2016

SMALL BUSINESS CREDIT SURVEY

REPORT ON EMPLOYER FIRMS IN THE FIFTH DISTRICT

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INTRODUCTION

The Small Business Credit Survey (SBCS) is a national collaboration of the Community Development Offices of the 12 Federal Reserve Banks, in partnership with more than 400 business organizations in communities throughout the United States. The SBCS is designed to provide timely information on small business financing needs, decisions and outcomes to policy makers, researchers and service providers.

In 2016, the SBCS obtained responses from small businesses in all 50 states and the District of Columbia — a first since the survey began in 2014. The survey yielded robust samples in the Fifth District overall and also within specific Fifth District states. This report provides an in-depth look at those samples and in particular identifies areas in which small business characteristics and financing experiences in the Fifth District differ from those in the country overall.

We would like to extend a special thanks to Claire Kramer Mills of the Federal Reserve Bank of New York and colleagues across the Federal Reserve System for their leadership and support of the SBCS. We would also like to thank all of our partner organizations in the Fifth District:

- Asheville Area Chamber of Commerce
- Baltimore Community Lending
- Blowing Rock Chamber of Commerce
- Botetourt County Chamber of Commerce
- Carolina Small Business Development Fund
- CommunityWorks
- Danville Pittsylvania County Chamber of Commerce
- Falls Church Chamber of Commerce
- Franklin-Southampton Area Chamber of Commerce
- Garrett County Chamber of Commerce
- Greater Raleigh Chamber of Commerce
- Greater Winston-Salem Chamber of Commerce
- Greensboro Chamber of Commerce
- Henderson County Chamber of Commerce
- Howard County Chamber of Commerce
- Latino Economic Development Center
- Leadership Maryland
- Loudoun County Chamber of Commerce
- Maryland Capital Enterprises, Inc.
- Maryland Economic Development Association (MEDA)
- Maryland Governor's Office of Minority Affairs
- Maryland Hispanic Chamber of Commerce
- Maryland Southern Region Small Business Development Center
- Natural Capital Investment Fund (NCIF)
- Neighborhood BusinessWorks, Maryland Department of Housing and Community Development
- North Carolina District Office, U.S. Small Business Administration
- North Carolina Small Business and Technology Development Center (NC SBTDC)
- North Carolina Small Business Center Network, North Carolina Community College System (SBCN)
- Northern Virginia Chamber of Commerce
- Richmond SCORE
- Roxboro Area Chamber of Commerce
- RVA Works
- South Carolina Association for Community Economic Development (SCACED)
- South Carolina Department of Commerce
- State Delegation District and State Directors, Congressional Offices
- Unlimited Future, Inc.
- Virginia Peninsula Chamber of Commerce
- Virginia Small Business Development Center Network
- Virginia Small Business Financing Authority
- West Virginia Small Business Development Center
- Windsor-Bertie County Chamber of Commerce
- Women Presidents' Educational Organization —DC (WPEO-DC)
- Yadkin County Chamber of Commerce

INTRODUCTION

This report is the result of the collaborative effort, input, and analysis of the following teams:

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ABOUT THE SURVEY

The SBCS is an annual survey of firms with fewer than 500 employees. These types of firms represent 99.7 percent of all employer establishments in the United States.[1] Respondents are asked to report information about their business performance, financing needs and choices and borrowing experiences. Responses to the SBCS provide insight into the dynamics behind lending trends and shed light on noteworthy segments of small businesses.[2]

The 2016 SBCS was fielded from September to December 2016, garnering 10,303 responses from employer firms around the country. This report presents results for the Fifth District overall, as well as for Maryland, North Carolina, South Carolina, and Virginia individually. The District of Columbia and West Virginia were not included in this analysis due to small sample sizes.

The number of responses for each sample analyzed in this report is listed below.

Geography	Sample size (Number of firms)
Fifth District	1,396
Maryland	316
North Carolina	445
South Carolina	117
Virginia	412

Throughout this report, results are only compared to national and Fifth District findings when they are statistically significant. For more information on national level trends and results, please see the 2016 Small Business Credit Survey Report on Employer Firms.

The SBCS is not a random sample. As such, results should be analyzed with awareness of potential biases that are associated with convenience samples. Furthermore, due to varying sample sizes between states, survey results have different levels of statistical significance. Therefore, unless otherwise indicated, differences between modeled populations cannot always be inferred from survey results. For detailed information about the survey design and weighting methodology, please consult the Methodology section of the 2016 Small Business Credit Survey Report on Employer Firms.

What is the Fifth Federal Reserve District?

The Federal Reserve Bank of Richmond covers the Fifth Federal Reserve District, which spans from Maryland in the North to South Carolina in the South. It includes the states of Maryland, Virginia, North Carolina, and South Carolina; 49 counties constituting most of West Virginia; and the District of Columbia.

[1]U.S. Census Bureau, 2014 County Business Patterns, Table CB 1400A13

[2]Please see special reports on women-owned firms, minority-owned firms, microbusinesses, and startup firms.

Source: Small Business Credit Survey, Federal Reserve Banks

KEY FINDINGS FROM THE FIFTH DISTRICT

The 2016 SBCS included 1,396 responses from small employer firms in the Fifth Federal Reserve District. Fifth District states include Maryland, North Carolina, South Carolina, Virginia, West Virginia and the District of Columbia.

Fifth District small business demographics mirror those of national respondents.

- The majority of Fifth District small businesses, on average, are under 10 years old, have fewer than five employees, operate in the service sector, are low credit risk[1] and an earn under $1M in annual revenue.
- Eighty-three percent of small businesses in the Fifth District and the US overall are located in urban communities.
- Fifth District employer firms are more likely to use contract workers: 49 percent of Fifth District firms use contract workers, compared to 42 percent nationally.

Fifth District small businesses report strong performance and optimism for future growth.

- More businesses report employment, revenue, and profitability growth than report contraction over the prior 12 months.[2] These performance indicators are not statistically different from those of national employer firms, on average.
- Fifth District small businesses are more optimistic about their future growth, compared to the rest of the country. By a margin of 70 percentage points, more Fifth District respondents expect their revenues to increase over the next 12 months than expect them to decrease.[3]
- However, credit availability is a top-of-mind concern for Fifth District small businesses, with 44 percent reporting it as a challenge over the past year.

Debt loads have been increasing, but most expect them to fall over the next year.[3]

- Over two-thirds (69 percent) of small businesses in the Fifth District and in the US have outstanding debt.
- While a majority of these employer firms indicated their debt load increased over the past 12 months, a greater share thinks their debt will decrease over the coming year.[2,3]

Financing application rates are comparable to national results, and success rates are high.

- 47 percent of employer firms in the Fifth District applied for financing in the past year, which is not significantly different from the 45 percent that applied nationwide.
- Among those who applied for financing, nearly two-thirds (65 percent) cited the desire to expand their business as the primary reason.
- Over half (54 percent) of Fifth District employer firms that applied for funding in the past year sought less than $100K.
- While overall success rates matched national results, small businesses in the Fifth District were more successful at receiving financing from large banks than small business employer firms in the rest of the country.
- Eighty-five percent of Fifth District respondents who applied for financing applied for loans/lines of credit. Half applied at large banks and 46 percent applied at small banks.

[1] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] Expected change in approximately the second half of 2016 through the second half of 2017.

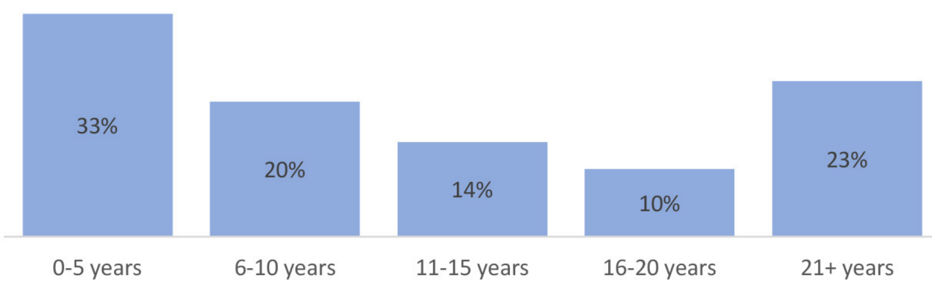
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS

Survey respondents in the Fifth District resemble those in the country overall: the majority of firms, on average, are under 10 years old, have low credit risk and earn under $1M in annual revenue.

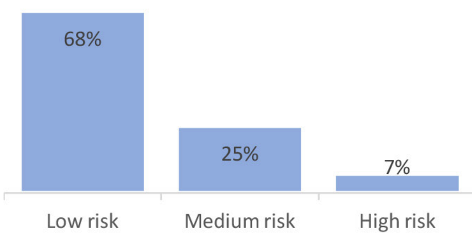
AGE OF FIRM[1]

% of employer firms, N=1,396



CREDIT RISK[2]

% of employer firms, N=874

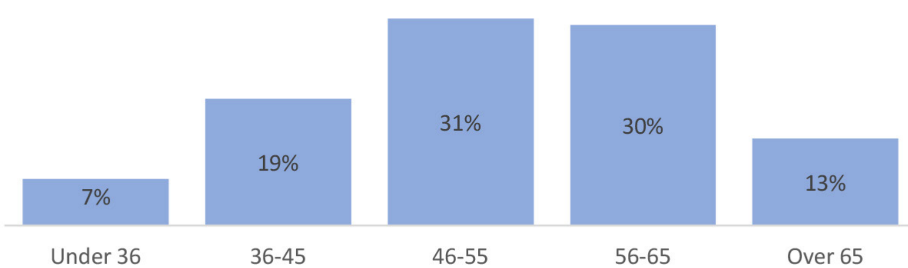


REVENUE SIZE OF FIRM

% of employer firms, N=1,396

AGE OF PRIMARY OWNER

% of employer firms, N=1,283



[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population on the following dimensions: firm age, size, industry and geography.

[2] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.

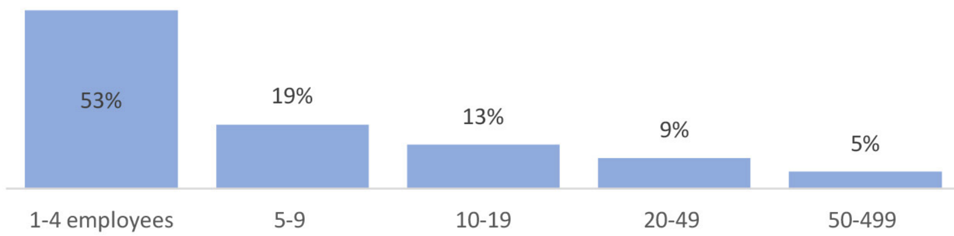
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS (CONTINUED)

Over three-quarters (83%) of small businesses in the Fifth District and the US overall are located in urban communities; at the same time, Fifth District employer firms are more likely to use contract workers than those in other parts of the country.

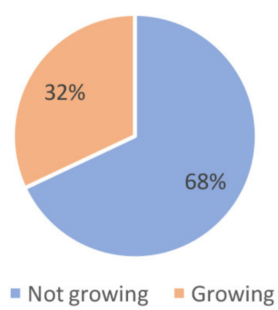
NUMBER OF EMPLOYEES[1]

% of employer firms, N=1,396



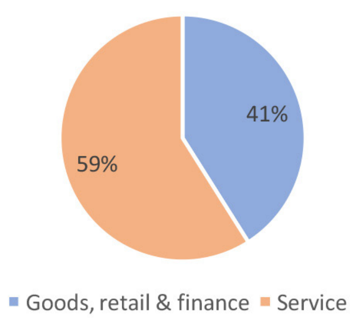
GROWTH STAGE OF FIRM[2]

% of employer firms, N=1,396



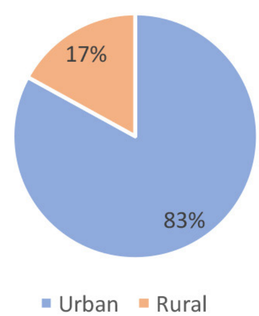
INDUSTRY [1,3]

% of employer firms, N=1,396



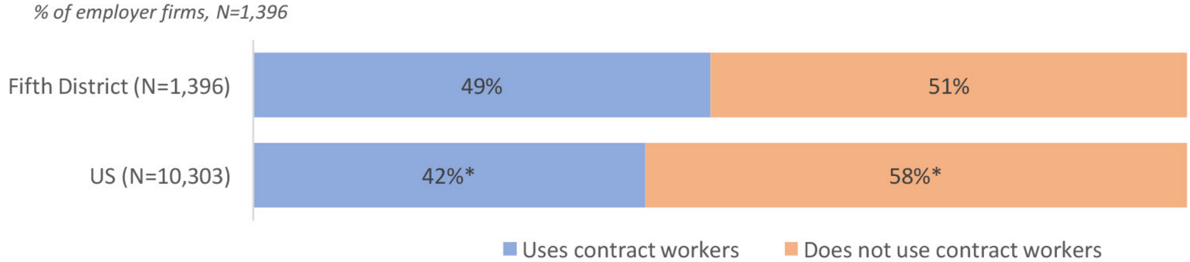
URBAN OR RURAL LOCATION[1,4]

% of employer firms, N=1,396



USE OF CONTRACT WORKERS

% of employer firms, N=1,396



* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.
[2] Growing firms are defined as those that increased revenues over the prior 12 months, increased employees over the prior 12 months and plan to increase or maintain number of employees over the next 12 months.
[3] Firm industry is classified based on the description of what the business does, as provided by the survey participant.
[4] Urban and rural definitions come from Centers for Medicare & Medicaid Services.

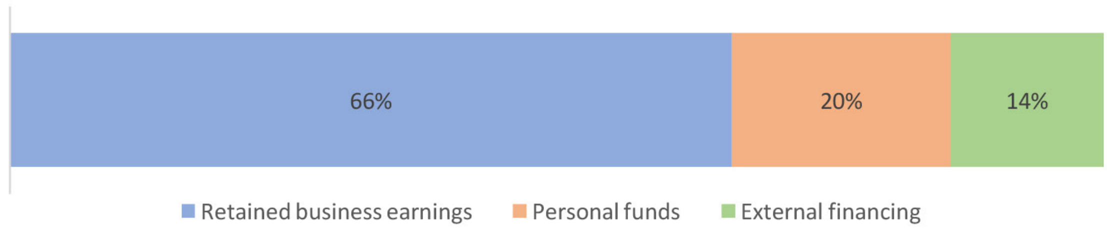
Source: Small Business Credit Survey, Federal Reserve Banks

PERFORMANCE

Fifth District small businesses are performing similarly to US small businesses overall. While credit availability is a top-of-mind challenge, more small businesses report employment, revenue and profitability growth than report contraction.

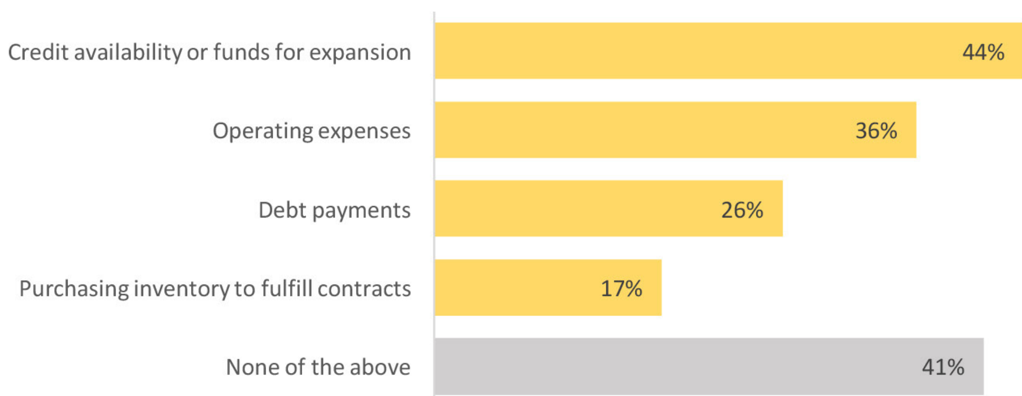
PRIMARY FUNDING SOURCE

% of employer firms, N=1,371



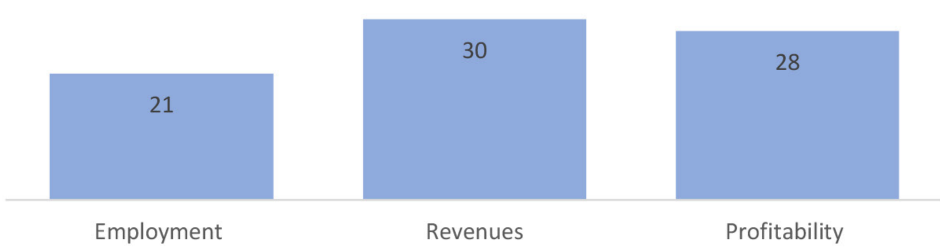
FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS [1,2]

% of employer firms, N=1,377



EMPLOYER FIRM PERFORMANCE INDEX, PRIOR 12 MONTHS[3]

% of employer firms, N=1,361-1,379



[1] Respondents could select multiple options.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth during the prior 12 months. For profitability, it is the share profitable minus the share not profitable at the end of 2015.

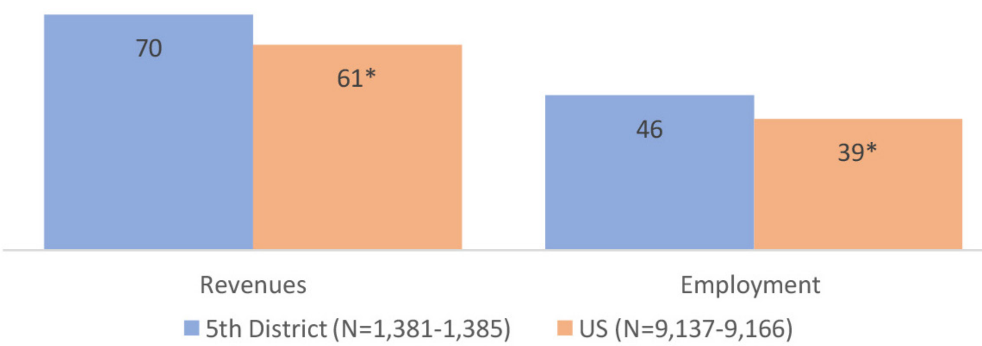
Source: Small Business Credit Survey, Federal Reserve Banks

EXPECTED PERFORMANCE

Fifth District small businesses are more optimistic about their revenue and employment growth, compared to the rest of the country. A greater portion of respondents predict that their revenue and employment will grow over the next year than US small businesses overall.

EMPLOYER FIRM EXPECTATION INDEX, NEXT 12 MONTHS [1]

% of employer firms

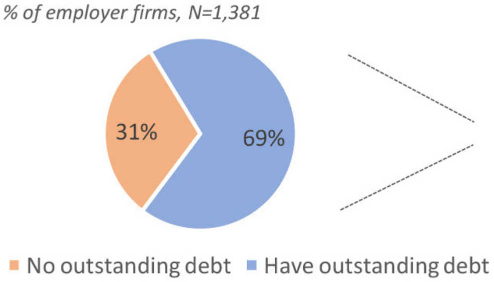


DEBT

Over two-thirds of small businesses in the Fifth District and in the US have outstanding debt. While a majority these businesses indicated their debt load increased over the past 12 months, most predict it will decrease over the next year.

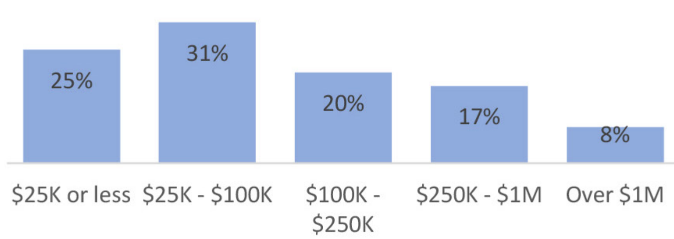
SHARE WITH OUTSTANDING DEBT

% of employer firms, N=1,381



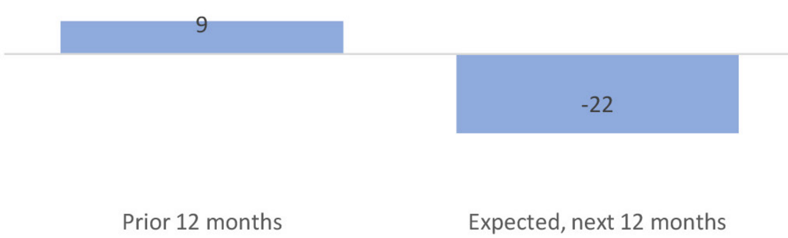
AMOUNT OF OUTSTANDING DEBT

% of employer firms with debt, N=907



DEBT LOAD INDEX[2]

% of employer firms, N=1,361-1,375



* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] The index is the share reporting expected positive growth minus the share reporting expected negative growth over the next 12 months.
[2] The index is the share of firms whose debt load grew minus the share with shrinking debt during the prior 12 months.

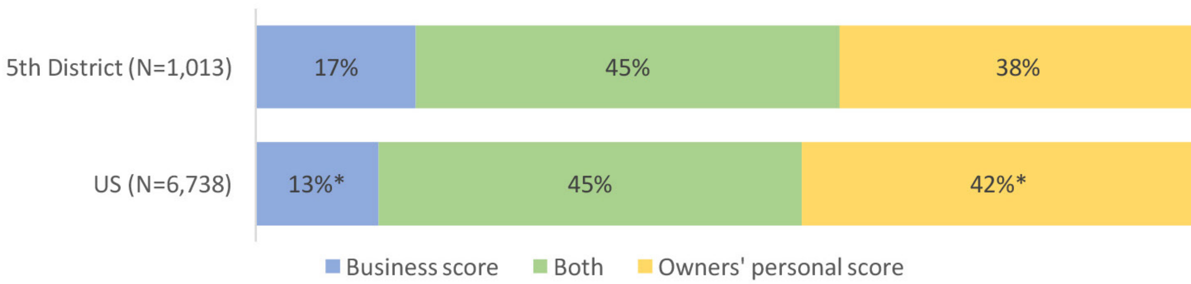
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING

Forty-eight percent of small businesses in the Fifth District applied for financing in the past year. Among those who did, nearly two-thirds (65 percent) cited the desire to expand their business as the primary reason.

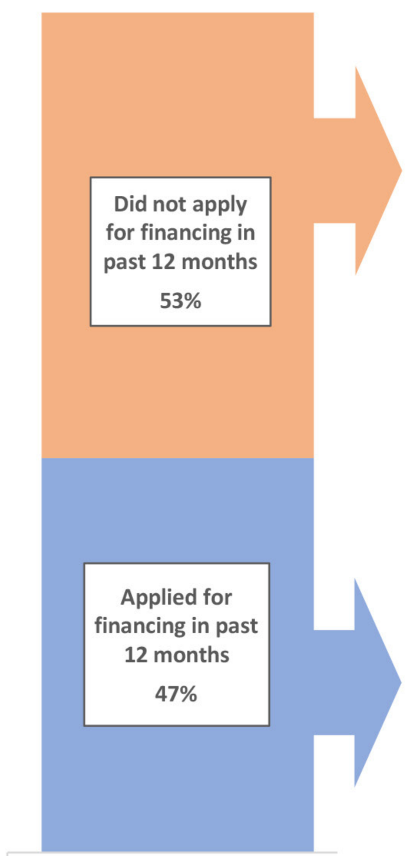
USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

% of employer firms



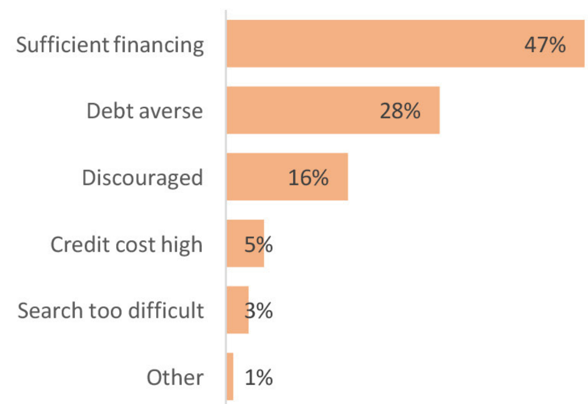
SHARE THAT APPLIED FOR FINANCING IN PAST YEAR

% of employer firms, N=1,396



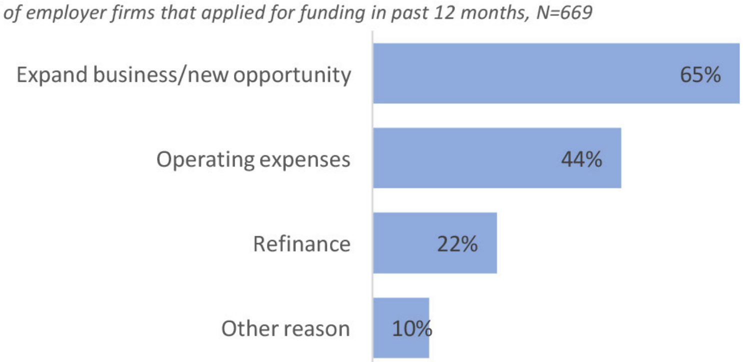
REASONS FOR NOT SEEKING FINANCING[1]

% of employer firms that did not applyfor funding in past 12 months, N=723



REASONS FOR SEEKING FINANCING[1]

% of employer firms that applied for funding in past 12 months, N=669



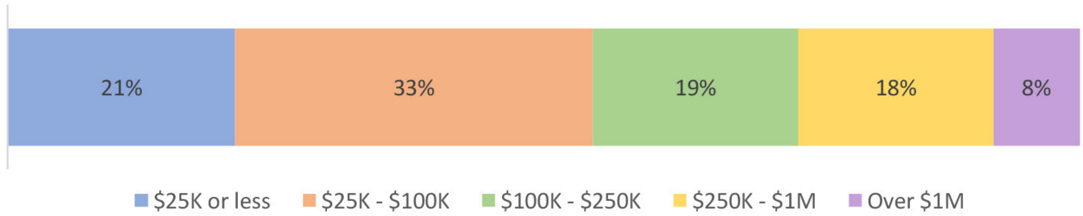
* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] Respondents could select multiple options.

Source: Small Business Credit Survey, Federal Reserve Banks

Over half (54 percent) of Fifth District employer firms that applied for funding in the past year sought less than $100K.

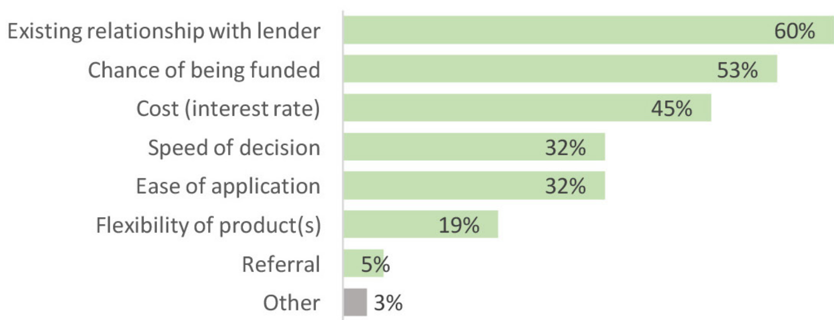
AMOUNT FINANCING SOUGHT

% of employer firms that applied for funding in past 12 months, N=656



FACTORS INFLUENCING APPLICATION DECISION[1]

% of employer firms that applied for funding in past 12 months, N=667

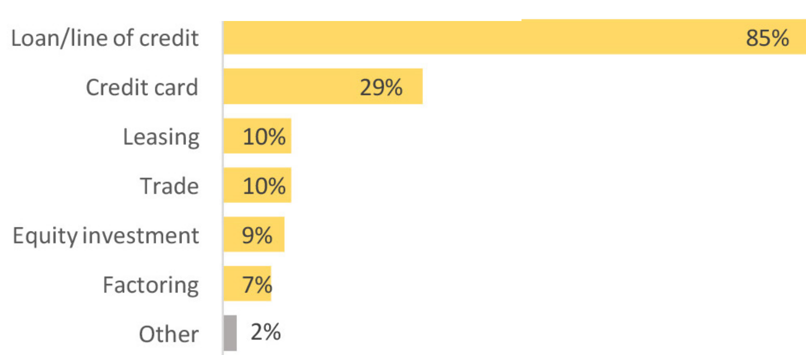


FINANCING APPLICATION RATES

Eighty-five percent of Fifth District respondents who applied for financing applied for loan/line of credit products.

APPLICATION RATE BY FINANCIAL PRODUCT[1]

% of employer firms that applied for funding in past 12 months, N=670



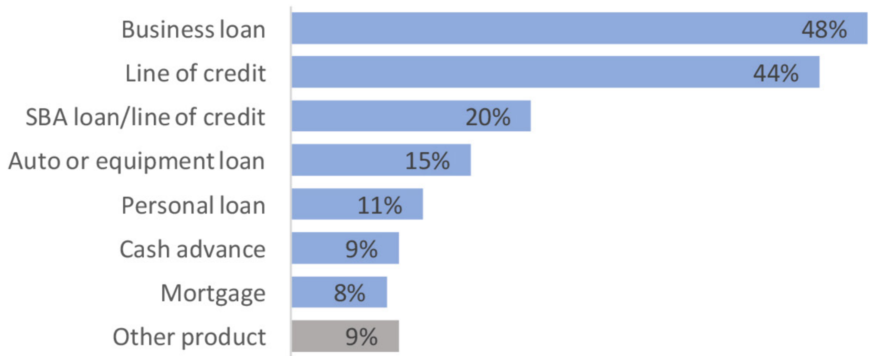
[1] Respondents could select multiple options.

Source: Small Business Credit Survey, Federal Reserve Banks

Small businesses in the Fifth District were more successful at receiving financing from large banks than employer firms in the rest of the country.

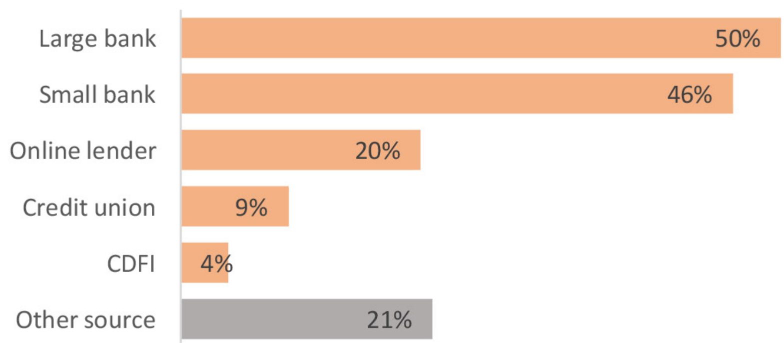
APPLICATION RATES BY TYPE[1]

% of employer firms that applied for funding in past 12 months, N=525



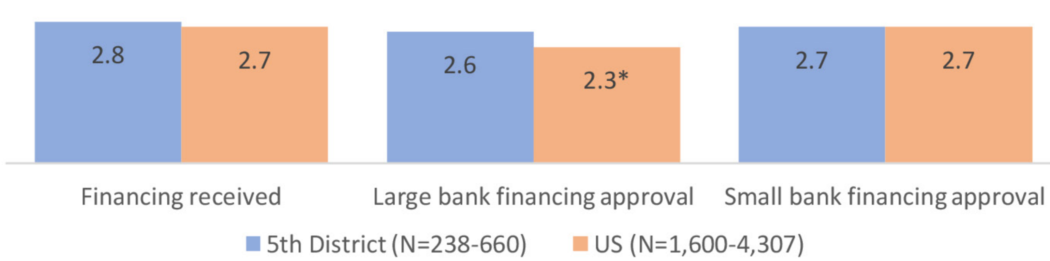
APPLICATION RATES BY SOURCE[1,2,3,4,5]

% of employer firms that applied for funding in past 12 months, N=525



FINANCING SUCCESS, ON A SCALE OF 1 (NONE), TO 4 (ALL)[6]

% of employer firms that applied for funding in past 12 months



[1]Respondents could select multiple options.

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

[3]'Online lenders' are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.

[4]Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.

[5]Respondents who selected 'other source' were asked to describe the source. They most frequently cited auto/equipment dealers, farm-lending institutions, friends/ family/ owner, nonprofit organizations, and private investors.

[6]The share of financing received by the average survey participant. 1 means the average respondent received none of the amount requested, 2 indicates some, 3 indicates most, and 4 means the average respondent received the full amount requested.

Source: Small Business Credit Survey, Federal Reserve Banks

KEY FINDINGS FROM MARYLAND

The 2016 SBCS included 316 responses from employer firms in Maryland.

Note: National and Fifth District results are provided for comparison only when the difference is statistically significant.

Maryland small businesses look like those elsewhere in the Fifth District and US overall.

- The majority of employer firms in Maryland are under 10 years old, have fewer than five employees, operate in the service industry, have low credit risks[1] and earn under $1M in revenue.
- The vast majority (95%) of Maryland small businesses are located in urban areas.
- Maryland firms are more likely to use contract workers: 54 percent of Maryland firms use contract workers, compared to 42 percent nationally.

Maryland firms have stronger recent and expected performance, compared to the rest of the country.

- More Maryland employer firms report employment, revenue, and profitability growth than report contraction over the past year.[2]
- In fact, Maryland small businesses report more revenue growth than firms nationally: 30 percent more firms experienced revenue growth over the past year than experienced contraction, compared with 21 percent nationally.[2]
- Maryland employer firms are also more optimistic about their revenue and employment growth, compared to the rest of the country.[3]
- However, credit availability is a primary concern for Maryland small businesses, with 47 percent of firms reporting it as a challenge over the past year.

Most Maryland small businesses expect their debt loads to fall over the next year.[3]

- Seventy percent of employer firms in Maryland have outstanding debt, and of those respondents, 61 percent have debt loads below $100K.
- By a margin of 24 percentage points, a greater share of Maryland respondents expect their debt loads to decrease over the next year than expect them to increase.[3]

Maryland employer firms are more likely to have applied for financing over the past year, with higher rates of success.

- 21 percent of Maryland employer firms use business credit scores, compared to 13 percent nationally and 17 percent in the Fifth District.
- Fifty-four percent of small businesses in Maryland sought financing during the past year, compared to 45 percent of employer firms nationally.
- Nearly half (49%) of Maryland small businesses that applied for funding in the past year sought more than $100K.
- Maryland employer firms were more likely to apply for financing from small banks than small businesses nationally.
- However, Maryland respondents were less successful at successfully receiving funding from those small banks.
- Overall, though, businesses in Maryland were more successful at receiving financing than employer firms nationally.

[1] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.

[2] Approximately the second half of 2015 through the second half of 2016.

[3] Expected change in approximately the second half of 2016 through the second half of 2017.

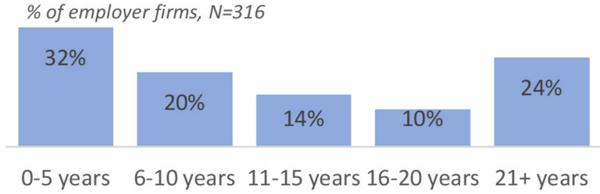
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS

Maryland firms have similar demographics as firms in the Fifth District and country overall.

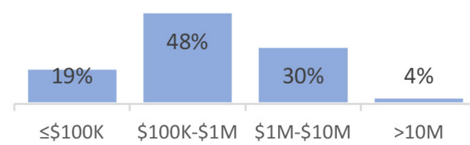
AGE OF FIRM[1]

% of employer firms, N=316



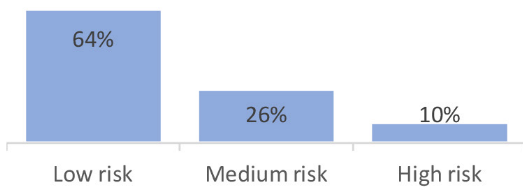
REVENUE SIZE OF FIRM

% of employer firms, N=316



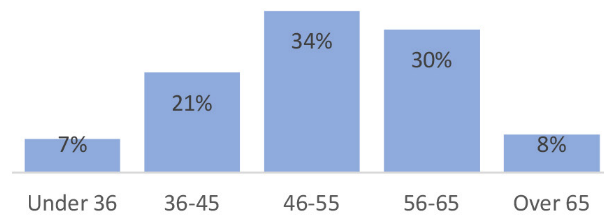
CREDIT RISK[2]

% of employer firms, N=200



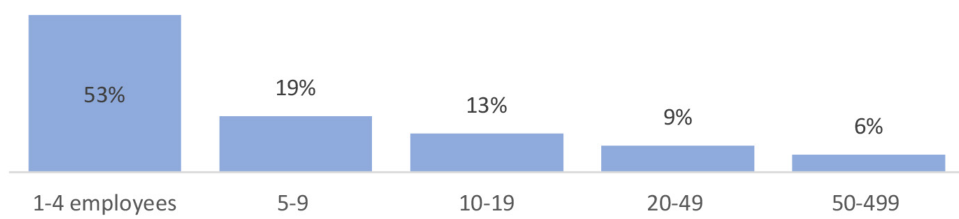
AGE OF PRIMARY OWNER

% of employer firms, N=287



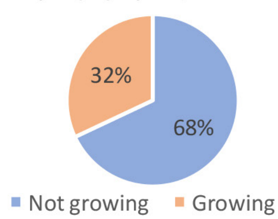
NUMBER OF EMPLOYEES[1]

% of employer firms, N=316



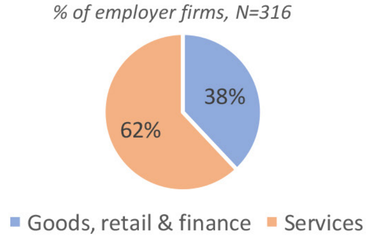
GROWTH STAGE OF FIRM[3]

% of employer firms, N=316



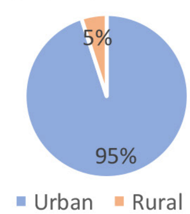
INDUSTRY[1,4]

% of employer firms, N=316



URBAN OR RURAL LOCATION[1,5]

% of employer firms, N=316



[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

[2] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.

[3] Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

[4] Firm industry is classified based on the description of what the business does, as provided by the survey participant.

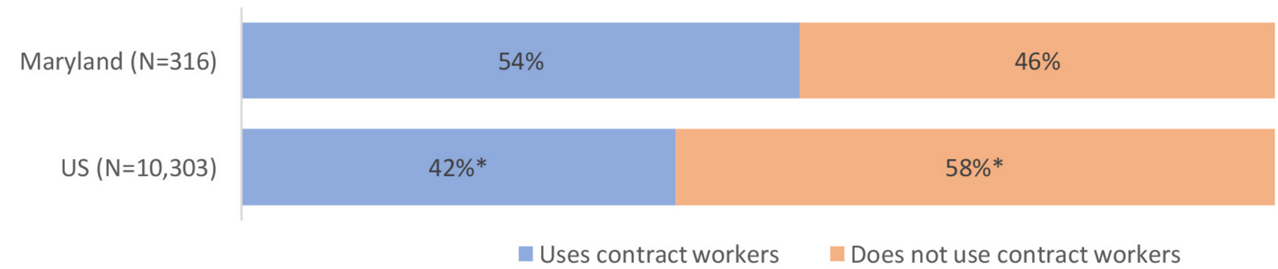
[5] Urban and rural definitions come from Centers for Medicare & Medicaid Services.

Source: Small Business Credit Survey, Federal Reserve Banks

Maryland small businesses are more likely to use contract workers than firms in other parts of the country, with over half (54 percent) of Maryland respondents indicating they use contractors.

CONTRACT WORKERS

% of employer firms

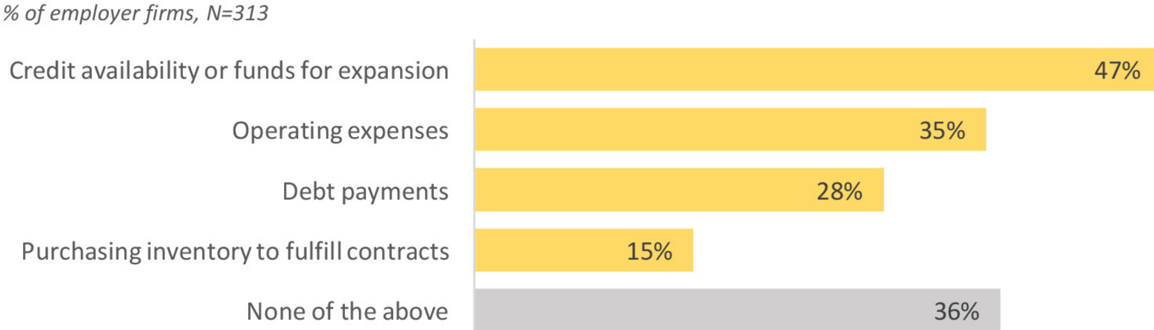


PERFORMANCE

As with small businesses throughout the country, credit availability is a top challenge for Maryland employer firms. Nevertheless, Maryland employer firms were more likely to indicate they have recently experienced profitability and revenue growth, compared to national respondents.

FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS[1,2,3]

% of employer firms, N=313

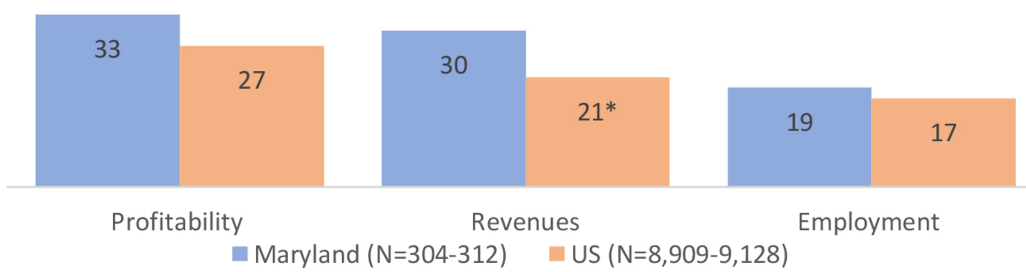


* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] Financial challenges are listed in chart below. Respondents could select multiple options.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] Respondents could select multiple options.

EMPLOYER FIRM PERFORMANCE INDEX, PRIOR 12 MONTHS[1]

% of employer firms

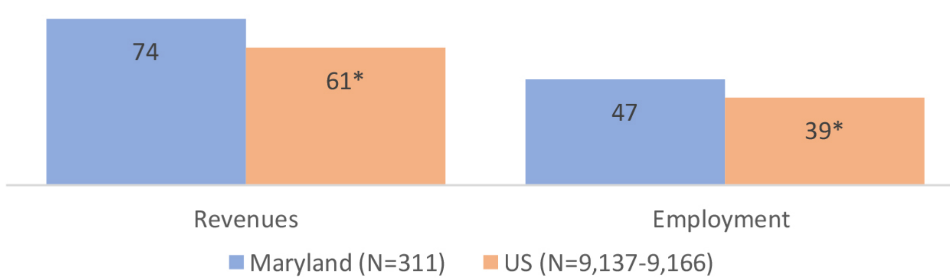


EXPECTED PERFORMANCE

Maryland employer firms also indicated they are more optimistic about their revenue and employment growth. A greater percentage of respondents expect their revenue to increase over the next 12 months than expect their revenue to decrease (net 74 percent). This is greater than the net 61 percent of national respondents that expect their revenue to increase.

EMPLOYER FIRM EXPECTATION INDEX, NEXT 12 MONTHS[2]

% of employer firms



* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth. For profitability, it is the share profitable minus the share not profitable.
[2] The index is the share reporting expected positive growth minus the share reporting expected negative growth over the next 12 months.

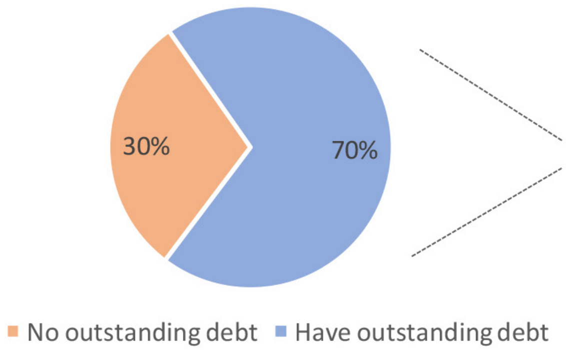
Source: Small Business Credit Survey, Federal Reserve Banks

DEBT

More Maryland respondents expect their debt load to decrease over the next year than expect it to increase (net 24 percent).

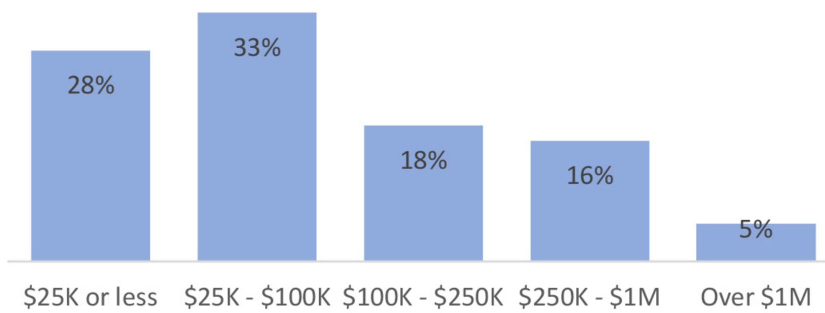
SHARE WITH OUTSTANDING DEBT

% of employer firms, N=315



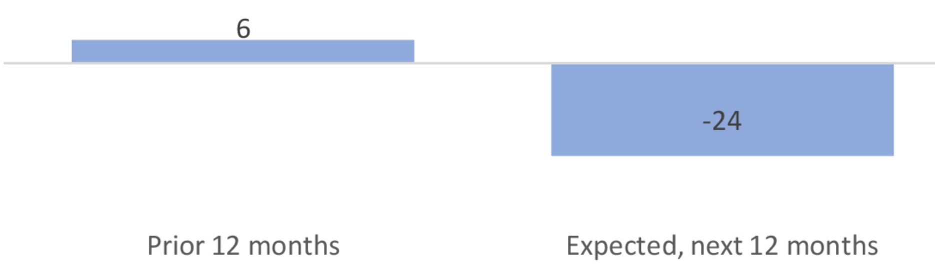
AMOUNT OF OUTSTANDING DEBT

% of employer firms with debt, N=227



DEBT LOAD INDEX[1]

% of employer firms, N=305-309



* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] The index is the share of firms whose debt load grew minus the share with shrinking debt during the prior 12 months.

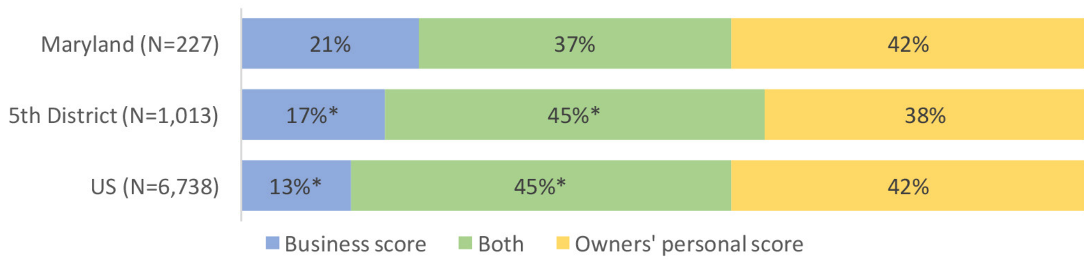
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING

Maryland small businesses are more likely to use their business credit score than other firms in the US. Additionally, by a margin of 9 percentage points, more Maryland businesses applied for financing in the past year than employer firms nationally.

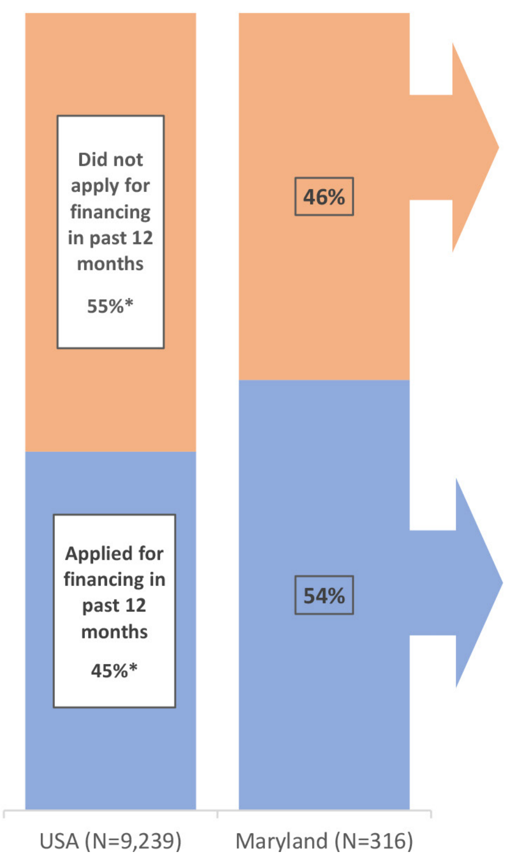
USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

% of employer firms



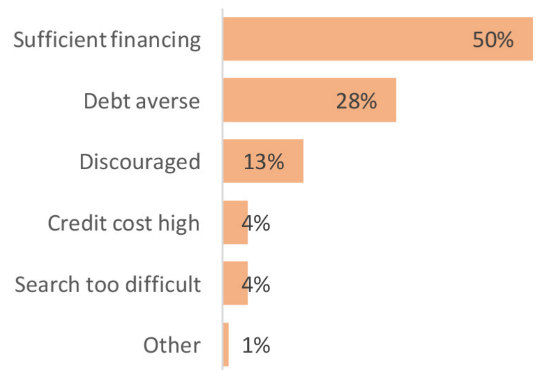
SHARE THAT APPLIED FOR FINANCING IN PAST YEAR

% of employer firms



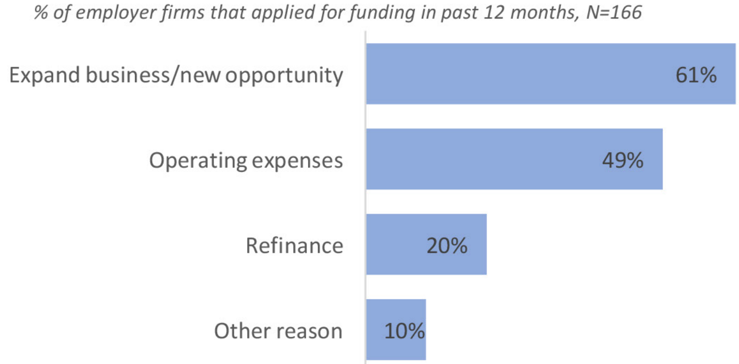
REASONS FOR NOT SEEKING FINANCING[1]

% of employer firms that did not apply for funding in past 12 months, N=138



REASONS FOR SEEKING FINANCING[1]

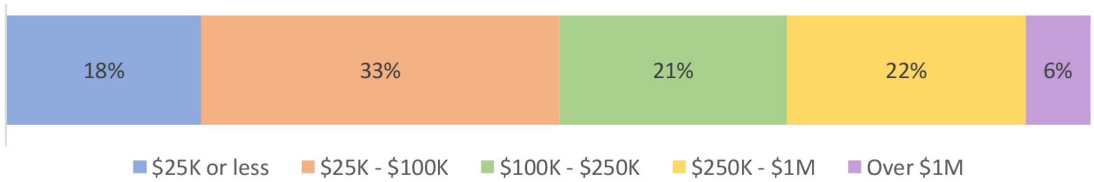
% of employer firms that applied for funding in past 12 months, N=166



* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] Respondents could select multiple options.

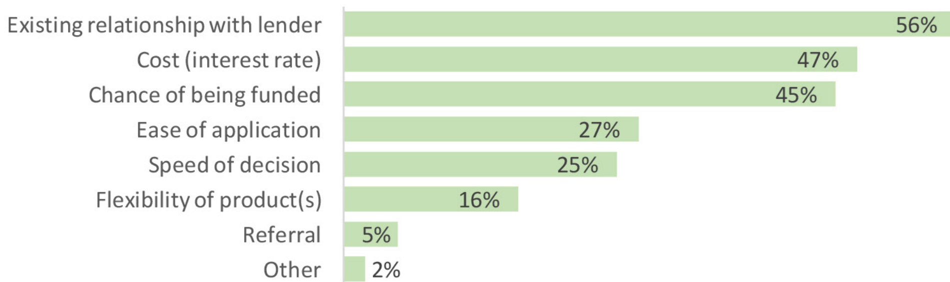
Source: Small Business Credit Survey, Federal Reserve Banks

Nearly half (49 percent) of the loans Maryland employer firms pursue are for more than $100K.



FACTORS INFLUENCING APPLICATION DECISION[1]

% of employer firms that applied for funding in past 12 months, N=166

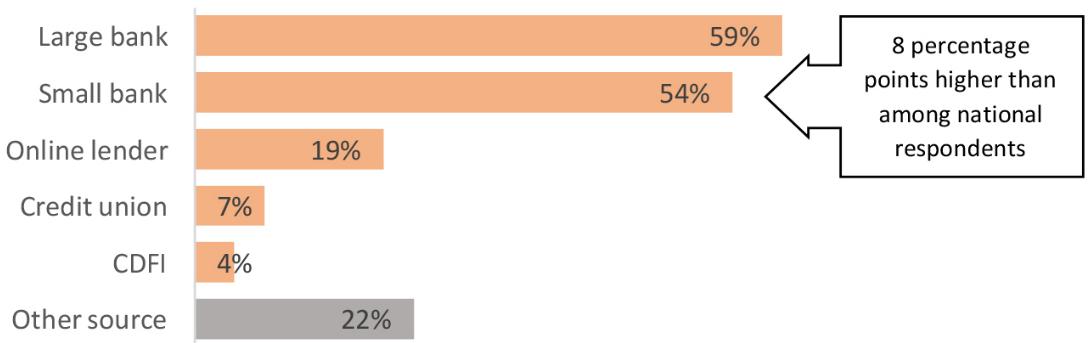


FINANCING APPLICATION RATES

Employer firms in Maryland are eight percentage points more likely to apply at small banks than small businesses in other parts of the country.

APPLICATION RATE BY SOURCE[1,2,3,4,5]

% of employer firms that applied for funding in past 12 months, N=119



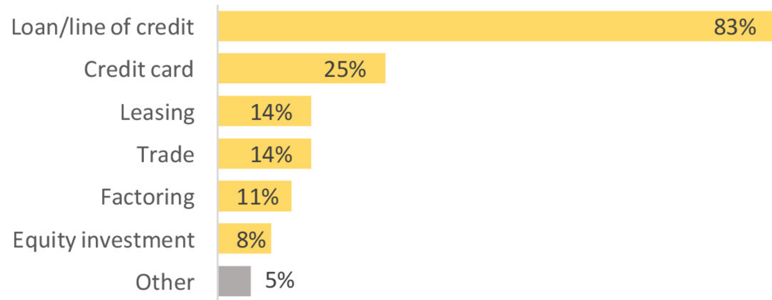
[1] Respondents could select multiple options.
[2] Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
[3] 'Online lenders' are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.
[4] Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.
[5] Respondents who selected 'other source' were asked to describe the source. They most frequently cited auto/equipment dealers, farm-lending institutions, friends/family/ owner, nonprofit organizations, and private investors.

Source: Small Business Credit Survey, Federal Reserve Banks

Despite being more likely to apply at small banks, Maryland small businesses have been less successful at obtaining financing from small banks, compared to employer firms in the rest of the country. Across other financing sources, however, they are more successful at receiving funding.

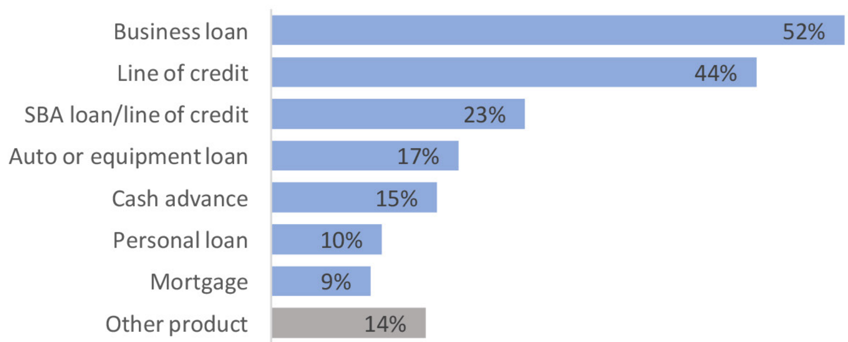
APPLICATION RATE BY FINANCIAL PRODUCT[1]

% of employer firms that applied for funding in past 12 months, N=165



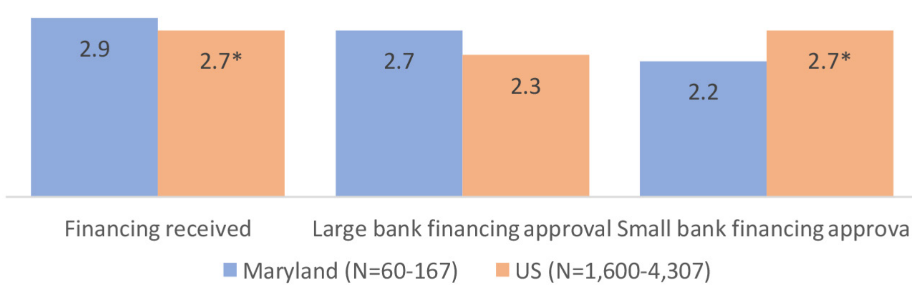
APPLICATION RATE BY TYPE[1]

% of employer firms that applied for funding in past 12 months, N=119



FINANCING SUCCESS, ON A SCALE OF 1 (NONE), TO 4 (ALL)[2]

% of employer firms that applied for funding in past 12 months



* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] Respondents could select multiple options.
[2] The share of financing received by the average survey participant. 1 means the average respondent received none of the amount requested, 2 indicates some, 3 indicates most, and 4 means the average respondent received the full amount requested.

Source: Small Business Credit Survey, Federal Reserve Banks

KEY FINDINGS FROM NORTH CAROLINA

The 2016 SBCS included 445 responses from employer firms in North Carolina.

Note: National and Fifth District results are provided for comparison only when the difference is statistically significant.

North Carolina small businesses have lower credit risks and are more likely to be growing than employer firms nationally.

- Like small businesses across the US, the majority of small businesses in North Carolina are under 10 years old and have fewer than five employees.
- Seventy-four percent of North Carolina small businesses have low credit risks, compared to 67 percent of Fifth District respondents and 65 percent of national respondents.[1]
- North Carolina employer firms are also more likely to be growing. One-third of respondents are growing, compared to 29 percent nationally.

North Carolina employer firms have stronger recent and expected performance, compared to the rest of the country.

- North Carolina respondents were more likely to report profitability, revenue, and employment growth over the past year than respondents nationally.[2]
- North Carolina small businesses are also more optimistic about their future growth, compared to the rest of the country. The share of respondents that think their employment will grow next year is 47 percentage points greater than the share that think it will decrease.[3]
- While credit availability is still a primary concern for North Carolina respondents, only 39 percent of respondents cited it, compared to 44 percent of US small businesses.

Most North Carolina small businesses expect their debt loads to fall over the next year.[3]

- Seventy percent of small businesses in North Carolina have outstanding debt, and of those respondents, 10 percent have debt loads over $1M.
- By a margin of 27 percentage points, more North Carolina respondents expect their debt load to decrease over the next year than expect it to increase.[3]

North Carolina small businesses are as likely to seek financing as other employer firms in the country, but are more likely to be successful.

- Forty-four percent of small businesses in North Carolina sought financing during the past year. Of those who applied for financing, two-thirds said they did so to expand their business.
- Small businesses in North Carolina were more successful at receiving financing than employer firms in the Fifth District or US overall. In particular, North Carolina small businesses were more likely to get approval from large banks.
- North Carolina small businesses applied for personal loans, auto/equipment loans, and cash advances less frequently than employer firms nationally.
- Additionally, North Carolina small businesses were less likely to apply with credit unions and CDFIs.

[1] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] Expected change in approximately the second half of 2016 through the second half of 2017.

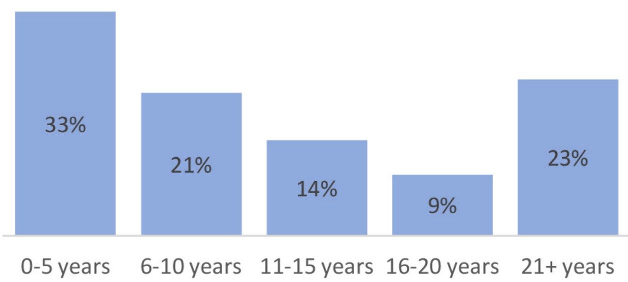
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS

Nearly three-quarters (74%) of North Carolina employer firms have low credit risks, a higher percentage than among Fifth District or US respondents overall.

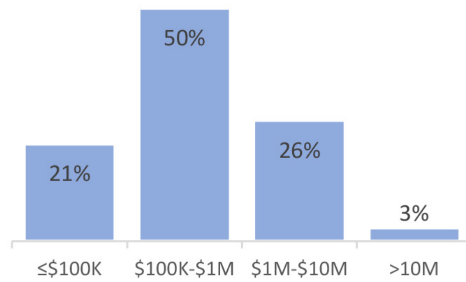
AGE OF FIRM[1]

% of employer firms, N=445



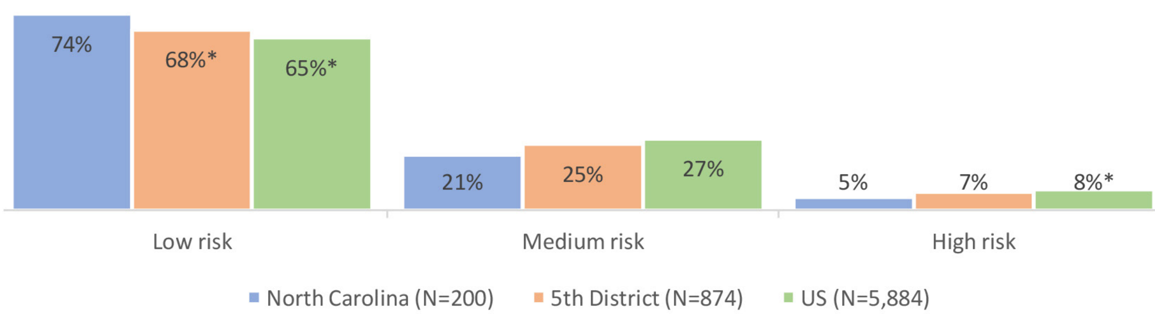
REVENUE SIZE OF FIRM

% of employer firms, N=445



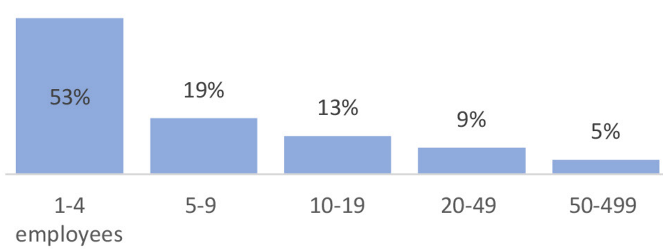
CREDIT RISK[2]

% of employer firms



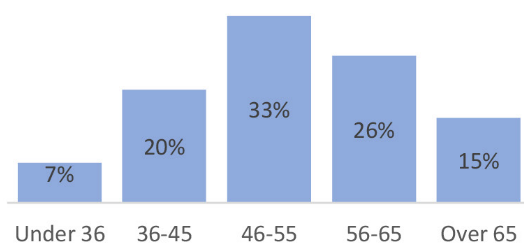
NUMBER OF EMPLOYEES[1]

% of employer firms, N=445



AGE OF PRIMARY OWNER

% of employer firms, N=287



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[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population on the following dimensions: firm age, size, industry, and geography.

[2] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.

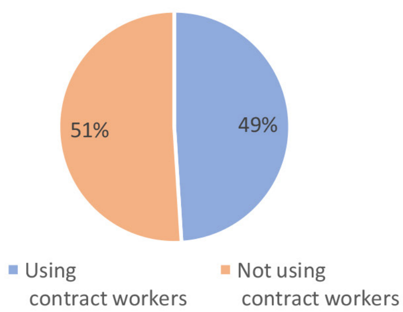
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS (CONTINUED)

North Carolina small businesses are more likely to be growing than those in other parts of the country.

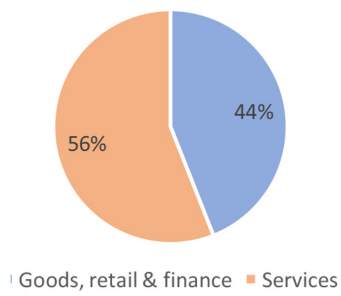
SHARE USING CONTRACT WORKERS

% of employer firms, N=445



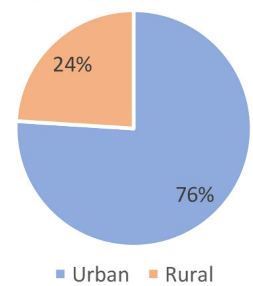
INDUSTRY[1,3]

% of employer firms, N=445



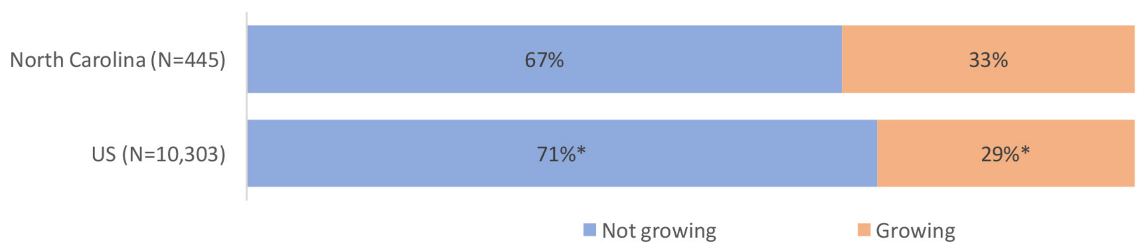
URBAN OR RURAL LOCATION[1,4]

% of employer firms, N=445



GROWTH STAGE OF FIRM[2]

% of employer firms

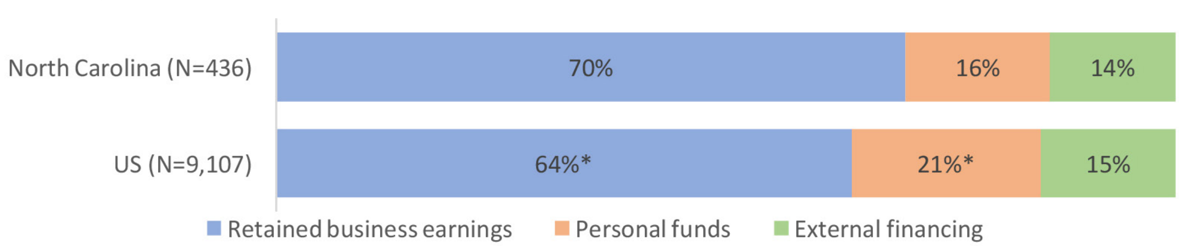


PRIMARY FUNDING SOURCE

North Carolina employer firms are more likely to use retained business earnings and less likely to use personal money to fund their business.

PRIMARY FUNDING SOURCE

% of employer firms



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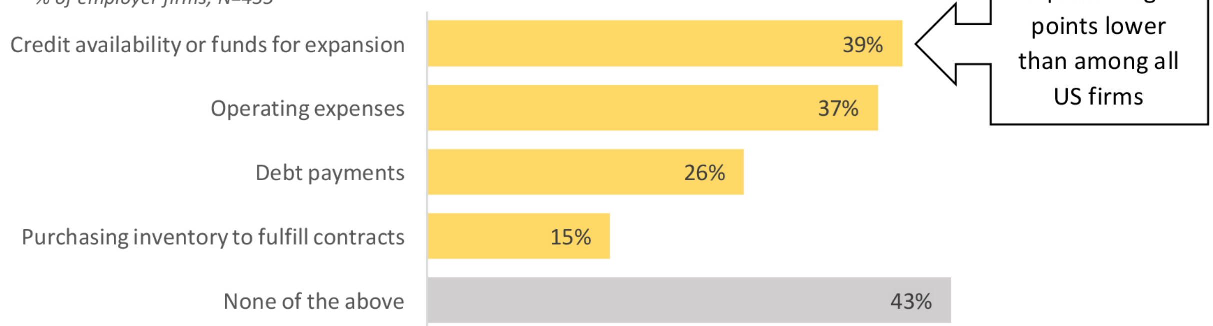
[2] Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.
[3] Firm industry is classified based on the description of what the business does, as provided by the survey participant.
[4] Urban and rural definitions come from Centers for Medicare & Medicaid Services.

Source: Small Business Credit Survey, Federal Reserve Banks

North Carolina employer firms are less likely to have challenges with credit availability, compared to the rest of the country. Additionally, North Carolina employer firms are experiencing more rapid profitability, revenue, and employment growth than employer firms in other parts of the country, and respondents were more optimistic that this growth will continue.

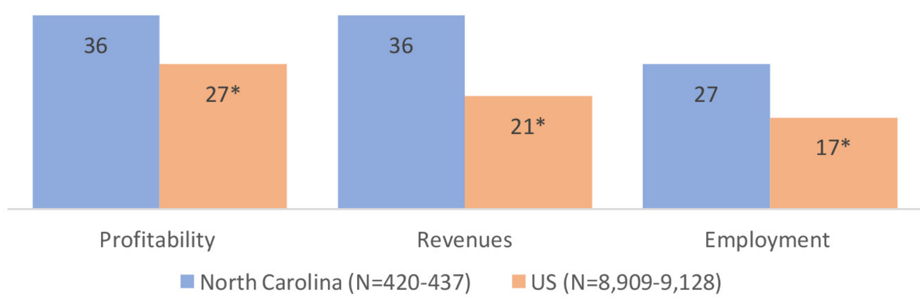
FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS[1,2,3]

% of employer firms, N=435



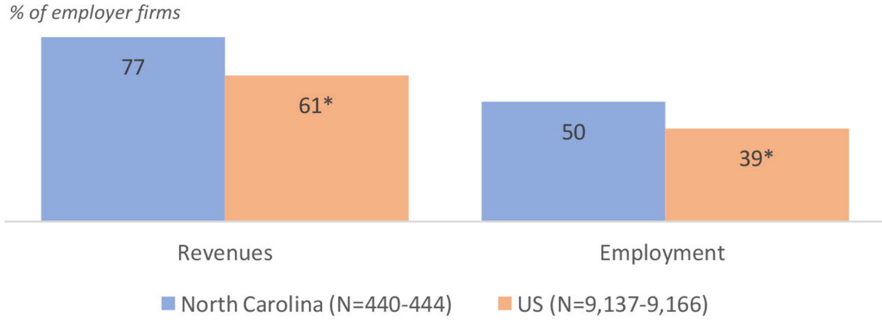
EMPLOYER FIRM PERFORMANCE INDEX, PRIOR 12 MONTHS[4]

% of employer firms



EMPLOYER FIRM EXPECTATION INDEX, NEXT 12 MONTHS[5]

% of employer firms



* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] Financial challenges are listed in chart below. Respondents could select multiple options.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] Respondents could select multiple options.
[4] For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth. For profitability, it is the share profitable minus the share not profitable.
[5] The index is the share reporting expected positive growth minus the share reporting expected negative growth.

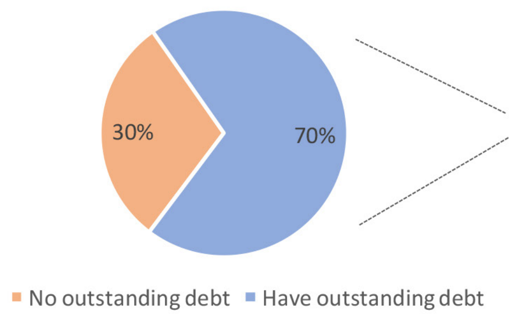
Source: Small Business Credit Survey, Federal Reserve Banks

DEBT

Seventy percent of small businesses have outstanding debt, but most expect their debt load to decrease over the next year.

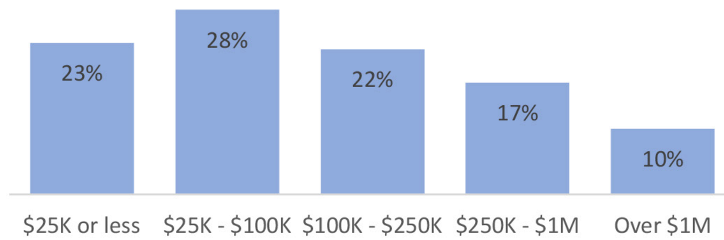
SHARE WITH OUTSTANDING DEBT

% of employer firms, N=440



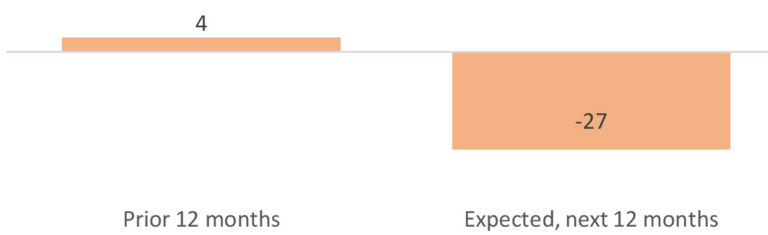
AMOUNT OF OUTSTANDING DEBT

% of employer firms with debt, N=301



DEBT LOAD INDEX[1]

% of employer firms, N=435-441

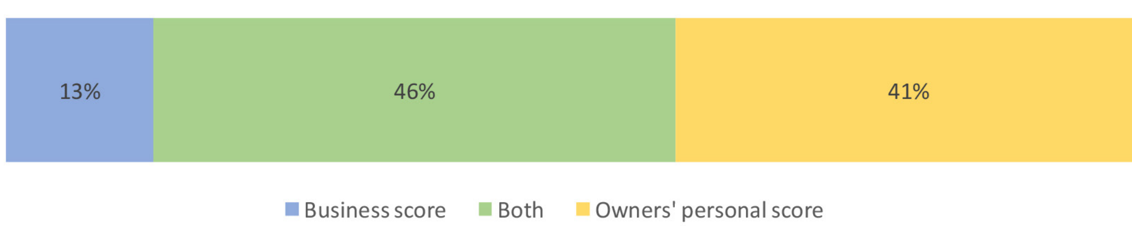


FINANCING

While small businesses in North Carolina are more likely to use the owners' personal credit score rather than the business score, nearly half (46%) use both.

USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

% of employer firms, N=436



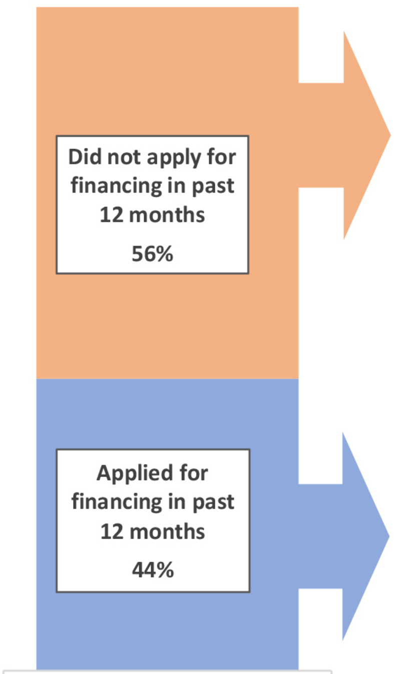
[1] The index is the share of firms whose debt load grew minus the share with shrinking debt.

Source: Small Business Credit Survey, Federal Reserve Banks

Forty-four percent of NC employer firms applied for financing in the past year, more than half of which were for under $100k.

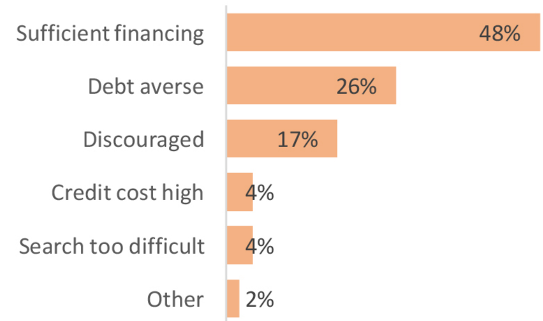
SHARE THAT APPLIED FOR FINANCING IN PAST YEAR

% of employer firms. N=445



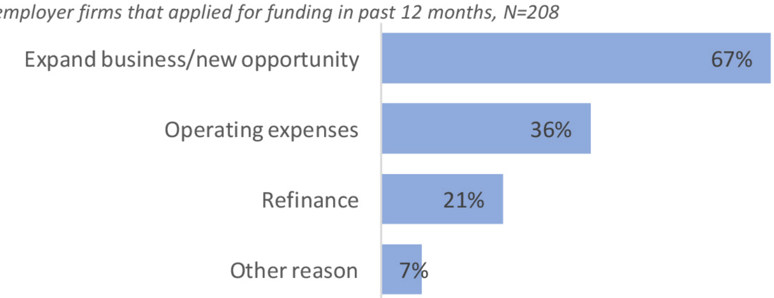
REASONS FOR NOT SEEKING FINANCING[1]

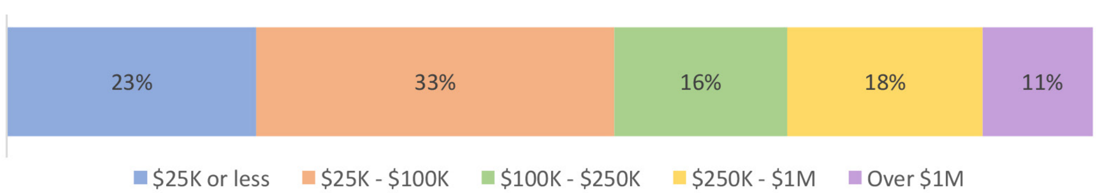
% of employer firms that did not applyfor funding in past 12 months, N=216



REASONS FOR SEEKING FINANCING[1]

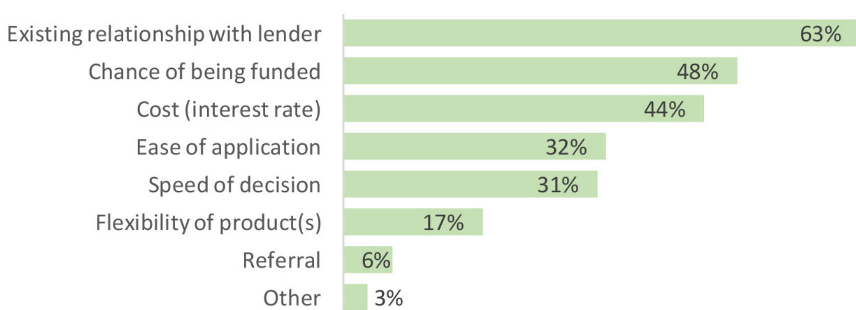
% of employer firms that applied for funding in past 12 months, N=208





FACTORS INFLUENCING APPLICATION DECISION[1]

% of employer firms that applied for funding in past 12 months, N=208



[1] Respondents could select multiple options.

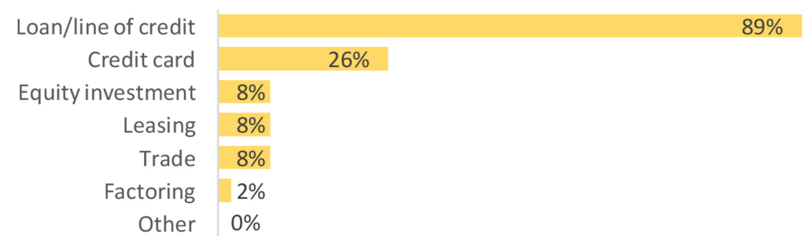
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATION RATES

North Carolina small businesses were less likely to apply for financing from credit unions or CDFIs; however, they were more successful at receiving financing from all sources.

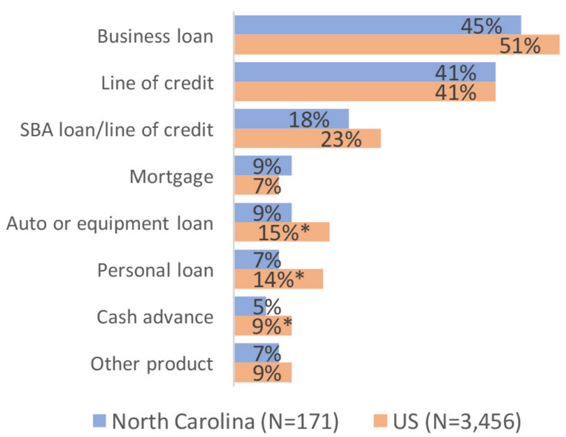
APPLICATION RATE BY FINANCIAL PRODUCT[1]

% of employer firms that applied for funding in past 12 months, N=210



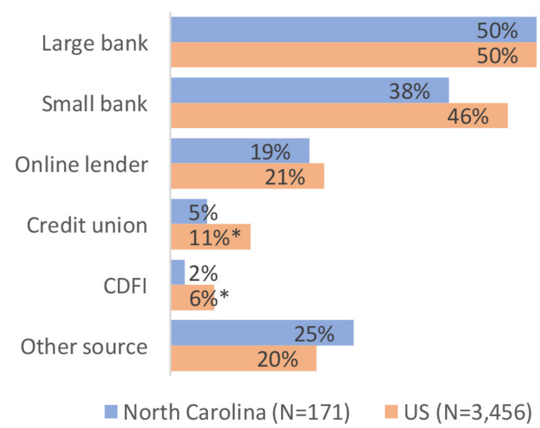
APPLICATION RATE BY TYPE[1]

% of employer firms that applied for funding in past 12 months

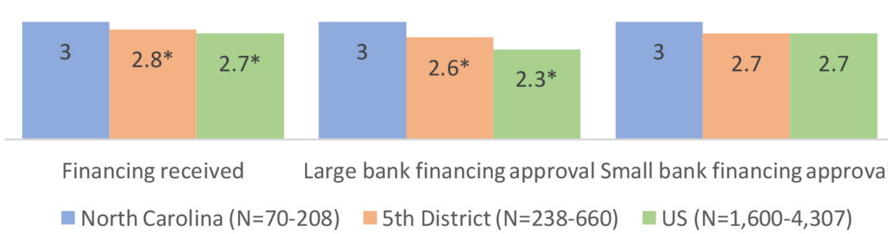


APPLICATION RATE BY SOURCE[1,2,3,4,5]

% of employer firms that applied for funding in past 12 months



FINANCING SUCCESS, ON A SCALE OF 1 (NONE), TO 4 (ALL)[6]



* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] Respondents could select multiple options

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

[3] 'Online lenders' are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.

[4] Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.

[5] Respondents who selected 'other source' were asked to describe the source. They most frequently cited auto/equipment dealers, farm-lending institutions, friends/family/ owner, nonprofit organizations, and private investors.

[6] The share of financing received by the average survey participant. 1 means the average respondent received none of the amount requested, 2 indicates some, 3 indicates most, and 4 means the average respondent received the full amount requested.

Source: Small Business Credit Survey, Federal Reserve Banks

KEY FINDINGS FROM SOUTH CAROLINA

The 2016 SBCS included 117 responses from small businesses in South Carolina.

Note: National and Fifth District results are provided for comparison only when the difference is statistically significant.

South Carolina small businesses largely resemble national firms.

- More than three-quarters of South Carolina small businesses are located in urban areas; most are in the service sector of the economy; and about two-in-five (37%) use contract workers.
- Thirteen percent of South Carolina small businesses are classified as having high credit risk, more than among all US and Fifth District respondents.[1]

South Carolina small businesses are experiencing positive growth, but it is not as widely shared as among Fifth District and national firms.

- Fewer report profitability and revenue growth over the past year, compared to the rest of the District and country.[2]
- The share of respondents that think their employment will grow next year is 24 percentage points greater than the share that think it will decrease. Nationally, the difference is 46 percent.[3]
- Only 9 percent of South Carolina small businesses use external financing for primary funding, compared to 15 percent of firms nationally.
- Credit availability is a primary concern among South Carolina small businesses: 41 percent have been challenged by it over the past year.
- Twenty-seven percent of South Carolina respondents have experienced difficulty purchasing inventory, compared with 17 percent of national firms.

Debt loads have been increasing, but most expect them to fall over the next year.[2,3]

- Over two-thirds (70%) of small businesses in South Carolina have outstanding debt.
- While a majority of these businesses indicated their debt loads increased over the past 12 months, 20 percent more respondents think it will decrease over the next year than think it will increase.[2,3]

Financing application rates are strong, although decisions are being made for different reasons than other employer firms in the Fifth District.

- Twenty-seven percent of South Carolina small businesses use only the owners' personal credit score, compared to 42 percent nationally.
- Fifty-three percent of respondents applied for financing in the past 12 months.
- Small businesses that did apply for financing over the past 12 months were less likely to do so for operating expenses, compared to national respondents.
- Forty-one percent of small businesses that recently applied for funding were influenced by the speed of application decision, more than among Fifth District or national respondents.
- No recent financing applicants were influenced by referrals.
- Over three-quarters (77%) of South Carolina small businesses that applied for funding sought a loan or line of credit.

[1] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.

[2] Approximately the second half of 2015 through the second half of 2016.

[3] Expected change in approximately the second half of 2016 through the second half of 2017.

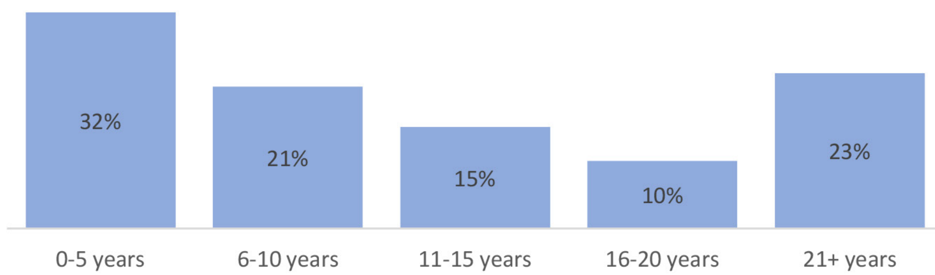
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS

Thirteen percent of South Carolina small businesses are classified as having high credit risk, which is higher than the percentage of high credit risk respondents in the Fifth District and in the US.

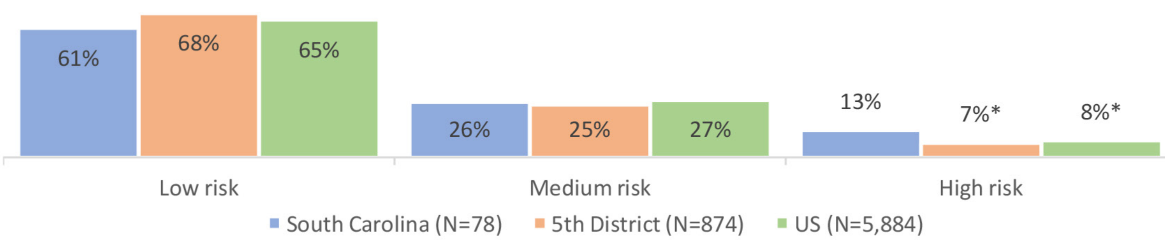
AGE OF FIRM[1]

% of employer firms, N=117



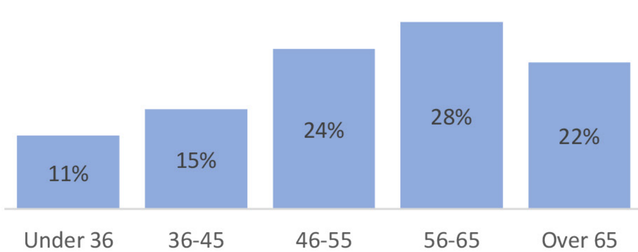
CREDIT RISK[2]

% of employer firms



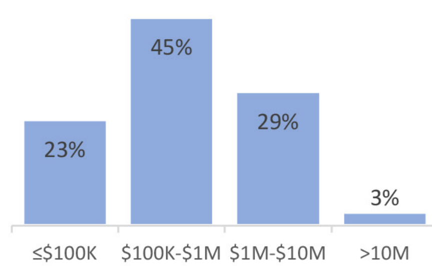
AGE OF PRIMARY OWNER

% of employer firms, N=110



REVENUE SIZE OF FIRM

% of employer firms, N=117



* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population on the following dimensions: firm age, size, industry, and geography.

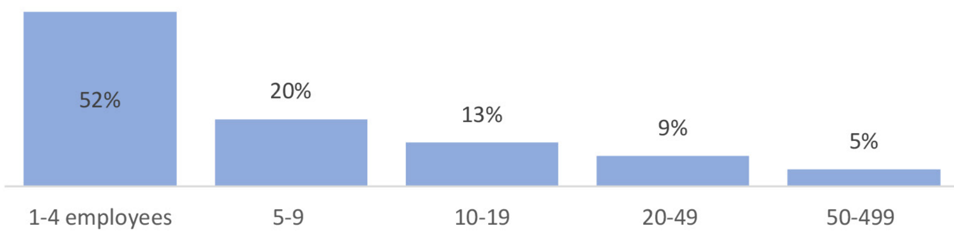
[2] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses both, the higher risk rating is used. 'Low credit risk' is an 80-100 business credit score or 720+ personal credit score. 'Medium credit risk' is a 50–79 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.

Source: Small Business Credit Survey, Federal Reserve Banks

Otherwise, South Carolina small businesses resemble other employer firms nationally: more than three-quarters are located in urban areas, most are in the service sector of the economy, and about two-in-five (37 percent) use contract workers.

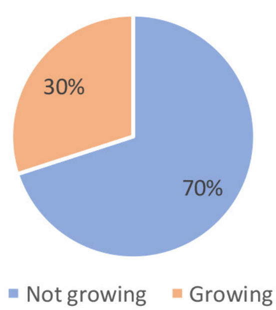
NUMBER OF EMPLOYEES[1]

% of employer firms, N=117



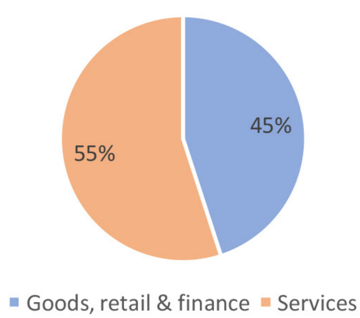
GROWTH STAGE OF FIRM[2]

% of employer firms, N=117



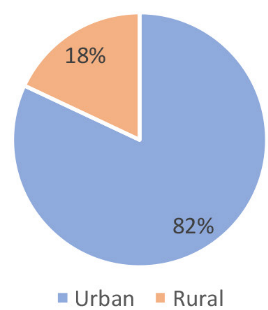
INDUSTRY[1,3]

% of employer firms, N=117



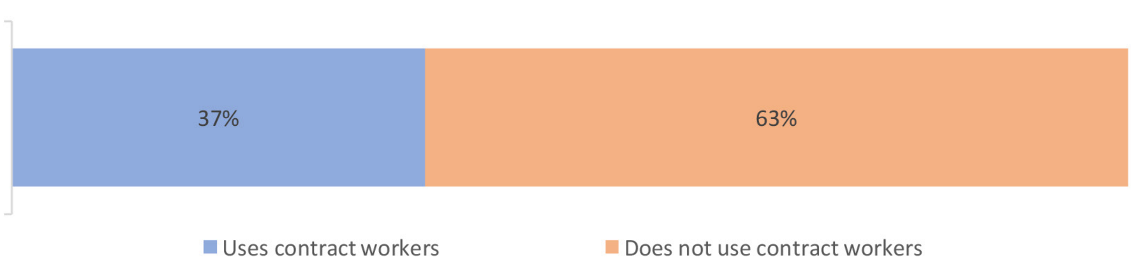
URBAN OR RURAL LOCATION[1,4]

% of employer firms, N=117



CONTRACT WORKERS

% of employer firms, N=117



* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.

[2] Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.

[3] Firm industry is classified based on the description of what the business does, as provided by the survey participant.

[4] Urban and rural definitions come from Centers for Medicare & Medicaid Services.

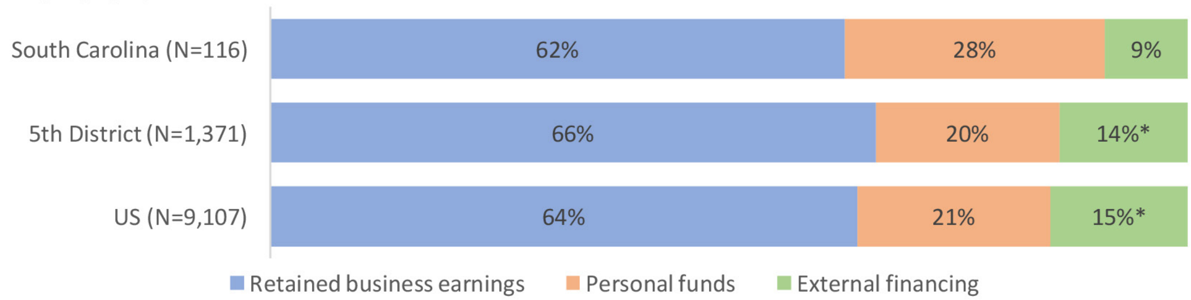
Source: Small Business Credit Survey, Federal Reserve Banks

PERFORMANCE

Only nine percent of South Carolina employer firms use external financing for primary funding (compared with 15 percent nationally), and 27 percent have had difficulty purchasing inventory. Further, fewer report profitability and revenue growth, compared to the rest of the District and country.

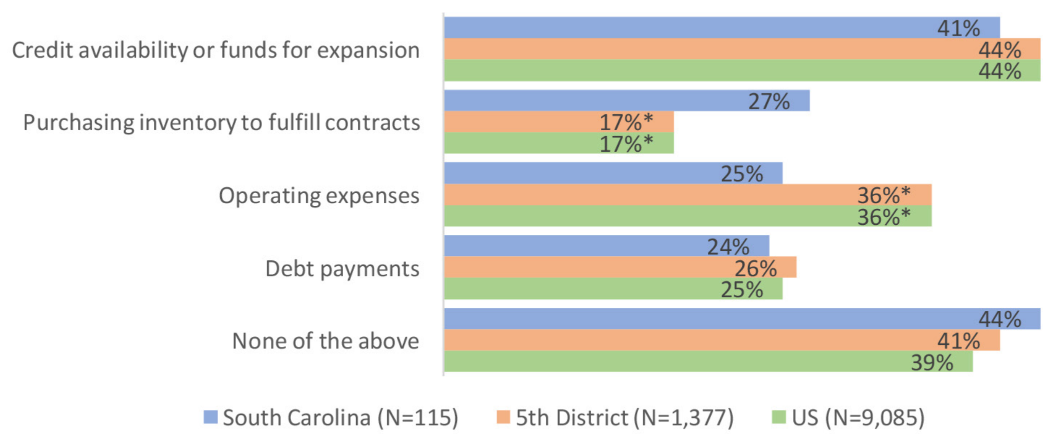
PRIMARY FUNDING SOURCE

% of employer firms



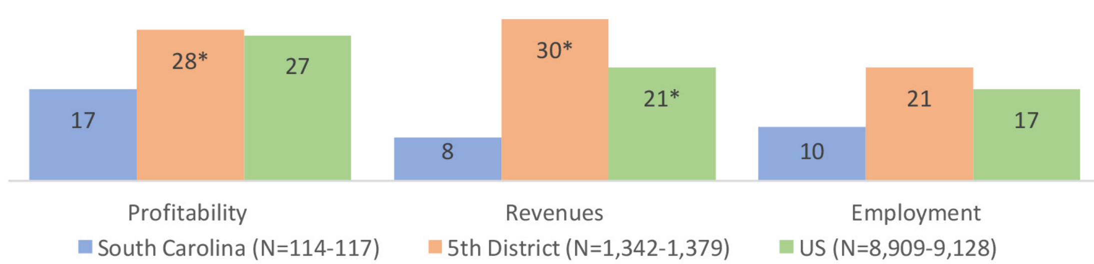
FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS[1,2,3]

% of employer firms



EMPLOYER FIRM PERFORMANCE INDEX, PRIOR 12 MONTHS[4]

% of employer firms



* Denotes a significant difference between the value and the state or District at the 95 percent level.

1 Financial challenges are listed in the chart below. Respondents could select multiple options.

2 Approximately the second half of 2015 through the second half of 2016.

3 Respondents could select multiple options.

4 For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth. For profitability, it is the share profitable minus the share not profitable.

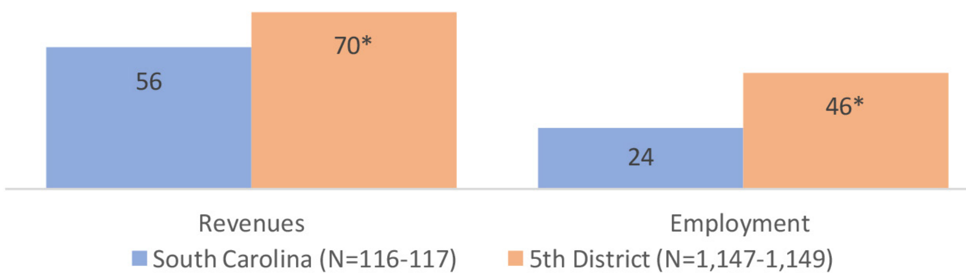
Source: Small Business Credit Survey, Federal Reserve Banks

EXPECTED PERFORMANCE

A smaller percentage of South Carolina small businesses expect revenue and employment growth over the next year, compared to small businesses in other parts of the Fifth District. The share of respondents that think their employment will grow is only 24 percentage points greater than the share that think it will decrease.

EMPLOYER FIRM EXPECTATION INDEX, NEXT 12 MONTHS [1]

% of employer firms

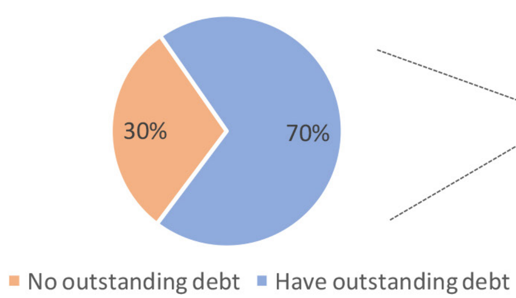


DEBT

Seventy percent of South Carolina small businesses have outstanding debt, and of those firms, three-quarters have debt loads below $250K. Still, more firms think their debt loads will decrease over the next 12 months than think it will increase.

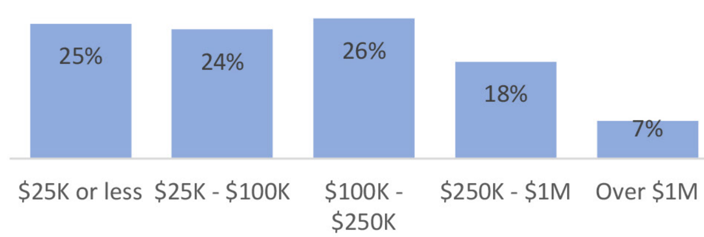
SHARE WITH OUTSTANDING DEBT

% of employer firms, N=115



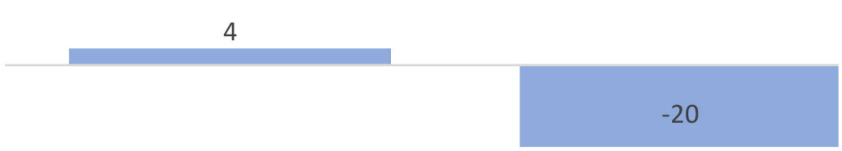
AMOUNT OF OUTSTANDING DEBT

% of employer firms with debt, N=84



DEBT LOAD INDEX[2]

% of employer firms, N=115



* Denotes a significant difference between the value and the state or District at the 95 percent level.
[1] The index is the share reporting expected positive growth minus the share reporting expected negative growth.
[2] The index is the share of firms whose debt load grew minus the share with shrinking debt.

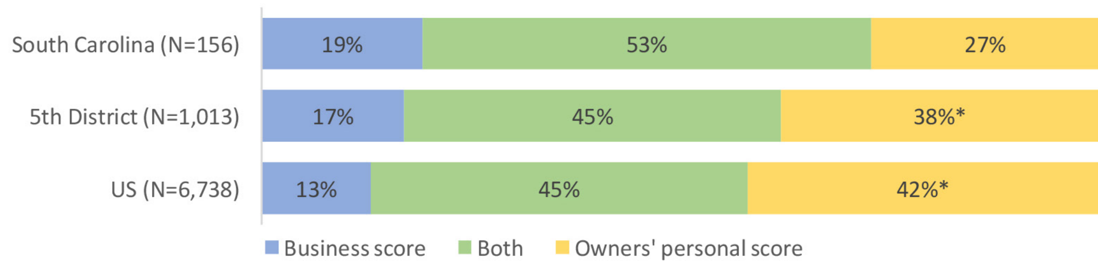
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING

Twenty-seven percent of South Carolina small businesses use only the owners' personal credit score compared to 42 percent nationally. Fifty-three percent of respondents applied for financing in the past 12 months, and those that did were less likely to do so for operating expenses, compared to national respondents.

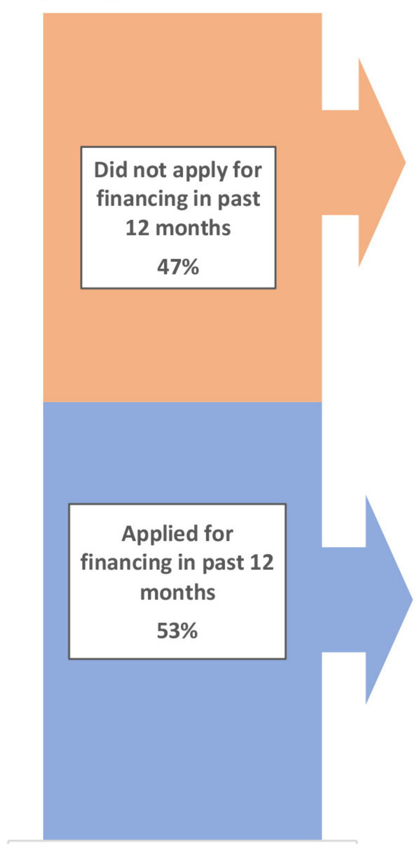
USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

% of employer firms



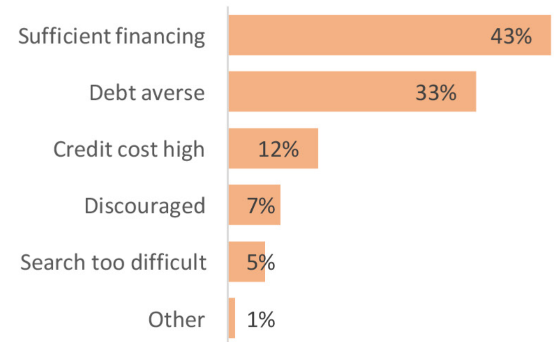
SHARE THAT APPLIED FOR FINANCING IN PAST YEAR

% of employer firms. N=117



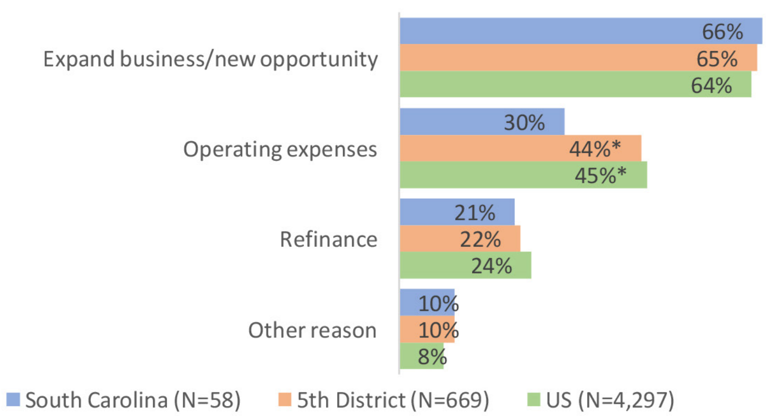
REASONS FOR NOT SEEKING FINANCING[1]

% of employer firms that did not applyfor funding in past 12 months, N=54



REASONS FOR SEEKING FINANCING[1]

% of employer firms that applied for funding in past 12 months



* Denotes a significant difference between the value and the state or District at the 95 percent level.

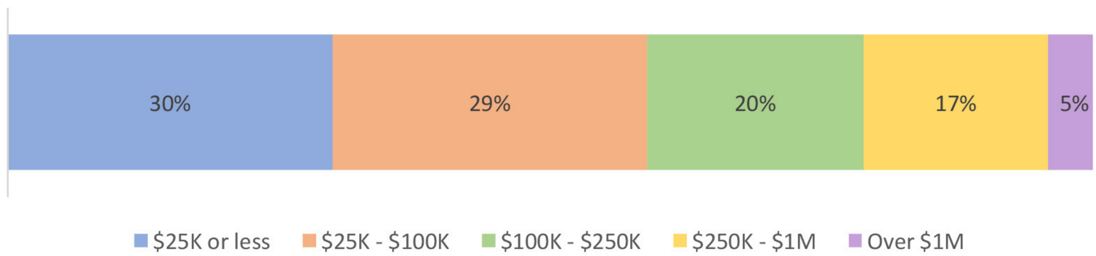
[1] Respondents could select multiple options.

Source: Small Business Credit Survey, Federal Reserve Banks

South Carolina small businesses that recently applied for funding were more likely to be influenced by the speed of application decisions, compared to national and Fifth District respondents. No respondents were influenced by financing referrals.

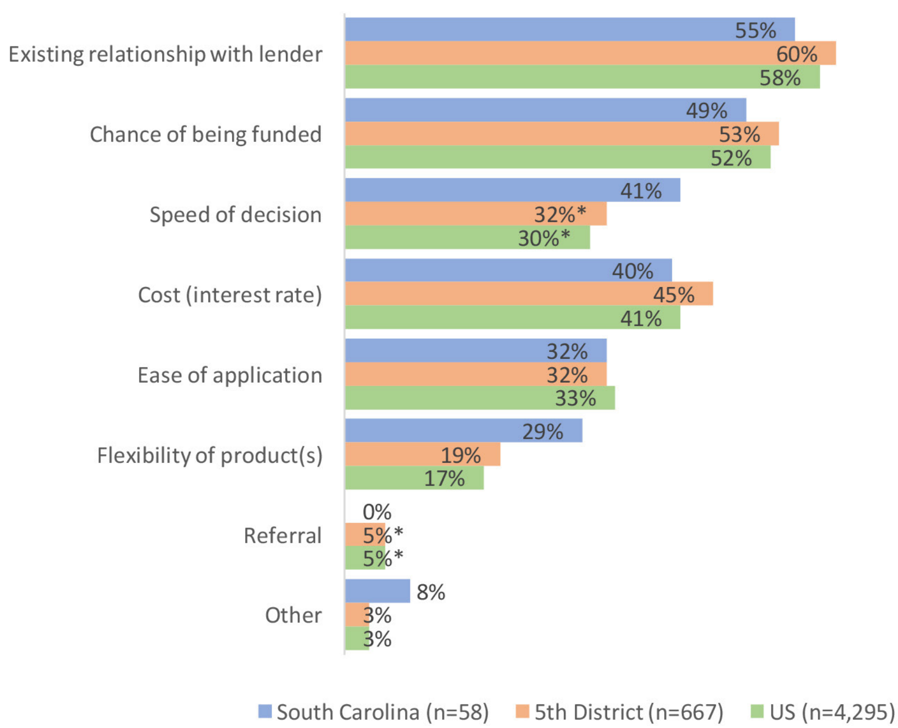
AMOUNT FINANCING SOUGHT

% of employer firms that applied for funding in past 12 months, N=56



FACTORS INFLUENCING APPLICATION DECISION[1]

% of employer firms that applied for funding in past 12 months, N=58



* Denotes a significant difference between the value and the state or District at the 95 percent level.

[1] Respondents could select multiple options.

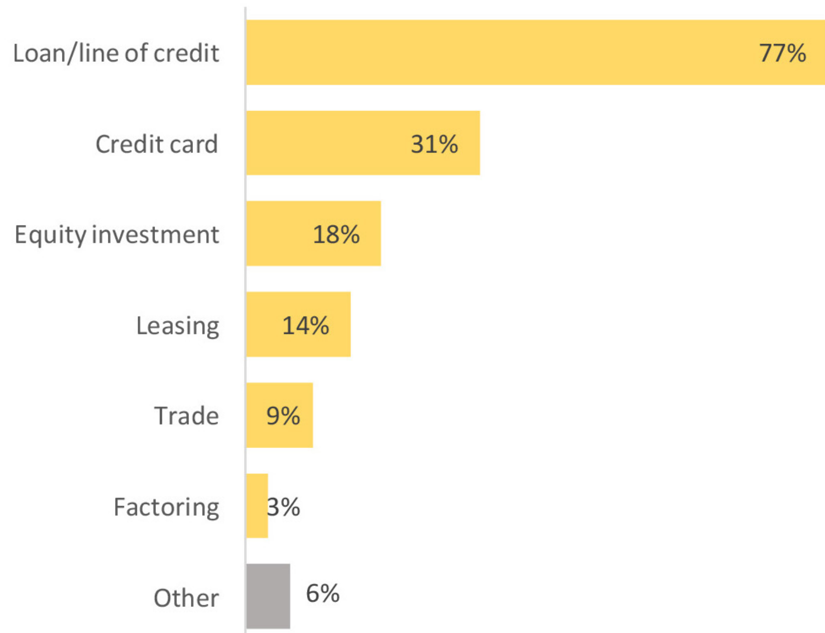
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATION RATES

Over three-quarters (77%) of South Carolina small businesses that applied for funding sought a loan or line of credit.

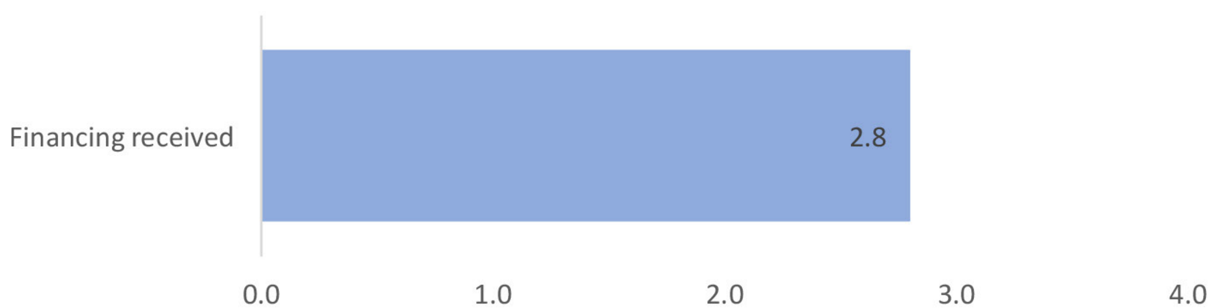
APPLICATION RATE BY FINANCIAL PRODUCT[1,2]

% of employer firms that applied for funding in past 12 months, N=59



FINANCING SUCCESS, ON A SCALE OF 1 (NONE), TO 4 (ALL)[3,4]

% of employer firms that applied for funding in past 12 months, N=56



[1] Application rates by type of loan/line of credit and source of loan/line of credit not shown due to small sample sizes.
[2] Respondents could select multiple options.
[3] The share of financing received by the average survey participant. 1 means the average respondent received none of the amount requested, 2 indicates some, 3 indicates most, and 4 means the average respondent received the full amount requested.
[4] Application success rates for small and large banks only not shown due to small sample sizes.

Source: Small Business Credit Survey, Federal Reserve Banks

KEY FINDINGS FROM VIRGINIA

The 2016 SBCS included 412 responses from small businesses in Virginia.

Note: National and Fifth District results are provided for comparison only when the difference is statistically significant.

Virginia small businesses largely resemble national employer firms.

- Like small businesses across the US, 54 percent of small businesses in Virginia are under 10 years old, 65 percent have low credit risks[1] and over half have fewer than five employees.
- Virginia employer firms are both more likely to have revenues above $1M and below $100K, compared to employer firms nationally.
- Half of Virginia employer firms employ contract workers, compared to 42 percent among employer firms nationally.

Virginia employer firms have had average recent performance, compared to the rest of the country, but above-average expected performance over the coming year.

- Virginia respondents were more likely to report growth than contraction in employment, revenue, and profitability. However, their responses were not statistically different from national results.
- Forty-six percent of respondents from Virginia cited credit availability as a financial challenge they experienced over the past year.[2]
- Virginia's small businesses are more optimistic about their employment growth, compared to the rest of the country. The share of respondents that think their employment will grow next year is 47 percentage points greater than the share that think it will decrease.[3] Nationally, the difference is only 39 percentage points.
- Respondents were less bullish about their future revenue growth than other respondents in the Fifth District, although results were not statistically different from national findings.[3]

Virginia small businesses have lower debt loads than employer firms nationally.

- Sixty-six percent of small businesses in the Virginia have outstanding debt, compared to 71 percent of national respondents.
- The share of Virginia respondents that expect their debt loads to decrease over the next year is 15 percentage points greater than the share that expect it to increase.[3]

Virginia small businesses are as likely to seek financing and find success as other employer firms in the country.

- Virginia small businesses are less likely than respondents nationally to use the owners' personal credit score.
- Forty-six percent of small businesses in Virginia sought financing during the past year. Of those who did not, half said they already have sufficient financing while a quarter said they were too debt averse.
- Among Virginia respondents who sought financing, equal portions (63 percent) said they were influenced by existing relationships with lenders and the chance of being funded.
- Small businesses in Virginia were as successful at receiving financing as employer firms in the Fifth District or US overall.

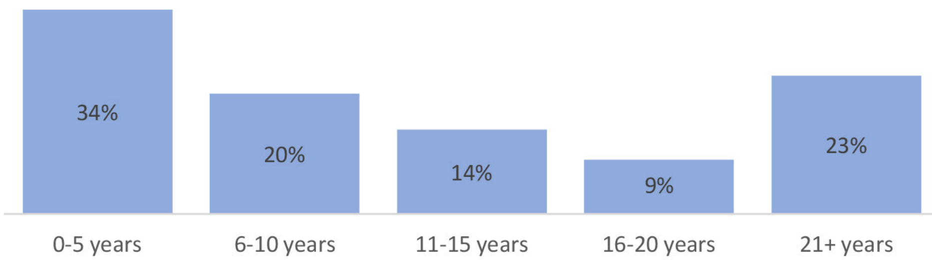
[1] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses both, the higher risk rating is used. 'Low credit risk' is an 80-100 business credit score or 720+ personal credit score. 'Medium credit risk' is a 50–79 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.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] Expected change in approximately the second half of 2016 through the second half of 2017.

Source: Small Business Credit Survey, Federal Reserve Banks

Thirty-four percent of small businesses in Virginia have revenues above $1M, compared to 30 percent of employer firms throughout the country.

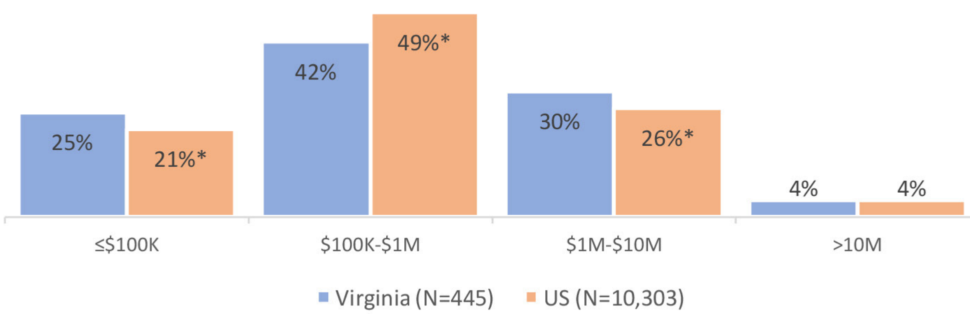
AGE OF FIRM

% of employer firms, N=412



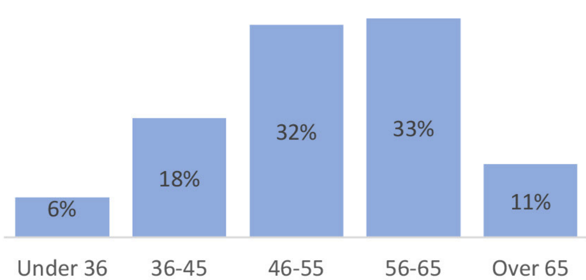
REVENUE SIZE OF FIRM

% of employer firms



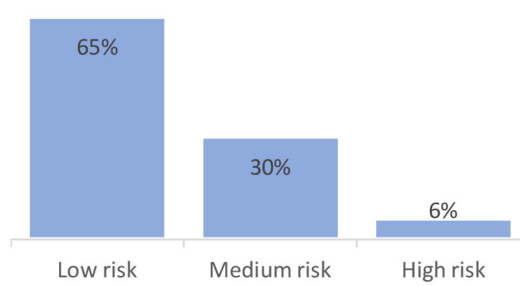
AGE OF PRIMARY OWNER

% of employer firms, n=375



CREDIT RISK

% of employer firms, n=262



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[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population on the following dimensions: firm age, size, industry, and geography.

[2] Self-reported business credit score or personal credit score, depending on which is used to obtain financing for their business. If the firm uses 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.

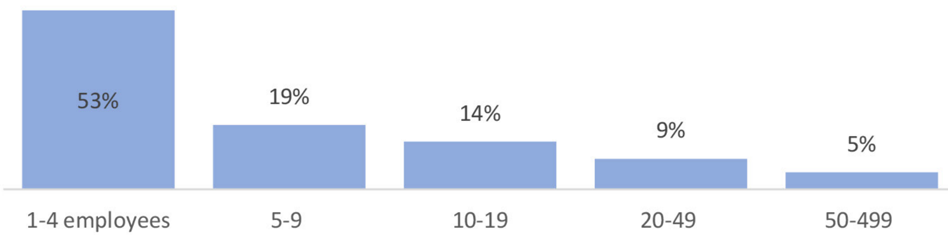
Source: Small Business Credit Survey, Federal Reserve Banks

DEMOGRAPHICS (CONTINUED)

Fifty-two percent of Virginia small businesses have fewer than five employees. Additionally, Virginia employer firms are more likely to use contract workers, with half of respondents reporting that they employ contractors.

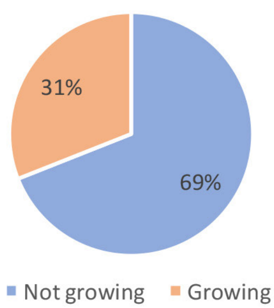
NUMBER OF EMPLOYEES[1]

% of employer firms, N=445



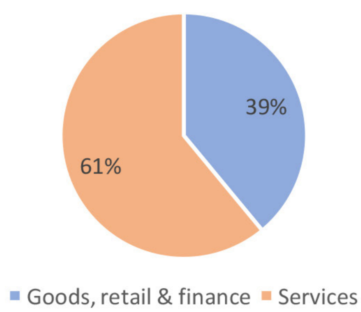
GROWTH STAGE OF FIRM[2]

% of employer firms, N=445



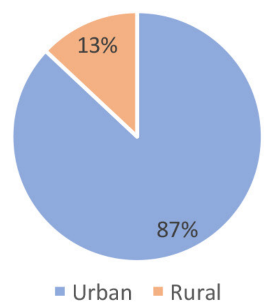
INDUSTRY[1,3]

% of employer firms, N=445



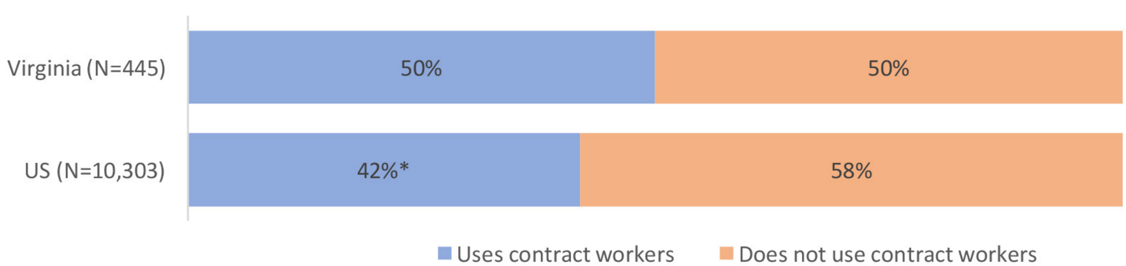
URBAN OR RURAL LOCATION[1,4]

% of employer firms, N=445



CONTRACT WORKERS

% of employer firms



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[1] SBCS responses throughout the report are weighted using Census data to represent the US small business population of the following dimensions: firm age, size, industry, and geography.
[2] Growing firms are defined as those that increased revenues, increased employees and plan to increase or maintain number of employees.
[3] Firm industry is classified based on the description of what the business does, as provided by the survey participant.
[4] Urban and rural definitions come from Centers for Medicare & Medicaid Services.

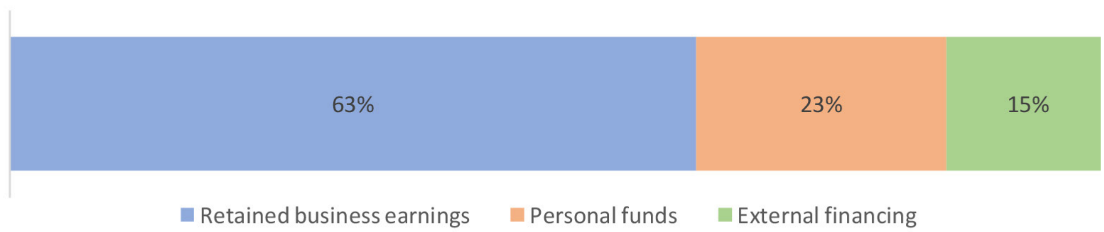
Source: Small Business Credit Survey, Federal Reserve Banks

PERFORMANCE

Virginia small business challenges and performance match those in other parts of the country and the Fifth District.

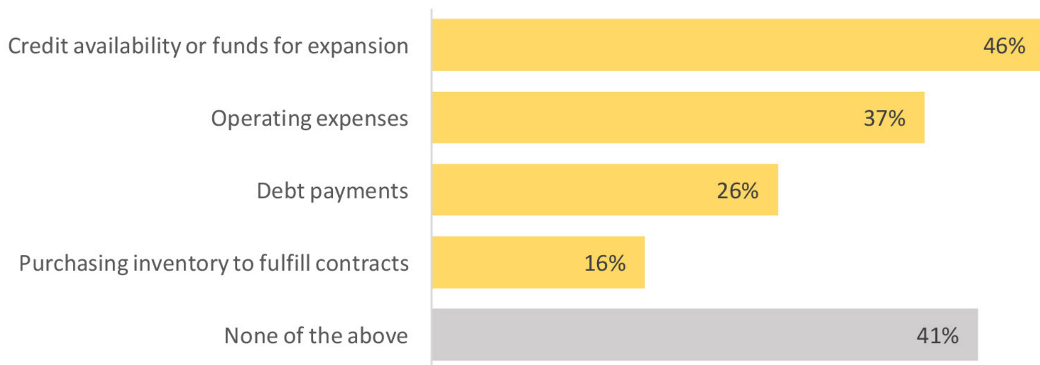
PRIMARY FUNDING SOURCE

% of employer firms, N=406



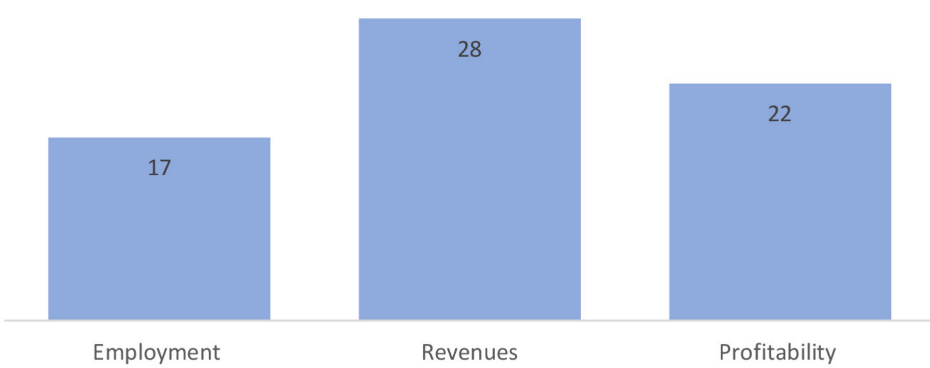
FINANCIAL CHALLENGES EXPERIENCED IN PRIOR 12 MONTHS[1,2]

% of employer firms, N=408



EMPLOYER FIRM PERFORMANCE INDEX, PRIOR 12 MONTHS[2,3]

% of employer firms, N=400-409



[1] Respondents could select multiple options.
[2] Approximately the second half of 2015 through the second half of 2016.
[3] For revenue and employment growth, the index is the share reporting positive growth minus the share reporting negative growth. For profitability, it is the share profitable minus the share not profitable.

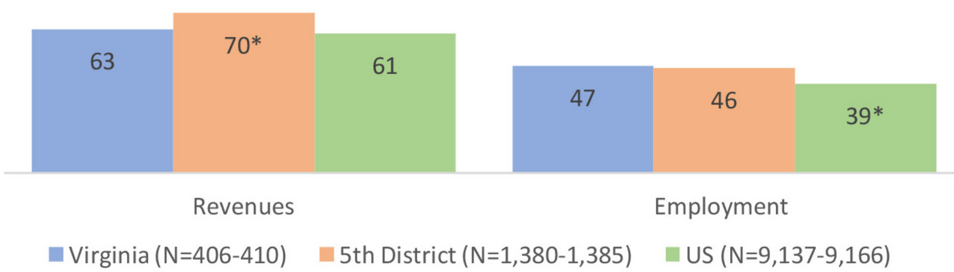
Source: Small Business Credit Survey, Federal Reserve Banks

EXPECTED PERFORMANCE

Virginia small businesses have lower revenue projections from employer firms in other parts of the Fifth District, but have a more positive employment outlook than employer firms in other parts of the country.

EMPLOYER FIRM EXPECTATION INDEX, NEXT 12 MONTHS[1]

% of employer firms

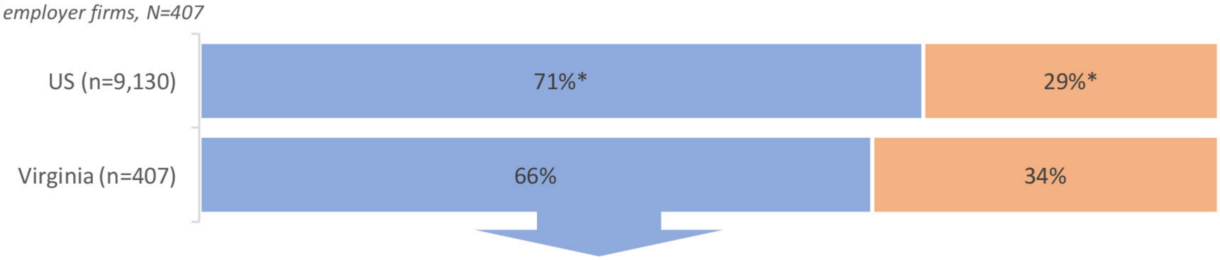


DEBT

Small businesses in Virginia are less likely to have outstanding debt than US firms: only two-thirds are currently in debt.

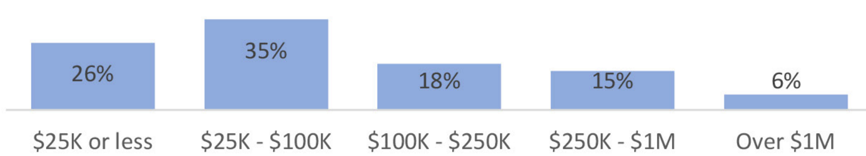
SHARE WITH OUTSTANDING DEBT

% of employer firms, N=407



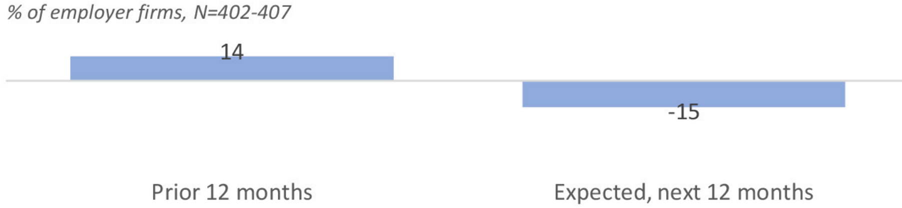
AMOUNT OF OUTSTANDING DEBT

% of employer firms with debt, N=251



DEBT LOAD INDEX[2]

% of employer firms, N=402-407



* Denotes a significant difference between the value and the state or Fifth District at the 95 percent level.
[1] The index is the share reporting expected positive growth minus the share reporting expected negative growth.
[2] The index is the share of firms whose debt load grew minus the share with shrinking debt.

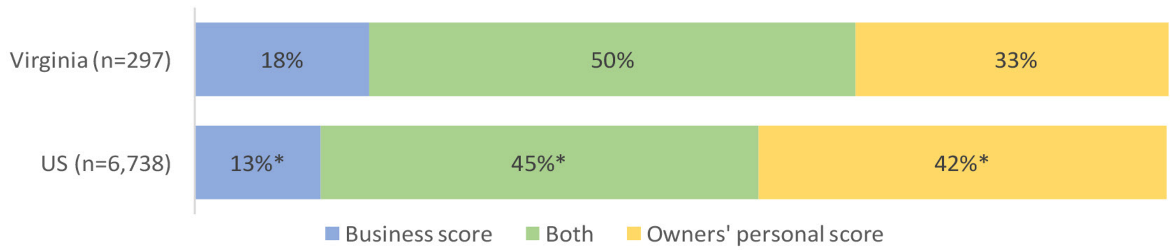
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING

Virginia small businesses are more likely to use their business credit score than other employer firms in the US. Fewer than half (46%) of respondents from Virginia applied for financing in the past year.

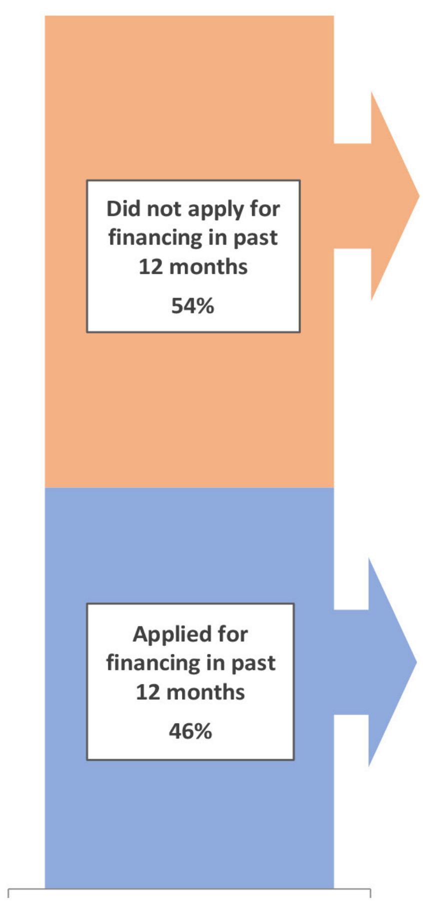
USE OF PERSONAL VERSUS BUSINESS CREDIT SCORE

% of employer firms



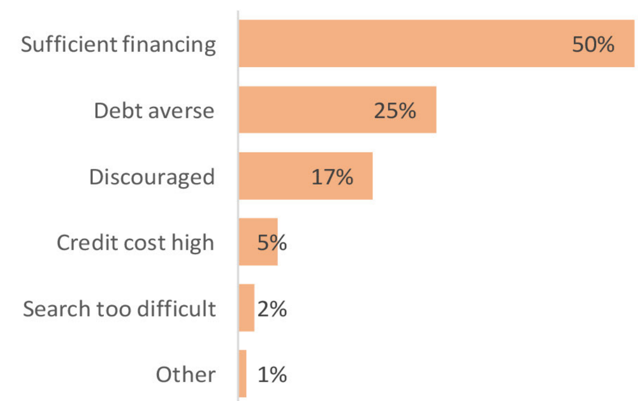
SHARE THAT APPLIED FOR FINANCING IN PAST YEAR

% of employer firms. N=412



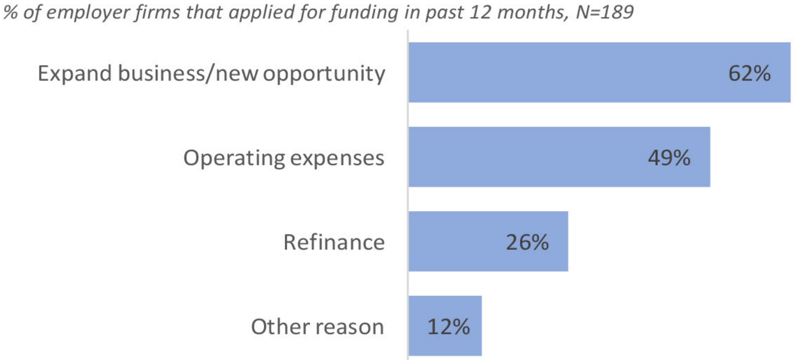
REASONS FOR NOT SEEKING FINANCING[1]

% of employer firms that did not apply for funding in past 12 months, N=208



REASONS FOR SEEKING FINANCING[1]

% of employer firms that applied for funding in past 12 months, N=189



* Denotes a significant difference between the value and the state or Fifth District at the 95 percent level.
[1] Respondents could select multiple options.

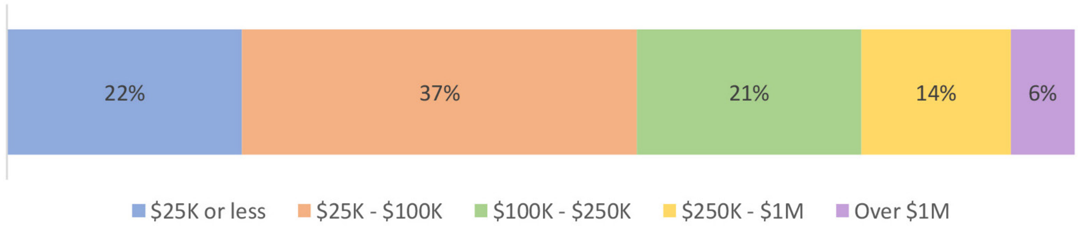
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING (CONTINUED)

Among Virginia employer firms seeking funding, existing relationships with lenders and perceived chances of being funded were the top-cited reasons for applying for financing.

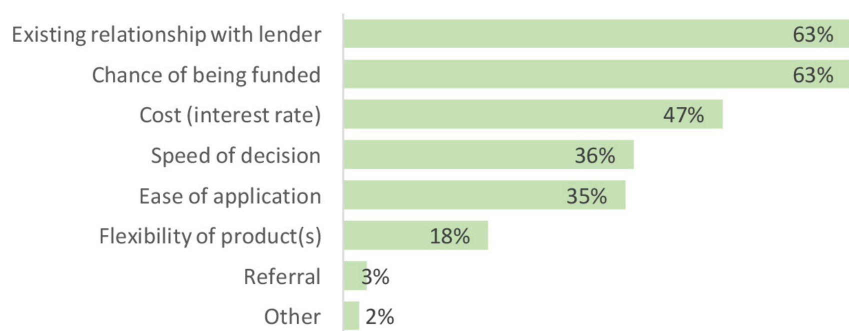
AMOUNT FINANCING SOUGHT

% of employer firms that applied for funding in past 12 months, n=185



FACTORS INFLUENCING APPLICATION DECISION[1]

% of employer firms that applied for funding in past 12 months, n=187

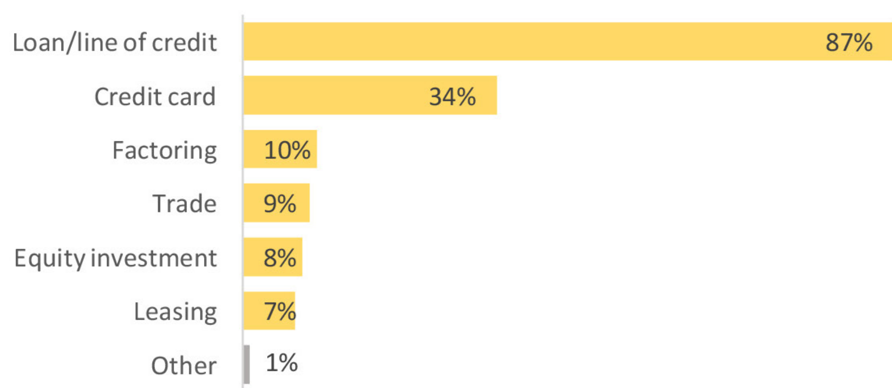


FINANCING APPLICATION RATES

Eighty-seven percent of Virginia financing applications were for loans/lines of credit.

APPLICATION RATE BY FINANCIAL PRODUCT[1]

% of employer firms that applied for funding in past 12 months, n=188



[1] Respondents could select multiple options.

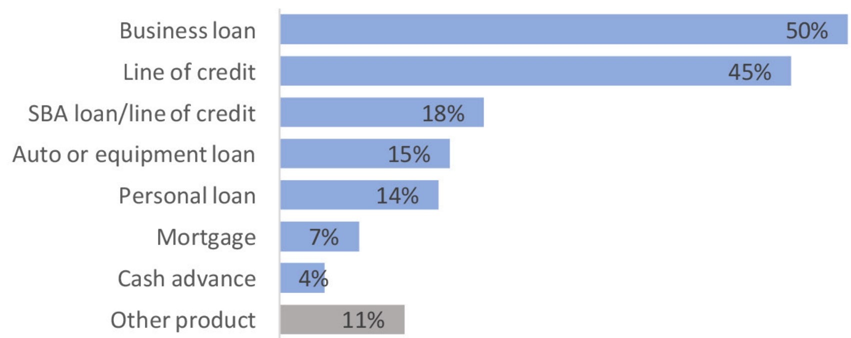
Source: Small Business Credit Survey, Federal Reserve Banks

FINANCING APPLICATION RATES (CONTINUED)

Over half (52%) of financing applications were made at large banks; Virginia small businesses are as likely to successfully obtain financing as those in other parts of the Fifth District and country.

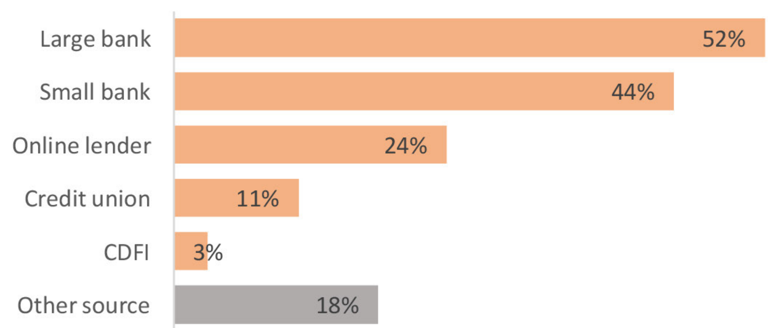
APPLICATION RATE BY TYPE[1]

% of employer firms that applied for funding in past 12 months, N=157



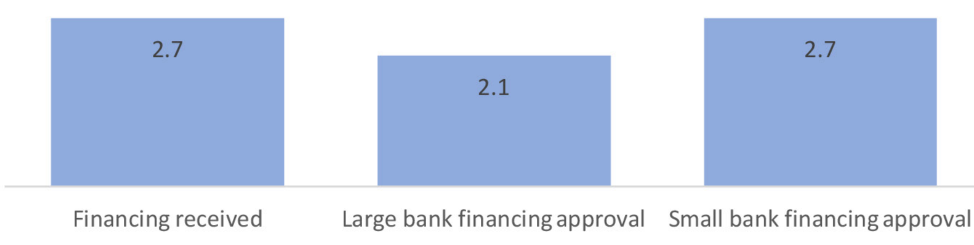
APPLICATION RATE BY SOURCE[1,2,3,4,5]

% of employer firms that applied for funding in past 12 months, N=157



FINANCING SUCCESS, ON A SCALE OF 1 (NONE), TO 4 (ALL)[6]

% of employer firms that applied for funding in past 12 months, N=67-189



[1] Respondents could select multiple options
[2] Respondents were provided a list of large banks (those with at least $10B in total deposits) operating in their state.
[3] 'Online lenders' are defined as nonbank alternative and marketplace lenders, including Lending Club, OnDeck, CAN Capital, and PayPal Working Capital.
[4] Community development financial institutions (CDFIs) are financial institutions that provide credit and financial services to underserved markets and populations. CDFIs are certified by the CDFI Fund at the U.S. Department of the Treasury.
[5] Respondents who selected 'other source' were asked to describe the source. They most frequently cited auto/equipment dealers, farm-lending institutions, friends/family/ owner, nonprofit organizations, and private investors.
[6] The share of financing received by the average survey participant. 1 means the average respondent received none of the amount requested, 2 indicates some, 3 indicates most, and 4 means the average respondent received the full amount requested.

Source: Small Business Credit Survey, Federal Reserve Banks