IEc

Evaluating Technical Assistance and Economic Opportunity Outcomes of the Community Advantage Pilot Program

Final Report | May 2018

Prepared for:

U.S. Small Business Administration

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CHAPTER 1. INTRODUCTION

BACKGROUND AND PURPOSE

Managed by the Office of Capital Access (OCA), Community Advantage (CA) provides small dollar loans to low-income entrepreneurs who need access to capital. CA was initiated as a pilot program and will retain its pilot status until 2020, prior to which SBA will make a determination as to whether the program will be made permanent.[1] CA aims to fill a gap between SBA's Microloan program and the traditional 7(a) lending program.[2] A key feature of CA is that SBA works with mission lenders – typically nonprofit lenders who are embedded in the communities they serve – who provide technical assistance and business counseling in addition to capital. CA aims to help businesses climb the ladder of economic opportunity, contributing to business growth and economic development in emerging markets.

In 2017, OCA initiated an evaluation of the CA pilot program with the following objectives:

- Understand and describe the effectiveness of the CA pilot program. Evidence of effectiveness could include businesses who borrow from CA lenders moving up the economic opportunity ladder; for example, CA borrowers may go on to secure larger loans from SBA's traditional 7(a) program or traditional commercial banks, or they may use their CA loan to help start or grow their business in other ways.
- Describe how CA assists businesses in emerging markets and their communities.
- Demonstrate the impact of working with nonprofit community lenders compared to traditional commercial lenders; to this end, the evaluation looks at the effects of technical assistance and counseling services, which many community lenders provide as part of their social mission.
- Identify good practices from the CA program that may be transferable to SBA's other lending programs.

This study is part of a comprehensive effort by SBA to evaluate the performance of the CA program. The findings in this report are expected to help inform SBA's thinking about whether to make CA a permanent program within OCA. The findings might also be used to adjust lending policy for small dollar lending, not only for the CA program, but for other SBA lending programs. The study could provide information that can be shared with mission lenders to help make small dollar business lending more effective within emerging markets. For example, the findings may affect how loans and technical assistance are delivered to borrowers of small dollar business loans.

The main audiences for this evaluation are OCA, SBA's Office of Performance Management (OPM), and

[1] Although this evaluation sometimes uses the phrase "CA program," it should be noted that CA is a pilot and is not an officially designated program by Congress.

[2] The CA pilot is a subset of SBA's 7(a) lending program. In this report, the term "7(a) program" includes CA loans and other 7(a) loans, while the term "traditional 7(a) program" excludes CA loans and only includes non-CA loans.

SBA senior managers. Other potential audiences for the evaluation findings include Congress, Office of Management and Budget (OMB), and program stakeholders, partners, and potential partners, as well as the general public.

OVERVIEW OF THIS REPORT

This report presents the evaluation methodology, the findings for each evaluation question, and overall conclusions and recommendations. The report is organized as follows:

- Following this introduction, Chapter 2 provides a description of the CA pilot program, including a program logic model.
- Chapter 3 describes the evaluation questions, the methodology (data sources, methods, and analysis) used to answer the questions, and the strengths and limitations of the methodology.
- Chapter 4 presents the findings for each evaluation question, as well as a summary of feedback and suggestions offered by borrowers and lenders during the interviews.
- Chapter 5 presents the overall conclusions and recommendations.

Appendix A includes the interview guides.

Appendix B provides the detailed regression output tables.

CHAPTER 2. PROGRAM DESCRIPTION AND LOGIC MODEL

PROGRAM LOGIC MODEL

IEc collaborated with SBA to develop a logic model for the CA pilot program. A logic model is a graphical representation of the relationships between program inputs, activities and outputs, and intended changes in short-term, intermediate and long-term outcomes. As shown in Exhibit 1, the key components of the logic model include:

- **Inputs:** staff and funds dedicated to the program. Inputs also include the participation of program partners, i.e., community-based mission-oriented lenders.
- **Activities:** the specific actions and processes used to achieve program goals. For example, the CA program undertakes various outreach, education, and awareness-raising activities to engage, support, and strengthen borrowers and lenders in emerging markets.
- **Outputs:** the immediate products that result from activities. For example, CA's outputs include research and knowledge products, approval of new lenders, and communications about the program.
- **Customer reached:** groups and individuals targeted by the program's activities and outputs. Customers targeted by the CA program include: CA borrowers; emerging industries, markets, and communities; CA lenders; SBA field staff; investors on the secondary market; and state and local governments. Customers of the same type are shaded in the same color.
- **Short-term outcomes:** changes in knowledge, awareness, attitudes, and skills resulting from program outputs that are causally linked to the CA program. For example, the CA program's outputs are intended to increase borrower interest in the program, increase the knowledge of SBA field staff, and increase the business acumen of borrowers and lenders in emerging markets.
- **Intermediate outcomes:** changes in behavior resulting from changes in knowledge, awareness, attitudes, and skills. For example, the CA program is intended to produce: an increase in the volume of loans made, greater compliance by lenders with CA program requirements, and increased buying/selling of loan guarantees on the secondary market.
- **Long-term outcomes:** changes in economic or social conditions, which align with the ultimate goals of the program. Long-term outcomes for the CA program include, among others: economic opportunity, public demand for CA products, and permanent mission lending products to address the lending gap in the underserved communities.
- **External influences:** factors outside of the program's control that may affect the ability of the program to realize its objectives. External influences that may affect the CA program include: capital, regulations, staff changeover, Congress, the economy, and changes in administration.

The logic model helps to identify important characteristics of the program, which can be explored in depth through evaluation. The next section describes these key program elements.

LOGIC MODEL ELEMENTS STUDIED IN THIS EVALUATION

This evaluation focuses on the following key elements of the CA program as shown in the logic model:

- **Mission-oriented community lenders:** As shown in the logic model, a defining feature of the CA program is that SBA works with mission lenders, instead of traditional commercial banks. Mission lenders are primarily nonprofit financial intermediaries focused on economic development in the communities they serve. They tend to be located in and invest in their community. Almost all of the CA mission lenders offer technical assistance and business counseling, although not every borrower requires or receives technical assistance and counseling (see next bullet). Their relationship with borrowers is characterized by a "high touch" approach that includes a high level of individual attention and service. This differentiates mission lenders from many commercial banks.[3] The main types of mission lenders in the CA program include:
    - **Community Development Financial Institutions (CDFIs)** provide economic development, affordable housing, and/or financial services. CDFIs are certified by the U.S. Department of Treasury's CDFI Fund. CDFIs are required to provide development services (e.g., technical assistance and counseling) in conjunction with financing.
    - **(CDCs)** are typically nonprofit community-based organizations that provide financing, programs, and services in support of community development.
    - **SBA Microloan Intermediaries** are nonprofit community-based organizations with experience in lending, management, and technical assistance. These financial intermediaries manage SBA's Microloan program for eligible borrowers. The majority of Microloan Intermediaries in our dataset are comprised of CDFIs and CDCs.
- **Technical assistance:** As shown in the logic model, another important aspect of the CA program is lenders providing technical assistance to their borrowers. Technical assistance is not required in the CA program but is encouraged and is intended to fill gaps in a borrower's knowledge, skills, or abilities. During the loan application process, lenders identify gaps in a borrower's knowledge or skills, and may refer borrowers for technical assistance and training. In other cases, lenders provide counseling on specific issues (e.g., how to structure an income statement) as part of their ongoing relationship with the borrower.[4] Lenders interviewed for this evaluation reported that most borrowers receive some technical assistance, although as one lender put it, there is a *"sophisticated population of borrowers who do not often need technical assistance to be successful."* In those instances, the lenders might not provide technical assistance. The topics, duration, and mode of delivery of technical assistance vary. Technical assistance may be delivered as one-on-one counseling, telephone counseling, group training, and/or as a web-based tutorial. The topics that may be addressed through technical assistance are far-reaching, and vary based on

[3] The predecessor to the CA pilot program was Community Express, which worked through commercial lenders. According to OCA program staff, the Community Express program had a high default rate, in contrast to the results in the CA program as of June 30, 2017. Performance data for CA is provided in Chapter 3.

[4] According to program managers and interview respondents, borrowers who received informal assistance (e.g., one or two hours of advice from their loan officer at the outset of their loan) may not have perceived or remembered having received technical assistance, and may not have reported receiving technical assistance unless they took a formal training course. For these reasons, technical assistance data was historically underreported. More recently, SBA has taken steps to clarify the reporting instructions to ensure that data is reported accurately and consistently.

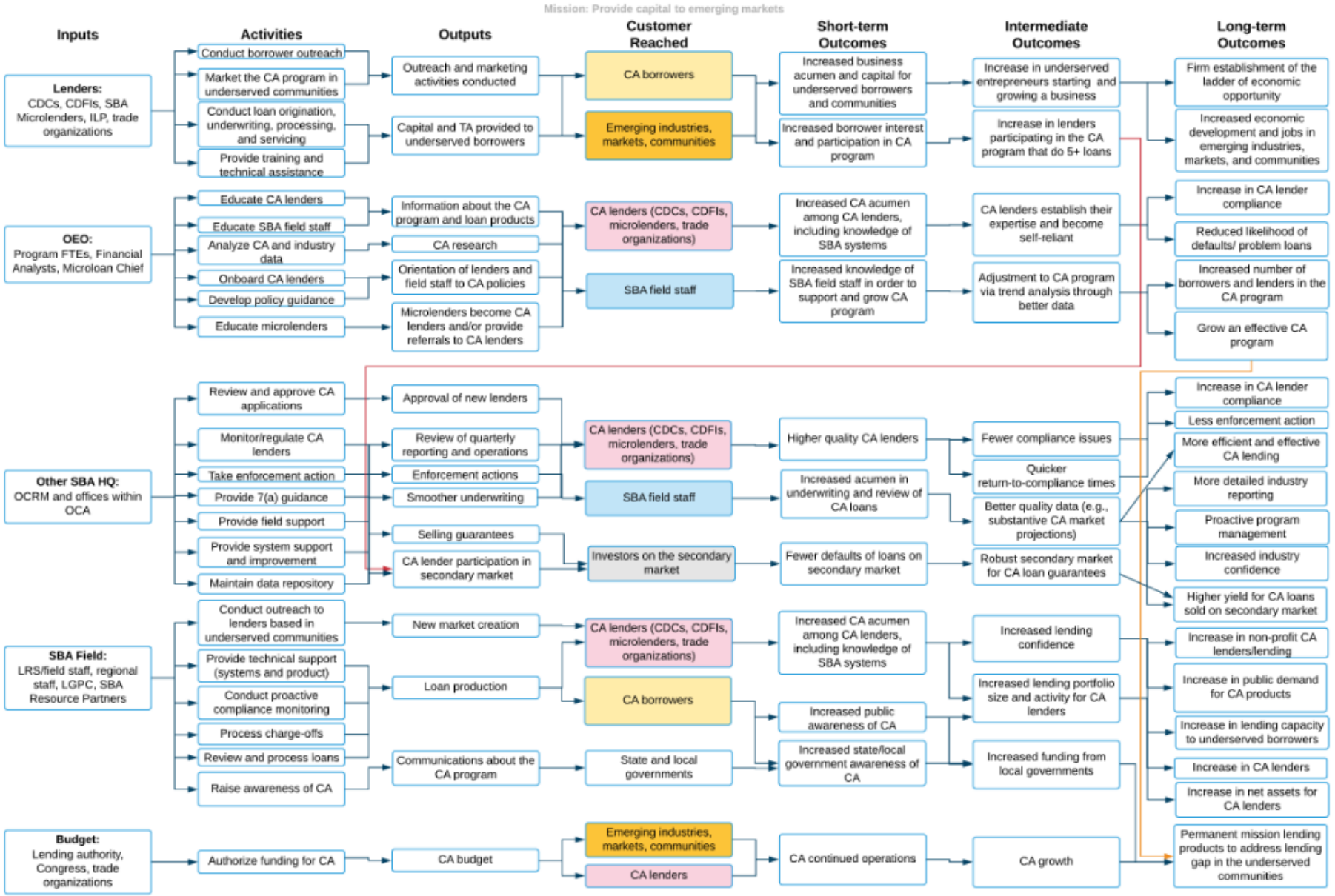
the borrower's needs.[5] The duration of assistance varies from less than three hours to more than five hours in our dataset.

- **Loan performance:** The logic model shows that the CA program takes a variety of steps to reduce the incidence of troubled loans. One of these methods is technical assistance (discussed above). By strengthening a borrower's business acumen and ability to repay their loan, technical assistance can help reduce the incidence of troubled loans.
- **Economic opportunity for entrepreneurs in emerging markets:** A primary goal of the CA program is to firmly establish the ladder of economic opportunity for entrepreneurs in emerging markets. In addition to benefiting the individual entrepreneur, this is expected to lead to business creation/growth and economic development in emerging markets, industries, and communities.

In Chapter 3, we present the evaluation questions that address the key aspects of the logic model discussed here. Chapter 3 also describes the data sources, methods, and analysis for answering the evaluation questions.

[5] Topics include: Financing/Capital, Business Plans, Startup Assistance, Cash Flow Management, Business Accounting/Budgeting, Managing the Business, Marketing Strategies, Legal Issues, Tax Planning, Customer Relations, Human Resources/Managing Employees, Technical/Computer, Other Topic, eCommerce, Buy/Sell Business, Franchising, Government Contracting, and International Trade.

EXHIBIT 1. LOGIC MODEL FOR COMMUNITY ADVANTAGE PROGRAM



External Influences: 1) capital, 2) regulation, 3) staff changeover, 4) Congress, 5) economy, 6) change in administration.

CHAPTER 3. EVALUATION METHODOLOGY

OVERVIEW OF METHODOLOGY

This chapter describes the evaluation questions that this study set out to answer, and the data sources, methods, and analysis used to answer each question. The chapter concludes with a discussion of the strengths and limitations of the methodology.

EVALUATION QUESTIONS

This evaluation examines three major aspects of the CA program: 1) the impact of technical assistance on loan performance, 2) how and to what extent the CA program helps borrowers advance and grow their businesses, and 3) factors that influence loan performance. Specifically, the evaluation is guided by the following questions:

1. How does provision of technical assistance impact loan performance of CA loans as compared to CA loans that do not receive technical assistance?
    a. Do loans receiving technical assistance perform better than those that did not?
    b. Does performance vary by the topic of technical assistance received (e.g., creating business plans, cash flow management)?
    c. Does performance vary by the duration (less than three hours, three to five hours, or more than five hours) and/or mode of delivery (one-on-one, telephone, group, web-based) of technical assistance received?
    d. How, if at all, does technical assistance strengthen business acumen and ability to start or grow a business?
2. Are borrowers using CA to help them climb up the ladder of economic opportunity?
    a. Are borrowers graduating from the Microloan program, to CA, then to 7(a)?
    b. Are there other ways borrowers are using the CA program to help them climb up the ladder of economic opportunity?
    c. How, if at all, has the CA program helped borrowers climb up the ladder of economic opportunity?
3. What factors determine loan performance?[6]

[6] When analyzing performance, we include charged-off loans and any other loan that is not current (i.e., past due, delinquent, deferred, liquidated, or in active purchase) in our analysis, as of June 30, 2017 (accessed on July 24, 2017).

DATA SOURCES

Program data and interviews are the two main data sources for this evaluation. This section describes each data source and how it is used to answer the evaluation questions. Appendix A contains the interview guides that we used to conduct the interviews discussed in this chapter.

Program Data

SBA provided the following datasets, which provide information about CA lenders and borrowers:

1. *Summary of Financial and Characteristic Data ("Trt 2 CA_asof_20170630").* This dataset includes data for both lenders and borrowers. For lenders, it includes summary data on total loan counts and amounts, and some overall indicators of loan performance (e.g., stressed rate, last 12 month charge-off rate). For each loan, the dataset includes borrower characteristics (location, gender, ethnicity, etc.) and several indicators of the financial performance of the loan, as of June 30, 2017 (accessed July 24, 2017). Demographic data in this report are self-reported on a voluntary basis and are thus not validated. Respondents reported these data with a signature stating that the data are accurate to the best of their knowledge.
2. *Compilation of Technical Assistance ("Grant Recipients 2011-2016" and "Cleaned_Technical Assistance").* These two datasets summarize the technical assistance offered by lenders and received by borrowers. At the borrower level, the data provides details on the type and amount of technical assistance for each loan (accessed August 1, 2017).
3. *Tracking of Microloan Recipients ("Microloan TIN Matches").* This dataset tracks all Microloan program recipients and shows what loans they received, if any, after the Microloan program – including CA, 504, and traditional 7(a) loans (accessed August 16, 2017).
4. *Tracking of CA Recipients to 7(a) or 504 programs ("CA TIN Matches 170630").* Similar to the Microloan tracking dataset above, this dataset tracks all CA loan recipients that also received a traditional 7(a) loan or a 504 loan (accessed September 18, 2017).[7]
5. *Summary-level Microloan Program Data ("Micro Data for CA Evalv2").* This dataset provides aggregate summary-level data for loans made by the Microloan program, including the number and dollar amount of loans made by demographic category for 2011-2017 (through June 30th), as well as a summary of loan performance as of June 30, 2017 (accessed September 8, 2017).
6. *Summary-level 7(a) and 504 Program Data ("WebsiteReport_asof_20170630")*. This is a PDF with four summary tables for the 7(a) and 504 programs, which presents aggregate summary-level data for all 7(a) and 504 loans, including the number and dollar amount of loans by demographic category, for 2012-2017 (through June 30th, accessed August 31, 2017). However, data on the performance of 504 program loans as of June 30, 2017 is unavailable.

[7] The Microloan TIN Matches file shows CA recipients that received a 504 or traditional 7(a) loan, *if they also received a microloan.* The CA TIN Matches file rounds out the data by showing CA recipients who received a 504 or traditional 7(a) loan, but did not receive a microloan.

7. *Borrower Credit Scores ("SBSS Scores for CA Loans 170731").* This file contains borrowers' credit scores (for 2,673 of the 3,500 CA borrowers, or 76 percent; accessed July 25, 2017).[8] We use credit score as an explanatory variable in our regression analyses.
8. *Number of Employees ("CA Loans with Number of Employees").* This dataset includes the number of employees for each borrower, reported at the time of application (accessed July 25, 2017).[9]
9. *Loan-Level 7(a) program data ("CA Evaluation Loan Data FY 12-17 (7-1-2017)").* This dataset includes all 7(a) program loans for FY2012-FY2017. The data includes the approval date and amount, and the basic demographic information for each borrower (accessed January 18, 2018).

Once these spreadsheets were received, IEc performed some basic formatting and consistency checks – for example, ensuring all values were in the same format (e.g., number vs. percentage). In addition, the technical assistance and program tracking spreadsheets required some more transformations – specifically:

- *Compilation of technical assistance.* Several of the columns in this spreadsheet were not unique variables. For example, the "COUNSELLINGTYP" column reports both the mode of delivery and the duration of technical assistance received in the same cell (e.g., "group training – 3-5 hours"). To examine these as separate variables, we split this column into separate columns for each mode of delivery and the duration of technical assistance received for each mode.
- *Tracking of other program recipients.* Similar to the technical assistance dataset, several columns in the spreadsheets that track recipients through the different programs contain multiple categories of data. For example, the "Group" column in the Microloan tracking spreadsheet indicates if the borrower participated in the 504, 7(a), or CA program (in addition to the Microloan program). Rows were repeated if borrowers participated in more than one of these programs; we separated this column into three variables so that we can uniquely identify borrowers without losing the information contained in this column. Across these tracking spreadsheets, we also separate and identify participation in each program to inform our analysis of borrowers' progression through the SBA loan programs (Microloan, CA, 7(a), and 504). Each tracking spreadsheet provided the CA loan number as well as the Microloan, 7(a), and/or 504 loan numbers. We used the CA loan number to connect the borrowers in these tracking spreadsheets to our main dataset by matching on CA loan number. We note that these tracking data are not comprehensive, in that we restricted the dates from the other programs to the time period covered in this evaluation (April 2011 to June 30, 2017), and we do not have complete data on Microloan and 504 program participants (i.e., our data excludes 504 and Microloan program participants that did not also receive a CA loan).

An important component of this evaluation is loan performance; this variable is used throughout all three evaluation questions. Using the data provided, we categorize the performance data as follows:

[8] The file includes credit scores for 95 borrowers not listed in the primary dataset, as the credit data was compiled with a later cut-off date than the June 30, 2017 cutoff that we are using for this evaluation; these additional 95 credit scores were not included in our analysis. Credit scores were not collected at the outset of the program; the missing 24 percent of credit scores are all for borrowers from early in the program.

[9] We used firm size (FTEs) at time of application as a demographic variable in our analysis (along with ethnicity, gender, etc.). We note that because data were only reported at the time of application, we cannot assess the impact of the CA loan on changes in FTEs.

- Current (2,583 out of 3,500): All loans with a status as of June 30, 2017 (accessed July 24, 2017):
    - Current: 2,298
    - Paid in Full: 285
- Non-Current (197 out of 3,500): All loans with a status as of June 30, 2017 (accessed July 24, 2017):
    - Past Due: 20
    - Delinquent: 32
    - Deferred: 7
    - Liquidated: 30
    - Purchased and not Charged Off: 68
    - Charged Off: 40
- Not included in performance analyses (720 out of 3,500): All loans with a status as of June 30, 2017 (accessed July 24, 2017):
    - Cancelled: 415
    - Committed: 305[10]

We include all non-current loans (as defined above) in our performance analyses, and not just the charged off loans, primarily because of the small number of charged off loans (40 out of 3,500). We recognize that the loans included in the non-current category represent a spectrum of non-performance, and that some of these loans may not have long-term performance issues. For example, a loan that is 30 days past due may become current again. On the other hand, loans that are in liquidation, purchased, or charged off are considered to be in default. For purposes of this evaluation, however, we group together all 197 non-current loans (as of June 30, 2017) as we are interested primarily in whether/how technical assistance and other factors affect whether or not a loan is current. It should also be noted that the performance status is a snapshot of performance as of June 30, 2017, and does not necessarily reflect the entire history of performance. In other words, there are loans that may have a Paid in Full status as of June 30, 2017, that were at one time delinquent; our analysis would characterize these loans as "Current." Our analysis also does not consider loan maturity. Although these types of analysis were beyond the scope of the current study, we understand that SBA will evaluate these factors as part of its comprehensive review of the performance of the CA loan portfolio.

Once all data were prepared and standardized, we merged all data into a Stata dataset. We used Stata as the primary analytic tool for our analysis of program data.

Interviews

[10] These status categories do not indicate loan performance.

We conducted interviews with lenders and borrowers to supplement and deepen the results of our analyses of the program data. We aimed to conduct nine interviews in each of four distinct categories:[11] 1) lenders who provided technical assistance to some of their CA borrowers, 2) lenders with a variety of CA borrowers and loan performance, 3) borrowers who received technical assistance, and 4) borrowers who have climbed the economic opportunity ladder. We were ultimately able to conduct interviews with all of the intended lenders in Groups 1 and 2 (nine in each group), seven borrowers in Group 3, and eight borrowers in Group 4. Exhibit 2 below summarizes the general interview selection approach and the evaluation question(s) addressed by each of the four groups. The following sections provide more details on the selection criteria for each of the four interview groups.

EXHIBIT 2. SUMMARY OF INTERVIEW SELECTION APPROACH AND EVALUATION QUESTION ADDRESSED

INTERVIEW GROUP	EVALUATION QUESTION ADDRESSED								APPROACH
	1A	1B	1C	1D	2A	2B	2C	3	
1. Lenders who provided technical assistance to some of their CA borrowers				✓					Select larger lenders (i.e., above average number of CA loans) with a mix of borrowers receiving and not receiving technical assistance (Exhibits 3 and 4)
2. Lenders with a variety of CA borrowers and loan performance							✓	✓	Select lenders with graduates of the Microloan program who progressed into the CA program, and lenders with well-performing and underperforming loans (Exhibits 5 and 6)
3. Borrowers who received technical assistance				✓					Select borrowers who received technical assistance (Exhibit 7)
4. Borrowers who climbed the economic opportunity ladder							✓		Select up to five borrowers who graduated from the Microloan program and went on to the 7(a) program. Group 2 lenders identify up to four borrowers who climbed the ladder in other ways – e.g., by securing a loan from a traditional commercial bank. (Exhibit 8)

A discussion of the selection criteria and the characteristics of the borrowers and lenders interviewed in each group follows:

[11] Asking the same set of questions to more than nine non-federal stakeholders would have required SBA to obtain approval of an Information Collection Request (ICR) from OMB. Each of the four groups of interviews that we conducted for this evaluation used a distinct interview guide with a different set of questions.

Group 1: Lenders who Provided Technical Assistance to Some of their CA Borrowers (Question 1d)

We selected nine lenders for this group to inquire about the impact of technical assistance on loan performance. We also asked these lenders to describe the types of borrowers who receive technical assistance, and how it is determined whether a particular borrower receives technical assistance. We prioritized lenders with a relatively large number of loans, with the assumption that these lenders would have a broader perspective on different types of borrowers and loans.

From these lenders, we selected lenders with a range of loans receiving technical assistance – five lenders with below average percentages of loans receiving technical assistance, and four with above average percentages of loans receiving technical assistance. We included lenders with high percentages of loans receiving technical assistance because we wanted to gather insights based on their breadth of experience with providing assistance. We included lenders with a low percentage of loans receiving technical assistance for two primary reasons. First, we understood from SBA that technical assistance was underreported. As these are large lenders, we believed it likely they may in fact have offered more technical assistance than the figures suggest, and we wanted to verify this with the lenders during the interviews. Second, we believed there was value in gathering perspectives from lenders who provide little technical assistance; for instance, do they not see value in technical assistance or do they not have the capacity to provide it on a larger scale?

We also selected these lenders because their borrowers are typical of the population of borrowers in the CA program. Specifically, we selected lenders whose CA borrowers have a range of: average loan amounts, percentage of borrowers graduating from the Microloan program, and non-performing loans. Finally, we ensured that the selected lenders have a mix of borrowers with various demographic characteristics: new vs. existing businesses, veteran-owned businesses, female-owned businesses, and ethnicity of ownership. Exhibits 3 and 4 summarize the characteristics of the selected lenders for this group and the demographics of their borrowers. These nine lenders account for 30% of the total population of CA loans as of June 30, 2017 (1,040 out of 3,500 loans).

EXHIBIT 3. SUMMARY OF GROUP 1 LENDER PROFILES

LENDER (NAME REDACTED)	LOANS RECEIVING TA # (%)	TOTAL CA LOANS MADE BY LENDER	AVERAGE LOAN AMOUNT	BORROWERS WITH A MICROLOAN (%)	NON-CURRENT LOANS (%)
Lender 1-1	0 (0%)	99	136,255	0%	2%
Lender 1-2	4 (2%)	250	131,528	9%	5%
Lender 1-3	4 (3%)	156	102,813	3%	1%
Lender 1-4	10 (8%)	125	125,860	43%	1%
Lender 1-5	18 (29%)	62	120,853	16%	2%
Lender 1-6	21 (43%)	49	88,186	0%	0%
Lender 1-7	29 (85%)	34	147,062	24%	3%
Lender 1-8	174 (91%)	192	130,699	3%	3%
Lender 1-9	71 (97%)	73	101,900	0%	0%

Overall Average (across all lenders, not just the selected lenders)	**14 (34%)**	**40**	**133,996**	**10%**	**3%**

EXHIBIT 4. CA BORROWER DEMOGRAPHICS OF THE NINE LENDERS IN GROUP 1

LENDER (NAME REDACTED)	NEW BUSINESS (%)	VET-OWNED (%)	FEMALE OWNED (%)	ETHNICITY (%)					
				WHITE	AMERICAN INDIAN	ASIAN	BLACK	HISPANIC	UNDETER-MINED
Lender 1-1	71%	5%	52%	80%	0%	3%	2%	14%	1%
Lender 1-2	49%	4%	42%	46%	2%	14%	14%	17%	8%
Lender 1-3	16%	3%	29%	76%	1%	6%	4%	3%	8%
Lender 1-4	23%	2%	37%	53%	4%	9%	6%	26%	3%
Lender 1-5	63%	3%	48%	97%	2%	0%	0%	2%	0%
Lender 1-6	73%	8%	39%	59%	0%	4%	10%	24%	2%
Lender 1-7	35%	6%	35%	65%	0%	6%	9%	15%	6%
Lender 1-8	51%	9%	51%	40%	1%	13%	14%	30%	3%
Lender 1-9	40%	4%	40%	92%	0%	3%	0%	3%	3%
Overall Average (across all lenders)	**44%**	**3%**	**23%**	**67%**	**1%**	**6%**	**15%**	**7%**	**4%**

Group 2: Lenders with a Variety of Borrower Types and Loan Performance (Questions 2c and 3)

We asked lenders in Group 2 about their perspective on borrowers climbing the ladder of economic opportunity (Evaluation Question 2c) and factors that influence loan performance (Evaluation Question 3). A relatively small group of lenders has a large number of the borrowers who graduated from the Microloan program into the CA program,[12] *and* has at or above average percentages of underperforming CA loans. Most of these are also large lenders (by loan count). From this group, we selected lenders with diverse types of borrowers (e.g., a range of loan amounts, a mix of demographic characteristics, and a mix of borrowers who did, and did not, receive technical assistance). Exhibits 5 and 6 below summarize the characteristics of the selected lenders for Group 2. These nine lenders account for 45% of CA loans as of June 30, 2017 (1,573 out of 3,500 loans).

[12] The percentages presented in Table 4 represent the percentages of *their* borrowers that came from the Microloan program, not the percentage of Microloan graduates overall.

EXHIBIT 5. SUMMARY OF GROUP 2 LENDER PROFILES

LENDER (NAME REDACTED)	TOTAL LOANS	AVERAGE LOAN AMOUNT	SHARE OF LENDER'S CA BORROWERS WHO GRADUATED FROM MICROLOAN (%)	NON-CURRENT LOANS (%)	BORROWERS RECEIVING TA (%)
Lender 2-1	399	130,891	6%	4%	35%
Lender 2-2	283	140,519	3%	5%	24%
Lender 2-3	271	136,669	10%	4%	27%
Lender 2-4	226	87,485	6%	7%	54%
Lender 2-5	126	113,827	2%	5%	58%
Lender 2-6	122	96,638	35%	7%	57%
Lender 2-7	71	167,007	3%	10%	62%
Lender 2-8	44	120,198	9%	9%	52%
Lender 2-9	31	197,339	6%	3%	39%
Overall Average (across all lenders)	**40**	**133,996**	**10%**	**3%**	**34%**

EXHIBIT 6. CA BORROWER DEMOGRAPHICS OF THE NINE LENDERS IN GROUP 2

LENDER (NAME REDACTED)	NEW BUSINESS (%)	VET-OWNED (%)	FEMALE OWNED (%)	ETHNICITY (%)					
				WHITE	AMERICAN INDIAN	ASIAN	BLACK	HISPANIC	UNDETER-MINED
Lender 2-1	46%	5%	48%	57%	1%	13%	6%	16%	8%
Lender 2-2	63%	4%	51%	75%	0%	6%	10%	6%	3%
Lender 2-3	58%	10%	39%	57%	1%	12%	10%	11%	8%
Lender 2-4	79%	19%	58%	46%	0%	5%	20%	27%	2%
Lender 2-5	75%	20%	48%	52%	2%	2%	38%	5%	2%
Lender 2-6	70%	5%	66%	66%	0%	5%	16%	13%	0%
Lender 2-7	37%	17%	39%	93%	1%	1%	0%	0%	4%
Lender 2-8	57%	9%	52%	77%	0%	5%	16%	2%	0%
Lender 2-9	26%	10%	35%	42%	3%	6%	42%	6%	0%
Overall Average (across all lenders)	**44%**	**3%**	**23%**	**67%**	**1%**	**6%**	**15%**	**7%**	**4%**

Group 3: Borrowers who Received Technical Assistance (Question 1d)

For the interviews in Group 3, we asked borrowers to describe the technical assistance they received, the factors that led them to obtain technical assistance, and how if at all the technical assistance strengthened their ability to support and grow their business. Similar to the lender groups, we selected borrowers with a diverse range of loan amounts and demographic characteristics.

We originally selected nine borrowers for Group 3. IEc worked with SBA and lenders to schedule interviews with the borrowers, or to substitute our original selections with new borrowers, in cases where interviewing the original borrower was not feasible. In general, borrowers were more difficult to schedule for interviews than lenders. This is likely because borrowers are one step removed from SBA compared to the lenders, and in some cases borrowers do not currently have an active CA loan. Ultimately, we were able to conduct interviews with seven borrowers in Group 3. The interview responses for the seven borrowers were highly consistent, increasing our confidence in the results despite not being able to interview all nine borrowers. Exhibit 7 below summarizes the characteristics of the borrowers interviewed in Group 3.

EXHIBIT 7. SUMMARY OF GROUP 3 BORROWER PROFILES

BORROWER (NAME REDACTED)	LOAN AMOUNT	MICROLOAN GRADUATE?	VET OWNED?	FEMALE OWNED?	NEW OR EXISTING?	RECEIVED TA?
Borrower 3-1	$250,000	Yes	No	Yes	Existing	Yes
Borrower 3-2	$219,000	No	No	Yes	New	Yes
Borrower 3-3	$70,000	No	Yes	No	New	Yes
Borrower 3-4	$220,000	No	No	No	Existing	Yes
Borrower 3-5	$50,000	No	No	Yes	New	Yes
Borrower 3-6	$110,000	No	No	Yes	New	Yes
Borrower 3-7	$150,000	No	Yes	No	New	Yes

Group 4: Borrowers who have Climbed the Economic Opportunity Ladder (Question 2c)

We interviewed two types of borrowers in Group 4:

- For the first type, we originally chose five of the 17 borrowers in the dataset who (i) received a microloan from an SBA-approved microlender, (ii) received a loan under the CA program, and (iii) went on to receive a loan from the traditional 7(a) program. We chose a cross-section of borrowers from the program data, ensuring representation across demographic characteristics. We worked with the lenders to arrange interviews with these borrowers. Similar to Group 3, some of the borrowers in Group 4 were difficult to schedule with. We ultimately conducted four out of the five interviews planned.
- For the second type of interviews in Group 4, we asked the lenders in Group 2 to identify four borrowers who climbed the ladder of economic opportunity in ways *other than* progressing

through the full suite of SBA loan programs (e.g., borrowers who went from CA to a traditional commercial bank outside of the 7(a) program).

The characteristics of the eight borrowers we interviewed in Group 4 are summarized in Exhibit 8.

EXHIBIT 8. SUMMARY OF GROUP 4 BORROWER PROFILES

BORROWER (NAME REDACTED)	LOAN AMOUNT	VET OWNED?	FEMALE OWNED?	NEW OR EXISTING?	RECEIVED TA?
Borrower 4-1	$250,000	No	Yes	Existing	No
Borrower 4-2	$80,000	No	Yes	Existing	No
Borrower 4-3	$40,000	No	No	Existing	Yes
Borrower 4-4	$243,000	No	Yes	New	No
Borrower 4-5	$82,500	No	Yes	New	Yes
Borrower 4-6	$164,000	Yes	No	New	Yes
Borrower 4-7	$175,000	No	Yes	New	Yes
Borrower 4-8	$75,000	No	Yes	New	Yes

We used the following process to schedule and conduct the interviews:

- IEc drafted text for SBA to use to make initial contact with the selected interview candidates to invite them to participate in interviews.[13] If candidates did not respond to up to three attempts to contact them, or the lender gave us adequate cause to abandon a selected candidate (e.g., sold the business to a new owner), we selected additional candidates using the same criteria described above.
- Once interviewees were recruited, IEc scheduled the date and time for the interview. Prior to administering the interview, we shared the appropriate interview guide with the interviewee.[14] Appendix A includes the interview guides for each of the four groups.
- We conducted interviews by phone with two IEc staff, one to administer the interview guide, and one to record responses. Responses were recorded in a Word document, and then processed and entered into an Excel spreadsheet for coding. Each interview lasted between 30 minutes to one hour.
- We created coding schemes for the open-ended questions in each group/interview guide. A coding scheme is a set of categories used to organize and analyze open-ended responses.

[13] In our experience, when the initial contact is made by the agency with which the candidate has an existing relationship, response rates are much higher than if we make the initial contact.

[14] We also confirmed with interviewees that their responses will be held confidential – i.e., responses will be reported in aggregate for each group and will not be attributed to individuals without their permission.

- Open-ended responses were coded by one IEc team member. A second IEc team member double-coded a selection of responses to ensure consistency.
- Categorical and binary responses were summarized numerically.

ANALYTIC APPROACH

This section describes how IEc used the program data and interviews to answer the evaluation questions. Exhibit 9 summarizes the data sources that we used to answer each evaluation question.

In general, the quantitative program data helped us understand the factors that influence loan performance and economic mobility (i.e., moving up the economic ladder) – for example, what differences do we see between different groups (e.g., those with and without technical assistance)? We conducted descriptive analyses and statistical analyses with the data for each evaluation question. The quantitative data represent the complete data for each program from FY 2011 to June 30, 2017; in other words, the data are the "population" of data, not a sample. Therefore, our descriptive statistics are presented without statistical significance, as the statistics are the true, and not estimated (based on a sample) statistics.[15]

When we discuss the program overall (e.g., characteristics of borrowers), we include all 3,500 loans in the dataset. For our detailed analyses of loan performance, we exclude committed and canceled loans (720 loans, 20.6 percent) as these loans are not in a stage where performance has been documented (i.e., loans either were not administered or are yet to be administered).

The interview questions enhanced our understanding of the *why and how* behind the results found in our analysis of the program data. Following the interviews, we organized and coded the interview responses for each question in the interview guides, and developed overall findings for each evaluation question.

[15] For example, when comparing the differences between two groups, we do not report if this difference is statistically significant, as that is only required if the data are a sample of the true population data (i.e., statistical significance reveals how confident you can be that the measured difference is the true population difference; in this case we have the true population difference).

EXHIBIT 9. DATA SOURCES BY EVALUATION QUESTION

EVALUATION QUESTION	FINANCIAL AND LENDER/ BORROWER DATA	TECHNICAL ASSISTANCE DATA	MICROLOAN AND 7(A) TRACKING DATA	CREDIT SCORE DATA	NUMBER OF EMPLOYEES	7(A) LOAN DETAILED DATA	INTERVIEWS
1a. Do loans or borrowers receiving technical assistance perform better than those that did not?	✓	✓		✓	✓	✓	
1b. Does performance vary by the topic of technical assistance received (e.g., creating business plans, cash flow management)?	✓	✓		✓	✓		
1c. Does performance vary by the duration (less than three hours, three to five hours, or more than five hours) and/or mode of delivery (one-on-one, telephone, group, web-based) of technical assistance received?	✓	✓		✓	✓		
1d. How, if at all, does technical assistance strengthen business acumen and ability to start or grow a business?						✓	✓
2a. Are borrowers going from the Microloan program, to CA, then to 7(a)?	✓		✓	✓	✓	✓	
2b. Are there other ways borrowers are using the CA program to help them climb up the ladder of economic opportunity?	✓		✓	✓	✓		
2c. How, if at all, has the CA program helped borrowers climb up the ladder of economic opportunity?						✓	✓
3. What factors determine loan performance?	✓	✓	✓	✓	✓	✓	✓

Statistical Analyses

We conducted statistical analyses for all three main evaluation questions. Questions seeking to determine the influence or impact of certain factors on others (e.g., the impact of technical assistance on loan performance) were estimated using regression analysis. Regression analysis aims to determine the relationship (if any) between the independent variable (e.g., technical assistance) and the dependent variable (e.g., loan performance) – and if applicable the strength of that relationship, controlling for other confounding factors. For all of our statistical analyses, statistically significant relationships are reported at the five percent level, unless otherwise noted. It should be noted that for the regressions investigating factors that affect loan performance (e.g., receipt of technical assistance), the predictive power of these regressions is limited, because of the strong performance of CA loans. In other words, the vast majority of CA loans do not have performance issues; this limited variation means that models using loan performance as the dependent variable tend to have low goodness-of-fit measures. This means that although we are limited for these models in our ability to predict loan performance, we can still understand the individual relationships between the independent and dependent variables (i.e., the factors influencing loan performance). In some cases, however, the limited variation in the dependent variable (i.e., loan performance) may also limit our ability to find statistically significant relationships with independent variables. In other words, because so few CA loans have performance issues, some variables may have few or no observations with non-current loans; in these cases, the regression cannot estimate a statistically significant relationship. Appendix B contains the regression output tables.

The following paragraphs describe our approach; and Exhibit 11 at the end of this section summarizes our statistical analyses for each question.

Program Profile

Before addressing each evaluation question, we present an overall profile of the CA borrower. In particular, we examine how, if at all, the characteristics of the CA borrower differ from borrowers in the Microloan, traditional 7(a),[16] or 504 programs. For the four programs – Microloan, CA, 7(a), and 504 – we make the following cross-program comparisons:

- Total number and dollar amount of loans approved.
- Demographic distribution of loans (e.g., gender, ethnicity, veteran status, new vs. existing business).

For the CA, Microloan, and traditional 7(a) programs, we also compare:[17]

- The distribution of loan status (e.g., compare the percentage of loans that are not current).

We note that the data we have on the 504 and Microloan programs are summarized and aggregated at the program level; therefore, we were not able to analyze the data at the same level of detail (i.e., at the level of individual borrowers/loans) as we can do for the CA and traditional 7(a) programs. It should also be

[16] We only include traditional 7(a) loans less than $250,000, to be comparable to the CA program. In addition, all loan status values were dropped for FY2012 for the traditional 7(a) program, as the status date for these records was not consistent with the status date for all other records in the dataset.

[17] Loan performance data for the 504 programs are not available. For the Microloan program, loan performance data is only available at the program level (not the loan level).

noted that the Microloan, 7(a), and 504 program data are inclusive of CA program borrowers. In other words, the summary data for those programs includes the data for the borrowers included in the CA program data.

Analytic Approach by Evaluation Question

Evaluation Question 1a: Do loans or borrowers receiving technical assistance perform better than those that did not?

For this question, we are trying to understand what, if any, impact technical assistance has on loan performance. Specifically, do the loans that received technical assistance have fewer non-current balances? According to the data provided, all but one of the CA lenders is a technical assistance provider. However, only about 37 percent of CA loans are reported as having received technical assistance (1,300 loans).

To answer this evaluation question, we separated the loans into two groups: those that were reported as having received technical assistance (37 percent) and those that were not (63 percent). As a first step in our analysis, we looked at basic distributions of characteristics by group (whether they received technical assistance or not) to understand the profiles of each group. For example, we examined whether differences exist between loans that receive technical assistance and those that do not, with respect to several characteristics, including: demographics (veteran status, gender, ethnicity, new or existing business, credit score), loan size, industry, use of proceeds, and firm size (measured as the number of full-time equivalents, FTEs, at the time of application) in our analysis. Our basic descriptive analysis helped us identify patterns or trends in the data that may warrant a more in-depth analysis.

Next, we constructed a basic probit regression[18] to estimate the influence of technical assistance on loan performance while controlling for other factors.[19] Specifically:

- Dependent Variable: loan performance (current or not current).
- Independent Variables: received technical assistance, veteran status, gender, ethnicity, new/existing business, credit score, firm size (FTEs), started in Microloan program, loan amount, and community demographic characteristics (from U.S. Census data).

If the independent variables are statistically significant, we know that they are associated with loan performance. The size and direction of the coefficient in front of the independent variables help explain that relationship. For this question, we focus on the significance of the technical assistance variable: What is the strength and direction of the relationship between receiving technical assistance and loan performance?

We also ran alternative specifications of the model by building on the basic specification outlined above. In addition to the variables outlined in the basic specification, we ran regressions including:

[18] When the dependent variable is binary – meaning that it can assume only one of two values (e.g., current or not current) – we rely on logistic regression techniques (i.e., "probit") instead of linear regression techniques.

[19] For each evaluation question, we construct a basic regression equation, using the independent variables that we hypothesize could be correlated with performance. Then, we include other potentially related independent variables (in addition to those used in the basic regression), to determine their correlation and overall effect on the model.

- Included additional independent variables such as: categories of industry, use of proceeds (i.e., how the funds were used in the business[20]), location of borrower.
- Created interaction variables that capture the conditional relationship of two variables on the dependent variable, such as: gender and ethnicity (e.g., African American female), loan amount and business status, veteran status and gender.

As an extension of the main analysis, we also created a set of specifications that examine what factors influence the probability of a loan receiving technical assistance. In other words, are there significant differences between loans that receive technical assistance and those that do not? Specifically:

- Dependent Variable: received technical assistance.
- Independent Variables: veteran status, gender, ethnicity, new/existing business, credit score, firm size, community demographic data, started in Microloan program, loan status, loan amount.
- Additional independent variables: categories of industry, use of proceeds (i.e., how the funds were used in the business), location of borrower.

Evaluation Question 1b: Does performance vary by the topic of technical assistance received (e.g., creating business plans, cash flow management)?

The data provided to us by SBA includes information on the topic of technical assistance received by borrowers. To answer this question, we first looked at basic distributions of characteristics by group (topic of technical assistance they received) to understand the profiles of each group.

Next, we constructed a probit regression to estimate the influence of the topic of technical assistance received on loan performance. Specifically:

- Dependent Variable: loan performance (current or not current).
- Independent Variables: topic of technical assistance received (binary variables for each topic covered by technical assistance), veteran status, gender, ethnicity, new/existing business, credit score, firm size, demographic characteristics, started in Microloan program, loan amount.

For this question, we focused on the significance of the variables capturing the topic of technical assistance received: What is the strength and direction of the relationship between the topic of technical assistance received and loan performance?

We also ran alternative specifications of the model by building on the basic specification outlined above. In addition to the variables outlined in the basic specification, we ran regressions including:

- Included binary variables for each of the types of counseling services received.
- We created interaction variables that test for relationships between the topic of technical assistance and type of counseling received.

Evaluation Question 1c: Does performance vary by the duration (less than three hours, three to five hours, or more than five hours) and/or mode of delivery (one-on-one, telephone, group, web) of technical assistance received?

[20] This includes business acquisition, debt refinancing, purchase of fixed assets, building inventory working capital, or other uses.

The data also includes information on duration of technical assistance received, reported as: less than three hours (25 percent of loans receiving technical assistance), three to five hours (25 percent), and more than five hours (50 percent) and mode of technical assistance delivery, reported as: one-on-one counseling, telephone counseling, group training, and web-based tutorial. To answer this question, we started by constructing a probit regression to estimate the effect of the duration of technical assistance received on loan performance. Specifically:

- Dependent Variable: loan performance (current or not current).
- Independent Variables: duration (less than three hours, three to five hours, more than five hours), veteran status, gender, ethnicity, new/existing business, credit score, firm size, demographic characteristics, started in Microloan program, loan amount.

For this question, we focused on the significance of the technical assistance duration variable: What is the strength and direction of the relationship between the duration of technical assistance received and loan performance?

We also ran additional specifications of the model building on the basic specification outlined above. In addition to the variables outlined in the basic specification, we ran regressions including:

- Binary variables for each of the types of counseling services received (one-on-one, telephone, group, web-based).
- An interaction variable capturing the potential impact of the combination of duration and mode of technical assistance, and
- Binary variables for the topics of technical assistance received.

Evaluation Question 1d: How, if at all, does technical assistance strengthen business acumen and ability to start or grow their business?

To answer this question, we relied on interviews with borrowers and lenders (described above). We covered the following topics with borrowers who received technical assistance (Group 3):

- Basic information about the borrower (e.g., is this the first business they have owned/ managed? Have they received any previous business skills training?)
- Factors that influenced decision to receive technical assistance
- Description of the assistance – including topics, dates, and duration
- Borrower's reactions to/satisfaction with the technical assistance
- Self-reported changes in knowledge, skills, and abilities; perceptions of the effectiveness of the technical assistance in enhancing the borrower's business acumen
- Determination of whether the borrower enacted (or plans to enact) any changes in their business practices as a result of the technical assistance they received

- Results of the changes enacted to-date on the borrower's business performance
- Description of if/how (and to what extent) the technical assistance strengthened the borrower's ability to start or grow their business
- If/how the technical assistance helped the borrower perform better on the loan (e.g., repaying on time)
- Feedback on what would have made the technical assistance even more effective, and suggestions for other types of technical assistance that would be useful in the future

We covered the following topics with lenders who have a combination of borrowers who did, and did not, receive technical assistance (Group 1):

- Basic information about the lender (e.g., How long have they been lending to these types of businesses?)
- Description of what types of technical assistance they offer, and when/how they make it available
- Description of the types of borrowers who receive technical assistance, and how it is decided whether or not a particular borrower receives technical assistance
- Opinions on what, if any, impact technical assistance has on their borrowers' performance
- Opinions on what types of technical assistance are more effective and less effective, and whether this varies by type of borrower (if so, how)
- Lenders' opinions about interesting or surprising results observed in the statistical analysis (e.g., if receiving technical assistance has a statistically significant relationship with loan performance, what explains that?)

Evaluation Question 2a: Are borrowers going from the Microloan program to CA, then to 7(a)?

One way to understand if borrowers are using the CA program to climb the ladder of economic opportunity is to understand if they are progressing from the Microloan program to the CA program, and then on to the traditional 7(a) program. The CA program is in part designed to fill the gap between the Microloan program and the traditional 7(a) program; therefore, we examined whether and how often borrowers follow this trajectory.

To answer this evaluation question, we first looked at the number of loan recipients that went from the Microloan program to the CA program, and from there, the number that went on to the traditional 7(a) program. We note that our ability to make definitive conclusions about the progression beyond the CA program is limited, as 70 percent of CA loans are currently active and an additional nine percent are committed (i.e., funds have not yet been disbursed). Although borrowers can apply for a traditional 7(a) loan while their CA loan is still active, we think there are likely to be borrowers with a current CA loan that may eventually progress to the 7(a) program, but have yet to do so.

We also examined whether following the progression from the Microloan program to the CA program to the traditional 7(a) program is associated with the performance of CA loans. In other words, do borrowers who follow this progression perform better on their CA loan? To answer this question, we constructed a basic probit regression to estimate the influence of following this progression on CA loan performance. Specifically:

- Dependent Variable: loan performance (current or not current).
- Independent Variables: followed progression (whether or not they started in the Microloan program, went on to the CA program, and then on to the traditional 7(a) program), veteran status, gender, ethnicity, new/existing business, credit score, firm size, demographics, loan amount, received technical assistance.
- Included additional independent variables such as: categories of industry, use of CA loan proceeds (i.e., how the funds were used by the business), and location of borrower.

For this question, we focused on the statistical significance of the variable capturing if they followed the progression or not: What is the strength and direction of the relationship between following this progression and loan performance?

Evaluation Question 2b: Are there other ways borrowers are using the CA program to help them climb up the ladder of economic opportunity?

The linear progression from microloan to CA to traditional 7(a), as described under the previous evaluation question, is a "textbook case" of how some borrowers use the CA program to climb the economic opportunity ladder. However, upon delving into the program data, it became clear there are also a variety of other ways that borrowers are benefiting from the CA program. For example, a borrower may obtain a 504 loan to acquire a building for their business, and simultaneously obtain a CA loan to furnish the building. In other cases, a borrower may start with a traditional 7(a) loan, and then obtain a CA loan to fill a financing gap, or to benefit from other services provided by CA's mission-oriented lenders that are not provided by many traditional lenders. In other words, there are multiple paths borrowers can take to climb the economic opportunity ladder. Evaluation Question 2b seeks to define and examine these paths.

The program data show numerous permutations of borrowing behavior that CA and other SBA borrowers can follow. They can borrow only from the CA program; they can take advantage of other SBA lending programs (Microloan, traditional 7(a), or 504) in combination with the CA program; or they can take advantage only of the non-CA SBA programs. These permutations are summarized in Exhibit 10 below. The table shows 15 groups of borrowers based on the combination of loan(s) they received; summarizes the data available for each group; and summarizes how we used the data in our analysis. (A detailed discussion follows the table.) In addition, we note there are several permutations of the order in which borrowers can receive these various loans. For example, they may receive a traditional 7(a) loan before a CA loan, or after, or concurrently. As described below the table, our analysis examined the combinations of loans and the order in which the loans were received.

EXHIBIT 10. SUMMARY OF BORROWER GROUPS

GROUP	SBA PROGRAM (RECEIVED LOAN)				DATA AVAILABLE	ANALYSIS NOTES	
	MICRO-LOAN	CA	7(A)	504		SUMMARY?	REGRESSION ?
1. CA Only		✓			Full dataset available	Yes	Yes
2. CA + 7(a)		✓	✓		Full data on the CA loan (including performance); basic demographic and performance data for the 7(a) loan; only loan amount, location, and approval date for the Microloan and 504 loan(s).[1]	Yes	Yes
3. CA + 504		✓		✓			
4. CA + 7(a) + 504		✓	✓	✓			
5. Microloan + CA	✓	✓					
6. Microloan + CA + 7(a)	✓	✓	✓				
7. Microloan + CA + 504	✓	✓		✓			
8. Microloan + CA + 7(a) + 504	✓	✓	✓	✓			
9. Microloan + 7(a)	✓		✓		Loan-level data for these groups are available, but only for the 7(a) loans.[1]	Yes	Yes
10. Microloan + 7(a) + 504	✓		✓	✓			
11. 7(a) + 504			✓	✓			
12. 7(a) Only			✓				
13. Microloan + 504	✓			✓	No data available (other than program-level summary data).[1]	No	No
14. 504 Only				✓			
15. Microloan Only	✓						

Notes:
1) We do not have data that tracks what additional loans 7(a) borrowers received, beyond the CA program.
2) For the traditional 7(a), 504, and Microloan programs, we will present the aggregate summary-level data for each program in the Program Profile section of our analysis (see above). Here, however, we are delving into the more granular data that we have for the specific combinations of borrowers listed in this table.

For borrowers that did not receive a CA loan at some point, we have only program level summary data. In other words, we present summary data for the number and volume of loans for the Microloan, traditional 7(a), and 504 programs, but we cannot separate borrowers into groups 9-15 based on our data.[21] Although we have loan-level data for the 7(a) program (and we use these data to help us answer Evaluation Question 1), we cannot separate 7(a) borrowers into the four groups above (Groups 9-12). We do not have data on loan recipients that *only* took advantage of the 504, or Microloan programs (groups 13-15). We present performance data at the program level for the Microloan, traditional 7(a), and CA programs.

For the first eight groups, we summarize the number and dollar amount of loans for each group. In other words, we arrayed the number and amount of loans in each of the four programs, for the borrowers in

[21] These data are inclusive of all recipients – we do not have separate data (or a way to distinguish) for the 7(a), 504, or Microloan program recipients that received other SBA loans. Summaries of these programs will be covered in the Program Profile section of our analysis.

each group. We also examined the timing of participation in each program. For example, we examined the average time span between receipt of a CA loan and a traditional 7(a) loan, and if on average the CA loan was received before or after the other program loans. We also examined the effects, if any, of belonging to these eight groups on CA loan performance. First, we examined whether participation in the Microloan program influences the performance of CA loans. In other words, do borrowers who received a microloan before receiving a CA loan perform better on their CA loan? To answer this question, we constructed a basic probit regression to estimate the influence of starting in the Microloan program on CA loan performance. Specifically:

- Dependent Variable: loan performance (current or not current).
- Independent Variables: microloan (whether or not they started in the Microloan program),[22] veteran status, gender, ethnicity, new/existing business, credit score, firm size, community demographics, loan amount, received technical assistance.

For this question, we focused on the significance of the variable capturing if they started in the Microloan program or not: What is the strength and direction of the relationship between starting in the Microloan program and loan performance?

Next, we examined if there are differences in CA loan performance across the first eight groups. For example, what impact if any does being in the group that received a CA and traditional 7(a) loan (but did not start in the Microloan program – group 2) have on the performance of their CA loan? First, we built on the specification described above by running the following specification of the model:

- Constructed binary variables for belonging/not belonging to each of the first eight groups. Replaced the binary measure of starting in the Microloan program (above) with these binary variables. We used these variables to see if different borrowing behavior (i.e., belonging to these different groups) influences performance.

We also ran alternative specifications of the model building on the basic specification outlined above. In addition to the variables outlined in the basic specification, we ran regressions including:

- Created an interaction variable with whether or not borrowers started in the Microloan program, and CA loan size.
- Created interaction variables with borrower behavior (binary variables for first eight groups) and loan size.
- Constructed a binary variable for whether or not the borrower participated in more than one program: group 1= "0"; groups 2-8= "1". This tells us if receiving more than one SBA loan impacts CA loan performance.[23]

[22] This was a combination of groups 5-8: all loans that started in the Microloan program and received a CA loan.

[23] This variable does not account for the timing, or progression, of borrowing from different programs; it measures the relationship between performance and whether or not the CA loan also received another SBA loan.

- Included a categorical variable that tracks if the CA loan was received before, after, or at the same time as the other loan(s).[24]
- Included additional independent variables such as: categories of industry, use of CA loan proceeds (i.e., how the funds were used by the business), and location of borrower.

As an extension of the main analysis, we also created a set of specifications that examine what factors influence the probability of a loan starting in the Microloan program. In other words, are there significant differences between loans that started in the Microloan program and those that did not? Specifically:

- Dependent Variable: started in Microloan program
- Independent Variables: veteran status, gender, ethnicity, new/existing business, credit score, firm size, community demographics, received technical assistance, loan status, loan amount.
- Additional independent variables: categories of industry, use of proceeds (i.e., how the funds were used in the business), location of borrower, interactions.

Lastly, we created a set of specifications that examine what factors influence the probability of a loan recipient participating in more than one SBA program. In other words, are there statistically significant differences between loan recipients that only received a CA loan (group 1) and those that received a CA loan *and* another SBA loan (groups 2-8)? Specifically:

- Dependent Variable: binary variable for participation in more than one program: group 1= "0"; groups 2-8= "1"
- Independent Variables: veteran status, gender, ethnicity, new/existing business, credit score, firm size, community demographics, received technical assistance, loan status, loan amount.
- Additional independent variables: categories of industry, use of proceeds (i.e., how the funds were used in the business), location of borrower, interactions.

Evaluation Question 2c: How, if at all, has the CA program helped borrowers climb up the ladder of economic opportunity?

To answer this question, we relied on interviews with borrowers and lenders. We covered the following topics with borrowers who have climbed up the economic opportunity ladder (Group 4):

- Basic information about the borrower's history (e.g., confirm the loan dates/amounts, loan terms, name/location of lenders)
- Whether the borrower previously sought/received financing from other sources
- Primary purpose of each loan (e.g., microloan, CA loan, and 7(a) loan, as applicable)
- Description of how each loan helped pave the way for the next loan – i.e., how did the microloan help the borrower get the CA loan? How did the CA loan help the borrower get the 7(a) loan (if applicable)?

[24] For groups 4, 6, 7, and 8, when more than one other non-CA loan is received, we mark the CA loan as received "before" if it is the first loan received; if another loan was received prior to the CA loan, we mark this as "after."

- Description of how each subsequent loan helped the business to grow and expand, and the impacts on the community in which the borrower is located
- Description of how the borrower's business would be different today had they not received the CA loan
- What, if any, additional funding the borrower sought after the CA program
- Suggestions for additional ways that the CA program could help borrowers climb the economic opportunity ladder

We covered the following topics with lenders in Group 2:

- Basic information about the lender
- Description and examples of how the CA program has helped their borrowers climb the economic opportunity ladder
- Discussion of barriers to using the CA program as a step in the ladder
- Suggestions for additional ways that the CA program could help borrowers climb the economic opportunity ladder
- Are there borrowers who have climbed the economic ladder of opportunity in ways other than graduating through the microloan and CA programs to the 7(a) program? (If yes, ask for some examples/borrowers who we can contact for an interview)
- Lenders' opinions about interesting or surprising results observed in the statistical analysis (e.g., if starting in the Microloan program has a statistically significant relationship with loan performance, what explains that?)

Evaluation Question 3: What factors determine loan performance?

For this question, we examined what factors influence whether a loan is current or not current. To answer this question, first we exclude the 720 committed and canceled loans from the total 3,500 CA loans, leaving a total of 2,780 loans. Then, we separate the loans into two groups: those with current or repaid loans ("current," 92.9 percent), and those with charged-off or non-current loans ("non-current," 7.1 percent). Next, we constructed a basic probit regression to estimate the influence of various characteristics on loan performance. Specifically:

- Dependent Variable: loan performance (current or not current).
- Independent Variables: received technical assistance, veteran status, gender, ethnicity, new/existing business, credit score, firm size, community demographics, started in Microloan program, loan amount.

We also ran alternative specifications of the model building on the basic specification outlined above. In addition to the variables outlined in the basic specification, we ran regressions including:

- A logit regression where the dependent variable captures the progression of performance (i.e., from past due to delinquent to liquidated to charged off).[25]

[25] Logit regressions are logistic regressions when the dependent variable is categorical (and not binary or linear).

- Included additional independent variables such as: categories of industry, use of proceeds (i.e., how the funds were used in the business), location of borrower.
- Created interaction variables that capture the conditional relationship of two variables on the dependent variable such as: gender and ethnicity, loan amount and business status, veteran status and gender.

As an extension of the analysis, we also examined if patterns in the data vary at the lender level. There may be characteristics of lenders that influence a borrower's performance, including, for example, what percentage of their loans receive technical assistance. To understand this, we did the following:

- Ran a specification of the above probit regression where we include lenders to see if there is a relationship between lenders and performance.
- Included independent variables that categorize lenders by count and total loan volume to see if the size of the portfolio of the lender influences borrower performance.
- Conducted a chi-squared test for percentage of loans receiving technical assistance and percentage of loans not current, by lender.

We complemented these analyses with findings from the interviews. In addition to the topics listed under Question 2b, we covered the following topics with the lenders in Group 2:

- Information about their typical borrowers (e.g., history of financing, industries, financial knowledge)
- Description of factors that have led to problems in loan performance in borrowers (non-current borrowers), including factors that may not be captured by the variables in our dataset
- Lenders' opinions about interesting or surprising results observed in the statistical analysis

Exhibit 11 on the following pages summarizes our proposed analytic approach for each question.

EXHIBIT 11. SUMMARY OF APPROACH FOR ANSWERING EACH EVALUATION QUESTION

EVALUATION QUESTION	INTERVIEWS	REGRESSION ANALYSIS			
		DEPENDENT VARIABLE	PRIMARY INDEPDENDENT VARIABLE(S)	CONTROL VARIABLES	INTERPRETATION
1a. Do loans or borrowers receiving technical assistance perform better than those that did not?	N/A	Loan performance (current or not current)	Received technical assistance (Yes or No)	Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Started in microloan program Loan amount Categories of industry Use of proceeds Location of borrower Interactions	What is the strength and direction of the relationship between technical assistance and loan performance?
		Receive technical assistance (Yes or No)	N/A	Loan status Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Started in Microloan program Loan amount Categories of industry Use of proceeds Location of borrower Interactions	What factors influence whether or not a loan receives technical assistance?

EVALUATION QUESTION	INTERVIEWS	REGRESSION ANALYSIS			
		DEPENDENT VARIABLE	PRIMARY INDEPDENDENT VARIABLE(S)	CONTROL VARIABLES	INTERPRETATION
1b. Does performance vary by the topic of technical assistance received (e.g., creating business plans, cash flow management)?	N/A	Loan performance (current or not current)	Topic of technical assistance received	Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Started in Microloan program Loan amount Type of counseling received	What is the strength and direction of the relationship between the topic of technical assistance received and loan performance?
1c. Does performance vary by the duration (less than three hours, three to five hours, or more than five hours) and/or mode of delivery (one-on-one, telephone, group, web-based) of technical assistance received?	N/A	Loan performance (current or not current)	Duration of technical assistance received	Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Started in Microloan program Loan amount Type of counseling received Topic of technical assistance received	What is the strength and direction of the relationship between the duration of technical assistance received and loan performance? (dosage effect)
			Mode of delivery of technical assistance received		What is the strength and direction of the relationship between the mode of delivery of technical assistance received and loan performance?
			Interaction between duration and mode of delivery of technical assistance		Is there a strong, unique relationship between the duration and mode of delivery of technical assistance on loan performance?
1d. How, if at all, does technical assistance strengthen business acumen and ability to start or grow a business?	*Group 1:* Interview lenders to inquire about the impact of technical assistance on loan performance. *Group 3:* Interview borrowers who received technical assistance from a CA lender to address the impact of technical assistance on their performance.	N/A			

EVALUATION QUESTION	INTERVIEWS	REGRESSION ANALYSIS			
		DEPENDENT VARIABLE	PRIMARY INDEPDENDENT VARIABLE(S)	CONTROL VARIABLES	INTERPRETATION
2a. Are borrowers going from the Microloan program, to CA, then to 7(a)?	N/A	Loan performance (current or not current)	Progression through programs	Received technical assistance Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Loan amount Categories of industry Use of proceeds Location of borrower Interactions	What is the strength and direction of the relationship between moving through the SBA programs on loan performance?
2b. Are there other ways borrowers are using the CA program to help them climb up the ladder of economic opportunity?	N/A	Loan performance (current or not current)	Started in Microloan program (Yes or No)	Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Loan amount Received technical assistance Categories of industry Use of proceeds Location of borrower Interactions	What is the strength and direction of the relationship between starting in the Microloan program and loan performance?

EVALUATION QUESTION	INTERVIEWS	REGRESSION ANALYSIS			
		DEPENDENT VARIABLE	PRIMARY INDEPDENDENT VARIABLE(S)	CONTROL VARIABLES	INTERPRETATION
	N/A	Loan performance (current or not current)	Binary variables for each borrower group (Yes or No)	Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Loan amount Received technical assistance Categories of industry Use of proceeds Location of borrower Interactions More than one loan (Yes or No) Timing/sequence of loans	What is the strength and direction of the relationship between belonging to each of the borrower groups and loan performance?
	N/A	Start in Microloan program	N/A	Received technical assistance Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Loan status Loan amount Categories of industry Use of proceeds Location of borrower Interactions	What factors influence whether or not a borrower started in the Microloan program?

EVALUATION QUESTION	INTERVIEWS	REGRESSION ANALYSIS			
		DEPENDENT VARIABLE	PRIMARY INDEPDENDENT VARIABLE(S)	CONTROL VARIABLES	INTERPRETATION
	N/A	More than one loan (Yes or No)	N/A	Received technical assistance Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Loan status Loan amount Categories of industry Use of proceeds Location of borrower Interactions	What factors influence whether or not a borrower has more than one SBA loan?
2c. How, if at all, has the CA program helped borrowers climb up the ladder of economic opportunity?	*Group 4:* Interview borrowers who (i) received a microloan from an SBA-approved microlender, (ii) received a loan under the CA program, and (iii) went on to receive a loan from the traditional 7(a) program. Interview borrowers who climbed the economic ladder of opportunity in ways other than progressing through the full suite of SBA loan programs (e.g., borrowers who went from CA to a traditional commercial bank outside of the 7(a) program). *Group 2:* Interview lenders with borrowers who graduated from the Microloan program into the CA program and/or climbed the economic ladder of opportunity in other ways.	N/A			

EVALUATION QUESTION	INTERVIEWS	REGRESSION ANALYSIS			
		DEPENDENT VARIABLE	PRIMARY INDEPDENDENT VARIABLE(S)	CONTROL VARIABLES	INTERPRETATION
3. What factors determine loan performance?	*Group 2:* Interview lenders with performing and underperforming CA loans to obtain their perspective on factors that influence loan performance.	Loan performance (current or not current)	N/A	Received technical assistance Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Started in Microloan program Loan amount Categories of industry Use of proceeds Location of borrower Interactions Lender Effects	What is the strength and direction of the relationship between the independent variables and whether or not the loan is current?
	N/A	Loan performance (categorical)	N/A	Received technical assistance Veteran status Gender Ethnicity New/existing business Credit score Firm size Community demographic data Started in Microloan program Loan amount Categories of industry Use of proceeds Location of borrower Interactions	What is the strength and direction of the relationship between the independent variables and the likelihood of progressing through the stages of underperformance?

STRENGTHS AND LIMITATIONS OF THE METHODOLOGY

Strengths

- **Large and robust dataset:** SBA provided a robust dataset with detailed information for CA lenders and borrowers/loans. The data includes a large number of observations and provides many of the variables that are the focus of the evaluation questions, including demographic characteristics, loan performance, and provision of technical assistance. The dataset allowed us to calculate descriptive statistics and conduct regression analyses. We used the data in answering all three of the main evaluation questions.
- **"Voice" of the customer.** The interviews enabled us to capture the voice of the community-based mission lenders and the small businesses they serve. Qualitative information gathered through the interviews provided anecdotes and illustrative examples of how the CA program is impacting small businesses and their communities.
- **Mixed methods.** The evaluation uses a combination of quantitative (program data) and qualitative (interviews) data sources and methods to answer the evaluation questions. While the program data provides a robust foundation for analysis, the interviews helped to validate, explain, and clarify the program data.

Limitations

- **Inability to conduct an experimental design:** The "gold standard" for parsing out the effect of a treatment (e.g., technical assistance) from other, confounding factors is to conduct randomized controlled trials, which randomly assign some participants to receive treatment and withhold treatment from others. If the only difference between the two groups is that one group received treatment and the other group did not, we can attribute different outcomes between groups (e.g., current or not current on loan payments) to the intervention. However, this approach would not be feasible for the CA program; lenders cannot simply withhold technical assistance from a borrower for purposes of conducting a social experiment. As a "second best" approach, evaluators often use quasi-experimental designs, which do not use random assignment but attempt to make comparisons after the treatment has been administered. For example, for the technical assistance analyses, we create groups of borrowers based on the dosage, or amount, or technical assistance they received. By including this variable in our regression analysis, we examine the relationship between the dosage of technical assistance and loan performance, controlling for all other variables in our regression. In addition, we use the interviews with borrowers to ask about the counterfactual - e.g., what would their business be like today if they had not received technical assistance or the CA loan?
- **Potential self-selection bias in performance results.** As in any program, analysts need to be careful about potential self-selection bias in program results. As noted above, the CA program has not conducted an experimental design to test the impact of its services. In these cases, when interpreting results or outcomes of an intervention, one needs to understand the potential self-selection bias that may exist in the data. In this case, this means that the high level of success of the CA borrowers may be attributed entirely to program services, or there may be elements of borrowers' success inherent to the borrowers themselves, or to factors entirely outside the purview

of the program. For example, borrowers seeking out, and approved by, the CA program, may have a higher chance of success because of their own characteristics and market factors; the program can still support their success, but may not be able to take full credit for that success. For example, one borrower reported that he was already seeking small business support services before approaching his lender, and in fact, this external program provided the recommendation to the lender. In this case, this borrower was already highly motivated, and was seeking advice and support from several sources to ensure his success. This does not imply that the CA program has no agency in these borrowers' success; instead, it is important to note that the results we observe most likely cannot be attributed entirely to the CA program.

- **Inability to generalize from the interview findings.** As mentioned above, we collected information from a selection of lenders and borrowers. The resource constraints of this study precluded a statistically valid sample that would be representative of the population under study. The Paperwork Reduction Act limits the number of respondents that can be surveyed to nine respondents. Therefore, the interview results are not statistically conclusive, and we are not able to extrapolate the interview results to the full population of CA lenders or borrowers. Instead of taking a statistically valid sample, we conducted a purposive sample to gather insights from a broad representation of lenders and borrowers across demographics and loan characteristics, to maximize learning opportunities and the potential representativeness of our interviewees. While limited in number, we believe this approach provided the greatest insight into answering the evaluation questions in keeping within the requirements of the Paperwork Reduction Act. Additionally, we note that the nine lenders in Group 1 account for 30% of all CA loans approved as of June 30, 2017 (1,040 out of 3,500 loans), while the nine lenders in Group 2 account for an additional 45% of CA loans (1,573 out of 3,500).
- **Limited ability to construct highly predictive performance models.** While we used logistic regressions to inform our findings, for the evaluation questions looking at the influence of different factors on loan performance, the predictive power of these models is limited. As discussed in previous sections, the vast majority of loans do not have performance issues. While this finding in itself is ~~meaningful and~~ positive, the limited variation in loan performance means that models using loan performance as the dependent variable tend to have low goodness-of-fit measures. However, we can still report statistically significant relationships between individual independent variables and the dependent variable. For the evaluation questions that rely on loan performance as the dependent variable, we examine model specifications that improve the overall goodness of fit, and for those specifications where the fit is low, we focus on the specific variables with statistically significant influence, understanding that overall, the regressions may not provide a complete picture of what influences performance.
- **Underreporting in the technical assistance data.** The data we received on technical assistance marks whether or not the loan received technical assistance. For those that received technical assistance, the data also indicates the topics covered, the duration of session(s), the mode(s) of delivery, and the source(s) of the assistance. As part of our interviews with lenders that offer technical assistance, we asked the lenders to confirm or correct the data we had on file for their loans. During this process, we identified that the technical assistance data reported to SBA may not be complete. Specifically, several lenders reported that they asked their borrowers to report the technical assistance they received – and in several cases, the understanding of what "counts" as

technical assistance may not be consistent. We also found that this issue exists across lenders – some reported the one-one-one counseling provided at the beginning of the loan as technical assistance, and others did not. Those that did not would only report technical assistance that went "above and beyond" these initial sessions. We determined that most borrowers receive a basic level of technical assistance tailored to their needs at the onset of their relationship with the bank. From that point, some borrowers receive additional, targeted sessions to address specific gaps in their knowledge and/or skills. However, we only spoke with a selection of lenders and borrowers; therefore, we cannot definitively say if the rest of the technical assistance data received from SBA are underreported or accurately reported. Our approach to interpreting the SBA technical assistance data is to assume that most borrowers receive some basic level of technical assistance – and that we can use the data on topic, mode, duration, and source of assistance to understand the potential impact of those factors on performance.[26]

Furthermore, as noted above, we cannot definitely say how technical assistance was administered for loan recipients that needed additional, targeted assistance to address specific gaps in their knowledge and/or skills. Therefore, we cannot tease out the differences between the performance of borrowers that needed targeted assistance and received it, compared to those that needed targeted assistance and did not receive it.

- **Some gaps exist in the program progression data.** We received two datasets that track borrowers through the Microloan program, the traditional 7(a) program, and the 504 program. Specifically, we received one database that showed all borrowers that start in the Microloan program, and listed the additional SBA loans that borrower received, including CA, 7(a), and 504 loans. We also received a dataset that tracked CA borrowers that received a 7(a) and/or 504 loan, but did not start in the Microloan program. The Microloan dataset does not include performance data on these additional loans (the non-CA loans); they include data on the timing and amount of the additional loans, with the exception of the Microloan program - we did not receive information on the timing or amount of Microloans, only an indication of whether the borrower received a microloan. Therefore, we are limited in our ability to discuss the performance of different profiles of borrowers as they move through these programs. We also have no information on borrowers that only obtained a traditional 7(a), 504, or microloan (and no other SBA loan). In addition, as the program is still in its pilot stage, it is possible that other borrowers may go on to receive other SBA loan products, but have yet to do so.

[26] We did not find any indications of systematic differences between those who report assistance and those who underreport.

CHAPTER 4. FINDINGS

OVERVIEW OF FINDINGS

This chapter presents our findings for the evaluation.

Overall, we find that the CA pilot program is serving an important function for its target market. Specifically, the support provided by the program, including the funding and technical assistance provided through CDCs and CDFIs, reaches its target market of small businesses in emerging markets at a critical stage for these businesses, and it reaches sectors that often have difficulty obtaining financing (e.g., retail and food service businesses).

Lenders and borrowers reported consistently during interviews that the CA program provides capital and support for borrowers when they need it most.[27] For established businesses, CA funding allows business owners to borrow capital needed to grow their business at terms (i.e., interest rates and repayment terms) that do not constrain their cash flow; for startup businesses, most CA borrowers who we interviewed cannot obtain the financing they need to get started at reasonable rates, if at all, from traditional financing sources. Lenders and borrowers that we interviewed reported that traditional banks often will not lend to startup businesses without a positive cash flow and loan repayment history.

The CA support gives startup businesses the funding they need, and also provides a relationship and support services that help ensure their success. The data show that these borrowers are indeed successful in the program: As of June 30, 2017, 2,583 loans out of 3,500 are current or paid in full, 197 are non-current (including past due, delinquent, deferred, liquidated, purchased and not charged off, and charged off), and the remaining 720 loans are cancelled or committed.[28] Only 40 loans have been charged off since April 2011 through June 30, 2017.

We also find that many borrowers go on to receive additional SBA funding through their bank – either from a traditional 7(a) loan or a 504 loan (or another CA loan).[29] Most borrowers reported they are able to use the support offered by the program to start or grow their business, putting them in a position to fund the next step in their business themselves, or to become attractive to traditional financing sources (e.g., commercial banks or investors). The unique combination of what the CA program provides – financing with reasonable terms at a critical stage in a business's trajectory, through a trusted and accessible partner,

[27] Throughout this report, when we refer to interviewees "reporting" certain findings, this refers to our coded analyses of their open-ended responses. This means that while some interviewees reported this response, it might be the case that other interviewees share that opinion, but did not offer it as a response in their interview. Therefore, the reported number of interviewees sharing a response represents the minimum number of interviewees who share that opinion.

[28] Throughout this chapter, we group loans as current and non-current. Current loans are those with a status of current or paid in full as of June 30, 2017 (data accessed on July 24, 2017). Non-current loans are those with a status of past due, delinquent, deferred, liquidated, purchased and not charged off, and charged off. Loans with a status of committed or canceled are excluded from our performance analyses.

[29] CA borrowers can receive more than one CA loan; however, they cannot borrow more than a combined maximum of $250,000.

with targeted technical assistance – makes the CA program an effective and important resource for these small businesses.

Below, we summarize the results of our analysis of program data, technical assistance data, and interview findings with borrowers and lenders. We begin with a discussion of the profile of CA borrowers, with comparisons to the other SBA lending products included in this evaluation: the Microloan program, the traditional 7(a) program, and the 504 program. The rest of the chapter focuses on our findings by evaluation question and sub-question. The chapter concludes with a summary of other feedback and suggestions offered by borrowers and lenders during the interviews.

CA BORROWER PROFILE

In this section, we present an overall profile of the CA borrower, and we examine how and to what extent CA borrowers differ from borrowers in the Microloan, traditional 7(a), or 504 programs.[30, 31] We note that the data we have on the 504 and Microloan programs are summarized and aggregated at the program level; therefore, we are not able to analyze the data at the same level of detail as we can for the CA program and the traditional 7(a) program (i.e., at the level of individual borrowers/loans). It should also be noted that the Microloan, traditional 7(a), and 504 program data are inclusive of some CA program borrowers. In other words, the summary data for those programs includes data for some of the same borrowers who are included in the CA program data, if they have loans in multiple programs. For example, if a borrower has a CA loan and a Microloan, their demographic data will be included in the program-level summary for both programs. Finally, we include discussions below about the "volume" and "amount" of loans in each program. Volume of loans refers to the total number of approved loans, inclusive of loans in all stages of performance (including current, not current, committed and cancelled loans). Amount of loans refers to the approved amount of the loan; it should be noted that this amount does not necessarily indicate the total obligation or payments made by the program, but the full value of the guaranteed loans.[32]

CA borrowers have businesses in over 2,100 cities and towns across the United States (Exhibit 14), and SBA's CA loan program attracts borrowers from a wide range of communities (Exhibit 12). On average, these borrowers are located in urban communities (92.7 percent of CA borrower communities are urban) and 70.7 percent of the population of the community is white. Traditional 7(a) borrowers, in comparison, are located in more rural areas (89.5 percent urban – 3.2 percent lower than CA borrower communities), with larger white populations (77.4 percent – 6.7 percent higher than CA borrower communities). CA borrowers are located in communities with employment rates slightly below the national average (91.8 percent on average compared to 92.2 percent national average and 92.4 percent for communities of traditional 7(a) borrowers). The communities of CA borrowers have experienced higher than average economic growth from 2011-2015 (16.8 percent job growth and 7.7. percent increase in business establishments. When compared to the national population, we find that the communities in which CA

[30] As a reminder, the CA pilot program is a subset of SBA's 7(a) lending program. In this report, the term "7(a) program" includes CA loans and other 7(a) loans, while the term "traditional 7(a) program" only includes non-CA 7(a) loans.

[31] Throughout this chapter, the loans included in the traditional 7(a) group are those that are less than $250,000 – to be comparable with the CA program. In addition, all loan status values were dropped for FY2012 for the traditional 7(a) program, as the status date for these records was not consistent with the status date for all other records in the dataset.

[32] The SBA 7(a) loan and 504 loan programs provide loan guarantees to lenders while the Microloan program does not.

borrowers operate represent a more urban and more diverse (i.e., lower white/higher non-white population) population.

EXHIBIT 12. SUMMARY OF COMMUNITY ADVANTAGE AND TRADITIONAL 7A PROGRAM PROFILES

INDICATOR	COMMUNITY ADVANTAGE AVERAGE	TRADITIONAL 7(A) AVERAGE[3]	DIFFERENCE (CA-7A)	US AVERAGE	DIFFERENCE (CA-US)
Total Population[1]	32,457	29,285	3,172	28,724	3,733
White Population[1]	70.7%	77.4%	-6.7%	76.7	-5.9%
Non-White Population[1]	32.6%	25.7%	6.9%	26.4%	6.2%
Percent Urban Population[1]	92.7%	89.5%	3.2%	87.0%	5.7%
Per Capita Income[1]	$34,574	$32,568	$2,003	$32,106	$2,465
Employment Rate[1]	91.8%	92.4%	-0.6%	92.2%	-0.4%
Employment Rate Change[2]	16.8%	12.6%	4.3%	12.8%	4.1%
Change in Business Establishments[2]	7.7%	6.0%	1.7%	6.2%	1.5%
Adult population with less than college degree[1]	17.4%	18.3%	-0.9%	18.7%	-1.3%
Adult population with more than college degree[1]	13.0%	12.7%	0.4%	12.5%	0.5%
Population below poverty line (%)[1]	15.6%	14.1%	1.5%	14.4%	1.2%
Population above poverty line (%)[1]	84.4%	85.9%	-1.5%	85.6%	-1.2%

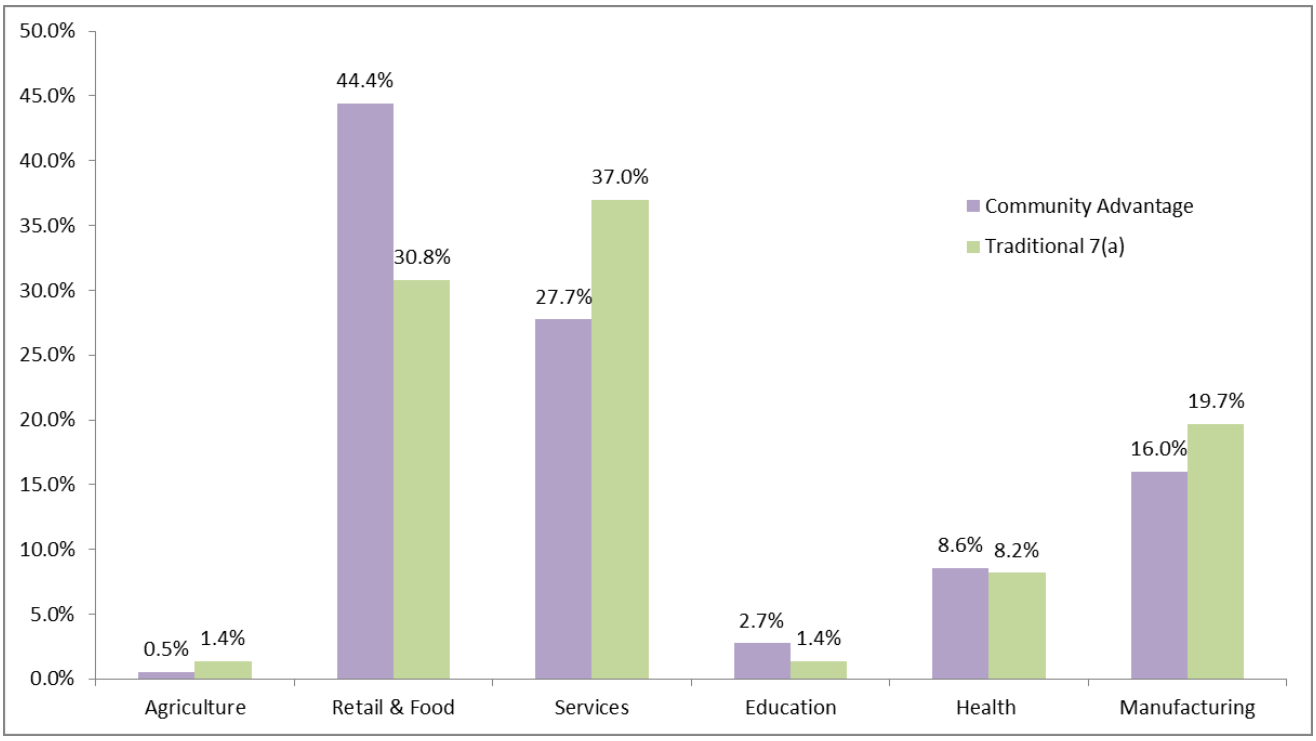
[1] American Community Survey Census data obtained from: Steven Manson, Jonathan Schroeder, David Van Riper, and Steven Ruggles. IPUMS National Historical Geographic Information System: Version 12.0 [Database]. Minneapolis: University of Minnesota. 2017. http://doi.org/10.18128/D050.V12.0. Five year average (2010-2015)

[2] County Business Patterns Census data obtained from: United States. (1987). County business patterns. Washington, DC: U.S. Dept. of Commerce, Bureau of the Census, Data User Services Division. Difference from 2015 value and 2010 value.

[3] Traditional 7(a) loans less than $250,000.

One area in which the CA program and the traditional 7(a) program differ is the industry in which the funded businesses operate. In particular, as Exhibit 13 demonstrates, substantially more CA borrowers operate businesses in the retail and food service industry than traditional 7(a) borrowers: 44.4 percent of CA borrowers compared to 30.8 percent of traditional 7(a) borrowers. Our interviews with lenders and borrowers confirmed that businesses in the retail and food service industry often have difficulty securing financing, as commercial banks tend to consider these businesses a higher risk. However, interviewees noted that these are the types of businesses that provide services to the community and foster community connections. By providing opportunities to these types of business owners, the CA program helps to fill a niche for businesses in these sectors.

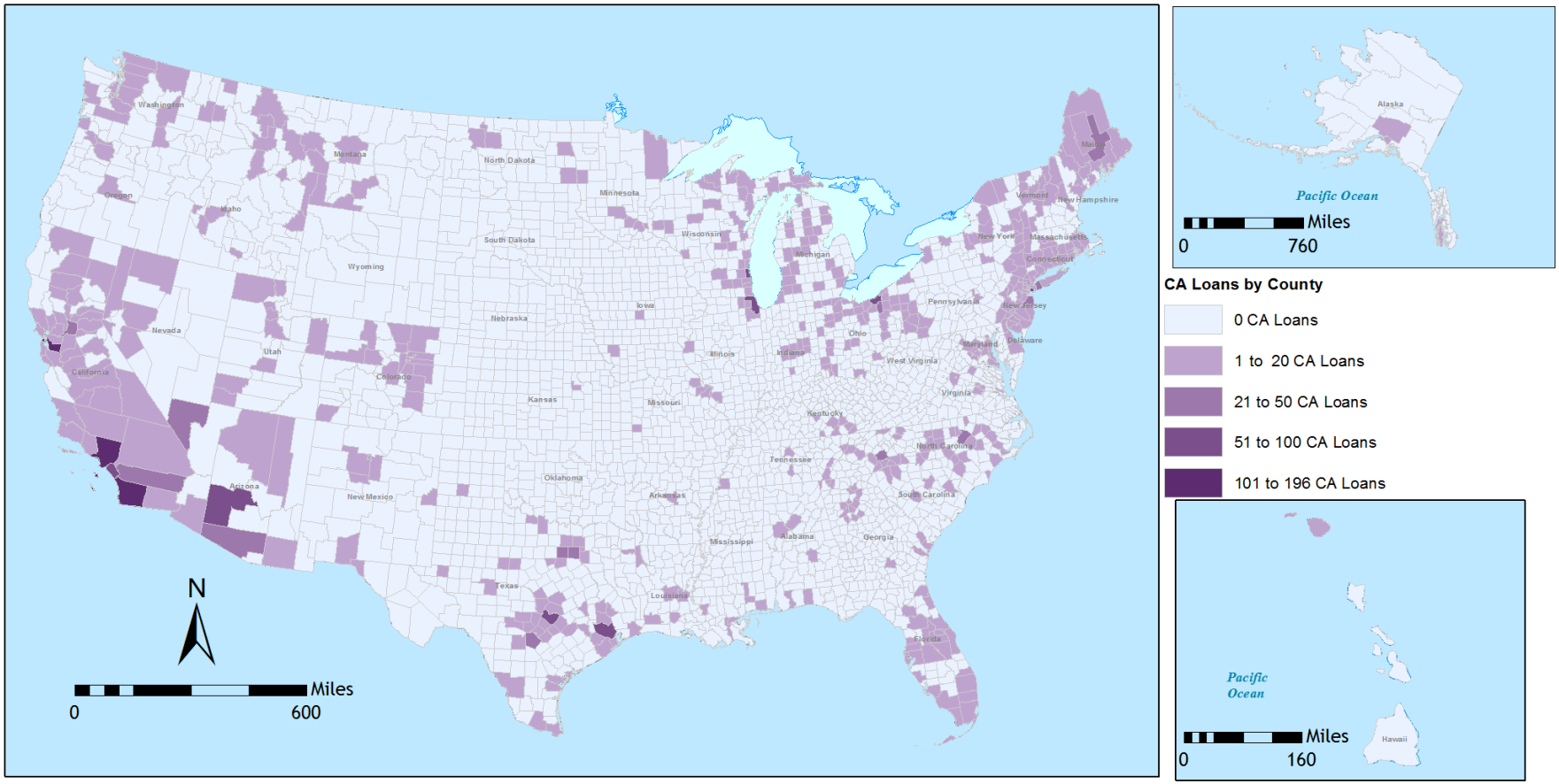
EXHIBIT 13. BUSINESS CATEGORIES[33] FOR BUSINESS OWNERS, BY PROGRAM



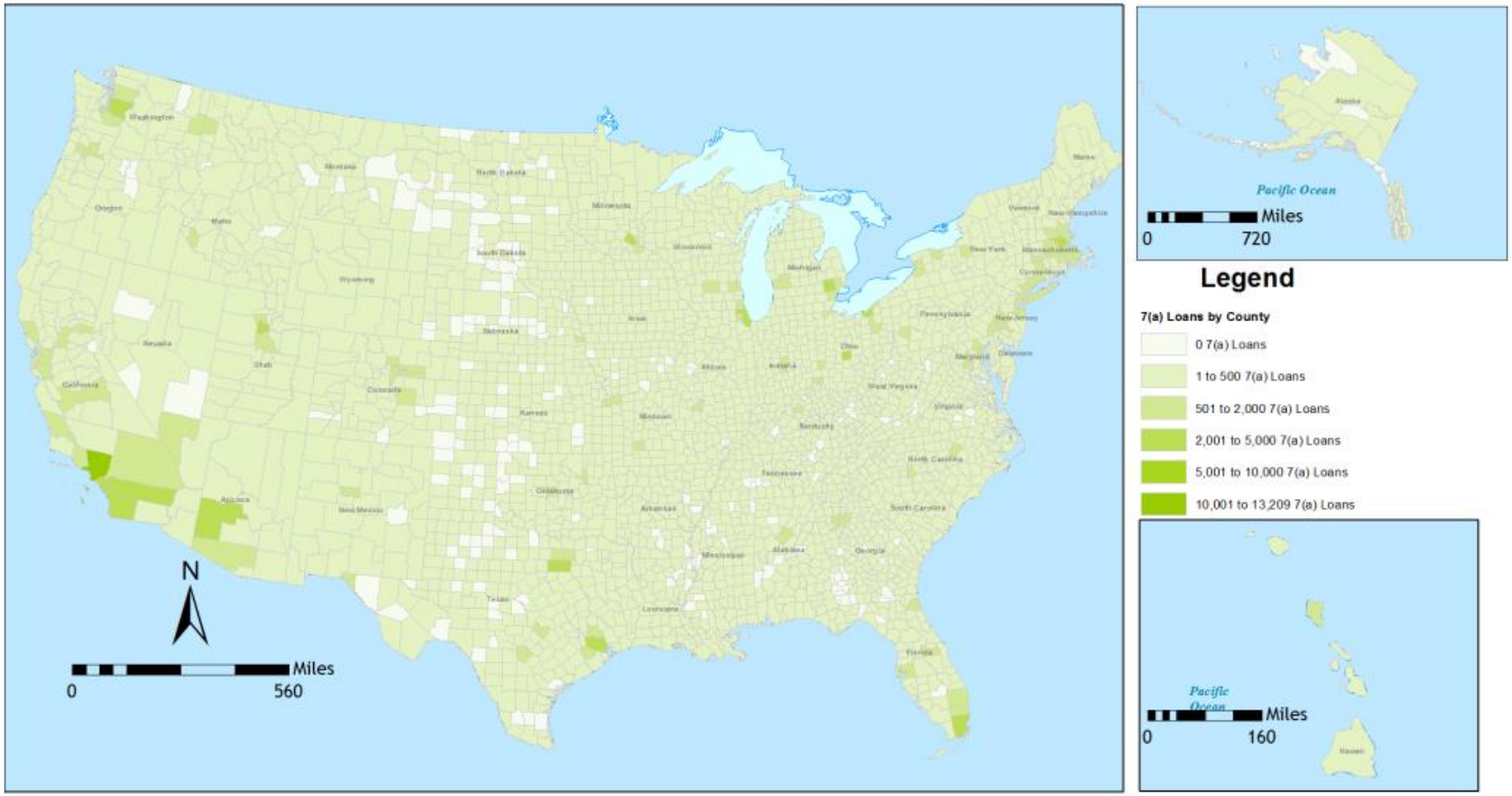
[33] These categories were created based on the NAICS codes provided in the dataset.

EXHIBIT 14. SBA COMMUNITY ADVANTAGE, MICROLOAN, AND TRADITIONAL 7(A) BORROWER LOCATIONS

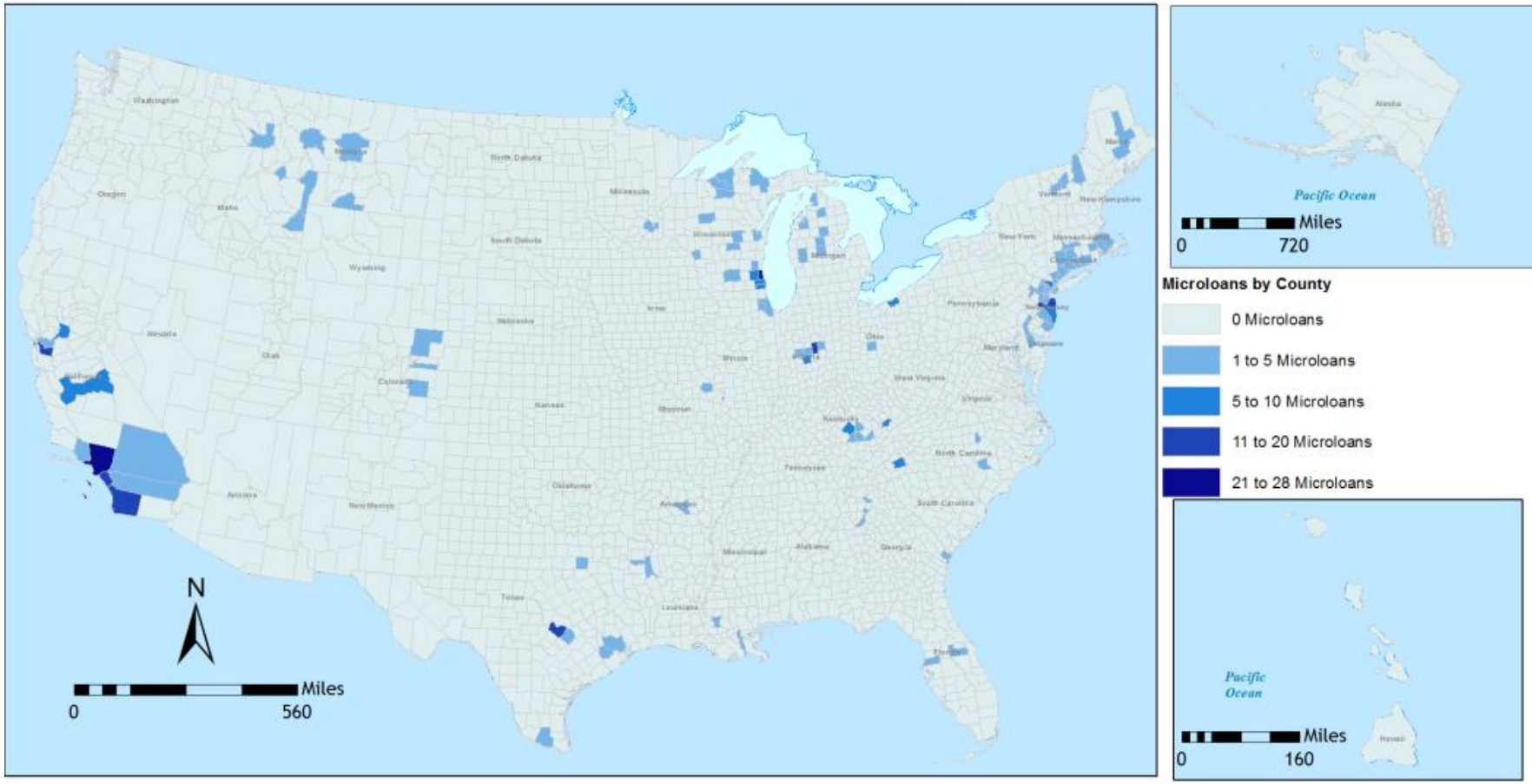
Distribution of Community Advantage Loan Recipients



Distribution of Traditional 7(a) Loan Recipients



Distribution of Microloan Recipients



Unsurprisingly, of the four loan programs, the 7(a) program is consistently the largest in terms of the proportion of total dollars loaned, as well as the proportion of total SBA loans made annually: The 7(a) program accounts for on average about 80 percent of both the dollar amount and number of SBA loans each year (see Exhibit 15 below). While the 504 program consistently loans the second-highest dollar amount across the programs, it makes approximately the same number of loans as the Microloan program. The Microloan program accounts for, on average, only 0.3 percent of the dollar value of SBA loans per year, but eight percent of the number of loans. The CA program consistently represents a small share of both the dollar value (0.4 percent) and number of loans (1.2 percent) of the SBA portfolio. However, this is not necessarily unexpected, as the CA program is newer and is still in pilot status. Also, the programs are all designed to meet different borrower needs.

EXHIBIT 15. AVERAGE DOLLAR VALUE AND VOLUME SHARE OF SBA PORTFOLIO BY PROGRAM (FY2012-2017)

PROGRAM	DOLLAR VALUE SHARE (ANNUAL AVERAGE)	LOAN VOLUME SHARE (ANNUAL AVERAGE)
Microloan	$51.7 million (0.3%)	3,992 (8.0%)
Community Advantage[1]	$75.1 million (0.4%)	583 (1.2%)
7(a) Program[2]	$14.8 billion (79.9%)	40,102 (80.8%)
504	$3.6 billion (19.4%)	4,928 (9.9%)
Total	**$18.4 billion**	**49,606**

1) The CA program is in a pilot phase; the other programs are well established.
2) May include CA borrowers.

Turning our attention to borrower characteristics (Exhibits 16-19), based on the data reported by Microloan Intermediaries, we find that the Microloan program serves a higher proportion of ethnic minority borrowers than any of the other programs (Exhibit 16). Of the 23,951 loans made by the Microloan program since FY2012, a total of 38.8 percent of them have been to ethnic minorities (non-white borrowers). The proportion of CA program loans made to ethnic minorities, as reported by CA lenders, is somewhat lower, with 33.0 percent of its 3,500 loans being made to non-white borrowers. However, the average loan size is larger for the CA program, sometimes in amounts approaching commercial-scale lending volumes.[34] In other words, the CA program is providing loans to a relatively large portion of ethnic minorities, similar to a program like the Microloan program, but with loan sizes closer to a commercial-scale operation. The corresponding percentages reported by lenders for the 504 and 7(a) programs are lower, at 21.3 percent and 24.3 percent, respectively. The CA program serves a niche in the marketplace by serving ethnic minority borrowers, with larger loans than the programs that traditionally serve these communities.

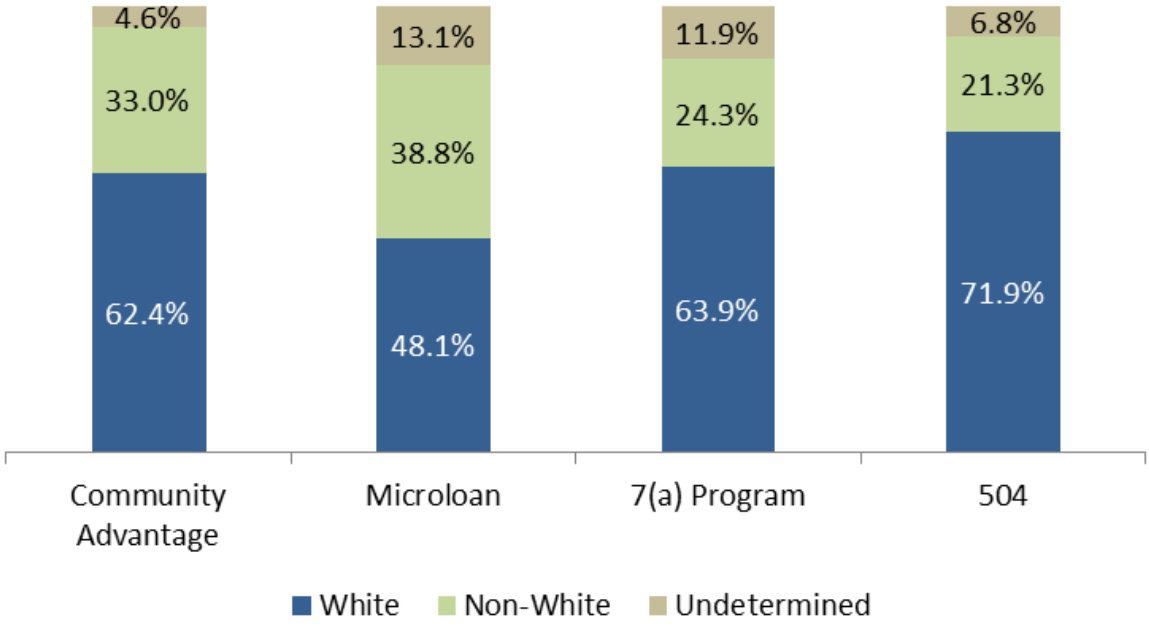
The gender ownership of CA businesses is relatively even: 53.3 percent are male-owned, 17.2 percent are less than 50 percent female-owned, and 29.5 percent are more than 50 percent female-owned businesses

[34] Between $250,000 and $1 million; *Small Business Lending in the United States, 2015-2015*. U.S. Small Business Administration Office of Advocacy; June 2017. https://www.sba.gov/sites/default/files/Banking_study_Full_Report_508_FINAL.pdf

(Exhibit 17).[35] The percentages of female-owned businesses (greater than 50 percent and less than 50 percent) are higher for CA than for 7(a) or 504.

CA has a higher proportion of new businesses than the other programs (Exhibit 18). Just over half of CA businesses are new businesses (51.2 percent) and just under half are existing businesses (48.8 percent) at the time of their CA loan. Just over seven percent of CA loans go to veterans – the highest among the programs Exhibit 19). The average CA borrower has a credit score of 172.6, and 7.2 employees at the time of application.[36]

EXHIBIT 16. OWNERSHIP ETHNICITY OF SBA BORROWERS ACROSS PROGRAMS



[35] These percentages are calculated in terms of the number of loans; these relationships hold if the percentages are calculated based on total funding as well.

[36] However, the range of FTEs for CA borrowers is quite large: the minimum is one and the maximum is 207.

EXHIBIT 17. OWNERSHIP GENDER OF SBA BORROWERS ACROSS PROGRAMS

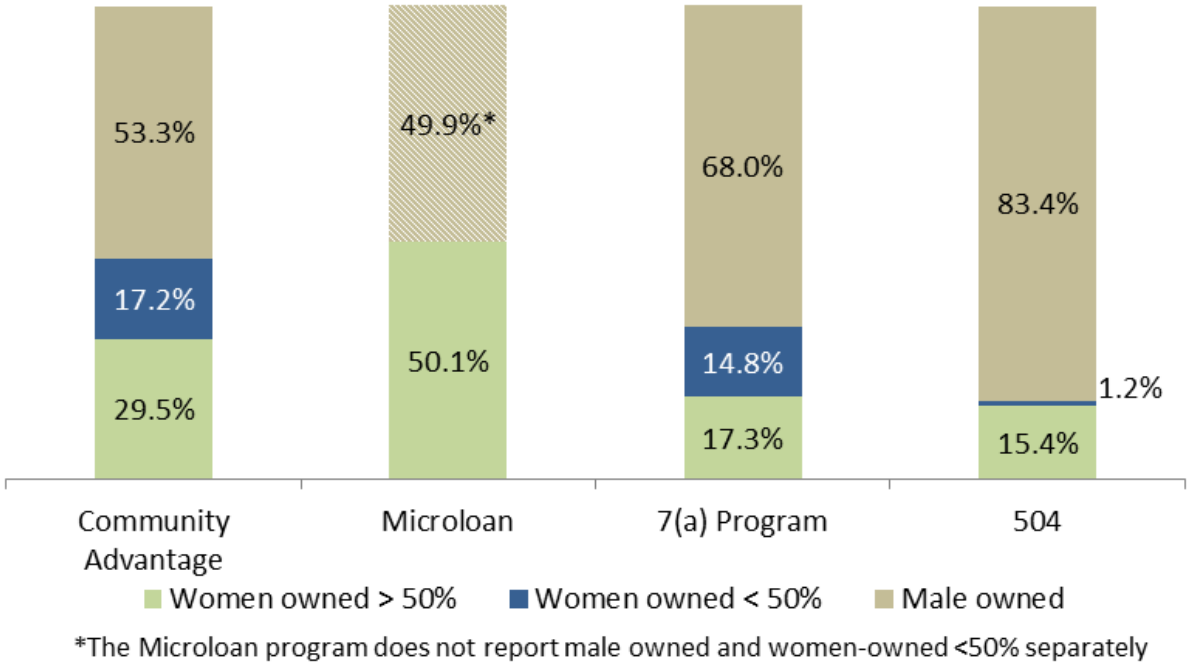


EXHIBIT 18. OWNERSHIP BUSINESS STATUS OF SBA BORROWERS ACROSS PROGRAMS

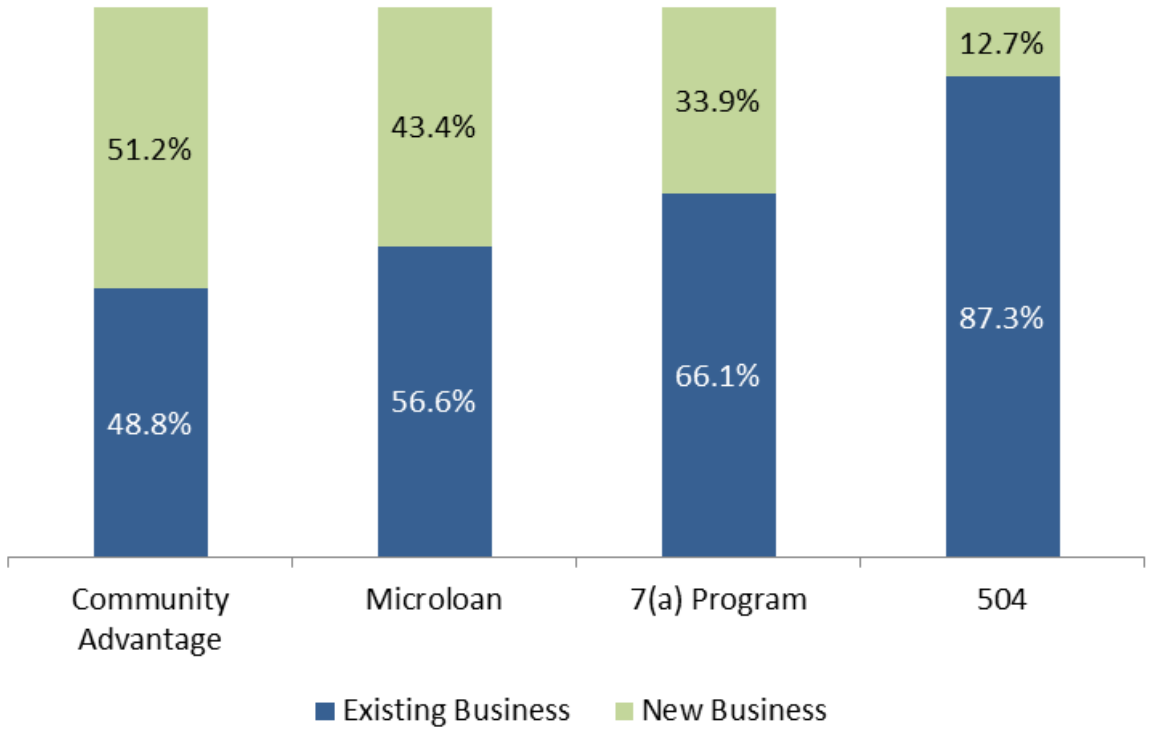
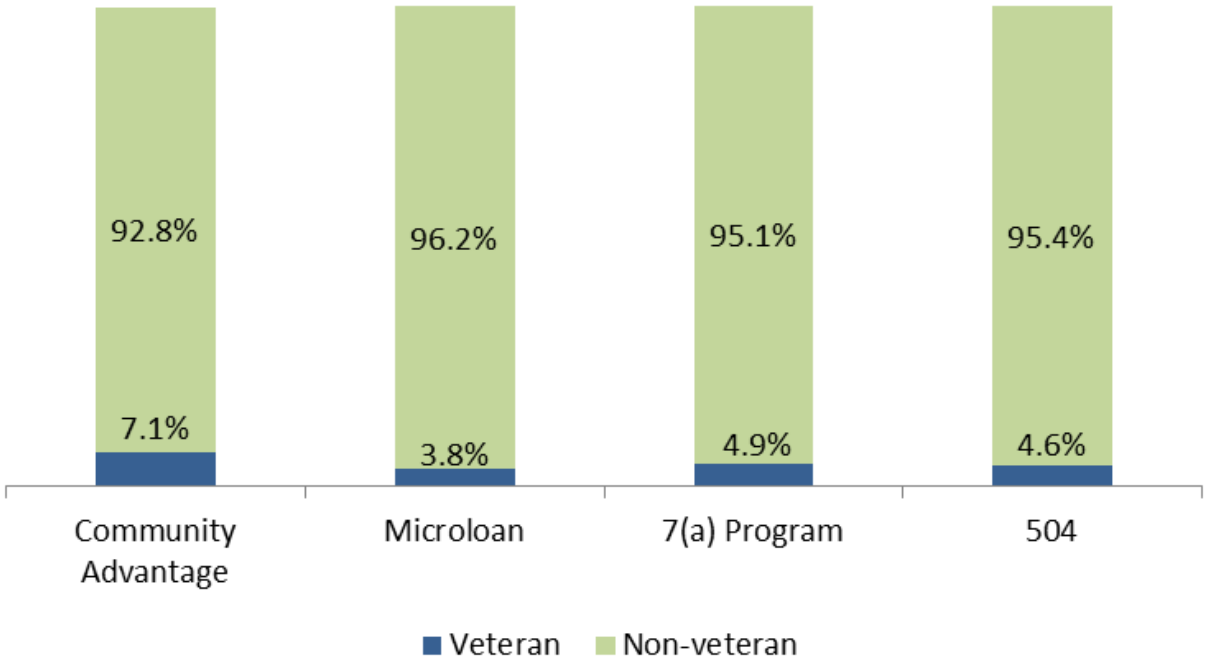


EXHIBIT 19. OWNERSHIP VETERAN STATUS OF SBA BORROWERS ACROSS PROGRAMS

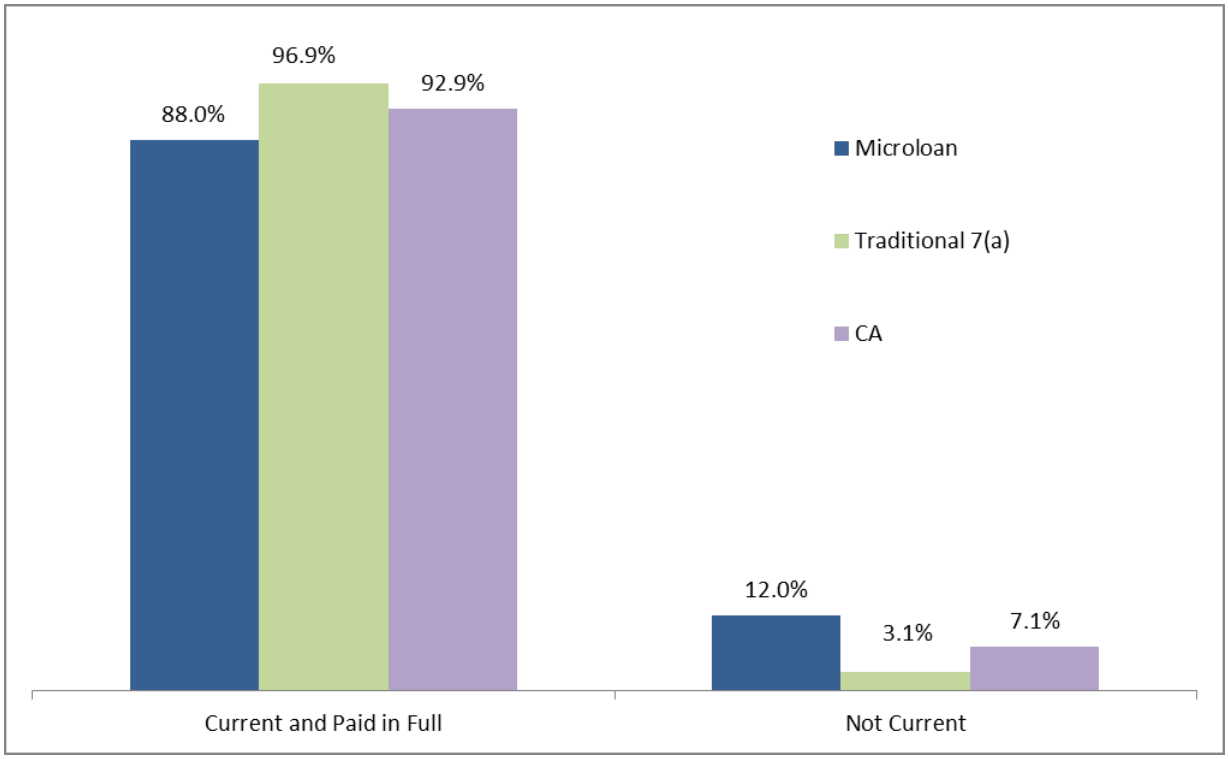


With respect to loan performance, we have data to compare the CA program to the traditional 7(a) program and the Microloan program. Across all three programs, the vast majority of SBA loans are current or paid in full. The CA program has a higher percentage of current loans than the Microloan program, and a slightly lower percentage than the traditional 7(a) program. Specifically, as Exhibit 20 below demonstrates, about 93 percent of CA loans are either current or paid in full, compared to 88 percent for the Microloan program, and 97 percent for the traditional 7(a) program.[37,38] This is notable given the CA program's pilot status, compared to the mature status of the Microloan and traditional 7(a) programs.

[37] We calculated the percentage of non-current loans by both loans and funding; the values are very similar.

[38] As expected, the Microloan program has more loans paid in full, as the program has been operating much longer than the CA program.

EXHIBIT 20. LOAN PERFORMANCE BY PROGRAM, AS A PERCENT OF TOTAL LOANS (FY2017)[39,40]



SUMMARY OF KEY FINDINGS

The following sections present details of our findings, organized by each evaluation question. Overall, our analyses resulted in the following key findings:

1. **Overall, CA borrowers perform extremely well on their loans – a small portion of loans have any issues with making on-time payments.** We examined what factors might drive borrowers to have issues with performance on their loan primarily by looking for relationships between borrower characteristics and performance. For the most part, there are no major patterns or relationships that emerge from our analyses as substantial predictors of performance; this is most likely a result of the low number of non-performing loans. In other words, it is difficult to tease out the influences of different factors on performance when so few loans are non-performing. We find that businesses run by non-white borrowers and businesses with lower credit scores are more likely than other types of borrowers to not be current on their loan. In addition, businesses in communities with higher percentages of unemployment are more likely to have non-current loans. During our interviews with lenders in Group 2, we examined what factors, from the lenders' perspectives, might drive performance. Most of the lenders interviewed noted that there is no one defining characteristic of the borrower that would indicate success with loan performance; success can only be determined by the

[39] The performance data used in this analysis do not include cancelled or committed loan amounts.

[40] The values here were calculated as a percentage of the program's total number of loans; the calculated values are essentially identical if calculated based on total funding instead of total loans.

borrower's personal attributes. In addition, there is some evidence that there may be some characteristics of lenders that are also influencing a borrower's performance.

2. **The close relationships between lenders and borrowers is a defining feature of the CA program, and are critical to understanding the program's performance.** In examining the driving factors for the successful performance of CA borrowers, we uncovered one key attribute of the CA program: Lenders not only operate within the target communities, they also have a social mission to serve their communities. As a whole, they are highly motivated by and dedicated to ensuring the success of their borrowers. One of the primary mechanisms they use to accomplish this is to tailor their services and approach to the specific needs of each borrower. In other words, beyond extending loans, they try to understand the needs of the borrower and work closely with them to set them up to succeed. This approach manifests itself in several ways. For example:

   - *Lenders help borrowers determine the right loan size.* Lenders work upfront with borrowers to ensure they are borrowing the appropriate amount for the current state of their business and their needs to move forward. One lender described how sometimes this means decreasing the loan (e.g., breaking a larger loan into more manageable stages), and other times it means increasing the loan (e.g., making sure borrowers have enough capital to accomplish their goal).
   - *Lenders tailor technical assistance to the needs of the borrower.* All of the lenders we interviewed about the technical assistance they offer their borrowers reported that the provision of technical assistance is highly personalized to each borrower's needs; our interviews with borrowers confirmed this approach. For example, lenders work with the borrower at the origination of the loan to identify knowledge gaps (e.g., producing cash flow statements) and establish a plan for delivering the topics, mode of delivery, and duration of technical assistance needed to address those gaps. This approach ensures that borrowers get the appropriate assistance based on their specific needs.
   - *Lenders work with borrowers to restructure predatory debt.* Several lenders reported that some borrowers fall victim to predatory lending (i.e., loans with oppressive and often crippling terms, for example exorbitant interest rates) before approaching the CA lender. In these cases, lenders work closely with the borrower to restructure this debt, in order to remove the constraints placed on their operating capital, and to properly fund the next step for their business.
   - *Borrowers return to their lender.* The relationship that is fostered between the lender and borrower often does not stop with one loan. Several borrowers and lenders reported, and the data demonstrate, that several borrowers come back to their lender for additional financing beyond their CA loan.[41] Borrowers report that the one-on-one attention given by the lender drives this repeat business. Specifically, they receive the right services, the right loan, and the right terms.

3. **Technical assistance is an important factor in borrower performance and success, although there have been issues with how these data are tracked and reported in the past.**[42] The data that SBA provided on technical assistance includes information on how many borrowers received

[41] In some cases borrowers had experience with their lender under a different SBA loan before applying for their CA loan.

[42] Modifications have been made to streamline and require these data be reported by all lenders.

technical assistance, which topics were covered, and how the assistance was delivered (i.e., the mode of delivery and duration). In these data, it appeared that about a third of borrowers received technical assistance on their loan. However, in our discussion with SBA CA program managers and our interviews with borrowers and lenders, it became evident that these data are underreported. In particular, lenders reported that the majority, if not all, of their borrowers receive some form of technical assistance; however, the data do not reflect this. This is most likely a result of underreporting technical assistance. These inconsistencies make it difficult to understand the data with a high level of rigor. Our statistical analyses show that in general the provision of technical assistance and the topics, duration, and mode of delivery have little to no impact on the performance of CA borrowers. The low variation in loan performance is likely limiting our ability to confidently predict these relationships; because the vast majority of loans do not have performance issues, it is difficult to estimate factors influencing performance. However, our interview findings suggest that technical assistance does in fact positively affect performance for the following reasons:

- Because most borrowers most likely receive some form of technical assistance, it is difficult to tease out the true impact of the assistance in the data.
- The highly tailored delivery of technical assistance means that some borrowers receive little or no technical assistance; however, this may be because the lender determined the borrower did not need assistance to be successful. Therefore, there are borrowers that perform well in both the group that received technical assistance and the group that did not receive technical assistance; again, this makes it difficult to tease out this relationship in the data.
- Overall, CA borrowers perform well on their loans. As noted earlier, the vast majority of CA borrowers do not have problems repaying their loan on time. Again, this makes it difficult to understand the relationship between performance and other factors, such as the receipt of technical assistance.

In summary, borrowers and lenders consistently reported during interviews that technical assistance has a positive effect on loan performance, although observing this effect in the data is difficult due to the limitations noted above.

4. **Borrowers are using the CA program to climb the ladder of economic opportunity.** One way to understand if borrowers are using the CA program to climb the ladder of economic opportunity is to examine if borrowers are progressing from the Microloan program, to the CA program, and then to the traditional 7(a) program or 504 program. We find that a small number of CA borrowers take this specific path: 22 CA borrowers (0.6 percent) have gone from the Microloan program to CA to the traditional 7(a) program; and a total of 75 CA borrowers (2.1 percent) have taken advantage of all of these programs, but not necessarily in that order. The data show many other combinations of ways that borrowers use CA with SBA's other loan programs. Specifically, borrowers overall use the appropriate loan for their specific circumstances, and several borrowers take advantage of more than one SBA loan and/or SBA program. In other words, there are several paths into and out of the CA program. In fact, 40.2 percent of all CA borrowers have two or more loans with SBA, and 24.4 percent of CA borrowers take advantage of more than one SBA loan program. During our interviews with lenders and borrowers, it became clear that there are several other ways to capture how borrowers use the CA program to climb the ladder of economic opportunity, outside of, or in addition

to, the metric of obtaining another SBA loan, and that the CA program serves a critical niche for these borrowers:

- *The CA loan puts the borrower in a position to obtain financing from another source (e.g., a traditional commercial bank).* This primarily happens for two reasons. First, the funds from the CA loan are used to grow their business to a point they are ready to take the next step (e.g., open a new location); they now have the collateral and operating revenues that traditional lenders require. Second, they now have the loan repayment performance record needed by other sources to obtain financing at reasonable terms. Borrowers also reported that the CA loan puts them in a strong position to obtain financing from non-bank sources, including equity investors.. In these cases, the business is climbing the ladder of economic opportunity in ways that do not require ongoing use of SBA's lending products.
- *The funds from the CA loan put the business in a position where they can finance their own growth.* Some borrowers reported that the CA loan gave them the capital they needed to finance the next step in their growth.
- *Businesses are able to grow as a result of their CA loan, which has far-reaching, non-financial impacts on the borrower and their community*. Interviewees identified several measures of progress on the ladder of economic opportunity, including: impacts on the local economy (e.g., tax revenue and job creation), impact on/connection to the local community (e.g., community pride), mentorship opportunities, and opportunities to expand operations and services to the community.

EVALUATION QUESTION 1: HOW DOES PROVISION OF TECHNICAL ASSISTANCE IMPACT LOAN PERFORMANCE OF CA LOANS AS COMPARED TO CA LOANS THAT DO NOT RECEIVE TECHNICAL ASSISTANCE?

To answer this evaluation question, we first discuss the characteristics of the borrowers who received technical assistance, and compare those to the characteristics of the borrowers who did not receive technical assistance. Then we examine if the receipt of technical assistance, the topic covered, session duration, and/or the mode of delivery appear to impact loan performance. Finally, we summarize the mechanisms through which technical assistance supports positive performance.

1A) DO LOANS OR BORROWERS RECEIVING TECHNICAL ASSISTANCE PERFORM BETTER THAN THOSE THAT DID NOT?

As noted above, we are somewhat limited in our ability to answer this question with the technical assistance data, as the current data on technical assistance are most likely underreported. During our interviews with lenders (Group 1) and borrowers (Group 3), we learned that most lenders offer a basic level of technical assistance to all borrowers, often at the outset of their loan. For example, while originating their loan, the lender may spend one to two hours addressing any specific topics for which the borrower needs some special attention, such as producing a cash flow statement. In some cases, the lender and/or borrower may not report this session as "technical assistance" to SBA; therefore, the current data may not capture all technical support offered by the CA lenders. That said, we have no reason to believe that the underreporting of these data are systematic in a way that would skew the pattern of results. Moving forward with that assumption, we can use the current data to understand potential trends in the

types of technical assistance received, and patterns in the impact of that technical assistance on loan performance.

To answer this question, we first examine the differences, if any, between borrowers that receive technical assistance and those who do not.[43] In total, the data indicate that all but one lender offers technical assistance and about one-third of borrowers indicate they have received technical assistance (Exhibit 21).

EXHIBIT 21. PROVISION AND RECEIPT OF TECHNICAL ASSISTANCE

	LENDERS	BORROWERS
Offer/Receive TA	73 (83.9%)	1,300 (37.1%)
Do Not Offer/Do Not Receive TA	1 (1.1%)	2,200 (62.9%)
Missing (Unknown)	13 (14.9%)	-
TOTAL	**87 (100%)**	**3,500 (100%)**

Note: The interview findings indicate that in reality most, if not all, borrowers receive some kind of technical assistance, which suggests the data shown in this table are underreported. For these analyses, we assume that the borrowers marked as receiving technical assistance in the dataset are representative of those borrowers that received technical assistance above and beyond a basic level of assistance that everyone receives.

Next, we examine the demographic characteristics of the borrowers that were reported to have received technical assistance, compared to those that were not reported to have received technical assistance (Exhibit 22). Overall, no clear patterns emerge between the two groups. It appears that slightly more veteran-owned businesses, businesses with black and Hispanic owners, and women-owned businesses receive more technical assistance. Also, unsurprisingly, more new businesses receive technical assistance than existing businesses.

[43] Again, we understand that in reality most, if not all, borrowers receive some kind of technical assistance. For these analyses, we assume that the borrowers marked as receiving technical assistance in the dataset are representative of those borrowers that received technical assistance above and beyond a basic level of assistance that everyone receives.

EXHIBIT 22. CHARACTERISTICS OF BORROWERS BY TECHNICAL ASSISTANCE RECEIVED

CHARACTERISTIC	RECEIVED TA 1,300	DID NOT RECEIVE TA 2,200	DIFFERENCE (%)
VETERAN STATUS			
Non-Veteran Owned	1,172 (90.2%)	2,077 (94.4%)	-4.3%
Service Disabled Veteran Owned	30 (2.3%)	19 (0.9%)	1.4%
Other Veteran Owned	98 (7.5%)	103 (4.7%)	2.9%
GENDER STATUS			
Male Owned	628 (48.3%)	1,238 (56.3%)	-8.0%
Female Owned 50% or Less	242 (18.6%)	359 (16.3%)	2.3%
Female Owned More Than 50%	430 (33.1%)	603 (27.4%)	5.7%
ETHNICITY			
White	795 (61.2%)	1,389 (63.1%)	-2.0%
American Indian	9 (0.7%)	20 (0.9%)	-0.2%
Asian or Pacific Islander	86 (6.6%)	192 (8.7%)	-2.1%
Black	184 (14.2%)	232 (10.5%)	3.6%
Hispanic	186 (14.3%)	247 (11.2%)	3.1%
Undetermined	40 (3.1%)	120 (5.5%)	-2.4%
BUSINESS STATUS			
Existing Business	533 (41.0%)	1,174 (53.4%)	-12.4%
New Business	767 (59.0%)	1,026 (46.6%)	12.4%
CREDIT SCORES			
Less Than 100	0 (0.0%)	2 (0.1%)	-0.1%
100-149	189 (14.5%)	336 (15.3%)	-0.7%
150-199	673 (51.8%)	1,112 (50.5%)	1.2%
200-249	144 (11.1%)	212 (9.6%)	1.4%
250+	5 (0.4%)	(0.0%)	0.4%
Unknown	289 (22.2%)	538 (24.5%)	-2.2%
FTES			
Fewer Than 10	757 (58.2%)	1,477 (67.1%)	-8.9%
10-24	157 (12.1%)	322 (14.6%)	-2.6%
25-49	33 (2.5%)	103 (4.7%)	-2.1%
50-99	8 (0.6%)	25 (1.1%)	-0.5%
100+	2 (0.2%)	4 (0.2%)	0.0%
LOAN STATUS			
Cancelled	134 (10.3%)	281 (12.8%)	-2.5%
Committed	125 (9.6%)	180 (8.2%)	1.4%
Current	877 (67.5%)	1,421 (64.6%)	2.9%
Paid in Full	94 (7.2%)	191 (8.7%)	-1.5%
Past Due	6 (0.5%)	14 (0.6%)	-0.2%
Delinquent	9 (0.7%)	23 (1.0%)	-0.4%
Deferred	3 (0.2%)	4 (0.2%)	0.0%
Liquidated	16 (1.2%)	14 (0.6%)	0.6%
Purchased, Not Charged Off	17 (1.3%)	51 (2.3%)	-1.0%
Charged Off	19 (1.5%)	21 (1.0%)	0.5%

Next, we examine these characteristics more carefully to see if there is a relationship between any of them and whether or not the borrower received technical assistance by constructing probit regressions to test which factors influence the probability of receiving technical assistance. In this regression, we found several statistically significant variables:

- **Veteran-Owned:** Going from non veteran-owned to veteran-owned *increases* the probability that the borrower received technical assistance by 4.6 percent.
- **Women-Owned:** Going from non women-owned to women-owned *increases* the probability that the borrower received technical assistance by 3.2 percent.
- **Minority-Owned:** Going from white-owned to non white-owned *increases* the probability that the borrower received technical assistance by 1.1 percent (statistically significant at the 10 percent level).
- **Total Loans:** Every additional SBA loan the borrower receives *increases* the probability that the borrower received technical assistance by 3.8 percent (statistically significant at the 10 percent level).
- **Total Programs:** Every additional SBA program from which the borrower receives a loan *decreases* the probability that the borrower received technical assistance by 8.2 percent.
- **Median Income:** Every additional $10,000 in median income for the borrower's community *increases* the probability that the borrower received technical assistance by 1.0 percent.

Finally, we examine the impact, if any, of receiving technical assistance on loan performance. Specifically, do the loans that received technical assistance have fewer non-current balances? To answer this question, we construct a basic probit regression to estimate the influence of technical assistance on loan performance, controlling for other factors.[44] In this regression, we find no statistically significant relationship between receiving technical assistance and loan performance.[45] In other words, it does not appear that receiving technical assistance makes a borrower more or less likely to become non-current on their loan.

We also construct alternative specifications of the basic regression to test the impact of additional models on our conclusion. Specifically, we tested models that included additional control variables,[46] and models testing for interaction effects between gender and ethnicity, loan amount and business status, and veteran status and gender. None of these alternative specifications change the outcome of the basic regression; receiving technical assistance still does not impact loan performance.

We also investigated whether there are differences between the performance of the CA borrowers who received technical assistance and those that did not, compared to the performance of traditional 7(a)

[44] In all our regression analyses, the basic regression includes the following control variables: receipt of technical assistance, veteran status, gender status, ethnicity, business status, credit score, FTEs, number of loans, number of programs, loan amount, employment change, change in business establishments, change in percentage of population with no high school diploma, and change in percent of unemployed population.

[45] Relationships are reported throughout as "statistically significant" at the five percent level, unless otherwise noted.

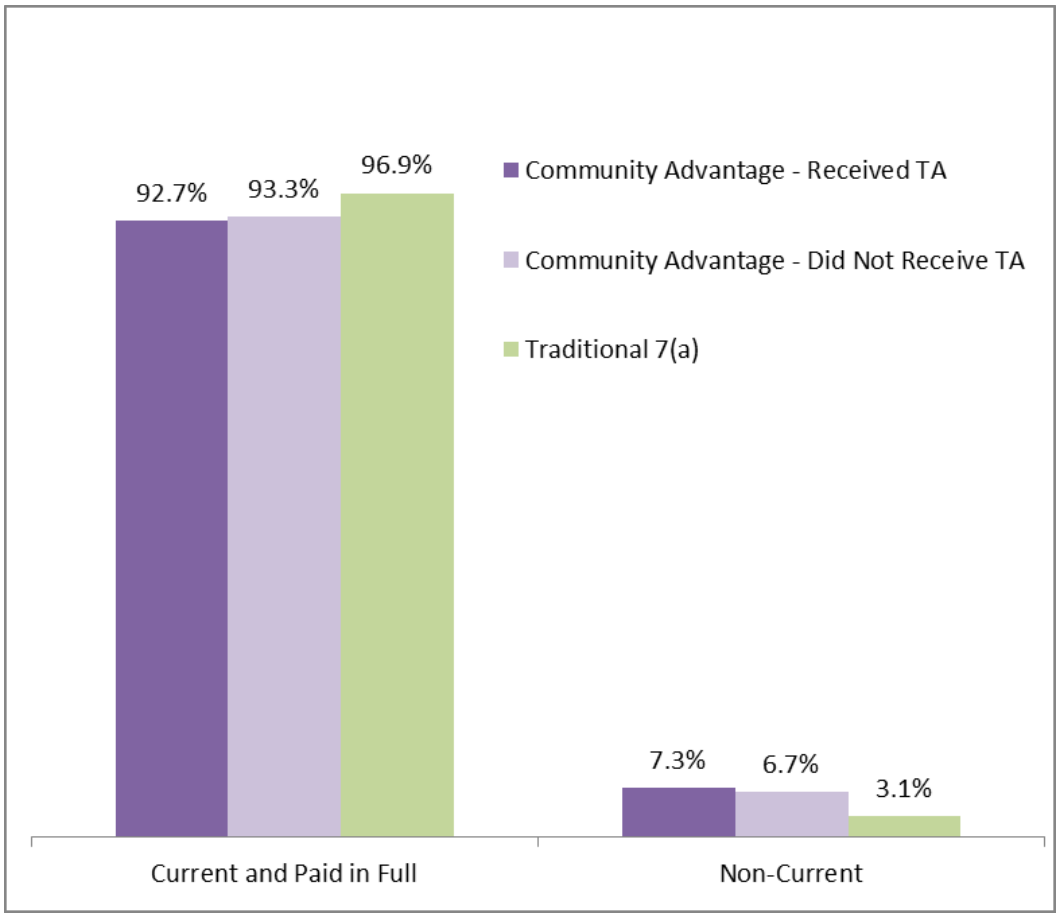
[46] Alternate specifications include the following additional control variables: categories of industry and use of proceeds.

borrowers (Exhibit 23).[47] The borrowers in the traditional 7(a) program do not receive technical assistance as part of their loan; therefore, this provides us with another opportunity to investigate the impact of technical assistance on performance by comparing the performance of traditional 7(a) loans (that did not receive technical assistance), and CA loans that did receive technical assistance. The percentages of loans that are current is *lower* for the CA loans that received technical assistance, compared to the traditional 7(a) loans (92.7 percent current for CA loans vs. 96.9 percent current for traditional 7(a) loans; a 4.2 percent difference). Between these groups, traditional 7(a) has the lowest percentage of loans not current: Only 3.1 percent of traditional 7(a) loans are not current, compared to 7.3 percent of CA loans that received technical assistance that are not current. Some of these differences may come from the larger percentage of loans in the "Other" category for CA loans that received technical assistance; this could signal there are more loans in this group that are in the early stages (e.g., funds have been committed but not disbursed). It should also be noted that while these differences exist, overall the non-performing rate across all groups remains extremely low; this makes it difficult to discern factors that may be influencing performance.

We also tested for the relationship between technical assistance and loan performance by including all of the traditional 7(a) loans in our dataset in the group that did not receive technical assistance. Adding this group does not alter any of the findings above, namely that there is no statistically significant relationship between technical assistance and loan performance. However, as noted above, this is most likely a result of the low incidence of non-performing loans, not of the lack of impact of technical assistance.

[47] As a reminder, we excluded from the traditional 7(a) group all traditional 7(a) loans with approval amounts over $250,000, and we excluded the loan performance status of traditional 7(a) loans for FY2012, as the status date for these loans is not consistent with the status date of the loans in the rest of the dataset.

EXHIBIT 23. LOAN PERFORMANCE STATUS, COMMUNITY ADVANTAGE TA AND NON-TA VS. TRADITIONAL 7(a)[48]



While the finding that technical assistance has no relationship to loan performance may seem counterintuitive, our interview findings provide some potential explanations. Primarily, we believe this finding can be explained by understanding the context in which technical assistance is offered. First, lenders interviewed in Group 1 reported that in essence, all borrowers receive at least a basic level of technical assistance. Often, at the origination of the loan, loan officers meet with borrowers to identify knowledge gaps. If these gaps are relatively minor, the lender will address that gap directly. In other words, for most loans, the lender meets with the borrower and discusses their preparedness to execute their loan and start/grow their business through the use of the funds. This means it is highly likely that most borrowers receive some technical assistance.

Also, as noted earlier, technical assistance may be underreported. Of the nine lenders (Group 1) that were interviewed about technical assistance, four noted that their technical assistance records with SBA were underreported because borrowers, who filled out the technical assistance forms, did not always understand the definition of technical assistance and assumed technical assistance only included advice

[48] The performance data used in this analysis do not include cancelled or committed loan amounts.

provided through organized group workshops. They did not realize that one-on-one conversations, where important business topics were reviewed with the loan officer, also qualified as technical assistance.

Second, according to all the lenders interviewed in Group 1, technical assistance is provided when the loan officer identifies knowledge gaps or skill gaps in a borrower's ability to start and/or grow their business. As one lender reported, *"We determine what the borrower's needs are when going into the loan process. We make a recommendation for technical assistance for any areas [in which] we see deficiencies."* However, lenders reported that not all borrowers require technical assistance. One lender noted that they often observe a *"sophisticated population of borrowers who do not often need technical assistance to be successful."* Therefore, while in the first case, we would expect technical assistance to have a positive impact on the borrower's performance, in the second case these borrowers would not receive technical assistance, but would still have positive performance. In other words, we would observe positive performance from both groups, making it difficult to tease out a positive impact of the technical assistance. In other words, the regression analysis is attempting to capture the difference in performance between these two groups (those that received technical assistance and those that did not receive technical assistance), which assumes that at some level technical assistance is provided randomly, or at least in ways uncorrelated with performance; however, in reality lenders reported the opposite – that borrowers receive technical assistance *only* if it is needed. Therefore, borrowers would potentially be just as likely to successfully pay back their loan *regardless* of whether they received technical assistance – not because the technical assistance is ineffective, but because of the tailored approach of assignment, the groups are not otherwise equal. If borrowers that do not receive technical assistance are as likely to perform well as those that do receive technical assistance (because they do not need it to succeed), it can be hard to measure the true impact of technical assistance.

Given these factors, we think it is highly likely that technical assistance does in fact positively impact borrower's loan performance. Although it is difficult for us to observe this effect in the data, our interview findings support this conclusion.

1B) DOES PERFORMANCE VARY BY THE TOPIC OF TECHNICAL ASSISTANCE RECEIVED (E.G., CREATING BUSINESS PLANS, CASH FLOW MANAGEMENT)?

To answer this question, we first look at the distribution of topics covered by borrowers who reported receiving technical assistance (Exhibit 24). Overall, we see a good variety of topics covered by technical assistance. The most common topics covered include financing/capital support (61.0 percent), information on creating a business plan (49.8 percent), and general startup assistance (34.7 percent); these are logical topics for businesses just getting started or that need help to grow. The least common topics are assistance on conducing franchising (4.7 percent), government contracting (4.1 percent), and international trade (1.1 percent).

EXHIBIT 24. SUMMARY OF TECHNICAL ASSISTANCE TOPICS ADDRESSED

TOPIC COVERED	BORROWERS
Financing/Capital	793 (61.0%)
Business Plans	647 (49.8%)
Startup Assistance	451 (34.7%)
Cash Flow Management	387 (29.8%)
Business Accounting/Budgeting	380 (29.2%)
Managing the Business	328 (25.2%)
Marketing Strategies	322 (24.8%)
Legal Issues	163 (12.5%)
Tax Planning	149 (11.5%)
Customer Relations	139 (10.7%)
Human Resources/Managing Employees	125 (9.6%)
Technical/Computer	102 (7.8%)
Other Topic	74 (5.7%)
eCommerce	71 (5.5%)
Buy/Sell Business	71 (5.5%)
Franchising	61 (4.7%)
Government Contracting	53 (4.1%)
International Trade	14 (1.1%)
Note: Percentages do not sum to 100% because borrowers can receive technical assistance on more than one topic.	

As above, we next investigate the impact of the topics covered on loan performance by constructing a basic probit regression. In this regression, we find no statistically significant relationships between topic and loan performance, with the exception of one topic: business accounting and budgeting. Covering this topic with borrowers decreases their chances of underperforming on their loan by 7.9 percent. When we control for the source of technical assistance received (bank or other lending institution, Small Business Development Center, SCORE, Women's Business Center, Veterans Business Center, or other source) this topic is no longer statistically significant at the five percent level (but it is still statistically significant at the 10 percent level); none of the sources have a statistically significant relationship with loan performance.

Similar to our discussion of why it may be difficult to observe a relationship between receiving technical assistance and loan performance, it may similarly be difficult to observe a relationship between the topic of technical assistance received and performance. Again, business acumen varies between borrowers; although all borrowers interviewed from Group 3 acknowledged they pursued technical assistance to fill specific gaps in their knowledge, the specific gaps vary between borrowers. For example, one borrower noted that writing a business plan was the most important topic of technical assistance received as she had never written a business plan before. However, another borrower noted that writing a business plan was

the least important topic of technical assistance received, as she previously learned how to write an effective business plan through her MBA coursework. Given that different borrowers come to the program with different skills and needs, we would not expect to find that one particular topic of assistance is universally more helpful than another topic. There is also likely a self-selection issue in the data, because borrowers are selecting or are being assigned the topic that will be most helpful to them. Therefore, there is no real comparison group – i.e., no borrowers that received the topic but did not need it. In other words, since the topics are tailored to needs, both those that received assistance on each topic and those that did not are equally likely to succeed. Again, it is highly likely that these topics, assigned or requested individually, are impacting performance as they are targeting specific knowledge gaps in borrowers. This is borne out by the interview findings.

1C) DOES PERFORMANCE VARY BY THE DURATION (LESS THAN THREE HOURS, THREE TO FIVE HOURS, OR MORE THAN FIVE HOURS) AND/OR MODE OF DELIVERY (ONE-ON-ONE, TELEPHONE, GROUP, WEB-BASED) OF TECHNICAL ASSISTANCE RECEIVED?

The data also includes information on duration of technical assistance received, reported as: less than three hours, three to five hours, and more than five hours, and mode of technical assistance delivery, reported as: one-on-one counseling, telephone counseling, group training, and web-based tutorial. First, we examine the distribution of sessions received (Exhibit 25).[49] For borrowers who reported having received technical assistance, the most common combinations are more than five hours for one-on-one and group sessions. For phone and web sessions, sessions less than three hours were more common. Overall, one-on-one sessions are the most common (82 percent of the borrowers who receive at least one session receive a one-on-one session). It is also interesting to note that about 24 percent of borrowers receiving technical assistance receive sessions in all four modes (Exhibit 26).[50]

[49] Note that borrowers can receive more than one session.

[50] In the data, there are 95 records where a topic, mode, and/or duration reported, but the column reporting if they received technical assistance in general, says they did not receive technical assistance. We did not adjust the data; therefore, the summaries here about topics, modes, and durations are unaffected but the regression results do not include these 95 borrowers as having received technical assistance.

EXHIBIT 25. SUMMARY OF SESSION TYPES - MODE AND DURATION

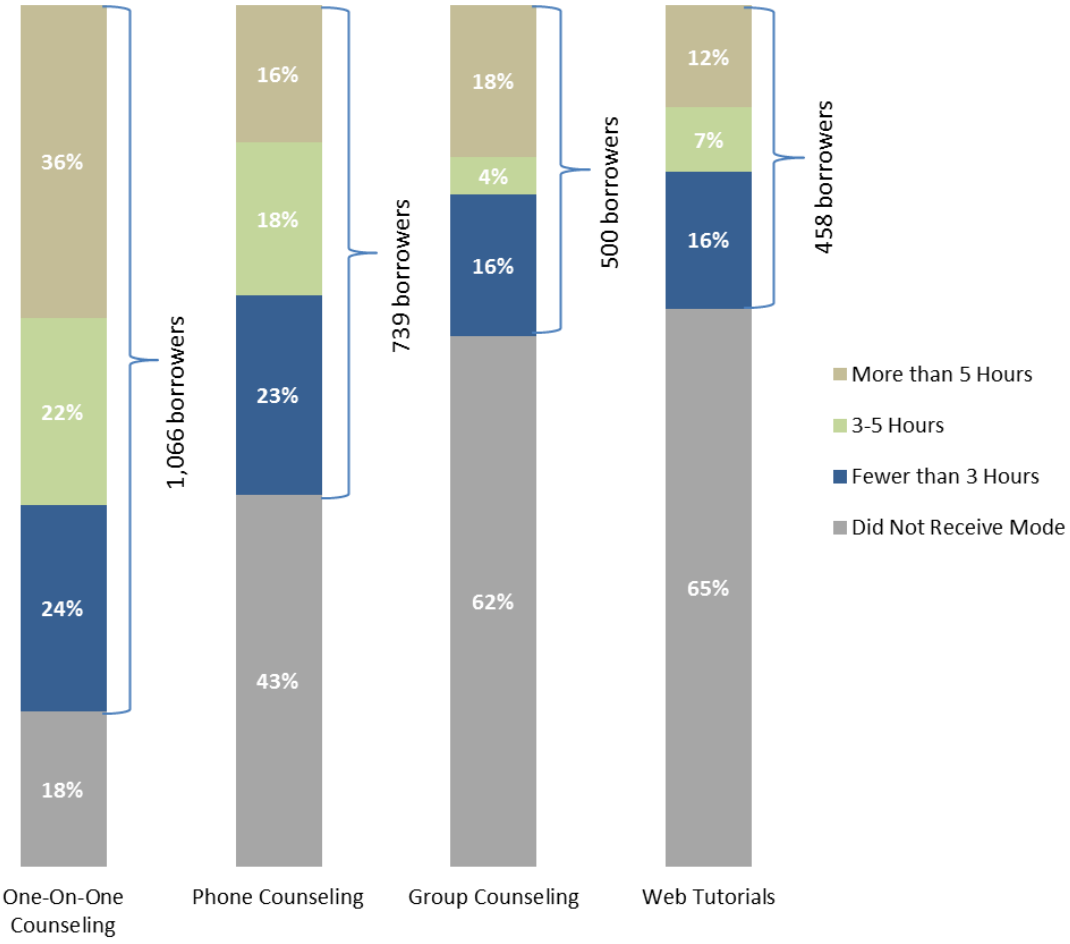
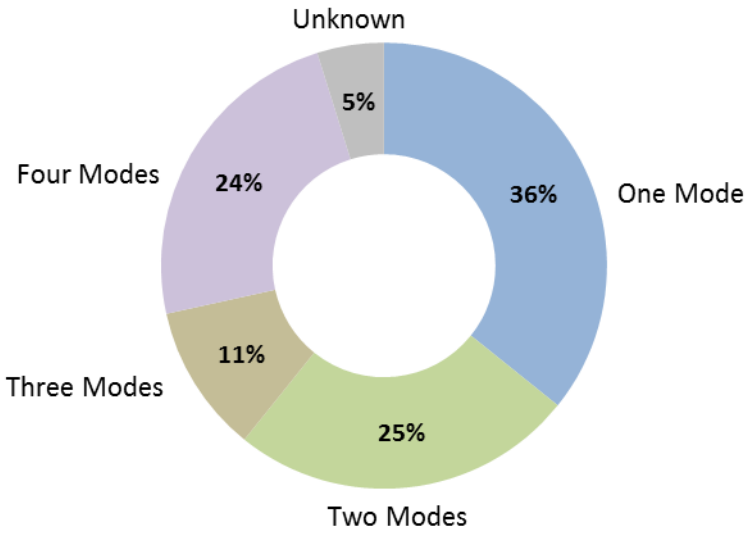


EXHIBIT 26. TOTAL MODES OF SESSIONS RECEIVED



Next, we examine the relationship between duration of technical assistance and mode of technical assistance on loan performance through probit regressions. The regression results suggest that in general, mode and duration are not substantial predictors of loan performance. We do not find any statistically significant relationship between the length of the session and loan performance. When we look at the mode of delivery, we see that web sessions and phone sessions are statistically significant (web-based delivery is statistically significant at the 10 percent level), but in the wrong direction: increasing the web session or phone session by one category (e.g., going from fewer than three hours to three-to-five hours), increases the probability of the loan not performing by 3.5 percent for the phone and 4.6 percent for the web delivery. We suspect there may be a "chicken-and-egg" situation here: As borrowers experience more problems with repaying their loans, their lenders spend more time with them on the phone or online. In other words, the longer duration may be the effect, rather than the cause, of underperforming on their loans.

The finding that performance is generally not related to duration or mode of technical assistance received can be explained by the diversity of borrowers' circumstances. Eight of the nine lenders interviewed about technical assistance noted that duration is dependent on the borrowers' needs. As one lender stated, *"It [duration of technical assistance] varies greatly, with the minimum being one to one and a half hours, to several months' worth of TA [technical assistance], equal to 15 to 16 or more hours. It really depends on the needs of the client. Some need more in-depth technical assistance than others."* As noted above with topic and provision of technical assistance, this tailored approach to assigning technical assistance, including the duration and mode, makes it difficult to ascertain differences in performance between groups, but we suspect the duration and mode positively impact performance precisely because they are tailored to the borrower's needs.

Mode of technical assistance also varied depending on the borrowers' circumstance. While five lenders (out of nine interviewed in Group 1) noted that one-on-one, face-to-face meetings served as one of the more effective means of delivering TA, one lender noted that electronic means were more suitable given borrowers' time and geographic constraints. As she stated, *"Most technical assistance is done electronically, by telephone or email. This has to do in part with our geographic area, as well as the time management of our borrowers, who don't necessarily have time to sit down with us all afternoon."*

1D) HOW, IF AT ALL, DOES TECHNICAL ASSISTANCE STRENGTHEN BUSINESS ACUMEN AND ABILITY TO START OR GROW A BUSINESS?

To answer this question, we rely on the interviews with lenders (Group 1) and borrowers (Group 3). Overall, interviewees noted that technical assistance strengthens business acumen and ability to start and grow a business by teaching borrowers many important concepts and skills. A borrower noted that the technical assistance she received educated her on all aspects of what is needed to run a successful business, including finance, legal issues, marketing, and management. Interviews with lenders also support the observation that technical assistance strengthens business acumen and ability to start and grow a business. Of the nine lenders interviewed in Group 1, six noted that technical assistance positively impacts business performance as it provides borrowers with the necessary knowledge to manage and grow a business. Stated one lender: *"Entrepreneurs starting businesses are naïve to the responsibilities of starting and growing a business… TA helps them connect the dots."* Another lender stated: *"Anecdotally speaking, out of the borrowers who receive TA from us, ultimately 15 to 20 percent wouldn't be successful without us. Without our accounting, marketing, or management help, their businesses would*

fail, or they wouldn't become bankable. Either outcome is not a success in our minds." Technical assistance helps these borrowers succeed.

An important element of the technical assistance in strengthening business acumen is the ability to tailor each technical assistance experience to the specific needs of the individual borrower and their industry. Borrowers interviewed started and grew businesses in a diversity of industries, including construction, food service, and retail. A borrower in the construction industry noted that employee safety was the cornerstone of his business and the technical assistance he received focused on safety policies for contractors. He explained: *"Small businesses, especially starting out, don't necessarily have systems in place. We functioned, but we didn't necessarily have formalities for things… We have developed formalities and put written policies and procedures in place [including a safety manual and human resources manual]. We did this through our TA."* A borrower in the retail industry noted that acquisition of facilities was the most important aspect of expanding his business, and the technical assistance he received focused on conducting and analyzing comps for business acquisition. He stated, *"They helped me with the comps of other businesses that were being sold. They provided me with the resources for evaluating the business acquisition."* The CA program's highly tailored approach helps ensure that borrowers receive the right type of assistance to support their success.

EVALUATION QUESTION 2: ARE BORROWERS USING CA TO HELP THEM CLIMB THE LADDER OF ECONOMIC OPPORTUNITY?

To answer this evaluation question, we identify and investigate the different avenues borrowers use to leverage their CA loan into greater success for their business. First, we examine how, if at all, borrowers take advantage of different SBA loan programs.[51] The program data show numerous permutations of borrowing behavior that CA borrowers can follow. They can borrow only from the CA program; they can take advantage of other SBA lending programs (Microloan, traditional 7(a), or 504) in combination with the CA program; or they can take advantage only of the non-CA SBA programs.[52] In addition, there are several permutations of the order in which borrowers can receive these various loans. For example, they may receive a traditional 7(a) loan before a CA loan, or after, or concurrently. We investigate the extent to which borrowers follow different paths into and out of the CA program, and the impact, if any, these paths have on performance on CA loans. Next, we examine other ways that borrowers are using CA to help them start or grow their business. Finally, we discuss how the CA program promotes growth and supports borrowers in climbing the ladder of economic opportunity.

2A) ARE BORROWERS GOING FROM THE MICROLOAN PROGRAM, TO CA, THEN TO 7(A)?

One way to understand if borrowers are using the CA program to climb the ladder of economic opportunity is to examine if they are progressing from the Microloan program to the CA program, and then on to the traditional 7(a) or 504 program. The CA program is in part designed to fill the gap between the Microloan program and the traditional 7(a) program; therefore, we examined if borrowers follow this

[51] We note that our ability to make definitive conclusions about the progression beyond the CA program may be limited, as 66 percent of CA loans are currently active and an additional 14 percent are either non-current or are committed. While borrowers can apply for a traditional 7(a) loan while their CA loan is still active, we think there are likely to be borrowers with a current CA loan that may eventually progress to the 7(a) program, but have yet to do so.

[52] Note that we do not have data on borrowers who only received a microloan, a traditional 7(a), or a 504 loan. The data are restricted to the time period covered by this evaluation: April 2011 to June 30, 2017.

trajectory. A total of 22 loans (0.6 percent) progressed through the Microloan, CA, and traditional 7(a) or 504 programs in this order; only one of these loans is not current (Exhibit 27). There are 75 loans (2.1 percent) that have progressed through the programs in any order; only three of these are not current.

EXHIBIT 27. PROGRESSION OF BORROWERS

	LOANS	TOTAL CA LOAN AMOUNT	AVERAGE CA LOAN AMOUNT	NON-CURRENT LOANS
Microloan→CA→7(a)/504	22 (0.6%)	$2,862,300	$130,105	1
Any timing of Microloan, CA, 7(a)/504	75 (2.1%)	$10,125,700	$135,009	3
Note: This table only includes borrowers who have progressed through all three programs. These rows are not additive; the first row includes borrowers who progressed through all three programs in order, the second row includes borrowers who progressed through all three programs in any order.				

We had planned to examine whether following the progression from the Microloan program to the CA program to the traditional 7(a) program is associated with the performance of CA loans. However, as noted above, only one loan for the sequential progression and three loans for the non-sequential progression are not current. Therefore, there is very little variation against which to measure impacts on loan performance. It should be noted that this extremely low occurrence of non-current loans is in fact an important finding – borrowers that progress through the SBA programs, similar to the overall population of CA borrowers, appear to perform very well on their CA loans.

2B) ARE THERE OTHER WAYS BORROWERS ARE USING THE CA PROGRAM TO HELP THEM CLIMB UP THE LADDER OF ECONOMIC OPPORTUNITY?

The linear progression from microloan to CA to traditional 7(a) or 504 is a "textbook case" of how some borrowers use the CA program to climb the economic opportunity ladder. However, upon delving into the program data, it became clear there are a variety of other ways that borrowers are benefiting from the CA program. For example, a borrower may obtain a 504 loan to acquire a building for their business, and simultaneously obtain a CA loan to furnish the building. In other cases, a borrower may start with a traditional 7(a) loan, and then obtain a CA loan to fill a financing gap, or to benefit from other services provided by CA's mission-oriented lenders that are not provided by many traditional lenders. In other words, there are multiple paths borrowers can take to climb the economic opportunity ladder. As summarized in Exhibits 28 and 29 below, the vast majority (91.4 percent) of CA borrowers have one or two loans and almost all borrowers receive loans from one or two programs (97.8 percent; programs include Microloan, CA, 7(a), and 504).[53] The majority of CA borrowers (75.6 percent) receive loans from just the CA program (i.e., one program); this is expected, as the CA program is still in its pilot phase, the progression of borrowers in and out of CA from other SBA programs will evolve as the program matures.

[53] This analysis is reported for borrowers with at least one CA loan. It includes those borrowers' loans from the Microloan, traditional 7(a), and 504 programs; it does not include loans from the Microloan, traditional 7(a), or 504 program not connected to the CA program.

EXHIBIT 28. DISTRIBUTION OF TOTAL NUMBER OF SBA LOANS FOR CA BORROWERS

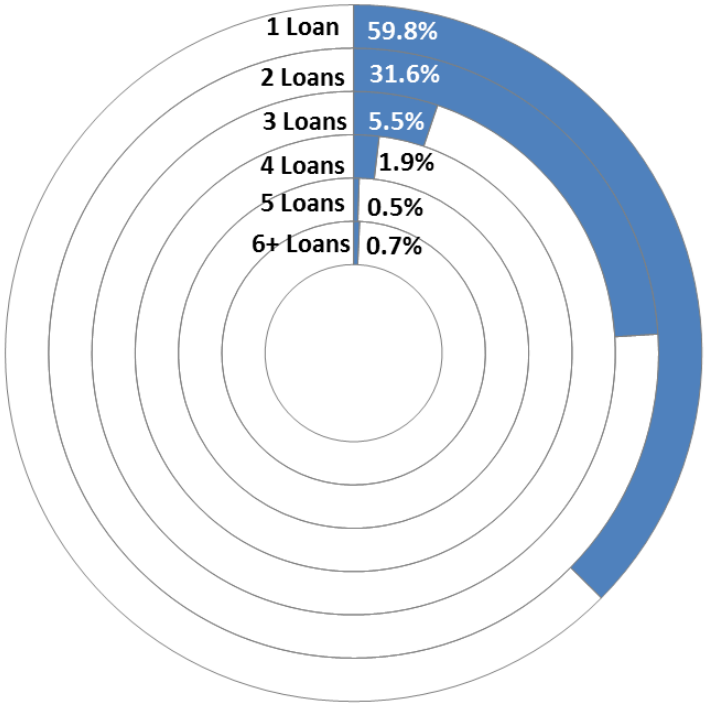


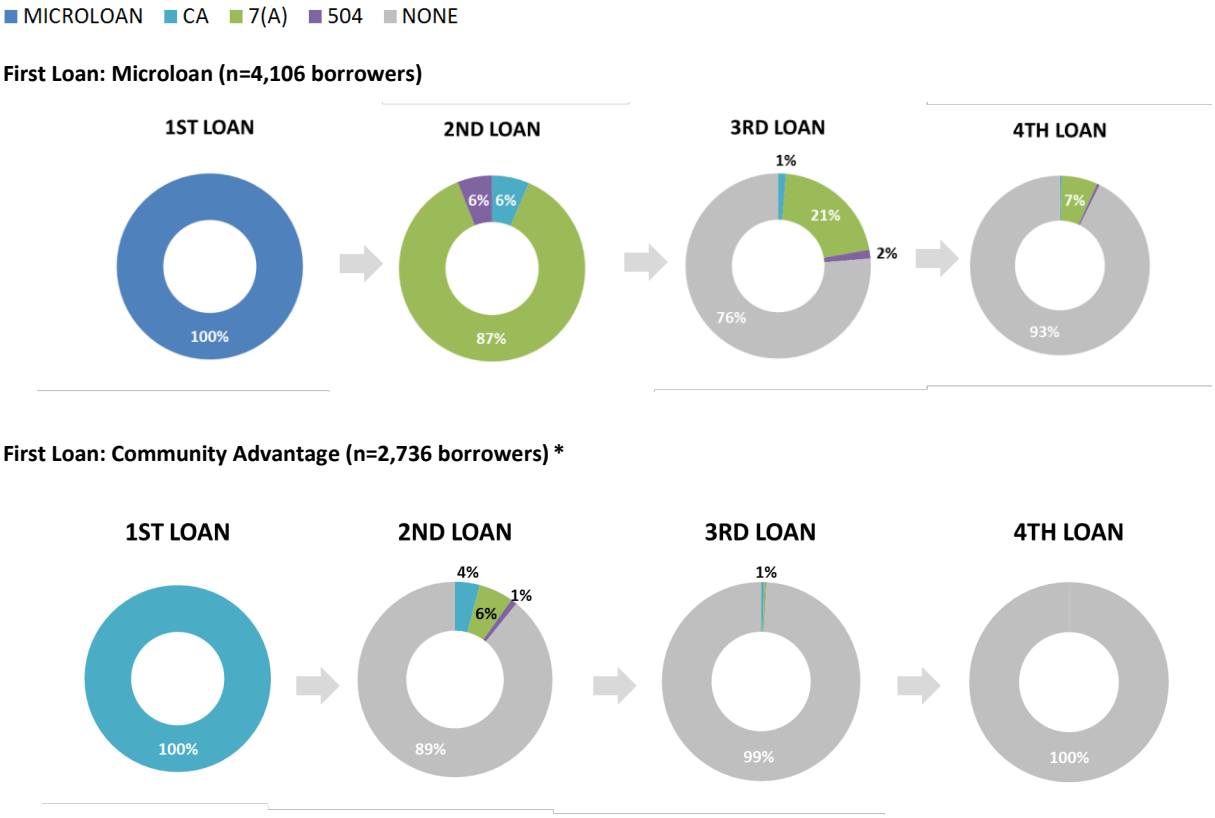
EXHIBIT 29. DISTRIBUTION OF TOTAL SBA PROGRAMS FOR CA BORROWERS

NUMBER OF PROGRAMS	BORROWERS
One Program	2,645 (64.8%)
Two Programs	778 (22.2%)
Three Programs	73 (2.1%)
Four Programs	4 (0.1%)
Total	**3,500 (100%)**

To understand the progression of borrowers through the SBA loan programs, we also examined the average loan amounts between multiple loans. For borrowers whose first loan is a CA loan, their second loan is on average their largest loan. Exhibit 30 below also shows that the majority of borrowers who start in the Microloan program go on to receive a traditional 7(a) loan.[54] Borrowers with more than one loan for whom CA is their first loan, often go to the traditional 7(a) program for their second loan, and stop at two loans.

[54] We did not have the dates of borrower's microloans; we assume that if they received a microloan, they received it as their first SBA loan.

EXHIBIT 30. AVERAGE LOAN PROGRESSION



*Note: Because the CA pilot program has only been operational since 2011, many CA borrowers have not yet reached the point where they would be ready for additional loans, and many CA borrowers are still in their first loan. Only 10.2 percent of CA loans were paid in full as of June 30, 2017 (data accessed July 24, 2017).

It should again be noted that since the CA program began in 2011, its place in the loan progression of SBA borrowers is likely still evolving. Over half of the total CA loans approved as of June 30, 2017 were approved in FY2015 or later; it is likely that as these more recently approved loans mature, more of these borrowers will progress to another SBA program.

To examine potential differences in the possible combinations of borrower activity, we split borrowers into eight groups, based on the combination of their SBA loan products. For these eight groups, we present a summary of the number and dollar amount of loans for each group (Exhibit 31).[55] By far, the largest group in terms of number of borrowers is Group 1 – borrowers with a CA loan only – who account for 76.1 percent of all borrowers. In terms of volume, this group accounts for 58.9 percent of the total number of loans across groups. Group 7 (borrowers with a Microloan, CA, and 504 loan) have on average the largest loan sizes, and Group 8 (borrowers with a Microloan, CA, 7(a), and 504 loan) have the largest

[55] Note that we do not have data on loans that *only* took advantage of the 504, or Microloan programs. In addition, as noted above, we have summary-level data for the 7(a), 504, and Microloan programs, but these data are inclusive of all recipients - we do not have separate data (or a way to distinguish) for the 7(a), 504, or Microloan program recipients that received other SBA loans. Summaries of these programs will be covered in the Program Profile section of our analysis.

average number of loans (4.3 loans). Borrowers with only a CA loan, or a CA loan and a Microloan (Groups 1 and 5), have slightly higher rates of non-current loans (7.5 percent and 7.6 percent, respectively) compared to borrowers with a CA loan and a 7(a) or 504 loan (5.0 percent and 3.0 percent, respectively).

EXHIBIT 31. SUMMARY OF BORROWER GROUPS

GROUP	NUMBER OF BORROWERS	TOTAL LOANS[1]	TOTAL LOAN AMOUNT[1]	AVERAGE NUMBER OF LOANS	AVERAGE LOAN AMOUNT	NON-CURRENT CA LOANS[2]
1. CA Only	2,540 (76.1%)	2,645 (58.9%)	$334,672,035	1.0	$131,761	158 (7.5%)
2. CA + 7(a)	363 (10.9%)	747 (16.6%)	$179,247,942	2.1	$493,796	15 (5.0%)
3. CA + 504	122 (3.7%)	254 (5.7%)	$92,670,200	2.1	$759,592	2 (3.0%)
4. CA + 7(a) + 504	1 (0.0%)	4 (0.1%)	$693,800	4.0	$693,800	1 (100%)
5. Microloan + CA	242 (7.2%)	562 (12.5%)	$30,680,030	2.3	$126,777	18 (7.6%)
6. Microloan + CA + 7(a)	56 (1.7%)	223 (5.0%)	$19,987,300	4.0	$356,916	3 (6.3%)
7. Microloan + CA + 504	11 (0.3%)	38 (0.8%)	$9,177,000	3.5	$834,273	0 (0.0%)
8. Microloan + CA + 7(a) + 504	4 (0.1%)	17 (0.4%)	$1,513,000	4.3	$378,250	0 (0.0%)

1 Across all relevant programs.
2 As a percentage of current and non-current loans, excluding committed and cancelled loans, as of June 30, 2017 (data accessed July 24, 2017).

We also examined the timing of participation in each program (Exhibit 32). For example, the average time span between the first loan and the second loan for borrowers with a CA loan and a 7(a) loan (Group 2) is 491 days (about 16 months).

EXHIBIT 32. AVERAGE TIME DIFFERENCE BETWEEN LOANS, BY GROUP (IN DAYS)

GROUP	TIME DIFFERENCE (DAYS)		
	LOAN 1 AND 2	LOAN 2 AND 3	LOAN 3 AND 4
Group 1	345	232	--
Group 2	491	358	0
Group 3	266	104	17
Group 4	476	416	5
Group 5	367	3	--
Group 6	925	394	1,175
Group 7	770	105	48
Group 8	368	931	0

For these eight groups (those that have a CA loan at some point), a vast majority (90 percent) of these borrowers received their CA loan before their 7(a) or 504 loan.[56]

Next, we examined the effects, if any, of belonging to these different groups on CA loan performance. First, we examined whether participation in the Microloan program influences the performance of CA loans. In other words, do borrowers who received a microloan before receiving a CA loan perform better on their CA loan? To answer this question, we constructed a basic probit regression to estimate the influence of starting in the Microloan program on CA loan performance. We found that starting in the Microloan program does not impact performance on a borrower's CA loan. We also tested if being in one of the eight groups impacts performance, and did not find any statistically significant relationship. We also found no statistically significant relationships between loan performance and the number of loan programs that a borrower participated in, the interaction of starting in the Microloan program and CA loan amount, and switching from one program to more than one program. A specification which included an interaction of group and CA loan amount found that two of those combinations were statistically significant (at the 10 percent level); it is not possible to calculate marginal effects of an interaction variable in a probit regression. Finally, the only statistically and substantively significant relationship we uncovered is receiving a CA loan first (before receiving a Microloan or traditional 7(a) or 504 loan) *decreases* the probability of the loan being not current by 5.0 percent. In other words, borrowers for whom the CA loan is their first SBA loan perform better on their CA loan than those who obtain their CA loan *after* at least one other SBA loan. This may be another indicator of the effectiveness of the targeted technical assistance offered as part of the CA program.

2C) HOW, IF AT ALL, HAS THE CA PROGRAM HELPED BORROWERS CLIMB UP THE LADDER OF ECONOMIC OPPORTUNITY?

It is clear that CA borrowers are taking advantage of multiple programs, and sometimes multiple loans within a program, although the path through these loans and programs is not always linear. Similar to our findings about technical assistance, the timing and application for different loans is based on the borrowers' needs. The interview findings indicate that the CA program is an important step in a business's success.

In particular, interviewees noted that the CA program helps borrowers grow their business to a point where they are able qualify for traditional financing from a commercial bank. Of the nine lenders (from Group 2) interviewed about economic opportunity, seven noted that the CA program helps borrowers expand their financing options. Of the eight borrowers interviewed about economic opportunity, seven borrowers noted that they applied for traditional bank financing before applying to the CA program. All seven borrowers noted that their applications for traditional bank financing were rejected. These borrowers are often involved in more traditionally risky industries (e.g., restaurants), and as a startup, are often less attractive to traditional commercial banks; however, these traditional commercial banks are often the pipeline to the CA program, as they often refer rejected borrowers to a CDFI. Six of these borrowers noted that they applied for traditional bank financing after completing the CA program and were all able to obtain traditional financing, primarily because their participation in the CA program provided them with a history of operating revenues and loan repayments, and sufficient collateral, which

[56] Note that we do not have the dates for the receipt of Microloans. For the purposes of our analyses, we assume that the Microloan is always received first.

strengthened their position with the banks. Another borrower noted that the CA program helped him expand his business and grow revenue to a point where he was able to directly attract venture capital investment and bypass traditional bank financing. Finally, some borrowers noted that the CA loan put them in a position in which they could finance their own growth. In other words, they were able to grow their revenues to a point where they do not need to obtain outside financing or funding to support their next step. Lenders interviewed supported this observation, with four lenders (out of nine in Group 2) noting that the CA program helps borrowers increase their revenue and size of their business.

We also found that the relationship fostered between lenders and borrowers often does not stop with one loan. Several borrowers and lenders reported, and the data demonstrate, that several borrowers return to their lender for additional financing beyond their first CA loan, before they become competitive or eligible for financing from traditional commercial banks. Borrowers report that the one-on-one attention received from their lender facilitates their growth and prepares them to take the next step in their business, which frequently includes additional financing. Specifically, borrowers report receiving the right services, the right loan, and the right terms. One borrower described how the personalized services and reasonable terms he received from his lender helped him grow his business, and further stated that working with a lender who was committed to his success and to the success of his community was invaluable.

The CA program also helps borrowers climb the ladder of economic opportunity to qualify for traditional bank financing by bolstering the borrower's reputation for reliability. Two borrowers noted that having previous loan experience and receiving the CA loan provided credibility to their business when applying for traditional bank financing. As one of the borrowers stated, *"The CA program gave our business an element of legitimacy because of proof of backing by other financing sources."*

Another way the CA program helps borrowers is by supporting them to get out of predatory loans. These are loans that take advantage of businesses' inability to obtain financing from a traditional bank at reasonable rates, by offering financing at exorbitant rates and terms. In some cases, CA lenders have helped their borrowers refinance and/or pay off these predatory loans, removing a significant constraint on their growth.

Finally, the study identified several other ways the CA program benefits businesses and their communities that do not directly involve financing. These benefits include (representative quotations from borrowers are provided in parentheses):

- **Impact on local economy – e.g., sales and tax revenue** *("A lot of people come into town for events and weddings, and have stopped by to ask what else is in [the town]. They frequent restaurants and shops, bolstering the local economy.")*
- **Job creation** *("We employ mostly military wives and mothers. Being able to employ these women has a big impact because they have a hard time finding jobs due to them moving around so much.")*
- **Impact on/connection to local community** *("85 percent of my employees live in town.")*
    - **Community pride for locally-owned establishment** *("We hold fundraisers within our community [and] a lot of folks in our community come to our restaurant to eat and to hang out.")*

  - **Serve clientele not readily served by greater community** *("I'm like a business consultant in my community. I primarily work in the Latino community. A lot of the community, including non-profits, look to me for financial guidance.")*

- **Mentorship opportunities provided by the borrower to community** members *("We have also given lots of students job experience.")*
- **Opportunity to expand operations and services to the community** *("A large percentage of our inputs used for business services, such as purchasing, contractors, and suppliers, are in the relatively local community.")*

For example, one borrower reported that his CA loan was received at a critical time in his business. He was operating a relatively seasonal business, and was struggling in the low season. The CA loan helped him with cash flow during this time, allowing him to hire and train more staff, expand his operations, and stabilize his cash flow in the long term – he was no longer completely reliant on seasonal sales. He now offers counseling and mentorship to members of his community, and has supported the beginning of several other businesses in his community.

EVALUATION QUESTION 3: WHAT FACTORS DETERMINE LOAN PERFORMANCE?

To answer this question, we want to determine which factors influence whether a loan is current or not current. First, we exclude the 720 committed and canceled loans from the total 3,500 CA loans, leaving a total of 2,780 loans. Then, we separate the loans into two groups: those with current or repaid loans (2,583 loans, 92.9 percent), and those with charged-off or non-current loans (197 loans, 7.1 percent). Next, we examine if there are differences in characteristics between these two groups. For the most part, the characteristics of current and non-current borrowers follow similar distributions, with a few notable exceptions. Veteran-owned, non-white, new businesses with lower credit scores are more highly represented in the non-current loans (Exhibit 33).

EXHIBIT 33. BORROWER CHARACTERISTICS BY LOAN STATUS

CHARACTERISTICS	NOT CURRENT	CURRENT	DIFFERENCE
VETERAN STATUS			
Non-Veteran Owned	184 (93.4%)	2,396 (92.8%)	0.6%
Service Disabled Veteran Owned	1 (0.5%)	37 (1.4%)	-0.9%
Other Veteran Owned	12 (6.1%)	149 (5.8%)	0.3%
GENDER STATUS			
Male Owned	104 (52.8%)	1,368 (53.0%)	-0.2%
Female Owned 50% or Less	34 (17.3%)	447 (17.3%)	0.0%
Female Owned More Than 50%	59 (29.9%)	768 (29.7%)	0.2%
ETHNICITY			
White	100 (50.8%)	1,649 (63.8%)	-13.1%
American Indian	3 (1.5%)	25 (1.0%)	0.6%
Asian or Pacific Islander	11 (5.6%)	200 (7.7%)	-2.2%
Black	51 (25.9%)	267 (10.3%)	15.6%
Hispanic	25 (12.7%)	318 (12.3%)	0.4%
Undetermined	7 (3.6%)	124 (4.8%)	-1.2%
BUSINESS STATUS			
Existing Business	86 (43.7%)	1,267 (49.1%)	-5.4%
New Business	111 (56.3%)	1,316 (50.9%)	5.4%
CREDIT SCORES			
Less Than 100	0 (0.0%)	2 (0.1%)	-0.1%
100-149	56 (28.4%)	365 (14.1%)	14.3%
150-199	51 (25.9%)	1,353 (52.4%)	-26.5%
200-249	1 (0.5%)	257 (9.9%)	-9.4%
250+	(0.0%)	3 (0.1%)	-0.1%
Unknown[57]	89 (45.2%)	603 (23.3%)	21.8%
FTES			
Fewer Than 10	134 (68.0%)	1,663 (64.4%)	3.6%
10-24	24 (12.2%)	348 (13.5%)	-1.3%
25-49	4 (2.0%)	94 (3.6%)	-1.6%
50-99	1 (0.5%)	24 (0.9%)	-0.4%
100+	(0.0%)	4 (0.2%)	-0.2%
Unknown	34 (17.3%)	450 (17.4%)	-0.2%

[57] Credit scores were not collected at the outset of the program; the unknown credit scores are all for borrowers from early in the program.

Our basic probit regression analysis for this evaluation question examines the factors that influence loan performance. Holding other factors constant, we find that businesses run by non-white borrowers and businesses with lower credit scores are more likely to have non-current CA loans than other types of borrowers. Specifically, going from a white owner to a non-white owner *increases* the probability of the loan not performing by 0.7 percent; every 10 point increase in borrower credit scores *decreases* the probability of the loan not performing by 1.5 percent. These differences are statistically significant, but relatively small in practical terms. Business status and veteran-owned status do not appear to influence loan performance, even though a higher proportion of new and veteran-owned businesses are not current, compared to current loans. This indicates that the other controlling factors are driving the differences we see between these groups.

Most of the lenders interviewed noted that there is no single defining characteristic of the borrower that would indicate success with loan performance. These lenders noted that success could only be determined by the borrower's personal attributes. Identified personality traits necessary for success varied from lender to lender. For instance, five lenders noted that success with the program depends on the borrower's determination. As one lender stated, *"Success really depends on the borrower's character and their determination to succeed."* Another lender stated that an important personality trait is the *"willingness to listen to other people. They have to be willing to succeed, but having a dash of humility goes a long way."* Two lenders noted that important personality traits include general management/"people skills" and the ability to weather unforeseen events.

Next, we examine alternate specifications for this basic probit regression. We tested the influence of the following additional variables: progression through the stages of loan status, industry categories, use of loan proceeds, and interactions between gender and ethnicity, and veteran status and gender. The only additional variables that demonstrate a statistically significant relationship to loan performance are businesses in the services industry, and an interaction combination of American Indian and women-owned. Having a business in the services industry *decreases* the probability of a loan not performing by 2.7 percent. Our ability to interpret the results of the interaction are limited, as the low number of observations in this category overall are likely driving this relationship – there are only 29 American Indian owned businesses in the entire dataset, and only three are non-current, but two of those are women-owned. The analysis is picking up a relationship between these differences in distribution, although substantively they are small.

Finally, we tested for potential relationships between performance and lenders. The analysis indicates there may be some characteristics of lenders that influence a borrower's performance. When we add an identifier for the lender into our regression, we do find a statistically significant relationship (at the 10 percent level), although the direction of the relationship is not meaningful, as the ID assigned to the lender is random and not associated with any characteristic of the lender. This relationship may be driven by the quality of technical assistance provided by the lender (all non-current loans come from lenders that offer technical assistance), or variation in the one-on-one attention the lender gives each borrower to ensure their success. We also tested for a relationship between the size of the lender portfolio, to see if lenders with more loans/borrowers have a positive influence on their borrowers' performance. We did not find a statistically significant relationship between either the number of loans or the amount of loans and performance.

ADDITIONAL FEEDBACK AND SUGGESTIONS FROM THE INTERVIEWS

In addition to helping us answer the evaluation questions, a number of interview respondents offered additional feedback and suggestions for the CA program. We note that the feedback provided below is anecdotal, and may not be representative of the general population of lenders and borrowers. Despite the small and non-generalizable nature of the responses below, we include them here as a summary of the feedback received directly from the program's customers. We summarize the feedback in six categories: technical assistance, operations, standard operating procedures, capital, loans, and marketing. For each comment, we note the number of respondents and their interview group.

Technical Assistance

- Individualized technical assistance should continue to be offered to address borrowers' different skills and levels of experience. *(Group 1 – Suggested by 3 interviewees)*
- More topics and courses in specific industry areas would be beneficial to borrowers. *(Group 4 – Suggested by 3 interviewees)*
- SCORE and SBDC[58] should have industry specialists that provide focused and tailored advice. *(Group 3 – Suggested by 3 interviewees)*
- It would be helpful if there were more locations that offered technical assistance to make the process of pursuing technical assistance more convenient to borrowers. *(Group 3 – Suggested by 2 interviewees)*
- SBDC and SCORE could respond more quickly to borrowers requesting technical assistance. *(Group 1 – Suggested by 1 interviewee)*
- SBDC could have responded to questions more quickly. *(Group 3 – Suggested by 1 interviewee)*
- SCORE and SBDC should conduct a pre-survey to determine skill level and provide specific classes and resources based on that skill level so that borrowers use their time and resources on courses that are most helpful to them. *(Group 3 – Suggested by 1 interviewee)*
- SBA should provide financial resources for lenders to provide individualized technical assistance. *(Group 1 – Suggested by 1 interviewee)*
- SBA could provide specific funding for lenders to offer technical assistance services, which would help to ensure the borrowers' success. *(Group 2 – Suggested by 1 interviewee)*

Operations

- SBA should be upfront and detailed about the process for applying and qualifying for a CA loan, how much can be borrowed and when it can be borrowed, and the stage applicants are in the application process. *(Group 4 – Suggested by 3 interviewees)*
- The CA program staff respond to questions and applications in a timely manner and should continue to do so. *(Group 1 – Suggested by 1 interviewee)*

[58] CA lenders frequently use Small Business Development Centers (SBDCs) and SCORE as technical assistance providers.

- The SBA-1 reporting system is an improvement over the old reporting system in terms of reducing wait and approval times, but it has added time to the reporting process; this should be addressed. *(Group 1 – Suggested by 1 interviewee)*
- SBA should provide more clarity on their website on how to submit a proposal. *(Group 3 – Suggested by 1 interviewee)*
- SBA should decrease the amount of time it takes to disburse the loan once the loan is approved. *(Group 4 – Suggested by 1 interviewee)*
- SBA could consider expanding CA services to include a line of credit. *(Group 4 – Suggested by 1 interviewee)*
- SBA could consider expanding CA services to include angel investing to help drive interest and attract other investors.[59] *(Group 4 – Suggested by 1 interviewee)*

Standard Operating Procedures (SOPs)

- SBA could clarify SOPs to reduce delays related to misunderstanding the SOPs. *(Group 2 – Suggested by 1 interviewee)*
- SBA could make a separate SOP for the CA program, instead of combining the SOPs for the traditional 7(a), 504, and CA programs. *(Group 2 – Suggested by 1 interviewee)*

Capital

- CA should become a permanent program. *(Group 1 – Suggested by 1 interviewee)*
- Mission lenders often struggle with obtaining capital. SBA should consider having CA lenders lend as CDFIs, but be capitalized as SBLCs (small business lending companies). *(Group 1 – Suggested by 1 interviewee)*
- A key challenge to lenders is raising capital. SBA could set up partnerships with larger lenders, such as Wells Fargo, Bank of America, and Chase, who can provide CA lenders with capital. SBA could vouch for the credibility of the CA lenders to help them overcome the challenge of accessing capital through larger lenders. *(Group 1 – Suggested by 1 interviewee)*

Loans

- The $250,000 loan aggregate dollar ceiling can be limiting to the borrower who might need more funds to get their business started. This ceiling should be increased. *(Group 1 – Suggested by 1 interviewee)*
- SBA could increase the maximum CA amount to $350,000 to better serve borrowers. *(Group 2 – Suggested by 1 interviewee)*
- All loans between $125,000 and $150,000 require a small guarantee fee. This guarantee fee increases the cost of the loan, which can deter borrowers and lenders. SBA could consider eliminating this requirement or helping to subsidize the added cost for those who cannot afford to pay the fee. *(Group 1 – Suggested by 1 interviewee)*

[59] An angel investor is an affluent individual who provides capital for a start-up, usually in exchange for ownership equity or convertible debt.

- To better assist borrowers in qualifying for traditional financing after the CA program, SBA should help enable the transfer of the CA guarantee directly to a larger bank. *(Group 1 – Suggested by 1 interviewee)*

Marketing

- SBA could do more to market the CA program, especially online. *(Group 4 – Suggested by 3 interviewees)*
- The CA program is often targeted as a program for woman-owned and vet-owned businesses; however, the program is actually geared towards emerging markets in general. CA could clarify that the intended audience for the program includes but is not limited to women and veterans. *(Group 1 – Suggested by 1 interviewee)*
- SBA should consider marketing the CA program in multiple languages (e.g., Spanish) to more effectively reach a wider audience. *(Group 4 – Suggested by 1 interviewee)*

CHAPTER 5. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Overall, the evaluation finds that the CA program is serving an important function for its target market. The financing and technical assistance provided by mission-oriented CA lenders is reaching the program's target market of small businesses in emerging markets at a critical stage for these businesses, particularly for startup businesses and businesses in the retail and food service sector. Compared to the traditional 7(a) program, a higher proportion of CA loans go to businesses with nonwhite, female, and veteran ownership.

Lenders and borrowers reported consistently during interviews that the CA program provides capital and support for borrowers when they need it most. For established businesses, CA funding allows business owners to borrow growth capital at terms that do not constrain their cash flow. For startup businesses, most CA borrowers interviewed could not obtain financing at reasonable terms, if at all, from traditional financing sources. Lenders and borrowers interviewed reported that traditional commercial banks often will not lend to startup businesses without a positive cash flow and loan repayment history.

The CA support gives startup businesses the funding they need, and also provides a relationship and support services that help ensure their success. The data show that these borrowers are indeed successful in the program: As of June 30, 2017, 2,583 loans out of 3,500 are current or paid in full, 197 are non-current (including past due, delinquent, deferred, liquidated, purchased and not charged off, and charged off), and the remaining 720 loans are cancelled or committed. Only 40 loans have been charged off since April 2011 through June 30, 2017.

Most borrowers reported using the support offered by the CA program to start or grow their business, putting them in a position to fund the next step in their business themselves, or to become attractive to traditional commercial banks. Many borrowers also go on to receive additional SBA funding from a traditional 7(a) loan or a 504 loan (or another CA loan). The combination of what the CA program provides – financing with reasonable terms at a critical stage in a business's trajectory, through a trusted and accessible partner, with targeted technical assistance – makes the CA program an effective and important resource for small businesses.

Conclusions for Question 1: Impacts of Technical Assistance

- **The interviews strongly suggest that technical assistance plays an important role in CA borrowers' performance and success.** Overall, borrowers and lenders reported that technical assistance strengthens business acumen and ability to start and grow a business by teaching important business concepts and skills, such as finance, legal issues, marketing, and management. Despite the relatively small number of interviews conducted, the interview respondents were highly consistent in their assessment that technical assistance is effective. Of the nine lenders interviewed in Group 1, six noted that technical assistance positively impacts business performance as it provides borrowers with the necessary knowledge to manage and grow a

business. One lender estimated that 15 to 20 percent of their borrowers who received technical assistance would have seen their business fail, or would not have become bankable, without technical assistance. An important element of the technical assistance in strengthening business acumen is the ability to tailor each technical assistance experience to the specific needs of the individual borrower and their industry. Borrowers interviewed started and grew businesses in a diversity of industries, including construction, food service, and retail, and reported the assistance was tailored to their needs. For example, a borrower in the construction industry noted that employee safety was the cornerstone of his business and the technical assistance he received helped him develop safety policies for contractors. A borrower in the retail industry noted that acquisition of facilities was the most important aspect of expanding his business, and the technical assistance he received focused on conducting and analyzing comps for business acquisition. The CA program's highly tailored approach helps ensure that borrowers receive the right type of assistance to support their business.

- **Quantifying the effects of technical assistance is complicated by data issues including underreporting.** The technical assistance data includes information on how many borrowers received technical assistance, which topics were covered, and how the assistance was delivered (i.e., the mode of delivery and duration). Our statistical analyses with the data show that in general the provision of technical assistance and the topics, duration, and mode of delivery have little to no impact on the performance of CA borrowers. However, rather than signifying a true lack of effectiveness, we strongly suspect our analysis reflects limitations in the dataset:
  - The technical assistance data were historically underreported.[60] While the data indicate that about one-third of borrowers received technical assistance, lenders reported during interviews that most if not all borrowers receive some form of technical assistance.
  - The fact that almost all borrowers receive some form of technical assistance makes it challenging to tease out the effects of technical assistance on loan performance.
  - Given that the vast majority of loans are performing well, it is difficult to tease out the relationship between technical assistance and loan performance.
  - The highly tailored delivery of technical assistance means that some borrowers receive little or no assistance because the lender determined it was not required; however, these are the borrowers who were likely to succeed even in the absence of technical assistance.

  We also tested for the relationship between technical assistance and loan performance, including traditional 7(a) loans up to $250,000 in the group that did not receive technical assistance. Adding this group does not alter any the findings above, namely, we still do not find a statistically significant relationship between technical assistance and loan performance. However, this is most likely a result of the low incidence of non-performing loans in both the CA and traditional 7(a) programs.

  Overall, borrowers and lenders consistently reported during interviews that technical assistance has a positive effect on loan performance, although observing this effect in the data is difficult due to the limitations noted above.

[60] SBA has addressed data collection issues so that data tracking and reporting will be accurate moving forward.

Conclusions for Question 2: Climbing the Economic Opportunity Ladder

- **Borrowers are using the CA program in combination with other SBA lending programs to meet the needs of their businesses.** One way to understand if borrowers are using the CA program to climb the ladder of economic opportunity is to examine if they are progressing from the Microloan program to the CA program, and then on to the traditional 7(a) program or 504 program. Because the CA program has only been operating since 2011 (and over half of total CA loans approved as of June 30, 2017 were approved in FY 2015 or later), many CA borrowers have not yet reached the point where they would be ready for additional loans. Even so, we find that a small number of CA borrowers have already taken this sequential path: 22 CA borrowers (less than one percent) have gone from the Microloan program to CA to the traditional 7(a) program. A total of 75 CA borrowers have taken advantage of all of these programs, but not necessarily in that order. In addition, the data show many other ways that borrowers are using CA with SBA's other lending programs. Overall, borrowers use the appropriate loan for their specific circumstances, and many take advantage of more than one SBA loan and/or SBA lending program. In fact, approximately 40 percent of CA borrowers have two or more loans with SBA, and about 24 percent of CA borrowers have received a loan from more than one SBA program.
- **The CA program is helping borrowers climb the economic opportunity ladder in a variety of ways.** Interviews with borrowers and lenders identified several other ways in which borrowers use the CA program to climb the ladder of economic opportunity, outside of or in addition to obtaining another SBA loan:
    - *The CA loan puts the borrower in a position to obtain financing from another source, such as a traditional commercial bank.* Borrowers use their CA loan to grow their business to the point where they are ready to take the next step (e.g., open a new location); they now have the collateral and operating revenues that traditional lenders require. Also, good performance on their CA loan helps borrowers build the solid repayment history required to obtain commercial financing at reasonable terms. Borrowers also reported that the CA loan puts them in a strong position to obtain financing from non-bank sources (e.g., venture capitalists).
    - *In other cases, the CA loan puts the business in a position where they are able to finance their own growth.*
    - *Business growth through the CA program has far-reaching impacts on the borrower and their community.* Interviewees identified several measures of progress on the ladder of economic opportunity that go beyond the business's own profits, including: impacts on the local economy (e.g., additional tax revenue and job creation), positive impacts on the local community (e.g., community pride), mentorship opportunities, and opportunities to expand operations and services to the community.

Conclusions for Question 3: Factors that Determine Loan Performance

- **Overall, CA borrowers perform very well on their loans; a small portion of loan recipients have any issues with making on-time payments**. We examined what factors might drive borrowers to have issues with performance on their loan primarily by looking for relationships between borrower characteristics and performance. For the most part, there are no major patterns or relationships that emerge from our analyses as substantial predictors of performance; this is most likely a result of the low number of non-performing loans. In other words, it is difficult to tease out the influences of different factors on performance when so few loans are non-performing. We find that businesses run by non-white borrowers and businesses with lower credit scores are slightly more likely to have non-current loans. Businesses in communities with higher percentages of unemployment are also more likely to have non-current loans. Although these findings are statistically significant, they are small in practical terms, and the predictive power of the regressions is low. Furthermore, the vast majority of loans are performing well, which limits the model's ability to detect factors that drive variations in performance. Most of the lenders in Group 2 reported that the personal attributes of borrowers (e.g., self-determination) are the one "constant" in predicting loan performance; no single quantitative variable or set of variables guarantees success. We also find an association in the data between *lenders* and loan performance, although it is unclear which specific lender characteristics might be influencing borrower performance.
- **The close relationship between lenders and borrowers is a defining feature of the CA program, and is critical to understanding a loan's performance.** In trying to understand the driving factors for the successful performance of CA borrowers, we uncovered one key attribute of the CA program: Lenders not only operate within the target communities, they have a social mission to serve their communities. As a whole, they are highly motivated by and dedicated to ensuring the success of their borrowers. One of the primary mechanisms they use to accomplish this goal is to tailor their services and approach to the specific needs of each borrower. In other words, beyond extending loans, they try to understand the needs of the borrower and work closely with them to set them up for success. This approach manifests itself in several ways. For example:
    - **Lenders help borrowers determine the right loan size.** Lenders work upfront with borrowers to ensure they are borrowing the appropriate amount given the current state of their business and the business's needs. One lender described how sometimes this means decreasing the loan size (e.g., breaking a larger loan into more manageable stages), and sometimes it means increasing the loan size (e.g., making sure borrowers have enough capital to accomplish their goal).
    - **Lenders tailor technical assistance to the needs of their borrower.** All of the lenders we interviewed about this topic reported that the provision of technical assistance is highly personalized to each borrower's needs; our interviews with borrowers confirmed this approach. For example, lenders work with borrowers during the loan origination stage to identify the borrower's knowledge gaps and to establish a plan for delivering the technical assistance needed to address those gaps. This approach ensures that borrowers receive the assistance they need to succeed based on their specific needs.
    - **Lenders work with borrowers to restructure predatory debt.** Several lenders reported that some borrowers fall victim to predatory lending (i.e., loans with oppressive and often crippling terms, for example exorbitant interest rates) before approaching the CA lender. In

these cases, lenders work closely with the borrower to restructure this debt, to remove the constraints placed on their operating capital, and to properly fund their next step.

- **Borrowers return to their lender.** The relationship that is fostered between the lender and borrower often does not stop with one loan. Several borrowers and lenders reported, and the data demonstrate, that several borrowers return to their lender for additional financing beyond their initial CA loan. Borrowers report that the one-on-one attention given by the lender drives this repeat business.

RECOMMENDATIONS

Based on the evaluation results, as well as feedback and suggestions obtained during interviews with lenders and borrowers, IEc offers the following recommendations for SBA's consideration:

- **Encourage good practices identified in this evaluation.** Good practices identified in this evaluation, which may be of interest to other SBA lending programs and/or SBA's lending partners, include:
  - Working with mission-oriented lenders to address the needs of businesses in emerging markets;
  - Encouraging close relationships between lenders and borrowers to prepare businesses for success;
  - Tailoring technical assistance and counseling services to address each borrower's individual circumstances and needs; and
  - Providing small dollar loans to fill a need at a critical point in the business's development, while setting them up to qualify for traditional commercial financing in the future.
- **Consider suggestions from the interviews on ways to refine the CA program.** Some suggestions from interview respondents include the following:
  - Further tailor the technical assistance to focus on the needs of specific industries.
  - Communicate the program's target market, eligibility requirements, and application process.
  - Market the program proactively, especially online.
  - Consider raising the loan limit from $250,000 to $350,000 to better meet the financing requirements of the target market.
  - Clarify Standard Operating Procedures (SOPs) for the CA program.
  - Streamline the loan approval and reporting process.
- **Conduct future analysis of topics in this study.** The analysis conducted for this evaluation identified some potential areas for future study:
  - Benchmark the performance of CA loans to traditional commercial loans. The analysis could also look at whether borrowers receive commercial loans at better terms (and if they ultimately perform better on their commercial loan) if they previously received a CA loan.

- Explore what makes business accounting and budgeting effective. This was the only topic of technical assistance that was found to have a statistically significant relationship with loan performance. A future analysis could explore what aspects of budgeting and accounting are taught and could be replicated for other lenders.
- Further analyze the characteristics of the lenders that are associated with loan performance. This could be an area where Lender Relation Specialists focus attention.
- In a few years' time, reanalyze data for CA borrowers who received technical assistance compared to those who did not, since underreporting issues were recently addressed. In addition, track under what circumstances specific, targeted technical assistance is provided, and how this affects loan performance.

APPENDIX A. INTERVIEW GUIDES

SBA COMMUNITY ADVANTAGE EVALUATION:
LENDER INTERVIEW GUIDE – TECHNICAL ASSISTANCE (GROUP 1)

The U.S. Small Business Administration (SBA) is working with Industrial Economics, Incorporated (IEc) – an economics and policy consulting firm based in Massachusetts – to conduct an evaluation of SBA's Community Advantage program. The evaluation of Community Advantage considers several aspects of the program, including the impact of technical assistance and counseling services on borrowers' loan performance and business success. This evaluation is important for understanding the program's successes and areas where it can improve. SBA management will consider the results of the evaluation in deciding whether to make Community Advantage a permanent program within SBA's Office of Economic Opportunity.

The purpose of this interview is to learn more about the technical assistance and/or counseling services that you offer your borrowers; the circumstances in which you provide those services; and the impact, if any, of those services on your borrowers' performance. Please answer the following questions to the best of your ability.

The information you provide will be kept confidential. IEc will report our findings in aggregate; your comments will not be attributed to you as an individual or to your organization in IEc's discussions with SBA or in the evaluation report.

This interview will take approximately one hour.

Background

1. Please tell us about your financial institution and the customers you serve. Do you have a target customer market (e.g., a particular demographic, sector, or geographic focus)? If yes, describe.
2. What types of loans does your financial institution offer?
    a. How does CA fit in alongside your other lending products?
    b. Approximately what percentage of your total loans (SBA and non-SBA) are CA loans?
    c. Approximately what percentage of your SBA loans are CA loans?
3. Do you participate in any other SBA lending programs (if yes, explain)?

Technical Assistance and Counseling Services Provided by the Financial Institution

4. Does your institution offer technical assistance (TA) and/or counseling to borrowers?
    a. If so, what types of TA and/or counseling do you offer your borrowers?
        i. Topics (e.g., cash management, marketing/sales, tax planning, business planning, etc.)
        ii. Duration (e.g., less than three hours, three to five hours, more than five hours)
        iii. Mode of delivery (e.g., phone, online, in-person, etc.)

   b. If not, why not?

5. Approximately what percentage of your CA borrowers receive some type of TA and/or counseling?
   a. What are the typical topics covered?
   b. What is the typical duration of TA and/or counseling received?
   c. What is the typical mode of delivery?
6. SBA has the following TA and counseling information about your CA loans. Does this information look accurate to you? Or should anything be changed? **(Note: Before the interview, IEc sent each lender the TA/counseling data that SBA has on file and asked them to review and update it.)**
7. How is it determined which CA borrowers receive TA and/or counseling?
   a. How is it determined what type of TA and/or counseling is provided?
   b. How is the duration of TA and/or counseling determined?
   c. How is the mode of delivery of TA and/or counseling determined?
8. Under what circumstances do your borrowers tend to decline TA or counseling?
9. Do your borrowers ever request TA and/or counseling from you?
   a. If so, under what circumstances do they tend to make this request?
10. Do you ever require your borrowers to receive TA and/or counseling?
    a. If so, under what circumstances?

Impact of Technical Assistance and Counseling on Borrowers' Performance

11. In your experience, do TA and/or counseling impact your CA borrowers' business performance (e.g., revenues, staffing, ability to qualify for larger loans, etc.)? If yes, how? If no, why not?
12. In your experience, do TA and/or counseling impact the performance of your CA borrowers on their loans (i.e., their ability to pay back their loans according to the agreed upon terms)? If yes, how? If no, why not?
13. Have you received feedback about TA and/or counseling from borrowers who have received it (e.g., evaluation forms, follow-up conversations)? If yes, what was the nature of the feedback?
14. Have you observed that some types of TA and/or counseling are more effective or less effective than others? Do the results of TA and/or counseling depend on…
    a. Duration of TA?
    b. Mode of delivery?
    c. Topics covered?
    d. Characteristics of the borrower (e.g., prior business experience)?
    e. Other (please specify)?

SBA COMMUNITY ADVANTAGE EVALUATION:
LENDER INTERVIEW GUIDE – ECONOMIC OPPORTUNITY AND LOAN PERFORMANCE (GROUP 2)

The U.S. Small Business Administration (SBA) is working with Industrial Economics, Incorporated (IEc) – an economics and policy consulting firm based in Massachusetts – to conduct an evaluation of SBA's Community Advantage program. The evaluation of Community Advantage considers several aspects of the program, including the ways in which borrowers are using Community Advantage to climb up the ladder of economic opportunity. The evaluation also seeks to understand the factors that affect a borrower's performance on their loan. This evaluation is important for understanding the program's successes and areas where it can improve. SBA management will consider the results of the evaluation in deciding whether to make Community Advantage a permanent program within SBA's Office of Economic Opportunity.

The purpose of this interview is to obtain your impressions, observations, and insights on topics covered by this evaluation. Specifically, we are interested in understanding how borrowers are using Community Advantage to start or grow their businesses. We are also interested in whether you have noticed any characteristics or patterns associated with borrowers who underperform on their loans compared to borrowers who are current. Please answer the following questions to the best of your ability.

The information you provide will be kept confidential. IEc will report all findings in aggregate; your comments will not be attributed to you as an individual or to your organization in IEc's discussions with SBA or in the evaluation report.

This interview will take approximately one hour.

Background

1. When did your financial institution become a Community Advantage (CA) lender?
    a. Why did your financial institution become a Community Advantage (CA) lender?
    b. Does the CA program support your institution's mission and/or portfolio? If so, how?
2. What types of financial products and services do you offer other than CA loans?
    a. How significant are your CA loans to your overall lending portfolio?
3. Do you offer SBA-guaranteed microloans, traditional 7(a) loans, or other loan types besides CA?[61] If yes, please describe.

Climbing the Ladder of Economic Opportunity

[61] SBA's Microloan program provides loans of up to $50,000 to help small businesses start up and expand; they are generally considered "smaller" amounts than conventional business loans, with the average microloan being approximately $13,000. 7(a) loans are the most common type of SBA loans, and are loans of up to $5M which can be used for working capital, to refinance debt, or to buy a business, real estate, or equipment.

4. In your experience, does receiving a CA loan help borrowers expand their financing options (e.g., access to a greater volume of capital; financing offers from a greater number of financial institutions; financing at more favorable terms; etc.)? If yes, explain. If no, why not?
5. Borrowers may climb the ladder of economic opportunity by "graduating" from a microloan to a CA loan, and from there to a traditional 7(a) loan. Other borrowers might graduate from a CA loan to receive financing from a traditional commercial bank.
    f. Can you share any examples of borrowers who have used the CA program to climb the ladder of economic opportunity?
    g. Are there borrowers who have climbed the economic ladder of opportunity in ways other than obtaining additional financing (e.g., graduating through the Microloan and CA program into the 7(a) program or a traditional commercial bank loan)? If yes, please provide examples.
    h. Are you willing to share the names and contacts of borrowers who have used CA loans to climb the ladder of economic opportunity so that we can request an interview with them?
6. In your experience, what types of borrowers use CA to climb the ladder of economic opportunity? Are there any characteristics these borrowers tend to have in common? (e.g., new vs. existing businesses, industry classification, etc.)
7. Are there barriers that borrowers face in using CA to climb the ladder of economic opportunity? If yes, can you describe them?
8. Are there additional ways that the CA program could help borrowers climb the economic opportunity ladder? If so, what?

Factors that Influence Loan Performance

9. We are interested in the factors that influence loan performance (i.e., repaying the loan on time as agreed to in the terms of the loan). As context for this discussion, please tell us about the types of borrowers who receive CA loans from your financial institution – for example:
    a. Industrial classification(s)
    b. New or existing businesses
    c. Prior history of receiving financing
    d. Level of financial knowledge
    e. Others?
10. In your experience, have you been able to identify any pattern in or common characteristics of the businesses that perform on their loan (i.e., loan is current) compared to businesses that underperform on their loan (i.e., non-current or default)?
    a. What characteristics of borrowers tend to be associated with good loan performance?
    b. What factors have led to loans under performing?
11. SBA has demographic data and other information about CA borrowers, including: ethnicity, gender, veteran status, new vs. existing business, sector, credit score, and location.

a. Which, if any, of these variables do you think have an effect on loan performance?
    i. Are those effects positive or negative?
b. Aside from these variables, are there other factors you think or have seen have an effect on loan performance? If yes, please describe.
c. Which of the factors that you identified in sub-questions (a) and (b) are the most important (individually and/or in combination)? Why?
d. Are any of the factors that we have been discussing teachable or otherwise "transferrable" to other borrowers? If yes, explain.

SBA COMMUNITY ADVANTAGE EVALUATION:
BORROWER INTERVIEW GUIDE – TECHNICAL ASSISTANCE (GROUP 3)

The U.S. Small Business Administration (SBA) is working with Industrial Economics, Incorporated (IEc) – an economics and policy consulting firm – to conduct an evaluation of SBA's Community Advantage (CA) program. The evaluation considers several aspects of the program, including the impact of technical assistance, business counseling, and training on businesses that received Community Advantage loans. One of the primary goals of the evaluation is to understand your experiences and insights about the program. Specifically, we want to hear about your experiences with the loan and the technical assistance, counseling, and/or training that you received, including what worked well and what can be improved. The results of the interview will be used to strengthen SBA programs that help businesses like yours.

Please answer the following questions to the best of your ability. The information you provide will be kept confidential. IEc will report all findings in aggregate; your comments will not be attributed to you as an individual or to your organization in IEc's discussions with SBA or in the evaluation report.

This interview will take approximately one hour.

Background

1. Please provide an overview of your business (e.g., year established, sector, location).
    a. How large is your business (number of full-time employees and/or sales)?
    b. Is this the first business that you have owned? If not, what previous businesses did you own?
    c. Why did you approach **[name of financial institution]** for a CA loan? What are you using the loan funds for?

Technical Assistance and Counseling Services Received by Borrower

2. What motivated you to receive TA and/or counseling services?
    e. How did you find out the TA and/or counseling services were available?
    f. Why did you decide to receive TA and/or counseling services? (e.g., Did **[financial institution]** encourage you? Did they require you to receive the services? Did you request the services?)
3. We understand that you received the following technical assistance (TA) and/or business counseling services from your financial institution:
    - *Topic* – **[customized for each borrower]**
    - *Mode of Delivery/Duration* – **[customized for each borrower]**
    - *Source* **-[customized for each borrower]**

    a. Is this information correct? If not, please provide the correct information.

   b. How did you decide on this/these TA and/or counseling services? [*Prompt to respond for topic, mode, duration, and source]*

4. Were there additional services you wanted to receive but didn't receive? If yes, please elaborate on the circumstances.
5. Had you received TA and/or business counseling services from other providers before the services you received from **[source(s)]**? If yes, please elaborate.
   a. Were you receiving TA and/or business counseling services from another source at the same time you were receiving TA and/or counseling services from **[source(s)]**?
6. Since receiving the TA and/or counseling services, have you had any further contact or follow-up with your financial institution (other than paying back your loan)? If yes, please describe.

Reactions to Technical Assistance and Counseling

7. Overall, how helpful were the TA and/or counseling services that you received? Please rate on a scale of 1-5, where 1 = not at all helpful, and 5 = extremely helpful. Please explain your rating.
   a. Did you find the type(s) of TA and/or counseling you received helpful? Why or why not?
      i. **[For borrowers who received more than one mode of TA or counseling]** Were some types of TA and counseling more helpful than others? If yes, please elaborate.
      ii. **[For borrowers with more than one topic]** Were the services you received for some topics more helpful than others? If yes, please elaborate.
   b. Did you find the length of service(s) you received helpful? Why or why not?
      i. **[For borrowers who received more than one duration of TA or counseling]** Do you think the different lengths of the services you received made a difference? If yes, please elaborate.
   c. Were the services you received from [**source(s)]** helpful? Why or why not? [If source is/includes "other"]: What was the "other" source from which you received TA and/or counseling services?
      i. [**For borrowers who received services from more than one source]** How, if at all, did the TA and/or counseling you received from these different sources compare to each other? Please elaborate.
   d. Do you have any other thoughts or feedback on the TA and/or counseling services you received?

Results of Technical Assistance and Counseling

8. Did you learn anything new in the TA and/or counseling session(s) you received? If yes, please elaborate. If no, why not?
   a. Did you acquire any new skills or abilities? Please explain.
9. Have you made any changes to your business strategy, business practices, or how you manage your business as a result of the TA and/or counseling services you received? If no, why not? If yes:
   a. Please describe the changes. How long a time after you completed the TA and counseling did you implement these changes?

b. Would you have made any of the same changes to your business even if you had not received the TA and/or counseling services?

c. What effects, if any, have these changes had on the performance of your business? (e.g., increased revenues or profits; hired or retained staff; opened a new location or expanded an existing location; qualified for more/larger volume of financing; etc.) If applicable:

   i. How long did it take for you to see these results or outcomes after you implemented the changes?

   ii. Would any of these results or outcomes have happened anyway without the TA and/or counseling services you received? Please explain.

d. How, if at all, have these changes affected your ability to repay your CA loan?

10. Do you plan on making any (other) changes to your business strategy, business practices, or how you manage your business, as a result of the TA and/or counseling services you received? If yes, please explain. If no, why not?

11. Have you faced any challenges applying what you learned in the TA and/or counseling services you received to your business? If yes, please explain.

Additional Feedback and Suggestions

12. In your opinion, what would have made the TA and/or counseling services you received more helpful?

13. Do you have suggestions for other types of TA and/or counseling that would be helpful in the future?

SBA COMMUNITY ADVANTAGE EVALUATION:
BORROWER INTERVIEW GUIDE – CLIMBING THE ECONOMIC OPPORTUNITY LADDER (GROUP 4)

The U.S. Small Business Administration (SBA) is working with Industrial Economics, Incorporated (IEc) – an economics and policy consulting firm – to conduct an evaluation of SBA's Community Advantage (CA) program. The evaluation considers several aspects of the program, including the ways in which borrowers are using Community Advantage to start, grow, and support their businesses. This could include, for example, hiring more employees, investing in new opportunities, expanding into new markets, and improving the economic well-being of the community in which the business is located. It could also include using the Community Advantage loan in combination with other loans to achieve one's business goals. One of the primary goals of the evaluation is to understand your experiences and insights about the program. The results of the interview will be used to strengthen SBA programs that help businesses like yours.

Please answer the following questions to the best of your ability. The information you provide will be kept confidential. IEc will report all findings in aggregate; your comments will not be attributed to you as an individual or to your organization in IEc's discussions with SBA or in the evaluation report.

This interview will take approximately one hour.

Background

1. We understand that you received a CA loan from **[financial institution]** in **[month/year of approval]** in the amount of **[dollar amount]**. The terms are **[fill in interest rate and duration]**. Is this correct? If not, please update the information.

    a. **[If borrower received a loan from the Microloan program]** We also understand that you received a loan through SBA's Microloan program. Is this correct? How much and in what month/year did you receive your microloan? From what financial institution did you receive this loan? If not, please update the information.

    b. **[If borrower received a loan from the 7(a) program]** We also understand that you received a loan through SBA's traditional 7(a) program in **[month/year of approval]**, in the amount of **[dollar amount]**. Is this correct? From what financial institution did you receive this loan? If not, please update the information.

    c. **[If borrower received a loan from the 504 program]** We also understand that you received a loan through SBA's 504 program in **[month/year of approval]**, in the amount of **[dollar amount]**. Is this correct? From what financial institution did you receive this loan? If not, please update the information.

2. Why did you apply for a CA loan?

3. Before you applied for the CA loan, had you previously sought financing from other financial institutions, other than those we discussed earlier? If yes:

a. Where else did you apply for financing? What amount were you seeking?

b. Did you receive financing? If yes, what amount? Who provided it? What were the terms?

4. Did you have other financing offers at the same time that you received the CA loan? If yes, why did you choose the CA loan?

5. Did you receive financing from a traditional commercial bank after your CA loan? If yes, what amount? Who provided it? What were the terms?

Additional Financing

6. As discussed above, we understand you have received **[list each loan received]**. For each type of financing you have received, please describe: [*Include financing received after CA loans if included in Q6]*

   a. The primary purpose of the loan.

   b. What you used the loan proceeds for.

   c. How and to what extent you used each loan to strengthen your business.

   d. How, if at all, the changes in your business have impacted your community.

7. **[For borrowers with more than one financing source (other than CA)]** Do you think any of the loans you received helped you secure additional financing?

   a. If yes: How did each loan pave the way for the next loan?

   b. If no: Why not? What factors do you think helped you secure additional financing?

8. Other than the financing sources we have discussed, have you sought any other sources of financing since receiving your CA loan?

   a. If yes, for what purpose? Were you successful? Please elaborate.

   b. If no, why not?

Impact of the CA Loan

9. Would your business be different today if you had not received the CA loan? If so, how? If not, why not?

10. **[If respondent received other sources of financing]** How important were the SBA loan products (microloan and CA loan; and, if applicable, the traditional 7(a) loan) to your business? In what ways? [*Prompt if needed: For example, success of your business, impact on your community, growing your business]*

    a. How does this compare to other sources of financing you have received?

Feedback and Suggestions

11. Have you faced any challenges in using your CA loan to start, grow, or otherwise support your business? If yes, please explain.

12. Do you have suggestions for additional ways that the CA program could help borrowers start, grow or otherwise support their businesses? If yes, please explain.

APPENDIX B. REGRESSION OUTPUT TABLES

EXHIBIT B1. REGRESSION OUTPUT TABLES FOR EVALUATION QUESTION 1

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
Received_TA	0.004	0.009	0.012									
	(0.12)	(0.12)	(0.12)									
vet_status	0.147	0.150	0.150	0.128*	0.124*	0.114	0.105	0.147	0.153	0.163	0.133	0.121
	(0.10)	(0.10)	(0.10)	(0.06)	(0.06)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
gender_status	0.100	0.100	0.095	0.088**	0.088**	0.107	0.108	0.099	0.110	0.100	0.112	0.111
	(0.06)	(0.06)	(0.06)	(0.03)	(0.03)	(0.07)	(0.07)	(0.06)	(0.07)	(0.07)	(0.07)	(0.07)
ethnicity	0.081**	0.081**	0.082**	0.029	0.027	0.073*	0.071*	0.082**	0.084**	0.089**	0.074*	0.083**
	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
busi_status	0.173	0.167	0.556*	0.004	0.022	0.178	0.170	0.164	0.168	0.179	0.182	0.153
	(0.12)	(0.12)	(0.25)	(0.06)	(0.06)	(0.13)	(0.13)	(0.12)	(0.12)	(0.12)	(0.13)	(0.12)
Credit_Score	-0.017***	-0.016***	-0.016***	0.001	0.001	-0.017***	-0.017***	-0.017***	-0.017***	-0.017***	-0.017***	-0.017***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
FTEs	-0.004	-0.004	-0.005	-0.001	-0.001	-0.004	-0.005	-0.004	-0.003	-0.004	-0.003	-0.003
	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
total_loans	0.117	0.116	0.119	0.107	0.108	0.124	0.120	0.122	0.129	0.134	0.130	0.123
	(0.12)	(0.12)	(0.12)	(0.06)	(0.06)	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)	(0.12)	(0.12)
total_programs	-0.174	-0.170	-0.171	-0.229*	-0.235*	-0.163	-0.135	-0.174	-0.172	-0.151	-0.152	-0.148
	(0.20)	(0.20)	(0.20)	(0.10)	(0.10)	(0.20)	(0.20)	(0.20)	(0.20)	(0.21)	(0.20)	(0.20)
Approval Amount	0.000	0.000	0.000*	-0.000	-0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
PercEmpChange	0.145	0.149	0.163	0.031	0.019	0.140	0.153	0.147	0.153	0.107	0.145	0.156
	(0.24)	(0.24)	(0.23)	(0.11)	(0.11)	(0.25)	(0.24)	(0.24)	(0.24)	(0.25)	(0.25)	(0.24)
PercEstChange	-0.400	-0.400	-0.479	-0.151	-0.137	-0.489	-0.540	-0.398	-0.470	-0.388	-0.513	-0.500

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
	(0.64)	(0.64)	(0.65)	(0.30)	(0.30)	(0.67)	(0.68)	(0.65)	(0.66)	(0.65)	(0.68)	(0.66)
percentover25_noHSdiploma	0.642	0.671	0.651	-0.037	-0.147	0.737	0.655	0.695	0.684	0.589	0.765	0.590
	(0.69)	(0.70)	(0.70)	(0.40)	(0.40)	(0.71)	(0.71)	(0.70)	(0.70)	(0.71)	(0.72)	(0.71)
MedianIncome	0.000	0.000	0.000	-0.000***	-0.000***	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
PercVac	-1.971	-2.028	-2.207	-0.316	-0.183	-1.689	-1.701	-1.837	-1.924	-2.086	-1.832	-1.994
	(1.85)	(1.85)	(1.87)	(0.83)	(0.83)	(1.88)	(1.88)	(1.85)	(1.88)	(1.91)	(1.92)	(1.89)
employment	0.647	0.583	0.483	2.668*	2.806**	0.580	0.458	0.623	1.149	0.752	0.989	0.938
	(2.20)	(2.20)	(2.21)	(1.04)	(1.04)	(2.27)	(2.27)	(2.19)	(2.23)	(2.27)	(2.31)	(2.24)
use_proceeds		0.040	0.043		-0.106**							
		(0.08)	(0.08)		(0.03)							
Existing Business # Approval Amount			0.000									
			(.)									
New Business # Approval Amount			-0.000									
			(0.00)									
BusAccntBudget						-0.865*	-0.804				-0.944*	
						(0.42)	(0.43)				(0.44)	
CashFlowMgmt						0.180	0.154				0.152	
						(0.27)	(0.27)				(0.28)	
Marketing/Sales						-0.209	-0.218				-0.217	
						(0.36)	(0.37)				(0.40)	
Other						0.470	0.484				0.418	
						(0.37)	(0.39)				(0.40)	
Tax Planning						-0.067	-0.147				-0.012	
						(0.47)	(0.49)				(0.52)	

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
TechComps						-0.349	-0.293				-0.518	
						(0.52)	(0.54)				(0.59)	
Legal Issues						0.115	0.169				-0.144	
						(0.40)	(0.40)				(0.46)	
BusPlan						-0.239	-0.283				-0.167	
						(0.23)	(0.26)				(0.26)	
eComm						0.725	0.623				0.824	
						(0.51)	(0.53)				(0.56)	
Buy/Sell Bus						0.382	0.208				0.526	
						(0.45)	(0.49)				(0.51)	
Financing/Capital						-0.024	-0.102				-0.024	
						(0.17)	(0.20)				(0.24)	
HR ManagingEmps						0.539	0.438				0.522	
						(0.40)	(0.42)				(0.44)	
Managing Bus						0.255	0.276				0.311	
						(0.31)	(0.32)				(0.35)	
Customer Relations						0.425	0.493				0.430	
						(0.49)	(0.50)				(0.56)	
GovtContracting						-0.651	-0.613				-0.764	
						(0.67)	(0.70)				(0.79)	
Franchising						0.509	0.548				0.450	
						(0.45)	(0.47)				(0.51)	
IntlTrade						0.000	0.000				0.000	
						(.)	(.)				(.)	
StartupAssistance						0.063	0.027				0.040	

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
						(0.29)	(0.30)				(0.30)	
SmallBusDevCenter							0.137					0.049
							(0.25)					(0.23)
Other							-0.258					-0.351
							(0.29)					(0.29)
SCORE							0.106					-0.020
							(0.33)					(0.32)
WomensBusCenter							0.081					0.195
							(0.33)					(0.33)
Bank_OtherLending							0.273					0.236
							(0.24)					(0.24)
VetBusCenter							0.210					0.494
							(0.57)					(0.49)
counsel_length_1on1								-0.058	-0.034		-0.027	-0.032
								(0.08)	(0.16)		(0.17)	(0.17)
counsel_length_phone								0.094	0.359		0.497*	0.390
								(0.09)	(0.19)		(0.23)	(0.20)
counsel_length_group								-0.045	-0.157		-0.272	-0.136
								(0.09)	(0.21)		(0.28)	(0.22)
counsel_length_webtut								0.090	0.557*		0.595	0.522
								(0.10)	(0.26)		(0.32)	(0.28)
counsel_1on1									0.004		0.027	-0.044
									(0.36)		(0.41)	(0.39)
counsel_phone									-0.634		-0.885	-0.748
									(0.45)		(0.52)	(0.47)

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
counsel_group									0.321		0.632	0.397
									(0.54)		(0.70)	(0.56)
counsel_webtut									-1.304		-1.566	-1.300
									(0.70)		(0.85)	(0.74)
No # None										0.000		
										(.)		
No # Fewer than 3 hours										0.000		
										(.)		
No # 3-5 hours										0.000		
										(.)		
No # More than 5 hours										0.000		
										(.)		
Yes # None										0.000		
										(.)		
Yes # Fewer than 3 hours										-0.201		
										(0.29)		
Yes # 3-5 hours										0.203		
										(0.23)		
Yes # More than 5 hours										-0.201		
										(0.26)		
No # None										0.000		
										(.)		
No # Fewer than 3 hours										0.000		
										(.)		
No # 3-5 hours										0.000		

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
										(.)		
No # More than 5 hours										0.000		
										(.)		
Yes # None										0.000		
										(.)		
Yes # Fewer than 3 hours										-0.819		
										(0.47)		
Yes # 3-5 hours										0.389		
										(0.26)		
Yes # More than 5 hours										0.297		
										(0.32)		
No # None										0.000		
										(.)		
No # Fewer than 3 hours										0.000		
										(.)		
No # 3-5 hours										0.000		
										(.)		
No # More than 5 hours										0.000		
										(.)		
Yes # None										0.000		
										(.)		
Yes # Fewer than 3 hours										-0.095		
										(0.43)		
Yes # 3-5 hours										0.506		
										(0.42)		

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE				DEPENDENT VARIABLE: RECEIVE TA		DEPENDENT VARIABLE: LOAN PERFORMANCE					
Yes # More than 5 hours										-0.239		
										(0.31)		
No # None										0.000		
										(.)		
No # Fewer than 3 hours										0.000		
										(.)		
No # 3-5 hours										0.000		
										(.)		
No # More than 5 hours										0.000		
										(.)		
Yes # None										0.000		
										(.)		
Yes # Fewer than 3 hours										-0.672		
										(0.55)		
Yes # 3-5 hours										-0.130		
										(0.46)		
Yes # More than 5 hours										0.553		
										(0.33)		
Constant	-0.027	-0.122	-0.231	-2.553*	-2.284*	0.085	0.205	-0.048	-0.477	-0.149	-0.259	-0.305
	(2.08)	(2.09)	(2.10)	(1.00)	(1.00)	(2.15)	(2.15)	(2.08)	(2.11)	(2.16)	(2.18)	(2.12)
Chi-Squared	62.956	63.232	66.531	46.248	55.409	78.651	82.186	65.697	74.329	84.747	90.123	79.151
BIC	707.0	714.1	718.2	2753.5	2751.1	808.8	849.6	726.4	747.4	766.6	856.4	787.0
* p<0.05, ** p<0.01, *** p<0.001												

EXHIBIT B2. REGRESSION OUTPUT TABLES FOR EVALUATION QUESTION 2A

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE			
ladder_order	0.000		0.000	
	(.)		(.)	
Received_TA	0.003	-0.001	0.007	0.005
	(0.12)	(0.12)	(0.12)	(0.12)
vet_status	0.147	0.153	0.162	0.169
	(0.10)	(0.11)	(0.11)	(0.11)
gender_status	0.099	0.101	0.099	0.102
	(0.06)	(0.06)	(0.07)	(0.07)
ethnicity	0.080*	0.080*	0.087**	0.086**
	(0.03)	(0.03)	(0.03)	(0.03)
busi_status	0.177	0.184	0.167	0.175
	(0.12)	(0.12)	(0.12)	(0.12)
Credit_Score	-0.017***	-0.016***	-0.017***	-0.017***
	(0.00)	(0.00)	(0.00)	(0.00)
FTEs	-0.004	-0.004	-0.003	-0.003
	(0.01)	(0.01)	(0.01)	(0.01)
total_loans	0.126	0.196	0.115	0.185
	(0.12)	(0.14)	(0.12)	(0.14)
total_programs	-0.176	-0.178	-0.159	-0.163
	(0.20)	(0.21)	(0.20)	(0.22)
Approval Amount	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)
PercEmpChange	0.154	0.148	0.153	0.147
	(0.24)	(0.24)	(0.24)	(0.24)
PercEstChange	-0.405	-0.402	-0.421	-0.411
	(0.64)	(0.64)	(0.64)	(0.65)
percentover25_noHSdiploma	0.634	0.640	0.589	0.598
	(0.69)	(0.71)	(0.70)	(0.71)
MedianIncome	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)
PercVac	-2.004	-2.033	-1.977	-1.995
	(1.85)	(1.86)	(1.86)	(1.88)
employment	0.579	0.532	0.329	0.278
	(2.20)	(2.22)	(2.22)	(2.23)
ladder_all		0.000		0.000

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE			
		(.)		(.)
cat_agriculture			0.383	0.390
			(0.66)	(0.66)
cat_retail			-0.147	-0.152
			(0.16)	(0.16)
cat_services			-0.330	-0.325
			(0.18)	(0.18)
cat_education			0.113	0.095
			(0.35)	(0.35)
cat_health			-0.179	-0.182
			(0.24)	(0.24)
cat_manufacture			0.000	0.000
			(.)	(.)
use_proceeds			0.028	0.033
			(0.08)	(0.08)
Constant	0.029	-0.033	0.328	0.248
	(2.09)	(2.10)	(2.12)	(2.14)
Chi-Squared	63.018	63.611	68.325	68.717
BIC	706.6	703.1	745.7	742.2
* p<0.05, ** p<0.01, *** p<0.002				

EXHIBIT B3. REGRESSION OUTPUT TABLES FOR EVALUATION QUESTION 2B

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE									DEPENDENT VARIABLE: START MICROLOAN		DEPENDENT VARIABLE: MULTIPLE PROGRAMS	
Received_TA	0.004	0.004	0.007	-0.005	0.005	0.016	-0.007	0.012	0.010	0.208	0.201	-0.032	-0.040
	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.15)	(0.15)	(0.13)	(0.13)
vet_status	0.132	0.133	0.098	0.141	0.150	0.101	0.146	0.137	0.152	-0.513**	-0.607**	0.069	0.063
	(0.11)	(0.11)	(0.11)	(0.11)	(0.10)	(0.11)	(0.11)	(0.11)	(0.11)	(0.18)	(0.19)	(0.14)	(0.14)
gender_status	0.101	0.101	0.100	0.093	0.100	0.104	0.093	0.100	0.102	0.108	0.100	-0.024	-0.022
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)	(0.06)	(0.06)	(0.07)	(0.08)	(0.09)	(0.07)	(0.07)
ethnicity	0.075*	0.075*	0.078*	0.077*	0.081**	0.083**	0.076*	0.075*	0.083**	-0.035	-0.048	0.061	0.063
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)
busi_status	0.172	0.171	0.188	0.162	0.178	0.191	0.163	0.174	0.162	0.156	0.214	-0.209	-0.195
	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.12)	(0.15)	(0.16)	(0.13)	(0.13)
Credit_Score	-0.017***	-0.017***	-0.017***	-0.016***	-0.017***	-0.017***	-0.016***	-0.017***	-0.017***	-0.016***	-0.016***	-0.000	-0.000
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
FTEs	-0.002	-0.002	-0.001	-0.001	-0.004	-0.004	-0.002	-0.003	-0.002	-0.006	-0.006	0.014*	0.014*
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)
total_loans	0.138	0.135	0.181	0.099	0.035	0.057	0.114	0.146	0.126	0.740***	0.715***	2.936***	2.942***
	(0.12)	(0.12)	(0.15)	(0.12)	(0.14)	(0.16)	(0.13)	(0.12)	(0.12)	(0.15)	(0.15)	(0.14)	(0.14)
total_programs	-0.023	0.122	0.000	0.000	-0.076	-0.714	-0.360	-0.436	0.107	2.751***	2.835***		
	(0.21)	(0.26)	(.)	(.)	(0.21)	(0.37)	(0.57)	(0.25)	(0.26)	(0.43)	(0.45)		
PercEmpChange	0.144	0.148	0.081	0.149	0.140	0.083	0.155	0.162	0.145	-1.028	-1.102*	-0.141	-0.140
	(0.24)	(0.24)	(0.27)	(0.24)	(0.24)	(0.28)	(0.24)	(0.24)	(0.25)	(0.54)	(0.56)	(0.26)	(0.26)
PercEstChange	-0.459	-0.465	-0.331	-0.434	-0.399	-0.382	-0.445	-0.487	-0.471	-0.496	-0.345	-1.061	-1.071
	(0.65)	(0.65)	(0.66)	(0.64)	(0.64)	(0.68)	(0.64)	(0.65)	(0.65)	(0.88)	(0.90)	(0.75)	(0.76)

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE									DEPENDENT VARIABLE: START MICROLOAN		DEPENDENT VARIABLE: MULTIPLE PROGRAMS	
percentover25_noHSdiploma	0.788	0.778	0.821	0.671	0.608	0.634	0.663	0.768	0.716	1.337	1.280	0.375	0.357
	(0.70)	(0.70)	(0.71)	(0.69)	(0.70)	(0.72)	(0.69)	(0.69)	(0.70)	(0.88)	(0.89)	(0.86)	(0.86)
MedianIncome	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
PercVac	-1.994	-1.965	-1.932	-1.887	-1.937	-2.067	-1.907	-2.025	-1.960	-2.674	-2.735	1.374	1.500
	(1.84)	(1.84)	(1.87)	(1.84)	(1.85)	(1.89)	(1.84)	(1.85)	(1.85)	(1.90)	(1.95)	(1.75)	(1.76)
employment	0.415	0.436	0.501	0.640	0.653	0.466	0.605	0.230	0.199	-2.522	-2.397	-0.395	-0.391
	(2.20)	(2.20)	(2.22)	(2.19)	(2.21)	(2.25)	(2.19)	(2.20)	(2.21)	(2.65)	(2.67)	(2.33)	(2.33)
cat_agriculture									0.389		0.000		0.697
									(0.66)		(.)		(0.81)
cat_retail									-0.149		-0.108		-0.066
									(0.16)		(0.21)		(0.17)
cat_services									-0.342		0.298		-0.069
									(0.18)		(0.21)		(0.18)
cat_education									0.108		0.370		0.053
									(0.35)		(0.47)		(0.46)
cat_health									-0.195		0.141		-0.203
									(0.24)		(0.32)		(0.25)
cat_manufacture									0.000		0.000		0.000
									(.)		(.)		(.)
use_proceeds									0.035		-0.107		-0.041
									(0.08)		(0.09)		(0.08)
Loan_Micro	-0.403												
	(0.25)												

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE									DEPENDENT VARIABLE: START MICROLOAN		DEPENDENT VARIABLE: MULTIPLE PROGRAMS	
group		-0.132							-0.119				
		(0.09)							(0.09)				
group1			0.388										
			(0.28)										
group2			0.323										
			(0.26)										
group3			0.169										
			(0.51)										
group4			0.000										
			(.)										
group5			0.000										
			(.)										
group6			0.000										
			(.)										
group7			0.000										
			(.)										
group8			0.000										
			(.)										
Loan_Micro=0 # loan_total_CA					0.000								
					(0.00)								
Loan_Micro=1 # loan_total_CA					0.000								
					(0.00)								
group=1 # loan_total_CA						0.000							
						(0.00)							

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE									DEPENDENT VARIABLE: START MICROLOAN		DEPENDENT VARIABLE: MULTIPLE PROGRAMS	
group=2 # loan_total_CA						0.000**							
						(0.00)							
group=3 # loan_total_CA						0.000							
						(0.00)							
group=4 # loan_total_CA						0.000							
						(.)							
group=5 # loan_total_CA						0.000*							
						(0.00)							
group=6 # loan_total_CA						0.000							
						(.)							
group=7 # loan_total_CA						0.000							
						(.)							
mult_programs							0.221						
							(0.55)						
CA_first								-0.535*					
								(0.25)					
non_current										-0.754*	-0.706*	-0.108	-0.113
										(0.35)	(0.35)	(0.28)	(0.28)
Constant	0.135	0.099	-0.455	0.053	-0.062	0.849	0.274	1.251	0.360	-2.504	-2.378	-5.178*	-4.976*
	(2.08)	(2.08)	(2.12)	(2.07)	(2.09)	(2.18)	(2.15)	(2.16)	(2.11)	(2.66)	(2.73)	(2.27)	(2.30)
Chi-Squared	63.555	63.325	62.669	60.909	63.921	69.281	61.076	65.623	69.165	715.025	722.110	1273.937	1275.749
BIC	706.4	706.6	705.4	701.6	713.4	713.5	708.9	704.3	745.2	564.0	592.1	672.1	714.7

* p<0.05, ** p<0.01, *** p<0.001

EXHIBIT B4. REGRESSION OUTPUT TABLES FOR EVALUATION QUESTION 3

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE	DEPENDENT VARIABLE: PROGRESSION		DEPENDENT VARIABLE: LOAN PERFORMANCE			
Received_TA	-0.005	-0.010	-0.008	-0.049	-0.007	-0.009	0.017
	(0.12)	(0.25)	(0.25)	(0.12)	(0.12)	(0.12)	(0.12)
vet_status	0.141	0.233	0.262	0.083	0.009	0.134	0.135
	(0.11)	(0.21)	(0.21)	(0.11)	(0.28)	(0.11)	(0.11)
gender_status	0.093	0.188	0.204	0.750	0.104	0.091	0.092
	(0.06)	(0.13)	(0.13)	(0.57)	(0.07)	(0.06)	(0.06)
ethnicity	0.077*	0.157*	0.171**	-0.240	0.076*	0.072*	0.071*
	(0.03)	(0.06)	(0.06)	(0.33)	(0.03)	(0.03)	(0.03)
busi_status	0.162	0.300	0.295	0.157	0.167	0.163	0.157
	(0.12)	(0.24)	(0.25)	(0.12)	(0.12)	(0.12)	(0.12)
Credit_Score	-0.016***	-0.033***	-0.033***	-0.016***	-0.016***	-0.016***	-0.017***
	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)
FTEs	-0.001	-0.002	-0.002	-0.003	-0.002	-0.002	-0.002
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
total_loans	0.099	0.147	0.121	0.065	0.096	0.085	0.092
	(0.12)	(0.25)	(0.25)	(0.13)	(0.12)	(0.12)	(0.13)
total_programs	-0.148	-0.123	-0.059	-0.095	-0.139	-0.149	-0.131
	(0.20)	(0.40)	(0.41)	(0.21)	(0.20)	(0.20)	(0.20)
PercEmpChange	0.149	0.227	0.217	0.204	0.156	0.149	0.154
	(0.24)	(0.46)	(0.47)	(0.23)	(0.24)	(0.24)	(0.25)
PercEstChange	-0.434	-0.447	-0.483	-0.453	-0.451	-0.473	-0.476
	(0.64)	(1.26)	(1.27)	(0.65)	(0.64)	(0.65)	(0.65)

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE	DEPENDENT VARIABLE: PROGRESSION		DEPENDENT VARIABLE: LOAN PERFORMANCE			
percentover25_noHSdiploma	0.671	1.050	1.147	0.115	0.704	0.668	0.462
	(0.69)	(1.47)	(1.47)	(0.80)	(0.70)	(0.70)	(0.71)
MedianIncome	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
PercVac	-1.887	-4.971	-5.025	-2.402	-1.802	-1.644	-1.372
	(1.84)	(3.84)	(3.85)	(1.95)	(1.84)	(1.85)	(1.83)
employment	0.640	1.732	1.138	0.779	0.635	0.620	1.058
	(2.19)	(4.56)	(4.59)	(2.34)	(2.20)	(2.19)	(2.26)
cat_agriculture			0.887				
			(1.19)				
cat_retail			-0.342				
			(0.32)				
cat_services			-0.741*				
			(0.36)				
cat_education			-0.147				
			(0.68)				
cat_health			-0.387				
			(0.48)				
cat_manufacture			0.000				
			(.)				
use_proceeds			0.075				
			(0.16)				
Male Owned # White				0.000			
				(.)			

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE	DEPENDENT VARIABLE: PROGRESSION		DEPENDENT VARIABLE: LOAN PERFORMANCE			
Male Owned # American Indian				0.000			
				(.)			
Male Owned # Asian or Pacific Islander				0.318			
				(0.79)			
Male Owned # Black				1.513			
				(1.03)			
Male Owned # Hispanic				1.470			
				(1.35)			
Male Owned # Undetermined				1.511			
				(1.70)			
Female Owned 50% or less # White				-0.459			
				(0.60)			
Female Owned 50% or less # American Indian				1.560*			
				(0.72)			
Female Owned 50% or less # Asian or Pacific Islander				-0.071			
				(0.58)			
Female Owned 50% or less # Black				0.594			
				(0.56)			
Female Owned 50% or less # Hispanic				0.438			
				(0.85)			
Female Owned 50% or less # Undetermined				0.000			
				(.)			
Female Owned more than 50% # White				-1.222			
				(1.14)			

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE	DEPENDENT VARIABLE: PROGRESSION		DEPENDENT VARIABLE: LOAN PERFORMANCE			
Female Owned more than 50% # American Indian				0.000			
				(.)			
Female Owned more than 50% # Asian or Pacific Islander				-0.721			
				(0.59)			
Female Owned more than 50% # Black				0.000			
				(.)			
Female Owned more than 50% # Hispanic				0.000			
				(.)			
Female Owned more than 50% # Undetermined				0.000			
				(.)			
Male Owned # Non-Veteran					0.000		
					(.)		
Male Owned # Service Disabled Veteran					0.120		
					(0.59)		
Male Owned # Other Veteran					0.362		
					(0.61)		
Female Owned 50% or less # Non-Veteran					0.064		
					(0.15)		
Female Owned 50% or less # Service Disabled Veteran					0.000		
					(.)		
Female Owned 50% or less # Other Veteran					0.000		
					(.)		
Female Owned more than 50% # Non-Veteran					0.000		
					(.)		

VARIABLES	DEPENDENT VARIABLE: LOAN PERFORMANCE	DEPENDENT VARIABLE: PROGRESSION		DEPENDENT VARIABLE: LOAN PERFORMANCE			
Female Owned more than 50% # Service Disabled Veteran					0.000		
					(.)		
Female Owned more than 50% # Other Veteran					0.000		
					(.)		
Bank_ID						-0.004	
						(0.00)	
Approval Count							-0.000
							(0.00)
Approval Amount Lender							0.000
							(0.00)
Constant	0.053	0.004	0.514	-0.098	0.044	0.183	-0.372
	(2.07)	(4.30)	(4.36)	(2.23)	(2.08)	(2.08)	(2.13)
Chi-Squared	60.909	59.930	65.590	82.295	62.001	63.722	65.256
BIC	701.6	747.8	787.9	756.5	722.3	706.2	712.1
* p<0.05, ** p<0.01, *** p<0.001							