

**Federal Reserve System  
Community Development Research Conference**

**Loan Availability Among Small Businesses Operating in  
Minority Communities**

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**April 11, 2013**

## **Table 1: Small Firms Filing Loan Applications with Financial Institutions: Approvals**

<b>Always approved:</b>	<b><u>2007-2008</u></b>	<b><u>2009-2010</u></b>
<b>Minority neighborhood firms</b>	<b>66.0%</b>	<b>45.7%</b>
<b>White neighborhood firms</b>	<b>67.0%</b>	<b>59.5%</b>

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## **Table 2: Small Firms Filing Loan Applications with Financial Institutions: Denials**

<b>Always denied:</b>	<b><u>2007-2008</u></b>	<b><u>2009-2010</u></b>
<b>Minority neighborhood firms</b>	<b>10.3%</b>	<b>29.8%</b>
<b>White neighborhood firms</b>	<b>16.8%</b>	<b>25.7%</b>

### **Table 3: Percentage of All Firms Applying for Loans from Financial Institutions, 2007-2010**

<b>% loan applicants:</b>	<b><u>2007-2008</u></b>	<b><u>2009-2010</u></b>
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<b>Minority neighborhood</b>		
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<b>firms</b>		
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	<b>12.8%</b>	
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		<b>15.2%</b>
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<b>White neighborhood firms</b>		
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	<b>11.4%</b>	
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		<b>10.2%</b>
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## **Table 4: Percentage of Firms Needing Credit but Not Applying Fearing Denial: Discouraged Borrowers**

<b>% Discouraged Borrowers:</b>	<b><u>2007-2008</u></b>	<b><u>2009-2010</u></b>
<b>Minority neighborhood firms</b>	<b>26.4%</b>	<b>30.3%</b>
<b>White neighborhood firms</b>	<b>15.9%</b>	<b>18.9%</b>

**Table 5: Loan Application Approval Rates: Comparing Minority-versus White-Owned Firms**

<b><u>Always approved:</u></b>	<b><u>2007-2008</u></b>	<b><u>2009-2010</u></b>
<b>Minority-owned firms</b>	<b>47.0%</b>	<b>41.0%</b>
<b>White-owned firms</b>	<b>70.2%</b>	<b>59.3%</b>
<b><u>Always denied:</u></b>		
<b>Minority-owned firms</b>	<b>27.8%</b>	<b>35.8%</b>
<b>White-owned firms</b>	<b>12.8%</b>	<b>24.2%</b>

## **Table 6: Identifying Discouraged Borrowers: Regression Analysis**

	<u><b>Coefficient</b></u>
<b>Minority neighborhood</b>	<b>.295*</b>
<b>Minority owner</b>	<b>.410*</b>
<b>Minority neighborhood*minority owner</b>	<b>-.266</b>
<b>2008</b>	<b>.130</b>
<b>2009</b>	<b>.197*</b>
<b>2010</b>	<b>.125</b>
<b>Owner wealth: high</b>	<b>-.730*</b>
<b>Owner wealth: medium</b>	<b>-.334*</b>
<b>Credit rating: high</b>	<b>-.455*</b>
<b>Credit rating: medium</b>	<b>-.456*</b>

**\* Statistically significant**

## **Table 7: Loan Application Outcomes: Always Approved -- Regression Analysis**

	<u>Coefficient</u>
<b>Minority neighborhood</b>	<b>-.368*</b>
<b>Minority owner</b>	<b>-.897*</b>
<b>Minority neighborhood*minority owner</b>	<b>.945*</b>
<b>2008</b>	<b>-.213</b>
<b>2009</b>	<b>-.393*</b>
<b>2010</b>	<b>-.417*</b>
<b>Owner wealth: high</b>	<b>.730*</b>
<b>Owner wealth: medium</b>	<b>.438*</b>
<b>Credit rating: high</b>	<b>.678*</b>
<b>Credit rating: medium</b>	<b>.503*</b>

**\* Statistically significant**

**Table 8: Loan Application Outcomes: Always Approved -- Regression Analysis**

	<u>Minority Areas</u>	<u>Other Areas</u>
	<u>Coefficient</u>	<u>Coefficient</u>
Minority owner	-.206	-.879*
2008	-.821	-.045
2009	-1.169*	-.229
2010	-.598	-.445
Owner wealth: high	.469	.845*
Owner wealth: med.	.711	.322
Credit rating: high	.329	.867*
Credit rating: med.	.368	.569*

\* Statistically significant