



Comptroller of the Currency
Administrator of National Banks

Community Developments

Winter 2003

Community Affairs OnLine News Articles

Empowering Entrepreneurs Through the SBA

by Ronald Bew, *Associate Deputy Administrator, Office of Capital Access, Small Business Administration*



Since coming to U.S. Small Business Administration, I have been asked numerous times what our agency does and who do we serve.

Simply put: we work on behalf of the 24 million small-business owners whose commitment, hard work and willingness to take a risk make them the foundation of our economy.

The SBA was founded in 1953, based on the knowledge and understanding that small businesses are the backbone of our economy, and therefore a valuable group to give a “hand-up” when needed. Small businesses employ more than half of the private work force, generate about 50 percent of the nation’s gross domestic product, and create over two-thirds of the net new jobs. Research also shows that the vast majority of these new jobs are established in the first two years of the business. Small business entrepreneurs are key to our economic vitality, and that is why it is critical to support their creation and growth.

At the SBA, we provide these vitally important businesses with the tools and resources they need to start or grow.

Although the SBA’s mission has not changed since its founding 50 years ago, our means of meeting our mission has. Today, the agency leverages many public and non-profit relationships to assist us with our lending and counseling programs.

In 2003, the SBA:

- Provided more than \$15 billion in financing through its lending and venture capital programs.
- Counseled more than 1.2 million small businesses in person or through our Web-based counseling.
- Provided resources for government contracting, assisted with small business disaster loans, and advocated on behalf of small businesses in Washington, D.C.

One of the main components in our assistance to small business is providing capital to companies through loan guarantees. This year the SBA guaranteed more than 75,000 loans to U.S. small businesses. Virtually every loan was made through our public/private partnerships within the lending community. Our goal continues to be working in conjunction with, not in competition with, commercially available credit, and the SBA depends on the industry’s traditional lending standards when approving SBA loans.

The SBA offers multiple strata of loan categories to provide opportunities for a range of companies. We oversee a micro-lending program that combines training and education with small business loans. The micro loans amount to a maximum of \$35,000 to help first time entrepreneurs.

Our 7(a) and 504 programs offer businesses assistance with both revolving lines of credit and fixed rate financing for real estate and machinery.

In SBA's popular 7(a) program, the agency acts as a guarantor of loans with guarantees between 50 percent and 85 percent. However, the business must be unable to qualify for loans under available credit standards in order for the borrower to qualify for the SBA guarantee. SBA programs are cash-flow lenders, so all applicants must be able to prove they can repay.

In addition, the SBA's venture capital program focuses on small business equity and debenture financing, which facilitated the funding of more than \$2.5 billion in 2003. The Small Business Investment Company (SBIC) program allows private fund managers to direct their own investments. In this program, we have seen outstanding results not only in technology investment, but also in manufacturing and consumer products investment.

The small-business community has received a great deal of support from President George W. Bush, who often points out that the role of government is to "create an environment where small businesses can succeed." The President has charged the SBA with becoming more customer-focused. One of the ways we have done this is to listen to our customers and partners, collecting their input and ideas as to see how our programs can be improved. The result has been some dramatic changes to our SBA Express lending program. Two factors directed these changes; the need to allow lenders use their own processes and paperwork, and to allow them to make their own credit decision.

The results for 2002 and 2003 have been impressive. We have seen our lending increase 20 percent in 2002 and 30 percent in 2003. We have also dramatically increased our lending to a number of emerging markets including: a 75 percent increase in lending to African Americans, a 43 percent increase in lending to Hispanics and a 37 percent increase in lending to women.

We are dedicated to reaching as many businesses as possible, especially those entrepreneurs that are starting new ventures. We are continuing to focus our efforts on these early stage companies by giving them financing options to fit their needs. In 2003, we reached more than 15,000 start-ups representing over 25 percent of our financings in our 7(a) program.

At the SBA, we are proud to do our part in assisting, promoting, and protecting the men and women who make the American economy the strongest in the world: small-business owners. As we mark our 50th anniversary, we have made more loans in 2003 than ever before in the history of the agency, and we are dedicated to continuing to improve our service to America's entrepreneurs for the next 50 years and beyond.

For more information, contact Ronald Bew, Associate Deputy Administrator, Office of Capital Access, Small Business Administration at (202) 205-6659; ronald.bew@sba.gov; www.sba.gov.