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National Small Business Poll

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# NFIB National Small Business Poll

## *Access to Credit*

NFIB National
# Small Business
Poll

The *National Small Business Poll* is a series of regularly published survey reports based on data collected from national samples of small business employers. Eight reports are produced annually with the initial volume published in 2001. The *Poll* is designed to address small business-oriented topics about which little is known but interest is high. Each survey report treats different subject matter.

The survey reports in this series generally contain three sections. The first section is a brief Executive Summary outlining a small number of themes or salient points from the survey. The second is a longer, generally descriptive, exposition of results. This section is not intended to be a thorough analysis of the data collected nor to explore a group of formal hypotheses. Rather, it is intended to textually describe that which appears subsequently in tabular form. The third section consists of a single series of tables. The tables display each question posed in the survey broken-out by employee size of firm.

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# National Small Business Poll


## *Access to Credit*

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# Executive Summary

- One-third (34%) of small business owners, defined as small employers having 250 or fewer employees, think the nation's financial problems have "significantly" affected their business and one-quarter (26%) think it threatens their survival. However, 45 percent designate slow or lost sales as their principal immediate problem, followed by the unpredictability of business conditions (23%), falling real estate values (9%) and only then an inability to obtain credit, tight credit drawing virtually the same number of cites as the real estate value issue.

- Since the beginning of early September, 30 percent of small employers applied for credit in one form or another, at least half of which applied more than one time. Seventy (70) percent did not apply of which 12 percent, or 8 percent of the population, did not apply because they thought they could not get credit they wanted.

- Forty-one (41) percent of small employers applying since early September obtained all the credit they wanted, while 8 percent obtained most of it. However, 14 percent obtained just some of the credit they wanted and 34 percent obtained none of it.

- The ability to obtain credit appears statistically related to financial strength, as measured by greater sales growth in the last two years, fewer mortgages taken out to finance other business activity, fewer upside-down properties, as well as the owner's positive evaluation of firm performance against the competition, and firm maturity, more specifically, years of operation. Discouraged borrowers, that is, owners who do not attempt to borrow for fear of rejection, are statistically related to what appears to be weak balance sheets, specifically, falling real sales over the last two years, ownership of more upside-down properties, lesser use of real estate for collateral, more mortgages taken out to finance other business activity, and the owner's negative evaluation of firm performance against the competition.

- Financial institutions changed the terms or conditions of a loan, line or credit card for 18 percent of small employers. (This figure is somewhat low because only the largest line of credit and the most important credit card used for business were evaluated.) Most of the changes would be termed negative, such as a lower limit on a credit card or higher interest on a line of credit, though not all changes, particularly with respect to lines, were adverse. About four in 10 report the changes as harmful to the business while the other six claim the changes either had no impact or were more irritating than harmful.

- Trade credit is growing more difficult to procure. Of the 80 percent who use trade credit, 30 percentage points think it has been getting tighter since early September, 14 percentage points a lot tighter, while 46 percentage points see no change.

- Small business owners are heavily invested in real estate. Ninety-six (96) percent own their personal residence, 49 percent own all or part of the building and/or land on which their business sits (excluding the one-quarter who operate primarily from the home), and 41 percent own investment real estate, excluding their residence and business.

- Real estate, particularly home mortgages, is frequently used to finance or collateralize other business assets. Seventy-six (76) percent have at least one mortgage on the real estate they own with 13 percent having three or more mortgages, 22 percent having taken out at least one mortgage to finance business activities. Sixteen (16) percent use real estate to collateralize other business assets, including 10 percent who use their homes as collateral. About one in 10 (9%) own at least one currently upside-down property. The financial leverage homes provide businesses in a weak economy with declining real estate values is a matter of concern.

# Access to Credit

**The stunningly rapid meltdown of the American financial system and its swift spread across the globe left virtually no institution unaffected, certainly not America's Main Street. Main Street was dragged into the Wall Street and Washington-originated problems almost immediately and has subsequently been forced to suffer the consequences along side others. The most visible symptom to the nation's small business owners of this financial retraction, besides the collapse of several high-profile financial brand-names, was seizing of the credit markets and small business owners inability to get loans. At least that is what the media, relying on anecdote and sensation, lead the public to believe. Because the logic of the situation defies popular explanation of current problems, this expanded issue of the *National Small Business Poll* explores small business Access to Credit.**

American small business in many senses today faces an economic perfect storm. While the immediate stimulus for it appears to have occurred in mid-September with the bankruptcy of Lehman Brothers and the consequent infectious spread of instability throughout American and then world financial markets, sharply falling real estate values accompanied by the onset of what appears to be an abnormally severe recession have become the real small business problems and are the principal causes for the most obvious small business credit consequence, depressed demand. Lower credit demand is a natural cyclical result of fewer opportunities for productive investment and poorer sales with their resultant weakening balance sheets. A largely unrecognized and unappreciated complication for many small employers, beyond those immediately involved in real estate and construction, is the declining value of real estate in which small business owners are frequently invested. Real estate losses, if only on paper, depress balance sheets making borrowing, even when legitimate investment opportunities appear, financially unworkable, particularly in light of recent experience. A weakened financial condition brought about by poor sales and falling real estate values as well as partially clogged credit markets led to credit tightening. But small business owners and managers are not as concerned about causes and complications as they are about impacts. And the impact of a weak economy, falling real estate values, and tighter credit markets leave them deeply concerned, to a point where many believe the survival of their enterprises are threatened.

## Small Business Views the Nation's Finance Problem

A majority (53%) of small employers think the nation's financial problems substantially affect their businesses, 34 percent terming the impact "significant" and 19 percent one step lower at "considerable" (Q#1). Another 33 percent judge the impact as milder while 13 percent do not think they have been affected. Thus, more than half of small business owners think their businesses are seriously affected by recent and continuing economic events while most of the remainder feel at least some fall-out from them.

The extent to which many feel threatened is striking. One in four (26%) small employers who consider themselves impacted assess current conditions as a threat to their firm's survival with another 16 percent assessing conditions as severe enough to depress prospects for the foreseeable future (Q#3). Those numbers translate into about 36 percent of the entire small employer population with a decidedly negative view of their prospects. The remainder who have been impacted by the financial system's problems and their fallout are divided between those who think the current situation is a temporary set-back (27%) and those who think the situation simply requires them to make minor adjustments in their firm's operation (25%).

These assessments are disconcerting, but the number demands context. Normal turnover in the small-employer population is about one of every 10 in a given year. These firms do not necessarily go bankrupt, in fact few do, but they simply cease to exist. So clearly, part of that 26 percent who feel vulnerable is normal and would occur regardless of current circumstances. But the difference between 26 percent and 10 percent is enormous, demonstrating the extent of current concern with problems associated with the immediate financial situation and the economic fallout.

Two questions arise from this small employer evaluation of current impacts. Are particular groups measurably more concerned than others? And, is the situation improving or deteriorating? Two explanatory variables, likely proxies for firm profitability, are associated with assessments of impacts. The first is change in sales over the last two years and the second is a self-evaluation of performance compared to competitors. When sales have been growing and/or performance is comparatively high, concern is muted; when sales have been falling and/or performance is comparatively low, concern is acute. Owners of smaller, small firms appear somewhat more concerned than owners of larger, small firms. Similarly, concern appears somewhat greater in the Pacific region than other parts of the country. But on the whole, concern is pervasive, rather than confined to owners and firms with specific demographic characteristics.

Concern has not changed over time, at least during the nearly one month the survey on which this report is based was in the field. The survey was conducted for a 26-day period beginning October 22 and ending November 17. A simple mathematical procedure shows no change occurred in the level of concern over that time in the small business owners' evaluation of the overall problem's immediate impact on their firms and the impact on the firm's future prospects. They were as optimistic/pessimistic at the beginning of the period as at the end.

## Nature of the Problem

Slowing and/or lost sales is the principal problem for small business in this economy. Forty-five (45) percent of small employers identify sales as the most pressing issue, including a majority of those owning larger, small firms (Q#2). The second most frequently mentioned issue is the unpredictability of business conditions, again with owners of larger, small firms identifying it relatively more often (23%). Another 9 percent cite falling real estate values as the principal difficulty. Not only is falling real estate values a relatively greater problem for owners of smaller, small firms, but one that complicates a series of other concerns as will be discussed subsequently. The inability to obtain credit also garners 9 percent of responses with owner's of the smallest being the most likely to cite it. The cost and terms of credit is the principal concern for an additional 5 percent. Four percent volunteer other principal troubles and 4 percent more indicate they do not have any difficulties created by the current economic and financial condition.

Aside from notable differences by employee size of firm, a limited number of other relationships appear with the nature of the current economic problem. Younger firms, in this case 10 years or younger, are relatively more concerned with sales while older firms are relatively more concerned with falling real estate values. In addition, patrons of large banks, including regional banks, that is those small business owners whose principal financial institution is one of these banks, are almost twice as likely to identify the inability to obtain credit as those patronizing local or community banks. While a series of confounding factors will be addressed subsequently, the data reported here reflect similar, additional evidence, subsequently noted.

The survey asked respondents to forecast the most serious long-term consequence of current conditions. Small business owners offered assorted projections. The most frequent (38%) was a long period of slow or no growth (Q#4). This result is similar to the majority who either saw their firm's survival as threatened or projected their prospects depressed for the foreseeable future. Seventeen (17) percent think the most serious long-term consequence is large tax increases. Given the enormous sums already spent to support the financial system and the amounts allocated but yet to be spent, as well as the stimulus packages which may number three and cost a trillion dollars before they are over, the forecast or fear of future tax increases is likely to be realized. Massive government intervention in the economy to prevent collapse of the financial system and the abuse, when not outright stupidity, of Wall Street could result in increased socialization of the economy in the long-term; it certainly has in the short-term. Fifteen (15) percent of small employers think a more socialized economy is the most serious long-term consequence of the current condition. Virtually the same proportion (14%) predicts the loss of small business opportunity as the most important result. A more specific reason for the loss of opportunity, such as the inability to finance new ventures, was not ascertained. Since "printing money" has been the primary means to shore up banks and finance the stimulus packages, more money is chasing the same amount or fewer goods. The inevitable result is inflation despite short-term concerns over deflation. Eight percent think the principal long-term problem is inflation. Finally, 3 percent forecast no serious long-term consequences from the current problems.

The Emergency Economic Stabilization Act of 2008, also known as the "bail-out" was enacted by Congress on the eve of its members returning home to campaign for their reelections. While virtually no one liked the bail-out, the bill was grudgingly passed as the only alternative available to address a serious, immediate problem. Many did not agree, including the majority of small business owners. Fifty-nine (59) percent of small employers oppose the bail-out – even now, 24 percent oppose it strongly (Q#5). Thirty-five (35) percent support it, 4 percent strongly. Thus, the bill, which seems to contain unprecedented amounts of money and unprecedentedly little guidance about how such vast sums should be spent remains unpopular among small business owners and managers. The survey did not determine if their response is preference for an alternative strategy, belief the shock of substantial portions of the financial system failing would have a salutary effect, or just plain venting.

It is generally more instructive to evaluate actual performance than opinion. The remainder of this discussion, therefore, focuses on small business owner experience.

## Financial Institution Patronage

Small business owners typically use more than one financial institution to conduct their firms' affairs. Though 30 percent use just one, 38 percent use two, 19 percent three and 11 percent four or more (Q#9). Firm size appears to play little role in the number of financial branches used for business purposes.

Still, virtually all small business owners have a most important or primary financial institution. The primary for 45 percent is one of the nations largest: Bank of America, JP Morgan/Chase, Wells Fargo, Citibank, Sun Trust, Region's, BB&T, U.S. and before they were purchased, Wachovia, Washington Mutual, and National City Bank (Q#10). Eleven (11) percent of the remainder or 6 percent in total use HSBC, World Savings, PNC, Commercia, Union of California, North Fork or Fifth Third, also very large banks, as theirs (Q#10a). The other half of small business owners split their patronage 66 percent to 30 percent with local institutions more frequently important than regional ones (Q#10b). Regional institutions were defined for respondents as a regional bank with several branches while local branches were local banks with a few branches at most. About 2 percent of all small employers consider an Internet bank their most important financial institution.

Most small business owners have held these banking relationships for long periods of time. The median is over 15 years and 16 percent have had their relationship for 30 years or more (Q#10c). Just 19 percent have had their relationship for less than five. An insignificant number have moved their principal banking relationship in the last two to three months despite all the turmoil in the financial markets.

## Attempts to Borrow and Credit Adjustments

Small business owners have somewhat over one trillion dollars outstanding in debt from financial institutions. The common vehicles through which that debt has been obtained are loans and lines from banks and other depository institutions, loans from finance companies, and credit cards from credit card issuers, typically banks. The survey explored each of the five.

### *a. Vendor Financing*

Since the first of September, roughly the last two to three months depending on the date of the interview, 6 percent of small employers attempted to borrow from a vendor to finance a business vehicle or equipment (Q#6A). An example of such borrowing is a contractor purchasing a pick-up truck from a GM dealer, the sale being financed through GM's finance company, GMAC. Of that 6 percent attempting to obtain such credit, 69 percent procured all they needed and on satisfactory terms (Q#6A1). Another 4 percent got the credit they wanted, but the terms did not satisfy them. No data were collected on the specific portion of the transaction that was not satisfactory. Still, 22 percent who tried to obtain financing through a vendor could not get it.

Vendor financing proved the type of credit more accessible than any of the credit forms examined. The striking point is the limited number who even tried it. Put in terms of the entire population, both those who obtained the credit they wanted and those who did not, are small. Four percent of the entire population obtained it and 1 percent wanted it, but did not get it. This limited demand results from the shortage of business investment opportunities that are typical during an economic slowdown.

### *b. Loans from Financial Institutions*

Forty-four (44) percent of small employers currently have one or more business loans from a financial institution, not including lines or credit cards (Q#12). Of those with a business loan, 58 percent have a loan(s) from one financial institution, 25 percent from two, 9 percent from three, and 7 percent from four or more institutions (Q#12a). Despite the number of loans outstanding, just 5 percent of small business owners experienced the lender demanding changes in terms of a loan (Q#12c). The number of cases proved too few to report any details about them.

New loan extensions are a different story. Thirteen (13) percent of small employers attempted to obtain a business loan from a financial institution in the period since September 1, owners of larger, small firms being substantially more likely than owners of smaller, small firms to try (Q#6D). Of those attempts, 38 percent proved successful, both in terms of obtaining the loan and obtaining it with satisfactory conditions (Q#6D1). Another 7 percent obtained a loan, but they were not satisfied with its conditions. Fifty-two (52) percent of applicants did not get the loan. This rejection rate appears much higher than would have been the case just a few months ago as will be shown subsequently.

### *c. Lines of Credit*

Lines of credit, not including credit cards, have become a very important source of financing for large numbers of smaller firms. Since September 1, 9 percent have attempted to obtain a line of credit (Q#6B). However, only 21 percent were successful and satisfied with the amount and terms (Q#6B1). Another 9 percent obtained a new line, but were not satisfied with either the amount or the terms or both. Still, the overwhelming majority (69%) of small business owners and managers who tried could not establish a new credit line. Again, the totals are relatively small within the entire small-employer population. Three percent obtained one, but 6 percent did not.

More small employers were interested in extending an existing line than initiating a new one. In fact, 57 percent currently have a credit line (Q#11), 36 percent possessing more than one (Q#11a). Sixty-six (66) percent held their credit lines at one institution, meaning that those with multiple lines usually held them across institutions (Q#11a1). Fifteen (15) percent of small business owners attempted to renew an existing credit line since September 1 (Q#6C). Of that number, 47 percent were successful and satisfied with the amount and terms (Q#6C1). Another 10 percent obtained the extension, but were not satisfied with some aspect of the transaction. And, 41 percent did not get the extension requested. Those percentages translate into

9 percent of the population who tried and were able to renew a credit line during the period and 6 percent who were not.

Reports of changes in credit lines, most often cuts in the amount, have been common. The data show 17 percent with one or more lines report that the financial institution extending their line, or their largest line in cases where more than one line is held, changed its conditions; 76 percent did not, and 7 percent did not know or could not remember (Q#11b). While these changes tended to be adverse to the business, clearly all were not, meaning that change in credit lines per se cannot be equated with a negative outcome.

The most common new condition imposed (27%) on existing lines of credit was an increase in the interest rate (Q#11b1). The next most common steps (18%) were cutting the amount or size of the line, corroborating many press reports, and *lowering* the interest rate charged, introducing a change rarely noted. In other words, two in five of those subject to interest rate changes experienced a favorable result. Twelve (12) percent were compelled to increase collateral and 8 percent to issue personal guarantees. No one reported having their lines severed or being forced to produce or increase compensating balances.

Two additional relevant points emerge: the first is the 15 percent classified as "other" also contains positives as well as negatives. The category included a broad variety of changes, for example, "scrutinizing more" and "we have to call to release credit and declare why we need it," but also favorable outcomes such as, "they upped our maximum limit." Negatives were more common than positives. The second point is that respondents were allowed to cite two changes the financial institution required, such as, a lower amount and a higher interest rate, but virtually no one did. The required changes therefore appear to have been changes in a single term rather than a series of changes at once, the latter course likely making adherence more difficult for the business.

The impact of credit line changes imposed by financial institutions was mixed, in part due to the many favorable changes occurring. Thirty-two (32) percent of small employers experiencing them report the changes had no impact while 24 percent suggest they were more irritating than harmful (Q#11b2). However, 29 percent indicated they were harmful and 11 percent complained they were very harmful. The questionnaire failed to anticipate the positive changes, making it difficult for some to judge the extent of harm done by the change. Those favorably impacted responded "no impact" or "don't know" in virtually all cases. Eliminating those cases shifted the result somewhat to 13 percent of small employers who think the changes were very harmful, 37 percent harmful, 29 percent more irritating than harmful, and 21 percent no impact. While the number of cases are limited in this second tabulation (N=59), it appears a reduction in the size of the line is the most negative change experienced and an increased interest rate the least.

Of the small business owners experiencing bank-imposed changes in their credit line, just 23 percent have attempted to replace the line with one that is more satisfactory (Q#11d). Four percent have been successful and 19 percent have not been successful to this point. Given that 85 percent of those who encountered changes had the line with their primary financial institution (Q#11c), the one which presumably they have the longest and best relationship, the lack of success replacing the line with an equivalent (to the old line) or better one would appear difficult at best.

### *d. Credit Cards*

Eight percent of small business owners attempted to obtain a credit card for business purposes since September 1 (Q#6E). Thirty-eight (38) percent of those attempts proved successful and resulted in a satisfactory limit and terms (Q#6E1). Another 7 percent procured a card, but the limit or terms were not satisfactory. Fifty-two (52) percent did not get one.

Though there are always new firms and back-up plans, application for new credit cards almost appears redundant given the numbers already held. Eighty-five (85) percent of small business owners currently have one or more credit cards they use for business purposes (Q#13). Forty-three (43) percent of those with a card have a single card while 37 percent have two, 12 percent three, and 8 percent four or more (Q#13a).

Like credit lines, reports of changes in limits, interest rates and other terms have been common. Ten (10) percent of small business owners with one or more cards have had such an experience (Q#13b). (Since many have multiple cards, the survey asked the respondent to report on the card that was most important to the business.) The most frequent change (41%) was a lower credit limit (Q#13b1); another 35 percent had their interest rate raised; 6 percent had a card cancelled. Cancelled cards therefore affected less than 1 percent of the small-employer population. Respondents again had the opportunity to identify more than one change. But as with lines, virtually no one did. Credit card issuers apparently change only one condition of the card at a time.

Affected small employers view the changes as consequential in 46 percent of cases, 15 percent classifying them as "very harmful" (Q#13b2). They view the changes as inconsequential in 54 percent of cases. The latter group was divided between no impact (19%) and impacts more irritating than harmful (35%). However, no relationship appeared between harm caused and the type of action (N=52).

## Access to Credit

While there is agreement that demand for credit among the small business population is down considerably, no generally accepted benchmark is available. The most useful is likely the Federal Reserve's quarterly Senior Loan Officers Opinion Survey and NFIB's *Small Business Economic Trends*, and both show demand down. The data here show 30 percent of small business owners have attempted to access the credit markets for business purposes since September 1. Considering that half of credit-seekers attempted to acquire more than one of the five types of credit discussed above (not counting multiple applications for the same type of credit), many in that 30 percent applied multiple times.

Of the small business owners who applied for at least one of the five credit types discussed above, 42 percent were able to obtain all of the credit they wanted (Q#7). Another 8 percent obtained most of the credit they wanted. But 14 percent could obtain only some of the credit they wanted and 34 percent could obtain none of the credit they wanted. The success of the credit-seeking small business population was therefore about half and half, with somewhat more being successful than not.

### *a. Factors Associated with Credit Access*

Several variables or factors are associated with obtaining (or not) the credit small business owners want. However, five stand out and, though others can be added, contribute little to the overall explanation. The five: change in sales over the last two years (a proxy for profitability), possession of upside-down property, number of mortgages used to finance other business assets, a self-evaluation of comparative business performance, and years of operation (age of business) (see regression results, Appendix Table 1). Three likely candidates, employee size of business, use of real estate for business collateral, and size or principal bank provided no relationship. The five factors listed above erased very visible firm size differences. The collateralization of real estate bore no relationship to credit access at all. The size of principal bank wove in and out of statistical significance depending on the other variables retained, with the sign always indicating that those patronizing smaller banks had greater access.

The five are discussed in turn: sales and profitability are not identical, but they are typically associated and profitability data are not available. Hence, the sales change variable substituted for profitability. The change in sales variable consists of a seven-point scale starting with sales increases of more than 30 percent or more over the last two years, declining by 10 percentage point increments until reaching a decrease of 10 percent or more. Because respondents occasionally insist their sales have not changed, a no change classification was inserted between increase of less than 10 percent and decrease of less than 10 percent.

One expects a strong and direct relationship between sales growth and greater credit availability, all factors equal. That happened. For simplicity and without controlling for other factors, 61 percent whose sales grew over the last two years acquired all the credit they wanted, though 22 percent of that group acquired none of the credit they wanted. Contrast that to those whose firms lost 10 percent or more of sales over the last two years. Twenty-five (25) percent of those owners got all of the credit they wanted while 49 percent got none of it.

The factor most strongly associated with credit access, other things equal, is possession of upside-down properties, that is, properties where the market value is less than the size of the mortgage on it. The more of these distressed properties a small business owner holds, the less likely he is to obtain additional credit. This phenomenon will be discussed subsequently, but the variable ranges from zero to three, zero meaning non-possession of upside-down properties and three meaning possession of at least three of them.

A third financial variable associated with small business access to credit is the number of mortgages taken out to finance business activities beyond simple purchase of the property. In other words, the fewer mortgages taken out to finance the business, the more likely the owner was to acquire additional credit, other factors equal. The rationale for this perspective is that prior mortgages taken out to finance business activities indicate that the owner has lesser remaining capacity to absorb additional debt than without them.

The survey examines three types of real estate holdings. A single small employer could own at least one of each kind and therefore could hold between zero and three mortgages for this purpose. No one did; the maximum was two. But the association was clear. When reviewed without controlling for other factors, 83 percent of those who procured all of the credit they wanted had no mortgages that were taken out for this purpose while 17 percent held at least one. In contrast, 57 percent of those who acquired none of the credit they wanted had none of these mortgages compared to 43 percent who did.

The fourth variable associated with credit access is the small employer's evaluation of how well he or she stacks up against the competition. The survey asked respondents how their firm ranked on a five-point scale ranging from a very low performer to a very high performer. The results were greatly skewed to the positive end of the scale, but still provided considerable variation. Comparatively better performing firms are presumably financially healthier firms. Indeed, firms whose owners thought they fared better against the competition had greater access to credit than those who fell at the opposite end of the performance scale.

Years of operation (the log of) is also strongly related to credit access. (The variable technically measures the number of years this owner has owned this business or the manager has managed this business, with the principal difference between years of operation and years in business resulting from persons purchasing an operating enterprise.) Again for simplicity and without controlling all factors, compare those five years and younger with those over 30 years. Twenty-three (23) percent in the former group could obtain all the credit they wanted while 52 percent could get none of what they wanted. Sixty-nine (69) percent of the old-timers obtained all they wanted while only 8 percent could obtain none of it.

But why should years of operation per se mean anything? Perhaps it is a proxy of business experience or long-term banking relations, both of which are logical. Perhaps it represents stability in turmoil. Yet, after a certain number of years, the incremental value of one additional year should mean little. Apparently it does. Dividing respondents into groups of newer owners and older owners to capture the possibility that additional years after the first several offer little value, only damages the years of operation/credit access relationship. So, what is the real value of years of operation in the current context?

Financial factors are the obvious distinction between those who are able to acquire credit and those who are not. Rising sales, no upside-down real estate, and less credit outstanding, at least in the sizeable chunks mortgages imply, indicate the probability a small business owner will get all the credit he needs; the reverse is also true. Overall performance is a corollary to the prior three. Even if the evaluation was offered by the owner, it provides a reasonable assessment of how the firm is doing compared to others. The nature of the years of operation variable's relationship to credit access cannot be defined, at least by the data available here, but the variable is strongly related.

### *b. Not Attempting Access*

If 30 percent sought credit since September 1, 70 percent did not. Of that 70 percent, 87 percent did not seek credit because they did not want it and 12 percent did not seek credit because they did not think they could obtain it (Q#8). Research shows that in normal times "discouraged borrowers", that is, those who do not apply because they do not think they can get it, are highly likely to obtain desired credit if they would only apply. But there is reason to believe the situation may now be different. Examining the same variables that were associated with obtaining credit and not, it appears that discouraged borrowers in the current context have good reason not to apply (see, Appendix Table 2).

Five variables statistically differentiate discouraged small business borrowers from small business owners who do not want to borrow: sales changes over the last two years, the number of mortgages taken out to finance other business activity, possession of upside-down real estate, real estate used as collateral, and the owner's evaluation of the firm's performance compared to competitors.

If a business owner thinks he or she is financially over-extended or that a loan officer will take that view, he or she is not likely to seek additional financing, even if it were wanted. That is the likely reason that the strongest distinguishing factor between owners who do not want credit and discouraged borrowers is the number of mortgages taken out for other business activities. Without controlling for other factors, 16 percent who did not want credit held one of these mortgages compared to 40 percent of discouraged borrowers who did.

The use of real estate for collateral also distinguishes between the two, but in the unexpected direction. In other words, those not seeking finance are more likely to have collateralized real estate than discouraged borrowers. Part of the explanation for this phenomenon may be that relatively few (11%) who have not recently attempted to borrow also have collateralized real estate. It is the weakest of the five predictor variables, but has no obvious rationale.

Declining sales, the proxy for profitability, was strongly associated with discouraged borrowers. It was the second most powerful distinguishing variable. For example, 65 percent of discouraged borrowers witnessed real sales declines over the last two years, more than three of four having declines of more than 10 percent. In contrast, 37 percent who did not want to borrow had the same two-year sales experience. Declining sales discourages an owner from applying for a loan, both from a personal perspective and a perception of the loan officer's response.

If a small employer owned an upside-down property, there was a greater likelihood the small employer would be discouraged. That is obvious and no further comment is necessary. And the same is true of the fifth predictor, owner evaluation of the firm's performance.

The ability to acquire (or not) credit was largely explained by variables reflecting the financial health of the firm. Distinguishing between those who do not wish to borrow and those who do not try for fear of rejection also appears tied to financial variables, if anything tied even more strongly than access to credit. The data do not allow one to determine whether the constraints perceived by discouraged borrowers are self-imposed or would be realized in the market. Yet, given current conditions, discouraged borrowers are likely realistic.

Table 1 summarizes the access to credit small business has experienced since September 1, both by intent to obtain credit and not, and for the entire population regardless of borrowing intent. The bulk of small business owners (61%) did not want credit and did not seek it. Ten (10) percent of that group did have existing credit arrangements changed, positive and negative, with the number of cases too small to comment on impacts. However, 8 percent did not seek credit because they did not think they could get it. Twenty-six (26) percent of discouraged borrowers experienced changes in existing credit arrangements.

Those who sought credit experienced divided outcomes. Just over half (15%) experienced a positive outcome and just under half (14%) a negative outcome. However, somewhat less than 20 percent of small business owners who filled their credit needs experienced change in existing credit arrangements. That is almost twice the number of those who did not want additional credit. In contrast, over 40 percent of small business owners who could not fill their credit needs had existing credit arrangements changed.

**Table 1**

## Small Business Credit Outcomes

| | Small Employers by Credit Intent | All Small Employers |
|---|---|---|
| **Sought Credit** | | |
| Got all credit wanted | 41.9% | 12.5% |
| Got most credit wanted | 7.6 | 2.3 |
| Got some credit wanted | 14.0 | 4.2 |
| Got none of the credit wanted | 33.5 | 10.0 |
| No response | 2.9 | 0.9 |
| Total | 100.0% | |
| **Didn't Seek Credit** | | |
| Didn't want credit | 86.7% | 60.9 |
| Didn't think could get credit | 11.7 | 8.2 |
| No response | 1.6 | 1.1 |
| Total | 100.0% | 100.0% |

No baseline exists against which to directly compare these data, in large part because the time frame being discussed is so short. For example, NFIB posed a similar question in early 2006 as part of this series but the reference period was the last three years, rather than the last two to three months. One expects fewer owners would want to borrow in a three-month period than in a three-year period. One also expects fewer attempts would be successful in three months compared to three years since there is less time to try. One further expects, absent inflation, that more attempts would be made in a period of robust economic growth than slowdown. Still, reasonably comparable numbers indicate that less credit is being acquired today than just a few years ago. Those 2006 numbers with the three-year reference period are: 31 percent getting all the credit they wanted over the last three years; 14 percent getting most of what they wanted; 3 percent getting some of what they wanted; 4 percent getting none of what they wanted; and, 48 percent not in the credit markets, without distinguishing between discouraged borrowers and not. Further, 91 percent indicated their last loan application had been approved. The Federal Reserve's Survey of Small Business Finances produced a similar portrait with data collected in 2003. While not directly comparable to the data gathered for this report, the older figures suggest a very different climate a few years ago than today.

## Trade Credit

Trade credit is often an important aspect of a business-to-business relationship, substituting firm financing for short-term bank credit or other more formal arrangements. It allows one business to call another and have product shipped immediately or a service performed as needed with payment made subsequently, typically at the end of a month, but at times over an extended period. Small business owners, therefore, often find themselves in a position of giving and receiving trade credit.

Two-thirds (66%) of small employers extend trade credit to their customers (Q#14). But circumstances and individual customers dictate the frequency and conditions with which it is given. For example, 32 percent usually give trade credit while another 27 percent give it to customers selectively and 7 percent only when customers ask for it.

Trade credit arrangements facilitate a sizeable portion of business transactions and promote sales. They can also create cash flow problems, particularly when business conditions deteriorate and customers slow their payments. Controlling receivables, that is, collecting outstanding debt and extending it with greater care, becomes critically important under these circumstances, and the present typifies these circumstances.

Since September 1, trade credit has tightened. Businesses have become more wary of lending to one another in this fashion though the slowdown has not taken on the dimensions of large bank refusal to lend short-term money to other banks and even to established and well-managed large businesses. For the most part, small employers report that they have not changed their trade credit policy (70%) (Q#14a), though the policy of 33 percent was not to give trade credit in the first place. Businesses that do business with the consuming public often do not extend credit as a matter of course; think of your local Subway store. Most who did not extend trade credit before September 1, with limited exceptions did not extend it after September 1, either. However, 24 percent tightened trade credit, 10 percent tightening it a lot. Less than 5 percent loosened their trade credit policy, a step businesses might take to boost sales. The upshot is that trade credit is also tightening, though probably not to the extent of more formal credit sources.

The reverse of extending trade credit is receiving trade credit. Though not all firms that give trade credit receive it and vice versa, we would expect the user's perspective to parallel the giver's. That happens. Forty-six (46) percent see no change in trade credit availability between late last summer and the present (Q#15). Thirty (30) percent judge availability to be reduced (tighter), 14 percent a lot, and 3 percent judge it looser. Eighteen (18) percent always pay up-front, typically owners of the smallest businesses, those more accustomed to dealing in cash. As a result, while trade credit continues to flow, it is another form of credit more difficult to obtain in the present than just a few months ago.

## Real Estate

The housing bubble and subsequently falling real estate values triggered much of what is now occurring in the financial markets. Falling real estate values are crucial to small business owners and not just to those in the real estate and construction businesses. The reason is that small employers own disproportionately large amounts of real estate, which is not only a current drag on most balance sheets but, if used as collateral, could require them to add more collateral in order to fulfill the terms of existing debt obligations. Thus far, the need for substantial amounts of additional collateral does not appear necessary. But it looms as does upside-down mortgages, that is, where the amount owed on the mortgage is greater than the property is worth on the open market, and the potential problem of resetting adjustable rate mortgages. No one seems focused on the real estate problem as it affects small business balance sheets and hence the ability to borrow and otherwise operate the firm normally. Yet, real estate is a potentially significant issue for many small business owners that 9 percent indicated was the most important immediate problem associated with the current financial situation.

Ninety-six (96) percent of small employers own real estate. If we divide real estate into three classes, personal residential property, business property, and investment property, 26 percent own at least one property in each of the three classes; another 36 percent own at least one property in two of the three classes. Unfortunately, 11 percent have at least one property that is upside-down.

### *a. Business Real Estate*

Twenty-three (23) percent of small businesses in this sample operate primarily out of the home or an associated structure such as a garage or a barn (Q#16). Residential and business properties in those cases are effectively synonymous. That means 77 percent operate from a commercial or industrial building.

Virtually half of small business owners who operate from a commercial or industrial property (49%) or 38 percent of all small employers own all or part of the building or land on which the business is located (Q#17). Sixty-three (63) percent have a mortgage on that property (Q#17a), 76 percent of which are paid with a fixed interest rate and 23 percent with a variable (Q#17a1). Too few cases had a variable interest rate to determine when they reset. Despite the high proportion with a first mortgage, just 6 percent have a second mortgage (Q#17b). That means only about 3 percent of the entire small business population have a second on business property.

Mortgages on business property typically have been taken out to repay the debt incurred to purchase the firm's building(s) and/or land (80%). But, 19 percent of mortgages (first or second) were taken out on the property to finance other business assets (Q#17d). The nature of those assets or the reason to employ the mortgage for that purpose lies beyond the scope of the survey.

Real estate can often be used to collateralize other business assets and frequently is. Nineteen (19) percent currently use their business property to collateralize the purchase of other business assets (Q#17e). Twelve (12) percent of small business owners, who own their business property and have a mortgage on it, or 3 percent of the population, both mortgaged their firm's property to finance it and to collateralize other business assets with it at the same time.

Six percent of these business properties are upside-down (Q#17c). That translates into about 2 percent of the population holding one or more.

### *b. Personal Residence*

To this point, the information provided by managers of small businesses who are not owners (5 percent of respondents) was incorporated in the results on the assumption that managers have knowledge of the firm's basic finances. But since managers who are not owners do not use their personal residence or their personal real estate investments to support a business of which they are not the owner, their responses to the subsequent questions on personal residences and investment real estate have been omitted.

Ninety-five (95) percent of small business owners own their residence (Q#18). Of that number, 72 percent have a mortgage on the property (Q#18a). Eighty-five (85) percent of those mortgages carry a fixed interest rate while 14 percent, or about 10 percent of the small-employer population, carry a variable (Q#18a1). Variable interest rates reset at an agreed upon point to reflect the change in interest rates. A plurality (26%) of these variables reset annually, but notable variety appears (Q#18a2). For example, 17 percent report a quarterly reset while 25 percent report a reset of two years or more, most in the category being three or five years. Twenty-seven (27) percent or 18 percent of the population have a second mortgage on their home (Q#18b). Variables are considerably more common on seconds than they were on firsts. Fifty-seven (57) percent of those have fixed mortgages and 42 percent variables, though virtually no one (1 percent of the population) has a variable on both. The variables on second mortgages tend to reset more frequently with 31 percent reporting a quarterly reset, but there is substantial variation with nearly one in four (22%) not knowing when it occurs (Q#18b2). However, the number of cases of these data are small (N=52).

Over one in four (26%) took out a mortgage on their home to provide capital for their business (Q#18d). About half of those with a second mortgage helped capitalize their business with one. Meanwhile, 10 percent used their home to collateralize other business assets (Q#18e). That means 22 percent of the small-employer population have their homes financially supporting business assets. Home-based and non-home-based businesses report similar numbers. So much for separating personal and business assets!

Thirteen (13) percent of those with a mortgage or 8 percent of the population have a residence that is upside-down (Q#18c). Four percent or about one-quarter of that group collateralized other business assets with the property and 1 percent of that group took out a mortgage on that property to capitalize the business. The numbers in the total population facing the extreme circumstances of a currently upside-down property being used to finance the venture are quite small, though are sad situations for those facing them.

### *c. Investment Real Estate*

Forty-one (41) percent of small employers own investment real estate, including undeveloped land, commercial or residential buildings or other real estate assets not including their business or home (Q#19). Moreover, a substantial majority (58%) of those with a real estate investment holds more than one such property (Q#19a). Seventy-one (71) percent of those owning businesses with 20 or more employees have two or more.

Since a majority possessed more than one real estate investment, the survey asked respondents to direct their responses to their largest investment. Fifty-two (52) percent have a first mortgage on that investment property (Q#19b). Eighty-six (86) percent of those mortgages carried a fixed rate of interest while 14 percent carried a variable rate (Q#19b1). But just 6 percent held a second on that investment property (Q#19c), not enough cases to determine the type of interest rate they carried.

Investment property is considerably more divorced from the business than is the home. Just 11 percent took out one or more of the mortgages on their largest real estate investment to provide capital for the business (Q#19e). Further, just 5 percent are using this investment real estate to collateralize the purchase of business assets (Q#19f). The reason is not because the property is valueless. Still, 12 percent with a mortgage or 2 to 3 percent of the population claim the property is upside-down (Q#19d).

## Deposits

Late October found rapidly declining public confidence in many financial institutions. To prevent runs on the banks, the federal government took a series of steps to shore depositor confidence and encourage them to keep their funds in place. The two most prominent were increasing federal deposit insurance up to $250,000 per account and for the first time providing deposit insurance on money market mutual funds.

Since September 1, 17 percent of small employers shifted or withdrew deposits, including IRAs and 401(k)s from a financial institution over concern about the financial viability of that institution or the financial system as a whole (Q#20). Not all of it was simply transferred to another institution, however. Thirty-eight (38) percent did redeposit it all elsewhere and another 11 percent redeposited most of it elsewhere (Q#20a). But 34 percent did not redeposit any of it. The questionnaire did not ascertain whether they redeposited it back in the original institution, hid it under the mattress, or did something else with it.

The decision to raise the amount of federal deposit insurance to $250,000 per account did not affect the decisions of two-thirds (67%) of those who shifted or withdrew funds (Q#20b). Those unaffected were just as likely to redeposit all of their funds in a different financial institution as redeposit none of them there. But for 19 percent, it exerted an influence to redeposit funds at one financial institution or another.

The new insurance on money market funds may have been just as important. It encouraged 19 percent to keep their money in them and encouraged another 7 percent to add to them (Q#21). The action had no influence on 69 percent.

## Final Comments

Loan demand and approval rates appear to be substantially lower than just one year ago, leaving a core 10 to 15 percent of small business owners who would like to obtain credit and cannot. The number is not notably larger than in the recent past, but because the pool of potential borrowers is smaller, the percentage is much higher. This group is also likely to have experienced shrinkage of credit available to them through lower limits or adverse changes in other terms on existing loans, lines and credit cards. Most of those experiencing adverse credit outcomes over the last two to three months appear to be financially struggling and their businesses have typically not performed well over the last year or two. However, other factors are associated with credit access, including years in operation and size of principal bank.

The fundamental small business problem remains the poor economy, often abetted by a fall in the value of real estate and the nation's financial turmoil. Reduced credit access is a consequence of recessionary conditions as balance sheets deteriorate and immediate prospects decline. That is not new historically, though many owners and policy-makers appear not to remember credit tightening earlier in the decade and in the early 1990s. What is new, or at least different from recent history, is the financial turmoil and the real estate problems, immersed in the severity of the economic slide, a slide reminiscent of the 1970s and early 1980s rather than more recent times. But recognizing past conditions gives small business owners, who must live in the present, little consolation and often leaves them deeply concerned about their firm's prospects. That concern is not confined to those suffering credit problems.

The major credit issue that emerges from the data presented here is the direct and indirect use of personal residences to procure business assets and its consequences when business conditions deteriorate and real estate values fall. The value of residences is declining and most of them are mortgaged, just less than one in four of small employers own their homes outright. One in four with a mortgage also has a second mortgage, over 40 percent of which have a variable rate loan to finance it. None of this is inherently a problem. But the fact that 13 percent of mortgaged homes are upside-down; nearly one in four owners took out a mortgage for other business purposes; and 10 percent with a home have collateralized it for business purposes, suggest that some homes as well as businesses are in jeopardy under current economic conditions.

Neither business nor investment real estate generates the concern that residential real estate does. Mortgages on either type are less common, particularly on investment real estate, than on residences and were less likely to be taken out to procure other business assets. Second mortgages on them are unusual. Mortgages on business and investment real estate also somewhat less frequently collateralize other business assets. Little business real estate is upside-down, though the proportion of investment real estate in that condition approximates residential, suggesting that investment real estate portfolios consist substantially of residential holdings. To date commercial property values have held up better than residential values and thus far there is little evidence that financial institutions are seeking additional collateral on existing credit arrangements. But should real estate values continue to fall, small business may face its own mark-to-market issue.

Efforts to make additional capital available to small business through directed (encouraged) bank lending or indirectly through government guaranteed lending is not likely to be generally helpful. Unless there is a plan to massively subsidize those loans, firms who most often want credit and cannot now get it are high risk and typically not able to absorb additional debt with reasonable prospects of repaying it. Such action simply saves a few while condemning others to worse circumstances than they otherwise would have encountered, leaving a third party to hold the debt.

The policy response lies elsewhere, in efforts to stimulate the economy in order to instill confidence and generate sales, thereby improving balance sheets and reducing the need to borrow. But a stimulus cannot be a random collection of politically-inspired tax cuts and spending increases, where increased productivity and the job generating potential of wealthier small business owners are neglected. Steps to reduce the excess supply of housing would likely help many small business owners, but the negative consequences of specific actions could easily swamp the laudable objective, as often occurred during the sub-prime debacle. And, a stimulus must be mindful that smaller businesses also struggle during inflationary periods, not just during recessions. The massive expansion of liquidity now in progress with additions expansion intended may abort deflation and its consequences, but will banks use the money to lend or cover losses?

Over the longer term, regulation of the financial system will be reviewed, as it should. However, the threat is the likelihood of overreaction rather than the reverse, recreating a depression-like cartelization of the financial services industry which historically reduced access to credit for small firms, particularly the young and the entrepreneurial. But, that is an issue for later consideration.

# Access to Credit

*(Please review notes at the table's end.)*

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**1. Have the nation's financial problems, which became highly visible in September, affected your business:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Significantly | 35.8% | 27.9% | 22.1% | 33.6% |
| 2. Considerably | 19.2 | 18.6 | 19.5 | 19.2 |
| 3. Somewhat | 20.5 | 24.4 | 29.9 | 21.8 |
| 4. Modestly | 11.0 | 15.1 | 16.9 | 12.0 |
| 5. Not at all | 12.7 | 14.0 | 11.7 | 12.8 |
| 6. (DK/Ref) | 0.8 | — | — | 0.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**2. For your business, is the most important immediate problem associated with the current financial situation caused by:? (If any effect in Q#1.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. An inability to obtain credit | 9.9% | 6.8% | 2.9% | 8.9% |
| 2. Slowing or lost sales | 44.2 | 44.6 | 51.5 | 45.0 |
| 3. Falling real estate values | 10.5 | 4.1 | 2.9 | 9.0 |
| 4. The cost and/or terms of credit | 4.8 | 5.4 | 4.4 | 4.6 |
| 5. The unpredictability of business conditions | 21.7 | 28.4 | 29.4 | 23.1 |
| 6. (Other) | 4.4 | 4.1 | 1.5 | 4.1 |
| 7. (None) | 3.5 | 5.4 | 5.9 | 3.9 |
| 8. (DK/Ref) | 1.1 | 1.4 | 1.5 | 1.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 304 | 174 | 177 | 655 |

**3. For your business, does the immediate financial problem associated with the current financial situation:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Threaten its survival | 26.8% | 21.3% | 20.3% | 25.6% |
| 2. Depress its prospects for the foreseeable future | 16.5 | 16.0 | 15.9 | 16.4 |
| 3. Temporarily set it back | 27.8 | 26.7 | 24.6 | 27.3 |
| 4. Require minor adjustments | 23.3 | 26.7 | 30.4 | 24.4 |
| 5. (None) | 0.4 | 1.3 | 1.4 | 0.6 |
| 6. (DK/Ref) | 5.1 | 8.0 | 7.2 | 5.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 304 | 174 | 177 | 655 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | | Employee Size of Firm | | |

**4. What do you think will be the most serious long-term problem caused by the nation's financial problems that became highly visible in September?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Large tax increases | 16.7% | 21.2% | 19.2% | 17.4% |
| 2. Large cuts in desirable government activities | 2.7 | — | 2.6 | 2.4 |
| 3. Inflation | 9.0 | 8.2 | 3.8 | 8.4 |
| 4. Long period of no or slow economic growth | 37.6 | 41.2 | 38.5 | 38.1 |
| 5. Loss of small business opportunity | 14.3 | 10.6 | 12.8 | 13.7 |
| 6. A more socialized economy | 14.1 | 16.5 | 16.7 | 14.6 |
| 7. No serious long-term problems | 3.2 | 1.2 | 2.6 | 2.9 |
| 8. (DK/Ref) | 2.4 | 1.2 | 3.9 | 2.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**5. Do you strongly support, support, oppose, or strongly oppose the so-called "bail-out" bill that was recently enacted as a means to stabilize the financial situation?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Strongly support | 4.1% | 1.2% | 2.6% | 3.7% |
| 2. Support | 29.6 | 32.6 | 38.5 | 30.8 |
| 3. Oppose | 34.8 | 36.0 | 35.9 | 35.1 |
| 4. Strongly oppose | 24.3 | 24.4 | 17.9 | 23.7 |
| 5. (Not familiar with it) | 1.7 | 1.2 | 1.3 | 1.6 |
| 6. (No opinion) | 3.5 | 3.5 | 1.3 | 3.3 |
| 7. (DK/Ref) | 1.9 | 1.2 | 2.6 | 1.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**6. Since mid-September, did you ATTEMPT to:?**

**A. Finance a vehicle or equipment for your business through a seller of that vehicle or equipment**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 4.8% | 10.5% | 12.8% | 6.2% |
| 2. No | 95.2 | 89.5 | 87.2 | 93.8 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**A1. Were you able to:? (If "Yes" in Q#6A.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Obtain financing with satisfactory terms | —% | —% | —% | 69.4% |
| 2. Obtain financing, but with unsatisfactory terms | — | — | — | 4.1 |
| 3. Were you unable to obtain financing from sellers | — | — | — | 22.4 |
| 4. (DK/Ref) | — | — | — | 4.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 17 | 20 | 25 | 62 |

**B. Get a new line of credit for your business, NOT including credit cards**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 8.1% | 10.5% | 11.5% | 8.7% |
| 2. No | 91.9 | 89.5 | 88.5 | 91.3 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**B1. Were you able to:? (If "Yes" in Q#6B.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Obtain the new line with a satisfactory limit AND terms | —% | —% | —% | 20.6% |
| 2. Obtain the new line, but with unsatisfactory limit OR terms | — | — | — | 8.8 |
| 3. Were you unable to obtain the new line | — | — | — | 69.1 |
| 4. (DK/Ref) | — | — | — | 1.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 29 | 19 | 22 | 70 |

**C. Extend an existing line of credit for your business, NOT including credit cards**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 14.9% | 11.6% | 20.8% | 15.2% |
| 2. No | 85.1 | 88.4 | 79.2 | 84.8 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**C1. Were you able to:? (If "Yes" in Q#6C.)**

| | | | | |
|---|---|---|---|---|
| 1. Extend the line with a satisfactory limit AND terms | 43.2% | —% | —% | 46.7% |
| 2. Extend the line, but with an unsatisfactory limit OR terms | 9.5 | — | — | 10.0 |
| 3. Were you unable to extend the new line | 45.3 | — | — | 40.8 |
| 4. (DK/Ref) | 2.1 | — | — | 2.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 51 | 24 | 41 | 116 |

**D. Get a loan for business purposes from a financial institution**

| | | | | |
|---|---|---|---|---|
| 1. Yes | 11.4% | 17.2% | 20.8% | 13.0% |
| 2. No | 88.6 | 82.8 | 79.2 | 87.0 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D1. Were you able to:? (If "Yes" in Q#6D.)**

| | | | | |
|---|---|---|---|---|
| 1. Obtain the loan with a satisfactory amount AND terms | —% | —% | —% | 37.6% |
| 2. Obtain the loan, but with an unsatisfactory amount or terms | — | — | — | 6.9 |
| 3. Were you unable to obtain the loan | — | — | — | 51.5 |
| 4. (DK/Ref) | — | — | — | 4.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 38 | 33 | 41 | 112 |

**E. Get a credit card or cards for business purposes:?**

| | | | | |
|---|---|---|---|---|
| 1. Yes | 8.3% | 4.7% | 6.4% | 7.7% |
| 2. No | 91.7 | 95.3 | 93.6 | 92.3 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**E1. Were you able to:? (If "Yes" in Q#6E.)**

| | | | | |
|---|---|---|---|---|
| 1. Obtain the card with a satisfactory limit AND terms | —% | —% | —% | 37.6% |
| 2. Obtain the card, but with an unsatisfactory limit OR terms | — | — | — | 6.9 |
| 3. Were you unable to obtain the card | — | — | — | 51.5 |
| 4. (DK/Ref) | — | — | — | 4.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 28 | 10 | 12 | 50 |

**7. Since mid-September, has your business been able to get all of the credit you wanted, most of the credit, some of the credit, or none of the credit you wanted? (If applied for any credit in Q#6A – Q#6E.)**

| | | | | |
|---|---|---|---|---|
| 1. All of the credit wanted | 36.9% | 46.4% | 65.6% | 41.9% |
| 2. Most of the credit wanted | 7.4 | 10.7 | 6.3 | 7.6 |
| 3. Some of the credit wanted | 13.6 | 17.9 | 12.5 | 14.0 |
| 4. None of the credit wanted | 39.2 | 17.9 | 15.6 | 33.5 |
| 5. (DK/Ref) | 2.8 | 7.1 | — | 2.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 96 | 62 | 85 | 243 |

**8. You indicated that you did not try to get any of these types of credit since mid-September. Was that because you did NOT want any credit or was it because you thought you couldn't get the credit even if you tried? (If did NOT apply for any credit in Q#6A – Q#6E.)**

| | | | | |
|---|---|---|---|---|
| 1. Didn't want credit | 86.3% | 84.7% | 93.2% | 86.7% |
| 2. Didn't think you could get credit | 11.9 | 13.6 | 6.8 | 11.7 |
| 3. (DK/Ref) | 1.8 | 1.7 | — | 1.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 254 | 139 | 115 | 508 |

**9. How many financial institutions do you use for business purposes?**

| | | | | |
|---|---|---|---|---|
| 1. One | 28.1% | 37.6% | 34.2% | 29.7% |
| 2. Two | 40.6 | 25.9 | 32.9 | 38.3 |
| 3. Three | 19.0 | 21.2 | 17.1 | 19.1 |
| 4. Four or more | 9.7 | 15.3 | 14.5 | 10.7 |
| 5. (DK/Ref) | 2.7 | — | 1.3 | 2.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**10. Think of your firm's most important financial institution in mid-September. I am going to read you a list of the largest banks in the United States. Please tell me if the PRIMARY financial institution for your business is one of them: Bank of America, JP Morgan/Chase, Wells Fargo, Citibank, Sun Trust, U.S., Region's, BB & T, and National City Bank. Include Wachovia and Washington Mutual, though they are now part of another institution.**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 45.6% | 41.9% | 39.0% | 44.6% |
| 2. No | 53.7 | 58.1 | 61.0 | 54.9 |
| 3. (Don't have primary institution) | 0.3 | — | — | 0.3 |
| 4. (DK/Ref) | 0.6 | — | — | 0.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**10a. Is it one of these: HSBC, World Savings, Key, PNC, Sovereign, Commercia, Union of California, Commerce, North Fork, or Fifth Third? (If "No" or "DK" in Q#10)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 11.8% | 10.0% | 8.5% | 11.3% |
| 2. No | 87.6 | 90.0 | 91.5 | 88.3 |
| 3. (Don't have primary institution) | — | — | — | — |
| 4. (DK/Ref) | 0.6 | — | — | 0.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 190 | 117 | 123 | 430 |

**10b. Is your primary financial institution as of mid-September better described as an Internet bank with virtually no locations like ING, a regional bank with several branches, or a local bank with a few branches at most?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Regional | 30.4% | 29.5% | 27.9% | 30.0% |
| 2. Local | 65.9 | 65.9 | 69.8 | 66.3 |
| 3. Internet | 2.0 | 2.3 | — | 1.8 |
| 4. (Don't have primary institution) | — | — | — | — |
| 5. (DK/Ref) | 1.7 | 2.3 | 2.3 | 1.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 168 | 106 | 112 | 386 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**10c. About how many years have you been a customer of your primary financial institution or a predecessor if it has been merged? An estimate is fine.**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. < 5 years | 19.4% | 11.4% | 19.4% | 18.9% |
| 2. 5 – 9 years | 17.8 | 19.3 | 18.1 | 18.0 |
| 3. 10 – 19 years | 27.6 | 33.7 | 27.8 | 28.4 |
| 4. 20 – 29 years | 20.5 | 15.7 | 19.4 | 19.9 |
| 5. 30 years or more | 14.5 | 19.9 | 15.3 | 15.7 |
| 6. (DK/Ref) | 0.2 | — | — | 0.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 349 | 201 | 199 | 749 |

**11. Does your business currently have a line of credit, NOT including credit cards, with one or more financial institutions?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 54.4% | 66.7% | 70.1% | 57.3% |
| 2. No | 44.9 | 32.2 | 29.9 | 42.1 |
| 3. (DK/Ref) | 0.6 | 1.1 | — | 0.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**11a. How many different lines do you have? (If "Yes" in Q#11.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. One line | 62.5% | 71.4% | 57.7% | 63.0% |
| 2. Two lines | 27.9 | 23.2 | 30.8 | 27.6 |
| 3. Three or more lines | 8.2 | 5.4 | 11.5 | 8.2 |
| 4. (DK/Ref) | 1.5 | — | — | 1.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 192 | 133 | 137 | 462 |

**11a1. Are they at your primary financial institution or are they at different ones?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Same | 63.8% | 73.2% | 69.8% | 65.7% |
| 2. Different | 34.7 | 26.8 | 28.3 | 33.0 |
| 3. (DK/Ref) | 1.5 | — | 1.9 | 1.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 189 | 131 | 136 | 456 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**11b. [Think of your largest credit line.] Since the first of September, has the financial institution changed the size, interest rate, collateral requirements, OR other terms of the line, such as requiring a personal guarantee?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 17.8% | 17.2% | 14.5% | 17.3% |
| 2. No | 74.9 | 77.6 | 81.1 | 76.1 |
| 3. (DK/Ref) | 7.3 | 5.2 | 3.6 | 6.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 192 | 133 | 137 | 462 |

**11b1. What did the institution do? (If "Yes" in Q#11b.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Cut line size | —% | —% | —% | 17.9% |
| 2. Raised interest rate | — | — | — | 26.9 |
| 3. Increased collateral requirements | — | — | — | 11.5 |
| 4. Cut it off, cancelled it | — | — | — | — |
| 5. Required added deposits, aka, "compensating balances" | — | — | — | — |
| 6. Required personal guarantee | — | — | — | 7.7 |
| 7. Cut interest rate | — | — | — | 17.9 |
| 8. (Other) | — | — | — | 15.4 |
| 9. (DK/Ref) | — | — | — | 2.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 34 | 24 | 20 | 78 |

**11b2. How did that decision impact your business? Was it:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Very harmful | —% | —% | —% | 10.7% |
| 2. Harmful | — | — | — | 29.3 |
| 3. More irritating than harmful | — | — | — | 24.0 |
| 4. Of no impact | — | — | — | 32.0 |
| 5. (DK/Ref) | — | — | — | 4.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 33 | 23 | 20 | 76 |

**11c. Was that line held at your primary financial institution?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | —% | —% | —% | 84.6% |
| 2. No | — | — | — | 12.8 |
| 3. (DK/Ref) | — | — | — | 2.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 34 | 24 | 20 | 78 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |

**11d. Did you try successfully to replace it on more favorable terms at a different institution, try unsuccessfully to replace it, or not try to replace it?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Try successfully to replace it | —% | —% | —% | 3.8% |
| 2. Try unsuccessfully to replace it | — | — | — | 19.2 |
| 3. Not try to replace it | — | — | — | 76.9 |
| 4. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 34 | 24 | 20 | 78 |

**12. Does your business currently have a loan, NOT including credit cards, with one or more financial institutions?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 40.7% | 52.3% | 62.3% | 44.1% |
| 2. No | 59.0 | 47.7 | 37.7 | 55.7 |
| 3. (DK/Ref) | 0.3 | — | — | 0.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**12a. With how many different financial institutions do you have loans? (If "Yes" in Q#12.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. One | 61.2% | 53.3% | 48.8% | 58.2% |
| 2. Two | 23.5 | 33.3 | 27.7 | 25.4 |
| 3. Three | 8.2 | 8.9 | 14.9 | 9.2 |
| 4. Four or more | 7.1 | 4.4 | 10.6 | 7.2 |
| 5. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 136 | 105 | 124 | 365 |

**12b. Are they at the same primary financial institution or are they at different ones?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Same | 53.5% | 51.1% | 53.2% | 53.2% |
| 2. Different | 46.5 | 48.9 | 46.8 | 46.8 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 136 | 105 | 124 | 365 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**12c. Since the first of September, have any of these institutions changed any aspect of the loan, including calling it in?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 5.5% | 2.2% | 4.1% | 4.9% |
| 2. No | 93.8 | 97.8 | 95.9 | 94.6 |
| 3. (DK/Ref) | 0.8 | — | — | 0.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 136 | 105 | 124 | 365 |

**13. Do you currently have one or more credit cards that you use for business purposes?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 83.3% | 89.5% | 90.9% | 84.7% |
| 2. No | 16.3 | 10.5 | 9.1 | 15.0 |
| 3. (DK/Ref) | 0.3 | — | — | 0.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**13a. How many different cards do you use for business purposes? (If "Yes" in Q#13.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. One | 44.0% | 39.5% | 39.4% | 43.0% |
| 2. Two | 37.1 | 34.2 | 35.2 | 36.6 |
| 3. Three | 11.7 | 14.5 | 12.7 | 12.1 |
| 4. Four or more | 7.3 | 11.8 | 12.7 | 8.4 |
| 5. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 285 | 180 | 181 | 646 |

**Think of the credit card that is most important in conducting your business.**

**13b. Since the first of September, has the institution changed any aspect of the credit card, including calling it in?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 11.0% | 9.1% | 5.6% | 10.3% |
| 2. No | 87.2 | 89.6 | 91.5 | 88.0 |
| 3. (DK/Ref) | 1.7 | 1.3 | 2.8 | 1.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 285 | 180 | 181 | 646 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**13b1. What did the card issuer do? (If "Yes" in Q#13b.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Cancelled the card | —% | —% | —% | 6.1% |
| 2. Raised the interest rate | — | — | — | 34.8 |
| 3. Lowered the limit | — | — | — | 40.9 |
| 4. Raised the minimum payment | — | — | — | 4.5 |
| 5. Changed the type/ rewards of the card | — | — | — | 3.0 |
| 6. (Other) | — | — | — | 10.6 |
| 7. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 31 | 18 | 9 | 58 |

**13b2. How did that decision impact your business? Was it:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Very harmful | —% | —% | —% | 14.7% |
| 2. Harmful | — | — | — | 30.9 |
| 3. More irritating than harmful | — | — | — | 35.3 |
| 4. Of no impact | — | — | — | 19.1 |
| 5. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 31 | 18 | 9 | 58 |

**For the next questions, please remember that billing or invoicing customers is extending them credit.**

**14. Does your business currently extend credit to customers usually, to customers selectively, to customers who ask for it, OR does it not extend credit to any customer?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Customers usually | 31.1% | 32.6% | 39.0% | 32.0% |
| 2. Customers selectively | 25.4 | 34.9 | 28.6 | 26.7 |
| 3. Customers who ask for it | 6.5 | 6.1 | 9.1 | 6.9 |
| 4. Don't extend credit | 35.9 | 24.4 | 23.4 | 33.4 |
| 5. (DK/Ref) | 1.1 | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**14a. Since September 1, have you tightened your credit policy a lot, tightened it a little, loosened it a little, loosened it a lot, or have you not changed it?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Tightened a lot | 10.5% | 11.5% | 7.8% | 10.3% |
| 2. Tightened a little | 11.4 | 19.5 | 22.1 | 13.4 |
| 3. No change | 71.6 | 64.4 | 66.2 | 70.3 |
| 4. Loosened a little | 2.7 | 2.3 | 1.3 | 2.5 |
| 5. Loosened a lot | 1.7 | 1.1 | 1.3 | 1.6 |
| 6. (DK/Ref) | 2.0 | 1.1 | 1.3 | 1.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**15. Since September 1, have your SUPPLIERS as a group tightened their credit policy a lot, tightened it a little, loosened it a little, loosened it a lot, have not changed it, OR do you always pay at the time of purchase?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Tightened a lot | 14.3% | 14.1% | 6.4% | 13.5% |
| 2. Tightened a little | 15.9 | 18.8 | 17.9 | 16.4 |
| 3. No change | 42.7 | 54.1 | 65.4 | 46.2 |
| 4. Loosened a little | 3.3 | 1.2 | 2.6 | 3.0 |
| 5. Loosened a lot | — | — | — | — |
| 6. Always pay at the time of purchase | 21.1 | 10.6 | 3.8 | 18.3 |
| 7. (DK/Ref) | 2.7 | 1.2 | 2.6 | 2.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**16. Is this business operated primarily from the home, including any associated structures, such as a garage or a barn?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 27.7% | 5.8% | 2.6% | 22.9% |
| 2. No | 72.3 | 94.2 | 97.4 | 77.1 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**17. Do you own all or part of the building or land on which your business is located? (If "No" or "DK" in Q#16).**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 44.6% | 58.0% | 68.4% | 49.3% |
| 2. No | 55.4 | 42.0 | 30.3 | 50.5 |
| 3. (DK/Ref) | — | — | 1.3 | 0.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 252 | 188 | 194 | 634 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**17a. Do you have a mortgage on that property? (If "Yes" in Q#17.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 65.2% | 58.7% | 56.9% | 62.8% |
| 2. No | 34.3 | 41.3 | 43.1 | 36.9 |
| 3. (DK/Ref) | 0.5 | — | — | 0.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 113 | 109 | 132 | 354 |

**17a1. Is the interest rate on that mortgage fixed or variable? (If "Yes" in Q#17a.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Fixed | 74.2% | 84.6% | 75.9% | 75.9% |
| 2. Variable | 23.5 | 15.4 | 24.1 | 22.5 |
| 3. (DK/Ref) | 2.3 | — | — | 1.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 72 | 64 | 76 | 212 |

**17b. Do you have a second mortgage on that property?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 5.3% | 11.5% | 6.9% | 6.4% |
| 2. No | 94.7 | 88.5 | 93.1 | 93.6 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 72 | 64 | 76 | 212 |

**17c. Is the property upside-down, that is, is this property worth LESS on the open market today than the mortgage or mortgages on it?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 5.3% | 11.1% | 3.3% | 5.8% |
| 2. No | 91.7 | 88.9 | 90.0 | 91.1 |
| 3. (DK/Ref) | 3.0 | — | 6.7 | 3.2 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 72 | 64 | 76 | 212 |

**17d. Was one or more of the mortgages taken out on this property to finance other business activities?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 18.8% | 14.8% | 24.1% | 19.0% |
| 2. No | 79.7 | 85.2 | 75.9 | 79.9 |
| 3. (DK/Ref) | 1.5 | — | — | 1.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 72 | 64 | 76 | 212 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |

**17e. Is this property being used to collateralize the purchase of other business assets?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 19.6% | 6.4% | 26.9% | 18.8% |
| 2. No | 78.9 | 93.6 | 71.2 | 79.9 |
| 3. (DK/Ref) | 1.5 | — | 1.9 | 1.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 113 | 109 | 132 | 354 |

**18. Do you own your residence? (If "Owners" in Q#D1.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 94.7% | 94.9% | 94.3% | 94.7% |
| 2. No | 5.3 | 5.1 | 5.7 | 5.3 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 322 | 180 | 178 | 698 |

**18a. Do you have a mortgage on that property? (If "Yes" in Q#18.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 72.6% | 68.9% | 73.1% | 72.3% |
| 2. No | 26.9 | 29.7 | 25.4 | 27.0 |
| 3. (DK/Ref) | 0.5 | 1.4 | 1.5 | 0.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 313 | 172 | 169 | 654 |

**18a1. Is the interest rate on that mortgage fixed or variable? (If "Yes" in Q#18a.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Fixed | 84.7% | 84.3% | 85.7% | 84.8% |
| 2. Variable | 14.3 | 15.7 | 12.2 | 14.2 |
| 3. (DK/Ref) | 1.0 | — | 2.0 | 1.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 228 | 118 | 125 | 471 |

**18a2. Does that interest rate reset quarterly, bi-annually, annually, or some other time?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Monthly | —% | —% | —% | 5.3% |
| 2. Quarterly | — | — | — | 17.3 |
| 3. Bi-annually | — | — | — | 1.3 |
| 4. Annually | — | — | — | 26.7 |
| 5. > 2 years | — | — | — | 25.3 |
| 6. Change in prime | — | — | — | 6.7 |
| 7. Other | — | — | — | 6.7 |
| 8. (DK/Ref) | — | — | — | 10.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 31 | 19 | 15 | 65 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**18b. Do you have a second mortgage on that property?**

| | | | | |
|---|---|---|---|---|
| 1. Yes | 27.1% | 26.9% | 22.4% | 26.7% |
| 2. No | 72.4 | 73.1 | 77.6 | 73.0 |
| 3. (DK/Ref) | 0.5 | — | — | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 228 | 118 | 125 | 471 |

**18b1. Is the interest rate on that mortgage fixed or variable? (If "Yes" in Q#18b.)**

| | | | | |
|---|---|---|---|---|
| 1. Fixed | 58.0% | —% | —% | 56.9% |
| 2. Variable | 42.0 | — | — | 42.3 |
| 3. (DK/Ref) | — | — | — | 0.7 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 60 | 30 | 28 | 118 |

**18b2. Does that interest rate reset quarterly, bi-annually, annually, or some other time?**

| | | | | |
|---|---|---|---|---|
| 1. Monthly | —% | —% | —% | 18.6% |
| 2. Quarterly | — | — | — | 30.5 |
| 3. Bi-annually | — | — | — | 3.4 |
| 4. Annually | — | — | — | 10.2 |
| 5. > 2 years | — | — | — | 1.7 |
| 6. Change in prime | — | — | — | 10.2 |
| 7. Other | — | — | — | 3.4 |
| 8. (DK/Ref) | — | — | — | 22.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 26 | 10 | 16 | 52 |

**18c. Is the property upside-down, that is, is this property worth LESS on the open market today than the mortgage or mortgages on it?**

| | | | | |
|---|---|---|---|---|
| 1. Yes | 13.8% | 5.8% | 8.2% | 12.5% |
| 2. No | 84.3 | 92.3 | 89.8 | 85.6 |
| 3. (DK/Ref) | 2.0 | 1.9 | 2.0 | 2.0 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 228 | 118 | 125 | 471 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |

**18d. Was one or more of the mortgages taken out on this property to provide capital for your business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 27.4% | 23.5% | 16.3% | 25.9% |
| 2. No | 72.2 | 76.5 | 83.7 | 73.7 |
| 3. (DK/Ref) | 0.5 | — | — | 0.4 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 228 | 118 | 125 | 471 |

**18e. Is this property being used to collateralize the purchase of other business assets?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 9.0% | 12.2% | 12.1% | 9.6% |
| 2. No | 90.3 | 87.8 | 87.9 | 89.8 |
| 3. (DK/Ref) | 0.7 | — | — | 0.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 313 | 172 | 169 | 654 |

**19. Do you own investment real estate property, including undeveloped land, commercial or residential buildings, or other real estate assets, NOT including your business or your home? (If "Owner" In Q#D1.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 39.1% | 48.1% | 53.5% | 41.4% |
| 2. No | 60.6 | 50.6 | 45.1 | 58.1 |
| 3. (DK/Ref) | 0.3 | 1.3 | 1.4 | 0.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 332 | 180 | 178 | 690 |

**19a. Do you have one such investment or more than one? (If "Yes" in Q#19.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. One | 42.2% | 47.4% | 28.9% | 42.0% |
| 2. More than one | 56.8 | 52.6 | 71.1 | 58.0 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 132 | 87 | 95 | 314 |

**19b. [Think of the largest single real estate investment you have.] Do you have a mortgage on that property?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 50.4% | 51.4% | 63.2% | 52.1% |
| 2. No | 49.2 | 48.6 | 34.2 | 47.3 |
| 3. (DK/Ref) | 0.4 | — | 2.6 | 0.6 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 132 | 87 | 95 | 314 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**19b1. Is the interest rate on that mortgage fixed or variable? (If "Yes" in Q#19b.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Fixed | 88.2% | —% | 79.2% | 86.4% |
| 2. Variable | 11.8 | — | 20.8 | 13.6 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 66 | 44 | 60 | 170 |

**19c. Do you have a second mortgage on that property?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 5.9% | —% | 4.2% | 6.2% |
| 2. No | 94.1 | — | 95.8 | 93.8 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 66 | 44 | 60 | 170 |

**19d. Is the property upside-down, that is, is this property worth LESS on the open market today than the mortgage or mortgages on it?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 13.4% | —% | 8.3% | 11.7% |
| 2. No | 84.9 | — | 83.3 | 85.8 |
| 3. (DK/Ref) | 1.7 | — | 8.3 | 2.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 66 | 44 | 60 | 170 |

**19e. Was one or more of the mortgages taken out on this property to provide capital for your business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 10.9% | —% | 12.5% | 11.1% |
| 2. No | 89.1 | — | 87.5 | 88.9 |
| 3. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 66 | 44 | 60 | 170 |

**19f. Is this property being used to collateralize the purchase of other business assets?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 4.2% | 5.3% | 10.8% | 5.1% |
| 2. No | 95.3 | 94.7 | 89.2 | 94.5 |
| 3. (DK/Ref) | 0.4 | — | — | 0.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 132 | 87 | 95 | 314 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | | Employee Size of Firm | | |

**20. Since September 1, have you shifted or withdrawn deposits, including IRA or 401(k) accounts, from a financial institution over concern about the financial viability of that institution or the financial system as a whole?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Yes | 16.7% | 17.4% | 14.3% | 16.5% |
| 2. No | 83.3 | 81.4 | 85.7 | 83.4 |
| 3. (DK/Ref) | — | 1.2 | — | 0.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**20a. Did you redeposit all, most, some, or none of those funds in a different financial institution? (If "Yes" in Q#20.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. All | 34.3% | —% | —% | 37.7% |
| 2. Most | 9.5 | — | — | 10.8 |
| 3. Some | 19.0 | — | — | 17.7 |
| 4. None | 37.1 | — | — | 33.8 |
| 5. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 57 | 36 | 27 | 120 |

**20b. Did increasing government insurance on deposits up to $250,000 per account in financial institutions affect your decision to:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Keep deposits in them | 19.0% | —% | —% | 20.9% |
| 2. Add to deposits in them | 8.6 | — | — | 7.8 |
| 3. Withdraw deposits from them | 4.8 | — | — | 4.7 |
| 4. Have no effect on your decisions | 67.6 | — | — | 66.7 |
| 5. (DK/Ref) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 57 | 36 | 27 | 120 |

**21. Did institution of government insurance on money market mutual funds affect your decision to:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Keep deposits in them | 17.3% | —% | —% | 18.6% |
| 2. Add deposits to them | 6.7 | — | — | 7.0 |
| 3. Withdraw deposits from them | 1.0 | — | — | 1.6 |
| 4. Have no effect on your decisions | 70.2 | — | — | 69.0 |
| 5. (Not applicable/Don't use money market mutual funds) | 3.8 | — | — | 3.1 |
| 6. (DK/Ref) | — | — | — | 0.8 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 57 | 36 | 27 | 120 |

**22. If you could give Washington one piece of advice about the current financial situation, what would it be?**

**Representative Samples**

"Start talking positive. There is so much psychology involved."

"Do not bail out anyone."

"Pretty standard -- the objective here is maintaining credit availability at a Main Street level."

"Stimulus package needed."

"Don't raise taxes on small businesses."

"No bail outs. Let them fail."

"Tighten the lending policy. Make sure the underwriting is sound. Consumers have to be able to repay."

"Facilitate and get out of the way."

"Bit more regulation of financial institutions."

"Keep factories here in the United States. We need the work here.

"The bailout? Extend some of that to the smaller guys."

"Lower the taxes against small businesses."

"Prosecute the greedy people."

"I wish they could walk in my shoes. Sometimes, I don't think they really know what it is like."

"Do not bail out struggling, weak businesses that should have been terminated years ago."

"Supervise what needs to be supervised. Don't let it go and hope for the best."

"I think that small businesses are just about taxed to death already."

"They should be accountable for their business decisions just like everybody else."

"It (bail-out) should have been from the bottom up, instead of top down."

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |

## Demographics

**D1. Which best describes your position in the business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Owner/Manager | 90.1% | 84.9% | 80.5% | 88.6% |
| 2. Owner, but not manager | 5.4 | 5.8 | 10.4 | 5.9 |
| 3. Manager, but not owner | 4.5 | 9.3 | 9.1 | 5.4 |
| 4. (DK/Refuse) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D2. Is your primary business activity: (NAICs code)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Agriculture, forestry, fishing | 4.5% | 1.2 % | —% | 3.7% |
| 2. Construction | 11.6 | 16.3 | 15.6 | 12.5 |
| 3. Manufacturing, mining | 8.1 | 12.8 | 11.7 | 9.0 |
| 4. Wholesale trade | 4.9 | 7.0 | 9.1 | 5.6 |
| 5. Retail trade | 17.2 | 16.3 | 14.3 | 16.8 |
| 6. Transportation and warehousing | 3.0 | 1.2 | 3.9 | 2.9 |
| 7. Information | 2.6 | 2.3 | 2.6 | 2.5 |
| 8. Finance and insurance | 4.1 | 4.7 | 1.3 | 3.9 |
| 9. Real estate and rental/leasing | 5.9 | 5.8 | 2.6 | 5.6 |
| 10. Professional/scientific/ technical services | 15.2 | 7.0 | 5.2 | 13.3 |
| 11. Admin. support/waste management services | 4.5 | 5.8 | 5.2 | 4.7 |
| 12. Educational services | 0.5 | — | — | 0.4 |
| 13. Health care and social assistance | 3.5 | 5.8 | 5.2 | 3.9 |
| 14. Arts, entertainment or recreation | 1.1 | — | 1.3 | 1.0 |
| 15. Accommodations or food service | 5.4 | 8.1 | 20.8 | 7.2 |
| 16. Other service, incl. repair, personal service | 7.5 | 5.8 | 1.3 | 6.7 |
| 17. Other | 0.3 | — | — | 0.3 |
| 18. (DK/Refuse) | — | — | — | — |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | Employee Size of Firm | | | |
|---|---|---|---|---|
| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |

**D3. Over the last two years, have your real volume sales:?**

| | | | | |
|---|---|---|---|---|
| 1. Increased by 30 percent or more | 10.0% | 7.0% | 13.0% | 10.0% |
| 2. Increased by 20 to 29 percent | 7.3 | 11.6 | 9.1 | 8.0 |
| 3. Increased by 10 to 19 percent | 16.2 | 24.4 | 33.8 | 18.8 |
| 4. Increased by < 10 percent | 13.0 | 14.0 | 11.7 | 13.0 |
| 5. (No change) | 4.8 | 7.0 | 1.3 | 4.7 |
| 6. Decreased by < 10 percent | 11.3 | 9.3 | 9.1 | 10.9 |
| 7. Decreased by more than 10 percent | 34.8 | 23.3 | 20.8 | 32.2 |
| 8. (DK/Refuse) | 2.5 | 3.5 | 1.3 | 2.5 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D4. How long have you operated this business?**

| | | | | |
|---|---|---|---|---|
| 1. < 6 years | 19.4% | 12.6% | 11.7% | 17.9% |
| 2. 6 – 10 years | 16.2 | 16.1 | 22.1 | 16.8 |
| 3. 11 – 20 years | 31.0 | 27.6 | 24.7 | 30.0 |
| 4. 21 – 30 years | 20.0 | 23.0 | 22.1 | 20.6 |
| 5. 31+ years | 12.6 | 19.5 | 18.2 | 13.9 |
| 6. (DK/Refuse) | 0.8 | 1.1 | 1.3 | 0.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D5. What is your highest level of formal education?**

| | | | | |
|---|---|---|---|---|
| 1. < H.S. | 2.2% | 1.2% | 1.3% | 2.0% |
| 2. H.S. diploma/GED | 20.0 | 16.5 | 13.0 | 19.0 |
| 3. Some college or associate's degree | 23.7 | 25.9 | 23.4 | 23.9 |
| 4. Vocational or technical school degree | 4.3 | — | — | 3.4 |
| 5. College diploma | 27.5 | 41.2 | 44.2 | 30.6 |
| 6. Advanced or professional degree | 21.3 | 15.3 | 16.9 | 20.2 |
| 7. (DK/Refuse) | 1.0 | — | 1.3 | 0.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 353 | 203 | 201 | 757 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |

**D6. Please tell me your age**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. < 25 years | 0.3% | —% | —% | 0.3% |
| 2. 25 – 34 years | 4.9 | 4.7 | 3.9 | 4.8 |
| 3. 35 – 44 years | 16.7 | 17.4 | 23.4 | 17.4 |
| 4. 45 – 54 years | 34.2 | 31.4 | 28.6 | 33.4 |
| 5. 55 – 64 years | 32.5 | 30.2 | 31.2 | 32.1 |
| 6. 65+ years | 10.4 | 15.1 | 10.4 | 10.9 |
| 7. (Refuse) | 1.0 | 1.2 | 2.6 | 1.1 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D7. What is the zip code of your business?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. East (zips 010-219) | 19.1% | 17.4% | 15.4% | 18.5% |
| 2. South (zips 220-427) | 21.6 | 23.3 | 23.1 | 21.9 |
| 3. Mid-West (zips 430-567, 600-658) | 26.7 | 22.1 | 28.2 | 26.4 |
| 4. Central (zips 570-599, 660-898) | 20.7 | 24.4 | 20.5 | 21.1 |
| 5. West (zips 900-999) | 10.8 | 10.5 | 11.5 | 10.8 |
| 6. (DK/Refuse) | 1.1 | 2.3 | 1.3 | 1.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D8. Urbanization (Derived from zip code.)**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Highly Urban | 12.2% | 10.5% | 13.2% | 12.1% |
| 2. Urban | 20.2 | 18.6 | 18.4 | 19.8 |
| 3. Fringe Urban | 18.6 | 20.9 | 23.7 | 19.3 |
| 4. Small Cities/Towns | 20.3 | 20.9 | 23.7 | 20.7 |
| 5. Rural | 23.7 | 22.1 | 14.5 | 22.6 |
| 6. (Not Known) | 4.9 | 7.0 | 6.6 | 5.3 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| | Employee Size of Firm | | | |

**D9. Compared to your competitors over the last three years, do you think the overall performance of your business in terms of sales and net profits makes it a:?**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. High performer | 16.3% | 22.4% | 31.6% | 18.5% |
| 2. Somewhat high performer | 21.7 | 21.2 | 29.1 | 22.4 |
| 3. Moderate performer | 43.8 | 41.2 | 29.1 | 42.1 |
| 4. Somewhat low performer | 4.3 | 3.5 | 1.3 | 5.9 |
| 5. Low performer | 10.2 | 5.9 | 5.1 | 9.2 |
| 6. (Haven't been in business three years) | — | — | — | — |
| 7. (DK/Refuse) | 3.6 | 5.9 | 3.8 | 3.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

**D10. Sex**

| | 1-9 emp | 10-19 emp | 20-249 emp | All Firms |
|---|---|---|---|---|
| 1. Male | 81.1% | 83.7% | 88.3% | 82.1% |
| 2. Female | 18.9 | 16.3 | 11.7 | 17.9 |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |
| N | 350 | 201 | 200 | 751 |

## Table Notes

1. All percentages appearing are based on **weighted** data.
2. All "Ns" appearing are based on **unweighted** data.
3. Data are not presented where there are fewer than 50 unweighted cases.
4. ( )s around an answer indicate a volunteered response.

**WARNING** – When reviewing the table, care should be taken to distinguish between the percentage of the population and the percentage of those asked a particular question. Not every respondent was asked every question. All percentages appearing on the table use the number asked the question as the denominator.

# Appendix Tables

**Appendix Table 1**

## Summary Results of Regression for Predictors of Access to Capital (Q#7)

| Predictors | B | Std. Err. | Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 3.241 | .392 | | 8.264 | .000 |
| Bus. Age (log of) (Q#D4) | -.865 | .214 | -.230 | -4.032 | .000 |
| Change in Sales, Last 2 Years (Q#D3) | .112 | .039 | .188 | 2.886 | .004 |
| Comparative Bus. Performance (Q#D9) | -.203 | .069 | -.182 | -2.920 | .004 |
| # of Mortgages to Fin. Other Bus. Assets (Q#17d, Q#18d, and Q#19e) | .314 | .136 | .133 | 2.308 | .022 |
| # of Upside-Down Mortgages (Q#17c, Q#18c, and Q#19d) | .789 | .163 | .292 | 4.829 | .000 |

*$R^2$ = .310*

*SEE = 1.128*

*F = 19.927*

*N=234*

**Appendix Table 2**

## Summary of Logistic Regression for Predictors of Discouraged Borrowers (Q#8)

| Predictors | B | Std. Err. | Wald | Sig. | Exp(B) |
|---|---|---|---|---|---|
| (Constant) | -2.586 | .627 | 17.028 | .000 | .075 |
| Change in Sales, Last 2 Years (Q#D3) | .232 | .076 | 9.272 | .002 | 1.261 |
| Comparative Bus. Performance (Q#D9) | -.297 | .125 | 5.647 | .017 | .743 |
| # of Mortgages to Fin. Other Bus. Assets (Q#17d, Q#18d, and Q#19e) | 1.290 | .282 | 20.897 | .000 | 3.631 |
| # of Upside-Down Mortgages (Q#17c, Q#18c, and Q#19d) | .755 | .339 | 4.946 | .026 | 2.127 |
| Real Estate Used as Bus. Collateral (Q#17e, Q#18e, and Q#19f) | -1.074 | .553 | 3.774 | .052 | .342 |

*-2 Log likelihood = 348.267*

*Cox & Snell $R^2$ = .085*

*Nagelkerke $R^2$ = .165*

*N = 498*

# Data Collection Methods

The data for this survey report were collected for the NFIB Research Foundation by the executive interviewing group of The Gallup Organization. The interviews for this edition of the *Poll* were conducted between October 22, 2008 - November 17, 2008 from a sample of small employers. "Small employer" was defined for purposes of this survey as a business owner employing no fewer than one individual in addition to the owner(s) and no more than 249.

The sampling frame used for the survey was drawn at the Foundation's direction from the files of the Dun & Bradstreet Corporation, an imperfect file but the best currently available for public use. A random stratified sample design is typically employed to compensate for the highly skewed distribution of small business owners by employee size of firm (Table A1). Almost 60 percent of employers in the United States employ just one to four people meaning that a random sample would yield comparatively few larger, small employers to interview. Since size within the small business population is often an important differentiating variable, it is important that an adequate number of interviews be conducted among those employing more than 10 people. The interview quotas established to achieve these added interviews from larger, small business owners are arbitrary but adequate to allow independent examination of the 10-19 and 20-249 employee size classes as well as the 1-9 employee size group.

**Table A1**

## Sample Composition Under Varying Scenarios

| | Expected from Random Sample* | | Obtained from Stratified Random Sample | | | |
|---|---|---|---|---|---|---|
| **Employee Size of Firm** | **Interviews Expected** | **Percent Distribution** | **Interview Quotas** | **Percent Distribution** | **Completed Interviews** | **Percent Distribution** |
| 1-9 | 593 | 79 | 350 | 47 | 350 | 46 |
| 10-19 | 82 | 11 | 200 | 27 | 201 | 27 |
| 20-249 | 75 | 10 | 200 | 27 | 200 | 27 |
| All Firms | 750 | 100 | 750 | 101 | 751 | 100 |

* *Sample universe developed from the Bureau of the Census (2002 data) and published by the Office of Advocacy at the Small Business Administration.*

# Previous Publications in This Series

# The Sponsor

The **NFIB Research Foundation** is a small business-oriented research and information organization affiliated with the National Federation of Independent Business, the nation's largest small and independent business advocacy organization. Located in Washington, DC, the Foundation's primary purpose is to explore the policy-related problems small business owners encounter. Its periodic reports include *Small Business Economic Trends, Small Business Problems and Priorities*, and now the *National Small Business Poll.* The Foundation also publishes ad hoc reports on issues of concern to small business owners.


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