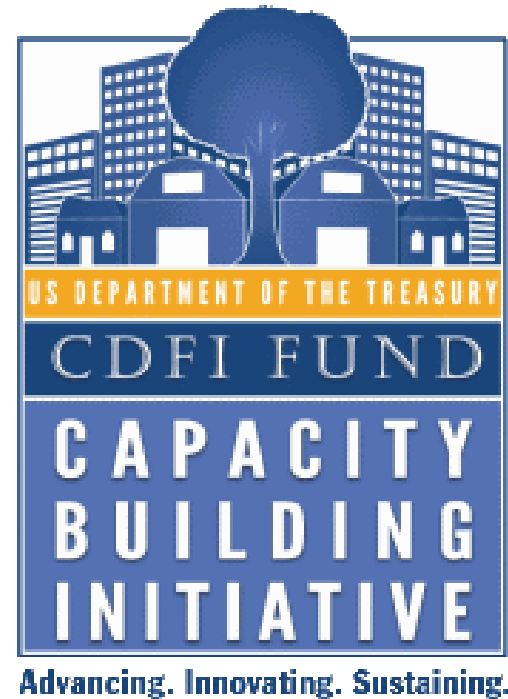


CDFI Fund Capacity Building Initiative

Data on Small Business Lending and Entrepreneurship



Credit availability is not a top challenge for small business owners nationwide

SINGLE MOST IMPORTANT PROBLEM NFIB DEC. 2011 SURVEY OF SMALL BUSINESSES

<i>Problem</i>	Current	One Year Ago	Survey High	Survey Low
1 <i>Poor Sales</i>	23	34	34	2
2 <i>Taxes</i>	21	20	32	8
3 <i>Gov. Regulations. & Red Tape</i>	20	13	27	4
4 <i>Competition from Large Businesses</i>	8	6	14	4
5 <i>Cost/Availability of Insurance</i>	7	7	29	4
6 <i>Inflation</i>	5	2	41	0
7 <i>Quality of Labor</i>	5	4	24	3
8 <i>Financing & Interest Rates</i>	4	4	37	1
9 <i>Other</i>	4	7	31	1
10 <i>Cost of Labor</i>	3	3	9	2

Only 4% percent of small business borrowers cite financing and interest rates as their top problem.

“Ninety-three (93) percent reported that all their credit needs were met or that they were not interested in borrowing....[f]ifty (50) percent said they did not want a loan but increases to 64 percent when including those who did not answer the question, presumably not uninterested in borrowing as well.”

Small Business Economic Trends, January 2012, National Federation of Independent Businesses.

What challenges are small businesses in low-income minority neighborhoods facing?

Declining volume of small business lending

Challenges accessing mentoring, networking and expert advice

Changing consumer spending habits

Uncertain regulatory and tax environment

Lack of affordable infrastructure

Decreasing skilled labor population for specialized staffing needs

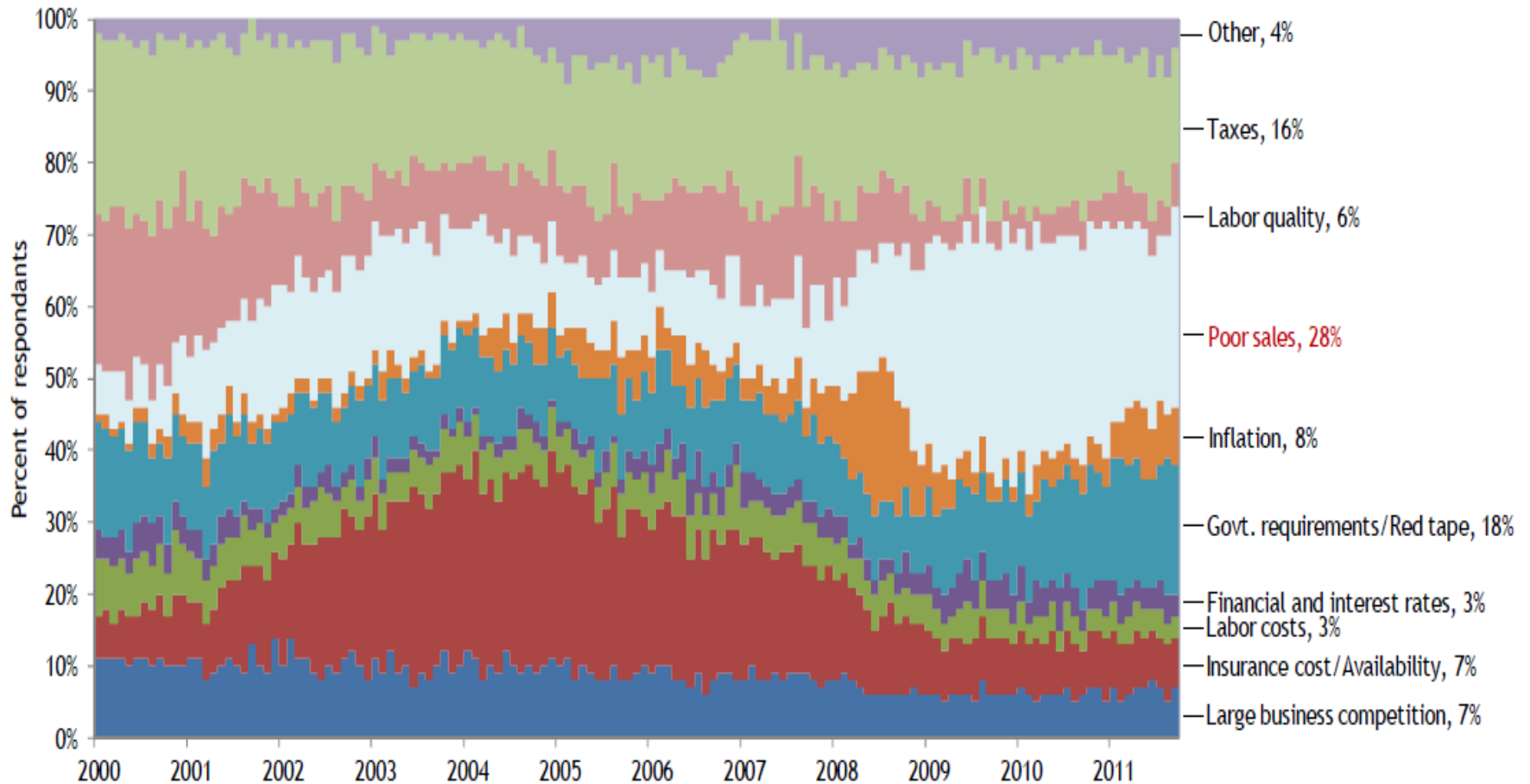
Sources:

Goldman Sachs: 10,000 Small Businesses Report

Ninth District Insight Report – Quarter 4, 2011 Published by the Community Development Department of the Federal Reserve Bank of Minneapolis

Small Businesses' Growing Concerns Over Time

POOR SALES AND GOVERNMENT REQUIREMENTS/RED TAPE ARE THE TOP CONCERNS FOR SMALL BUSINESSES¹



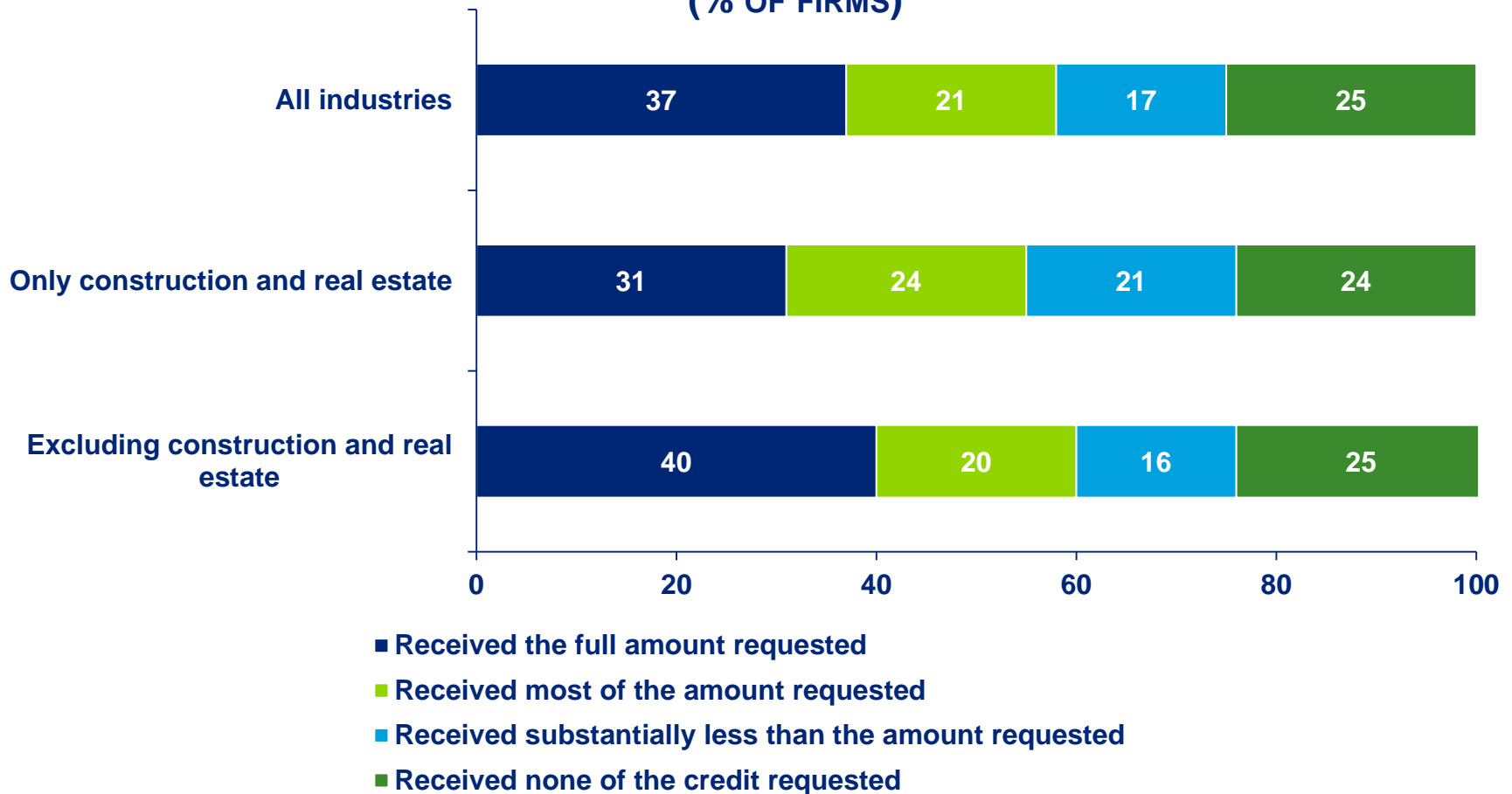
Source: Based on data from the National Federation of Independent Business October 2011 *Small Business Economic Trends*, ©NFIB Research Foundation

How Well are Small Business Financing Needs Being Met?

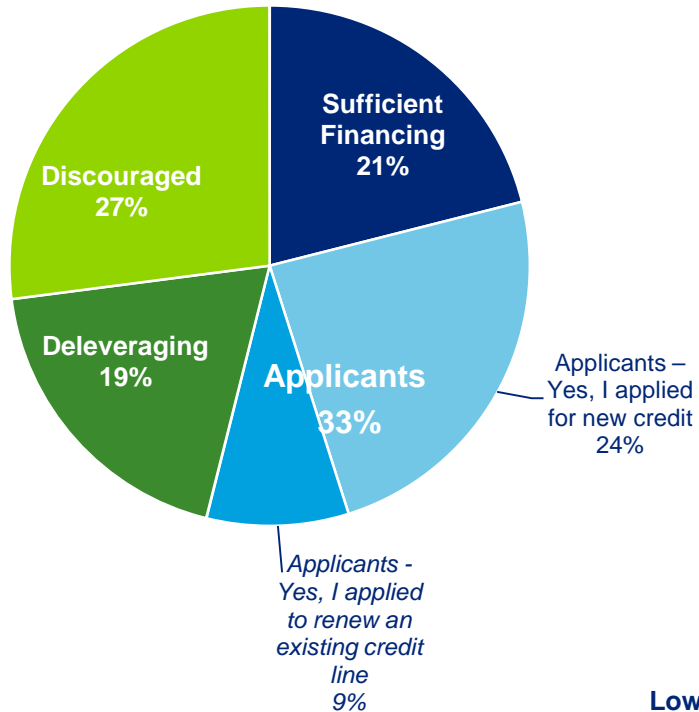
Firms in construction and real estate were less likely to have their financing needs met than those in other industries.

EXTENT TO WHICH OVERALL FINANCING NEEDS WERE MET²

(% OF FIRMS)



Are small businesses borrowing?³

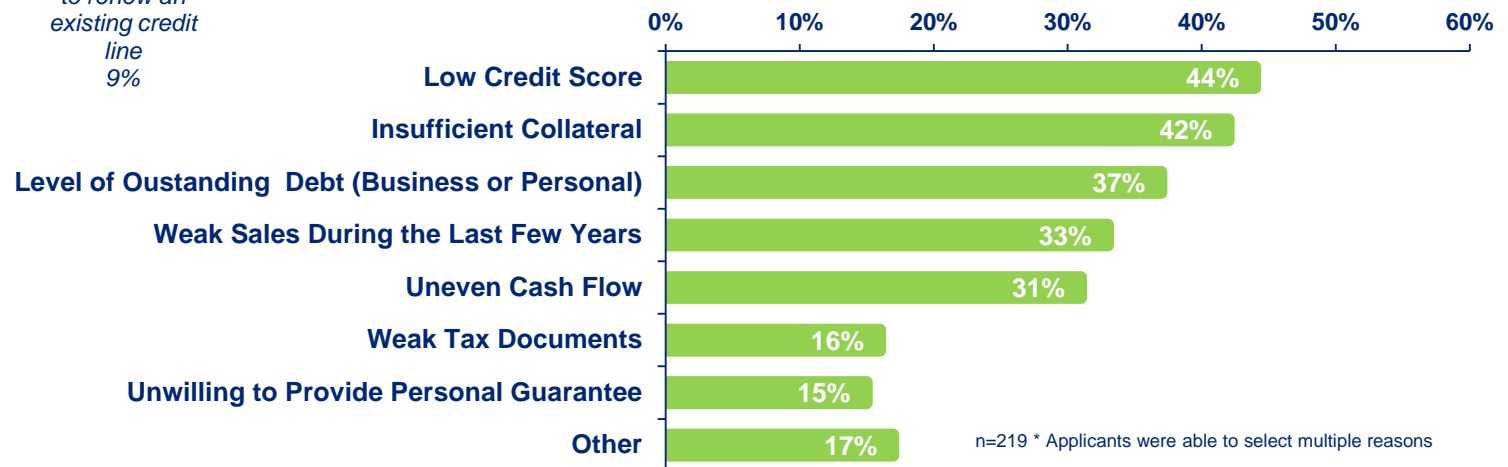


40% of small businesses do not want or need financing.

27% did not apply for financing for reasons ranging from personal finances to poor business conditions.

REASONS FOR NOT APPLYING FOR CREDIT

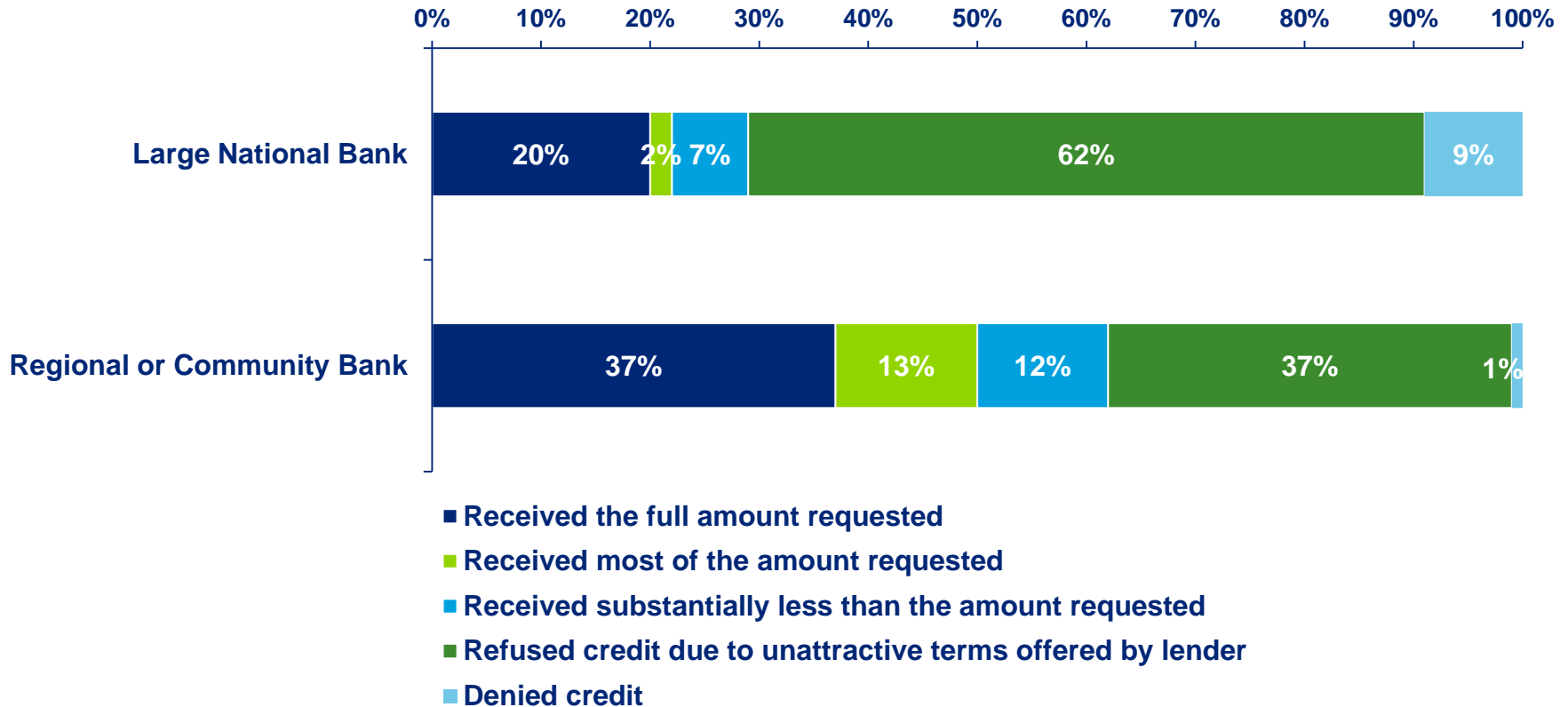
*If your business has not been able to get all of the credit you want, why not? (Select all that apply)**



Sources of Financing

Of the 293 small businesses surveyed by the Federal Reserve Bank of Atlanta in October 2011, 110 applied for credit in the third quarter. Only 17 of those business applied for loans backed by the Small Business Administration. Sixteen of those businesses were either denied or the borrower refused the loan due to unattractive terms, and one firm received some of the credit requested.⁴

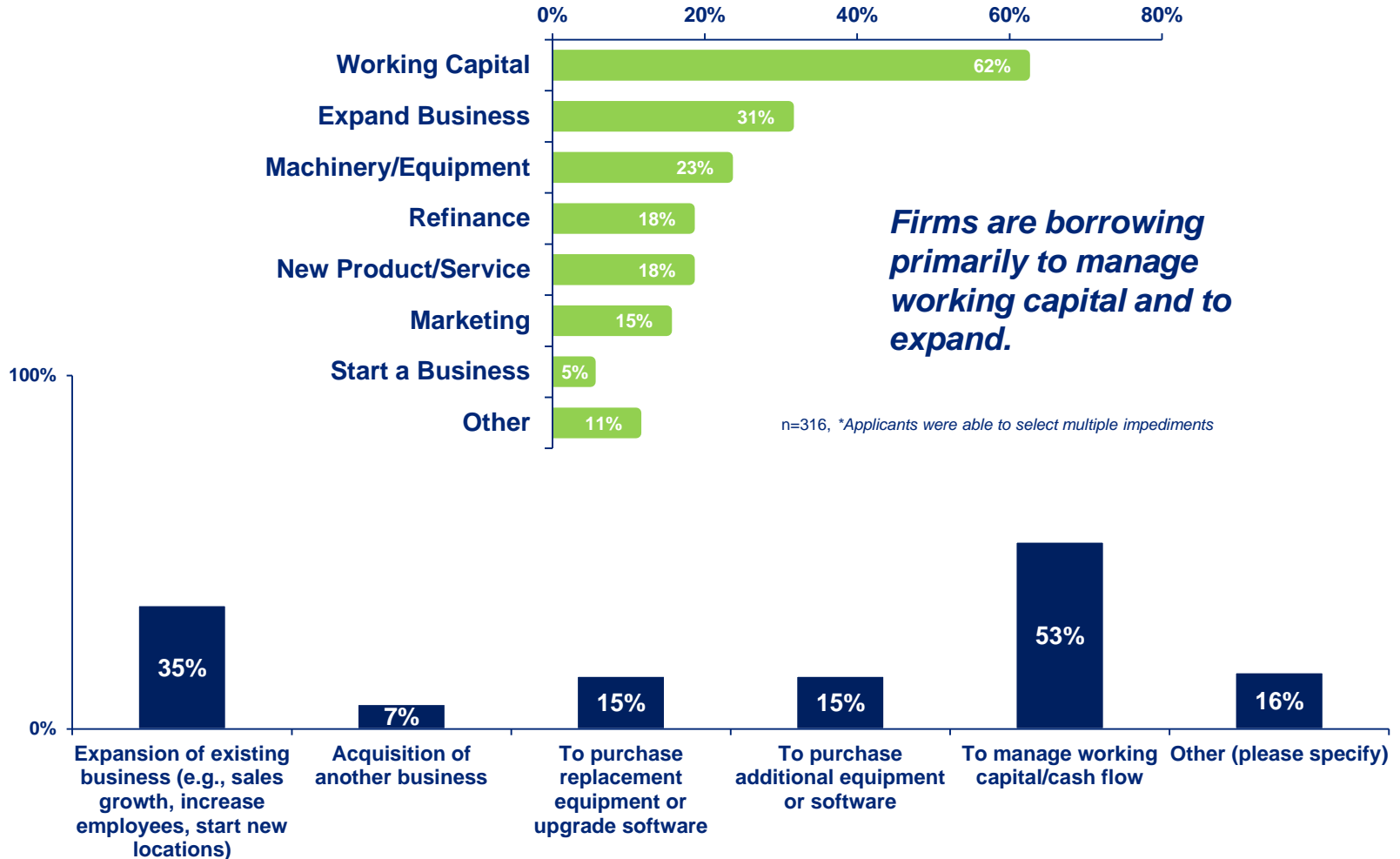
EXTENT TO WHICH YOU WERE ABLE TO MEET YOUR FINANCING NEEDS (% OF APPLICATIONS)



Why are Small Businesses Borrowing?^{5,6}

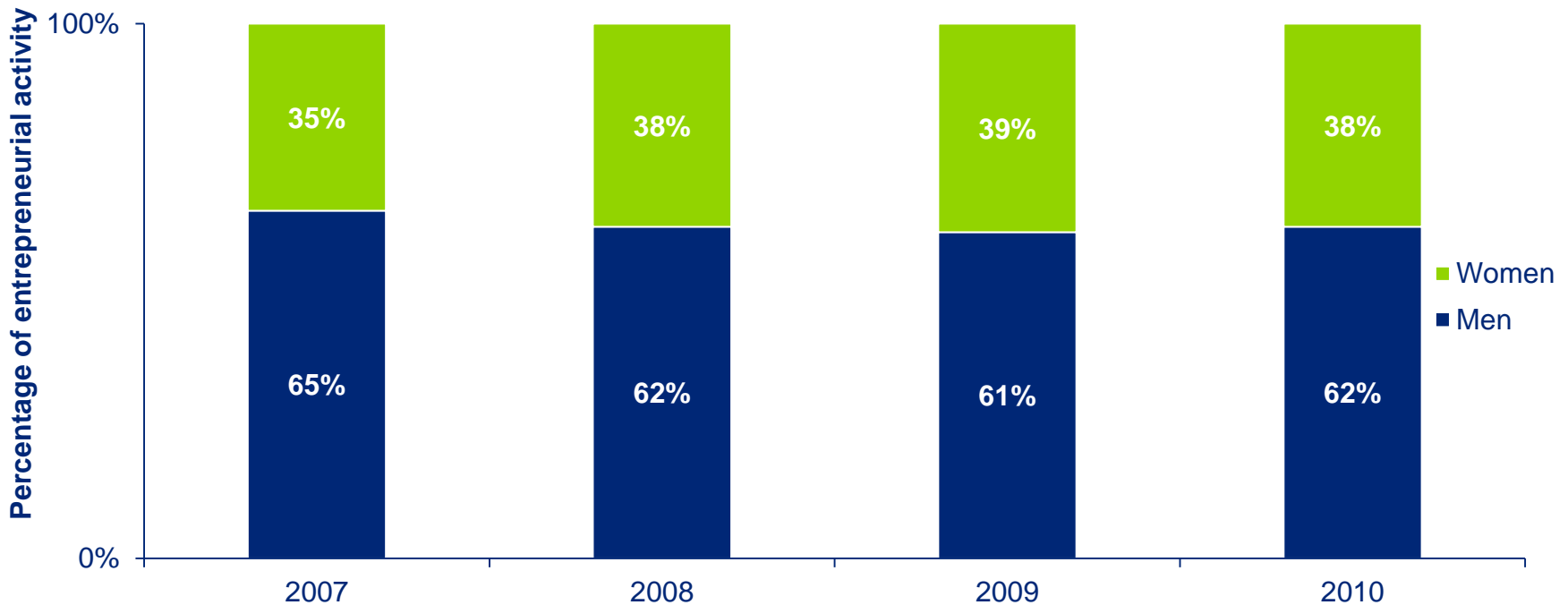
REASONS FOR SEEKING FINANCING*

% of firms



Kauffman Index of Entrepreneurial Activity by Gender⁷

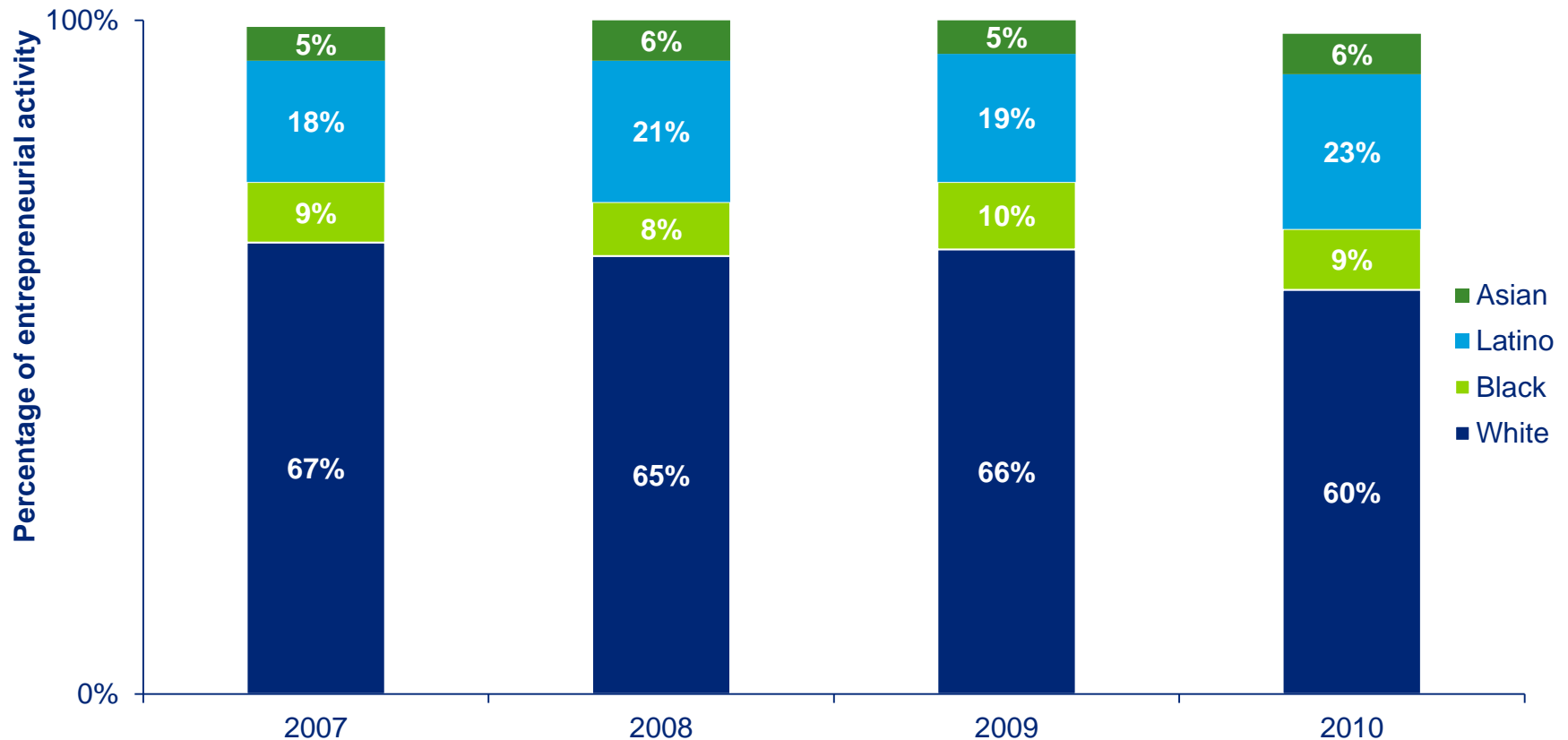
The Kauffman Index measures the monthly business-creation rate at the individual owner level, reporting the percentage of non-business-owning adults who start businesses with more than 15 hours worked per week.



- Overall, men are substantially more likely to start businesses than are women.
- The average rate of entrepreneurial activity for men over the 14 year period was 36%, while the average for women was lower, at 23%.

Kauffman Index of Entrepreneurial Activity by Race⁸

The Kauffman Index measures the monthly business-creation rate at the individual owner level, reporting the percentage of non-business-owning adults who start businesses with more than 15 hours worked per week.



- Latino entrepreneurial activity has increased from 2007 to 2010.
- African-American and Asian entrepreneurial activity has been steady across the last 4 years.
- Non-Latino white entrepreneurship has declined since 2007.

Survey of Lending Products and Services Offered by Target CDFIs⁹

Rank	Loan Product or Service	Number	Percentage
1	Technical Assistance	40	69%
2	Real Estate – Commercial	37	64%
3	Working Capital	33	57%
4	Equipment Financing	31	53%
5	Affordable Housing	23	40%
6	SBA Loans (504 or 7(a))	22	38%
7	Grants and/or Bridge Financing	21	36%
8	Microloans	18	31%
9	Minority / Women-Owned Businesses	18	31%
10	Staples: Health Care / Childcare / Education	16	28%
11	Green / Energy Efficiency	15	26%
12	Expansion	11	19%
13	USDA Rural Development Loans	10	17%
14	Refinancing	9	16%
15	Real Estate – Residential	8	14%
16	Start-up Financing	8	14%
17	Lines of Credit	7	12%
18	AR Factoring	5	9%
19	Credit Building Loans	5	9%
20	Incubator	5	9%
21	Hero	2	3%

References

References

Endnote #	Source
1	<i>Small Business Trends: Policy & Supervisory Studies</i> ; Federal Reserve Bank of Atlanta, October 2011
2	<i>Third Quarter 2011 Small Business Survey</i> ; Federal Reserve Bank of Atlanta, October 2011
3	<i>FRNBY May 2011 Small Business Finances Poll</i> ; Federal Reserve Bank of New York, August 2011
4	See supra, note 2
5	See supra, note 3
6	See supra, note 2
7	<i>Kauffman Index of Entrepreneurial Activity 1996 -2010</i> ; Kauffman Foundation, March 2011
8	<i>Ibid</i>
9	Review of websites for each of the identified CDFIs