

# MEMO

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FULL

To: Vivek Varma, Starbucks

From: Mark Pinsky, President & CEO

Date: August 30, 2012

Re: **Evidence of Unmet Demand for Small Business Financing**

In response to your request for data on unmet demand for small business financing, my team at OFN pulled together some data. The first section presents recently announced data from familiar sources. The second section, incorporating data provided by the Small Business Administration (SBA) to OFN today, drills down a little bit, using publicly available FDIC data. Finally, I cite some data from OFN's "Market Conditions Report," our quarterly survey of market conditions. The sample size is modest, but it is far and away the best data on CDFI market conditions. For what it's worth, Federal Reserve Board Chairman Ben Bernanke has cited "Market Conditions Report" in speeches.

I hope this is at least a start on what you need. Please let me know if you need additional information.

## Recent Data

- **NYSE Survey of Small Business Credit:** "Nearly half of the 285 U.S. small business owners surveyed in a [poll](#) (pdf) released this week by the New York Stock Exchange (NYX) say they have marginal or no access to the capital they need to expand their businesses. **As a consequence, two-thirds of them do not expect to add jobs in 2013.**" (emphasis added)

Source: <http://www.businessweek.com/articles/2012-08-30/boosting-the-odds-of-landing-business-credit>

- **Federal Reserve Bank of New York's Small Business Borrowers Poll** of 544 businesses released earlier this month shows that of those companies (in the NY Fed's footprint) that did apply for credit, a majority got some financing, but only 13 percent got the full amount they requested. In addition, banks in the New York Fed's region are still hesitant to offer loans, particularly loans less than \$100,000.

Sources: [http://www.newyorkfed.org/newsevents/news/regional\\_outreach/2012/an120813.html](http://www.newyorkfed.org/newsevents/news/regional_outreach/2012/an120813.html) (press release) and <http://www.newyorkfed.org/smallbusiness/2012/> (full report)

- **Federal Reserve Bank of SF:** Small bank portfolios of business loans under \$1 million (in the SF Fed's footprint) are shrinking, according to a **Federal Reserve Bank of San Francisco report**. About one in seven small businesses uses credit from a small bank.

Source: <http://www.frbsf.org/publications/economics/letter/2012/el2012-26.html>.

## SBA Data

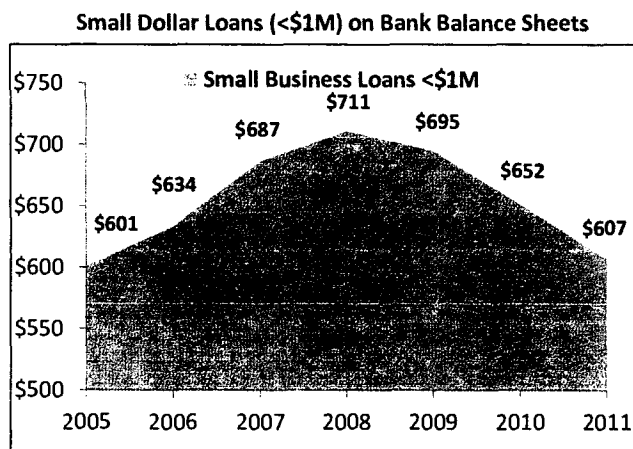
The SBA runs multiple programs to subsidize and support small business lending. In June, OFN hosted a Small Business Finance Forum that featured the SBA to help it try to get traction in small business lending. The reasons? See the data below, which was provided directly to OFN today but which has been presented publicly, as well.



**Small dollar loans (<\$1mm) on bank balance sheets (Source: FDIC)**

Fell \$108B or 15% from 2008 – 2011 and fell approximately \$120B since 2008, down 20% (based on projected FY2012 results)

From June 2010 → June 2011, the value of all small business loans decreased by \$45.3 billion or 6.9%, compared with a decrease of 6.2% from June 2009 to June 2010.

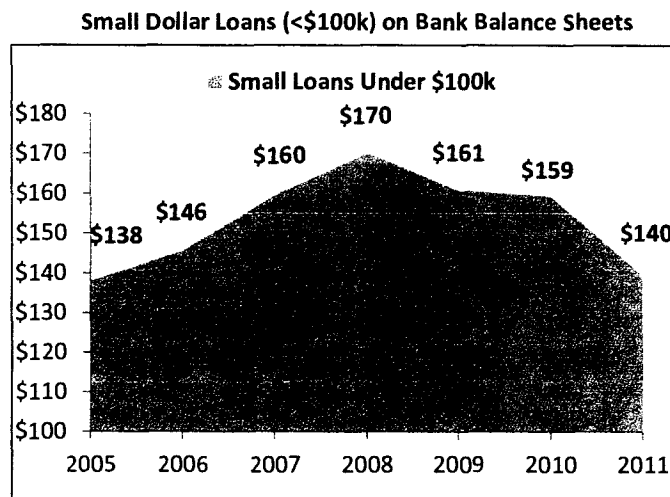


Source: FDIC Call Report Data. Latest data available is the end of 2011.

**Loans under \$100,000 (on bank balance sheets; Source FDIC):**

Declined by 18% (\$30bb) since 2008.

From 2010 to 2011, loans under \$100,000 declined by \$17.4bb, a 13% decline. Overall, loans under \$250k are down over \$60B since 2008.





**OFN's Market Conditions Report Highlights for CDFIs that Lend Primarily to Small Businesses**

**Demand:** From the third quarter 2009 through the fourth quarter 2011, in all but three quarters, 50% or more respondents reported that the number of financing applications received was higher year over year.

**Originations:** During the same period, in all but two quarters, 45% or more respondents originated more loans year over year.