



# News Release

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## **SBA Lending Improves to Women-Owned Businesses** *Full Spectrum of Loan Options Contributes to Success*

**Washington, DC** – As women-owned businesses continue to exhibit impressive growth in their number, employment and revenues, their need for financing has also grown – both to start new businesses and to fuel the growth of existing businesses. In FY2003, the SBA set a 50-year record in loans to small businesses, with 81,446 loans and equity investments to small businesses, totaling \$16.9 billion – including 16,721 loans and equity investments to women-owned businesses, totaling \$2.4 billion. Between FY1998 and FY2003, the dollars going to women-owned firms increased at a faster rate than among all firms, while the increase in the number of loans and investments to women-owned businesses did not keep pace.

A new *Issue in Brief* from the National Women's Business Council, "Trends in SBA-Backed Financing to Women-Owned Businesses, FY1998 to FY2003," examines the most current information on the SBA's loan and financing programs and closely examines SBA loans made to women-owned firms. The brief draws upon newly-available information on FY2003 results as well as data for the previous five years. Numbers of loans, dollars lent, and average loan value to women business owners are examined on both an absolute and growth basis, with comparisons made to all firms over the same timeframe.

In FY2003, the average value of SBA-backed loans and equity investments provided to women-owned businesses was \$144,326, compared to the average value of \$207,872 for all SBA-backed loans and equity investments.

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Between FY1998 and FY2003, the value of credit assistance to women-owned businesses increased at a faster rate than assistance to businesses overall. However, the growth in the number of loans and investments made to women-owned businesses did not keep pace with growth among firms overall. Dollars lent to and invested in women-owned businesses by the SBA increased by 29.9% between 1998 and 2003, compared to a 20.5% increase among all businesses. Over the same period, the number of loans and equity investments grew by 40.5% among women-owned firms over this period, much lower than the 56.9% increase among all businesses.

“This brief provides important insight about SBA loans and how they’ve helped fuel the tenacious growth of women’s entrepreneurship in the U.S.,” said Marilyn Carlson Nelson, Chairman and CEO of Carlson Companies and Chair of the National Women’s Business Council. “Both the number and the value of SBA-backed financing to women-owned businesses have increased over the past five years, a trend that we look forward to seeing continue. However, while the dollars going to women-owned firms is increasing at a faster rate than among firms overall, the increase in the actual number of loans and investments to women-owned businesses is not keeping pace. The NWBC recommends that the SBA increase its outreach efforts to the women’s business community, and to the financial community, to encourage more participation by women business owners in SBA loan programs.”

Helping the Nation’s 23 million small businesses to meet their capital needs is one of the most important aspects of the U.S. Small Business Administration’s (SBA) Congressionally-mandated mission. SBA-backed financing helps provide loans to customers who might not qualify for business loans through normal lending channels, and offers a full spectrum of financial assistance, from microloans to equity investments. There are four primary types of SBA lending and equity investment programs available to borrowers: the 7(a) Loan Guaranty Program, the 504 Certified Development Company (CDC) Loan Program, the 7(m) MicroLoan Program, and the Small Business Investment Company (SBIC) Program.<sup>i</sup> The brief explores each program and the way in which the program has served current and prospective women entrepreneurs in the U.S.

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The 7(a) Loan Guaranty Program is the SBA's primary business loan program. It is also the most flexible program, since the agency can guarantee financing for a variety of general business purposes. 7(a) loans are provided by lenders who choose to structure their own loans under the SBA's requirements, and who apply for and receive a guaranty from the SBA on a portion of these loans. In FY2003, the 7(a) program accounted for fully 77.8% of all SBA dollars lent and 85.5% of all loans and investments to women-owned firms. The 504 program accounted for 19.8% of dollars lent, SBIC for 1.9%, and the 7(m) program accounted for 0.6%. In terms of share of program dollars going to women-owned firms, however, the 7(m) program lent fully 43.7% of its dollars to women-owned firms in FY2003, compared to 16.7% of 7(a) lending, 15.1% of 504 loan dollars, and just 1.8% of SBIC investment dollars.

The brief includes several recommendations from the NWBC for the SBA loan programs, with the goal of ensuring that the SBA maintains its full spectrum of financing options to ensure that businesses of all sizes have access to funding.

- Given the fact that women-owned firms are just as financially strong and creditworthy as the average U.S. firm, showing no significant differences in terms of bill payment, financial stress, and overall creditworthiness,<sup>ii</sup> more women business owners should be participating in SBA's lending programs. The NWBC encourages the SBA to more strongly encourage SBA-guaranteed lenders in this regard.
- The diversity of SBA lending to women-owned businesses has increased since FY1998. The share of dollars coming from the 504, SBIC, and 7(m) programs have all increased over the past five years. The NWBC recommends, however, that more be done to increase the share of SBIC investment in women-owned firms through greater outreach to SBIC lenders and to the women's business community.

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- There has been remarkable growth in the MicroLoan program for women-owned businesses, with a doubling of loans made and dollars lent over the past five years. With this tremendous progress, the NWBC recommends that the 7(m) program continue to maintain its own identity within the range of financial assistance programs offered by the SBA to ensure that this loan product - not offered by lending institutions - remains available to the small business market.

All SBA loan and investment programs are managed at the district level. For further information about these programs, please contact a local SBA office. A list of these offices may be found at <http://www.sba.gov/>. The complete *Issue in Brief* may be found at the NWBC's web site, [www.nwbc.gov](http://www.nwbc.gov).

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The National Women's Business Council is a bi-partisan Federal government council created to serve as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration on economic issues of importance to women business owners. Members of the Council are prominent women business owners and leaders of women's business organizations. The National Women's Business Council is committed to conducting research on issues of importance to women business owners and their organizations; to communicating these findings widely; to connecting the women's business community to public policy makers; and to providing programs and platforms for change in order to expand and improve opportunities for women business owners and their enterprises. For more information about the Council, its mission and activities, contact: National Women's Business Council, 409 3<sup>rd</sup> Street, SW, Suite 210, Washington, DC 20024; phone: 202-205-3850; fax: 202-205-6825, e-mail: [nwbc@sba.gov](mailto:nwbc@sba.gov); web site: [www.nwbc.gov](http://www.nwbc.gov).

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<sup>i</sup> U.S. Small Business Administration, "Lender's & Equity Investor's Guide", 2<sup>nd</sup> Edition. <http://www.sba.gov>.

<sup>ii</sup> Center for Women's Business Research, "Removing the Boundaries: The Continued Progress and Achievement of Women-Owned Enterprises," November 2001. <http://www.womensbusinessresearch.org/Research/11-13-2001/11-13-2001.htm>.