



Alabama Small Business Development Center Network

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SBA Loans to State Firms Jump 65% in 2011

Michal Banik's retail store, Moravia Crystal Glass, is a reality because of his sheer determination and the help of a \$25,000 Small Business Administration loan.



To open his store that sells a variety of hand-cut crystal and glass, Banik sold two vehicles and used \$25,000 of his savings. The SBA loan is what got him over a financial hump and allowed him to open his store in the Cahaba Village Plaza of Mountain Brook in April.



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"The \$25,000 was the bare minimum I needed to start the business," he said. "I couldn't have opened my business without that money."

Banik was one of the 401 business owners in Alabama who received an SBA 7(a) loan during SBA's 2011 fiscal year from Oct. 1, 2010 to Sept. 30.

Government-backed loans given to Alabama companies increased 65 percent during the fiscal year to \$178.7 million from \$108.2 million the prior fiscal year, according to data compiled by the SBA's Alabama District Office.

Tom Todt, Alabama district director of the SBA, said the boost in SBA lending was a result of several factors. First, the provisions authorized by the American Recovery and Reinvestment Act to increase the guaranty rate of 90 percent, along with reduced or eliminated loan fees, were still available during the first quarter of fiscal 2011.

"As a result, many lenders and borrowers clamored for the higher guarantee and lower fees, before the program reverted to the regular standards," he said.

Todt said other reasons for the increase were the size of SBA loans increased from \$2 million up to \$5 million, and there may have been some "pent-up demand" because of the generally tighter credit policies in previous years.

During the 2011 fiscal year, Birmingham-based BBVA Compass doled out 64 7(a) loans to Alabama companies, the highest number given in the state by one financial institution. The company's aggregate total for Alabama was \$15.9 million during the fiscal year 2011, a 41.6 percent increase from the \$11.2 million in 7(a) loans given in fiscal year 2010.

Greg Clarkson, executive vice president and director of the SBA Lending Division for BBVA Compass, said SBA loans are one avenue for BBVA Compass to reach new and existing customers to help improve their businesses, create job growth and support the communities in which the bank has a presence.

"BBVA Compass puts an emphasis on being customer-centric, or putting the customer and their needs first," he said. "Recent SBA changes have also allowed banks to make larger loans up to \$5 million. The result is that we are able to reach a larger customer-base with more varied needs."



San Francisco-based Wells Fargo, which has the third largest market share in Birmingham, more than tripled the dollar amount of SBA 7(a) loans it gave to small businesses in Alabama to \$8.97 million in fiscal year 2011 from \$2.6 million in fiscal year 2010. In fiscal year 2010, Wells Fargo had already merged with Wachovia Bank, which gave \$436,000 in loans.

Jay Lawrence, vice president regional communications manager for Wells Fargo, said SBA lending is a small part of the overall lending the bank does for businesses. He said there are three factors that are causing loans and services to small and mid-sized business to increase rapidly.

First, the bank places a big emphasis on helping small and mid-sized businesses' growth. Second, the bank now has broader offerings, such as equipment financing. Lawrence also said the bank is benefiting from companies wanting to do business with banks they consider safe and secure.

SBA's Todt said his office is "cautiously optimistic" about expectations for SBA lending in the 2012 fiscal year, which began this October, due to economists' predictions of a start of another recession.

"When consumers and business owners have heard over and over that a recession is upon us, they begin to curtail spending – both necessary and discretionary – and voila, a recession ensues," he said. "That said, certainly a lot of small businesses will continue to need capital, as well as counseling, and our goal continues to be that of providing for these needs through our network of resource and lending partners."

Moravia's Banik is confident about future economic conditions and encourages other business owners to look into getting an SBA loan. Banik said he is currently talking with SBA representatives about potentially taking out another loan to expand his business.

"People who want to open their own business should use SBA as much as possible because it's a good resource," he said. "They will identify the strengths and weaknesses of your company and walk you step-by-step through the process of adjustments you have to make."



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The Alabama Small Business Development Center Network is a statewide program designed to enhance economic growth in Alabama by providing management and technical assistance to small businesses. The Alabama SBDC Network is an accredited member of the most comprehensive small business assistance network in the United States. Certified business counselors are available in 12 SBDC locations across the state. ASBDC Counselors provide no-cost assistance to companies and individuals in Alabama that are interested in starting or growing a business, franchising, accessing capital, selling to the federal government, or exploring international trade.

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