



United States  
General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-271925

June 10, 1996

The Honorable Christopher S. Bond  
Chairman  
The Honorable Dale Bumpers  
Ranking Minority Member  
Committee on Small Business  
United States Senate

The U.S. Small Business Administration's (SBA) 7(a) loan program is the agency's primary vehicle for providing small businesses with access to credit. This report responds to your request that we provide descriptive information about the program over the past 10 years, including (1) the program's budget and the number and amount of loans, (2) the sizes and maturities of the loans, (3) the characteristics of the borrowers, and (4) components of the program's cost. You also asked us to provide information about a subset of 7(a) loans called low documentation loans—loans of \$100,000 or less that require only a one-page application to SBA—and compare them with other 7(a) loans. We have incorporated the information on low documentation loans throughout the report where appropriate.

### BACKGROUND

Authorized under section 7(a) of the Small Business Act (15 U.S.C. 636(a)), the 7(a) program, which is more accurately called the General Business Loan Program, is the largest of the SBA's lending programs. Over the past 10 years—fiscal years 1986 through 1995—SBA primarily guaranteed loans made by private lenders<sup>1</sup> to small firms rather than lending money directly. SBA's maximum guarantees have varied; for loans made in fiscal year 1996 under the 7(a) program, SBA guarantees up to 80 percent of the loan amounts. Lenders charge borrowers fees to obtain loan guarantees, and the borrowers repay the loans through payments to the lenders. In the event of a default, SBA purchases the agreed-upon share of the unpaid balance

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<sup>1</sup>In fiscal year 1995, approximately 8,400 lenders participated in the 7(a) program.

of the loan.<sup>2</sup> The maximum exposure allowable for SBA on a guaranteed loan is \$750,000, unless otherwise authorized by statute for a specific loan program.

SBA receives budget authority each fiscal year to cover the expected federal cost of the loans made during the year. Federal costs are incurred when borrowers of guaranteed loans fail to repay them and SBA recovers less than the total amount due. SBA also incurs administrative costs for the program. Program costs are offset in part by fees paid by both borrowers and lenders.

To be eligible for a 7(a) loan guarantee, the lender must document that the borrower was unable to obtain financing under reasonable terms and conditions through normal business channels. The borrower may use the loan proceeds to establish a new business or to assist in the operation, acquisition, or expansion of an existing business.

According to SBA, the ability of the borrower to repay and the economic life of the assets being financed generally determine the length of time during which the loan must be repaid (the loan maturity). SBA has established maximum maturities for loans, depending on the intended use of the loan proceeds, as follows: general working capital, 10 years; purchase of machinery and equipment, 25 years (not to exceed the life of the equipment); and construction or purchase of building(s), 25 years. The maximum interest rate may not exceed the prime rate<sup>3</sup> by more than 2.25 percent for loans with maturities of under 7 years or by more than 2.75 percent for loans with maturities of 7 years or longer.

In December 1993, SBA introduced low documentation loans, which require less paperwork for lenders making loans of \$100,000 or less.<sup>4</sup> SBA instituted these loans—a subset of basic 7(a) loans—in response to the concern expressed by small businesses that they were unable to find lenders able or willing to provide loans of

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<sup>2</sup>The agreed-upon share may equal the guaranteed amount. SBA, in consultation with the lender, may purchase less than the guaranteed amount when the lender did not adhere to the agreed-upon terms and conditions.

<sup>3</sup>The prime rate refers to the interest rate charged by major financial institutions to their most creditworthy customers.

<sup>4</sup>Data provided by SBA indicate a small number of low documentation loans in amounts greater than \$100,000. According to SBA, these are loans that were initiated as low documentation loans and subsequently converted to other 7(a) loans (because of the borrowers' need for larger loans or other reasons), and SBA has not updated its records to recode the loans.

\$100,000 or less and the concern expressed by lenders that SBA's paperwork requirements were excessive. For a low documentation loan, the lender analyzes the prospective borrower and submits a one-page application to SBA. The lender relies on its analysis, the strength of the individual applicant's character and credit history, the credit history of the business, and the business's apparent repayment ability.<sup>5</sup>

Within the 7(a) program are several subprograms, in which the loans are targeted to a particular group or for a particular business purpose. The terms of these loans may differ from those of basic 7(a) loans. SBA has legislative authority to make direct loans to borrowers who are unable to obtain loans from other lenders (for fiscal year 1996, no funds were appropriated for direct loans). Disbursed directly from SBA's funds, direct loans are limited to a maximum of \$150,000. Other legislatively authorized subprograms provide loans targeted to exporters, the handicapped, and veterans and loans targeted for increased energy efficiency.

The tables and figures discussed in this report and shown in enclosure I are based on our analysis of SBA's data. The 10 years of descriptive program information discussed in this report covers fiscal year 1986 through fiscal year 1995, the most recent complete fiscal year. Disbursements are reported in the fiscal year the loans were approved rather than the fiscal year the disbursement occurred. (Loan approval marks SBA's official agreement with the terms and conditions proposed by a lender. In contrast, loan disbursement occurs when a borrower actually signs a promissory note and receives money, which may occur in a fiscal year following the one in which the loan was approved.) For example, the number of loans "disbursed" for fiscal year 1986 is the number of loans approved in fiscal year 1986 that had one or more disbursements between approval and September 30, 1995. Similarly, the amount of loan dollars disbursed shown for fiscal year 1986 is the total amount disbursed between approval and September 30, 1995, for all loans approved in that fiscal year. Unless noted otherwise, the information presented includes all 7(a) loans, including direct, guaranteed, and low documentation loans. All dollar figures are expressed in constant 1995 dollars (current dollars were converted using the gross domestic product implicit price deflator series published by the Department of Commerce).

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<sup>5</sup>The lender may require additional financial information from the applicant to ensure the applicant's ability to repay.

## THE PROGRAM'S BUDGET AND THE NUMBER AND AMOUNT OF LOANS

Prior to fiscal year 1992, SBA funded all of its business loans (7(a) loans as well as development loans and investment company loans) from the same account; therefore, for fiscal years 1986 through 1991, it is not possible to identify the amount of budget authority exclusively for the 7(a) program. As table I.1 in enclosure I shows, since fiscal year 1992 budget authority for the 7(a) program has ranged from \$152 million in fiscal year 1994 to \$210 million in fiscal year 1992.

Budget authority is tied to the authorized program level—that is, the maximum dollar amount of loans that SBA may approve, excluding cancellations. (If an approved loan is cancelled, SBA may approve another loan; thus, for a given fiscal year, the aggregate amount of loans approved may exceed the authorized program level.) Table I.1 shows that the annual program level increased each year from fiscal year 1986—when it was about \$3.4 billion—to fiscal year 1994, when it was about \$8.0 billion. In fiscal year 1995, the program level was about \$7.8 billion.

During the 10-year period from fiscal year 1986 through fiscal year 1995, the number of 7(a) loans has increased each year, and there has also been an increase in the amount of loan dollars approved. Annual loan activity can be gauged with two measures: the loans approved each year and the loans disbursed. Loans approved toward the end of a fiscal year are generally not disbursed until the following fiscal year(s), according to SBA. As shown in figure I.1, the number of loans approved annually increased each year, from about 15,000 in fiscal year 1986 to over 55,000 in fiscal year 1995. Most of these loans were disbursed; the number disbursed grew from about 13,000 in fiscal year 1986 to over 34,000 in fiscal year 1995. (The actual figures for each year are shown in table I.2.)

As figure I.2 indicates, the amount of dollars loaned (loan dollars) reflects a consistent upward trend through fiscal year 1994. The amount approved ranged from about \$3.5 billion in fiscal 1986 to about \$8.4 billion in fiscal year 1994 and was about \$8.3 billion in fiscal year 1995. The amount disbursed shows the same overall trend. The data on both the numbers and amounts of loans disbursed for fiscal year 1995 reflect loans that were approved late in the fiscal year but were not disbursed until fiscal year 1996.

## CHARACTERISTICS OF THE LOANS

For fiscal years 1986 through 1995, the majority of 7(a) loan amounts disbursed were in amounts of \$100,001 to \$500,000. With the introduction of low documentation loans in 1994, the trend shifted toward smaller loans.

Most Loans Were Between \$100,001 and \$500,000

Figures I.3 and I.4 show the distribution among loan size categories of the 7(a) loan dollars disbursed and the number of loans disbursed, respectively, during the 10-year period. (The actual percentages are shown in tables I.3 and I.4.) Among the trends shown by these figures are the following:

- Over the last 10 years, loans of \$100,001 to \$500,000 accounted for the bulk of the dollars disbursed. Loans of this size accounted for at least 51 percent of the loan dollars each year. Additionally, this size loan accounted for at least 51 percent of the number of loans disbursed through fiscal year 1993.
- There was a gradual decline through fiscal year 1993 in the percentage of loan dollars that were disbursed in loans of \$500,000 or less and a corresponding increase in the percentage disbursed in loans of \$500,001 or more.
- Beginning with fiscal year 1994, smaller loans became more common. For example, the percentage of loan dollars disbursed in loans of \$75,001 to \$100,000 increased from about 3.9 percent in fiscal year 1993 to about 12.1 percent in fiscal year 1995.
- The smallest loans—those of \$100,000 or less—accounted for no more than 15 percent of the loan dollars disbursed, and no more than 43 percent of the number of loans disbursed, in any year through fiscal year 1994. This changed in fiscal year 1995, when loans of \$100,000 or less accounted for about 26 percent of the loan dollars and about 67 percent of the loans disbursed.
- Loans greater than \$1 million accounted for a relatively small percentage of both the loan dollars disbursed—from 0.8 percent in fiscal year 1986 to 7.7 percent in fiscal year 1994—and the number of loans disbursed—from 0.1 percent in fiscal year 1986 to 1.4 percent in fiscal year 1994 (see tables I.3 and I.4).

Figure I.5 compares the distribution among size categories of low documentation loans and other 7(a) loans. As the figure shows, the largest percentage of low documentation loan dollars was disbursed in loans of \$75,001 to \$100,000 dollars, followed by loans of \$25,001 to \$50,000. However, as shown in figure I.6, in terms of the percentage of low documentation loans disbursed, the above proportions were reversed.

Average Loan Maturity Was About 10-12 Years

As shown in table I.5, the mean (or average) loan maturity for 7(a) guaranteed loans ranged from 9.9 years for loans disbursed in fiscal year 1986 to 12.3 years for loans disbursed in fiscal year 1995.<sup>6</sup> For low documentation loans, average maturities were shorter than for other 7(a) loans—7.0 and 7.2 years in fiscal years 1994 and 1995, respectively.

CHARACTERISTICS OF BORROWERS

Overall, minority and female borrowers have constituted a relatively small—in most years, each group represented less than 20 percent—but growing percentage of 7(a) loan recipients. Fiscal years 1994 and 1995 were the 2 years with the largest percentage of loans to minorities and women.

Small Portion of Loans  
Made to Minority Borrowers

Figures I.7 and I.8 show the distributions of loan dollars disbursed and numbers of loans disbursed, respectively, according to the ethnic category of the borrowers. We used the ethnic categories provided by SBA as follows: African-American, Puerto Rican, American Indian, Hispanic, Asian or Pacific Islander, Eskimo or Aleut, and Other. There is no overlap between any of these ethnic categories. The "Other" category consists of all persons not grouped in one of the previous categories, which we refer to collectively as "minorities."<sup>7</sup> Tables I.6 and I.7 show the percentages by year for each ethnic category. Among the trends in these figures are the following:

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<sup>6</sup>The average maturity for direct loans ranged from 9.3 years for loans disbursed in fiscal year 1994 to 10.4 years for loans disbursed in fiscal year 1989.

<sup>7</sup>The "Other" category provided to us by SBA includes three designations: white, multigroup, and undetermined. The "multigroup" designation applies only to minority enterprises in which at least 51 percent of the owners are from minority categories, but each individual minority category accounts for less than 51 percent. According to SBA, the "multigroup" category is small, accounting for about 0.1 percent of the loans disbursed in all the years. The "undetermined" group is small in fiscal years 1990-95, constituting about 3 percent of the loans disbursed in fiscal years 1990-93 and dropping to 0.7 and 0.1 percent in fiscal years 1994 and 1995, respectively. SBA estimates that for 16-17 percent of all loans before 1990, the ethnic category was undetermined.

- Loans to minority borrowers accounted for less than 19 percent of both the loan dollars disbursed and the number of loans disbursed each year.
- The percentage of both the loan dollars disbursed and number of loans disbursed to minorities, while fluctuating somewhat, showed an overall increase over the period (while there was a corresponding decrease for loans to the "Other" category). For example, the percentage of loan dollars disbursed to minorities ranged from 10.8 percent in fiscal year 1986 to 18.6 percent in fiscal year 1994.
- Asian or Pacific Islander borrowers received the highest percentage of loan dollars disbursed for loans to minorities over the 10-year period, followed by Hispanic, African-American, and Puerto Rican borrowers. Loans to Eskimo/Aleut and American Indian borrowers accounted for less than 1 percent of the loan dollars disbursed in each year.
- The distribution of loans among borrowers' ethnic categories did not change markedly from year to year.

Figures I.9 and I.10 compare the distributions of low documentation and other 7(a) loan amounts among borrowers' ethnic categories for fiscal years 1994 and 1995, respectively. Figures I.11 and I.12 provide similar comparisons based on the number of loans disbursed during the 2 fiscal years. The figures show that for other 7(a) loans, the percentage distributions of the loan dollars and the loans disbursed to minorities decreased slightly (for example, the percentage of loan dollars decreased from 18.5 percent in fiscal year 1994 to 18.4 percent in fiscal year 1995). However, for low documentation loans, the percentage distributions of the loan dollars and of the loans decreased somewhat more in fiscal year 1995 when compared to fiscal year 1994: Minority borrowers collectively received about 16 percent of the loan dollars in fiscal year 1995 versus about 19 percent in 1994. Likewise, minority borrowers collectively received about 16 percent of the loans in fiscal year 1995 versus about 20 percent in fiscal year 1994.

The proportion of the loan dollars disbursed varied among individual ethnic categories. For example, Hispanic borrowers in fiscal year 1994 received 3.3 percent of the loan dollars for other 7(a) loans and 6.5 percent of the loan dollars for low documentation loans. In contrast, the percentages in fiscal year 1995 were 3.5 percent and 4.1 percent, respectively.

Female Borrowers Account for Small  
but Growing Percentage of Loans

As shown in figures I.13 and I.14, fiscal year 1994 and 1995 were years of gain in the percentage of both the loan dollars disbursed and the number of loans made to female borrowers. Such loans accounted for a relatively small but growing percentage of the number of loans disbursed over the period, ranging from 10.0 percent in fiscal year 1986 to 24.4 percent in fiscal year 1995.

As shown in figure I.15, the proportion of dollars disbursed to female borrowers was noticeably higher for low documentation loans than for other 7(a) loans: 26.5 percent versus about 14 percent for loans disbursed in both fiscal years 1994 and 1995. Figure I.16 shows a similar result for the comparison based on the number of loans disbursed.

Geographic Location of Borrowers

Tables I.8 and I.9 show the percentage distributions of the 7(a) loan dollars disbursed and the number of loans disbursed, respectively, among SBA's 10 regions for fiscal years 1986 through 1995. Figures I.17 and I.18 portray this information graphically for fiscal year 1995. Among the trends in these figures are the following:

- Borrowers in Region 9 (comprising California, Guam, Hawaii, Nevada, and Arizona) received the largest percentage of loan dollars every fiscal year and the largest percentage of loans in every fiscal year except 1994 and 1995.
- Regions 4 (comprising Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee), 5 (Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin), or 6 (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) accounted for the second largest percentage of loan dollars disbursed each year. Each of these regions accounted for at least 10 percent of the loans disbursed from fiscal year 1987 through fiscal year 1995.
- Region 3 (comprising Delaware; Maryland; Pennsylvania; Virginia; Washington, D.C.; and West Virginia) accounted for the smallest percentage of both the loan dollars disbursed and the number of loans disbursed every year except fiscal year 1995.

THE PROGRAM'S COST

Federal costs are incurred when borrowers of guaranteed loans fail to repay them and SBA recovers less than the total amount due. In such cases, SBA eventually writes off the loan as a loss (a procedure known as a "charge-off"). In 1995, charge-offs amounted to \$250 million. SBA also incurs administrative costs for the program. Because SBA does not account for such costs separately from those for its other credit programs, we are unable to provide an overall cost for the 7(a) program. Program costs are offset in part by fees paid by both borrowers and lenders.

In accordance with budgeting procedures under the Federal Credit Reform Act (FCR), SBA estimates the net federal cost of the loans expected to be approved during a fiscal year and requests an appropriation sufficient to cover this cost. Since October of 1991, the FCR has changed the traditional accounting and budgetary treatment of federal credit. Through the use of a present value analysis of expected cash flows, for each federal credit program a subsidy rate that takes into consideration the amount and timing of fees collected on loans, disbursements, repayments, miscellaneous expenses, and losses is developed. This process recognizes the full cost of federal credit at the time the decision is made to approve program levels.

If a borrower misses making monthly loan payments by 60 or more days, the lender may request SBA to purchase the guaranteed portion of the loan. SBA may, after purchasing a loan, renegotiate the terms of the loan with the borrower and return it to a "current" status. If the borrower remains or subsequently becomes delinquent, SBA must decide how to liquidate the loan and protect the government's interests. Thus, the loans purchased (the amount of outstanding loans that SBA purchases) during a given fiscal year are one indicator of the program's potential cost. As table I.10 shows, the amount of the loans purchased, expressed in constant 1995 dollars, has remained fairly steady over the 10-year period—ranging between \$508 million and \$689 million annually.

If it appears that the borrower will not repay a purchased loan, SBA must eventually liquidate the loan collateral, pursue guarantors, and charge-off the loan balance. Loans are charged off in cases in which SBA is fairly certain it will not recover any additional payments or realize any further return from the process of liquidating the loan collateral. Table I.10 shows that the amount of the loans charged off, while fluctuating somewhat, decreased overall from fiscal year 1986 to fiscal year 1995.

AGENCY COMMENTS

We provided a draft of this report to SBA for its review and comment. We received comments from the Deputy to the Associate Deputy Administrator for Economic Development; the Director, Office of Loan Programs, Office of Financial Assistance; the Group Leader, Accounting and Auditor Support, Office of the Chief Financial Officer; and a computer specialist in the Office of Information Systems Support. The officials generally agreed with the facts presented in the report, but suggested minor changes to clarify the background description of the 7(a) program. The officials also supplied updated information on the numbers and amounts of 7(a) loans outstanding, purchased, and charged-off. We incorporated SBA's comments into the report where appropriate.

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To respond to your request, we obtained data from SBA's 7(a) management information database. While we did not independently verify the accuracy of SBA's data nor test their reliability, we performed tests to check the internal consistency of the data and compared information in the database with the information reported in SBA's documents. We worked closely with SBA officials to ensure our proper interpretation of the data. We also reviewed various SBA reports on loan losses and limited loan default data. In addition, we interviewed SBA's Deputy Associate Administrator for Financial Assistance; Assistant Administrator for Borrower and Lending Servicing; Director, Office of Loan Programs; Program Analyst, Office of Information Resources Management; Group Leader, Accounting and Auditor Support Group, Office of the Chief Financial Officer; and other SBA officials. Our work was conducted from December 1995 through May 1996 in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of this letter. At that time, we will send copies to interested parties and make copies available on request. Major contributors to this report include Assistant Directors Karen Bracey and Dave Wood; Senior Evaluators Angela Crump-Volcy and Chuck Wilson; Senior Operations Research Analyst Judy Pagano; and Senior Technical Specialist Annette Wright. If you have any questions about the information, please call me at (202) 512-7631.



Judy A. England-Joseph  
Director, Housing and Community  
Development Issues

TABLES AND FIGURES FOR TRENDS IN SBA'S 7(A) PROGRAM,  
FISCAL YEARS 1986-95

Table I.1: Information on the 7(a) Program's Budget Authority and the Program Level, Fiscal Years 1986-95

Fiscal year	Budget authority appropriations <sup>a</sup>	Program level <sup>b</sup>
1986	\$213,896,058	\$3,389,903,614
1987	327,936,000	3,527,459,204
1988	204,331,407	3,700,371,529
1989	198,706,446	3,806,333,164
1990	180,194,175	4,342,086,472
1991	170,884,354	4,466,729,238
1992	209,975,054	5,954,607,834
1993	184,260,923	6,643,472,965
1994	152,260,111	7,951,501,970
1995	194,550,000	7,789,956,150
<b>Total</b>	<b>\$2,036,994,526</b>	<b>\$51,572,422,141</b>

Note: Amounts in constant 1995 dollars.

<sup>a</sup>Prior to fiscal year 1992, appropriations represent the amount needed to replenish the fund used to finance all of SBA's business loans (7(a) loans as well as development and investment company loans). For fiscal year 1992 and thereafter, appropriations represent the present value of the expected future losses on the 7(a) loans made in that year.

<sup>b</sup>The program level is the maximum dollar amount of loans that SBA may approve, excluding cancellations. (If an approved loan is cancelled, SBA may approve another loan.) The amounts in this column are for 7(a) loans only.

Source: GAO's analysis of SBA's data.

Figure I.1: Number of 7(a) Loans Approved and Disbursed, Fiscal Years 1986-95

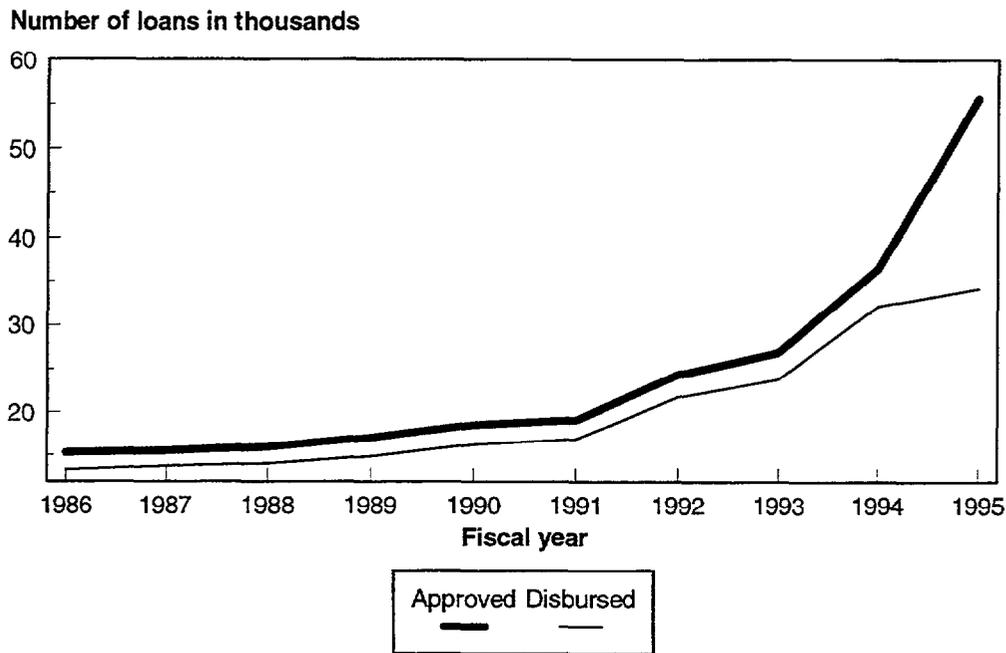
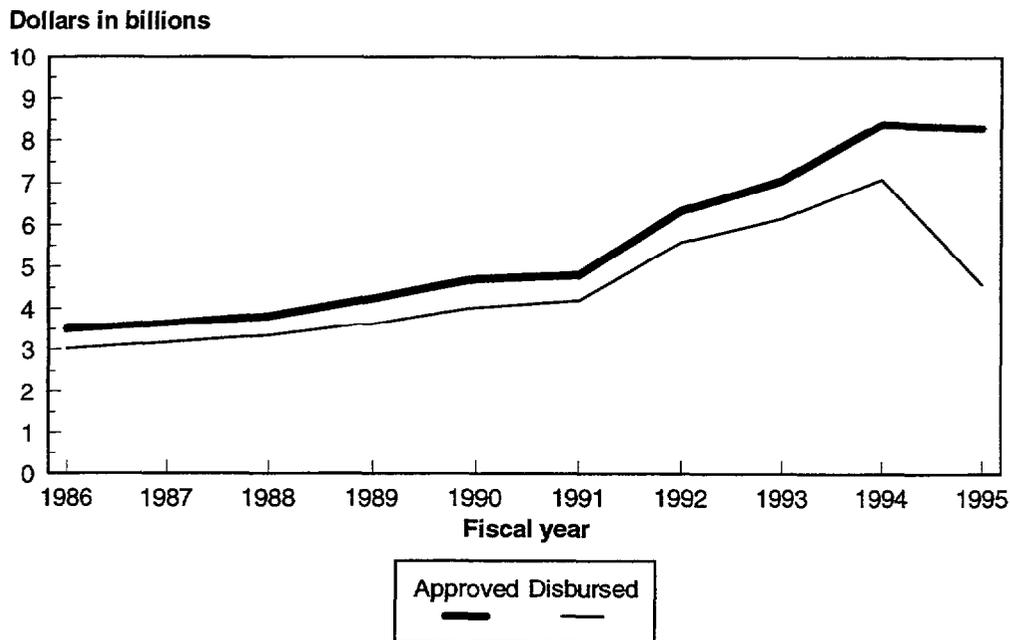


Figure I.2: Amount of 7(a) Loans Approved and Disbursed, Fiscal Years 1986-95



Note: Amounts in constant 1995 dollars.

Source for both figs. I.1 and I.2: GAO's analysis of SBA's data.

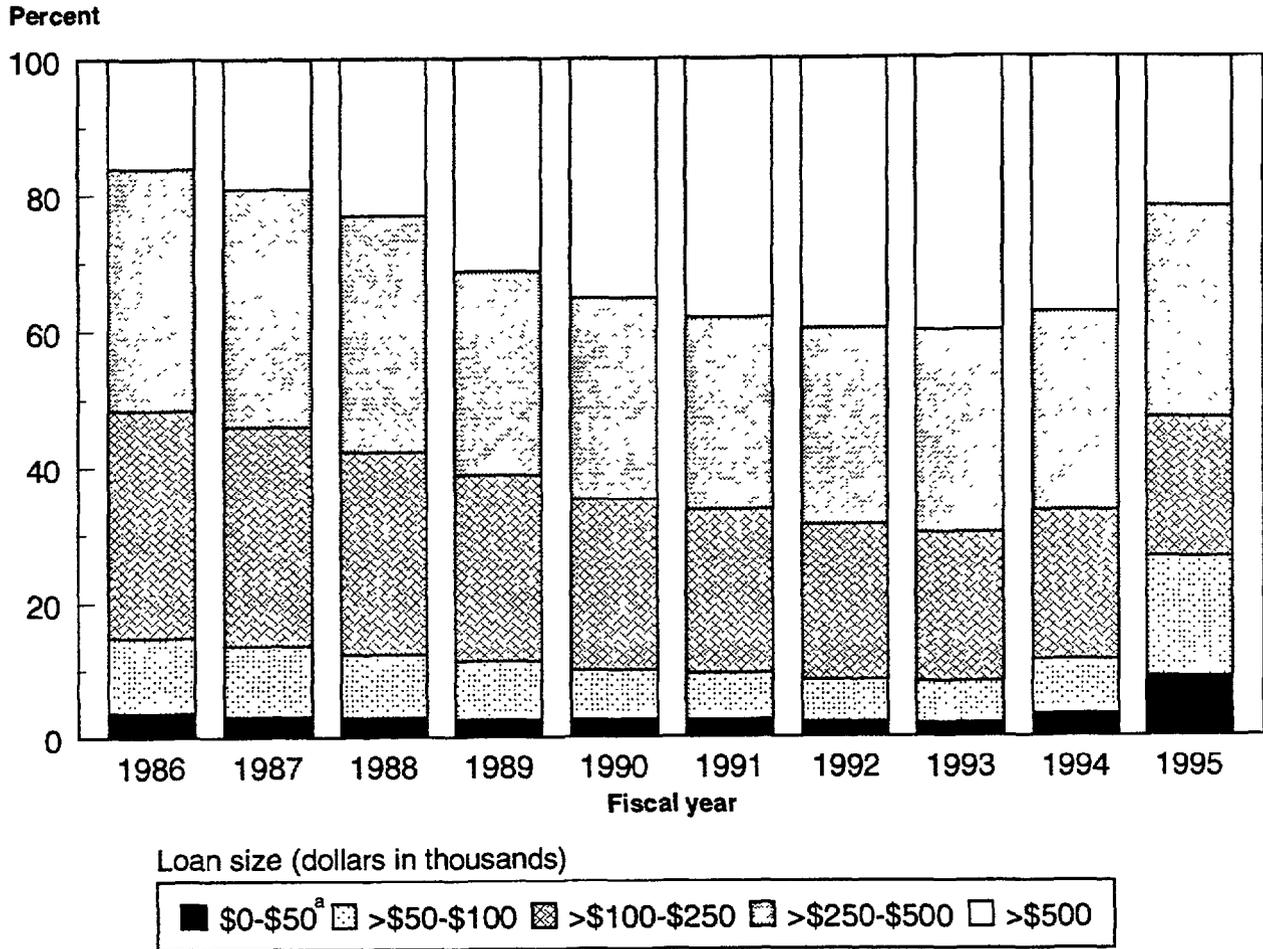
Table I.2: Number and Amount of 7(a) Loans Approved and Disbursed, Fiscal Years 1986-95

Fiscal year	Approved loans		Disbursed loans	
	Number	Amount (in billions)	Number	Amount (in billions)
1986	15,194	\$3.50	13,309	\$3.03
1987	15,431	3.64	13,681	3.18
1988	15,855	3.82	14,038	3.34
1989	16,936	4.25	14,810	3.64
1990	18,463	4.71	16,154	4.04
1991	19,056	4.80	16,851	4.20
1992	24,322	6.35	21,739	5.59
1993	26,876	7.07	23,832	6.16
1994	36,508	8.39	32,117	7.10
1995	55,620	8.31	34,186	4.60
<b>Total</b>	<b>244,261</b>	<b>\$54.85</b>	<b>200,717</b>	<b>\$44.88</b>

Note: Amounts in constant 1995 dollars.

Source: GAO's analysis of SBA's data.

**Figure I.3: Percentage of Disbursed 7(a) Loan Dollars, by Size of Loan, Fiscal Years 1986-95**



Notes: All percentages calculated using constant 1995 dollars.

We have collapsed various dollar categories for this figure. The percentages for all nine of SBA's categories are shown in table I.3.

<sup>a</sup>SBA's category is "\$1-\$50,000," which, expressed in thousands of dollars, is "\$0-\$50."

Source: GAO's analysis of SBA's data.

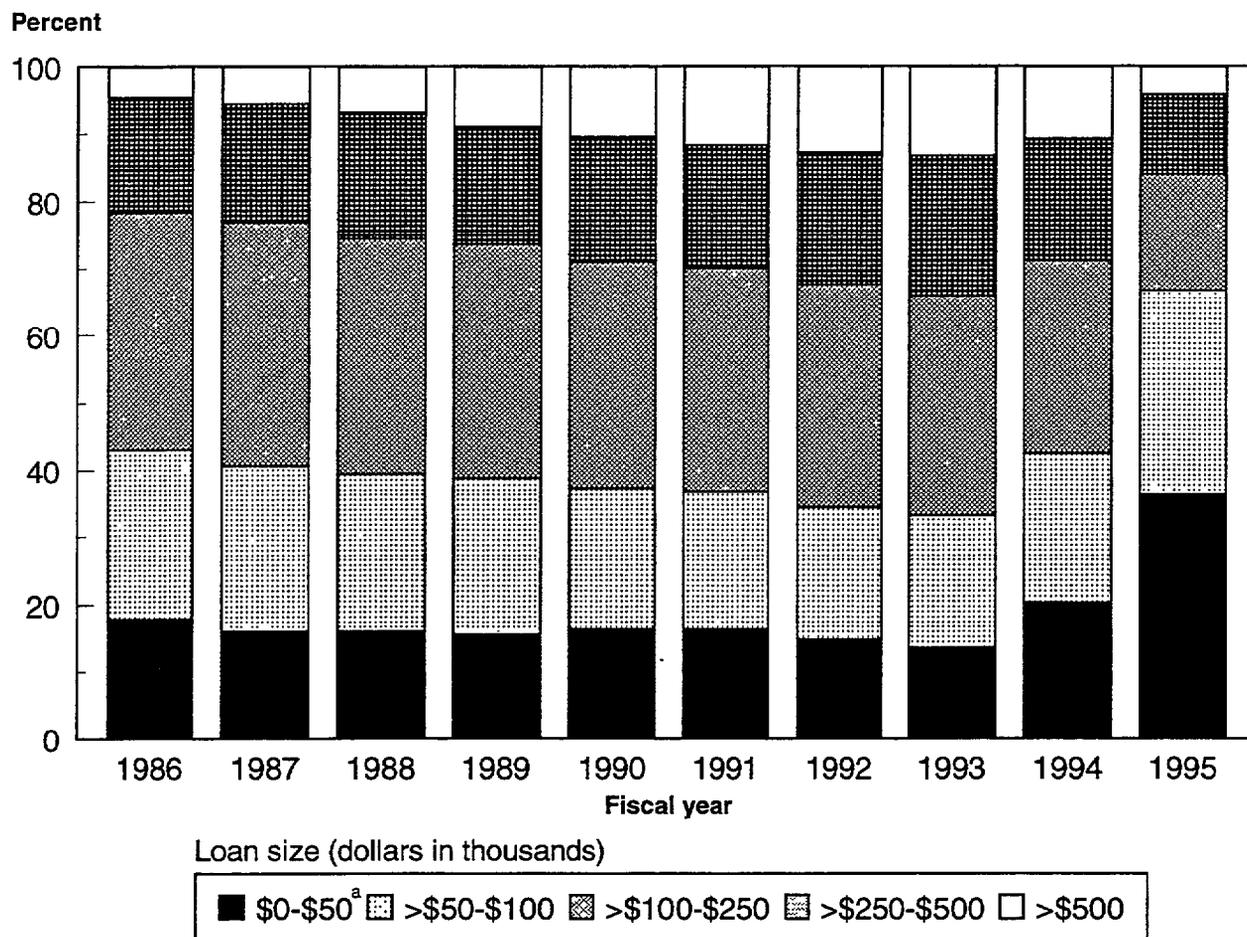
Table I.3: Percentage of Disbursed 7(a) Loan Dollars,  
by Size of Loan, Fiscal Years 1986-95

Loan size	Fiscal year									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
\$1-\$25,000	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.5	1.6
>\$25,000-\$50,000	3.1	2.7	2.5	2.2	2.2	2.2	1.8	1.7	2.8	7.2
>\$50,000-\$75,000	4.7	4.1	3.9	3.5	2.9	2.8	2.5	2.3	2.9	5.5
>\$75,000-\$100,000	6.6	6.5	5.5	5.2	4.4	4.2	3.8	3.9	5.2	12.1
>\$100,000-\$250,000	33.6	32.5	30.0	27.6	25.1	24.0	22.9	22.0	21.9	20.7
>\$250,000-\$500,000	35.5	34.8	34.8	29.9	29.8	28.4	28.9	29.8	29.3	30.9
>\$500,000-\$750,000	13.3	15.4	18.4	17.1	17.9	18.8	18.7	18.5	16.4	9.6
>\$750,000-\$1,000,000	2.0	2.3	3.0	10.6	12.4	14.3	15.4	15.2	13.3	7.8
>\$1,000,000	0.8	1.3	1.6	3.6	4.9	5.0	5.7	6.4	7.7	4.7
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: All percentages calculated using constant 1995 dollars.

Source: GAO's analysis of SBA's data.

Figure I.4: Percentage of Disbursed 7(a) Loans, by Size of Loan, Fiscal Years 1986-95



Note: We have collapsed various dollar categories for this figure. The percentages for all nine of SBA's categories are shown in table I.4.

<sup>a</sup>SBA's category is "\$1-\$50,000," which, expressed in thousands of dollars, is "\$0-\$50."

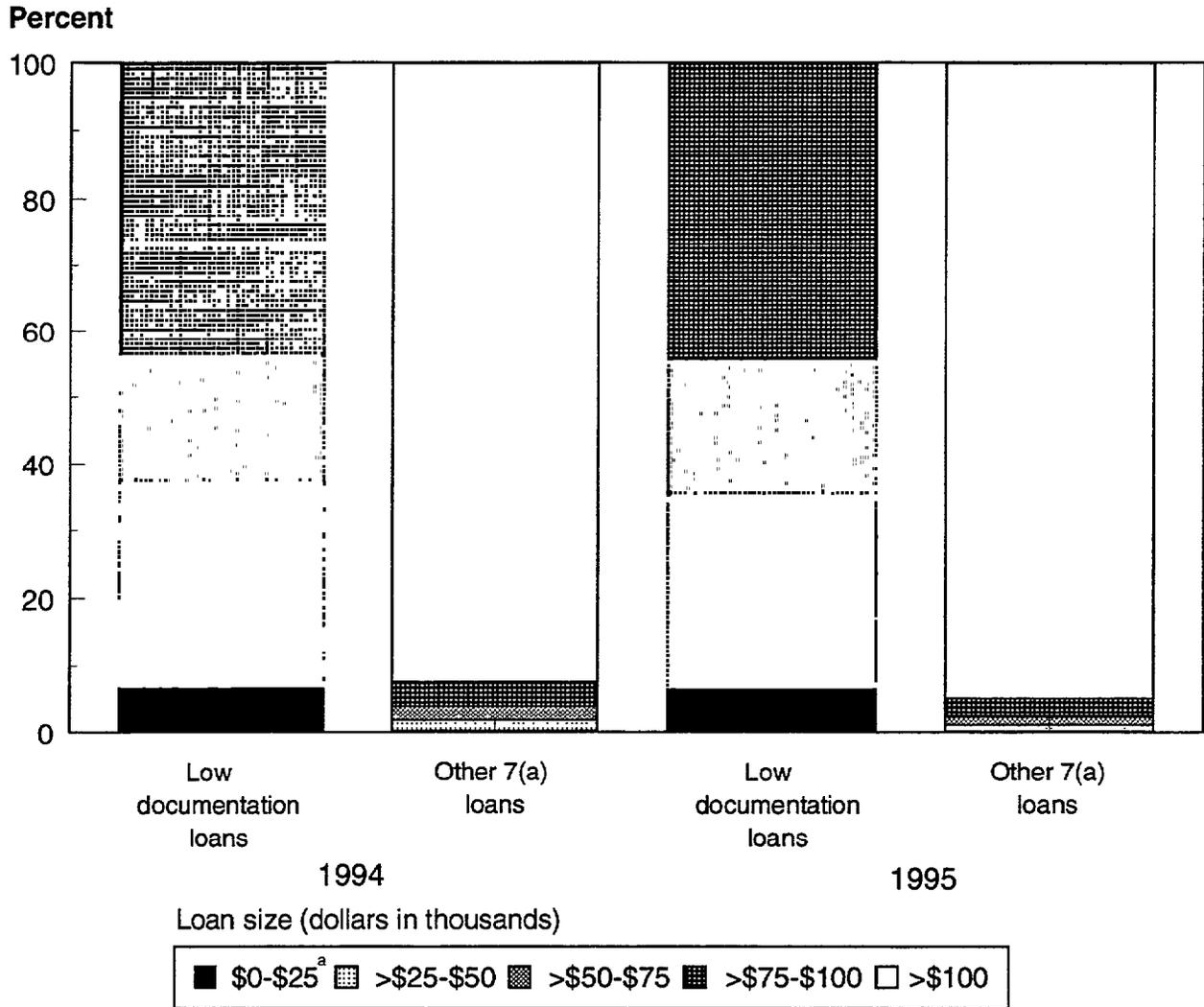
Source: GAO's analysis of SBA's data.

Table I.4: Percentage of Disbursed 7(a) Loans,  
by Size of Loan, Fiscal Years 1986-95

Loan size	Fiscal year									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
\$1-\$25,000	4.8	3.9	4.2	4.0	4.1	4.2	3.8	3.2	5.7	11.7
>\$25,000-\$50,000	13.0	12.1	11.9	11.5	12.2	12.2	11.0	10.3	14.6	24.7
>\$50,000-\$75,000	12.6	11.5	11.6	11.3	10.1	9.9	9.4	8.9	9.7	12.0
>\$75,000-\$100,000	12.6	13.1	11.8	11.9	10.9	10.6	10.2	10.7	12.5	18.3
>\$100,000-\$250,000	35.2	36.3	35.1	34.8	33.8	33.3	33.2	32.8	28.6	17.3
>\$250,000-\$500,000	17.2	17.7	18.7	17.5	18.5	18.3	19.7	20.9	18.2	11.9
>\$500,000-\$750,000	4.0	4.8	5.9	5.8	6.4	7.0	7.4	7.5	5.9	2.2
>\$750,000-\$1,000,000	0.4	0.5	0.7	2.5	3.2	3.7	4.2	4.3	3.4	1.3
>\$1,000,000	0.1	0.2	0.2	0.6	0.9	0.9	1.1	1.3	1.4	0.6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: GAO's analysis of SBA's data.

Figure I.5: Percentage of Disbursed Loan Dollars for Low Documentation and Other 7(a) Loans, by Size of Loan, Fiscal Years 1994-95



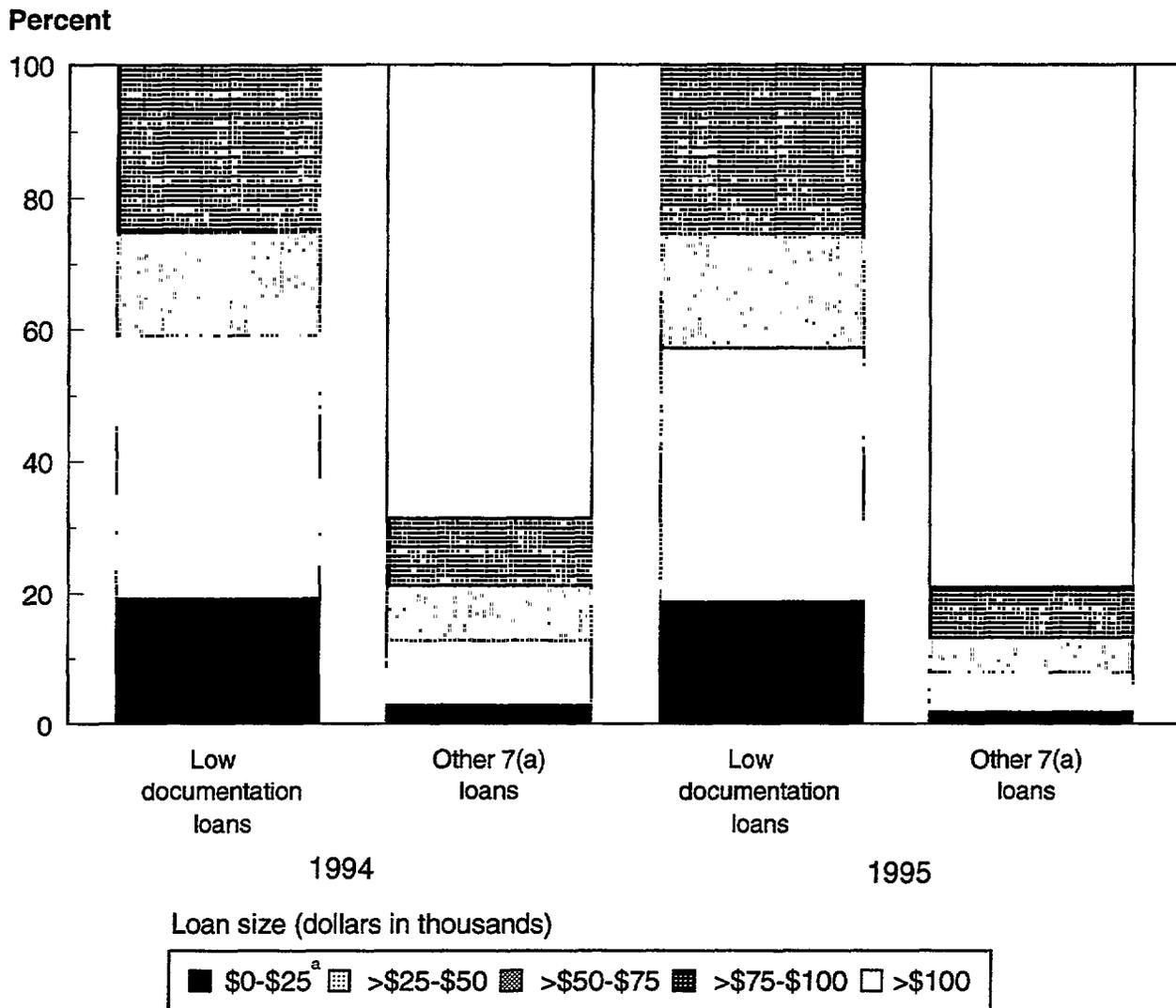
Notes: All percentages calculated using constant 1995 dollars.

For this figure, we collapsed the categories of ">\$100,000 to \$750,000" and ">\$750,000." In both years, there were no low documentation loans greater than \$750,000. For other 7(a) loans, this category contained 21.9 percent in 1994 and 16.1 percent in 1995.

<sup>a</sup>SBA's category is "\$1-\$25,000," which, expressed in thousands of dollars, is "\$0-\$25."

Source: GAO's analysis of SBA's data.

Figure I.6: Percentage of Disbursed Low Documentation and Other 7(a) Loans, by Size of Loan, Fiscal Years 1994-95



Note: For this figure, we collapsed the categories of ">\$100,000 to \$750,000" and ">\$750,000." In both years, there were no low documentation loans greater than \$750,000. For other 7(a) loans, this category contained 5.7 percent in 1994 and 4.4 percent in 1995.

<sup>a</sup> SBA's category is "\$1-\$25,000," which, expressed in thousands of dollars, is "\$0-\$25."

Source: GAO's analysis of SBA's data.

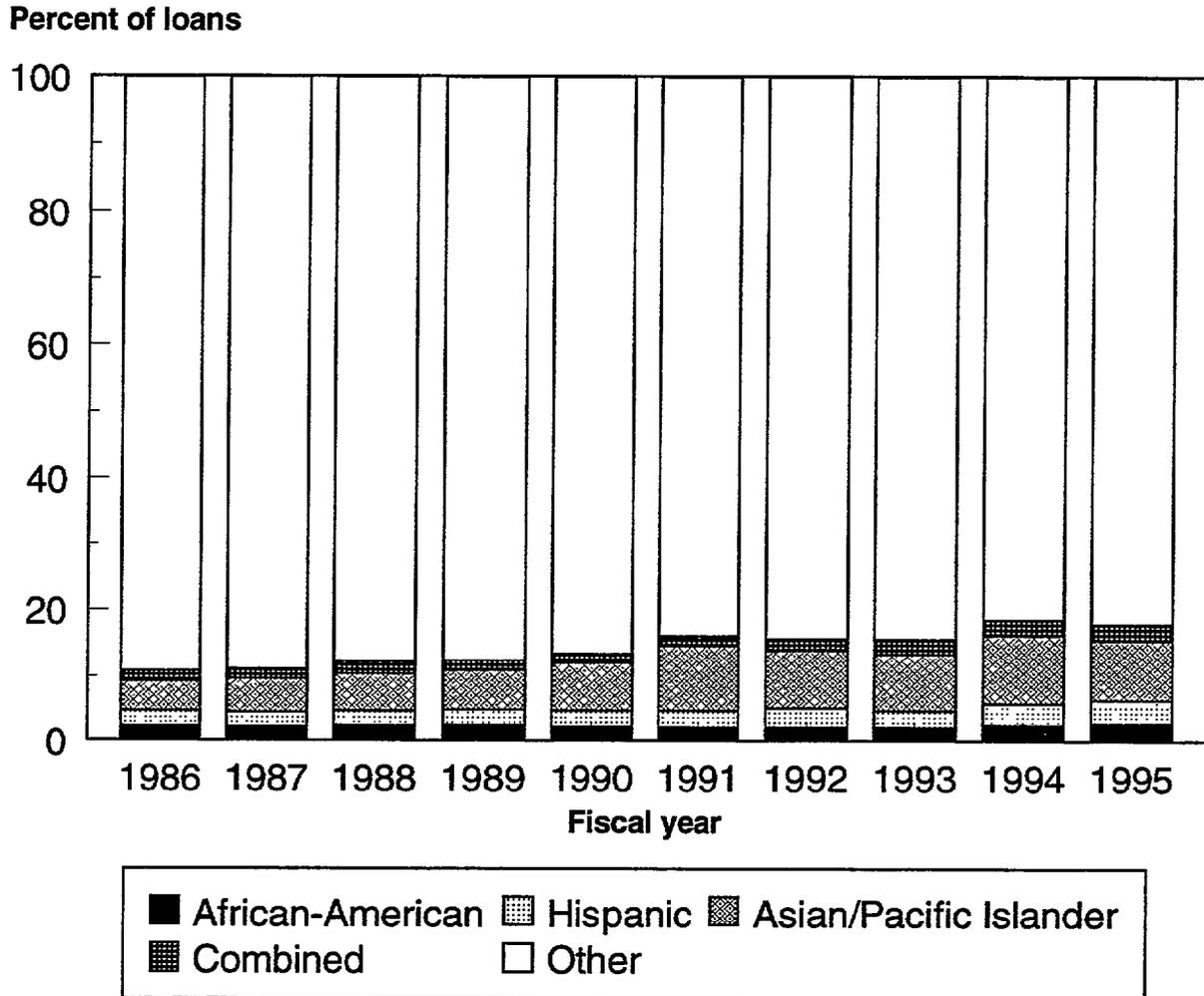
Table I.5: Mean Loan Maturities for Guaranteed 7(a) and Low Documentation Loans, Fiscal Years 1986-95

Fiscal year	Mean (years)	
	Guaranteed 7(a) loans	Low documentation loans
1986	9.9	a
1987	10.5	a
1988	10.7	a
1989	10.8	a
1990	11.3	a
1991	11.3	a
1992	11.5	a
1993	11.5	a
1994	11.6	7.0
1995	12.3	7.2

<sup>a</sup>Low documentation loans became available in fiscal year 1994.

Source: GAO's analysis of SBA's data.

Figure I.7: Percentage of Disbursed 7(a) Loan Dollars, by Borrowers' Ethnic Category, Fiscal Years 1986-95



Notes: All percentages calculated using constant 1995 dollars.

Because of limitations in portraying loan dollars for all ethnic categories, this figure shows the percentages for the four largest categories and combines those for the smallest three. The "Combined" ethnic category includes Puerto Ricans (accounting for less than 1.8 percent in any year), American Indians (less than 0.7 percent in any year), and Eskimos or Aleuts (less than 0.06 percent in any year). See the discussion of ethnic categories in fn. 7 of the report. Table I.6 includes the percentages for all of SBA's categories.

Source: GAO's analysis of SBA's data.

ENCLOSURE I

ENCLOSURE I

Table I.6: Percentage of Disbursed 7(a) Loan Dollars, by Borrowers' Ethnic Category, Fiscal Years 1986-95

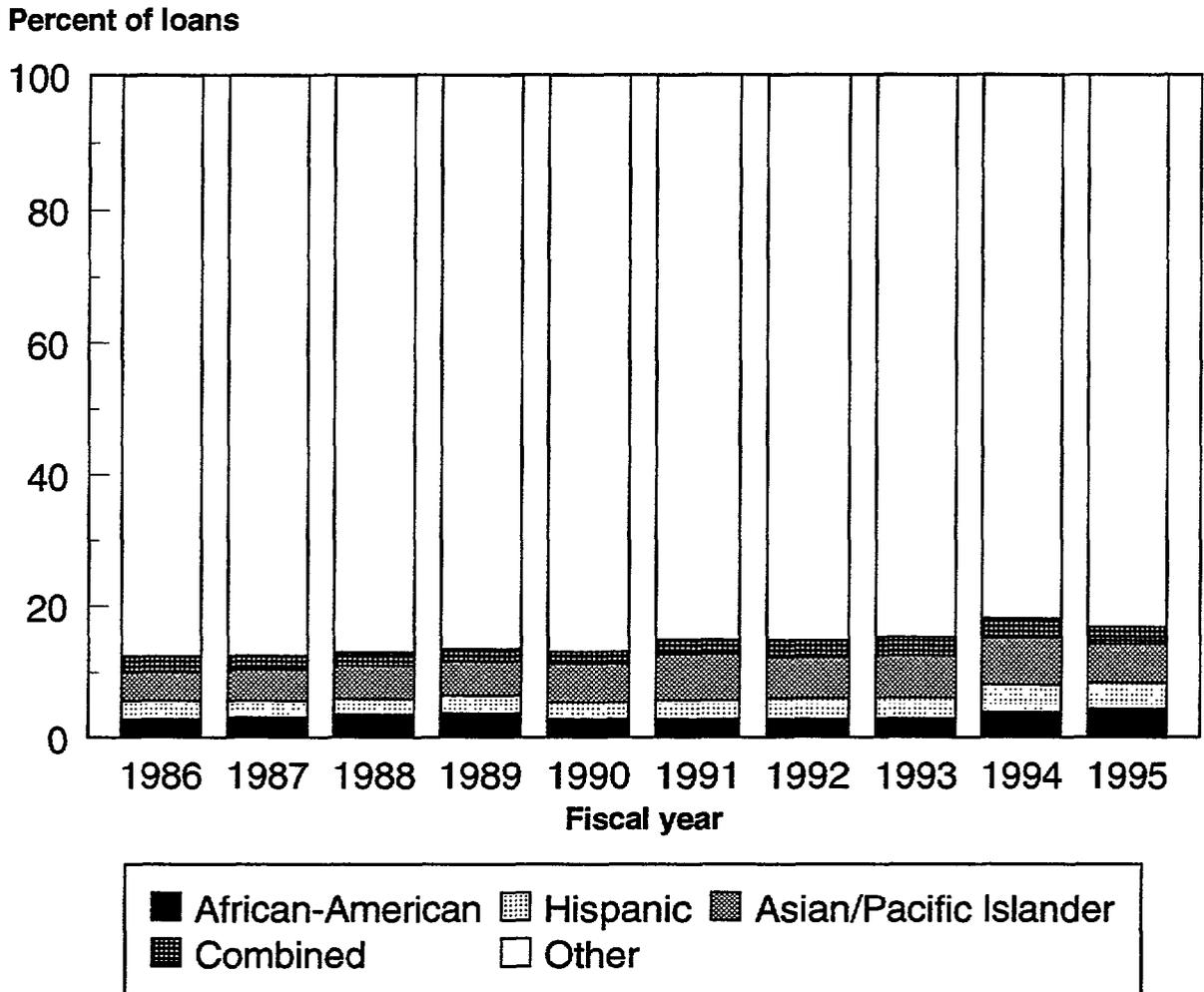
Ethnic category	Fiscal year									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
African-American	2.29	2.22	2.45	2.50	2.18	2.06	2.08	2.03	2.38	2.83
Puerto Rican	1.28	1.08	1.39	0.94	0.93	1.08	1.28	1.74	1.72	1.72
American Indian	0.30	0.35	0.47	0.47	0.34	0.42	0.41	0.41	0.59	0.62
Hispanic	2.47	2.30	2.32	2.46	2.67	2.79	3.09	2.75	3.47	3.61
Asian or Pacific Islander	4.44	5.08	5.59	5.98	7.28	9.77	8.83	8.61	10.38	9.10
Eskimo or Aleut	0.02	0.01	0.04	0.03	0.01	0.01	0.05	0.05	0.02	0.05
Other	89.21	88.96	87.74	87.62	86.58	83.87	84.25	84.39	81.45	82.08
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Notes: All percentages calculated using constant 1995 dollars.

See the discussion of ethnic categories in fn. 7 of the report.

Source: GAO's analysis of SBA's data.

Figure I.8: Percentage of Disbursed 7(a) Loans,  
by Borrowers' Ethnic Category, Fiscal Years 1986-95



Note: Because of limitations in portraying loan dollars for all ethnic categories, this figure shows the percentages for the four largest categories and combines those for the smallest three. The "Combined" ethnic category includes Puerto Ricans (accounting for less than 2.4 percent in any year), American Indians (less than 0.7 percent in any year), and Eskimos or Aleuts (less than 0.07 percent in any year). See the discussion of ethnic categories in fn. 7 of the report. Table I.7 includes the percentages for all of SBA's categories.

Source: GAO's analysis of SBA's data.

ENCLOSURE I

ENCLOSURE I

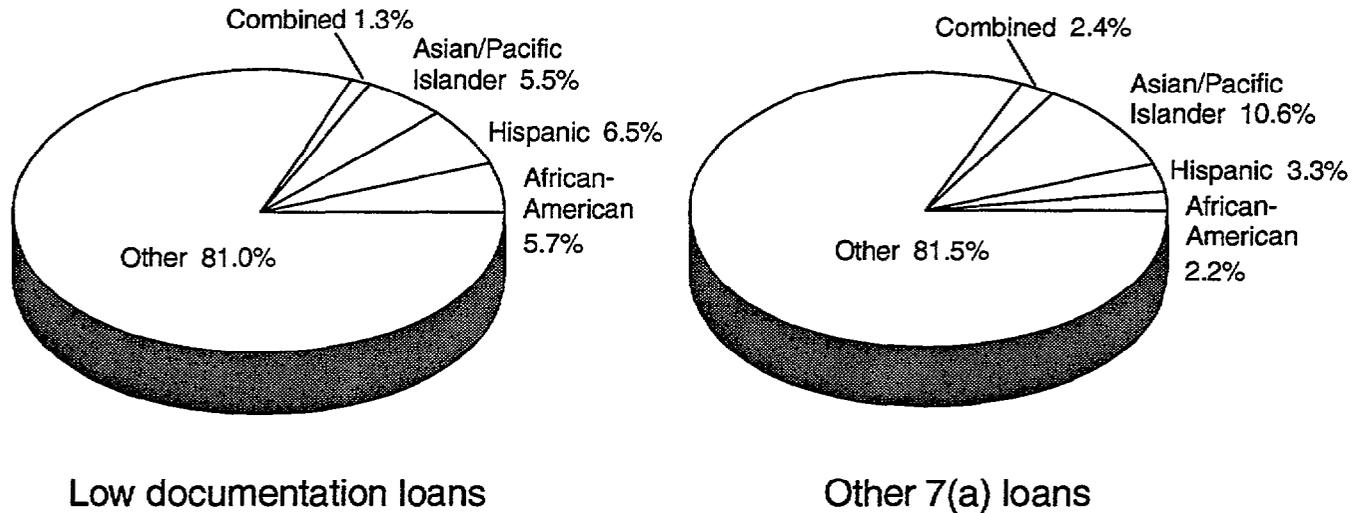
Table 1.7: Percentage of Disbursed 7(a) Loans, by Borrowers' Ethnic Category, Fiscal Years 1986-95

Ethnic category	Fiscal year									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
African-American	2.86	3.06	3.48	3.65	2.80	2.78	2.84	2.92	3.81	4.33
Puerto Rican	2.04	1.69	1.44	1.34	1.31	1.72	2.05	2.36	2.32	2.04
American Indian	0.35	0.41	0.51	0.51	0.45	0.49	0.46	0.47	0.60	0.64
Hispanic	2.95	2.72	2.56	2.84	2.75	3.09	3.26	3.31	4.32	4.12
Asian or Pacific Islander	4.21	4.62	4.91	5.05	5.66	6.84	6.11	6.27	7.03	5.67
Eskimo or Aleut	0.02	0.01	0.04	0.04	0.03	0.02	0.02	0.04	0.04	0.06
Other	87.59	87.49	87.06	86.56	86.99	85.07	85.26	84.63	81.88	83.14
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: See the discussion of ethnic categories in fn. 7 of the report.

Source: GAO's analysis of SBA's data.

Figure I.9: Percentage of Loan Dollars Disbursed for Low Documentation and Other 7(a) Loans, by Ethnic Category, Fiscal Year 1994

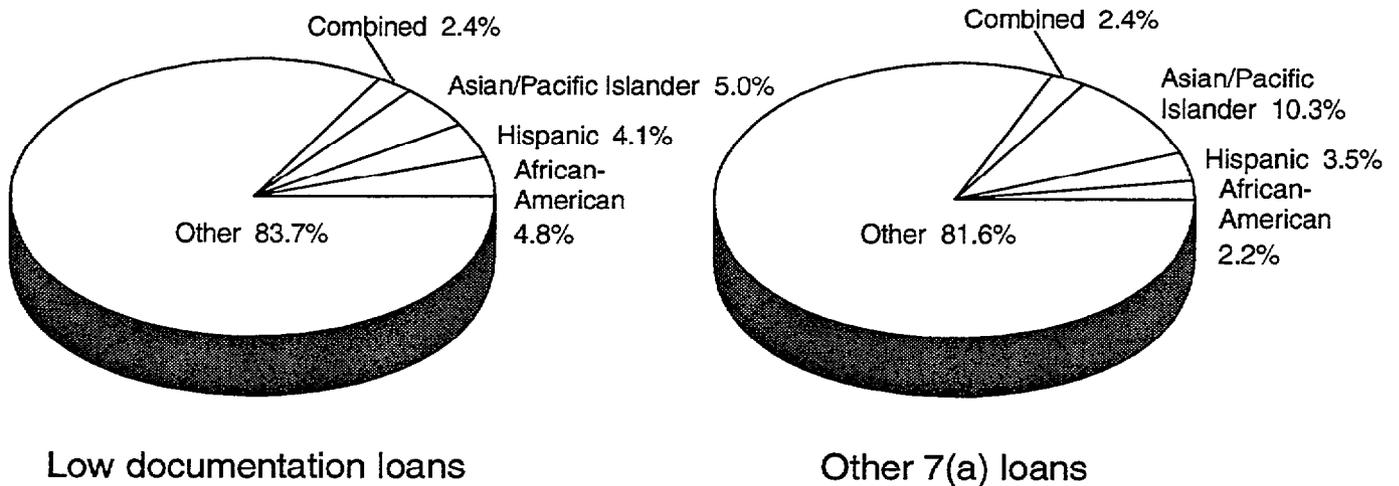


Notes: All percentages calculated using constant 1995 dollars.

Because of limitations in portraying loan dollars for all ethnic categories, this figure shows the percentages for the four largest categories and combines those for the smallest three. The "Combined" ethnic category includes Puerto Ricans (accounting for less than 1.8 percent of either loan type), American Indians (less than 0.6 percent of either loan type), and Eskimos or Aleuts (less than 0.03 percent of either loan type). See the discussion of ethnic categories in fn. 7 of the report.

Source: GAO's analysis of SBA's data.

Figure I.10: Percentage of Loan Dollars Disbursed for Low Documentation and Other 7(a) Loans, by Ethnic Category, Fiscal Year 1995

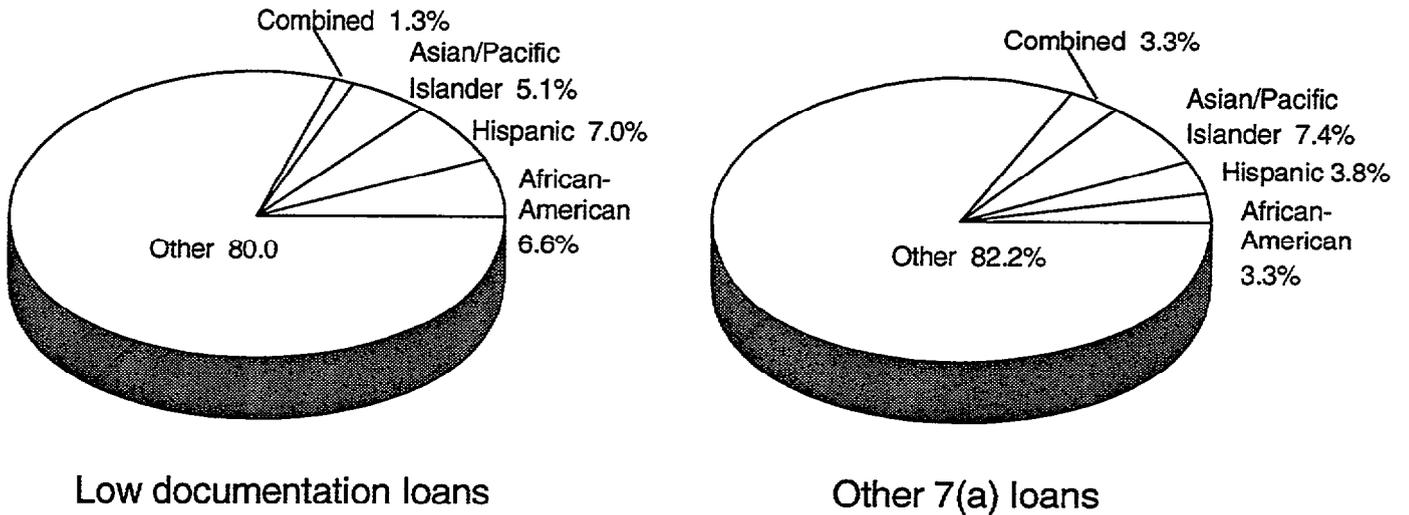


Notes: All percentages calculated using constant 1995 dollars.

Because of limitations in portraying loan dollars for all ethnic categories, this figure shows the percentages for the four largest categories and combines those for the smallest three. The "Combined" ethnic category includes Puerto Ricans (accounting for less than 1.9 percent of either loan type), American Indians (less than 0.7 percent of either loan type), and Eskimos or Aleuts (less than 0.06 percent of either loan type). See the discussion of ethnic categories in fn. 7 of the report.

Source: GAO's analysis of SBA's data.

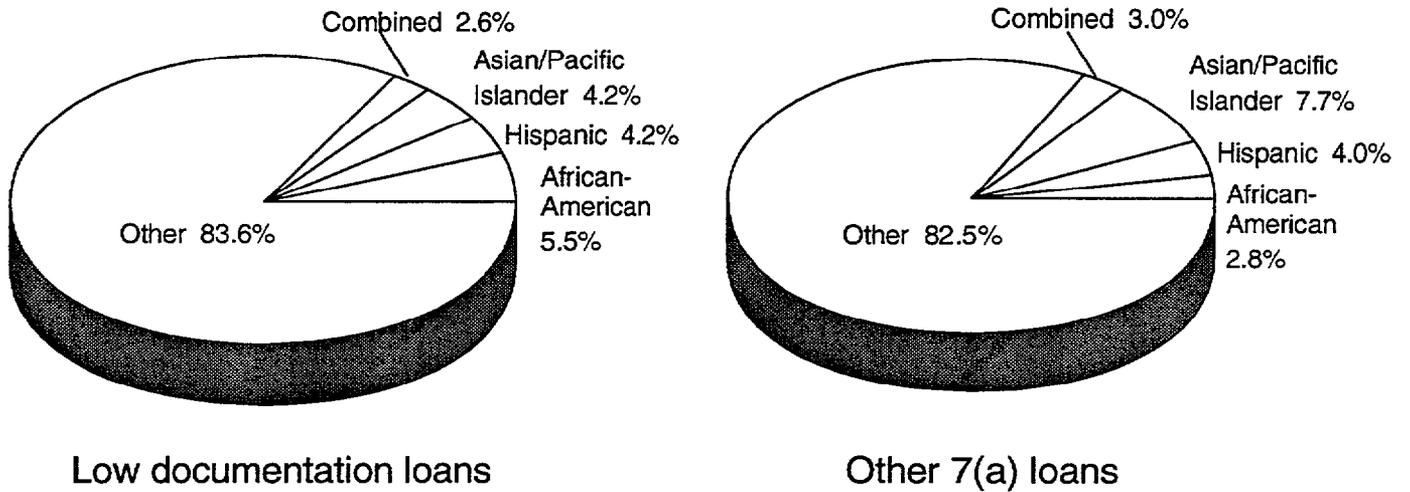
Figure I.11: Percentage of Disbursed Low Documentation and Other 7(a) Loans, by Ethnic Category, Fiscal Year 1994



Note: Because of limitations in portraying loan dollars for all ethnic categories, this figure shows the percentages for the four largest categories and combines those for the smallest three. The "Combined" ethnic category includes Puerto Ricans (accounting for less than 2.6 percent of either loan type), American Indians (less than 0.7 percent of either loan type), and Eskimos or Aleuts (less than 0.05 percent of either loan type). See the discussion of ethnic categories in fn. 7 of the report.

Source: GAO's analysis of SBA's data.

Figure I.12: Percentage of Disbursed Low Documentation and Other 7(a) Loans, by Ethnic Category, Fiscal Year 1995

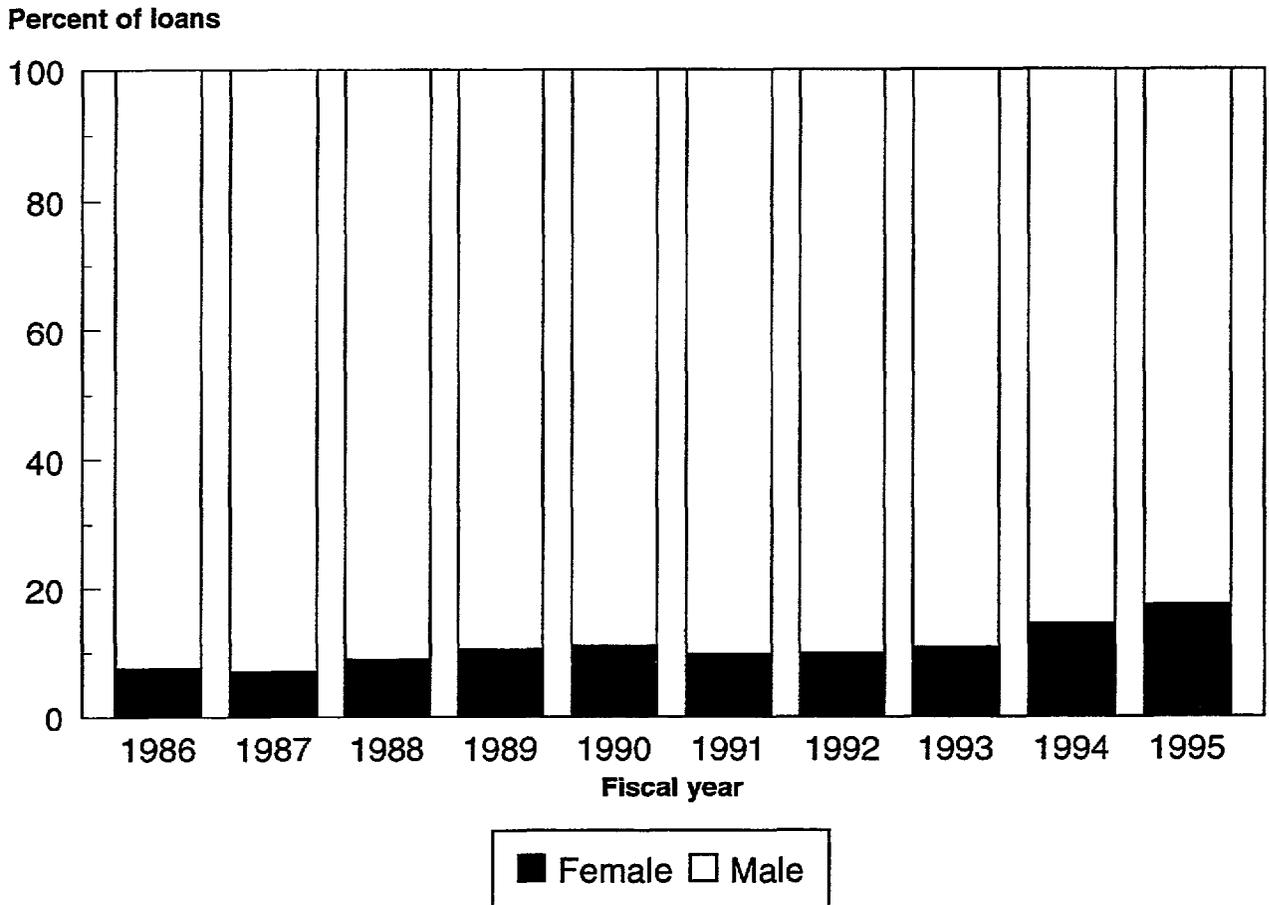


Notes: For low documentation loans, the percentages do not add to 100 because of rounding.

Because of limitations in portraying loan dollars for all ethnic categories, this figure shows the percentages for the four largest categories and combines those for the smallest three. The "Combined" ethnic category includes Puerto Ricans (accounting for less than 2.3 percent of either loan type), American Indians (less than 0.8 percent of either loan type), and Eskimos or Aleuts (less than 0.07 percent of either loan type). See the discussion of ethnic categories in fn. 7 of the report.

Source: GAO's analysis of SBA's data.

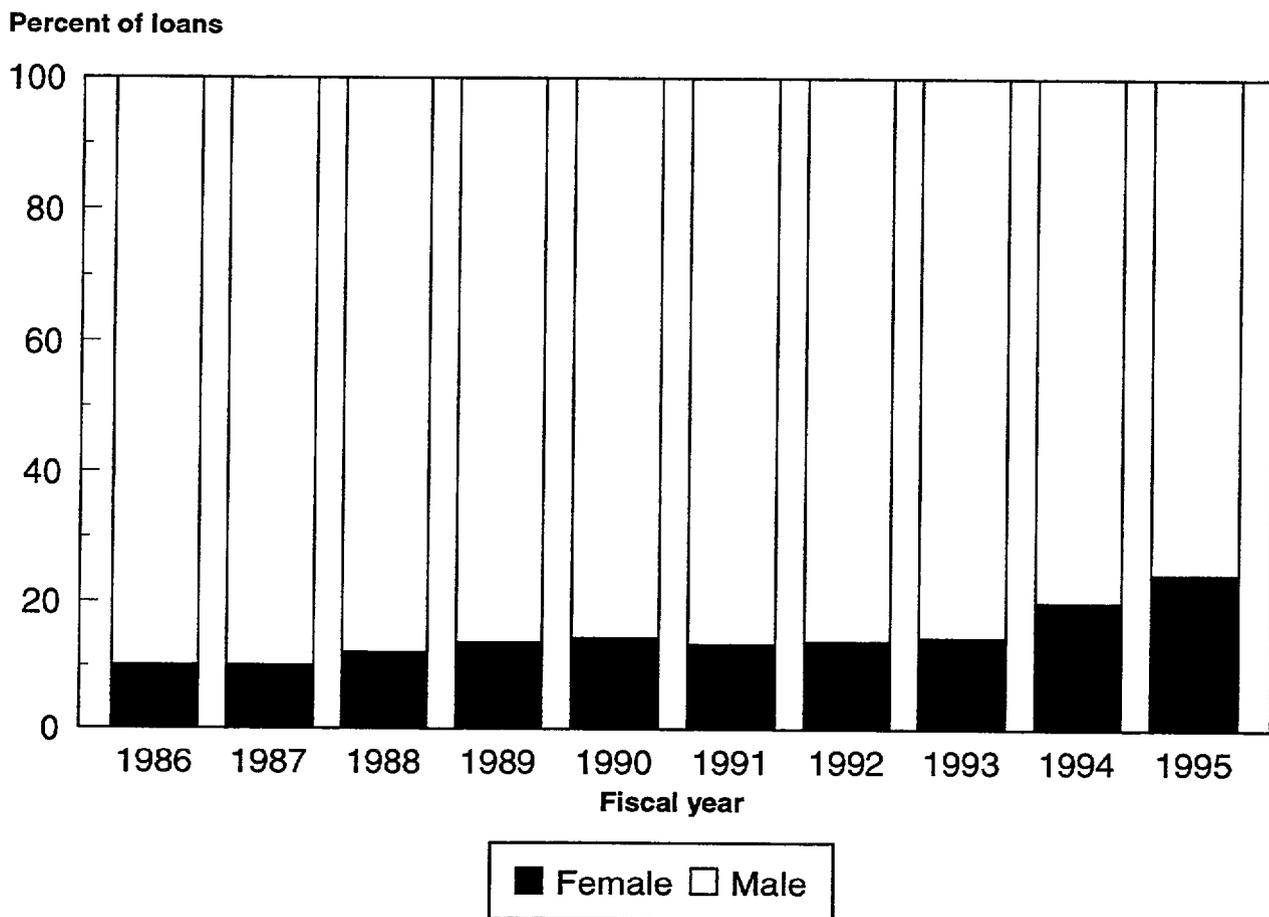
Figure I.13: Percentage of Disbursed 7(a) Loan Dollars,  
by Borrowers' Gender, Fiscal Years 1986-95



Note: All percentages calculated using constant 1995 dollars.

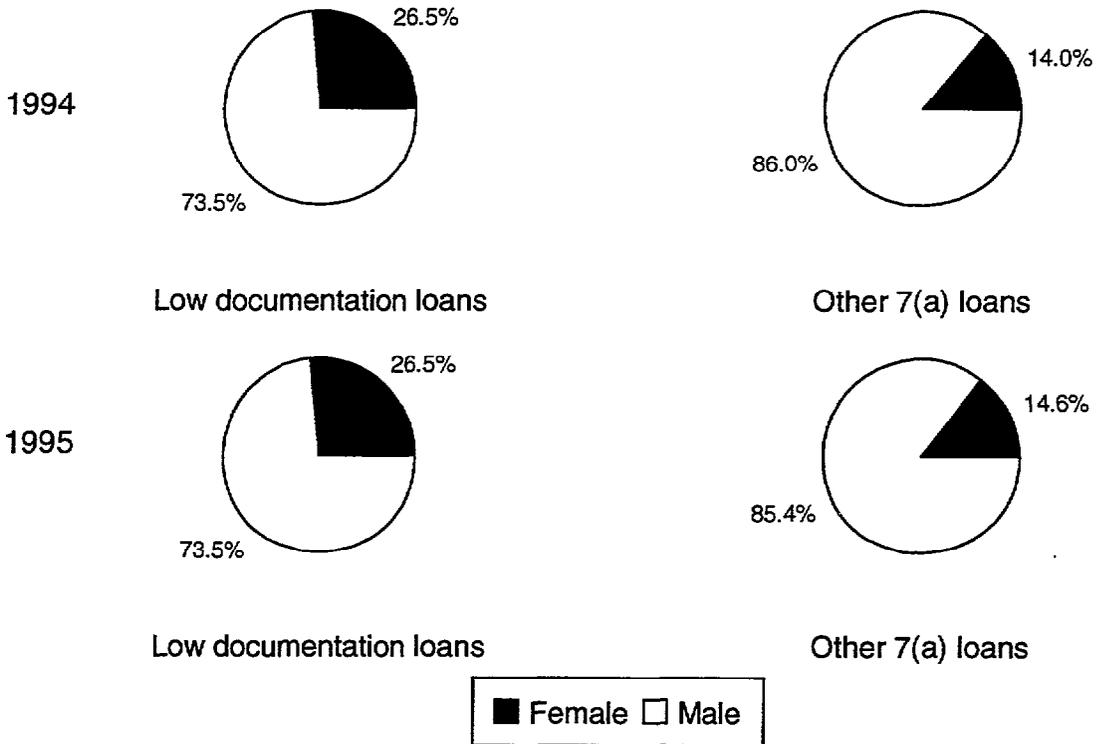
Source: GAO's analysis of SBA's data.

Figure I.14: Percentage of Disbursed 7(a) Loans, by Borrowers' Gender, Fiscal Years 1986-95



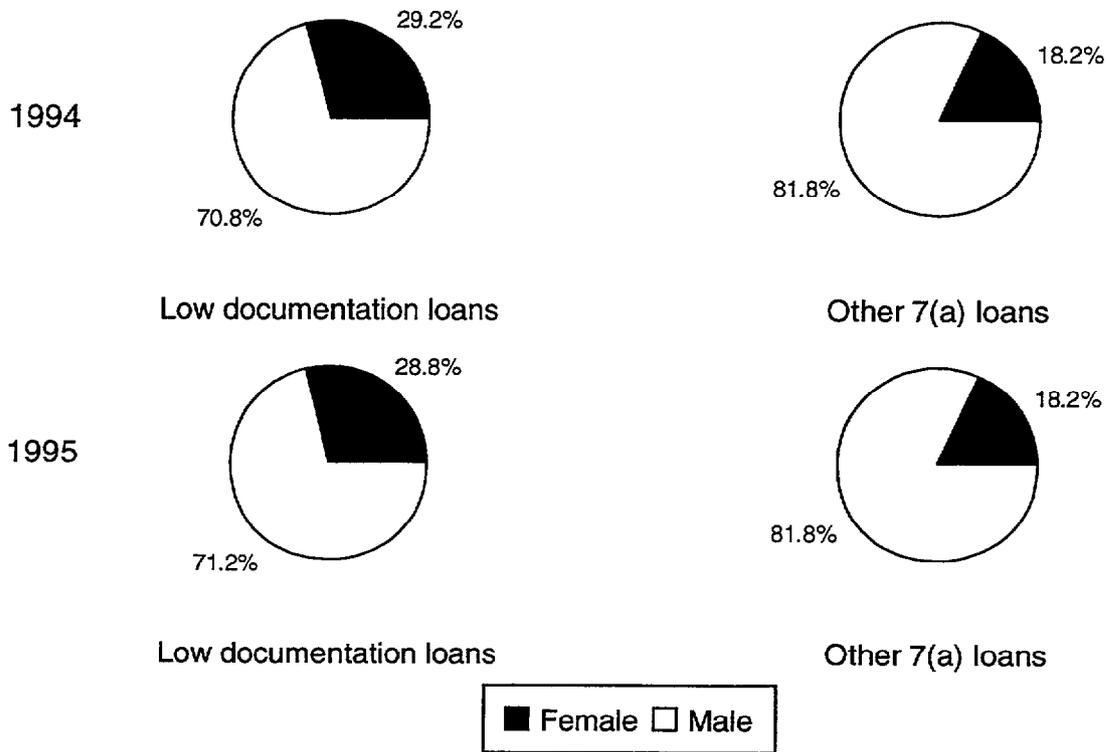
Source: GAO's analysis of SBA's data.

Figure I.15: Percentage of Disbursed Loan Dollars for Low Documentation and Other 7(a) Loans, by Borrowers' Gender, Fiscal Years 1994-95



Note: All percentages calculated using constant 1995 dollars.  
 Source: GAO's analysis of SBA's data.

Figure I.16: Percentage of Disbursed Low Documentation and Other 7(a) Loans, by Borrowers' Gender, Fiscal Years 1994-95



Source: GAO's analysis of SBA's data.

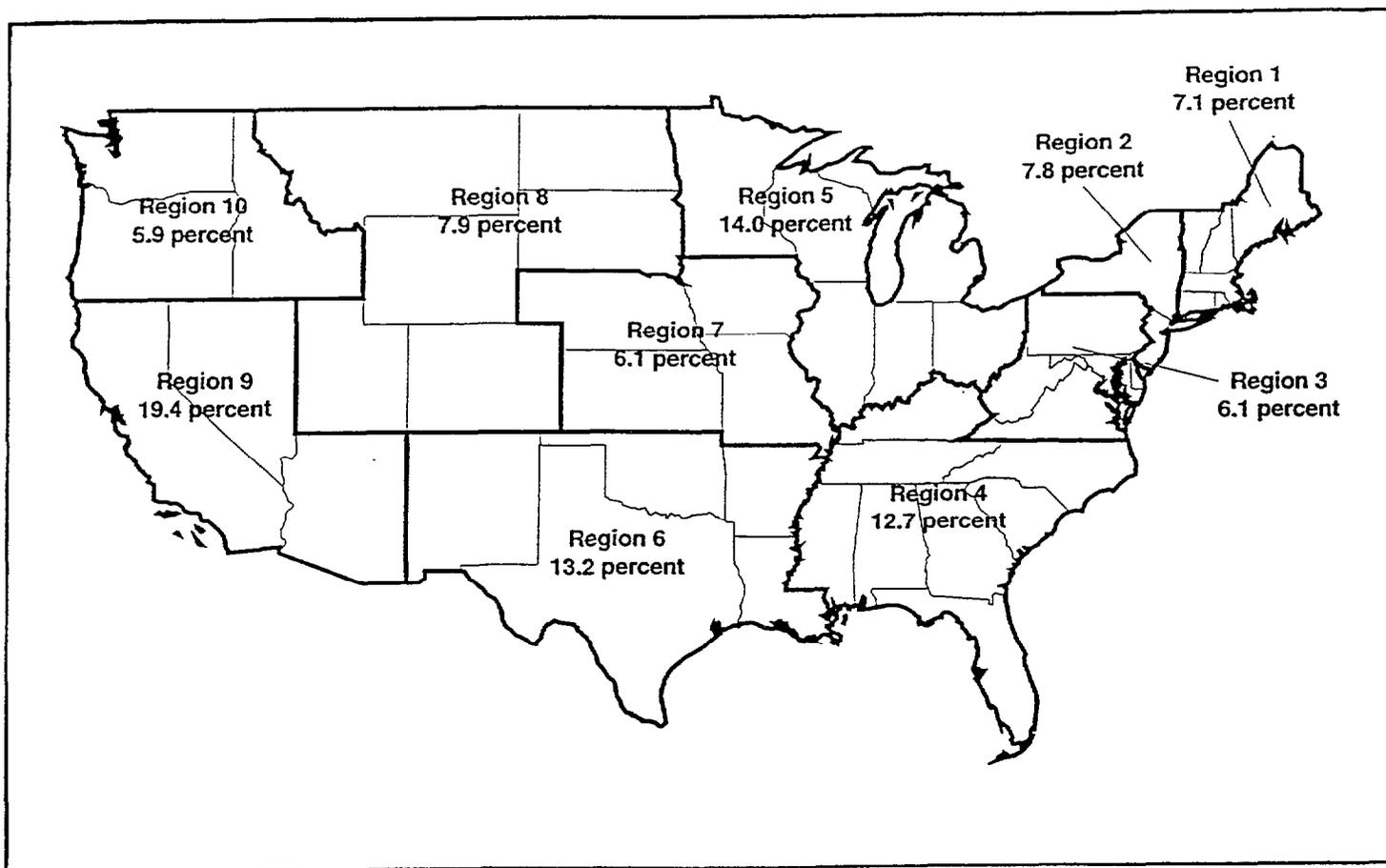
Table I.8: Percentage of Disbursed 7(a) Loan Dollars,  
by SBA Region, Fiscal Years 1986-95

Region	Fiscal year									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
1	5.9	6.0	7.3	6.0	4.7	4.1	6.5	6.7	6.6	7.1
2	8.1	8.3	8.2	7.5	7.2	7.0	7.1	7.9	8.3	7.8
3	4.3	3.7	3.8	3.7	3.8	4.0	4.2	4.4	4.9	6.1
4	11.7	14.9	15.7	17.7	14.2	12.9	13.3	14.7	14.3	12.7
5	15.4	13.5	13.1	13.5	13.4	12.3	11.6	12.2	11.8	14.0
6	12.1	11.9	13.0	11.1	11.4	12.1	13.5	14.2	14.6	13.2
7	11.1	10.6	8.4	7.6	7.0	6.1	7.0	6.9	6.4	6.1
8	7.8	8.5	6.3	6.7	7.2	6.9	7.3	7.0	7.4	7.9
9	17.7	17.8	19.3	21.3	26.3	29.3	24.2	19.5	19.6	19.4
10	5.8	4.8	4.9	4.8	4.9	5.3	5.5	6.5	6.1	5.9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: All percentages calculated using constant 1995 dollars.

Source: GAO's analysis of SBA's data.

Figure I.17: Percentage of Disbursed 7(a) Loan Dollars by SBA Region, Fiscal Year 1995



Notes: All percentages calculated using constant 1995 dollars.

The percentages shown in the map follow SBA's practice of including data for Puerto Rico and the Virgin Islands in Region 2, Hawaii and Guam in Region 9, and Alaska in Region 10.

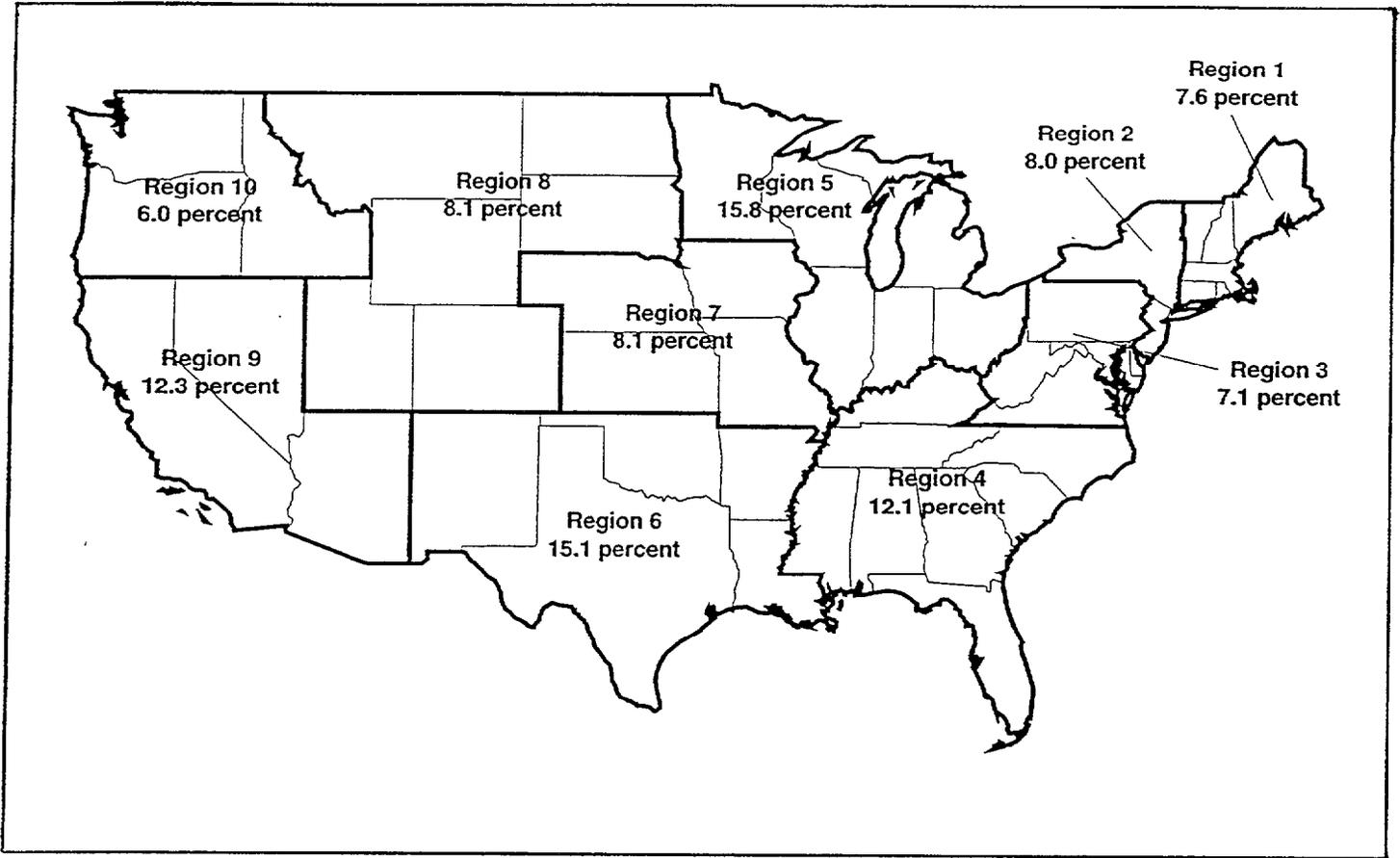
Source: GAO's analysis of SBA's data.

Table I.9: Percentage of Disbursed 7(a) Loans,  
by SBA Region, Fiscal Years 1986-95

Region	Fiscal year									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
1	6.2	6.1	7.6	6.9	5.8	5.2	7.1	7.2	7.1	7.6
2	9.0	8.4	8.6	8.5	8.5	8.5	9.3	10.1	9.3	8.0
3	4.4	3.8	3.8	3.7	4.1	4.7	4.7	4.6	5.4	7.1
4	9.7	12.3	13.7	14.9	12.7	12.0	11.9	12.3	11.7	12.1
5	13.7	12.7	12.0	12.4	12.9	12.1	11.0	11.1	11.1	15.8
6	11.9	11.5	12.3	10.9	11.1	11.9	13.2	14.6	18.9	15.1
7	14.8	14.4	12.1	11.3	10.7	9.3	10.0	9.5	8.4	8.1
8	8.8	9.2	7.6	7.8	8.6	8.7	8.9	8.1	8.0	8.1
9	16.0	16.1	16.9	18.0	19.6	21.3	17.7	15.7	14.0	12.3
10	5.5	5.5	5.4	5.6	5.8	6.3	6.1	7.0	6.1	6.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: GAO's analysis of SBA's data.

Figure I.18: Percentage of Disbursed 7(a) Loans.  
by SBA Region, Fiscal Year 1995



Note: The percentages shown in the map follow SBA's practice of including data for Puerto Rico and the Virgin Islands in Region 2, Hawaii and Guam in Region 9, and Alaska in Region 10.

Source: GAO's analysis of SBA's data.

Table I.10: Indicators of 7(a) Program's Activity and Cost, Fiscal Years 1986-95

Dollars in millions

Fiscal year	Loans outstanding <sup>a</sup>		Loans purchased <sup>b</sup>		Loans charged off <sup>c</sup>	
	Number	Amount	Number	Amount	Number	Amount
1986	111,670	\$14,646	3,349	\$536	4,453	\$435
1987 <sup>d</sup>	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>
1988	98,277	13,864	3,207	534	4,384	438
1989	95,872	13,999	3,490	586	3,879	385
1990	95,246	14,459	3,047	529	3,577	352
1991	97,528	15,553	3,571	649	3,236	322
1992	102,376	17,224	3,626	689	3,237	323
1993	110,091	19,451	3,005	557	2,232	224
1994	121,301	22,270	2,697	519	2,538	260
1995	152,090	25,898	2,773	508	2,394	250

Note: Amounts in constant 1995 dollars.

<sup>a</sup>The loans outstanding include all direct loans and the gross amount of guaranteed loans (including the unguaranteed portion) disbursed as of the end of the fiscal year.

<sup>b</sup>The loans purchased are all loans that SBA bought from the lender during the fiscal year. While the dollar amount is the gross amount of the loans, SBA purchases only the guaranteed portion of the loans.

<sup>c</sup>The loans charged off are all loans SBA deemed uncollectible during the fiscal year.

<sup>d</sup>Fiscal year 1987 data were unavailable because of problems with the archived data tape.

Source: GAO's analysis of SBA's data.

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