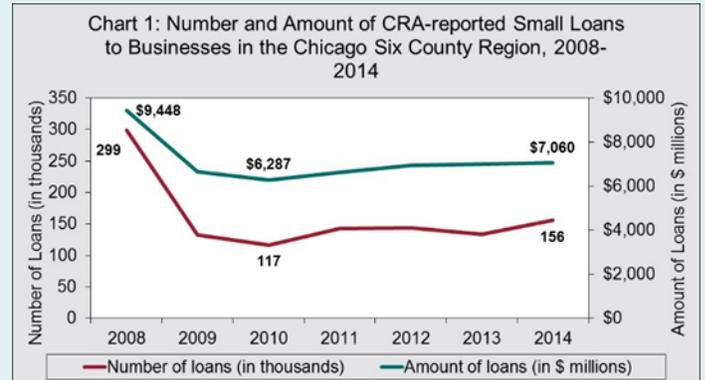
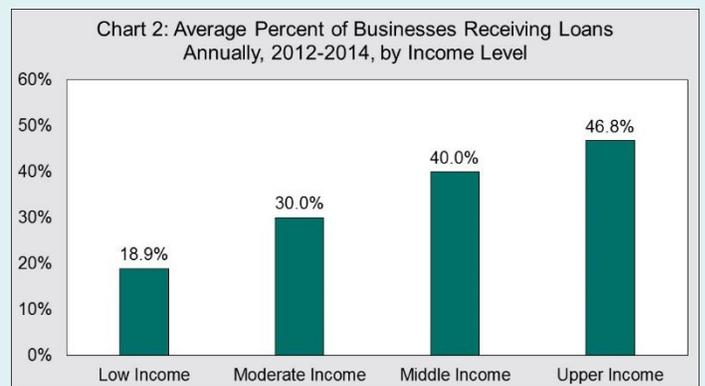


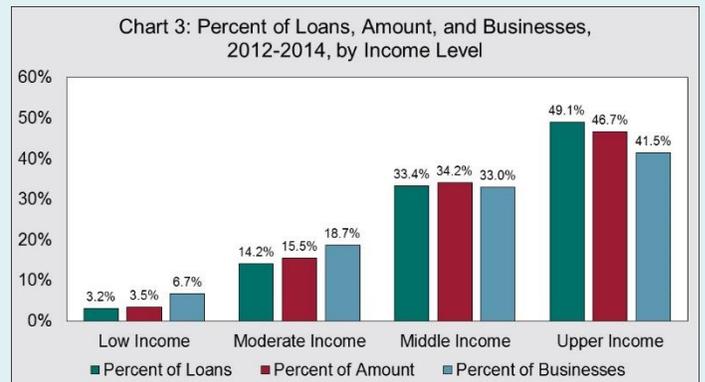
The number and amount of small business loans¹ decreased dramatically between 2008 and 2010, and lending has only recovered a fraction of that decrease.



On average, over 40 percent of businesses in middle- and upper-income census tracts² received loans, while less than half as many in low-income census tracts received loans. Four out of five businesses in low-income census tracts did not receive any loan, line of credit, or even a credit card.



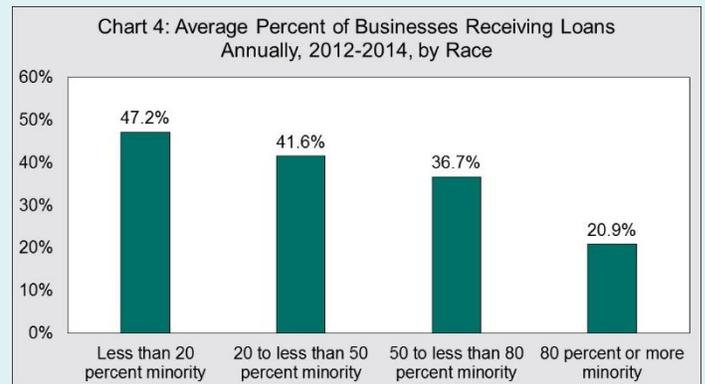
Businesses in low-income tracts constitute 6.7 percent of businesses in the region, but they received 3.2 percent of all loans. Businesses in moderate-income tracts constitute 18.7 percent of businesses, but they received only 14.2 percent of all loans.



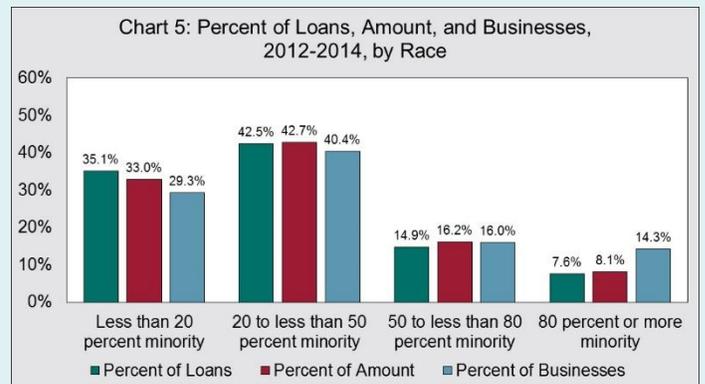
If loans had been made in proportion to the number of businesses in the census tract, businesses in low- and moderate-income census tracts would have received nearly 35,000 more loans, amounting to over \$1.34 billion in loans, lines of credit and credit card limits, than they actually received from the banks reporting under the Community Reinvestment Act (CRA) between 2012 and 2014.

¹ Data sources: Community Reinvestment Act small business loan reports, 2008-2014. “Loans includes loans, lines of credit & cards.
² Data sources for all of the remaining charts are: CRA reports, 2012-2014; HUD/USPS vacancy data; income and racial composition data from the Federal Financial Institutions Examination Council, and author’s calculations.

Businesses in predominantly minority census tracts, (those with minority population of 80 percent or more), were less than half as likely to have received loans as businesses in census tracts that were majority white.



Businesses in tracts that are 80 percent or more minority constitute 14.3 percent of businesses in the region, but they received only 7.6 percent of all loans. Businesses in tracts that are between 50- and 80-percent minority constitute 16.0 percent of businesses, but they received only 14.9 percent of all loans.



If loans had been made in proportion to the number of businesses in the census tract, businesses in majority minority census tracts would have received just over 34,000 more loans, amounting to over \$1.26 billion in loans, lines of credit and credit card limits, than they actually received from the banks reporting under CRA between 2012 and 2014.

In the vacuum left by the lack of access to small business loans from banks, alternative lenders have moved in, including online lenders and merchant cash advance businesses, offering high cost capital that can drain resources from small businesses. For example, Woodstock Institute analyzed the terms of one loan from OnDeck, one of the larger online lenders. The terms were:

- Loan amount: \$17,550
- Origination fee: \$450
- Total loan: \$18,000
- Total repayment amount: \$18,000 in principal, \$6,661 in interest
- Payments: 252 payments of \$97.86 every business day (Monday through Friday, except holidays)

The annual interest rate that yields the interest and payment schedule: 69.25%, based on an \$18,000 loan but that annual interest rate is not provided anywhere on the form disclosing the loan and repayment terms.