CONTENTS OF THIS REPORT ARE EMBARGOED UNTIL 1:00 PM EST ON DECEMBER 20, 2016

2015 SMALL BUSINESS CREDIT SURVEY

Report on Nonemployer Firms

FEDERAL RESERVE BANKS *of*

NEW YORK
ATLANTA
BOSTON
CLEVELAND
PHILADELPHIA
RICHMOND
ST. LOUIS

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Our hope is that this report contributes to policymakers' and service providers' understanding of the business conditions, credit needs, and borrowing experiences of nonemployer firms. A survey and report of this scope are made possible only through an extensive network of partners and collaborators, for which we are truly grateful. The Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond, and St. Louis thank the community partners in our Districts that distribute and promote the survey and share valuable insights with us about financing and service needs in their communities.[1] We also wish to thank the National Opinion Research Center (NORC) at the University of Chicago for assistance with the weighting methodology used to make the Small Business Credit Survey (SBCS) statistically representative.[2]

We also thank colleagues within the Federal Reserve System, especially the Community Affairs Officers, and representatives from the U.S. Department of the Treasury, U.S. Small Business Administration, The Aspen Institute, and Urban Institute for their feedback and support.

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1 For a full list of community partners, please see the Appendix.
2 For complete information about the survey methodology, please see the Methodology section.

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This report is the result of the collaborative effort, input, and analysis of the following individuals.

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We thank all of the above for another successful collaboration. The 2016 SBCS is being fielded at the time of this release and has even broader coverage. The first report on those results is expected during the first half of 2017. The views expressed here are those of the authors and do not necessarily represent the views of the Federal Reserve System.

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EXECUTIVE SUMMARY

2015 SMALL BUSINESS CREDIT SURVEY: NONEMPLOYER FIRMS REPORT

Small nonemployer businesses—those with no employees other than the firms' owners—make up nearly 80% of all U.S. firms in number.[3] Yet, little is known about the performance or the financing needs and decisions of these 23 million businesses. The few sources that provide insight on small business credit conditions do not distinguish the experiences of nonemployers from small employer firms, which may differ significantly.

The 2015 Small Business Credit Survey (SBCS) helps to address these gaps. The survey collected 1,576 responses from nonemployer firms. These responses shed light on the experiences of these small business entities, including firm performance and financing outcomes.

The SBCS was first launched in 2014 through an effort that merged the regional surveys conducted by several Federal Reserve Banks.[4] The survey expanded its geographic coverage in 2015 to include 26 states.[5] The 2015 survey yielded 5,420 responses. The report on employer firms, which was released earlier this year, found the net share of firms reporting profitability, revenue growth and employment growth all increased from the 2014 survey. Moreover, half of applicants reported receiving all of the financing they applied for in 2015.

This report highlights the results for the nonemployer respondents.[6] The survey results illustrate some of the unique characteristics and challenges that set nonemployer businesses apart from employer firms. While these firms, by definition, have no employees, nearly a third use contract workers. The survey results show that profitability is often a challenge for nonemployers, particularly the smaller firms. Finally, just 32% of firms applied for financing in the prior year, and among applicants, the majority reported difficulties obtaining all or even some of the funding they sought.

KEY FINDINGS FOR NONEMPLOYER FIRMS

Overall, the 2015 survey finds that for nonemployer firms:

Owners rely on their businesses for income. Two-thirds of nonemployer businesses provide the primary source of income for their owner(s). While owners of smaller revenue firms are generally less dependent on their business than owners of larger firms, about half of firms with less than $25K in annual revenues provide the owner's primary source of income. The larger firms—those with annual revenues greater than $100K—are most likely to serve as the owner's primary income source.

Nonemployers are struggling to make a profit, and the owners bear much of the burden. Only 35% of nonemployers indicated they're operating profitably. Their top two challenges in doing business are generating sales and managing cash flow. 44% of all nonemployers rely primarily on the personal funds of the owner to run the business. Among smaller and newer firms, nearly two-thirds are reliant on the owner's personal funds as a primary funding source for the business.

Many firms are debt averse. 68% of nonemployers did not apply for financing in the prior year. One-third of nonapplicants did not want to accrue debt and another quarter believed their application would not be approved. Collectively, applicants were less profitable than the nonapplicants.

Applicants report issues with the lending process across a variety of lenders, but they are more satisfied with small banks. Applicants for loans and lines of credit turned mostly to large and small banks, but a noteworthy share (28%) sought credit at an online lender. When applicants were asked about their satisfaction with each of these sources, large banks and online lenders fared the worst; 62% of applicants to large banks and 55% of applicants to online lenders were dissatisfied with their experience overall, compared to 39% of applicants to small banks. The top complaint with large banks is a difficult application process. Online lenders received relatively low marks on repayment terms and interest rates, especially when compared to banks.

More detailed findings on nonemployer firms from the 2015 survey include:

Business operations and debt

- 32% of nonemployer firms report that they had relied on contractors in the prior 12 months. Among the largest nonemployer firms ($100K+), nearly half said they utilized contractors.
- 40% reported they have outstanding debt; slightly more than half of nonemployer firms owe less than $25K.

Financing experiences and outcomes

- 32% applied for financing in the prior 12 months, and 83% of these applicants sought a business loan or line of credit.
- Most applicants sought financing advice from one or more sources. Two-thirds turned to their banker or lender for guidance.

3 U.S. Census Bureau nonemployer statistics (May 2016 release).
4 See the Joint Small Business Credit Survey Report, 2014 (Federal Reserve Banks of New York, Atlanta, Cleveland, and Philadelphia). Note that the analysis of the 2014 data reported on the collective responses of nonemployer and employer firms; nonemployer findings were summarized separately in a Federal Reserve Bank of Atlanta discussion paper, *The Financing Experiences of Nonemployer Firms: Evidence from the 2014 Joint Small Business Credit Survey*, July 2015, by Stephanie Rosoff and Ellie Terry.
5 The 2015 Small Business Credit Survey was a collaborative effort of the Federal Reserve Banks of Atlanta, Boston, Cleveland, New York, Philadelphia, Richmond, and St. Louis.
6 *2015 Small Business Credit Survey: Report on Employer Firms* (March 2016).

- Overall, 59% of applicants were approved for at least some financing. Approval rates were highest among the largest firms; 73% of nonemployers with $100K or more in annual revenue were approved for at least some of the financing they were seeking.
- Smaller firms had a much more difficult time accessing funding. As a group, their approval rate was just 52%. The main factor determining where they applied was their perceived chance of being funded. The smallest firms (revenues less than $25K) were nearly twice as likely to apply with an online lender as nonemployers with $100K in annual revenue. Application rates to online lenders were 19%, and 37%, respectively.[7]
- Among the most commonly used lenders, approval rates were highest at small banks, with 52% of applicants reporting they were approved for at least some funding. Online lenders had the second-highest approval rate, at 45%.

Financing shortfalls and business impact

- In total, 41% of applicants were not approved for the funding they sought. A low credit score and insufficient collateral were the top reasons firms were not approved for credit.
- One-third of firms that had a financing shortfall reported they would delay plans for expansion. Others would use the owner's personal funds or would be unable to cover their business expenses.

ABOUT THE SURVEY

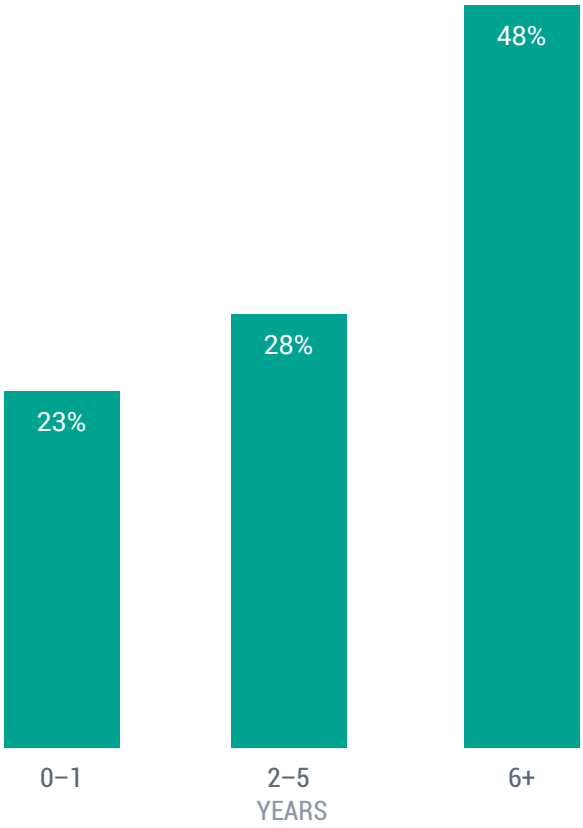
The Small Business Credit Survey (SBCS) is a survey of firms, collecting information about business performance, financing needs and choices, and borrowing experiences of firms with fewer than 500 employees. Responses to the SBCS provide insight into the dynamics behind aggregate lending trends and shed light on noteworthy segments of small businesses. The results are weighted to reflect the full population of small businesses in the 26 states of coverage. The SBCS is not a random sample; therefore, results should be viewed as suggestive and analyzed with awareness of potential methodological biases.

7 Similarly, employer firms that apply to online lenders tend to be smaller, younger, and less profitable than those applying to traditional sources. See *Click, Submit: New Insights on Online Lender Applicants from the Small Business Credit Survey*, https://www.clevelandfed.org/en/newsroom-and-events/publications/special-reports/sr-20161012-click-submit.aspx

DEMOGRAPHICS

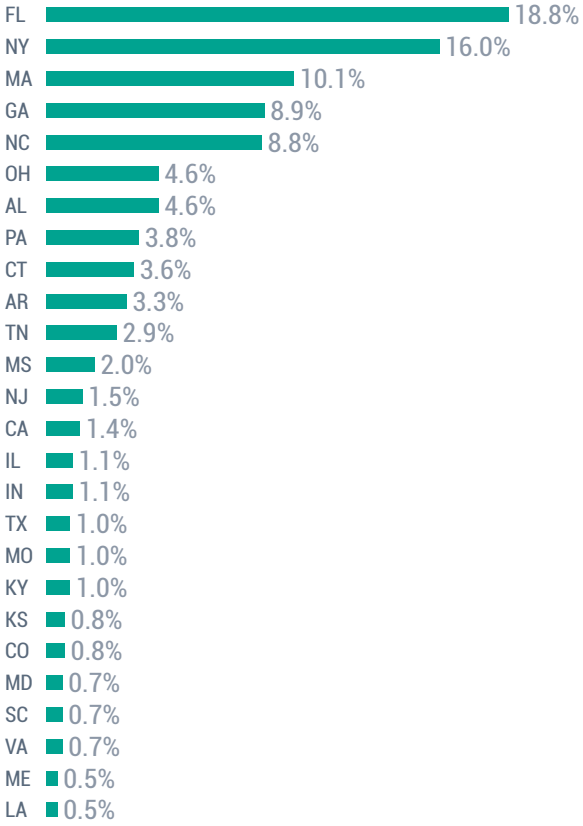
AGE OF FIRM (% of nonemployer firms)

N=1576



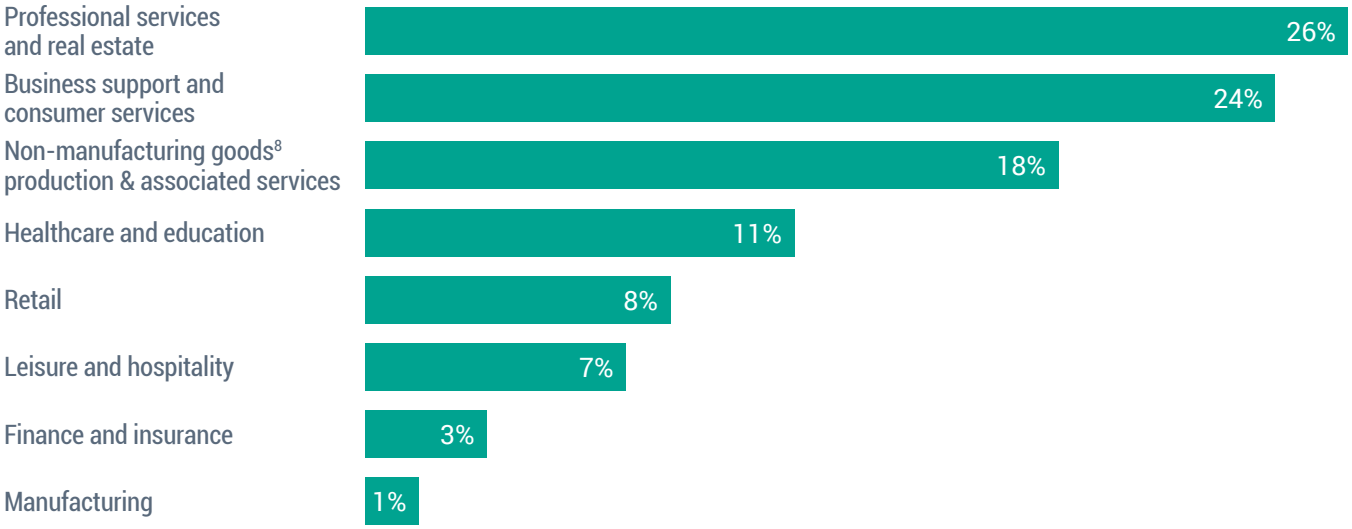
STATE (% of nonemployer firms)

N=1576



INDUSTRY (% of nonemployer firms)

N=1576



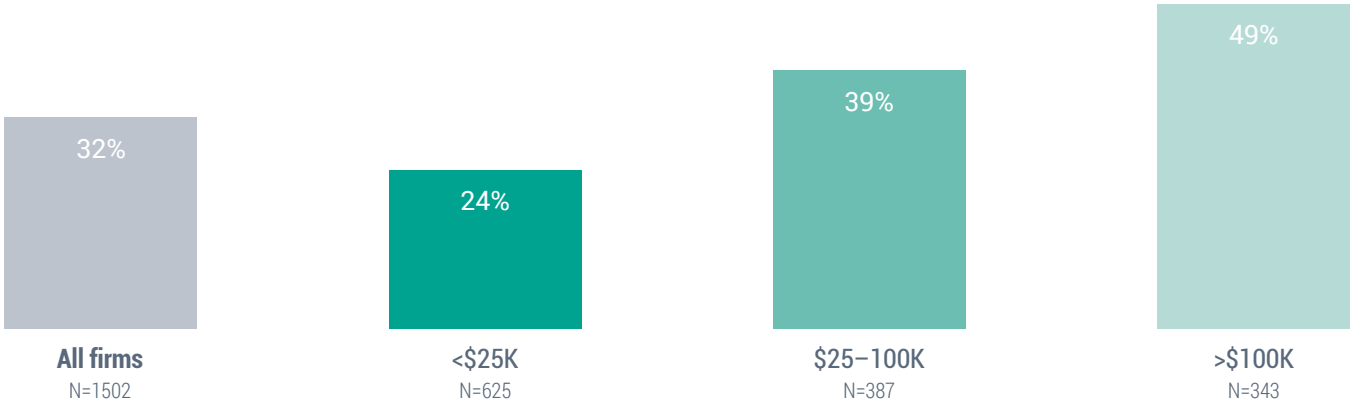
8 Includes agriculture, mining, utilities, transportation, warehousing, and wholesale trade.

DEMOGRAPHICS (CONTINUED)

REVENUE SIZE OF FIRM (% of nonemployer firms)

N=1355

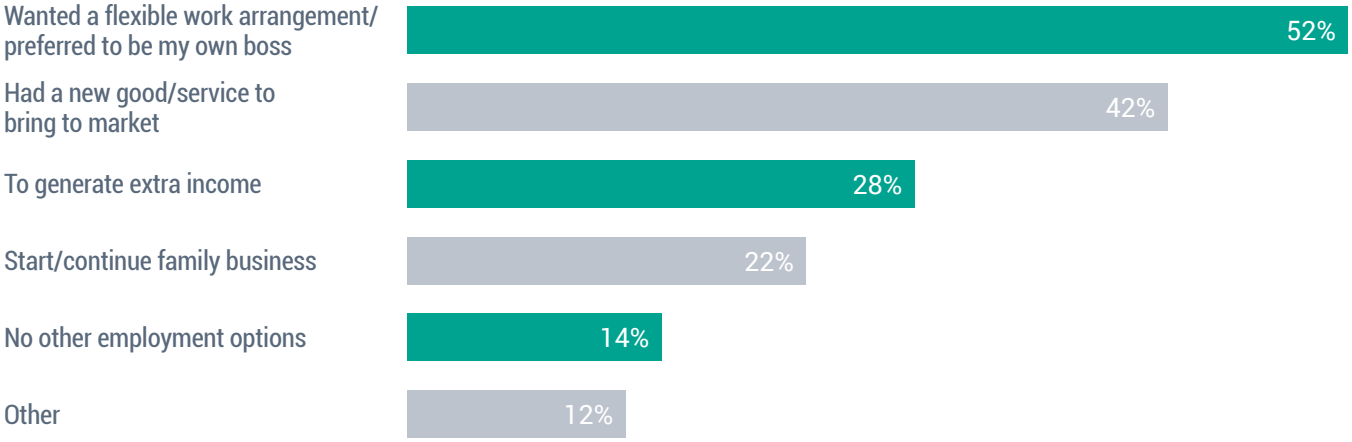
USE OF CONTRACT EMPLOYEES BY REVENUE SIZE OF FIRM (% of nonemployer firms)



Total N does not always equal the sum of sub-categories because firms are not required to answer all of the survey questions.

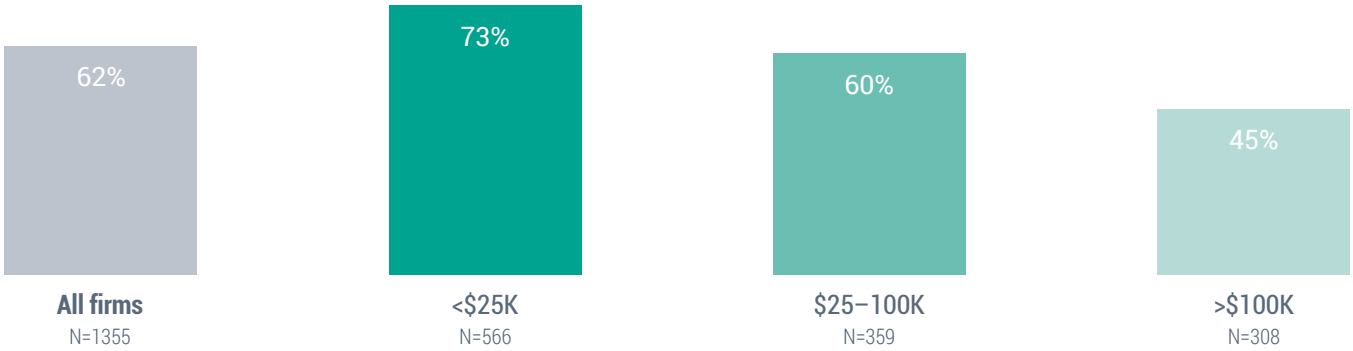
REASON(S) FOR STARTING BUSINESS (% of nonemployer firms)

N=1407



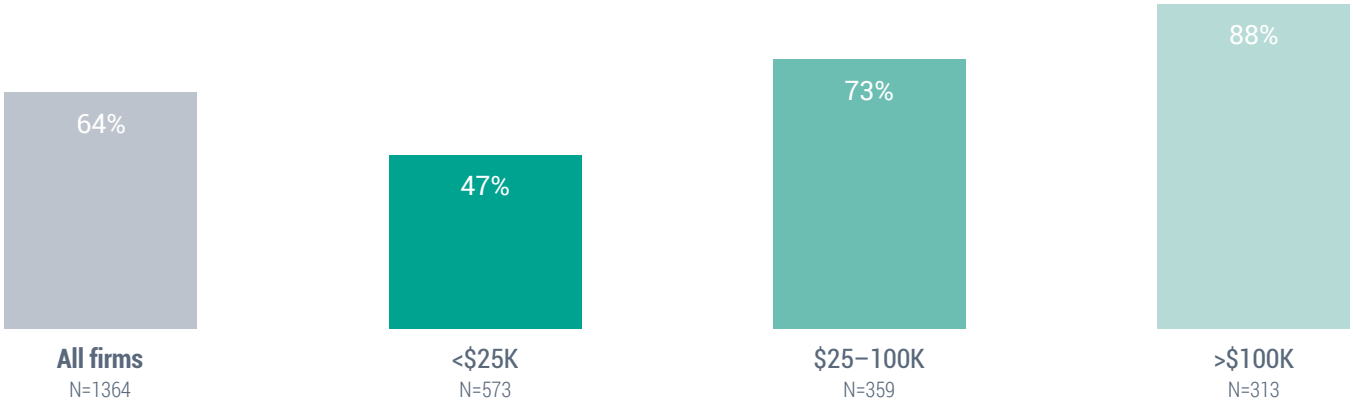
The smallest firms are more likely to be home-based and less likely to be the owner's primary source of income.

HOME-BASED BUSINESS BY REVENUE SIZE OF FIRM (% of nonemployer firms)



Total N does not always equal the sum of sub-categories because firms are not required to answer all of the survey questions.

BUSINESS IS PRIMARY SOURCE OF INCOME BY REVENUE SIZE OF FIRM (% of nonemployer firms)



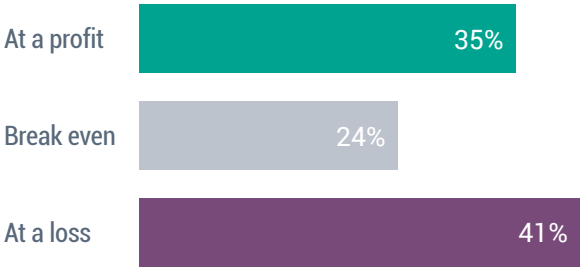
Total N does not always equal the sum of sub-categories because firms are not required to answer all of the survey questions.

INCORPORATED STATUS OF FIRM (% of nonemployer firms)

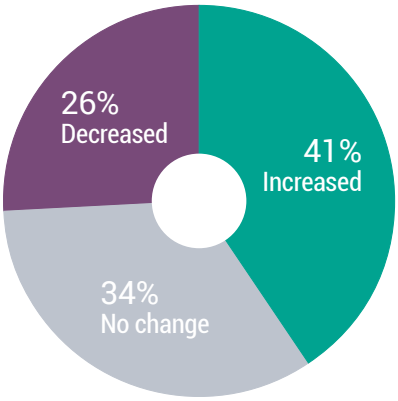
N=1576

41% of nonemployer firms reported they're operating at a loss. Profitability challenges are most significant among the smallest firms.

PROFITABILITY, *End of 2014* N=1315
(% of nonemployer firms)



REVENUE CHANGE, *Past 12 Months*[9] N=1439
(% of nonemployer firms)



Due to rounding, percentages may sum to greater or less than 100.

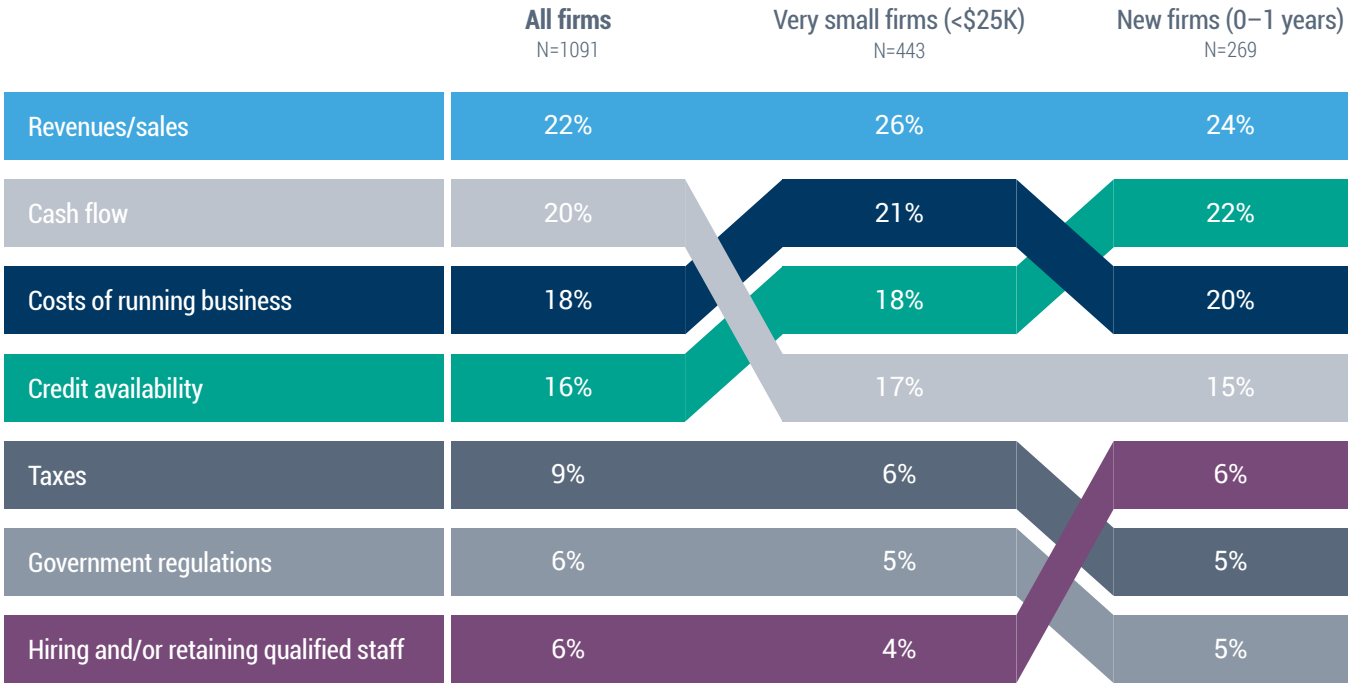
PROFITABILITY BY REVENUE SIZE OF FIRM (% of nonemployer firms)

While most nonemployer firms with less than $25,000 in annual revenue operate at a loss, they also tend to be very young. **Three-quarters are less than 6 years old** and **39% are new firms (0–1 years)**.

9 Approximately Q3 2014 through Q3 2015.

Generating enough revenue to keep the business running is top of mind for nonemployer firms.

TOP BUSINESS CHALLENGE[10] BY TYPE OF FIRM, *Past 12 Months*[11] (% of nonemployer firms)
In order of importance



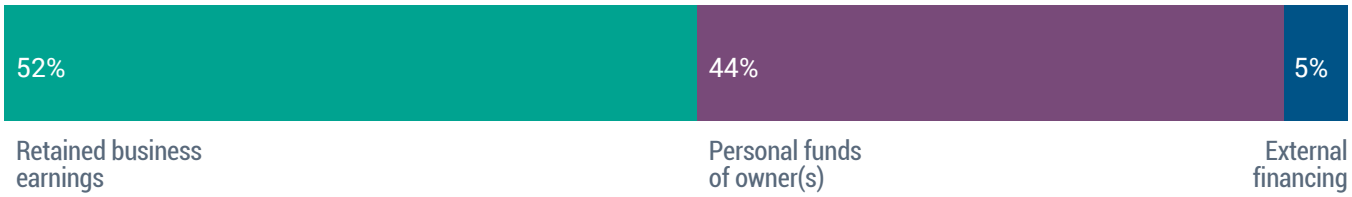
Graph includes percentages for the most commonly cited business challenges and percentages thus do not sum to 100%. Consult questionnaire for complete set of question choices.

10 Select answer choices shown. See appendix for more detail.
11 Approximately Q3 2014 through Q3 2015.

BUSINESS FUNDING AND DEBT

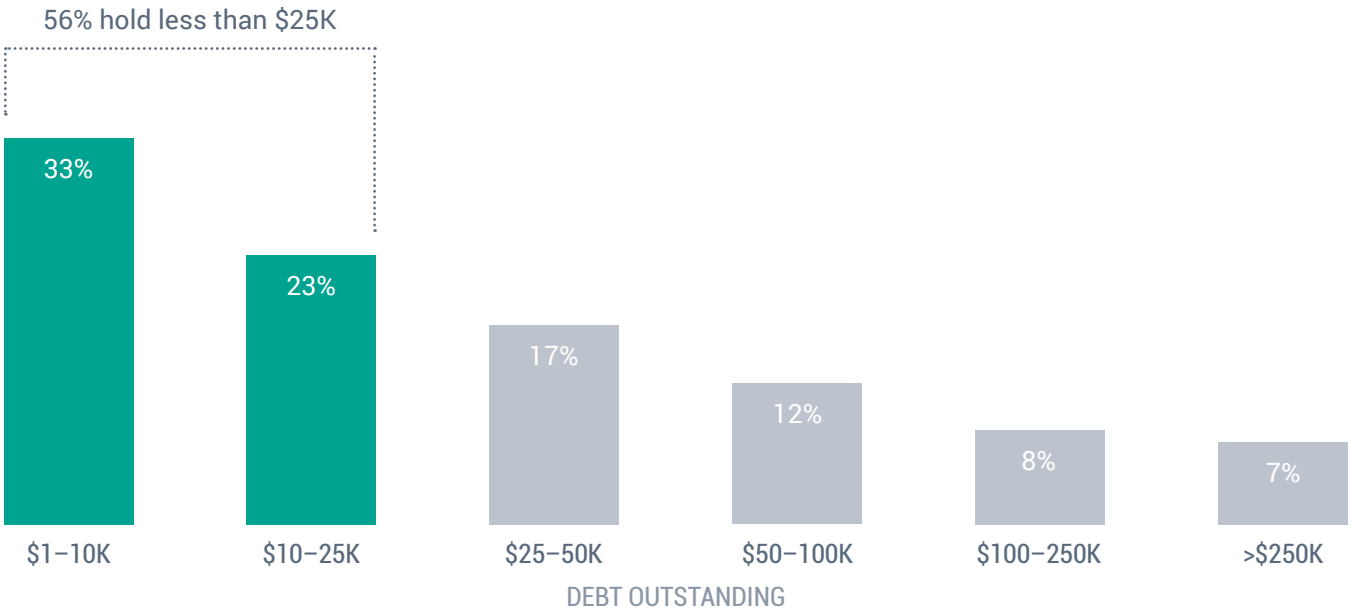
40% of nonemployer firms have outstanding debt, though few firms cite external financing as their primary funding source.

PRIMARY FUNDING SOURCE (% of nonemployer firms) N=1501



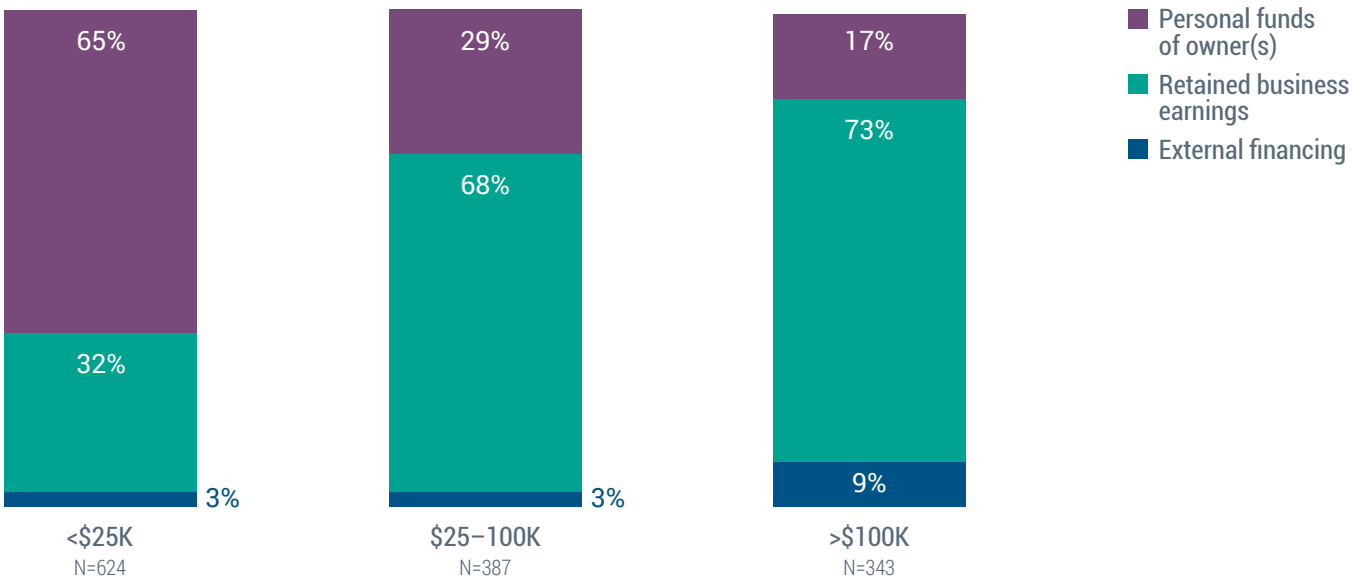
Due to rounding, percentages may sum to greater or less than 100.

AMOUNT OF DEBT, ***at time of survey*** (% of nonemployer firms with debt) N=565



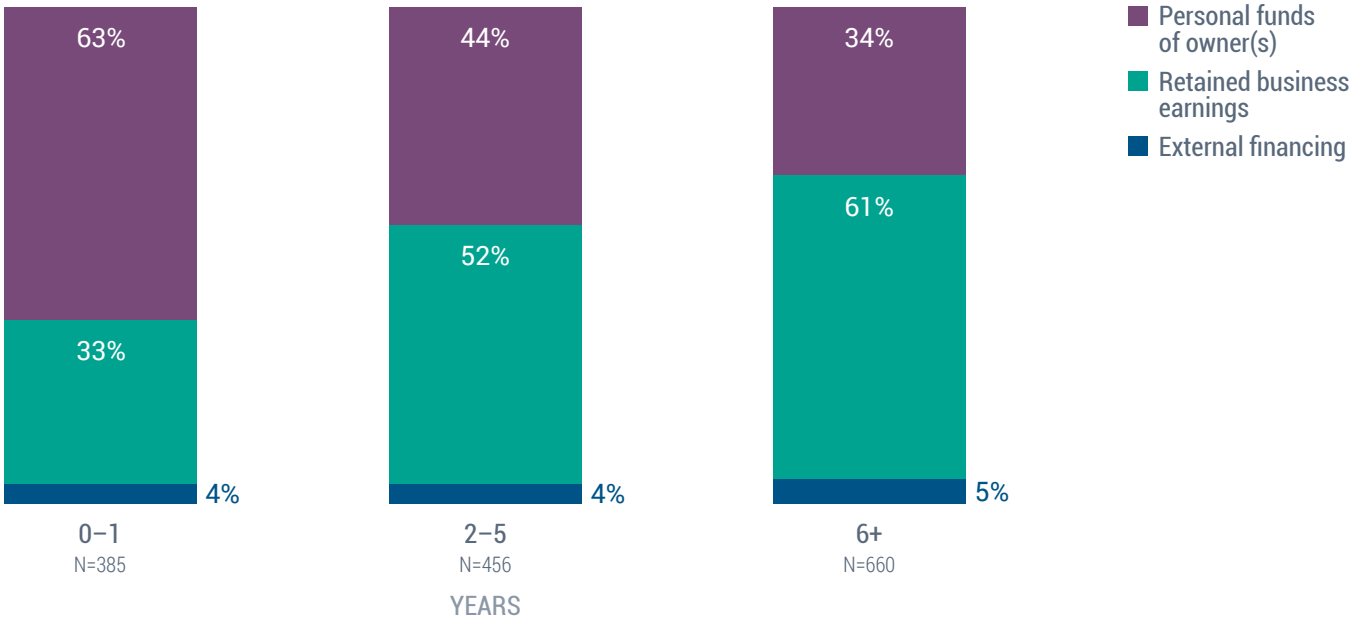
A majority of very small and very young firms rely on the owners' personal funds, but that reliance declines as revenues increase or as a firm matures.

PRIMARY FUNDING SOURCE BY REVENUE SIZE OF FIRM (% of nonemployer firms)



Due to rounding, percentages may sum to greater or less than 100.

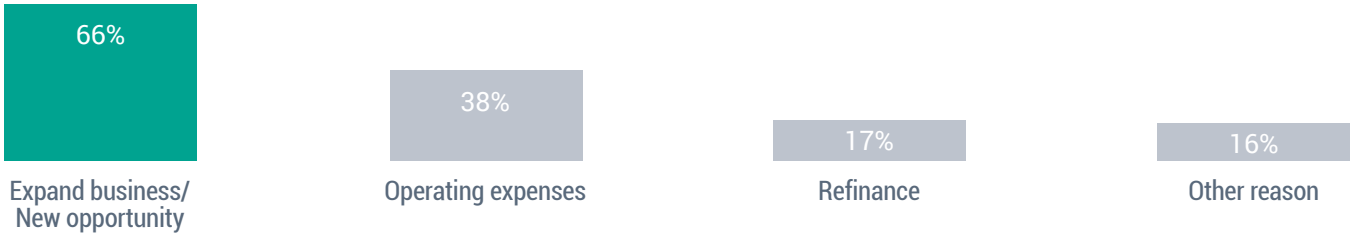
PRIMARY FUNDING SOURCE BY AGE OF FIRM (% of nonemployer firms)



DEMAND FOR FINANCING

32% of nonemployer firms **applied** for financing.

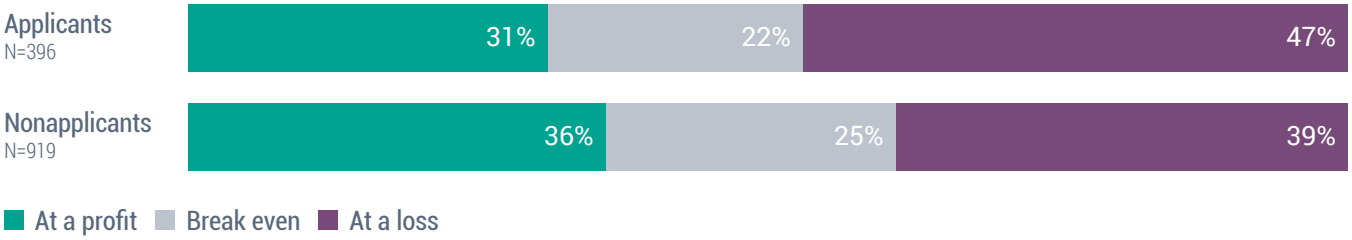
REASON(S)[12] FOR APPLYING (% of applicants) N=454



68% of nonemployer firms **did not apply** for financing.

PRIMARY REASON FOR NOT APPLYING (% of nonapplicants) N=1037

PROFITABILITY[14] OF APPLICANTS AND NONAPPLICANTS (% of applicants and nonapplicants)

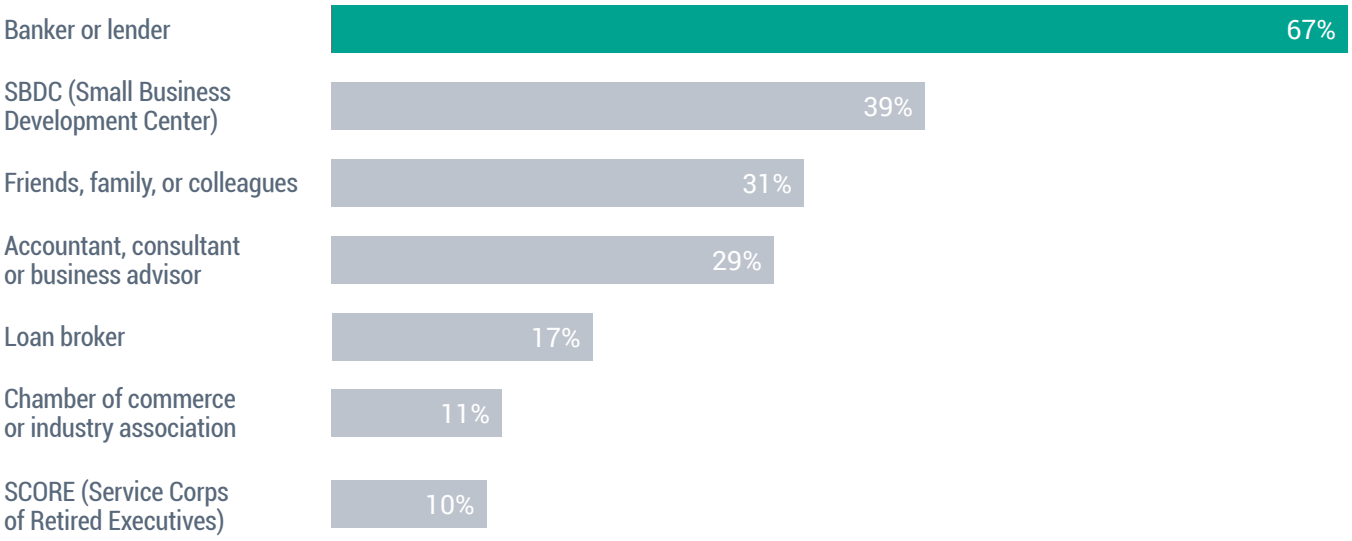


12 Respondents could select multiple answers.
13 Discouraged firms are those that did not apply for financing because they believed they would be turned down.
14 Profitability at the end of 2014.

APPLICANTS

SOURCE(S)[15] OF FINANCING ADVICE (% of applicants)

N=456



TOP FINANCING PRODUCTS[15] SOUGHT (% of applicants)

N=453

83% applied for a loan or line of credit.

39% applied for a credit card.

Demand for **credit cards** was highest among the smallest firms; 45% of applicants with less than $25,000 in annual revenue applied for a credit card.

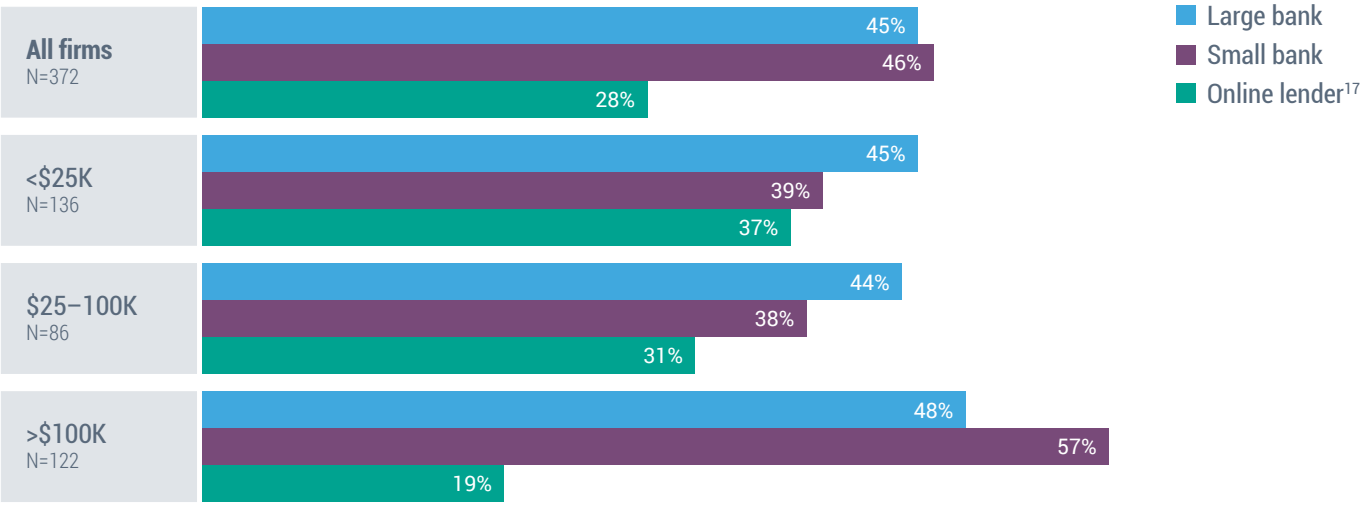
15 Select answer choices shown. See appendix for more detail. Respondents could select multiple answers.

TOP TWO FACTORS[16] THAT INFLUENCE WHERE FIRMS APPLY BY REVENUE SIZE OF FIRM

	<$25K N=170	$25–100K N=101	>$100K N=143
1	Perceived chance of being funded	Perceived chance of being funded	Cost
2	Flexibility of the credit product(s)	Cost	Existing relationship with lender

The smallest nonemployer firms turned to online lenders for funding almost as frequently as they turned to small banks.

CREDIT SOURCES[16] APPLIED TO BY REVENUE SIZE OF FIRM (% of loan/line of credit applicants)



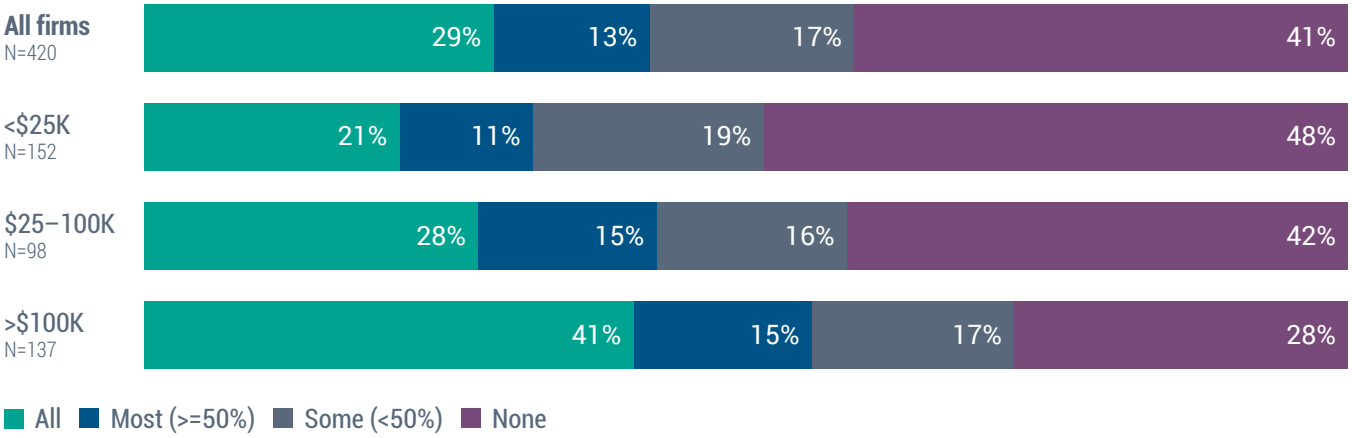
Total N does not always equal the sum of sub-categories because firms are not required to answer all of the survey questions.

16 Select answer choices shown. See appendix for more detail. Respondents could select multiple answers.
17 "Online lenders" are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.

FINANCING APPROVAL

41% of applicants were not approved for any of the funding they sought.

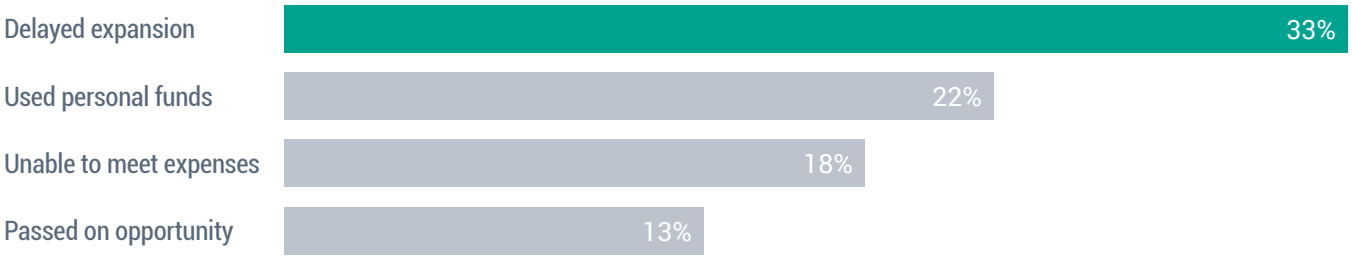
TOTAL FINANCING APPROVED BY REVENUE SIZE OF FIRM, *Select Lenders* (% of applicants)[18]



Total N does not always equal the sum of sub-categories because firms are not required to answer all of the survey questions.

71% experienced a financing shortfall, meaning they received less financing than the amount they sought.

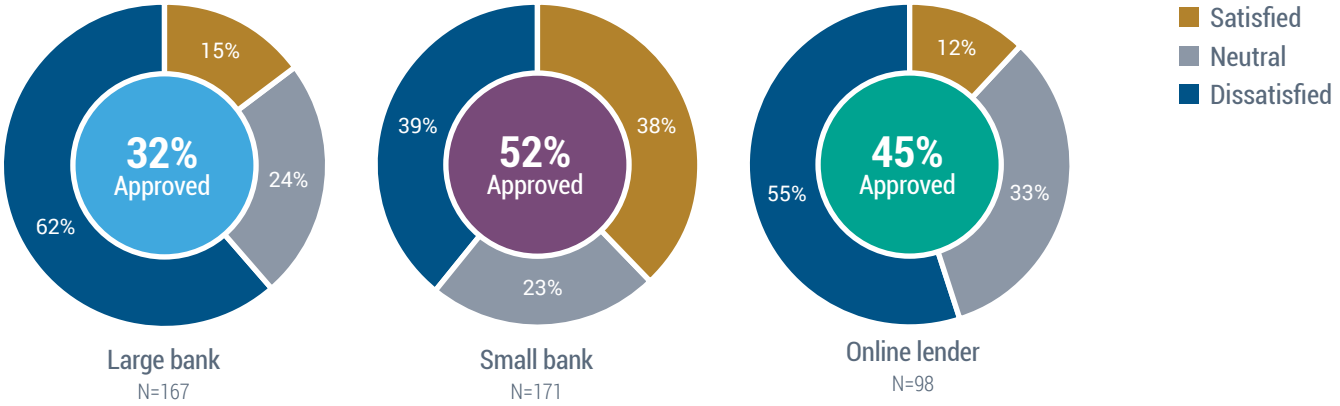
PRIMARY IMPACT[19] OF FINANCING SHORTFALL (% of nonemployer firms with a financing shortfall) N=183



Graph includes percentages for the most commonly cited business challenges and percentages thus do not sum to 100%. Consult questionnaire for complete set of question choices.

18 Firms that were unsure how much they were approved for at the time of the survey are excluded from the chart.
19 Select answer choices shown. See appendix for more detail.

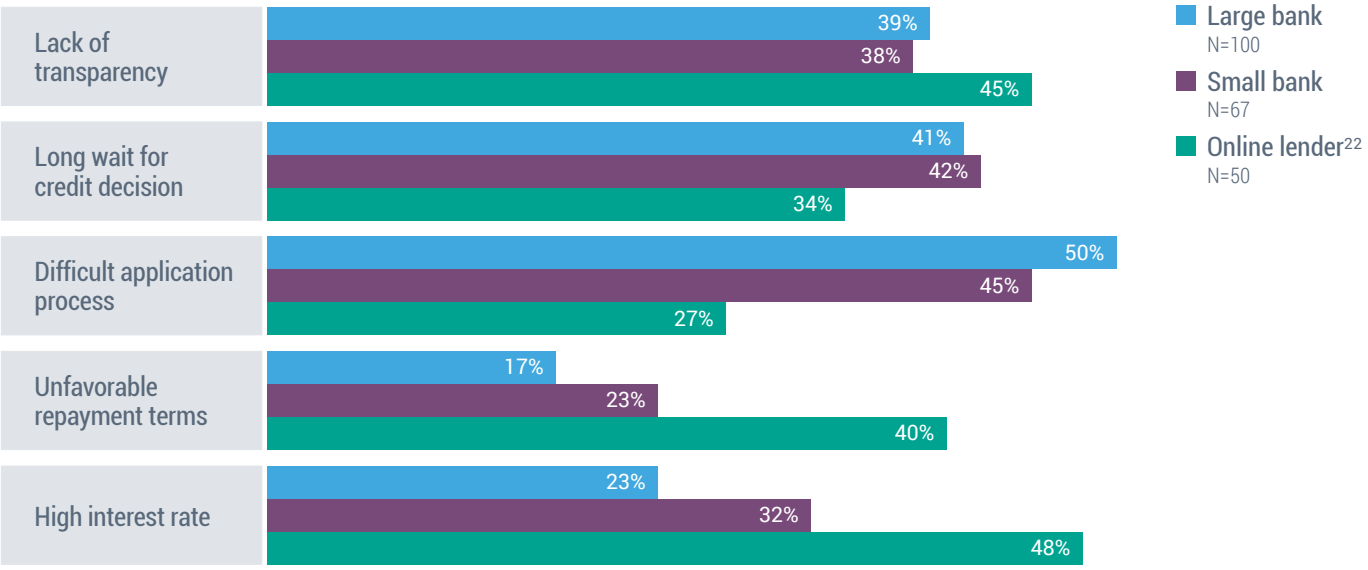
APPROVAL RATES AND LENDER SATISFACTION, *Select Lenders*[20] (% of loan/loc applicants)



Due to rounding, percentages may sum to greater or less than 100.

Most online lender applicants were primarily dissatisfied with high interest rates and lack of transparency, while bank applicants cited concerns with the application process and the wait for a credit decision.

REASON(S)[21] FOR DISSATISFACTION, *Select Lenders*[20] (% of nonemployer firms dissatisfied with lender)



20 Select lenders shown due to low observation count.
21 Respondents could select multiple answers.
22 "Online lenders" are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.

METHODOLOGY

OVERVIEW

The Small Business Credit Survey (SBCS) is a convenience survey conducted by the Federal Reserve Banks of New York, Atlanta, Boston, Cleveland, Philadelphia, Richmond, and St. Louis. The SBCS reports information about the business performance, financing needs and choices, and borrowing experiences of businesses with fewer than 500 employees.

In total, 1,961 nonemployers responded to the survey, which was fielded between September 28, 2015 and November 27, 2015. Some 3,459 responses from employer firms were also captured, and are featured in *2015 Small Business Credit Survey Report on Employer Firms*. The results in both reports are weighted to reflect the full population of small businesses in the 26 states of coverage.[23]

DATA COLLECTION

The SBCS is a convenience survey of establishments. Businesses are contacted by email through organizations that serve the small business community in participating Federal Reserve Districts. The survey is conducted online and typically takes 6 to 12 minutes to complete, depending upon the intensity of a firm's search for financing. Likewise, the number of responses for each question varies according to how many firms received and completed a particular question.

WEIGHTING

The SBCS is not a random sample of small firms, and therefore suffers from a greater set of biases than surveys that contact firms randomly. We attempt to correct for biases resulting from the convenience sample by weighting the results by industry and age so that the distribution of firms in the survey match the distribution of the nonemployer firm population in the coverage area. Specifically, we use a statistical weighting method known as raking to upweight responses of underrepresented firms and downweight overrepresented firms in the survey. The resulting sum of the individual firm weights roughly equals the number of nonemployer firms in the 26 states of coverage. Weighting also ensures that firms are distributed across three age categories and eight industries in a way that mirrors that of the population.[24] Age and industry groupings are determined based on noteworthy differences in financing requests and success across groups, while balancing the need for sufficient observation counts in each category. Still, caution should be taken when interpreting the results. The data are not a statistical representation of small businesses. The data used for weighting come from the 2012 Survey of Business Owners collected by the US Census Bureau.

23 The employer report is weighted along the dimensions of employer size, age, and industry, using data from County Business Patterns and Business Dynamics Statistics, both collected by the U.S. Census Bureau. The nonemployer report is weighted by firm age and industry using data from the Survey of Business Owners.
24 See Demographics section for a complete list of states covered and age and industry stratification.

APPENDIX

A. BUSINESS CONDITIONS

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
PROFITABILITY, END OF 2014				
At a loss	41%	63%	28%	20%
Break even	24%	23%	29%	22%
At a profit	35%	14%	43%	58%
REVENUE CHANGE, PAST 12 MONTHS				
Decreased	26%	18%	31%	35%
No change	34%	43%	23%	22%
Increased	41%	39%	46%	43%
EMPLOYEE CHANGE, PAST 12 MONTHS				
Decreased	9%	5%	11%	17%
No change	88%	94%	85%	76%
Increased	3%	1%	4%	7%
EXPECTED REVENUE CHANGE, NEXT 12 MONTHS				
Will decrease	10%	6%	10%	17%
No change	20%	17%	20%	23%
Will increase	71%	77%	70%	60%
EXPECTED EMPLOYEE CHANGE, NEXT 12 MONTS				
Will decrease	4%	2%	4%	5%
No change	64%	61%	66%	66%
Will increase	32%	37%	30%	29%
TOP BUSINESS CHALLENGE				
Government regulations	6%	5%	4%	11%
Taxes	9%	6%	13%	10%
Credit availability	16%	18%	15%	13%
Cash flow	20%	17%	22%	23%
Costs of running business	18%	21%	15%	15%
Revenues/sales	22%	26%	23%	16%
Hiring and/or retaining qualified staff	6%	4%	3%	11%
Other	3%	3%	4%	2%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

A. BUSINESS CONDITIONS (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
PROFITABILITY, END OF 2014			
At a loss	61%	44%	15%
Break even	24%	24%	22%
At a profit	15%	33%	64%
REVENUE CHANGE, PAST 12 MONTHS			
Decreased	9%	27%	30%
No change	44%	27%	25%
Increased	47%	46%	45%
EMPLOYEE CHANGE, PAST 12 MONTHS			
Decreased	3%	7%	17%
No change	95%	88%	58%
Increased	2%	4%	25%
EXPECTED REVENUE CHANGE, NEXT 12 MONTHS			
Will decrease	5%	6%	13%
No change	12%	14%	29%
Will increase	83%	80%	58%
EXPECTED EMPLOYEE CHANGE, NEXT 12 MONTHS			
Will decrease	3%	2%	9%
No change	54%	58%	58%
Will increase	43%	39%	32%
TOP BUSINESS CHALLENGE			
Government regulations	5%	4%	14%
Taxes	5%	8%	10%
Credit availability	22%	19%	5%
Cash flow	15%	19%	17%
Costs of running business	20%	20%	20%
Revenues/sales	24%	21%	14%
Hiring and/or retaining qualified staff	6%	5%	19%
Other	3%	3%	2%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

B. OUTSTANDING DEBT AND STARTUP FUNDING

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
Share with outstanding debt	40%	29%	42%	59%
AMOUNT OF OUTSTANDING DEBT				
Less than $10K	33%	52%	35%	16%
$10K–$25K	23%	19%	30%	19%
$25K–$50K	17%	12%	14%	22%
$50K–$100K	12%	11%	12%	13%
$100K–$250K	8%	4%	5%	14%
Over $250K	7%	3%	3%	16%
COLLATERAL USED TO SECURE DEBT				
Personal assets or guarantee	47%	44%	42%	55%
Business assets	24%	20%	17%	34%
Portions of future sales	9%	10%	6%	10%
Unsure	2%	1%	2%	0%
None	31%	35%	37%	23%
Other	6%	6%	8%	5%
FUNDING USED DURING FIRST TWO YEARS OF OPERATIONS				
Retained business earnings	27%	17%	36%	33%
Personal funds of owner(s)	66%	78%	56%	57%
External financing	8%	5%	8%	10%
CURRENT PRIMARY FUNDING SOURCE				
Retained business earnings	52%	32%	68%	73%
Personal funds	44%	65%	29%	17%
Equity investments	0%	0%	0%	1%
Credit cards	1%	0%	1%	1%
Loans	2%	1%	2%	4%
Lines of credit	1%	1%	0%	1%
Investment from friends and family	0%	0%	0%	0%
Other	1%	1%	0%	2%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

B. OUTSTANDING DEBT AND STARTUP FUNDING (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
Share with outstanding debt	32%	36%	47%
AMOUNT OF OUTSTANDING DEBT			
Less than $10K	42%	43%	25%
$10K–$25K	25%	24%	21%
$25K–$50K	17%	14%	19%
$50K–$100K	8%	11%	13%
$100K–$250K	3%	6%	10%
Over $250K	5%	2%	11%
COLLATERAL USED TO SECURE DEBT			
Personal assets or guarantee	40%	50%	48%
Business assets	–	–	30%
Portions of future sales	–	–	–
Unsure	2%	1%	2%
None	41%	31%	27%
Other	3%	9%	5%
FUNDING USED DURING FIRST TWO YEARS OF OPERATIONS			
Retained business earnings	18%	26%	31%
Personal funds of owner(s)	73%	70%	59%
External financing	9%	5%	9%
CURRENT PRIMARY FUNDING SOURCE			
Retained business earnings	33%	52%	61%
Personal funds	63%	44%	34%
Equity investments	0%	0%	0%
Credit cards	1%	1%	1%
Loans	1%	2%	2%
Lines of credit	0%	1%	1%
Investment from friends and family	1%	0%	0%
Other	1%	1%	1%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

C. NONAPPLICANTS

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
PRIMARY REASON FOR NOT APPLYING, NONAPPLICANTS				
Sufficient financing	30%	22%	36%	40%
Discouraged	25%	32%	22%	19%
Debt averse	33%	33%	33%	32%
Credit cost high	3%	2%	4%	4%
Search too difficult	2%	2%	1%	2%
Other	7%	9%	5%	4%
SOURCE(S) OF FINANCING ADVICE, NONAPPLICANTS				
Accountant, consultant or business advisor	20%	18%	21%	26%
Loan broker	2%	3%	3%	2%
Banker or lender	16%	15%	16%	22%
Friends, family, or colleagues	21%	28%	19%	12%
Chamber of commerce or industry association	7%	10%	7%	4%
SBDC (Small Business Development Center)	25%	34%	23%	10%
Other source of advice	4%	5%	4%	3%
None	48%	40%	52%	55%
SCORE (Service Corps of Retired Executives)	9%	14%	5%	3%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

C. NONAPPLICANTS (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
PRIMARY REASON FOR NOT APPLYING, NONAPPLICANTS			
Sufficient financing	25%	27%	34%
Discouraged	25%	33%	21%
Debt averse	33%	32%	33%
Credit cost high	3%	3%	3%
Search too difficult	3%	1%	2%
Other	11%	5%	7%
SOURCE(S) OF FINANCING ADVICE, NONAPPLICANTS			
Accountant, consultant or business advisor	21%	18%	20%
Loan broker	3%	3%	2%
Banker or lender	14%	16%	16%
Friends, family, or colleagues	26%	24%	17%
Chamber of commerce or industry association	10%	9%	5%
SBDC (Small Business Development Center)	37%	30%	18%
Other source of advice	7%	3%	4%
None	39%	45%	54%
SCORE (Service Corps of Retired Executives)	13%	9%	7%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

D. DEMAND FOR FINANCING

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
Share that applied for financing	32%	31%	27%	44%
REASON(S) FOR SEEKING FINANCING				
Operating expenses	38%	36%	36%	41%
Refinance	17%	11%	17%	26%
Other reason	16%	17%	16%	12%
Expand business/new opportunity	66%	70%	67%	64%
SOURCE(S) OF FINANCING ADVICE, APPLICANTS				
Accountant, consultant or business advisor	29%	19%	41%	35%
Loan broker	17%	17%	19%	17%
Banker or lender	67%	60%	76%	74%
Friends, family, or colleagues	31%	31%	40%	25%
Chamber of commerce or industry association	11%	13%	16%	8%
SBDC (Small Business Development Center)	39%	46%	36%	29%
Other source of advice	6%	10%	5%	1%
None	10%	8%	8%	12%
SCORE (Service Corps of Retired Executives)	10%	12%	14%	3%
FACTOR(S) INFLUENCING APPLICATION DECISION				
Existing relationship with lender	44%	35%	49%	53%
Cost	50%	39%	54%	65%
Flexibility of the credit product(s)	48%	50%	48%	49%
Speed of the decision process	41%	38%	44%	45%
Ease of the application process	40%	40%	39%	44%
Perceived chance of being funded	55%	63%	63%	41%
Other	7%	6%	8%	3%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

D. DEMAND FOR FINANCING (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
Share that applied for financing	38%	34%	28%
REASON(S) FOR SEEKING FINANCING			
Operating expenses	32%	40%	40%
Refinance	6%	16%	25%
Other reason	25%	12%	11%
Expand business/new opportunity	65%	77%	60%
SOURCE(S) OF FINANCING ADVICE, APPLICANTS			
Accountant, consultant or business advisor	21%	37%	28%
Loan broker	18%	17%	16%
Banker or lender	65%	66%	70%
Friends, family, or colleagues	33%	38%	24%
Chamber of commerce or industry association	11%	16%	8%
SBDC (Small Business Development Center)	51%	42%	28%
Other source of advice	7%	9%	4%
None	7%	7%	15%
SCORE (Service Corps of Retired Executives)	11%	14%	6%
FACTOR(S) INFLUENCING APPLICATION DECISION			
Existing relationship with lender	34%	40%	53%
Cost	44%	50%	55%
Flexibility of the credit product(s)	45%	49%	49%
Speed of the decision process	36%	49%	39%
Ease of the application process	31%	46%	42%
Perceived chance of being funded	63%	58%	46%
Other	6%	8%	6%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

E. APPLICATIONS

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
NUMBER OF APPLICATIONS SUBMITTED				
1	54%	49%	52%	57%
2	22%	23%	25%	19%
3 or more	24%	28%	23%	23%
APPLICATION RATE BY FINANCIAL PRODUCT				
Loan/line of credit	83%	82%	82%	86%
Credit card	39%	45%	41%	30%
Equity investment	6%	7%	2%	7%
Leasing	10%	9%	15%	6%
Trade credit	8%	4%	13%	9%
Other	5%	7%	4%	4%
Factoring	3%	1%	5%	2%
APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT				
Business loan	57%	64%	51%	54%
SBA loan/line of credit	28%	36%	29%	18%
Line of credit	51%	46%	46%	63%
Mortgage	8%	3%	6%	15%
Cash advance	6%	5%	8%	5%
Other product	7%	8%	9%	1%
Auto or equipment loan	2%	1%	4%	2%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

E. APPLICATIONS (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
NUMBER OF APPLICATIONS SUBMITTED			
1		53%	59%
2	28%	23%	16%
3 or more	24%	24%	25%
APPLICATION RATE BY FINANCIAL PRODUCT			
Loan/line of credit	81%	82%	84%
Credit card	46%	43%	32%
Equity investment	8%	7%	4%
Leasing	10%	11%	9%
Trade credit			8%
Other	8%	4%	4%
Factoring	3%	1%	3%
APPLICATION RATE BY TYPE OF LOAN/LINE OF CREDIT			
Business loan	65%	57%	53%
SBA loan/line of credit	35%	28%	24%
Line of credit	45%	50%	56%
Mortgage	3%	3%	16%
Cash advance	4%	6%	7%
Other product	15%	5%	5%
Auto or equipment loan	0%	5%	1%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

F. FINANCING SUCCESS AND SOURCES OF CREDIT

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
Overall approval rate (% receiving at least some financing)	59%	52%	58%	72%
Share receiving the full amount requested	29%	21%	28%	41%
APPROVAL RATE BY FINANCIAL PRODUCT				
Credit card	58%	56%	–	–
Equity	–	–	–	–
Leasing	–	–	–	–
Trade credit	–	–	–	–
Other type of financing	–	–	–	–
Loan or line of credit	54%	43%	50%	73%
APPROVAL RATE BY TYPE OF LOAN/LINE CREDIT				
Business loan	42%	35%	–	63%
SBA loan/line of credit	35%	28%	–	–
Line of credit	46%	43%	–	54%
Mortgage	–	–	–	–
Cash advance	–	–	–	–
Other type of loan or line of credit	–	–	–	–
Auto or equipment loan	–	–	–	–
SOURCE(S) OF LOANS AND LINES OF CREDIT / APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT				
Large bank	45%	45%	44%	48%
Small bank	46%	39%	38%	57%
Credit union	13%	15%	13%	12%
Online lender	28%	37%	31%	19%
Other source	20%	23%	22%	12%
APPROVAL RATE BY SOURCE OF LOAN/LINE CREDIT				
Large bank	32%	26%	–	39%
Small bank	52%	46%	–	61%
Credit union	33%	–	–	–
Online lender	45%	–	–	–
Other source	49%	–	–	–
NET PERCENT SATISFIED WITH LENDER, APPROVED FIRMS				
Large bank	10%	–	–	–
Small bank	59%	–	–	–
Online lender	–	–	–	–
Other lender	–	–	–	–
Credit union	–	–	–	–

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

F. FINANCING SUCCESS AND SOURCES OF CREDIT (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
Overall approval rate (% receiving at least some financing)	51%	56%	67%
Share receiving the full amount requested	22%	30%	34%
APPROVAL RATE BY FINANCIAL PRODUCT			
Credit card	55%	52%	66%
Equity	–	–	–
Leasing	–	–	–
Trade credit	–	–	–
Other type of financing	–	–	–
Loan or line of credit	40%	52%	63%
APPROVAL RATE BY TYPE OF LOAN/LINE CREDIT			
Business loan	32%	40%	51%
SBA loan/line of credit	–	–	–
Line of credit	–	50%	48%
Mortgage	–	–	–
Cash advance	–	–	–
Other type of loan or line of credit	–	–	–
Auto or equipment loan	–	–	–
SOURCE(S) OF LOANS AND LINES OF CREDIT / APPLICATION RATE BY SOURCE OF LOAN/LINE OF CREDIT			
Large bank	38%	45%	50%
Small bank	37%	44%	53%
Credit union	8%	15%	15%
Online lender	31%	33%	23%
Other source	31%	16%	16%
APPROVAL RATE BY SOURCE OF LOAN/LINE CREDIT			
Large bank	–	25%	37%
Small bank	–	58%	53%
Credit union	–	–	–
Online lender	–	–	–
Other source	–	–	–
NET PERCENT SATISFIED WITH LENDER, APPROVED FIRMS			
Large bank	–	-38%	39%
Small bank	–	51%	68%
Online lender	–	–	–
Other lender	–	–	–
Credit union	–	–	–

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

G. FINANCING SHORTFALLS

	All Nonemployer Firms	Annual Revenues		
	Weighted percent N=1576	≤$25K N=625	$25K–$100K N=387	≥$100K N=343
Share receiving less than the amount requested	71%	79%	72%	–
REASON(S) FOR RECEIVING LESS THAN THE AMOUNT REQUESTED				
Low credit score	49%	68%	–	24%
Insufficient collateral	40%	43%	–	32%
Inadequate documentation	5%	5%	–	2%
Weak business performance	30%	35%	–	25%
Unsure	10%	3%	–	21%
Insufficient credit history	34%	40%	–	20%
Other	17%	15%	–	16%
PRIMARY IMPACT OF NOT RECEIVING THE FULL AMOUNT REQUESTED				
Unable to meet expenses	18%	20%	–	23%
Delayed expansion	33%	23%	–	37%
Passed on opportunity	13%	17%	–	11%
No impact	3%	0%	–	7%
Other	11%	12%	–	4%
Used personal funds	22%	28%	–	18%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

G. FINANCING SHORTFALLS (CONTINUED)

	Firm Age		
	0–1 years N=388	2–5 years N=458	6+ years N=730
Share receiving less than the amount requested	78%	70%	66%
REASON(S) FOR RECEIVING LESS THAN THE AMOUNT REQUESTED			
Low credit score	46%	51%	50%
Insufficient collateral	53%	41%	30%
Inadequate documentation	1%	12%	3%
Weak business performance	29%	34%	26%
Unsure	1%	17%	10%
Insufficient credit history	45%	44%	18%
Other	23%	16%	15%
PRIMARY IMPACT OF NOT RECEIVING THE FULL AMOUNT REQUESTED			
Unable to meet expenses	12%	18%	23%
Delayed expansion	26%	32%	39%
Passed on opportunity	11%	13%	14%
No impact	1%	5%	2%
Other	21%	8%	7%
Used personal funds	30%	23%	15%

Data are weighted by firm industry and age.
Grey boxes indicate censored statistic due to data limitations.

H. PARTNER ORGANIZATIONS

NATIONAL PARTNER ORGANIZATIONS

- Accion U.S. Network
- NFIB Research Foundation

FEDERAL RESERVE BANK OF ATLANTA

- Alabama Economics Club
- Alabama MicroEnterprise Network
- Alabama SBDC Network
- Baldwin Country (AL) Economic Development Alliance
- Baton Rouge (AL) Area Chamber
- Chamber of Commerce Association of Alabama
- Chattanooga Area (TN) Chamber of Commerce
- Committee of 100 (LA) for Economic Development
- East Mississippi Business Development Corp.
- Economic Development Commission of Florida's Space Coast
- Florida Chamber of Commerce
- Florida SBDC Network
- Greater Fort Lauderdale Convention and Visitors Bureau
- Huntsville (AL) Chamber of Commerce of Huntsville/ Madison County (AL)
- Jeff Davis Parish (LA) Economic Development, Tourist Commission and Chamber of Commerce
- Middle Tennessee Association of REALTORS®
- New Orleans Regional Committee for Business Economists
- Northeast Florida Association of Realtors
- SBDC Network at Florida International University
- Technology Association of Georgia
- Tennessee Chamber of Commerce & Industry
- University of Georgia SBDC Network

FEDERAL RESERVE BANK OF BOSTON

- Berkshires Chamber of Commerce
- Cape Cod Chamber of Commerce
- City of Boston—Office of Neighborhood Development
- City of Holyoke
- Commonwealth of Massachusetts— Operational Services Division
- Greater Boston Chamber of Commerce
- Immigrant Learning Center
- Massachusetts Small Business Development Center
- MCBC Economic Development Committee
- Merrimack Valley Chamber of Commerce
- Metro South Chamber of Commerce
- Middlesex County Chamber of Commerce
- Nashoba Valley Chamber of Commerce
- New Bedford Chamber of Commerce
- North Central Massachusetts Chamber of Commerce
- North Shore Chamber of Commerce
- Plymouth Area Chamber of Commerce
- Retailers Association of Massachusetts
- South Boston Neighborhood Development Center/ Chamber of Commerce
- South Eastern Economic Development (SEED) Corp.
- South Shore Chamber of Commerce
- Worcester Regional Chamber of Commerce

FEDERAL RESERVE BANK OF CLEVELAND

- African American Chamber of Commerce of Western Pennsylvania
- African American Chamber of Greater Cincinnati/ Northern Kentucky
- Cincinnati USA Regional Chamber
- Commerce Lexington
- Dayton Human Relations Council
- Erie Manufacturer and Business Association
- Gannon University Small Business Development Center
- Greater Cincinnati Microenterprise Initiative
- Kentucky Small Business Development Center
- KY Innovation Network
- Northern KY Chamber of Commerce
- Northwest Industrial Resource Center
- Ohio Development Services Agency

H. PARTNER ORGANIZATIONS (CONTINUED)

FEDERAL RESERVE BANK OF NEW YORK

- AccionEast
- African American Chamber of Commerce of Westchester & Rockland Counties
- Binghamton Chamber of Commerce
- Bridgeport Economic Development Corporation
- Bridgeport Regional Business Council
- Brooklyn Chamber of Commerce
- Buffalo Niagra Partnership
- Business Council of Fairfield
- Center State Corporation for Economic Opportunity
- Central NY International Business Alliance (CNYIBA)
- Community Capital NY
- Community Loan Fund of the Capital Region
- Connecticut Business and Industry Association
- Connecticut Center for Advanced Technology
- Connecticut Economic Resource Center, Inc.
- Connecticut Small Business Development Center
- Connecticut Technology Council
- Cooperative Business Assistant Corp (CDFI)
- Department of Development Services, City of Hartford
- Department of Economic and Community Development, Connecticut Office of Small Business Affairs
- Development Authority of the North Country
- Empire State Development
- Erie County Medical Center
- Greater Rochester Enterprise
- Intersect Fund
- Kiva
- Long Island Association
- Manhattan Small Business Development Center at Pace University
- Meadowlands Chamber of Commerce
- MetroHartford Alliance
- Newark Regional Business Partnership
- New Jersey Business and Industry Association (NJBIA)
- New Jersey Community Capital
- New Jersey District Office, U.S. Small Business Administration
- New Jersey Economic Development Authority
- New Jersey Institute of Technology
- New York Bankers Association
- New York Business Development Corporation
- New York City Department of Consumer Affairs
- New York City Department of Small Business Services
- New York State Department of Agriculture
- Office of Planning and Economic Development, City of Bridgeport
- Port Authority of New York & New Jersey
- Queens Chamber of Commerce
- Queens Economic Development Corporation
- reSet Social Enterprise Trust
- Rising Tide Capital
- Rochester Business Alliance
- Rutgers-Newark Small Business Development Center
- Staten Island Chamber of Commerce
- Statewide Hispanic Chamber of Commerce of New Jersey
- United State Department of Agriculture Rural Development
- VEDC
- Yale Entrepreneurial Institute
- Yates County Chamber of Commerce

FEDERAL RESERVE BANK OF PHILADELPHIA

- Carlisle Area Chamber of Commerce
- Central Commission, Pennsylvania Partnership for Regional Economic Performance
- Entrepreneur Works
- Finanta
- Lebanon Valley Chamber of Commerce
- Northern Tier, Pennsylvania Partnership for Regional Economic Performance
- Northwest Commission, Pennsylvania Partnership for Regional Economic Performance
- Pennsylvania Small Business Development Center
- PIDC
- Southeast Commission, Pennsylvania Partnership for Regional Economic Performance
- The Greater Scranton Chamber of Commerce
- United Bank of Philadelphia
- Upper Bucks Chamber of Commerce
- Welcoming Center for New Pennsylvanians

H. PARTNER ORGANIZATIONS (CONTINUED)

FEDERAL RESERVE BANK OF RICHMOND

- Asheville Area Chamber of Commerce
- Beech Mountain Chamber of Commerce
- Carteret County Chamber of Commerce
- Cherokee County Chamber of Commerce (GA)
- CommunityWorks
- Durham Convention & Visitors Bureau
- Greensboro, NC Chamber of Commerce
- Holly Springs Chamber of Commerce
- iNvictus Office Center
- KemperStrategy, Inc.
- Moore County Chamber of Commerce
- NC Business Alliance
- NC Community Colleges Small Business Center Network (SBCs)
- NC Small Business and Technology Distribution Center (SBTDC)
- Rowan County Chamber of Commerce
- Roxboro Area Chamber of Commerce
- Rutherford County Chamber of Commerce
- SC Business Alliance
- SC Small Business Centers
- The Greater Raleigh Chamber of Commerce
- The Support Center (Raleigh, NC)
- U.S. Small Business Administration
- Upper Coastal Plain Council of Governments/ Upper Coastal Plain Business Development Center
- Wilkes Chamber of Commerce
- Yadkin County Chamber of Commerce

FEDERAL RESERVE BANK OF ST. LOUIS

- Arkansas Small Business and Technology Development Center
- Arkansas State Chamber of Commerce
- Community Ventures
- Economic Development Growth Engine for Memphis and Shelby County
- eFactory-Missouri State University Business Incubator
- IFF (CDFI)-St Louis Office
- justine PETERSEN (CDFI)
- LiftFund
- Memphis Office of Resources and Enterprise
- Mid-South Minority Business Council Continuum
- Mississippi Development Authority
- Northwest Tennessee Development District
- Southern Illinois University Business Incubator
- Tennessee Small Business Development Center-Memphis