



## Wisconsin firms serving ‘wealthy lifestyles’ received millions in SBA loans

By [Adam Tobias](#)

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A Wisconsin golf course that has filled all of its membership openings for the past three years is getting millions in financial assistance from a government program created to help small businesses expand and survive economic hardships.

Vernon Golf Club, owner of the [Morningstar Golfer’s Club](#), has secured a \$4.1 million loan through the U.S. Small Business Administration, becoming the third Wisconsin firm “serving wealthy lifestyles” to receive more than \$1.7 million through the federal agency since 2007.

During that same time, the SBA has guaranteed about \$67 billion in borrowing to businesses nationwide that largely cater to middle- to upper-class clientele, according to [data gathered by Open the Books](#), an online government watchdog that tracks government spending.

Those 34,677 loans — all in excess of \$1 million — went to numerous plush companies, including Rolex jewelers, Lamborghini and BMW motorcycle dealers, plastic surgery clinics, artistic dental firms and Napa Valley wineries, Open the Book’s report says.

“This, under any circumstance, is not the role of the federal government,” Veronique de Rugy, a senior research fellow at the [Mercatus Center](#) at George Mason University, told [Wisconsin Reporter](#). “The federal government is not a bank.”

Vernon Golf Club, located in the Milwaukee suburb of Waukesha, was also approved in April 2013 to get an additional loan of \$2.05 million, but that financing was canceled prior to disbursement, according to SBA press secretary Miguel Ayala.

Ayala said in an email his office didn’t have information on the reason.

Ayala confirmed Vernon Golf Club is still collecting the \$4.1 million loan. A Morningstar Golfer’s Club employee who answered the phone Friday directed all questions to General Manager Jim Frutche, who was out of town.

The golf course, which features a restaurant offering [“perhaps the most beautiful vista in all of Waukesha County.”](#) charges between \$2,800 and \$10,800 for annual memberships.

Morningstar Golfer's Club has filled all of its 250 membership slots in each of the past three years, according to the [firm's website](#).

The SBA has also backed a \$1.8 million loan to Elite Sports Club near Milwaukee and \$1.8 million in financing for Quit-Quit-Oc Golf Club in Elkhart Lake, Ayala confirmed.

Through the 7(a) program, the SBA provides government guaranties on loans made by commercial lenders to "help expand access to capital for business owners who face challenges in getting approved for financing."

The federal agency can [guarantee as much as 85 percent](#) on loans with a maximum exposure amount of \$3.75 million.

Ayala said the loan's fees and collections on collateral are now sufficient enough to cover any borrowing if a company were to default, leaving taxpayers completely off the hook.

The SBA is requesting no credit subsidy appropriation for 7(a) loans in 2015, [according to budget documents](#). But just two years ago the SBA asked for [\\$235.6 million of credit subsidy budget authority](#) for the same program, government records show.

The SBA, elevated into the Cabinet in 2012 by [President Obama](#), is seeking \$47.5 million in taxpayer subsidies in fiscal 2015 to cover other loans the agency offers. Those same programs cost federal taxpayers \$107 million in 2014.

The SBA's budget request for fiscal 2015 is \$710 million, up nearly \$100 million from 2009's total of \$615 million. Obama's [2009 stimulus bill](#) provided the agency with an additional \$730 million to help small business owners recover from the recession.

Obama's 2010 [Small Business Jobs Act](#) also gave the SBA a \$505 million subsidy and increased the maximum loan amount in the 7(a) program from \$2 million to \$5 million.

The SBA doled out \$38.8 billion in seven-figure loan guarantees between 2011 and 2013, more than doubling the \$19.3 billion recorded in the previous three-year period.

Ayala said the SBA has been giving further assistance to ensure access to capital as private credit markets have remained tight. While conventional small business lending dropped by \$121 billion from 2009 to 2014, the agency increased its 7(a) and 504 loan portfolios by \$21 billion, Ayala told Wisconsin Reporter.

But [Open the Books](#) has found the SBA is guaranteeing more than just loans to small businesses and luxury industries.

Over \$250 million has gone to Fortune 100 companies and \$9.2 billion has found its way into venture capital, capital partner and mezzanine finance firms, private investor funds and investment pools, according to the Open the Books report.

“In America, we should never demonize success, but we don’t need to subsidize it either,” said Adam Andrzejewski, founder of OpenTheBooks.com.

An [Office of Inspector General evaluation](#) in 2013 said, according to SBA officials, the agency had not implemented a process to monitor risk in its portfolio. The SBA traditionally focused on loan approval volume to assess program performance, according to the OIG report.

[Nicole Kaeding](#), a budget analyst for the Cato Institute, told Wisconsin Reporter private lenders benefit from SBA loans because they are absolved of most of the financial risk of defaults. Thus, Kaeding says, lending companies could be more inclined to approve more loans, including those that may be questionable.

The OIG’s analysis, although limited, identified three high-volume franchises with historical default rates of at least 46 percent, default values close to 40 percent and loss rates of more than 18 percent.

“Ideally, the entire SBA lending program would be abolished,” Kaeding said.

To help improve the economy, de Rugy said the government should focus on creating an environment conducive to growth for every business, no matter the size or industry. She believes that can only happen by engaging in true regulatory reforms.