RECENT EXPERIENCE WITH THE SBLA:

ECONOMIC IMPACTS, INCREMENTALITY AND RISK PROFILE ANALYSIS

ADDENDUM

REPORT ON ISSUES ARISING FROM DISCUSSION OF AUG. 29 1994.

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1. Breakdown of SBLA Borrowers by Technology Level of Final Product/Service

Table A-1 presents the breakdown of SBLA Borrowers and term loan non-SBLA borrowers by the self-reported level of technology of the final product or service.

Table A-1

Technology Content	SBLA Borrowers (221 cases)	non-SBLA Borrowers (692 cases)	All Respondents
High technology	10.4%	9.7%	9.9%
Medium technology	37.1%	40.8%	39.9%
Low technology	52.5%	49.6%	50.3%

The breakdown of borrowers by technology content does not differ significantly between SBLA borrowers and non-SBLA borrowers. The proportion of high-tech borrowers is consistent with the proportion of high tech businesses in general.

2. Breakdown of Interest Rates on SBLA Loans

Table A-2 presents the frequency distribution of interest rates on SBLA loans.

Table A-2

Margin Above Prime	Proportion (%) of Borrowers (434 cases)
At Prime	2.0
0.50	1.4
0.75	2.0
1.00	41.0
1.25	3.8
1.50	12.0
1.75	37.8

All but 10 of the loans investigated under the Carleton University survey had been issued subsequent to the April 1993 amendment of the SBLA (for this reason, the issue of incrementality as a function of time cannot be assessed.).

3. Breakdown of SBLA Lending by Firm Size

The proportion of firms that have borrowed under the SBLA and that report annual sales in excess of $2 million represent 8.73 percent of the sample of SBLA borrowers. These firms tend to borrow more than the average amounts and account for 10.34 percent of funds borrowed under the SBLA. (Findings based on sample size of 401 cases).

4. Use of Proceeds by Major Industry Sector

Table A-3 present the number of responses, by major industry category, of uses of funds. The number of responses are presented here instead of proportions so that readers may better appreciate that further breakdowns (e.g. incrementality measures by use of proceeds) may not be instructive. These findings are based on the telephone survey of 176 cases that followed-up the Carelton University sampling of 1,393 bank loan files.

Table A-3

Sector	New Premises	New Equipment	Leasehold Improvements	Other
Construction	1	4		
Manufacturing	1	22	9	3
Retail	3	34	18	1
Services	4	44	18	4
Professions	3	16	2	2
Finance, Real Estate		2	2	
Wholesale		3		
Transportation etc.		11	1	1

The small number of clear responses on this question is problematic. Nonetheless, they do show that leasehold improvements predominate in the retail and services sectors. In both cases, leasehold improvements tend to be part of a package of uses that includes new equipment acquisition. These small numbers show that a cross tabulation of these responses by size of borrower or date of borrowing would not be instructive. Likewise totals are not meaninglful because of the multiple response nature of the question and the high rate of non-response.