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Arizona small businesses beat national SBA loan default average

Phoenix Business Journal - by [Lynn Ducey](#)

Small businesses in Arizona are faring slightly better than the national average in staying current on SBA loans, according to data from the Arizona District of the U.S. Small Business Administration.

As of the end of February, 7 percent of SBA loan recipients across the state were in default, compared with the national figure of 8.3 percent. In addition, 82.7 percent of Arizona's SBA borrowers were current on their loan payments in February, compared with 81.6 percent nationwide.

Outstanding SBA loans to Arizona businesses totaled \$1.7 billion in February.

"Our lenders in Arizona traditionally have well-managed portfolios, and these figures speak to the fact that our lending community makes good credit decisions," said Bruce Hodgman, deputy director of the SBA's Arizona District office in Phoenix.

The Barack Obama administration announced this week that it will infuse additional monies into the SBA loan program, waive many of the loan fees and raise federal guarantees to 90 percent. That move likely will spur additional demand for SBA loans in the state, Hodgman said.

The SBA made \$880 million in loans in fiscal 2008, compared with \$1.2 billion in fiscal 2007, according to SBA data. That represents a 27 percent decline in total loans made year-over-year and a 32 percent decline in dollars lent.

"The enhancements to our lending programs that President Barack Obama is rolling out should make a significant difference in that trend," Hodgman said.

Many Valley bankers agree. They say the \$730 million SBA infusion through the American Recovery and Reinvestment Act includes lower costs, higher guarantee levels and tax breaks — all positive points for small businesses.

"The elimination of these fees is great news for small-business owners because they can save a significant amount of money over the life of their SBA loans," said Lisa Alberti, a loan officer

with **CDC Small Business Finance** in Phoenix. “We’re confident these stimulus measures will fuel new activity in Arizona.”

The new rules will make getting an SBA loan — an often lengthy and paperwork-heavy process — more attractive to well-established small businesses. While the same credit standards will apply, lenders say creditworthy businesses will find the loans more enticing.

Many lenders also approve of Obama’s plan to infuse about \$15 million of Troubled Asset Relief Program funds into the secondary market to buy pools of securitized SBA loans. They say that is much more significant to SBA lenders as it will create more liquidity for them, facilitating additional lending.

The Arizona SBA is hosting two workshops in April to explain new lending practices.

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