

SBA Views on Final Report:
Evaluating Technical Assistance and Economic Opportunity Outcomes of
the Community Advantage Pilot Program

In 2017, Industrial Economics, Incorporated (IEc) conducted an independent evaluation of three specific aspects of the U.S. Small Business Administration's (SBA) Community Advantage (CA) pilot loan program¹: (1) the impact of technical assistance on loan performance, (2) how and to what extent the CA pilot program helps borrowers advance and grow their businesses, and (3) factors that influence loan performance. The Final Report is attached.

SBA considers the Report to contain useful information but wants to highlight the limitations in the data and the methodology to prevent misunderstanding by the reader. SBA also notes that the Report does not constitute a comprehensive review of the pilot program. SBA has the following observations regarding the Report:

- Although the program data indicated that there is no statistically significant relationship between technical assistance and loan performance, the report concluded, based on a limited number of interviews, that it is highly likely that technical assistance positively impacted loan performance.
- The conclusions on technical assistance are subject to the limitation that there was no uniform definition of technical assistance.
- The demographic data are self-reported, which may affect its reliability as a basis for conclusions about the relative performances of different demographic groups.
- The lender and borrower interviews were few in number and may not be representative of either population.
- The reliability of the information obtained in the interviews may have been affected by the interviewees being told that SBA management would consider the results of the evaluation in deciding whether to make the CA pilot program permanent.
- Most CA loans were made within two years of the date of the study, which may be too early to evaluate loan performance.
- Comparisons between the performance of CA loans and loans in the 7(a) and microloan programs may be misleading due to differences in the average age of the loans.

Next Steps: SBA appreciates the opportunity to learn from this evaluation and will continue to examine the CA pilot program to determine whether it is meeting its objectives. SBA intends to assess pilot loan program performance to further inform SBA management's decisions.

¹ The SBA contract number is SBAHQ-17-A-0018.