest rate.

Frechtman, a former graphic designer, says she makes payments monthly, and pays the full balance whenever she can. She hopes to qualify for additional financing since sales almost doubled last year, to the "six-figure range," she said.

Based on increased sales and a "nicer-looking tax return for 2011," she may qualify for a larger line of credit, notes Richard Cassiano, president of North American Resource Capital Inc. in Smithtown, the lending specialist who helped Frechtman secure the credit card. Also in her favor is a

good credit score, he says.

She's in talks with at least a dozen other retailers, says Frechtman, who hasn't ruled out finding an investor to help fund operations.

## Pretzels go gourmet

Fretzels, which come in milk, dark and white chocolate with a choice of nine candy toppings, are in about 30 Nordstrom espresso bars and 115 Fresh Market stores nationwide, she says. A box of six sells for \$15.95. Frechtman also sells a Fractured line of chocolate-covered pretzel pieces, and a dark-chocolate espresso bark.

Fretzels are "a unique, quality item that our customers appreciate," says Stephen Chesnut, merchandising coordinator for candy and coffee for Greensboro, N.C.-based The Fresh Market.

Locally, Frechtman is in about a dozen stores, including 5th Avenue Chocolatiere. Her products have been featured on such media outlets as the "Today" show. She also still sells online. "It's unbelievable that something I made in my mom's kitchen as a child is now on the shelves of major retailers throughout the country," says Frechtman.