

Key Findings from the Federal Reserve's 2014 Joint Small Business Credit Survey: *Intelligence from Business Owners*

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The **Connecting Communities**[®] audio conference series is a Federal Reserve System initiative intended to provide timely information on emerging and important community and economic development topics with a national audience. The audio conference series complements existing Federal Reserve Community Development outreach initiatives that are conducted through our regional Reserve Bank offices and at the Federal Reserve Board of Governors in Washington, D.C.

Welcome

Thank you for attending today's session. How to join (remember, this session is being recorded)

- Call-in number: 888-625-5230
- Conference code: 32840453
- Webinar link: <https://www.webcaster4.com/Webcast/Page/584/7780>

You have two options to ask questions today:

**These questions may be part of the recorded archive for this session.*

- Email us at: communities@stls.frb.org.
- Type your question into the chat box of the webinar.

An archived recording of this session will be available on the **Connecting Communities**[®] web site shortly after the session ends. Please visit www.stlouisfed.org/connectingcommunities/

In connection with this session, you can find a variety of additional resources on this topic, available at www.fedcommunities.org. We encourage you to browse through this site and to contact your regional office if you would like additional information on any of these items.

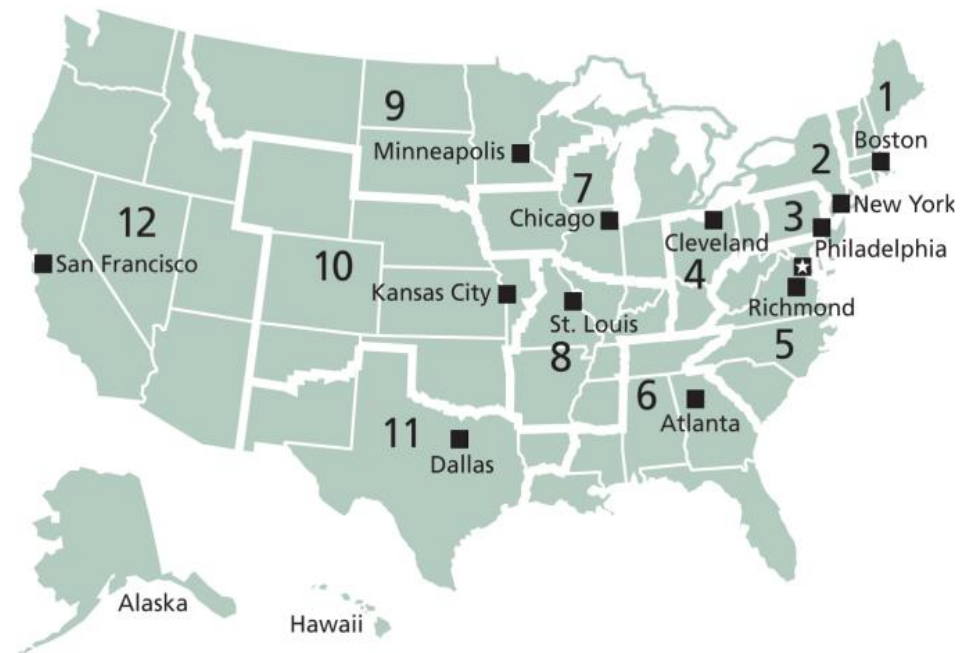
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Community Development

The Community Development (CD) function within the Federal Reserve System – consisting of individual departments at each of the twelve Federal Reserve Banks as well as at the Board of Governors – promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities, including:

- **Convening stakeholders**, including practitioners, financial institutions, nonprofits, governmental agencies, and the philanthropic and private sectors,
- **Conducting and sharing research** to examine economic challenges facing low- and moderate-income communities and attendant policy implications; and,
- **Identifying emerging issues.**



Today's Agenda

- Provide background and overview information about the 2014 Joint Small Business Credit Survey
- Describe the Current Credit Landscape Facing Small Business Owners
- Discuss the Credit Needs of Micro and Small Firms
- Examine the Credit Search Findings of the Survey
- Report the Challenges and Opportunities Facing Micro and Small Firms
- Discuss the Survey's Impact

Today's Presenters

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Survey Overview

Intro to the Survey

- Small business information gaps
- Findings inform policymakers and service providers, including Community Development outreach activities

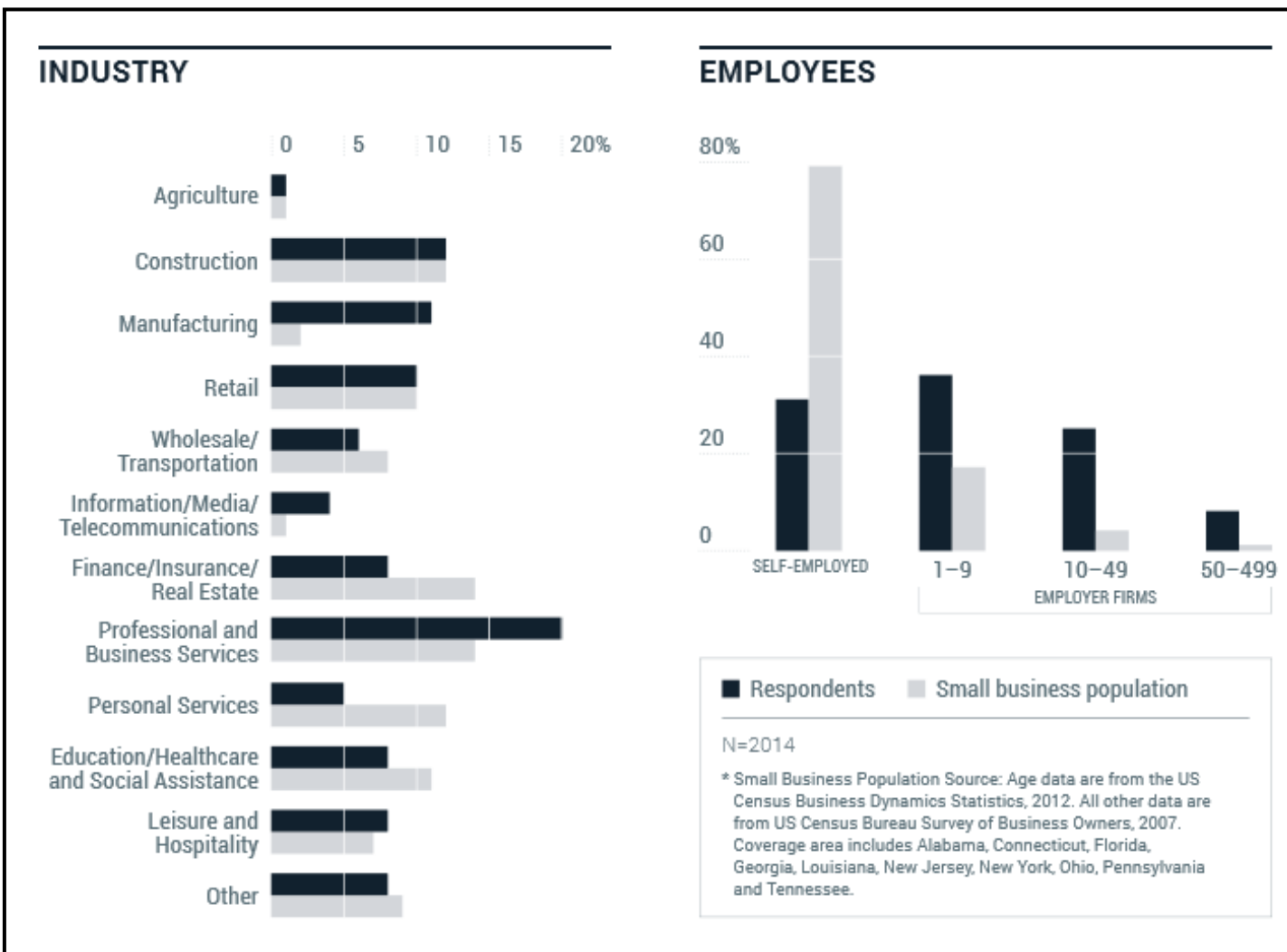
Survey Methodology

- Focus of survey questions
- Sampling format
- Participating banks

Survey Coverage Area

State	Respondents	Small business population*
Alabama	4%	4%
Connecticut	5%	4%
Florida	7%	22%
Georgia	12%	10%
Louisiana	1%	4%
New Jersey	6%	9%
New York	33%	21%
Ohio	11%	10%
Pennsylvania	19%	11%
Tennessee	3%	6%
Total	100%	100%

Respondent Characteristics

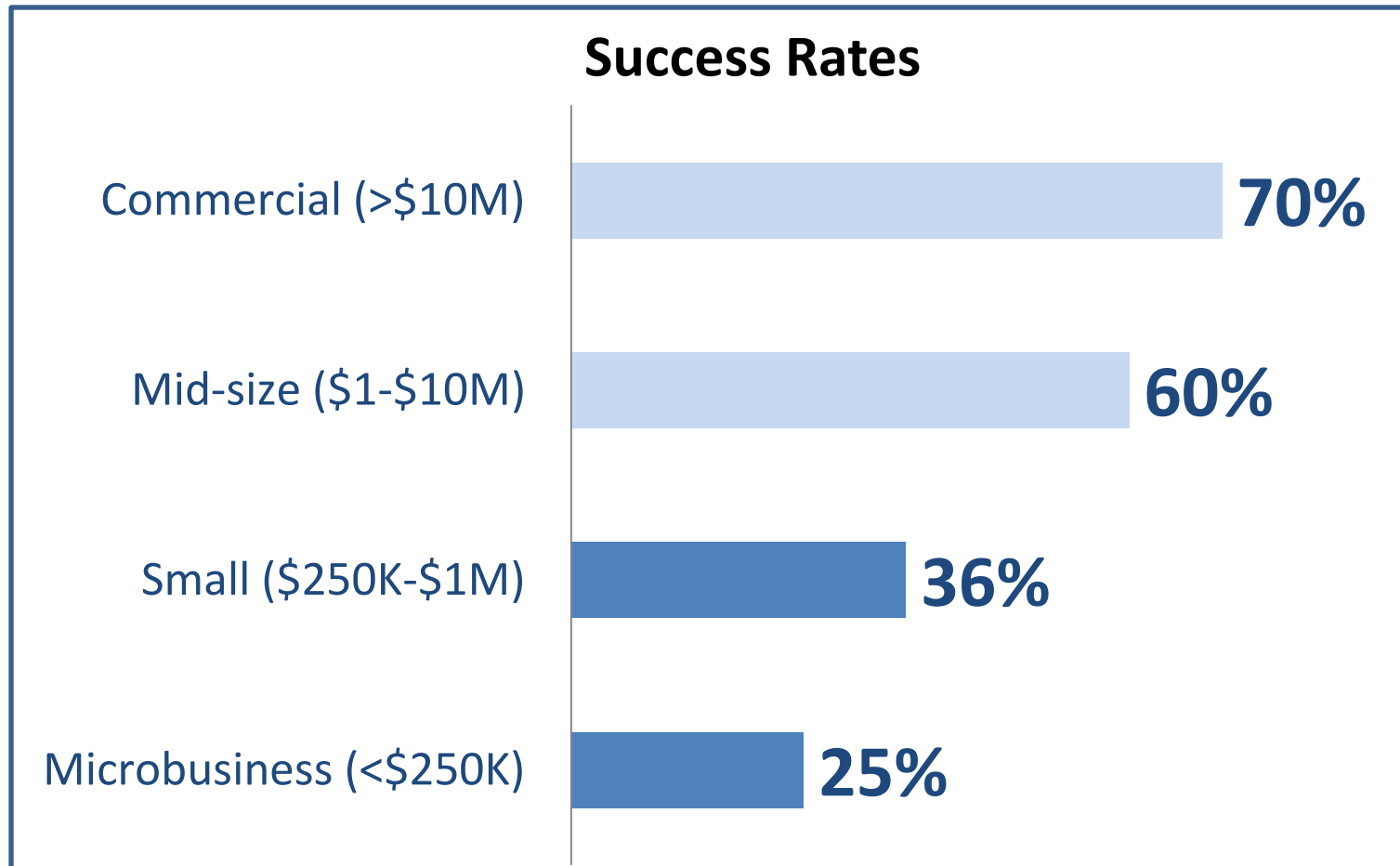


Credit Landscape: Applications and Outcomes

Big Differences in Credit Application Rates

Microbusinesses (<\$250K)	Small (\$250K-\$1M)	Mid-size (\$1M-\$10M)	Commercial (>\$10M)
18%	32%	31%	58%

Tough Market for Small and Microbusinesses

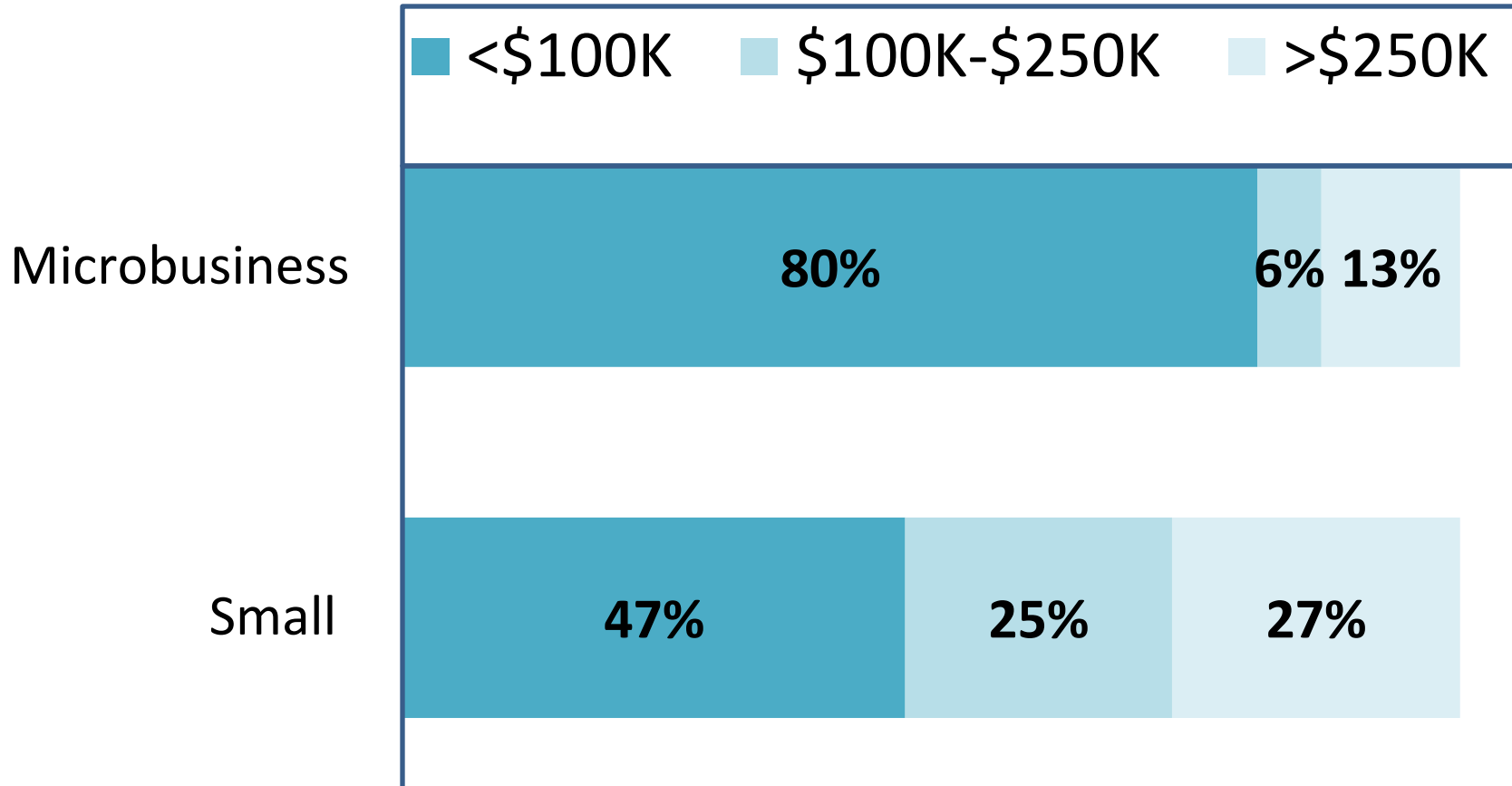


Small Firms Have Pent Up Demand

Microbusinesses are discouraged	Small firms	Mid-size firms	Commercial firms
23%	13%	13%	1%

Micro and Small Firm: Credit Needs

Small Firms Have Small Credit Needs

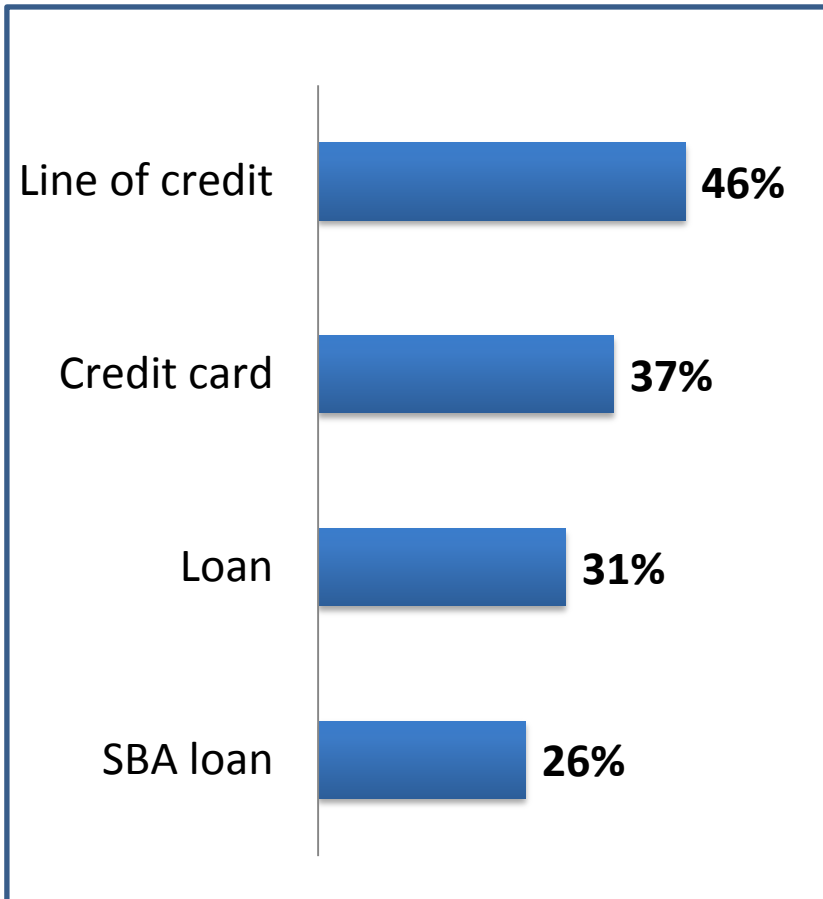


Reasons for Borrowing Differ

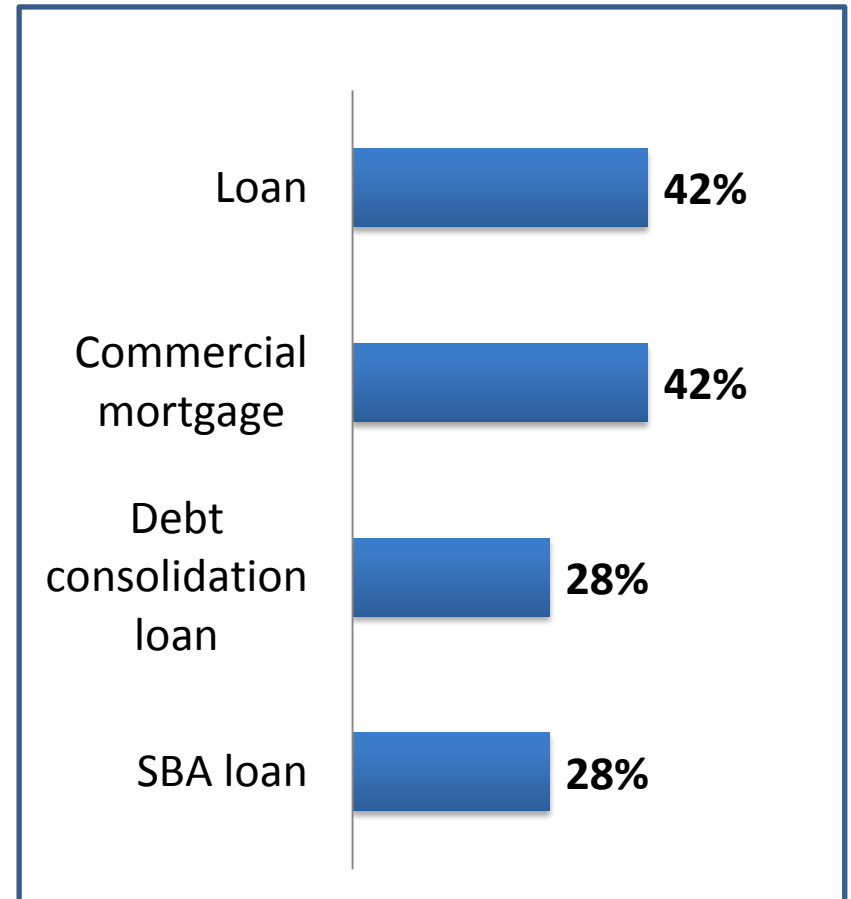
TOP REASONS	MICROBUSINESSES	SMALL
1.	Expand business	Refinance or pay down debt
2.	Fund day-to-day operations	Replace capital assets
3.	Refinance or pay down debt	Expand business

Product Needs Differ

MICROBUSINESSES



SMALL



Credit Search

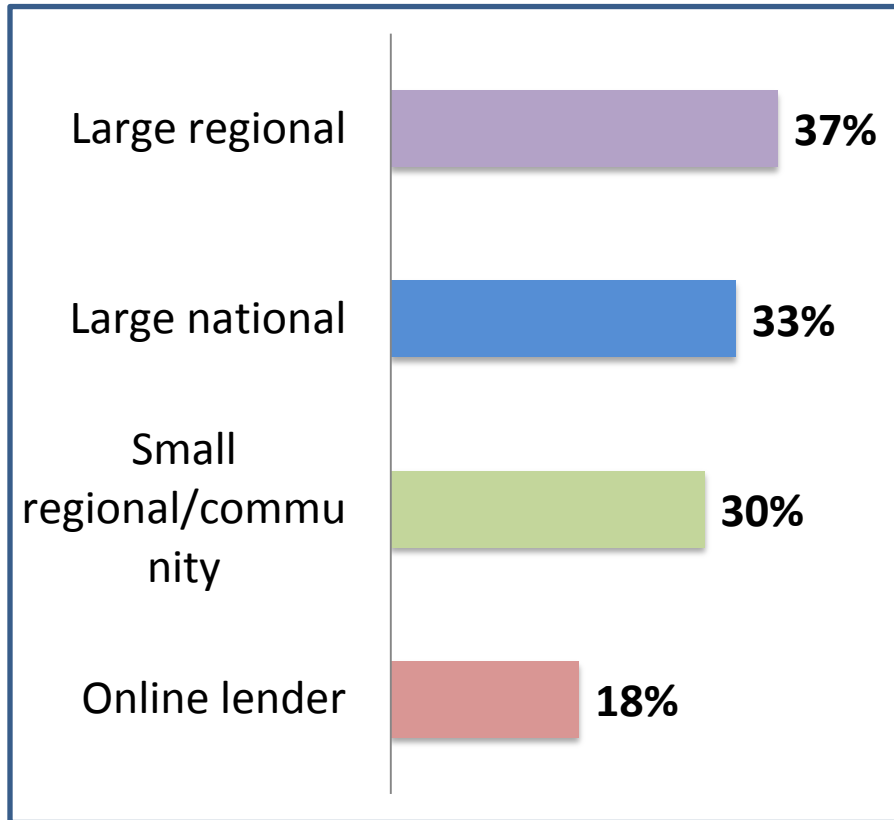
Time Spent Applying



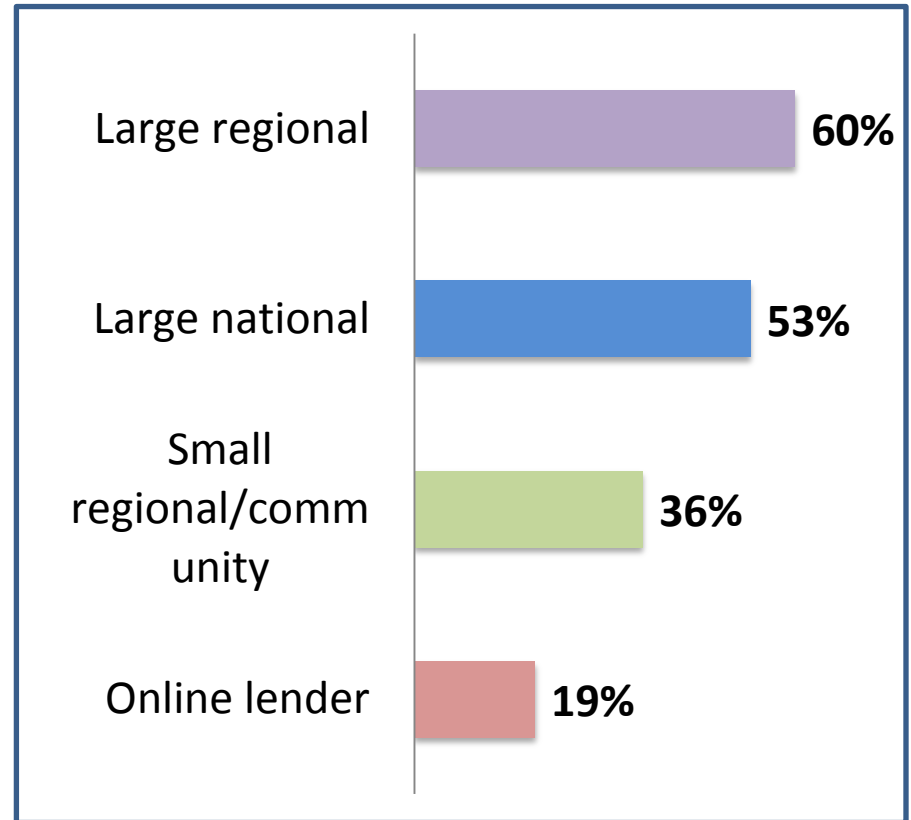
HOURS

Where They Are Going

MICROBUSINESSES



SMALL



(% of Applicants)

What's Motivating Application Behavior?

MICROBUSINESSES

Fast credit decisions
(All)

**Only financial institution that
would fund business**
(All)

Existing relationship
(Small/community bank only)

SMALL

Existing relationship
(All except Online)

**Only financial institution that
would fund business**
(Small/community and Online)

Fast credit decisions
(Online only)

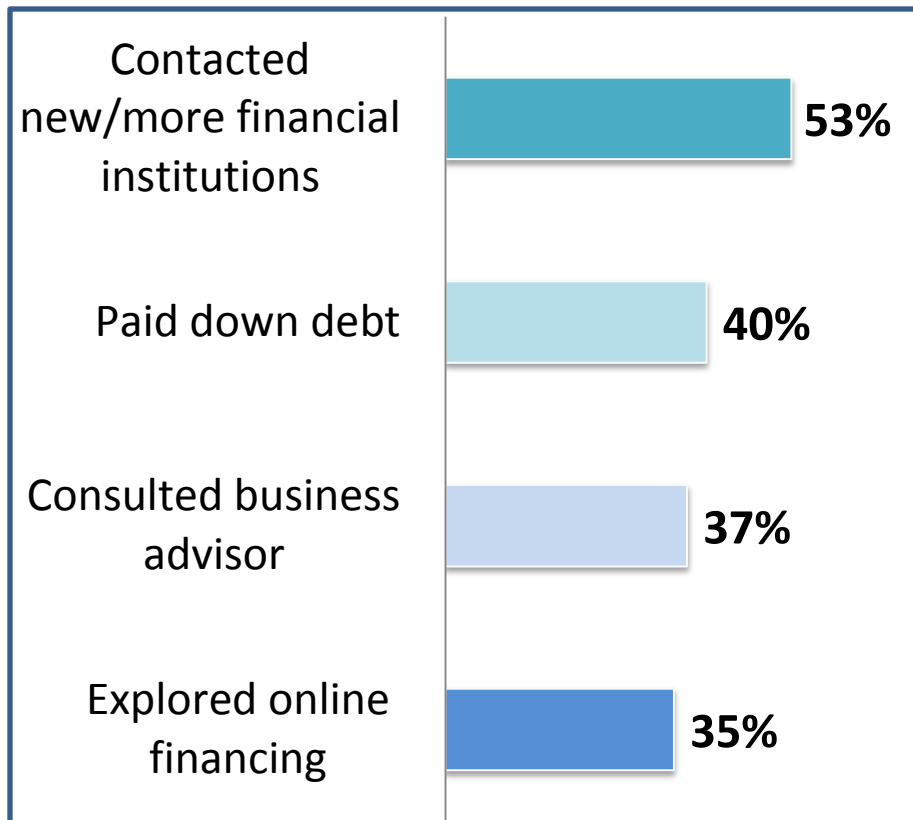
Challenges and Opportunities

“Bankability” Challenges

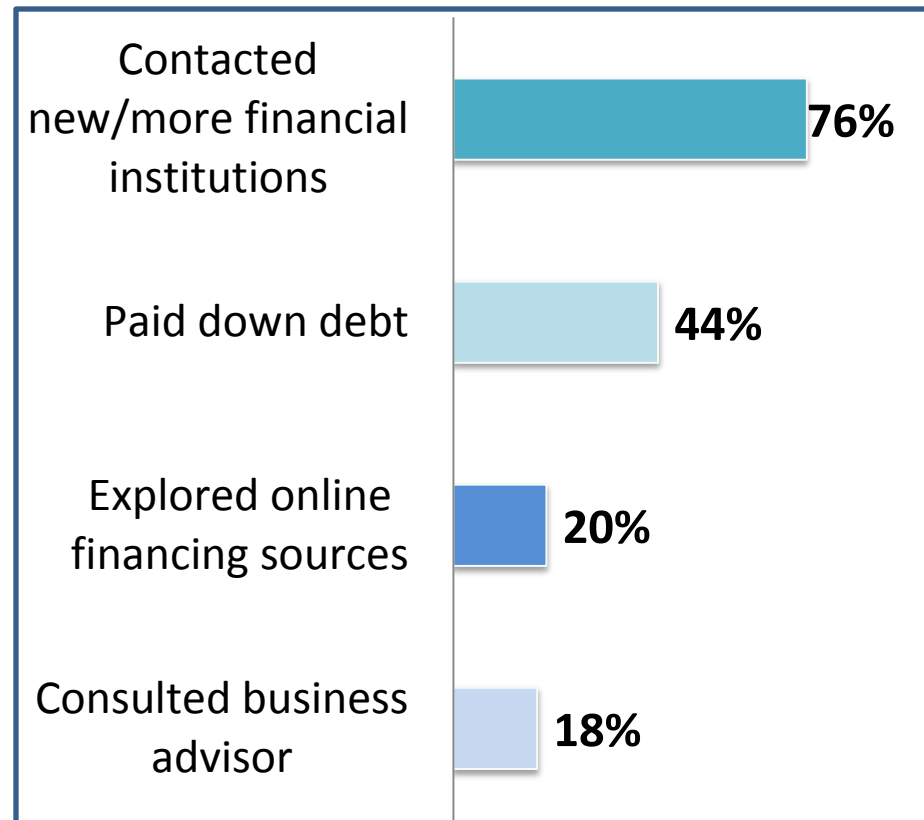
	MICRO	SMALL
Percent Profitable	26%	61%
Percent with prior debt	39%	60%
Top Reason for Denial	Low credit score	
Top Business Challenge	Attracting customers	Attracting customers/ uneven cash flow

Up for Grabs: Actions Taken When Declined

MICROBUSINESS



SMALL



Survey Impact

Impact

- Access to Credit Workshops
- Input for women and minority business accelerator programs
- Small business loan fund design
- Market needs assessment—used by state and local governments, CDFIs, and nonbank lenders
- Post-disaster recovery programs

Questions?

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Additional Information

- **The 2014 Joint Small Business Credit Survey**

Full Report:

<http://www.newyorkfed.org/smallbusiness/joint-small-business-credit-survey-2014.html>

- **For more information on the small business activity of the Federal Reserve Bank of New York:**

<http://www.newyorkfed.org/smallbusiness/>

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Wrap-Up/Closing

Thank you to today's presenters and to all participants for joining this session.

Next steps:

- All session materials are available on our web site and in the next few days we will be posting an audio file of today's session.
- If you have topical suggestions for future sessions, or any questions about this program, please feel free to contact us at communities@stls.frb.org
- Information about future sessions will be posted on our website along with archived materials from past sessions:
www.stlouisfed.org/connectingcommunities/

Related Resources



In connection with this session, you can find a variety of additional resources on this topic , available at **www.fedcommunities.org**.

It provides an array of practical resources to help you in your role as a community development professional, whether your work involves supporting people, places, the practice of community development, or small business development.