

## “How SBA Loan Effects Vary with Local Area Characteristics”

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J. David Brown is a senior economist in the Center for Economic Studies at the U.S. Census Bureau. His fields of interest are corporate finance, labor economics, and industrial organization. Prior to joining the Census Bureau in 2009, he was a reader in finance at Heriot-Watt University in Edinburgh, Scotland, and an assistant professor at the Stockholm School of Economics. He has published articles in the *Journal of Political Economy*, the *American Political Science Review*, the *Economic Journal*, the *Journal of Regional Science*, and the *Journal of Comparative Economics*, among others. He received a U.S. Dept. of Commerce Silver Medal Award in 2013. Brown earned a PhD in economics from the University of Pennsylvania in 1996.

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**Summary and Findings:** We study the extent to which SBA 7(a) and 504 loan guarantees are targeted toward businesses in low-income and minority neighborhoods and whether there exist differential employment effects of loan guarantees by neighborhood income, population density, race, and Hispanic origin. We link a list of all Small Business Administration (SBA) loans in these programs to universal data on all employers in the U.S. economy from 1976 to 2010 and Census data on local area characteristics. Our method is to estimate firm fixed effect regressions using matched control groups for the SBA loan recipients we have constructed by matching exactly on firm age, industry, local median household income categories, population density categories, percent African-American categories, and percent Hispanic categories, plus kernel-based matching on propensity scores estimated as a function of four years of employment history and other variables. We find that a higher share of African-American-owned businesses receive SBA loans, but those loans tend to be smaller than those received by white-owned businesses. The regression results suggest that SBA loans are associated with less job creation in African-American neighborhoods, even when median income is high. The disparity between the loan effects in white and minority neighborhoods is especially great in urban areas.