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## SNAPSHOT OVERSIGHT REPORT

# TRUTH IN LENDING:

THE SMALL BUSINESS ADMINISTRATION'S \$24.2 BILLION  
BAD LOAN PORTFOLIO





# OPEN THE BOOKS

## SNAPSHOT REPORT

### TRUTH IN LENDING: THE SMALL BUSINESS ADMINISTRATION'S \$24.2 BILLION BAD LOAN PORTFOLIO

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"Open the Books is doing the work I envisioned when the Coburn-Obama bill became law. Their innovative app and other tools are putting sunlight through a magnifying glass." March 11, 2014  
**Dr. Tom Coburn, Honorary Chairman of OpenTheBooks.com**

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*"Is the spending in the public interest or the special interest?"*

– U.S. Sen. Tom Coburn

*"I know that restoring transparency is not only the surest way to achieve results,  
but also to earn back the trust in government..."*

– U.S. Sen. Barack Obama

# TRUTH IN LENDING:

## THE SMALL BUSINESS ADMINISTRATION'S \$24.2 BILLION BAD LOAN PORTFOLIO

The motto of the Small Business Administration (SBA) is as all-American as apple pie: *"The SBA helps Americans start, build and grow businesses."* In January of 2012, President Barack Obama elevated the Administrator of the Small Business Administration to a cabinet level position.

But proponents of the SBA will be hard pressed to defend some very poor decisions: 160,000 lending transactions defaulted since 2000 with taxpayers picking up the tab on \$18 billion in failed lending. In some years, thirty-percent of all SBA lending was **charged-off** against SBA reserves (taxpayers).

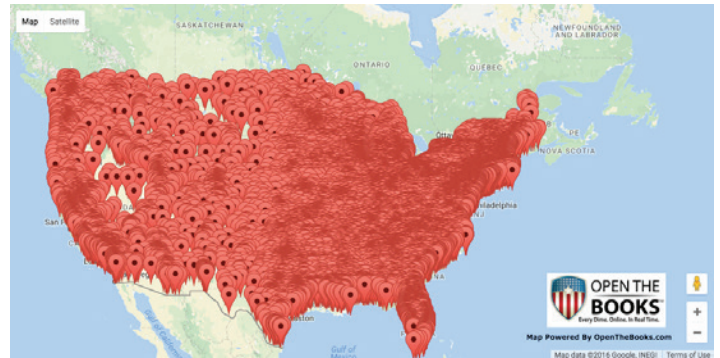
Our analysis of SBA lending is a continuation of our oversight efforts of the agency:

In December of 2014, OpenTheBooks.com **published** an oversight report, *Small Business Administration Loans Serving Wealthy Lifestyles*. Our report found that loans and guarantees of \$160 million flowed into exclusive country clubs; more than \$250 million went to subdivisions of the Fortune 100; and \$9.2 billion flowed to investment bankers. In total, we found that SBA loans and loan guarantees greater than \$1 million went into 34,677 individual entities and totaled \$67.23 billion (FY2007-FY2013). Download a PDF of our 2014 SBA oversight report, [click here](#).

Now, in a follow-up analysis of the disclosed defaulted loan portfolio of the SBA between the years 2000 and 2015, we found 5,000 loans of more than \$1 million defaulted amounting to nearly \$5 billion. Many other loans flowed to companies, clubs, or other entities serving the wealthy lifestyle, where the recipients later defaulted.

SBA lending mistakes included million dollar loans to "small business printers" during a period of mass consolidation in the paper printing industry due to the digital age. Meanwhile, loans to "Blockbuster Video" franchises had 78 percent default rate, costing taxpayers \$4.1 million.

Search the \$24.2 billion defaulted loan portfolio of the SBA by ZIP code across America by using our interactive map, [click here](#). Zoom-in, click a "pin," and review the 160,000 individually bad SBA loans in the search results rendered below the map in a grid layout.



### HERE ARE SOME ADDITIONAL EXAMPLES OF SBA FAILED AND QUESTIONABLE LOANS:

- \$191.7 million in defaulted charge-offs by auto dealers and auto services. Many of these defaulted loans came from luxury companies such as: Lamborghini (\$1.4 million), DC Limousine and Luxury Cars (\$1.2 million), and BMW Motorcycles of Little Rock, AR (\$1.3 million).
- \$44.5 million in charged-off SBA loans went to country clubs and golf courses, including **Canterbury Woods Country Club**, ranked #3 public golf course in New Hampshire (\$1.2 million) and **Wildhorse Golf Course**, ranked best golf course in Yolo County and specially designed by renowned course architect, Jeff Brauer (\$1.4 million).
- Jewelers defaulted on \$49.3 million worth of loans, including the famous **Jewelry by Rosalina Inc.** for over \$696,000 – sought after by A-List celebrities Tom Hanks, Orlando Bloom, Elton John, Jessica Simpson, and many more.
- \$41.5 million in SBA loans were defaulted on by boat dealers and marinas. For example, Holiday Harbor in California (\$1.1 million) and Moncks Corner Marine in South Carolina (\$1.6 million).
- Restaurants, bars, breweries, and wineries combined for a total amount of \$2.2 billion in SBA defaults. There were many high-end examples such as: **Barrel Stop Winery** (\$2.3 million), located in Napa Valley, California, which was sold in a foreclosure auction in 2012.
- The SBA also has a bad history of reaping defaults from niche industries, for example: 'Sports Teams & Clubs' (\$2.1 million), 'Tortilla Manufacturing' (\$2.3 million), 'Art Dealers' (\$13 million), 'Arcades' (\$15.4 million), and 'Bowling Centers' (\$60.9 million).

## Top 10 Highest Defaulting Categories

Of the \$18 billion in bad SBA lending, these 10 categories harbor \$5.5 billion or 31% of all defaults.

CATEGORIES	TOTAL
Full-Service Restaurants	\$1,295,987,198
Hotels (except Casino Hotels) and Motels	\$1,230,554,922
Limited-Service Restaurants	\$819,899,743
Gasoline Stations with Convenience Stores	\$562,045,552
UNKNOWN	\$469,126,567
Car Washes	\$271,626,435
Fitness and Recreational Sports Centers	\$224,871,033
Supermarkets and Other Grocery (except Convenience) Stores	\$224,043,202
Child Day Care Services	\$222,181,028
Offices of Dentists	\$195,166,873

**TOTAL: \$5.5 BILLION**

As indicated above, restaurants and lodging are by far the biggest culprits of SBA defaults, amounting to a combined \$3.3 billion. These are primarily comprised of large corporations who have subdivided their business into franchises. Taxpayers – through the SBA – underwrote the national rollout and distribution plans of these companies. It is also worth noting that the fifth largest category of defaults were reported by the SBA as ‘unknown’ or uncategorized by industry. This leaves very little transparency on the gross sums of dollars that flow into various industries throughout the country.

## Top 10 Defaulting Franchises

Out of the \$18 billion in defaulted SBA lending, \$2.2 billion of ‘charge-off’ or bad debts came from franchises. Some of the nation’s largest and most recognizable companies are sticking the taxpayers with tens of millions of dollars in defaults.

FRANCHISE	TOTAL
Choice Hotels International, Inc.	\$95,272,861
Holiday Inn	\$88,418,872
Comfort Inn	\$83,776,109
Days Inn	\$81,938,130
Quiznos	\$58,114,864
Ramada Inn	\$49,523,806
Cold Stone Creamery, Inc.	\$49,077,149
Super 8 Motel	\$48,715,816
Best Western Inn	\$39,094,652
Quality Inn	\$34,625,026

**TOTAL: \$2.2 BILLION**

## Top 30 Defaulting States

When analyzing the data by states, it is interesting to note that loan defaults are a very widespread issue. The top 10 defaulting states add up to \$2,702,175,023, only 15% of all defaults. With such an even distribution of charge-offs, it is evident that the SBA has a hand in every corner of the nation. It appears as though the default numbers relate more directly to state population than to geography.

STATE	GROSS CHARGE-OFF
California	\$2,792,609,064
Florida	\$1,565,681,272
Texas	\$1,495,211,405
Georgia	\$815,201,784
Illinois	\$734,690,911
New York	\$733,429,582
Arizona	\$670,977,166
Michigan	\$546,454,090
Ohio	\$518,429,789
Colorado	\$492,022,992
Pennsylvania	\$449,506,567
Minnesota	\$448,901,899
New Jersey	\$442,077,396
Washington	\$331,198,998
Indiana	\$317,023,703
Wisconsin	\$314,112,881
Montana	\$313,708,794
Nevada	\$306,446,715
Virginia	\$304,820,045
Utah	\$296,631,773
North Carolina	\$293,499,119
Massachusetts	\$267,147,697
Maryland	\$222,373,333
Tennessee	\$187,227,290
Connecticut	\$180,471,543
Alabama	\$179,187,345
Iowa	\$162,726,691
Oregon	\$159,085,974
Oklahoma	\$146,702,288





## BACKGROUND ON OUR REPORT RESEARCH:

Our motto is ‘*Every Dime. Online. In Real Time.*’ Remember, it’s your money. Therefore, we attempt to provide non-partisan facts using the resources of the 3.0 billion captured public expenditures at [OpenTheBooks.com](https://openthebooks.com). We leave systemic solutions to the public policy debate.

Across the policy continuum, everyone can stand against waste, fraud, duplication of services, and taxpayer abuse. Our goal is that the federally disclosed expenditures showcased in this oversight snapshot report aid in the education of all stakeholders and thereby fully inform the debate on all sides.

American Transparency ([OpenTheBooks.com](https://openthebooks.com)) Chairman of the Board Thomas W. Smith recognizes the hard work of our team...

**Adam Andrzejewski**, founder and Chief Executive Officer, provided data interpretation, gave context, and authored this report. **John Hart**, Senior Advisor provided drafting, editing and contextual analysis. **Craig Mijares**, Director of Information Technology, assembled and organized the datasets. **Matthew Tyrmand**, Deputy Director, contributed to the editing and helped disseminate this report to national media. Senior Research Manager: **Frank Bruno** Research Intern Fellows: **Madeline Conover**, **Daniel Sutkowski**, and **Paul Mittermeier**. Special thank you to our graphic designer, **Paul Romanowski**.

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## DISCLAIMER:

This report quantifies public spending at ‘Small Business Administration’ mostly from FY2000-FY2015, unless specifically delineated in the text. The data is the result of Freedom of Information requests under the 2006 ‘Google Your Government Act’ compiled at [OpenTheBooks.com](https://openthebooks.com). To the extent that the government makes mistakes in the reporting of inaccurate or incomplete data, our report will reflect these same mistakes.



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