Press Release

Small Business Investment Companies: A Primer

ANDREW EVANS | MARCH 9, 2021

As lawmakers consider further ways to boost the economy, attention has shifted to the Small Business Administration's Small Business Investment Company (SBIC) program as a potential vehicle for supporting small businesses. In a new primer, AAF's Director of Financial Services Policy Thomas Wade outlines the history and current structure of the SBIC program. This program combines government financing with private-sector expertise, making it "one of the most successful public-private partnerships in U.S. history," Wade writes.

Wade concludes:

> *For over 60 years the SBA has provided financing to hundreds of licensed investment companies investing in thousands of American small businesses. While $67 billion over this period is small by comparison to the $679 billion disbursed to date by the Paycheck Protection Program, the SBIC has many attractive features to consider. While the SBA is prescriptive in setting out the targets for SBIC investments, and applies careful scrutiny and oversight of its licensees, it is no more involved than that (outside of the provision of financing!). Investment managers with decades of experience, and not government, determine who to invest in, and they do so with real skin in the game with the requirement to front private capital. While interest rate and loan terms are extremely generous, they are still tethered to a market reality.*

Read the Primer