

SMALL BUSINESS CREDIT SURVEY



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¹ For a full list of community partners, please click [here](#).

² For complete information about the survey methodology, please see the methodology section in the [Small Business Credit Survey: 2019 Report on Employer Firms](#).

ACKNOWLEDGMENTS (continued)

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³ *Emily Wavering Corcoran coordinated the development of the 2018 survey instrument.*

EXECUTIVE SUMMARY

Small businesses are a critical component of the U.S. economy. They employ almost half of all U.S. workers⁴ and provide an important source of innovation, dynamism, wealth, and job creation to communities across the country. Small business ownership and entrepreneurship are particularly important to minority communities⁵ as a source for employment and wealth-building.⁶

While still a modest share of small businesses nationwide, the number of minority-owned businesses has grown relatively rapidly in recent years. Between 2014 and 2016, that number increased by 11% to 1.1 million employer firms, compared with just 1% growth in the number of nonminority employer firms.⁷ The United States has a fast-growing minority population, so a healthy and thriving ecosystem for minority-owned businesses is increasingly important to economic opportunity and broader economic growth.

Given the importance of financing for a firm's ability to expand, invest, and thrive,⁸ it is crucial that data are available on access to credit and other experiences in the credit market. The Small Business Credit Survey (SBCS), an annual survey of businesses with fewer than 500 employees (which represent 99.7% of all U.S. firms with employees⁹), provides such timely data on the performance and financing experiences of America's small businesses. The wealth of demographic data in the survey allows for a focus on the financing experiences of minority-owned firms in particular.

This report presents the most recent survey data (from 2018) and provides updates to a previous report, [Small Business Credit Survey: 2016 Report on Minority-Owned Firms](#). This report aims to offer policymakers and others greater insight into the state of small, minority-owned employer firms¹⁰ and their experiences in the market for financing.

Key Survey Findings¹¹

Key performance indicators of minority-owned businesses lagged white-owned firms:

- Smaller shares of Asian- (51%) and Black-owned businesses (46%) were profitable at the end of 2017 compared to White-owned firms (55%).
- A larger share of White-owned firms reported revenue growth (58%) compared to Black-owned firms (49%).
- A larger share of White-owned firms reported growth in the number of employees (37%) compared to Black-owned firms (31%).
- Minority-owned firms more frequently reported financial challenges. Seventy-eight percent of Black-owned firms, and 69% of Asian- and Hispanic-owned firms did so, compared to 62% of White-owned businesses.

4 They employ about 47.3% (U.S. Census Bureau, 2016 Statistics of U.S. Businesses, "Number of Firms, Number of Establishments, Employment, and Annual Payroll by Enterprise Employment Size for the United States and States, Totals: 2016").

5 We use the term "minority" to refer to ethnic and racial minority groups generally. When possible, we specify the particular ethnic or racial group. The terms "Black," "White," "Asian," "Hispanic," and "Native American" are used in the survey instrument and are replicated here to align with the survey terminology.

6 See, for instance, J. Klein, "Bridging the Divide: How Business Ownership Can Help Close the Racial Wealth Gap," FIELD White Paper (Washington, DC: The Aspen Institute, 2017); Association for Enterprise Opportunity, The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success (Washington, DC: Association for Enterprise Opportunity, 2017), https://www.aeoworks.org/wp-content/uploads/2019/03/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf; M.A. Stoll, S. Raphael, and H.J. Holzer, "Why Are Black Employers More Likely Than White Employers to Hire Blacks?" Institute for Research on Poverty, Discussion Paper 1236-01, <https://www.irp.wisc.edu/publications/dps/pdfs/dp123601.pdf>; and M. Toussaint-Coumeau, R. Newberger, and M. O'Dell, "Small Business Performance in Industries in LMI Neighborhoods after the Great Recession: Atlanta, Baltimore, Chicago, Houston, and Los Angeles," Federal Reserve Bank of Chicago's ProfitWise News and Views, no. 3 (2019), <https://www.chicagofed.org/publications/profitwise-news-and-views/2019/small-business-performance-in-industries-in-lmi-neighborhoods-after-the-great-recession>.

7 In 2016, minority-owned employer firms accounted for about 18 percent of businesses with fewer than 500 employees. See N. Esposito, "Small Business Facts: Spotlight on Minority-Owned Employer Businesses" (Washington, DC: U.S. Small Business Administration, Office of Advocacy, May 2019).

8 R.W. Fairlie and A.M. Robb, Race and Entrepreneurial Success: Black-, Asian-, and White-Owned Businesses in the United States (Cambridge, Massachusetts: The MIT Press, 2019).

9 Small Business Administration Office of Advocacy, "What's New with Small Business," infographic (Washington, DC: U.S. Small Business Administration, Office of Advocacy, September 2019), <https://advocacy.sba.gov/2019/09/24/whats-new-infographic-lets-you-see-the-answers-to-top-small-business-faqs/>.

10 Here, and hereafter in this report, "firm" and "business" refer to an employer business with fewer than 500 employees.

11 All results and conclusions displayed in this report are of a descriptive nature, though differences are verified with statistical tests. This report does not include results from any multivariate analysis that can control for a variety of firm-specific factors. As a result, any differences between groups in this report, though interesting and important, may or may not be significantly related to the race or ethnicity of a firm's ownership once other firm-specific factors, such as a firm's credit risk profile, are accounted for. Other research has used SBCS data to conduct such multi-variate analyses. See for instance, M. de Zeeuw and B. Barkley, "Mind the Gap: Minority-Owned Small Business' Financing Experiences in 2018," Consumer & Community Context (Washington, DC: Federal Reserve Board of Governors' Division of Consumer and Community Affairs, November 2019), <https://www.federalreserve.gov/publications/files/consumer-community-context-201911.pdf>; and A. Robb, B. Barkley, and M. de Zeeuw "Mind the Gap: How Do Credit Market Experiences and Borrowing Patterns Differ for Minority-Owned Firms?" Community and Economic Development Discussion Paper 03-18 (Atlanta: Federal Reserve Bank of Atlanta, September 2018), <https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2018/03-mind-the-gap-how-do-credit-market-experiences-and-borrowing-patterns-differ-for-minority-owned-firms-2018-09-14.pdf>.

EXECUTIVE SUMMARY (continued)

Minority owners relied to a greater extent on personal funds and personal credit scores, and both tended to be lower than those of White owners:

- Twenty-eight percent of Black and Asian owners and 29% of Hispanic owners relied on personal funds as the primary funding source, compared to 16% of White owners.¹²
- Black and Hispanic firm owners were more likely to use their credit scores when obtaining financing: 52% and 51% did so, respectively, compared to 45% of White and 43% of Asian owners.
- On average, Black and Hispanic small business owners have lower credit scores than White and Asian small business owners. Twenty percent of Black and 15% of Hispanic owners have credit scores below 620, compared to 9% of Asian and 7% of White small business owners. In contrast, significantly larger shares of White and Asian owners reported personal credit scores of above 760; 43% and 39% did so, respectively, compared with 20% of Hispanic and 14% of Black small business owners.

Demand for financing has decreased among Black- and Asian-owned firms, and reasons for applying or not applying for financing differ for minority-owned businesses:

- The share of Black- and Asian-owned firms that applied for financing dropped from 56% to 45% and from 47% to 35%, respectively, between 2016 and 2018.
- White- and Hispanic-owned firms less frequently applied for financing to meet operating expenses: 42% and 43%, compared to 55% of Black- and 63% of Asian-owned firms.
- White-owned firms that decided not to apply for financing more frequently cited having sufficient financing in place as the primary reason not to: 53% compared to 34% of Asian-, 27% of Hispanic-, and 25% of Black-owned firms.¹³
- Significantly larger shares of minority-owned firms reported they shied away from applying for financing because they did not believe they would be approved: 28% of nonapplicant Hispanic-, 27% of Black-, and 24% of Asian-owned firms cited that reason, compared to 13% of White-owned firms that did not apply for credit.¹⁴

Minority-owned firms' loan applications tended to have worse outcomes (not controlling for other firm characteristics):

- On average, Black- and Hispanic-owned firm applicants received approval for smaller shares of the financing they sought compared to White-owned small businesses that applied for financing. Larger shares of Black- and Hispanic-owned firm applicants did not receive any of the financing they applied for—38% and 33%, respectively—compared to 24% of Asian-owned firm applicants and 20% of White-owned business applicants.
- A larger share of White-owned business applicants received approval for all the financing they applied for: 49%, compared to 39% of Asian-, 35% of Hispanic-, and 31% of Black-owned firm applicants.

Minority-owned firms more frequently applied for potentially higher-cost and less-transparent credit products:¹⁵

- Hispanic-owned firm applicants sought merchant cash advance products more frequently than did White-owned businesses: 15% compared with 8%.
- Black-owned business applicants applied for factoring more frequently compared to White-owned firm applicants (7% and 3%, respectively).

¹² Previous research has established that differences in asset levels explain a large share of differences in business creation rates. Wealth levels of minority households are on average significantly lower than those of white households. See, for instance, R. Fairlie, "Entrepreneurship among Disadvantaged Groups: Women, Minorities and the Less Educated," in *The Life Cycle of Entrepreneurial Ventures*, International Handbook Series on Entrepreneurship 3, ed. Simon Parker (New York: Springer, 2006), and A. Robb, B. Barkley, and M. de Zeeuw, "Mind the Gap: How Do Credit Market Experiences and Borrowing Patterns Differ for Minority-Owned Firms?" Community and Economic Development Discussion Paper 03-18 (Atlanta: Federal Reserve Bank of Atlanta, September 2018), <https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2018/03-mind-the-gap-how-do-credit-market-experiences-and-borrowing-patterns-differ-for-minority-owned-firms-2018-09-14.pdf>.

¹³ For further analysis, see M. de Zeeuw and B. Barkley, "Mind the Gap: Minority-Owned Small Business' Financing Experiences in 2018," Consumer & Community Context (Washington, DC: Federal Reserve Board of Governors' Division of Consumer and Community Affairs, November 2019).

¹⁴ M. de Zeeuw and B. Barkley, "Mind the Gap: Minority-Owned Small Business' Financing Experiences in 2018," Consumer & Community Context (Washington, DC: Federal Reserve Board of Governors' Division of Consumer and Community Affairs, November 2019).

¹⁵ See, for instance, B.J. Lipman and A.M. Wiersch, "Alternative Lending through the Eyes of 'Mom and Pop' Small Business Owners: Findings From Online Focus Groups," Federal Reserve Bank of Cleveland, August 2015; G. Brown and E. Weaver, "Notes From the Frontlines in the Small Business Finance Revolution: A Microlender's View," Federal Reserve Bank of San Francisco's Community Investments, Winter 2014/2015, volume 26, number 3; and D.J. Borgia, D.O. Burgess, and T. Shank, "Factoring Accounts Receivable for Small Business Customers," Commercial Lending Review, no. 38 (2003).

EXECUTIVE SUMMARY (continued)

Minority-owned firms exhibited differences in where they applied for loans, lines of credit, or cash advances:¹⁶

- Fifty-nine percent of Hispanic-owned firm applicants turned to large banks¹⁷ for loans, lines of credit, or merchant cash advances, compared to 47% of White- and 51% of Black-owned-business applicants. Large banks remained the most popular source of financing across all types of small businesses.
- Black- and Hispanic-owned firm applicants applied less frequently at small banks: 35% and 28%, respectively, compared to 46% of White-owned firm applicants.
- Black- and Hispanic-owned business applicants turned to online lenders¹⁸ relatively frequently: 41% and 43% applied to online lenders, respectively, compared to 32% of White-owned businesses. For Black- and Hispanic-owned firms, online lenders were the second most popular source of financing.
- A relatively large share of Black-owned firms turned to credit unions and community development financial institutions (CDFI)¹⁹ for financing. Nineteen percent of Black-owned firm applicants applied at credit unions, compared to 9% of White- and Hispanic-owned small business applicants, while 17% of Black-owned firm applicants applied at CDFIs, compared to 5% of White-owned and 3% of Hispanic-owned applicants.

Approval rates for loans or lines of credit and cash advances sought by minority-owned firms at small banks or online lenders were lower than those for White-owned firms (not controlling for other firm characteristics):²⁰

- Seventy-three percent of White-owned firm applicants were approved for at least some of the financing they sought at small banks, compared with 56% of minority-owned business applicants.
- Eighty-four percent of White-owned firms received approval at online lenders, compared with 73% of minority-owned firm applicants.

Lender satisfaction lagged for Black- and Hispanic-owned firms:

- Larger shares of Black- and Hispanic-owned firms indicated they were dissatisfied with their lender (30% and 32%, respectively), compared to 17% of White-owned businesses.
- A significantly larger share of White-owned firms are satisfied with their large and small bank lenders (71% and 84%, respectively). This contrasts with 49% of minority-owned applicants at large banks and 45% at small banks that feel the same way.

¹⁶ This analysis does not control for the proximity of potential lenders, which can influence these patterns. For further analysis, see M. de Zeeuw and B. Barkley, "Mind the Gap: Minority-Owned Small Business' Financing Experiences in 2018," *Consumer & Community Context* (Washington, DC: Federal Reserve Board of Governors' Division of Consumer and Community Affairs, November 2019).

¹⁷ Respondents were provided a list of large banks (those with at least \$10 billion in total deposits) operating in their state.

¹⁸ Online lenders are defined as nonbank lenders. Examples include Lending Club, OnDeck, CAN Capital, Paypal Working Capital, and Kabbage.

¹⁹ CDFIs are financial institutions that provide credit and financial services to underserved markets and populations. They are certified by the CDFI Fund at the U.S. Department of the Treasury.

²⁰ For further analysis, see M. de Zeeuw and B. Barkley, "Mind the Gap: Minority-Owned Small Business' Financing Experiences in 2018," *Consumer & Community Context* (Washington, DC: Federal Reserve Board of Governors' Division of Consumer and Community Affairs, November 2019).

EXECUTIVE SUMMARY (continued)

ABOUT THE SMALL BUSINESS CREDIT SURVEY AND THIS REPORT

The 2018 Small Business Credit Survey represents a collaboration among all 12 Federal Reserve Banks. The annual survey of businesses with fewer than 500 employees was fielded in the third and fourth quarters of 2018 and generated 6,614 responses from employer firms with information on the race or ethnicity of a firm's ownership. The figures displayed in this report describe only employer firms. Various figures on minority-owned nonemployer firms can be found in the [Small Business Credit Survey: 2019 Report on Nonemployer Firms](#).

The data in this report are weighted by the race and ethnicity of firm ownership, gender of the firm owner(s), geographic location (census division, and rural or urban location), number of employees, firm age, and industry to attempt to ensure the data are representative of the U.S. small employer firm population. Some results displayed in the charts that depict changes over time may differ from the [2016 Small Business Credit Survey: Report on Minority-Owned Firms](#) due to changes in the weighting methodology and the addition of observations for which the race, ethnicity, and gender of the firm's owner(s) was imputed. For more information on the report and weighting methodology, as well as changes, please refer to the [Small Business Credit Survey: 2019 Report on Employer Firms Methodology section](#).

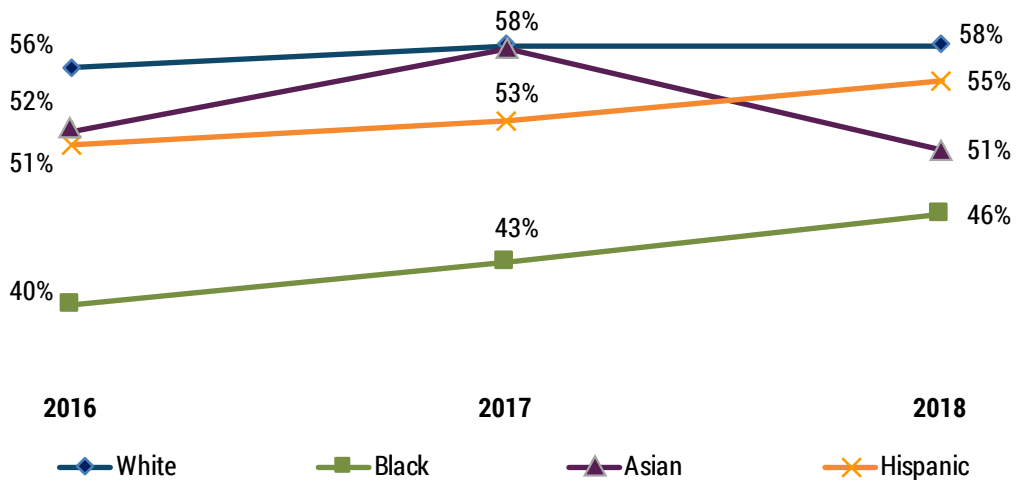
Whenever this report refers to "White," "Black," "Asian," "Hispanic," or "minority," the report and the data refer to the race or ethnicity of the majority of the firm's ownership, so: (non-Hispanic) White-owned, (non-Hispanic) Black-owned, (non-Hispanic) Asian-owned, Hispanic-owned, or minority-owned. In cases where a firm is owned equally by owners who are White and from a racial or ethnic minority group, that firm is classified as "White." Minority-owned firms include businesses where less than 50% of a firm's ownership is non-Hispanic White. This category includes some firms where ownership is more than 50% Native American. Data points and charts in this report are generally displayed only if at least 100 observations are available. When respondent sizes are too small for specific race or ethnicity categories, results for minority-owned firms are displayed.²⁰

PERFORMANCE

Larger shares of Black-, and Hispanic-owned firms reported profitability in 2018. The share of profitable Asian-owned firms declined.

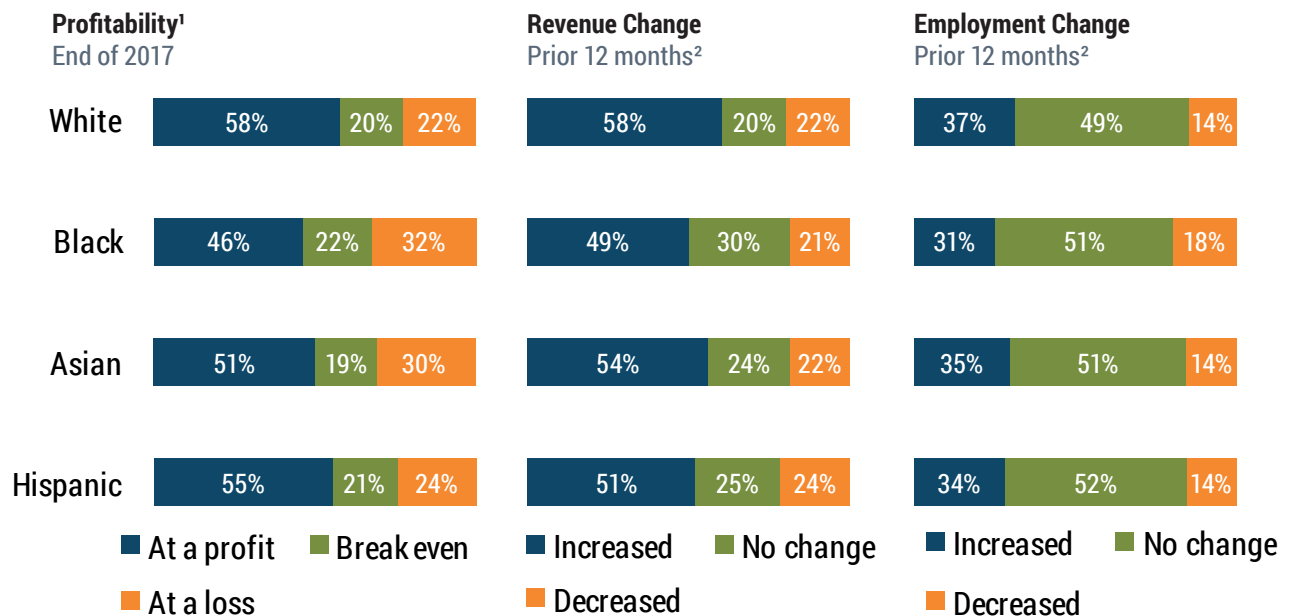
SHARE OF FIRMS OPERATING AT A PROFIT, *End of Previous Calendar Year*

(% of employer firms)



FIRM PERFORMANCE, *2018 survey*

(% of employer firms)



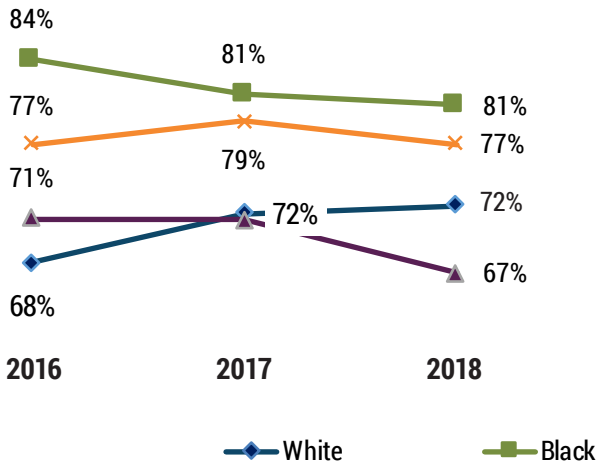
¹ Percentages may not sum to 100 due to rounding.

² The "prior 12 months" are approximately the second half of the year before the survey year through the first half of the survey year.

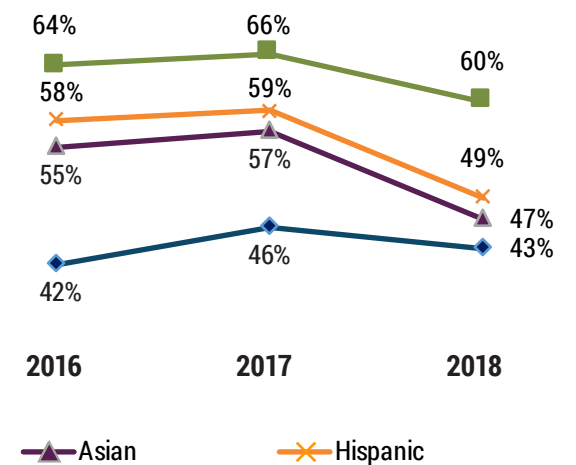
FUTURE EXPECTATIONS

While Black- and Hispanic-owned firms remained most optimistic about the future, declining shares of firms expected future revenue and employee growth.

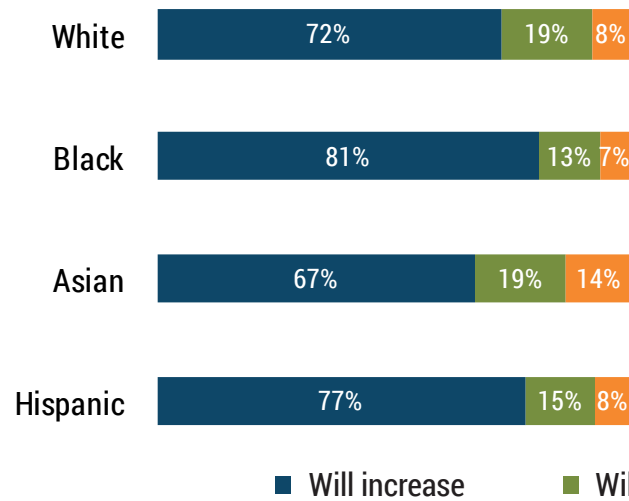
SHARE OF FIRMS THAT EXPECTED REVENUE GROWTH, *Next 12 Months*¹
(% of employer firms)



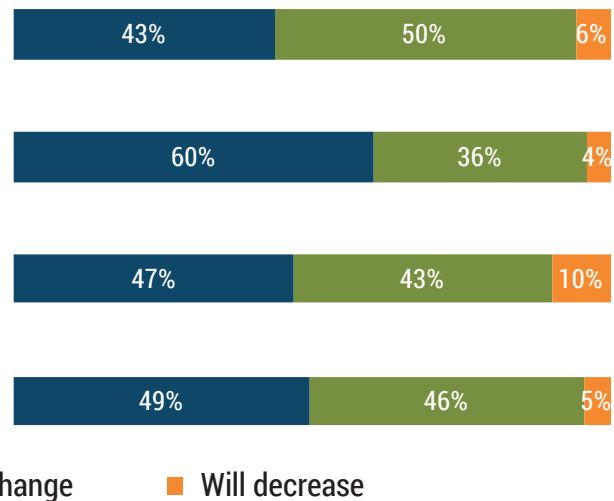
SHARE OF FIRMS THAT EXPECTED EMPLOYMENT GROWTH, *Next 12 Months*¹
(% of employer firms)



REVENUE GROWTH EXPECTATIONS (2018),² *Next 12 Months*¹
(% of employer firms)



EMPLOYEE GROWTH EXPECTATIONS (2018),² *Next 12 Months*¹
(% of employer firms)



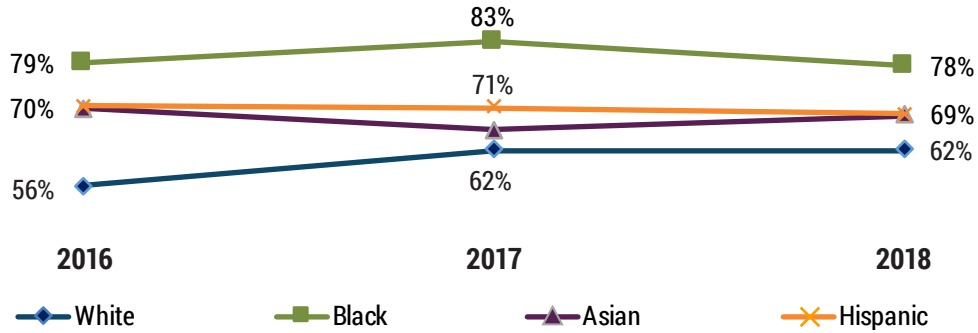
¹ The "next 12 months" are approximately the second half of the survey year through the first half of the following year.
² Percentages may not sum to 100 due to rounding.

FINANCIAL CHALLENGES

While larger shares of Black- and Hispanic-owned firms reported financial difficulties compared to White-owned businesses, the share of White-owned firms reporting challenges increased between 2016 and 2018. A larger share of Black-owned firms reported having more credit availability challenges than all other types of firms.

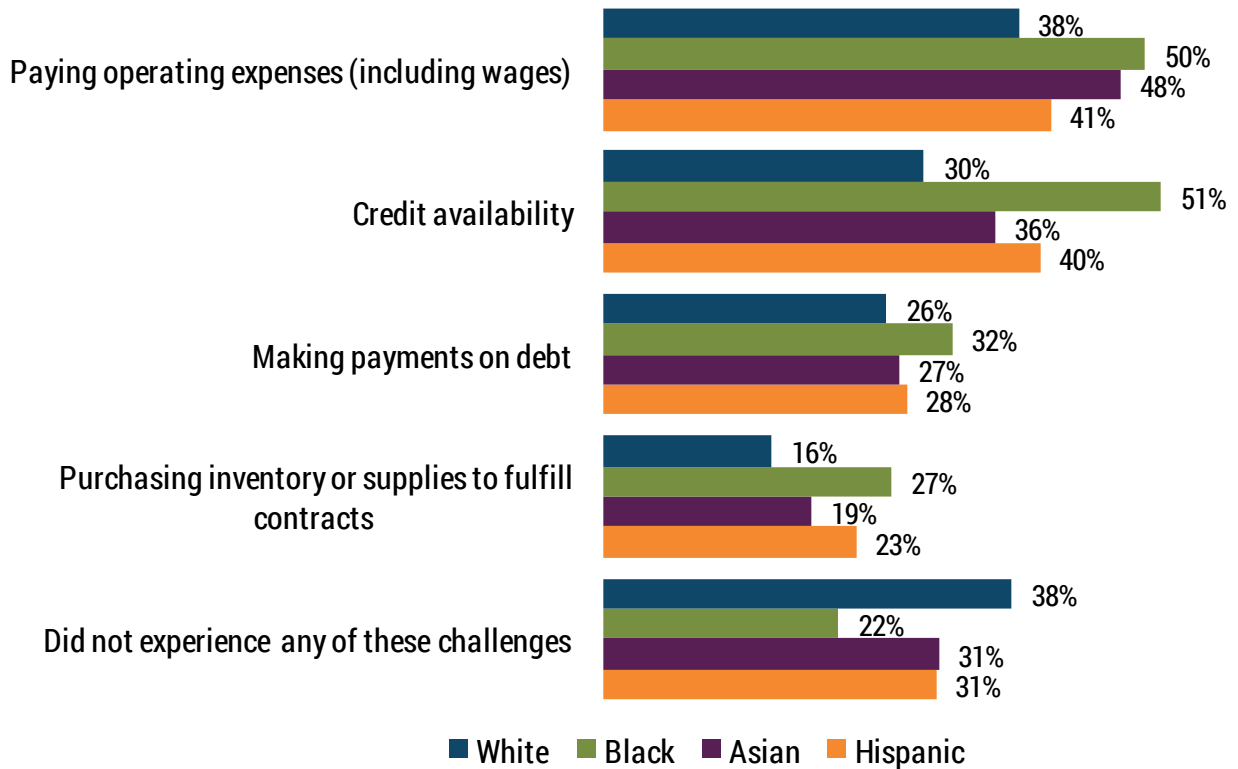
FIRM HAD ANY TYPE OF FINANCIAL CHALLENGE, *Prior 12 Months*¹

(% of employer firms)



FINANCIAL CHALLENGES,² *Prior 12 Months*¹

(% of employer firms)



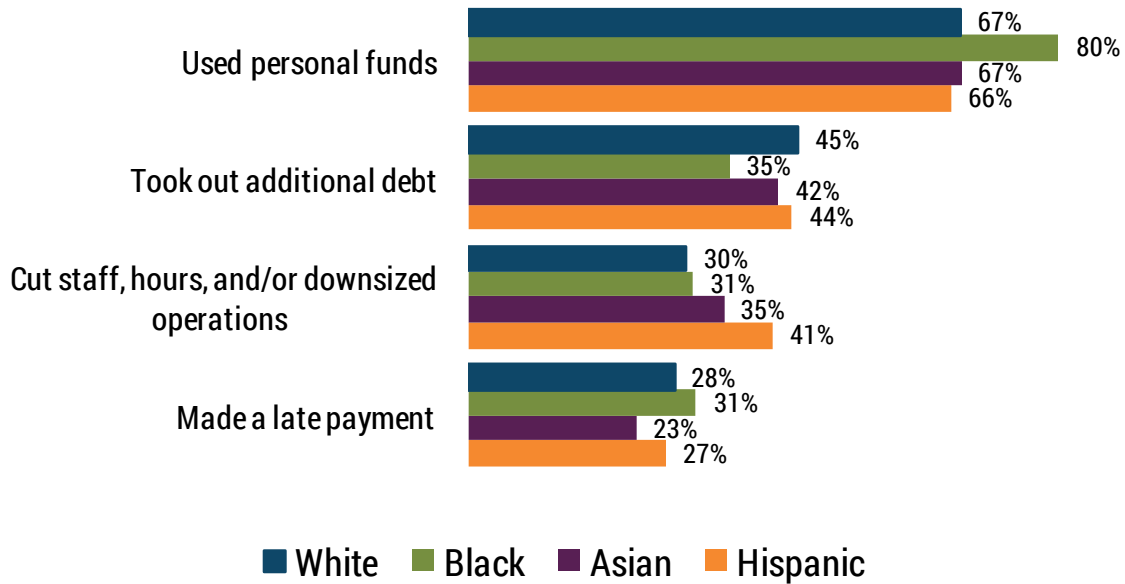
¹ The "prior 12 months" are approximately the second half of the year before the survey year through the first half of the survey year.

² Respondents could select multiple options.

FINANCIAL CHALLENGES (continued)

Black-owned firms used personal funds more frequently than White-owned firms, and less frequently took out additional debt when faced with financial challenges.

ACTIONS TAKEN TO ADDRESS FINANCIAL CHALLENGES,¹ Prior 12 Months² (% of employer firms with financial challenges)



¹ Respondents could select multiple options.

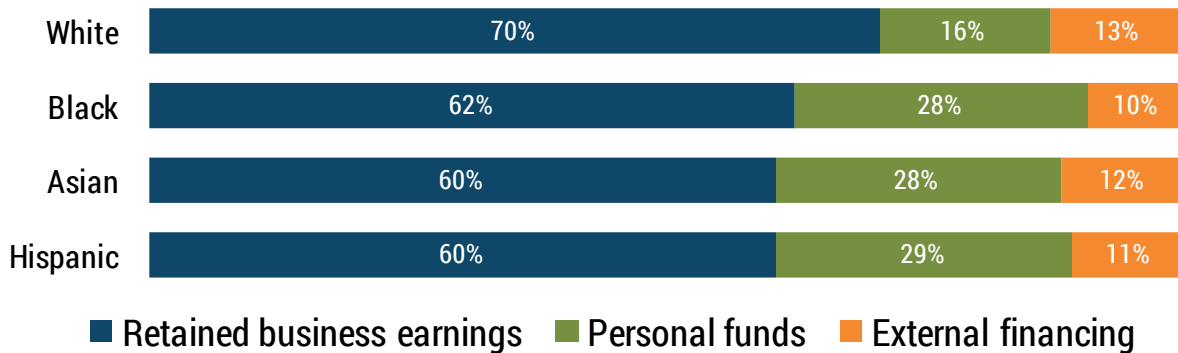
² The "prior 12 months" are approximately the second half of the year before the survey through the first half of the survey year.

FUNDING BUSINESS OPERATIONS

White-owned firms were less likely to use personal funds to fund business operations compared to minority-owned firms and more likely to use retained business earnings.

PRIMARY FUNDING SOURCE¹

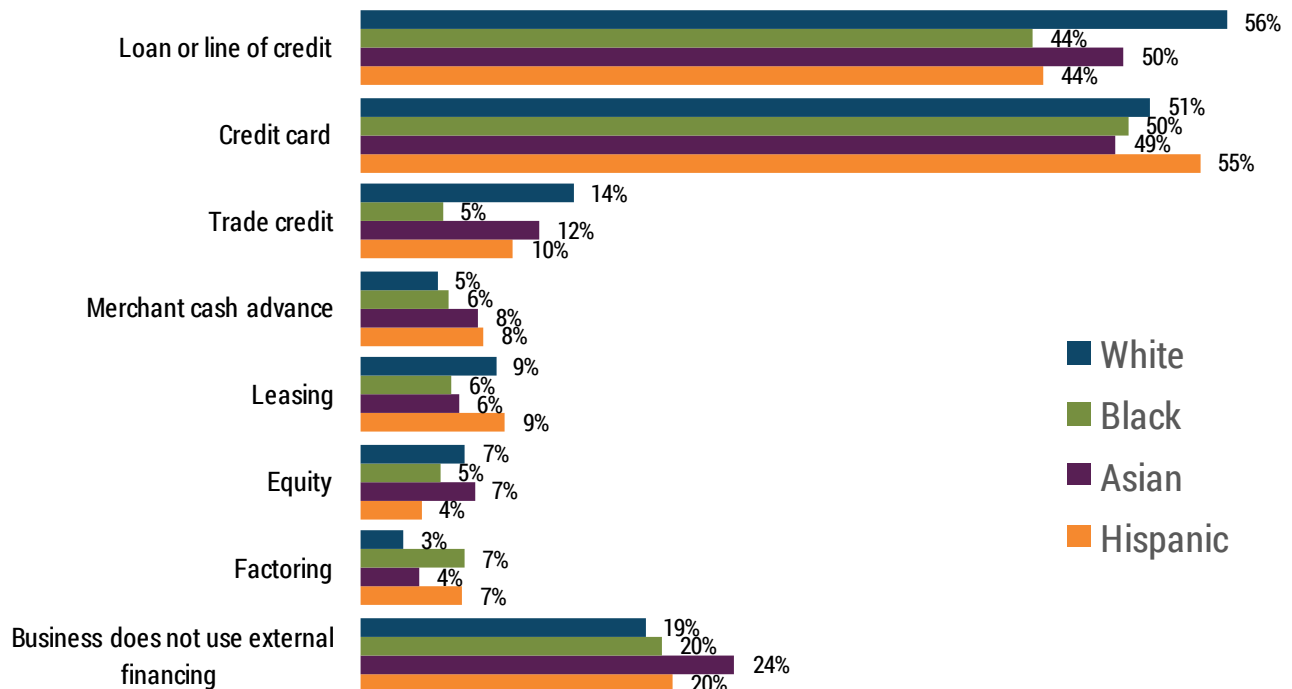
(% of employer firms)



White-owned firms more frequently used loans or lines of credits. Black-owned firms were less likely to export goods and thus to use trade credit.

TYPE OF EXTERNAL FINANCING REGULARLY USED,² at Time of Survey

(% of employer firms)



¹ Percentages may not sum to 100 due to rounding.

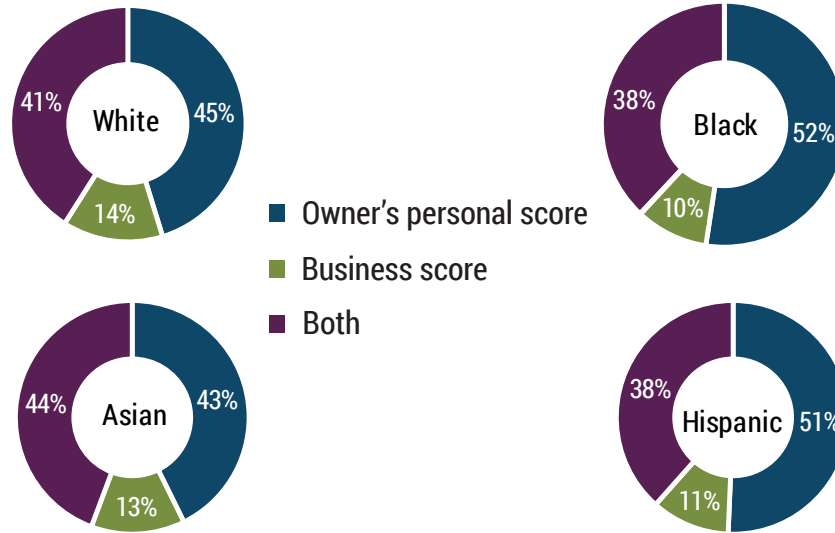
² Respondents could select multiple options.

PERSONAL FINANCES

Black- and Hispanic-owned firms relied more frequently on personal credit scores. However, larger shares of Black and Hispanic firm owners reported personal credit scores below 720, whereas larger shares of White and Asian firm owners reported scores of over 720.

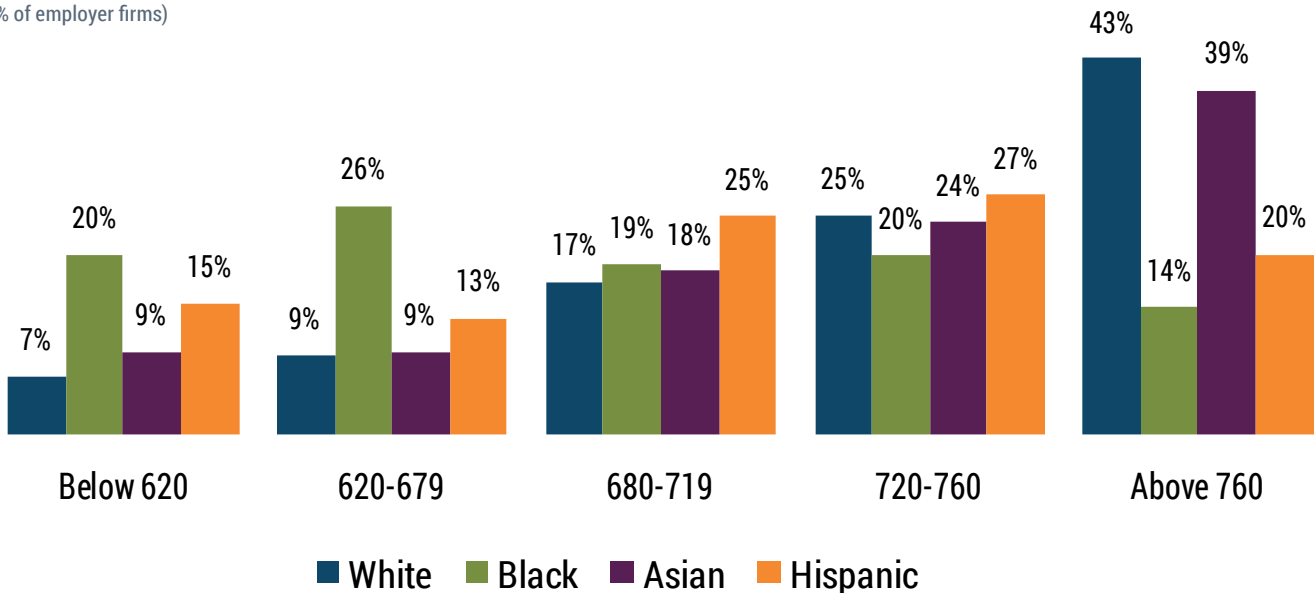
USE OF PERSONAL AND BUSINESS CREDIT SCORES IN OBTAINING FINANCING¹

(% of employer firms)



SELF-REPORTED PERSONAL CREDIT SCORES^{1,2}

(% of employer firms)



¹ Percentages may not sum to 100 due to rounding.

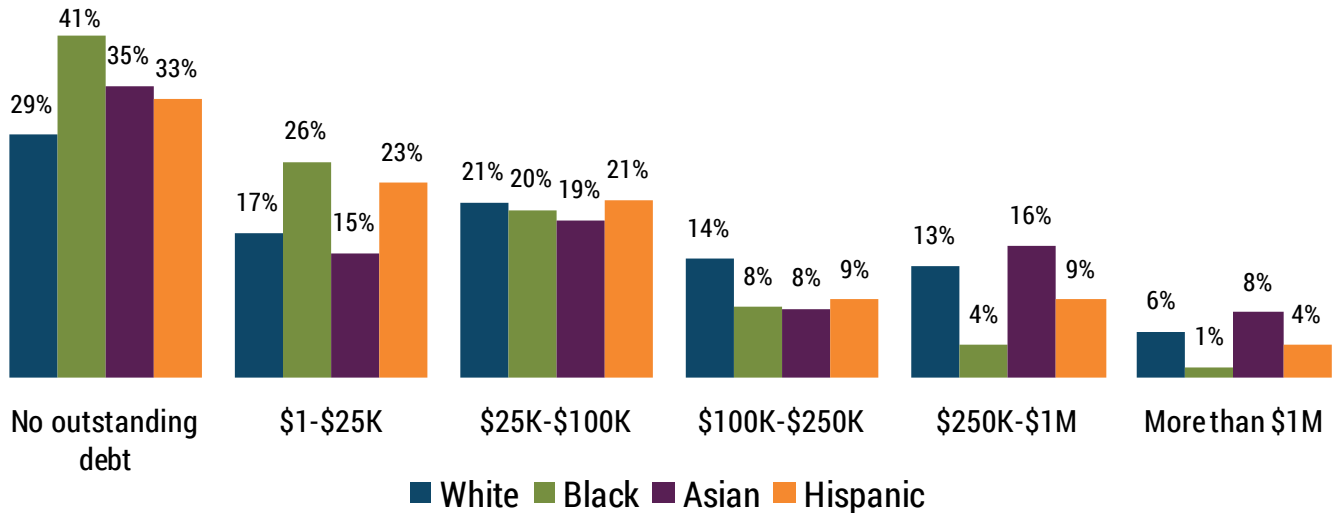
² Credit risk was determined according to self-reported business credit score or personal credit score, depending on which was used. If the firm used both, the higher risk was used. "Low credit risk" is an 80-100 business credit score or 720+ personal credit score. "Medium credit risk" is a 50-79 business credit score or a 620-719 personal credit score. "High credit risk" is a 1-49 business credit score or a <620 personal credit score.

DEBT AND COLLATERAL

Black-owned firms less frequently had outstanding debt, or relied on business assets to secure debt. Hispanic-owned firms less frequently relied on personal guarantees or business assets as collateral.

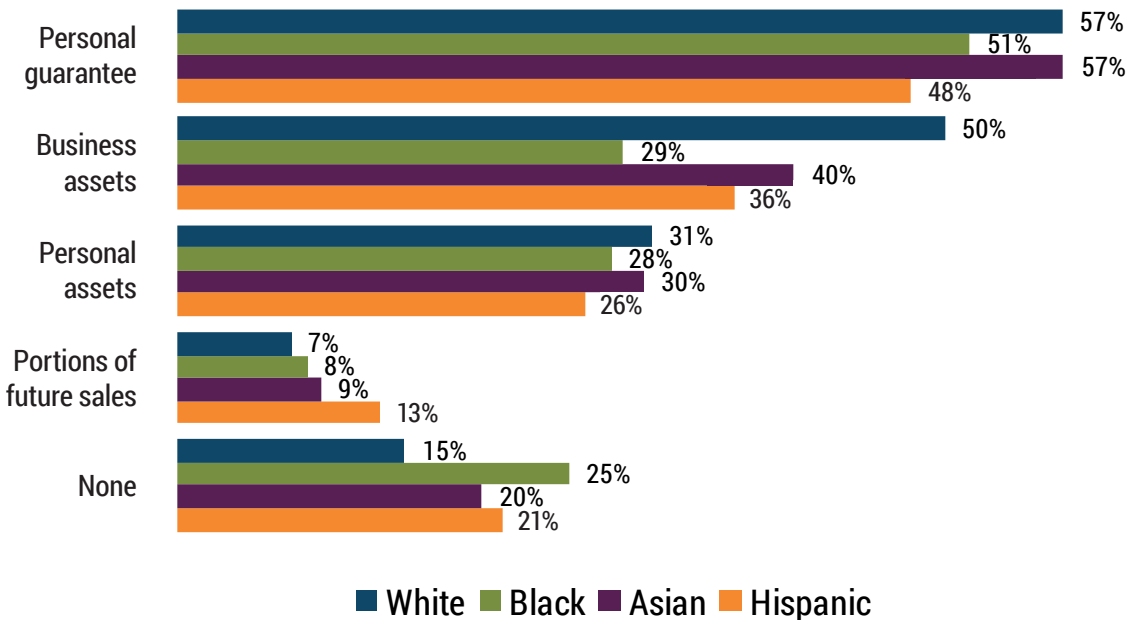
AMOUNT OF DEBT, ^{1,2} at Time of Survey

(% of employer firms)



COLLATERAL USED TO SECURE DEBT ³

(% of employer firms with outstanding debt)



¹ Percentages may not sum to 100 due to rounding.

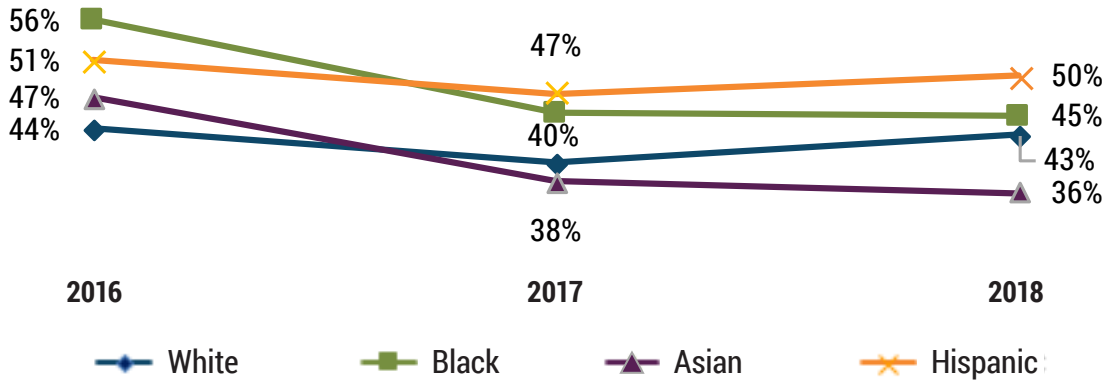
² Categories have been simplified for readability. Actual categories are ≤\$25K, \$25,001–\$100K, \$100,001–\$250K, \$250,001–\$1M, >\$1M.

³ Respondents could select multiple options.

DEMAND FOR FINANCING

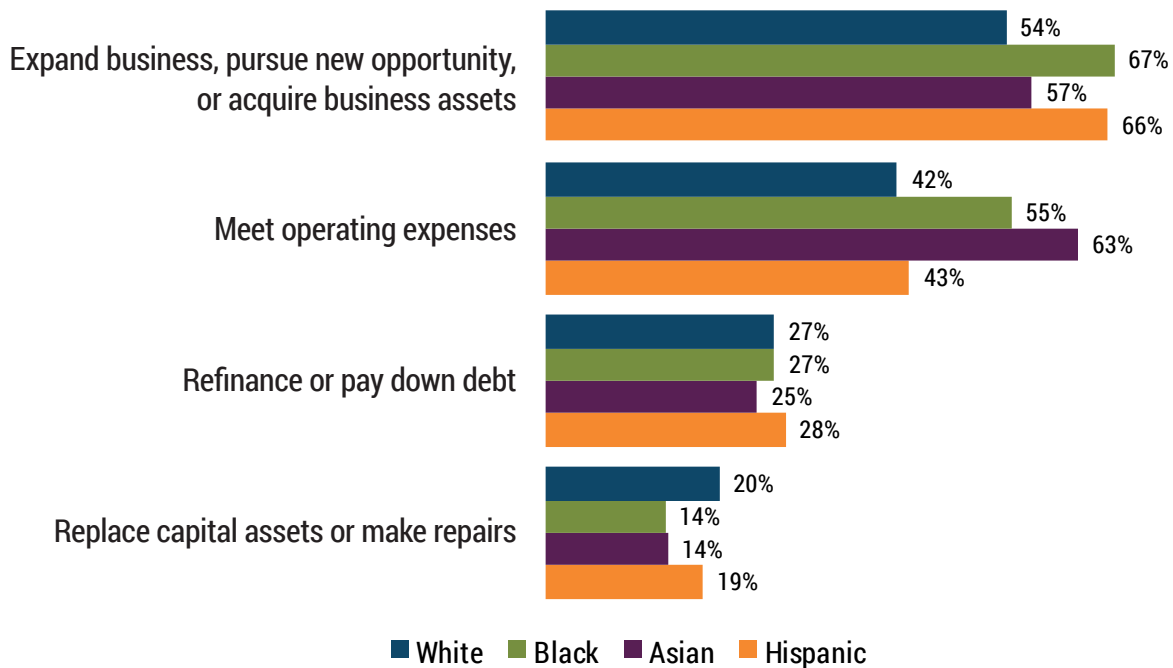
In 2018, a smaller share of Asian-owned firms and a larger share of Hispanic-owned firms applied for financing, compared to White-owned firms. The share of Black- and Asian-owned firms that applied for financing decreased between 2016 and 2018.

APPLIED FOR FINANCING, *Prior 12 Months*¹ (% of employer firms)



Larger shares of Asian- and Black-owned firms applied for financing to be able to meet operating expenses. Larger shares of Hispanic- and Black-owned firms applied to expand or pursue new opportunities compared to White-owned businesses.

REASONS FOR APPLYING FOR FINANCING² (% of applicants)



¹ The "prior 12 months" are approximately the second half of the year before the survey through the first half of the survey year.

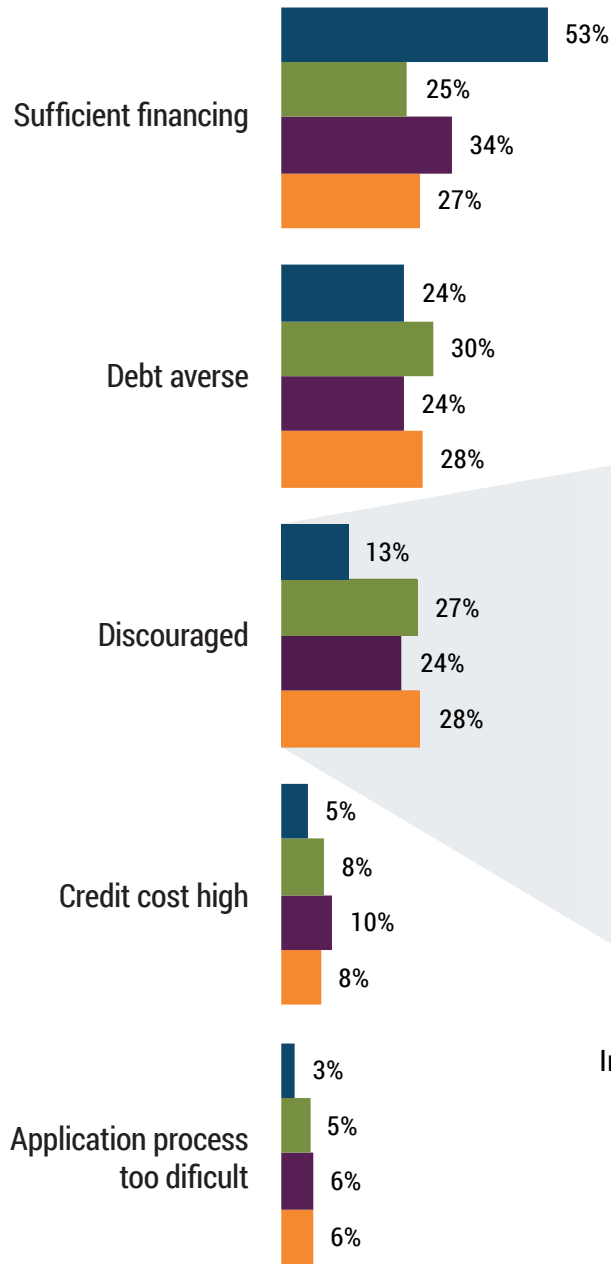
² Respondents could select multiple options.

NONAPPLICANTS

Minority-owned firms less frequently than White-owned firms reported they didn't apply for credit since they have sufficient financing in place. Similarly, larger shares of minority-owned firms reported not applying for financing as they believed they would be turned down.

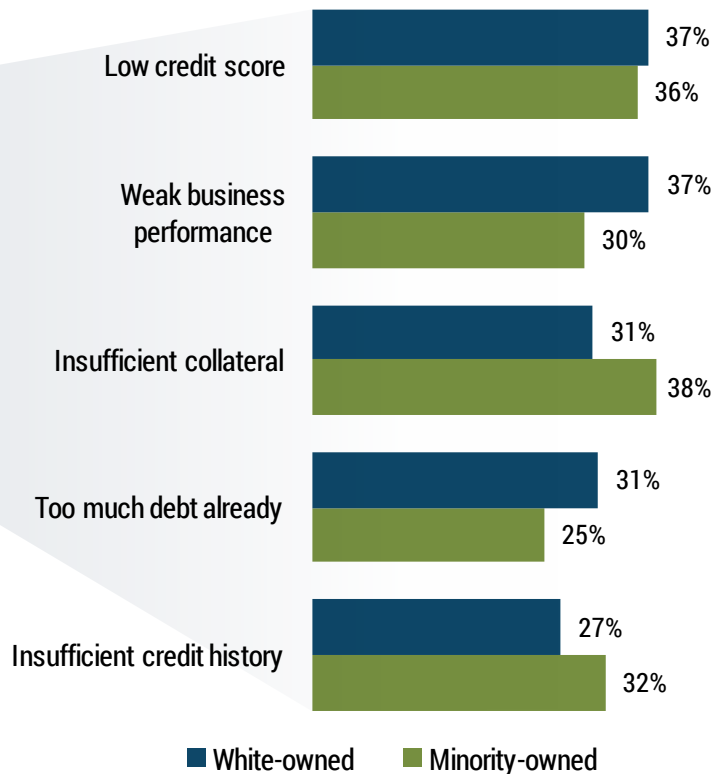
PRIMARY REASON FOR NOT APPLYING FOR FINANCING¹

(% of nonapplicants)



REASONS CITED FOR WHY FIRMS DID NOT EXPECT FINANCING WOULD BE APPROVED

(% of nonapplicants that reported feeling "discouraged" from applying)



■ White ■ Black ■ Asian ■ Hispanic

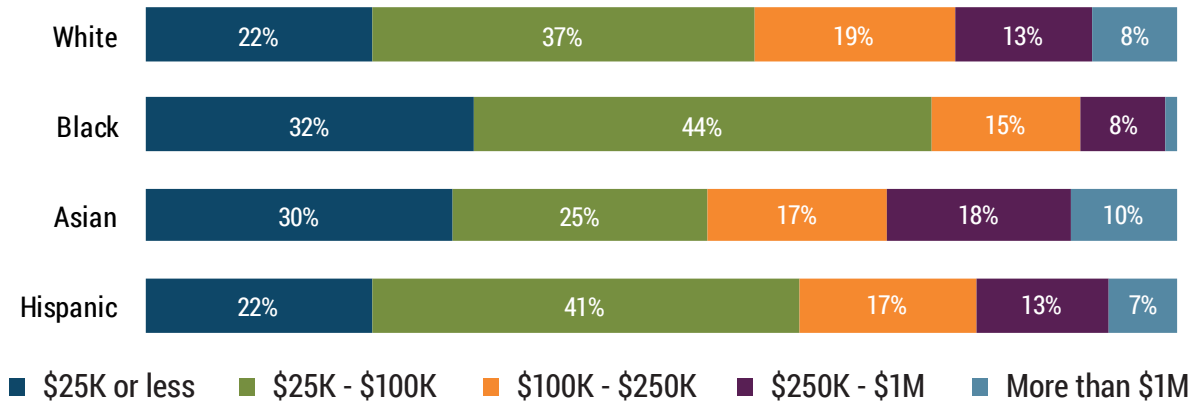
¹ Discouraged firms are those that did not apply for financing because they believed they would not be approved.

FINANCING AMOUNTS AND SHORTFALLS

Black-owned firms tended to apply for smaller amounts of financing, on average, and were nearly twice as likely to be turned down completely compared to White-owned businesses. Asian- and White-owned applicant firms more frequently received approval for greater shares of their applications.

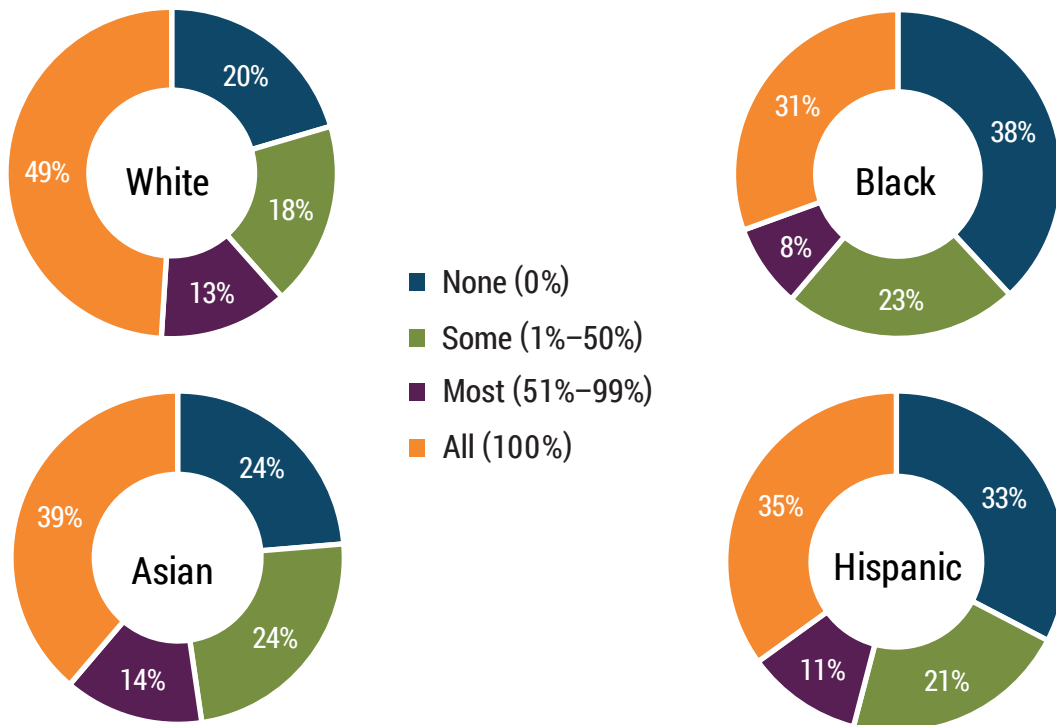
TOTAL AMOUNT OF FINANCING SOUGHT^{1,2}

(% of applicants)



TOTAL FINANCING RECEIVED²

(% of applicants)



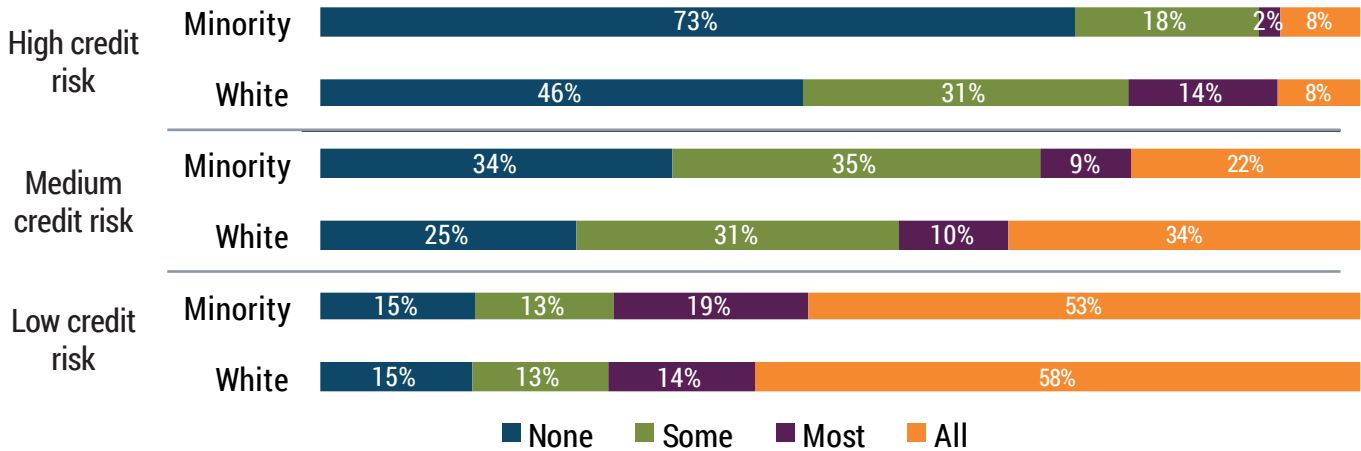
¹ Categories have been simplified for readability. Actual categories are ≤\$25K, \$25,001–\$100K, \$100,001–\$250K, \$250,001–\$1M, >\$1M.

² Percentages may not sum to 100 due to rounding.

FINANCING RECEIVED BY RISK AND DENIAL REASONS

TOTAL FINANCING RECEIVED BY CREDIT RISK ^{1,2,3}

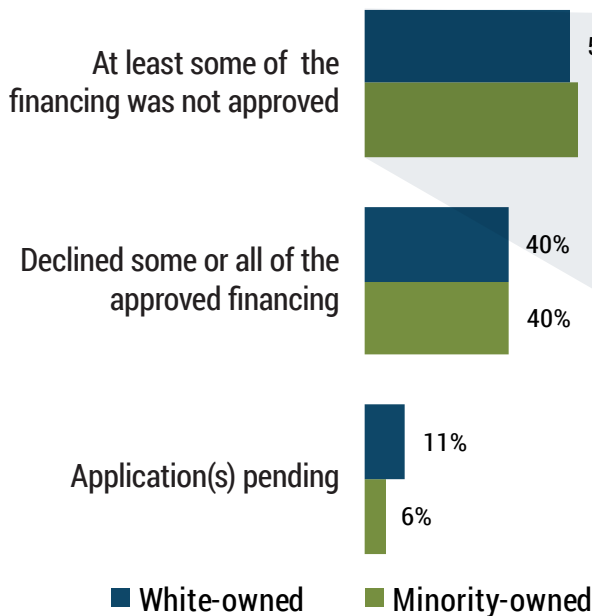
(% of applicants)



Minority- and White-owned firms did not differ significantly in why they received less financing, or why their applications were denied.

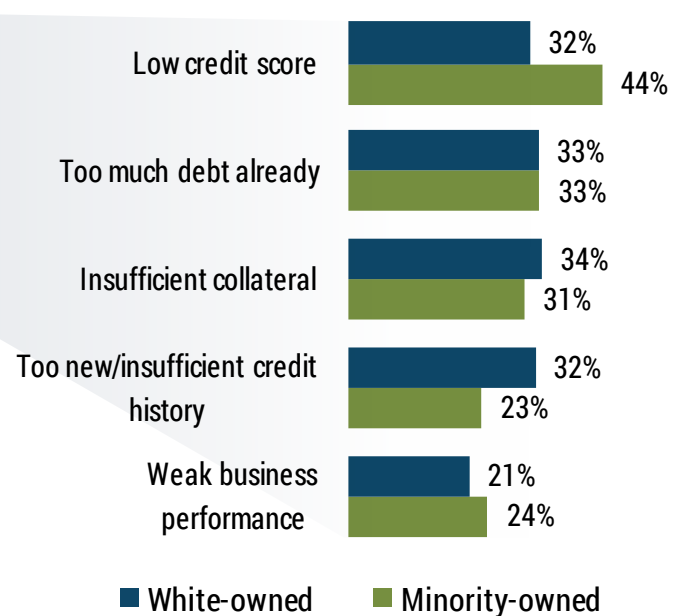
REASONS FOR OBTAINING LESS THAN THE FULL AMOUNT OF FINANCING SOUGHT ⁴

(% of applicants with financing shortfall)



REASONS FOR CREDIT DENIAL ⁴

(% of applicants that were not approved for at least some financing sought)



¹ Percentages may not add up to 100 due to rounding.

² Caution should be used in interpreting the results for firms with a high-credit-risk profile due to a low number of responses.

³ Credit risk was determined according to self-reported business credit score or personal credit score, depending on which was used. If the firm used both, the higher risk was used. "Low credit risk" is an 80-100 business credit score or 720+ personal credit score. "Medium credit risk" is a 50-79 business credit score or a 620-719 personal credit score. "High credit risk" is a 1-49 business credit score or a <620 personal credit score.

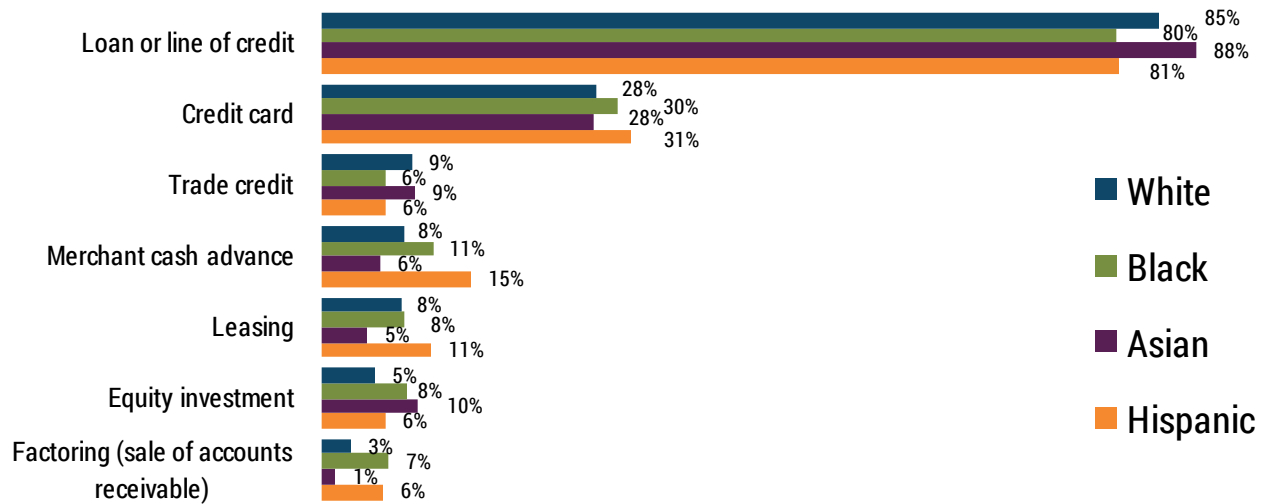
⁴ Respondents could select multiple options.

CREDIT PRODUCTS

Most credit products that firms sought did not differ significantly by the race or ethnicity of firm ownership, but Hispanic-owned firms did turn to merchant cash advances more frequently than White-owned firms did.

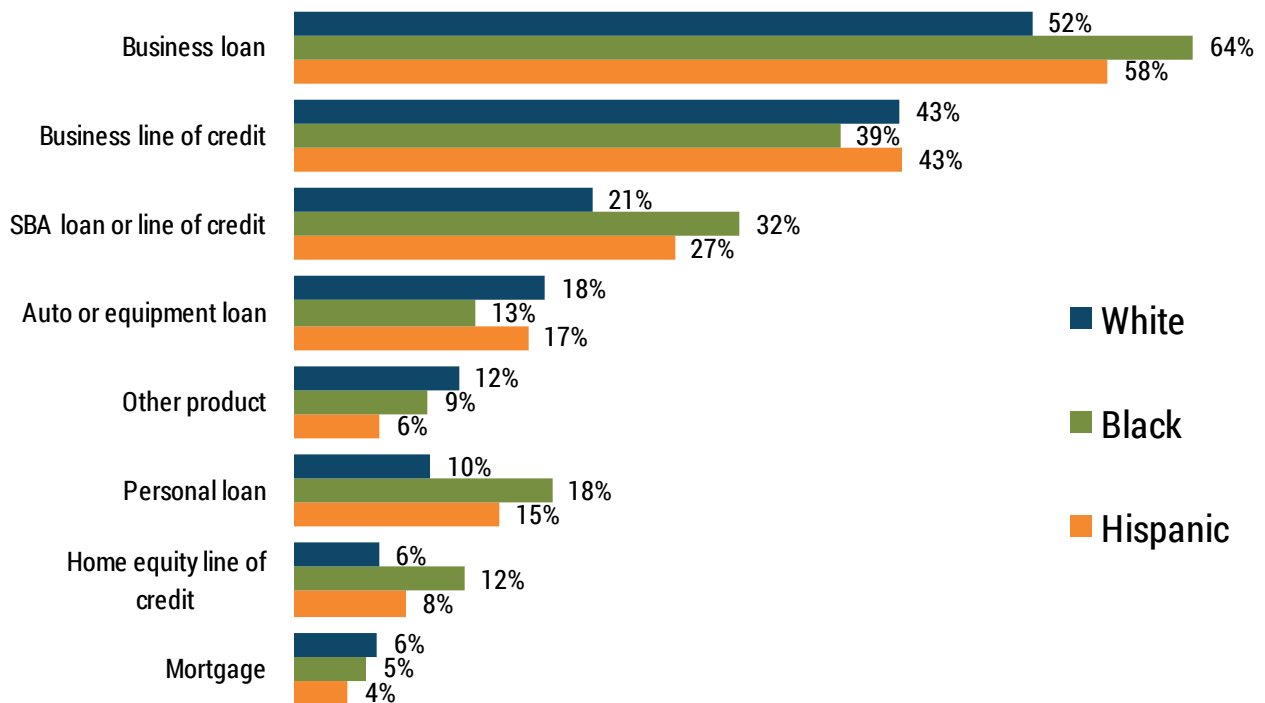
FINANCING AND CREDIT PRODUCTS SOUGHT¹

(% of applicants)



APPLICATION RATE FOR LOANS/LINES OF CREDIT^{1,2}

(% of loan/line of credit applicants)



¹ Respondents could select multiple options.

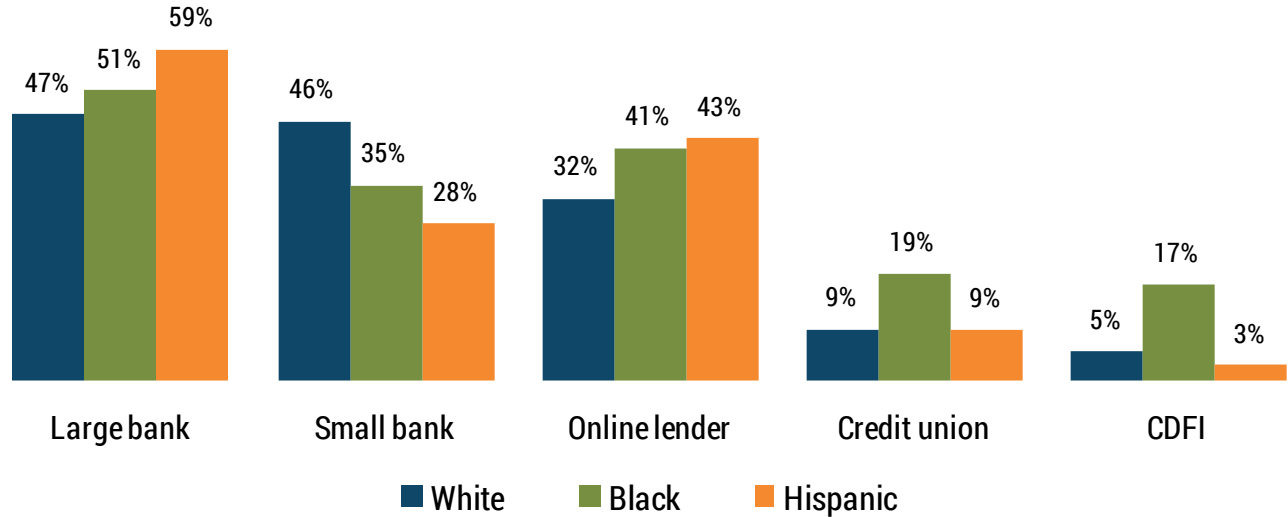
² Asian-owned firms are not included in this chart due to too few observations.

LOAN OR LINE OF CREDIT SOURCES

A larger share of Hispanic-owned applicants turned to large banks or online lenders for financing compared to White-owned applicants, but they were less likely to turn to small banks or community development financial institutions (CDFI). Black-owned firms were more likely to turn to online lenders, credit unions, and CDFIs, but less likely to turn to small banks.

CREDIT SOURCES APPLIED TO ^{1,2,3,4}

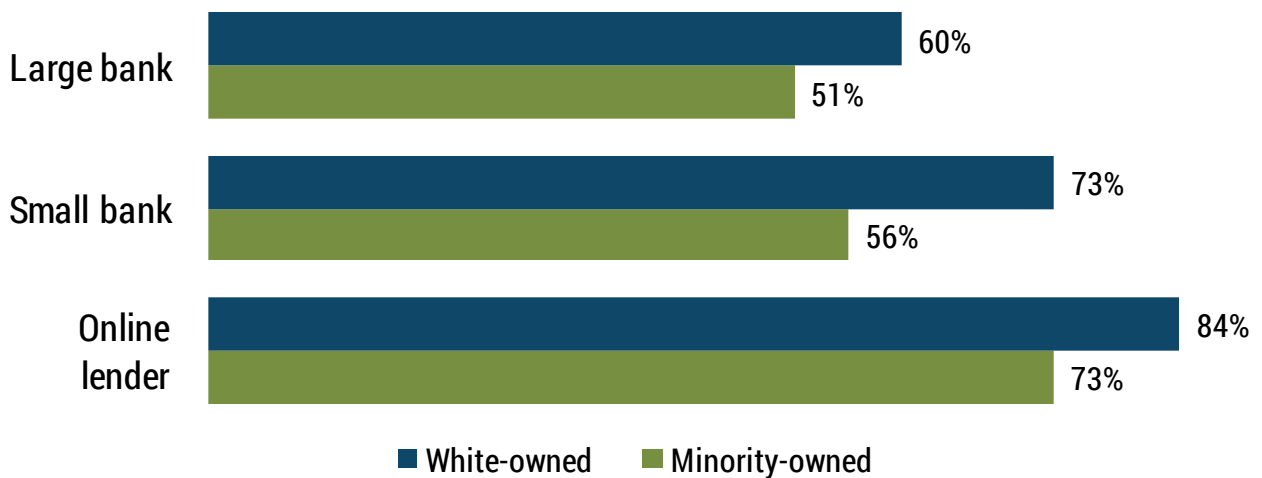
(% of loan/line of credit and cash advance applicants)



Minority-owned firms were less frequently approved than White-owned firms at small banks and online lenders.

APPROVAL RATE BY SOURCE OF LOAN/LINE OF CREDIT ^{2,3,5}

(% of loan/line of credit and cash advance applicants at source)



¹ Respondents could select multiple options.

² Respondents were provided a list of large banks (those with at least \$10 billion in total deposits) operating in their state.

³ Online lenders are defined as nonbank lenders, such as Lending Club, OnDeck, CAN Capital, Paypal Working Capital, and Kabbage.

⁴ Asian-owned firms are not included in this chart due to too few observations.

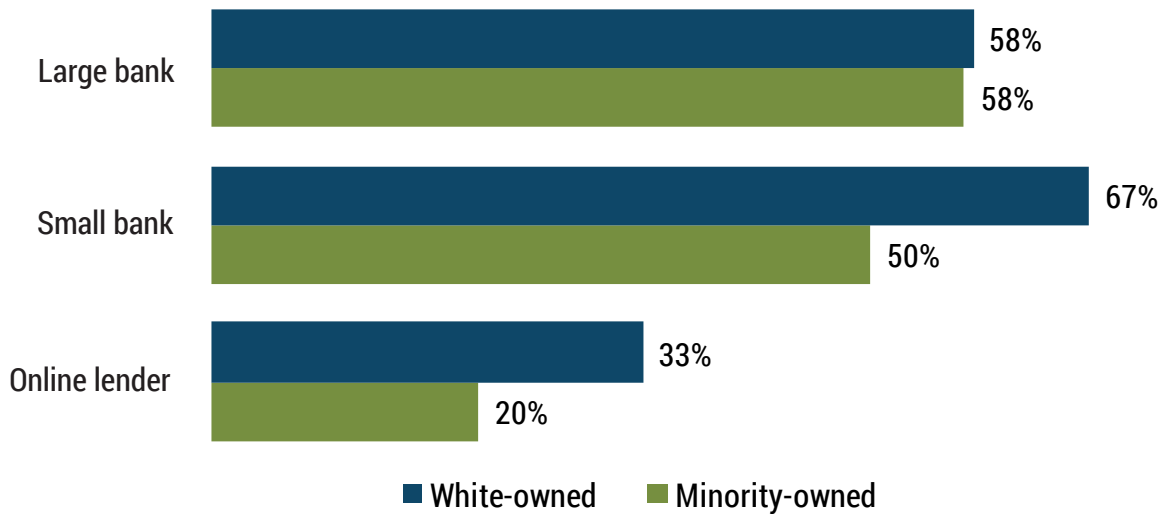
⁵ Approval rate is the share approved for at least some credit.

REASONS FOR APPLYING AT A SOURCE

The reasons for pursuing financing at large banks, small banks, or online lenders didn't differ greatly for minority- or White-owned firms. However, minority-owned firms less frequently cited an existing relationship with a lender as a reason to apply for financing at either a small bank or an online lender.

LIKELIHOOD OF CITING EXISTING RELATIONSHIP WITH LENDER AS A REASON FOR PURSUING FINANCING AT A SOURCE ^{1,2}

(% of loan/line of credit and cash advance applicants at source)



¹ Respondents were provided a list of large banks (those with at least \$10 billion in total deposits) operating in their state.

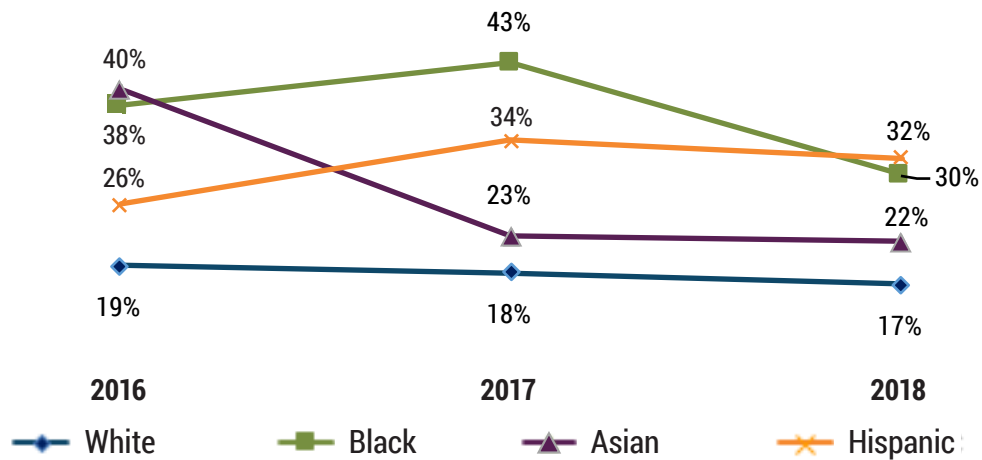
² Online lenders are defined as nonbank lenders, such as Lending Club, OnDeck, CAN Capital, Paypal Working Capital, and Kabbage.

LENDER SATISFACTION

A smaller share of Asian-owned firms were dissatisfied with their lender in 2018 than in 2016. A larger share of Black- and Hispanic-owned firms were dissatisfied with their lender than were White-owned firms.

OVERALL DISSATISFACTION WITH ONE OR MORE LENDERS

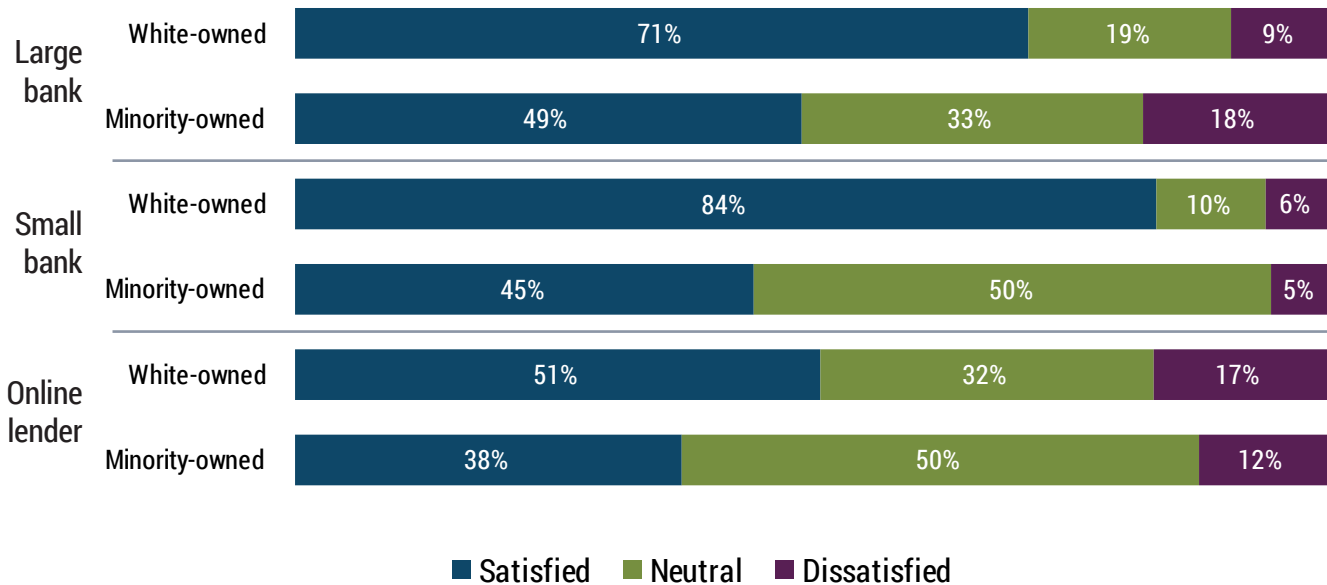
(% of applicants approved for at least some financing)



White-owned firms were more satisfied with their lenders at small or large banks than were minority-owned firms.

SATISFACTION WITH LENDER BY SOURCE OF LOAN/LINE OF CREDIT ^{1,2,3}

(% of applicants approved for at least some credit at source)

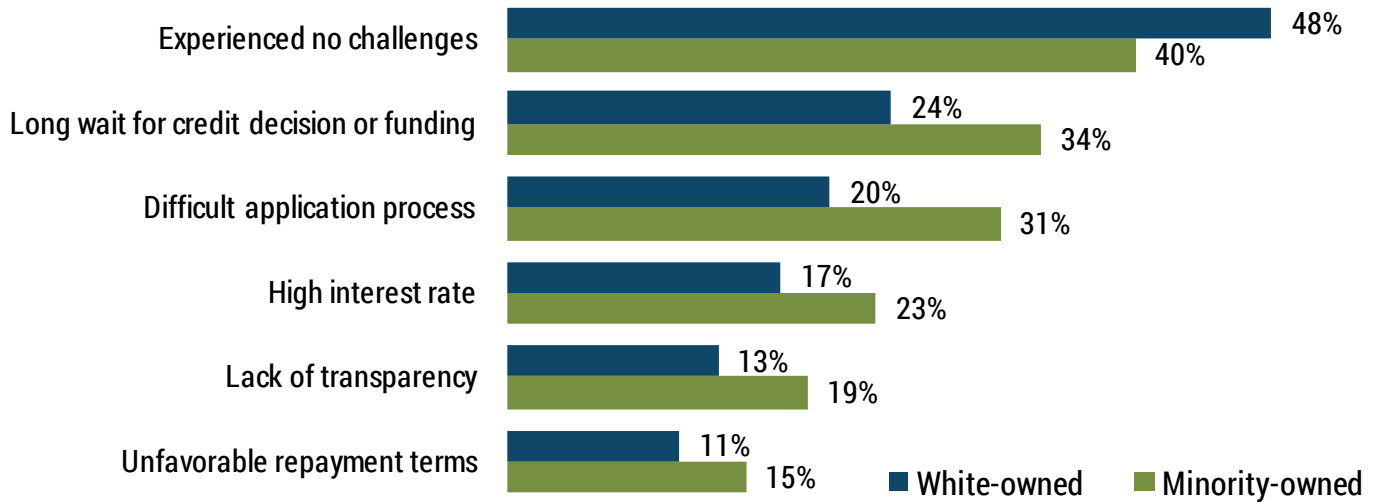


¹ Respondents were provided a list of large banks (those with at least \$10 billion in total deposits) operating in their state.
² Online lenders are defined as nonbank lenders, such as Lending Club, OnDeck, CAN Capital, Paypal Working Capital, and Kabbage.
³ Percentages may not add up to 100 due to rounding.

CHALLENGES APPLYING AT A SOURCE

CHALLENGES EXPERIENCED APPLYING AT A LARGE BANK ^{1,2}

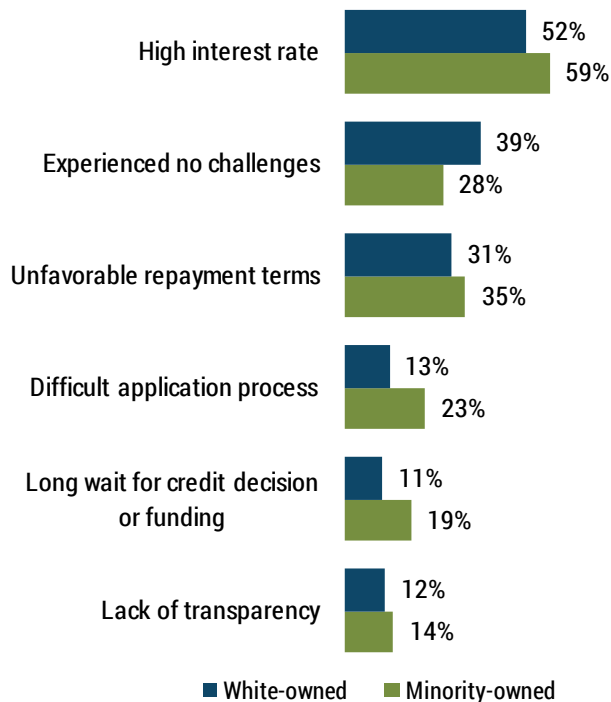
(% of loan/line of credit and cash advance applicants at large banks)



Larger shares of minority-owned firms stated that they experienced challenges in their application process or experienced high interest rates when applying at small banks.

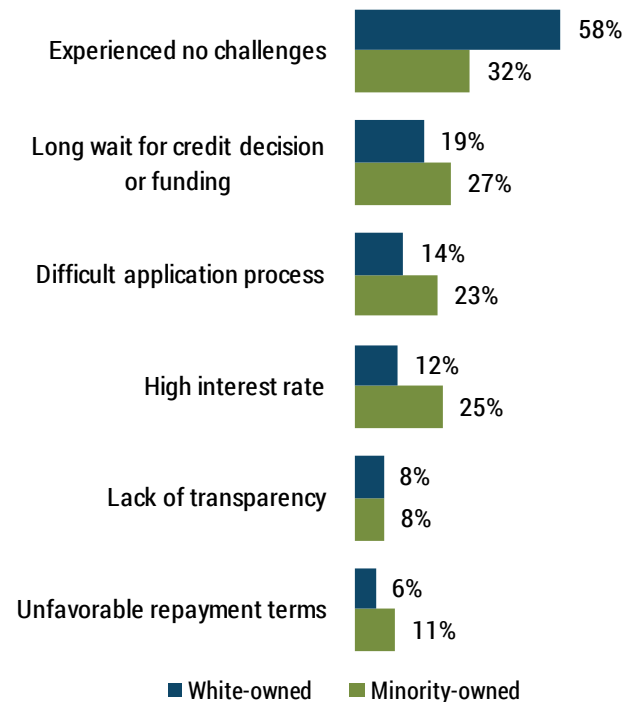
CHALLENGES EXPERIENCED APPLYING AT AN ONLINE LENDER ^{1,3}

(% of loan/line of credit and cash advance applicants at online lenders)



CHALLENGES EXPERIENCED APPLYING AT A SMALL BANK ¹

(% of loan/line of credit and cash advance applicants at small banks)



¹ Respondents could select multiple options.

² Respondents were provided a list of large banks (those with at least \$10 billion in total deposits) operating in their state.

³ Online lenders are defined as nonbank lenders, such as Lending Club, OnDeck, CAN Capital, Paypal Working Capital, and Kabbage.

DEMOGRAPHIC COMPOSITION OF U.S. SMALL BUSINESS OWNERS¹

	White	Black	Asian	Hispanic
2018 SBCS unweighted sample	74%	13%	4%	8%
2018 SBCS weighted sample	82%	2%	11%	5%
U.S. Census Bureau's 2016 American Survey of Entrepreneurs	82%	2%	11%	5%

CENSUS DIVISION¹

	White	Black	Asian	Hispanic
New England (CT, MA, ME, NH, RI, VT)	5%	4%	6%	3%
Middle Atlantic (NJ, NY, PA)	14%	18%	10%	14%
East North Central (IL, IN, MI, OH, WI)	15%	17%	7%	6%
West North Central (IA, KS, MN, MO, ND, NE, SD)	8%	4%	4%	2%
South Atlantic (DC, DE, FL, GA, MD, NC, SC, VA, WV)	20%	30%	16%	25%
East South Central (AL, KY, MS, TN)	6%	5%	3%	1%
West South Central (AR, LA, OK, TX)	10%	11%	11%	24%
Mountain (AZ, CO, ID, MT, NM, NV, UT, WY)	8%	3%	7%	6%
Pacific (AK, CA, HI, OR, WA)	14%	8%	37%	19%

¹ Percentages may not sum to 100 due to rounding or due to the omission of certain categories (such as multiple races or Native Americans).

INDUSTRY¹

	White	Black	Asian	Hispanic
Professional services and real estate	19%	20%	24%	19%
Nonmanufacturing goods production and associated services	19%	21%	10%	26%
Business support and consumer services	15%	18%	12%	16%
Retail	15%	4%	13%	8%
Health care and education	12%	21%	18%	13%
Leisure and hospitality	10%	7%	15%	10%
Finance and insurance	7%	8%	4%	5%
Manufacturing	4%	1%	4%	2%

NUMBER OF EMPLOYEES¹

	White	Black	Asian	Hispanic
1-4	53%	68%	55%	67%
5-9	19%	16%	20%	16%
10-19	13%	8%	13%	10%
20-49	10%	6%	7%	5%
50-499	6%	2%	6%	2%

AGE OF FIRM¹

	White	Black	Asian	Hispanic
0-2 years	19%	26%	28%	28%
3-5 years	13%	11%	16%	17%
6-10 years	19%	27%	22%	26%
11-15 years	14%	14%	11%	12%
16-20 years	10%	12%	8%	7%
21+ years	26%	11%	13%	10%

¹ Percentages may not sum to 100 due to rounding.

AGE OF FIRM'S PRIMARY DECISION-MAKER¹

	White	Black	Asian	Hispanic
Under 36	7%	7%	9%	11%
36-45	16%	19%	27%	30%
46-55	31%	38%	33%	30%
56-65	30%	26%	24%	22%
Over 65	16%	10%	8%	7%

SHARES USING CONTRACT WORKERS

White	Black	Asian	Hispanic
39%	52%	49%	48%

HIGHEST EDUCATION LEVEL OF FIRM'S PRIMARY DECISION-MAKER¹

	White	Black	Asian	Hispanic
High school/GED or less	6%	8%	1%	7%
Technical/trade/vocational school	19%	18%	17%	21%
Associate degree or some college	11%	8%	6%	16%
Bachelor's degree	36%	28%	34%	23%
Master's/Professional/Doctoral degree	28%	38%	42%	34%

REVENUES¹

	White	Black	Asian	Hispanic
\$100K or less	18%	45%	24%	29%
\$100K-\$1M	52%	43%	43%	52%
\$1M-\$10M	27%	11%	30%	16%
More than \$10M	4%	1%	3%	3%

¹ Percentages may not sum to 100 due to rounding.

GEOGRAPHIC LOCATION

	White	Black	Asian	Hispanic
Urban	81%	96%	93%	91%
Rural	19%	4%	7%	9%

VETERAN STATUS

	White	Black	Asian	Hispanic
Nonveteran	89%	81%	94%	88%
Veteran	11%	19%	6%	12%

GENDER OF OWNERSHIP

	White	Black	Asian	Hispanic
Men	66%	64%	53%	65%
Equal ownership	15%	8%	15%	11%
Women	19%	28%	32%	24%

IMMIGRANT STATUS

	White	Black	Asian	Hispanic
Nonimmigrant	93%	78%	52%	66%
Immigrant	7%	22%	48%	34%

CREDIT RISK^{1,2}

	White	Black	Asian	Hispanic
Low credit risk	67%	36%	63%	44%
Medium credit risk	26%	44%	28%	41%
High credit risk	6%	20%	9%	15%

¹ Percentages may not sum to 100 due to rounding.

² Data include self-reported business credit score or personal credit score, depending on which is used. If the firm used both, the higher risk rating is used. "Low credit risk" is an 80–100 business credit score or 720+ personal credit score. "Medium credit risk" is a 50–79 business credit score or a 620–719 personal credit score. "High credit risk" is a 1–49 business credit score or a <620 personal credit score.

SAMPLE SIZES FOR REPORT CHARTS

	White-owned	Black-owned	Asian-owned	Hispanic-owned	Minority-owned	Total
Share of Firms Operating at a Profit, Prior 12 Months						
2016	7,805	834	404	489		9,532
2017	6,369	598	288	487		7,742
2018	5,025	509	241	445		6,220
Revenue change, prior 12 months	5,084	549	253	486		6,372
Employment change, prior 12 months	4,925	506	237	444		6,112
Share of Firms That Expect Revenue Growth, Next 12 Months						
2016	7,892	873	418	508		9,691
2017	6,520	636	298	524		7,978
2018	5,119	548	255	490		6,412
Share of Firms that Expect Employment Growth, Next 12 Months						
2016	7,873	870	416	504		9,663
2017	6,297	585	288	476		7,646
2018	5,125	534	253	473		6,385
Financial Challenges						
2016	7,818	869	418	508		9,606
2017	6,541	638	296	524		8,001
2018	5,122	553	257	490		6,423
Actions Taken to Address Financial Challenges	3,076	435	171	331		4,013
Primary Funding Source	5,184	549	254	488		6,475
Type of External Financing Regularly Used, at Time of Survey	5,213	556	256	494		6,519
Share of Firms That Export Goods	4,733	521	248	451		5,953
Use of Personal and Business Credit Scores in Obtaining Financing	3,676	455	209	387		4,727
Self-Reported Personal Credit Scores	2,872	396	168	330		3,766
Amount of Debt, at Time of Survey	5,102	539	256	486		6,383
Collateral Used to Secure Debt	3,790	365	168	326		4,649

SAMPLE SIZES FOR REPORT CHARTS (continued)

	White-owned	Black-owned	Asian-owned	Hispanic-owned	Minority-owned	Total
Applied for Financing						
2016	7,948	883	421	512		9,764
2017	6,600	642	300	530		8,072
2018	5,232	558	260	496		6,546
Reasons for Applying for Financing	2,315	262	109	234		2,920
Primary Reason for Not Applying for Financing	2,797	290	147	250		3,484
Likely Reasons Business Would Not Be Approved	293				172	426
Total Amount of Financing Sought	1,827	209		181		2,217
Total Financing Received	2,274	255	104	228		2,861
Total Financing Received by Credit Risk						
Low credit risk	1,028				207	1,235
Medium credit risk	487				215	702
High credit risk	85				69	154
Reasons for Obtaining Less Than the Full Amount of Financing Sought	1,034				394	1,428
Reasons for Credit Denial	507				179	686
Financing and Credit Products Sought	2,303	260	110	234		2,907
Application Rate for Loans/Lines of Credit	1,870	215		188		2,273
Credit Source Applied To	1,862	214		187		2,263
Approval Rate by Source of Loan/Line of Credit						
Large bank	839				264	1,092
Small bank	868				166	1,025
Online lender	478				194	666
Reasons for Pursuing Financing at a Large Bank	773				238	1,011
Reasons for Pursuing Financing at a Small Bank	804				154	958

SAMPLE SIZES FOR REPORT CHARTS (continued)

	White-owned	Black-owned	Asian-owned	Hispanic-owned	Minority-owned	Total
Reasons for Pursuing Financing at an Online Lender	416				169	585
Overall Dissatisfaction With One or More Lenders						
2016	4,277	456	235	298		5,266
2017	3,439	312	145	254		4,150
2018	3,069	308	149	268		3,794
Satisfaction with Lender by Source of Loan/Line of Credit						
Large bank	649				167	816
Small bank	740				118	858
Online lender	463				196	659
Challenges Experienced Applying at a Large Bank	565				122	687
Challenges Experienced Applying at a Small Bank	780				152	932
Challenges Experienced Applying at an Online Lender	412				166	578
Demographics						
Census division	5,232	558	260	496		6,546
Industry	5,232	558	260	496		6,546
Employee size	5,232	558	260	496		6,546
Age of firm	5,232	558	260	496		6,546
Share using contract workers	5,197	549	254	488		6,488
Age of firm's primary decision-maker	4,834	531	258	476		6,099
Highest education level of firm's primary decision-maker	4,794	531	258	462		6,045
Revenues	5,064	530	247	469		6,310
Geographic location	5,232	558	260	496		6,546
Veteran status	4,426	468	213	400		5,507

SAMPLE SIZES FOR REPORT CHARTS (continued)

	White-owned	Black-owned	Asian-owned	Hispanic-owned	Minority-owned	Total
Gender of ownership	5,232	558	260	496		6,546
Immigrant status	4,341	484	240	424		5,489
Credit risk	3,324	424	190	361		4,299