

# SMALL BUSINESS CREDIT SURVEY



## 2022 REPORT ON EMPLOYER FIRMS



**FEDERAL RESERVE BANKS *of***

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New York • Philadelphia • Richmond • St. Louis • San Francisco

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The Small Business Credit Survey (SBCS) is made possible through collaboration with business and civic organizations in communities across the United States. The Federal Reserve Banks thank the national, regional, and community partners who share valuable insights about small business financing needs and work with us to promote and distribute the survey.<sup>2</sup>

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*The views expressed in this report are those of the authors and are not necessarily those of the Federal Reserve Bank of Cleveland or the Federal Reserve System. Data used in this report may be subject to updates or changes.*

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- <sup>2</sup> For a full list of community partners, please visit [www.fedsmallbusiness.org](http://www.fedsmallbusiness.org).
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**Notice: This report was reissued on May 6, 2022, to reflect data revisions to charts on pages 14–23.**

Data revisions are a result of recoded text responses to questions about traditional financing and fall into two categories: 1) more rigorous filtering of responses that potentially captured pandemic-related financing and 2) more accurate categorization of lenders that respondents provided as write-in responses. The changes resulting from the revision are often immaterial for calculations based on larger subsets of the sample, but differences may be magnified for estimates involving narrower sample sizes.

# EXECUTIVE SUMMARY

## INTRODUCTION

The Small Business Credit Survey (SBCS), a collaboration of all 12 Federal Reserve Banks, provides timely information about small business conditions to policymakers, service providers, and lenders. In 2021, the survey reached nearly 11,000 employer small businesses, gathering insights about the COVID-19 pandemic's continuing impact on small businesses, including workforce challenges, business performance, and credit conditions.

The SBCS was fielded during September through November of 2021 and is the second SBCS conducted during the COVID-19 pandemic, thereby offering a view into what has been an uneven economic recovery for small businesses. Many small businesses have not recovered to prepandemic levels, in terms of both revenue and employment, with the effects of the pandemic hitting disproportionately hard among firms in the leisure and hospitality sector, smaller firms, and firms owned by people of color. Pandemic-related financial assistance programs, including the Paycheck Protection Program (PPP), were widely used in 2020 and 2021, although the SBCS finds a decline in their use in the 12 months prior to the survey. Personal funds and cash reserves remain an important source of financial stability for small businesses, while financing approval rates continue to decline relative to prepandemic levels. Importantly, the firms most susceptible to the negative effects of the pandemic are also less likely to receive the financing they need.

## SURVEY FINDINGS

The 2021 SBCS yielded 10,914 responses from a nationwide convenience sample of small employer firms with 1–499 full- or part-time employees (hereafter “firms”) across all 50 states and the District of Columbia. This publication summarizes data for firms that were currently operating or temporarily closed at the time of survey.<sup>1</sup> Because the SBCS findings represent the experiences of those firms that were operating at the time of the survey, the data do not reflect the collective experiences of all small firms throughout the pandemic. Firms that recently closed are not included in the sample for this report.

### Revenue and employment improved since 2020, but performance largely lags prepandemic levels.

- The pandemic continues to have a significant impact on firms, with 77% reporting negative effects from the pandemic at the time of the survey.
- Half of firms in the leisure and hospitality industry reported a large negative effect from the pandemic, while only 26% of manufacturing firms reported the same.
- Forty-eight percent of firms saw a decrease in revenue over the prior 12 months, while 38% saw an increase. A vast majority of firms—76%—decreased employment or paused hiring.
- Revenues remain below prepandemic levels for 63% of firms, and employment is lower for 43%.
- Expectations for future revenue and employment growth improved since 2020 but remain below prepandemic levels; 59% expect revenues to rise and 41% anticipate employment growth in the next 12 months.

### More than half of firms were in fair or poor financial condition at the time of the survey, and nearly all firms faced at least one operational or financial challenge in the prior 12 months.

- A majority of firms (59%) reported being in fair or poor financial condition, a figure little-changed since the 2020 SBCS. Firms of color, smaller firms, and leisure and hospitality firms were most likely to be in fair or poor financial condition.
- Hiring or retaining qualified staff and navigating supply-chain issues are the top operational challenges that firms faced in the prior 12 months, with 60% reporting each.
- Eighty-five percent of employer firms experienced financial challenges in the prior 12 months, up four percentage points since 2020 and up nearly 20 percentage points since 2019.

### Pandemic-related financial assistance programs were widely used in 2021, although their use declined since early in the pandemic.

- Sixty-six percent of employer firms received pandemic-related financial assistance in the prior 12 months, down from 87% in 2020. Among firms that did not apply for financial assistance, 36% did not need funding, while 44% did not think their business would qualify.
- The financial assistance programs firms most often turned to were the Economic Injury Disaster Loan (EIDL) program and PPP, with 48% and 47% of firms applying, respectively.

<sup>1</sup> In the 2021 SBCS, 1% of employer firms were temporarily closed at the time of the survey, compared to 4% in the 2020 SBCS.

# EXECUTIVE SUMMARY

(Continued)

- The share of firms receiving the full amount of PPP funding sought fell year over year, from 76% in 2020 to 67% in 2021. Outcomes were most favorable for applicants at small banks; 71% of small-bank PPP applicants received all the funding they sought, compared to 65% of large-bank PPP applicants and 41% of online-lender PPP applicants.

**Application rates for traditional financing were lower in 2021 than in recent years, and those that did apply were less likely to receive the financing they sought.**

- Demand continued to trend lower than in years prior to the pandemic. The share of firms seeking traditional financing fell from 43% in 2019 to 37% in 2020 to 34% in 2021.<sup>2</sup>
- The share of applicants receiving all of the funding they sought fell from 51% in 2019 to 36% in 2020 to 31% in 2021. The decline in financing outcomes was particularly pronounced for firms with good credit scores, as the share of low-credit-risk firms that received all the financing sought fell from 45% in 2020 to 39% in 2021.
- Firms more often sought financing to meet operating expenses rather than to expand their businesses, a shift from what firms reported before the pandemic. The share of applicants that sought funds for operating expenses grew from 43% in 2019 to 62% in 2021, while the share that sought to fund business expansion fell from 56% in 2019 to 41% in 2021.
- Satisfaction rates were highest among small-bank applicants. Among firms that were approved for at least some loan, line of credit, or cash advance financing, 76% of small-bank applicants were satisfied with their experiences, compared to 62% of large-bank applicants and 34% of online-lender applicants.

## ABOUT THE SURVEY

The SBCS is an annual survey of firms with fewer than 500 employees. These types of firms represent 99.7% of all employer establishments in the United States.<sup>3</sup> Respondents are asked to report information about their business performance, financing needs and choices, and borrowing experiences. Responses to the SBCS provide insights on the dynamics behind lending trends and shed light on various segments of the small business population. The SBCS is not a random sample; results should be analyzed with awareness of potential biases that are associated with convenience samples. For detailed information about the survey design and weighting methodology, please consult the [Methodology](#) section.

<sup>2</sup> The share of firms that applied for financing in 2021 excludes firms that applied only for pandemic-related financial assistance, such as PPP.

<sup>3</sup> US Census Bureau, *County Business Patterns*, 2019.



# NOTES AND DEFINITIONS

## TIME REFERENCES

Survey questions in the SBCS ask respondents to reference specific time periods. Most questions ask about respondents' experiences in the 12 months prior to the time of their response. In some cases, questions ask about conditions at the time of their response, or how conditions at that point in time compare to a prior reference period. Finally, some questions ask about respondents' expectations in the 12 months following the time of their response. The time periods referenced in the survey are defined as follows:

**Prior 12 Months.** The 12 months prior to the fielding of the survey. For the 2021 SBCS, this is approximately September–November 2020 through September–November 2021.

**At Time of Survey.** September through November 2021.

**Next 12 Months.** The 12 months following the fielding of the survey. For the 2021 SBCS, this is approximately September–November 2021 through September–November 2022.

## FINANCIAL SERVICES PROVIDERS AND LENDERS

Questions in the SBCS ask respondents about their use of and experiences with lenders and other financial services providers. Because respondents may not have a uniform understanding of the terms used in the SBCS, the questionnaire provides examples and explanatory information about the response options. Examples vary between questions to convey the most relevant services and providers.<sup>1</sup> The financial services providers and lenders referenced in the survey are defined as follows:

**Large bank, small bank.** Large banks are defined as those with at least \$10B in total deposits; small banks are those with less than \$10B in total deposits. For application questions, respondents are shown a list of large banks operating in their state to assist them with proper classification of their institution.

**Finance company.** Finance companies are nonbanks that provide loans, leases, and other financial services. Examples provided to respondents vary by question but include mortgage companies, equipment dealers, auto finance companies, investment funds, and insurance companies.

**Online lender/fintech company.** Online lenders/fintech companies are nonbanks that operate online. Examples provided to respondents vary by question but include OnDeck, Kabbage, CAN Capital, Paypal, and Square.

**Credit union.** Credit unions are nonprofit cooperatives where members can borrow money at competitive rates from pooled deposits.

**Community development financial institution (CDFI).** CDFIs are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the US Department of the Treasury.

**Financial services company.** Financial services companies are nonbank providers of business financial services. Examples include companies that provide payroll processing, merchant services, and accounting services.

**Alternative financial source.** Examples of alternative financial sources provided to respondents include payday lenders, check cashing services, pawn shops, and money order/transmission services.

## CREDIT RISK

Credit risk is determined by the self-reported business credit score or personal credit score, depending on which is used to obtain financing for the business. If a firm uses both, the weaker score 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.

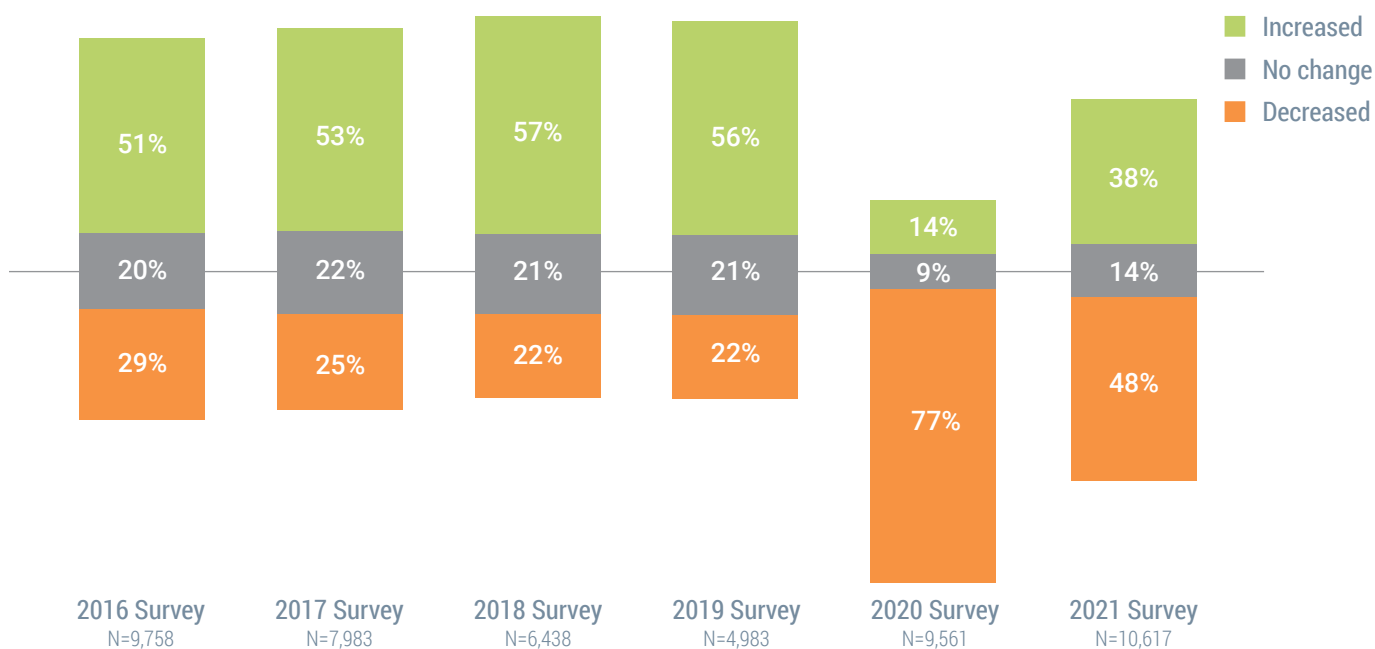
<sup>1</sup> See [SBCS questionnaire](#) for more details.

# PERFORMANCE AND CHALLENGES

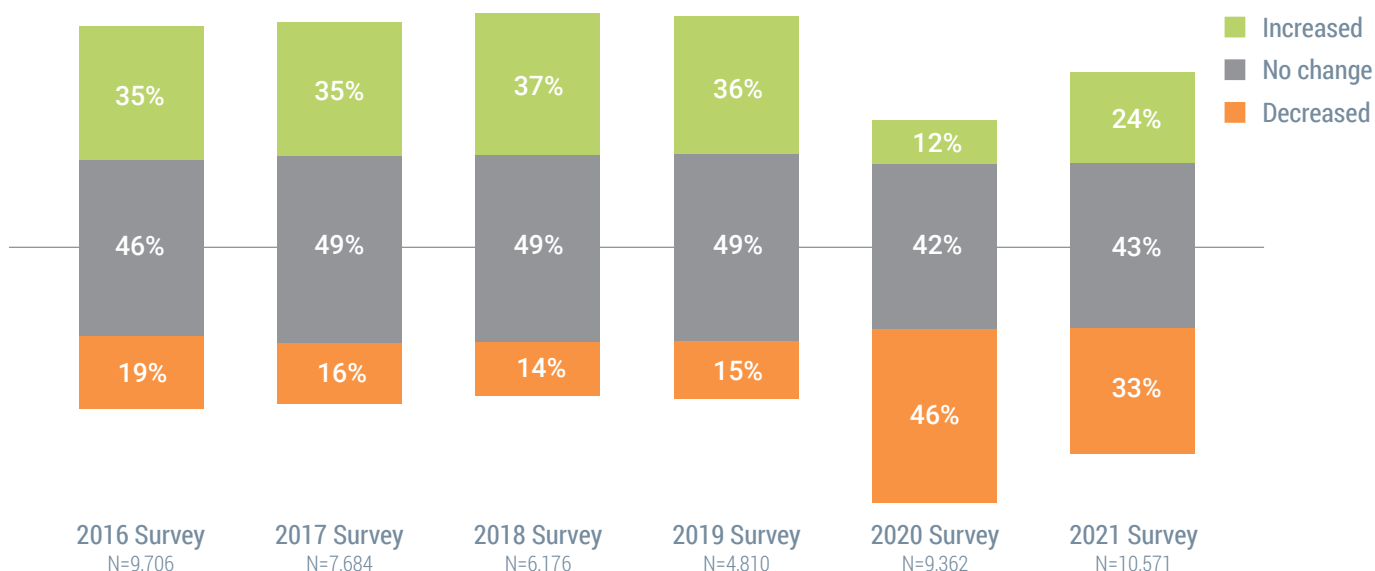
## Revenue and Employment Change, Prior 12 Months

Employer firm revenue and employment trends indicate that some firms are recovering from the initial effects of the pandemic, though more firms reported continued declines in revenue and employment during the prior 12 months.

**EMPLOYER FIRM REVENUE PERFORMANCE, Prior 12 Months<sup>1,2</sup>** (% of employer firms)



**EMPLOYER FIRM EMPLOYMENT PERFORMANCE, Prior 12 Months<sup>1</sup>** (% of employer firms)



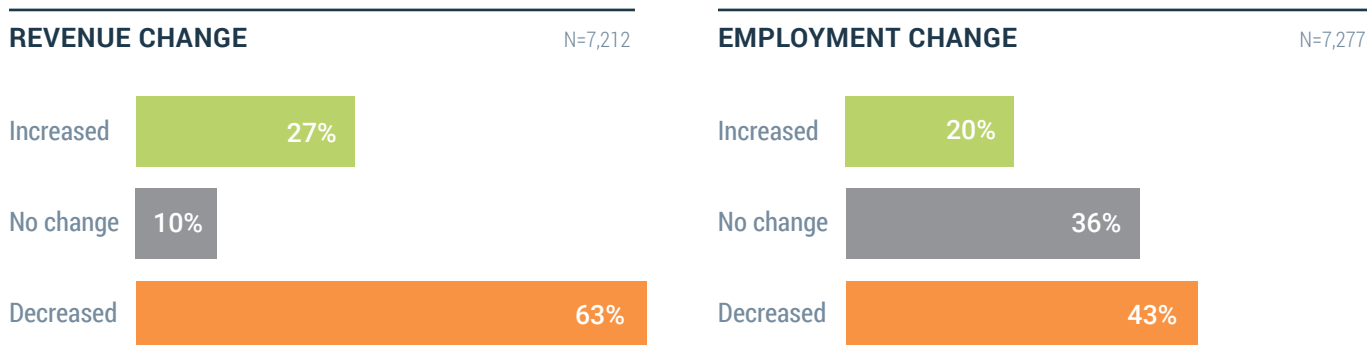
1 See *Notes and Definitions* for details on time period definitions used in the SBSCS.  
 2 Percentages may not sum to 100 because of rounding.

# PERFORMANCE AND CHALLENGES

## Revenue and Employment Change Since 2019 and Effects of the Pandemic

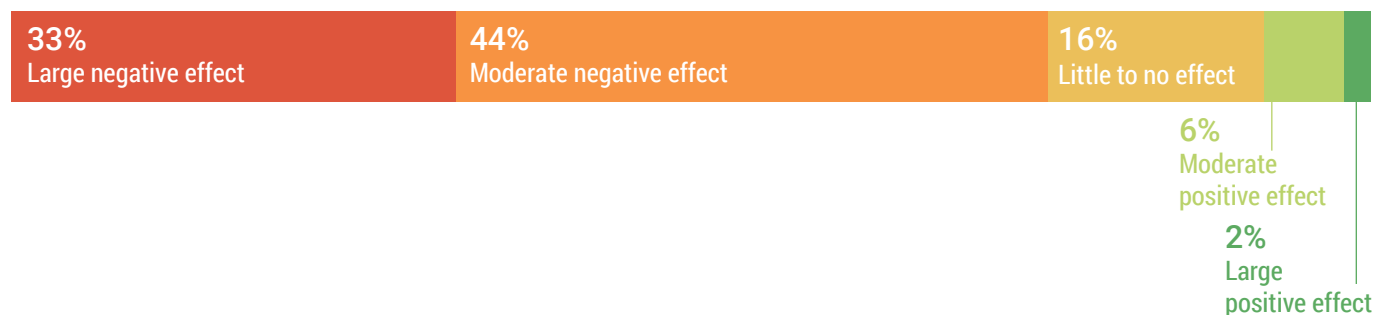
Firm revenues and employment lag prepandemic levels as the effects of the pandemic linger.

### EMPLOYER FIRM REVENUE AND EMPLOYMENT CHANGE SINCE 2019<sup>1,2</sup> (% of employer firms open since 2019)



### EFFECTS OF THE PANDEMIC ON BUSINESS, At Time of Survey<sup>2</sup> (% of employer firms)

N=10,903



### SHARE OF FIRMS EXPERIENCING LARGE NEGATIVE EFFECTS FROM THE PANDEMIC,

At Time of Survey, Select Industries<sup>3</sup> (% of employer firms)



1 Respondents from firms that were established in 2019 or earlier were asked to compare their revenue and employment levels at the time of the survey to the same time in 2019.

2 Percentages may not sum to 100 because of rounding.

3 Select industries shown. See [Appendix](#) for more details. See [Notes and Definitions](#) for details on time period definitions used in the SBCS.

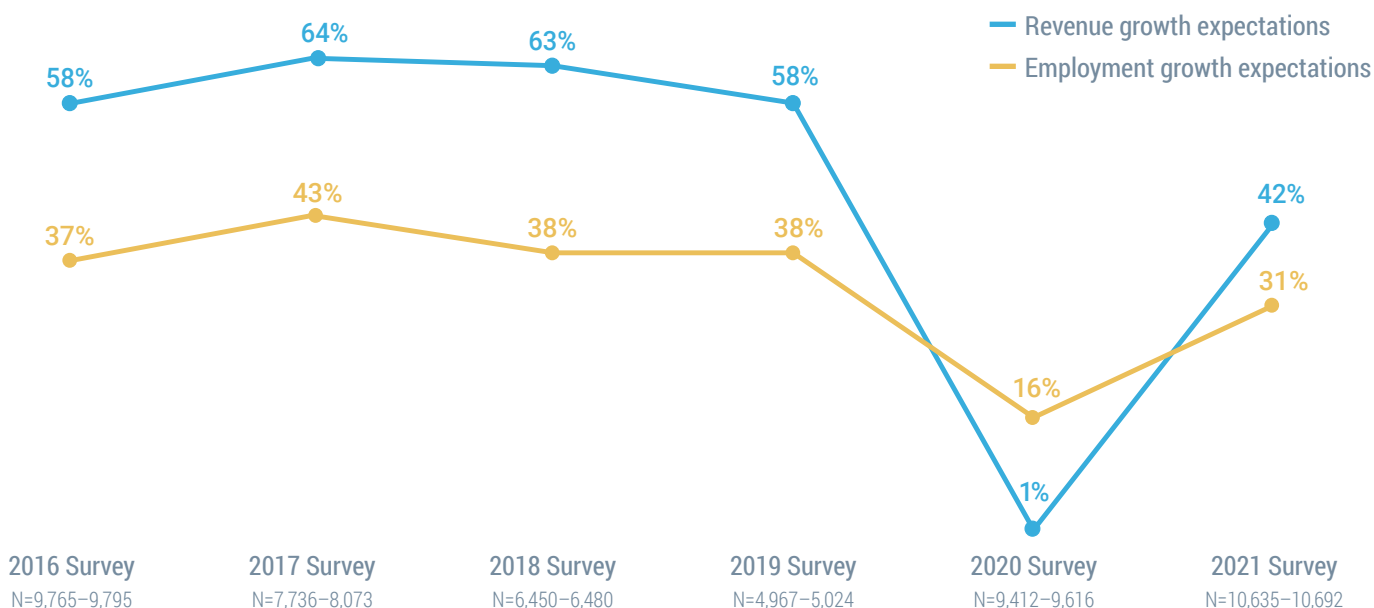


# PERFORMANCE AND CHALLENGES

## Revenue and Employment Expectations, Next 12 Months

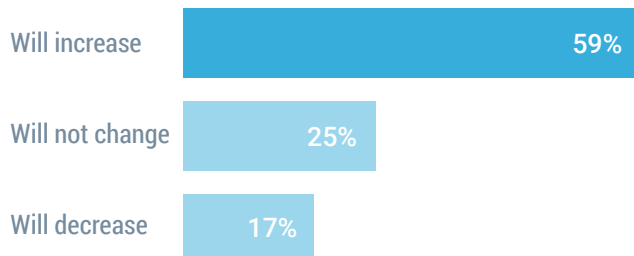
Employer firms are more optimistic about future revenue and employment growth than they were in 2020, though expectations remain below prepandemic levels.

**EMPLOYER FIRM EXPECTATIONS INDEX, Next 12 Months<sup>1,2</sup>** (% of employer firms)

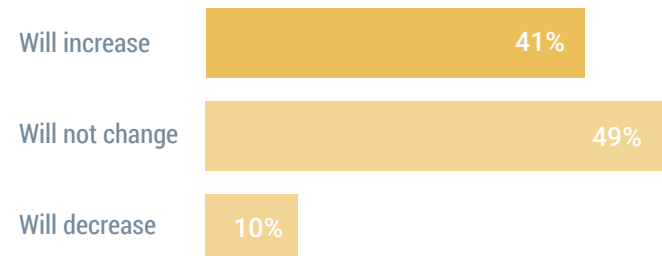


**EMPLOYER FIRM EXPECTATIONS, 2021 Survey<sup>2,3</sup>** (% of employer firms)

**EXPECTED REVENUE CHANGE, Next 12 Months** (N=10,692)



**EXPECTED EMPLOYMENT CHANGE, Next 12 Months** (N=10,635)



1 The index is the share reporting expected growth minus the share reporting expected declines. Questions were asked separately; therefore, the number of observations may differ slightly between questions.  
 2 See *Notes and Definitions* for details on time period definitions used in the SBCS.  
 3 Percentages may not sum to 100 because of rounding.

# PERFORMANCE AND CHALLENGES

## Financial Condition

More than half of employer firms were in fair or poor financial condition at the time of the survey.

FINANCIAL CONDITION, At Time of Survey<sup>1</sup> (% of employer firms)

N=10,907



Firms owned by people of color, firms with fewer employees, and leisure and hospitality firms were most likely to be in fair or poor financial condition.

SHARE OF FIRMS IN FAIR OR POOR FINANCIAL CONDITION, At Time of Survey<sup>1,2</sup> (% of employer firms)

### By race/ethnicity of owner(s)



### By number of employees



### By industry



<sup>1</sup> Self-reported financial condition at time of survey. See *Notes and Definitions* for details on time period definitions used in the SBCS.

<sup>2</sup> Native American-owned firms not shown because of insufficient sample size. Select industries shown. See *Appendix* for more details.

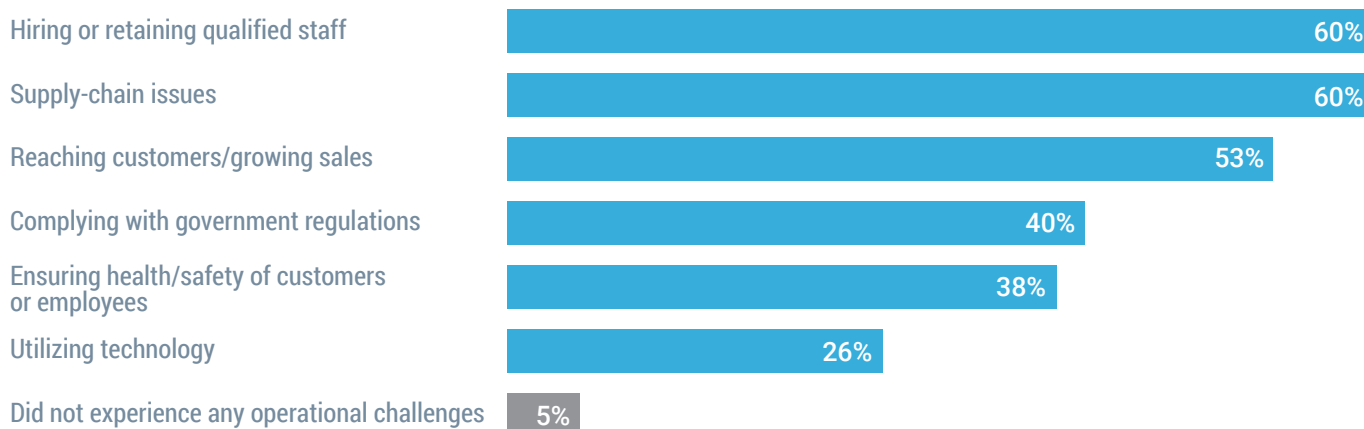
# PERFORMANCE AND CHALLENGES

## Operational Challenges

Firms' most common operational challenges were hiring or retaining workers and supply-chain issues, including higher costs for affected goods.

TOP OPERATIONAL CHALLENGES, Prior 12 Months<sup>1,2</sup> (% of employer firms)

N=10,870



TOP OPERATIONAL CHALLENGES, Prior 12 Months, Select Industries<sup>2,3</sup> (% of employer firms)

	Largest challenge	Second largest challenge
<b>Manufacturing</b> N=1,106	87%	63%
<b>Retail</b> N=1,211	84%	56%
<b>Leisure and hospitality</b> N=1,763	77%	76%
<b>Healthcare and education</b> N=1,455	67%	55%
<b>Professional services and real estate</b> N=1,836	57%	47%



Supply-chain issues



Hiring or retaining qualified staff



Reaching customers/growing sales



Ensuring health/safety of customers or employees

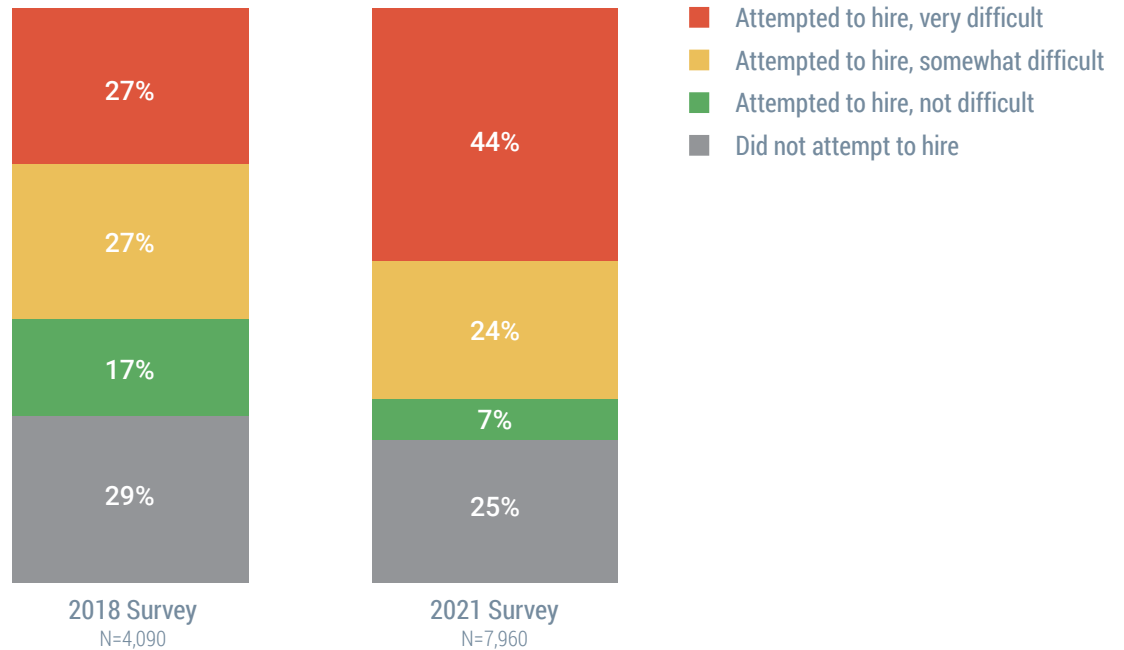
- <sup>1</sup> "Complying with government regulations" includes pandemic-related mandates. "Utilizing technology" includes e-commerce, cyber security, social media, and website issues. Respondents could select multiple options. Response option "other" not shown in chart. Other responses that referenced price increases associated with product shortages were grouped with supply-chain issues. See [Appendix](#) for more details.
- <sup>2</sup> See [Notes and Definitions](#) for details on time period definitions used in the SBCS.
- <sup>3</sup> Select industries shown. See [Appendix](#) for more details.

# PERFORMANCE AND CHALLENGES

## Workforce Challenges

More than two-thirds of employer firms had difficulty filling positions in the prior 12 months.

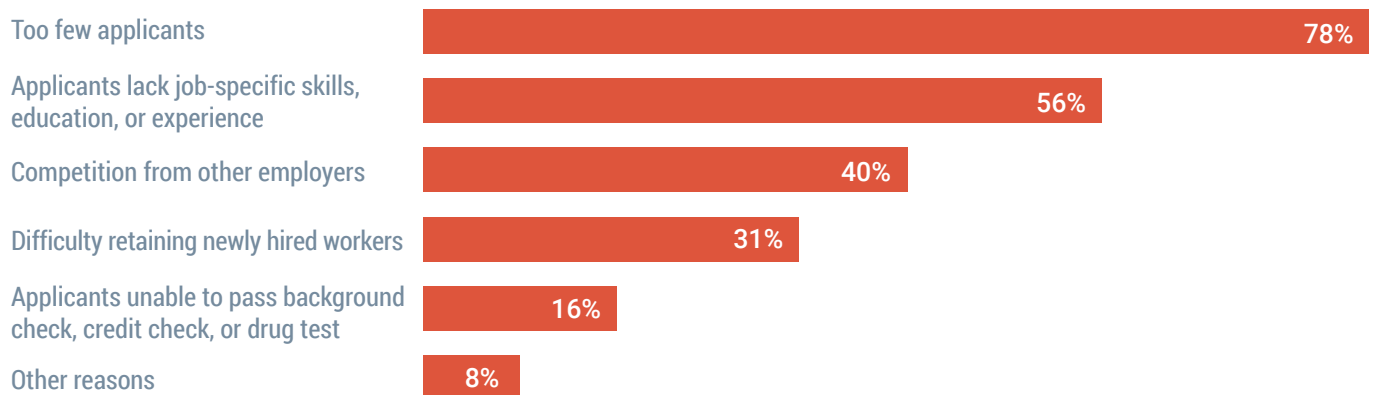
**DIFFICULTY HIRING NEW WORKERS, Prior 12 Months, By Year<sup>1</sup>** (% of employer firms)



**REASONS FOR DIFFICULTY HIRING WORKERS, Prior 12 Months, 2021 Survey<sup>1,2</sup>**

N=5,654

(% of employer firms reporting difficulty hiring)



1 Data on hiring and related challenges were drawn from an optional end-of-survey workforce module (79% of employer firm respondents opted to complete the module in 2021). This subset of respondents is re-weighted to be reflective of the overall small-firm population. Similar workforce module questions were included most recently in the 2018 SBCS. See [Notes and Definitions](#) for details on time period definitions used in the SBCS.

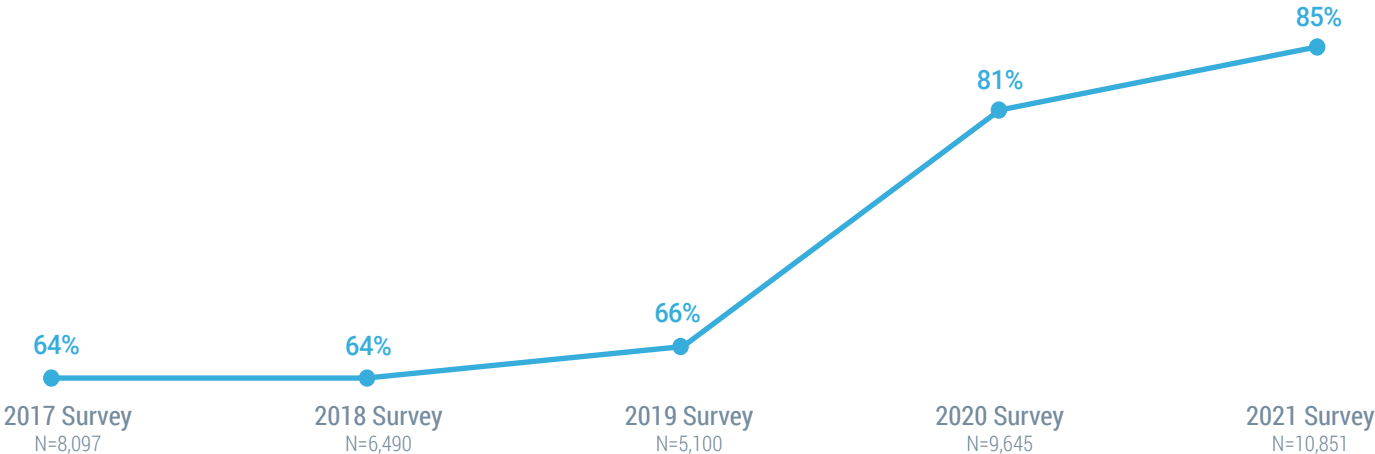
2 Respondents could select multiple options.

# PERFORMANCE AND CHALLENGES

## Financial Challenges

**85% of employer firms experienced financial challenges in the prior 12 months, an increase of 4 percentage points from the 2020 survey.**

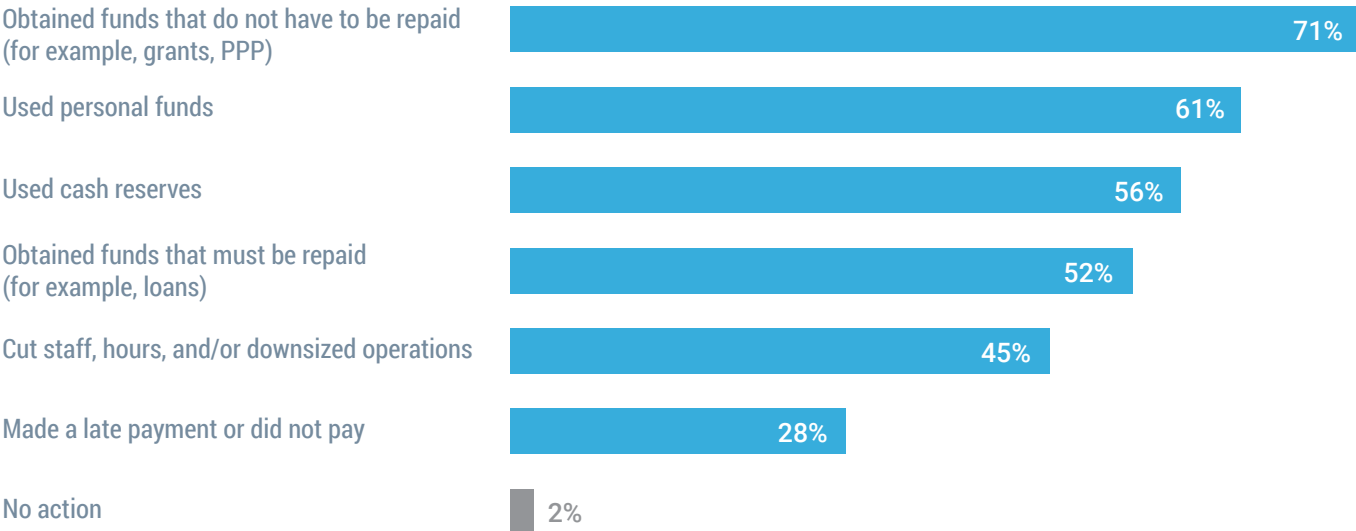
**SHARE OF FIRMS WITH FINANCIAL CHALLENGES, Prior 12 Months<sup>1</sup>** (% of employer firms)



**ACTIONS TAKEN IN RESPONSE TO FINANCIAL CHALLENGES, Prior 12 Months, 2021 Survey<sup>1,2</sup>**

N=9,537

(% of employer firms reporting financial challenges)



<sup>1</sup> See *Notes and Definitions* for details on time period definitions used in the SBCS.

<sup>2</sup> Respondents could select multiple options. Respondents were instructed to include PPP funds with funds that do not have to be repaid only if they received or expected loan forgiveness.

# PANDEMIC-RELATED FINANCIAL ASSISTANCE

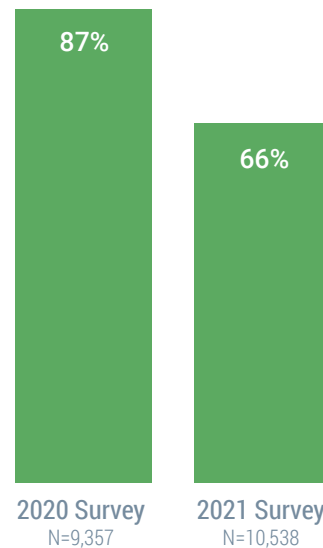
## Funding Sought and Received

Though two-thirds of employer firms received pandemic-related financial assistance in the prior 12 months, firms were less likely to seek financial assistance than they were earlier in the pandemic.

**SHARE OF FIRMS THAT SOUGHT FINANCIAL ASSISTANCE, Prior 12 Months<sup>1</sup>** (% of employer firms)



**SHARE OF FIRMS THAT RECEIVED FINANCIAL ASSISTANCE, Prior 12 Months<sup>1</sup>** (% of employer firms)

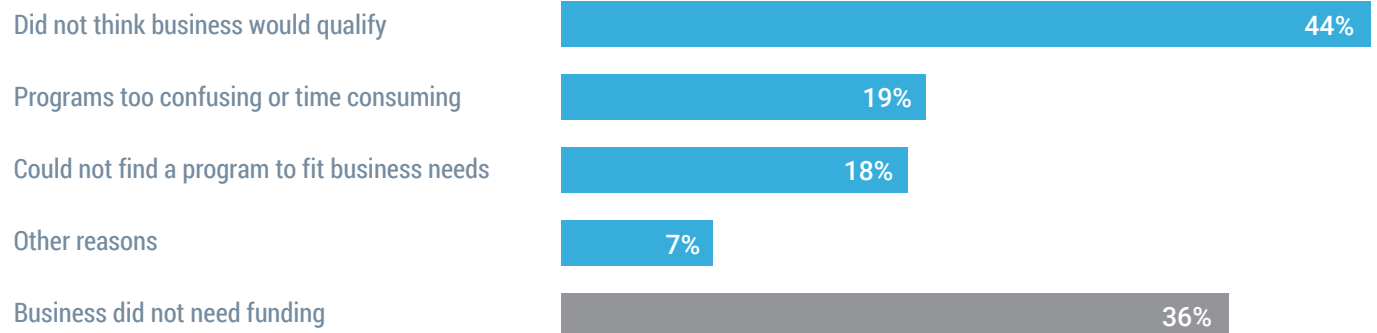


Among firms that did not apply for financial assistance, 36% did not need funding, while others most often chose not to apply because they did not expect to qualify.

**REASONS FIRMS DID NOT SEEK FINANCIAL ASSISTANCE, Prior 12 Months<sup>1,2</sup>**

N=1,817

(% of employer firms that did not apply for assistance)



1 "Financial assistance" includes all forms of pandemic-related financial assistance (for example, PPP, EIDL, and state/local loan and grant programs). See *Notes and Definitions* for details on time period definitions used in the SBCS.

2 Respondents could select multiple options.



# PANDEMIC-RELATED FINANCIAL ASSISTANCE

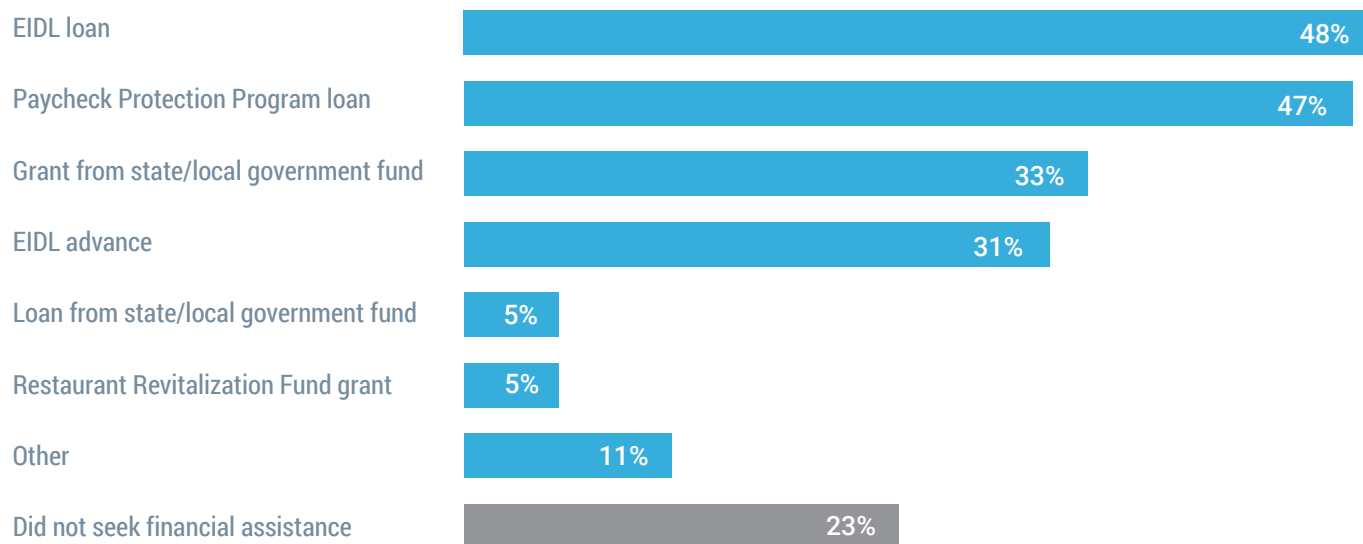
## Funding Applications

Employer firms most often turned to the EIDL program and PPP for pandemic-related financial assistance.

### TYPES OF FINANCIAL ASSISTANCE SOUGHT, Prior 12 Months<sup>1</sup>

N=10,760

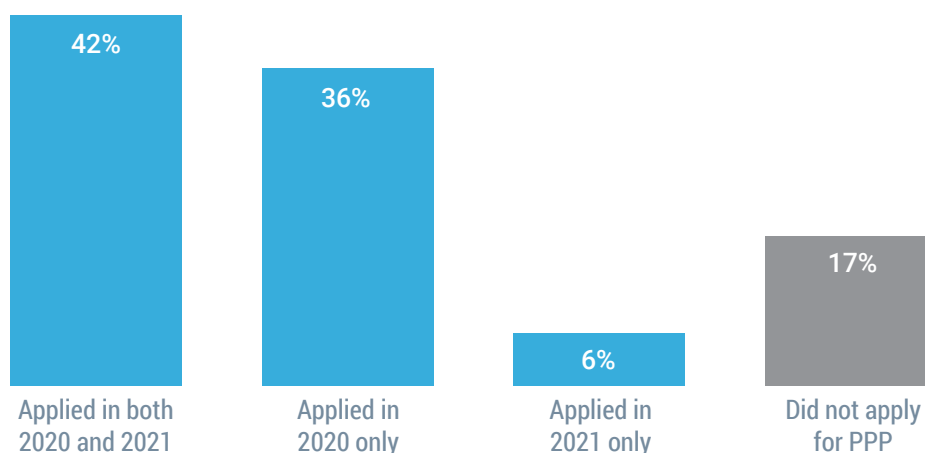
(% of employer firms)



Employer firms were far less likely to apply for a PPP loan in 2021 than in 2020.

### PPP APPLICATIONS, 2020 and 2021<sup>2</sup> (% of employer firms)

N=10,843



1 The Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), and Restaurant Revitalization Fund are administered by the US Small Business Administration (SBA). "Other" includes Shuttered Venue Operator grants, grants from nonprofits or foundations, and other corporate-sponsored funding programs. Respondents could select multiple options. See *Notes and Definitions* for details on time period definitions used in the SBCS.

2 Percentages may not sum to 100 due to rounding. The percentage of firms that applied for PPP in 2021 sums to 48% instead of 47% because of rounding. PPP loans were available from April through August 2020 and January through May 2021.

# PANDEMIC-RELATED FINANCIAL ASSISTANCE

## PPP Application Outcomes and Forgiveness

90% of employer firms that applied for PPP funds in 2021 received at least some funding; however, PPP application approval rates were lower in 2021 than in 2020.

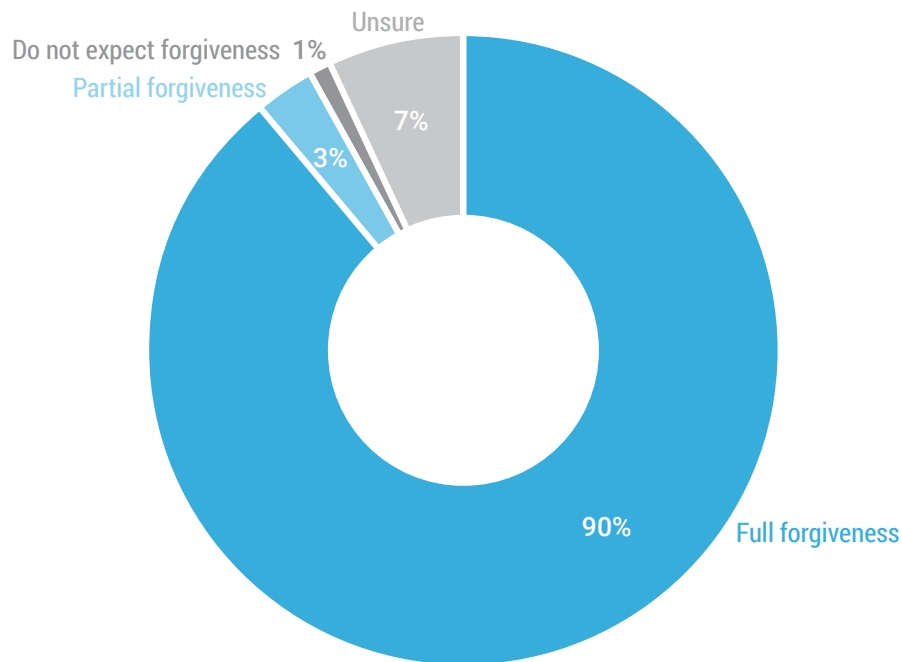
PPP FUNDING RECEIVED, AS A SHARE OF AMOUNT SOUGHT BY APPLICANTS<sup>1</sup> (% of PPP applicants)



SHARE OF 2021 PPP RECIPIENTS THAT EXPECT LOAN FORGIVENESS<sup>1,2</sup>

N=5,097

(% of 2021 PPP applicants at least partially approved)



<sup>1</sup> Percentages may not sum to 100 because of rounding.

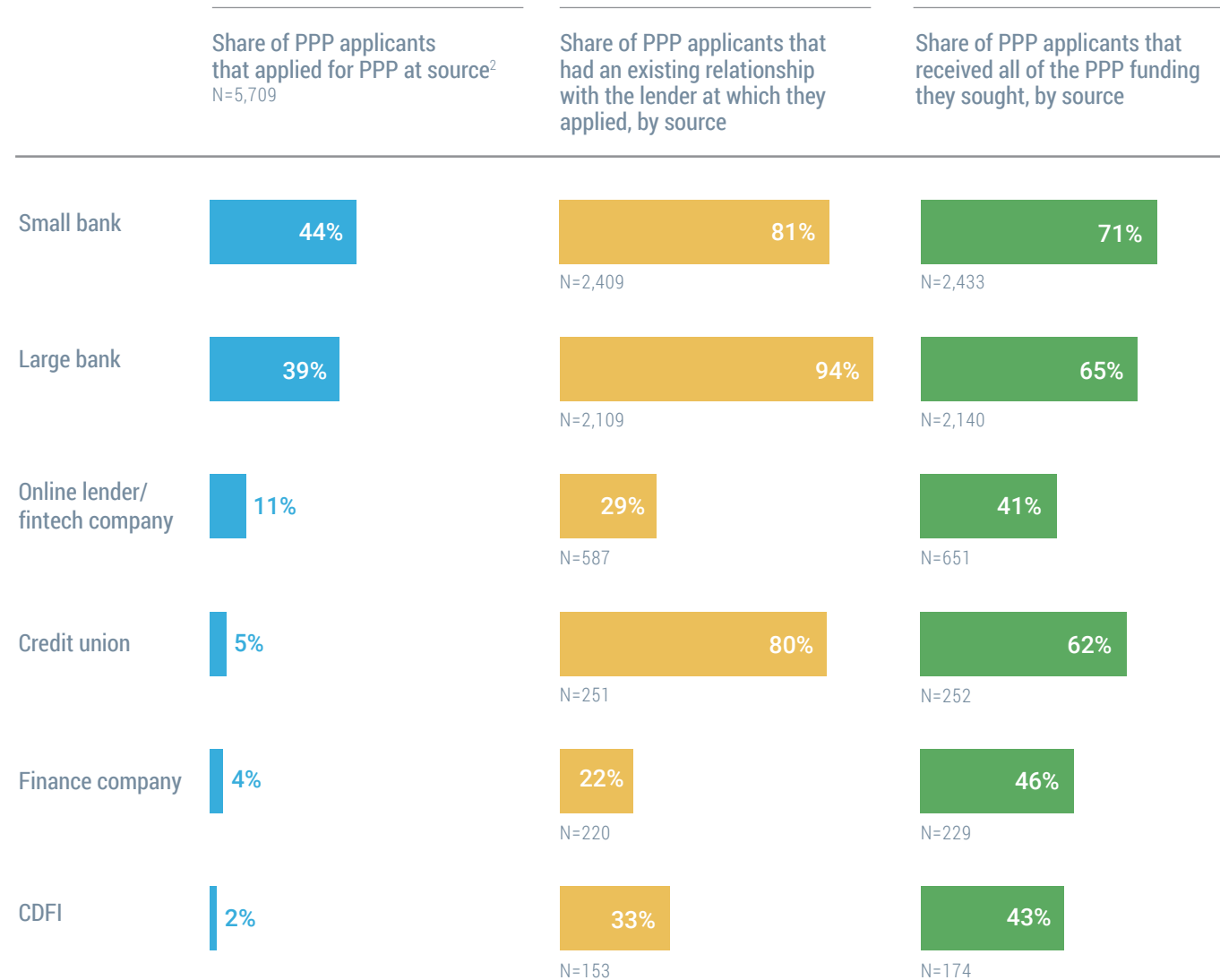
<sup>2</sup> The share of PPP recipients that expect full forgiveness rose from 80% in the 2020 SBCS to 90% in the 2021 SBCS.

# PANDEMIC-RELATED FINANCIAL ASSISTANCE

## PPP Applications and Outcomes

Small banks were the most common source for PPP loans.

PPP APPLICATIONS AND OUTCOMES, 2021, By Source<sup>1</sup>



<sup>1</sup> See Notes and Definitions for details on lender descriptions used in the SBCS.

<sup>2</sup> Respondents could select multiple options. The SBCS lender categories differ somewhat from lender classifications used by the SBA to report PPP lending volume by lender type. Of note, the SBA classifies banks that originated PPP loans in partnership with fintech platforms as fintech lenders; the SBCS classifies them as banks.

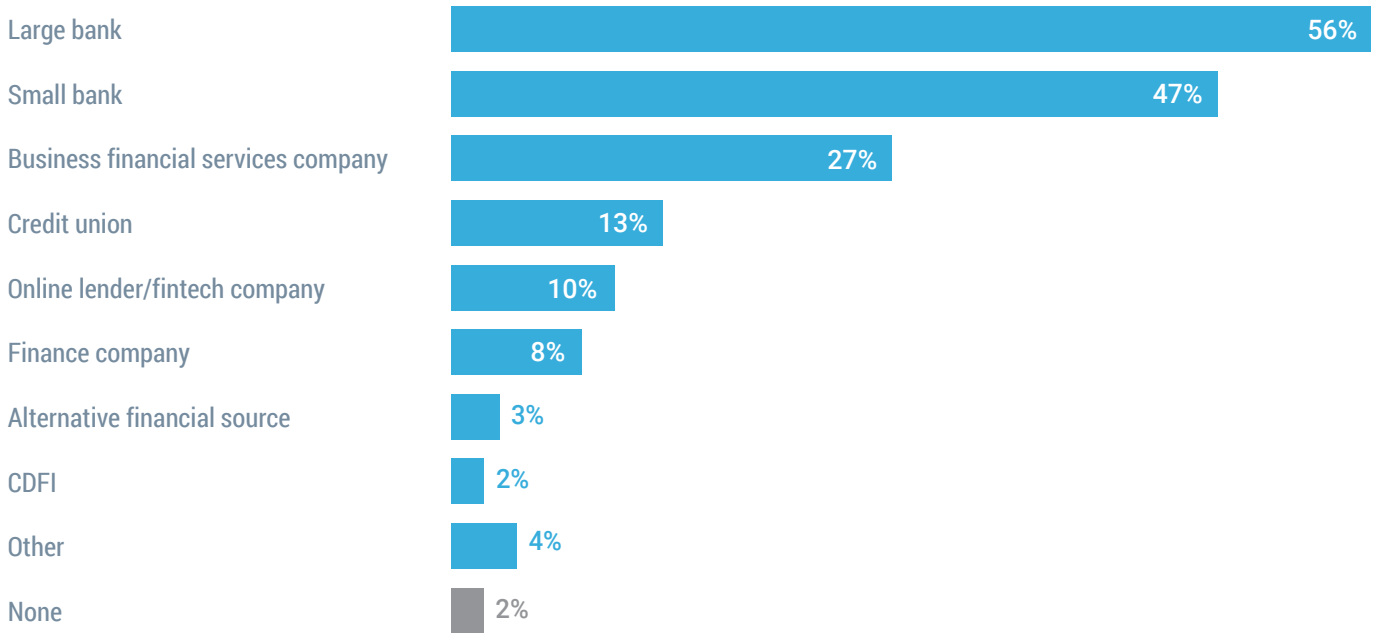
# DEBT AND FINANCING

## Financial Services Providers

**90% of employer firms used either a large bank or a small bank as a financial services provider.**

**USE OF FINANCIAL SERVICES PROVIDERS<sup>1,2</sup>** (% of employer firms)

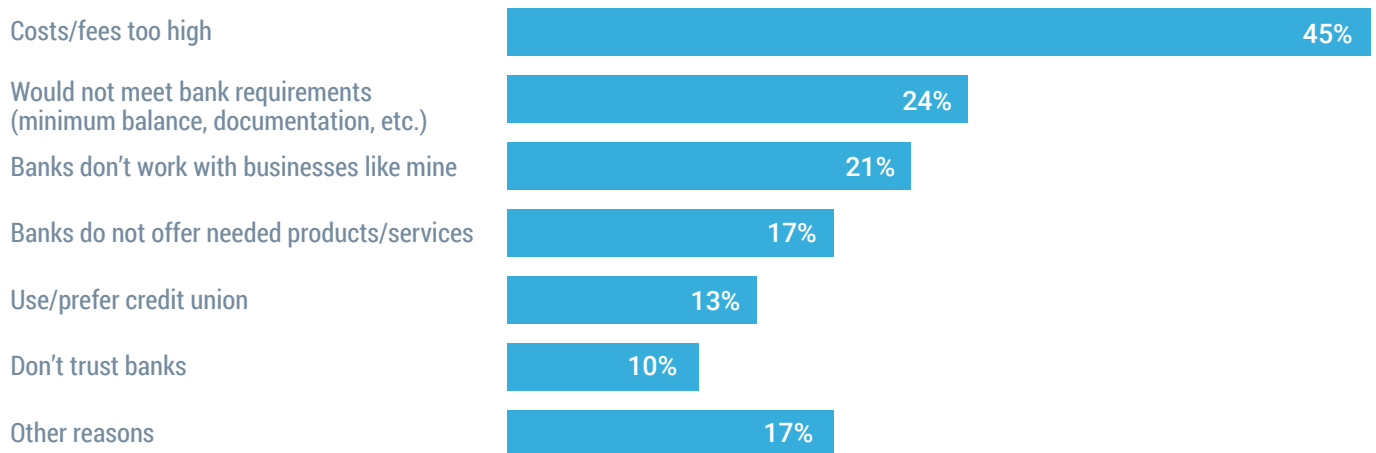
N=10,865



**Among those firms that do not use a bank for financial services, their most common reason is that they believe banks' costs and fees are too high.**

**REASONS FIRMS DO NOT USE BANKS<sup>2</sup>** (% of employer firms that do not use banks for financial services)

N=927



1 Financial services providers are those at which the firm has an account or uses other financial services, including loans and payments processing. See *Notes and Definitions* for details on financial services provider descriptions used in the SBSCS.

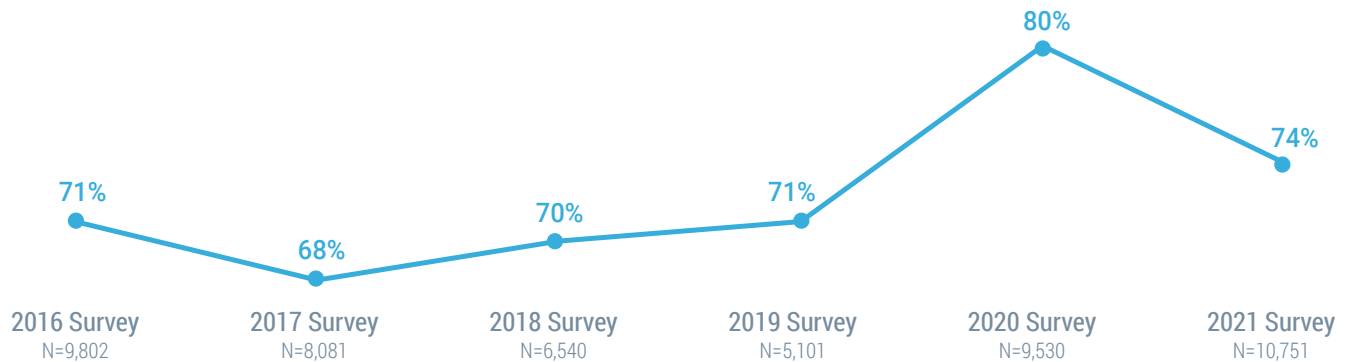
2 Respondents could select multiple options. "Bank locations are inconvenient" (7%) and "Avoiding a bank offers more privacy" (7%) not shown in chart. "Other reasons" include unfavorable experiences with or impressions of banks, too much paperwork, not enough cash to need a bank, and respondent's bank closed. "Use/prefer credit union" was not a discrete answer choice in the questionnaire; however, it was cited frequently enough by respondents as a reason in "other" that it warranted a separate response line in the reporting. Respondents selecting "banks don't work with businesses like mine" had the option to explain further. Many said their business is too small, too new, or in an industry that banks view as risky. A comparatively small share expected banks would not work with them because of the owners' race or ethnicity, gender, age, disability, or other characteristic.

# DEBT AND FINANCING

## Debt Outstanding

74% of employer firms have outstanding debt, down from 80% in 2020.

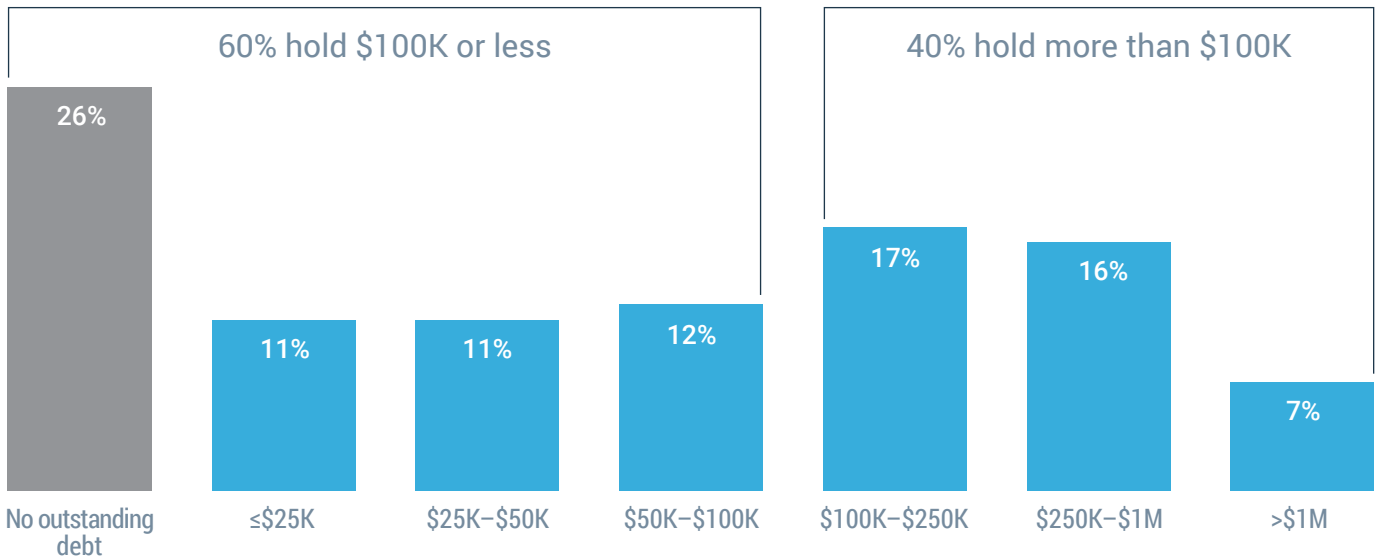
SHARE OF FIRMS WITH DEBT OUTSTANDING, At Time of Survey<sup>1</sup> (% of employer firms)



6 in 10 firms have \$100K or less in outstanding debt.

AMOUNT OF DEBT, At Time of 2021 Survey<sup>1,2</sup> (% of employer firms)

N=10,679



1 Respondents were instructed to exclude loans they expected would be forgiven from their outstanding debt (for example, PPP loans). See [Notes and Definitions](#) for details on time period definitions used in the SBCS.

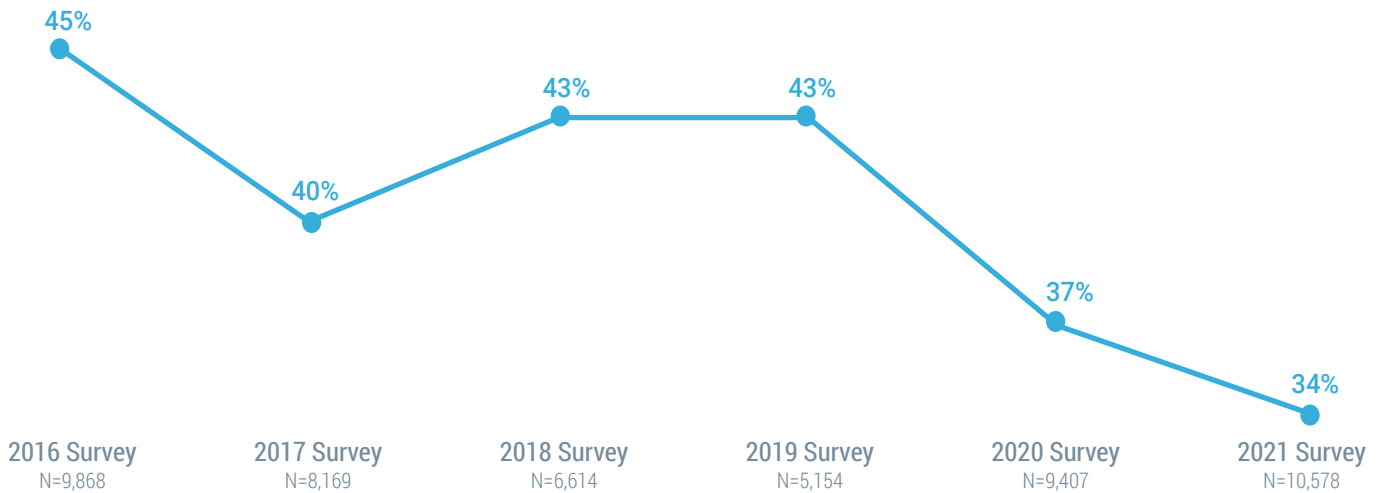
2 Categories have been simplified for readability. Actual categories are ≤\$25K, \$25,001-\$50K, \$50,001-\$100K, \$100,001-\$250K, \$250,001-\$1M, and >\$1M.

# DEBT AND FINANCING

## Demand for Financing

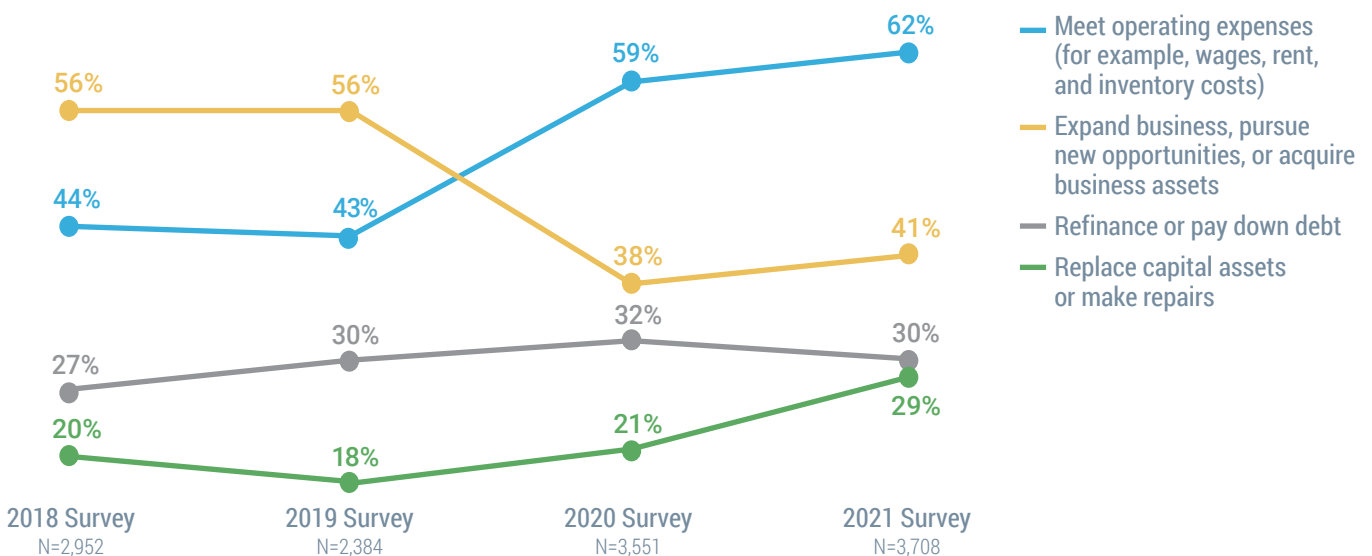
34% of firms sought financing in the prior 12 months, similar to the 2020 survey, but lower than prior years.

SHARE THAT APPLIED FOR FINANCING, Prior 12 Months<sup>1,2</sup> (% of employer firms)



Firms most often sought financing to cover their operating expenses. Applications for business expansion funds remain below prepandemic levels.

REASONS FOR APPLYING, By Survey Year<sup>2,3</sup> (% of applicants)



1 2020 and 2021 exclude pandemic-related financial assistance applications. In the 2020 and 2021 surveys, respondents were asked first about their applications for pandemic-related financial assistance; they then were asked to exclude these financial assistance applications from subsequent responses on the applications for financing. Amount of financing sought not shown; in the 2021 survey, 51% sought \$100K or less. See [Appendix](#) for more details. See [Notes and Definitions](#) for details on time period definitions used in the SBCS.

2 Chart revised on May 6, 2022.

3 Respondents could select multiple options.



# DEBT AND FINANCING

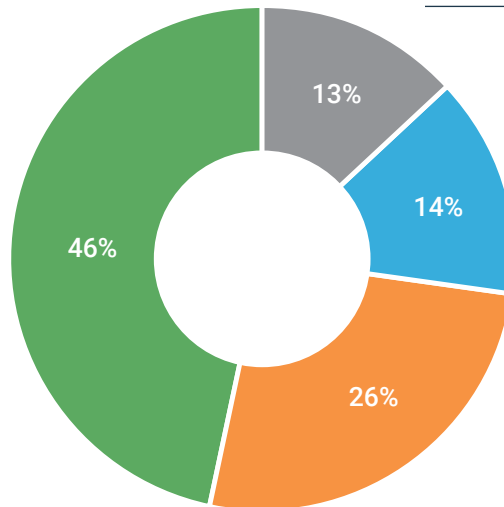
## Nonapplicants

Of the 66% of firms that are nonapplicants—that is, firms that did not apply for financing in the prior 12 months—more than half needed funds but chose not to apply.

TOP REASONS FIRMS DID NOT APPLY FOR FINANCING<sup>1,2</sup> (% of nonapplicants)

N=6,538

- Had sufficient financing
- Debt averse
- Discouraged
- Other



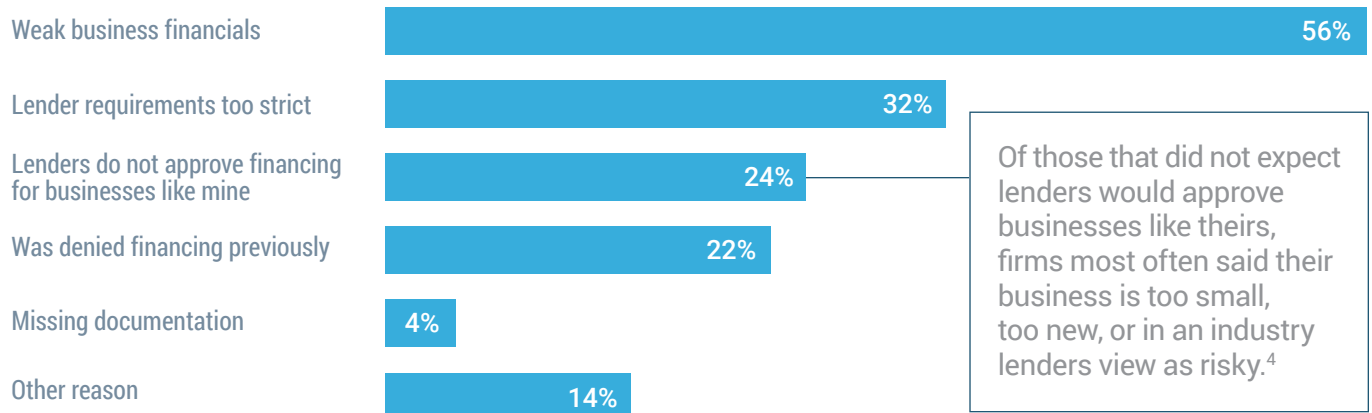
54% of nonapplicants needed funds but chose not to apply

While discouraged firms most often cited weak business financials as a reason their firm would not be approved for financing, others believed lenders are too strict or that lenders do not approve businesses like theirs.

REASONS DISCOURAGED NONAPPLICANTS DID NOT EXPECT TO BE APPROVED<sup>2,3</sup>

N=900

(% of discouraged nonapplicants)



Of those that did not expect lenders would approve businesses like theirs, firms most often said their business is too small, too new, or in an industry lenders view as risky.<sup>4</sup>

1 Response option "other" includes "credit cost was too high," "application process was too difficult or confusing," and "other." See Appendix for more details.

Percentages may not sum to 100 because of rounding.

2 Discouraged firms are those that did not apply for financing because they believed they would be turned down.

3 Respondents could select multiple options.

4 Respondents selecting "lenders do not approve financing for businesses like mine" had the option to explain further. In addition to the reasons noted above, respondents also cited irregular cash flow (for example, a seasonal business or a business with large contracts that pay infrequently) or a lack of assets suitable for collateral. A comparatively small share expected lenders would not approve them because of the owners' race or ethnicity, gender, age, disability, or other characteristic.

# DEBT AND FINANCING

## Financing Needs and Outcomes

### FUNDING NEEDS AND OUTCOMES<sup>1</sup> (% of employer firms)

N=10,578

To gauge funding success and shortfalls, we combine applicants' financing outcomes and nonapplicants' reasons for not applying.

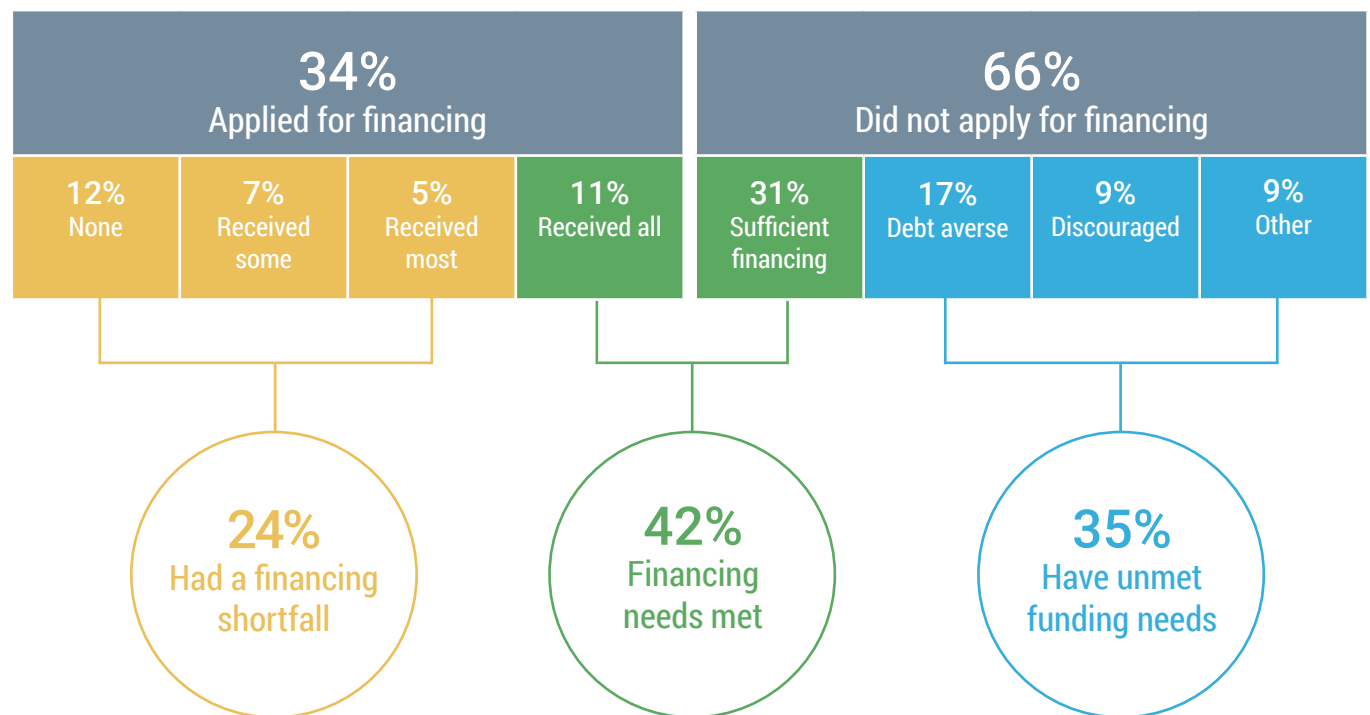
Firms that had their funding needs met include

- 1) Applicant firms that received the full amount of financing sought
- 2) Nonapplicant firms that did not apply for financing because they already had sufficient financing

Firms that did not have their funding needs met include

- 1) Applicant firms that did not obtain the full amount of financing sought
- 2) Nonapplicant firms that needed funds but chose not to apply

When applicant firms did not obtain the full amount of financing sought, we consider them to have a funding shortfall. When nonapplicant firms needed funds but chose not to apply, we consider them to have unmet funding needs.



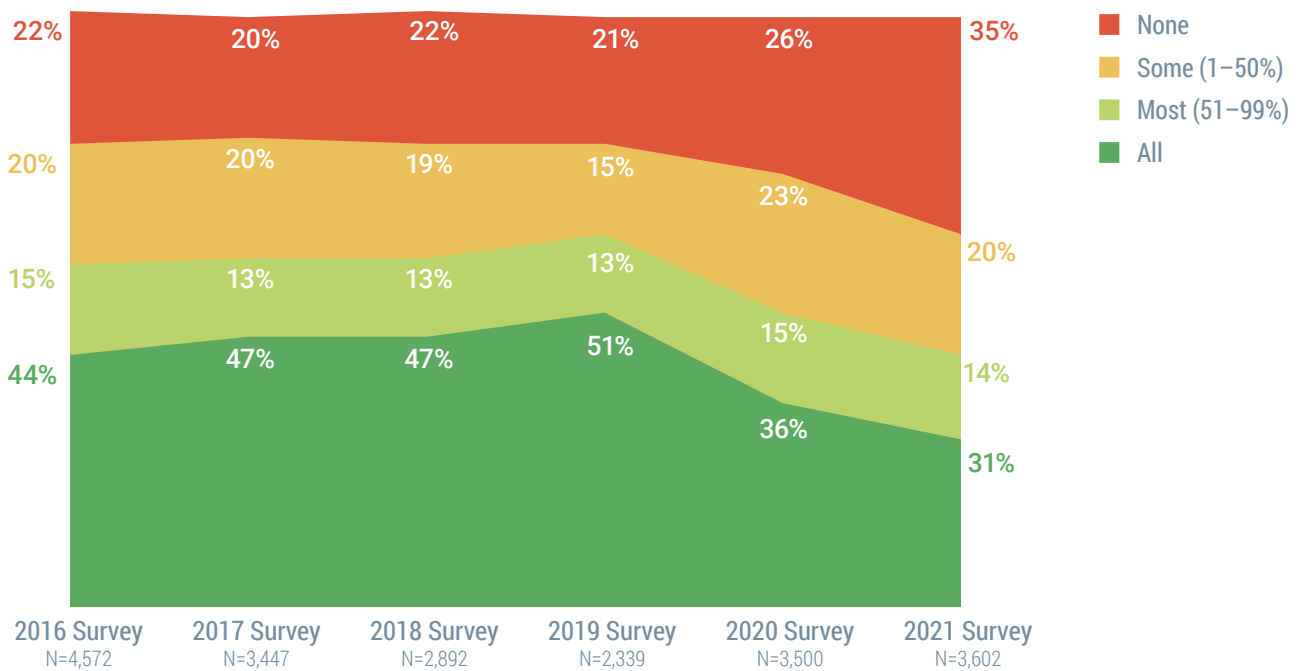
<sup>1</sup> Excludes pandemic-related financial assistance applications. Discouraged firms are those that did not apply for financing because they believed they would be turned down. Percentages may not sum to 100 because of rounding. Chart revised on May 6, 2022.

# DEBT AND FINANCING

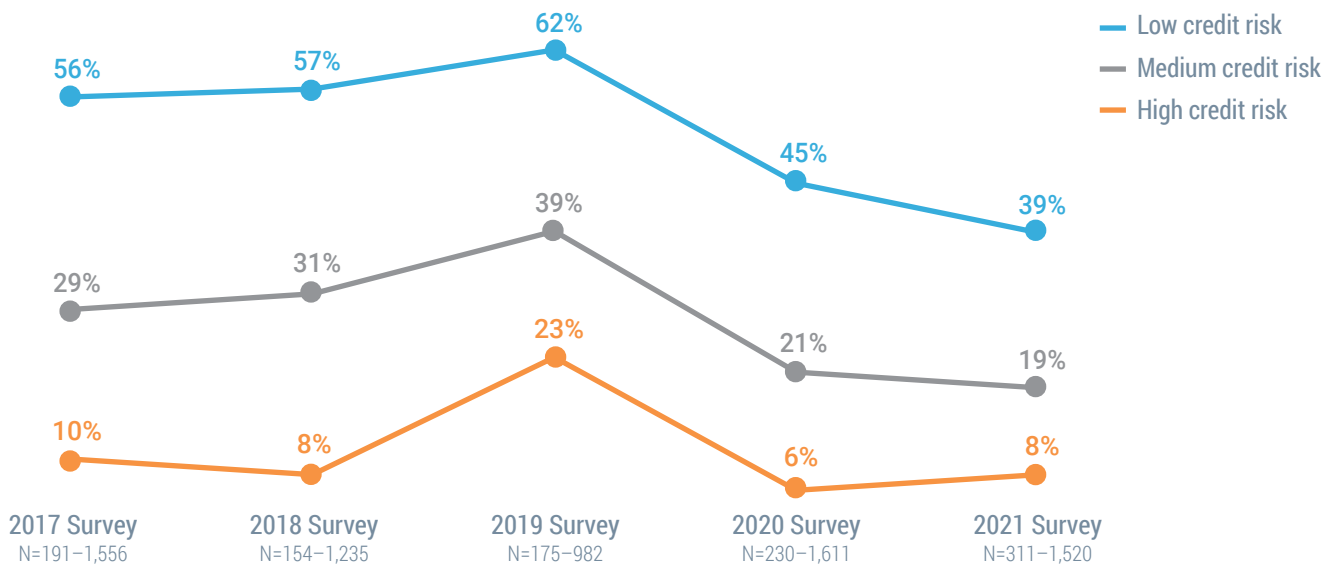
## Financing Received

Applicants were less likely in 2021 to receive the financing they sought than they were in prior years.

**TOTAL FINANCING RECEIVED<sup>1,2</sup>** (% of applicants)



**SHARE RECEIVING ALL FINANCING SOUGHT, By Credit Risk of Firm<sup>2,3</sup>** (% of applicants)



1 Percentages may not sum to 100 because of rounding. Excludes pandemic-related financial assistance applications.  
 2 Chart revised on May 6, 2022.  
 3 See [Notes and Definitions](#) for details on credit risk definitions used in the SBCS.

# DEBT AND FINANCING

## Financing Received (Continued)

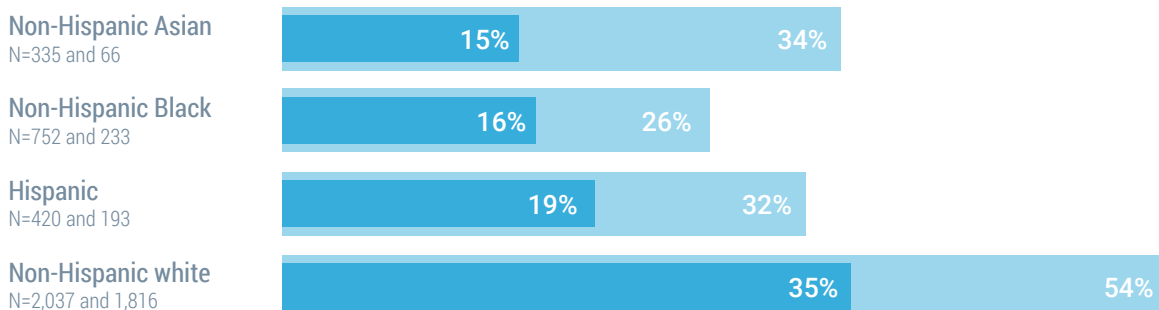
Across firm categories, outcomes were considerably worse in 2021 than in 2019. Firms owned by people of color, firms with fewer employees, and leisure and hospitality firms were least likely to receive the full amount of financing sought.

### SHARE OF FIRMS THAT RECEIVED ALL FINANCING SOUGHT<sup>1</sup> (% of applicants)

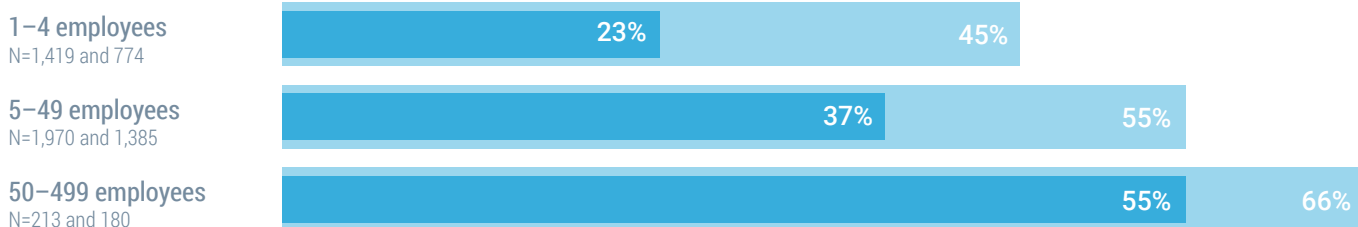
■ 2021 Survey  
■ 2019 Survey



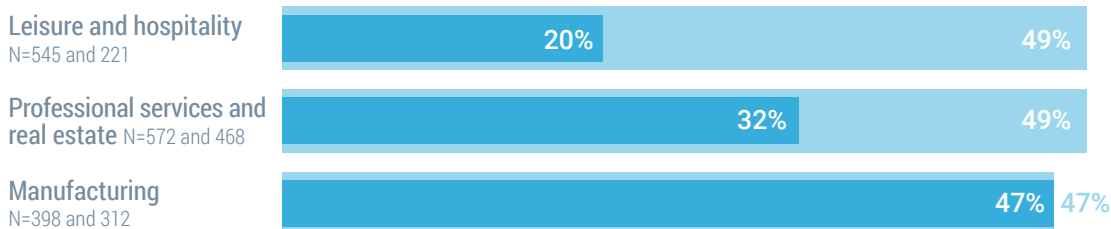
#### By race/ethnicity of owner(s)



#### By number of employees



#### By industry



<sup>1</sup> 2021 outcomes exclude applications for pandemic-related financial assistance. Number of observations varies by year; number of observations from 2021 survey shown first. Native American-owned firms not shown because of insufficient sample size. Select industries shown. See [Appendix](#) for more details. Chart revised on May 6, 2022.

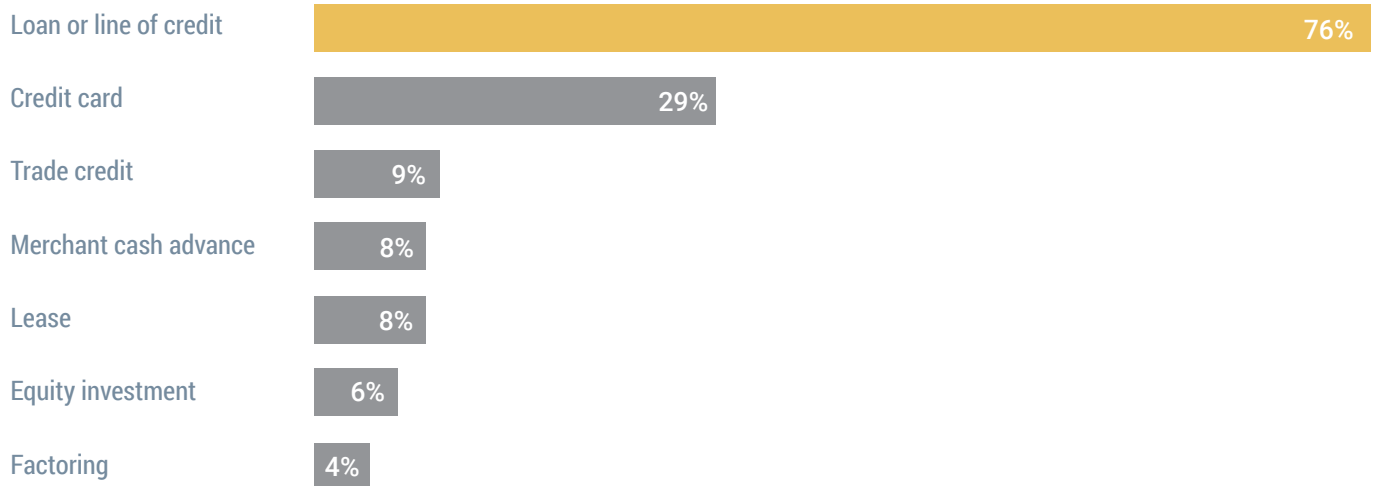
# FINANCING APPLICATIONS

## Products Sought

Loans and lines of credit were the most common forms of financing sought by applicants.

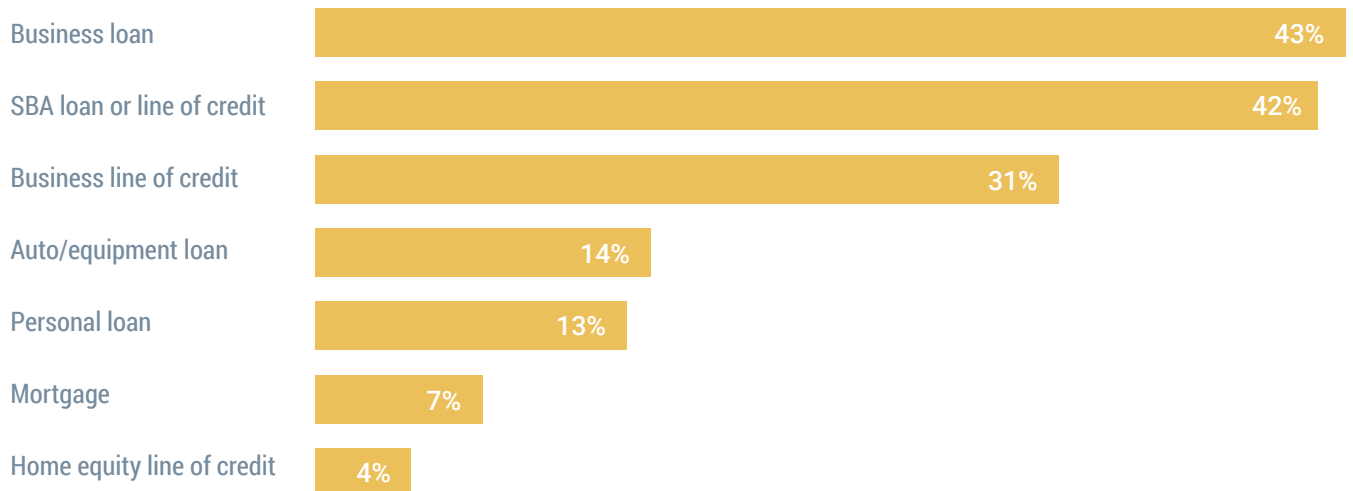
**FINANCING AND CREDIT PRODUCTS SOUGHT<sup>1</sup>** (% of applicants)

N=3,674



**APPLICATION RATE BY TYPE OF LOAN OR LINE OF CREDIT<sup>1</sup>** (% of loan or line of credit applicants)

N=2,614



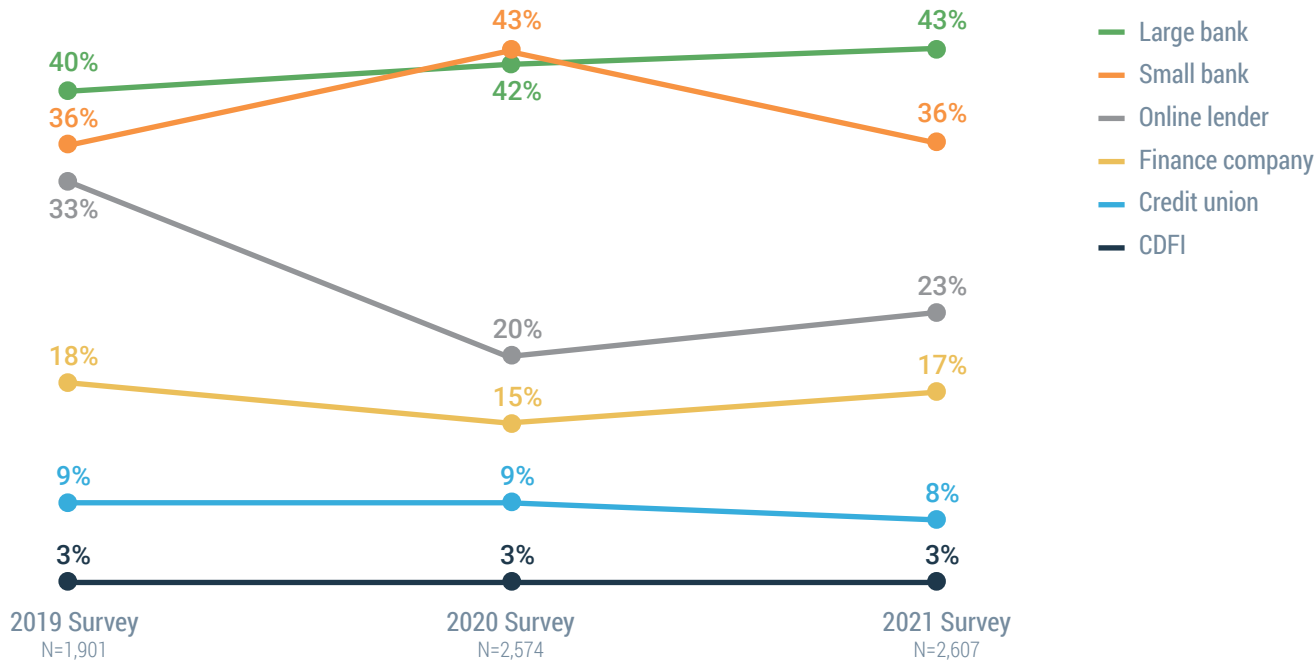
<sup>1</sup> Respondents could select multiple options. Excludes pandemic-related financial assistance applications. Response option "other" not shown. See [Appendix](#) for more details. Chart revised on May 6, 2022.

# FINANCING APPLICATIONS

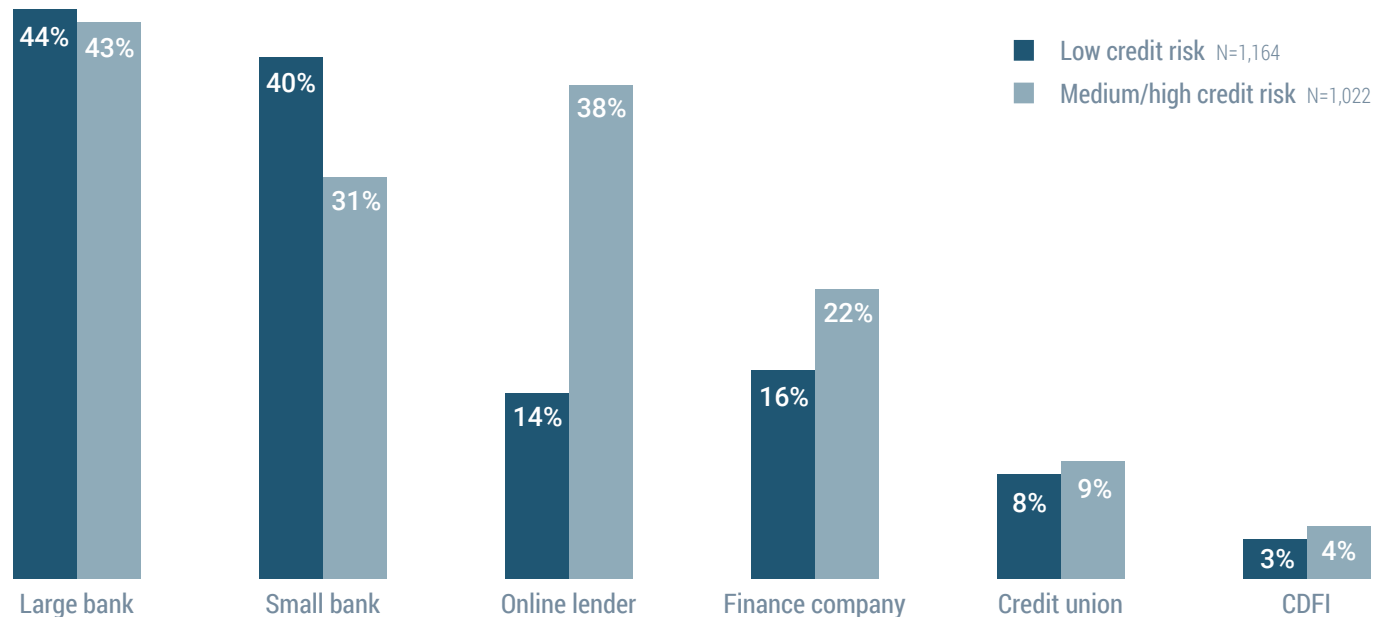
## Loan/Line of Credit/Cash Advance Sources

Compared to 2020, applicants were more likely to apply at an online lender and less likely to apply at a small bank in 2021.

**CREDIT SOURCES APPLIED TO, By Survey Year<sup>1,2</sup>** (% of loan, line of credit, and cash advance applicants)



**CREDIT SOURCES APPLIED TO, By Credit Risk of Firm, 2021 Survey<sup>2,3</sup>** (% of loan, line of credit, and cash advance applicants)



1 See [Notes and Definitions](#) for details on lender descriptions used in the SBCS.  
 2 Respondents could select multiple options. Excludes pandemic-related financial assistance applications. Response option "other" not shown in chart. See [Appendix](#) for more details. Chart revised on May 6, 2022.  
 3 See [Notes and Definitions](#) for details on lender descriptions and definitions of credit risk used in the SBCS.

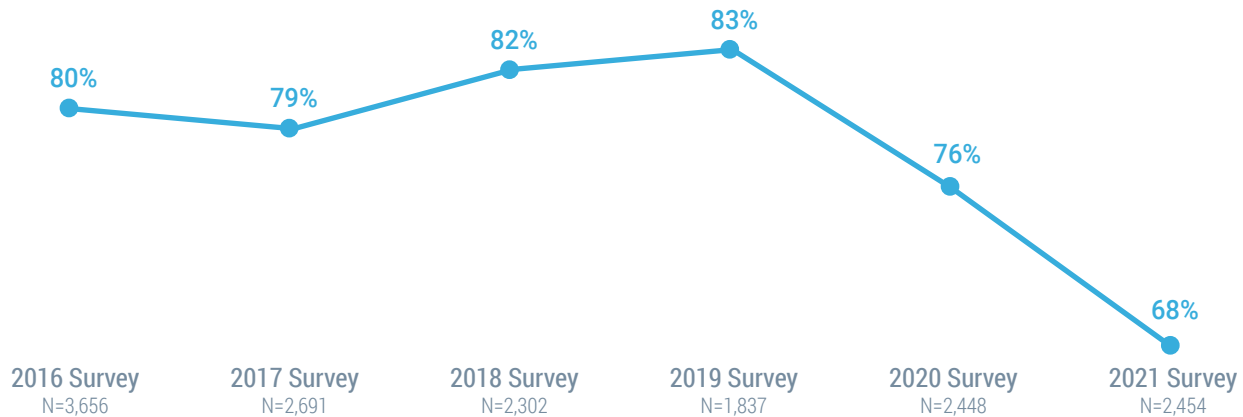


# FINANCING APPLICATIONS

## Loan/Line of Credit/Cash Advance Approvals

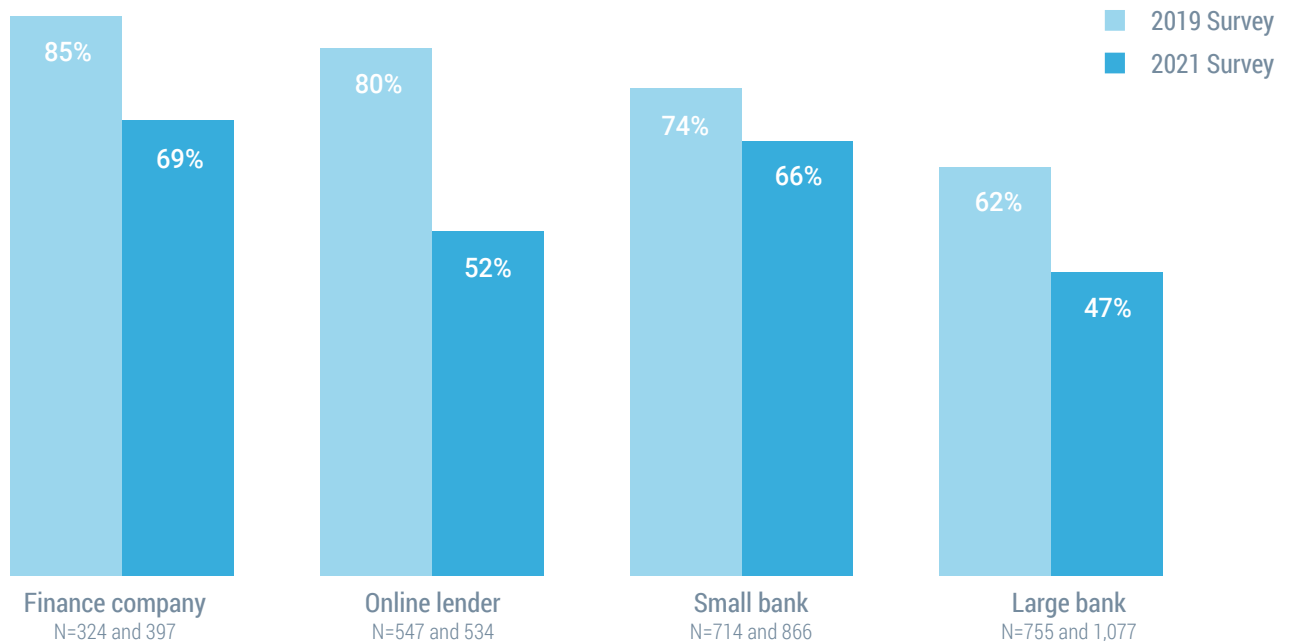
Approval rates on loan, line of credit, and cash advance applications declined for the second consecutive year.

**SHARE APPROVED: LOAN, LINE OF CREDIT, AND CASH ADVANCE APPLICANTS APPROVED FOR AT LEAST SOME FINANCING, By Survey Year<sup>1</sup>** (% of loan, line of credit, and cash advance applicants)



2021 approval rates across sources were considerably lower than prepandemic rates.

**LOAN, LINE OF CREDIT, AND CASH ADVANCE APPLICANTS APPROVED FOR AT LEAST SOME FINANCING AT SOURCE, Select Sources<sup>1,2</sup>** (% of loan, line of credit, and cash advance applicants at source)



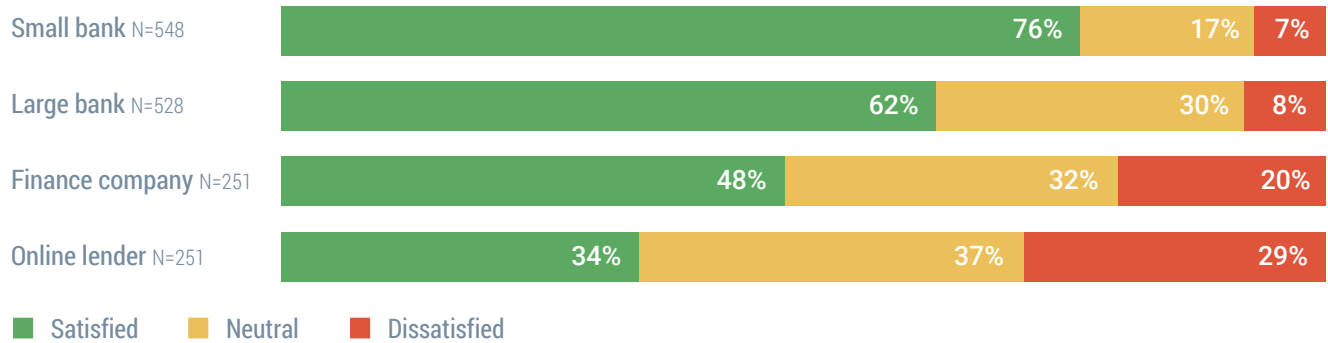
<sup>1</sup> Approval rate is the share approved for at least some credit. Excludes pandemic-related financial assistance applications. Chart revised on May 6, 2022.  
<sup>2</sup> Select lenders shown. See [Appendix](#) for more details. See [Notes and Definitions](#) for details on lender descriptions used in the SBCS.

# FINANCING APPLICATIONS

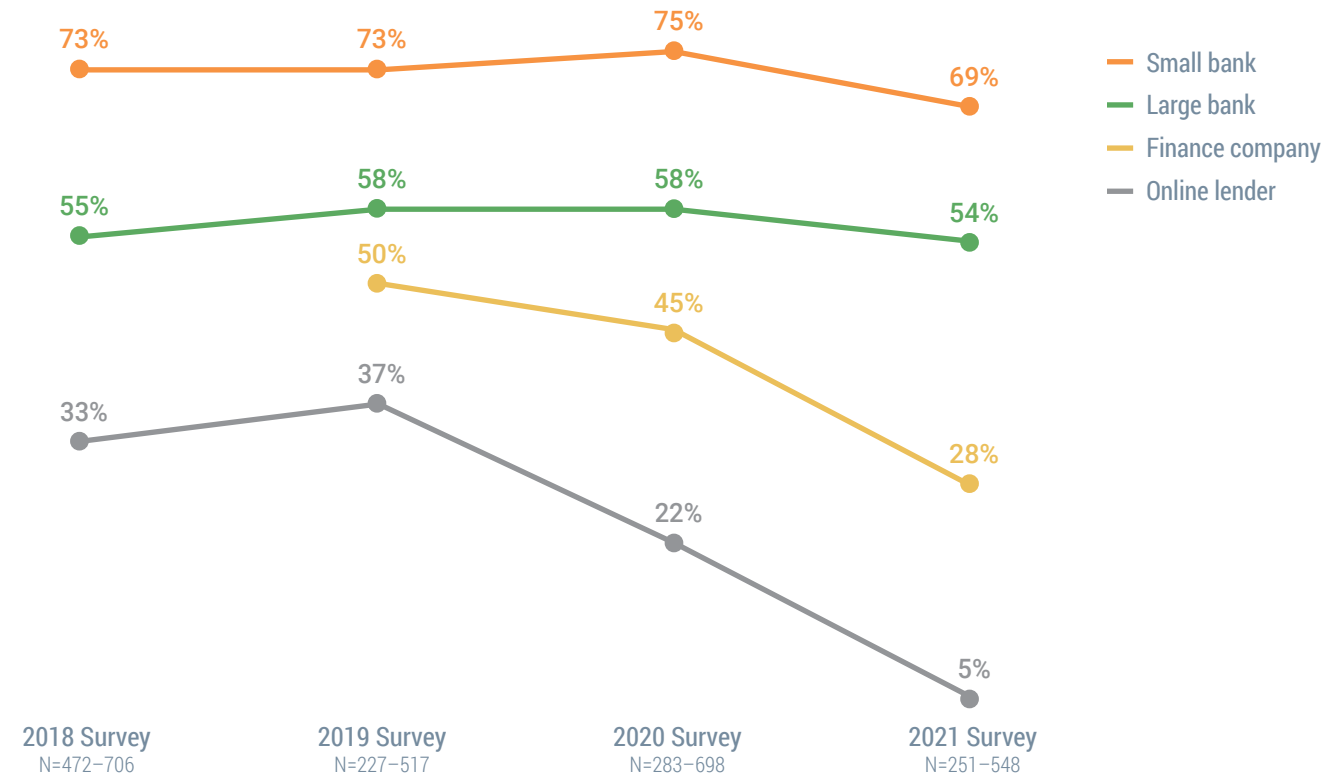
## Satisfaction with Lenders

Applicant firms that were approved for at least some of the financing sought were most satisfied with their experiences at small banks.

**SATISFACTION WITH LENDERS**<sup>1,2</sup> (% of loan, line of credit, and cash advance applicants approved for at least some financing at source)



**NET SATISFACTION, By Survey Year**<sup>2,3</sup> (% of loan, line of credit, and cash advance applicants approved for at least some financing at source)



1 CDFI satisfaction not shown due to insufficient sample size.

2 See *Notes and Definitions* for details on lender descriptions used in the SBCS. Chart revised on May 6, 2022.

3 Net satisfaction is the share of firms satisfied minus the share of firms dissatisfied. Finance company satisfaction data for years prior to 2019 are not available because it was not included as a discrete answer choice. Credit union and CDFI net satisfaction not included because of insufficient sample size.

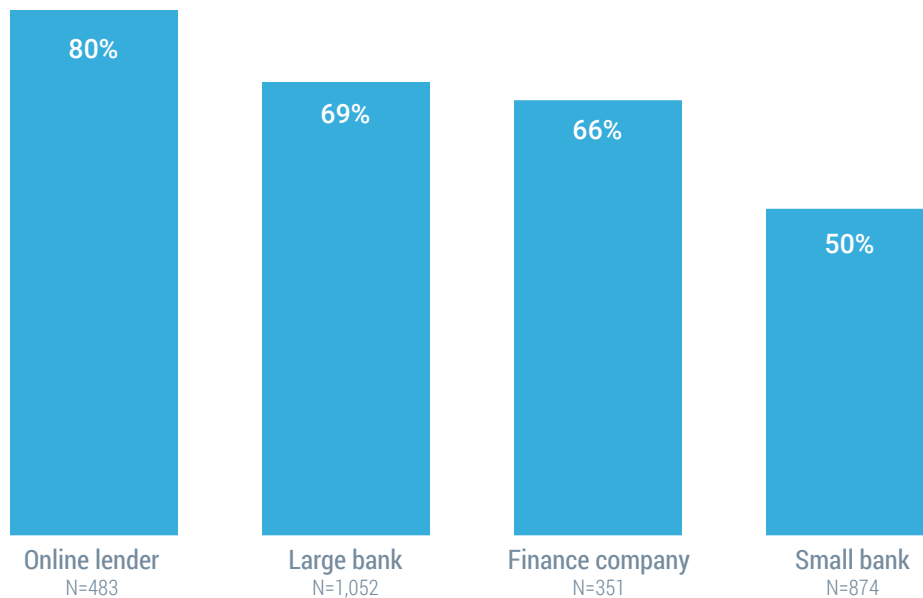
# FINANCING APPLICATIONS

## Challenges with Lenders

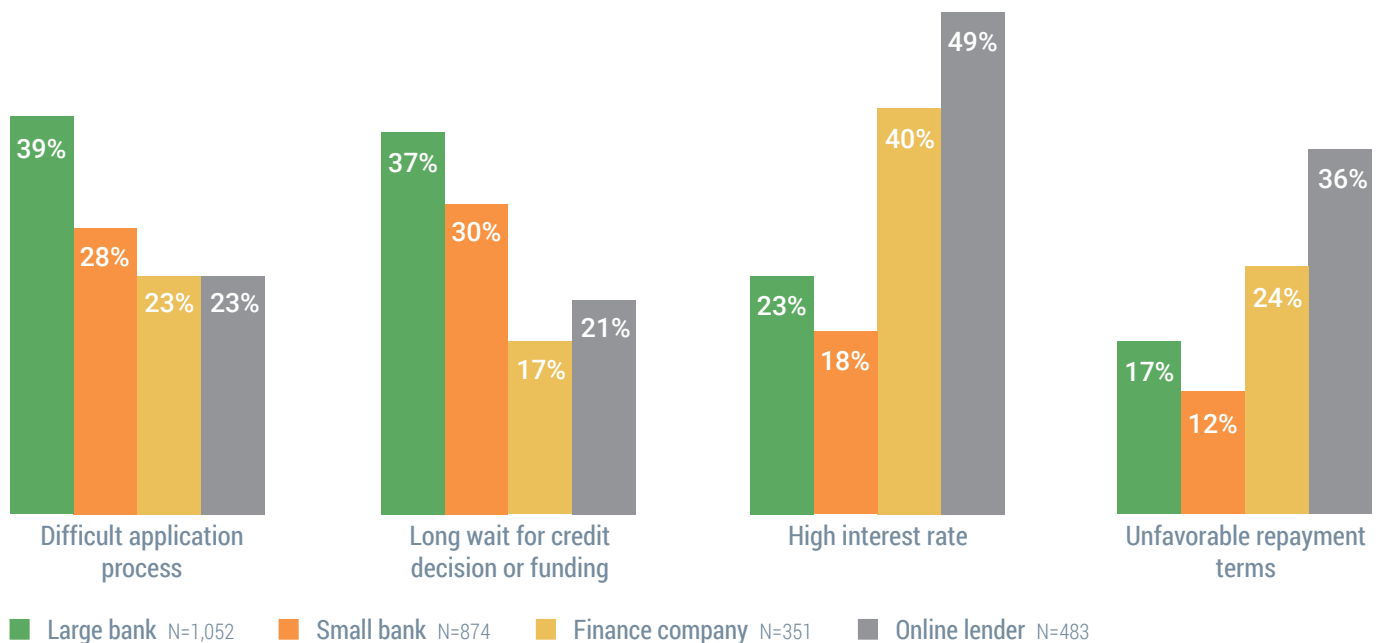
Online-lender applicants reported more challenges with their lenders than did applicants at other sources. Top challenges among online-lender applicants were high interest rates and unfavorable repayment terms.

### SHARE OF APPLICANTS WITH CHALLENGES AT SOURCE, *Select Lenders*<sup>1</sup>

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



### CHALLENGES WITH LENDERS, *Select Lenders*<sup>1,2</sup> (% of loan, line of credit, and cash advance applicants at source)

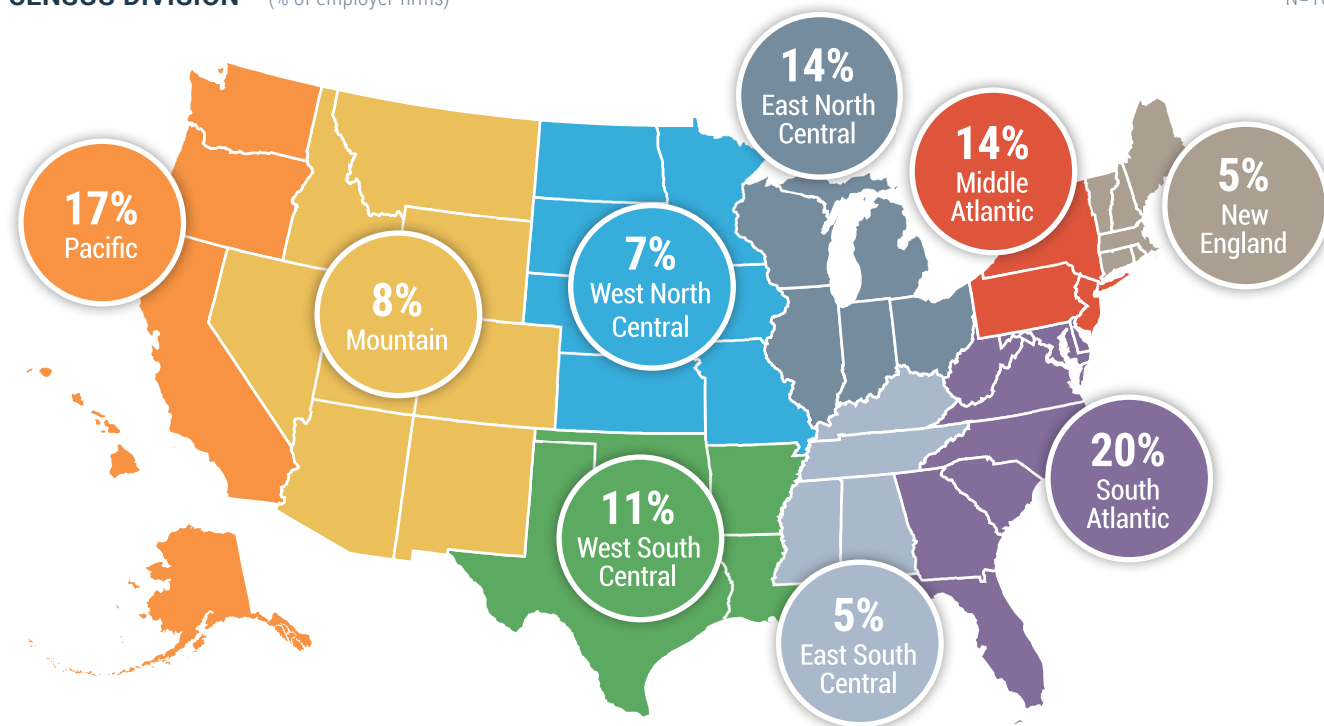


<sup>1</sup> *Select lenders shown. See Appendix for more details. See Notes and Definitions for details on lender descriptions used in the SBCS. Chart revised on May 6, 2022.*  
<sup>2</sup> *Respondents could select multiple options. Select response options shown. See Appendix for more details.*

# DEMOGRAPHICS

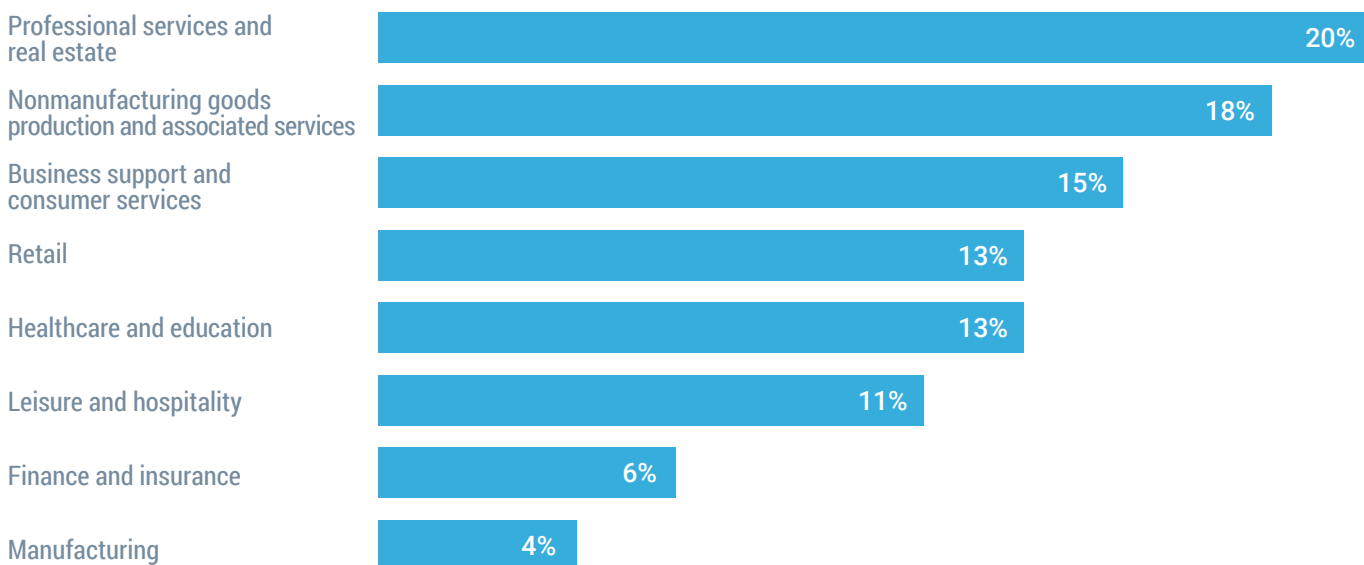
CENSUS DIVISION<sup>1,2</sup> (% of employer firms)

N=10,914



INDUSTRY<sup>1,2,3</sup> (% of employer firms)

N=10,914

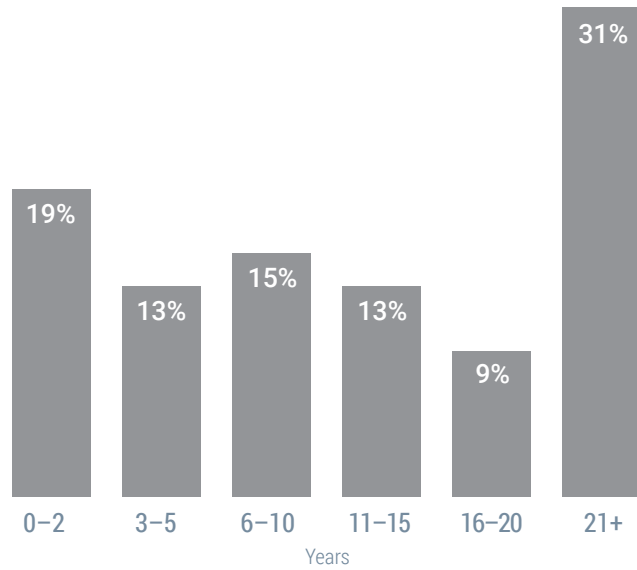


1 SBCS responses throughout the report are weighted using Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see [Methodology](#).  
 2 Percentages may not sum to 100 because of rounding.  
 3 The nonmanufacturing goods production and associated services category includes industries such as agriculture, construction, wholesale trade, transportation, and warehousing. See [Appendix](#) for more details.

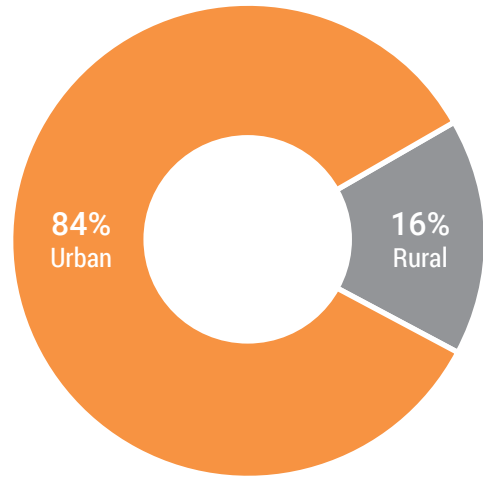
# DEMOGRAPHICS

(Continued)

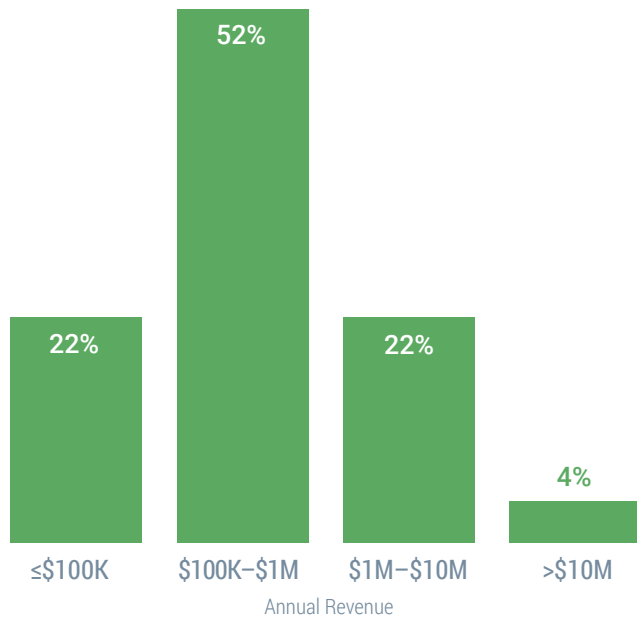
**AGE OF FIRM<sup>1</sup>** (% of employer firms) N=10,914



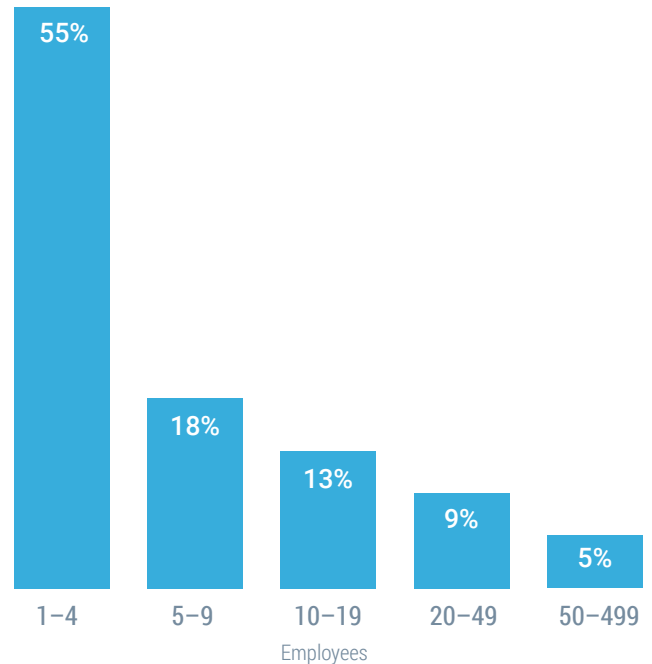
**GEOGRAPHIC LOCATION<sup>1,2</sup>** (% of employer firms) N=10,914



**REVENUE SIZE OF FIRM<sup>1,3</sup>** (% of employer firms) N=10,512



**NUMBER OF EMPLOYEES<sup>1</sup>** (% of employer firms) N=10,914



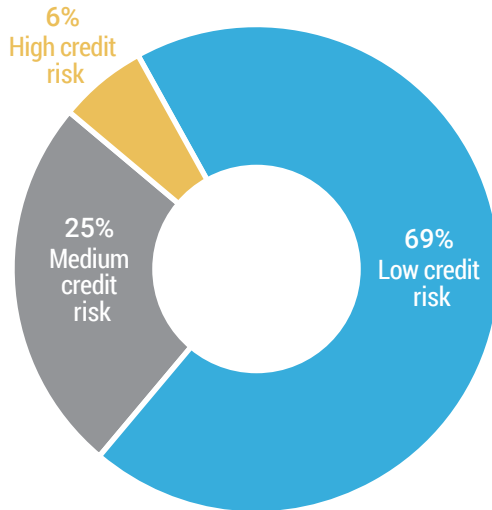
**39%** of employer firms use **contract workers**.

1 SBCS responses throughout the report are weighted using Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see [Methodology](#).  
 2 Urban and rural definitions come from Centers for Medicare and Medicaid Services. See [Appendix](#) for more details.  
 3 Categories have been simplified for readability. Actual categories are ≤\$25K, \$25,001-\$50K, \$50,001-\$100K, \$100,001-\$500K, \$500,001-\$1M, \$1,000,001-\$5M, \$5,000,001-\$10M, and >\$10M.

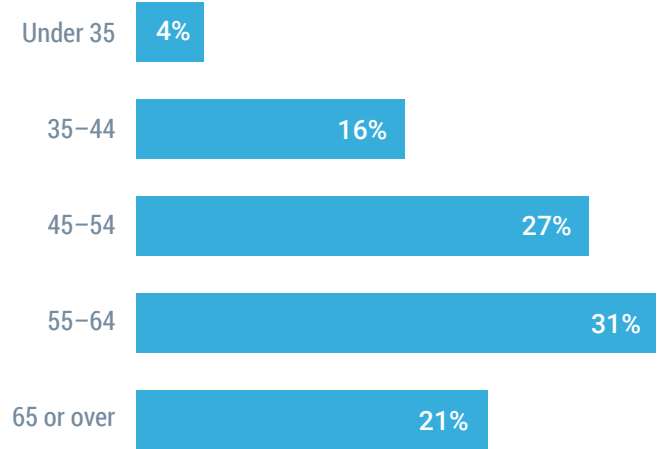
# DEMOGRAPHICS

(Continued)

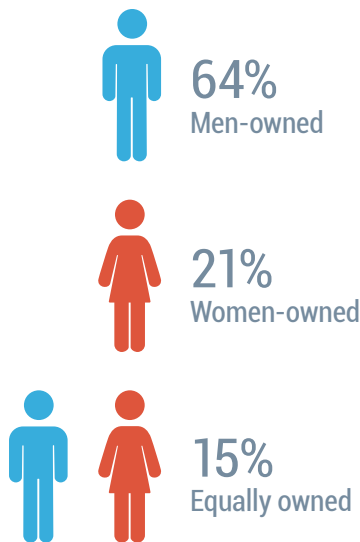
**CREDIT RISK OF FIRM<sup>1</sup>** (% of employer firms) N=7,957



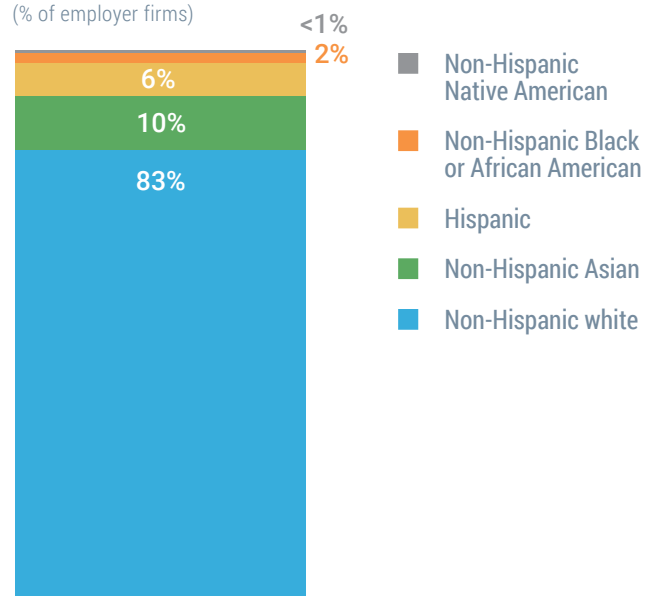
**AGE OF PRIMARY OWNER<sup>2</sup>** (% of employer firms) N=10,377



**GENDER OF OWNER(S)<sup>3</sup>** (% of employer firms) N=10,914



**RACE/ETHNICITY OF OWNER(S)<sup>2,3</sup>** (% of employer firms) N=10,914



**20%** of employer firms are at least partially owned by an **immigrant**.

**15%** of employer firms are at least partially owned by a **veteran**.

**6%** of employer firms are at least partially owned by a member of the **LGBTQ community**.

<sup>1</sup> See *Notes and Definitions* for details on credit risk definitions used in the SBCS.

<sup>2</sup> Percentages may not sum to 100 due to rounding.

<sup>3</sup> SBCS responses throughout the report are weighted using Census data to represent the US small employer firm population on the following dimensions: firm age, number of employees, industry, geography, race/ethnicity of owner, and gender of owner. For details on weighting, see *Methodology*.



# METHODOLOGY

## DATA COLLECTION

The SBCS uses a convenience sample of establishments. A diverse set of organizations that serve the small business community contact businesses by email.<sup>1</sup> The Federal Reserve Banks also directly contact prior SBCS participants and small businesses on publicly available email lists.<sup>2</sup> The survey instrument is an online questionnaire that typically takes 6 to 12 minutes to complete, depending upon the intensity of a firm's search for financing. The questionnaire uses question branching and flows based on responses to survey questions. For example, financing applicants receive a different line of questioning than nonapplicants. Therefore, the number of observations for each question varies by how many firms receive and complete a particular question.

## WEIGHTING

The sample for the SBCS is not selected randomly; thus, the SBCS may be subject to biases not present with surveys that do sample firms randomly. For example, there are likely small employer firms not on our contact lists, a situation which could lead to noncoverage bias. To control for potential biases, we weight the sample data so the weighted distribution of firms in the SBCS matches the distribution of the small firm

(1 to 499 employees) population in the United States by number of employees, age, industry, geographic location (census division and urban or rural location), gender of owner(s), and race or ethnicity of owner(s).

For this report and analysis, we first limit the sample in each year to only employer firms.<sup>3</sup> We then post-stratify respondents by their firm characteristics. Using a statistical technique known as "raking," we compare the share of businesses in each category of each stratum (for example, within the industry stratum, the share of firms in the sample that are manufacturers) to the share of small businesses in the nation in that category.<sup>4</sup> As a result, underrepresented firms are up weighted and overrepresented businesses are down weighted. We iterate this process several times for each stratum to derive a sample weight for each respondent. This weighting methodology was developed in collaboration with the National Opinion Research Center (NORC) at the University of Chicago. The data used to construct the weights originate from the US Census Bureau.<sup>5</sup>

We are unable to obtain exact estimates of the combined racial and ethnic ownership of small employer firms for each state or at the national level. To derive these figures, we assume that the distribution of small

employer firm owners' combined race and ethnicity is the same as that for all firms in a given state. Given that small employer firms represent 99.7% of businesses with paid employees, we expect these assumptions align relatively closely with the true population.<sup>6</sup>

## RACE/ETHNICITY AND GENDER IMPUTATION

Not every respondent provided complete information on the gender, race, and/or the ethnicity of their business's owner(s). We need this information to correct for differences between the sample and the population data. To avoid losing these observations, we use a series of statistical models to impute the missing data. Generally, when the models predict with an accuracy of around 80 percent in out-of-sample tests, we use the predicted values from the models for the missing data.<sup>7</sup> When the model outcomes are less certain, those data are not imputed, and the responses are dropped. After the models impute the data, we compare descriptive statistics of key survey questions with and without imputed data to ensure stability of estimates. In the final sample, eight percent of employer firm observations have imputed values for the gender, race, or ethnicity of a firm's ownership.

1 For more information on partnerships, please visit [www.fedsmallbusiness.org/partnership](http://www.fedsmallbusiness.org/partnership).

2 System for Award Management (SAM) Entity Management Extracts Public Data Package; Small Business Administration (SBA) Dynamic Small Business Search (DSBS); state-maintained lists of certified disadvantaged business enterprises (DBEs); state and local government Procurement Vendor Lists, including minority- and women-owned business enterprises (MWBES); state and local government-maintained lists of small or disadvantaged small businesses; and a list of veteran-owned small businesses maintained by the Department of Veterans Affairs.

3 Weights for nonemployer firms are computed separately, and a separate report on nonemployer firms is generally issued annually.

4 Employee size strata are 1–4 employees, 5–9 employees, 10–19 employees, 20–49 employees, and 50–499 employees. Age strata are 0–2 years, 3–5 years, 6–10 years, 11–15 years, 16–20 years, and 21+ years. Industry strata are nonmanufacturing goods production and associated services, manufacturing, retail, leisure and hospitality, finance and insurance, healthcare and education, professional services and real estate, and business support and consumer services. Race/ethnicity strata are non-Hispanic white, non-Hispanic Black or African American, non-Hispanic Asian, non-Hispanic Native American, and Hispanic. Gender strata are men-owned, equally owned, and women-owned. See [Appendix](#) for industry definitions, urban and rural definitions, and census divisions.

5 State-level data on firm age come from the 2019 Business Dynamics Statistics. In contrast to prior years, we here use the firm age for all firms, not just for firms with fewer than 500 employees, for each state. Unfortunately, data on firm age and size have not been available at the state level since the 2014 Business Dynamics Statistics. At the national level, we find only very slight deviations between firm ages for all firms, as opposed to those for firms with fewer than 500 employees. We derive industry, employee size, and geographic location data from the 2019 County Business Patterns. Data from the Center for Medicare and Medicaid Services are used to classify a business's ZIP code as urban or rural. Data on the race, ethnicity, and gender of business owners are derived from the 2019 Annual Business Survey.

6 US Census Bureau, *County Business Patterns*, 2019.

7 Out-of-sample tests are used to develop thresholds for imputing the missing information. To test each model's performance, half of the sample of nonmissing data is randomly assigned as the test group, while the other half is used to develop coefficients for the model. The actual data from the test group are then compared with what the model predicts for the test group. On average, predicted probabilities that are associated with an accuracy of around 80% are used, although this varies slightly, depending on the number of observations that are being imputed.

# METHODOLOGY

## (Continued)

### COMPARISONS TO PAST REPORTS

Because previous SBCS reports vary in terms of the population scope, geographic coverage, and weighting methodology, some survey reports are not directly comparable across time. The employer report using 2015 survey data covered 26 states and is weighted by firm age, number of employees, and industry. The employer reports using 2016 and 2017 data included respondents from all 50 states and the District of Columbia. We weight these data by firm age, number of employees, industry, and geographic location (both census division and urban or rural location). The 2017 survey weight also included gender, race, and ethnicity of the business owner(s), as described previously.

In addition, the categories used within each weighting characteristic also differ across survey years. For instance, there were three employee size categories in the 2015 survey and five employee size categories in the 2016 and 2017 surveys. Finally, some survey questions have changed over time, limiting question comparisons.

Because of changes in the weighting methodology of over-time data, the time series data in this report supersede and are not comparable with the time series data (2015–2017 survey years) in the Employer Firms Report published in May 2018. Compared to those previous reports, the updated weighting scheme

in this and last year's reports makes use of a greater number of variables (it includes the race, ethnicity, and gender of a business's ownership), and is thus more representative of the US small employer-firm population. Data for the 2015 survey year are not displayed in this report, as they lack information on the aforementioned variables. The data in this report are, however, comparable to the 2018 survey data that were published in 2019, the 2019 survey data that were published in 2020, and the 2020 survey data that were published in 2021.<sup>8</sup> For more information on the methodological changes to the "time-consistent" weights, please refer to the methodology section of the *2019 Report on Employer Firms*.

In addition, many survey questions are not comparable over time because of changes in the response options. For example, the option "Finance company" was added as an application source in the 2019 survey; thus, the application rates by source displayed in the 2022 report are not directly comparable to reports prior to the 2019 survey.

### CREDIBILITY INTERVALS AND STATISTICAL TESTS

Credibility intervals are an important component of the analysis within this report. Where there are large differences in estimates between types of businesses or survey years, we perform additional checks on the data to determine whether such differences are statistically significant. The combination of the results of these tests and several logistic regression models helped to guide our analysis and decide on the variables to include in the report. To determine whether differences are statistically significant, we develop credibility intervals using a balanced half-sample approach.<sup>9</sup> Because SBCS data do not come from a probability-based sample, the credibility intervals we develop should be interpreted as model-based measures of deviation from the true national population values.<sup>10</sup> We list 95% credibility intervals for key statistics in the following table. The intervals shown apply to all employer firms in the survey. More granular results with smaller observation counts will generally have larger credibility intervals.

**Credibility Intervals for Key Statistics in the 2022 Report on Employer Firms<sup>11</sup>**

	Percent	Credibility Interval (Percent)
Share that applied	34.1	+/- 1.5
Share with outstanding debt	74.2	+/- 1.3
Loan/line of credit and cash advance approval rate	67.6	+/- 3.3
Share of firms with financial challenges in prior 12 months	85.3	+/- 0.9
Share of firms in fair or poor condition	59.0	+/- 1.3

<sup>8</sup> Because of adjustments to the weighting of the 2020 survey data after the publication of the 2021 report, percentages shown in the 2021 report related to 2020 survey data may differ from 2022 report findings on 2020 survey data.

<sup>9</sup> Wolter. *Survey Weighting and the Calculating of Sampling Variance*. 2007.

<sup>10</sup> American Association for Public Opinion Research. *Task Force on Non-probability Sampling*. 2013.

<sup>11</sup> Table revised on May 6, 2022.