

CHAPTER 5 SMALL BUSINESS ADMINISTRATION (SBA) LENDING

5.1 SUMMARY

The analysis of private sector lending identified categories of counties within Appalachia that are relatively underserved when considering small business loans and investments. The analysis of public sector programs like the SBA 7a guarantee lending program and the SBA 504 loan program are an important complement to the private sector lending analysis provided in this study. Studying public sector programs informs judgments about whether these public programs have the capacity to address credit gaps in underserved geographies and/or whether they are effectively targeting counties relatively underserved by the private sector.

- The SBA (Small Business Administration) 7a program guarantees a small volume of loans nationally when compared to overall business lending. Loans receiving SBA 7a guarantees were approximately 1 percent of the loans reported by banks covered by CRA for 2007 and 2010.
- SBA lending was not as successful in reaching small businesses in Appalachia as in the nation. In 2010, about 15.3 SBA 7a loans were issued per 10,000 small businesses in Appalachia as compared with 21.9 loans per 10,000 small businesses in the nation. SBA 7a lending levels were 30 percent less in Appalachia than the nation by 2010.
- Within Appalachia, SBA 7a lending per 10,000 small businesses was lower in distressed, rural, and Central Appalachian counties when compared to attainment, metropolitan, and Northern Appalachian counties. In 2010, lenders made 9.7 loans per 10,000 small businesses in distressed counties, while they made 20.2 SBA 7a loans per 10,000 small businesses in attainment counties.
- In 2007, SBA 7a lending was provided in proportion to the portion of the population that was minority in Appalachia, but by 2010 lending to minority-owned businesses dropped and was no longer in proportion to the population. However, the gap between the percent of 7a lending to minority-owned businesses and the percent of minorities in the population was greater for the nation than for Appalachia. SBA 7a lending to woman-owned businesses was not in proportion to the percentage of women in the population, and this gap was greatest in disadvantaged counties such as distressed counties and those in Central Appalachia.
- SBA 504 lending assists small businesses in acquiring land and large equipment. It has small lending volumes in Appalachia; only 325 SBA 504 loans were offered in Appalachia in 2010. Within Appalachia, SBA 504 lending volumes were the lowest in Central Appalachia, rural counties, and distressed counties. In 2007, lenders made one SBA 504 loan per 10,000 small businesses in distressed counties while they made 6.5 loans per 10,000 small businesses in attainment counties. The disparity in 2010 was similar.

Private lenders, the SBA, community organizations, and other stakeholders should work together to more effectively target SBA lending to disadvantaged parts of Appalachia. Instead of mirroring disparities in private sector lending, SBA lending should be counteracting the disparities in a more effective fashion. In particular, greater outreach to woman-owned businesses is needed, while trends in lending to minority-owned businesses should be monitored to ensure that their access to SBA lending does not diminish.

5.2 SMALL BUSINESS ADMINISTRATION (SBA) 7A LENDING

The Small Business Administration (SBA) provides guarantees insuring lenders against losses on loans under its 7a program.¹⁸ These guarantees are intended to assist lenders that target traditionally underserved small businesses. According to the SBA website, “The 7(a) Loan Program includes financial help for businesses with special requirements. For example, funds are available for loans...to businesses that operate in rural areas, and for other very specific purposes.”

In keeping with this mission, the SBA releases data on whether the small business borrower is minority-owned or women-owned. This analysis will assess to what extent SBA loans effectively target disadvantaged communities such as distressed counties or rural counties and whether SBA loans are effectively reaching minority and women entrepreneurs.

In 2007, the number of SBA 7a loans was just a small fraction of the total number of small business loans reported per the CRA requirements. Banks reported 13,078,967 and 781,396 CRA small business loans in the nation and in Appalachia in 2007, respectively. In contrast, banks reported just 99,606 and 4,796 SBA 7a loans in the nation and in Appalachia, respectively, during 2007. SBA lending levels were less than 1 percent of CRA loan levels in Appalachia and the United States in 2007 and 2010.

SBA lending declined by about half from 2007 through 2010. In Appalachia, the decline in SBA 7a loans was from 4,796 loans in 2007 to 2,415 loans in 2010 (see Table 5-1).

Banks are less successful in making SBA 7a loans in Appalachia as compared to the nation. In the nation, banks issued 45.7 SBA 7a loans per 10,000 businesses but just 29.8 SBA 7a loans per 10,000 businesses were issued in Appalachia during 2007 (see Figure 5-1). About 15.3 SBA 7a loans per 10,000 small businesses were issued in Appalachia in 2010, while 21.9 SBA 7a loans per small businesses were issued in the nation during 2010 (see Table 5-2 which shows similar disparity ratios in 2007 and 2010 comparing Appalachia and the nation). The index maps (see Maps 5-1 and 5-2) for SBA 7a lending reinforce the finding that SBA 7a is less successful in Appalachia overall than the nation. Except for the Northern Appalachia subregion, SBA 7a lending levels are generally lower than that of the country as shown by the predominance of the white and red shaded counties.

Within Appalachia, SBA 7a lending is not focusing on disadvantaged communities. In distressed counties, lenders offered 10.8 SBA 7a loans per 10,000 small businesses while in attainment counties, lenders offered 49.2 SBA 7a loans per 10,000 small businesses during 2007 (see Figure 5-3). In 2010, lenders made 9.7 loans per 10,000 small businesses in distressed counties and 20.2 SBA 7a loans per 10,000 small businesses in attainment counties. Similar disparities occur when comparing metropolitan and rural counties and Northern Appalachia to Central Appalachia (see Figures 5-1 and 5-2).

¹⁸ See SBA website, <http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs/7a-loan-program>.

Figure 5-1: Number of SBA 7a Loans per 10,000 Small Businesses by Region

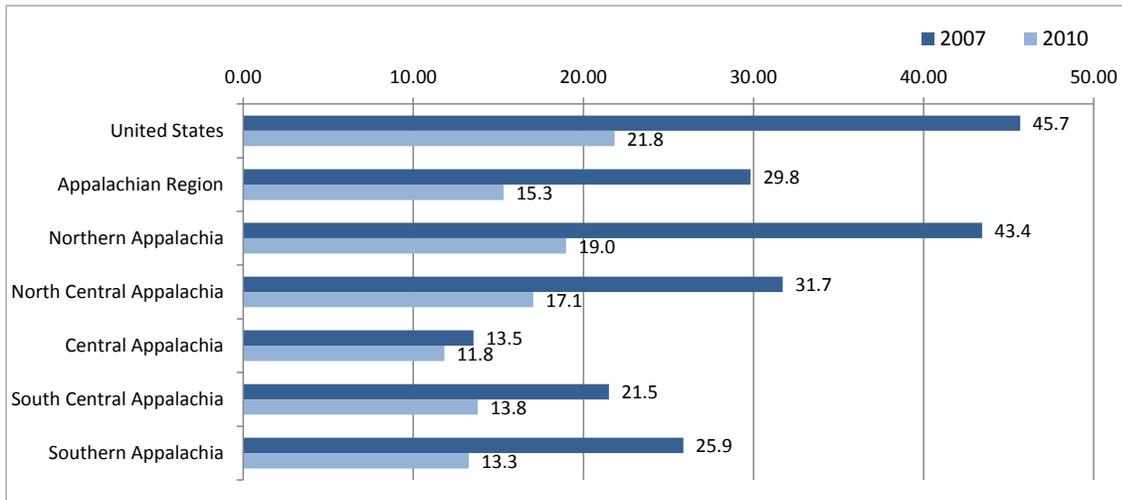


Figure 5-2: Number of SBA 7a Loans per 10,000 Small Businesses by County Type

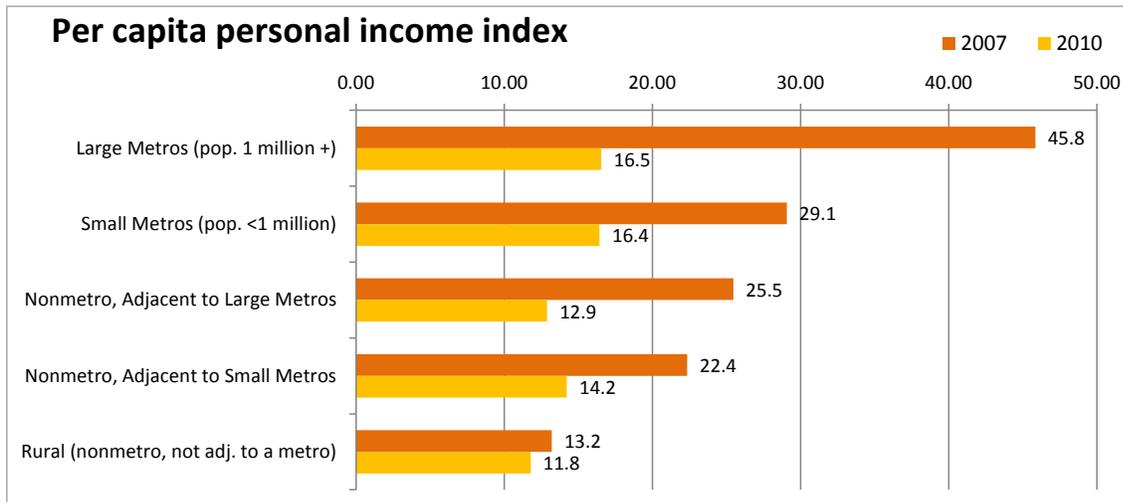
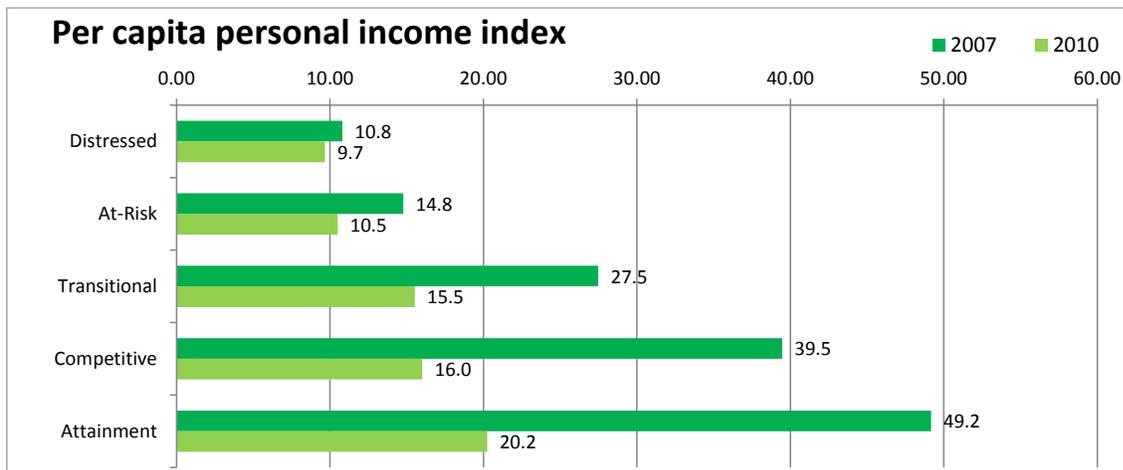
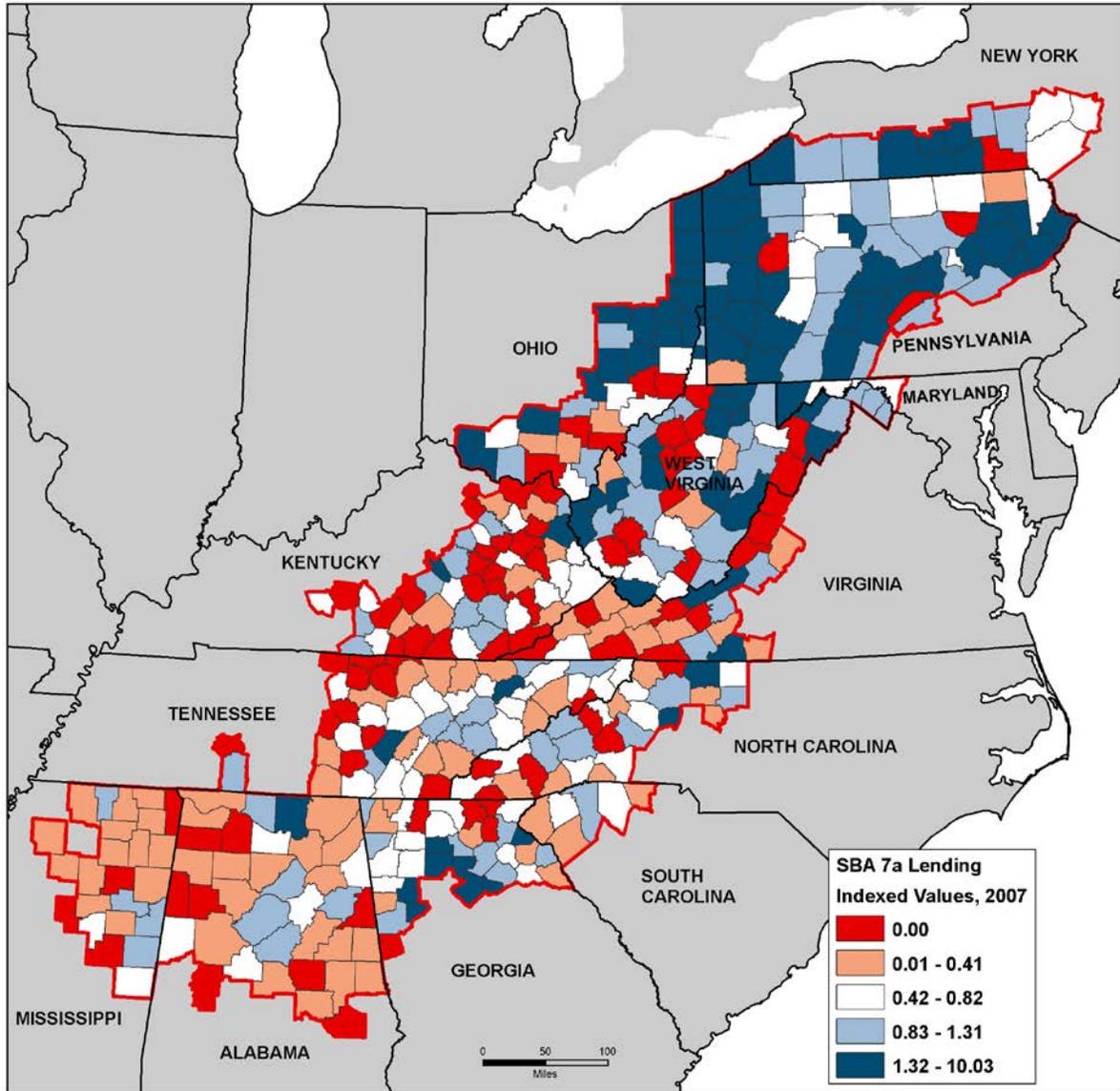


Figure 5-3: Number of SBA 7a Loans per 10,000 Small Businesses by Economic Status



Map 5-1: SBA 7a Lending Index, 2007

Ratio of SBA 7a Loans per 10,000 Small Businesses, Indexed Values (U.S. =1)



Map Title: SBA 7a Lending Index, 2007

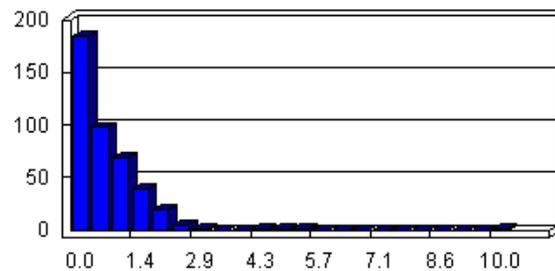
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012

Data Source: SBA lending programs, CRA small business loan data and Dun and Bradstreet (D&B), 2007

Statistics of Indexed Values

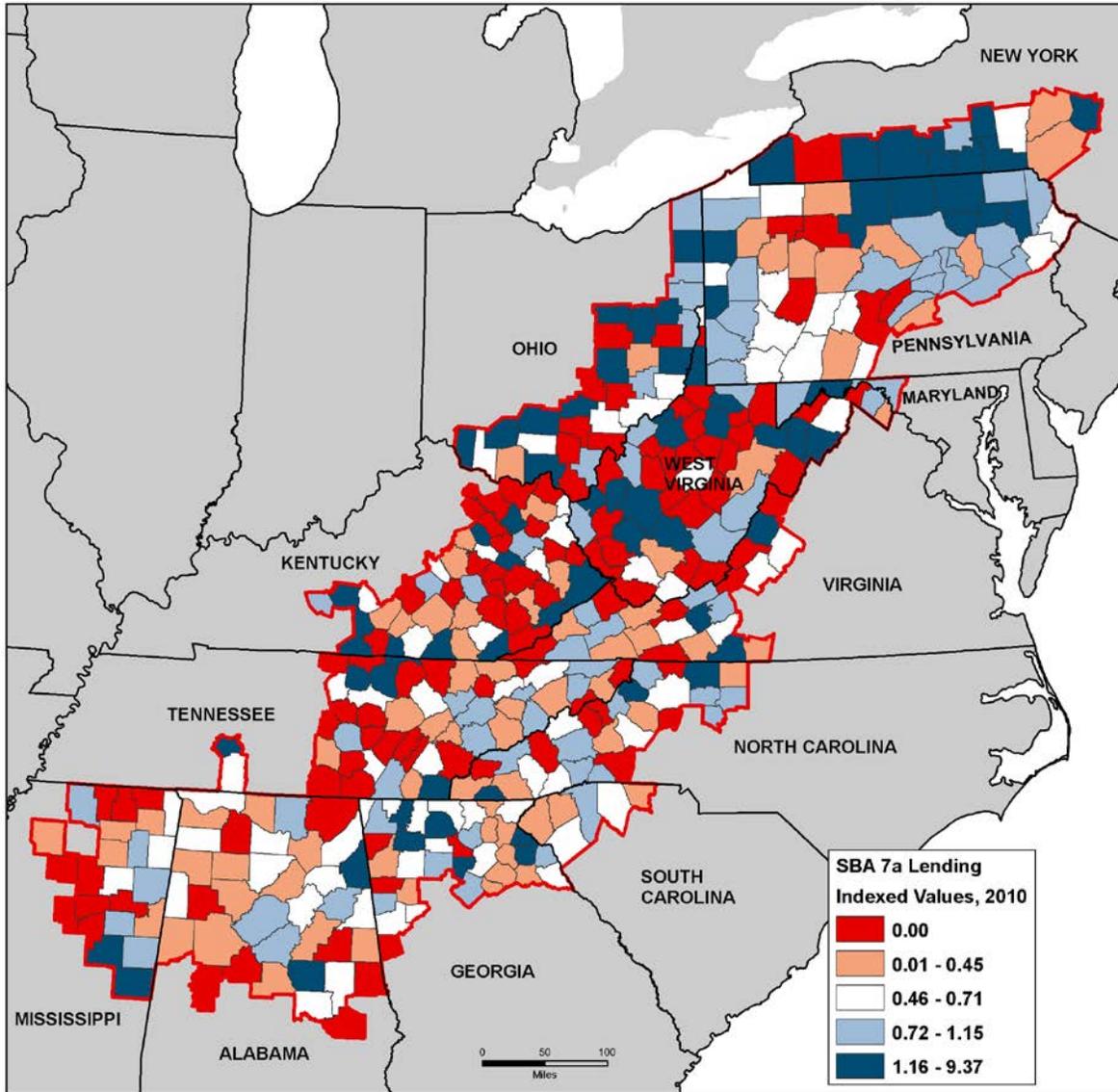
Count	420
Minimum	0
Maximum	10.03
Mean	0.773
Standard Deviation	0.866

Histogram of Indexed Values



Map 5-2: SBA 7a Lending Index, 2010

Ratio of SBA 7a Loans per 10,000 Small Businesses, Indexed Values (U.S. =1)



Map Title: SBA 7a Lending Index, 2010

Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012

Data Source: SBA lending programs, CRA small business loan data and Dun and Bradstreet (D&B), 2010

Statistics of Indexed Values

Count	420
Minimum	0.1
Maximum	9.366
Mean	0.697
Standard Deviation	0.884

Histogram of Indexed Values

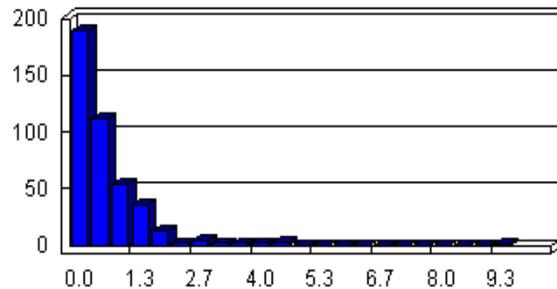


Figure 5-4: Number of SBA 7a Loans per 10,000 Small Businesses by State

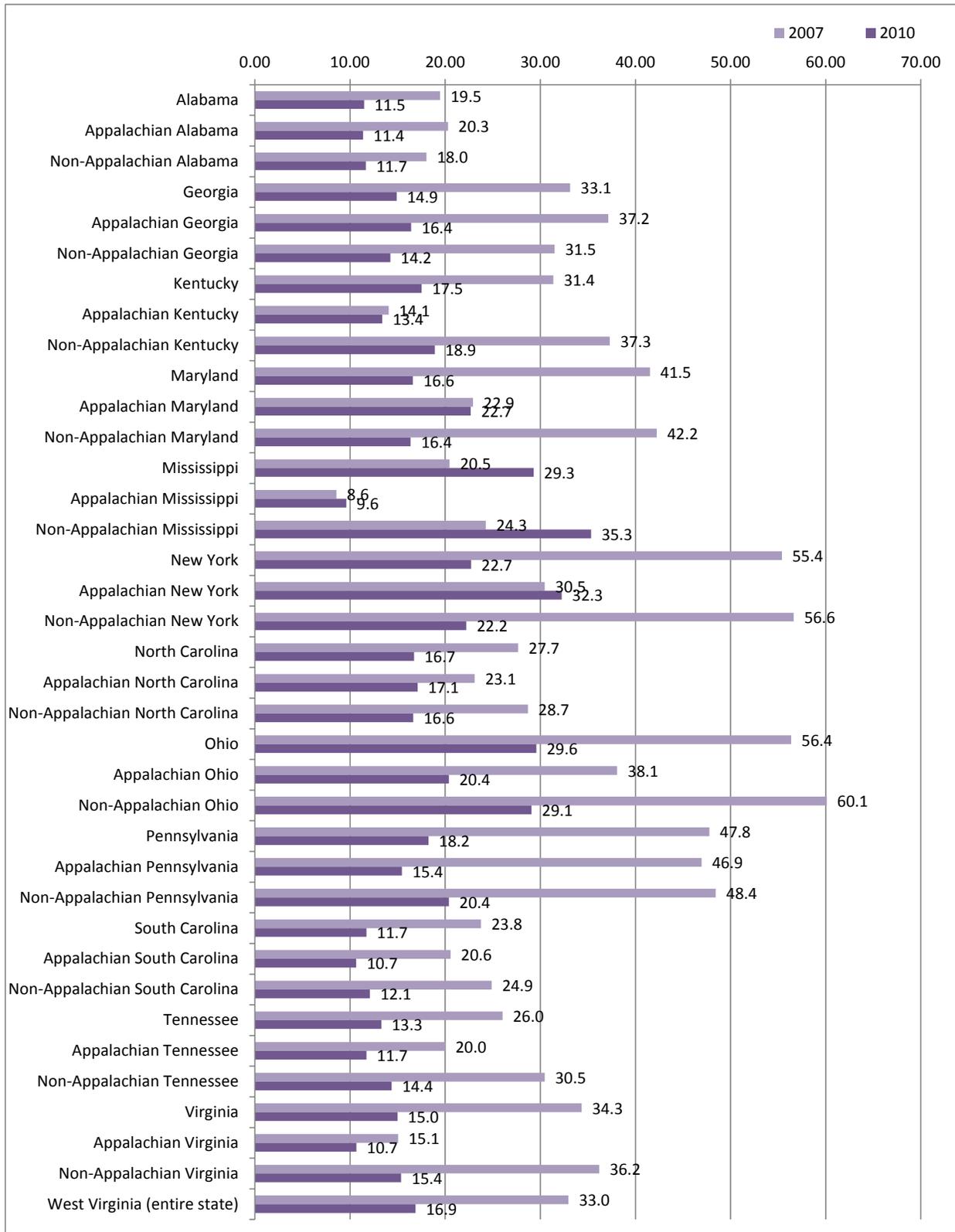


Table 5-1: Number of SBA 7a Loans per 10,000 Businesses in Appalachia

	2007			2010		
	Number of SBA 7a Loans	Number of Small Businesses	Number of SBA 7a Loans per 10,000 Small Businesses	Number of SBA 7a Loans	Number of Small Businesses	Number of SBA 7a Loans per 10,000 Small Businesses
United States	99,606	21,808,201	45.7	47,000	21,530,378	21.8
Appalachian Region	4,796	1,607,645	29.8	2,415	1,577,370	15.3
Subregions						
Northern Appalachia	2,073	477,301	43.4	915	482,014	19.0
North Central Appalachia	409	128,944	31.7	213	124,926	17.1
Central Appalachia	156	115,266	13.5	129	109,122	11.8
South Central Appalachia	660	307,059	21.5	420	304,728	13.8
Southern Appalachia	1,498	579,075	25.9	738	556,580	13.3
County Types						
Large Metros (pop. 1 million +)	1,813	395,470	45.8	669	404,330	16.5
Small Metros (pop. <1 million)	1,783	613,330	29.1	993	604,234	16.4
Nonmetro, Adjacent to Large Metros	278	109,171	25.5	134	103,911	12.9
Nonmetro, Adjacent to Small Metros	673	301,104	22.4	415	291,784	14.2
Rural (nonmetro, not adj. to a metro)	249	188,570	13.2	204	173,111	11.8
Economic Status						
Distressed	97	89,777	10.8	84	86,870	9.7
At-Risk	215	145,503	14.8	145	138,028	10.5
Transitional	2,440	887,755	27.5	1,406	905,985	15.5
Competitive	1,206	305,587	39.5	468	292,327	16.0
Attainment	668	135,857	49.2	312	154,160	20.2
Alabama	613	314,870	19.5	347	302,408	11.5
Appalachian Alabama	405	199,561	20.3	219	192,538	11.4
Non-Appalachian Alabama	208	115,309	18.0	128	109,870	11.7
Georgia	2,747	828,977	33.1	1,180	792,556	14.9
Appalachian Georgia	888	239,021	37.2	391	238,124	16.4
Non-Appalachian Georgia	1,859	589,956	31.5	789	554,432	14.2
Kentucky	954	304,048	31.4	522	297,724	17.5
Appalachian Kentucky	109	77,542	14.1	99	74,004	13.4
Non-Appalachian Kentucky	845	226,506	37.3	423	223,720	18.9
Maryland	1,612	388,206	41.5	647	389,579	16.6
Appalachian Maryland	33	14,392	22.9	34	14,993	22.7
Non-Appalachian Maryland	1,579	373,814	42.2	613	374,586	16.4
Mississippi	591	288,779	20.5	728	248,541	29.3
Appalachian Mississippi	60	69,965	8.6	56	58,339	9.6
Non-Appalachian Mississippi	531	218,814	24.3	672	190,202	35.3
New York	7,781	1,404,794	55.4	2,849	1,253,951	22.7
Appalachian New York	205	67,312	30.5	201	62,314	32.3
Non-Appalachian New York	7,576	1,337,482	56.6	2,648	1,191,637	22.2
North Carolina	1,702	615,139	27.7	1,044	624,133	16.7
Appalachian North Carolina	261	112,966	23.1	189	110,530	17.1
Non-Appalachian North Carolina	1,441	502,173	28.7	855	513,603	16.6
Ohio	3,898	691,536	56.4	1,974	667,427	29.6
Appalachian Ohio	447	117,389	38.1	231	113,316	20.4
Non-Appalachian Ohio	3,451	574,147	60.1	1,611	554,111	29.1
Pennsylvania	3,398	711,343	47.8	1,392	763,099	18.2
Appalachian Pennsylvania	1,504	320,365	46.9	513	332,120	15.4
Non-Appalachian Pennsylvania	1,894	390,978	48.4	879	430,979	20.4
South Carolina	647	272,316	23.8	313	266,975	11.7
Appalachian South Carolina	145	70,528	20.6	72	67,579	10.7
Non-Appalachian South Carolina	502	201,788	24.9	241	199,396	12.1
Tennessee	1,112	427,304	26.0	561	422,466	13.3
Appalachian Tennessee	362	181,133	20.0	209	178,251	11.7
Non-Appalachian Tennessee	750	246,171	30.5	351	244,215	14.4
Virginia	1,659	483,178	34.3	820	547,124	15.0
Appalachian Virginia	64	42,503	15.1	47	44,052	10.7
Non-Appalachian Virginia	1,595	440,675	36.2	773	503,072	15.4
West Virginia (entire state)	313	94,968	33.0	154	91,210	16.9

Table 5-2: Disparity Ratios of SBA 7a Loans per 10,000 Businesses

	Year	Numerator	Denominator	Disparity Ratio
US vs. Appalachia	2007	45.67	29.83	1.53
	2010	21.83	15.31	1.43
Northern vs. Central	2007	43.43	13.53	3.21
	2010	18.98	11.82	1.61
Large Metro vs. Rural	2007	45.84	13.20	3.47
	2010	16.55	11.78	1.40
Attainment vs. Distressed	2007	49.17	10.80	4.55
	2010	20.24	9.67	2.09

5.2.1 SBA 7A LENDING TO MINORITY-OWNED BUSINESSES

In 2010, SBA 7a lending to minority-owned small businesses was highest in the Southern Appalachia subregion at 204 loans (see Table 5-3). Lending to minority-owned businesses was also much higher in metropolitan counties (263 loans) than all rural counties (65 loans). Lastly, minority-owned small businesses received the great majority of their loans (310) in transitional, competitive, and attainment counties while only receiving 19 loans in distressed and at-risk counties. The pattern was similar in 2007 for SBA 7a lending to minority-owned small businesses.

Minority-owned businesses experienced favorable access to SBA 7a lending in Appalachia during 2007. Minority-owned small businesses received about 24 percent of the SBA loans while 15 percent of the population was minority in Appalachia during 2007. The resulting ratio of 1.57 indicates that the percentage of SBA 7a lending to minority-owned firms was greater than the percentage of the population that was minority. In contrast, the ratio of 1 for the nation indicates that the percentage of lending to minority-owned firms equaled the percentage of the population that was minority.

By 2010, the ratios dipped below 1 in both the nation and Appalachia, but the ratio was considerably lower in the nation, meaning that minority-owned firms in Appalachia experienced more access to SBA 7a loans. However, in both the nation and Appalachia, the financial crisis had a disproportionately unfavorable impact on access to SBA 7a loans for minority-owned small businesses.

Within Appalachia, the areas with large percentages of minorities (Southern Appalachia, large metropolitan counties, and attainment counties) had ratios above 1 in 2007 and ratios of between 0.9 and 1 in 2010, meaning that lenders were relatively successful in serving minority-owned small businesses in areas of Appalachia with large minority populations. Interestingly, lenders were generally more successful in serving minority-owned firms in areas with lower percentages of minorities. For examples, the ratios were 3.5 in Central Appalachia, 2.1 in rural counties, and 2.4 in distressed counties in 2007.

SBA 7a lending was less successful in serving women-owned small businesses. The ratios between small business lending to women-owned small businesses and the female population was about 0.5 and 0.4 in 2007 and 2010, respectively, for both Appalachia and the nation. The ratios were higher in advantaged counties such as large metropolitan counties and attainment counties (see Table 5-4). While improvement

is needed in all counties, the greatest improvement in access to loans for women-owned businesses is needed in the disadvantaged counties.

Table 5-3: SBA 7a Loans to Minority-Owned Small Businesses in Appalachia

	2007					2010				
	Overall Approved Loans	Approved Loans to Minority	Percent of Loans to Minority	Percent of Minority Population	Ratio of % of Loans to Minority to % Minority	Overall Approved Loans	Approved Loans to Minority	Percent of Loans to Minority	Percent of Minority Population	Ratio of % of Loans to Minority to % Minority
United States	99,606	35,186	35.3%	34.7%	1.02	47,000	9,695	20.6%	36.3%	0.57
Appalachian Region	4,796	1,147	23.9%	15.2%	1.57	2,415	328	13.6%	16.4%	0.83
Subregions										
Northern Appalachia	2,073	239	11.5%	9.5%	1.21	915	54	5.9%	10.4%	0.57
North Central Appalachia	409	55	13.4%	6.5%	2.08	213	9	4.2%	6.6%	0.64
Central Appalachia	156	24	15.4%	4.4%	3.50	129	10	7.8%	4.6%	1.70
South Central Appalachia	660	175	26.5%	14.1%	1.88	420	51	12.1%	14.4%	0.84
Southern Appalachia	1,498	654	43.7%	29.3%	1.49	738	204	27.6%	30.0%	0.92
County Types										
Large Metro (1 million + people)	1,813	590	32.5%	21.8%	1.49	669	153	22.9%	25.2%	0.91
Small metro (< 1 million people)	1,783	357	20.0%	16.1%	1.24	993	110	11.1%	16.8%	0.66
Nonmetro, Adjacent to Large Metro	278	47	16.9%	10.1%	1.67	134	13	9.7%	11.3%	0.86
Nonmetro, Adjacent to Small Metro	673	89	13.2%	9.9%	1.34	415	31	7.5%	9.9%	0.76
Rural (Nonmetro, Nonadjacent)	249	64	25.7%	12.0%	2.14	204	21	10.3%	11.0%	0.93
Economic Status										
Distressed	97	33	34.0%	13.9%	2.44	84	9	10.7%	12.5%	0.86
At-Risk	215	48	22.3%	11.7%	1.91	145	10	6.9%	10.0%	0.69
Transitional	2,440	387	15.9%	13.0%	1.22	1,406	132	9.4%	13.7%	0.68
Competitive	1,206	279	23.1%	21.2%	1.09	468	55	11.8%	21.2%	0.55
Attainment	668	369	55.2%	27.3%	2.02	312	122	39.1%	38.7%	1.01
Alabama	613	183	29.9%	32.0%	0.93	347	60	17.3%	33.0%	0.52
Appalachian Alabama	405	113	27.9%	31.3%	0.89	219	34	15.5%	29.0%	0.54
Non-Appalachian Alabama	208	70	33.7%	33.3%	1.01	128	26	20.3%	40.1%	0.51
Georgia	2,747	1,523	55.4%	42.3%	1.31	1,180	430	36.4%	44.1%	0.83
Appalachian Georgia	888	466	52.5%	24.5%	2.15	391	139	35.6%	31.8%	1.12
Non-Appalachian Georgia	1,859	1,057	56.9%	48.3%	1.18	789	291	36.9%	49.5%	0.75
Kentucky	954	155	16.2%	12.8%	1.27	522	49	9.4%	13.7%	0.69
Appalachian Kentucky	109	17	15.6%	4.4%	3.58	99	8	8.1%	4.6%	1.76
Non-Appalachian Kentucky	845	138	16.3%	16.2%	1.01	423	41	9.7%	17.1%	0.57
Maryland	1,612	890	55.2%	43.2%	1.28	647	211	32.6%	45.3%	0.72
Appalachian Maryland	33	6	18.2%	10.7%	1.70	34	0	0.0%	13.6%	0.00
Non-Appalachian Maryland	1,579	884	56.0%	44.7%	1.25	613	211	34.4%	46.8%	0.74
Mississippi	591	217	36.7%	41.2%	0.89	728	99	13.6%	42.0%	0.32
Appalachian Mississippi	60	36	60.0%	41.5%	1.45	56	8	14.3%	35.2%	0.41
Non-Appalachian Mississippi	531	181	34.1%	41.1%	0.83	672	91	13.5%	43.8%	0.31
New York	7,781	3,248	41.7%	40.6%	1.03	2,849	618	21.7%	41.7%	0.52
Appalachian New York	205	33	16.1%	9.1%	1.77	201	9	4.5%	9.9%	0.45
Non-Appalachian New York	7,576	3,215	42.4%	42.5%	1.00	2,648	609	23.0%	43.5%	0.53
North Carolina	1,702	590	34.7%	33.4%	1.04	1,044	202	19.4%	34.7%	0.56
Appalachian North Carolina	261	55	21.1%	18.3%	1.15	189	18	9.5%	18.7%	0.51
Non-Appalachian North Carolina	1,441	535	37.1%	36.7%	1.01	855	184	21.5%	38.2%	0.56
Ohio	3,898	567	14.5%	18.0%	0.81	1,974	184	9.3%	18.9%	0.49
Appalachian Ohio	447	48	10.7%	8.9%	1.21	231	16	6.9%	8.2%	0.85
Non-Appalachian Ohio	3,451	519	15.0%	20.1%	0.75	1,743	168	9.6%	21.2%	0.46
Pennsylvania	3,398	639	18.8%	19.2%	0.98	1,392	171	12.3%	20.5%	0.60
Appalachian Pennsylvania	1,504	168	11.2%	9.2%	1.21	513	34	6.6%	10.5%	0.63
Non-Appalachian Pennsylvania	1,894	471	24.9%	28.6%	0.87	879	137	15.6%	29.0%	0.54
South Carolina	647	234	36.2%	35.4%	1.02	313	74	23.6%	36.0%	0.66
Appalachian Carolina	145	39	26.9%	26.8%	1.00	72	23	31.9%	25.5%	1.25
Non-Appalachian Carolina	502	195	38.8%	38.1%	1.02	241	51	21.2%	39.5%	0.54
Tennessee	1,112	517	46.5%	23.4%	1.99	561	119	21.2%	24.4%	0.87
Appalachian Tennessee	362	106	29.3%	10.7%	2.74	209	30	14.4%	11.2%	1.28
Non-Appalachian Tennessee	750	411	54.8%	33.0%	1.66	352	89	25.3%	34.6%	0.73
Virginia	1,659	742	44.7%	33.6%	1.33	820	199	24.3%	35.2%	0.69
Appalachian Virginia	64	19	29.7%	10.3%	2.88	47	5	10.6%	9.6%	1.11
Non-Appalachian Virginia	1,595	723	45.3%	36.3%	1.25	773	194	25.1%	37.9%	0.66
West Virginia (entire state)	313	41	13.1%	6.7%	1.95	154	4	2.6%	6.8%	0.38

Table 5-4: SBA 7a Loans to Women-Owned Businesses in Appalachia

	2007					2010				
	Overall Approved Loans	Approved Loans to Female	Percent of Loans to Female	Percent of Female Population	of Loans to Female to % of Female	Overall Approved Loans	Approved Loans to Female	Percent of Loans to Female	Percent of Female Population	Ratio of % of Loans to Female to % Female
United States	99,606	22,053	22.1%	50.9%	0.44	47,000	8,584	18.3%	50.8%	0.36
Appalachian Region	4,796	1,143	23.8%	51.0%	0.47	2,415	476	19.7%	50.9%	0.39
Subregions										
Northern Appalachia	2,073	451	21.8%	51.0%	0.43	915	150	16.4%	50.8%	0.32
North Central Appalachia	409	73	17.9%	50.6%	0.35	213	36	16.9%	50.5%	0.33
Central Appalachia	156	30	19.2%	50.6%	0.38	129	16	12.4%	50.4%	0.25
South Central Appalachia	660	166	25.2%	51.2%	0.49	420	96	22.9%	51.2%	0.45
Southern Appalachia	1,498	423	28.2%	51.1%	0.55	738	178	24.1%	51.2%	0.47
County Types										
Large Metro (1 million + people)	1,813	482	26.6%	51.4%	0.52	669	164	24.5%	51.3%	0.48
Small metro (< 1 million people)	1,783	434	24.3%	51.1%	0.48	993	191	19.2%	51.1%	0.38
Nonmetro, Adjacent to Large Metro	278	61	21.9%	50.7%	0.43	134	22	16.4%	50.6%	0.32
Nonmetro, Adjacent to Small Metro	673	112	16.6%	50.6%	0.33	415	63	15.2%	50.4%	0.30
Rural (Nonmetro, Nonadjacent)	249	54	21.7%	50.8%	0.43	204	36	17.7%	50.7%	0.35
Economic Status										
Distressed	97	22	22.7%	50.6%	0.45	84	12	14.3%	50.4%	0.28
At-Risk	215	47	21.9%	50.8%	0.43	145	22	15.2%	50.7%	0.30
Transitional	2,440	525	21.5%	51.0%	0.42	1,406	243	17.3%	50.8%	0.34
Competitive	1,206	325	27.0%	51.5%	0.52	468	101	21.6%	51.7%	0.42
Attainment	668	195	29.2%	50.5%	0.58	312	98	31.4%	50.7%	0.62
Alabama	613	171	27.9%	51.5%	0.54	347	68	19.6%	51.5%	0.38
Appalachian Alabama	405	120	29.6%	51.4%	0.58	219	40	18.3%	51.4%	0.36
Non-Appalachian Alabama	208	51	24.5%	52.1%	0.47	128	28	21.9%	51.6%	0.42
Georgia	2,747	805	29.3%	51.1%	0.57	1,180	283	24.0%	51.2%	0.47
Appalachian Georgia	888	247	27.8%	50.6%	0.55	391	101	25.8%	50.8%	0.51
Non-Appalachian Georgia	1,859	558	30.0%	51.3%	0.59	789	182	23.1%	51.4%	0.45
Kentucky	954	180	18.9%	50.9%	0.37	522	82	15.7%	50.8%	0.31
Appalachian Kentucky	109	12	11.0%	50.6%	0.22	99	13	13.1%	50.5%	0.26
Non-Appalachian Kentucky	845	168	19.9%	51.0%	0.39	423	69	16.3%	50.9%	0.32
Maryland	1,612	478	29.7%	51.7%	0.57	647	158	24.4%	51.7%	0.47
Appalachian Maryland	33	9	27.3%	49.2%	0.55	34	4	11.8%	49.1%	0.24
Non-Appalachian Maryland	1,579	469	29.7%	51.8%	0.57	613	154	25.1%	51.8%	0.49
Mississippi	591	149	25.2%	51.5%	0.49	728	112	15.4%	51.4%	0.30
Appalachian Mississippi	60	22	36.7%	51.7%	0.71	56	20	35.7%	51.6%	0.69
Non-Appalachian Mississippi	531	127	23.9%	51.5%	0.46	672	92	13.7%	51.4%	0.27
New York	7,781	1,872	24.1%	51.7%	0.47	2,849	505	17.7%	51.6%	0.34
Appalachian New York	205	52	25.4%	50.7%	0.50	201	29	14.4%	50.6%	0.29
Non-Appalachian New York	7,576	1,820	24.0%	51.7%	0.46	2,648	476	18.0%	51.7%	0.35
North Carolina	1,702	493	29.0%	51.2%	0.57	1,044	251	24.0%	51.3%	0.47
Appalachian North Carolina	261	60	23.0%	51.3%	0.45	189	42	22.2%	51.3%	0.43
Non-Appalachian North Carolina	1,441	433	30.1%	51.2%	0.59	855	209	24.4%	51.3%	0.48
Ohio	3,898	799	20.5%	51.3%	0.40	1,974	288	14.6%	51.2%	0.29
Appalachian Ohio	447	79	17.7%	50.8%	0.35	231	28	12.1%	50.6%	0.24
Non-Appalachian Ohio	3,451	720	20.9%	51.4%	0.41	1,743	260	14.9%	51.3%	0.29
Pennsylvania	3,398	663	19.5%	51.4%	0.38	1,392	241	17.3%	51.3%	0.34
Appalachian Pennsylvania	1,504	330	21.9%	51.1%	0.43	513	90	17.5%	50.9%	0.34
Non-Appalachian Pennsylvania	1,894	333	17.6%	51.7%	0.34	879	151	17.2%	51.6%	0.33
South Carolina	647	162	25.0%	51.4%	0.49	313	65	20.8%	51.4%	0.40
Appalachian Carolina	145	34	23.5%	51.3%	0.46	72	17	23.6%	51.4%	0.46
Non-Appalachian Carolina	502	128	25.5%	51.4%	0.50	241	48	19.9%	51.4%	0.39
Tennessee	1,112	344	30.9%	51.3%	0.60	561	138	24.6%	51.3%	0.48
Appalachian Tennessee	362	102	28.2%	51.2%	0.55	209	46	22.0%	51.1%	0.43
Non-Appalachian Tennessee	750	242	32.3%	51.3%	0.63	352	92	26.1%	51.4%	0.51
Virginia	1,659	462	27.9%	50.9%	0.55	820	196	23.9%	50.9%	0.47
Appalachian Virginia	64	14	21.9%	50.4%	0.43	47	11	23.4%	50.3%	0.47
Non-Appalachian Virginia	1,595	448	28.1%	51.0%	0.55	773	185	23.9%	51.0%	0.47
West Virginia (entire state)	313	62	19.8%	50.9%	0.39	154	35	22.7%	50.7%	0.45

5.3 SBA 504 LENDING

SBA 504 lending is SBA guaranteed lending that is devoted to assisting small businesses with financing for construction, land acquisition, infrastructure improvements, and large equipment. SBA 504 lending is an important source of lending for significantly increasing the capacity of small businesses.

SBA 504 lending is a small program. In 2007, lenders issued 10,669 SBA 504 loans in the nation and 391 loans in Appalachia. By 2010, SBA 504 lending declined to 7,833 loans in the nation and 325 loans in Appalachia.

In 2007 and 2010, SBA 504 lending was lowest in traditionally underserved areas in Appalachia. Central Appalachia received 10 SBA 504 loans in 2007, rural counties received 17 loans, and distressed counties had only 9 loans during this period (see Table 5-5 and Figures 5-5 through 5-7). In 2010, the numbers were almost identical in underserved areas; Central Appalachia received 9 loans, rural counties received 16 loans, and distressed counties had only 4 SBA 504 loans (see Table 5-5).

When measured by loans per small business, the SBA 504 program is not as effective in distressed counties as it is in non-distressed Appalachian counties. In 2007, lenders made one SBA 504 loan per 10,000 small businesses in distressed counties and 6.5 loans per 10,000 small businesses in attainment counties (see Figure 5-7). The disparity in 2010 was similar.

Like SBA 7a lending, SBA 504 lending to minority-owned businesses was concentrated in Southern Appalachia, metropolitan counties, and transitional, competitive, and attainment counties (see Table 5-6).

Figure 5-5: Number of SBA 504 Loans per 10,000 Small Businesses by Region

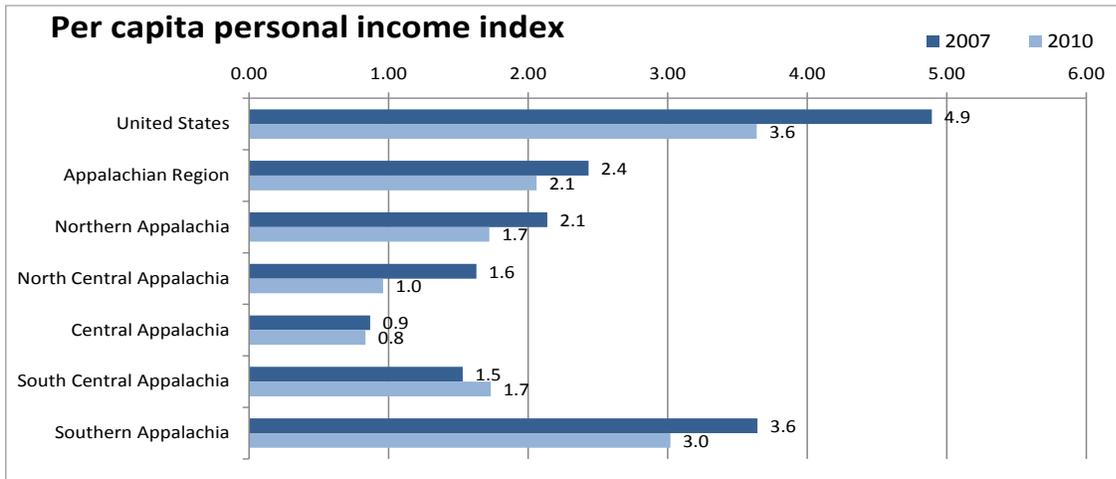


Figure 5-6: Number of SBA 504 Loans per 10,000 Small Businesses by County Type

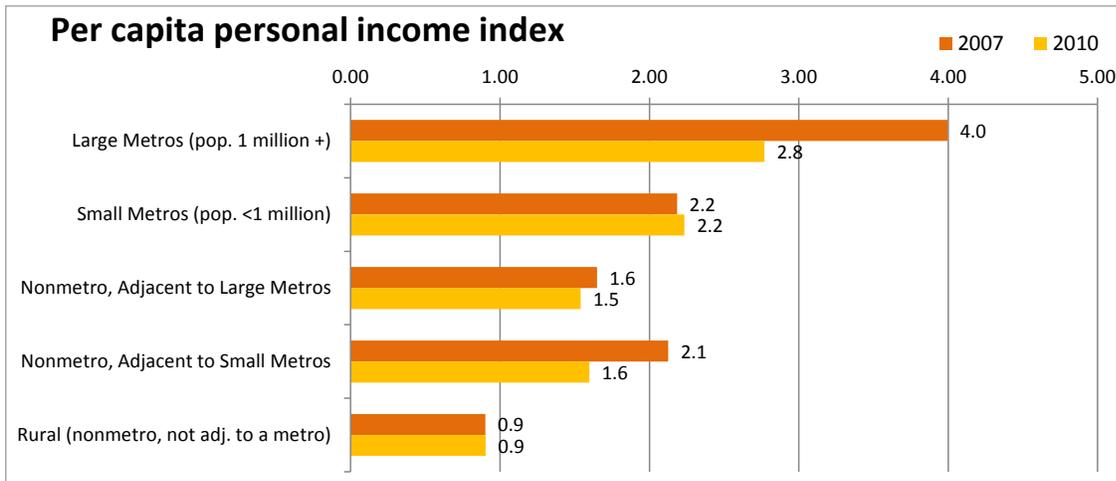


Figure 5-7: Number of SBA 504 Loans per 10,000 Small Businesses by Economic Status

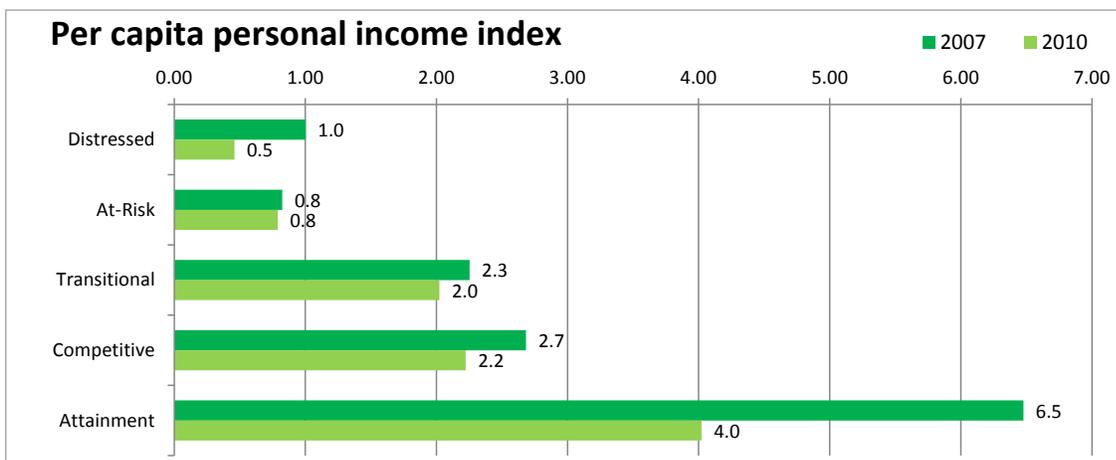


Figure 5-8: Number of SBA 504 Loans per 10,000 Small Businesses by State

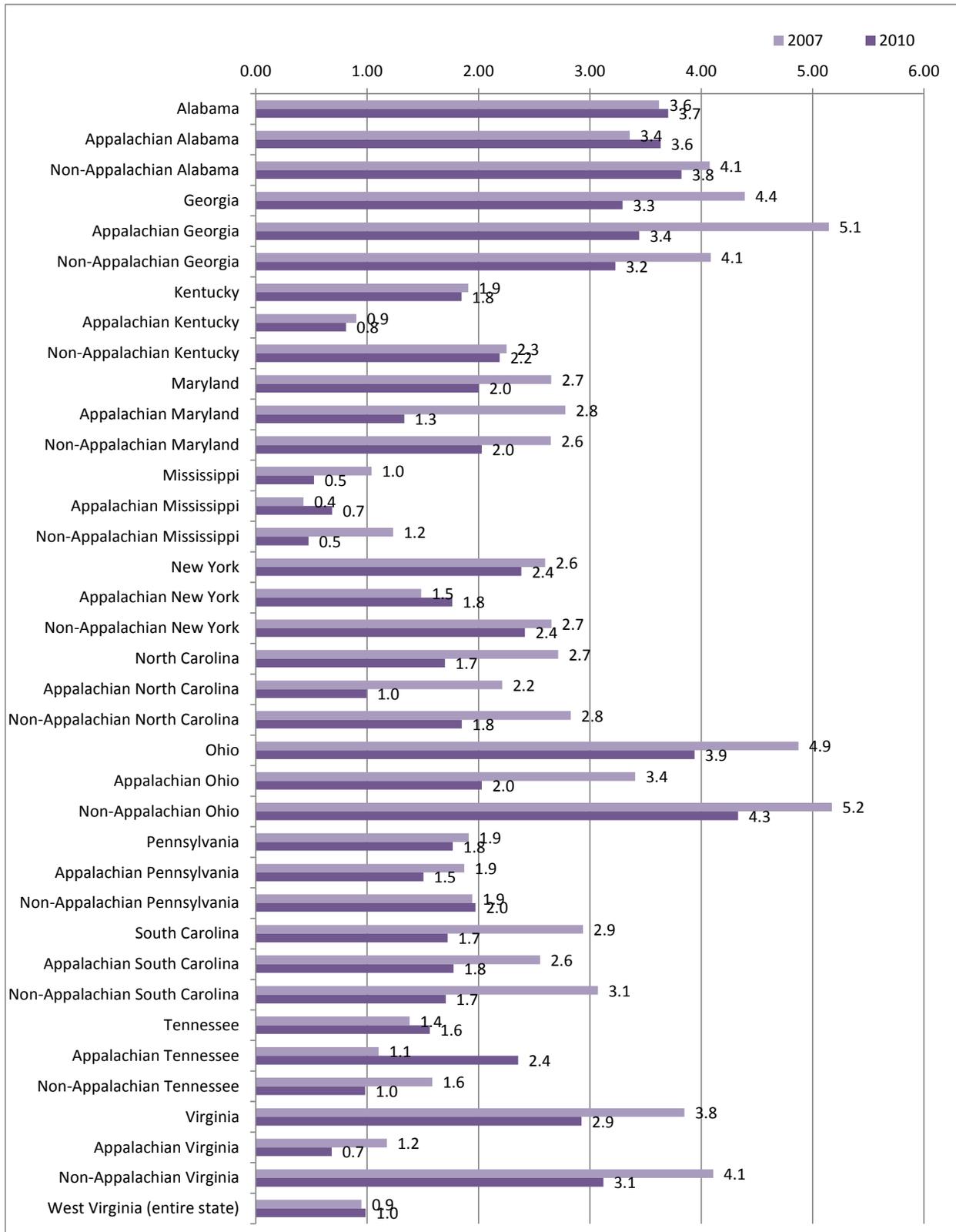


Table 5-5: Number of SBA 504 Loans per 10,000 Businesses in Appalachia

	2007			2010		
	Total Number of SBA 504 Loans	Number of Small Businesses	Number of SBA 504 Loans per 10,000 Small Businesses	Total Number of SBA 504 Loans	Number of Small Businesses	Number of SBA 504 Loans per 10,000 Small Businesses
United States	10,669	21,808,201	4.9	7,833	21,530,378	3.6
Appalachian Region	391	1,607,645	2.4	325	1,577,370	2.1
Subregions						
Northern Appalachia	102	477,301	2.1	83	482,014	1.7
North Central Appalachia	21	128,944	1.6	12	124,926	1.0
Central Appalachia	10	115,266	0.9	9	107,888	0.8
South Central Appalachia	47	307,059	1.5	53	305,962	1.7
Southern Appalachia	211	579,075	3.6	168	556,580	3.0
County Types						
Large Metros (pop. 1 million +)	158	395,470	4.0	112	404,330	2.8
Small Metros (pop. <1 million)	134	613,330	2.2	135	604,234	2.2
Nonmetro, Adjacent to Large Metros	18	109,171	1.6	16	103,911	1.5
Nonmetro, Adjacent to Small Metros	64	301,104	2.1	46	287,892	1.6
Rural (nonmetro, not adj. to a metro)	17	188,570	0.9	16	177,003	0.9
Economic Status						
Distressed	9	89,777	1.0	4	86,870	0.5
At-Risk	12	145,503	0.8	11	139,327	0.8
Transitional	200	887,755	2.3	183	904,686	2.0
Competitive	82	305,587	2.7	65	292,327	2.2
Attainment	88	135,857	6.5	62	154,160	4.0
Alabama	114	314,870	3.6	112	302,408	3.7
Appalachian Alabama	67	199,561	3.4	70	192,538	3.6
Non-Appalachian Alabama	47	115,309	4.1	42	109,870	3.8
Georgia	364	828,977	4.4	261	792,556	3.3
Appalachian Georgia	123	239,021	5.1	82	238,124	3.4
Non-Appalachian Georgia	241	589,956	4.1	179	554,432	3.2
Kentucky	58	304,048	1.9	55	297,724	1.8
Appalachian Kentucky	7	77,542	0.9	6	74,004	0.8
Non-Appalachian Kentucky	51	226,506	2.3	49	223,720	2.2
Maryland	103	388,206	2.7	78	389,579	2.0
Appalachian Maryland	4	14,392	2.8	2	14,993	1.3
Non-Appalachian Maryland	99	373,814	2.6	76	374,586	2.0
Mississippi	30	288,779	1.0	13	248,541	0.5
Appalachian Mississippi	3	69,965	0.4	4	58,339	0.7
Non-Appalachian Mississippi	27	218,814	1.2	9	190,202	0.5
New York	365	1,404,794	2.6	299	1,253,951	2.4
Appalachian New York	10	67,312	1.5	11	62,314	1.8
Non-Appalachian New York	355	1,337,482	2.7	288	1,191,637	2.4
North Carolina	167	615,139	2.7	106	624,133	1.7
Appalachian North Carolina	25	112,966	2.2	11	110,530	1.0
Non-Appalachian North Carolina	142	502,173	2.8	95	513,603	1.8
Ohio	337	691,536	4.9	263	667,427	3.9
Appalachian Ohio	40	117,389	3.4	23	113,316	2.0
Non-Appalachian Ohio	297	574,147	5.2	240	554,111	4.3
Pennsylvania	136	711,343	1.9	135	763,099	1.8
Appalachian Pennsylvania	60	320,365	1.9	50	332,120	1.5
Non-Appalachian Pennsylvania	76	390,978	1.9	85	430,979	2.0
South Carolina	80	272,316	2.9	46	266,975	1.7
Appalachian South Carolina	18	70,528	2.6	12	67,579	1.8
Non-Appalachian South Carolina	62	201,788	3.1	34	199,396	1.7
Tennessee	59	427,304	1.4	66	422,466	1.6
Appalachian Tennessee	20	181,133	1.1	42	178,251	2.4
Non-Appalachian Tennessee	39	246,171	1.6	24	244,215	1.0
Virginia	186	483,178	3.8	160	547,124	2.9
Appalachian Virginia	5	42,503	1.2	3	44,052	0.7
Non-Appalachian Virginia	181	440,675	4.1	157	503,072	3.1
West Virginia (entire state)	9	94,968	0.9	9	91,210	1.0

Table 5-6: SBA 504 Loans to Minority-Owned Businesses in Appalachia

	2007		2010	
	Number of Loans	Number of Loans to Minority	Number of Loans	Number of Loans to Minority
United States	10,669	3,035	7,833	1,556
Appalachian Region	391	101	325	44
Subregions				
Northern Appalachia	102	13	83	11
North Central Appalachia	21	2	12	0
Central Appalachia	10	2	9	0
South Central Appalachia	47	10	53	9
Southern Appalachia	211	74	168	24
County Types				
Large Metro (1 million + people)	158	50	112	17
Small Metro (< 1 million people)	134	32	135	14
Nonmetro, Adjacent to Large Metro	18	4	16	4
Nonmetro, Adjacent to Small Metro	64	10	46	9
Rural (Nonmetro, Nonadjacent)	17	5	16	0
Economic Status				
Distressed	9	2	4	0
At-Risk	12	3	11	0
Transitional	200	42	183	23
Competitive	82	19	65	10
Attainment	88	35	62	11
Alabama	114	44	112	16
Appalachian Alabama	67	22	70	10
Non-Appalachian Alabama	47	22	42	6
Georgia	364	157	261	54
Appalachian Georgia	123	47	82	12
Non-Appalachian Georgia	241	110	179	42
Kentucky	58	12	55	10
Appalachian Kentucky	7	1	6	0
Non-Appalachian Kentucky	51	11	49	10
Maryland	103	34	78	18
Appalachian Maryland	4	3	2	1
Non-Appalachian Maryland	99	31	76	17
Mississippi	30	11	13	4
Appalachian Mississippi	3	0	4	0
Non-Appalachian Mississippi	27	11	9	4
New York	365	68	299	59
Appalachian New York	10	2	11	2
Non-Appalachian New York	355	66	288	57
North Carolina	167	55	106	14
Appalachian North Carolina	25	4	11	0
Non-Appalachian North Carolina	142	51	95	14
Ohio	337	49	263	16
Appalachian Ohio	40	4	23	0
Non-Appalachian Ohio	297	45	240	16
Pennsylvania	136	18	135	21
Appalachian Pennsylvania	60	6	50	8
Non-Appalachian Pennsylvania	76	12	85	13
South Carolina	80	17	46	5
Appalachian South Carolina	18	5	12	2
Non-Appalachian South Carolina	62	12	34	3
Tennessee	59	16	66	17
Appalachian Tennessee	20	5	42	9
Non-Appalachian Tennessee	39	11	24	8
Virginia	186	65	160	33
Appalachian Virginia	5	2	3	0
Non-Appalachian Virginia	181	63	157	33
West Virginia (entire state)	9	0	9	0