Access to Capital and Credit in Appalachia and the Impact of the Financial Crisis and Recession on Commercial Lending and Finance in the Region

Final Report

July 2013

Prepared for:

Appalachian Regional Commission
1666 Connecticut Avenue NW
Suite 700
Washington, DC 20009-1068

Contract No. CO-16929-11

Prepared by:

Josh Silver, Vice President of Research & Policy
Archana Pradhan, Senior Research Analyst
National Community Reinvestment Coalition
Washington, DC 20005

Spencer M. Cowan, Vice President
Woodstock Institute
Chicago, Illinois 60602

Acknowledgements:

The Appalachian Regional Commission (ARC) contracted with the National Community Reinvestment Coalition (NCRC) to complete this study. NCRC subcontracted with the Woodstock Institute for portions of the study dealing with Community Development Financial Institutions (CDFIs), alternative financial institutions and publicly supported financing programs, and equity financing. Keith Witt, GIS specialist at the Appalachian Regional Commission; Ray Daffner, manager of the Entrepreneurship Initiative at ARC; and Ray Christman, advisor to the ARC federal co-chairman, provided project management, data mapping support, and editorial oversight. The ARC Capital Policy Initiative Advisory Committee reviewed and provided comments on the report draft.

TABLE OF CONTENTS

Executive Summary 13

Recommendations 14

Major Themes and Summary of Key Findings 17

PREFACE: MAPS OF APPALACHIA 27

CHAPTER 1 SMALL BUSINESS LENDING TRENDS IN APPALACHIA COMPARED TO THE UNITED STATES 33

1.1 Summary 33

1.2 Introduction 34

1.3 Trends within Appalachia 36

1.3.1 All Small Business Loans 36

1.3.2 Lending Trends for the Smallest Businesses 45

1.3.3 Small Business Lending in Low- and Moderate-Income Tracts 52

1.3.4 Credit Card Lending 58

1.3.5 Relationship between Lending and Bank Branches 66

1.3.6 Spatial Patterns of Lending 67

CHAPTER 2 LOAN DEMAND IN APPALACHIA 69

2.1 Introduction and Summary 69

2.2 Pepperdine Capital Access Index 70

2.2.1 Description of Sample Size 70

2.2.2 Demand for External Financing 77

2.2.3 Accessibility/Success Rate 85

2.2.4 Expected Future Demand 90

2.2.5 Summary of Pepperdine Results 94

2.3 Kauffman Firm Survey 95

2.3.1 Description of Sample Size 95

2.3.2 Demand for Financing 101

2.4 Comparing Pepperdine and Kauffman Surveys 105

2.5 Conclusion 105

CHAPTER 3 FINANCIAL INDUSTRY IN APPALACHIA 107
3.1 Summary 107
3.2 Distribution of Banks by Asset Size 108
3.3 Branching Patterns, Loan to Deposit Ratios, and Loans per Branch 117
3.4 Distribution of Credit Unions across Appalachia and the United States 128
CHAPTER 4 CRA INVESTING AND COMMUNITY DEVELOPMENT LENDING OF BANKS BASED IN APPALACHIA 131
4.1 Summary 131
4.2 Introduction 132
4.3 Large Banks – Investment and Community Development Lending 132
4.4 Mid-Size Banks – Investment and Community Development Lending 136
4.5 Total Investment and Community Development Lending Levels 138
4.6 Examples of Small Business Financing 138
4.7 Community Development Financing by County Classification 139
CHAPTER 5 SMALL BUSINESS ADMINISTRATION (SBA) LENDING 143
5.1 Summary 143
5.2 Small Business Administration (SBA) 7a Lending 144
5.2.1 SBA 7a Lending to Minority-Owned businesses 150
5.3 SBA 504 Lending 154
CHAPTER 6 DEVELOPMENT LENDING – TREASURY CDFIs, New Markets Tax Credit CDEs, MICROCREDIT LENDERS (SBA) IN APPALACHIA 159
6.1 Summary 159
6.2 Introduction 160
6.3 Distribution of Loans 162
6.4 Numbers and Types of CDFIs with Headquarters in Appalachia 165
6.5 CDFI Lending in Appalachia 169
6.6 Types of Borrowers 172
6.7 Loan Purpose 179
6.8 New Markets Tax Credit Investments in Appalachia 186
6.9 Microloans 190
CHAPTER 7 REVOLVING LOAN FUNDS 193
7.1 Summary 193

7.2 Introduction 193
7.3 ARC-Funded Revolving Loan Funds 194
7.4 Economic Development Administration Funded Revolving Loan Funds 199
CHAPTER 8 EQUITY INVESTORS 203
8.1 Summary 203
8.2 Venture Capital Funds and Angel Investors 203
8.2.1 Venture Capital Funds 203
8.2.2 Angel investors 213
CHAPTER 9 LITERATURE REVIEW 215
9.1 Summary 215
9.2 Introduction 215
9.3 Why is Lending to Small Businesses Important? 216
9.4 Small Businesses and the Great Recession 217
9.5 Supply and Demand Barriers to Acquiring Loans 218
9.6 Relationship and Transactional Lending 219
9.7 Bank Branches and Lending 220
9.8 Impacts of Consolidation 221
9.9 Discrimination 222
9.10 CDFIs 224
9.11 Venture Funds 225
9.12 Revolving Loan Funds 226
9.13 Angel Investors 227
9.14 Policy Recommendations for Rural Small Business Development 228
Appendix: 231
Table A: Ratios and Indices, 2007 231
Table B: Ratios and Indices, 2010 245

List of Figures:

Figure 1-1: Percent of Small Businesses Receiving Loans in Appalachia and US 35
Figure 1-2: Ratio of Small Business Loans to Small Businesses by Region 37
Figure 1-3: Ratio of Small Business Loans to Small Businesses by County Type 38
Figure 1-4: Ratio of Small Business Loans to Small Businesses by Economic Status 38
Figure 1-5: Ratio of Number of Small Business Loans to Small Businesses by State 41
Figure 1-6: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by Region 46
Figure 1-7: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by County Type 46
Figure 1-8: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by Economic Status 47
Figure 1-9: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by State 50
Figure 1-10: Ratio of Small Business Loans to Total Businesses in LMI Tracts by Region 53
Figure 1-11: Ratio of Small Business Loans to Total Businesses in LMI Tracts by County Type 53
Figure 1-12: Ratio of Small Business Loans to Total Businesses in LMI Tracts by Economic Status 53
Figure 1-13: Ratio of Small Business Loans to Total Businesses in LMI Tracts by State 56
Figure 1-14: Credit Card Market Share by Region 60
Figure 1-15: Credit Card Market Share by County Type 60
Figure 1-16: Credit Card Market Share by Economic Status 60
Figure 1-17: Credit Card Market Share by State 63
Figure 2-1: Pepperdine Respondents Compared to Appalachian Businesses by Revenue Size 72
Figure 2-2: Pepperdine Respondents Compared to National Businesses by Revenue Size 72
Figure 2-3: Details about the Respondents, by Number of Employees 73
Figure 2-4: Details about the Respondents, by Firm Age 73
Figure 2-5: Details about the Respondents, by Industry 74
Figure 2-6: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by Region 75
Figure 2-7: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by County Type 75
Figure 2-8: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by Economic Status 75
Figure 2-9: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by Appalachian States 76
Figure 2-10: Percentage of Respondents Who Attempted to Raise Outside Financing in the Last Three Months 79
Figure 2-11: Percentage of Respondents Who Attempted to Raise Outside Financing in the Last Three Months, National Revenue Breakouts 79
Figure 2-12: Reasons for Businesses Not Attempting to Raise External Financing (Multiple Selections) 80
Figure 2-13: Reasons for Businesses Not Attempting to Raise External Financing (Multiple Selections), National Revenue Breakouts 80

Figure 2-14: Percentage Indicating “Yes” to “Is the current business financing environment restricting…” 81
Figure 2-15: Percentage Indicating “Yes” to “Is the current business financing environment restricting…,” National Revenue Breakouts 81
Figure 2-16: Is it Difficult or Easy to Raise New External Financing? 82
Figure 2-17: Is it Difficult or Easy to Raise New External Financing? National Revenue Breakouts 82
Figure 2-18: Strength of Demand for Financing 83
Figure 2-19: Strength of Demand for Financing, National Revenue Breakouts 83
Figure 2-20: Demand for Financing by Purpose and Size 84
Figure 2-21: Demand for Financing by Purpose and Size, National Revenue Breakouts 84
Figure 2-22: Financing Success Rates by Type and Business Size for Prior Three Months 86
Figure 2-23: Financing Success Rates by Type and Business Size for Prior Three Months, National Revenue Breakouts 86
Figure 2-24: Financing Success Rates by Type and Business Size for Prior Three Months, Appalachian Revenue Breakouts 87
Figure 2-25: Percentage of Owners Who Transferred Personal Assets to Business over Prior Six Months 88
Figure 2-26: Percentage of Owners Who Transferred Personal Assets to Business over Prior Six Months, National Revenue Breakouts 88
Figure 2-27: Type of Personal Assets Transferred to Business during Prior Six Months (Multiple Selections) 89
Figure 2-28: Type of Personal Assets Transferred to Business during Prior Six Months, (Multiple Selections), National Revenue Breakouts 89
Figure 2-29: Percentage of Businesses that Are Planning to Raise Financing in the Next Six Months 91
Figure 2-30: Percentage of Businesses that Are Planning to Raise Financing in the Next Six Months, National Revenue Breakouts 91
Figure 2-31: Strength of Expected Demand for New External Financing in the Next Six Months (Scale 1-4: Slight, Moderate, High, Extremely High) 92
Figure 2-32: Likely Sources of Financing 92
Figure 2-33: Number of Employees Planned to Be Hired in the Next Six Months 93
Figure 2-34: Ratio of Kauffmann Survey Respondents to Total Non-Farm Businesses by Region, 2009 96
Figure 2-35: Ratio of Kauffmann Survey Respondents to Total Non-Farm Businesses by County Type, 2009 96
Figure 2-36: Ratio of Kauffmann Survey Respondents to Total Non-Farm Businesses by Economic Status, 2009 96
Figure 2-37: Ratio of Kauffman Survey Respondents to Total Non-Farm Businesses by Appalachian States, 2009 97
Figure 2-38: Percent of African American respondents 99
Figure 2-39: Percent of Hispanic respondents 99
Figure 2-40: Percent of Asian respondents 99
Figure 2-41: Percent of female respondents 100
Figure 2-42: Median number of employee in Kauffman Survey in Appalachia and US 100

Figure 2-43: Percent of respondents applying for loans in Appalachia and US 102
Figure 2-44: Percent of respondents desiring credit, but not applied because feared rejection in Appalachia and US 102
Figure 2-45: Percent of respondents applied for loans and always approved in Appalachia and US 102
Figure 2-46: Percent of respondents applied for loans and always denied in Appalachia and US 103
Figure 3-1: Percentage of Mid-Size Banks by Region* 109
Figure 3-2: Percentage of Mid-Size Banks by County Type* 110
Figure 3-3: Percentage of Mid-Size Banks by Economic Status* 110
Figure 3-4: Percentage of Mid-Size Banks by State* 113
Figure 3-5: Branches not Headquartered in Appalachia by Region 119
Figure 3-6: Branches not Headquartered in Appalachia by County Type 119
Figure 3-7: Branches not Headquartered in Appalachia by Economic Status 119
Figure 3-8: Branches not headquartered in Appalachia by State 120
Figure 3-9: Number of Loans per Branch by Region 126
Figure 3-10: Number of Loans per Branch by County Type 126
Figure 3-11: Number of Loans per Branch by Economic Status 126
Figure 4-1: Investments in Small Business by Region* 141
Figure 4-2: Investments in Small Business by County Type* 141
Figure 4-3: Investments in Small Business by Economic Status* 141
Figure 5-1: Number of SBA 7a Loans per 10,000 Small Businesses by Region 145
Figure 5-2: Number of SBA 7a Loans per 10,000 Small Businesses by County Type 145
Figure 5-3: Number of SBA 7a Loans per 10,000 Small Businesses by Economic Status 145
Figure 5-4: Number of SBA 7a Loans per 10,000 Small Businesses by State 148
Figure 5-5: Number of SBA 504 Loans per 10,000 Small Businesses by Region 155
Figure 5-6: Number of SBA 504 Loans per 10,000 Small Businesses by County Type 155
Figure 5-7: Number of SBA 504 Loans per 10,000 Small Businesses by Economic Status 155
Figure 5-8: Number of SBA 504 Loans per 10,000 Small Businesses by State 156
Figure 6-1: Percent of Counties Receiving Loans by Region 163
Figure 6-2: Percent of Counties Receiving Loans by County Type 163
Figure 6-3: Percent of Counties Receiving Loans by Economic Status 163
Figure 6-4: Number of CDFIs by Type in Appalachia 167
Figure 6-5: Number of CDFIs by Type in the United States 167
Figure 6-6: Amount of Loans by Region 170
Figure 6-7: Amount of Loans by County Type 170
Figure 6-8: Amount of Loans by Economic Status 170
Figure 6-9: Business Lending as a Percent of Amount Loaned by Region 175
Figure 6-10: Business Lending as a Percent of Amount Loaned by County Type 175
Figure 6-11: Business Lending as a Percent of Amount Loaned by Economic Status 175
Figure 6-12: Percent of Amount Loaned by Purpose 179
Figure 6-13: Percent of Amount Loaned by Purpose by Region 181
Figure 6-14: Percent of Amount Loaned by Purpose by County Type 182
Figure 6-15: Percent of Amount Loaned by Purpose by Economic Status 183

Figure 6-16: Amount of NMTC Credits by Region 189
Figure 6-17: Amount of NMTC Credits by County Type 189
Figure 6-18: Amount of NMTC Credits by Economic Status 189
Figure 7-1: Amount of Loans from ARC-funded Revolving Loan Funds by Region 195
Figure 7-2: Amount of Loans from ARC-funded Revolving Loan Funds by County Type 195
Figure 7-3: Amount of Loans from ARC-funded Revolving Loan Funds by Economic Status 195
Figure 7-4: EDA RLFs and Current Capital Base by Region, 2011 200
Figure 7-5: EDA RLFs and Current Capital Base by County Type, 2011 200
Figure 7-6: EDA RLFs and Current Capital Base by Economic Status, 2011 200
Figure 8-1: Number of Venture Fund Investments by Sector in Appalachia, 2007 205
Figure 8-2: Number of Venture Fund Investments by Sector in Appalachia, 2010 205
Figure 8-3: Number of Investees by Region 211
Figure 8-4: Number of Investees by County Type 211
Figure 8-5: Number of Investees by Economic Status 211

List of Maps:

Map 0-1: Subregions in Appalachia 28
Map 0-2: County Types in Appalachia 29
Map 0-3: ARC's County Economic Status Designations in Fiscal Year 2007 30
Map 0-4: ARC's County Economic Status Designations in Fiscal Year 2010 31
Map 1-1: Small Business Lending Index, 2007 39
Map 1-2: Small Business Lending Index, 2010 40
Map 1-3: Smallest Business Lending Index, 2007 48
Map 1-4: Smallest Business Lending Index, 2010 49
Map 1-5: Small Business Lending in LMI Tracts Index, 2007* 54
Map 1-6: Small Business Lending in LMI Tracts Index, 2010* 55
Map 1-7: Credit Card Business Lending Index, 2007 61
Map 1-8: Credit Card Business Lending Index, 2010 62
Map 3-1: Percentage of Mid-Size Banks in Appalachia, 2007 111
Map 3-2: Percentage of Mid-Size Banks in Appalachia, 2010 112
Map 3-3: Number of Bank Branches per County in Appalachia, 2007 121
Map 3-4: Number of Bank Branches per County in Appalachia, 2010 122
Map 3-5: Percent of Bank Branches without Bank Headquarter in Appalachia, 2007 123
Map 3-6: Percent of Bank Branches without Bank Headquarter in Appalachia, 2010 124
Map 5-1: SBA 7a Lending Index, 2007 146
Map 5-2: SBA 7a Lending Index, 2010 147
Map 6-1: Certified Community Development Financial Institutions in Appalachia, 2010 166
Map 6-2: Number of CDFI Loans to Businesses by County, 2007 173
Map 6-3: Number of CDFI Loans to Businesses by County, 2010 174
Map 6-4: Amount of Loans to Businesses by County, 2007 177
Map 6-5: Amount of Loans to Businesses by County, 2010 178
Map 6-6: Total Number of New Market Tax Credit Investments, by County, 2000-2010 187
Map 6-7: Total Amount of New Market Tax Credit Authority Invested, by County, 2000-2010 188
Map 7-1: EDA Revolving Loan Fund Current Capital Base, by County, 2011 201
Map 8-1: Amount of Venture Fund Investment by County, 2007 207
Map 8-2: Amount of Venture Fund Investment by County, 2010 208
Map 8-3: Angel Capital Association Members by County, 2011 214

List of Tables:

Table 1-1: Percent Change in Number of Small Businesses Receiving Loans in Appalachia and US 35
Table 1-2: Percent of Small Businesses Receiving Loans in Appalachia and US 36
Table 1-3: Ratio of Small Business Loans to Small Businesses in Appalachia 42
Table 1-4: Disparity Ratios of Ratio of Small Business Loans to Small Businesses 43
Table 1-5: Average Small Business Loan Amount in Appalachia* 44
Table 1-6: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million in Appalachia 51
Table 1-7: Disparity Ratios of Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million 52
Table 1-8: Ratio of Small Business Loans to Total Businesses in Low-Moderate Income (LMI) Tracts in Appalachia 57
Table 1-9: Disparity Ratios of Ratio of Small Business Loans to Total Businesses in Low-Moderate Income (LMI) Tracts 58
Table 1-10: Correlation among Credit Card Lending and Non-Credit Card Lending 59
Table 1-11: Credit Card Market Share in Appalachia 64
Table 1-12: Credit Card Market Share (in Dollars) in Appalachia 65
Table 1-13: Correlation among Branches and All Small Business Lending 66
Table 1-14: Correlation among Branches and Non-Credit Card Lending 66
Table 1-15: Correlation among Branches and Credit Card Lending 66
Table 1-16: Correlation among Deposits and All Small Business Lending 66
Table 1-17: Spatial Autocorrelation of Lending Variables 67
Table 2-1: Number of Respondents for Pepperdine Survey and Total Number of Non-Farm Businesses in Appalachia 77
Table 2-2: Number of Respondents for Kauffman Survey and Total Number of Non-Farm Businesses in Appalachia 98
Table 2-3: Percent of respondents in Kauffman Survey by race and ethnicity in Appalachia and US 100
Table 2-4: Percent of female respondents in Kauffman Survey in Appalachia and US 101
Table 2-5: Median number of employee in Kauffman Survey in Appalachia and US 101
Table 2-6: Percent of respondents applying and not applying loan in Appalachia and US 103
Table 2-7: Percent of respondents approved and denied for loans 103
Table 2-8: Percent of loan denied respondents by denied reason in Appalachia and US 104
Table 2-9: Percent of firms receiving equity investment from various sources in Appalachia and US 104
Table 2-10: Median equity amount from spouses, parents, and angels in Appalachia and US 104
Table 3-1: Percentage of Banks by Asset Size in Appalachia, 2007 114
Table 3-2: Percentage of Banks by Asset Size in Appalachia, 2010 115
Table 3-3: Correlation among Percentage of Midsize Banks and Non-Credit Card Lending 116
Table 3-4: Correlation among Percentage of Midsize Banks and Credit Card Lending 116
Table 3-5: Correlation among Percentage of Midsize Banks and Credit Card Lending and Non-Credit Card Lending (All Small Business Lending) 116

Table 3-6: Number of Bank Branches Headquartered and not Headquartered in Appalachia by Asset Size, 2007 118
Table 3-7: Number of Bank Branches Headquartered and not Headquartered in Appalachia by Asset Size, 2010 118
Table 3-8: Change in Number of Bank Branches Headquartered and not Headquartered in Appalachia by Asset Size, 2007 to 2010 118
Table 3-9: Bank Branches Headquartered and not Headquartered in Appalachia, 2007 to 2010 125
Table 3-10: Ratio of Small Business Loans to Deposits and Loans per Branches 127
Table 3-11: Percentage of Credit Unions by Asset Size in Appalachia, 2007 129
Table 3-12: Percentage of Credit Unions by Asset Size in Appalachia, 2010 130
Table 4-1: Descriptive Statistics of Large Banks in Appalachia 134
Table 4-2: Large Banks by Year of CRA Exams 134
Table 4-3: Top Five Banks in Appalachia 135
Table 4-4: Large Banks by CRA Rating 135
Table 4-5: Comparing Investment and CD Lending to Asset Ratio and Ratings for Investment Test 135
Table 4-6: Total Dollar Amount by Type of CD Investment and CD Lending 135
Table 4-7: Descriptive Statistics of Mid-Size Banks in Appalachia 137
Table 4-8: Mid-Size Banks by Year of CRA Exams 137
Table 4-9: Mid-Size Banks by CRA Rating 137
Table 4-10: Comparing Investment and CD Lending to Asset Ratio and Ratings for Investment Test 137
Table 4-11: Total Dollar Amount by Type of CD Investment and CD Lending 138
Table 4-12: CD Investment and CD Lending by County Type 142
Table 5-1: Number of SBA 7a Loans per 10,000 Businesses in Appalachia 149
Table 5-2: Disparity Ratios of SBA 7a Loans per 10,000 Businesses 150
Table 5-3: SBA 7a Loans to Minority-Owned Small Businesses in Appalachia 152
Table 5-4: SBA 7a Loans to Women-Owned Businesses in Appalachia 153
Table 5-5: Number of SBA 504 Loans per 10,000 Businesses in Appalachia 157
Table 5-6: SBA 504 Loans to Minority-Owned Businesses in Appalachia 158
Table 6-1: CDFI Lending, by Asset Size, Nationally and in Appalachia, 2007 and 2010 161
Table 6-2: CDFI Lending by County, 2007 and 2010 164
Table 6-3: Certified Community Development Financial Institutions by locations in Appalachia, 2010 168
Table 6-4: CDFI Lending in Appalachia, 2007 and 2010 171
Table 6-5: CDFI Lending by Type of Borrower, 2007 and 2010 176
Table 6-6: Number and Amount of Loans by Purpose, 2007 and 2010 180
Table 6-7: Number of Loans by Purpose by Type of County, 2007 and 2010 184
Table 6-8: Amount of Loans by Purpose by Type of County, 2007 and 2010 185
Table 6-9: New Markets Tax Credit Projects and Amounts in Appalachia, 2007 and 2010 190
Table 6-10: Approved Microloans per 10,000 Businesses in Appalachia 191
Table 7-1: ARC-funded Revolving Loan Fund Lending 196
Table 7-2: Total Project Investment in Projects Funded by ARC-funded Revolving Loan Funds 197
Table 7-3: Leverage per Dollar of ARC-funded RLF Loans 197
Table 7-4: Percent of Project Investment by Source 198

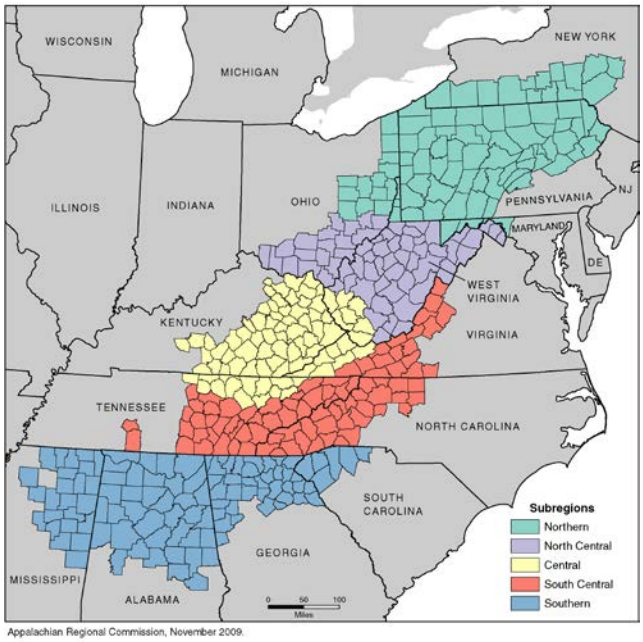
Table 7-5: Jobs Created and Retained by Businesses Receiving ARC-funded RLF Loans 199
Table 7-6: EDA RLFs in Appalachia, (Number and Current Capital Base), 2011 202
Table 8-1: Venture Fund Investments in Appalachia, 2007 209
Table 8-2: Venture Fund Investments in Appalachia, 2010 209
Table 8-3: Venture Fund Investments by Subregion, Type, and Economic Status 212

[Page Intentionally Left Blank]

EXECUTIVE SUMMARY

In 2011, the Appalachian Regional Commission (ARC) engaged the National Community Reinvestment Coalition (NCRC) to carry out a study of recent trends in the availability of capital and credit for small businesses in the Appalachian Region, and to provide a comparison between conditions in 2010 and those in 2007, before the recent recession. ARC is an independent federal-state commission serving a 13-state region of the United States. Created by Congress in 1965, its mission is to improve economic and social conditions in this chronically under-served part of the nation, which is home to some 25 million people.

Subregions in Appalachia



While Appalachia, as a whole, has historically underperformed the rest of the nation economically, it has shown growth and improvement over the past 50 years. This is particularly true of northern and southern Appalachia, and within larger metro areas such as Pittsburgh, Pennsylvania; Asheville, North Carolina; and Huntsville, Alabama. Much of Central Appalachia, however, remains economically distressed, and dependent on a narrower economic base.

Research conducted for ARC by NCRC before the 2007–2010 financial crisis expressed cautious optimism that disparities in access to capital and credit between Appalachia and the nation as a whole were diminishing, and that the Region was becoming more like the nation as a whole in terms of access to lending.[1] This study finds that the gap has widened since the recession, particularly in counties designated as "economically distressed" by ARC.

The financial crisis affected the entire country, yet often to varying degrees. During the recession lending plummeted nationwide: more than 60 percent of small businesses received loans in 2007, while less than 20 percent received loans in 2010. But in Appalachia, lending decreased to a greater extent, standing at 18 percent below national levels at the end of the recession; while in the Region's economically distressed counties, lending was 56 percent below national levels. Further, growing disparities were found in lending to businesses with revenues of less than $1 million and in counties with limited access to non-credit-card bank lending.

National-level independent loan-demand surveys conducted in 2012 by Pepperdine University and the Ewing Marion Kauffman Foundation reported that over 60 percent of the respondents—both in the nation

[1] The previous NCRC study for ARC is online at http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

as a whole and in the Appalachian Region—indicated that the current business financing environment was restrictive; and that three quarters of the businesses reported that raising equity and debt financing was difficult. The studies also reported that an increasing percentage of businesses in Appalachia and the nation as a whole desired credit but did not apply for it because they feared rejection; and that the percentage of Appalachian businesses denied credit was two and a half times higher than the national sample. Appalachian businesses also had much lower rates of success in securing equity financing for businesses: their national counterparts were up to four times more successful in obtaining capital from angel investors, venture funds, or family and friends. Perhaps not surprisingly, owners of the smallest businesses in Appalachia were much more likely to transfer their savings and use personal credit cards to fund their businesses than were their counterparts in the nation, or than the owners of larger businesses in Appalachia.

This study also looks at trends in the banking industry between 2007 and 2010. Distribution of banks by asset size is similar in the nation as a whole and in Appalachia, and despite the financial crisis, the number of bank branches in Appalachia increased between 2007 and 2010. Interestingly, the number of branches of banks not headquartered in the Region increased sharply, while the number of branches of banks headquartered in Appalachia decreased. In a confirmation of previous findings, this study found that a greater number of bank branches was statistically correlated to a higher number of loans. It appears that banks not headquartered in Appalachia opened a disproportionate number of branches in economically advantaged counties in Appalachia during this period, most likely due to more favorable economic and demographic opportunities and conditions. Lending per branch remained at a higher level in the nation than in Appalachia, with national loan rates per branch over 60 percent greater than loan rates for banks in Appalachia.

This study, in addition to presenting findings on access to capital and credit and bank lending in Appalachia, assessed the impact of strategies to address capital gaps in underserved communities, including the use of regulatory oversight for reinvestment, such as the Community Reinvestment Act (CRA); loan guarantee programs, such as the SBA 7a program; and initiatives that capitalize mission-focused lenders and community-based lenders. Findings indicate that Community Development Financial Institutions (CDFIs) appear to effectively target capital to particularly underserved areas; and that bank CRA investments in Appalachia increased during the period of study. Conversely, the SBA 7a and New Market Tax Credit (NMTC) programs were substantially underused in Appalachia compared with the nation as a whole.

The remainder of this executive summary describes the major findings from each section of the study, and presents recommendations for action that could be taken by public agencies and institutions to address the capital and credit needs of Appalachia and other underserved regions of the United States.

RECOMMENDATIONS

While the Appalachian Region, particularly economically distressed counties in the Region, experienced a greater downturn in access to capital and credit than did the nation as a whole, the infrastructure for a lending rebound remains in place. However, existing programs to address these disparities in business lending have achieved uneven success.

Stakeholders such as banks and bank regulators, equity investors and entrepreneurs, state and federal policy makers, non-profit lenders, and community leaders must undertake strenuous efforts to reduce disparities in access to credit. As financial markets recover from the recession, financing gaps are likely to remain or widen if measures to aggressively combat growth in unequal access to credit and capital are not pursued.

It is recommended that stakeholders focus on increasing private- and public-sector investment to underserved areas in Appalachia in the following ways:

Use the Community Reinvestment Act (CRA) to Better Target Underserved Areas. Banks' CRA ratings depend on the extent to which they lend to and invest in low- and moderate-income and distressed areas. Public agencies, nonprofit organizations, and other practitioners should work with banks to increase their programs and financing in traditionally underserved areas in Appalachia. Stakeholders should also partner with banks to increase their small-business investments, since this study found that CRA small-business investments significantly lagged CRA investments for affordable housing. As part of this report, NCRC has provided ARC with a detailed database of banks and lending levels, by county. Stakeholders can use this database to identify banks to approach for developing partnerships to address credit gaps identified by this report. An example of a partnership that can use the detailed data in this report is West Virginia's Alliance for Economic Inclusion, a partnership among the Federal Deposit Insurance Corporation, the West Virginia Development Office, financial institutions, and community-based stakeholders. In addition, bank CRA loans and investment could be targeted to support nonprofit mission-driven financial institutions such as CDFIs, as noted below.

Support Bank Branching in Appalachia. This report finds a statistically significant relationship between the number of bank branches and the number of small business loans on a county level in Appalachia, a relationship that was identified in a previous NCRC study for ARC.[2] Bank branching in distressed and rural counties should be promoted by using the CRA as an incentive for branch development. Banks' ratings are influenced by how many branches they locate in distressed areas and in low- and moderate-income communities. This report found that there was significant branch growth by banks with headquarters not in Appalachia, but that much of the branch growth was occurring in relatively advantaged Appalachian counties. The use of the CRA, together with subsidy programs (when necessary), could perhaps direct some of this branch expansion to disadvantaged counties. For example, New York's Banking Development District Program provides partial property tax exemptions and encourages local public deposits for banks opening branches in underserved areas.[3]

Expand Support for Public Sector Financing Programs and Nonprofit Intermediaries. Public-sector programs and nonprofit intermediaries do not have the capacity to lend at the volumes of private-sector institutions or to fill credit gaps by themselves. Yet the public programs and nonprofit intermediaries are important components of collective efforts to target lending and investments to underserved counties. This report generally finds that programs such as the CDFI Fund and the SBA Microloan Program, which support organizations whose mission is to serve disadvantaged populations, are more effective at targeting

[2] The previous NCRC study for ARC is online at http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

[3] See http://www.dfs.ny.gov/banking/bdd.htm for information on New York's Banking Development District Program.

underserved counties than are programs that provide subsidies or guarantees to predominantly private-sector institutions, such as the SBA 7a or the New Markets Tax Credit programs. Therefore, it is recommended that support for nonprofit intermediaries in Appalachia be increased through a range of strategies, including building investor consortia or financing intermediaries to aggregate the CRA and leverage philanthropic capital; and developing new mechanisms—perhaps with public support—to access market-based financing. In addition, the SBA 7a and NMTC programs should devise methods to increase the effectiveness of targeting resources to underserved communities. The SBA, for example, could increase its outreach and training to banks located in rural counties, and increase and promote the use of packagers and servicers to lower transaction costs and increase participation among community banks. The NMTC program could provide additional prioritization for tax credit allocations to Community Development Entities (New Markets Funds) located in the rural regions they serve, and reduce the transaction costs of investments to increase the feasibility of using NMTC credits in the smaller transactions typically found in rural communities.

Increase Equity Financing in Underserved Areas. This report finds that equity financing is concentrated in high-technology corridors that are home to prominent research universities, and that limited access to equity financing may be a factor in higher rates of loan denials in Appalachia. Efforts should be undertaken to increase equity investments in the rural and underserved areas of Appalachia, including expanding venture capital financing and angel investing, and enhancing access to capital from family and friends. Some effective strategies could include fostering the formation of Angel Investment Funds composed of local accredited investors; supporting the formation or recapitalization of development venture capital funds in Appalachia, that focus on "triple bottom line" investments targeting rural and underserved geographies; and reviewing best-practice models for increasing access to investment from family and friends.

Increase Technical Assistance to Small Businesses. The Pepperdine University and Kauffman Foundation surveys found that Appalachian businesses had less success in acquiring loans than national businesses did, and that small Appalachian businesses had greater rates of high-cost credit card lending than of non-credit-card lending. In addition, Appalachian businesses had fewer resources from friends and family than national businesses did, which most likely contributed to their lower amounts of collateral and less success in securing financing. Technical assistance to businesses could help address these deficiencies by focusing on topics such as business planning, assistance in securing collateral, and advice for boosting creditworthiness. The technical assistance could be provided by a range of non-profit and for-profit organizations.

Improved Data Collection on Business Lending. CRA examinations for large banks tend to overlook rural areas or areas without bank branches. CRA exams should increase the attention and weight rural communities receive when determining bank ratings. In addition, improved data on small business lending is imperative. The new Consumer Financial Protection Bureau (CFPB) is required per the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to improve the publicly available small-business data by including the race and gender of the small-business owner, and indicating the purpose of the loan, and whether the loan was approved and rejected. The CFPB has not yet issued a proposed regulation for this data, which would have been very helpful for this report's analysis of loan demand and lending to minority- and women-owned small businesses. More information on loan terms and conditions also would have greatly informed the credit card lending analysis in this report regarding the

sustainability and affordability of credit-card small-business lending. The data reporting requirement for mid-size banks should be reinstituted so future reports can better analyze the contributions of these important banks for rural areas. Finally, all public agencies should collect detailed data on community development lending and investing, so future research can capture this financing on a county level and more precisely distinguish between financing for affordable housing and financing for small businesses.

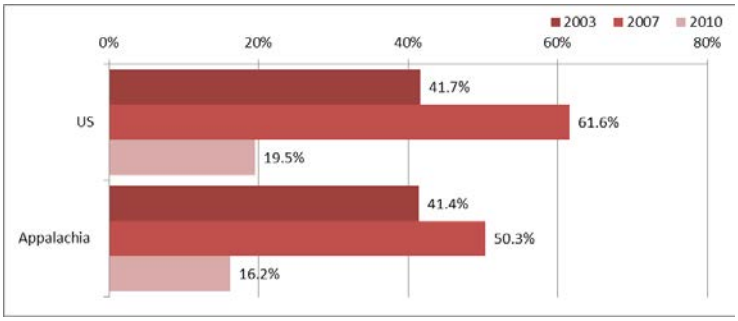
MAJOR THEMES AND SUMMARY OF KEY FINDINGS

1. Small-business lending declined sharply in Appalachia between 2007 and 2010—from over 800,000 loans totaling $24 billion to 255,000 loans totaling $13 billion. As a result, the percentage of small businesses receiving loans in Appalachia during this period trailed the percentage for the nation as a whole. This trend was more pronounced in Central Appalachia and in economically distressed counties throughout the Region.

- In 2003, 41 percent of small businesses, both in the nation as a whole and in Appalachia, received loans. In both 2007 and 2010, small-business lending in Appalachia was about 18 percent lower than lending nationally.

- Small-business lending, both nationally and in Appalachia, plummeted between 2007 and 2010. For the nation as a whole, the percentage of small businesses receiving loans was almost 62 percent in 2007, but only 19.5 percent in 2010. For Appalachia, the statistics were 50 percent and 16 percent.

Percent of Small Businesses Receiving Loans, Appalachia and Nation as a Whole



- Lending to businesses with revenues under $1 million contracted to the greatest extent during this period, both in Appalachia and in the nation as a whole. In 2010, only 8 percent of these businesses received loans, a rate that was less than 50 percent of both national and regional lending rates overall to all small businesses.

- In 2010, the business lending rate in economically distressed counties in Appalachia was just 44 percent of the national rates, and lending in Central Appalachia was 43 percent lower than lending nationally. The percentage of businesses in ARC-designated economic attainment counties (i.e., better performing counties) that received loans in 2010 was 1.85 times greater than the percentage of businesses in economically distressed counties that received loans. In 2007, the percentage was 2.25.

- Small businesses in Northern Appalachia had the greatest access to credit, while small businesses in Central Appalachia had the least access, both before and after the recession. For example, in 2007 about 55 percent of the small businesses in Northern Appalachia received loans, while just 33.3 percent of the small businesses in Central Appalachia received loans. In 2010, the rates were 19.4 percent in Northern Appalachia and 11.1 percent in Central Appalachia.

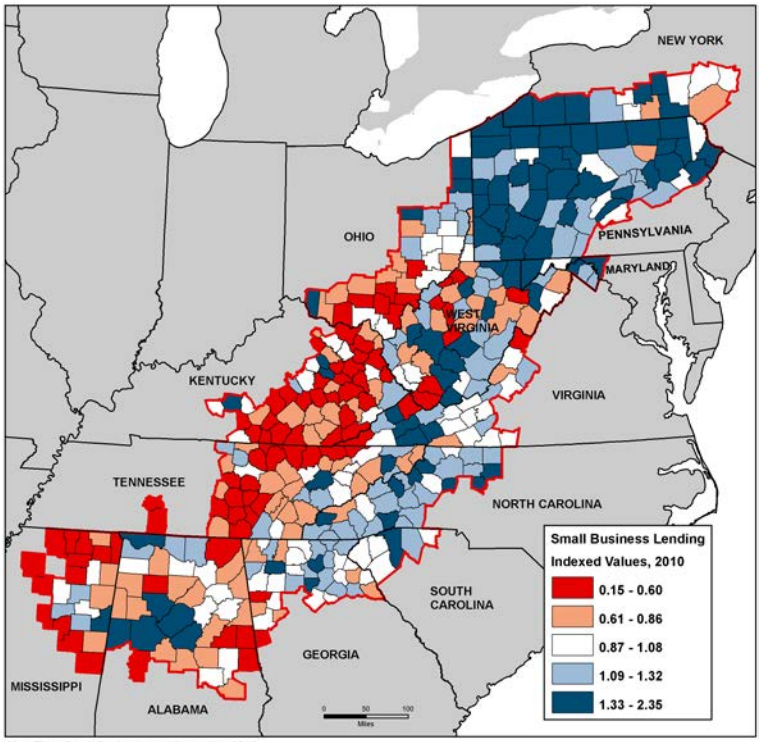
- An examination of lending by state showed that the Appalachian portions of Pennsylvania and Maryland had the greatest access to loans, while the Appalachian portions of Kentucky and Mississippi had the least access to loans.

- In 2007 and 2010, higher levels of credit card lending generally occurred in counties where higher levels of non-credit-card bank lending also occurred, indicating that credit card lending was not acting as a credit substitute in these counties. In some clusters of counties with limited access to non-credit-card lending, borrowers used credit cards at a higher rate than the national average to meet their borrowing needs. Maps of credit card lending indicate that credit card lending concentrations were highest in the counties with the least access to overall small-business credit, including a number of counties in Kentucky and Tennessee.

- A higher number of bank branches was statistically correlated to a higher number of loans. Previous studies have also identified this relationship.

Small Business Lending Index, 2010

Ratio of Number of Small Business Loans to Small Businesses, Indexed Values (U.S. =1)



Map Title: Small Business Lending Index, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2010

2. This study and national loan demand surveys from Pepperdine University and the Ewing Marion Kauffman Foundation suggest that there is significantly higher unmet loan demand in Appalachia than in the nation as a whole.

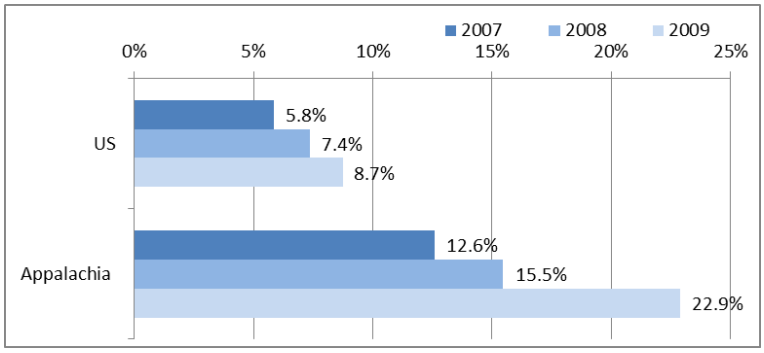
Appalachian businesses appear to have less success in obtaining loans than businesses nationally. One possible explanation is that there are fewer non-bank financing resources available from family and friends, angel investors, and venture capital investors in the Region, which may contribute to higher loan-rejection rates for Appalachian businesses.

- The smaller the business, the more likely it is to be affected by overall economic conditions and to have greater difficulty raising both debt and equity capital. This holds true both in Appalachia and in the nation as a whole. Just over 60 percent of respondents to a national survey—both in Appalachia and in the nation as a whole—indicated that the current business financing environment was restrictive. Three quarters of the businesses in Appalachia and in the nation as a whole stated that raising equity and debt financing was difficult.

- From 2007 through 2009, an increasing percentage of businesses in Appalachia and the United States desired credit but did not apply because they feared rejection. In the nation as a whole, the percentage of businesses not applying for loans due to fear of rejection increased from 15.7 percent in 2007 to 21.1 percent in 2009; in Appalachia the figures were 18.1 percent in 2007 and 23.1 percent in 2009.

- The percentage of firms denied credit in 2009 was significantly higher in Appalachia (22.9 percent then the percentage of firms in the nation as a whole (8.7 percent). Due to low sample sizes, it is not possible to offer a statistically significant conclusion as to reasons for denial, but it appears that insufficient collateral and business and personal credit history were larger factors in Appalachia than in the nation as a whole.

Percent of Respondents Denied Loans, Appalachia and Nation as a Whole



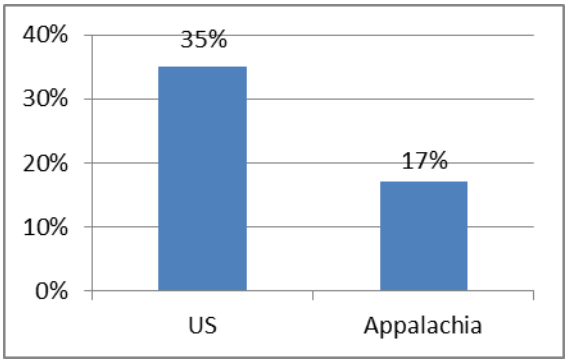
Source: Kauffman Firm Survey data; special tabulations provided to NCRC in 2012

- Survey respondents were less successful in securing business loans from banks than in obtaining credit cards or trade credit. For example, about 45 percent of the survey respondents, both in Appalachia and in the nation as a whole, who sought business bank loans in 2012 secured them, compared with the 62 percent of respondents in the nation and the 58 percent of respondents in Appalachia who successfully secured personal credit cards.

- Appalachian businesses had much lower rates of success in securing equity financing in 2012. For example, only 5 percent of the businesses in Appalachia that sought angel capital succeeded in acquiring it, compared with 20 percent of businesses in the national sample. None of the Appalachian respondents with revenues between $500,000 and $1 million secured angel investments, while 12 percent of the national respondents did so.

- In the second-smallest business revenue category ($500,000 to $1 million), respondents in Appalachia were strikingly less successful than their counterparts in the nation as a whole in raising debt or equity financing in 2012. For example, 35 percent of these businesses in the nation as a whole secured business loans from banks, while only 17 percent of their Appalachian counterparts did so. Likewise, 54 percent of these businesses secured credit-card financing, while just

Percent of Businesses with Revenues of $500,000 to $1 Million Receiving Loans, 2012



Source: Pepperdine Capital Access Index, special tabulations provided to NCRC in 2012

14 percent of their Appalachian counterparts did so. None of the Appalachian respondents in this category secured angel investments, while 12 percent of respondents in the nation as a whole were successful in securing angel financing.

- Appalachian businesses experienced much lower rates in obtaining capital from friends and family (47%) in 2012, compared with firms across the nation (71%). While this is not surprising in a region experiencing greater economic distress than the nation, it may explain one reason for the more limited success smaller businesses in Appalachia had in securing loans.

- Owners of the second-smallest businesses in Appalachia, those with revenues between $500,000 and $1 million, were much more likely to transfer their savings and use personal credit cards to fund their businesses than were their counterparts in the nation as a whole or than owners of larger businesses in Appalachia. For example, 81 percent of these business owners in Appalachia transferred their personal savings and investments to their small businesses in 2012, compared with 68 percent of their counterparts in the nation as a whole.

3. The banking industry is undergoing significant changes Appalachia as well as in the nation as a whole, with significant implications for meeting future loan demand and supporting economic growth.

- Access to banks is integral to access to credit, as a higher level of bank branches is correlated with a higher number of loans in Appalachia.

- The distribution of banks by asset size is similar in the nation as a whole and in Appalachia. In 2007 and in 2010, about two thirds of all banks, both in Appalachia and in the nation as a whole, were small, with assets of less than $250 million. The percentage of banks with assets above $1 billion is also similar in the nation as a whole and in Appalachia.

- The percentage of mid-size banks—those with assets between $250 million and $1 billion—is modestly higher in Appalachia than in the nation as a whole. A statistically significant correlation existed between the percentage of mid-size banks and lending levels on a county level.

- Despite the financial crisis, the number of bank branches in Appalachia increased modestly between 2007 and 2010, from 8,580 to 8,677. During that time, the number of branches of banks not headquartered in the Region increased by 19.5 percent, while the number of branches of banks that were headquartered in Appalachia decreased by 7.2 percent. Banks not headquartered in Appalachia opened branches in economically advantaged counties in Appalachia at a disproportionate rate during that time period, most likely due to the more favorable economic and demographic opportunities and conditions in those counties. Continuation of this trend could pose growing credit access issues for small businesses located in more rural or more economically disadvantaged portions of the Region.

- Lending on a per-branch basis remained at a higher level in the nation as a whole than in Appalachia: in 2010, the national rate was 41 small business loans per branch, while the rate for Appalachian banks was 25 loans per branch.

- The small-business loan-to-deposit ratios in Appalachia declined from 5.4 percent in 2007 to 2.7 percent in 2010, while the national ratio declined from 4.5 percent to 2 percent during the same time period. Within Appalachia, the small-business loan-to-deposit ratio was the lowest in Central Appalachia (1.6 percent) in 2010. The gap in the small-business loan-to-deposit ratio between distressed counties and attainment counties in 2010 was substantial, reporting ratios of 1.3 percent and 3.7 percent, respectively.

- The number of credit unions in Appalachia shrank from 2007 to 2010. In addition, Appalachia in 2007 and 2010 had a lower proportion of the largest credit unions, (those with assets over $100 million), than did the nation as a whole. Credit unions could represent an untapped resource for Appalachian businesses, particularly in Central Appalachia, which had a higher percentage of large credit unions other subregions. Credit union lending patterns cannot be fully analyzed, as credit unions are not required to publicly report small-business lending.

4. Community Reinvestment Act (CRA) investing is surprisingly strong in Appalachia, compared with the nation as a whole, but most of this investing is targeted to affordable housing, not to small-business and community economic development investing.

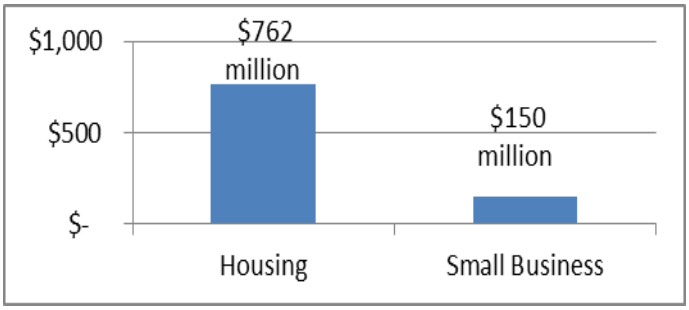
- Banks can make community development loans for construction financing for economic development purposes (industrial parks, incubators, etc.) as well as equity investments handled by Small Business Investment Corporations (SBICs).

- Banks in Appalachia undergoing CRA exams are a significant resource for investment and community development lending. Large banks (those with assets over $1 billion) headquartered in Appalachia have a total of $433 billion in assets and mid-size banks (assets between $250 million and $1 billion) have combined assets of $68 billion.

- Despite the financial crisis, the level of community investing and lending over a CRA exam time period of approximately three years was greater during this study than in previous studies conducted during 2007. In the sample for this study, total community development financing was $8.8 billion, compared with $5.4 billion during the previous study. An important caveat is that much of the increase was due to the growth in assets of the five largest banks headquartered in Appalachia, which have a wide geographical reach including several counties and states beyond Appalachia. It is not clear to what degree this financing was in Appalachian counties.

- The level of community development financing (investment and lending) was much greater for housing than for small businesses from 2007 through 2011. For example, large banks headquartered in Appalachia invested $762 million in housing compared with the

Community Development Investment by Large Banks Headquartered in Appalachia, 2007 through 2011



$150 million they invested in small-business development on their most recent CRA exams. While it would not be desirable to decrease the amount targeted for housing development, stakeholders can work with banks in Appalachia to increase investments for small businesses.

- Banks with higher overall CRA ratings and high ratings on their investment tests or community development tests offered greater amounts of community development financing on a per-asset basis. Large banks had their lowest ratings on the investment tests; thus, an opportunity exists to work with large banks to improve their investment test ratings and their level of equity investments for small businesses.

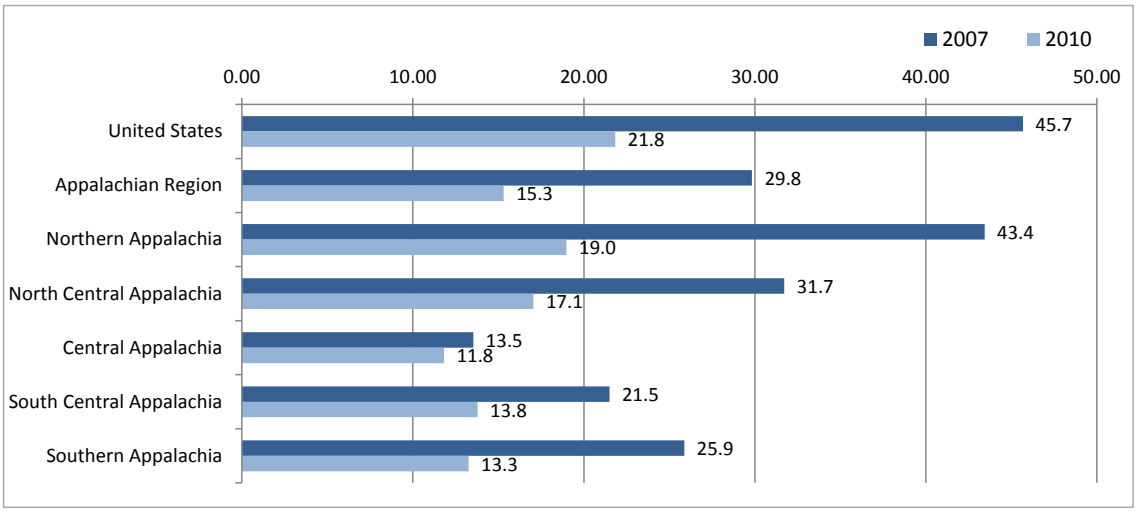
- Disparities in community development financing mirror disparities identified for general business lending in the Region. Counties in Central Appalachia and economically distressed counties throughout Appalachia have banks with total assets of $14 billion and $3 billion, respectively, while other counties have banks with assets in the tens or hundreds of billions of dollars. Banks located in Central Appalachia, rural counties, and economically distressed counties invested much less than banks located in metropolitan or economically advantaged counties.

5. The key Small Business Administration (SBA) loan programs—7a Loan Guarantees and the 504 Loan program—are used sparingly in Appalachia, particularly in disadvantaged counties.

- The SBA 7a program guarantees a small volume of loans, when compared with overall business lending. Loans receiving SBA 7a guarantees were approximately 1 percent of the loans reported by banks covered by CRA for 2007 and 2010, both nationally and in Appalachia. This reflects the complexity of these programs for banks to administer and the changing rules and guidelines that accompany the programs.

- The use of SBA programs was weaker in Appalachia than nationally, as measured by loans per 10,000 small businesses. SBA 7a lending levels were 30 percent less in Appalachia than the nation in 2010. In 2010, about 15.3 SBA 7a loans were issued per 10,000 small businesses in Appalachia, compared with 21.9 loans per 10,000 small businesses in the nation as a whole.

Number of SBA 7a Loans per 10,000 Small Businesses, by Region

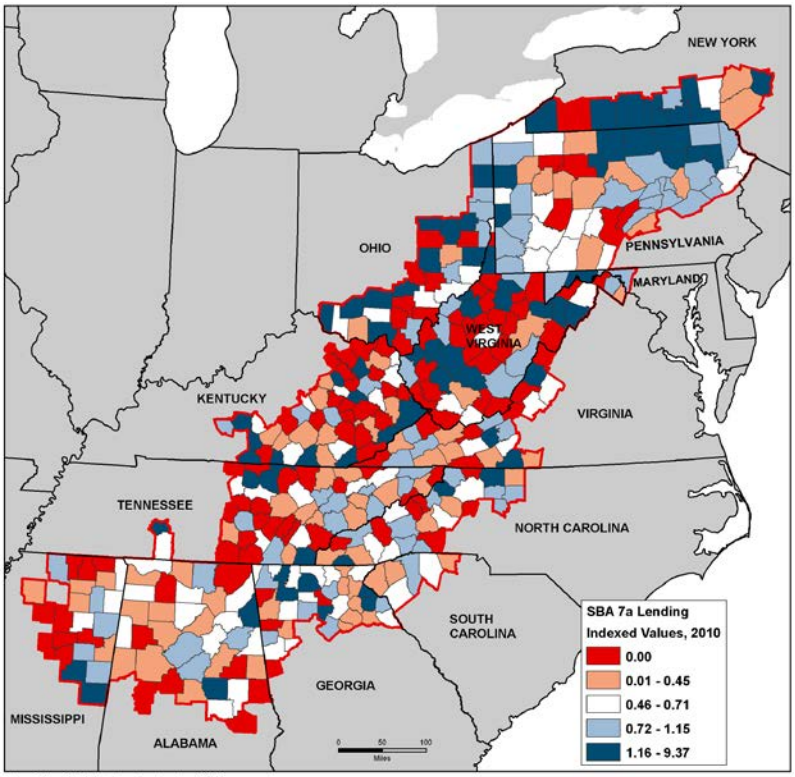


- Within Appalachia, the SBA 7a lending rate per 10,000 small businesses was lower in distressed, rural, and Central Appalachian counties than in attainment, metropolitan, and Northern Appalachian counties. In 2010, lenders made 9.7 SBA 7a loans per 10,000 small businesses in distressed counties, while they made 20.2 loans per 10,000 small businesses in attainment counties.

- In 2007, SBA 7a lending was provided in proportion to the percentage of the minority population in Appalachia, but by 2010, lending to minority-owned businesses had dropped and was no longer in proportion to the minority population. However, the gap between the percent of SBA 7a lending to minority-owned businesses and the percent of minorities in the population in 2007 and in 2010 was greater for the nation than for Appalachia. SBA 7a lending to woman-owned businesses in 2007 and in 2010 was not in proportion to the percentage of woman in the population, and this gap was greatest in disadvantaged counties such, as distressed counties and those counties in Central Appalachia.

SBA 7a Lending Index, 2010

Ratio of SBA 7a Loans per 10,000 Small Businesses, Indexed Values (U.S. =1)



Map Title: SBA 7a Lending Index, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: SBA lending programs, CRA small business loan data and Dun and Bradstreet (D&B), 2010

- Only 325 SBA 504 loans were offered in Appalachia in 2010. SBA 504 lending volumes were the lowest in Central Appalachia, rural counties, and distressed counties. In 2007, lenders made one SBA 504 loan per 10,000 small businesses in distressed counties, while they made 6.5 loans per 10,000 small businesses in attainment counties. The disparity in 2010 was similar.

6. There is growing community development lending capacity in Appalachia through the presence of an expanding Community Development Financial Institutions (CDFI) and revolving loan fund network, but this network is still undercapitalized for the needs and demands of small businesses. The New Markets Tax Credit, a major federal resource for economic development, is used only in a very limited way in Appalachia. CDFIs have a primary mission of community or economic development, are accountable to low income communities, and are certified by the U.S. Department of Treasury.

- There are 71 CDFIs headquartered in the Appalachian Region. However, the vast majority of loans CDFIs made in Appalachia in 2007 and 2010 were from institutions that did most of their lending outside of Appalachia.

- CDFI lending in Appalachia increased by 88 percent from 2007 to 2010, from $197 million to $371 million.

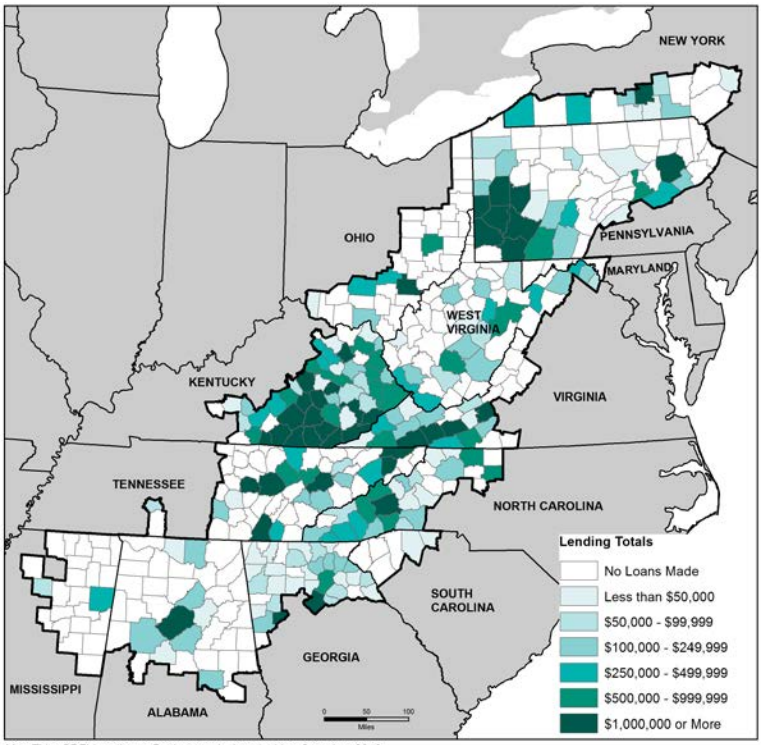
- CDFIs lend in the majority of counties in Appalachia and have increased their targeting of disadvantaged counties. For example, CDFIs increased the amount they lent in Central Appalachia by 52 percent between 2007 and 2010, from $90.6 million to $137.4 million. CDFIs increased lending in rural counties by over 50 percent between 2007 and 2010, from $82.3 to $124.2 million.

- CDFIs issued 4,613 loans in Appalachia during 2007, and 4,661 loans in Appalachia during 2010. Of the 2007 loans, 1,416 (30.7 percent) were for small businesses, and of the 2010 loans, 2,363 (50.7 percent) were for small businesses.

- The majority of CDFI loans for businesses in Appalachia, in both 2007 and 2010, were directed to Central Appalachian counties, while the plurality of dollars CDFIs lent to businesses went to businesses in rural counties.

- The percentage of CDFI lending for microenterprise was higher in Appalachia than in the nation as a whole in 2007 and 2010, but was still only 4 percent of the CDFI loan dollars in Appalachia.

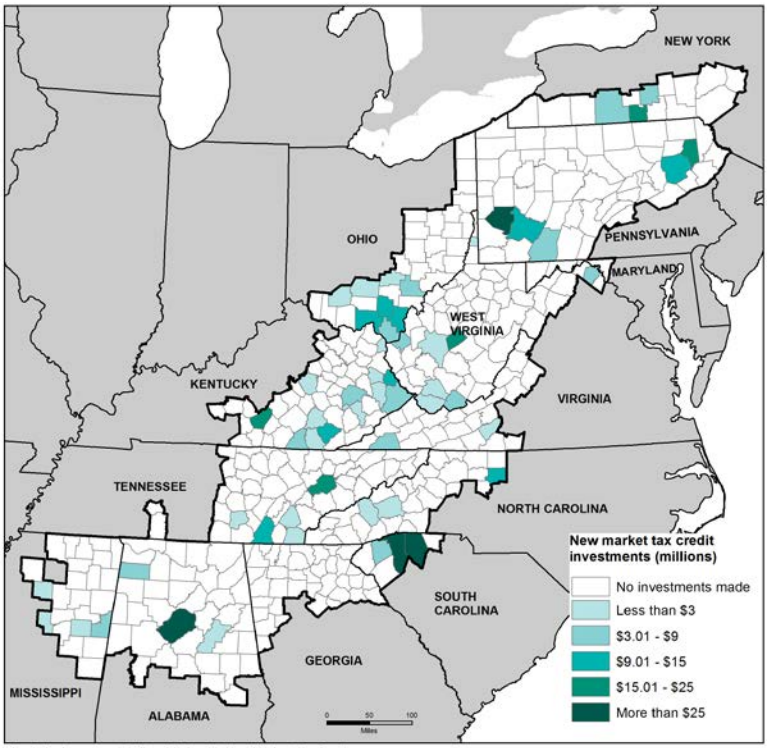
Amount of Loans by CDFIs to Businesses, by County, 2010



Map Title: CDFI Lending to Businesses in Appalachian Counties, 2010
Data Source: Program Community Investment Impact System Transaction Level Reports for 2010

- There are only 12 Community Development Entities (CDEs) (organizations certified through the NMTC program) located in Appalachia, and they have received a total allocation of $321 million in credit authority, out of $30 billion in tax credits allocated through 2010—just 1 percent of the credit authority allocated.

New Market Tax Credit Investments, by County, 2000-2010



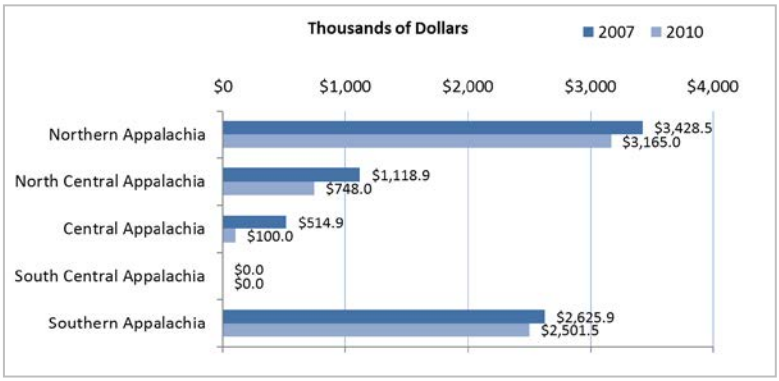
Map Title: Investment Dollars Made with New Market Tax Credit
Data Source: CDFI Fund 2011

- Forty-seven CDEs have invested $706 million in 351 projects located in 62 Appalachian counties, about 3.4 percent of the total amount of credit authority invested nationwide.

- Within this relatively limited NMTC investment pool, the targeting of disadvantaged counties in Appalachia decreased between 2007 and 2010. For example, NMTC funding in Central Appalachia declined from 25 percent of investments in Appalachia in 2007, to just 7 percent of investments in 2010. A similar decrease occurred in rural counties.

- Another federal program used by CDFIs and other development lenders is the SBA microloan program. In Appalachia, the SBA microloan program financed 163 loans in 2007, and 244 loans in 2010.

Amount of Loans from ARC-Funded Revolving Loan Funds, by Region



- The SBA microloan program was effective in targeting disadvantaged counties. Central Appalachia, rural counties, and distressed counties received the most microloans per small business during 2007 and 2010.

- The 35 ARC-funded RLFs in Appalachia made 87 loans totaling $7.7 million in 2007, and 73 loans totaling $6.5 million in 2010, leveraging an additional $52.1 million in 2007 and $60.8 million in 2010 from banks and other sources.

- The great majority of ARC RLF funding in 2007 and 2010 was in Northern and Southern Appalachia, in transitional counties, and in small metropolitan counties and rural counties.

- There were 69 EDA-funded RLFs in 54 Appalachia counties in 2011, with an aggregate capital base of nearly $120 million. Over half of this capital was held by just 8 RLFs.

7. There is a very limited base of venture and other forms of equity capital available to businesses and entrepreneurs in Appalachia, which constitutes a major barrier to new business and job creation.

Two sources of equity investment for businesses were examined in this study: venture capital funds and angel investors. The total amount of investment in Appalachia by venture capital funds declined by about 27 percent between 2007 and 2010. Because venture capital funds tend to invest in high growth fields, such as biotechnology, health care, and information technology, their investments are highly concentrated in Northern Appalachian cities, including Pittsburgh, Pennsylvania, and Ithaca, New York; and in large metropolitan and ARC-designated transitional or economically competitive counties. Angel investments in Appalachia also declined between 2007 and 2010, by about 23 percent, with the majority of investments in software, healthcare, and biotechnology sectors. Because angel investors tend to invest near where they live, and because most live near urban areas or universities, they appear to be a limited source of equity investment for businesses in rural and distressed communities. The key findings with respect to venture fund and angel investors are:

- Less than 2 percent of Appalachian venture fund investments were in rural counties and less than 1 percent were in Central Appalachia or at-risk counties.

- Venture capital investment was concentrated in larger metropolitan areas within Appalachia—Allegheny County, Pennsylvania, (which includes the city of Pittsburgh) dominates venture fund investment in Appalachia, followed by other knowledge-based or medical centers, including Jefferson County, Alabama (which includes city of Birmingham), Gwinnett County, Georgia (a suburb of Atlanta), Tompkins County, New York (which includes the city of Ithaca), and Clermont County, Ohio (a suburb of Cincinnati)—where greater opportunities exist for investment in companies in fields such as health care, information technology, and energy technology.

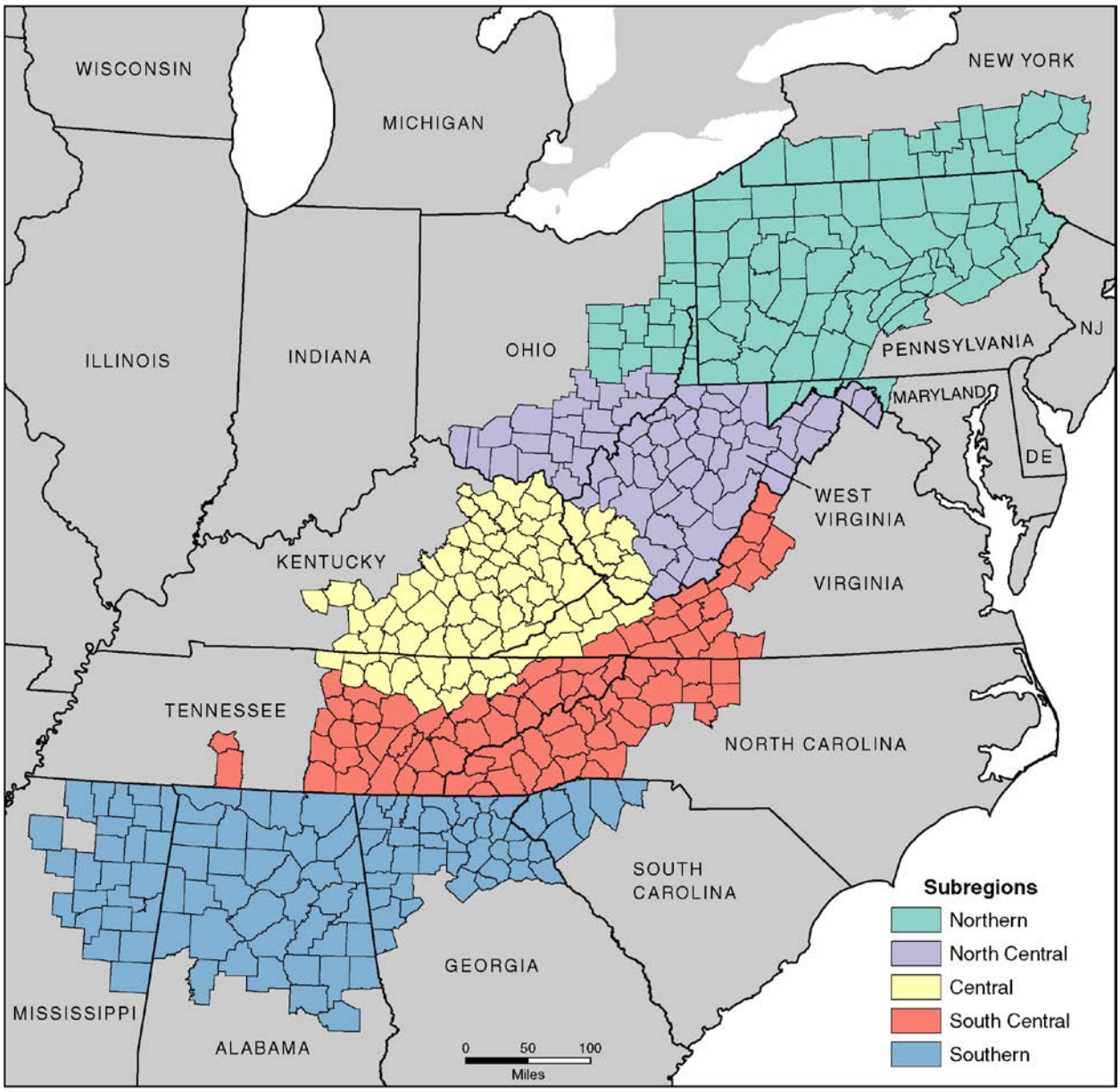
- The pattern of venture fund investment in Appalachia is consistent with the geographic distribution of biomedical, information technology, and knowledge-based industries.

- While less is known about angel investments because of their informal nature, the data suggest that their pattern is similar to that of venture capital fund investments: concentrated near large metropolitan areas and universities, and leaving distressed and rural counties underserved.

PREFACE: MAPS OF APPALACHIA

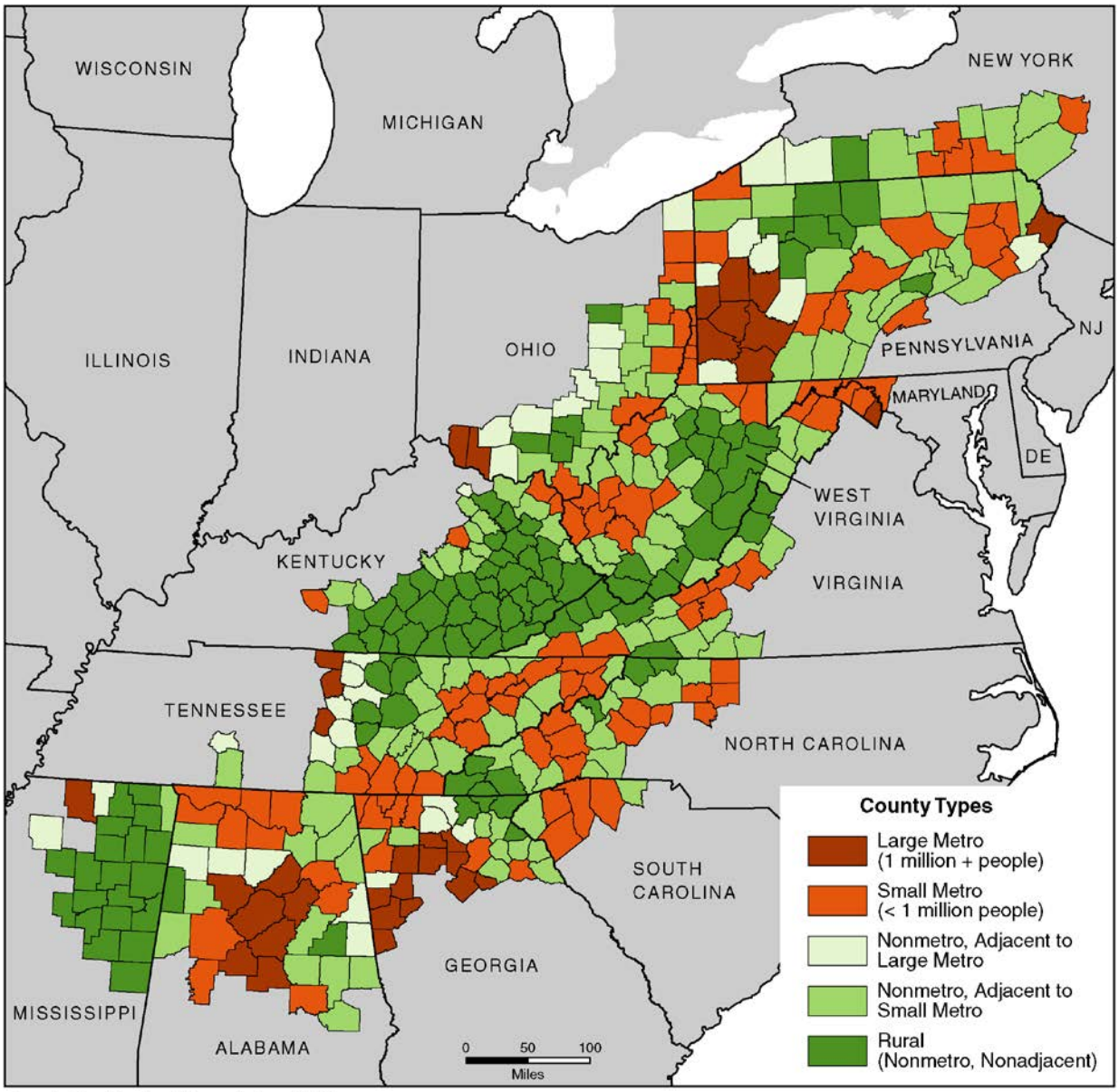
This preface contains maps of Appalachia that describe the various subregions and county classifications used by this report. The maps describe subregions in Appalachia, county types (typology of urban and rural counties), and counties by economic status. The report describes trends in lending and investing in the subregions and county classifications. The analysis, maps, tables, and figures generated from these classifications are based on ARC's current geographic boundary, which consists of 420 counties. The only exception is the economic status classification on tables and figures with 2007 data, which are based on the 410 counties in ARC's boundary in 2007.

Map 0-1: Subregions in Appalachia



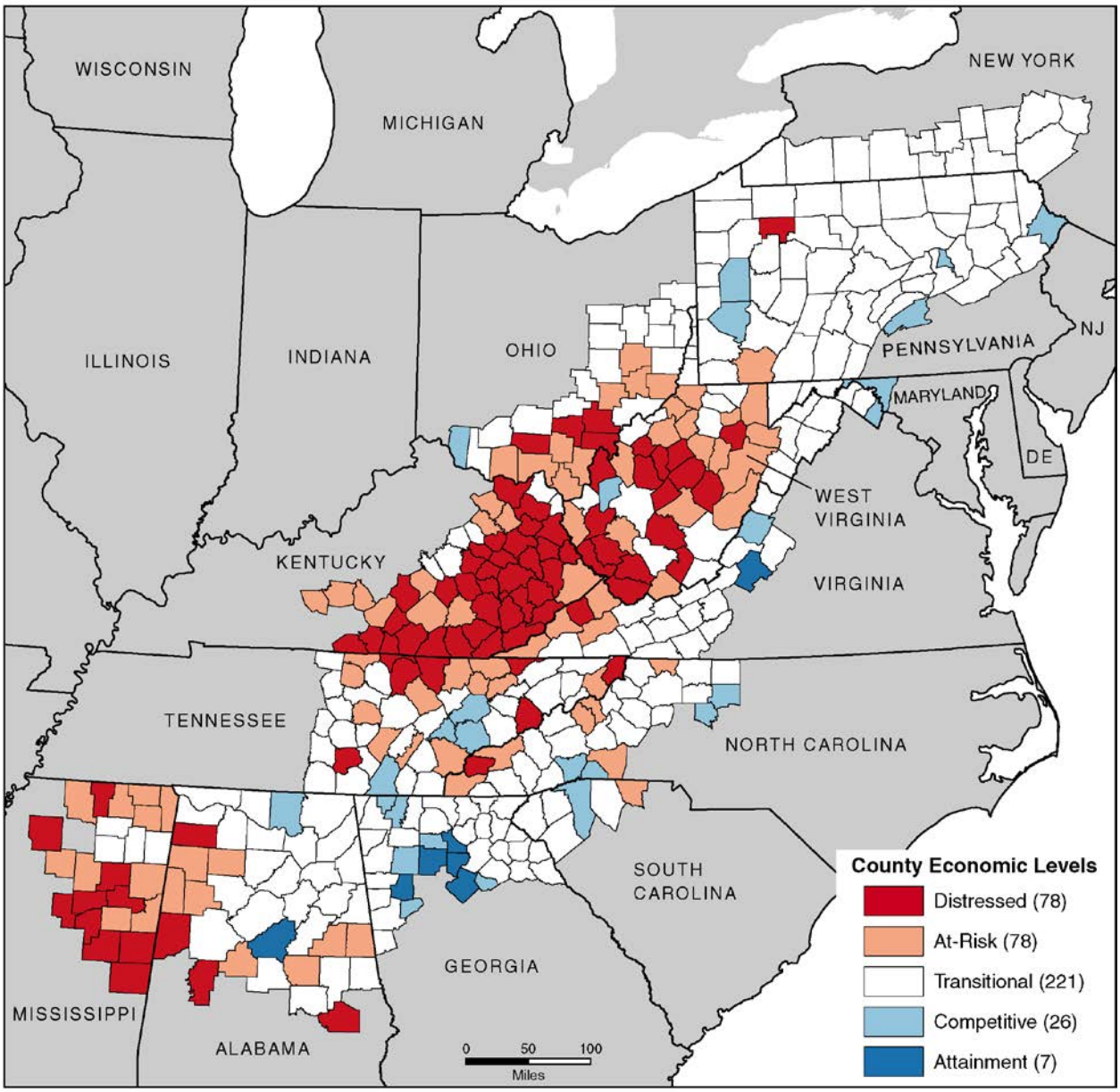
Appalachian Regional Commission, November 2009.

Map 0-2: County Types in Appalachia



Appalachian Regional Commission, 2010.
Data Sources: U.S. Census Bureau data compiled by U.S.D.A. Economic Research Service.

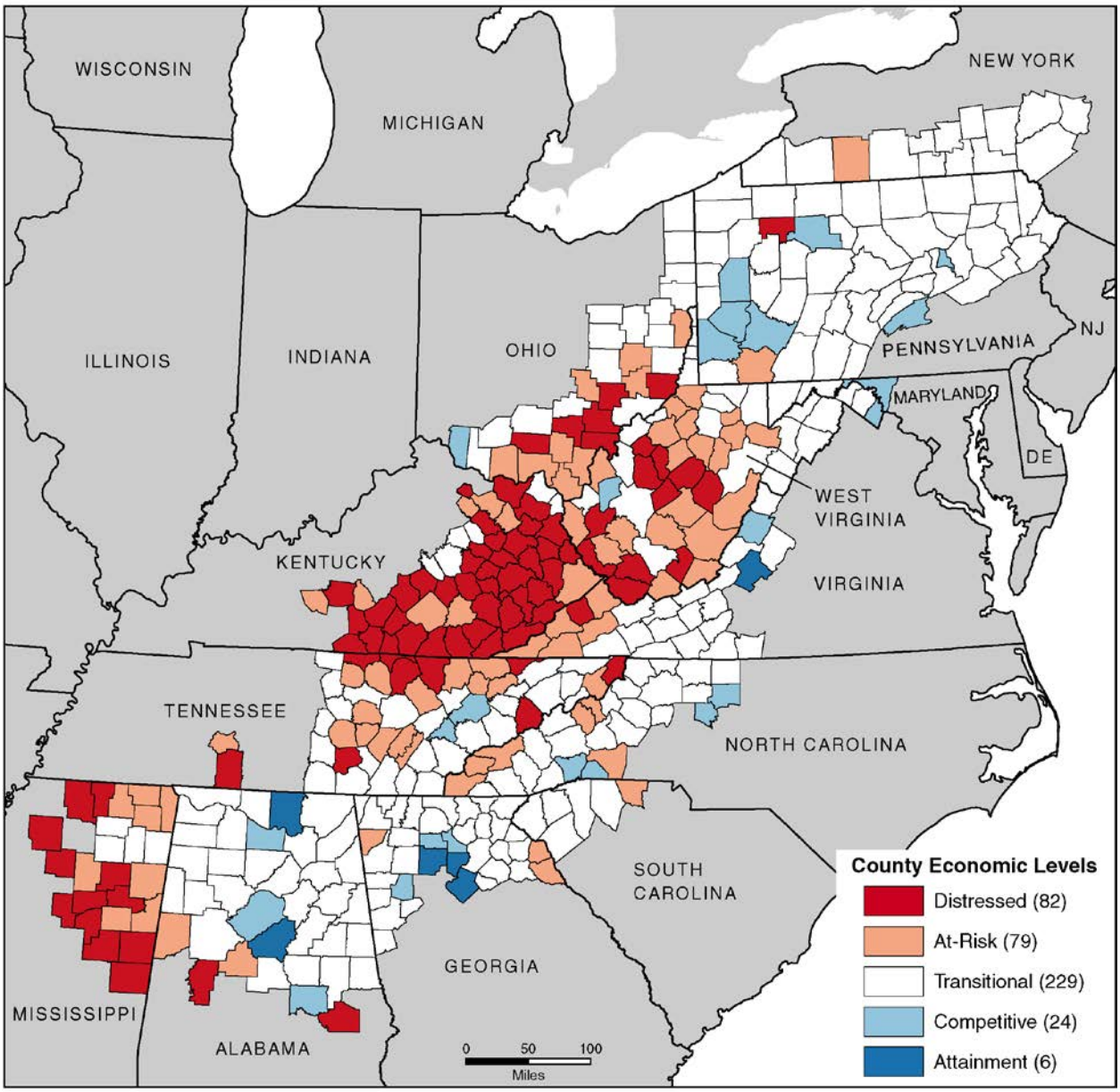
Map 0-3: ARC's County Economic Status Designations in Fiscal Year 2007



Map by: Appalachian Regional Commission, September 2006.
Data Sources: U.S. Bureau of Labor Statistics, LAUS, 2002-2004;
U.S. Bureau of Economic Analysis, REIS, 2003;
U.S. Census Bureau, 2000 Census, SF3.

Effective October 1, 2006
through September 30, 2007.

Map 0-4: ARC's County Economic Status Designations in Fiscal Year 2010



Appalachian Regional Commission, October 2009.
Data Sources: U.S. Bureau of Labor Statistics, LAUS, 2005-2007;
U.S. Bureau of Economic Analysis, REIS, 2006;
U.S. Census Bureau, 2000 Census, SF3.

Effective October 1, 2009
through September 30, 2010.

[Page Intentionally Left Blank]

CHAPTER 1 SMALL BUSINESS LENDING TRENDS IN APPALACHIA COMPARED TO THE UNITED STATES

1.1 SUMMARY

This chapter compares small business non-credit card and credit card lending in the nation to Appalachia and within Appalachia from 2007 through 2010. The chapter identifies disparities between Appalachia and the nation and within Appalachia. The chapter also examines the relationship between non-credit card and credit card lending, and between lending and branching.

Major findings concerning overall small business lending include:

- In 2003, 41 percent of the small businesses in both the nation and Appalachia received loans. By 2007, 61.6 percent and 50.3 percent of the small businesses in the nation and Appalachia, respectively, received loans. In 2010, the percentages plummeted to 19.5 percent and 16.2 percent for the nation and Appalachia, respectively. In both 2007 and 2010, lending in Appalachia was about 18 percent lower than lending nationally.

- The number of small business loans in Appalachia declined from 808,877 in 2007 to 255,231 in 2010. The dollar amount of small business lending decreased from $23.9 billion in 2007 to $13.3 billion in 2010.

- When comparing the nation to Central Appalachia, the subregion in Appalachia receiving the least lending, lending in Central Appalachia was 43 percent less than lending nationally by 2010.

- Considering subregions in Appalachia, small businesses in Northern Appalachia experienced the greatest access to credit while small businesses in Central Appalachia had the least access. For example, in 2007, about 55 percent of the small businesses in Northern Appalachia received loans while just 33.3 percent of the small businesses in Central Appalachia received loans. By 2010, the ratios were 19.4 percent and 11.1 percent in Northern and Central Appalachia, respectively.

- When examining lending by state, the Appalachia portions of Pennsylvania and Maryland had the greatest access to loans while Kentucky and Mississippi had the least access to loans. In addition, counties on the eastern boundaries of Appalachia had significantly greater access to credit than those on the western boundaries of Appalachia.

- The more urbanized a county, the better the access to credit within Appalachia. Likewise small businesses in counties with relatively favorable economic conditions had more access to credit than businesses in economically distressed counties. The disparities in access to credit narrowed slightly but remained significant from 2007 through 2010. For example, the percentage of businesses in attainment counties receiving loans was 2.25 times greater and 1.85 times greater than the percentage of businesses in economically distressed counties receiving loans in 2007 and 2010, respectively.

- Lending to the smallest businesses with revenues under $1 million contracted to the greatest extent in both Appalachia and the United States. By 2010, only 8 percent of the smallest businesses in both Appalachia and the nation received loans.

- Lending to small businesses in low- and moderate-income census tracts exhibited significant disparities by subregion, degree of urbanization, and economic status of counties in 2007 and 2010. Just as with lending overall, the greatest disparity by subregion was between Northern and Central Appalachia. Also, in 2007 and 2010, the percentage of small businesses in low- and moderate-income tracts in attainment counties receiving loans was 1.9 and 2.2 times greater, respectively, than the percentage of small businesses receiving loans in low- and moderate-income tracts in economically distressed counties.

- Comparing credit card small business lending to non-credit card lending revealed that both types of lending tended to increase or decrease together on a county level. Credit card lending is not acting as a substitute where non-credit card lending is relatively scarce, but instead higher levels of credit card lending generally occur in counties where higher levels of non-credit card lending also occur.

- In some clusters of counties with limited access to non-credit card lending, borrowers utilize credit cards to a greater degree than national average to meet their borrowing needs. Index maps of credit card lending indicate that lending concentrations are the highest in the counties such as those in Kentucky and Tennessee with the least access to overall small business credit. Conversely, the credit card lending index is the lowest in Northern Appalachia where overall small business credit was most favorable compared to the nation. Overall, however, this study observes that credit card and non-credit card lending generally increase or decrease together on a county level.

- On a county level, a higher number of branches is statistically correlated to a higher number of loans. Previous studies including NCRC's 2007 study for ARC have also identified this relationship.

- Spatial autocorrelation analysis reveals that lending patterns described above are non-random. In other words, lending is clustered in Northern Appalachia, non-distressed counties, and metropolitan counties.

The Great Recession significantly lowered small business lending levels from 2007 through 2010 in the nation and Appalachia. Disparities between the nation and Appalachia and within Appalachia remained persistent from 2007 through 2010. The disturbing news is the massive reduction in lending for all communities. The possible silver lining in this economic crisis is that stakeholders have an opportunity to address disparities in a concerted manner as lending rebounds. The big question for policymakers and stakeholders is whether aggressive, concerted, and coordinated action can be taken to ensure that widening disparities do not occur as lending levels increase when economic conditions improve.

1.2 INTRODUCTION

This chapter describes trends in small business lending in Appalachia in 2007, a year immediately preceding the financial crisis, and 2010, a year following not only the worst impacts of the Great

Recession but also a year experiencing high unemployment levels. Choosing 2007 and 2010 enables the analysis to assess lending before and after the financial crisis and to assess the impacts of the financial crisis on access to credit in Appalachia. A few comparisons will be made to 2003, a year analyzed by NCRC's previous report for the Appalachian Regional Commission (ARC).[4]

Lending increased to a larger extent in the nation, as a whole, than Appalachia from 2003 through 2007. The decline in lending in the nation and Appalachia was of similar magnitude from 2007 through 2010 (see Figure 1-1). From 2003 through 2007, lending surged 80.9 percent in the nation and 52.5 percent in Appalachia. In 2007 through 2010, lending decreased by about 69 percent in both the nation and Appalachia (see Table 1-1).

Because lending increased by a greater extent in the nation than Appalachia during the 2003 through 2007 time period, a greater percentage of small businesses in the nation than Appalachia received loans in both 2007 and 2010. In 2003, 41 percent of the small businesses in both the nation and Appalachia received loans. By 2007, 61.6 percent and 50.3 percent of the small businesses in the nation and Appalachia, respectively, received loans. In 2010, the percentages plummeted to 19.5 percent and 16.2 percent for the nation and Appalachia, respectively (see Table 1-2).

Figure 1-1: Percent of Small Businesses Receiving Loans in Appalachia and US

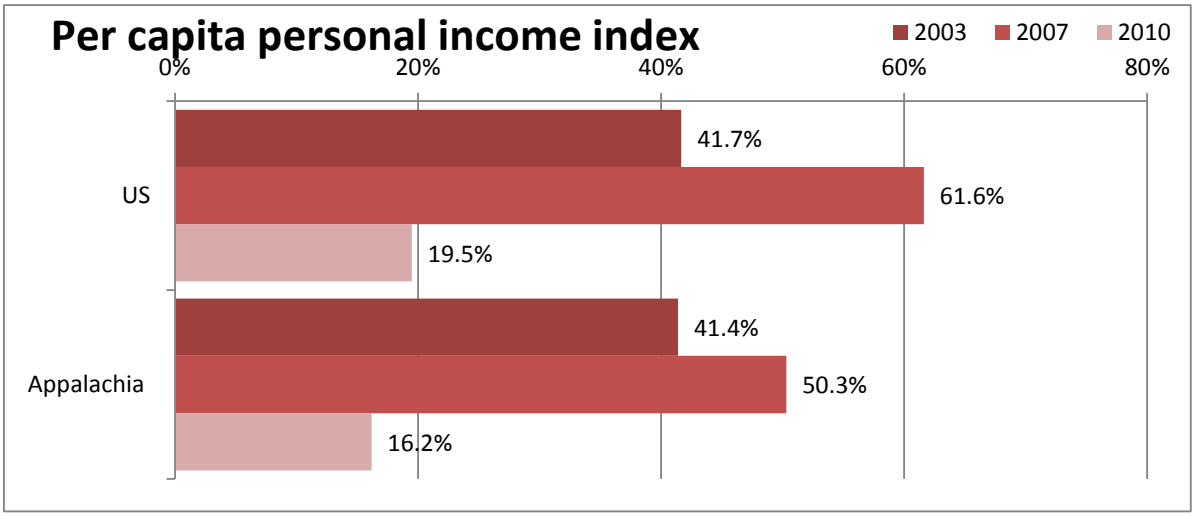


Table 1-1: Percent Change in Number of Small Businesses Receiving Loans in Appalachia and US

	Number of Small Businesses Loans			% Change		
	2003	2007	2010	2003-2007	2007-2010	2003-2010
US	7,428,630	13,437,779	4,197,610	80.9%	-68.8%	-43.5%
Appalachia	530,309	808,877	255,231	52.5%	-68.4%	-51.9%

[4] The previous NCRC study for ARC can be accessed via http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

Table 1-2: Percent of Small Businesses Receiving Loans in Appalachia and US

	Number of Small Businesses Loans			Number of businesses			Percent of Businesses Receiving Loans		
	2003	2007	2010	2003	2007	2010	2003	2007	2010
US	7,428,630	13,437,779	4,197,610	17,828,895	21,808,201	21,530,378	41.7%	61.6%	19.5%
Appalachia	530,309	808,877	255,231	1,280,941	1,607,645	1,577,370	41.4%	50.3%	16.2%

1.3 TRENDS WITHIN APPALACHIA

1.3.1 ALL SMALL BUSINESS LOANS

Considering subregions in Appalachia, small businesses in Northern Appalachia experienced the greatest access to credit while small businesses in Central Appalachia encountered the least access. About 55 percent of the small businesses in Northern Appalachia received loans while just 33.3 percent of the small businesses in Central Appalachia received loans in 2007. By 2010, this disparity remained, with 19.4 percent and 11.1 percent of the small businesses receiving loans, respectively, in Northern and Central Appalachia (see Figure 1-2).

The more urbanized a geographical area, the better the access to credit within Appalachia. Almost 59 percent of the small businesses in large metropolitan counties (more than 1 million people) received loans while 35.1 percent of the small businesses in rural counties received loans in 2007. This disparity occurs in 2010 as well but is narrowed with 17.8 percent and 12.7 percent of the small businesses in large metropolitan counties and rural counties, respectively, receiving loans (see Figure 1-3 and Table 1-4). In 2007, the percentage of small businesses in large metropolitan counties receiving loans was 1.7 times greater than the percentage of small businesses in rural counties receiving loans. By 2010, this disparity ratio shrank modestly to 1.4 (see Table 1-4).

Not surprisingly, more favorable economic conditions corresponded to increased access to loans on a county level. Banks issued loans to just 28.1 percent of the small businesses in economically distressed counties and to 63.3 percent of the small businesses in attainment counties in 2007. The disparities narrowed but remained in 2010 (see Figure 1-4 and Table 1-4).

Lending by dollar amount reinforces the finding of disparities by county categories. In Appalachia, as a whole, the amount of small business lending declined from $23.9 billion in 2007 to $13.3 billion in 2010. Central Appalachia received considerably lower dollar amounts compared to other subregions. For example, in 2010, Central Appalachia received less than half a billion dollars in lending compared to Northern Appalachia's $5.1 billion (see Table 1-5).

It is important to keep in mind, however, that the disadvantaged counties in Appalachia are most likely to have the smallest businesses which typically receive lower dollar amounts of lending. To some extent, therefore, the disparities in dollar amounts reflect the stage of development of the small business sector at a county level. The disparities by average dollar amount increased from 2007 to 2010. For example, small businesses in Central Appalachia and Northern Appalachia received, on average, $21,100 and $27,500, respectively in 2007. This disparity increased to $37,600 and $54,700, respectively, in 2010 (see Table 1-5).

Considering lending by state, the Appalachian portions of Maryland and Pennsylvania experienced the most access to credit while Kentucky and Mississippi experienced the least access to credit during 2007 and 2010 (see Figure 1-5). The sharp decline in lending due to the financial crisis compressed disparities between the Appalachian and non-Appalachian parts of states. In nine states in 2007, a higher percentage of small businesses received loans in the non-Appalachian counties vis-à-vis the Appalachian counties. By 2010, this was the case in just six states and the differences in the percentages of businesses receiving loans were generally not that large. For example, banks made loans to 16.8 percent and 15.3 percent of the small businesses in non-Appalachia and Appalachian Virginia, respectively.

The maps display indexed values. In other words, the small business loan to small business ratio for a county is divided by the median ratio for the nation. The counties are then divided into even quintiles for the index values. The red shades are for the lower quintiles indicating that counties have less access to small business lending than their national counterparts. The blue shades are for the best quintiles showing that the counties have more access to credit than their national counterparts. The maps are reproduced for the ratios in this chapter.

The maps illustrate that Northern Appalachia is the region with the most access to credit. In particular, Pennsylvania has the most “dark blue” counties and the number of Pennsylvania counties in dark blue increases from 2007 to 2010. Another striking pattern is that counties on the eastern boundaries of Appalachia have more access to credit than their national counterparts whereas counties on the western boundaries of Appalachia have less access than their national counterparts. The least access (dark red) clusters around the Kentucky, Tennessee, Ohio, and Mississippi portions of Appalachia. The appendix has the ratio and index values for each county.

Figure 1-2: Ratio of Small Business Loans to Small Businesses by Region

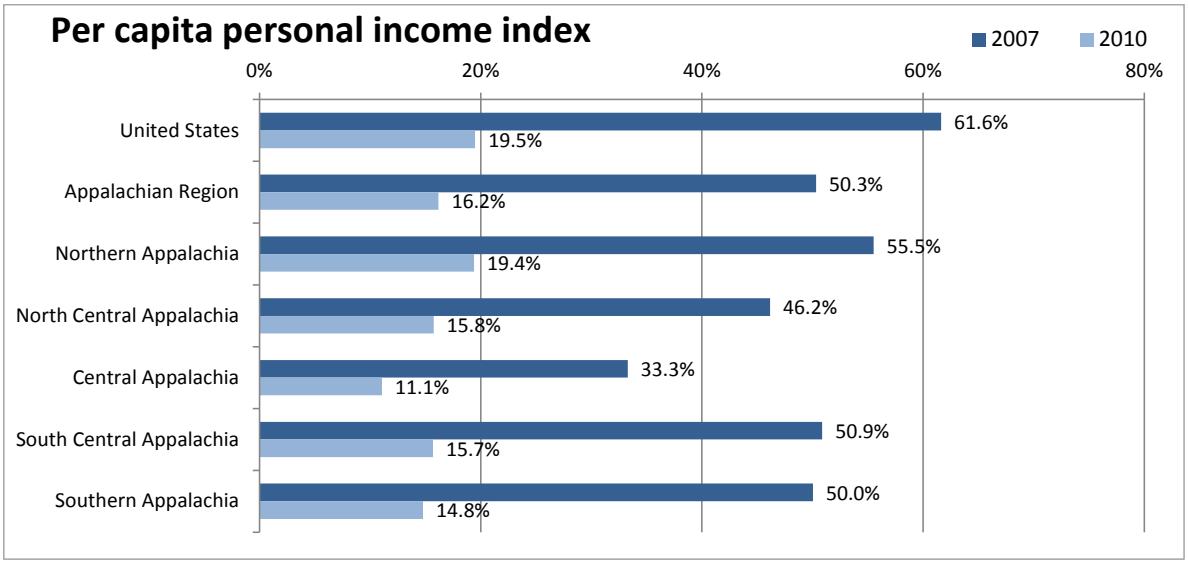


Figure 1-3: Ratio of Small Business Loans to Small Businesses by County Type

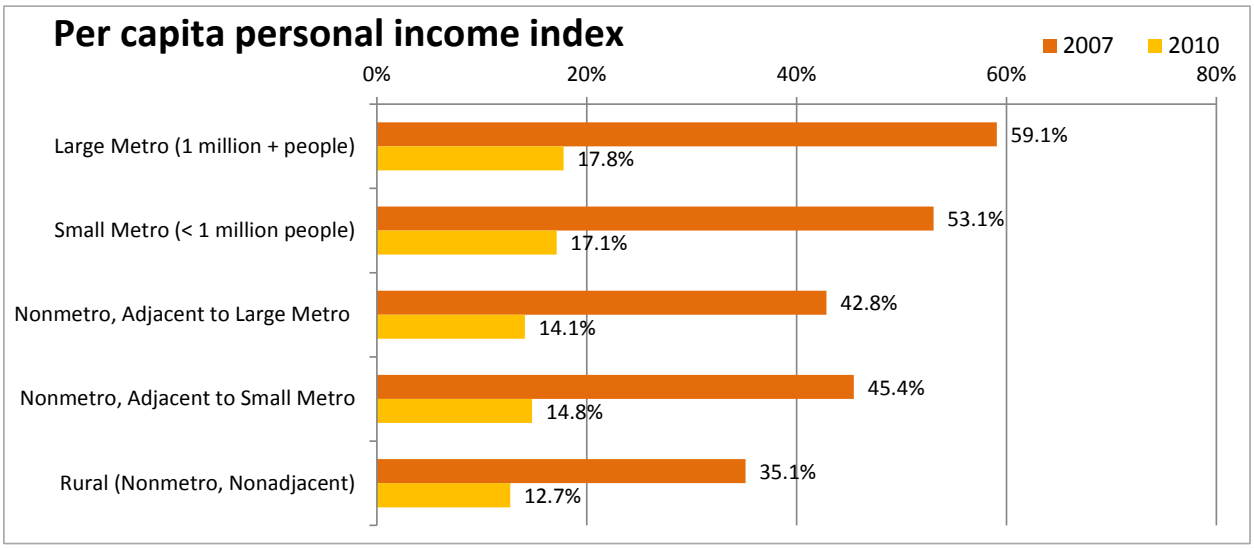
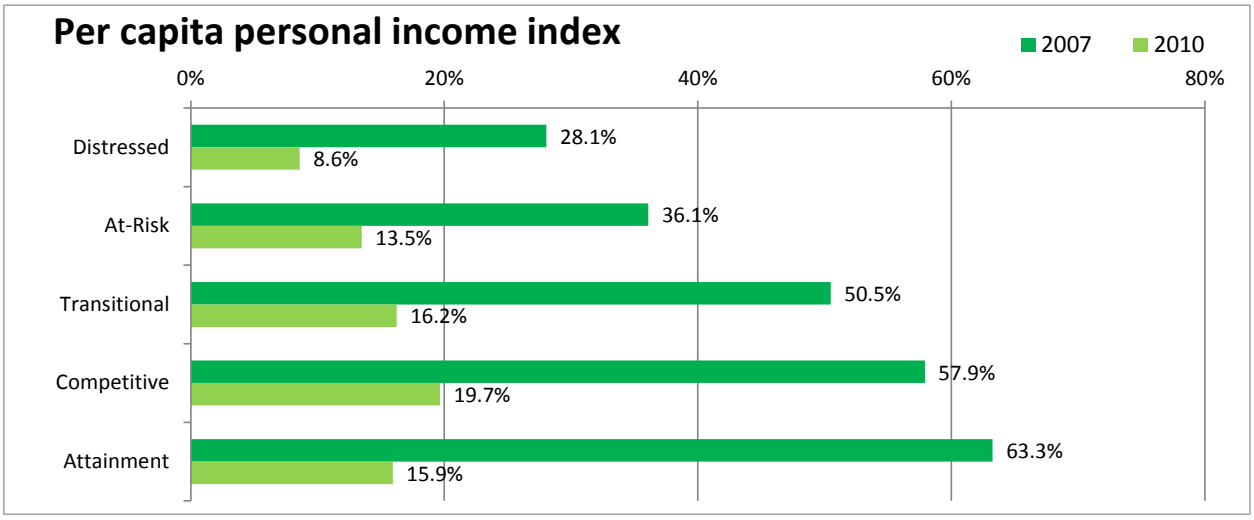
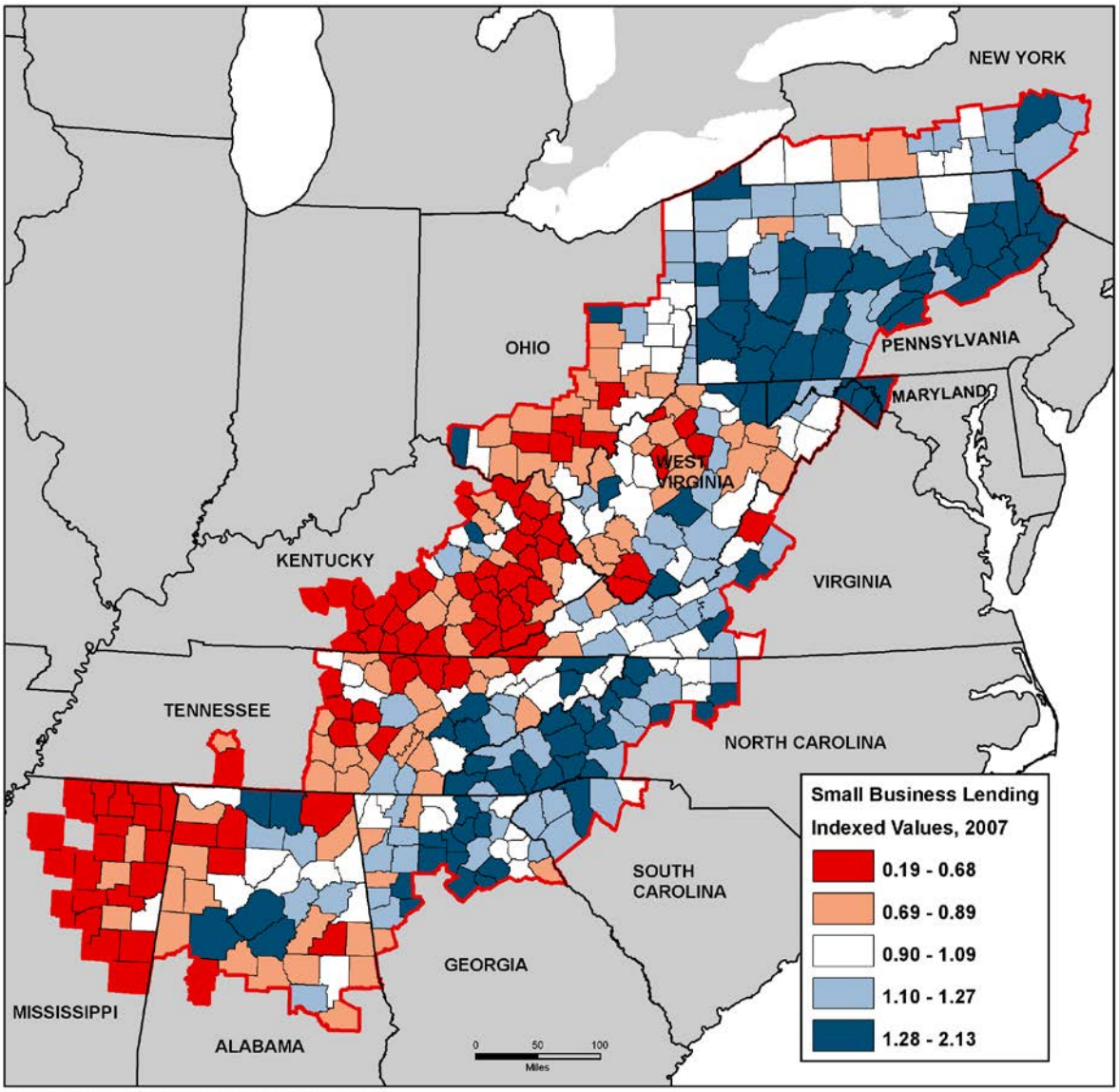


Figure 1-4: Ratio of Small Business Loans to Small Businesses by Economic Status



Map 1-1: Small Business Lending Index, 2007

Ratio of Number of Small Business Loans to Small Businesses, Indexed Values (U.S. =1)

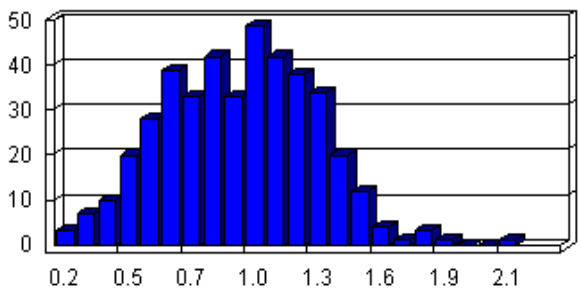


Map Title: Small Business Lending Index, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2007

Statistics of Indexed Values

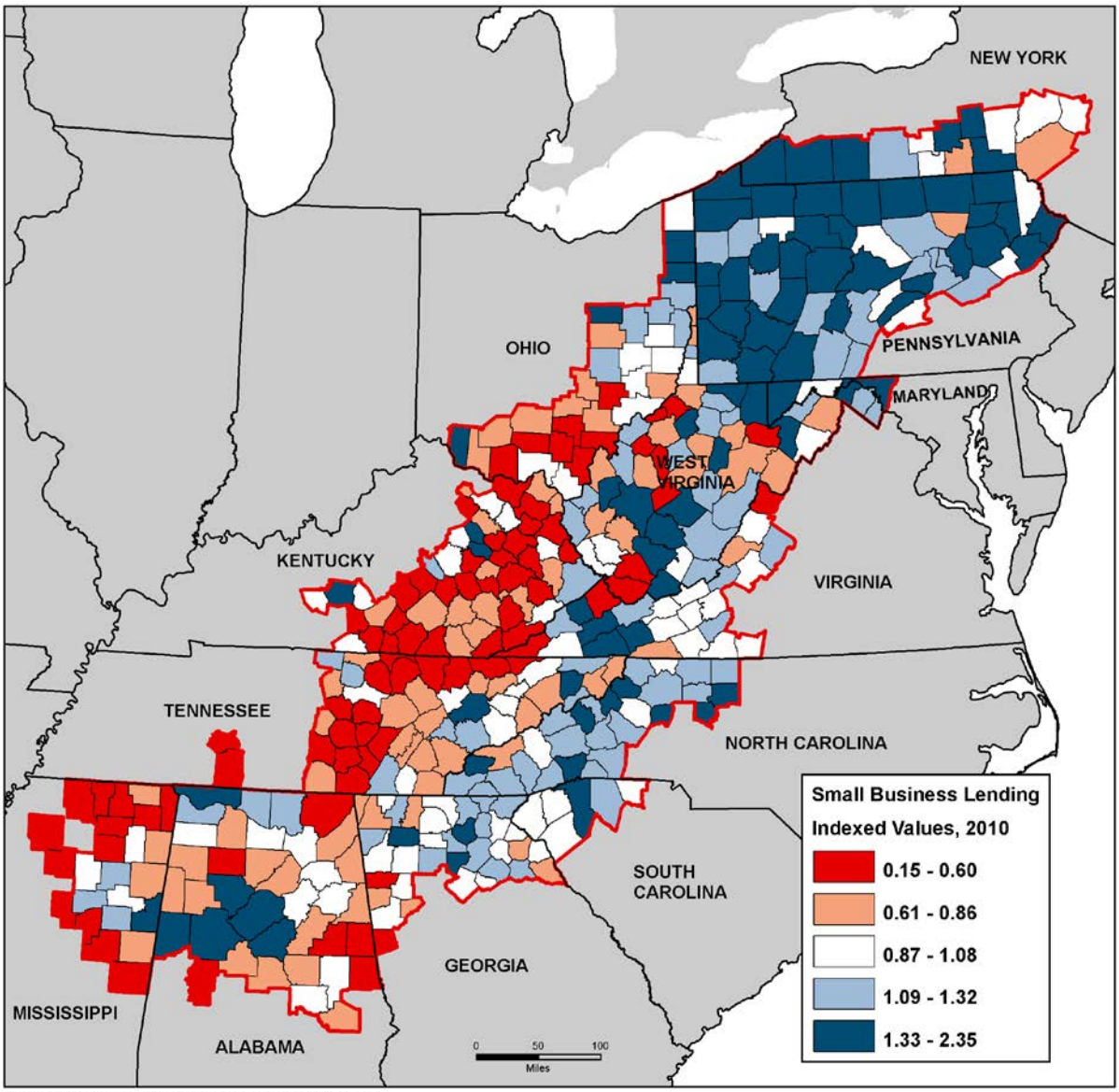
Count	420
Minimum	0.191
Maximum	2.133
Mean	0.988
Standard Deviation	0.321

Histogram of Indexed Values



Map 1-2: Small Business Lending Index, 2010

Ratio of Number of Small Business Loans to Small Businesses, Indexed Values (U.S. =1)



Map Title: Small Business Lending Index, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2010

Statistics of Indexed Values

Count	420
Minimum	0.148
Maximum	2.35
Mean	0.978
Standard Deviation	0.393

Histogram of Indexed Values

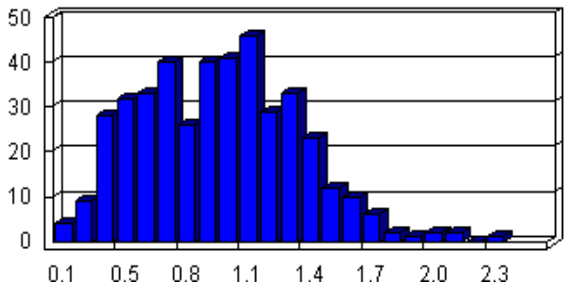


Figure 1-5: Ratio of Number of Small Business Loans to Small Businesses by State

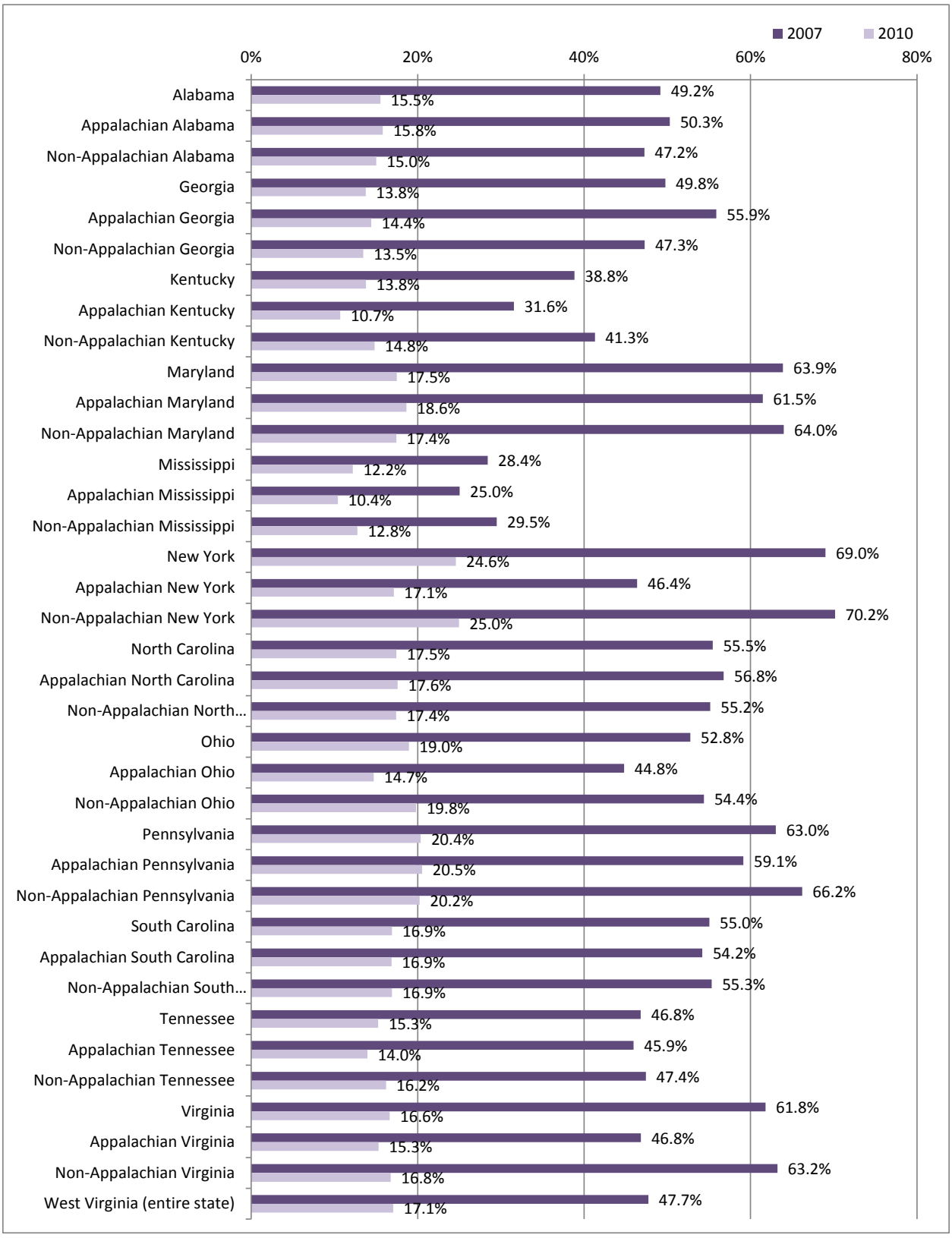


Table 1-3: Ratio of Small Business Loans to Small Businesses in Appalachia

	2007			2010		
	Number of Small Business Loans	Number of Small Businesses	Ratio of Small Business Loans to Small Businesses	Number of Small Business Loans	Number of Small Businesses	Ratio of Small Business Loans to Small Businesses
United States	**13,437,779**	**21,808,201**	**61.6%**	**4,197,610**	**21,530,378**	**19.5%**
Appalachian Region	**808,877**	**1,607,645**	**50.3%**	**255,231**	**1,577,370**	**16.2%**
Subregions						
Northern Appalachia	265,062	477,301	55.5%	93,452	482,014	19.4%
North Central Appalachia	59,519	128,944	46.2%	19,678	124,926	15.8%
Central Appalachia	38,372	115,266	33.3%	12,085	109,122	11.1%
South Central Appalachia	156,224	307,059	50.9%	47,760	304,728	15.7%
Southern Appalachia	289,700	579,075	50.0%	82,256	556,580	14.8%
County Types						
Large Metro (1 million + people)	233,652	395,470	59.1%	71,892	404,330	17.8%
Small Metro (< 1 million people)	325,376	613,330	53.1%	103,484	604,234	17.1%
Nonmetro, Adjacent to Large Metro	46,778	109,171	42.8%	14,654	103,911	14.1%
Nonmetro, Adjacent to Small Metro	136,848	301,104	45.4%	43,204	291,784	14.8%
Rural (Nonmetro, Nonadjacent)	66,223	188,570	35.1%	21,997	173,111	12.7%
Economic Status						
Distressed	25,190	89,777	28.1%	7,461	86,870	8.6%
At-Risk	52,515	145,503	36.1%	18,619	138,028	13.5%
Transitional	448,203	887,755	50.5%	147,088	905,985	16.2%
Competitive	176,965	305,587	57.9%	57,498	292,327	19.7%
Attainment	85,936	135,857	63.3%	24,565	154,160	15.9%
Alabama	**154,821**	**314,870**	**49.2%**	**46,944**	**302,408**	**15.5%**
Appalachian Alabama	100,348	199,561	50.3%	30,438	192,538	15.8%
Non-Appalachian Alabama	54,473	115,309	47.2%	16,506	109,870	15.0%
Georgia	**412,517**	**828,977**	**49.8%**	**109,030**	**792,556**	**13.8%**
Appalachian Georgia	133,604	239,021	172.3%	34,345	238,124	14.4%
Non-Appalachian Georgia	278,913	589,956	37.1%	74,685	554,432	13.5%
Kentucky	**118,063**	**304,048**	**38.8%**	**41,075**	**297,724**	**13.8%**
Appalachian Kentucky	24,487	77,542	31.6%	7,926	74,004	10.7%
Non-Appalachian Kentucky	93,576	226,506	41.3%	33,149	223,720	14.8%
Maryland	**248,007**	**388,206**	**63.9%**	**68,107**	**389,579**	**17.5%**
Appalachian Maryland	8,846	14,392	61.5%	2,796	14,993	18.6%
Non-Appalachian Maryland	239,161	373,814	64.0%	65,311	374,586	17.4%
Mississippi	**82,053**	**288,779**	**28.4%**	**30,367**	**248,541**	**12.2%**
Appalachian Mississippi	17,516	69,965	25.0%	6,079	58,339	10.4%
Non-Appalachian Mississippi	64,537	218,814	29.5%	24,288	190,202	12.8%
New York	**969,471**	**1,404,794**	**69.0%**	**308,303**	**1,253,951**	**24.6%**
Appalachian New York	31,216	67,312	46.4%	10,676	62,314	17.1%
Non-Appalachian New York	938,255	1,337,482	70.2%	297,627	1,191,637	25.0%
North Carolina	**341,140**	**615,139**	**55.5%**	**108,924**	**624,133**	**17.5%**
Appalachian North Carolina	64,128	112,966	56.8%	19,459	110,530	17.6%
Non-Appalachian North Carolina	277,012	502,173	55.2%	89,465	513,603	17.4%
Ohio	**364,863**	**691,536**	**52.8%**	**126,530**	**667,427**	**19.0%**
Appalachian Ohio	52,594	117,389	44.8%	16,697	113,316	14.7%
Non-Appalachian Ohio	312,269	574,147	54.4%	109,833	554,111	19.8%
Pennsylvania	**448,313**	**711,343**	**63.0%**	**155,425**	**763,099**	**20.4%**
Appalachian Pennsylvania	189,468	320,365	59.1%	68,219	332,120	20.5%
Non-Appalachian Pennsylvania	258,845	390,978	66.2%	87,206	430,979	20.2%
South Carolina	**149,892**	**272,316**	**55.0%**	**45,139**	**266,975**	**16.9%**
Appalachian South Carolina	38,232	70,528	54.2%	11,394	67,579	16.9%
Non-Appalachian South Carolina	111,660	201,788	55.3%	33,745	199,396	16.9%
Tennessee	**199,969**	**427,304**	**46.8%**	**64,456**	**422,466**	**15.3%**
Appalachian Tennessee	83,223	181,133	45.9%	24,897	178,251	14.0%
Non-Appalachian Tennessee	116,746	246,171	47.4%	39,559	244,215	16.2%
Virginia	**298,547**	**483,178**	**61.8%**	**91,083**	**547,124**	**16.6%**
Appalachian Virginia	19,900	42,503	46.8%	6,740	44,052	15.3%
Non-Appalachian Virginia	278,647	440,675	63.2%	84,343	503,072	16.8%
West Virginia (entire state)	**45,315**	**94,968**	**47.7%**	**15,565**	**91,210**	**17.1%**

For 2007, 10 of the 420 counties do not have economic status indicated as they were not part of the ARC in 2007. This is the case for all the tables and figures in the report.

Table 1-4: Disparity Ratios of Ratio of Small Business Loans to Small Businesses

	Year	Numerator	Denominator	Disparity Ratio
US vs. Appalachia	2007	61.6%	50.3%	1.22
	2010	19.5%	16.2%	1.21
Northern vs. Central	2007	55.5%	33.3%	1.67
	2010	19.4%	11.1%	1.75
Large Metro vs. Rural	2007	59.1%	35.1%	1.68
	2010	17.8%	12.7%	1.4
Attainment vs. Distressed	2007	63.3%	28.1%	2.25
	2010	15.9%	8.6%	1.85

Table 1-5: Average Small Business Loan Amount in Appalachia*

	2007			2010		
	$, Amount of Small Business Loans	Number of Small Business Loans	$, Average Loan Amount	$, Amount of Small Business Loans	Number of Small Business Loans	$, Average Loan Amount
United States	**$324,325,913**	**13,437,779**	**$24.1**	**$173,436,472**	**4,197,610**	**$41.3**
Appalachian Region	**$23,965,813**	**808,877**	**$29.6**	**$13,342,550**	**255,231**	**$52.3**
Subregions						
Northern Appalachia	$7,282,956	265,062	$27.5	$5,110,722	93,452	$54.7
North Central Appalachia	$1,606,299	59,519	$27.0	$1,101,456	19,678	$56.0
Central Appalachia	$811,477	38,372	$21.1	$454,146	12,085	$37.6
South Central Appalachia	$5,050,897	156,224	$32.3	$2,615,336	47,760	$54.8
Southern Appalachia	$9,214,184	289,700	$31.8	$4,060,890	82,256	$49.4
County Types						
Large Metro (1 million + people)	$6,619,126	233,652	$28.3	$3,699,442	71,892	$51.5
Small Metro (< 1 million people)	$10,848,636	325,376	$33.3	$6,067,377	103,484	$58.6
Nonmetro, Adjacent to Large Metro	$1,152,371	46,778	$24.6	$656,345	14,654	$44.8
Nonmetro, Adjacent to Small Metro	$3,638,568	136,848	$26.6	$1,955,243	43,204	$45.3
Rural (Nonmetro, Nonadjacent)	$1,707,112	66,223	$25.8	$964,143	21,997	$43.8
Economic Status						
Distressed	$492,229	25,190	$19.5	$233,528	7,461	$31.3
At-Risk	$1,284,550	52,515	$24.5	$814,478	18,619	$43.7
Transitional	$13,722,200	448,203	$30.6	$7,728,094	147,088	$52.5
Competitive	$5,838,093	176,965	$33.0	$3,445,967	57,498	$59.9
Attainment	$2,170,027	85,936	$25.3	$1,120,483	24,565	$45.6
Alabama	**$5,827,455**	**154,821**	**$37.6**	**$2,633,016**	**46,944**	**$56.1**
Appalachian Alabama	$3,791,119	100,348	$37.8	$1,665,817	30,438	$54.7
Non-Appalachian Alabama	$2,036,336	54,473	$37.4	$967,199	16,506	$58.6
Georgia	**$11,224,500**	**412,517**	**$27.2**	**$4,977,683**	**109,030**	**$45.7**
Appalachian Georgia	$3,630,619	133,604	$27.2	$1,532,318	34,345	$44.6
Non-Appalachian Georgia	$7,593,881	278,913	$27.2	$3,445,365	74,685	$46.1
Kentucky	**$3,185,311**	**118,063**	**$27.0**	**$2,133,357**	**41,075**	**$51.9**
Appalachian Kentucky	$499,233	24,487	$20.4	$280,712	7,926	$35.4
Non-Appalachian Kentucky	$2,686,078	93,576	$28.7	$1,852,645	33,149	$55.9
Maryland	**$6,040,036**	**248,007**	**$24.4**	**$2,841,401**	**68,107**	**$41.7**
Appalachian Maryland	$271,031	8,846	$30.6	$175,767	2,796	$62.9
Non-Appalachian Maryland	$5,769,005	239,161	$24.1	$2,665,634	65,311	$40.8
Mississippi	**$2,529,250**	**82,053**	**$30.8**	**$1,515,669**	**30,367**	**$49.9**
Appalachian Mississippi	$551,393	17,516	$31.5	$272,295	6,079	$44.8
Non-Appalachian Mississippi	$1,977,857	64,537	$30.6	$1,243,374	24,288	$51.2
New York	**$19,914,993**	**969,471**	**$20.5**	**$9,643,636**	**308,303**	**$31.3**
Appalachian New York	$721,522	31,216	$23.1	$383,744	10,676	$35.9
Non-Appalachian New York	$19,193,471	938,255	$20.5	$9,259,892	297,627	$31.1
North Carolina	**$11,537,683**	**341,140**	**$33.8**	**$5,633,301**	**108,924**	**$51.7**
Appalachian North Carolina	$2,045,398	64,128	$31.9	$947,159	19,459	$48.7
Non-Appalachian North Carolina	$9,492,285	277,012	$34.3	$4,686,142	89,465	$52.4
Ohio	**$10,142,341**	**364,863**	**$27.8**	**$7,875,456**	**126,530**	**$62.2**
Appalachian Ohio	$1,160,385	52,594	$22.1	$863,491	16,697	$51.7
Non-Appalachian Ohio	$8,981,956	312,269	$28.8	$7,011,965	109,833	$63.8
Pennsylvania	**$13,184,892**	**448,313**	**$29.4**	**$8,033,802**	**155,425**	**$51.7**
Appalachian Pennsylvania	$5,519,598	189,468	$29.1	$3,915,651	68,219	$57.4
Non-Appalachian Pennsylvania	$7,665,294	258,845	$29.6	$4,118,151	87,206	$47.2
South Carolina	**$4,776,873**	**149,892**	**$31.9**	**$2,294,399**	**45,139**	**$50.8**
Appalachian South Carolina	$1,241,053	38,232	$32.5	$590,460	11,394	$51.8
Non-Appalachian South Carolina	$3,535,820	111,660	$31.7	$1,703,939	33,745	$50.5
Tennessee	**$6,511,859**	**199,969**	**$32.6**	**$3,836,647**	**64,456**	**$59.5**
Appalachian Tennessee	$2,749,951	83,223	$33.0	$1,500,176	24,897	$60.3
Non-Appalachian Tennessee	$3,761,908	116,746	$32.2	$2,336,471	39,559	$59.1
Virginia	**$7,961,982**	**298,547**	**$26.7**	**$4,116,094**	**91,083**	**$45.2**
Appalachian Virginia	$509,108	19,900	$25.6	$309,375	6,740	$45.9
Non-Appalachian Virginia	$7,452,874	278,647	$26.7	$3,806,719	84,343	$45.1
West Virginia (entire state)	**$1,275,403**	**45,315**	**$28.1**	**$905,585**	**15,565**	**$58.2**

*Loan amounts are in 1,000s

1.3.2 LENDING TRENDS FOR THE SMALLEST BUSINESSES

The Community Reinvestment Act (CRA) small business loan data can report separately the lending for small businesses with revenues less than $1 million.[5] In addition, the demographic data provided by Dun and Bradstreet provides information on the number of small businesses on a county level that have revenues less than $1 million. Thus, ratios assessing access to the smallest businesses can be computed by dividing the number of loans to small businesses with revenues under $1 million by the number of small businesses with revenues under $1 million.

One noteworthy caveat is that the CRA small business loan data contain records for which the revenue size of the small business is unknown. Thus, the data are not precise regarding the number of loans to the smallest businesses with revenues less than $1 million.

The disparities between the nation and Appalachia are narrower for the smallest businesses. When considering all small businesses, about 61 percent and 50.3 percent of the small businesses in the nation and in Appalachia, respectively, received loans during 2007 (see Table 1-3). In contrast, almost the same portion of the smallest businesses received loans when comparing Appalachia and the nation in 2007 – about 36.5 percent in the nation and 32.8 percent in Appalachia (see Figure 1-6). The sharp contraction in lending from 2007 through 2010 resulted in reducing this disparity, even though a much lower percentage of the smallest businesses received loans in 2010 (about 8 percent of the smallest businesses in both the nation and in Appalachia).

Just as with small businesses overall, the smallest businesses with revenues under $1 million experienced the most access to credit in Northern Appalachia and the least access in Central Appalachia during 2007 and 2010 (see Figure 1-6). Urbanized areas had moderately more access to credit in 2007. By 2010, however, the dramatic decrease in lending almost eliminated disparities resulting in 7 to 8 percent of the smallest businesses receiving loans in urban and rural counties (see Figure 1-7 and Table 1-7). For counties by economic status, disparities are significant in 2007 and narrowed by 2010 (see Figure 1-8 and Table 1-7).

In 2007, the smallest businesses in Appalachia Georgia had the best access to loans (36.8 percent received loans) followed closely by their counterparts in North Carolina, Mississippi, and Pennsylvania (see Figure 1-9). The smallest businesses in Appalachian Kentucky had the least access to loans (24.5 percent). By 2010, differences narrowed considerably with 6 to 9 percent of the smallest businesses receiving loans with the exception of Pennsylvania where 12 percent received loans.

The maps of the smallest business loan index (see Maps 1-3 and 1-4) reveal a pattern that is similar to the overall small business loan index. Just as with overall small business lending, access is most favorable compared to the nation for the Northern Appalachian subregion and for the counties along the eastern boundary of Appalachia. Kentucky and Tennessee counties again appear to have the least favorable

[5] While more detailed data for lending to businesses with smaller revenue categories are desirable and will become available in future years, the current data allow for a comparison between credit access for the "larger" and "smaller" of the small businesses. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 mandates improvements to the publicly available small business loan data including information on the race and gender of the small business owner and more detail on revenue size of the small business.

access compared to the nation. The other striking trend is that there is a growth in the "darkest blue" counties in Pennsylvania and West Virginia in 2010. Although lending to the smallest businesses plummeted in 2010, more counties in the Appalachian portions of Pennsylvania and West Virginia experienced favorable access compared to the nation in 2010.

Figure 1-6: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by Region

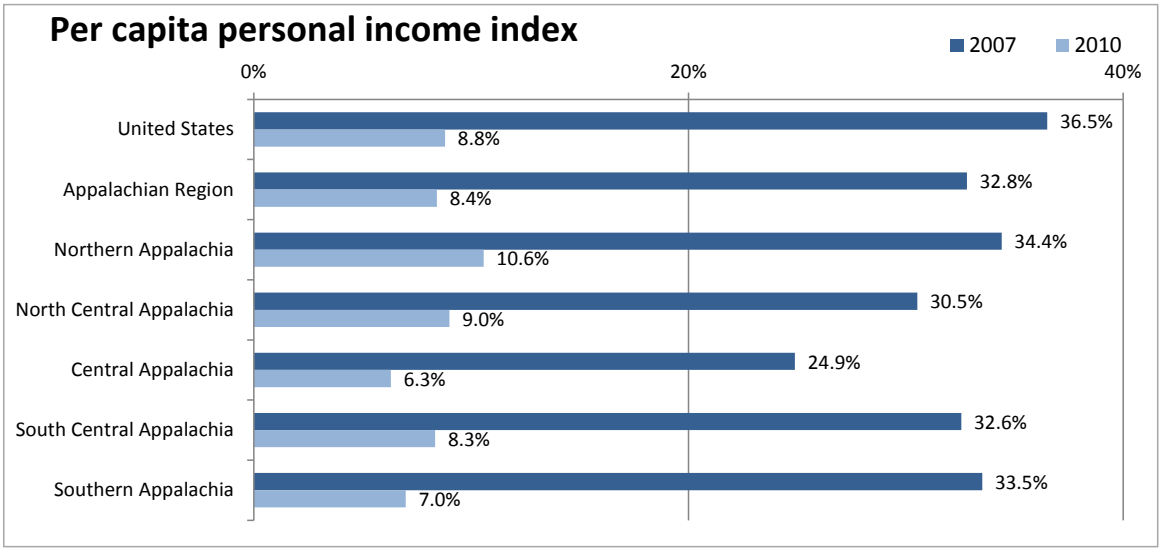


Figure 1-7: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by County Type

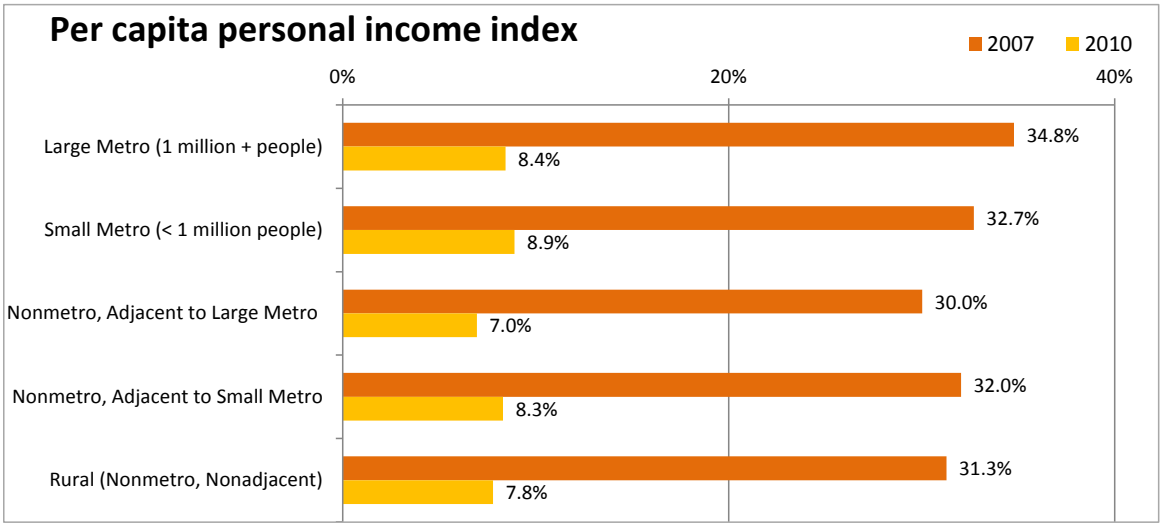
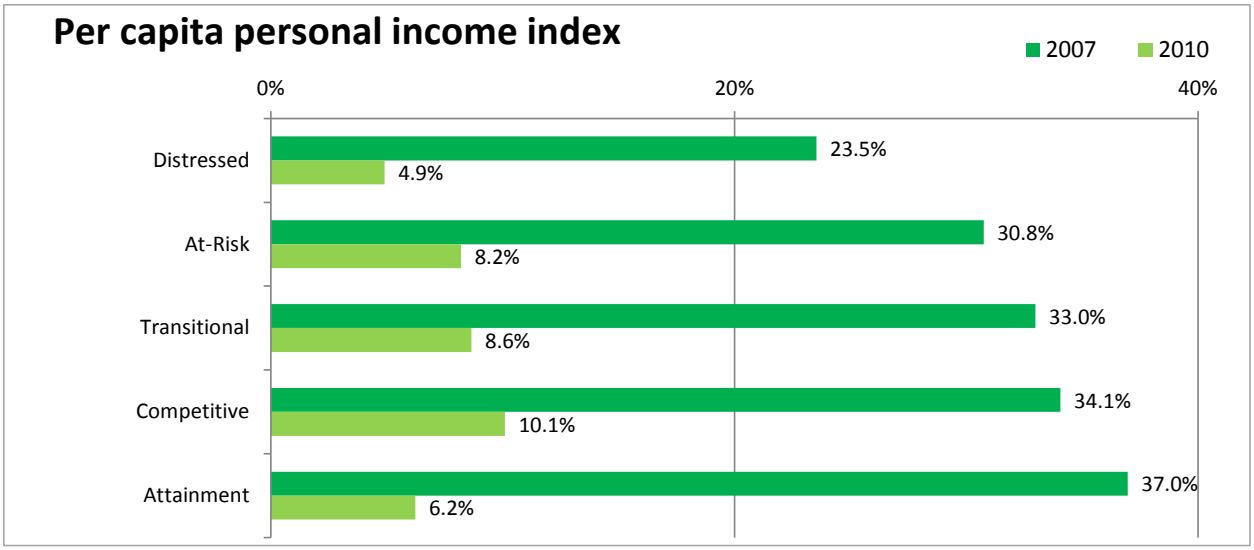
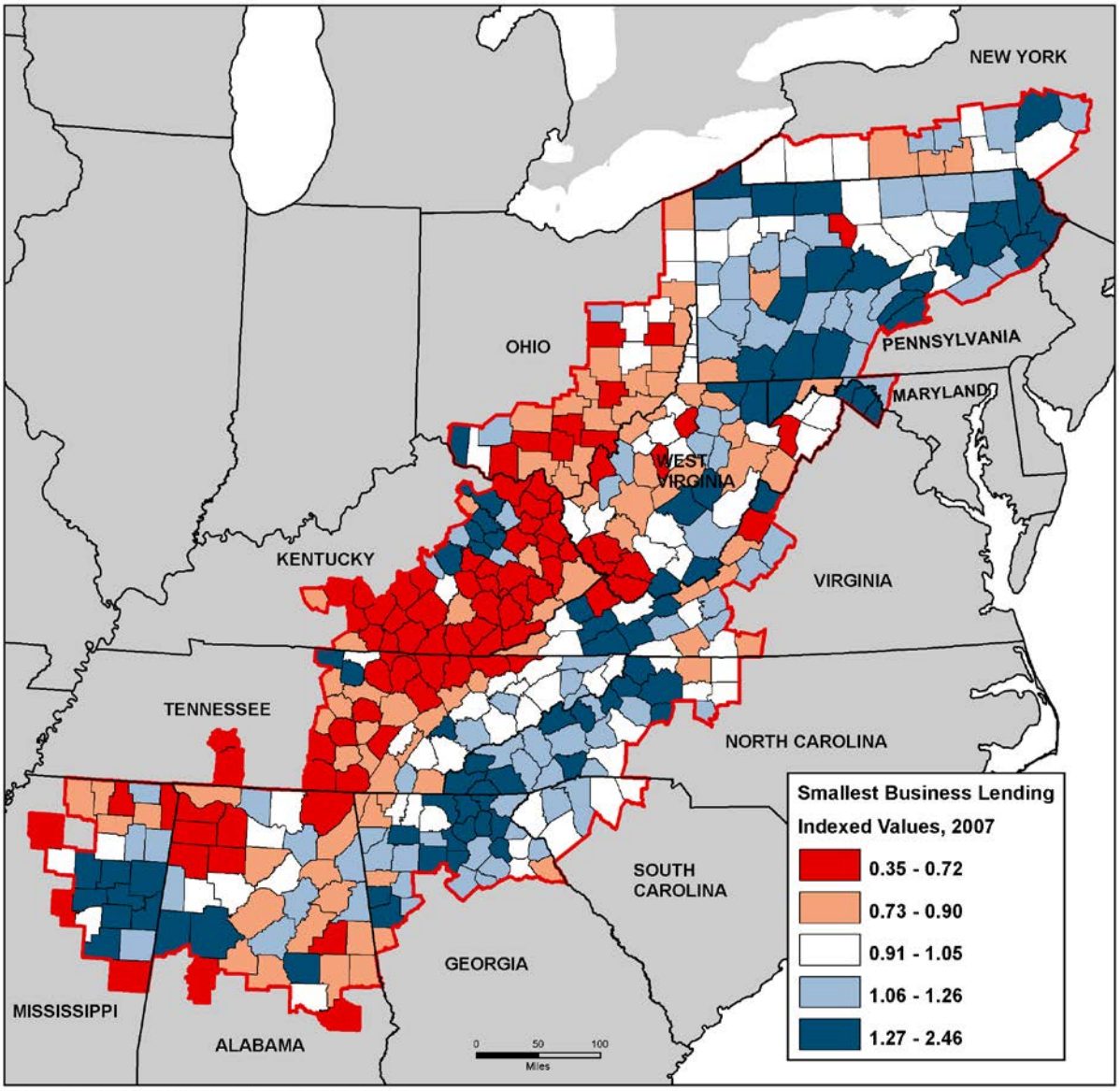


Figure 1-8: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by Economic Status



Map 1-3: Smallest Business Lending Index, 2007

Ratio of Loans to Smallest Business to Number of Smallest Businesses, Indexed Values (U.S. =1)
Smallest businesses are defined as businesses with revenue less than $1 million

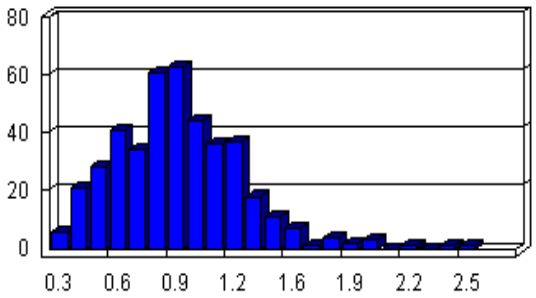


Map Title: Smallest Business Lending Index, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2007

Statistics of Indexed Values

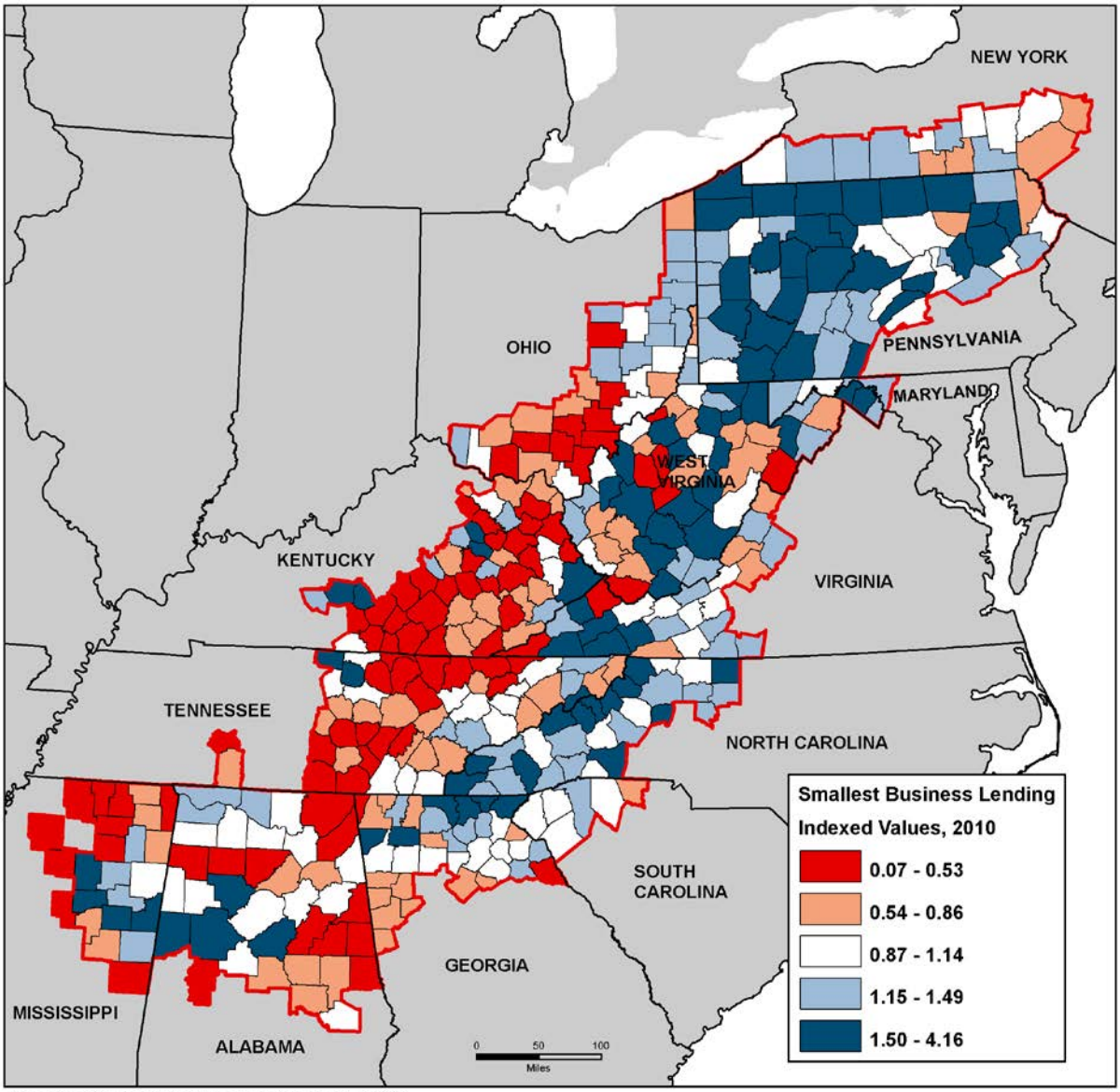
Count	420
Minimum	0.346
Maximum	2.46
Mean	1.00
Standard Deviation	0.325

Histogram of Indexed Values



Map 1-4: Smallest Business Lending Index, 2010

Ratio of Loans to Smallest Business to Number of Smallest Businesses, Indexed Values (U.S. =1)
Smallest businesses are defined as businesses with revenue less than $1 million



Map Title: Smallest Business Lending Index, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2010

Statistics of Indexed Values

Count	420
Minimum	0.07
Maximum	4.16
Mean	1.07
Standard Deviation	0.582

Histogram of Indexed Values

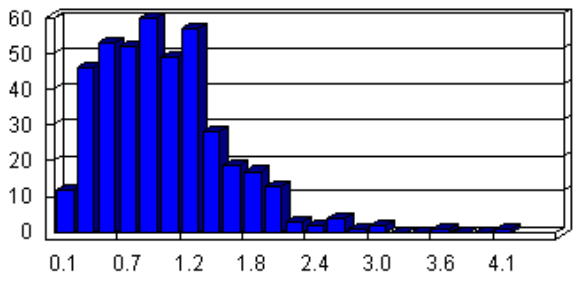


Figure 1-9: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million by State

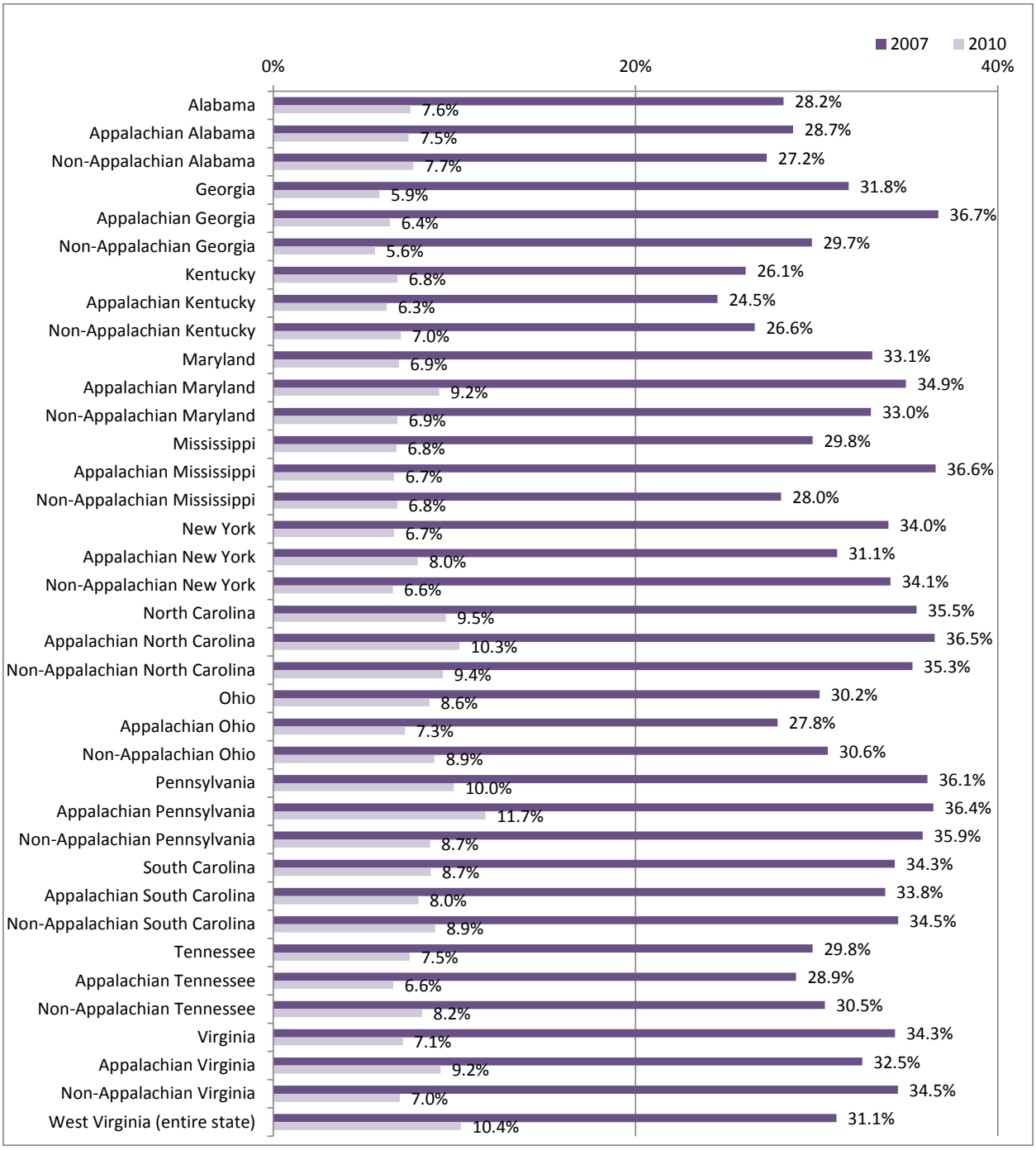


Table 1-6: Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million in Appalachia

	2007			2010		
	Number of Loans to Small Businesses	Number of Small Businesses	Ratio of Small Business Loans to the Number of Small Businesses	Number of Loans to Small Businesses	Number of Small Businesses	Ratio of Small Business Loans to the Number of Small Businesses
United States	**5,142,053**	**14,082,734**	**36.5%**	**1,478,317**	**16,795,089**	**8.8%**
Appalachian Region	**319,347**	**973,071**	**32.8%**	**102,596**	**1,218,466**	**8.4%**
Subregions						
Northern Appalachia	107,112	311,233	34.4%	38,038	359,519	10.6%
North Central Appalachia	23,437	76,774	30.5%	8,152	90,545	9.0%
Central Appalachia	15,720	63,130	24.9%	5,223	82,854	6.3%
South Central Appalachia	62,905	193,221	32.6%	20,026	240,039	8.3%
Southern Appalachia	110,173	328,713	33.5%	31,157	445,509	7.0%
County Types						
Large Metro (1 million + people)	88,497	254,432	34.8%	26,766	317,198	8.4%
Small Metro (< 1 million people)	126,037	385,401	32.7%	41,068	461,194	8.9%
Nonmetro, Adjacent to Large Metro	18,791	62,582	30.0%	5,647	81,227	7.0%
Nonmetro, Adjacent to Small Metro	57,161	178,405	32.0%	18,751	225,813	8.3%
Rural (Nonmetro, Nonadjacent)	28,861	92,251	31.3%	10,364	133,034	7.8%
Economic Status						
Distressed	10,183	43,272	23.5%	3,267	66,620	4.9%
At-Risk	22,782	74,086	30.8%	8,690	105,956	8.2%
Transitional	178,893	542,406	33.0%	60,459	698,994	8.6%
Competitive	67,648	198,577	34.1%	22,370	221,525	10.1%
Attainment	32,416	87,692	37.0%	7,810	125,371	6.2%
Alabama	**50,408**	**178,914**	**28.2%**	**17,740**	**234,551**	**7.6%**
Appalachian Alabama	32,847	114,451	28.7%	11,281	151,024	7.5%
Non-Appalachian Alabama	17,561	64,463	27.2%	6,459	83,527	7.7%
Georgia	**160,190**	**504,275**	**31.8%**	**37,094**	**632,155**	**5.9%**
Appalachian Georgia	53,926	146864	36.7%	12,589	195,563	6.4%
Non-Appalachian Georgia	106,264	357,411	29.7%	24,505	436,592	5.6%
Kentucky	**44,861**	**172,029**	**26.1%**	**15,867**	**231,720**	**6.8%**
Appalachian Kentucky	10,329	42,113	24.5%	3,550	56,770	6.3%
Non-Appalachian Kentucky	34,532	129,916	26.6%	12,317	174,950	7.0%
Maryland	**88,463**	**267,506**	**33.1%**	**21,254**	**306,480**	**6.9%**
Appalachian Maryland	3,348	9,585	34.9%	1,014	11,065	9.2%
Non-Appalachian Maryland	85,115	257,921	33.0%	**20,240**	**295,415**	**6.9%**
Mississippi	**33,042**	**110,970**	**29.8%**	13,526	199,011	6.8%
Appalachian Mississippi	8,299	22,696	36.6%	3,135	47,041	6.7%
Non-Appalachian Mississippi	24,743	88,274	28.0%	10,391	151,970	6.8%
New York	**319,773**	**941,768**	**34.0%**	**64,059**	**960,637**	**6.7%**
Appalachian New York	12,302	39,522	31.1%	3,731	46,797	8.0%
Non-Appalachian New York	307,471	902,246	34.1%	60,328	913,840	6.6%
North Carolina	**143,591**	**404,308**	**35.5%**	**46,834**	**491,798**	**9.5%**
Appalachian North Carolina	27,713	75,894	36.5%	9,054	88,119	10.3%
Non-Appalachian North Carolina	115,878	328,414	35.3%	37,780	403,679	9.4%
Ohio	**133,031**	**441,066**	**30.2%**	**43,439**	**504,178**	**8.6%**
Appalachian Ohio	20,051	72,027	27.8%	6,356	87,471	7.3%
Non-Appalachian Ohio	112,980	369,039	30.6%	37,083	416,707	8.9%
Pennsylvania	**172,515**	**477,667**	**36.1%**	**57,407**	**576,195**	**10.0%**
Appalachian Pennsylvania	78,284	214,837	36.4%	28,896	246,758	11.7%
Non-Appalachian Pennsylvania	94,231	262,830	35.9%	28,511	329,437	8.7%
South Carolina	**60,073**	**175,055**	**34.3%**	**17,938**	**206,280**	**8.7%**
Appalachian South Carolina	15,101	44,702	33.8%	4,152	51,881	8.0%
Non-Appalachian South Carolina	44,972	130,353	34.5%	13,786	154,399	8.9%
Tennessee	**75,617**	**253,961**	**29.8%**	**24,798**	**329,096**	**7.5%**
Appalachian Tennessee	31,201	108,112	28.9%	9,272	140,043	6.6%
Non-Appalachian Tennessee	44,416	145,849	30.5%	15,526	189,053	8.2%
Virginia	**109,072**	**317,783**	**34.3%**	**30,539**	**427,157**	**7.1%**
Appalachian Virginia	8,356	25,697	32.5%	3,083	33,379	9.2%
Non-Appalachian Virginia	100,716	292,086	34.5%	27,456	393,778	7.0%
West Virginia (entire state)	**17,590**	**56,571**	**31.1%**	**6,483**	**62,555**	**10.4%**

Note: Small businesses here are defined as businesses with revenue less than $1 million.

Table 1-7: Disparity Ratios of Ratio of Loans to Small Business with Revenue Less than $1 Million to Small Businesses with Revenue Less than $1 Million

	Year	Numerator	Denominator	Disparity Ratio
US vs. Appalachia	2007	36.51%	32.82%	1.11
	2010	8.80%	8.42%	1.05
Northern vs. Central	2007	34.42%	24.90%	1.38
	2010	10.58%	6.30%	1.68
Large Metro vs. Rural	2007	34.78%	31.29%	1.11
	2010	8.44%	7.79%	1.08
Attainment vs. Distressed	2007	36.97%	23.53%	1.57
	2010	6.23%	4.90%	1.27

1.3.3 Small Business Lending in Low- and Moderate-Income Tracts

The contraction in credit for all small businesses during the recession was so sharp that disparities between small businesses in low- and moderate-income (LMI) tracts and their counterparts narrowed by 2010.[6] In 2007, the gap between the percentage of loans received by small businesses overall and in low- and moderate-income tracts was about nine percentage points. By 2010, this gap was reduced to less than two percentage points. About 16.2 percent of all small businesses in Appalachia received loans in 2010 while 13.9 percent of small businesses in low- and moderate-income tracts received loans (see Figure 1-1 and Figure 1-10).

In 2007 and 2010, small businesses in low- and moderate-income tracts in Northern Appalachia experienced the most access to credit while those in Central Appalachia experienced the least access. The disparity remained significant in 2010; 17 percent of small businesses in low- and moderate-income tracts in Northern Appalachia received loans while 8.3 percent of their counterparts in Central Appalachia received loans during 2010 (see Figure 1-10).

Disparities also remained in 2010 when considering lending in low- and moderate-income tracts by degree of urbanization and economic status of county (see Figure 1-11 and 1-12). Small businesses in low- and moderate-income tracts in rural counties and distressed counties experienced considerably less access to loans in both years compared to other categories of counties, even those counties such as at-risk counties with similar economic conditions or degree of urbanization.

In 2007, small businesses in low- and moderate-income tracts in Appalachian Maryland received the most loans (55 percent) followed by their counterparts in North Carolina, Pennsylvania, and Georgia. Small businesses in Appalachia Mississippi experienced the least access to loans. By 2010, the disparities had narrowed somewhat with lending in low- and moderate-income tracts plummeting (see Figure 1-13). The index maps for small business lending in LMI tracts display patterns consistent with the index maps for small business lending overall and for the smallest business lending. Northern Appalachia is the sub region with the most access compared to the nation and counties on the eastern boundary also tend to have the most access.

[6] LMI tracts are defined per the CRA regulation as census tracts whose median income are less than or equal to 80 percent of area median income.

Figure 1-10: Ratio of Small Business Loans to Total Businesses in LMI Tracts by Region

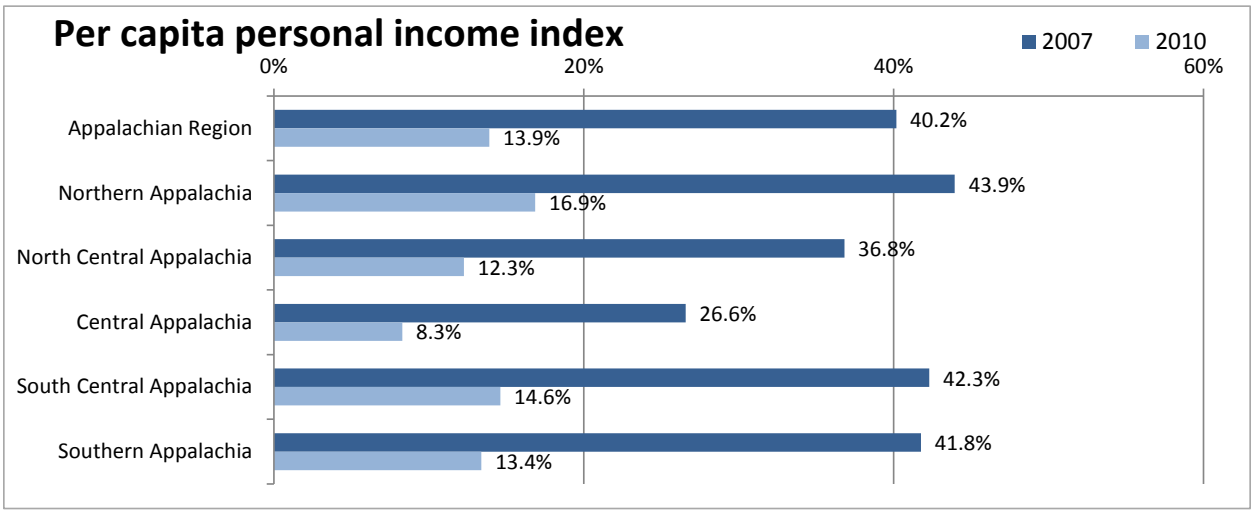


Figure 1-11: Ratio of Small Business Loans to Total Businesses in LMI Tracts by County Type

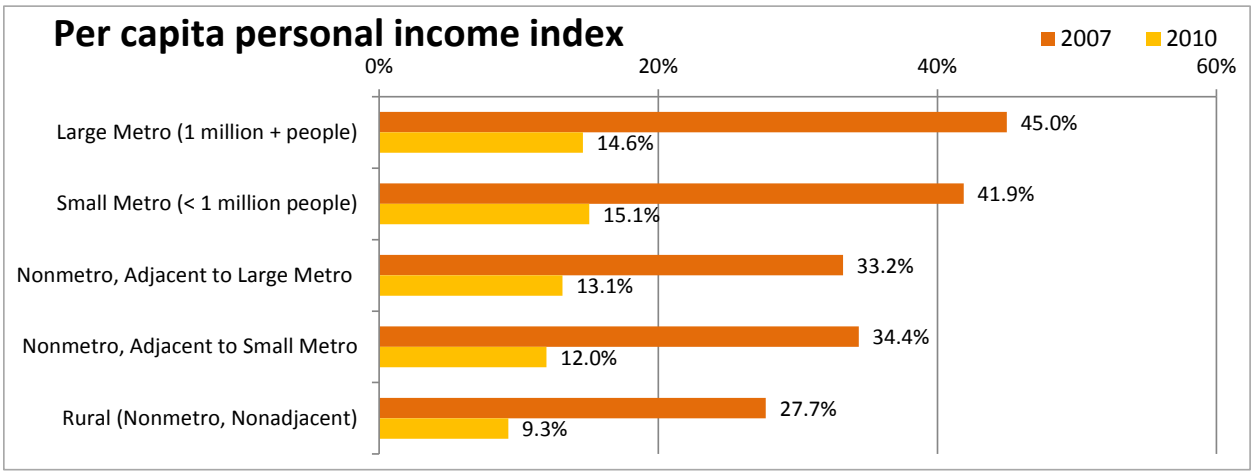
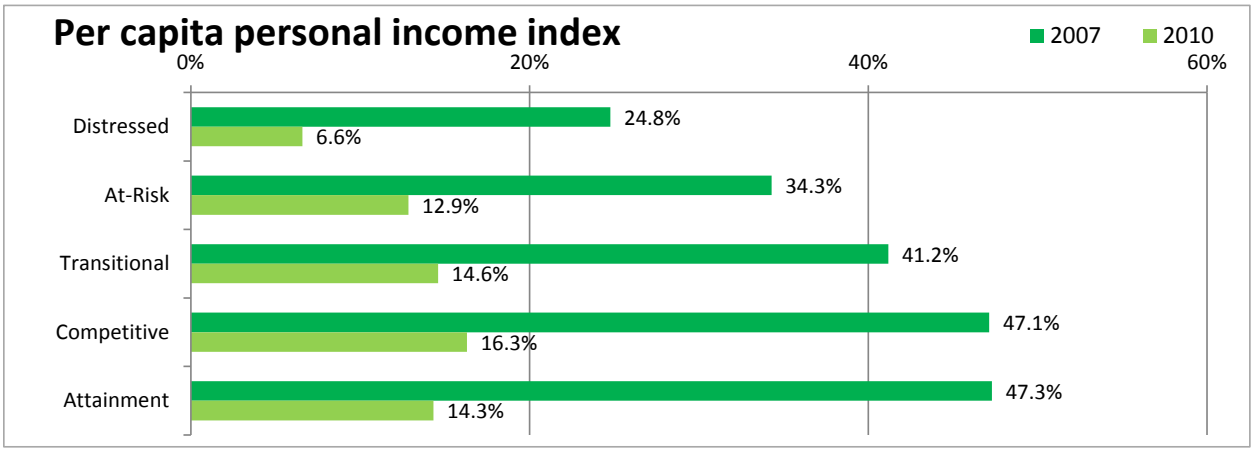
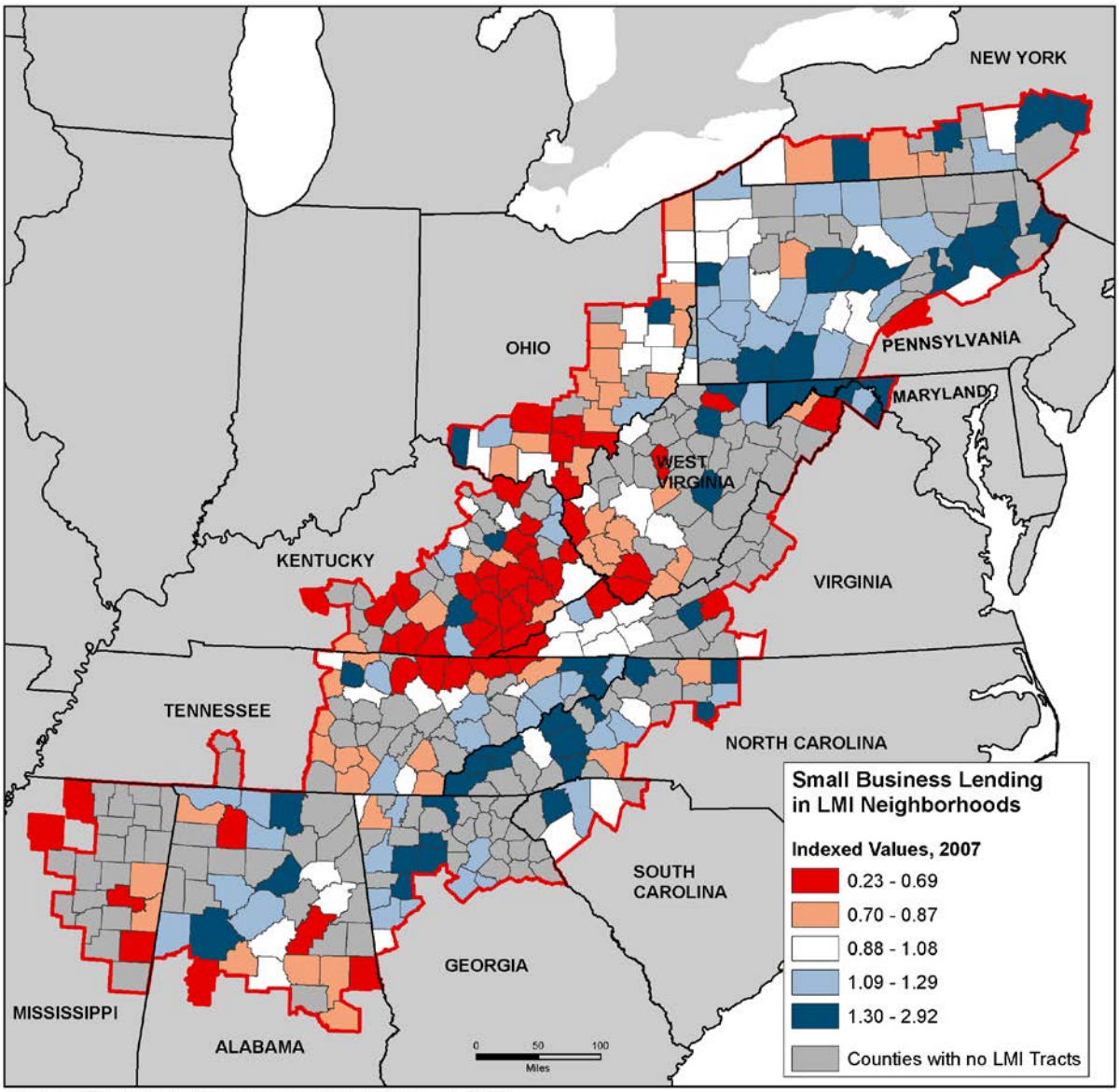


Figure 1-12: Ratio of Small Business Loans to Total Businesses in LMI Tracts by Economic Status



Map 1-5: Small Business Lending in LMI Tracts Index, 2007*

Ratio of Small Business Loans to Small Business in LMI Tracts, Indexed Values (Appalachia = 1)

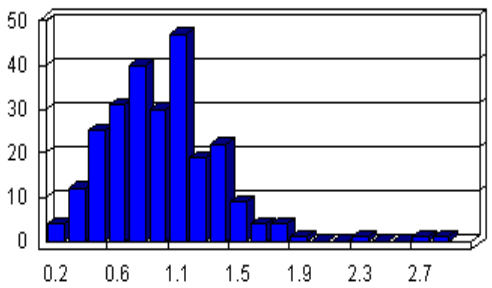


Map Title: Small Business Lending in LMI Neighborhoods, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2007

Statistics of Indexed Values

Count	251
Minimum	0.226
Maximum	2.92
Mean	1.01
Standard Deviation	0.382

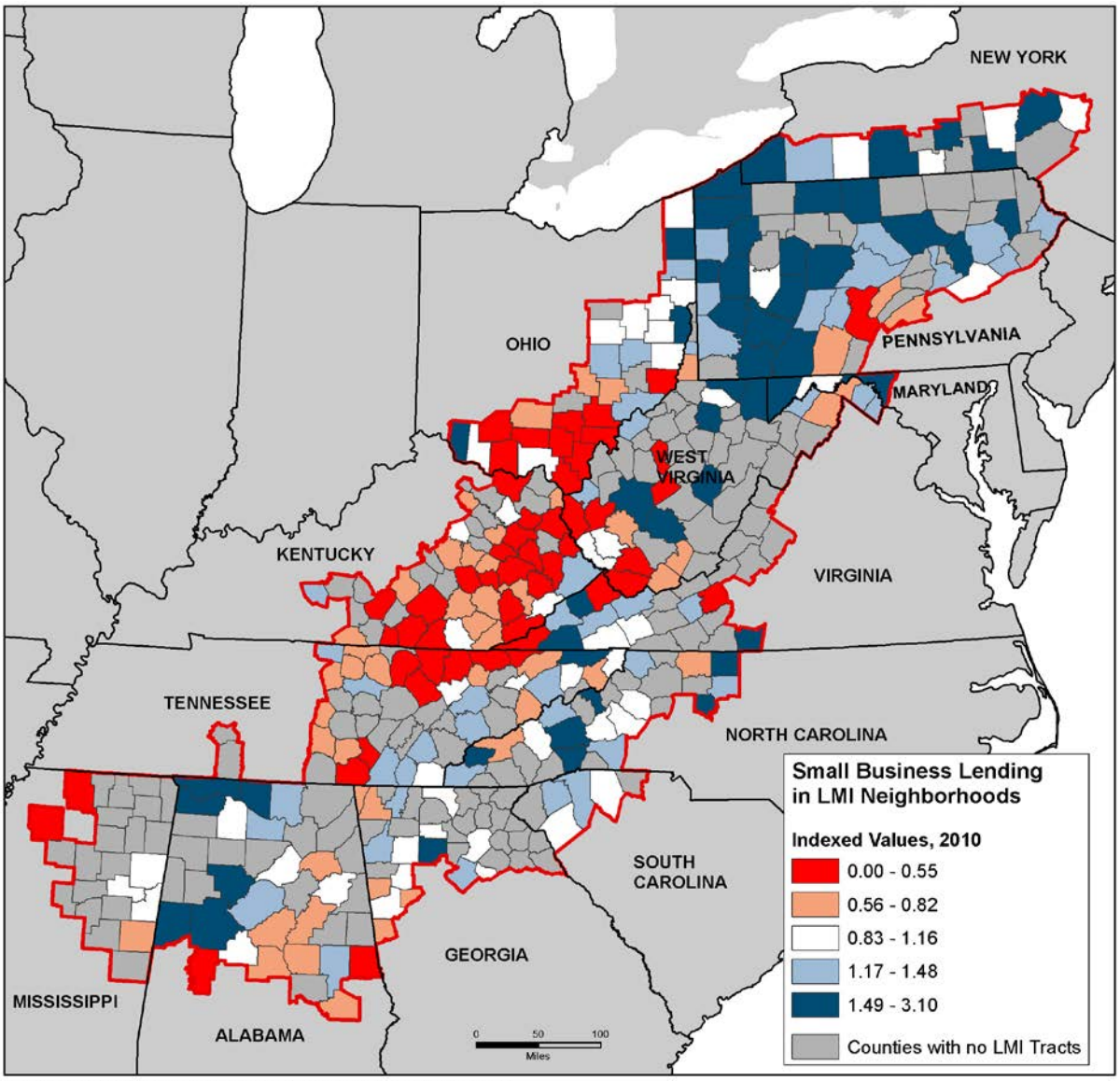
Histogram of Indexed Values



*Counties grayed out in the map have no LMI census tracts based on CRA definition.

Map 1-6: Small Business Lending in LMI Tracts Index, 2010*

Ratio of Small Business Loans to Small Business in LMI Tracts, Indexed Values (Appalachia = 1)

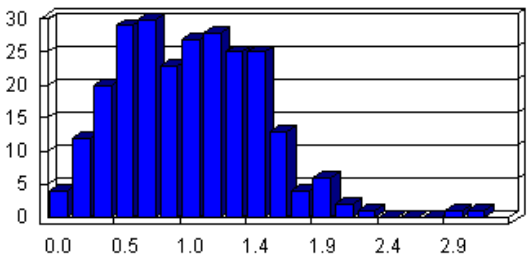


Map Title: Small Business Lending in LMI Neighborhoods, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2010

Statistics of Indexed Values

Count	251
Minimum	0
Maximum	3.1
Mean	1.026
Standard Deviation	0.502

Histogram of Indexed Values



*Counties grayed out in the map have no LMI census tracts based on CRA definition.

Figure 1-13: Ratio of Small Business Loans to Total Businesses in LMI Tracts by State

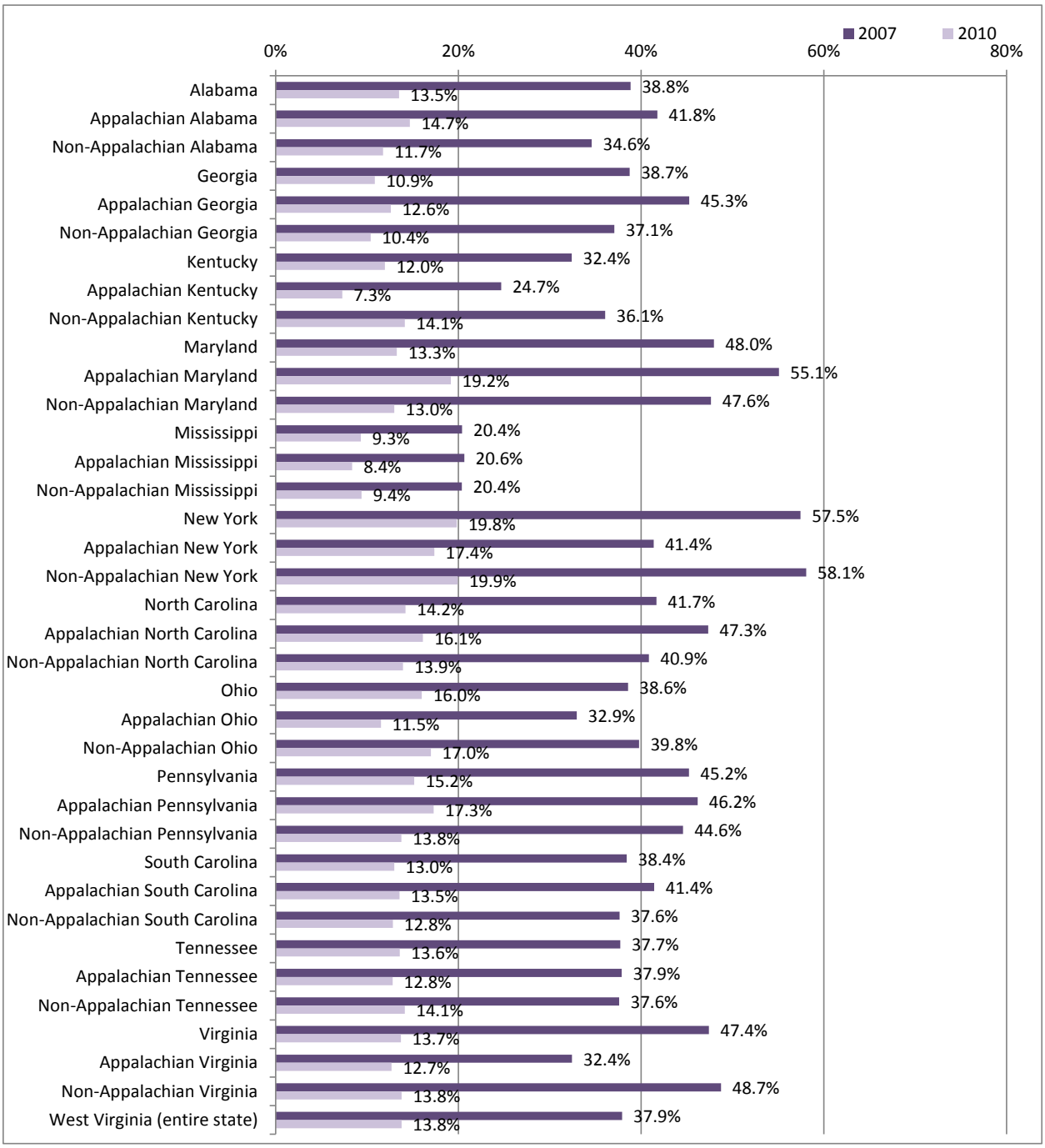


Table 1-8: Ratio of Small Business Loans to Total Businesses in Low-Moderate Income (LMI) Tracts in Appalachia

	2007			2010		
	Number of Small Business Loans in LMI Tracts	Number of Small Businesses in LMI Tracts	Ratio of Small Business Loans to Small Businesses in LMI Tracts	Number of Small Business Loans in LMI Tracts	Number of Small Businesses in LMI Tracts	Ratio of Small Business Loans to Small Businesses in LMI Tracts
Appalachian Region	**122,030**	**303,787**	**40.2%**	**38,947**	**280,212**	**13.9%**
Subregions						
Northern Appalachia	39,921	90,846	43.9%	14,315	84,887	16.9%
North Central Appalachia	10,435	28,342	36.8%	3,259	26,594	12.3%
Central Appalachia	9,889	37,224	26.6%	2,820	34,038	8.3%
South Central Appalachia	19,259	45,540	42.3%	6,163	42,171	14.6%
Southern Appalachia	42,526	101,835	41.8%	12,390	92,522	13.4%
County Types						
Large Metro (1 million + people)	42,116	93,654	45.0%	12,865	88,093	14.6%
Small Metro (< 1 million people)	55,429	132,355	41.9%	18,174	120,656	15.1%
Nonmetro, Adjacent to Large Metro	3,824	11,504	33.2%	1,354	10,310	13.1%
Nonmetro, Adjacent to Small Metro	11,863	34,524	34.4%	3,910	32,611	12.0%
Rural (Nonmetro, Nonadjacent)	8,798	31,750	27.7%	2,644	28,542	9.3%
Economic Status						
Distressed	7,908	31,925	24.8%	2,000	30,339	6.6%
At-Risk	10,808	31,518	34.3%	3,746	29,142	12.9%
Transitional	62,629	152,098	41.2%	20,941	143,360	14.6%
Competitive	31,672	67,185	47.1%	9,686	59,410	16.3%
Attainment	6,641	14,040	47.3%	2,574	17,961	14.3%
Alabama						
Appalachian Alabama	18,419	44,098	41.8%	5,880	40,027	14.7%
Non-Appalachian Alabama	10,528	30,435	34.6%	3,192	27,188	11.7%
Georgia						
Appalachian Georgia	17,448	38545	45.3%	4,518	35,876	12.6%
Non-Appalachian Georgia	55,780	150,447	37.1%	14,017	134,929	10.4%
Kentucky						
Appalachian Kentucky	5,288	21,433	24.7%	1,412	19,404	7.3%
Non-Appalachian Kentucky	16,339	45,317	36.1%	5,886	41,644	14.1%
Maryland						
Appalachian Maryland	2,195	3,984	55.1%	755	3,938	19.2%
Non-Appalachian Maryland	40,847	85,734	47.6%	10,417	80,321	13.0%
Mississippi						
Appalachian Mississippi	1,283	6,216	20.6%	420	5,017	8.4%
Non-Appalachian Mississippi	12,378	60,765	20.4%	4,699	49,954	9.4%
New York						
Appalachian New York	4,800	11,604	41.4%	1,723	9,925	17.4%
Non-Appalachian New York	177,381	305,499	58.1%	53,229	267,226	19.9%
North Carolina						
Appalachian North Carolina	7,172	15,151	47.3%	2,264	14,047	16.1%
Non-Appalachian North Carolina	41,716	102,118	40.9%	13,210	94,783	13.9%
Ohio						
Appalachian Ohio	8,834	26,811	32.9%	2,818	24,474	11.5%
Non-Appalachian Ohio	49,662	124,833	39.8%	18,782	110,554	17.0%
Pennsylvania						
Appalachian Pennsylvania	27,758	60,107	46.2%	9,921	57,412	17.3%
Non-Appalachian Pennsylvania	38,389	86,103	44.6%	12,115	87,994	13.8%
South Carolina						
Appalachian South Carolina	5,376	12,976	41.4%	1,572	11,602	13.5%
Non-Appalachian South Carolina	18,508	49,173	37.6%	5,737	44,758	12.8%
Tennessee						
Appalachian Tennessee	13,574	35,847	37.9%	4,269	33,345	12.8%
Non-Appalachian Tennessee	20,325	54,056	37.6%	6,958	49,270	14.1%
Virginia						
Appalachian Virginia	2,131	6,571	32.4%	791	6,234	12.7%
Non-Appalachian Virginia	20,325	54,056	37.6%	10,950	79,481	13.8%
West Virginia (entire state)	**7,752**	**20,444**	**37.9%**	**2,604**	**18,911**	**13.8%**

Table 1-9: Disparity Ratios of Ratio of Small Business Loans to Total Businesses in Low-Moderate Income (LMI) Tracts

	Year	Numerator	Denominator	Disparity Ratio
Northern vs. Central	2007	43.94%	26.57%	1.65
	2010	16.86%	8.28%	2.04
Large Metro vs. Rural	2007	44.97%	27.71%	1.62
	2010	14.60%	9.26%	1.58
Attainment vs. Distressed	2007	47.30%	24.77%	1.91
	2010	14.33%	6.59%	2.17

1.3.4 CREDIT CARD LENDING

Small business credit card loans usually have higher interest rates and are of shorter term than non-credit card loans. In addition to having less desirable loan terms and conditions, credit card loans are usually easier for borrowers to qualify and receive. An initial impression, therefore, would be that credit card small business lending would be utilized more in regions with less access to loans overall and in regions with fewer creditworthy small businesses. Thus, the expectation would be that banks that specialize in credit card small business lending would have a higher market share in distressed counties and rural counties in Appalachia.

In both 2007 and 2010, about 55 percent and 62 percent of the small business loans in Appalachia and the nation, respectively, were credit card loans.

Within Appalachia, businesses in large metropolitan counties experienced the greatest access to small business loans overall (see Figure 1-3 above) and experienced the most credit card lending in 2007, as shown in Figure 1-15. In addition, businesses in large metropolitan counties experienced levels of credit card lending (as measured by credit card market share) comparable to the other categories of counties in 2010, expect for rural counties which had the smallest market share of credit card loans in both years. Likewise, distressed counties had a lower market share of credit card loans than attainment counties (see Figure 1-16) although attainment counties had the greatest access to overall small business loans (see Figure 1-4 above).

Not surprisingly, credit card market share by dollar amount is considerably smaller than market share by number of loans. Whereas credit card loans constituted about 54 percent of all small business loans in Appalachia during 2010 when considering the number of loans, credit card loans were just 6.6 percent of small business loans in Appalachia when considering dollar amounts (see Table 1-12 for credit card market share by dollar amounts). This difference in market share arises because the average dollar amount is considerably smaller for credit card loans than for small business loans. The disparities in market share when examining credit card market share by dollar amount is similar to the disparities in market share when examining market share by loan count. For example, market share by dollar amount and loan count shows that credit card market share is the highest in distressed and attainment counties.

Although the market share for credit card lending is considerably smaller when considering dollar amounts, it is nevertheless important to consider that a substantial portion of the need for small business loans is being met by credit card lending. A little more than half the loans when considering number of

loans in Appalachia are credit card loans. This means that either the small businesses in Appalachia cannot qualify for non-credit card loans or find it much easier to obtain credit card loans. And it is not clear that the lower average dollar amounts of credit card lending fully meets the credit needs of a broad swath of small businesses in Appalachia.

The descriptive analysis suggests that if any correlation occurs, it might be that counties with greater access to small business loans overall are also counties with greater market share of credit card loans. In these counties, credit card lending is not acting as a substitute where non-credit card lending is relatively scarce. Instead, credit card and non-credit card lending tend to increase together. The results of statistical correlation tests, shown in Table 1-10, appear to confirm that higher levels of credit card lending generally occurs in counties where higher levels of non-credit card lending also occur.

Table 1-10: Correlation among Credit Card Lending and Non-Credit Card Lending

	Correlation Coefficients	
	2007	**2010**
Normalized (Count)	0.5497*	0.3910*
Not normalized (Count)	0.9546*	0.8944*
Not normalized (Amount)	0.9061*	0.8881*

*Statistically significant at the 0.001 level. Normalized here means loans divided by small businesses, count refers to number of loans and amount refers to dollar amount of loans.

The index maps (see Maps 1-7 and 1-8) indicate that credit card lending index is the highest in western counties such as those in Kentucky and Tennessee with the least access to overall small business credit. Conversely, the credit card lending index is the lowest in Northern Appalachia where overall small business credit was most favorable compared to the nation. In some categories of counties with limited access to non-credit card lending, borrowers utilize credit cards to a degree greater then national average to meet their borrowing needs. However, overall in Appalachia, credit card and non-credit card lending increased or decreased together on a county level instead of exhibiting an inverse relationship.

Figure 1-14: Credit Card Market Share by Region

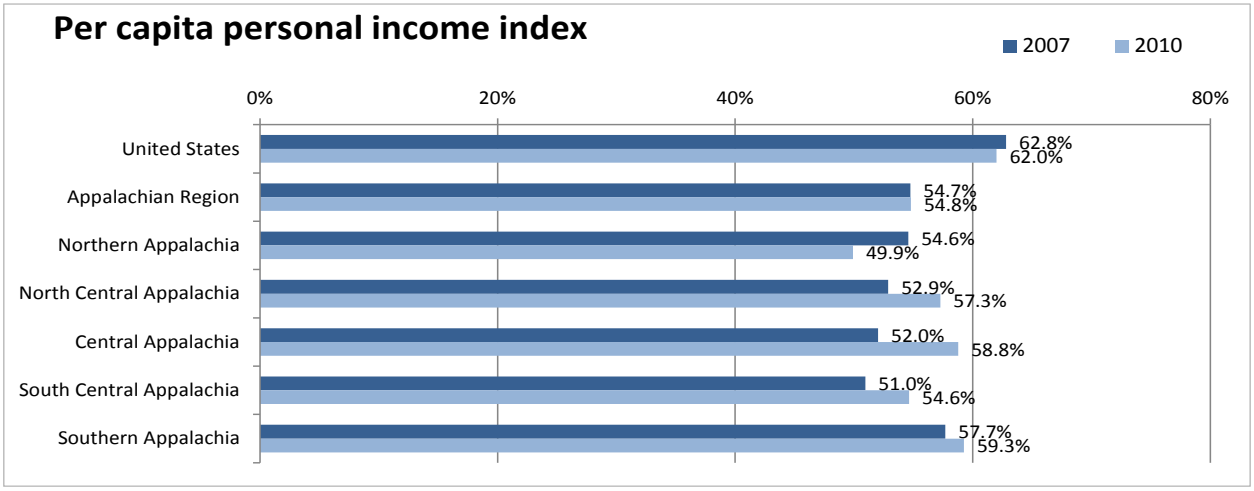


Figure 1-15: Credit Card Market Share by County Type

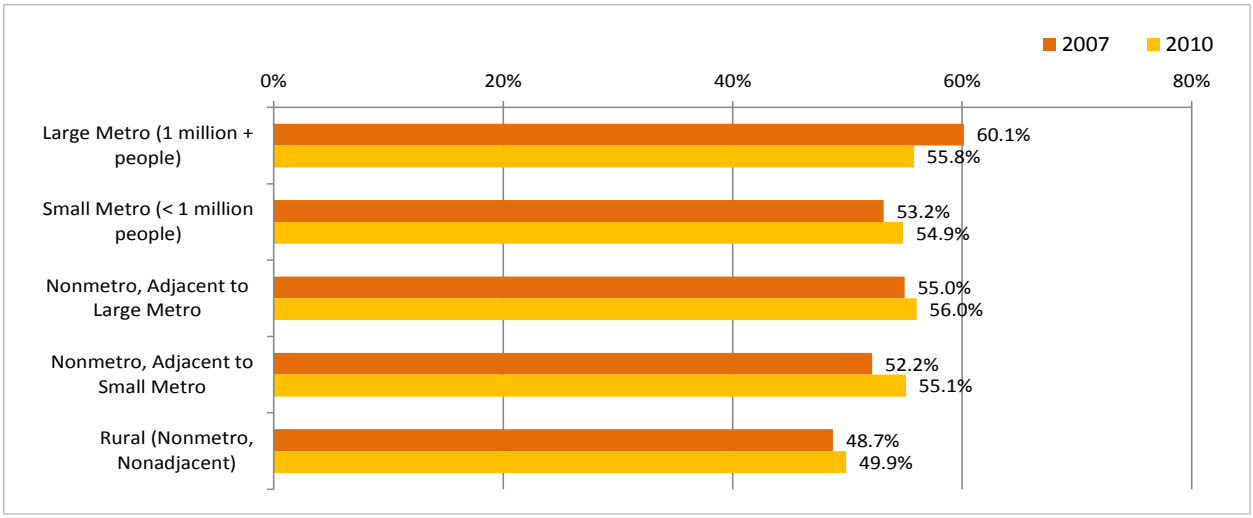
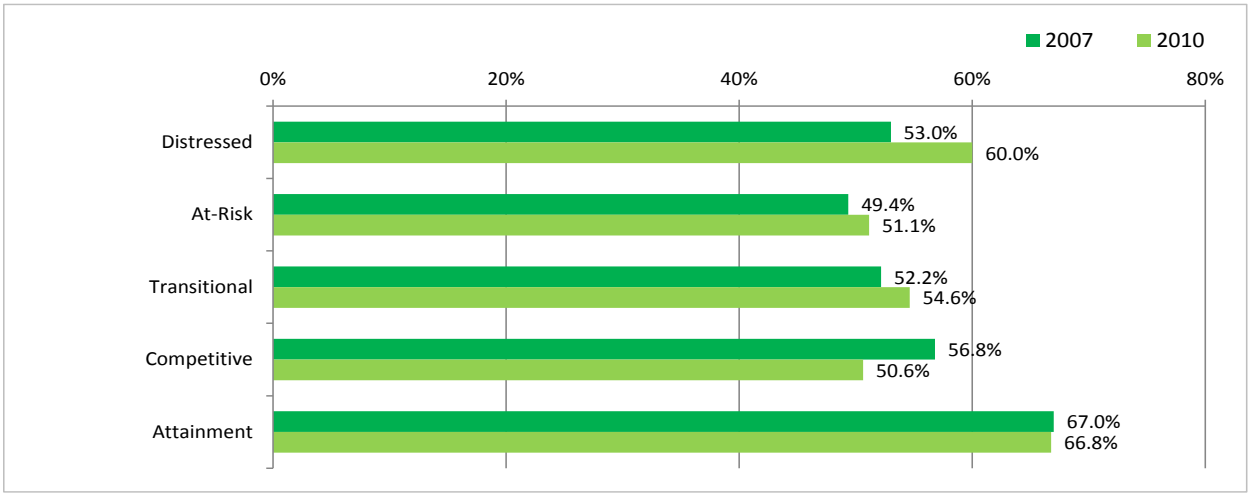
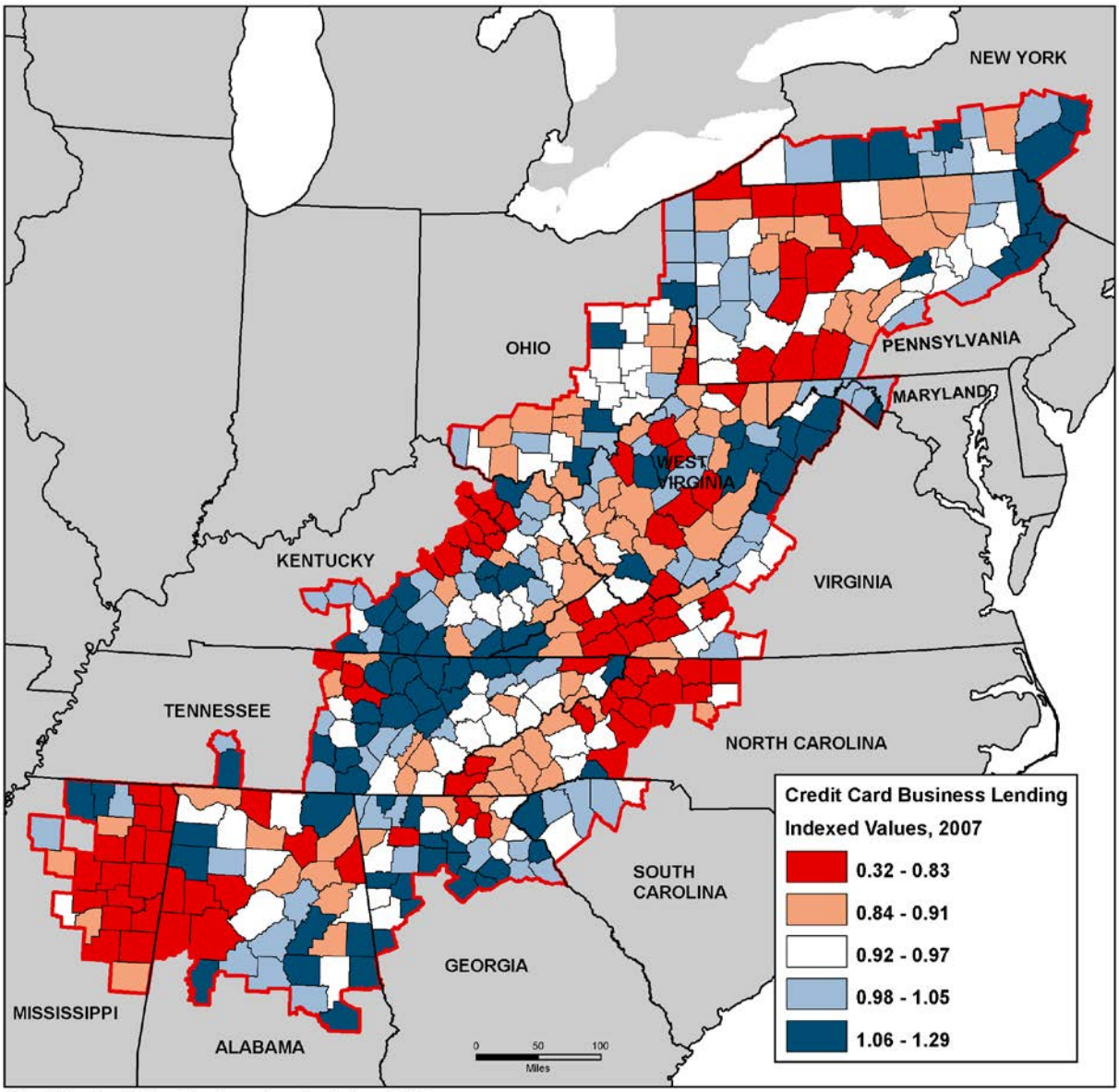


Figure 1-16: Credit Card Market Share by Economic Status



Map 1-7: Credit Card Business Lending Index, 2007

Ratio of Credit Card Business Loans to Small Business Loans, Indexed Values (U.S. =1)

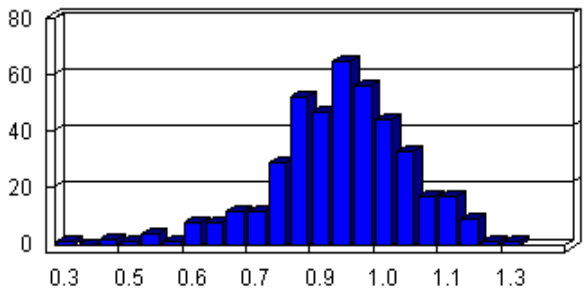


Map Title: Credit Card Business Lending Index, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2007

Statistics of Indexed Values

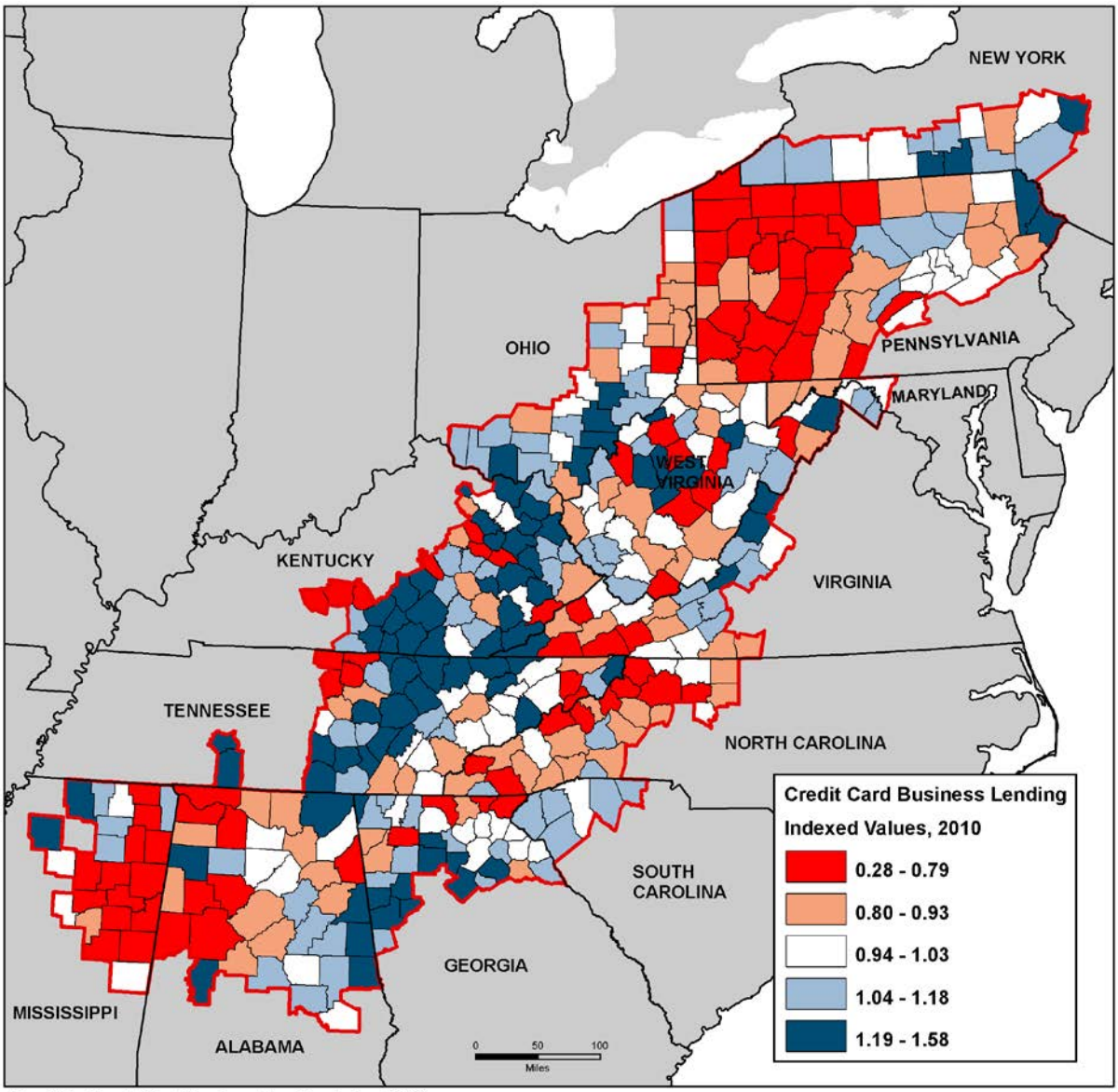
Count	420
Minimum	0.315
Maximum	1.292
Mean	0.934
Standard Deviation	0.146

Histogram of Indexed Values



Map 1-8: Credit Card Business Lending Index, 2010

Ratio of Credit Card Business Loans to Small Business Loans, Indexed Values (U.S. =1)



Map Title: Credit Card Business Lending Index, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: CRA small business loan data and Dun and Bradstreet (D&B), 2010

Statistics of Indexed Values

Count	420
Minimum	0.279
Maximum	1.58
Mean	0.975
Standard Deviation	0.234

Histogram of Indexed Values

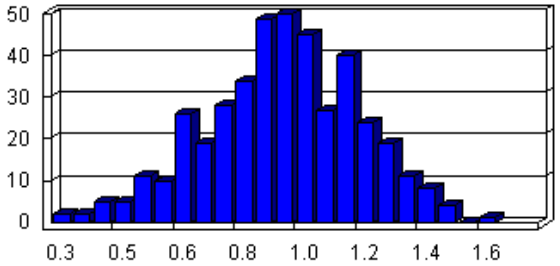


Figure 1-17: Credit Card Market Share by State

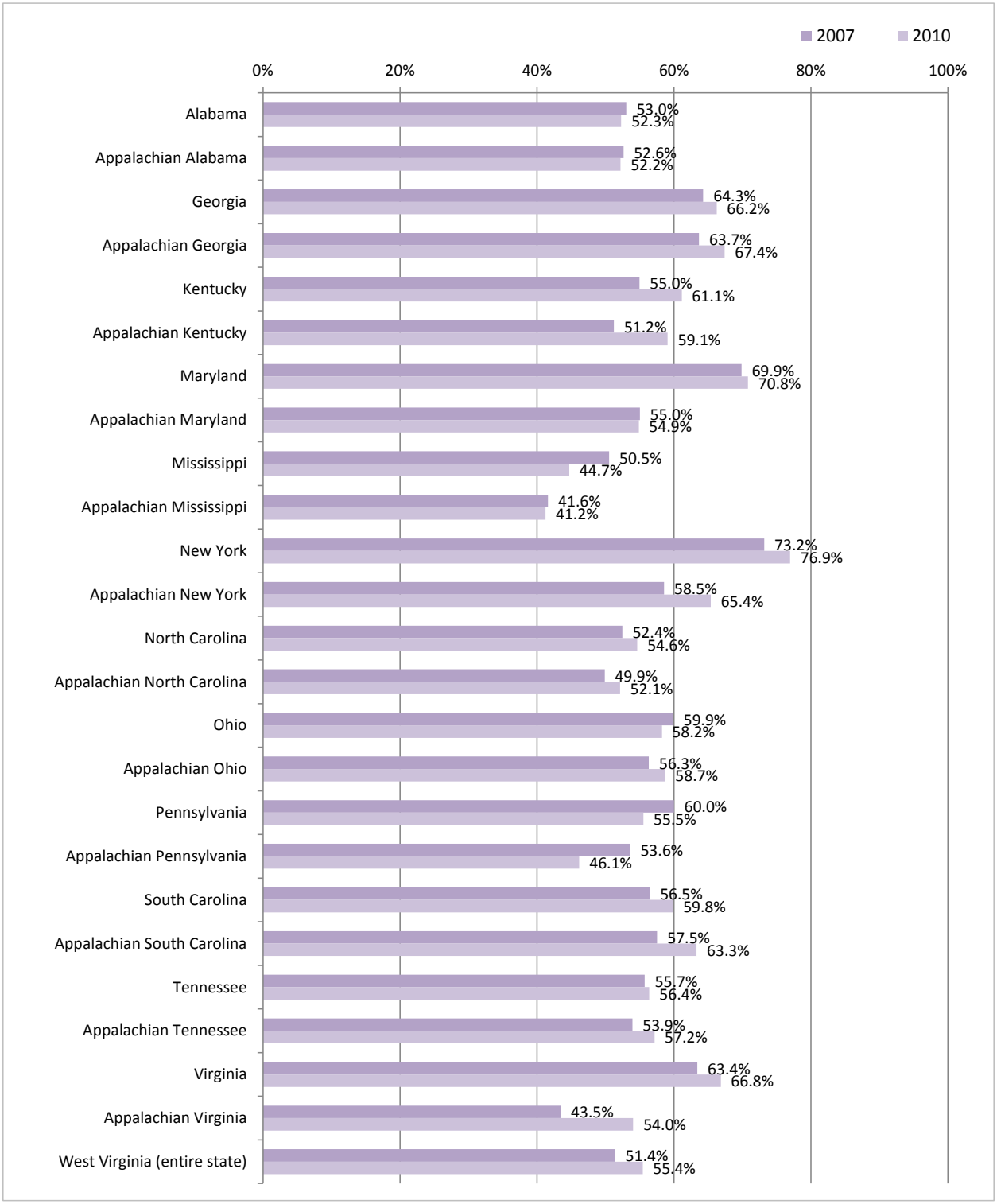


Table 1-11: Credit Card Market Share in Appalachia

	2007			2010		
	Number of Credit Card Business Loans	Number of Small Business Loans	Ratio of Credit Card Business Loans to Small Business Loans	Number of Credit Card Business Loans	Number of Small Business Loans	Ratio of Credit Card Business Loans to Small Business Loans
United States	**8,440,545**	**13,437,779**	**62.8%**	**2,602,710**	**4,197,610**	**62.0%**
Appalachian Region	**442,857**	**808,877**	**54.7%**	**139,864**	**255,231**	**54.8%**
Subregions						
Northern Appalachia	144,641	265,062	54.6%	46,644	93,452	49.9%
North Central Appalachia	31,478	59,519	52.9%	11,270	19,678	57.3%
Central Appalachia	19,963	38,372	52.0%	7,104	12,085	58.8%
South Central Appalachia	79,628	156,224	51.0%	26,100	47,760	54.6%
Southern Appalachia	167,147	289,700	57.7%	48,746	82,256	59.3%
County Types						
Large Metro (1 million + people)	140,520	233,652	60.1%	40,108	71,892	55.8%
Small Metro (< 1 million people)	172,949	325,376	53.2%	56,769	103,484	54.9%
Nonmetro, Adjacent to Large Metro	25,721	46,778	55.0%	8,209	14,654	56.0%
Nonmetro, Adjacent to Small Metro	71,385	136,848	52.2%	23,805	43,204	55.1%
Rural (Nonmetro, Nonadjacent)	32,282	66,223	48.7%	10,973	21,997	49.9%
Economic Status						
Distressed	13,354	25,190	53.0%	4,477	7,461	60.0%
At-Risk	25,919	52,515	49.4%	9,521	18,619	51.1%
Transitional	233,843	448,203	52.2%	80,354	147,088	54.6%
Competitive	100,517	176,965	56.8%	29,110	57,498	50.6%
Attainment	57,565	85,936	67.0%	16,402	24,565	66.8%
Alabama	**82,094**	**154,821**	**53.0%**	**24,546**	**46,944**	**52.3%**
Appalachian Alabama	52,819	100,348	52.6%	15,880	30,438	52.2%
Non-Appalachian Alabama	29,275	54,473	53.7%	8,666	16,506	52.5%
Georgia	**265,068**	**412,517**	**64.3%**	**72,227**	**109,030**	**66.2%**
Appalachian Georgia	85,049	133,604	63.7%	23,147	34,345	67.4%
Non-Appalachian Georgia	180,019	278,913	64.5%	49,080	74,685	65.7%
Kentucky	**64,901**	**118,063**	**55.0%**	**25,109**	**41,075**	**61.1%**
Appalachian Kentucky	12,539	24,487	51.2%	4,682	7,926	59.1%
Non-Appalachian Kentucky	52,362	93,576	56.0%	20,427	33,149	61.6%
Maryland	**173,251**	**248,007**	**69.9%**	**48,221**	**68,107**	**70.8%**
Appalachian Maryland	4,868	8,846	55.0%	1,534	2,796	54.9%
Non-Appalachian Maryland	168,383	239,161	70.4%	46,687	65,311	71.5%
Mississippi	**41,451**	**82,053**	**50.5%**	**13,572**	**30,367**	**44.7%**
Appalachian Mississippi	7,288	17,516	41.6%	2,507	6,079	41.2%
Non-Appalachian Mississippi	34,163	64,537	52.9%	11,065	24,288	45.6%
New York	**709,385**	**969,471**	**73.2%**	**237,225**	**308,303**	**76.9%**
Appalachian New York	18,272	31,216	58.5%	6,977	10,676	65.4%
Non-Appalachian New York	691,113	938,255	73.7%	230,248	297,627	77.4%
North Carolina	**178,922**	**341,140**	**52.4%**	**59,487**	**108,924**	**54.6%**
Appalachian North Carolina	31,989	64,128	49.9%	10,142	19,459	52.1%
Non-Appalachian North Carolina	146,933	277,012	53.0%	49,345	89,465	55.2%
Ohio	**218,498**	**364,863**	**59.9%**	**73,684**	**126,530**	**58.2%**
Appalachian Ohio	29,625	52,594	56.3%	9,801	16,697	58.7%
Non-Appalachian Ohio	188,873	312,269	60.5%	63,883	109,833	58.2%
Pennsylvania	**268,990**	**448,313**	**60.0%**	**86,302**	**155,425**	**55.5%**
Appalachian Pennsylvania	101,577	189,468	53.6%	31,483	68,219	46.1%
Non-Appalachian Pennsylvania	167,413	258,845	64.7%	54,819	87,206	62.9%
South Carolina	**84,640**	**149,892**	**56.5%**	**27,009**	**45,139**	**59.8%**
Appalachian South Carolina	21,991	38,232	57.5%	7,212	11,394	63.3%
Non-Appalachian South Carolina	62,649	111,660	56.1%	19,797	33,745	58.7%
Tennessee	**111,411**	**199,969**	**55.7%**	**36,334**	**64,456**	**56.4%**
Appalachian Tennessee	44,891	83,223	53.9%	14,229	24,897	57.2%
Non-Appalachian Tennessee	66,520	116,746	57.0%	22,105	39,559	55.9%
Virginia	**189,332**	**298,547**	**63.4%**	**60,873**	**91,083**	**66.8%**
Appalachian Virginia	8,649	19,900	43.5%	3,642	6,740	54.0%
Non-Appalachian Virginia	180,683	278,647	64.8%	57,231	84,343	67.9%
West Virginia (entire state)	**23,300**	**45,315**	**51.4%**	**8,628**	**15,565**	**55.4%**

Table 1-12: Credit Card Market Share (in Dollars) in Appalachia

	2007			2010		
	Credit Card Small Business Loans (Amount)	Small Business Loans (Amount)	Ratio	Credit Card Small Business Loans (Amount)	Small Business Loans (Amount)	Ratio
United States	**$66,209,352**	**$324,325,913**	**20.4%**	**$17,790,765**	**$173,436,472**	**10.3%**
Appalachian Region	**$3,153,370**	**$23,965,813**	**13.2%**	**$882,000**	**$13,342,550**	**6.6%**
Subregions						
Northern Appalachia	$1,009,829	$7,282,956	13.9%	$277,263	$5,110,722	5.4%
North Central Appalachia	$224,571	$1,606,299	14.0%	$79,525	$1,101,456	7.2%
Central Appalachia	$136,295	$811,477	16.8%	$43,428	$454,146	9.6%
South Central Appalachia	$566,875	$5,050,897	11.2%	$170,865	$2,615,336	6.5%
Southern Appalachia	$1,215,800	$9,214,184	13.2%	$310,919	$4,060,890	7.7%
County Types						
Large Metro (1 million + people)	$1,030,786	$6,619,126	15.6%	$254,774	$3,699,442	6.9%
Small Metro (< 1 million people)	$1,232,436	$10,848,636	11.4%	$371,807	$6,067,377	6.1%
Nonmetro, Adjacent to Large Metro	$175,825	$1,152,371	15.3%	$45,576	$656,345	6.9%
Nonmetro, Adjacent to Small Metro	$495,863	$3,638,568	13.6%	$141,774	$1,955,243	7.3%
Rural (Nonmetro, Nonadjacent)	$218,460	$1,707,112	12.8%	$68,069	$964,143	7.1%
Economic Status						
Distressed	$89,830	$492,229	19.4%	$26,227	$233,528	11.2%
At-Risk	$174,761	$1,284,550	13.9%	$57,558	$814,478	7.1%
Transitional	$1,625,194	$13,722,200	12.3%	$498,585	$7,728,094	6.5%
Competitive	$733,299	$5,838,093	12.5%	$185,284	$3,445,967	5.4%
Attainment	$445,802	$2,170,027	18.0%	$114,346	$1,120,483	10.2%
Alabama	**$560,283**	**$5,827,455**	**9.6%**	**$143,249**	**$2,633,016**	**5.4%**
Appalachian Alabama	$365,222	$3,791,119	9.6%	$93,549	$1,665,817	5.6%
Non-Appalachian Alabama	$195,061	$2,036,336	9.6%	$49,700	$967,199	5.1%
Georgia	**$1,966,896**	**$11,224,500**	**17.5%**	**$476,195**	**$4,977,683**	**9.6%**
Appalachian Georgia	$632,333	$3,630,619	17.4%	$155,584	$1,532,318	10.2%
Non-Appalachian Georgia	$1,334,563	$10,725,267	12.4%	$320,611	$3,445,365	6.8%
Kentucky	**$481,491**	**$3,185,311**	**15.1%**	**$174,969**	**$2,133,357**	**8.2%**
Appalachian Kentucky	$87,093	$499,233	17.4%	$29,285	$280,712	10.4%
Non-Appalachian Kentucky	$394,398	$2,686,078	14.7%	$145,684	$1,852,645	7.9%
Maryland	**$1,352,290**	**$6,040,036**	**22.4%**	**$317,715**	**$2,841,401**	**11.2%**
Appalachian Maryland	$34,830	$271,031	12.9%	$9,315	$175,767	5.3%
Non-Appalachian Maryland	$1,317,460	$5,769,005	22.8%	$308,400	$2,665,634	11.6%
Mississippi	**$267,409**	**$2,529,250**	**10.6%**	**$72,663**	**$1,515,669**	**4.8%**
Appalachian Mississippi	$46,518	$551,393	8.4%	$14,396	$272,295	5.3%
Non-Appalachian Mississippi	$220,891	$1,977,857	11.2%	$58,267	$1,243,374	4.7%
New York	**$5,447,179**	**$19,914,993**	**27.4%**	**$1,583,619**	**$9,643,636**	**16.4%**
Appalachian New York	$121,931	$721,522	16.9%	$37,739	$383,744	9.8%
Non-Appalachian New York	$5,325,248	$19,193,471	27.7%	$1,545,880	$9,259,892	16.7%
North Carolina	**$1,351,977**	**$11,537,683**	**11.7%**	**$385,199**	**$5,633,301**	**6.8%**
Appalachian North Carolina	$230,973	$2,045,398	11.3%	$71,474	$947,159	7.5%
Non-Appalachian North Carolina	$1,121,004	$9,492,285	11.8%	$313,725	$4,686,142	6.7%
Ohio	**$1,654,136**	**$10,142,341**	**16.3%**	**$528,291**	**$7,875,456**	**6.7%**
Appalachian Ohio	$213,093	$1,160,385	18.4%	$68,729	$863,491	8.0%
Non-Appalachian Ohio	$1,441,043	$8,981,956	16.0%	$459,562	$7,011,965	6.6%
Pennsylvania	**$1,914,658**	**$13,184,892**	**14.5%**	**$526,992**	**$8,033,802**	**6.6%**
Appalachian Pennsylvania	$712,425	$5,519,598	12.9%	$185,671	$3,915,651	4.7%
Non-Appalachian Pennsylvania	$1,202,233	$7,665,294	15.7%	$341,321	$4,118,151	8.3%
South Carolina	**$628,783**	**$4,776,873**	**13.2%**	**$168,168**	**$2,294,399**	**7.3%**
Appalachian South Carolina	$171,727	$1,241,053	13.8%	$47,390	$590,460	8.0%
Non-Appalachian South Carolina	$457,056	$3,535,820	12.9%	$120,778	$1,703,939	7.1%
Tennessee	**$811,532**	**$6,511,859**	**12.5%**	**$238,302**	**$3,836,647**	**6.2%**
Appalachian Tennessee	$317,373	$2,749,951	11.5%	$88,728	$1,500,176	5.9%
Non-Appalachian Tennessee	$494,159	$3,761,908	13.1%	$149,574	$2,336,471	6.4%
Virginia	**$1,489,279**	**$7,961,982**	**18.7%**	**$426,930**	**$4,116,094**	**10.4%**
Appalachian Virginia	$57,820	$509,108	11.4%	$22,004	$309,375	7.1%
Non-Appalachian Virginia	$1,431,459	$7,452,874	19.2%	$404,926	$3,806,719	10.6%
West Virginia (entire state)	**$162,032**	**$1,275,403**	**12.7%**	**$58,136**	**$905,585**	**6.4%**

1.3.5 Relationship between Lending and Bank Branches

Correlation statistical analysis suggests a relationship among bank branches and the level of small business lending at a county level. NCRC's previous study for ARC in 2007 found that higher levels of lending occurred in counties with higher numbers of branches.[7] This study reconfirms previous findings.

Tables 1-13 through 1-15 show statistically significant correlation coefficients between the number of branches and the number and dollar amount of small business loans for 2007 and 2010. For both credit card and non-credit card lending, a higher number of branches is associated with a higher number of loans on a county level in Appalachia. The same relationship is found between the dollar amount of deposits and the number of small business loans on a county level for 2007 and 2010 (see Table 1-16).

Table 1-13: Correlation among Branches and All Small Business Lending

	Correlation Coefficients	
	2007	2010
Normalized (Count)	0.3720*	0.3272*
Not normalized (Count)	0.9348*	0.9735*
Not normalized (Amount)	0.9256*	0.9694*

Table 1-14: Correlation among Branches and Non-Credit Card Lending

	Correlation Coefficients	
	2007	2010
Normalized (Count)	0.2688*	0.2358*
Not normalized (Count)	0.9639*	0.9643*
Not normalized (Amount)	0.9210*	0.9672*

Table 1-15: Correlation among Branches and Credit Card Lending

	Correlation Coefficients	
	2007	2010
Normalized (Count)	0.3829*	0.336
Not normalized (Count)	0.8978	0.9324
Not normalized (Amount)	0.8789	0.9016

Table 1-16: Correlation among Deposits and All Small Business Lending

	Correlation Coefficients	
	2007	2010
Normalized (Count)	0.2573*	0.2187*
Not normalized (Count)	0.8610*	0.9095*
Not normalized (Amount)	0.8592*	0.93*

*Statistically significant at the 0.001 level. Normalized here means loans divided by small businesses, count refers to number of loans and amount refers to dollar amount of loans.

[7] The previous NCRC study for ARC can be accessed via http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

1.3.6 SPATIAL PATTERNS OF LENDING

As Table 1-17 shows, spatial autocorrelation analysis reveals that the lending patterns described above are non-random and are clustered. In other words, the spatial autocorrelation analysis confirms that lending is indeed concentrated in Northern Appalachia, non-distressed counties, and metropolitan counties.

Clustering in the lending pattern was analyzed using the global spatial autocorrelation statistics for year 2007 and 2010 in the Appalachia Region. Global spatial statistics are estimated using the Moran's I measure.

Table 1-17: Spatial Autocorrelation of Lending Variables

Lending Type	Moran's I	
	2007	2010
All small business lending	0.02	0.02
Ratio of small business loans to small business	0.16	0.11
All non-credit card small business lending	0.02	0.02
Ratio of non-credit card small business loans to small business	0.11	0.08
All credit card small business lending	0.02	0.02
Ratio of credit card small business loans to small business	0.16	0.12
SBA lending	0.02	0.02
SBA loans per 10,000 small businesses	0.07	0.01

*All values are statistically significant at the 0.001 level. Moran’s I values above 0 represent a clustered pattern.

[Page Intentionally Left Blank]

CHAPTER 2 LOAN DEMAND IN APPALACHIA

2.1 INTRODUCTION AND SUMMARY

This report has documented a significant decline in small business lending in the nation and in Appalachia. The percentage decline in lending from 2007 and 2010 was similar in the nation and Appalachia, but Appalachian small businesses experienced less access to credit for the entire 2007 through 2010 time period. This chapter assesses how much of the decrease in lending in the nation and Appalachia was due to demand factors. In other words, were small businesses more or less likely in Appalachia than the nation to be deterred from applying because they feared rejection or did small businesses in Appalachia desire and apply for lending at similar rates as their national counterparts? The chapter's analysis is based on two surveys conducted by Pepperdine University and the Kauffman Foundation specifically for this report. While we cannot offer definitive conclusions, the analysis will offer important insights and contribute to programmatic and policy recommendations.

Summary findings from the Pepperdine survey include:

- The smaller the business, the more they are affected by overall economic conditions and have greater difficulty raising both debt and equity capital. This holds true for Appalachia and the nation.

- Survey respondents were less successful in securing business loans from banks than obtaining credit cards or trade credit. For example, about 45 percent of the survey respondents in Appalachia and the nation who sought business bank loans secured them compared to 62 and 58 percent of the respondents in the nation and Appalachia, respectively, in the case of personal credit cards. Credit cards are a more expensive form of credit than bank loans.

- Much lower rates of success occurred in securing equity financing for businesses; for example, only 5 percent of the businesses who sought angel capital in Appalachia succeeded in acquiring it compared to 20 percent of firms in the national sample. For businesses with revenue of between $500,000 and $1million, none of the Appalachian respondents secured angel investments, while 12 percent of the national respondents did so.

- For the second smallest business revenue category ($500,000 to $1 million), respondents in Appalachia were strikingly less successful than their counterparts in the nation in raising debt or equity financing. For example, 35 percent and 17 percent of these businesses in the nation and Appalachia, respectively, secured business loans from banks. Likewise, 54 percent and 14 percent of the businesses in this revenue category in the nation and Appalachia, respectively, secured business credit card financing. None of the Appalachian respondents in this category secured angel investments; 12 percent of the national respondents did.

- A large difference in response between the nation and Appalachia was noted in the ability to secure financing from friends and family, with Appalachian firms having much lower rates of successfully obtaining this capital (47 percent) than do firms across the nation (71 percent). While this is not surprising in a region experiencing greater economic distress than the nation, it may

also explain a large reason for differences in the success of smaller businesses in Appalachia and the nation in securing loans.

- In addition, the smallest businesses owners in Appalachia were much more likely to transfer their savings and use personal credit cards to fund their businesses than their counterparts in Appalachia or the nation. For example, 81 percent and 68 percent of small business owners with revenues between $500,000 and $1 million in Appalachia and the nation, respectively, transferred their personal savings and investments to their small businesses.

- The differences in success rates of securing financing by small businesses was greater than the differences in demand in Appalachia and the nation. While the Pepperdine survey reported less demand for financing by the second smallest revenue category in Appalachia as compared to the nation, the overall success rates for all smaller businesses in securing financing was significantly less for Appalachian businesses when compared to the nation.

- Just over 60 percent of the respondents in the nation and in Appalachia indicated that the current business financing environment was restrictive. Three quarters of the businesses in Appalachia and the nation stated that raising equity and debt financing was difficult.

Summary findings from the Kauffman survey includes:

- An increasing percentage of businesses in Appalachia and the United States desired credit but did not apply because they feared rejection. In the United States, the percentage of businesses in this category increased from 15.7 percent in 2007 to 21.1 percent in 2009; In Appalachia the figures were 18.1 percent in 2007 and 23.1 percent in 2009.

- The percentage of firms denied credit were significantly higher in Appalachia (22.9 percent in 2009) compared to the United States (8.7 percent in 2009). Due to low sample sizes, it is not possible to offer a statistically significant conclusion as to reasons for denial, but it appears that insufficient collateral, business and personal credit history were larger factors in Appalachia than the United States.

- The Kauffman survey confirms that outcomes were significantly worse for Appalachian businesses when compared to their national peers in terms of higher denial rates and less success in securing credit.

Differences in obtaining loans between Appalachian businesses and their national peers were starker than suggested by differences in demand for lending between these groups. A possible explanation for less success in securing loans in Appalachia was the relatively fewer resources available from friends and family, or from angel investors, for Appalachian businesses. More limited non-debt financing may have contributed to less collateral and higher loan rejection rates for Appalachian businesses.

2.2 Pepperdine Capital Access Index

2.2.1 Description of Sample Size

The Graziadio School of Business and Management at Pepperdine University, with the support of Dun and Bradstreet Credibility Corporation, produces a quarterly survey of the demand by small and medium

sized small businesses for credit and capital and the level of accessibility of credit and capital. The survey consists of 25 questions and generated 4,686 complete responses for the United States, as a whole, and 384 responses from Appalachia during the first quarter of 2012. The year 2012 marked the first year in which Pepperdine tracked survey responses by ZIP code so this survey provides a current snapshot of demand for small business loans in Appalachia as well as the nation. Below, the Kauffman survey results covering the years 2007 and 2009 will facilitate a comparison over time between the United States and Appalachia.

Of the 383 survey responses in Appalachia to the Pepperdine survey, the plurality was small businesses with annual revenues under $500,000. Forty percent or 154 of the respondents were small businesses with revenues under $500,000, 14 percent or 54 small businesses had revenues between $500,000 and $1 million, 23 percent or 88 small businesses had revenues between $1 and $5 million, and 15 percent or 58 businesses had revenues between $5 and $100 million. The percentage of the smallest businesses is for the national survey is very similar; about 39 percent of the businesses had revenues under $500,000 and 15 percent of the businesses had revenues between $500,000 and $1 million. In general, compared to small business demographics, the Pepperdine survey over-represents the largest of the small businesses, yet the survey results nevertheless indicate general difficulties in obtaining credit and do not seem to obscure problems experienced by the smallest of the small businesses (see Figures 2-1 and 2-2).

More than half of the small businesses have less than 5 employees. While the plurality are small in terms of revenue and number of employees, most are established with more than three years in business; 13 percent are three years or younger, 25 percent have operated between three and ten years, and 62 percent have been in operations for ten or more years. In terms of industries, 33 percent are in services, 14 percent are in manufacturing, 13 percent are in construction, and 11 percent are in retail (see Figures 2-3-2-5).

The Pepperdine survey has a higher percentage of business respondents in relatively advantaged counties in Appalachia. For example, 32.9 percent of the respondents were in large metropolitan counties whereas 27.6 percent of the Appalachian businesses were in these counties. Likewise, the portion of respondents was 5.8 percentage points higher than the portion of businesses in attainment counties. In contrast, rural, distressed, and at-risk counties had a lower percentage of respondents than the percentage of Appalachian businesses. In terms of the Appalachian portion of states, Georgia and New York were over-represented by the Pepperdine survey whereas Tennessee and North Carolina were under-represented. It is perhaps surprising that the respondents are not even more skewed towards urban and large metropolitan areas and it is useful that there is a sizable representation in rural and economically disadvantaged counties. Yet, the over-representation in advantaged parts of Appalachia suggests that the results likely understate the obstacles small business face (see Table 2-1 and Figures 2-6 through 2-9).

Figure 2-1: Pepperdine Respondents Compared to Appalachian Businesses by Revenue Size

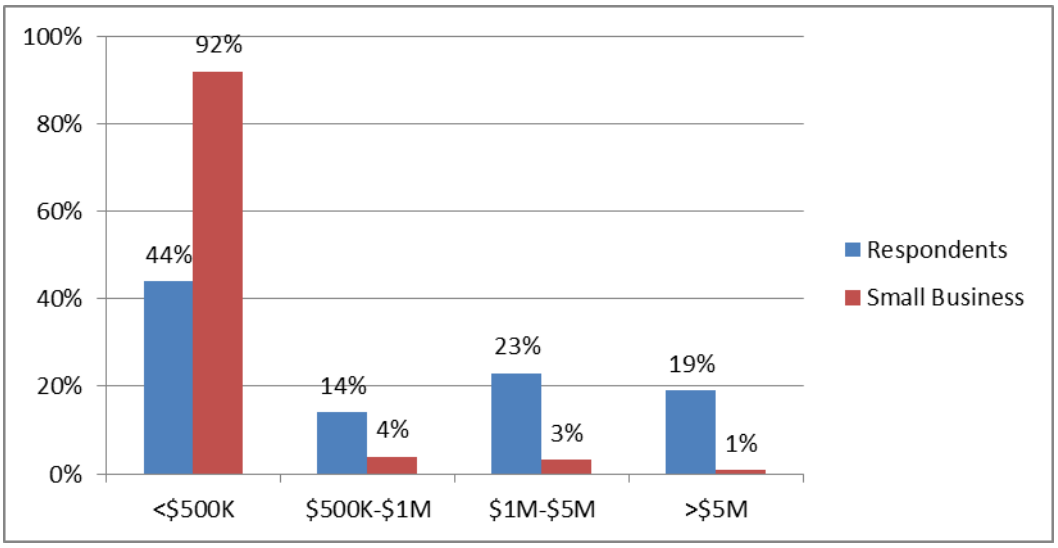


Figure 2-2: Pepperdine Respondents Compared to National Businesses by Revenue Size

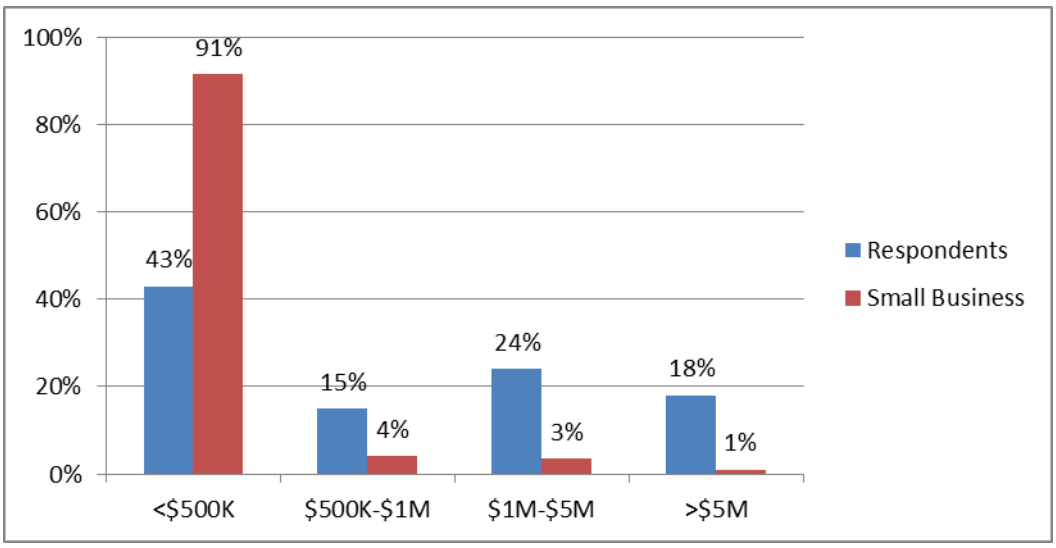


Figure 2-3: Details about the Respondents, by Number of Employees

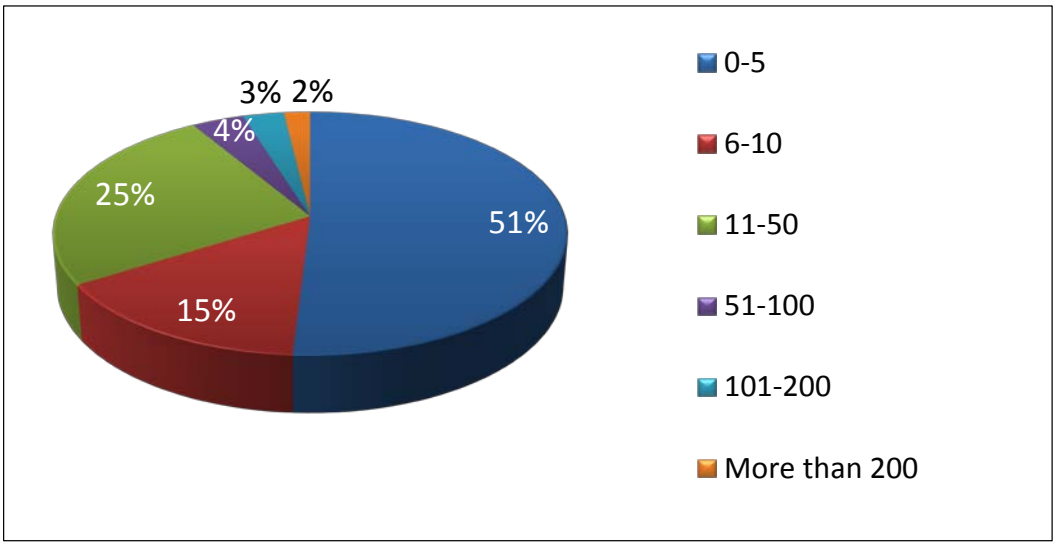


Figure 2-4: Details about the Respondents, by Firm Age

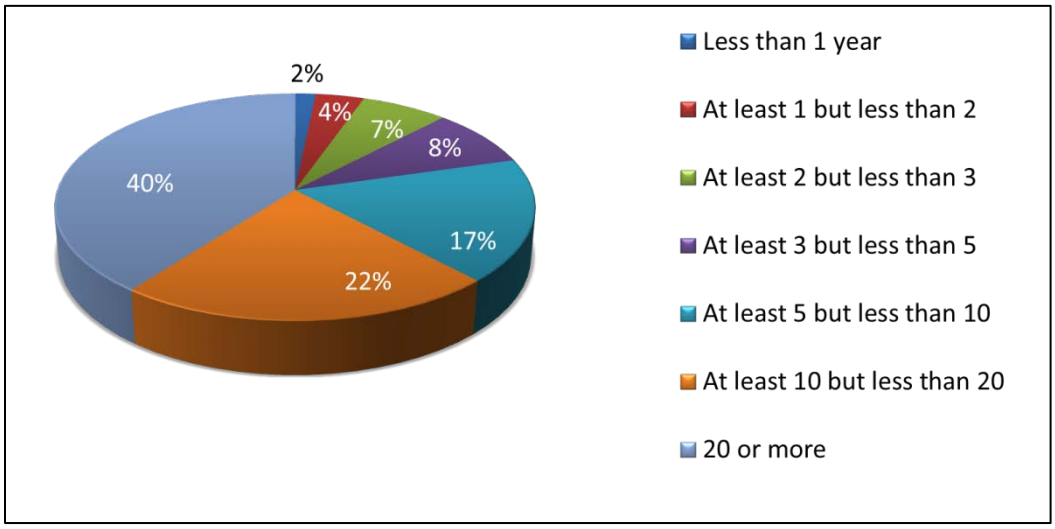


Figure 2-5: Details about the Respondents, by Industry

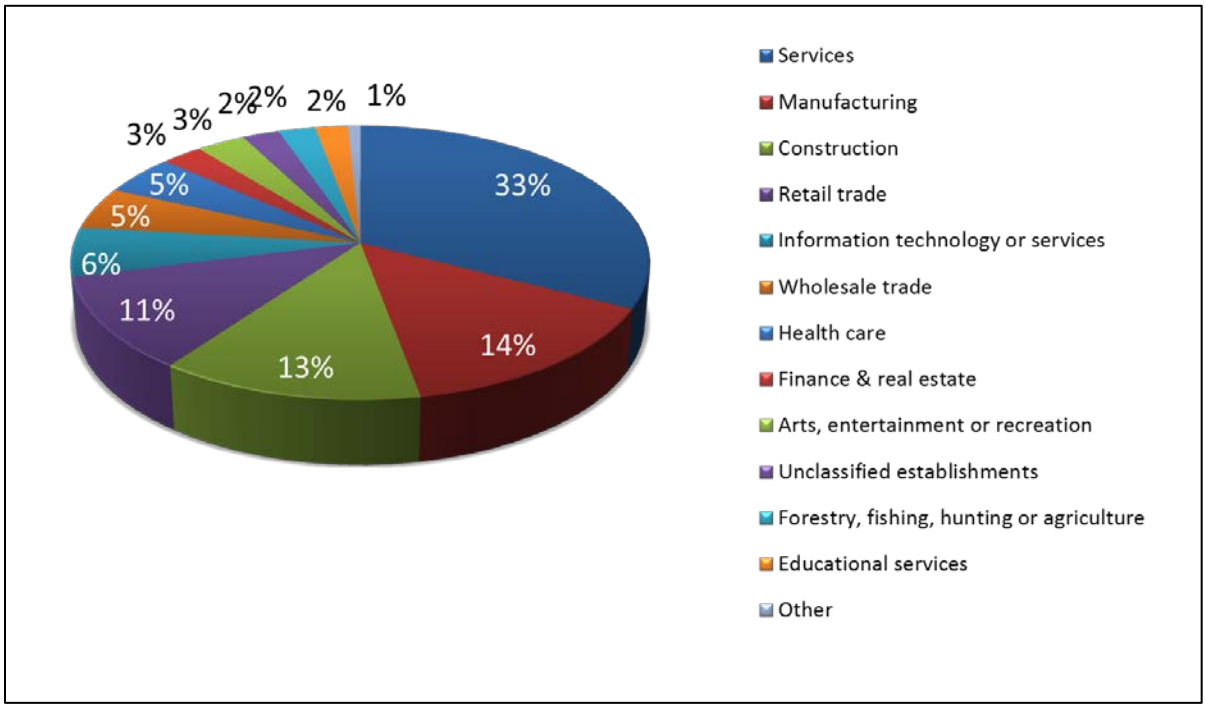


Figure 2-6: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by Region

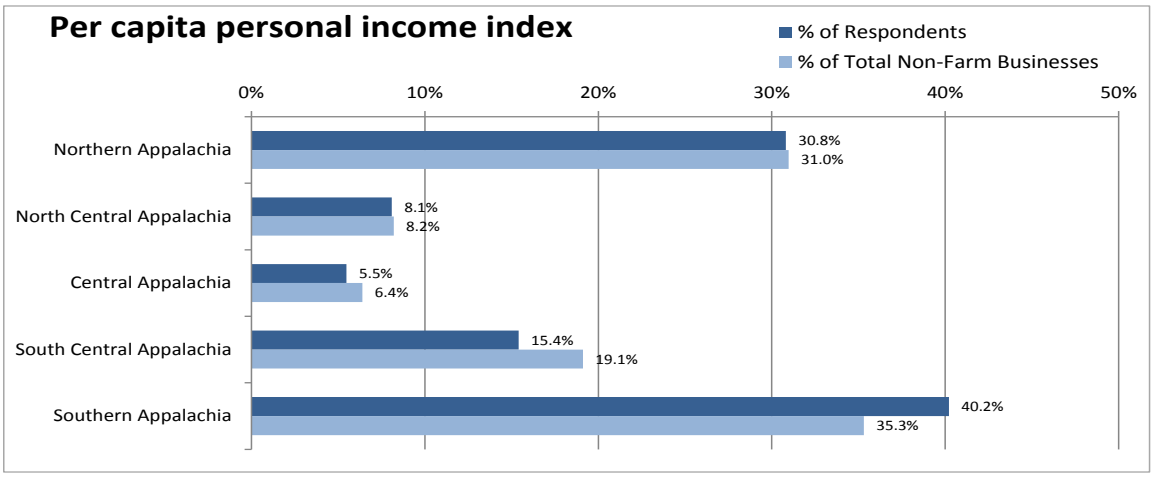


Figure 2-7: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by County Type

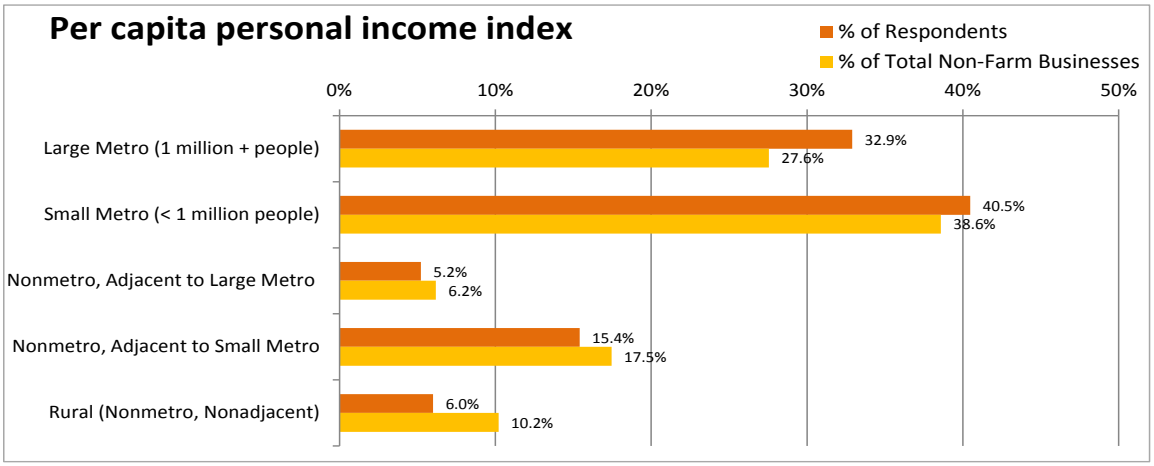


Figure 2-8: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by Economic Status

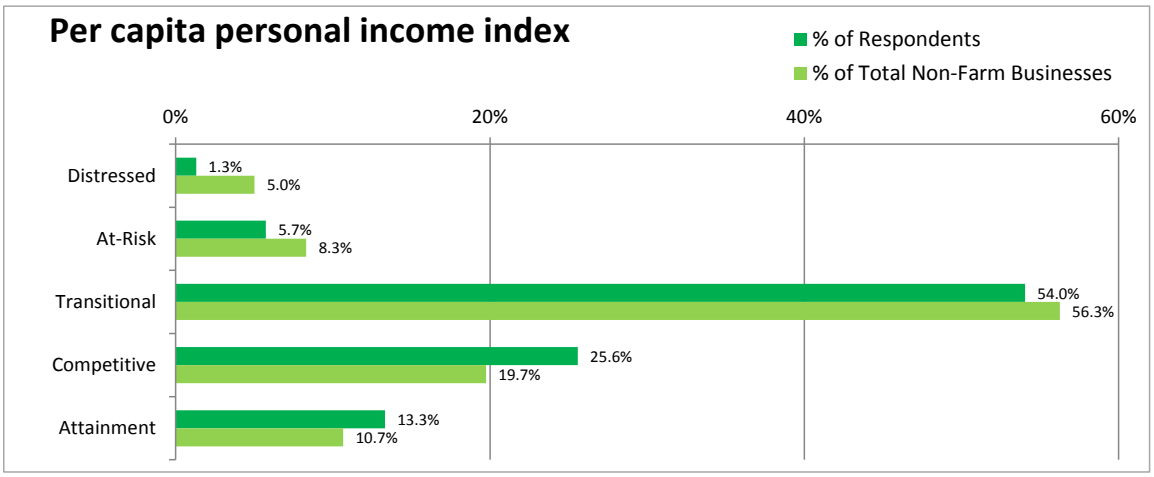


Figure 2-9: Ratio of Pepperdine Survey Respondents to Total Non-Farm Businesses by Appalachian States

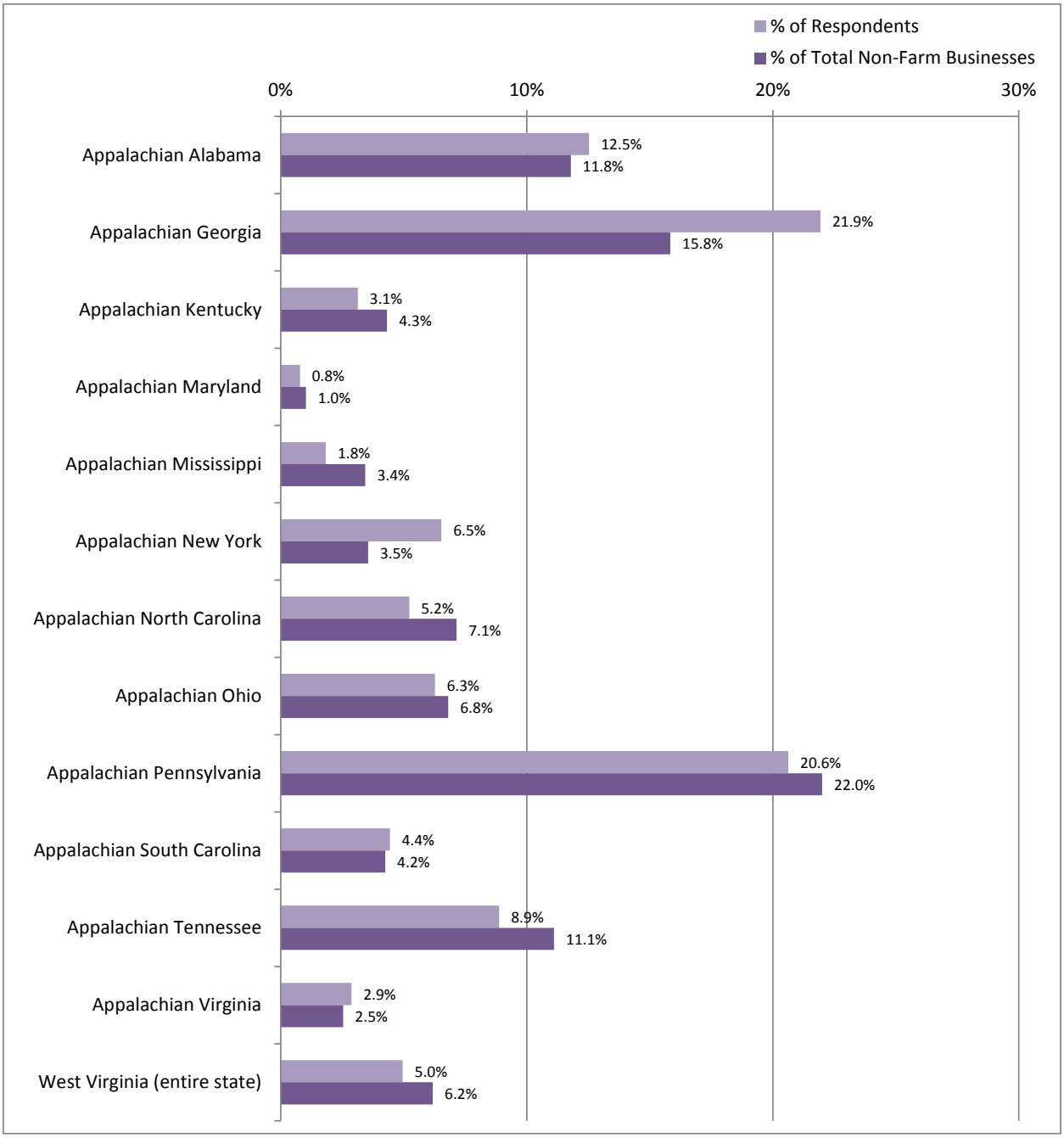


Table 2-1: Number of Respondents for Pepperdine Survey and Total Number of Non-Farm Businesses in Appalachia

	Respondents, 2012		Total Non-farm Businesses, 2011		Percentage point Differences
	Number	%	Number	%	
Appalachian Region	383	100.0%	2,370,133	100.0%	0.0%
Subregions					
Northern Appalachia	118	30.8%	734,046	31.0%	-0.2%
North Central Appalachia	31	8.1%	194,406	8.2%	-0.1%
Central Appalachia	21	5.5%	151,625	6.4%	-0.9%
South Central Appalachia	59	15.4%	453,146	19.1%	-3.7%
Southern Appalachia	154	40.2%	836,910	35.3%	4.9%
County Types					
Large Metro (1 million + people)	126	32.9%	653,148	27.6%	5.3%
Small Metro (< 1 million people)	155	40.5%	914,640	38.6%	1.9%
Nonmetro, Adjacent to Large Metro	20	5.2%	146,590	6.2%	-1.0%
Nonmetro, Adjacent to Small Metro	59	15.4%	413,861	17.5%	-2.1%
Rural (Nonmetro, Nonadjacent)	23	6.0%	241,894	10.2%	-4.2%
Economic Status					
Distressed	5	1.3%	119,009	5.0%	-3.7%
At-Risk	22	5.7%	196,926	8.3%	-2.6%
Transitional	207	54.0%	1,333,327	56.3%	-2.2%
Competitive	98	25.6%	468,080	19.7%	5.8%
Attainment	51	13.3%	252,791	10.7%	2.7%
Appalachian States					
Appalachian Alabama	48	12.5%	279,464	11.8%	0.7%
Appalachian Georgia	84	21.9%	375,318	15.8%	6.1%
Appalachian Kentucky	12	3.1%	102,484	4.3%	-1.2%
Appalachian Maryland	3	0.8%	24,381	1.0%	-0.2%
Appalachian Mississippi	7	1.8%	81,414	3.4%	-1.6%
Appalachian New York	25	6.5%	84,118	3.5%	3.0%
Appalachian North Carolina	20	5.2%	169,406	7.1%	-1.9%
Appalachian Ohio	24	6.3%	161,336	6.8%	-0.5%
Appalachian Pennsylvania	79	20.6%	521,595	22.0%	-1.4%
Appalachian South Carolina	17	4.4%	100,714	4.2%	0.2%
Appalachian Tennessee	34	8.9%	263,348	11.1%	-2.2%
Appalachian Virginia	11	2.9%	60,127	2.5%	0.3%
West Virginia (entire state)	19	5.0%	146,428	6.2%	-1.2%

2.2.2 DEMAND FOR EXTERNAL FINANCING

Interestingly, the percentage of respondents who attempted to secure outside financing in the nation and Appalachia was almost identical at 33 percent and 32 percent, respectively, during the first quarter of 2012. Within Appalachia, a lower percentage of the smallest businesses sought financing; 28 percent for small businesses with revenues under $500,000 and 23 percent for small businesses with revenues between $500,000 and $1 million. A considerably lower percentage of Appalachian than national businesses with revenues between $500,000 to $1 million sought financing; 23 percent compared to 32 percent (see Figures 2-10 and 2-11).

A lower percentage of businesses in Appalachia (13 percent) than in the nation (22 percent) did not seek financing because they feared that they would be rejected. Within Appalachia, the smallest businesses with revenues under $500,000 were most likely to report fear of rejection (19 percent). While 45 percent

of the respondents in the nation stated they did not seek financing because they had sufficient cash flow, only 28 percent of respondents in Appalachia selected this reason for not seeking financing. Only 16 percent of the Appalachian smallest businesses with revenues under $500,000 did not seek financing because they thought they had sufficient cash flow to cover expenses (see Figures 2-12 and 2-13).

Just over 60 percent of the respondents in the nation and Appalachia indicated that the current business financing environment was restrictive. The smallest businesses with revenues under $500,000 were most likely to respond that the current environment was restrictive; 76 percent of these Appalachian businesses thought so (see Figure 2-14). A smaller percentage (69 percent) of national businesses in this revenue category thought that the financing environment was restrictive. Businesses between $500,000 and $1 million in revenue also thought that the current business financing environment was restrictive, with 64 percent of businesses nationally reporting this assessment, while 58 percent of Appalachian businesses reported these concerns (see Figure 2-15).

Three quarters of the businesses in Appalachia and the nation stated that raising equity and debt financing was difficult. Within Appalachia, the smallest businesses again indicated the most difficulty; 87 percent of the respondents with revenues less than $500,000 said raising debt or equity financing was difficult (see Figure 2-16). A greater percentage of the smallest business with revenues under $500,000 in Appalachia than the nation responded that it was difficult to raise equity and debt financing. For businesses with revenues of $500,000 to $1 million, a greater percentage of national businesses reported these difficulties (see Figure 2-17).

On a scale of 1 to 4, the survey respondents in the nation and Appalachia indicated a “moderate” level of demand for access to credit for various purposes such as planned growth, working capital fluctuations, or refinancing existing loans. The responses did not vary significantly by revenue category of businesses in the nation or within Appalachia (see Figures 2-18 and 2-19). Businesses interested in accessing financing in Appalachia and the United States were most likely to seek financing for planned growth and working capital and least likely to seek financing to endure worsening operating conditions or refinancing existing loans. Within Appalachia, the smallest businesses with revenues under $500,000 were most likely to desire financing for planned growth or working capital (see Figures 2-20 and 2-21).

Figure 2-10: Percentage of Respondents Who Attempted to Raise Outside Financing in the Last Three Months

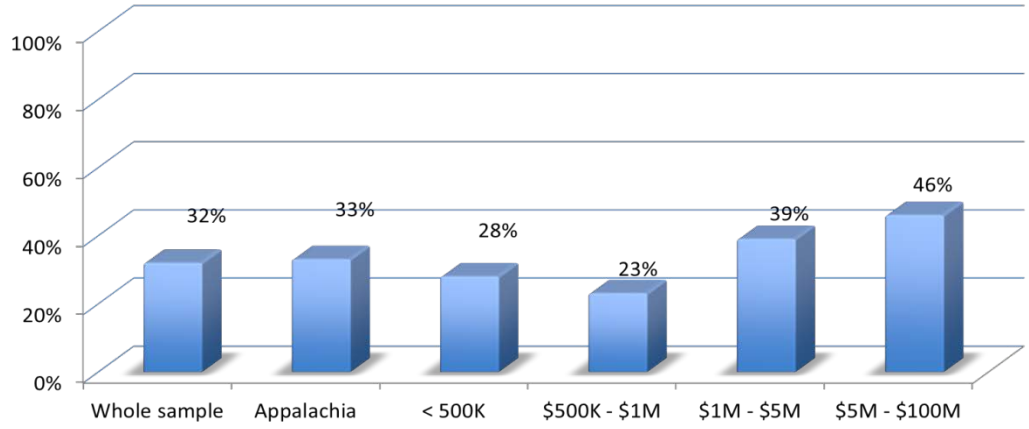


Figure 2-11: Percentage of Respondents Who Attempted to Raise Outside Financing in the Last Three Months, National Revenue Breakouts

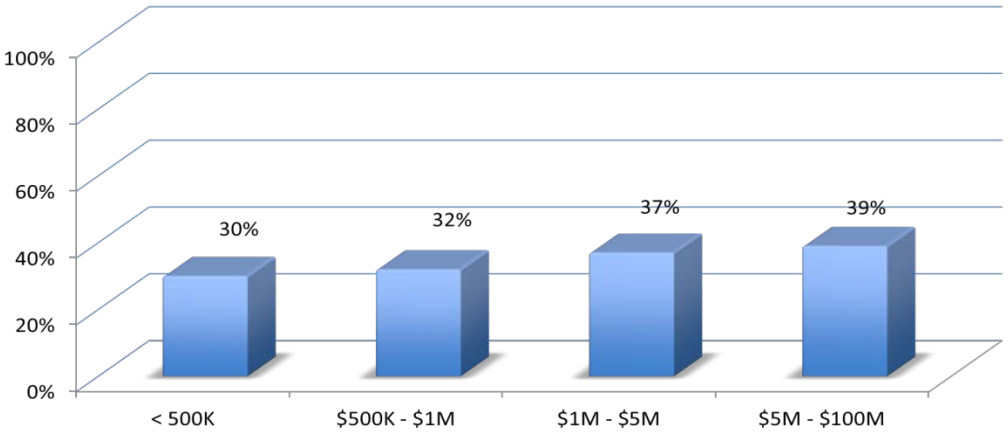
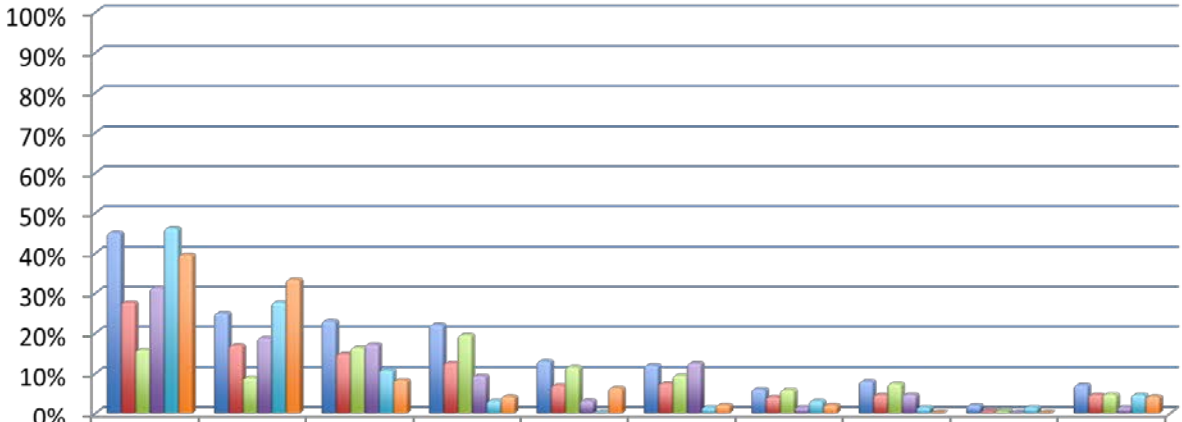
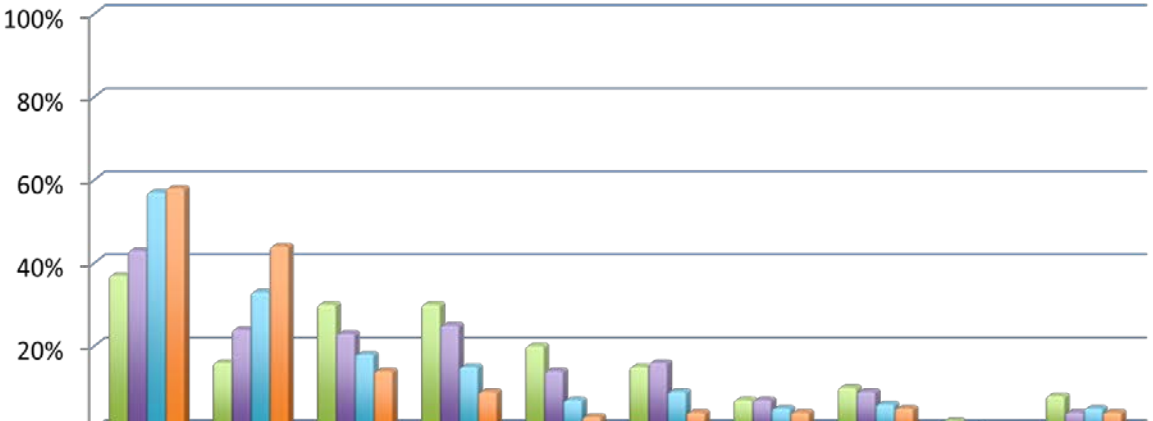


Figure 2-12: Reasons for Businesses Not Attempting to Raise External Financing (Multiple Selections)



	Enough cash flow	Sufficient financing in place	Weak economy	Business would be rejected	Lack of expertise	Not enough time	Loss of control / flexibility	Waiting for cheaper financing	Cease operation / liquidate	Other
Whole sample	45%	25%	23%	22%	13%	12%	6%	8%	2%	7%
Appalachia	28%	17%	15%	13%	7%	7%	4%	5%	1%	5%
< 500K	16%	9%	16%	19%	12%	9%	6%	7%	1%	5%
$500K - $1M	31%	19%	17%	9%	3%	13%	2%	5%	0%	2%
$1M - $5M	46%	28%	11%	3%	0%	2%	3%	2%	2%	5%
$5M - $100M	40%	33%	8%	4%	6%	2%	2%	0%	0%	4%

Figure 2-13: Reasons for Businesses Not Attempting to Raise External Financing (Multiple Selections), National Revenue Breakouts



	Enough cash flow	Sufficient financing in place	Weak economy	Business would be rejected	Lack of expertise	Not enough time	Loss of control / flexibility	Waiting for cheaper financing	Cease operation / liquidate	Other
< 500K	37%	16%	30%	30%	20%	15%	7%	10%	2%	8%
$500K - $1M	43%	24%	23%	25%	14%	16%	7%	9%	1%	4%
$1M - $5M	57%	33%	18%	15%	7%	9%	5%	6%	0%	5%
$5M - $100M	58%	44%	14%	9%	3%	4%	4%	5%	0%	4%

Figure 2-14: Percentage Indicating "Yes" to "Is the current business financing environment restricting…"

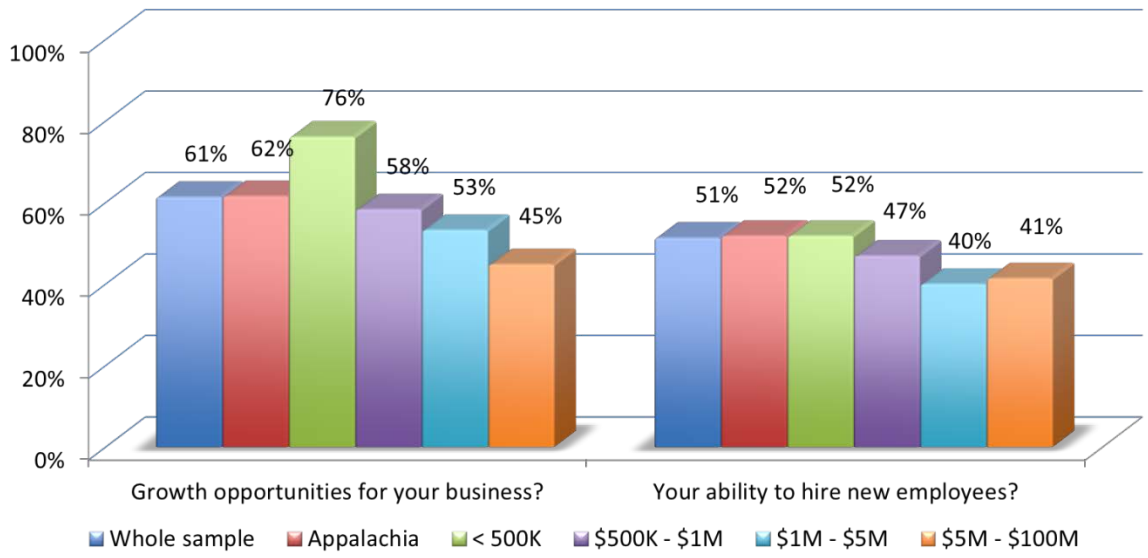


Figure 2-15: Percentage Indicating "Yes" to "Is the current business financing environment restricting…," National Revenue Breakouts

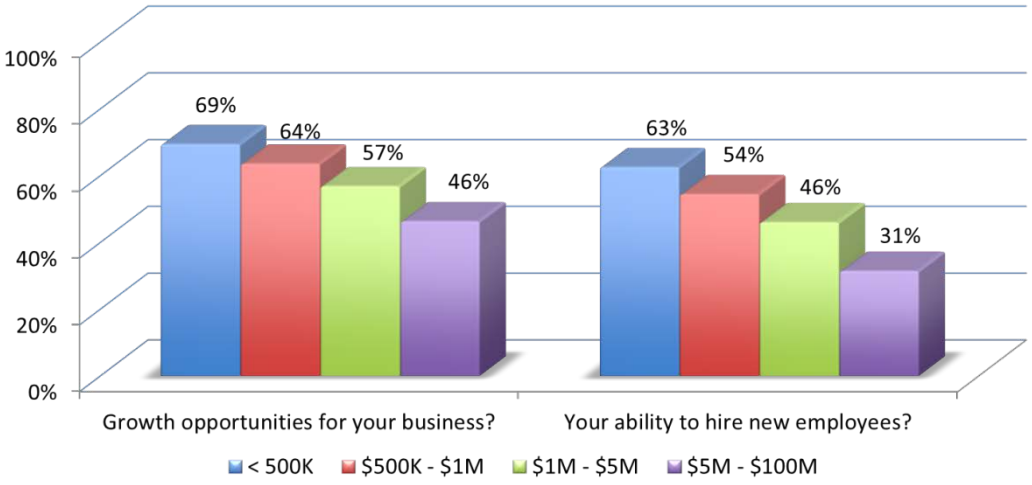
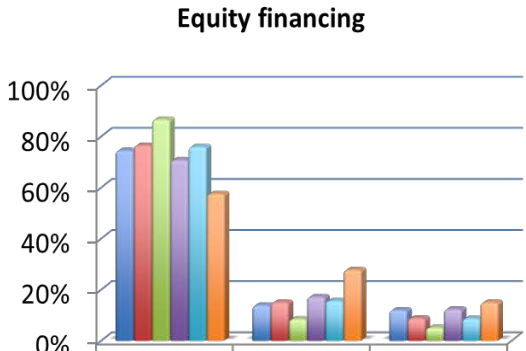
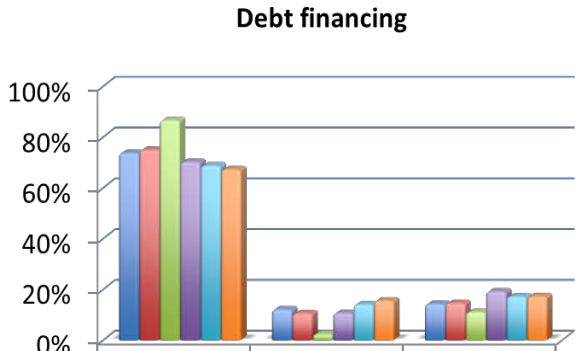


Figure 2-16: Is it Difficult or Easy to Raise New External Financing?

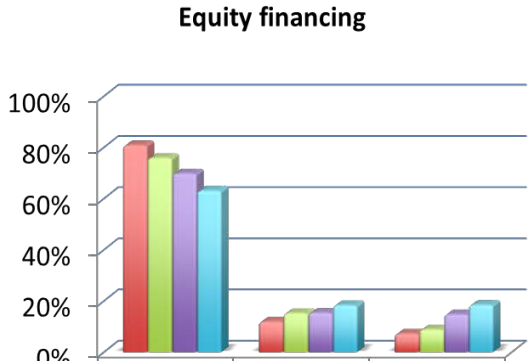


	Difficult	Neither difficult nor easy	Easy
Whole sample	74%	14%	12%
Appalachia	76%	15%	9%
< 500K	87%	8%	5%
$500K - $1M	71%	17%	12%
$1M - $5M	76%	16%	9%
$5M - $100M	57%	28%	15%

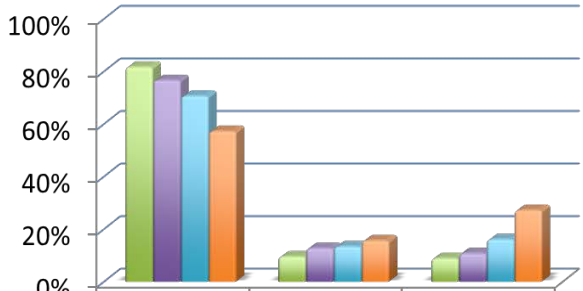


	Difficult	Neither difficult nor easy	Easy
Whole sample	74%	12%	14%
Appalachia	75%	11%	15%
< 500K	87%	2%	11%
$500K - $1M	70%	11%	19%
$1M - $5M	69%	14%	17%
$5M - $100M	67%	16%	17%

Figure 2-17: Is it Difficult or Easy to Raise New External Financing? National Revenue Breakouts



	Difficult	Neither difficult nor easy	Easy
< 500K	81%	12%	7%
$500K - $1M	76%	15%	9%
$1M - $5M	70%	15%	15%
$5M - $100M	63%	18%	19%



	Difficult	Neither difficult nor easy	Easy
< 500K	82%	9%	9%
$500K - $1M	77%	13%	11%
$1M - $5M	71%	13%	16%
$5M - $100M	57%	16%	27%

Figure 2-18: Strength of Demand for Financing

(among those indicating demand)
Scale 1-4: slight, moderate, high, extremely high need

	Planned growth or expansion, including acquisitions (not yet realized)	Working capital fluctuations	Growth due to increased demand (already realized)	Finance worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
Whole sample	2.5	2.2	2.1	2.2	2.4	1.9
Appalachia	2.4	2.2	2.1	2.2	2.4	2.0
< 500K	2.5	2.4	2.2	2.4	2.5	2.1
$500K - $1M	2.2	2.2	1.9	2.1	2.2	1.9
$1M - $5M	2.3	2.1	2.2	2.0	2.4	1.9
$5M - $100M	2.4	2.0	2.2	2.2	2.3	2.2

Figure 2-19: Strength of Demand for Financing, National Revenue Breakouts

(among those indicating demand)
Scale 1-4: slight, moderate, high, extremely high need

	Planned growth or expansion, including acquisitions (not yet realized)	Working capital fluctuations	Growth due to increased demand (already realized)	Finance worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
< 500K	2.5	2.3	2.1	2.3	2.4	2.0
$500K - $1M	2.4	2.2	2.1	2.1	2.5	1.8
$1M - $5M	2.3	2.1	2.1	1.9	2.3	1.8
$5M - $100M	2.4	2.1	2.1	2.0	2.3	2.0

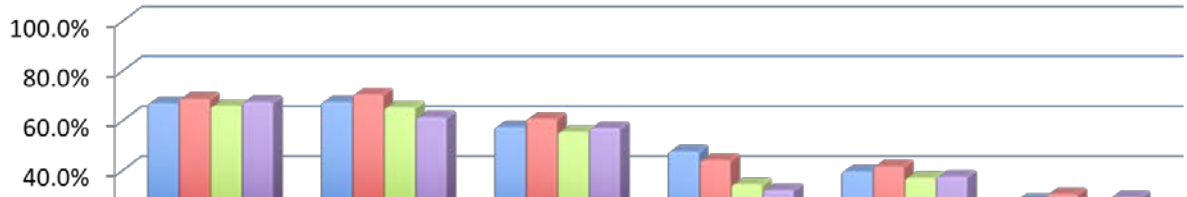
Figure 2-20: Demand for Financing by Purpose and Size

(% with any need reported)

	Planned growth or expansion, including acquisitions (not yet realized)	Working capital fluctuations	Growth due to increased demand (already realized)	Finance worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
US	66.1%	65.3%	56.0%	40.9%	38.4%	27.5%
Appalachia	67.6%	64.3%	55.5%	42.5%	35.4%	26.7%
< 500K	72.9%	69.7%	55.2%	50.0%	42.6%	27.7%
$500K - $1M	62.5%	62.0%	62.7%	43.5%	30.4%	25.0%
$1M - $5M	64.9%	62.5%	52.6%	34.7%	22.4%	19.7%
$5M - $100M	65.5%	61.0%	56.1%	31.4%	32.1%	29.4%

Figure 2-21: Demand for Financing by Purpose and Size, National Revenue Breakouts

(% with any need reported)



	Planned growth or expansion, including acquisitions (not yet realized)	Working capital fluctuations	Growth due to increased demand (already realized)	Finance worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
< 500K	66.8%	67.2%	57.2%	47.4%	39.4%	27.9%
$500K - $1M	68.6%	70.4%	60.6%	43.9%	41.4%	30.3%
$1M - $5M	65.8%	65.1%	55.3%	34.2%	36.8%	25.5%
$5M - $100M	67.3%	61.2%	56.8%	31.9%	37.3%	29.0%

2.2.3 ACCESSIBILITY/SUCCESS RATE

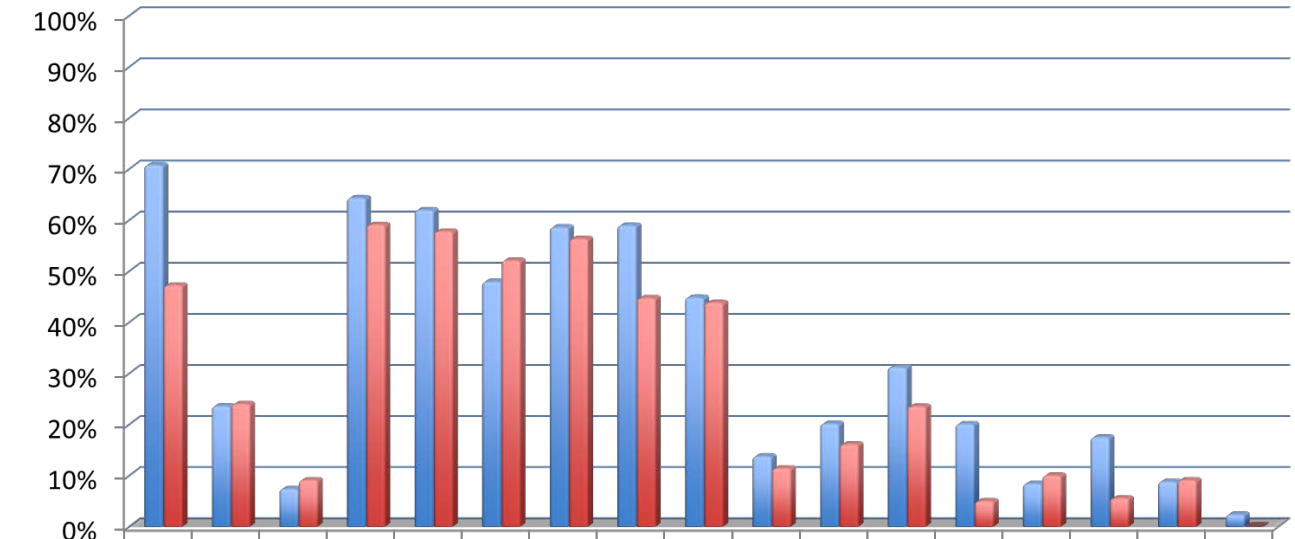
In terms of types of financing secured in the prior three months, survey respondents in the nation and Appalachia were most successful in securing trade credit, personal credit cards, business credit cards, and personal loans. Survey respondents were less successful in securing business loans from banks than obtaining credit cards or trade credit. For example, about 45 percent of the survey respondents in Appalachia and the nation who sought business bank loans secured them compared to 62 and 58 percent of the respondents in the nation and Appalachia, respectively, that secured personal credit cards. Much lower rates of success occurred in securing equity financing for businesses; for example, only 5 percent of the businesses who sought angel capital in Appalachia succeeded in acquiring it. The largest difference in responses from the nation and Appalachia occurred in securing financing from friends and family, with much lower rates of securing this capital in Appalachia, which is not surprising in a region experiencing higher rates of economic distress than the nation as a whole (see Figure 2-22).

For the second smallest business revenue category ($500,000 to $1 million), respondents in Appalachia were strikingly less successful than their counterparts in the nation in raising debt or equity financing. For example, 35 percent and 17 percent of these businesses in the nation and Appalachia, respectively, secured business loans from banks. Likewise, 54 percent and 14 percent of the businesses in this revenue category in the nation and Appalachia, respectively, secured business credit card financing. However, none of the Appalachian respondents in this category secured angel investments, while 12 percent of the national respondents did so (see Figures 2-23 and 2-24).

Another way of gauging the degree of success in securing financing is the extent to which business owners feel compelled to transfer their personal assets to their businesses. In the nation and Appalachia, about 42 percent and 45 percent of the respondents, respectively, transferred their personal assets to their businesses within the last month. Within Appalachia, about 55 percent of the smallest businesses with revenues less than $500,000 followed closely by businesses with revenues between $500,000 and $1 million transferred assets to the businesses. A lower percentage of owners of small businesses in these two revenue categories from the national sample transferred assets to their businesses (see Figures 2-25 and 2-26).

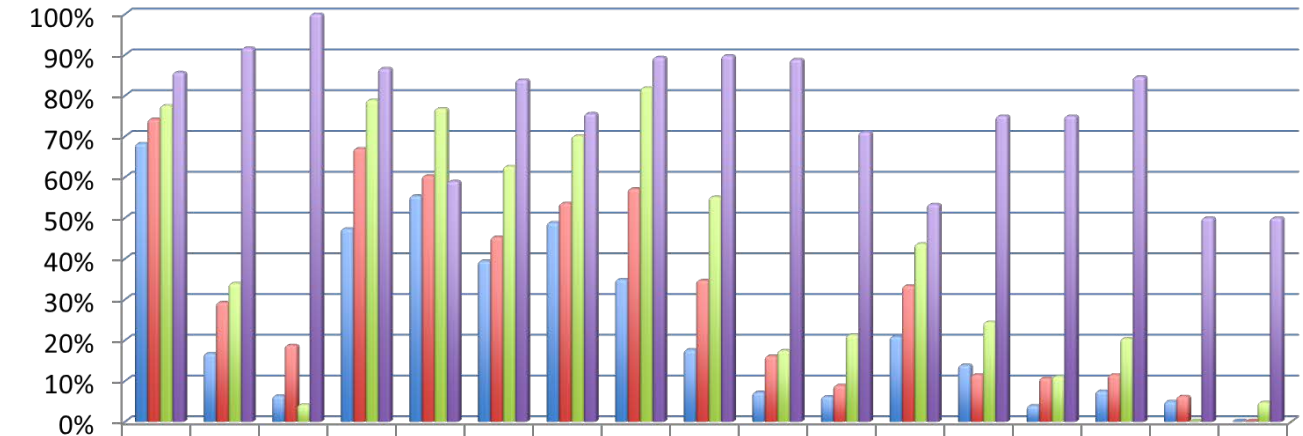
This higher rate of asset transfers by the smaller businesses is most likely due to less success than their larger counterparts to secure the amount of credit needed by their business (see Figure 2-26). In addition, the smallest businesses owners in Appalachia were much more likely to transfer their savings and use of their personal credit cards to fund their businesses than their counterparts in Appalachia or the nation (see Figure 2-27). For example, 81 percent and 68 percent of small business owners with revenues between $500,000 and $1 million in Appalachia and the nation, respectively, transferred their personal savings and investments to their small businesses. Likewise, 52 percent and 44 percent of the owners of small businesses with revenues under $500,000 in Appalachia and the nation, respectively, used their personal credit cards for financing their businesses (see Figures 2-27 and 2-28).

Figure 2-22: Financing Success Rates by Type and Business Size for Prior Three Months



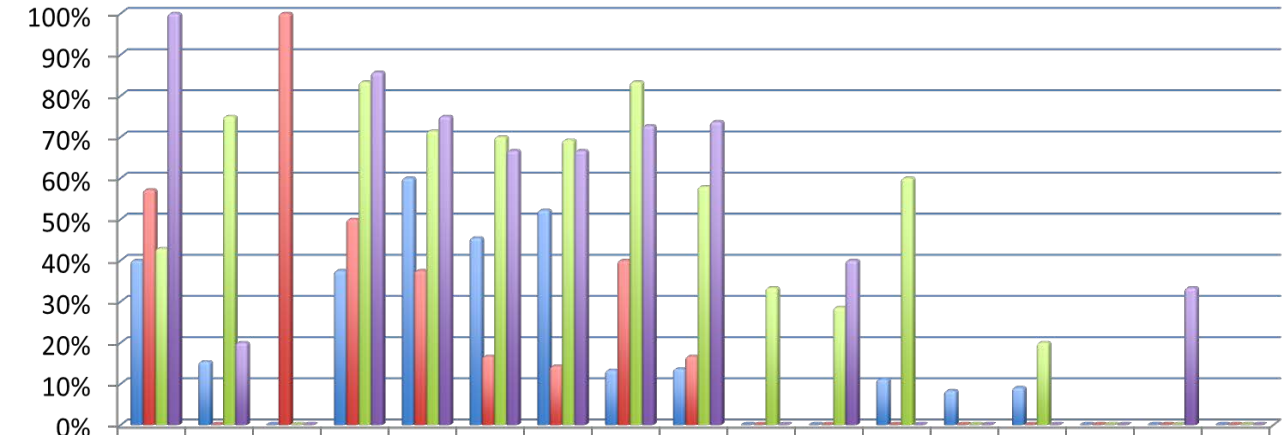
	Friends and family	Grants (SBIR, STTR, etc.)	Crowd funding	Trade credit	Credit card - pers.	Loan - pers.	Credit card - biz.	Lease	Bank loan - biz.	CDFI/ Credit union	Asset based lender	Factor	Angel capital	Vent. capital	Private equity group	Mezz. lender	Hedge fund
Whole sample	71%	24%	7%	64%	62%	48%	59%	59%	45%	14%	20%	31%	20%	8%	17%	9%	2%
Appalachia	47%	24%	9%	59%	58%	52%	56%	45%	44%	11%	16%	24%	5%	10%	6%	9%	0%

Figure 2-23: Financing Success Rates by Type and Business Size for Prior Three Months, National Revenue Breakouts



	Friends and family	Grants (SBIR, STTR, etc.)	Crowd funding	Trade credit	Credit card - pers.	Loan - pers.	Credit card - biz.	Lease	Bank loan - biz.	CDFI/ Credit union	Asset based lender	Factor	Angel capital	Vent. capital	Private equity group	Mezz. lender	Hedge fund
< 500K	68%	17%	6%	47%	55%	39%	49%	35%	18%	7%	6%	21%	14%	4%	8%	5%	0%
$500K - $1M	74%	29%	19%	67%	60%	45%	54%	57%	35%	16%	9%	33%	12%	11%	12%	6%	0%
$1M - $5M	78%	34%	4%	79%	77%	63%	70%	82%	55%	17%	21%	44%	24%	11%	20%	0%	5%
$5M - $100M	86%	92%	100%	87%	59%	84%	76%	89%	90%	89%	71%	53%	75%	75%	85%	50%	50%

Figure 2-24: Financing Success Rates by Type and Business Size for Prior Three Months, Appalachian Revenue Breakouts



	Friends and family	Grants (SBIR, STTR, etc.)	Crowd funding	Trade credit	Credit card - pers.	Loan - pers.	Credit card - biz.	Lease	Bank loan - biz.	CDFI/ Credit union	Asset based lender	Factor	Angel capital	Vent. capital	Private equity group	Mezz. lender	Hedge fund
< 500K	40%	15%	0%	38%	60%	45%	52%	13%	14%	0%	0%	11%	8%	9%	0%	0%	0%
$500K - $1M	57%	0%	100%	50%	38%	17%	14%	40%	17%	0%	0%	0	0%	0%	0	0	0
$1M - $5M	43%	75%	0	83%	71%	70%	69%	83%	58%	33%	29%	60%	0%	20%	0%	0%	0%
$5M - $100M	100%	20%	0%	86%	75%	67%	67%	73%	74%	0%	40%	0%	0%	0%	0%	33%	0%

Figure 2-25: Percentage of Owners Who Transferred Personal Assets to Business over Prior Six Months

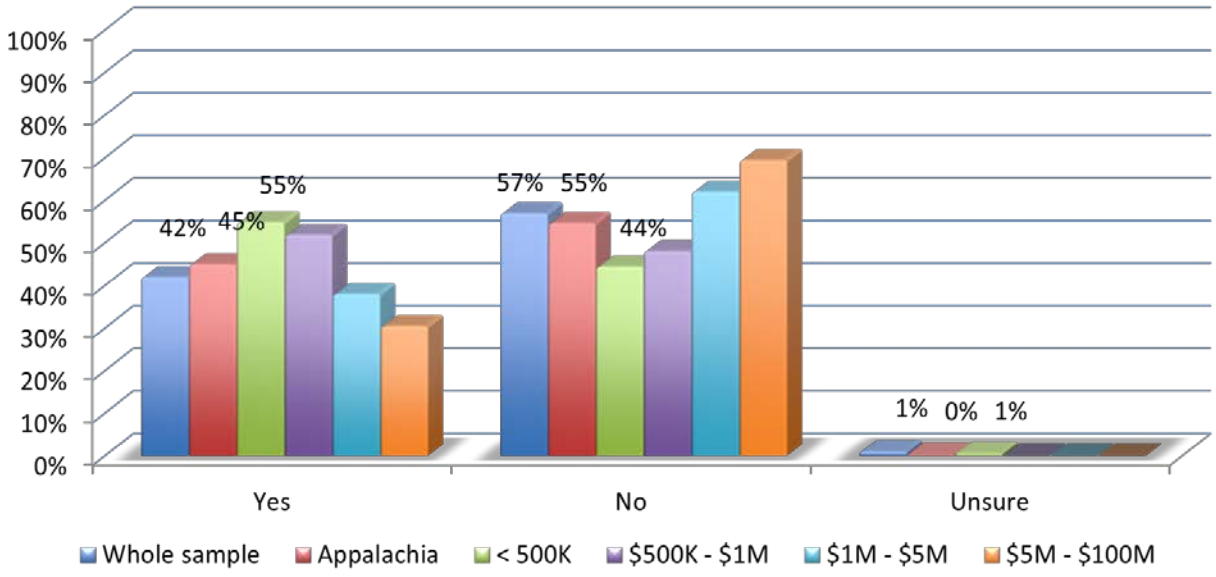


Figure 2-26: Percentage of Owners Who Transferred Personal Assets to Business over Prior Six Months, National Revenue Breakouts

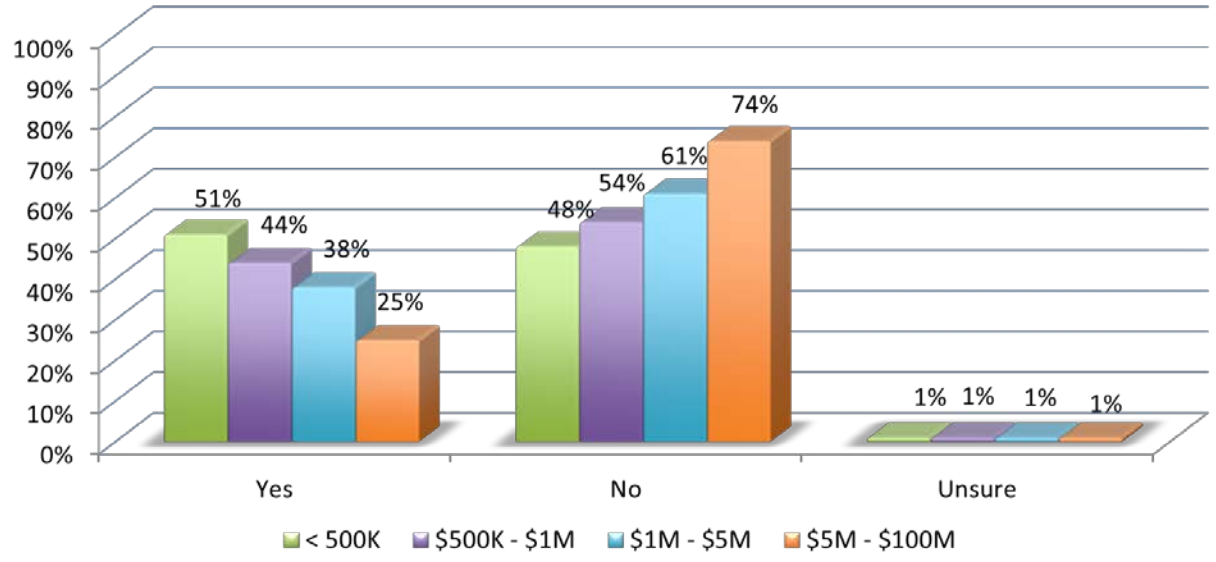
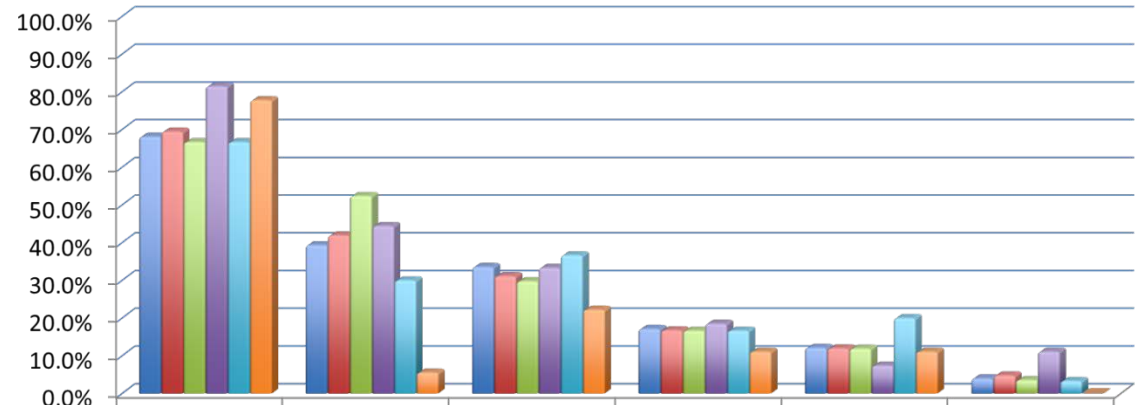
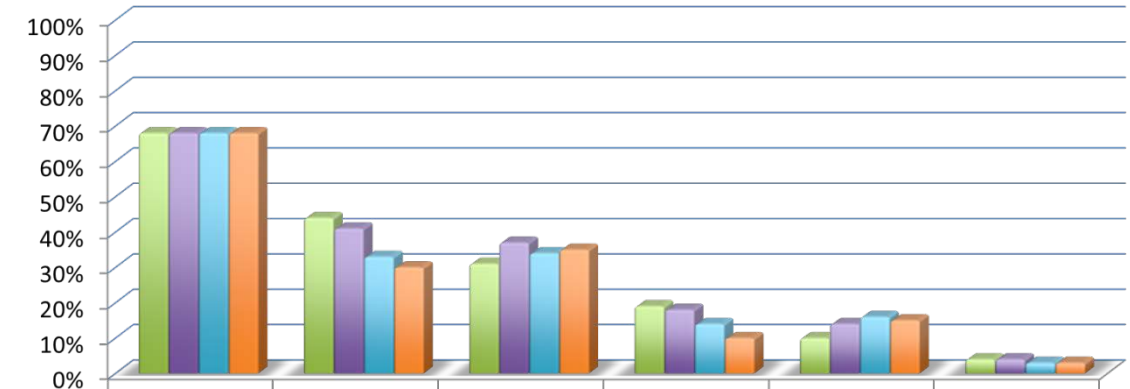


Figure 2-27: Type of Personal Assets Transferred to Business during Prior Six Months (Multiple Selections)



	Personal savings / investments	Personal credit card purchases	Personal loan	Cash from the sale of personal assets	Home equity loan	Other
Whole sample	68.1%	39.4%	33.6%	17.1%	12.1%	4.0%
Appalachia	69.5%	41.9%	31.1%	16.8%	12.0%	4.8%
< 500K	66.7%	52.4%	29.8%	16.7%	11.9%	3.6%
$500K - $1M	81%	44%	33%	19%	7%	11%
$1M - $5M	67%	30%	37%	17%	20%	3%
$5M - $100M	78%	6%	22%	11%	11%	0%

Figure 2-28: Type of Personal Assets Transferred to Business during Prior Six Months, (Multiple Selections), National Revenue Breakouts



	Personal savings / investments	Personal credit card purchases	Personal loan	Cash from the sale of personal assets	Home equity loan	Other
< 500K	68%	44%	31%	19%	10%	4%
$500K - $1M	68%	41%	37%	18%	14%	4%
$1M - $5M	68%	33%	34%	14%	16%	3%
$5M - $100M	68%	30%	35%	10%	15%	3%

2.2.4 EXPECTED FUTURE DEMAND

During the next six months, the percentage of business respondents in the United States who plan on seeking financing was almost the same (31 percent) as the percentage who sought financing in the last three months (33 percent). In contrast, the percentages diverge somewhat in Appalachia with 32 percent seeking financing during the first quarter of 2012 and 28 percent planning on seeking financing during the next six months. The smaller businesses in Appalachia with revenues between $500,000 and $1 million were the least likely to plan to seek financing in the next six months (23 percent) and were even less likely than businesses with revenues under $500,000 (see Figure 2-29). In addition, the businesses in the two smallest revenue categories in Appalachia were significantly less likely to seek financing than their counterparts in the nation (see Figures 2-29 and 2-30).

On a scale of 1 to 4, both businesses in the nation and Appalachia reported a moderate level of interest in seeking financing in the next six months (see Figure 2-31). There were not significant differences by revenue category of businesses.

Another interesting survey finding is that 68 and 64 percent of the respondents seeking financing in the nation and Appalachia, respectively, believed they would secure bank business loans (see Figure 2-32). Compared to any other category of financing, the highest percentage of respondents seeking financing thought that they would approach banks. This is a stark contrast to success rates for securing financing from banks, which was reported to be 45 percent.. Perhaps respondents believe that obtaining credit from banks will become easier, which may be based either on perceptions or actual experience from their peers. Similarly, a much higher percentage of respondents thought they would approach equity sources of financing than those that reported successfully securing equity funding (see Figure 2-32).

In terms of adding workers, the number of workers projected to be added is modest. About one third of the businesses in the nation and Appalachia plans to add no additional employees, and an additional third plans to add one to two employees. About one fifth plan to hire three to five employees, and ten percent of firms to hire 6 to10 employees. A pessimistic interpretation is that two thirds of respondents plan to hire between zero and two employees; an optimistic interpretation is that one third of firms plan to hire three to ten employees. It must be added that almost half of the Appalachian smallest businesses with revenues under $500,000 do not plan to add employees and these businesses constitute about 40 percent of the respondents in Appalachia (see Figure 2-33). The bottom line is that a sizable percentage of respondents in Appalachia plan to add a modest number of employees, but another sizable percentage will not add employees.

Figure 2-29: Percentage of Businesses that Are Planning to Raise Financing in the Next Six Months

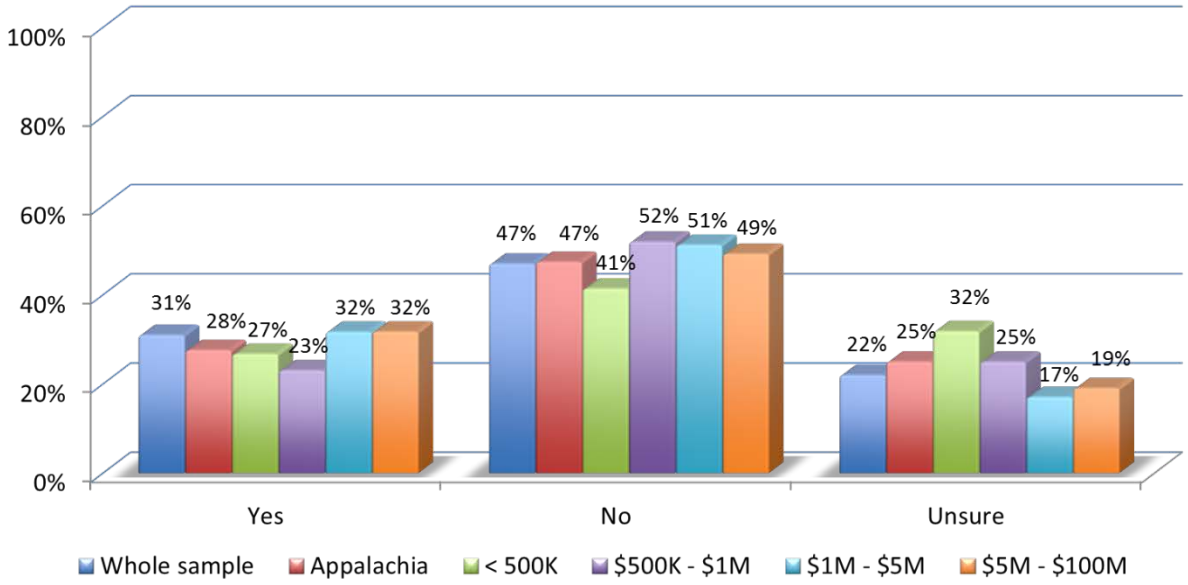


Figure 2-30: Percentage of Businesses that Are Planning to Raise Financing in the Next Six Months, National Revenue Breakouts

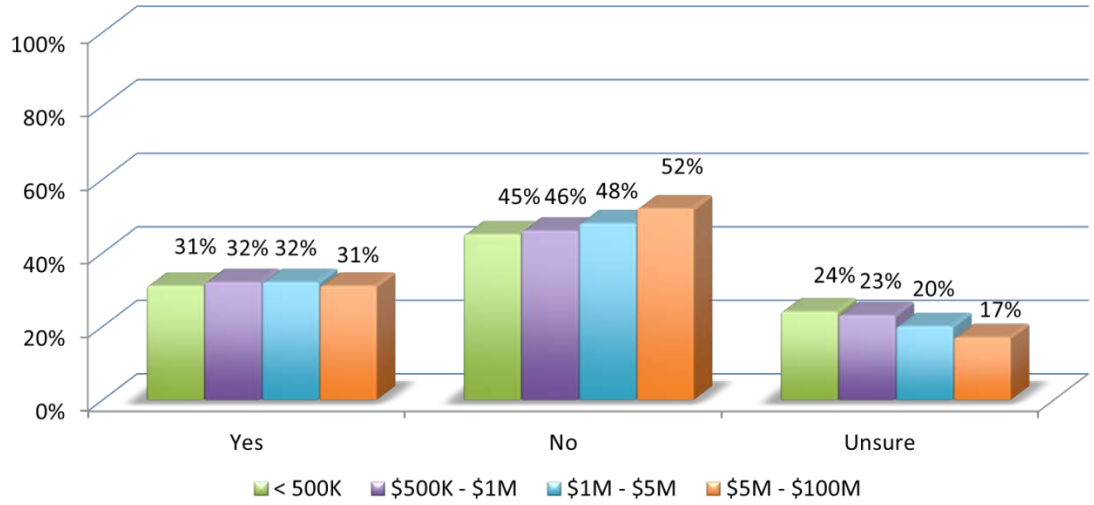
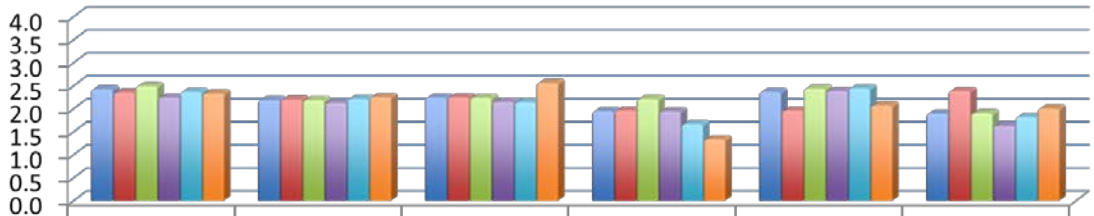
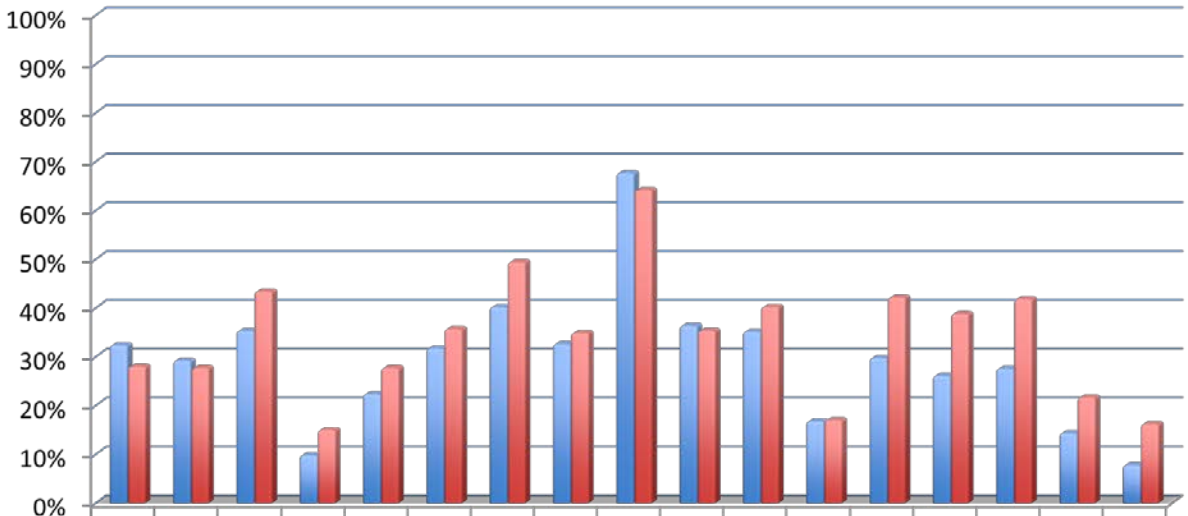


Figure 2-31: Strength of Expected Demand for New External Financing in the Next Six Months
(Scale 1-4: Slight, Moderate, High, Extremely High)



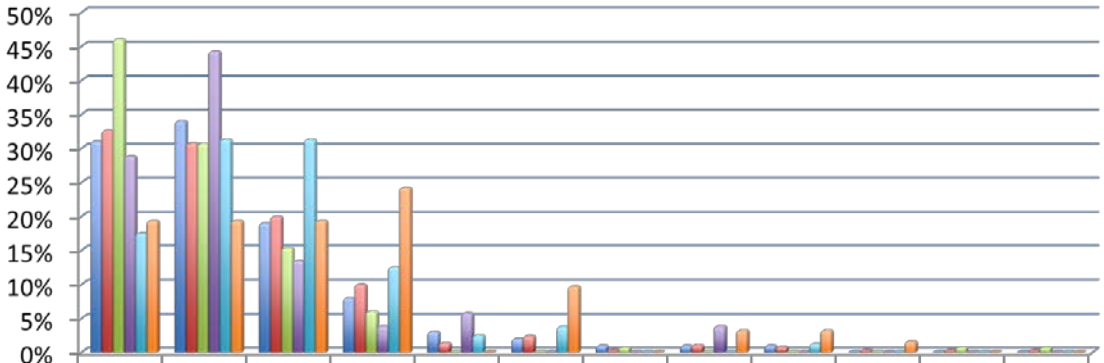
	Planned future growth or expansion	Expected working capital fluctuations	Growth due to expected increased demand	Expected worsening operating conditions	Refinance existing loans or equity	Withdraw wealth for owners
Whole sample	2.4	2.2	2.2	1.9	2.4	1.9
Appalachia	2.4	2.2	2.2	2.0	2.0	2.4
< 500K	2.5	2.2	2.2	2.2	2.4	1.9
$500K - $1M	2.2	2.1	2.1	1.9	2.4	1.6
$1M - $5M	2.4	2.2	2.1	1.7	2.4	1.8
$5M - $100M	2.3	2.3	2.6	1.3	2.1	2.0

Figure 2-32: Likely Sources of Financing



	Friends and family	Grants (SBIR, STTR, etc.)	Crowd funding	Trade credit	Credit card - pers.	Loan - pers.	Credit card - biz.	Lease	Bank loan - biz.	CDFI/ Credit union	Asset based lender	Factor	Angel capital	Vent. capital	Private equity group	Mezz. lender	Hedge fund
Whole sample	32%	29%	35%	10%	22%	32%	40%	33%	68%	36%	35%	17%	30%	26%	28%	14%	8%
Appalachia	28%	28%	43%	15%	28%	36%	49%	35%	64%	35%	40%	17%	42%	39%	42%	22%	16%

Figure 2-33: Number of Employees Planned to Be Hired in the Next Six Months



	0	1-2	3-5	6-10	11-15	16-20	21-30	31-40	41-50	51-75	76-100	101-200
Whole sample	31%	34%	19%	8%	3%	2%	1%	1%	1%	0%	0%	0%
Appalachia	33%	31%	20%	10%	1%	2%	0%	1%	1%	0%	0%	0%
< 500K	46%	31%	15%	6%	0%	0%	1%	0%	0%	0%	1%	1%
$500K - $1M	29%	44%	13%	4%	6%	0%	0%	4%	0%	0%	0%	0%
$1M - $5M	18%	31%	31%	13%	3%	4%	0%	0%	1%	0%	0%	0%
$5M - $100M	19%	19%	19%	24%	0%	10%	0%	3%	3%	2%	0%	0%

2.2.5 Summary of Pepperdine Results

Overall, total business demand for loans appears to be similar in Appalachia and the nation. However, small businesses in the two smallest revenue categories in Appalachia have lower levels of demand for loans than do firms in the nation as a whole. While the smallest businesses in Appalachia indicated they sought financing at lower rates then businesses in the national as a whole, the smallest businesses in Appalachia and the nation reported similar perceptions regarding barriers to financing. In addition, the smallest businesses in Appalachia experienced much less success than those in the nation in obtaining financing.

The box below summarizes the findings of the Pepperdine survey, comparing the national and Appalachian samples, and focuses on the two smallest revenue categories of businesses:

Summary of Results: Pepperdine Survey

- Percentage of respondents who attempted to raise financing – fewer Appalachian firms
- Firms fearing rejection of loan requests – hard to interpret
- Is current financing environment restricting – national and Appalachian perspectives similar
- Difficult or easy to raise debt/equity financing – national and Appalachian perspectives similar
- Success rate of securing debt and equity financing – disadvantage Appalachia, particularly businesses in $500,000 to $1 million revenue category.
- Transferring personal assets to business – disadvantage Appalachia
- Percentage of businesses planning to raise financing – fewer Appalachian firms
- Adding employees in next 6 months – national and Appalachian perspectives similar

2.3 KAUFFMAN FIRM SURVEY

2.3.1 DESCRIPTION OF SAMPLE SIZE

Kauffman Firm Survey (KFS) data are a comprehensive longitudinal study of small businesses in the United States. The sample for the survey was created by a random sampling approach from Dun & Bradstreet's (D&B) database of new firms established in 2004. From approximately 256,000 such firms, Kauffman researchers selected a random sample of 32,469 firms for the baseline survey, conducted between July 2005 and July 2006. In order to proportionally represent high-technology industry and woman-owned businesses in the sample, KFS utilized a stratified sampling approach.

KFS researchers completed detailed interviews for 4,928 firms and conducted the first follow-up for those firms between June 2006 and January 2007. The subsequent interviews were conducted annually for the firms that survived. The survey focuses on the business characteristics, strategy and innovation, demographics of the owners, and business finances. The business finance section, the main focus of the questionnaire, includes topics on debt financing and equity investments.[8]

The survey samples firms in 2007, 2008, and 2009. More than 200 small businesses based in Appalachia responded in 2007 and 2008 and 178 responded in 2009. Like Pepperdine's respondents, the Kauffman sample tends to be over-represented in advantaged counties but perhaps not to the same extent as Pepperdine's. For the 2009 survey, Northern Appalachia has a higher percentage of respondents, while businesses in Central Appalachia are underrepresented. Interestingly, the survey had an over-representation in large metropolitan areas and an under-representation in small metropolitan areas. The disparity between the portion of respondents and businesses in rural counties is smaller in the Kauffman survey than in the Pepperdine survey, but like Pepperdine, attainment counties are over-represented. When considering the Appalachian portion of states, Georgia, New York, and Ohio businesses are over represented, while West Virginia, North Carolina, and Alabama businesses are underrepresented. Overall, Kauffman survey results likely understate the difficulties small businesses in Appalachia encounter, but perhaps not to the same extent as do the Pepperdine data (see Table 2-2 and Figures 2-34 through 2-37).

The percentage of African American owned firms in the sample was similar for Appalachia and the nation, but a lower percentage of Hispanic owned firms was in the Appalachian sample. A slightly higher percentage of Appalachian firms responding to the survey were women-owned. The median number of employees for respondent firms was small, at 3.5 to 4 employees, in the United States and Appalachian samples, respectively (see Tables 2-3 through 2-5 and Figures 2-38 through 2-42).

[8] For more information see "Mulcahy, Timothy M., Robb, Alicia and DesRoches, David, Kauffman Firm Survey: Fifth Follow-Up (August 15, 2011). Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1934895

Figure 2-34: Ratio of Kauffmann Survey Respondents to Total Non-Farm Businesses by Region, 2009

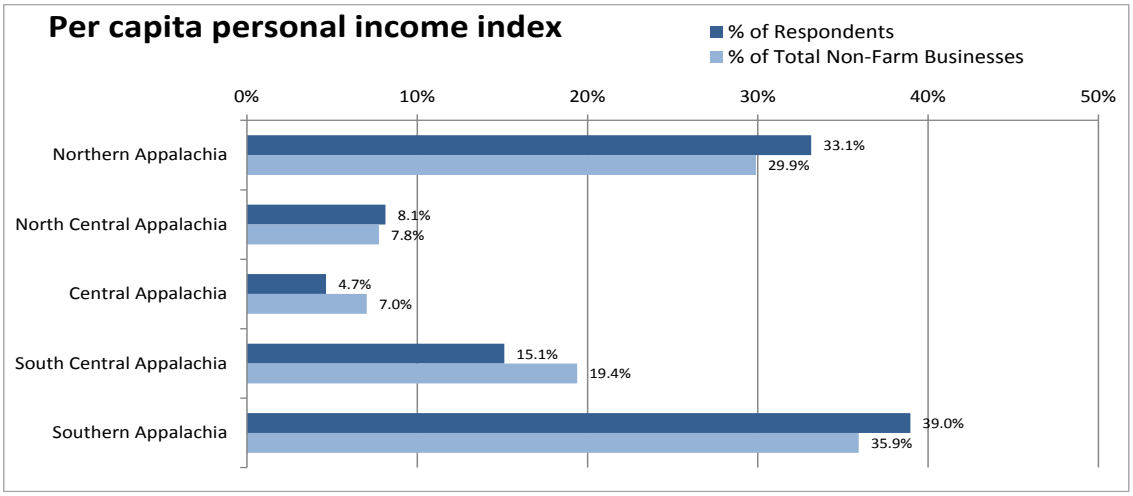


Figure 2-35: Ratio of Kauffmann Survey Respondents to Total Non-Farm Businesses by County Type, 2009

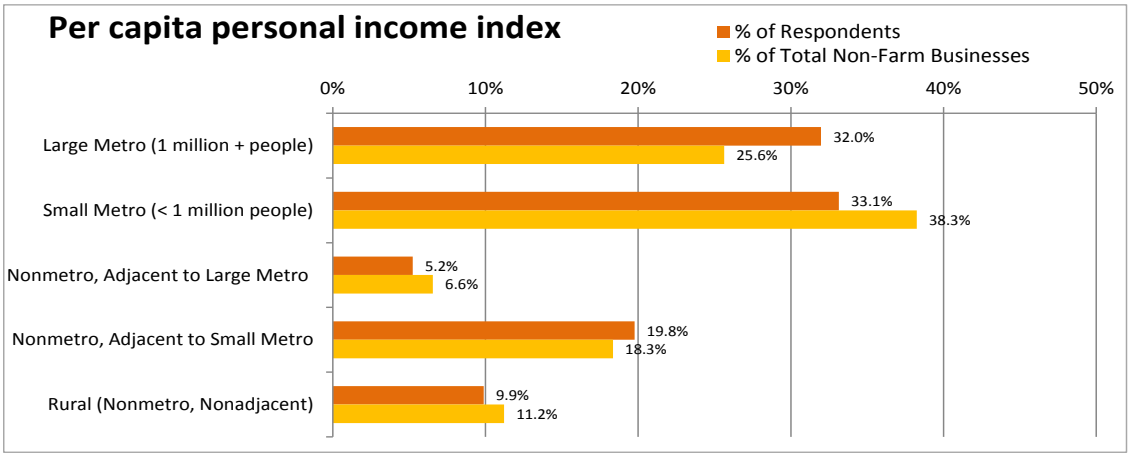


Figure 2-36: Ratio of Kauffmann Survey Respondents to Total Non-Farm Businesses by Economic Status, 2009

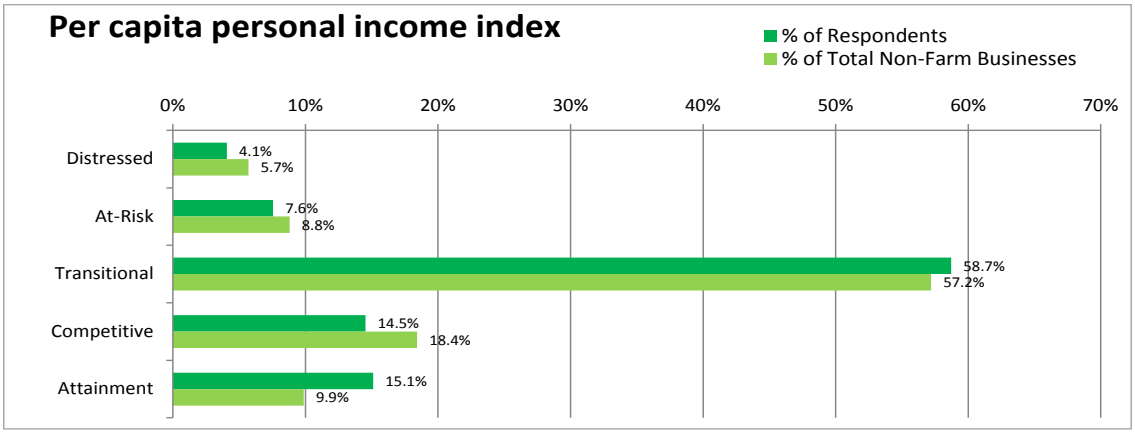


Figure 2-37: Ratio of Kauffman Survey Respondents to Total Non-Farm Businesses by Appalachian States, 2009

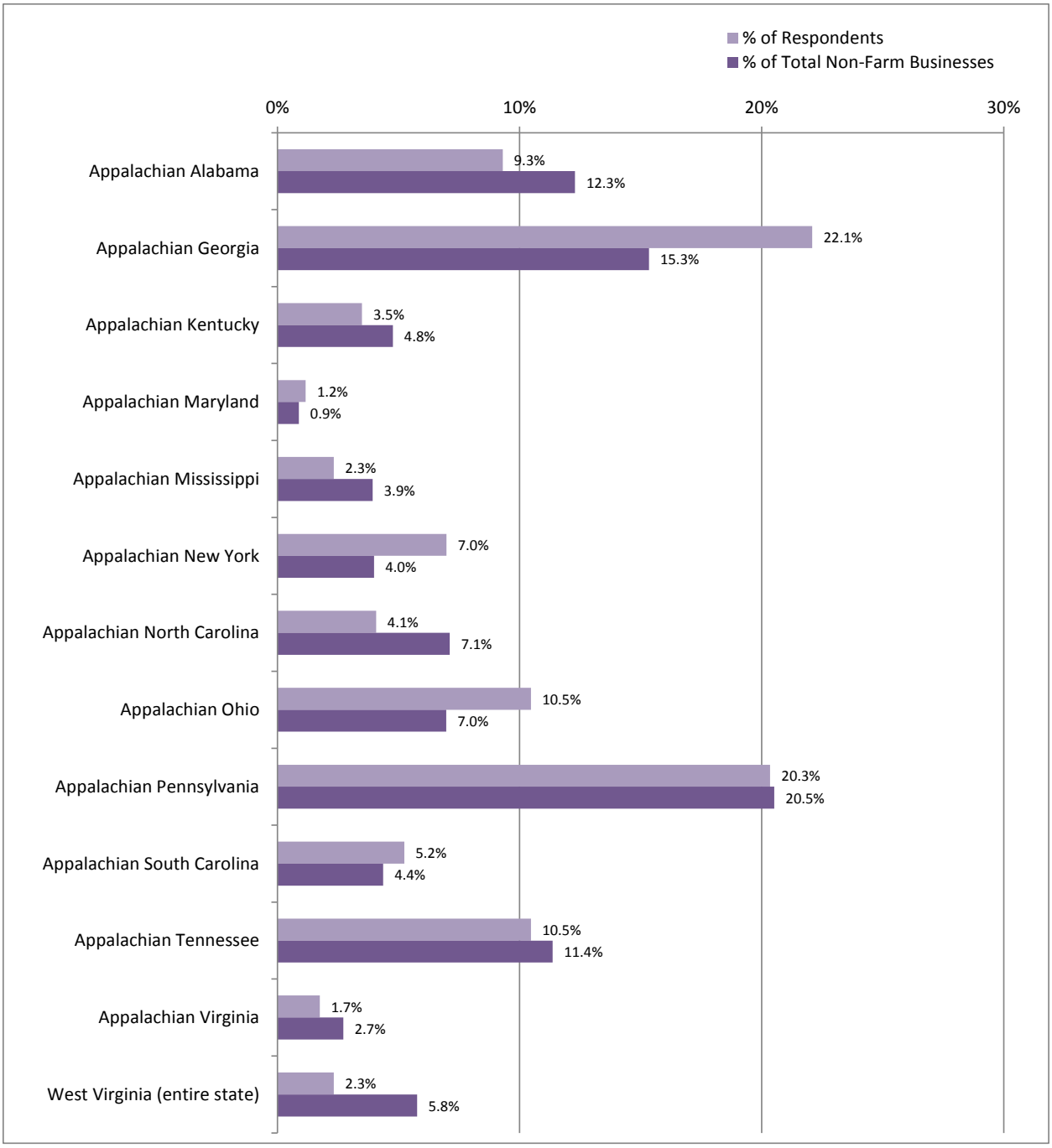


Table 2-2: Number of Respondents for Kauffman Survey and Total Number of Non-Farm Businesses in Appalachia

	Respondents, 2007		Respondents, 2008		Respondents, 2009		Number of Total Non-farm Businesses, 2009		Percentage Point Differences for 2009
	Number	%	Number	%	Number	%	Number	%	
Appalachian Region	206	100.0%	198	100.0%	172	100.0%	1,896,006	100.0%	0.0%
Subregions									
Northern Appalachia	70	34.0%	67	33.8%	57	33.1%	566,597	29.9%	3.3%
North Central Appalachia	15	7.3%	15	7.6%	14	8.1%	146,998	7.8%	0.4%
Central Appalachia	9	4.4%	9	4.5%	8	4.7%	133,545	7.0%	-2.4%
South Central Appalachia	30	14.6%	29	14.6%	26	15.1%	367,703	19.4%	-4.3%
Southern Appalachia	82	39.8%	78	39.4%	67	39.0%	681,163	35.9%	3.0%
County Types									
Large Metro (1 million + people)	68	33.0%	64	32.3%	55	32.0%	485,930	25.6%	6.3%
Small Metro (< 1 million people)	70	34.0%	66	33.3%	57	33.1%	725,240	38.3%	-5.1%
Nonmetro, Adjacent to Large Metro	10	4.9%	10	5.1%	9	5.2%	124,355	6.6%	-1.3%
Nonmetro, Adjacent to Small Metro	37	18.0%	37	18.7%	34	19.8%	347,838	18.3%	1.4%
Rural (Nonmetro, Nonadjacent)	21	10.2%	21	10.6%	17	9.9%	212,643	11.2%	-1.3%
Economic Status									
Distressed	9	4.4%	9	4.5%	7	4.1%	108,061	5.7%	-1.6%
At-Risk	16	7.8%	16	8.1%	13	7.6%	166,976	8.8%	-1.2%
Transitional	118	57.3%	112	56.6%	101	58.7%	1,084,519	57.2%	1.5%
Competitive	32	15.5%	32	16.2%	25	14.5%	349,302	18.4%	-3.9%
Attainment	31	15.0%	29	14.6%	26	15.1%	187,148	9.9%	5.2%
Appalachian States									
Appalachian Alabama	21	10.2%	20	10.1%	16	9.3%	233,034	12.3%	-3.0%
Appalachian Georgia	44	21.4%	41	20.7%	38	22.1%	290,899	15.3%	6.8%
AppalachianKentucky	7	3.4%	7	3.5%	6	3.5%	90,314	4.8%	-1.3%
Appalachian Maryland	2	1.0%	2	1.0%	2	1.2%	16,748	0.9%	0.3%
Appalachian Mississippi	7	3.4%	7	3.5%	4	2.3%	74,511	3.9%	-1.6%
Appalachian New York	14	6.8%	14	7.1%	12	7.0%	75,529	4.0%	3.0%
Appalachian North Carolina	9	4.4%	9	4.5%	7	4.1%	134,841	7.1%	-3.0%
Appalachian Ohio	20	9.7%	20	10.1%	18	10.5%	132,051	7.0%	3.5%
Appalachian Pennsylvania	45	21.8%	42	21.2%	35	20.3%	389,103	20.5%	-0.2%
Appalachian South Carolina	10	4.9%	10	5.1%	9	5.2%	82,719	4.4%	0.9%
Appalachian Tennessee	20	9.7%	19	9.6%	18	10.5%	215,470	11.4%	-0.9%
Appalachian Virginia	3	1.5%	3	1.5%	3	1.7%	51,490	2.7%	-1.0%
West Virginia (entire state)	4	1.9%	4	2.0%	4	2.3%	109,297	5.8%	-3.4%

Figure 2-38: Percent of African American respondents

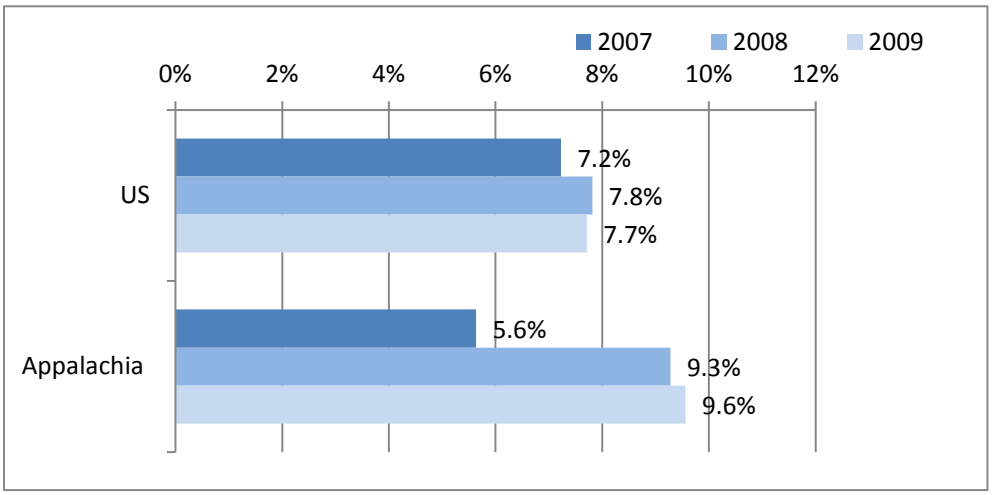


Figure 2-39: Percent of Hispanic respondents

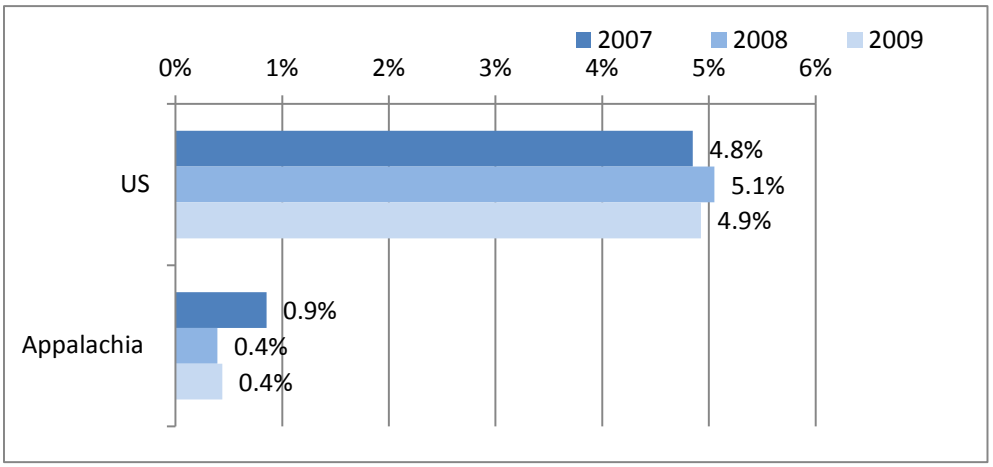


Figure 2-40: Percent of Asian respondents

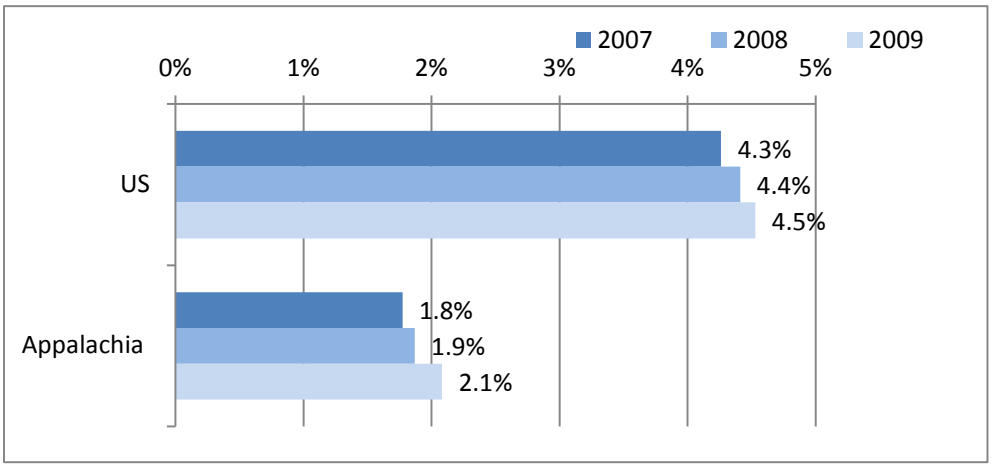


Figure 2-41: Percent of female respondents

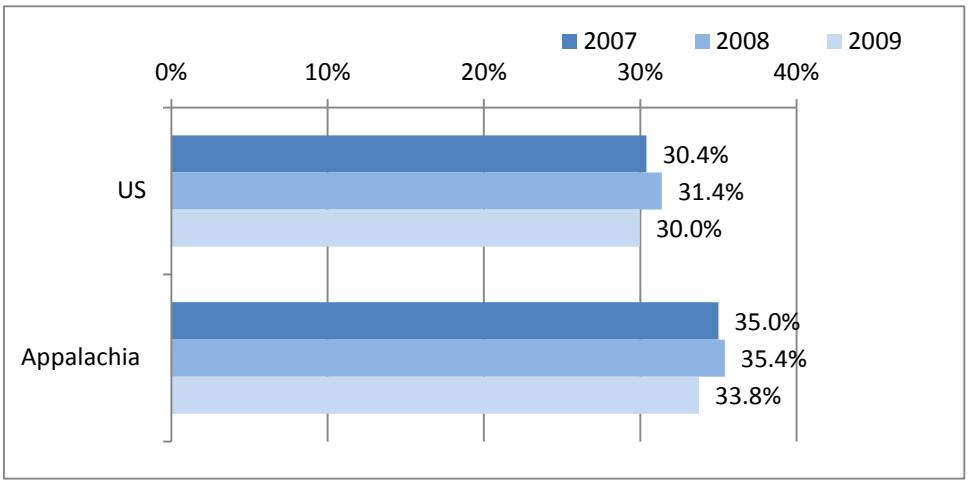


Figure 2-42: Median number of employee in Kauffman Survey in Appalachia and US

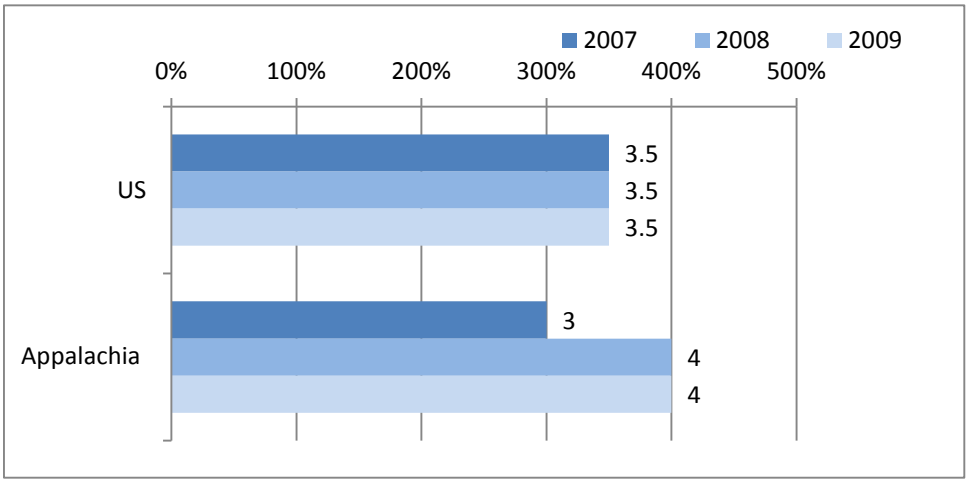


Table 2-3: Percent of respondents in Kauffman Survey by race and ethnicity in Appalachia and US

	African American			Hispanic			Asian		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
US	7.2%	7.8%	7.7%	4.8%	5.1%	4.9%	4.3%	4.4%	4.5%
Appalachia	5.6%	9.3%	9.6%	0.9%	0.4%	0.4%	1.8%	1.9%	2.1%
	Sample Size								
	2007	**2008**	**2009**						
US	2,669	2,585	2,380						
Appalachia	201	187	172						

Table 2-4: Percent of female respondents in Kauffman Survey in Appalachia and US

	2007	2008	2009
US	30.4%	31.4%	30.0%
Appalachia	35.0%	35.4%	33.8%
	Sample Size		
	2007	2008	2009
US	2,659	2,571	2,372
Appalachia	200	186	172

Table 2-5: Median number of employee in Kauffman Survey in Appalachia and US

	2007	2008	2009
US	3.5	3.5	3.5
Appalachia	3	4	4
	Sample Size		
	2007	2008	2009
US	1,255	1,253	1,074
Appalachia	107	88	77

2.3.2 DEMAND FOR FINANCING

A small percentage of firms in the sample set in both the United States and Appalachia applied for loans. The percentage of firms applying for credit increased slightly in the United States from 11.8 percent in 2007 to 12.2 percent in 2009 whereas in Appalachia the trend was reversed. About 11 percent of firms in the sample in Appalachia applied for credit in 2007 and 9.8 percent applied in 2009 (see Table 2-6 and Figure 2-43).

An increasing percentage of businesses in Appalachia and the United States desired credit but did not apply because they feared rejection. In the United States, the percentage of businesses in this category increased from 15.7 percent in 2007 to 21.1 percent in 2009; In Appalachia the figures were 18.1 percent in 2007 and 23.1 percent in 2009 (see Table 2-6 and Figure 2-44).

As shown in Table 2-7 and Figure 2-46, the percentage of firms denied credit was significantly higher in Appalachia (22.9 percent in 2009) compared to the United States (8.7 percent in 2009). Due to low sample sizes, it is not possible to offer a statistically significant conclusion as to reasons for denial, but it appears that insufficient collateral, business and personal credit history were larger factors for loan denial in Appalachia than in the United States.

Just as in the United States, very small percentages of firms in Appalachia received equity investments from any sources. As in the United States, the most frequent sources of equity investments were from spouses, parents, or other individuals, which was the source of equity investments for between 1 to 2 percent of the businesses in Appalachia. The median amount of equity investments have low sample sizes in Appalachia but it appears that the median amounts of equity investments from spouses and parents in Appalachia and the United States are similar (see Tables 2-9 and 2-10).

Figure 2-43: Percent of respondents applying for loans in Appalachia and US

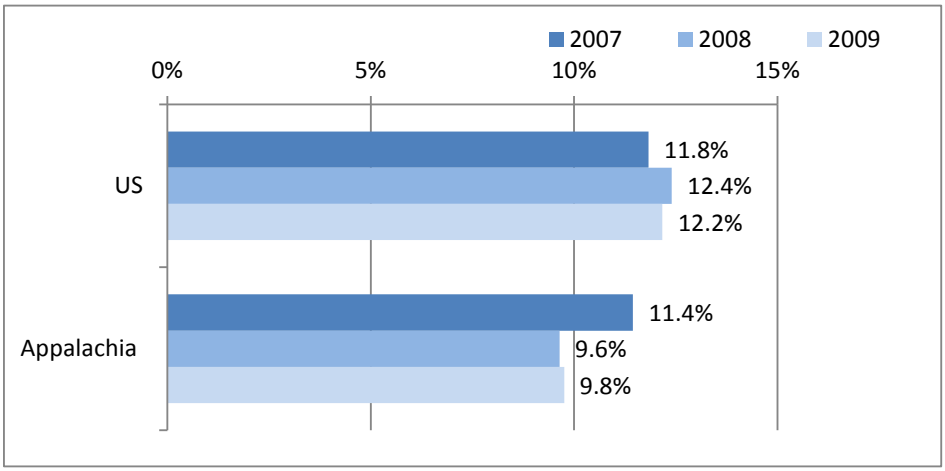


Figure 2-44: Percent of respondents desiring credit, but not applied because feared rejection in Appalachia and US

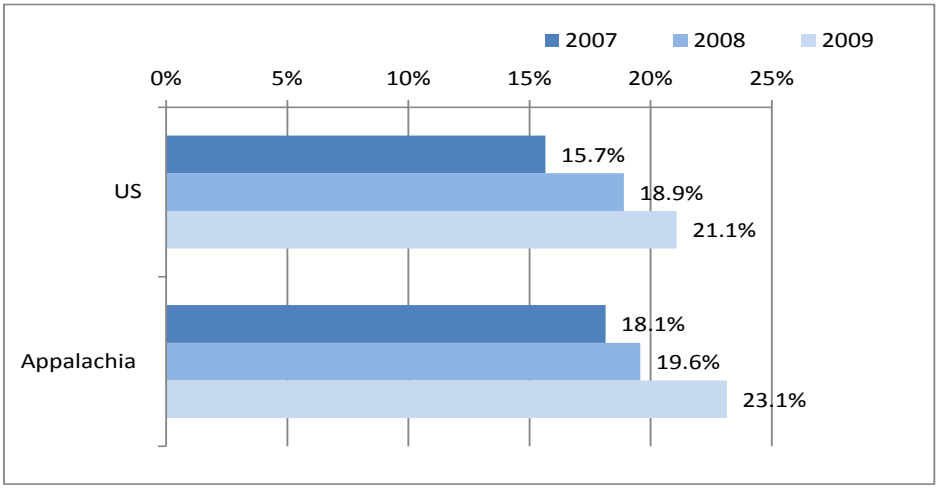


Figure 2-45: Percent of respondents applied for loans and always approved in Appalachia and US

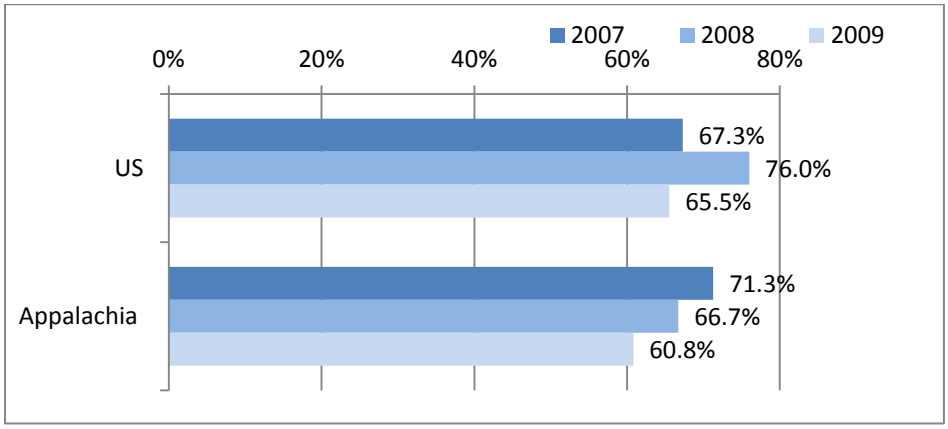


Figure 2-46: Percent of respondents applied for loans and always denied in Appalachia and US

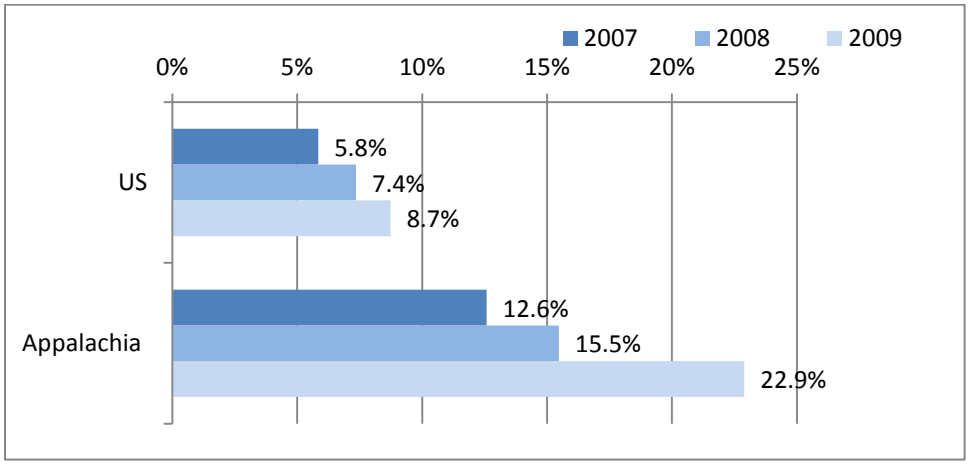


Table 2-6: Percent of respondents applying and not applying loan in Appalachia and US

	Applied for new loans			Needed credit, but not applied because feared rejection		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
US	11.8%	12.4%	12.2%	15.7%	18.9%	21.1%
Appalachia	11.4%	9.6%	9.8%	18.1%	19.6%	23.1%
	Sample Size					
	2007	**2008**	**2009**			
US	2,669	2,605	2,408			
Appalachia	203	186	172			

Table 2-7: Percent of respondents approved and denied for loans

	Always approved			Sometimes approved and sometimes denied			Always denied		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
US	67.3%	76.0%	65.5%	26.9%	16.7%	25.7%	5.8%	7.4%	8.7%
Appalachia	71.3%	66.7%	60.8%	16.1%	17.8%	16.3%	12.6%	15.5%	22.9%
	Sample Size								
	2007	**2008**	**2009**						
US	338	342	310						
Appalachia	24	19	18						

Table 2-8: Percent of loan denied respondents by denied reason in Appalachia and US

Loan denied reason*	US			Appalachia		
	2007	2008	2009	2007	2008	2009
Insufficient collateral	43.1%	34.3%	41.0%	68.2%	100.0%	50.5%
Loan requested was too large	30.9%	26.3%	17.8%	33.2%	69.4%	15.1%
Inadequate documentation	5.0%	15.4%	5.4%	0.0%	37.7%	3.5%
Business credit history	25.6%	33.0%	34.8%	41.8%	28.2%	67.7%
Personal credit history	45.8%	47.7%	44.2%	74.5%	58.8%	78.3%
Not being in business long enough	31.2%	12.5%	13.7%	17.6%	3.5%	0.0%
Others	8.1%	18.9%	3.6%	0.0%	0.0%	0.0%
	Sample Size					
	2007	2008	2009			
US	89	108	103			
Appalachia	7	4	6			

*Note: Out of the denied loans sample

Table 2-9: Percent of firms receiving equity investment from various sources in Appalachia and US

Obtained equity financing from	US				Appalachia			
	2007	2008	2009	Average	2007	2008	2009	Average
Spouses of owners	0.72%	1.11%	1.44%	1.08%	0.55%	1.55%	2.02%	1.35%
Parents of owners	2.18%	1.70%	1.43%	1.78%	4.20%	3.42%	1.46%	3.06%
Individuals, not spouses of owners	1.55%	1.10%	1.10%	1.26%	0.24%	1.64%	1.84%	1.22%
Other companies	1.05%	1.13%	0.82%	1.00%	0.13%	1.55%	0.00%	0.55%
Government agencies	0.20%	0.13%	0.13%	0.15%	0.49%	0.11%	0.00%	0.21%
Venture capitalists	0.20%	0.17%	0.35%	0.23%	0.00%	0.00%	0.49%	0.16%
Other sources	0.09%	0.49%	0.33%	0.30%	0.00%	0.00%	0.00%	0.00%
	Sample Size							
	2007	2008	2009					
US*	1,870	1,806	1,700					
Appalachia	123	115	113					

*Average sample size for US

Table 2-10: Median equity amount from spouses, parents, and angels in Appalachia and US

Median equity amount from	US			Appalachia		
	2007	2008	2009	2007	2008	2009
Spouses	$20,000	$5,000	$10,000	$12,501	$1,000	$5,200
Parents	$20,000	$20,000	$18,000	$20,000	$52,500	$100,000
Angels	$87,500	$300,000	$100,000	$2,050,000	$2,500,000	$440,000
	Sample Size					
	US			Appalachia		
	2007	2008	2009	2007	2008	2009
Spouses	13	16	21	2	1	2
Parents	41	31	21	4	4	2
Angels	38	27	29	2	4	4

2.4 Comparing Pepperdine and Kauffman Surveys

The Kauffman survey reports a considerably lower percentage of businesses seeking financing than does the Pepperdine survey, but Pepperdine's data include all types of financing sought, not just loans, and Pepperdine is reporting data for 2012 which most likely reflects increases in demand for financing due to more favorable economic conditions. Yet, even at higher rates of demand, Pepperdine's data show only about one third of small and medium size businesses seek financing. The approval rates for receiving loans are difficult to compare across the two surveys due to differences in the phrasing of survey questions. Businesses that did not apply for financing because of a fear of rejection were of similar magnitude in the two surveys (between 13 and 20 percent). In both surveys, only a small percentage of the respondents used equity financing.

2.5 Conclusion

During the last five years, demand for financing was tepid in both the nation and Appalachia. Differences in demand for credit do not appear to account for sizable differences in access rates in the nation and Appalachia. The Pepperdine survey reported a smaller percentage of businesses with revenues between $500,000 and $1 million in Appalachia than the nation seeking financing but differences in other revenue categories were not as pronounced. The Kauffman survey reported low levels of demand in the nation and Appalachia and also suggested that demand did not vary between Appalachia and the nation.

Considering the results of both Pepperdine and Kauffman, it is likely that demand for financing is somewhat less in Appalachia than the nation, particularly among the smallest businesses. Yet, the differences in successfully obtaining financing between businesses in Appalachia and the nation are starker than the differences in demand would suggest. The Pepperdine survey reported that the smaller businesses in Appalachia were less likely to secure financing and were more likely to transfer their personal assets to their businesses than were their counterparts in the nation as a whole.

Small businesses were considerably more successful in acquiring credit card loans than bank loans according to the survey research. This raises concerns since credit card loans are more expensive and are of shorter term than small business bank loans.

[Page Intentionally Left Blank]

CHAPTER 3 FINANCIAL INDUSTRY IN APPALACHIA

3.1 SUMMARY

Access to banks is integral to access to credit. As documented above, a higher level of bank branches in a county is correlated with a higher number of loans in Appalachia. This analysis will document the distribution of banks by asset size in Appalachia with comparisons made to the nation. The distribution of branches is also examined.

- The distribution of banks by asset size is similar in the nation and the Appalachia. In 2007 and 2010, about two thirds of the banks were small banks with assets of less than $250 million in both Appalachia and the United States. The percentage of large banks with assets above $1 billion is also similar in the United States and Appalachia.

- The percentage of mid-size banks with assets between $250 million and $1 billion is modestly higher in Appalachia than the nation. Since this was the greatest difference between Appalachia and the nation, the analysis within Appalachia focused on mid-size banks. The largest percentage of mid-size banks was in the advantaged subregions and counties (Northern Appalachia, metropolitan counties, and competitive counties) and the lowest percentage was in disadvantaged counties (Central Appalachia, rural, and economically distressed counties).

- A statistically significant correlation existed between the percentage of mid-size banks and lending levels on a county level. A higher percentage of mid-size banks was associated with higher lending levels. NCRC's previous study for ARC documented a significant role for mid-size banks in small business lending and was able to present robust results because mid-size banks were required to report small business lending in 2003 (the regulatory agencies deleted the mandatory reporting requirement after 2003).[9] It is likely that there is a stronger correlation between the presence of mid-size banks and lending in advantaged counties than is recorded by this study.

- Despite the financial crisis, the number of bank branches in Appalachia increased from 8,580 in 2007 to 8,677 in 2010. Interestingly, branches per capita did not reveal striking disparities by category of county in Appalachia, yet current trends, if continued, are likely to result in disparities. The number of branches in Appalachia of banks not headquartered in Appalachia increased by 19.5 percent from 2007 through 2010 while the number of branches of banks headquartered in Appalachia decreased by 7.2 percent during the time period. Banks not headquartered in Appalachia were disproportionately opening branches in advantaged counties in Appalachia, most likely due to more favorable economic and demographic opportunities and conditions.

- Lending on a per branch basis remained at a higher level in the nation than in Appalachia; in 2010 banks reported 41 small business loans per branch in the nation, while Appalachian banks provided only 25 loans per branch.. Within Appalachia, the largest differences occurred in

[9] The previous NCRC study for ARC can be accessed via http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

Southern Appalachia compared to Central Appalachia, large metropolitan counties compared to rural counties, and attainment counties compared to distressed counties.

- Small business loan-to-deposit ratios in Appalachia declined from 5.4 percent in 2007 to 2.7 percent in 2010, and from 4.5 percent to 2 percent for the nation during the same time period. Within the subregions, the small business loan-to-deposit ratio was the lowest in Central Appalachia (1.6 percent) in 2010. The gap in the small business loan-to-deposit ratio between distressed counties and attainment counties was substantial, reporting ratios of 1.3 percent and 3.7 percent, respectively, in 2010.

- This chapter also considers credit unions lending. Credit union lending patterns cannot be fully analyzed since credit unions are not required to publicly report small business lending. The number of credit unions in Appalachia shrank from 2007 to 2010, and Appalachia has a lower proportion than does the nation of the largest credit unions with assets over $100 million. Credit unions could represent an untapped resource for Appalachia, particularly in Central Appalachia, which had a higher percentage of credit unions above $100 million than do other subregions.

If current trends continue, disparities in branching within Appalachia may appear since banks not headquartered in Appalachia are increasing their branches disproportionately in advantaged counties in Appalachia while banks headquartered in Appalachia are decreasing their branches. In addition, mid-size banks tend to be located disproportionately in advantaged parts of Appalachia. Finally, credit unions are likely an untapped resource for addressing disparities in small business lending.

3.2 Distribution of Banks by Asset Size

The financial crisis thinned the ranks of banks in the nation as a whole, and in Appalachia from between 9 to 10 percent. The number of banks in the nation declined from 8,544 in 2007 to 7,667 in 2010. Likewise, the number of banks in Appalachia decreased from 732 in 2007 to 664 in 2010.

The distribution of banks by asset size is remarkably similar in the nation and Appalachia, with the great majority of banks having assets of less than $250 million, which are considered small banks by regulatory agencies. In 2007 and 2010, about two thirds of the banks in both the nation and in Appalachia were small banks with assets of less than $250 million. On the other end of the scale, the percentage of large banks with assets over $1 billion is similar in Appalachia and the nation (see Tables 3-1 and 3-2).

A moderately higher percentage of mid-size banks with assets of between $250 million and $1 billion in assets were located in Appalachia than the nation in 2007 and 2010. For example, in 2010, 28.9 percent and 24.7 percent, respectively, of the banks in Appalachia and the nation, were mid-size banks.

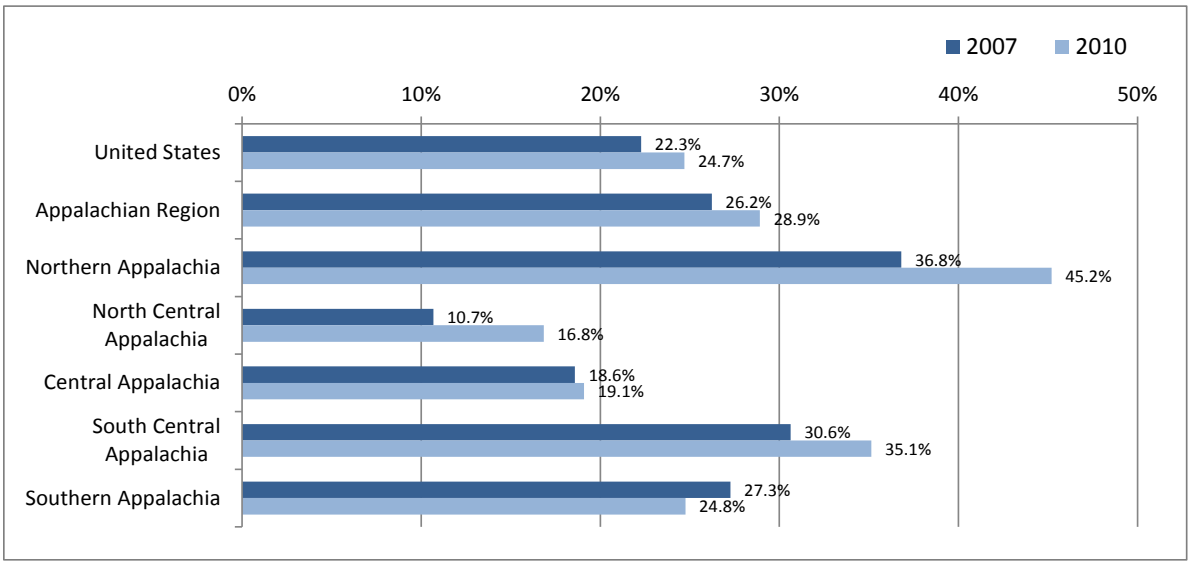
When considering subregions, Northern Appalachia had the highest percentage of mid-size banks (45.2 percent in 2010 and 36.8 percent in 2007) while Central Appalachia (19.1 percent in 2010 and 18.6 percent in 2007) and North Central Appalachia (16.8 percent in 2010 and 10.7 percent in 2007) had the lowest percentage of mid-size banks (see Figure 3-1).

Metropolitan counties had the highest percentage of mid-size banks while rural counties had the lowest percentage (see Figure 3-2). When considering the economic status of counties, distressed counties had

the highest percentage of small banks (87 percent) and the lowest percent of mid-size banks (12 percent) during both years (see Figure 3-3).

Generally speaking, the descriptive statistical analysis above suggests that counties with the highest percentage of mid-size and the lowest percentage of small banks had the highest ratio of loans per small businesses. Correlation analysis confirms this relationship. In the tables below, the correlations among the percentage of mid-size banks, non-credit card, and credit card small business lenders are positive and statistically significant (see Tables 3-3 through 3-5). The correlation coefficients are small, but the coefficients likely understate the extent of the correlation among mid-size banks and small business lending. Mid-size banks with assets between $250 million and $1 billion are not required to report small business lending activity, but a number of them voluntarily report this information. Hence, it is not surprising that the correlation coefficients are small, but to find a statistically significant relationship with voluntary data reporting suggests that the relationship is actually stronger than indicated. This finding is consistent with NCRC's previous study for ARC that revealed a significant role for mid-size banks in small business lending (NCRC had access to complete small business lending activity for mid-size banks because these banks were previously required by bank regulators to report the small business loan data in earlier years).[10]

Figure 3-1: Percentage of Mid-Size Banks by Region*



*Mid-size banks have assets ranging from $250 million to $1 billion.

[10] The previous NCRC study for ARC can be accessed via http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

Figure 3-2: Percentage of Mid-Size Banks by County Type*

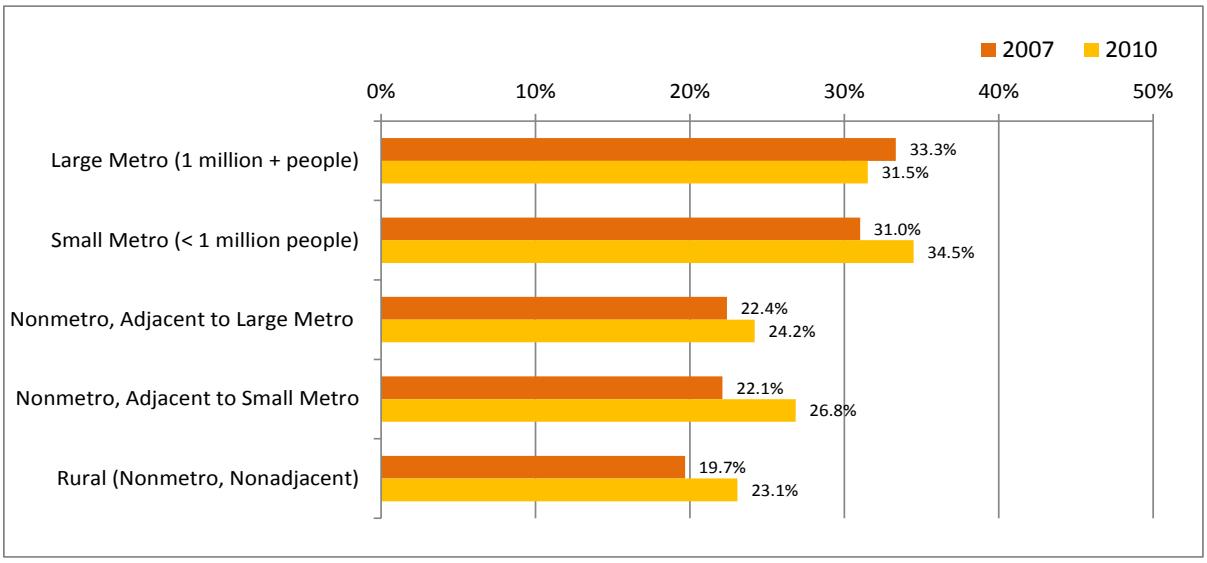
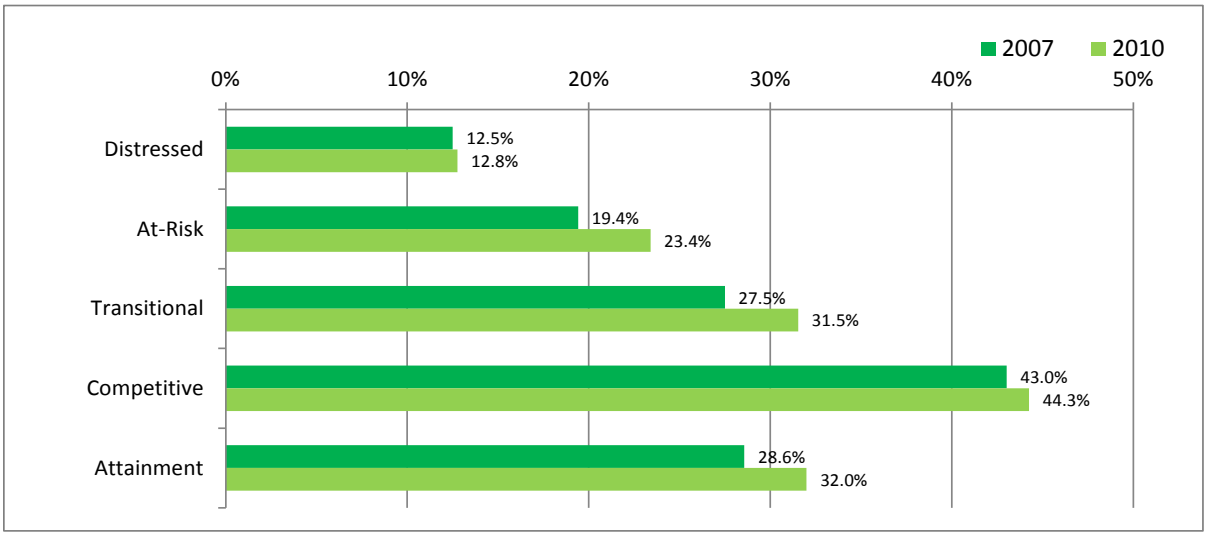
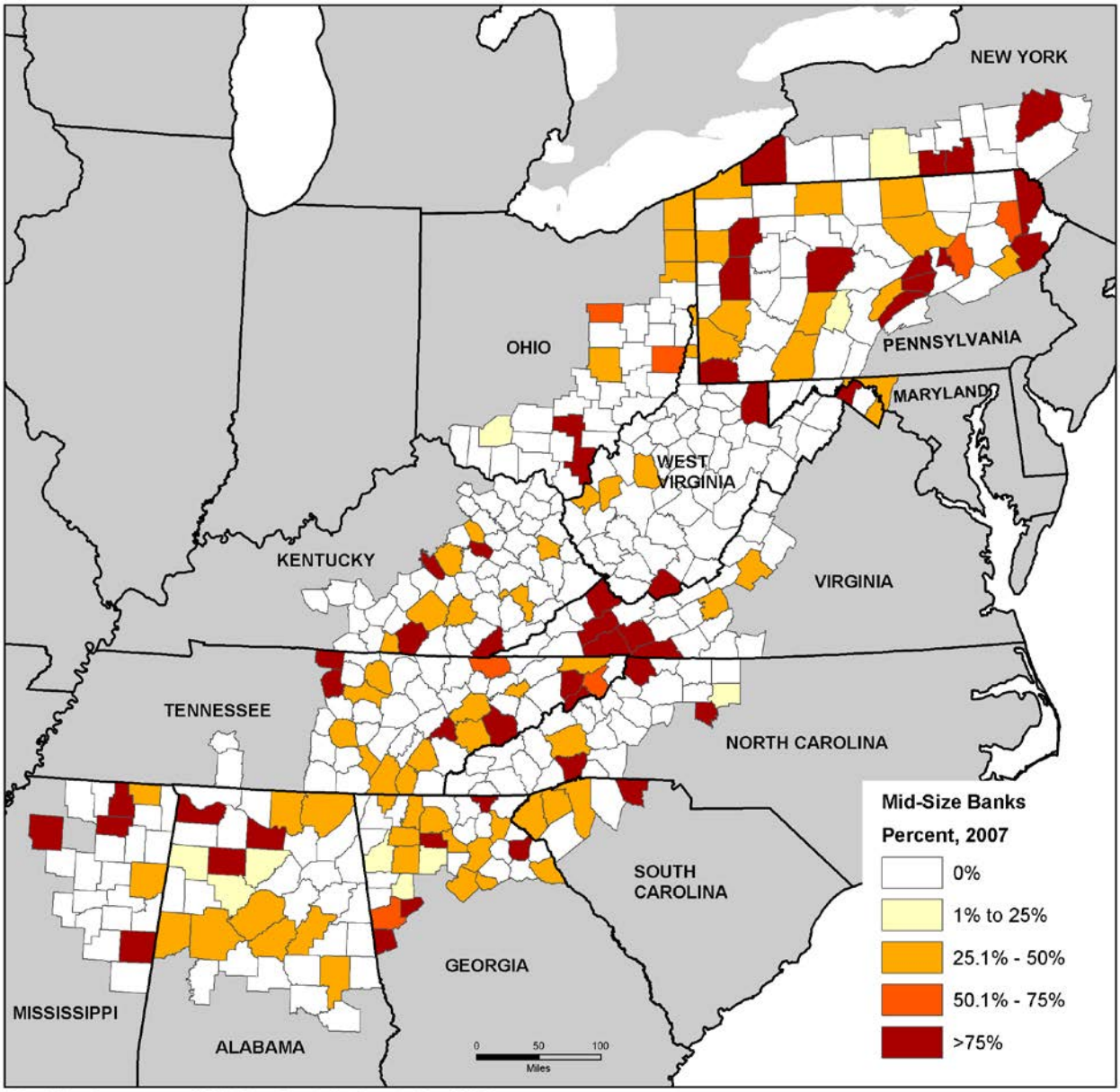


Figure 3-3: Percentage of Mid-Size Banks by Economic Status*



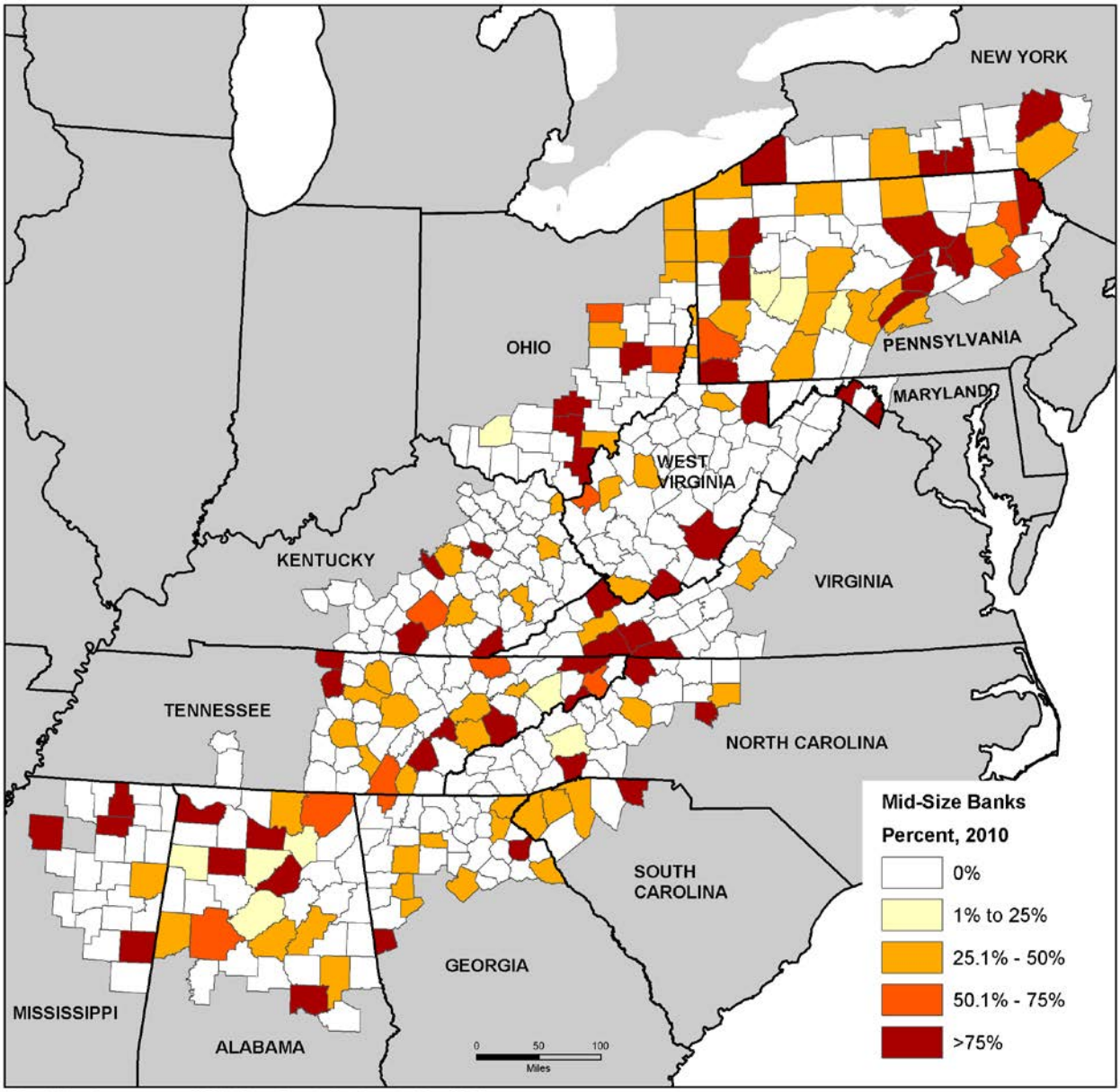
*Mid-size banks have assets ranging from $250 million to $1 billion.

Map 3-1: Percentage of Mid-Size Banks in Appalachia, 2007



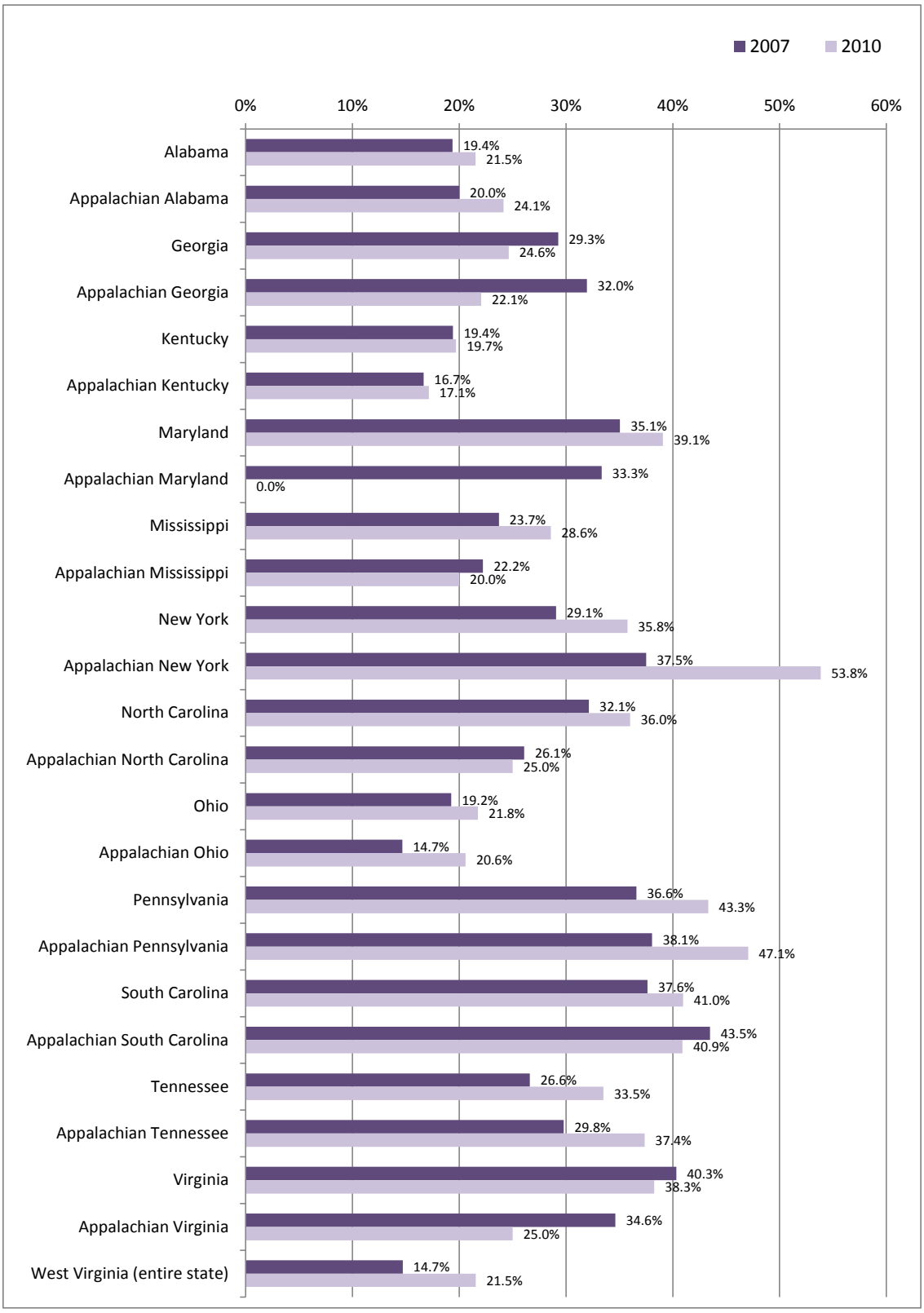
Map Title: Percentage of Mid-Size Banks in Appalachia, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: FDIC, 2007

Map 3-2: Percentage of Mid-Size Banks in Appalachia, 2010



Map Title: Percentage of Mid-Size Banks in Appalachia, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: FDIC, 2010

Figure 3-4: Percentage of Mid-Size Banks by State*



*Mid-size banks have assets ranging from $250 million to $1 billion.

Table 3-1: Percentage of Banks by Asset Size in Appalachia, 2007

	Less than $250M		$250M to $1B		$1B to $10B		Greater than $10B		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
United States	**5,966**	**69.8%**	**1,904**	**22.3%**	**555**	**6.5%**	**119**	**1.4%**	**8,544**	**100%**
Appalachian Region	**484**	**66.1%**	**192**	**26.2%**	**49**	**6.7%**	**7**	**1.0%**	**732**	**100%**
Subregions										
Northern Appalachia	83	50.9%	60	36.8%	18	11.0%	2	1.2%	163	100%
North Central Appalachia	85	82.5%	11	10.7%	7	6.8%	0	0.0%	103	100%
Central Appalachia	90	79.6%	21	18.6%	2	1.8%	0	0.0%	113	100%
South Central Appalachia	65	58.6%	34	30.6%	11	9.9%	1	0.9%	111	100%
Southern Appalachia	161	66.5%	66	27.3%	11	4.5%	4	1.7%	242	100%
County Types										
Large Metros (pop. 1 million +)	70	56.9%	41	33.3%	8	6.5%	4	3.3%	123	100%
Small Metros (pop. <1 million)	130	60.2%	67	31.0%	17	7.9%	2	0.9%	216	100%
Nonmetro, Adjacent to Large Metros	48	71.6%	15	22.4%	4	6.0%	0	0.0%	67	100%
Nonmetro, Adjacent to Small Metros	143	71.9%	44	22.1%	12	6.0%	0	0.0%	199	100%
Rural (nonmetro, not adj. to a metro)	93	73.2%	25	19.7%	8	6.3%	1	0.8%	127	100%
Economic Status										
Distressed	83	86.5%	12	12.5%	1	1.0%	0	0.0%	96	100%
At-Risk	78	75.7%	20	19.4%	5	4.9%	0	0.0%	103	100%
Transitional	255	63.8%	110	27.5%	32	8.0%	3	0.8%	400	100%
Competitive	39	45.3%	37	43.0%	6	7.0%	4	4.7%	86	100%
Attainment	23	65.7%	10	28.6%	2	5.7%	0	0.0%	35	100%
Alabama	**120**	**75.0%**	**31**	**19.4%**	**6**	**3.8%**	**3**	**1.9%**	**160**	**100%**
Appalachian Alabama	69	72.6%	19	20.0%	5	5.3%	2	2.1%	95	100%
Non-Appalachian Alabama	51	81.0%	12	19.0%	1	1.6%	1	1.6%	63	100%
Georgia	**233**	**66.2%**	**103**	**29.3%**	**15**	**4.3%**	**1**	**0.3%**	**352**	**100%**
Appalachian Georgia	62	63.9%	31	32.0%	4	4.1%	0	0.0%	97	100%
Non-Appalachian Georgia	171	64.5%	72	27.2%	11	4.2%	1	0.4%	265	100%
Kentucky	**158**	**76.7%**	**40**	**19.4%**	**8**	**3.9%**	**0**	**0.0%**	**206**	**100%**
Appalachian Kentucky	59	81.9%	12	16.7%	1	1.4%	0	0.0%	72	100%
Non-Appalachian Kentucky	99	73.9%	28	20.9%	7	5.2%	0	0.0%	134	100%
Maryland	**56**	**57.7%**	**34**	**35.1%**	**7**	**7.2%**	**0**	**0.0%**	**97**	**100%**
Appalachian Maryland	0	0.0%	1	33.3%	2	66.7%	0	0.0%	3	100%
Non-Appalachian Maryland	56	59.6%	33	35.1%	5	5.3%	0	0.0%	94	100%
Mississippi	**66**	**68.0%**	**23**	**23.7%**	**7**	**7.2%**	**1**	**1.0%**	**97**	**100%**
Appalachian Mississippi	18	66.7%	6	22.2%	2	7.4%	1	3.7%	27	100%
Non-Appalachian Mississippi	48	68.6%	17	24.3%	5	7.1%	0	0.0%	70	100%
New York	**93**	**45.8%**	**59**	**29.1%**	**42**	**20.7%**	**9**	**4.4%**	**203**	**100%**
Appalachian New York	8	50.0%	6	37.5%	2	12.5%	0	0.0%	16	100%
Non-Appalachian New York	85	45.9%	53	28.6%	40	21.6%	9	4.9%	185	100%
North Carolina	**56**	**50.0%**	**36**	**32.1%**	**15**	**13.4%**	**5**	**4.5%**	**112**	**100%**
Appalachian North Carolina	10	43.5%	6	26.1%	6	26.1%	1	4.3%	23	100%
Non-Appalachian North Carolina	46	51.7%	30	33.7%	9	10.1%	4	4.5%	89	100%
Ohio	**189**	**71.3%**	**51**	**19.2%**	**16**	**6.0%**	**9**	**3.4%**	**265**	**100%**
Appalachian Ohio	58	77.3%	11	14.7%	6	8.0%	0	0.0%	75	100%
Non-Appalachian Ohio	131	68.9%	40	21.1%	10	5.3%	9	4.7%	190	100%
Pennsylvania	**122**	**49.6%**	**90**	**36.6%**	**29**	**11.8%**	**5**	**2.0%**	**246**	**100%**
Appalachian Pennsylvania	58	51.3%	43	38.1%	10	8.8%	2	1.8%	113	100%
Non-Appalachian Pennsylvania	64	53.3%	47	39.2%	19	15.8%	3	2.5%	120	100%
South Carolina	**52**	**55.9%**	**35**	**37.6%**	**5**	**5.4%**	**1**	**1.1%**	**93**	**100%**
Appalachian South Carolina	12	52.2%	10	43.5%	0	0.0%	1	4.3%	23	100%
Non-Appalachian South Carolina	40	60.6%	25	37.9%	5	7.6%	0	0.0%	66	100%
Tennessee	**140**	**69.0%**	**54**	**26.6%**	**8**	**3.9%**	**1**	**0.5%**	**203**	**100%**
Appalachian Tennessee	63	67.0%	28	29.8%	3	3.2%	0	0.0%	94	100%
Non-Appalachian Tennessee	77	73.3%	26	24.8%	5	4.8%	1	1.0%	105	100%
Virginia	**54**	**45.4%**	**48**	**40.3%**	**12**	**10.1%**	**5**	**4.2%**	**119**	**100%**
Appalachian Virginia	14	53.8%	9	34.6%	3	11.5%	0	0.0%	26	100%
Non-Appalachian Virginia	40	41.7%	39	40.6%	9	9.4%	5	5.2%	96	100%
West Virginia (entire state)	**53**	**77.9%**	**10**	**14.7%**	**5**	**7.4%**	**0**	**0.0%**	**68**	**100%**

Table 3-2: Percentage of Banks by Asset Size in Appalachia, 2010

	Less than $250M		$250M to $1B		$1B to $10B		Greater than $10B		Total	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
United States	**5,101**	**66.5%**	**1,893**	**24.7%**	**565**	**7.4%**	**108**	**1.4%**	**7,667**	**100%**
Appalachian Region	**423**	**63.7%**	**192**	**28.9%**	**44**	**6.6%**	**5**	**0.8%**	**664**	**100%**
Subregions										
Northern Appalachia	62	42.5%	66	45.2%	17	11.6%	1	0.7%	146	100%
North Central Appalachia	73	76.8%	16	16.8%	6	6.3%	0	0.0%	95	100%
Central Appalachia	85	77.3%	21	19.1%	4	3.6%	0	0.0%	110	100%
South Central Appalachia	61	55.0%	39	35.1%	10	9.0%	1	0.9%	111	100%
Southern Appalachia	142	70.3%	50	24.8%	7	3.5%	3	1.5%	202	100%
County Types										
Large Metros (pop. 1 million +)	54	58.7%	29	31.5%	6	6.5%	3	3.3%	92	100%
Small Metros (pop. <1 million)	116	57.1%	70	34.5%	16	7.9%	1	0.5%	203	100%
Nonmetro, Adjacent to Large Metros	42	67.7%	15	24.2%	5	8.1%	0	0.0%	62	100%
Nonmetro, Adjacent to Small Metros	128	67.4%	51	26.8%	11	5.8%	0	0.0%	190	100%
Rural (nonmetro, not adj. to a metro)	83	70.9%	27	23.1%	6	5.1%	1	0.9%	117	100%
Economic Status										
Distressed	82	87.2%	12	12.8%	0	0.0%	0	0.0%	94	100%
At-Risk	68	72.3%	22	23.4%	4	4.3%	0	0.0%	94	100%
Transitional	233	59.7%	123	31.5%	33	8.5%	1	0.3%	390	100%
Competitive	24	39.3%	27	44.3%	6	9.8%	4	6.6%	61	100%
Attainment	16	64.0%	8	32.0%	1	4.0%	0	0.0%	25	100%
Alabama	**108**	**75.0%**	**31**	**21.5%**	**3**	**2.1%**	**2**	**1.4%**	**144**	**100%**
Appalachian Alabama	62	71.3%	21	24.1%	2	2.3%	2	2.3%	87	100%
Non-Appalachian Alabama	46	83.6%	10	18.2%	1	1.8%	0	0.0%	55	100%
Georgia	**189**	**70.5%**	**66**	**24.6%**	**11**	**4.1%**	**2**	**0.7%**	**268**	**100%**
Appalachian Georgia	50	73.5%	15	22.1%	3	4.4%	0	0.0%	68	100%
Non-Appalachian Georgia	139	69.5%	51	25.5%	8	4.0%	2	1.0%	200	100%
Kentucky	**148**	**74.7%**	**39**	**19.7%**	**11**	**5.6%**	**0**	**0.0%**	**198**	**100%**
Appalachian Kentucky	56	80.0%	12	17.1%	2	2.9%	0	0.0%	70	100%
Non-Appalachian Kentucky	92	71.9%	27	21.1%	9	7.0%	0	0.0%	128	100%
Maryland	**47**	**54.0%**	**34**	**39.1%**	**6**	**6.9%**	**0**	**0.0%**	**87**	**100%**
Appalachian Maryland	0	0.0%	0	0.0%	1	100.0%	0	0.0%	1	100%
Non-Appalachian Maryland	47	54.7%	34	39.5%	5	5.8%	0	0.0%	86	100%
Mississippi	**57**	**62.6%**	**26**	**28.6%**	**7**	**7.7%**	**1**	**1.1%**	**91**	**100%**
Appalachian Mississippi	17	68.0%	5	20.0%	2	8.0%	1	4.0%	25	100%
Non-Appalachian Mississippi	40	60.6%	21	31.8%	5	7.6%	0	0.0%	66	100%
New York	**74**	**38.3%**	**69**	**35.8%**	**41**	**21.2%**	**9**	**4.7%**	**193**	**100%**
Appalachian New York	5	38.5%	7	53.8%	1	7.7%	0	0.0%	13	100%
Non-Appalachian New York	69	38.8%	62	34.8%	40	22.5%	9	5.1%	178	100%
North Carolina	**45**	**45.0%**	**36**	**36.0%**	**15**	**15.0%**	**4**	**4.0%**	**100**	**100%**
Appalachian North Carolina	13	54.2%	6	25.0%	4	16.7%	1	4.2%	24	100%
Non-Appalachian North Carolina	32	42.1%	30	39.5%	11	14.5%	3	3.9%	76	100%
Ohio	**168**	**70.3%**	**52**	**21.8%**	**12**	**5.0%**	**7**	**2.9%**	**239**	**100%**
Appalachian Ohio	50	73.5%	14	20.6%	4	5.9%	0	0.0%	68	100%
Non-Appalachian Ohio	118	69.0%	38	22.2%	8	4.7%	7	4.1%	171	100%
Pennsylvania	**91**	**41.9%**	**94**	**43.3%**	**28**	**12.9%**	**4**	**1.8%**	**217**	**100%**
Appalachian Pennsylvania	41	40.2%	48	47.1%	12	11.8%	1	1.0%	102	100%
Non-Appalachian Pennsylvania	50	49.0%	46	45.1%	16	15.7%	3	2.9%	102	100%
South Carolina	**45**	**54.2%**	**34**	**41.0%**	**4**	**4.8%**	**0**	**0.0%**	**83**	**100%**
Appalachian South Carolina	13	59.1%	9	40.9%	0	0.0%	0	0.0%	22	100%
Non-Appalachian South Carolina	32	55.2%	25	43.1%	4	6.9%	0	0.0%	58	100%
Tennessee	**118**	**61.8%**	**64**	**33.5%**	**8**	**4.2%**	**1**	**0.5%**	**191**	**100%**
Appalachian Tennessee	54	59.3%	34	37.4%	3	3.3%	0	0.0%	91	100%
Non-Appalachian Tennessee	64	64.6%	30	30.3%	5	5.1%	1	1.0%	99	100%
Virginia	**49**	**42.6%**	**44**	**38.3%**	**18**	**15.7%**	**4**	**3.5%**	**115**	**100%**
Appalachian Virginia	16	57.1%	7	25.0%	5	17.9%	0	0.0%	28	100%
Non-Appalachian Virginia	33	37.1%	37	41.6%	13	14.6%	4	4.5%	89	100%
West Virginia (entire state)	**46**	**70.8%**	**14**	**21.5%**	**5**	**7.7%**	**0**	**0.0%**	**65**	**100%**

Table 3-3: Correlation among Percentage of Midsize Banks and Non-Credit Card Lending

	Correlation Coefficients	
	2007	**2010**
Normalized (Count)	0.1777*	0.09*
Not normalized (Count)	0.1336*	0.0978*

Table 3-4: Correlation among Percentage of Midsize Banks and Credit Card Lending

	Correlation Coefficients	
	2007	**2010**
Normalized (Count)	0.19*	0.1382*
Not normalized (Count)	0.1147*	0.109*

Table 3-5: Correlation among Percentage of Midsize Banks and Credit Card Lending and Non-Credit Card Lending (All Small Business Lending)

	Correlation Coefficients	
	2007	**2010**
Normalized (Count)	0.2085*	0.1296*
Not normalized (Count)	0.1237*	0.1067*

*Statistically significant at the 0.001 level. Normalized here means loans divided by small businesses, count refers to number of loans and amount refers to dollar amount of loans.

3.3 Branching Patterns, Loan to Deposit Ratios, and Loans per Branch

Overall, the distribution of branches across the region is stable and branches per capita are relatively uniform with small disparities across subregion or county classification. However, the disparities in loan-to-deposit ratios and loans per branch were significant and were manifested in large metropolitan counties compared to rural counties and in Southern Appalachia compared to Central Appalachia.

Tables 3.6 and 3.7 reveal that the numbers of branches in Appalachia increased from 8,580 in 2007 to 8,677 in 2010. In both years, about 63 percent of the branches in Appalachia were those of large banks with assets above $1 billion. Interestingly, the number of branches of banks not headquartered in Appalachia increased 19.5 percent from 2007 through 2010 while the branches of banks headquartered in Appalachia decreased 7.2 percent during the time period (see Table 3-8). The largest decrease of branches of banks headquartered in the region was those of large banks, whose branches decreased 24 percent from 2007 through 2010.

As Table 3-9 shows, the numbers of branches across subregions and county categories were relatively stable between 2007 and 2010. Northern Appalachia, for example, experienced a slight decline of 15 branches while Central Appalachia gained 8 branches. Southern Appalachia gained 33 branches but this gain was offset by a larger population increase, which actually contributed to a higher number of persons per branches than the other subregions (though the higher number of persons per branch for Southern Appalachia is probably not indicative of less service or branch access since the differences among persons per branch are not great across the subregions).

The percentage of branches of banks without headquarters in Appalachia is lowest in Central Appalachia, in rural counties, and in distressed counties. Conversely, the percentage of branches of banks without headquarters in Appalachia is highest in Northern Appalachia, large metropolitan counties, and attainment counties (see Figures 3-5 through 3-7 and Maps 3-5 through 3-6). The tendency for a higher percentage of branches of banks not headquartered in Appalachia to be in the economically advantaged counties suggests that banks not headquartered in Appalachia are gravitating to those parts of the region experiencing the most favorable economic and population growth. This might be exacerbating unequal access over time since the growth in branches is being driven by banks not headquartered in Appalachia, but this trend did not noticeably increase unequal access as measured by the number of branches or number of persons per branch during 2007 through 2010.

Table 3-10 demonstrates a dramatic decline in small business loan-to-deposit ratios between 2007 and 2010 for both the nation and Appalachia. The small business loan-to-deposit ratio declined from 5.4 percent during 2007 to 2.7 percent during 2010 in Appalachia and from 4.5 percent to 2 percent for the nation.

Within the subregions, the small business loan-to-deposit ratio was highest in Southern Appalachia (7 percent) and lowest in Central Appalachia (3.1 percent) in 2007. By 2010, the disparities had narrowed but Central Appalachia remained the subregion with the lowest loan-to-deposit ratio of 1.6 percent.

Likewise, disparities narrowed when considering the economic status of counties. The small business loan-to-deposit ratio in distressed and attainment counties, respectively, was 1.3 percent and 3.7 percent in 2010 while the comparable ratios were 2.9 percent and 8.6 percent in 2007.

The number of small business loans per branch was considerably higher in the nation (132 loans per branch) than in Appalachia (81 loans per branch) during 2007 (see Table 3-10). Loans per branch declined significantly by 2010 for both the nation and Appalachia but significant disparities remained. In 2010, the number of small business loans per branch was 41.2 in the nation and 25.2 in Appalachia.

Within Appalachia, the largest differences occur when comparing Southern Appalachia to Central Appalachia, large metropolitan counties to rural counties, and distressed counties to attainment counties.

Table 3-6: Number of Bank Branches Headquartered and not Headquartered in Appalachia by Asset Size, 2007

Type of Branches	Less than $250M		$250M to $1B		$1B to $10B		Greater than $10B		Total
	count	%	count	%	count	%	count	%	
Not Headquartered	45	1.68%	132	4.93%	472	17.62%	2,030	75.77%	2,679
Headquartered	1,486	25.18%	1,569	26.59%	1,655	28.05%	1,191	20.18%	5,901
Total	1,531	17.84%	1,701	19.83%	2,127	24.79%	3,221	37.54%	8,580

Table 3-7: Number of Bank Branches Headquartered and not Headquartered in Appalachia by Asset Size, 2010

Type of Branches	Less than $250M		$250M to $1B		$1B to $10B		Greater than $10B		Total
	count	%	count	%	count		count	%	count
Not Headquartered	77	2.41%	144	4.50%	598	18.69%	2,381	74.41%	3,200
Headquartered	1,267	23.13%	1,692	30.89%	1,620	29.58%	898	16.40%	5,477
Total	1,344	15.49%	1,836	21.16%	2,218	25.56%	3,279	37.79%	8,677

Table 3-8: Change in Number of Bank Branches Headquartered and not Headquartered in Appalachia by Asset Size, 2007 to 2010

Type of Branches	Less than $250M		$250M to $1B		$1B to $10B		Greater than $10B		Total	
	count	%	count	%	count	%	count	%	count	%
Not Headquartered	32	71.11%	12	9.09%	126	26.69%	351	17.29%	521	19.45%
Headquartered	-219	-14.74%	123	7.84%	-35	-2.11%	-293	-24.60%	-424	-7.19%
Total	-187	-12.21%	135	7.94%	91	4.28%	58	1.80%	97	1.13%

Figure 3-5: Branches not Headquartered in Appalachia by Region

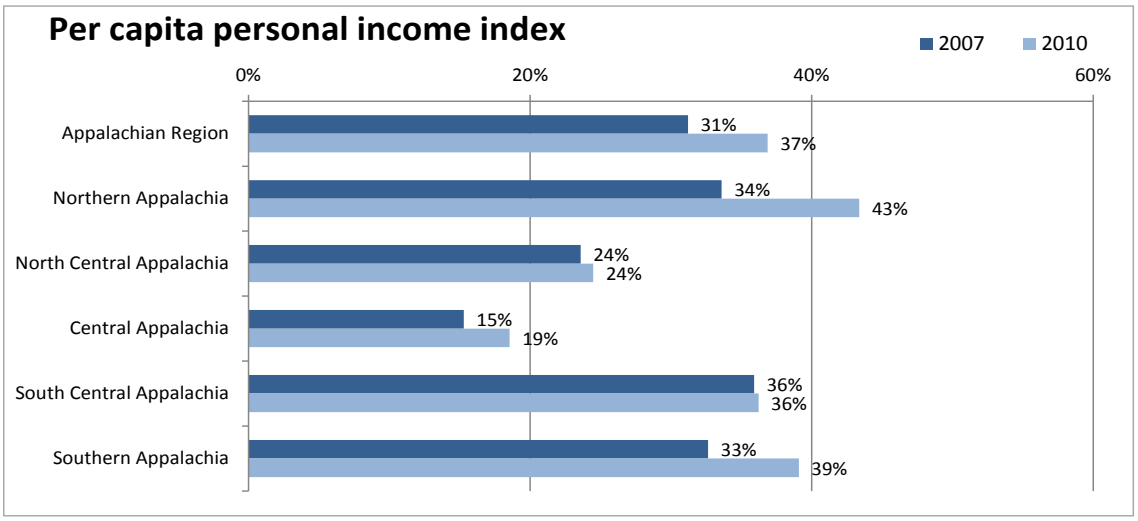


Figure 3-6: Branches not Headquartered in Appalachia by County Type

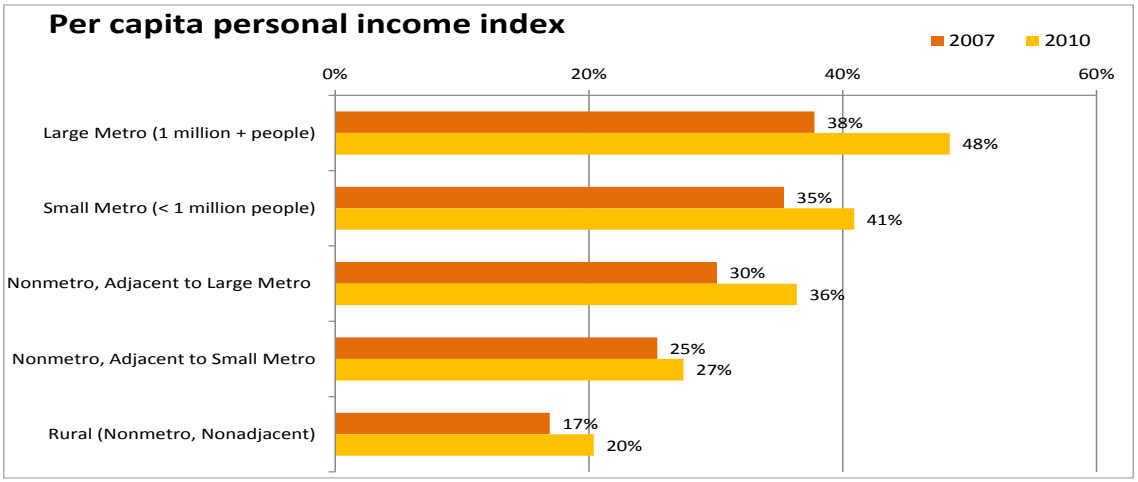


Figure 3-7: Branches not Headquartered in Appalachia by Economic Status

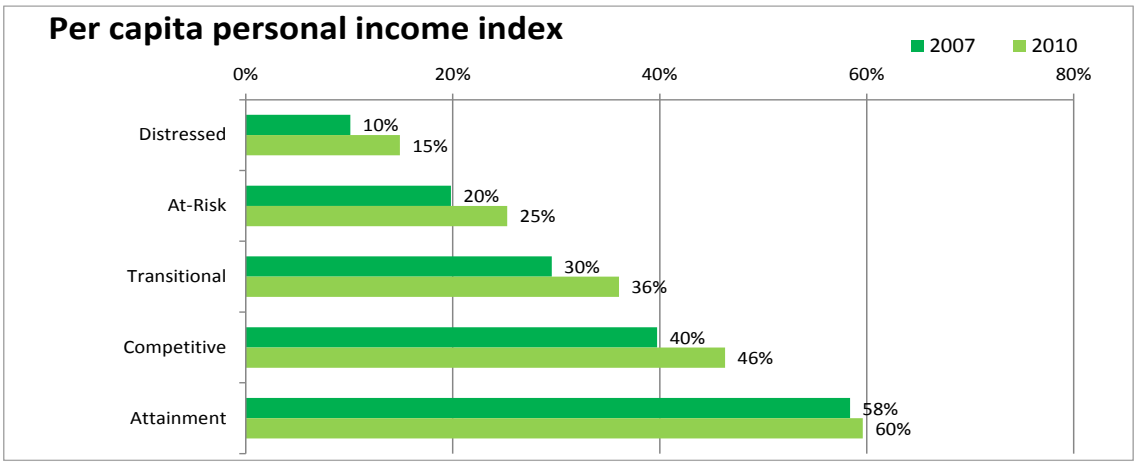
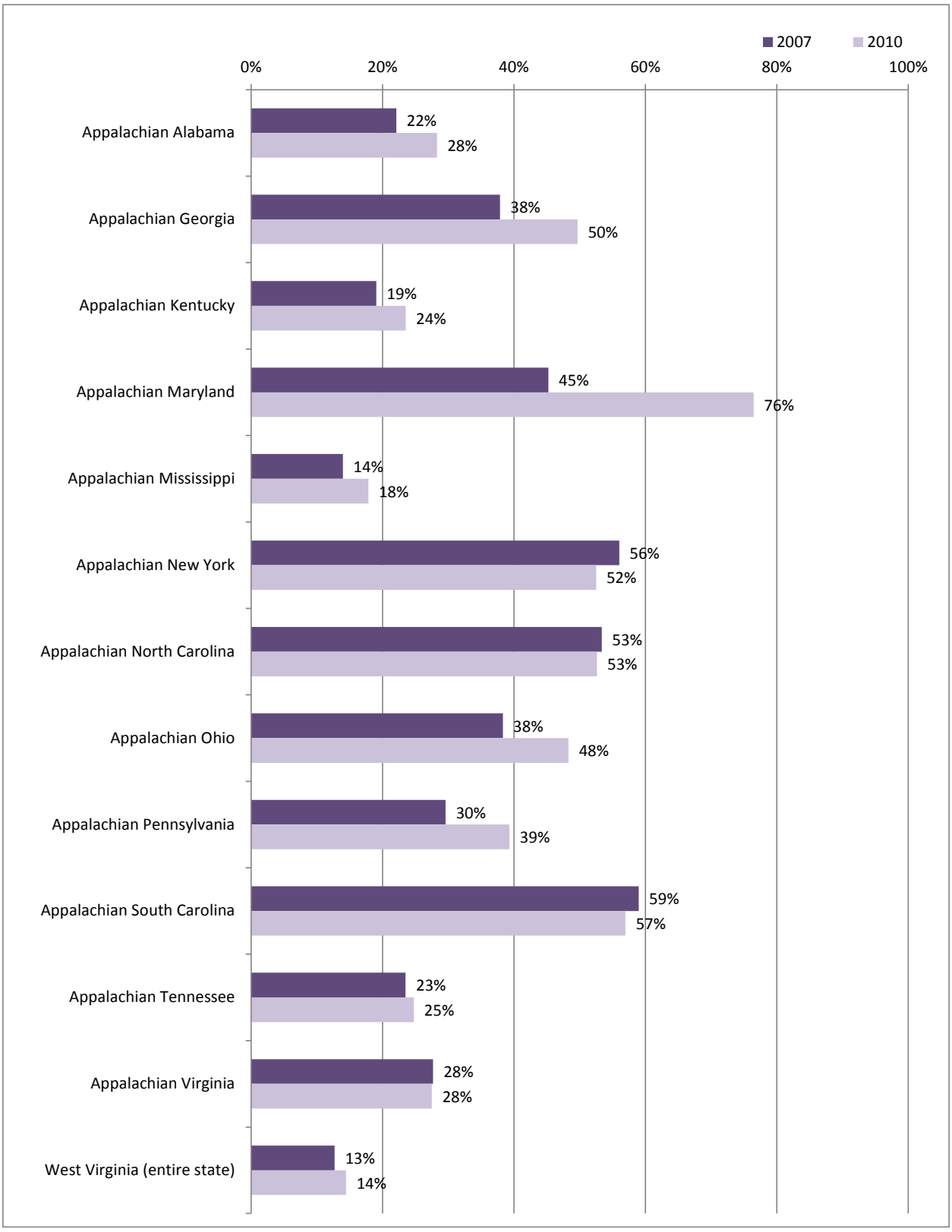
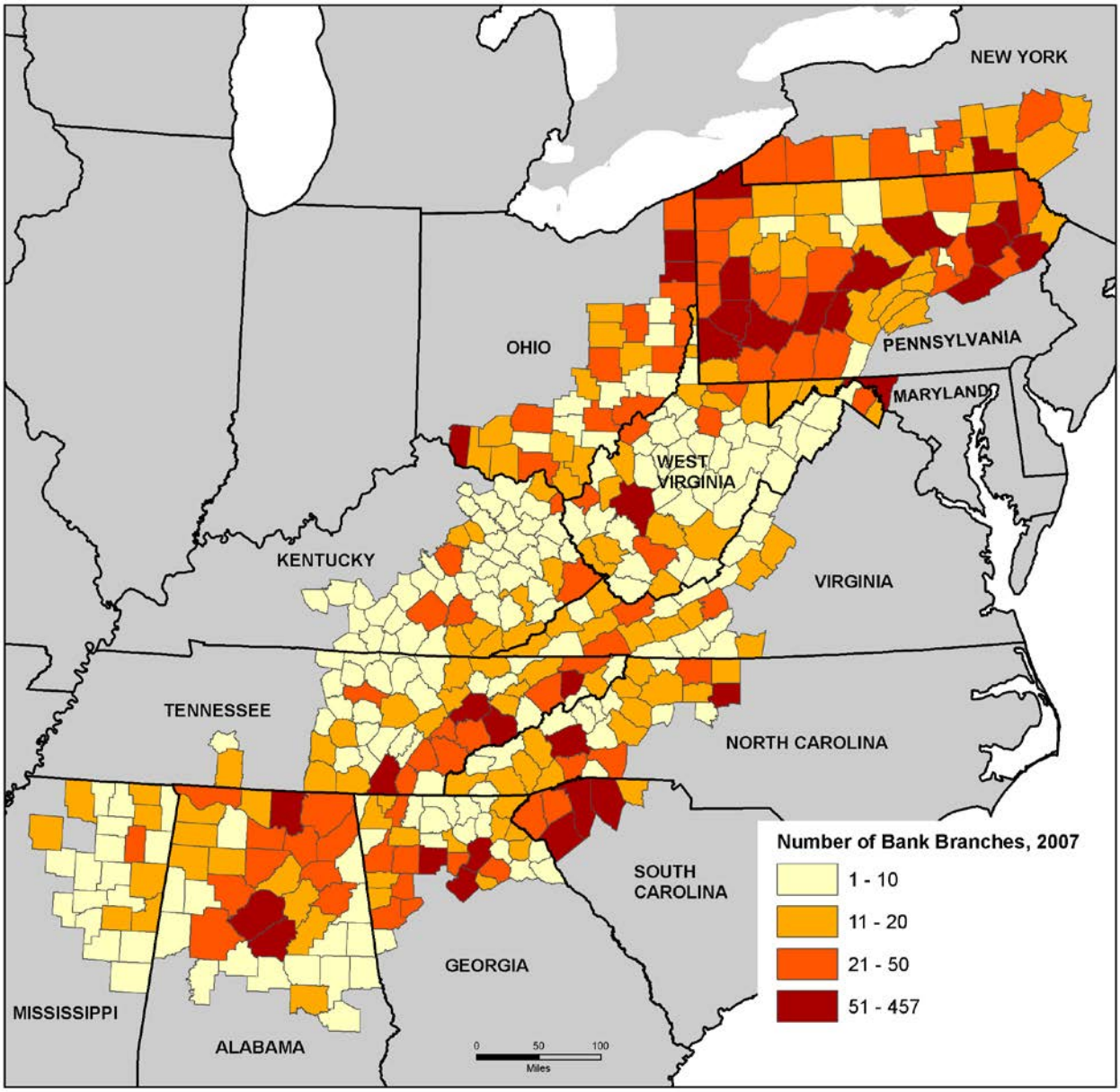


Figure 3-8: Branches not headquartered in Appalachia by State

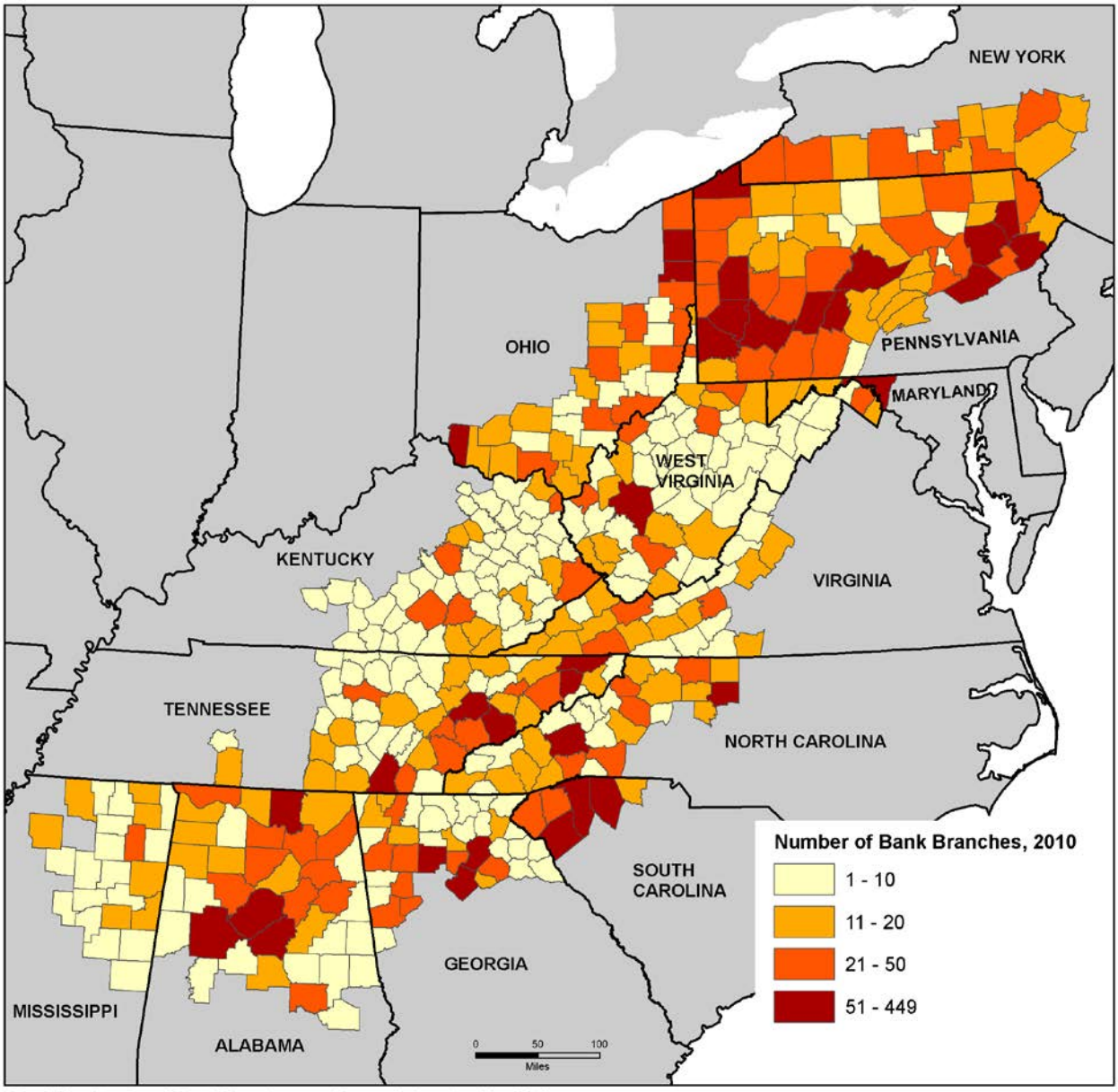


Map 3-3: Number of Bank Branches per County in Appalachia, 2007



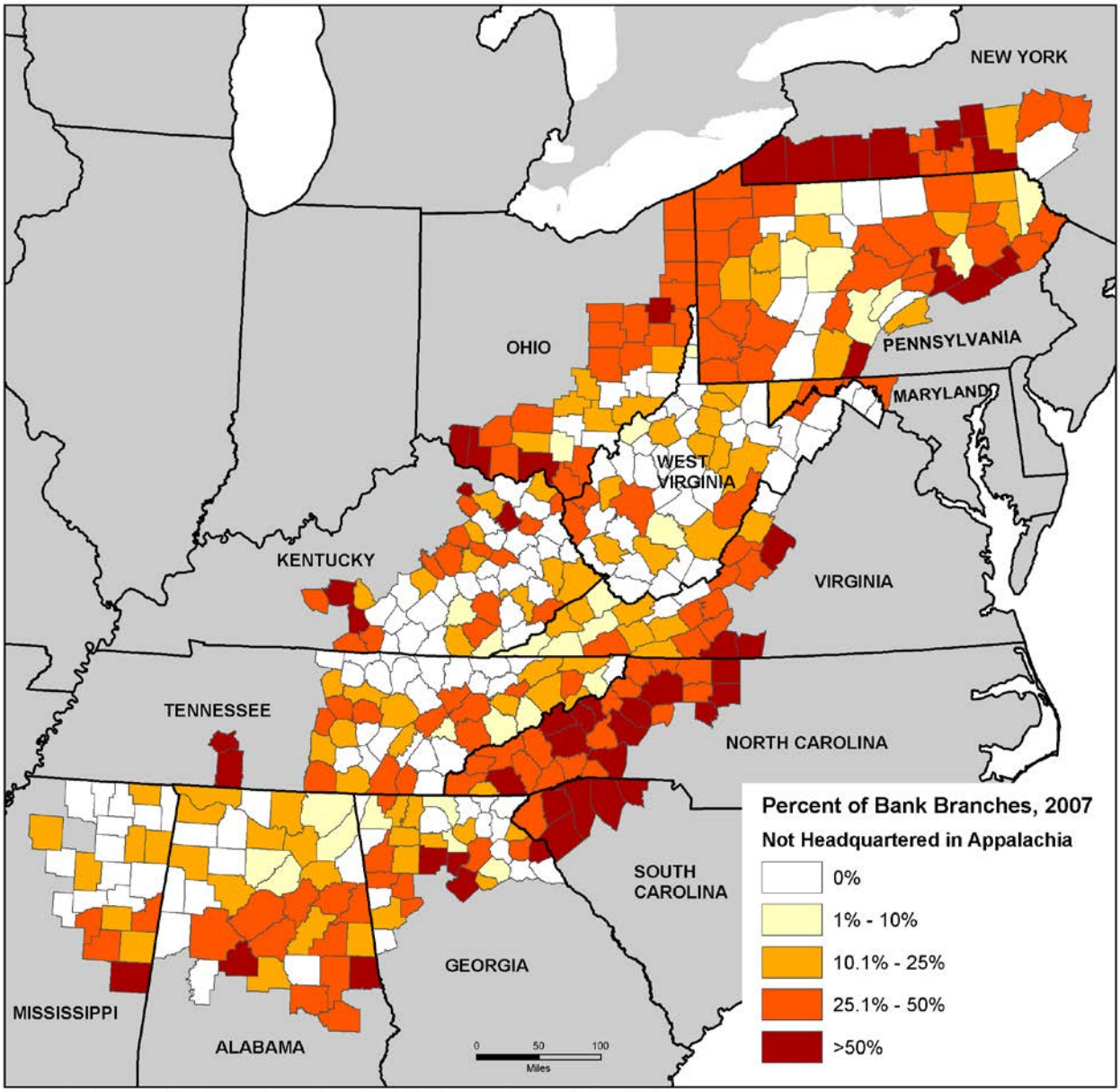
Map Title: Number of Bank Branches per County in Appalachia, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: FDIC, 2007

Map 3-4: Number of Bank Branches per County in Appalachia, 2010



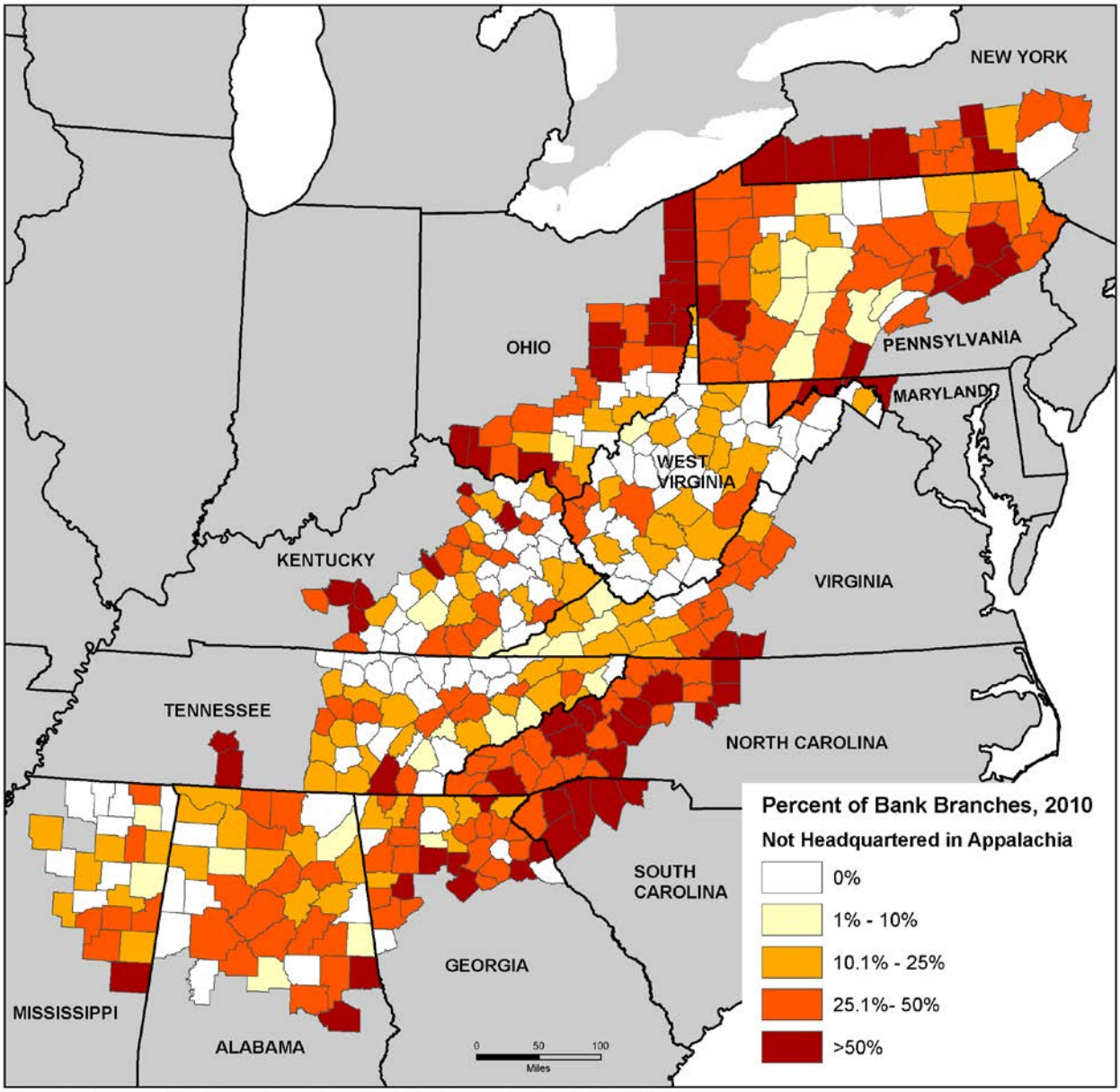
Map Title: Number of Bank Branches per County in Appalachia, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: FDIC, 2010

Map 3-5: Percent of Bank Branches without Bank Headquarter in Appalachia, 2007



Map Title: Percent of Bank Branches without Bank Headquarter in Appalachia, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: FDIC, 2007

Map 3-6: Percent of Bank Branches without Bank Headquarter in Appalachia, 2010



Map Title: Percent of Bank Branches without Bank Headquarter in Appalachia, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: FDIC, 2010

Table 3-9: Bank Branches Headquartered and not Headquartered in Appalachia, 2007 to 2010

	2007					2010				
	Number of Total Branches	Number of Branches Headquartered in Appalachia	Number of Branches not Headquartered in Appalachia	% of Branches not Headquartered in Appalachia	Number of Persons per Branch	Number of Total Branches	Number of Branches Headquartered in Appalachia	Number of Branches not Headquartered in Appalachia	% of Branches not Headquartered in Appalachia	Number of Persons per Branch
United States	**93,434**	**-**	**-**		**3,245**	**94755**	**-**	**-**		**3,299**
Appalachian Region	**8,580**	**5,901**	**2,679**	**31%**	**2,886**	**8,677**	**5,477**	**3,200**	**37%**	**2,909**
Subregions										
Northern Appalachia	3,115	2,068	1,047	34%	2,698	3,100	1,755	1,345	43%	2,705
North Central Appalachia	818	625	193	24%	2,925	833	629	204	24%	2,909
Central Appalachia	752	637	115	15%	2,539	760	619	141	19%	2,524
South Central Appalachia	1,604	1,028	576	36%	2,863	1,659	1,058	601	36%	2,844
Southern Appalachia	2,291	1,543	748	33%	3,259	2,325	1,416	909	39%	3,354
County Types										
Large Metro (1 million + people)	1,813	1,128	685	38%	3,083	1,798	927	871	48%	3,210
Small Metro (< 1 million people)	3,316	2,143	1,173	35%	3,009	3,386	2,001	1,385	41%	3,009
Nonmetro, Adjacent to Large Metro	618	432	186	30%	2,712	624	397	227	36%	2,719
Nonmetro, Adjacent to Small Metro	1,840	1,373	467	25%	2,712	1,868	1,355	513	27%	2,702
Rural (Nonmetro, Nonadjacent)	993	825	168	17%	2,546	1,001	797	204	20%	2,538
Economic Status										
Distressed	515	463	52	10%	2,777	531	452	79	15%	2,718
At-Risk	797	639	158	20%	2,813	831	621	210	25%	2,880
Transitional	5,037	3,548	1,489	30%	2,845	5,273	3,372	1,901	36%	2,857
Competitive	1,570	946	624	40%	2,928	1,559	837	722	46%	2,942
Attainment	423	176	247	58%	3,408	483	195	288	60%	3,640
Alabama	**1,445**				**3,239**	**1,528**				**3,128**
Appalachian Alabama	897	699	198	22%	3,340	934	670	264	28%	3,281
Non-Appalachian Alabama	548	-	-	-	3,072	594	-	-	-	2,888
Georgia	**2,715**				**3,402**	**2,660**				**3,642**
Appalachian Georgia	816	507	309	38%	3,328	787	396	391	50%	3,727
Non-Appalachian Georgia	1,899	-	-	-	3,434	1,873	-	-		3,606
Kentucky	**1,763**				**2,411**	**1,784**				**2,432**
Appalachian Kentucky	483	391	92	19%	2,437	489	374	115	24%	2,422
Non-Appalachian Kentucky	1,280	-	-	-	2,401	1,295	-	-		2,436
Maryland	**1,760**				**3,199**	**1,755**				**3,290**
Appalachian Maryland	84	46	38	45%	2,950	85	20	65	76%	2,972
Non-Appalachian Maryland	1,676	-	-	-	3,212	1,670	-	-		3,306
Mississippi	**1,074**				**2,729**	**1,107**				**2,680**
Appalachian Mississippi	222	191	31	14%	2,816	230	189	41	18%	2,736
Non-Appalachian Mississippi	852	-	-	-	2,706	877	-	-		2,666
New York	**5,136**				**3,750**	**5,337**				**3,631**
Appalachian New York	341	150	191	56%	3,133	341	162	179	52%	3,127
Non-Appalachian New York	4,795	-	-	-	3,793	4,996	-	-		3,665
North Carolina	**2,614**				**3,477**	**2,709**				**3,520**
Appalachian North Carolina	521	243	278	53%	3,161	536	254	282	53%	3,170
Non-Appalachian North Carolina	2,093	-	-	-	3,556	2,173	-	-		3,606
Ohio	**3,944**				**2,911**	**3,893**				**2,963**
Appalachian Ohio	731	451	280	38%	2,793	731	378	353	48%	2,793
Non-Appalachian Ohio	3,213	-	-	-	2,938	3,162	-	-		3,003
Pennsylvania	**4,592**				**2,739**	**4,533**				**2,802**
Appalachian Pennsylvania	2,225	1,567	658	30%	2,607	2,206	1,339	867	39%	2,626
Non-Appalachian Pennsylvania	2,367	-	-	-	2,862	2,327	-	-		2,970
South Carolina	**1,318**				**3,370**	**1,411**				**3,278**
Appalachian South Carolina	356	146	210	59%	3,170	374	161	213	57%	3,132
Non-Appalachian South Carolina	962	-	-	-	3,444	1,037	-	-		3,331
Tennessee	**2,166**				**2,839**	**2,198**				**2,887**
Appalachian Tennessee	983	752	231	23%	2,756	1,014	763	251	25%	2,747
Non-Appalachian Tennessee	1,183	-	-	-	2,908	1,184	-	-		3,072
Virginia	**2,532**				**3,072**	**2,621**				**3,083**
Appalachian Virginia	307	222	85	28%	2,496	320	232	88	28%	2,406
Non-Appalachian Virginia	2,225	-	-	-	3,152	2,301	-	-		3,177
West Virginia (entire state)	**614**	**536**	**78**	**13%**	**2,996**	**630**	**539**	**91**	**14%**	**2,941**

Figure 3-9: Number of Loans per Branch by Region

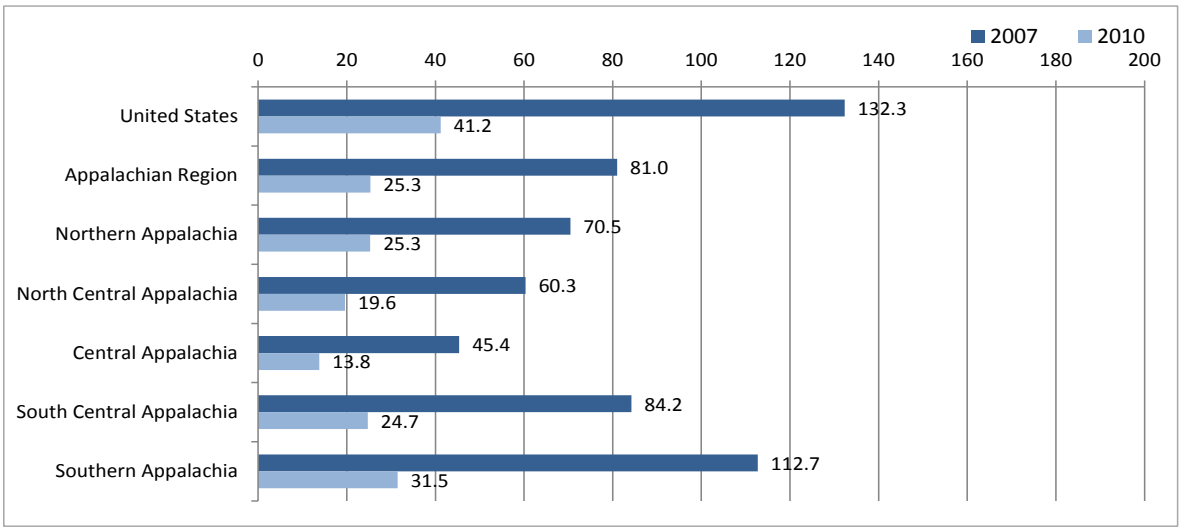


Figure 3-10: Number of Loans per Branch by County Type

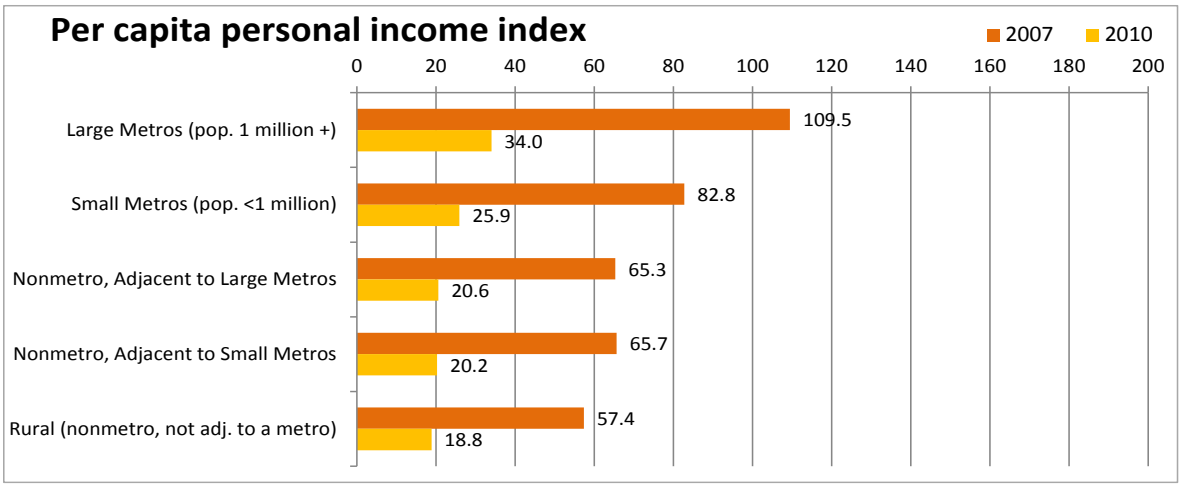


Figure 3-11: Number of Loans per Branch by Economic Status

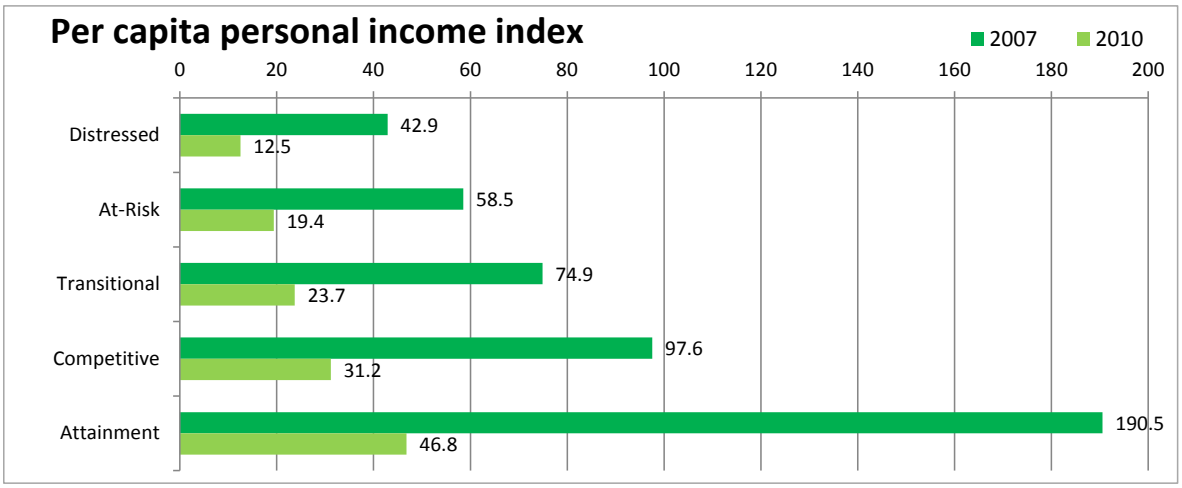


Table 3-10: Ratio of Small Business Loans to Deposits and Loans per Branches

	2007		2010	
	Ratio of SB Loans to Deposits	SB Loans per Branches	Ratio of SB Loans to Deposits	SB Loans per Branches
United States	**4.5%**	**132.3**	**2.1%**	**41.2**
Appalachian Region	**5.4%**	**81.0**	**2.7%**	**25.3**
Subregions				
Northern Appalachia	4.4%	70.5	2.8%	25.3
North Central Appalachia	4.5%	60.3	2.8%	19.6
Central Appalachia	3.1%	45.4	1.6%	13.8
South Central Appalachia	5.8%	84.2	2.8%	24.7
Southern Appalachia	7.0%	112.7	2.8%	31.5
County Types				
Large Metro (1 million + people)	5.1%	109.5	2.6%	34.0
Small Metro (< 1 million people)	6.1%	82.8	3.1%	25.9
Nonmetro, Adjacent to Large Metro	4.3%	65.3	2.3%	20.6
Nonmetro, Adjacent to Small Metro	5.0%	65.7	2.5%	20.2
Rural (Nonmetro, Nonadjacent)	4.4%	57.4	2.3%	18.8
Economic Status				
Distressed	2.9%	42.9	1.3%	12.5
At-Risk	4.3%	58.5	2.4%	19.4
Transitional	5.7%	74.9	3.0%	23.7
Competitive	4.9%	97.6	2.4%	31.2
Attainment	8.6%	190.5	3.7%	46.8
Alabama	**6.8%**	**93.1**	**2.7%**	**27.0**
Appalachian Alabama	6.6%	97.1	2.5%	28.4
Non-Appalachian Alabama	7.2%	86.3	3.2%	24.7
Georgia	**5.9%**	**139.4**	**2.5%**	**37.4**
Appalachian Georgia	7.8%	150.3	3.5%	39.7
Non-Appalachian Georgia	5.3%	134.8	2.3%	36.4
Kentucky	**4.7%**	**62.0**	**2.9%**	**21.2**
Appalachian Kentucky	3.2%	46.5	1.7%	14.5
Non-Appalachian Kentucky	5.1%	67.7	3.2%	23.7
Maryland	**5.6%**	**130.0**	**2.2%**	**35.8**
Appalachian Maryland	6.7%	88.1	3.9%	27.7
Non-Appalachian Maryland	5.5%	132.3	2.1%	36.3
Mississippi	**5.6%**	**65.3**	**3.1%**	**23.8**
Appalachian Mississippi	6.1%	67.3	2.8%	22.7
Non-Appalachian Mississippi	5.5%	64.8	3.2%	24.0
New York	**2.6%**	**169.5**	**1.1%**	**52.7**
Appalachian New York	4.4%	76.8	2.1%	26.6
Non-Appalachian New York	2.6%	176.5	1.0%	54.6
North Carolina	**5.0%**	**121.2**	**2.4%**	**37.2**
Appalachian North Carolina	5.6%	111.8	2.6%	32.7
Non-Appalachian North Carolina	4.9%	123.6	2.3%	38.3
Ohio	**4.5%**	**81.6**	**3.2%**	**28.9**
Appalachian Ohio	4.0%	63.8	2.9%	20.3
Non-Appalachian Ohio	4.6%	85.6	3.2%	30.8
Pennsylvania	**4.6%**	**84.0**	**2.5%**	**29.7**
Appalachian Pennsylvania	4.5%	69.9	2.8%	25.8
Non-Appalachian Pennsylvania	4.7%	98.3	2.3%	33.7
South Carolina	**6.7%**	**103.5**	**2.9%**	**29.2**
Appalachian South Carolina	6.5%	97.8	2.7%	27.8
Non-Appalachian South Carolina	6.7%	105.6	3.0%	29.7
Tennessee	**5.5%**	**82.3**	**3.0%**	**26.1**
Appalachian Tennessee	5.8%	75.0	2.8%	21.6
Non-Appalachian Tennessee	5.3%	88.5	3.1%	30.0
Virginia	**3.4%**	**106.5**	**1.5%**	**31.4**
Appalachian Virginia	4.0%	48.7	2.2%	15.7
Non-Appalachian Virginia	3.4%	115.9	1.4%	33.9
West Virginia (entire state)	**4.4%**	**57.7**	**2.8%**	**19.3**

3.4 Distribution of Credit Unions across Appalachia and the United States

Unlike banks, credit unions are not examined under CRA and do not publicly report their small business lending.[11] Scrutinizing the distribution of credit unions across Appalachia, however, can perhaps identify a source of financing for small business lending. This analysis will focus on the larger credit unions as they are the most likely to offer substantial numbers of small business loans and/or make community development investments.

The financial crisis significantly reduced the ranks of credit unions. The number of credit unions in the United States shrank from 8,268 in 2007 to 7,491 in 2010 (see Tables 3-11 and 3-12). In Appalachia, the number of credit unions contracted from 931 in 2007 to 852 in 2010.

The Appalachian Region has fewer larger credit unions in the $100 to $500 million asset range and with assets of more than $500 million in assets. In 2010, for example, 13.7 percent of the credit unions and 9.9 percent of the credit unions in the nation and in Appalachia, respectively, had assets of between $100 to $500 million. Likewise, 5 percent and 2.1 percent of the credit unions in the country and Appalachia, respectively, had assets of more than $500 million.

Rural counties, which are not adjacent to metropolitan counties, have the lowest numbers and percentages of larger credit unions with assets above $100 million. In both 2007 and 2010, these counties did not have a single credit union with assets above $500 million and only one credit union with assets between $100 million and $500 million. In 2010, the percentage of credit unions in rural counties with assets between $100 and $500 million was 1.9 percent as opposed to 9.9 percent of all of Appalachia.

Interestingly, distressed counties had a relatively high percentage of credit unions with assets between $100 and $500 million. In distressed counties during 2010, three credit unions (20 percent) had assets between $100 and $500 million. The overall number of credit unions in economically distressed counties is low. In 2010 there were 15 credit unions located in distressed counties, 72 in at-risk counties, 538 in transitional counties, 220 in competitive counties, and 7 in attainment counties.

Relatively large credit unions could be an untapped resource for Central Appalachia, a subregion that is disadvantaged in terms of access to lending and banks. In both years reviewed, a significantly higher percentage of Central Appalachian credit unions had assets above $100 million, but the total number of credit unions in Central Appalachia was between 3 and 5 times less than the total number of credit unions in other subregions.

[11] Another chapter examines lending activity of CDFI credit unions that report lending data to the United States Treasury Department. This chapter looks at the distribution of all credit unions that are captured by the databases of the National Credit Union Administration, the federal regulator of credit unions.

Table 3-11: Percentage of Credit Unions by Asset Size in Appalachia, 2007

	Less than $2M		$2M to $10M		$10M to $50M		$50M to $100M		$100M to $500M		Greater than $500M		
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Total
United States	**1,373**	**16.61%**	**2,292**	**27.72%**	**2,582**	**31.23%**	**769**	**9.30%**	**943**	**11.41%**	**309**	**3.74%**	**8,268**
Appalachian Region	**171**	**18.37%**	**325**	**34.91%**	**285**	**30.61%**	**63**	**6.77%**	**73**	**7.84%**	**14**	**1.50%**	**931**
Subregions													
Northern Appalachia	104	20.51%	191	37.67%	152	29.98%	29	5.72%	27	5.33%	4	0.79%	507
North Central Appalachia	16	15.38%	35	33.65%	37	35.58%	7	6.73%	9	8.65%	0	0.00%	104
Central Appalachia	10	30.30%	7	21.21%	9	27.27%	1	3.03%	5	15.15%	1	3.03%	33
South Central Appalachia	12	9.45%	36	28.35%	48	37.80%	12	9.45%	13	10.24%	6	4.72%	127
Southern Appalachia	29	18.13%	56	35.00%	39	24.38%	14	8.75%	19	11.88%	3	1.88%	160
County Types													
Large Metro (1 million + people)	57	22.53%	99	39.13%	65	25.69%	14	5.53%	15	5.93%	3	1.19%	253
Small metro (< 1 million people)	60	13.64%	146	33.18%	143	32.50%	41	9.32%	41	9.32%	9	2.05%	440
Nonmetro, Adjacent to Large Metro	15	26.32%	16	28.07%	19	33.33%	3	5.26%	3	5.26%	1	1.75%	57
Nonmetro, Adjacent to Small Metro	21	18.42%	37	32.46%	37	32.46%	5	4.39%	13	11.40%	1	0.88%	114
Rural (Nonmetro, Nonadjacent)	18	29.51%	27	44.26%	15	24.59%	0	0.00%	1	1.64%	0	0.00%	61
Economic Status													
Distressed	8	40.00%	6	30.00%	4	20.00%	0	0.00%	2	10.00%	0	0.00%	20
At-Risk	12	17.14%	26	37.14%	26	37.14%	3	4.29%	3	4.29%	0	0.00%	70
Transitional	111	17.56%	221	34.97%	194	30.70%	45	7.12%	54	8.54%	7	1.11%	632
Competitive	34	19.21%	59	33.33%	54	30.51%	10	5.65%	14	7.91%	6	3.39%	177
Attainment	1	33.33%	1	33.33%	0	0.00%	1	33.33%	0	0.00%	0	0.00%	3
Alabama	**24**	**16.22%**	**47**	**31.76%**	**38**	**25.68%**	**13**	**8.78%**	**21**	**14.19%**	**5**	**3.38%**	**148**
Appalachian Alabama	14	15.56%	28	31.11%	19	21.11%	9	10.00%	17	18.89%	3	3.33%	90
Non-Appalachian Alabama	10	17.24%	19	32.76%	19	32.76%	4	6.90%	4	6.90%	2	3.45%	58
Georgia	**33**	**18.54%**	**50**	**28.09%**	**59**	**33.15%**	**19**	**10.67%**	**11**	**6.18%**	**6**	**3.37%**	**178**
Appalachian Georgia	9	28.13%	10	31.25%	11	34.38%	1	3.13%	1	3.13%	0	0.00%	32
Non-Appalachian Georgia	24	16.44%	40	27.40%	48	32.88%	18	12.33%	10	6.85%	6	4.11%	146
Kentucky	**10**	**10.53%**	**37**	**38.95%**	**31**	**32.63%**	**5**	**5.26%**	**9**	**9.47%**	**3**	**3.16%**	**95**
Appalachian Kentucky	3	18.75%	5	31.25%	5	31.25%	0	0.00%	3	18.75%	0	0.00%	16
Non-Appalachian Kentucky	7	8.86%	32	40.51%	26	32.91%	5	6.33%	6	7.59%	3	3.80%	79
Maryland	**18**	**15.65%**	**28**	**24.35%**	**29**	**25.22%**	**9**	**7.83%**	**23**	**20.00%**	**8**	**6.96%**	**115**
Appalachian Maryland	-	0.00%	3	23.08%	4	30.77%	1	7.69%	5	38.46%	0	0.00%	13
Non-Appalachian Maryland	18	17.65%	25	24.51%	25	24.51%	8	7.84%	18	17.65%	8	7.84%	102
Mississippi	**26**	**26.26%**	**42**	**42.42%**	**20**	**20.20%**	**6**	**6.06%**	**4**	**4.04%**	**1**	**1.01%**	**99**
Appalachian Mississippi	4	25.00%	11	68.75%	1	6.25%	0	0.00%	0	0.00%	0	0.00%	16
Non-Appalachian Mississippi	22	26.51%	31	37.35%	19	22.89%	6	7.23%	4	4.82%	1	1.20%	83
New York	**104**	**21.36%**	**152**	**31.21%**	**145**	**29.77%**	**33**	**6.78%**	**34**	**6.98%**	**19**	**3.90%**	**487**
Appalachian New York	6	12.24%	14	28.57%	18	36.73%	4	8.16%	5	10.20%	2	4.08%	49
Non-Appalachian New York	98	22.37%	138	31.51%	127	29.00%	29	6.62%	29	6.62%	17	3.88%	438
North Carolina	**14**	**12.07%**	**30**	**25.86%**	**44**	**37.93%**	**14**	**12.07%**	**8**	**6.90%**	**6**	**5.17%**	**116**
Appalachian North Carolina	1	3.70%	6	22.22%	11	40.74%	4	14.81%	3	11.11%	2	7.41%	27
Non-Appalachian North Carolina	13	14.61%	24	26.97%	33	37.08%	10	11.24%	5	5.62%	4	4.49%	89
Ohio	**90**	**20.88%**	**122**	**28.31%**	**141**	**32.71%**	**32**	**7.42%**	**43**	**9.98%**	**3**	**0.70%**	**431**
Appalachian Ohio	12	20.00%	21	35.00%	16	26.67%	5	8.33%	5	8.33%	1	1.67%	60
Non-Appalachian Ohio	78	21.02%	101	27.22%	125	33.69%	27	7.28%	38	10.24%	2	0.54%	371
Pennslyvania	**165**	**27.55%**	**192**	**32.05%**	**165**	**27.55%**	**34**	**5.68%**	**34**	**5.68%**	**9**	**1.50%**	**599**
Appalachian Pennsyvania	82	21.41%	149	38.90%	116	30.29%	20	5.22%	15	3.92%	1	0.26%	383
Non-Appalachian Pennsyvania	83	38.43%	43	19.91%	49	22.69%	14	6.48%	19	8.80%	8	3.70%	216
South Carolina	**9**	**10.59%**	**25**	**29.41%**	**27**	**31.76%**	**11**	**12.94%**	**9**	**10.59%**	**4**	**4.71%**	**85**
Appalachian Carolina	2	9.09%	7	31.82%	8	36.36%	4	18.18%	1	4.55%	0	0.00%	22
Non-Appalachian Carolina	7	11.11%	18	28.57%	19	30.16%	7	11.11%	8	12.70%	4	6.35%	63
Tennessee	**26**	**13.54%**	**51**	**26.56%**	**72**	**37.50%**	**15**	**7.81%**	**22**	**11.46%**	**6**	**3.13%**	**192**
Appalachian Tennessee	12	11.54%	27	25.96%	40	38.46%	8	7.69%	12	11.54%	5	4.81%	104
Non-Appalachian Tennessee	14	15.91%	24	27.27%	32	36.36%	7	7.95%	10	11.36%	1	1.14%	88
Virginia	**40**	**19.51%**	**61**	**29.76%**	**46**	**22.44%**	**22**	**10.73%**	**26**	**12.68%**	**10**	**4.88%**	**205**
Appalachian Virginia	1	14.29%	4	57.14%	1	14.29%	1	14.29%	0	0.00%	0	0.00%	7
Non-Appalachian Virginia	39	19.70%	57	28.79%	45	22.73%	21	10.61%	26	13.13%	10	5.05%	198
West Virginia (entire state)	**25**	**22.32%**	**40**	**35.71%**	**35**	**31.25%**	**6**	**5.36%**	**6**	**5.36%**	**0**	**0.00%**	**112**

Table 3-12: Percentage of Credit Unions by Asset Size in Appalachia, 2010

	Less than $2M		$2M to $10M		$10M to $50M		$50M to $100M		$100M to $500M		Greater than $500M		
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Total
United States	**1,013**	**13.52%**	**1,825**	**24.36%**	**2,444**	**32.63%**	**811**	**10.83%**	**1021**	**13.63%**	**377**	**5.03%**	**7,491**
Appalachian Region	**116**	**13.62%**	**261**	**30.63%**	**295**	**34.62%**	**78**	**9.15%**	**84**	**9.86%**	**18**	**2.11%**	**852**
Subregions													
Northern Appalachia	74	15.81%	151	32.26%	159	33.97%	45	9.62%	34	7.26%	5	1.07%	468
North Central Appalachia	12	12.50%	29	30.21%	38	39.58%	7	7.29%	10	10.42%	0	0.00%	96
Central Appalachia	8	25.81%	7	22.58%	9	29.03%	1	3.23%	4	12.90%	2	6.45%	31
South Central Appalachia	8	6.84%	28	23.93%	47	40.17%	14	11.97%	14	11.97%	6	5.13%	117
Southern Appalachia	14	10.00%	46	32.86%	42	30.00%	11	7.86%	22	15.71%	5	3.57%	140
County Types													
Large Metro (1 million + people)	33	14.67%	80	35.56%	77	34.22%	12	5.33%	19	8.44%	4	1.78%	225
Small metro (< 1 million people)	44	10.50%	116	27.68%	152	36.28%	49	11.69%	46	10.98%	12	2.86%	419
Nonmetro, Adjacent to Large Metro	9	18.00%	14	28.00%	16	32.00%	7	14.00%	3	6.00%	1	2.00%	50
Nonmetro, Adjacent to Small Metro	15	14.42%	31	29.81%	35	33.65%	7	6.73%	15	14.42%	1	0.96%	104
Rural (Nonmetro, Nonadjacent)	15	27.78%	20	37.04%	15	27.78%	3	5.56%	1	1.85%	0	0.00%	54
Economic Status													
Distressed	6	40.00%	5	33.33%	1	6.67%	0	0.00%	3	20.00%	0	0.00%	15
At-Risk	11	15.28%	25	34.72%	28	38.89%	4	5.56%	4	5.56%	0	0.00%	72
Transitional	69	12.83%	158	29.37%	188	34.94%	59	10.97%	53	9.85%	11	2.04%	538
Competitive	30	13.64%	70	31.82%	77	35.00%	14	6.36%	23	10.45%	6	2.73%	220
Attainment	-	0.00%	3	42.86%	1	14.29%	1	14.29%	1	14.29%	1	14.29%	7
Alabama	**10**	**7.87%**	**35**	**27.56%**	**44**	**34.65%**	**9**	**7.09%**	**22**	**17.32%**	**7**	**5.51%**	**127**
Appalachian Alabama	6	7.69%	22	28.21%	21	26.92%	7	8.97%	17	21.79%	5	6.41%	78
Non-Appalachian Alabama	4	8.16%	13	26.53%	23	46.94%	2	4.08%	5	10.20%	2	4.08%	49
Georgia	**19**	**12.42%**	**42**	**27.45%**	**53**	**34.64%**	**17**	**11.11%**	**15**	**9.80%**	**7**	**4.58%**	**153**
Appalachian Georgia	3	11.11%	10	37.04%	11	40.74%	1	3.70%	2	7.41%	0	0.00%	27
Non-Appalachian Georgia	16	12.70%	32	25.40%	42	33.33%	16	12.70%	13	10.32%	7	5.56%	126
Kentucky	**8**	**9.30%**	**30**	**34.88%**	**30**	**34.88%**	**6**	**6.98%**	**9**	**10.47%**	**3**	**3.49%**	**86**
Appalachian Kentucky	3	20.00%	5	33.33%	5	33.33%	0	0.00%	2	13.33%	0	0.00%	15
Non-Appalachian Kentucky	5	7.04%	25	35.21%	25	35.21%	6	8.45%	7	9.86%	3	4.23%	71
Maryland	**10**	**9.01%**	**27**	**24.32%**	**28**	**25.23%**	**12**	**10.81%**	**25**	**22.52%**	**9**	**8.11%**	**111**
Appalachian Maryland	-	0.00%	2	12.50%	4	25.00%	4	25.00%	6	37.50%	0	0.00%	16
Non-Appalachian Maryland	10	10.53%	25	26.32%	24	25.26%	8	8.42%	19	20.00%	9	9.47%	95
Mississippi	**19**	**20.65%**	**38**	**41.30%**	**19**	**20.65%**	**8**	**8.70%**	**7**	**7.61%**	**1**	**1.09%**	**92**
Appalachian Mississippi	4	26.67%	9	60.00%	1	6.67%	1	6.67%	0	0.00%	0	0.00%	15
Non-Appalachian Mississippi	15	19.48%	29	37.66%	18	23.38%	7	9.09%	7	9.09%	1	1.30%	77
New York	**87**	**19.73%**	**108**	**24.49%**	**146**	**33.11%**	**35**	**7.94%**	**40**	**9.07%**	**25**	**5.67%**	**441**
Appalachian New York	5	11.36%	10	22.73%	16	36.36%	5	11.36%	5	11.36%	3	6.82%	44
Non-Appalachian New York	82	20.65%	98	24.69%	130	32.75%	30	7.56%	35	8.82%	22	5.54%	397
North Carolina	**6**	**6.06%**	**22**	**22.22%**	**36**	**36.36%**	**16**	**16.16%**	**12**	**12.12%**	**7**	**7.07%**	**99**
Appalachian North Carolina	-	0.00%	3	13.64%	7	31.82%	6	27.27%	4	18.18%	2	9.09%	22
Non-Appalachian North Carolina	6	7.79%	19	24.68%	29	37.66%	10	12.99%	8	10.39%	5	6.49%	77
Ohio	**67**	**17.31%**	**97**	**25.06%**	**135**	**34.88%**	**36**	**9.30%**	**47**	**12.14%**	**5**	**1.29%**	**387**
Appalachian Ohio	11	20.37%	15	27.78%	18	33.33%	2	3.70%	7	12.96%	1	1.85%	54
Non-Appalachian Ohio	56	16.82%	82	24.62%	117	35.14%	34	10.21%	40	12.01%	4	1.20%	333
Pennslyvania	**117**	**21.63%**	**156**	**28.84%**	**168**	**31.05%**	**46**	**8.50%**	**43**	**7.95%**	**11**	**2.03%**	**541**
Appalachian Pennsyvania	52	14.86%	122	34.86%	121	34.57%	34	9.71%	20	5.71%	1	0.29%	350
Non-Appalachian Pennsyvania	65	34.03%	34	17.80%	47	24.61%	12	6.28%	23	12.04%	10	5.24%	191
South Carolina	**6**	**7.79%**	**17**	**22.08%**	**30**	**38.96%**	**7**	**9.09%**	**11**	**14.29%**	**6**	**7.79%**	**77**
Appalachian Carolina	1	5.00%	5	25.00%	9	45.00%	2	10.00%	3	15.00%	0	0.00%	20
Non-Appalachian Carolina	5	8.77%	12	21.05%	21	36.84%	5	8.77%	8	14.04%	6	10.53%	57
Tennessee	**18**	**9.94%**	**44**	**24.31%**	**77**	**42.54%**	**14**	**7.73%**	**21**	**11.60%**	**7**	**3.87%**	**181**
Appalachian Tennessee	7	7.07%	23	23.23%	43	43.43%	8	8.08%	12	12.12%	6	6.06%	99
Non-Appalachian Tennessee	11	13.41%	21	25.61%	34	41.46%	6	7.32%	9	10.98%	1	1.22%	82
Virginia	**34**	**17.62%**	**53**	**27.46%**	**41**	**21.24%**	**28**	**14.51%**	**24**	**12.44%**	**13**	**6.74%**	**193**
Appalachian Virginia	1	16.67%	3	50.00%	1	16.67%	1	16.67%	0	0.00%	0	0.00%	6
Non-Appalachian Virginia	33	17.65%	50	26.74%	40	21.39%	27	14.44%	24	12.83%	13	6.95%	187
West Virginia (entire state)	**23**	**21.70%**	**32**	**30.19%**	**38**	**35.85%**	**7**	**6.60%**	**6**	**5.66%**	**0**	**0.00%**	**106**

CHAPTER 4 CRA INVESTING AND COMMUNITY DEVELOPMENT LENDING OF BANKS BASED IN APPALACHIA

4.1 SUMMARY

A unique database of Community Reinvestment Act (CRA) exams was constructed to calculate the levels of equity investment and community development lending of banks headquartered in Appalachia. Community development lending can involve construction lending for light industrial parks or small business incubators, while equity investments include those in Small Business Investment Corporations (SBIC). Major findings from the CRA exam analysis reveals:

- Banks in Appalachia undergoing CRA exams are a significant resource for investment and community development lending. Large banks (assets more than $1 billion) headquartered in Appalachia have a total of $433 billion in assets and mid-size banks (assets between $250 million and $1 billion) have combined assets of $68 billion.

- Despite the financial crisis, the level of community investing and lending over a CRA exam time period of approximately three years was greater during this study than in NCRC's previous study for ARC.[12] In the sample for this study, total community development financing was $8.8 billion compared to $5.4 billion during the previous study. An important caveat is that much of the increase was due to the growth in assets of the five largest banks headquartered in Appalachia, which have a wide geographical reach including several counties and states beyond Appalachia. Nevertheless, this finding is encouraging in terms of the resources available to Appalachia for community development.

- The level of community development financing (investment and lending) was much greater for housing than small business. For example, large banks headquartered in Appalachia invested $762 million in housing compared to just $150 million in small business development on their most recent CRA exams. While it would not be desirable to decrease the amount targeted for housing development, stakeholders can work with banks in Appalachia to increase investments for small businesses.

- Banks with higher overall CRA ratings and high ratings on their investment test or community development tests offered greater amounts of community development financing on a per asset basis. Large banks had their lowest ratings on the investment test; thus, an opportunity exists to work with large banks to improve their investment test ratings and their level of equity investments for small businesses.

- Disparities in community development financing mirror disparities identified for lending within the Region. Central Appalachia and economically distressed counties have banks with total assets of $14 billion and $3 billion, respectively, while other counties have banks with assets in the tens or hundreds of billions of dollars. Banks located in Central Appalachia, non-metropolitan

[12] The previous NCRC study for ARC can be accessed via http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8

counties, and economically distressed counties made equity investments in small business of under $1 million while banks in South Central Appalachia, small metropolitan counties, and competitive counties made the largest dollar amount of investments of about $150 million in each county category.

Banks located in Appalachia have a surprisingly high level of assets and make significant amounts of community development investments and loans. Yet, the familiar disparities by county economic status are apparent in community development investing and lending patterns, as they are for small business development. Yet, potential exists for reducing these disparities. For example, banks located in small metropolitan counties had high levels of equity investment in small business while non-metropolitan counties adjacent to small metropolitan counties had low levels of equity investments. Perhaps, some of the banks located in small metropolitan counties could finance equity investments in the adjacent non-metropolitan counties.

4.2 Introduction

The Community Reinvestment Act (CRA) of 1977 imposes upon banks and thrifts an affirmative and continuing obligation to meet the credit needs of communities in which they are chartered, including low- and moderate-income communities. Three federal financial supervisory agencies (the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency) enforce CRA and conduct periodic CRA exams about once every two or three years for banks with assets above $250 million.[13] CRA exams assess the level of loans, investments, and services that banks with assets above $250 million provide to low- and moderate-income communities. Banks receive CRA ratings for their overall performance as well as their performance in each state and multi-state metropolitan statistical area (MSA) in which they have branches. Banks and thrifts have strong incentives to increase their levels of lending, investing, and services to low- and moderate-income communities. Low CRA ratings can result in reputational risk and/or delay bank applications for federal agency approval to purchase or merge with other institutions, or open additional bank branches.

This chapter will assess the impacts CRA has had on increasing certain types of lending and investing for small businesses by banks located in Appalachian counties. The chapter will use the most recent CRA exams of banks headquartered in Appalachia to document levels of financing for small business development. So far this study has been devoted to examining access to lending for individual small businesses. In this chapter, the report scrutinizes the level of community development financing. Community development lending and investing provides the financing that builds the infrastructure and support systems for small businesses. For example, community development financing supports the development of small business incubators and Small Business Investment Corporations (SBICs).

4.3 Large Banks – Investment and Community Development Lending

The CRA regulations define large banks as banks with $1 billion or more in assets. These institutions undergo a CRA exam that has a lending test, an investment test, and a service test. For our purposes in this chapter, the lending test contains information on community development lending that supports affordable housing, economic development including the financing of small businesses, and revitalization

[13] Small banks with assets less than $250 million are examined once every four or five years.

of distressed rural areas and low- and moderate-income census tracts. The investment test likewise analyzes the number, innovativeness, and responsiveness of community development investments.

NCRC analyzed CRA exams of large banks located in Appalachia and calculated the dollar amount of community development loans and investments that were devoted primarily for housing and small business. Community development loans and investments finance schools, childcare centers, and other community facilities. The focus in this chapter is tabulating and comparing the dollar amount of small business and housing because these two activities were generally easier to classify and compare. Therefore, the total amount of community development lending and investing presented in the chapter will not equal the sum of housing and community development.

A limitation is that this analysis does not determine the county in which the community development loan or investment is made. The publicly available CRA data do not include information on the county or any other geographical location of community development loans and investments. Likewise, CRA exams are not a consistent source of this information since the majority of exams contain just the metropolitan area or state, not the county of the community development loan and/or investment.

Rather, this analysis describes the community development financing activities of banks located in Appalachia. Not all of this community development financing flows to Appalachia because banks, particularly the largest banks, have assessment areas in which they are rated in several states. Yet, this analysis provides information on the types of bank resources available for community development in Appalachia. Certainly, a number of large banks in this analysis could be encouraged to increase their community development financing in geographical areas identified in this report as relatively lacking in credit and capital for small business.

In Appalachia, 60 banks have undergone large bank exams in the last few years. Their median asset size was $1.5 billion, and their combined asset size was approximately $433 billion (see Table 4-1). Interestingly, 21 banks had assets of less than $1 billion. Banks with assets under $1 billion can voluntarily opt for the large bank exam; some do so because they voluntarily report the small business loan data or have some other reason. The median time period covered by the CRA exam was three years. The vast majority (95 percent) had their exams in 2008 and later (see Table 4-2).

Of the large banks, the top five were very large banks with the vast majority of assets (see Table 4-3). Regions Bank and Branch Banking and Trust each had more than $100 billion in assets and Compass Bank had more than $40 billion in assets. The top five had $329 billion in assets or 76 percent of the total assets of large banks located in Appalachia.

Large banks were more successful on their overall ratings and were least successful on their investment test ratings (see Table 4-4). Thirteen percent of the large banks in Appalachia received an Outstanding rating overall and about 87 percent received a Satisfactory rating overall. On the lending and investment tests, 12 and 18 percent, respectively, received Outstanding ratings. However, on the Investment Test 31.7 percent and 5 percent received a Low Satisfactory and a Needs to Improve rating, respectively. In contrast, just 18.3 percent of the large banks received a Low Satisfactory on the Lending Test, which includes an analysis of community development lending.

The implication of the ratings distribution is that the large banks have the most improvements to make on their investment test. Making more equity investments in small businesses is an eligible investment; hence an opportunity exists to leverage more investments for small businesses by large banks in Appalachia.

In fact, the ratings on the component tests are related to community development investment and lending levels, suggesting that motivating the banks to improve their ratings on the component tests has the potential to increase community development lending and investment in Appalachia. The median ratio of community development investment to assets over the median exam time period was 0.46 percent for large banks with Outstanding ratings on the Investment Test but only 0.27 percent for large banks with Low Satisfactory ratings on the Investment Test. Likewise, the median ratio of community development loans to assets was 0.98 percent for large banks with Outstanding ratings on the Lending Test and 0.59 percent for those with Low Satisfactory ratings on the Lending Test (see Table 4-5).

The dollar amount of community development financing for housing is significantly larger than for small business development, particularly for community development investing (see Table 4-6). Large banks in Appalachia made investments of $762 million in housing compared to just $150 million in small business development. The dollar amount of investments in housing was five times greater than that for small business development. Likewise, large banks in Appalachia made $155 million in community development lending for housing compared to $82 million for small business or about twice as much in housing.[14] While it would not be desirable to decrease the financing for affordable housing, stakeholders could narrow the disparity by working with banks to increase community development financing for small businesses.

Table 4-1: Descriptive Statistics of Large Banks in Appalachia

Number	60
Median asset size	$1,500,000,000
Total assets of large banks	$433,523,204,000
Median CRA exam cycle	3.0

Note: BNY Mellon, N.A. Bank, which had assets in the large bank range, was not included in this analysis. This bank's performance was evaluated under the Wholesale Bank examination procedures.

Table 4-2: Large Banks by Year of CRA Exams

Year of CRA Exams	Total	Percent
2002	1	1.7%
2006	1	1.7%
2007	1	1.7%
2008	9	15.0%
2009	14	23.3%
2010	22	36.7%
2011	12	20.0%

[14] It was easier to classify investments for either housing or small business than it was for community development loans. Hence, although total community development loan levels were higher than investment levels, our findings report lower dollar amounts for community development housing and small business loans than investments.

Table 4-3: Top Five Banks in Appalachia

Bank Name	Asset Size	State	County	City
Regions Bank	$138,000,000,000	AL	Jefferson	Birmingham
Branch Banking and Trust Company	$126,000,000,000	NC	Forsyth	Winston Salem
Compass Bank	$43,800,000,000	AL	Jefferson	Birmingham
BancorpSouth Bank	$13,232,594,000	MS	Lee	Tupelo
First National Bank of Pennsylvania	$8,800,000,000	PA	Mercer	Greenville
Total amount	$329,832,594,000			

Table 4-4: Large Banks by CRA Rating

Ratings	Overall Test		Lending Test		Investment Test	
	Count	Percent	Count	Percent	Count	Percent
Outstanding	8	13.3%	7	11.7%	11	18.3%
High Satisfactory	0	0	42	70.0%	27	45.0%
Satisfactory	52	86.7%	0	0	0	0%
Low Satisfactory	0	0	11	18.3%	19	31.7%
Needs to Improve	0	0	0	0	3	5.0%
Substantial Noncompliance	0	0	0	0	0	0%

Table 4-5: Comparing Investment and CD Lending to Asset Ratio and Ratings for Investment Test

Ratings	CD Investment Median Ratio over the CRA Exam Time Period	CD Lending Median Ratio over the CRA Exam Time Period
Outstanding	0.46%	0.98%
High Satisfactory	0.28%	0.33%
Satisfactory	0%	0%
Low Satisfactory	0.27%	0.59%
Needs to Improve	0.03%	0.06%
Substantial Noncompliance	0%	0%
All	0.27%	0.54%

Table 4-6: Total Dollar Amount by Type of CD Investment and CD Lending

CD Investment/CD lending type	CD Investment (Total Dollar Amount)	CD Lending (Total Dollar Amount)
For housing	$762,090,445	$155,718,530
For small business	$150,518,999	$82,210,009
Total	$2,384,716,017	$5,420,868,107
Ratio of housing/small business	5.06	1.89

4.4 Mid-Size Banks – Investment and Community Development Lending

Mid-size banks (called intermediate small banks in the CRA regulations) are institutions with approximately $250 million to $1 billion in assets (the asset level is adjusted annually to take inflation into account). Their CRA exams differ from large bank exams in that they have a lending test and a community development test. The community development test is of most interest in this chapter because it considers community development lending and investing.

With a median asset size of about $460 million, 119 mid-size banks were headquartered in Appalachia and about 95 percent of them had their most recent CRA exam in 2008 and later. The total assets of the mid-size banks were $68 billion. Interestingly, this aggregate asset level compares favorably to the large banks' asset level of approximately $104 billion in assets after removing the five largest banks. Thus, mid-size banks should not be under-estimated as a resource for community development financing in Appalachia, especially since their assessment areas (geographical areas on CRA exams) are more likely to be completely within the boundaries of Appalachia than their large bank counterparts.

As measured by ratings, mid-size banks were more successful on their community development test than their lending test (see Table 4-9). Almost 19 percent of the Appalachian mid-size banks received an Outstanding rating on their community development test while just 8.4 percent and 7.6 percent received Outstanding on their Lending test or on their overall rating, respectively.

Higher ratings are associated with higher levels of community development lending and investment (see Table 4-10). For example, mid-size banks with Outstanding ratings on the community development test had a median investment to asset ratio over the exam time period of 0.53 percent compared to 0.13 percent for banks with Satisfactory ratings. The median dollar amount was $3.5 million in investments for a mid-size bank with an Outstanding rating compared to $529,000 in median investments for a mid-size bank with a Satisfactory rating. Another interesting finding is that the mid-size banks with Outstanding ratings on the community development test have higher investment to asset ratios (0.53 percent compared to 0.46 percent) and community development lending to asset ratios (1.67 percent compared to 0.98 percent) than large banks with Outstanding ratings.

This is not to imply that mid-size banks performed better than large banks since the ratings are not directly comparable due to differences in the component tests. Instead, this suggests that mid-size banks were likely performing at a level comparable to large banks and thus should not be over-looked as a resource for small business financing in Appalachia. In addition, a preference for Outstanding ratings applies to mid-size as well as large banks; it is desirable to work with as many mid-size banks as possible to secure Outstanding ratings which correspond to higher levels of community development financing.

Just as with large banks, the mid-size banks financed affordable housing to a much greater extent than small business development (see Table 4-11). Mid-size banks' investment in affordable housing was 3.5 times greater than in small business with $81.6 million for affordable housing and $23.2 million for small business during the exam time periods. Likewise, mid-size banks' community development lending was 1.8 times greater for affordable housing ($261.1 million) than for small business development ($143.9 million). Again, the point is not to decrease affordable housing in favor of small business but to present more opportunities for mid-size banks to increase their financing of small business development.

Table 4-7: Descriptive Statistics of Mid-Size Banks in Appalachia

Number	119
Median asset size	$460,803,000
Total assets of large banks	$68,489,771,500
Median CRA exam cycle	2.83

Table 4-8: Mid-Size Banks by Year of CRA Exams

Year of CRA Exams	Total	Percent
2006	1	0.84%
2007	5	4.20%
2008	19	15.97%
2009	32	26.89%
2010	37	31.09%
2011	25	21.01%

Table 4-9: Mid-Size Banks by CRA Rating

	Overall Test		Lending test		Community Development test	
Ratings	Count	Percent	Count	Percent	Count	Percent
Outstanding	9	7.6%	10	8.4%	22	18.5%
High Satisfactory	0	0%	3	2.5%	1	0.8%
Satisfactory	108	90.8%	103	86.6%	91	76.5%
Low Satisfactory	0	0%	0	0%	2	1.7%
Needs to Improve	2	1.7%	1	0.8%	1	0.8%
Substantial Noncompliance	0	0%	0	0%	0	0%

Table 4-10: Comparing Investment and CD Lending to Asset Ratio and Ratings for Investment Test

CRA Ratings For Community Development Test	Median of Community Investment	CD Investment Median Ratio over the CRA Exam Time Period	Median of Community Lending	CD Lending Median Ratio over the CRA Exam Time Period
Outstanding	3,530,000	0.53%	8,512,850	1.67%
High Satisfactory*	99,000	0.01%	0	0.00%
Satisfactory	529,063	0.13%	3,950,000	0.93%
Low Satisfactory	1,102,500	0.14%	8,950,000	1.20%
Needs to Improve*	5,705	0.00%	0	0%
Substantial Noncompliance	0	0%	0	0%
All	853,284	0.17%	4,300,000	1.03%

*Note: Only one bank with this rating for community development test

Table 4-11: Total Dollar Amount by Type of CD Investment and CD Lending

CD Investment/CD Lending Type	CD Investment (Total Dollar Amount)	CD Lending (Total Dollar Amount)
For housing	$81,675,532	$261,096,724
For small business	$23,168,686	$143,946,174
Total	$246,613,338	$820,135,971
Ratio of housing/small business	3.53	1.81

4.5 Total Investment and Community Development Lending Levels

Despite the financial crisis, the level of community development lending and investing was greater for banks in this study than in NCRC's previous study for ARC.[15] In the sample for this study, the total community development lending and investing was $8.8 billion for large and mid-size banks based in Appalachia during a three-year time period compared to $5.4 billion in the last study.[16] In addition, the amount of community development lending and investing for small business was $399 million for this study compared to $291 million in other previous study.

An explanation for the difference in community development lending and investment levels documented by the two studies is the difference of the top five banks. In the current study, the top five banks had assets of $329.8 billion while the top five in the 2007 study had assets of $253.3 billion. This surge in assets translated to community development investments and lending of the top five as being $3 billion more for the 2012 study than the 2007 study.

This finding should not lead to conclusions that consolidation in the banking industry has a beneficial impact for community development lending and investing. While regions of the country might have experienced increases, the amount of community development lending, as indicated by data from the Federal Financial Institutions Examination Council, has declined significantly in the nation over the last few years.[17] Moreover, it must be remembered that the community development lending and investing of the top five banks located in Appalachia is not solely for Appalachian counties. The top five banks are very large institutions serving several states, meaning that their community development lending and investing is most likely spread across a large area. Yet, the top five banks are clearly an important resource for Appalachia.

4.6 Examples of Small Business Financing

Community development financing geared for small businesses included investments in Small Business Investment Corporations (SBICs), grants to Community Development Financial Institutions (CDFI), and financing for small business-related infrastructure projects such as industrial parks undertaken by local

[15] The previous NCRC study for ARC can be accessed via http://www.arc.gov/research/researchreportdetails.asp?REPORT_ID=8.
[16] The median time period covered by a CRA exam in this study was approximately three years where it was 2.5 years in the previous study.
[17] The level of community development lending declined nationally from $63.8 billion in 2007 to $40.3 billion in 2010.

industrial development agencies. Immediately below are examples of small business financing throughout Appalachia discussed on CRA exams. These include:

- Branch Banking and Trust, a large bank located in Winston Salem, North Carolina which is in a small metropolitan county in South Central Appalachia, made a Small Business Investment Corporation (SBIC) investment in Capital Partners of $134.1 million.
- Bartow County Bank of Georgia, located in Southern Appalachia, made a grant to Appalachian Community Enterprises, a CDFI that specializes in small business lending of under $35,000.
- Southern Community Bank and Trust, a bank with $1.8 billion in assets located in Winston Salem, North Carolina, had a $4 million investment in Salem Halifax Capital Partners SBIC recorded by the previous exam. The most recent CRA exam discussed a $1.7 million investment in Solomon Hess SBA loan fund, which is a community development entity.
- United Bank, a bank with $3.5 billion in assets located in Parkersburg, West Virginia, made a $920,000 investment in United Venture Fund, a new markets venture capital company that specializes in small business equity investment. The bank also made a $20,000 equity investment in the Ohio Valley Community Development Corporation (CDC) that finances small businesses.
- Wesbanco, a bank with $5.4 billion in assets located in Wheeling, West Virginia, made an equity investment in the Appalachian Center for Economic Networks and in venture capital firms serving Appalachia including Adena Ventures and Mountaineer Capital.
- Carter Bank and Trust, a bank with $2.7 billion in assets located in South Central Appalachia in Martinsville, Virginia, made a $4 million loan to the Industrial Development Authority of Henry County for land acquisition to develop an industrial park.
- Hometrust Bank, a bank with assets of $1.5 billion in Haywood County, North Carolina, invested $800,000 in a SBIC called Plexus Fund and made $9.8 million in SBA 504 loans.
- CB&S Bank, a $1.2 billion bank based in Russellville, Alabama made four lines of credit of $839,000 available to a nonprofit corporation in a low-income tract in Greenville, Mississippi; the nonprofit provides venture capital to small businesses and rental space to start-ups. The bank donated $100,000 for the development of the Shoals Center for Business and Economic Development in Florence, Alabama; the Center provides site assistance for relocation of businesses and research support for businesses.
- The Farmers National Bank of Canfield, Ohio, with assets of $879 million, participates in loan funds for small business including a public-private fund, Ohio GROW Now, and the Ohio Capital Access Program for working capital loans.

In a number of cases, the CRA exams recorded a paucity of investments by banks and stated that investment opportunities are limited in the bank's assessment area (geographical area on CRA exams). Hopefully, stakeholders working with ARC can identify and develop the infrastructure needed to support more investment, particularly in counties discussed immediately below in which banks make low amounts of small business investments.

4.7 COMMUNITY DEVELOPMENT FINANCING BY COUNTY CLASSIFICATION

In order to assess community development lending and investment resources within Appalachia, Table 4-12 below shows the dollar amount of bank assets with large bank and mid-size bank CRA exams and their financing for small business development.

At $14 billion, Central Appalachia has the lowest dollar amount of assets subject to mid-size and large bank CRA exams while Southern Appalachia has the largest dollar amount of assets at $230 billion. Large metropolitan counties have the largest dollar amount of assets while non-metropolitan counties adjacent to large metropolitan counties have the lowest dollar amount of assets. Economically distressed counties have just $3 billion in bank assets while competitive counties have $331 billion in bank assets subject to mid-size and large bank CRA exams.

Banks located in South Central Appalachia, small metropolitan counties, and competitive counties offered the largest amounts of investments for small businesses at $147.9 million, $158.3 million, and $150.6 million, respectively during the CRA exam time period. Conversely, banks located in Central Appalachia, non-metropolitan counties adjacent to large metropolitan counties, and economically distressed counties offered the smallest amounts of investments for small businesses at $419,000, $430,000, and $753,000, respectively (see Figures 4-1 through 4-3).

Banks with the largest amounts of community development lending for small businesses ranging from $78 million to $143 million were located in Southern Appalachia, small metropolitan counties, and transitional counties. In contrast, banks making the lowest amounts of community development lending for small businesses of $2 million to $6 million were in North Central Appalachia, non-metropolitan counties adjacent to large metropolitan counties, and economically distressed counties (see Table 4-12).

The median ratios of investments to assets and community development loans to assets suggest that banks across Appalachia are robust in terms of their CRA development financing. The ratios are not consistently lower in disadvantaged counties in Appalachia. For example, the ratios in distressed and at-risk counties are generally higher than in transitional, competitive, and attainment counties. Moreover, there does not appear to be a direct correlation between the ratios and the level of financing for small business. The median ratio of investment to assets for large metropolitan counties is higher than that for small metropolitan counties but the level of investment for small business in small metropolitan counties is 17 times higher. Interestingly, total asset levels for the banks in large metropolitan and small metropolitan counties are also similar. It appears that the explanation for the vast difference in investment dollars for small business in these two county categories is the specialization of the banks; banks in small metropolitan counties might be specialists in small business financing while those in large metropolitan counties devote the majority of their investment dollars to affordable housing or other community development activities.

Figure 4-1: Investments in Small Business by Region*

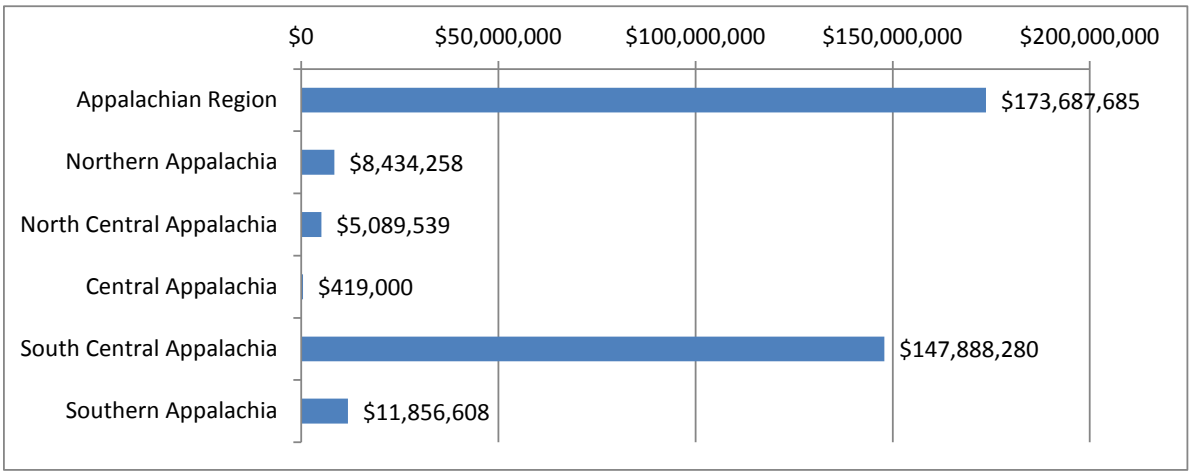


Figure 4-2: Investments in Small Business by County Type*

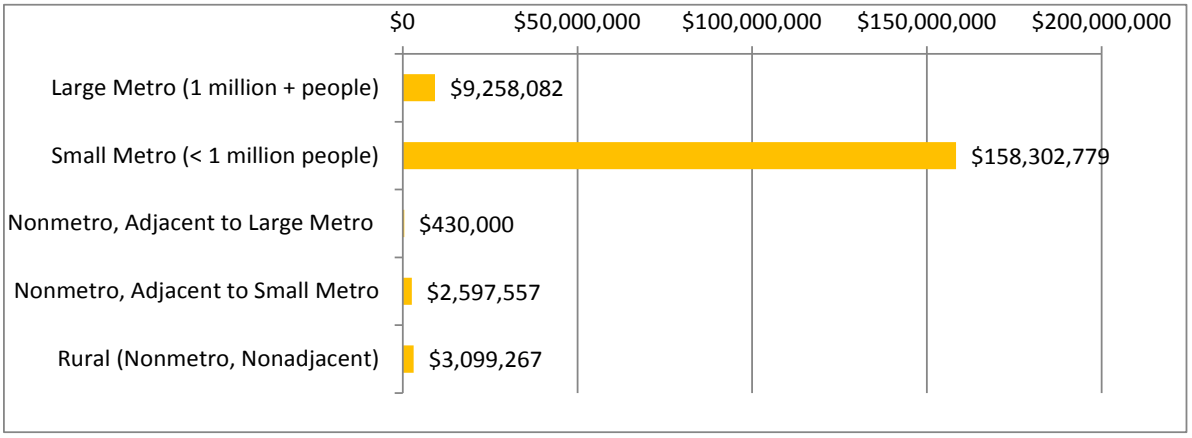
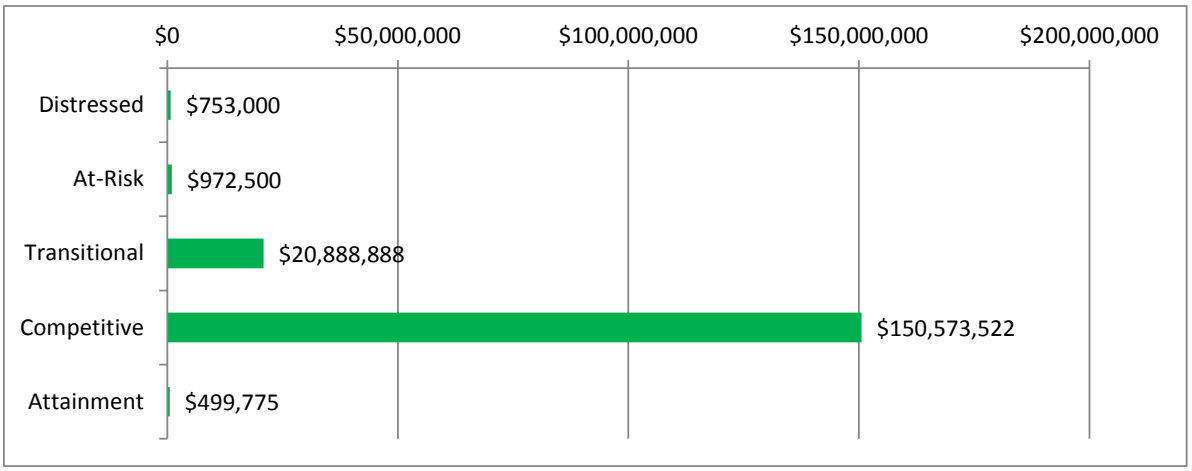


Figure 4-3: Investments in Small Business by Economic Status*



*Note: The dollar amounts in these graphs reflect investments of banks located in the various county categories. The dollar amounts are not necessarily what each county category receives. In other words, the investments are made by the institutions in these county types and not necessarily made to recipients in these county types.

Table 4-12: CD Investment and CD Lending by County Type

	Number of Banks	Total Assets	Amount of Investment for Small Business	Amount of CD Lending for Small Business	CD Investment Median Ratio over the CRA Exam Time Period	CD Lending Median Ratio over the CRA Exam Time Period
Appalachian Region	**179**	**$502,012,975,500**	**$173,687,685**	**$226,156,183**	**0.18%**	**0.86%**
Subregions						
Northern Appalachia	65	$81,708,803,000	$8,434,258	$62,821,604	0.14%	0.64%
North Central Appalachia	16	$17,028,048,000	$5,089,539	$1,926,800	0.21%	0.39%
Central Appalachia	18	$14,001,292,000	$419,000	$22,487,483	0.24%	1.11%
South Central Appalachia	37	$158,978,380,000	$147,888,280	$60,742,973	0.29%	0.94%
Southern Appalachia	43	$230,296,452,500	$11,856,608	$78,177,323	0.30%	1.05%
County Types						
Large Metro (1 million + people)	26	$203,142,230,000	$9,258,082	$19,003,513	0.37%	0.73%
Small Metro (< 1 million people)	68	$196,915,140,500	$158,302,779	$110,343,728	0.15%	1.00%
Nonmetro, Adjacent to Large Metro	14	$18,610,952,000	$430,000	$6,127,120	0.12%	1.27%
Nonmetro, Adjacent to Small Metro	45	$42,972,537,000	$2,597,557	$35,491,475	0.28%	0.53%
Rural (Nonmetro, Nonadjacent)	26	$40,372,116,000	$3,099,267	$55,190,347	0.27%	0.98%
Economic Status						
Distressed	7	$3,141,537,000	$753,000	$2,399,000	0.37%	1.20%
At-Risk	20	$15,302,094,000	$972,500	$32,729,247	0.26%	1.05%
Transitional	120	$148,672,748,500	$20,888,888	$143,149,423	0.17%	0.93%
Competitive	27	$331,555,451,000	$150,573,522	$46,817,513	0.30%	0.61%
Attainment	5	$3,341,145,000	$499,775	$1,061,000	0.23%	0.49%

CHAPTER 5 SMALL BUSINESS ADMINISTRATION (SBA) LENDING

5.1 SUMMARY

The analysis of private sector lending identified categories of counties within Appalachia that are relatively underserved when considering small business loans and investments. The analysis of public sector programs like the SBA 7a guarantee lending program and the SBA 504 loan program are an important complement to the private sector lending analysis provided in this study. Studying public sector programs informs judgments about whether these public programs have the capacity to address credit gaps in underserved geographies and/or whether they are effectively targeting counties relatively underserved by the private sector.

- The SBA (Small Business Administration) 7a program guarantees a small volume of loans nationally when compared to overall business lending. Loans receiving SBA 7a guarantees were approximately 1 percent of the loans reported by banks covered by CRA for 2007 and 2010.

- SBA lending was not as successful in reaching small businesses in Appalachia as in the nation. In 2010, about 15.3 SBA 7a loans were issued per 10,000 small businesses in Appalachia as compared with 21.9 loans per 10,000 small businesses in the nation. SBA 7a lending levels were 30 percent less in Appalachia than the nation by 2010.

- Within Appalachia, SBA 7a lending per 10,000 small businesses was lower in distressed, rural, and Central Appalachian counties when compared to attainment, metropolitan, and Northern Appalachian counties. In 2010, lenders made 9.7 loans per 10,000 small businesses in distressed counties, while they made 20.2 SBA 7a loans per 10,000 small businesses in attainment counties.

- In 2007, SBA 7a lending was provided in proportion to the portion of the population that was minority in Appalachia, but by 2010 lending to minority-owned businesses dropped and was no longer in proportion to the population. However, the gap between the percent of 7a lending to minority-owned businesses and the percent of minorities in the population was greater for the nation than for Appalachia. SBA 7a lending to woman-owned businesses was not in proportion to the percentage of women in the population, and this gap was greatest in disadvantaged counties such as distressed counties and those in Central Appalachia.

- SBA 504 lending assists small businesses in acquiring land and large equipment. It has small lending volumes in Appalachia; only 325 SBA 504 loans were offered in Appalachia in 2010. Within Appalachia, SBA 504 lending volumes were the lowest in Central Appalachia, rural counties, and distressed counties. In 2007, lenders made one SBA 504 loan per 10,000 small businesses in distressed counties while they made 6.5 loans per 10,000 small businesses in attainment counties. The disparity in 2010 was similar.

Private lenders, the SBA, community organizations, and other stakeholders should work together to more effectively target SBA lending to disadvantaged parts of Appalachia. Instead of mirroring disparities in private sector lending, SBA lending should be counteracting the disparities in a more effective fashion.. In particular, greater outreach to woman-owned businesses is needed, while trends in lending to minority-owned businesses should be monitored to ensure that their access to SBA lending does not diminish.

5.2 SMALL BUSINESS ADMINISTRATION (SBA) 7A LENDING

The Small Business Administration (SBA) provides guarantees insuring lenders against losses on loans under its 7a program. [18] These guarantees are intended to assist lenders that target traditionally underserved small businesses. According to the SBA website, "The 7(a) Loan Program includes financial help for businesses with special requirements. For example, funds are available for loans…to businesses that operate in rural areas, and for other very specific purposes."

In keeping with this mission, the SBA releases data on whether the small business borrower is minority-owned or women-owned. This analysis will assess to what extent SBA loans effectively target disadvantaged communities such as distressed counties or rural counties and whether SBA loans are effectively reaching minority and women entrepreneurs.

In 2007, the number of SBA 7a loans was just a small fraction of the total number of small business loans reported per the CRA requirements. Banks reported 13,078,967 and 781,396 CRA small business loans in the nation and in Appalachia in 2007, respectively. In contrast, banks reported just 99,606 and 4,796 SBA 7a loans in the nation and in Appalachia, respectively, during 2007. SBA lending levels were less than 1 percent of CRA loan levels in Appalachia and the United States in 2007 and 2010.

SBA lending declined by about half from 2007 through 2010. In Appalachia, the decline in SBA 7a loans was from 4,796 loans in 2007 to 2,415 loans in 2010 (see Table 5-1).

Banks are less successful in making SBA 7a loans in Appalachia as compared to the nation. In the nation, banks issued 45.7 SBA 7a loans per 10,000 businesses but just 29.8 SBA 7a loans per 10,000 businesses were issued in Appalachia during 2007 (see Figure 5-1). About 15.3 SBA 7a loans per 10,000 small businesses were issued in Appalachia in 2010, while 21.9 SBA 7a loans per small businesses were issued in the nation during 2010 (see Table 5-2 which shows similar disparity ratios in 2007 and 2010 comparing Appalachia and the nation). The index maps (see Maps 5-1 and 5-2) for SBA 7a lending reinforce the finding that SBA 7a is less successful in Appalachia overall than the nation. Except for the Northern Appalachia subregion, SBA 7a lending levels are generally lower than that of the country as shown by the predominance of the white and red shaded counties.

Within Appalachia, SBA 7a lending is not focusing on disadvantaged communities. In distressed counties, lenders offered 10.8 SBA 7a loans per 10,000 small businesses while in attainment counties, lenders offered 49.2 SBA 7a loans per 10,000 small businesses during 2007 (see Figure 5-3). In 2010, lenders made 9.7 loans per 10,000 small businesses in distressed counties and 20.2 SBA 7a loans per 10,000 small businesses in attainment counties. Similar disparities occur when comparing metropolitan and rural counties and Northern Appalachia to Central Appalachia (see Figures 5-1 and 5-2).

[18] See SBA website, http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs/7a-loan-program.

Figure 5-1: Number of SBA 7a Loans per 10,000 Small Businesses by Region

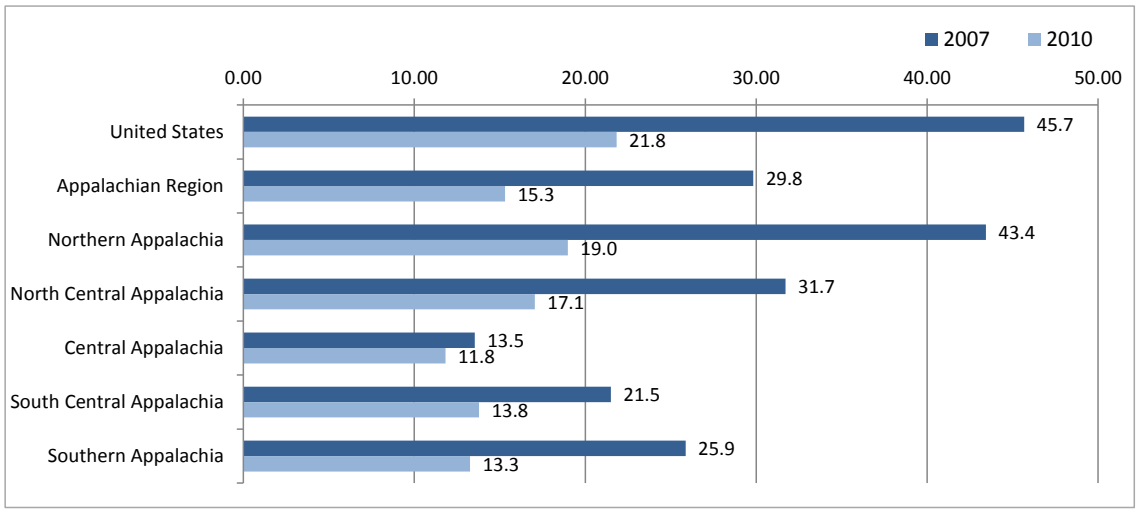


Figure 5-2: Number of SBA 7a Loans per 10,000 Small Businesses by County Type

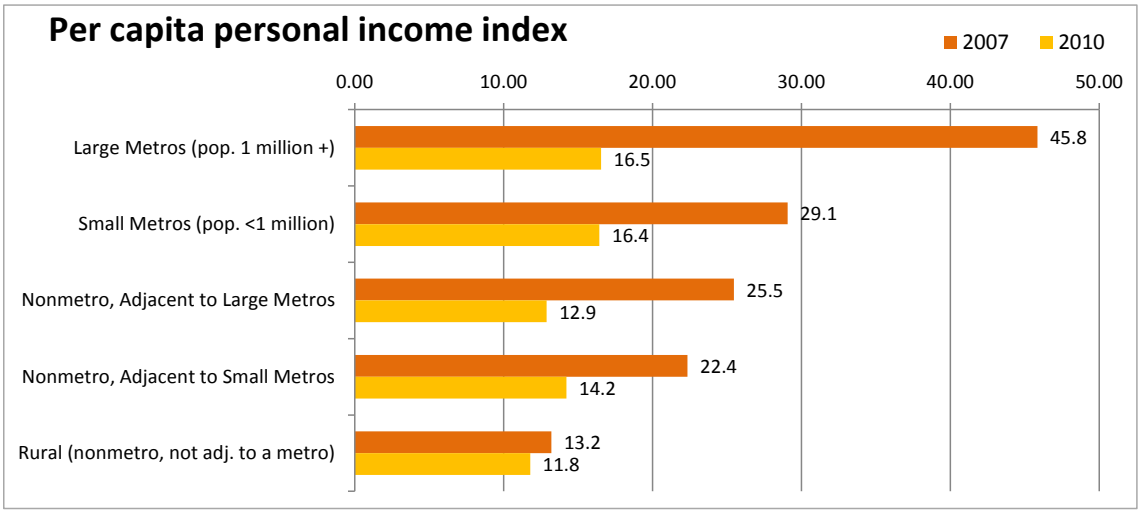
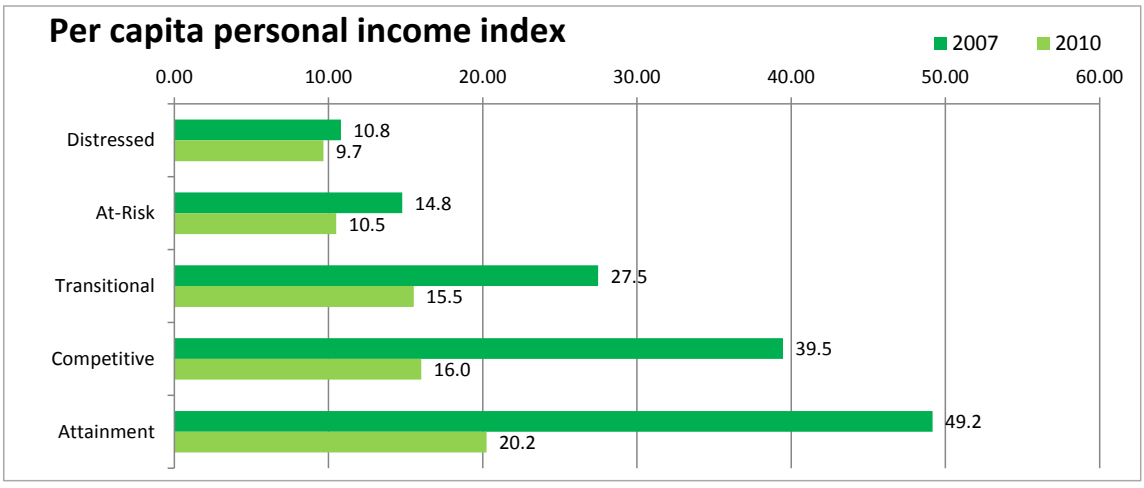
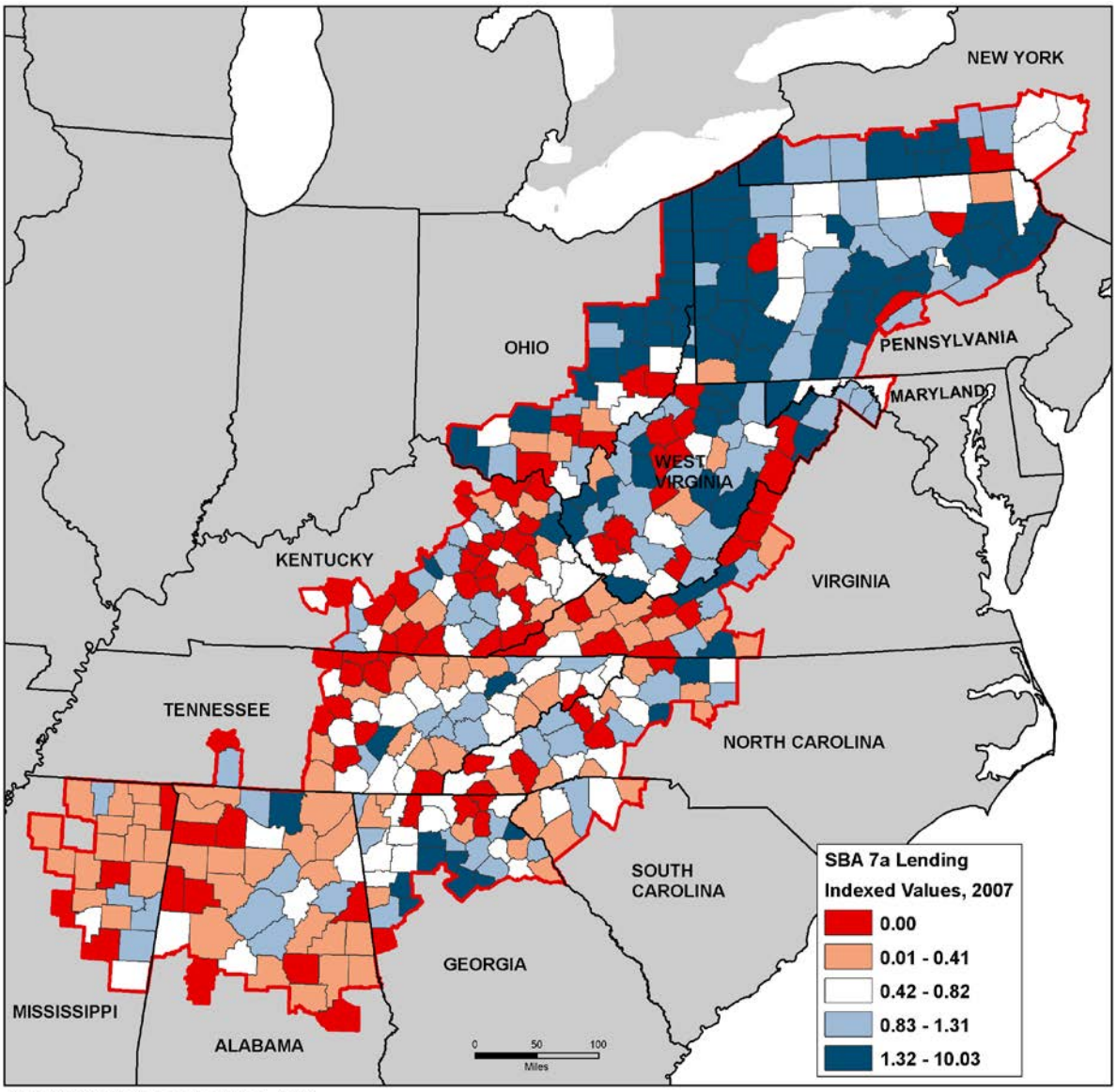


Figure 5-3: Number of SBA 7a Loans per 10,000 Small Businesses by Economic Status



Map 5-1: SBA 7a Lending Index, 2007

Ratio of SBA 7a Loans per 10,000 Small Businesses, Indexed Values (U.S. =1)

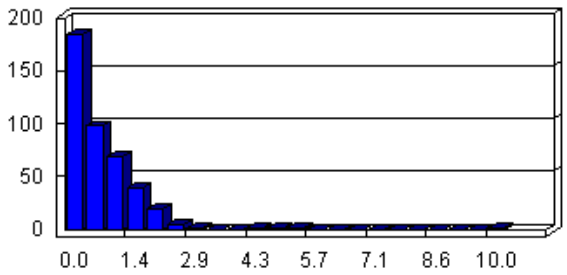


Map Title: SBA 7a Lending Index, 2007
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: SBA lending programs, CRA small business loan data and Dun and Bradstreet (D&B), 2007

Statistics of Indexed Values

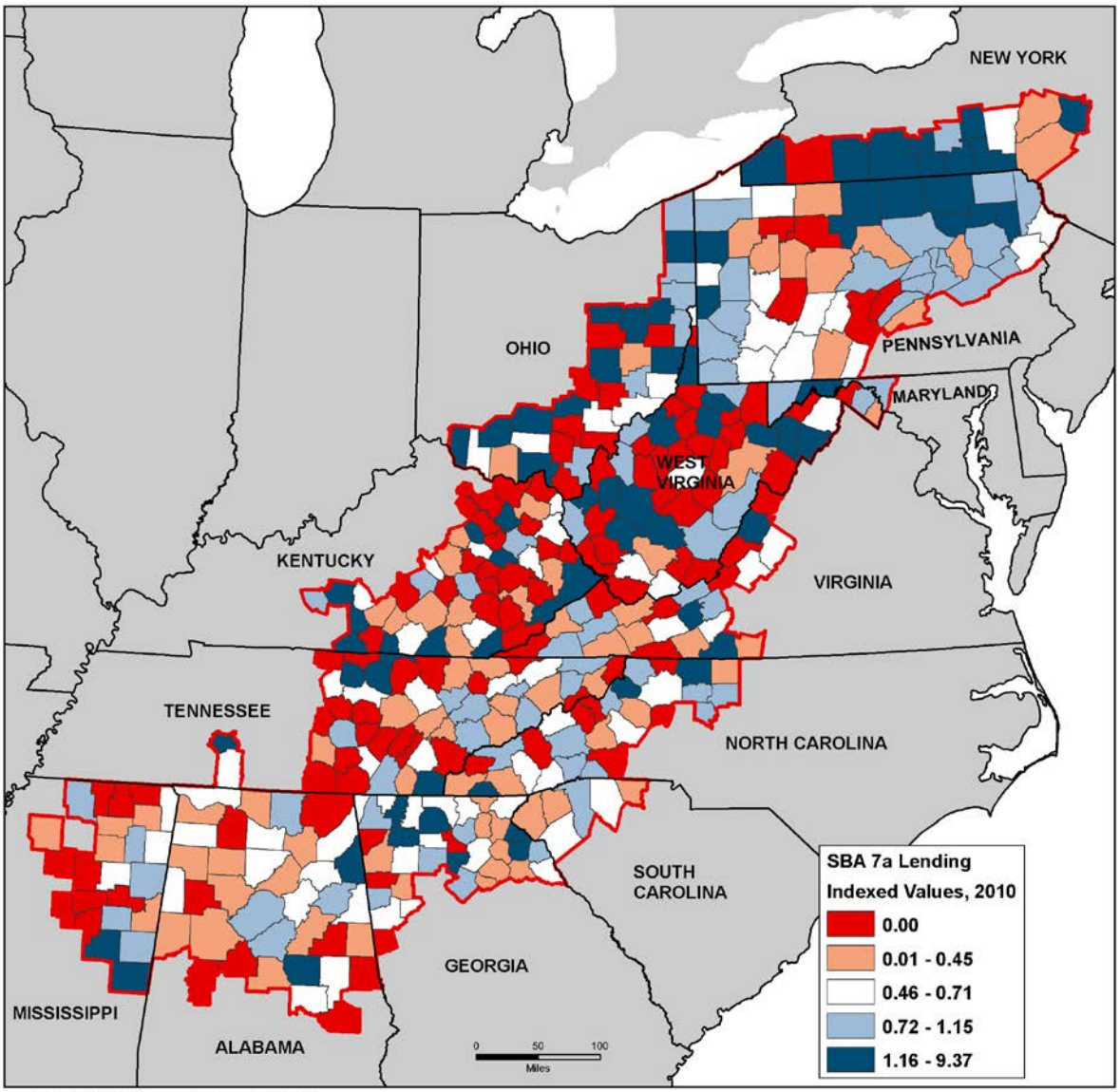
Count	420
Minimum	0
Maximum	10.03
Mean	0.773
Standard Deviation	0.866

Histogram of Indexed Values



Map 5-2: SBA 7a Lending Index, 2010

Ratio of SBA 7a Loans per 10,000 Small Businesses, Indexed Values (U.S. =1)



Map Title: SBA 7a Lending Index, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: SBA lending programs, CRA small business loan data and Dun and Bradstreet (D&B), 2010

Statistics of Indexed Values

Count	420
Minimum	0.1
Maximum	9.366
Mean	0.697
Standard Deviation	0.884

Histogram of Indexed Values

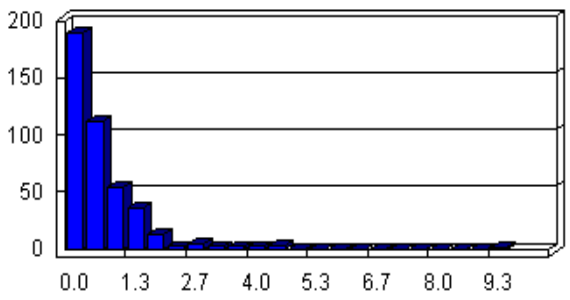


Figure 5-4: Number of SBA 7a Loans per 10,000 Small Businesses by State

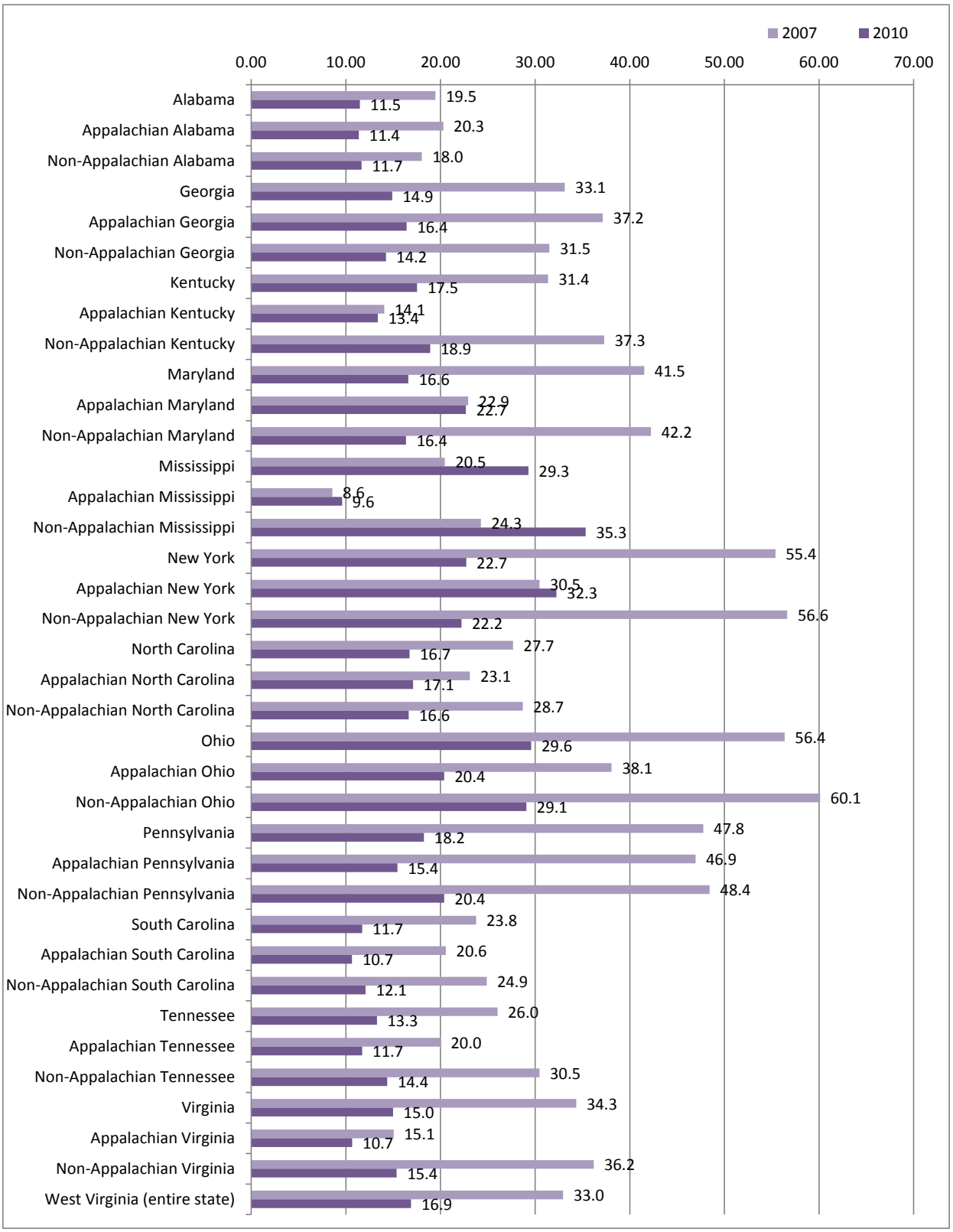


Table 5-1: Number of SBA 7a Loans per 10,000 Businesses in Appalachia

	2007			2010		
	Number of SBA 7a Loans	Number of Small Businesses	Number of SBA 7a Loans per 10,000 Small Businesses	Number of SBA 7a Loans	Number of Small Businesses	Number of SBA 7a Loans per 10,000 Small Businesses
United States	**99,606**	**21,808,201**	**45.7**	**47,000**	**21,530,378**	**21.8**
Appalachian Region	**4,796**	**1,607,645**	**29.8**	**2,415**	**1,577,370**	**15.3**
Subregions						
Northern Appalachia	2,073	477,301	43.4	915	482,014	19.0
North Central Appalachia	409	128,944	31.7	213	124,926	17.1
Central Appalachia	156	115,266	13.5	129	109,122	11.8
South Central Appalachia	660	307,059	21.5	420	304,728	13.8
Southern Appalachia	1,498	579,075	25.9	738	556,580	13.3
County Types						
Large Metros (pop. 1 million +)	1,813	395,470	45.8	669	404,330	16.5
Small Metros (pop. <1 million)	1,783	613,330	29.1	993	604,234	16.4
Nonmetro, Adjacent to Large Metros	278	109,171	25.5	134	103,911	12.9
Nonmetro, Adjacent to Small Metros	673	301,104	22.4	415	291,784	14.2
Rural (nonmetro, not adj. to a metro)	249	188,570	13.2	204	173,111	11.8
Economic Status						
Distressed	97	89,777	10.8	84	86,870	9.7
At-Risk	215	145,503	14.8	145	138,028	10.5
Transitional	2,440	887,755	27.5	1,406	905,985	15.5
Competitive	1,206	305,587	39.5	468	292,327	16.0
Attainment	668	135,857	49.2	312	154,160	20.2
Alabama	**613**	**314,870**	**19.5**	**347**	**302,408**	**11.5**
Appalachian Alabama	405	199,561	20.3	219	192,538	11.4
Non-Appalachian Alabama	208	115,309	18.0	128	109,870	11.7
Georgia	**2,747**	**828,977**	**33.1**	**1,180**	**792,556**	**14.9**
Appalachian Georgia	888	239021	37.2	391	238,124	16.4
Non-Appalachian Georgia	1,859	589,956	31.5	789	554,432	14.2
Kentucky	**954**	**304,048**	**31.4**	**522**	**297,724**	**17.5**
Appalachian Kentucky	109	77,542	14.1	99	74,004	13.4
Non-Appalachian Kentucky	845	226,506	37.3	423	223,720	18.9
Maryland	**1,612**	**388,206**	**41.5**	**647**	**389,579**	**16.6**
Appalachian Maryland	33	14,392	22.9	34	14,993	22.7
Non-Appalachian Maryland	1,579	373,814	42.2	613	374,586	16.4
Mississippi	**591**	**288,779**	**20.5**	728	248,541	29.3
Appalachian Mississippi	60	69,965	8.6	56	58,339	9.6
Non-Appalachian Mississippi	531	218,814	24.3	672	190,202	35.3
New York	**7,781**	**1,404,794**	**55.4**	**2,849**	**1,253,951**	**22.7**
Appalachian New York	205	67,312	30.5	201	62,314	32.3
Non-Appalachian New York	7,576	1,337,482	56.6	2,648	1,191,637	22.2
North Carolina	**1,702**	**615,139**	**27.7**	**1,044**	**624,133**	**16.7**
Appalachian North Carolina	261	112,966	23.1	189	110,530	17.1
Non-Appalachian North Carolina	1,441	502,173	28.7	855	513,603	16.6
Ohio	**3,898**	**691,536**	**56.4**	**1,974**	**667,427**	**29.6**
Appalachian Ohio	447	117,389	38.1	231	113,316	20.4
Non-Appalachian Ohio	3,451	574,147	60.1	1,611	554,111	29.1
Pennsylvania	**3,398**	**711,343**	**47.8**	**1,392**	**763,099**	**18.2**
Appalachian Pennsylvania	1,504	320,365	46.9	513	332,120	15.4
Non-Appalachian Pennsylvania	1,894	390,978	48.4	879	430,979	20.4
South Carolina	**647**	**272,316**	**23.8**	**313**	**266,975**	**11.7**
Appalachian South Carolina	145	70,528	20.6	72	67,579	10.7
Non-Appalachian South Carolina	502	201,788	24.9	241	199,396	12.1
Tennessee	**1,112**	**427,304**	**26.0**	**561**	**422,466**	**13.3**
Appalachian Tennessee	362	181,133	20.0	209	178,251	11.7
Non-Appalachian Tennessee	750	246,171	30.5	351	244,215	14.4
Virginia	**1,659**	**483,178**	**34.3**	**820**	**547,124**	**15.0**
Appalachian Virginia	64	42,503	15.1	47	44,052	10.7
Non-Appalachian Virginia	1,595	440,675	36.2	773	503,072	15.4
West Virginia (entire state)	**313**	**94,968**	**33.0**	**154**	**91,210**	**16.9**

Table 5-2: Disparity Ratios of SBA 7a Loans per 10,000 Businesses

	Year	Numerator	Denominator	Disparity Ratio
US vs. Appalachia	2007	45.67	29.83	1.53
	2010	21.83	15.31	1.43
Northern vs. Central	2007	43.43	13.53	3.21
	2010	18.98	11.82	1.61
Large Metro vs. Rural	2007	45.84	13.20	3.47
	2010	16.55	11.78	1.40
Attainment vs. Distressed	2007	49.17	10.80	4.55
	2010	20.24	9.67	2.09

5.2.1 SBA 7A LENDING TO MINORITY-OWNED BUSINESSES

In 2010, SBA 7a lending to minority-owned small businesses was highest in the Southern Appalachia subregion at 204 loans (see Table 5-3). Lending to minority-owned businesses was also much higher in metropolitan counties (263 loans) than all rural counties (65 loans). Lastly, minority-owned small businesses received the great majority of their loans (310) in transitional, competitive, and attainment counties while only receiving 19 loans in distressed and at-risk counties. The pattern was similar in 2007 for SBA 7a lending to minority-owned small businesses.

Minority-owned businesses experienced favorable access to SBA 7a lending in Appalachia during 2007. Minority-owned small businesses received about 24 percent of the SBA loans while 15 percent of the population was minority in Appalachia during 2007. The resulting ratio of 1.57 indicates that the percentage of SBA 7a lending to minority-owned firms was greater than the percentage of the population that was minority. In contrast, the ratio of 1 for the nation indicates that the percentage of lending to minority-owned firms equaled the percentage of the population that was minority.

By 2010, the ratios dipped below 1 in both the nation and Appalachia, but the ratio was considerably lower in the nation, meaning that minority-owned firms in Appalachia experienced more access to SBA 7a loans. However, in both the nation and Appalachia, the financial crisis had a disproportionately unfavorable impact on access to SBA 7a loans for minority-owned small businesses.

Within Appalachia, the areas with large percentages of minorities (Southern Appalachia, large metropolitan counties, and attainment counties) had ratios above 1 in 2007 and ratios of between 0.9 and 1 in 2010, meaning that lenders were relatively successful in serving minority-owned small businesses in areas of Appalachia with large minority populations. Interestingly, lenders were generally more successful in serving minority-owned firms in areas with lower percentages of minorities. For examples, the ratios were 3.5 in Central Appalachia, 2.1 in rural counties, and 2.4 in distressed counties in 2007.

SBA 7a lending was less successful in serving women-owned small businesses. The ratios between small business lending to women-owned small businesses and the female population was about 0.5 and 0.4 in 2007 and 2010, respectively, for both Appalachia and the nation. The ratios were higher in advantaged counties such as large metropolitan counties and attainment counties (see Table 5-4). While improvement

is needed in all counties, the greatest improvement in access to loans for women-owned businesses is needed in the disadvantaged counties.

Table 5-3: SBA 7a Loans to Minority-Owned Small Businesses in Appalachia

	2007					2010				
	Overall Approved Loans	Approved Loans to Minority	Percent of Loans to Minority	Percent of Minority Population	Ratio of % of Loans to Minority to % Minority	Overall Approved Loans	Approved Loans to Minority	Percent of Loans to Minority	Percent of Minority Population	Ratio of % of Loans to Minority to % Minority
United States	**99,606**	**35,186**	**35.3%**	**34.7%**	**1.02**	**47,000**	**9,695**	**20.6%**	**36.3%**	**0.57**
Appalachian Region	**4,796**	**1,147**	**23.9%**	**15.2%**	**1.57**	**2,415**	**328**	**13.6%**	**16.4%**	**0.83**
Subregions										
Northern Appalachia	2,073	239	11.5%	9.5%	1.21	915	54	5.9%	10.4%	0.57
North Central Appalachia	409	55	13.4%	6.5%	2.08	213	9	4.2%	6.6%	0.64
Central Appalachia	156	24	15.4%	4.4%	3.50	129	10	7.8%	4.6%	1.70
South Central Appalachia	660	175	26.5%	14.1%	1.88	420	51	12.1%	14.4%	0.84
Southern Appalachia	1,498	654	43.7%	29.3%	1.49	738	204	27.6%	30.0%	0.92
County Types										
Large Metro (1 million + people)	1,813	590	32.5%	21.8%	1.49	669	153	22.9%	25.2%	0.91
Small metro (< 1 million people)	1,783	357	20.0%	16.1%	1.24	993	110	11.1%	16.8%	0.66
Nonmetro, Adjacent to Large Metro	278	47	16.9%	10.1%	1.67	134	13	9.7%	11.3%	0.86
Nonmetro, Adjacent to Small Metro	673	89	13.2%	9.9%	1.34	415	31	7.5%	9.9%	0.76
Rural (Nonmetro, Nonadjacent)	249	64	25.7%	12.0%	2.14	204	21	10.3%	11.0%	0.93
Economic Status										
Distressed	97	33	34.0%	13.9%	2.44	84	9	10.7%	12.5%	0.86
At-Risk	215	48	22.3%	11.7%	1.91	145	10	6.9%	10.0%	0.69
Transitional	2,440	387	15.9%	13.0%	1.22	1,406	132	9.4%	13.7%	0.68
Competitive	1,206	279	23.1%	21.2%	1.09	468	55	11.8%	21.2%	0.55
Attainment	668	369	55.2%	27.3%	2.02	312	122	39.1%	38.7%	1.01
Alabama	**613**	**183**	**29.9%**	**32.0%**	**0.93**	**347**	**60**	**17.3%**	**33.0%**	**0.52**
Appalachian Alabama	405	113	27.9%	31.3%	0.89	219	34	15.5%	29.0%	0.54
Non-Appalachian Alabama	208	70	33.7%	33.3%	1.01	128	26	20.3%	40.1%	0.51
Georgia	**2,747**	**1,523**	**55.4%**	**42.3%**	**1.31**	**1,180**	**430**	**36.4%**	**44.1%**	**0.83**
Appalachian Georgia	888	466	52.5%	24.5%	2.15	391	139	35.6%	31.8%	1.12
Non-Appalachian Georgia	1,859	1,057	56.9%	48.3%	1.18	789	291	36.9%	49.5%	0.75
Kentucky	**954**	**155**	**16.2%**	**12.8%**	**1.27**	**522**	**49**	**9.4%**	**13.7%**	**0.69**
Appalachian Kentucky	109	17	15.6%	4.4%	3.58	99	8	8.1%	4.6%	1.76
Non-Appalachian Kentucky	845	138	16.3%	16.2%	1.01	423	41	9.7%	17.1%	0.57
Maryland	**1,612**	**890**	**55.2%**	**43.2%**	**1.28**	**647**	**211**	**32.6%**	**45.3%**	**0.72**
Appalachian Maryland	33	6	18.2%	10.7%	1.70	34	0	0.0%	13.6%	0.00
Non-Appalachian Maryland	1,579	884	56.0%	44.7%	1.25	613	211	34.4%	46.8%	0.74
Mississippi	**591**	**217**	**36.7%**	**41.2%**	**0.89**	**728**	**99**	**13.6%**	**42.0%**	**0.32**
Appalachian Mississippi	60	36	60.0%	41.5%	1.45	56	8	14.3%	35.2%	0.41
Non-Appalachian Mississippi	531	181	34.1%	41.1%	0.83	672	91	13.5%	43.8%	0.31
New York	**7,781**	**3,248**	**41.7%**	**40.6%**	**1.03**	**2,849**	**618**	**21.7%**	**41.7%**	**0.52**
Appalachian New York	205	33	16.1%	9.1%	1.77	201	9	4.5%	9.9%	0.45
Non-Appalachian New York	7,576	3,215	42.4%	42.5%	1.00	2,648	609	23.0%	43.5%	0.53
North Carolina	**1,702**	**590**	**34.7%**	**33.4%**	**1.04**	**1,044**	**202**	**19.4%**	**34.7%**	**0.56**
Appalachian North Carolina	261	55	21.1%	18.3%	1.15	189	18	9.5%	18.7%	0.51
Non-Appalachian North Carolina	1,441	535	37.1%	36.7%	1.01	855	184	21.5%	38.2%	0.56
Ohio	**3,898**	**567**	**14.5%**	**18.0%**	**0.81**	**1,974**	**184**	**9.3%**	**18.9%**	**0.49**
Appalachian Ohio	447	48	10.7%	8.9%	1.21	231	16	6.9%	8.2%	0.85
Non-Appalachian Ohio	3,451	519	15.0%	20.1%	0.75	1,743	168	9.6%	21.2%	0.46
Pennslyvania	**3,398**	**639**	**18.8%**	**19.2%**	**0.98**	**1,392**	**171**	**12.3%**	**20.5%**	**0.60**
Appalachian Pennsyvania	1,504	168	11.2%	9.2%	1.21	513	34	6.6%	10.5%	0.63
Non-Appalachian Pennsyvania	1,894	471	24.9%	28.6%	0.87	879	137	15.6%	29.0%	0.54
South Carolina	**647**	**234**	**36.2%**	**35.4%**	**1.02**	**313**	**74**	**23.6%**	**36.0%**	**0.66**
Appalachian Carolina	145	39	26.9%	26.8%	1.00	72	23	31.9%	25.5%	1.25
Non-Appalachian Carolina	502	195	38.8%	38.1%	1.02	241	51	21.2%	39.5%	0.54
Tennessee	**1,112**	**517**	**46.5%**	**23.4%**	**1.99**	**561**	**119**	**21.2%**	**24.4%**	**0.87**
Appalachian Tennessee	362	106	29.3%	10.7%	2.74	209	30	14.4%	11.2%	1.28
Non-Appalachian Tennessee	750	411	54.8%	33.0%	1.66	352	89	25.3%	34.6%	0.73
Virginia	**1,659**	**742**	**44.7%**	**33.6%**	**1.33**	**820**	**199**	**24.3%**	**35.2%**	**0.69**
Appalachian Virginia	64	19	29.7%	10.3%	2.88	47	5	10.6%	9.6%	1.11
Non-Appalachian Virginia	1,595	723	45.3%	36.3%	1.25	773	194	25.1%	37.9%	0.66
West Virginia (entire state)	**313**	**41**	**13.1%**	**6.7%**	**1.95**	**154**	**4**	**2.6%**	**6.8%**	**0.38**

Table 5-4: SBA 7a Loans to Women-Owned Businesses in Appalachia

	2007					2010				
	Overall Approved Loans	Approved Loans to Female	Percent of Loans to Female	Percent of Female Population	of Loans to Female to % of Female	Overall Approved Loans	Approved Loans to Female	Percent of Loans to Female	Percent of Female Population	Ratio of % of Loans to Female to % Female
United States	**99,606**	**22,053**	**22.1%**	**50.9%**	**0.44**	**47,000**	**8,584**	**18.3%**	**50.8%**	**0.36**
Appalachian Region	**4,796**	**1,143**	**23.8%**	**51.0%**	**0.47**	**2,415**	**476**	**19.7%**	**50.9%**	**0.39**
Subregions										
Northern Appalachia	2,073	451	21.8%	51.0%	0.43	915	150	16.4%	50.8%	0.32
North Central Appalachia	409	73	17.9%	50.6%	0.35	213	36	16.9%	50.5%	0.33
Central Appalachia	156	30	19.2%	50.6%	0.38	129	16	12.4%	50.4%	0.25
South Central Appalachia	660	166	25.2%	51.2%	0.49	420	96	22.9%	51.2%	0.45
Southern Appalachia	1,498	423	28.2%	51.1%	0.55	738	178	24.1%	51.2%	0.47
County Types										
Large Metro (1 million + people)	1,813	482	26.6%	51.4%	0.52	669	164	24.5%	51.3%	0.48
Small metro (< 1 million people)	1,783	434	24.3%	51.1%	0.48	993	191	19.2%	51.1%	0.38
Nonmetro, Adjacent to Large Metro	278	61	21.9%	50.7%	0.43	134	22	16.4%	50.6%	0.32
Nonmetro, Adjacent to Small Metro	673	112	16.6%	50.6%	0.33	415	63	15.2%	50.4%	0.30
Rural (Nonmetro, Nonadjacent)	249	54	21.7%	50.8%	0.43	204	36	17.7%	50.7%	0.35
Economic Status										
Distressed	97	22	22.7%	50.6%	0.45	84	12	14.3%	50.4%	0.28
At-Risk	215	47	21.9%	50.8%	0.43	145	22	15.2%	50.7%	0.30
Transitional	2,440	525	21.5%	51.0%	0.42	1,406	243	17.3%	50.8%	0.34
Competitive	1,206	325	27.0%	51.5%	0.52	468	101	21.6%	51.7%	0.42
Attainment	668	195	29.2%	50.5%	0.58	312	98	31.4%	50.7%	0.62
Alabama	**613**	**171**	**27.9%**	**51.5%**	**0.54**	**347**	**68**	**19.6%**	**51.5%**	**0.38**
Appalachian Alabama	405	120	29.6%	51.4%	0.58	219	40	18.3%	51.4%	0.36
Non-Appalachian Alabama	208	51	24.5%	52.1%	0.47	128	28	21.9%	51.6%	0.42
Georgia	**2,747**	**805**	**29.3%**	**51.1%**	**0.57**	**1,180**	**283**	**24.0%**	**51.2%**	**0.47**
Appalachian Georgia	888	247	27.8%	50.6%	0.55	391	101	25.8%	50.8%	0.51
Non-Appalachian Georgia	1,859	558	30.0%	51.3%	0.59	789	182	23.1%	51.4%	0.45
Kentucky	**954**	**180**	**18.9%**	**50.9%**	**0.37**	**522**	**82**	**15.7%**	**50.8%**	**0.31**
Appalachian Kentucky	109	12	11.0%	50.6%	0.22	99	13	13.1%	50.5%	0.26
Non-Appalachian Kentucky	845	168	19.9%	51.0%	0.39	423	69	16.3%	50.9%	0.32
Maryland	**1,612**	**478**	**29.7%**	**51.7%**	**0.57**	**647**	**158**	**24.4%**	**51.7%**	**0.47**
Appalachian Maryland	33	9	27.3%	49.2%	0.55	34	4	11.8%	49.1%	0.24
Non-Appalachian Maryland	1,579	469	29.7%	51.8%	0.57	613	154	25.1%	51.8%	0.49
Mississippi	**591**	**149**	**25.2%**	**51.5%**	**0.49**	**728**	**112**	**15.4%**	**51.4%**	**0.30**
Appalachian Mississippi	60	22	36.7%	51.7%	0.71	56	20	35.7%	51.6%	0.69
Non-Appalachian Mississippi	531	127	23.9%	51.5%	0.46	672	92	13.7%	51.4%	0.27
New York	**7,781**	**1,872**	**24.1%**	**51.7%**	**0.47**	**2,849**	**505**	**17.7%**	**51.6%**	**0.34**
Appalachian New York	205	52	25.4%	50.7%	0.50	201	29	14.4%	50.6%	0.29
Non-Appalachian New York	7,576	1,820	24.0%	51.7%	0.46	2,648	476	18.0%	51.7%	0.35
North Carolina	**1,702**	**493**	**29.0%**	**51.2%**	**0.57**	**1,044**	**251**	**24.0%**	**51.3%**	**0.47**
Appalachian North Carolina	261	60	23.0%	51.3%	0.45	189	42	22.2%	51.3%	0.43
Non-Appalachian North Carolina	1,441	433	30.1%	51.2%	0.59	855	209	24.4%	51.3%	0.48
Ohio	**3,898**	**799**	**20.5%**	**51.3%**	**0.40**	**1,974**	**288**	**14.6%**	**51.2%**	**0.29**
Appalachian Ohio	447	79	17.7%	50.8%	0.35	231	28	12.1%	50.6%	0.24
Non-Appalachian Ohio	3,451	720	20.9%	51.4%	0.41	1,743	260	14.9%	51.3%	0.29
Pennslyvania	**3,398**	**663**	**19.5%**	**51.4%**	**0.38**	**1,392**	**241**	**17.3%**	**51.3%**	**0.34**
Appalachian Pennsyvania	1,504	330	21.9%	51.1%	0.43	513	90	17.5%	50.9%	0.34
Non-Appalachian Pennsyvania	1,894	333	17.6%	51.7%	0.34	879	151	17.2%	51.6%	0.33
South Carolina	**647**	**162**	**25.0%**	**51.4%**	**0.49**	**313**	**65**	**20.8%**	**51.4%**	**0.40**
Appalachian Carolina	145	34	23.5%	51.3%	0.46	72	17	23.6%	51.4%	0.46
Non-Appalachian Carolina	502	128	25.5%	51.4%	0.50	241	48	19.9%	51.4%	0.39
Tennessee	**1,112**	**344**	**30.9%**	**51.3%**	**0.60**	**561**	**138**	**24.6%**	**51.3%**	**0.48**
Appalachian Tennessee	362	102	28.2%	51.2%	0.55	209	46	22.0%	51.1%	0.43
Non-Appalachian Tennessee	750	242	32.3%	51.3%	0.63	352	92	26.1%	51.4%	0.51
Virginia	**1,659**	**462**	**27.9%**	**50.9%**	**0.55**	**820**	**196**	**23.9%**	**50.9%**	**0.47**
Appalachian Virginia	64	14	21.9%	50.4%	0.43	47	11	23.4%	50.3%	0.47
Non-Appalachian Virginia	1,595	448	28.1%	51.0%	0.55	773	185	23.9%	51.0%	0.47
West Virginia (entire state)	**313**	**62**	**19.8%**	**50.9%**	**0.39**	**154**	**35**	**22.7%**	**50.7%**	**0.45**

5.3 SBA 504 LENDING

SBA 504 lending is SBA guaranteed lending that is devoted to assisting small businesses with financing for construction, land acquisition, infrastructure improvements, and large equipment. SBA 504 lending is an important source of lending for significantly increasing the capacity of small businesses.

SBA 504 lending is a small program. In 2007, lenders issued 10,669 SBA 504 loans in the nation and 391 loans in Appalachia. By 2010, SBA 504 lending declined to 7,833 loans in the nation and 325 loans in Appalachia.

In 2007 and 2010, SBA 504 lending was lowest in traditionally underserved areas in Appalachia. Central Appalachia received 10 SBA 504 loans in 2007, rural counties received 17 loans, and distressed counties had only 9 loans during this period (see Table 5-5 and Figures 5-5 through 5-7). In 2010, the numbers were almost identical in underserved areas; Central Appalachia received 9 loans, rural counties received 16 loans, and distressed counties had only 4 SBA 504 loans (see Table 5-5).

When measured by loans per small business, the SBA 504 program is not as effective in distressed counties as it is in non-distressed Appalachian counties. In 2007, lenders made one SBA 504 loan per 10,000 small businesses in distressed counties and 6.5 loans per 10,000 small businesses in attainment counties (see Figure 5-7). The disparity in 2010 was similar.

Like SBA 7a lending, SBA 504 lending to minority-owned businesses was concentrated in Southern Appalachia, metropolitan counties, and transitional, competitive, and attainment counties (see Table 5-6).

Figure 5-5: Number of SBA 504 Loans per 10,000 Small Businesses by Region

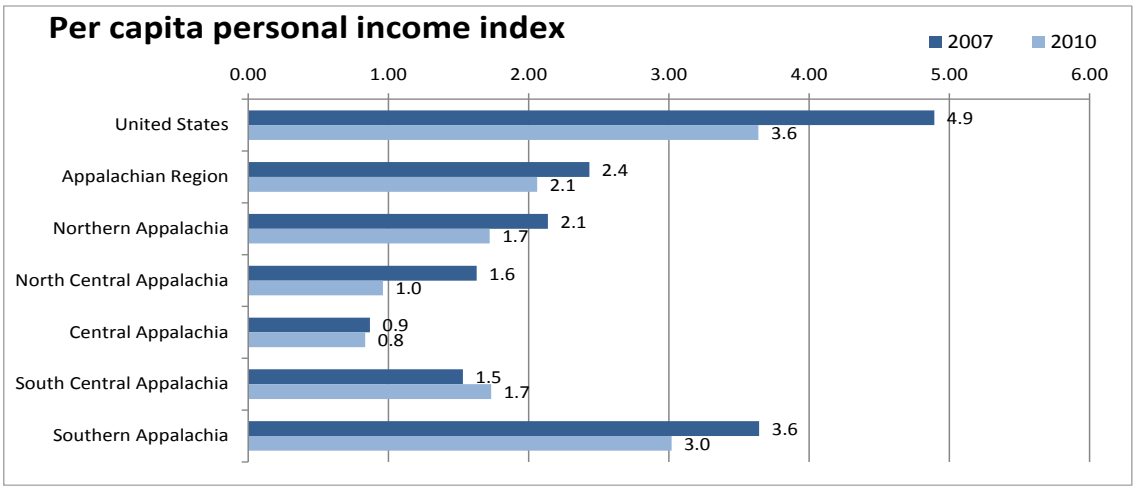


Figure 5-6: Number of SBA 504 Loans per 10,000 Small Businesses by County Type

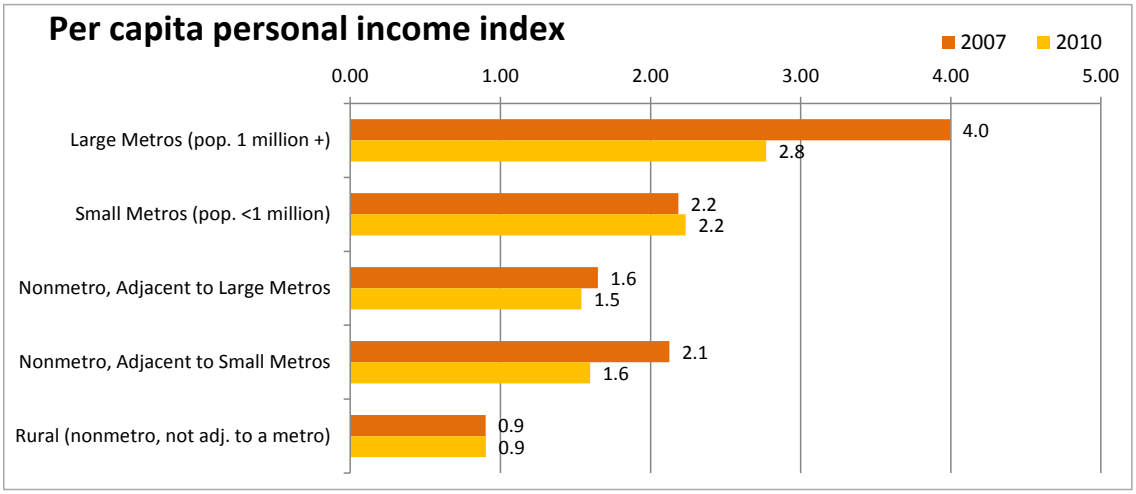


Figure 5-7: Number of SBA 504 Loans per 10,000 Small Businesses by Economic Status

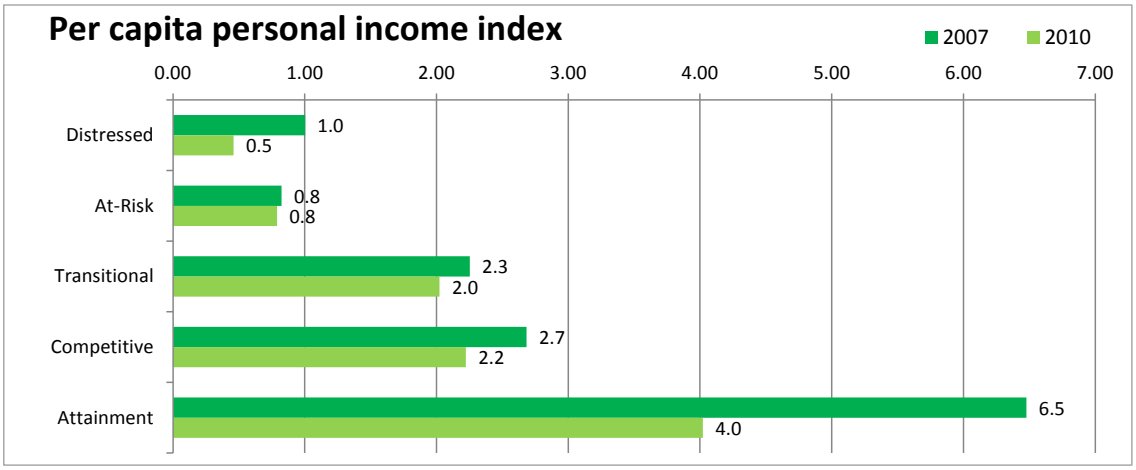


Figure 5-8: Number of SBA 504 Loans per 10,000 Small Businesses by State

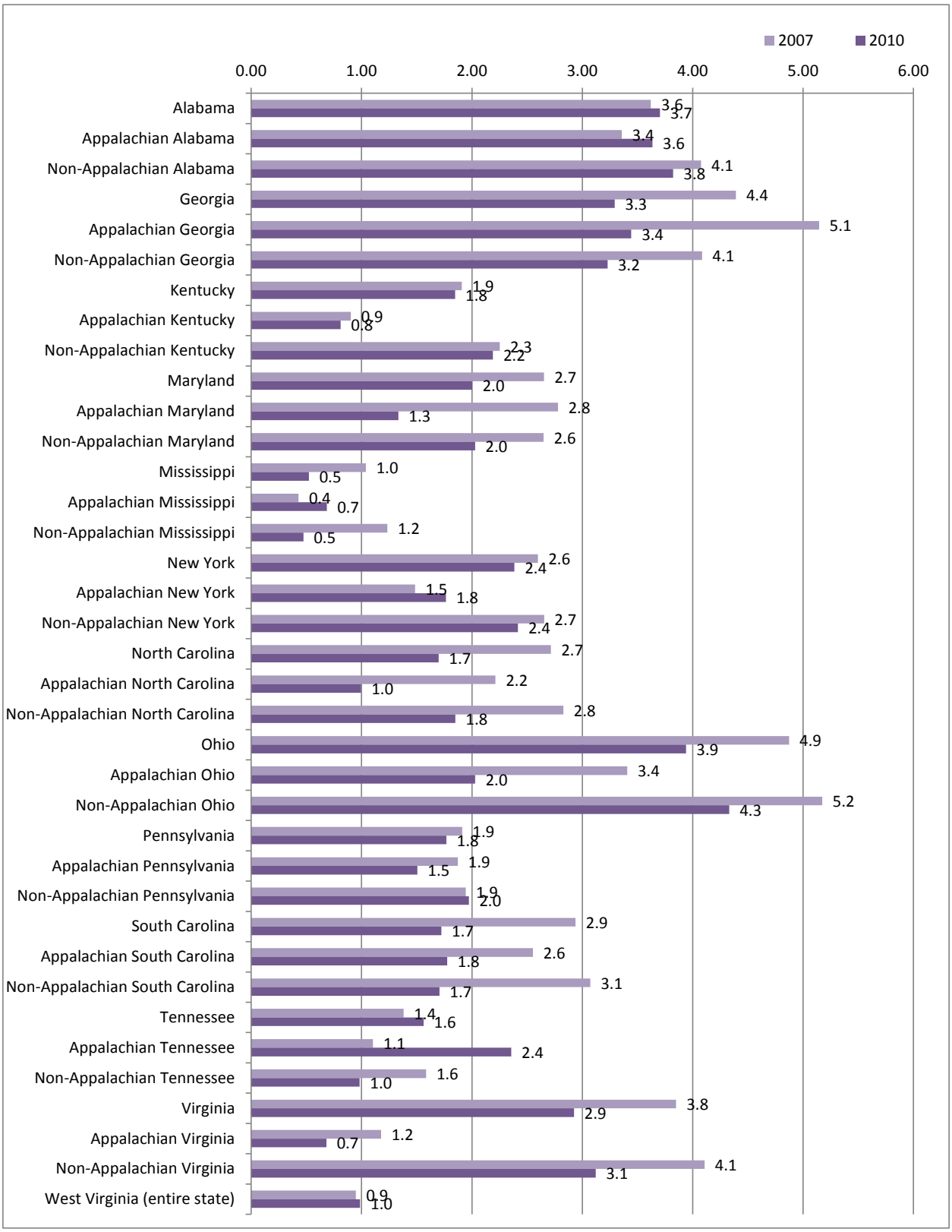


Table 5-5: Number of SBA 504 Loans per 10,000 Businesses in Appalachia

	2007			2010		
	Total Number of SBA 504 Loans	Number of Small Businesses	Number of SBA 504 Loans per 10,000 Small Businesses	Total Number of SBA 504 Loans	Number of Small Businesses	Number of SBA 504 Loans per 10,000 Small Businesses
United States	**10,669**	**21,808,201**	**4.9**	**7,833**	**21,530,378**	**3.6**
Appalachian Region	**391**	**1,607,645**	**2.4**	**325**	**1,577,370**	**2.1**
Subregions						
Northern Appalachia	102	477,301	2.1	83	482,014	1.7
North Central Appalachia	21	128,944	1.6	12	124,926	1.0
Central Appalachia	10	115,266	0.9	9	107,888	0.8
South Central Appalachia	47	307,059	1.5	53	305,962	1.7
Southern Appalachia	211	579,075	3.6	168	556,580	3.0
County Types						
Large Metros (pop. 1 million +)	158	395,470	4.0	112	404,330	2.8
Small Metros (pop. <1 million)	134	613,330	2.2	135	604,234	2.2
Nonmetro, Adjacent to Large Metros	18	109,171	1.6	16	103,911	1.5
Nonmetro, Adjacent to Small Metros	64	301,104	2.1	46	287,892	1.6
Rural (nonmetro, not adj. to a metro)	17	188,570	0.9	16	177,003	0.9
Economic Status						
Distressed	9	89,777	1.0	4	86,870	0.5
At-Risk	12	145,503	0.8	11	139,327	0.8
Transitional	200	887,755	2.3	183	904,686	2.0
Competitive	82	305,587	2.7	65	292,327	2.2
Attainment	88	135,857	6.5	62	154,160	4.0
Alabama	**114**	**314,870**	**3.6**	**112**	**302,408**	**3.7**
Appalachian Alabama	67	199,561	3.4	70	192,538	3.6
Non-Appalachian Alabama	47	115,309	4.1	42	109,870	3.8
Georgia	**364**	**828,977**	**4.4**	**261**	**792,556**	**3.3**
Appalachian Georgia	123	239021	5.1	82	238,124	3.4
Non-Appalachian Georgia	241	589,956	4.1	179	554,432	3.2
Kentucky	**58**	**304,048**	**1.9**	**55**	**297,724**	**1.8**
Appalachian Kentucky	7	77,542	0.9	6	74,004	0.8
Non-Appalachian Kentucky	51	226,506	2.3	49	223,720	2.2
Maryland	**103**	**388,206**	**2.7**	**78**	**389,579**	**2.0**
Appalachian Maryland	4	14,392	2.8	2	14,993	1.3
Non-Appalachian Maryland	99	373,814	2.6	76	374,586	2.0
Mississippi	**30**	**288,779**	**1.0**	13	248,541	0.5
Appalachian Mississippi	3	69,965	0.4	4	58,339	0.7
Non-Appalachian Mississippi	27	218,814	1.2	9	190,202	0.5
New York	**365**	**1,404,794**	**2.6**	**299**	**1,253,951**	**2.4**
Appalachian New York	10	67,312	1.5	11	62,314	1.8
Non-Appalachian New York	355	1,337,482	2.7	288	1,191,637	2.4
North Carolina	**167**	**615,139**	**2.7**	**106**	**624,133**	**1.7**
Appalachian North Carolina	25	112,966	2.2	11	110,530	1.0
Non-Appalachian North Carolina	142	502,173	2.8	95	513,603	1.8
Ohio	**337**	**691,536**	**4.9**	**263**	**667,427**	**3.9**
Appalachian Ohio	40	117,389	3.4	23	113,316	2.0
Non-Appalachian Ohio	297	574,147	5.2	240	554,111	4.3
Pennsylvania	**136**	**711,343**	**1.9**	**135**	**763,099**	**1.8**
Appalachian Pennsylvania	60	320,365	1.9	50	332,120	1.5
Non-Appalachian Pennsylvania	76	390,978	1.9	85	430,979	2.0
South Carolina	**80**	**272,316**	**2.9**	**46**	**266,975**	**1.7**
Appalachian South Carolina	18	70,528	2.6	12	67,579	1.8
Non-Appalachian South Carolina	62	201,788	3.1	34	199,396	1.7
Tennessee	**59**	**427,304**	**1.4**	**66**	**422,466**	**1.6**
Appalachian Tennessee	20	181,133	1.1	42	178,251	2.4
Non-Appalachian Tennessee	39	246,171	1.6	24	244,215	1.0
Virginia	**186**	**483,178**	**3.8**	**160**	**547,124**	**2.9**
Appalachian Virginia	5	42,503	1.2	3	44,052	0.7
Non-Appalachian Virginia	181	440,675	4.1	157	503,072	3.1
West Virginia (entire state)	**9**	**94,968**	**0.9**	**9**	**91,210**	**1.0**

Table 5-6: SBA 504 Loans to Minority-Owned Businesses in Appalachia

	2007		2010	
	Number of Loans	Number of Loans to Minority	Number of Loans	Number of Loans to Minority
United States	**10,669**	**3,035**	**7,833**	**1,556**
Appalachian Region	**391**	**101**	**325**	**44**
Subregions				
Northern Appalachia	102	13	83	11
North Central Appalachia	21	2	12	0
Central Appalachia	10	2	9	0
South Central Appalachia	47	10	53	9
Southern Appalachia	211	74	168	24
County Types				
Large Metro (1 million + people)	158	50	112	17
Small Metro (< 1 million people)	134	32	135	14
Nonmetro, Adjacent to Large Metro	18	4	16	4
Nonmetro, Adjacent to Small Metro	64	10	46	9
Rural (Nonmetro, Nonadjacent)	17	5	16	0
Economic Status				
Distressed	9	2	4	0
At-Risk	12	3	11	0
Transitional	200	42	183	23
Competitive	82	19	65	10
Attainment	88	35	62	11
Alabama	**114**	**44**	**112**	**16**
Appalachian Alabama	67	22	70	10
Non-Appalachian Alabama	47	22	42	6
Georgia	**364**	**157**	**261**	**54**
Appalachian Georgia	123	47	82	12
Non-Appalachian Georgia	241	110	179	42
Kentucky	**58**	**12**	**55**	**10**
Appalachian Kentucky	7	1	6	0
Non-Appalachian Kentucky	51	11	49	10
Maryland	**103**	**34**	**78**	**18**
Appalachian Maryland	4	3	2	1
Non-Appalachian Maryland	99	31	76	17
Mississippi	**30**	**11**	**13**	**4**
Appalachian Mississippi	3	0	4	0
Non-Appalachian Mississippi	27	11	9	4
New York	**365**	**68**	**299**	**59**
Appalachian New York	10	2	11	2
Non-Appalachian New York	355	66	288	57
North Carolina	**167**	**55**	**106**	**14**
Appalachian North Carolina	25	4	11	0
Non-Appalachian North Carolina	142	51	95	14
Ohio	**337**	**49**	**263**	**16**
Appalachian Ohio	40	4	23	0
Non-Appalachian Ohio	297	45	240	16
Pennsylvania	**136**	**18**	**135**	**21**
Appalachian Pennsylvania	60	6	50	8
Non-Appalachian Pennsylvania	76	12	85	13
South Carolina	**80**	**17**	**46**	**5**
Appalachian South Carolina	18	5	12	2
Non-Appalachian South Carolina	62	12	34	3
Tennessee	**59**	**16**	**66**	**17**
Appalachian Tennessee	20	5	42	9
Non-Appalachian Tennessee	39	11	24	8
Virginia	**186**	**65**	**160**	**33**
Appalachian Virginia	5	2	3	0
Non-Appalachian Virginia	181	63	157	33
West Virginia (entire state)	**9**	**0**	**9**	**0**

CHAPTER 6 DEVELOPMENT LENDING – TREASURY CDFIS, NEW MARKETS TAX CREDIT CDES, MICROCREDIT LENDERS (SBA) IN APPALACHIA

6.1 SUMMARY

This chapter examines Community Development Financial Institution (CDFI) lending in Appalachia. The chapter looks at the types of CDFIs lending, the number and amount of loans, the types of borrowers, and the loan purpose. This chapter also examines New Market Tax Credit (NMTC) investment in Appalachia, including the number of investments by region and type of county, as well as SBA microlenders.

Major findings regarding CDFIs in Appalachia include:

- There are 71 CDFIs headquartered in the Appalachian Region. However, the vast majority of loans that CDFIs made in Appalachia were made by institutions that did most of their lending outside of Appalachia.
- CDFI lending in Appalachia increased by 88 percent from 2007 through 2010 from $197 million to $371 million.
- CDFIs lend in the majority of counties in Appalachia and have increased their targeting of disadvantaged counties. For example, CDFIs increased the amount they lent in the Central subregion by 52 percent between 2007 and 2010, from $90.6 million to $137.4 million.[19] CDFIs increased lending in rural counties by over 50 percent, from $82.3 to $124.2 million between 2007 and 2010.
- CDFIs issued 4,613 and 4,661 loans in Appalachia during 2007 and 2010, respectively. Of these loans, 1,416 (30.7%) and 2,363(50.7%) were for small businesses in 2007 and 2010, respectively.
- Just considering loans to small businesses, the majority of CDFI dollars for businesses in 2007 and 2010 was directed towards Central Appalachian counties. While less than half, the plurality of dollars CDFIs lent to businesses, went to rural counties not adjacent to metropolitan counties and to distressed counties.
- The percentage of CDFI lending for microenterprise is higher in Appalachia than the nation but was still only 4 percent of the CDFI loan dollars in Appalachia.

The major findings regarding NMTC investments are:

- There are only 12 CDEs located in Appalachia, and they have received a total allocation of $321 million in credit authority, out of $30 billion in tax credits allocated through 2010, or 1.1% of the credit authority allocated.
- Forty-seven CDEs have invested at least part of their credit authority in 351 projects in 62 Appalachian counties, an investment of $706.7 million or about 3.4 percent of the total amount of credit authority invested.

[19] This discussion focuses on the total dollar amount of loans originated, which is one measure of the impact that CDFIs have in Appalachia. That measure shows how much money CDFIs directly added to the economy. Another possible measure is the number of loans made, which shows how many borrowers CDFIs served. Both are good indicators of impact.

- Targeting of disadvantaged counties in Appalachia decreased from 2007 to 2010. For example, funding in Central Appalachia declined from 25 percent of the credits in Appalachia in 2007 to 7 percent by 2010. A similar decrease occurred in rural counties.

CDFI lending in Appalachia increased by 88 percent between 2007 and 2010, with much of that lending in disadvantaged counties. CDFIs made loans in nearly two-thirds of rural counties and counties in Central Appalachia. Businesses received most of the money that CDFIs lent in Appalachia, over 72 percent of the value of loans in 2007 and over 62 percent in 2010. The majority of CDFI lending in Appalachia, however, was by institutions that did most of their lending outside of the region.

The amount of New Markets Tax Credit authority for CDE investments in Appalachia increased by 117 percent between 2007 and 2010, despite a 10 percent decrease nationally over the same period. NMTC investment, however, decreased in rural and distressed counties and in Central Appalachia between those years. Most of the increased investment occurred in Northern Appalachia, in large and small metropolitan counties, and in transitional and competitive counties.

6.2 INTRODUCTION

This section of the report discusses Community Development Financial Institutions (CDFIs) serving Appalachia and shows how CDFI lending changed between 2007 and 2010. CDFIs are financial institutions which have a primary mission of promoting community or economic development and serve a defined population or target area which is underserved by mainstream financial institutions. The Department of the Treasury certifies when a financial institution qualifies as a CDFI. CDFIs lend and make equity investments, provide support services and technical assistance, and they serve both businesses and individuals.

The five basic types of CDFIs are: 1) banks; 2) credit unions; 3) depository institution holding companies; 4) loan funds; and 5) venture funds. In general, banks and credit unions are more likely to lend to individuals, with fewer loans to businesses. Holding companies reflect the activities of their subsidiaries, whether they are banks or credit unions. Loan funds work mostly with businesses, but they also make some loans to individuals. Venture funds tend to make equity investments and work almost exclusively with businesses.

Based on data from the CDFI Fund's Community Investment Impact System (CIIS) dataset,[20] CDFIs reporting transaction level data originated 70,704 loans in the total amount of $4.2 billion in 2007 and 51,241 loans in the total amount of $5.1 billion in 2010 in the entire nation, as shown in Table 6-1. In 2007, 41 CDFIs reported loans for projects in Appalachia, and 46 reported loans for projects in Appalachia in 2010. The vast majority of loans that CDFIs made in Appalachia, however, were made by institutions that did most of their lending outside of Appalachia. For example, CDFIs with assets of more than $30 million made 1,980 loans in the total amount of $205 million in Appalachia in 2010. Those same CDFIs made 6,857 loans overall, with a total value of $3.1 billion. About 18 percent of the total amount of their overall lending was in Appalachia. Likewise, all CDFIs reporting loans in Appalachia made

[20] The CIIS data are from CDFIs that have received funding from the CDFI Fund within the preceding three years. CDFIs receiving funding in 2004, for example, would report in 2005-2007. The CIIS data used in this study, therefore, will include CDFIs that received funding between 2004 and 2009. Because the funding tends to be allocated to relatively more successful CDFIs, the CIIS data should include the CDFIs most active in the region.

22,794 loans overall but just 4,661 loans in Appalachia during 2010. The impact of CDFI lending in Appalachia, therefore, is attributable to CDFIs located both inside and outside the region.

Small CDFIs, with assets of under $10 million, tend to focus on lending locally, and so CDFIs in that size range that lend in Appalachia have a high percentage of their loans in the region. Mid-size CDFIs that lend in Appalachia, on the other hand, have a much smaller percentage of their business in Appalachia. For example, only 10 percent of the $248 million in loans made by mid-size CDFIs (in the $10-30 million size range) that made loans in Appalachia were for projects in Appalachia in 2010. Large CDFIs, with more than $30 million in assets, make a significantly higher percentage of their loans in Appalachia, both in the number and dollar amount of those loans.

Table 6-1: CDFI Lending, by Asset Size, Nationally and in Appalachia, 2007 and 2010

	Asset Range					
2007	**Under $1 Million**	**$1 Million to < $10 Million**	**$10 Million to < $30 Million**	**$30 Million or More**	**Not Reporting Assets**	**Total**
Number of CDFIs						
All CDFIs	8	50	33	30	5	126
CDFIs lending in Appalachia	0	12	14	12	3	41
Total Number of Loans Closed						
By all CDFIs	181	10,334	15,286	20,146	24,757	70,704
By CDFIs making loans in Appalachia	0	3,576	6,460	13,806	23,336	47,178
Number of loans closed in Appalachia	0	314	249	3,969	81	4,613
Number of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	0.0%	8.8%	3.9%	28.7%	0.3%	9.8%
Total Amount of Loans Closed (in $ millions)						
By all CDFIs	$3.1	$212.9	$645.7	$2,314.1	$979.2	$4,155.0
By CDFIs making loans in Appalachia	$0.0	$45.1	$312.2	$942.4	$948.7	$2,248.3
Amount of loans closed in Appalachia	$0.0	$14.0	$12.9	$166.8	$3.2	$197.0
Amount of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	0.0%	31.2%	4.1%	17.7%	0.3%	8.8%
2010	**$1 to < $1 Million**	**$1 Million to < $10 Million**	**$10 Million to < $30 Million**	**$30 Million or More**	**Not Reporting Assets**	**Total**
Number of CDFIs						
All CDFIs	8	58	36	40	31	173
CDFIs lending in Appalachia	1	10	12	13	10	46
Total Number of Loans Closed						
By all CDFIs	206	7,396	12,617	19,585	11,437	51,241
By CDFIs making loans in Appalachia	61	984	6,790	6,857	8,102	22,794
Number of loans closed in Appalachia	61	679	331	1,980	1,610	4,661
Number of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	100.0%	69.0%	4.9%	28.9%	19.9%	20.4%
Total Amount of Loans Closed (in $ millions)						
By all CDFIs	$3.1	$293.3	$622.1	$3,111.2	$1,103.8	$5,133.6
By CDFIs making loans in Appalachia	$0.3	$39.9	$248.2	$1,140.3	$837.1	$2,265.8
Amount of loans closed in Appalachia	$0.3	$23.0	$24.9	$205.3	$117.4	$370.7
Amount of loans in Appalachia as a percent of loans made by CDFIs lending in Appalachia	100.0%	57.5%	10.0%	18.0%	14.0%	16.4%

6.3 DISTRIBUTION OF LOANS

Between 2007 and 2010, CDFIs increased the percentage of counties they serve in the Central and South Central subregions (see Figure 6-1). They also increased the percentage of loans in rural counties (see Figure 6-2) and distressed and at-risk counties to which they made loans (see Figure 6-3). This trend is encouraging and shows the targeting of counties that are underserved by mainstream lenders.[21] For example, Central Appalachia, which is a subregion relatively underserved by banks, has the highest percentage of counties (82.9 percent) receiving loans by CDFIs in 2010. Likewise, the percentage of rural counties receiving loans from CDFIs increased to 63.3 percent, which was higher than the percentage of counties in small metropolitan counties receiving loans. CDFIs lend in the majority of counties in Appalachia, and in the majority of most classifications of county (see Table 6-2).

[21] Maps of CDFI lending to businesses are included in Section 6.7.

Figure 6-1: Percent of Counties Receiving Loans by Region

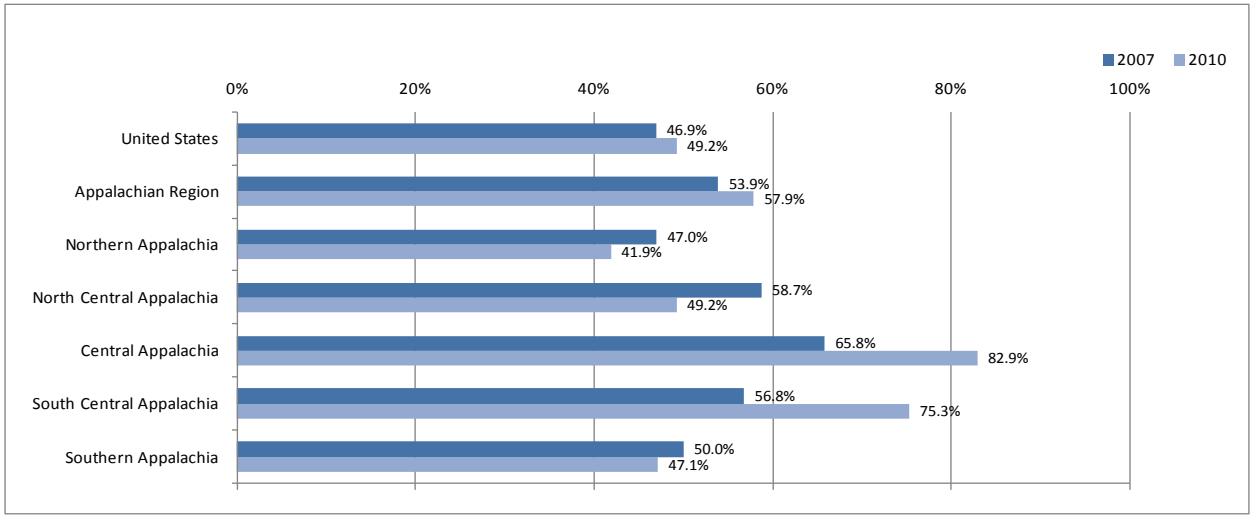


Figure 6-2: Percent of Counties Receiving Loans by County Type

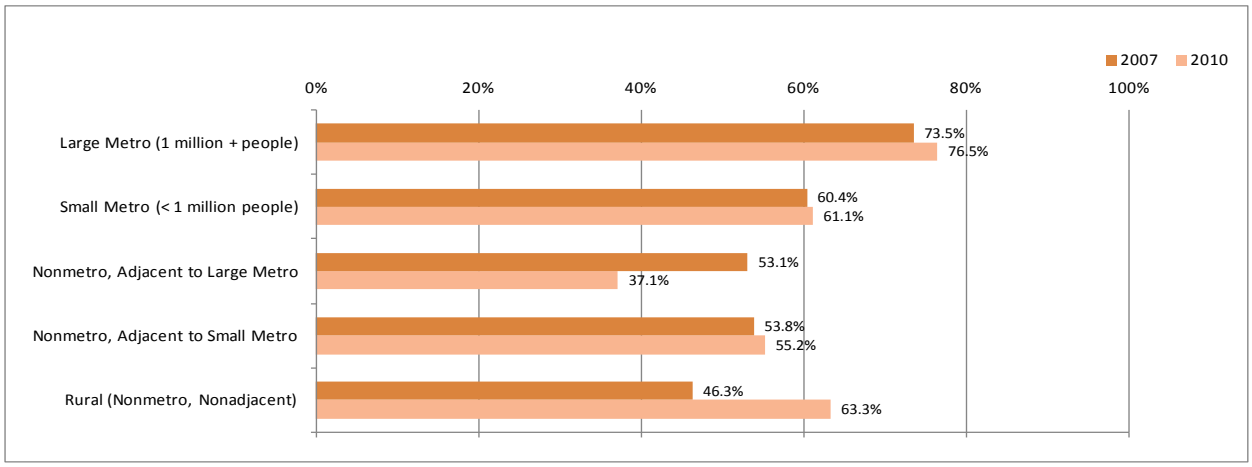


Figure 6-3: Percent of Counties Receiving Loans by Economic Status

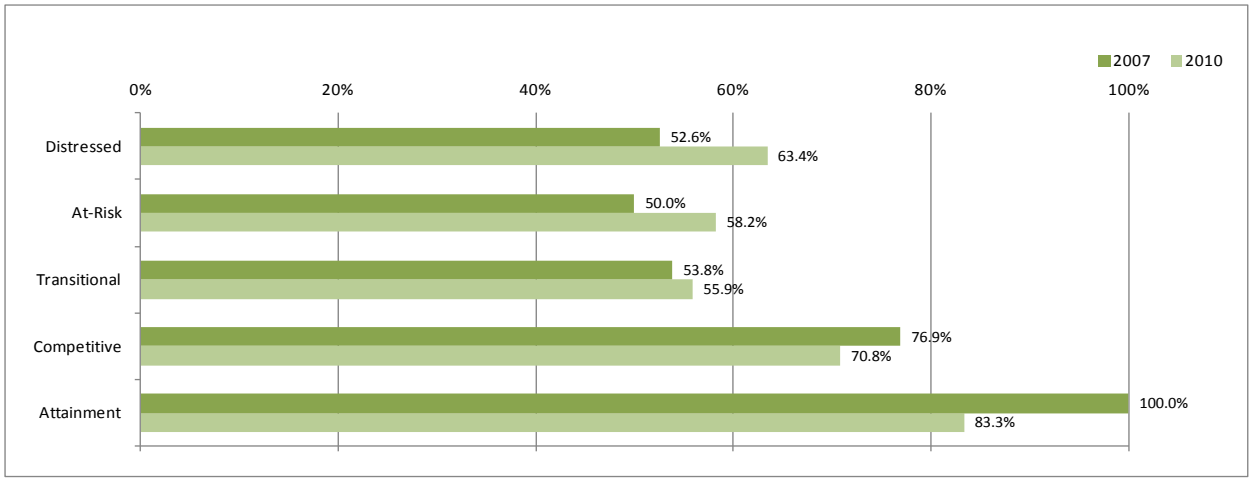


Table 6-2: CDFI Lending by County, 2007 and 2010

	2007			2010		
	Number of Counties	Number Receiving Loans	Percent Receiving Loans	Number of Counties	Number Receiving Loans	Percent Receiving Loans
United States	**3,033**	**1,423**	**46.9%**	**3,143**	**1,547**	**49.2%**
Appalachian Region	**410**	**221**	**53.9%**	**420**	**243**	**57.9%**
Subregions						
Northern Appalachia	83	39	47.0%	86	36	41.9%
North Central Appalachia	63	37	58.7%	63	31	49.2%
Central Appalachia	79	52	65.8%	82	68	82.9%
South Central Appalachia	81	46	56.8%	85	64	75.3%
Southern Appalachia	104	52	50.0%	104	49	47.1%
County Types						
Large Metro (1 million + people)	34	25	73.5%	34	26	76.5%
Small Metro (< 1 million people)	106	64	60.4%	108	66	61.1%
Nonmetro, Adjacent to Large Metro	32	17	53.1%	35	13	37.1%
Nonmetro, Adjacent to Small Metro	130	70	53.8%	134	74	55.2%
Rural (Nonmetro, Nonadjacent)	108	50	46.3%	109	69	63.3%
Economic Status						
Distressed	78	41	52.6%	82	52	63.4%
At-Risk	78	39	50.0%	79	46	58.2%
Transitional	221	119	53.8%	229	128	55.9%
Competitive	26	20	76.9%	24	17	70.8%
Attainment	7	7	100.0%	6	5	83.3%
Alabama	**67**	**23**	**34.3%**	**67**	**16**	**23.9%**
Appalachian Alabama	37	12	32.4%	37	10	27.0%
Non-Appalachian Alabama	30	11	36.7%	30	6	20.0%
Georgia	**159**	**65**	**40.9%**	**159**	**49**	**30.8%**
Appalachian Georgia	37	31	83.8%	37	29	78.4%
Non-Appalachian Georgia	122	34	27.9%	122	20	16.4%
Kentucky	**120**	**48**	**40.0%**	**120**	**87**	**72.5%**
Appalachian Kentucky	51	35	68.6%	54	51	94.4%
Non-Appalachian Kentucky	69	13	18.8%	66	36	54.5%
Maryland	**24**	**13**	**54.2%**	**24**	**12**	**50.0%**
Appalachian Maryland	3	1	33.3%	3	0	0.0%
Non-Appalachian Maryland	21	12	57.1%	21	12	57.1%
Mississippi	**82**	**53**	**64.6%**	**82**	**40**	**48.8%**
Appalachian Mississippi	24	7	29.2%	24	6	25.0%
Non-Appalachian Mississippi	58	46	79.3%	58	34	58.6%
New York	**62**	**55**	**88.7%**	**62**	**52**	**83.9%**
Appalachian New York	14	13	92.9%	14	11	78.6%
Non-Appalachian New York	48	42	87.5%	48	41	85.4%
North Carolina	**100**	**41**	**41.0%**	**100**	**97**	**97.0%**
Appalachian North Carolina	29	13	44.8%	29	29	100.0%
Non-Appalachian North Carolina	71	28	39.4%	71	68	95.8%
Ohio	**88**	**43**	**48.9%**	**88**	**37**	**42.0%**
Appalachian Ohio	29	12	41.4%	32	7	21.9%
Non-Appalachian Ohio	59	31	52.5%	56	30	53.6%
Pennsylvania	**67**	**34**	**50.7%**	**67**	**38**	**56.7%**
Appalachian Pennsylvania	52	20	38.5%	52	23	44.2%
Non-Appalachian Pennsylvania	15	14	93.3%	15	15	100.0%
South Carolina	**46**	**10**	**21.7%**	**46**	**16**	**34.8%**
Appalachian South Carolina	6	2	33.3%	6	4	66.7%
Non-Appalachian South Carolina	40	8	20.0%	40	12	30.0%
Tennessee	**95**	**40**	**42.1%**	**95**	**47**	**49.5%**
Appalachian Tennessee	50	24	48.0%	52	24	46.2%
Non-Appalachian Tennessee	45	16	35.6%	43	23	53.5%
Virginia	**95**	**45**	**47.4%**	**95**	**62**	**65.3%**
Appalachian Virginia	23	16	69.6%	25	19	76.0%
Non-Appalachian Virginia	72	29	40.3%	70	43	61.4%
West Virginia (entire state)	**55**	**35**	**63.6%**	**55**	**30**	**54.5%**

6.4 Numbers and Types of CDFIs with Headquarters in Appalachia

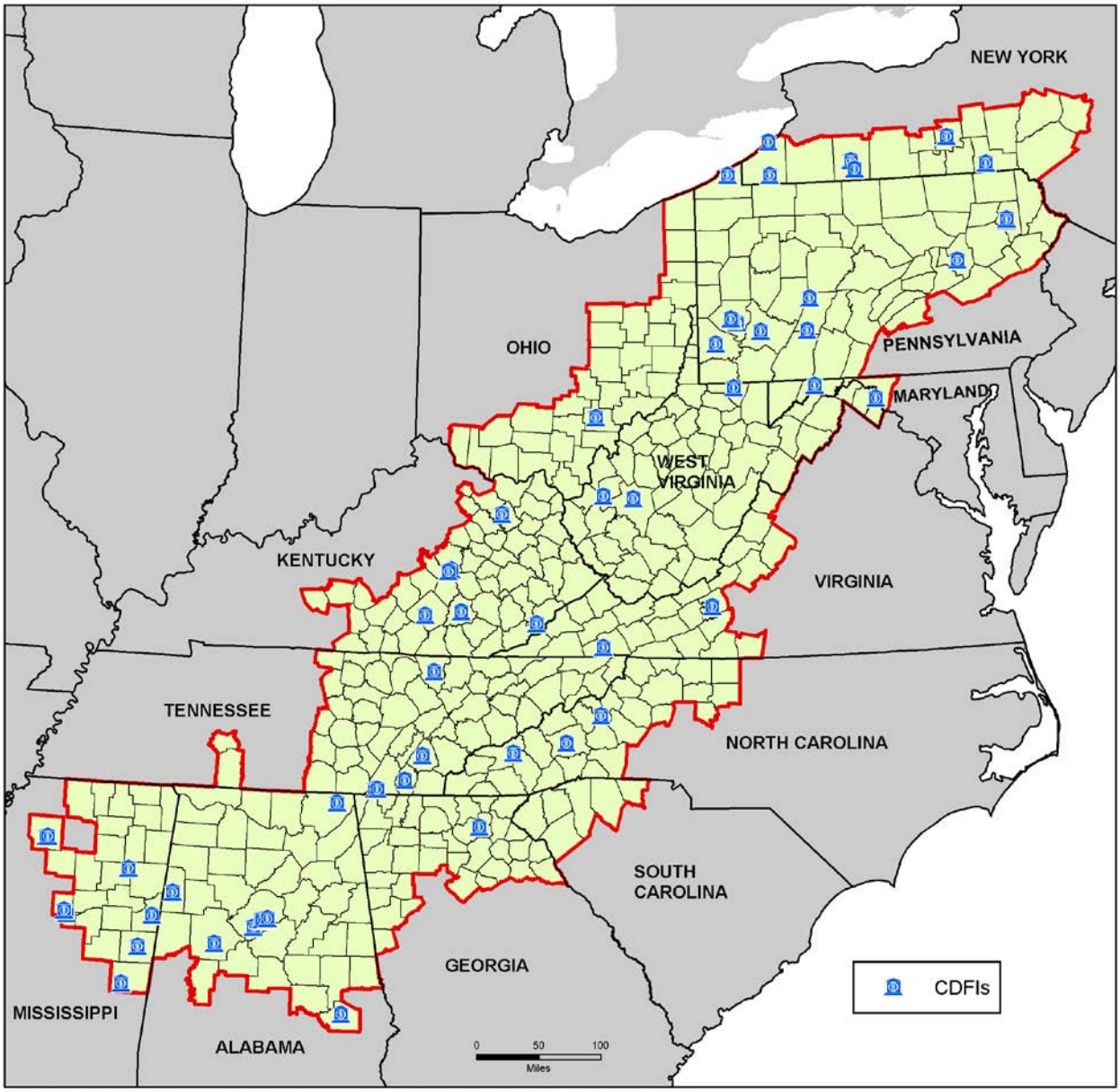
There are 71 CDFIs headquartered in the Appalachian Region. They are located in 43 of the 420 counties in Appalachia. Those CDFIs, however, may also have branches in other counties within Appalachia. In addition, CDFIs headquartered outside of Appalachia may also have branches in Appalachia or provide financial services to people and businesses in Appalachia. Businesses and residents in Appalachia, therefore, almost certainly have access to a CDFI beyond the 43 counties with a CDFI headquarters.

As Table 6-3 shows, most of the CDFIs in Appalachia are loan funds which can lend to businesses or individuals. Loan fund financing of businesses can range from small loans for microenterprises to larger loans for established companies, as well as equity investments. Loan funds can finance real estate development, including single- and multi-family developments, as well as commercial properties and community facilities. They also lend to individuals for home purchase, improvement, and refinance. The next most common type of CDFI in Appalachia is credit unions. Credit unions can offer an array of services to businesses and individuals comparable to those offered by banks. One significant difference between loan funds and credit unions is that the former focus more on lending and investing in businesses, while the latter lend more often to individuals. Venture funds focus almost exclusively on businesses, making both loans and equity investments. There is just one venture fund that is a CDFI in Appalachia.

Southern Appalachia was the subregion with the highest percentage (32.4 percent) of CDFIs in the region. Northern Appalachia had the second highest percentage of CDFIs with 29.6 percent. In contrast, North Central and Central Appalachia had just 7 percent and 14.1 percent of the CDFIs in Appalachia, respectively (see Table 6-3).

While not having the majority of CDFIs, rural, non-metropolitan, and distressed counties still have a sizable percentage of CDFIs. Twenty-seven percent of the Appalachian CDFIs were located in rural counties and 23 percent were located in non-metropolitan counties adjacent to metropolitan counties. When considering economic status of counties, the plurality of CDFIs (47.9 percent) were located in transitional counties. The next highest percentage (19.7 percent) was in distressed counties and competitive counties. Only 12.7 percent of the CDFIs were located in at-risk counties.

Map 6-1: Certified Community Development Financial Institutions in Appalachia, 2010



Map Title: Certified Community Development Financial Institutions in Appalachia, 2010
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: US Department of Treasury: Certified Community Development Financial Institutions as of 12/31/2010

Figure 6-4: Number of CDFIs by Type in Appalachia

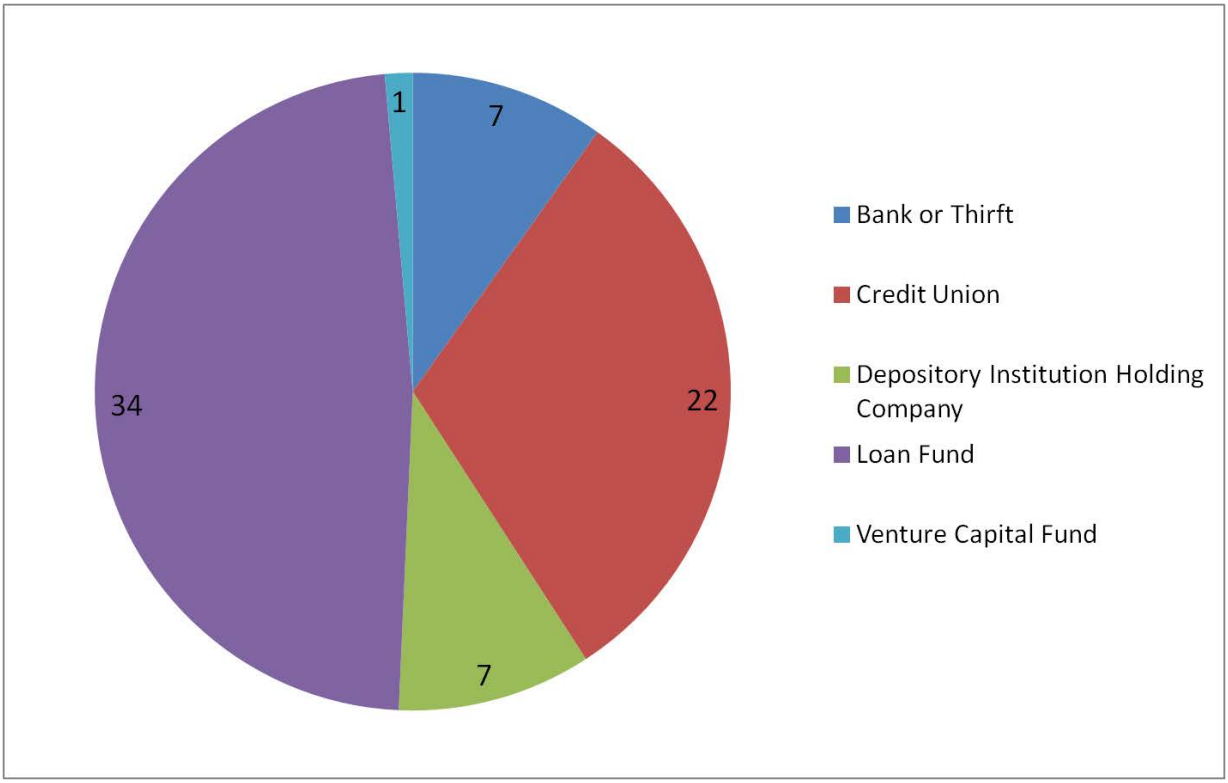


Figure 6-5: Number of CDFIs by Type in the United States

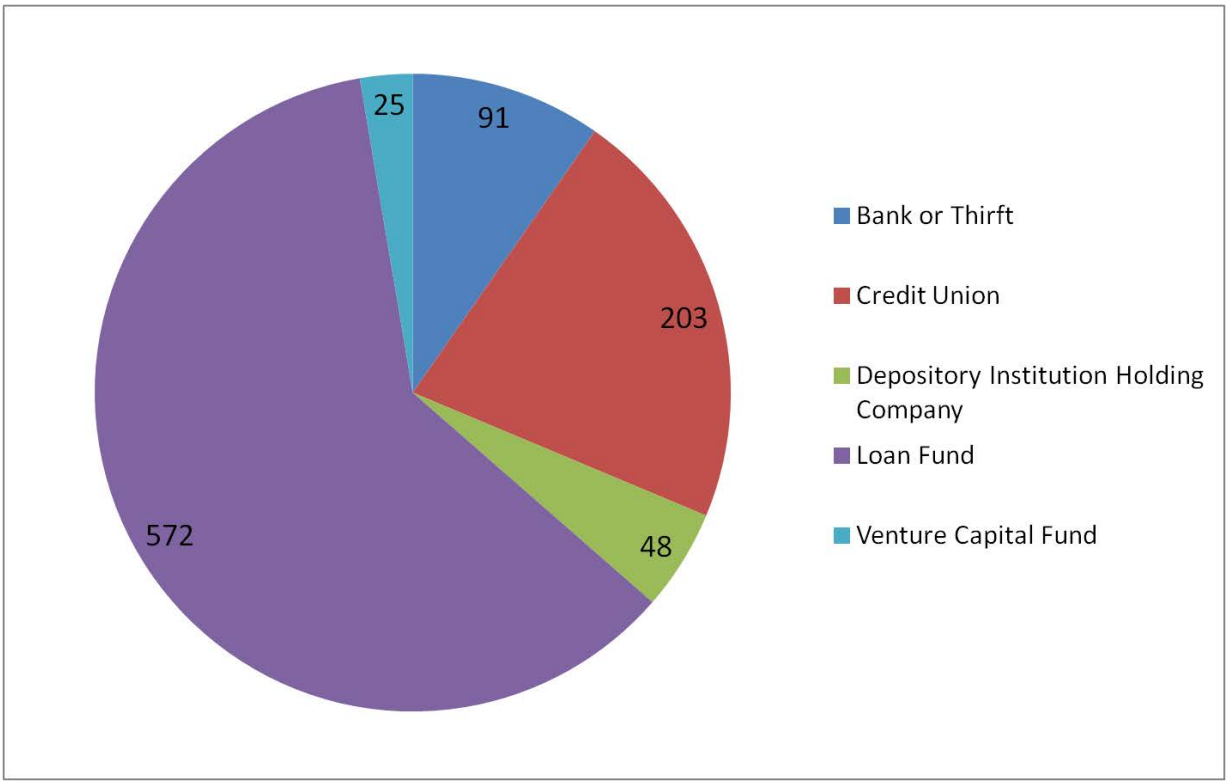


Table 6-3: Certified Community Development Financial Institutions by locations in Appalachia, 2010

CDFIs by types	Bank or Thrift	Credit Union	Depository Institution Holding Company	Loan Fund	Venture Capital Fund	Grand Total		
						Number	Percent (total as US)	Percent (total as Appalachia)
United States	**91**	**203**	**48**	**572**	**25**	**939**	**100.0%**	**-**
Appalachian Region	**7**	**22**	**7**	**34**	**1**	**71**	**7.6%**	**100.0%**
Subregions								
Northern Appalachia	0	7	0	14	0	21	2.2%	29.6%
North Central Appalachia	0	1	0	4	0	5	0.5%	7.0%
Central Appalachia	0	1	0	8	1	10	1.1%	14.1%
South Central Appalachia	1	3	1	7	0	12	1.3%	16.9%
Southern Appalachia	6	10	6	1	0	23	2.4%	32.4%
County Types								
Large Metros (pop. 1 million +)	0	7	0	6	0	13	1.4%	18.3%
Small Metros (pop. <1 million)	1	8	1	13	0	23	2.4%	32.4%
Nonmetro, Adjacent to Large Metros	1	1	1	1	0	4	0.4%	5.6%
Nonmetro, Adjacent to Small Metros	0	4	0	8	0	12	1.3%	16.9%
Rural (nonmetro, not adj. to a metro)	5	2	5	6	1	19	2.0%	26.8%
Economic Status								
Distressed	5	1	5	3	0	14	1.5%	19.7%
At-Risk	0	2	0	6	1	9	1.0%	12.7%
Transitional	2	12	2	18	0	34	3.6%	47.9%
Competitive	0	7	0	7	0	14	1.5%	19.7%
Attainment	0	0	0	0	0	0	0.0%	0.0%
Alabama	**3**	**15**	**4**	**0**	**0**	**22**	**2.3%**	**-**
Appalachian Alabama	1	9	1	0	0	11	1.2%	15.5%
Non-Appalachian Alabama	2	6	3	0	0	11	1.2%	-
Georgia	**6**	**3**	**2**	**10**	**0**	**21**	**2.2%**	**-**
Appalachian Georgia	0	0	0	1	0	1	0.1%	1.4%
Non-Appalachian Georgia	6	3	2	9	0	20	2.1%	-
Kentucky	**1**	**1**	**1**	**10**	**1**	**14**	**1.5%**	**-**
Appalachian Kentucky	0	1	0	7	1	9	1.0%	12.7%
Non-Appalachian Kentucky	1	0	1	3	0	5	0.5%	-
Maryland	**2**	**1**	**1**	**12**	**1**	**17**	**1.8%**	**-**
Appalachian Maryland	0	1	0	0	0	1	0.1%	1.4%
Non-Appalachian Maryland	2	0	1	12	1	16	1.7%	-
Mississippi	**12**	**6**	**12**	**6**	**0**	**36**	**3.8%**	**-**
Appalachian Mississippi	5	1	5	0	0	11	1.2%	15.5%
Non-Appalachian Mississippi	7	5	7	6	0	25	2.7%	-
New York	**2**	**19**	**0**	**56**	**2**	**79**	**8.4%**	**-**
Appalachian New York	0	4	0	4		8	0.9%	11.3%
Non-Appalachian New York	2	15	0	52	2	71	7.6%	-
North Carolina	**1**	**6**	**1**	**10**	**3**	**21**	**2.2%**	**-**
Appalachian North Carolina	0	0	0	4	0	4	0.4%	5.6%
Non-Appalachian North Carolina	1	6	1	6	3	17	1.8%	-
Ohio	**0**	**3**	**0**	**21**	**0**	**24**	**2.6%**	**-**
Appalachian Ohio	0	0	0	1	0	1	0.1%	1.4%
Non-Appalachian Ohio	0	3	0	20	0	23	2.4%	-
Pennsylvania	**1**	**6**	**0**	**25**	**1**	**33**	**3.5%**	**-**
Appalachian Pennsylvania	0	2	0	10	0	12	1.3%	16.9%
Non-Appalachian Pennsylvania	1	4	0	15	1	21	2.2%	-
South Carolina	**2**	**1**	**1**	**5**	**0**	**9**	**1.0%**	**-**
Appalachian South Carolina	0	0	0	0	0	0	0.0%	0.0%
Non-Appalachian South Carolina	2	1	1	5	0	9	1.0%	-
Tennessee	**3**	**3**	**1**	**10**	**0**	**17**	**1.8%**	**-**
Appalachian Tennessee	0	3	0	3	0	6	0.6%	8.5%
Non-Appalachian Tennessee	3	0	1	7	0	11	1.2%	-
Virginia	**1**	**6**	**1**	**10**	**0**	**18**	**1.9%**	**-**
Appalachian Virginia	1	0	1	1	0	3	0.3%	4.2%
Non-Appalachian Virginia	0	6	0	9	0	15	1.6%	-
West Virginia (entire state)	**0**	**1**	**0**	**3**	**0**	**4**	**0.4%**	**5.6%**

Data Source: US Department of Treasury: Certified Community Development Financial Institutions as of 12/31/2010

6.5 CDFI LENDING IN APPALACHIA

CDFIs increased the amount they lent in the Central subregion between 2007 and 2010, from $90.6 million to $137.4 million,[22] an increase of 52 percent (see Figure 6-6). The amount declined as a percentage of all CDFI lending in Appalachia, however, because of the enormous increase in lending in the South Central subregion, where the dollar amount of loans more than doubled. Central Appalachia, a region not served well by banks, still received the largest percentage of CDFI loan dollars in 2010. CDFIs increased lending in rural counties by over 50 percent, from $82.3 to $124.2 million between 2007 and 2010 (see Figure 6-7). That represents a decrease in the percentage of the amount loaned because of the large increase in lending in small metropolitan counties and counties adjacent to metropolitan counties, which more than doubled. Despite the decreased percentage of overall CDFI lending, rural counties still had the second highest percentage of CDFI loan dollars in 2010. Lending increased most in transitional and competitive counties, with smaller, but still substantial increases in both distressed and at-risk counties (see Figure 6-8). In both 2007 and 2010, only a small percentage of the amount CDFIs lend is for projects in attainment counties.

Overall, CDFI lending in Appalachia increased significantly between 2007 and 2010, by 88 percent, from $197 million to $371 million, compared with a 24 percent increase in the amount of loans originated nationally, as shown in Table 6-4. The percentage of loans in Appalachia, both in number of loans and value of loans made, increased as a percentage of lending nationally. CDFIs stepped up their activity in Appalachia significantly during the economic downturn, albeit more in terms of dollar amounts than number of loans.

The changes in CDFI lending between 2007 and 2010 reflect the aggregate impact of factors affecting CDFIs and mainstream financial institutions. The overall 24 percent increase in the amount of loans, for example, may be partially attributable to a reduction in lending by mainstream financial institutions following the downturn in the economy. With traditional sources of credit less available, more borrowers may have turned to CDFIs for business and personal loans. Shifts in CDFI lending within the region may also reflect differences in the decrease in lending by mainstream banks, with some regions or types of counties more adversely affected than others. For example, the large increase in CDFI lending in Central Appalachia is consistent with a cutback in mainstream lending in more marginal communities, with CDFIs then stepping in to fill the void. CDFIs clearly target less advantaged counties, and so they may have been well-positioned to service these counties when other sources of credit became less available.

[22] This discussion focuses on the total dollar amount of loans originated, which is one measure of the impact that CDFIs have in Appalachia. That measure shows how much money CDFIs directly added to the economy. Another possible measure is the number of loans made, which shows how many borrowers CDFIs served. Both are good indicators of impact.

Figure 6-6: Amount of Loans by Region

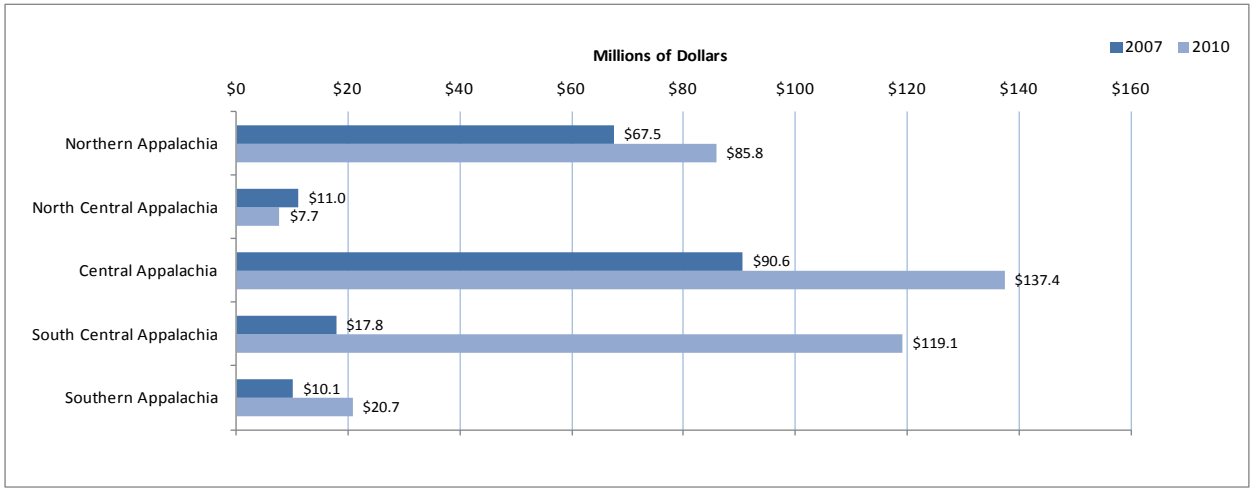


Figure 6-7: Amount of Loans by County Type

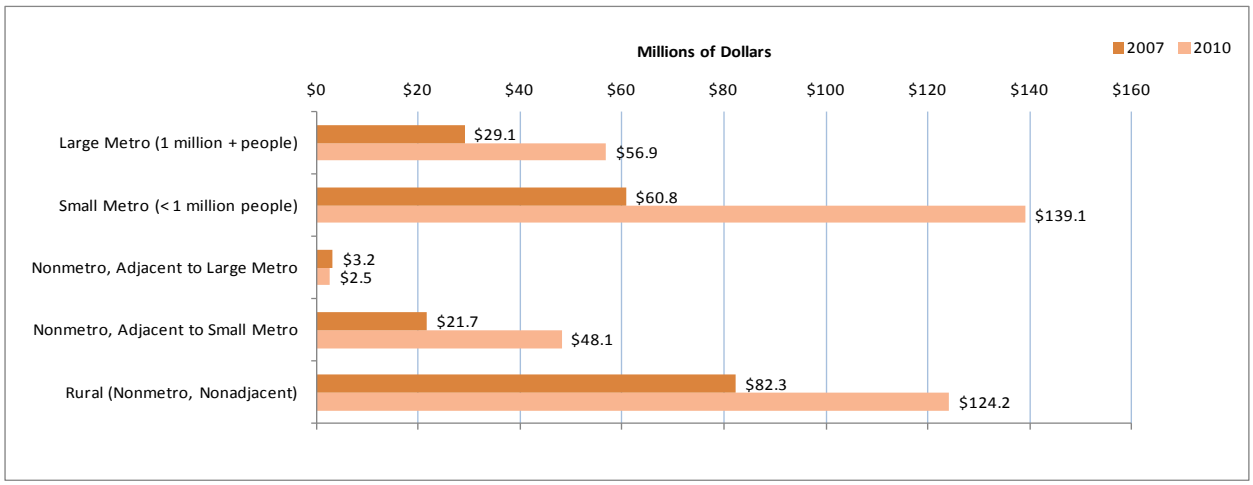


Figure 6-8: Amount of Loans by Economic Status

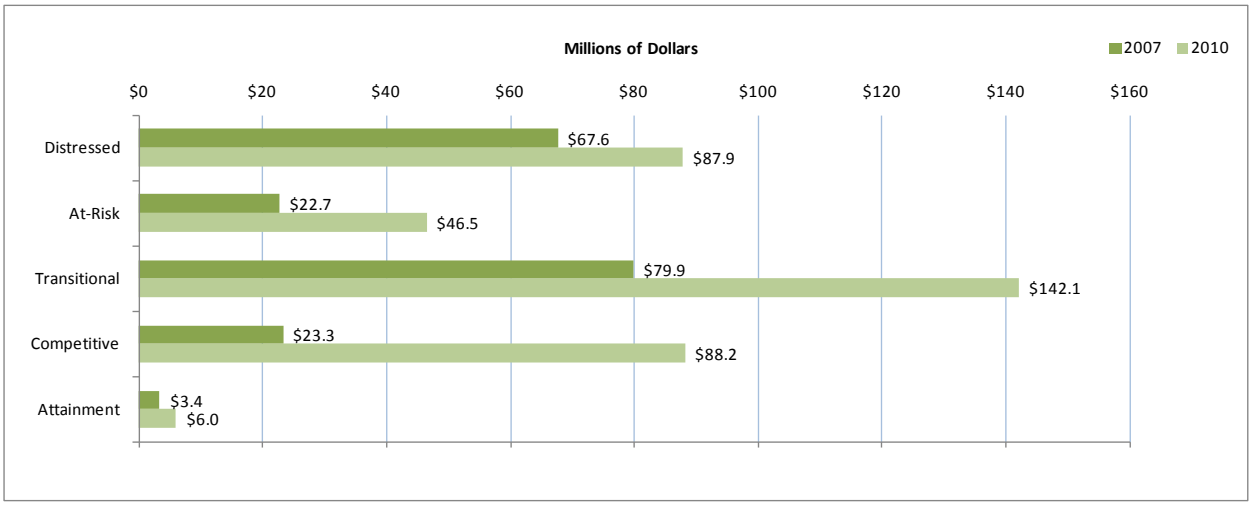


Table 6-4: CDFI Lending in Appalachia, 2007 and 2010

	2007				2010			
	Number	Percent Appalachia	Amount of Loans (in $ millions)	Percent Appalachia	Number	Percent Appalachia	Amount of Loans (in $ millions)	Percent Appalachia
United States	**70,704**		**$4,155.0**		**51,241**		**$5,133.6**	
Appalachian Region	**4,613**	**6.5%**	**$197.0**	**4.7%**	**4,661**	**9.1%**	**$370.7**	**7.2%**
Subregions								
Northern Appalachia	2,845	61.7%	$67.5	34.3%	1,296	27.8%	$85.8	23.1%
North Central Appalachia	128	2.8%	$11.0	5.6%	98	2.1%	$7.7	2.1%
Central Appalachia	910	19.7%	$90.6	46.0%	1,457	31.3%	$137.4	37.0%
South Central Appalachia	401	8.7%	$17.8	9.0%	1,560	33.5%	$119.1	32.1%
Southern Appalachia	329	7.1%	$10.1	5.1%	250	5.4%	$20.7	5.6%
County Types								
Large Metro (1 million + people)	361	7.8%	$29.1	14.7%	508	10.9%	$56.9	15.3%
Small Metro (< 1 million people)	2,848	61.7%	$60.8	30.9%	2,114	45.4%	$139.1	37.5%
Nonmetro, Adjacent to Large Metro	56	1.2%	$3.2	1.6%	93	2.0%	$2.5	0.7%
Nonmetro, Adjacent to Small Metro	552	12.0%	$21.7	11.0%	752	16.1%	$48.1	13.0%
Rural (Nonmetro, Nonadjacent)	796	17.3%	$82.3	41.8%	1,194	25.6%	$124.2	33.5%
Economic Status								
Distressed	651	14.1%	$67.6	34.3%	955	20.5%	$87.9	23.7%
At-Risk	252	5.5%	$22.7	11.5%	441	9.5%	$46.5	12.5%
Transitional	3,359	72.8%	$79.9	40.6%	2,304	49.4%	$142.1	38.3%
Competitive	229	5.0%	$23.3	11.8%	910	19.5%	$88.2	23.8%
Attainment	122	2.6%	$3.4	1.7%	51	1.1%	$6.0	1.6%
Alabama	**85**		**$5.6**		**69**		**$9.0**	
Appalachian Alabama	56	65.9%	$3.7	66.1%	58	84.1%	$8.2	91.5%
Non-Appalachian Alabama	29	34.1%	$1.9	33.9%	11	15.9%	$0.8	8.5%
Georgia	**636**		**$23.1**		**376**		**$25.7**	
Appalachian Georgia	255	40.1%	$5.5	23.7%	173	46.0%	$11.1	43.3%
Non-Appalachian Georgia	381	59.9%	$17.7	76.3%	203	54.0%	$14.6	56.7%
Kentucky	**849**		**$87.0**		**2,010**		**$146.0**	
Appalachian Kentucky	824	97.1%	$85.4	98.1%	1,276	63.5%	$132.1	90.5%
Non-Appalachian Kentucky	25	2.9%	$1.6	1.9%	734	36.5%	$13.9	9.5%
Maryland	**158**		**$20.8**		**199**		**$86.9**	
Appalachian Maryland	2	1.3%	$0.0	0.0%	0	0.0%	$0.0	0.0%
Non-Appalachian Maryland	156	98.7%	$20.8	100.0%	199	100.0%	$86.9	100.0%
Mississippi	**542**		**$26.3**		**506**		**$50.6**	
Appalachian Mississippi	14	2.6%	$0.9	3.3%	14	2.8%	$0.9	1.9%
Non-Appalachian Mississippi	528	97.4%	$25.5	96.7%	492	97.2%	$49.6	98.1%
New York	**10,973**		**$898.4**		**6,297**		**$497.7**	
Appalachian New York	2,642	24.1%	$39.2	4.4%	892	14.2%	$39.6	8.0%
Non-Appalachian New York	8,331	75.9%	$859.2	95.6%	5,405	85.8%	$458.1	92.0%
North Carolina	**780**		**$46.6**		**4,830**		**$504.7**	
Appalachian North Carolina	38	4.9%	$1.9	4.2%	1,049	21.7%	$84.9	16.8%
Non-Appalachian North Carolina	742	95.1%	$44.6	95.8%	3,781	78.3%	$419.7	83.2%
Ohio	**258**		**$112.1**		**616**		**$91.1**	
Appalachian Ohio	36	14.0%	$3.0	2.7%	10	1.6%	$2.6	2.8%
Non-Appalachian Ohio	222	86.0%	$109.1	97.3%	606	98.4%	$88.6	97.2%
Pennsylvania	**956**		**$179.5**		**1,114**		**$227.5**	
Appalachian Pennsylvania	193	20.2%	$27.0	15.0%	400	35.9%	$45.6	20.0%
Non-Appalachian Pennsylvania	763	79.8%	$152.5	85.0%	714	64.1%	$182.0	80.0%
South Carolina	**26**		**$2.0**		**73**		**$8.8**	
Appalachian South Carolina	4	15.4%	$0.0	1.9%	5	6.8%	$0.4	4.8%
Non-Appalachian South Carolina	22	84.6%	$2.0	98.1%	68	93.2%	$8.4	95.2%
Tennessee	**2,215**		**$59.6**		**2,552**		**$69.3**	
Appalachian Tennessee	149	6.7%	$11.1	18.6%	184	7.2%	$19.9	28.8%
Non-Appalachian Tennessee	2,066	93.3%	$48.5	81.4%	2,368	92.8%	$49.3	71.2%
Virginia	**777**		**$30.4**		**1,250**		**$58.8**	
Appalachian Virginia	289	37.2%	$9.2	30.4%	496	39.7%	$18.7	31.8%
Non-Appalachian Virginia	488	62.8%	$21.1	69.6%	754	60.3%	$40.1	68.2%
West Virginia (entire state)	**111**		**$10.0**		**104**		**$6.6**	

6.6 TYPES OF BORROWERS

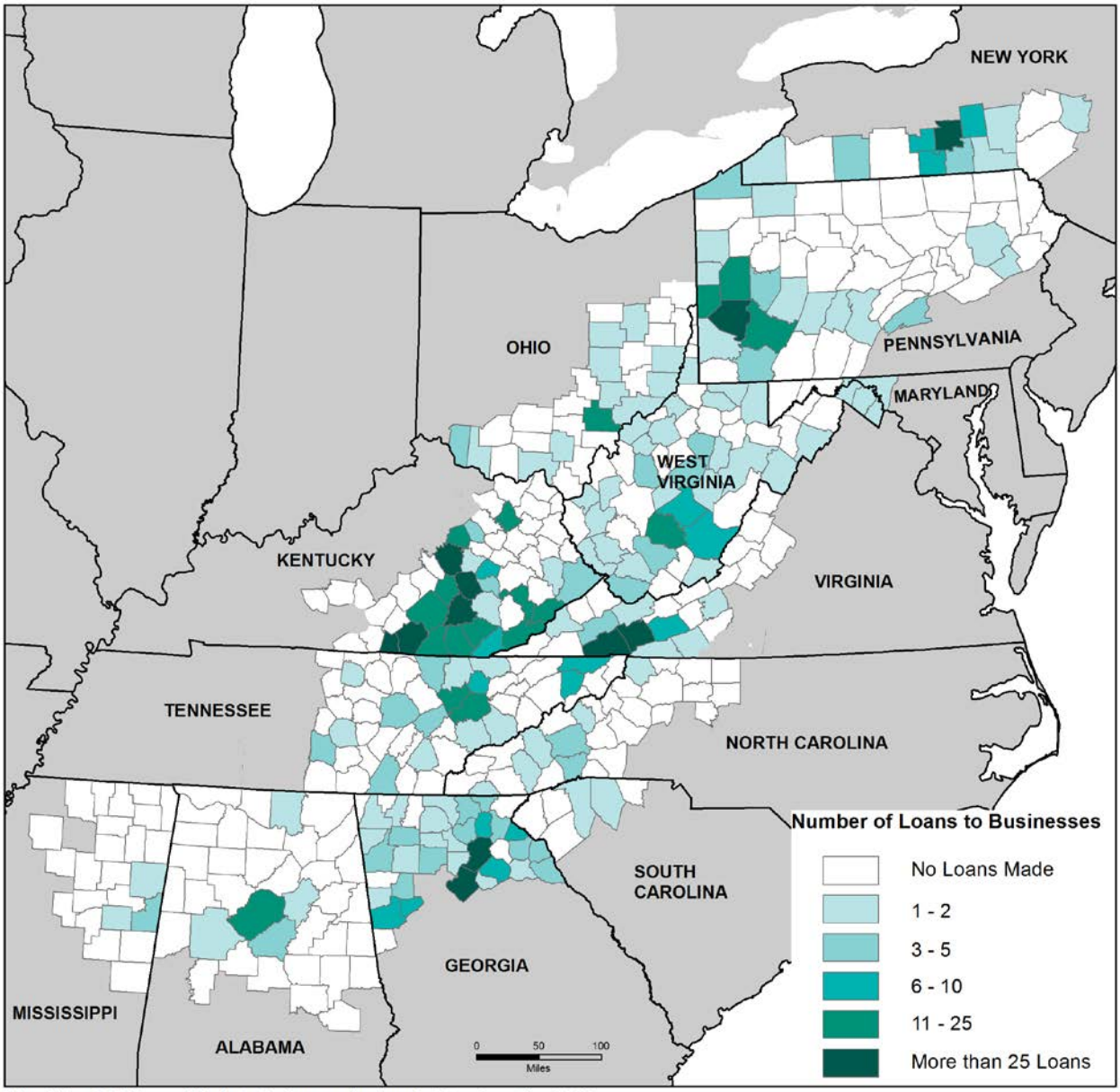
CDFIs have historically made more loans to individuals than to businesses but have loaned more money to businesses than to individuals. CDFIs made loans to businesses in 169 counties in 2007 and in 204 counties in 2010 (see Map 6-2 and Map 6-3). In most counties, however, CDFIs made relatively few loans to businesses in either of those years. CDFIs made more than 5 loans to businesses in only 45 counties in 2007 and in only 76 counties in 2010.

CDFI lending to businesses as a percentage of total amount of loans made declined both nationally and in Appalachia between 2007 and 2010, but declined to a greater degree in Appalachia (see Figure 6-9). The percentage of the total amount loaned that went to businesses in Appalachia dropped from 72 percent in 2007 to 62 percent in 2010. The highest percentage of lending to businesses was in the Southern subregion, where over 97 percent of the amount loaned went to businesses, followed by the Central subregion at over 85 percent business lending. Business lending was over 97 percent of the total amount of CDFI lending in large metropolitan counties, and over 90 percent in rural counties (see Figure 6-10). In all but transitional counties, business lending was over 85 percent of the total amount loaned by CDFIs in 2010 (see Figure 6-11).

CDFIs reporting transaction level data originated 70,704 loans in 2007, 77 percent of which were to individuals or other CDFIs (see Table 6-5). Loans to CDFIs made up less than one percent of the total lending, both in terms of the number of loans and the amount of the loans. Those loans totaled $4.2 billion, 77 percent of which went to businesses. In Appalachia, the pattern was similar, although loans to businesses constituted a higher percentage of loans made and lower percentage of amount loaned in 2007. The pattern in 2010 was dramatically different, both nationally and in Appalachia, with respect to the number of loans made. Nationally, 46 percent of CDFI loans were to business, and 51 percent of loans in Appalachia were to businesses.

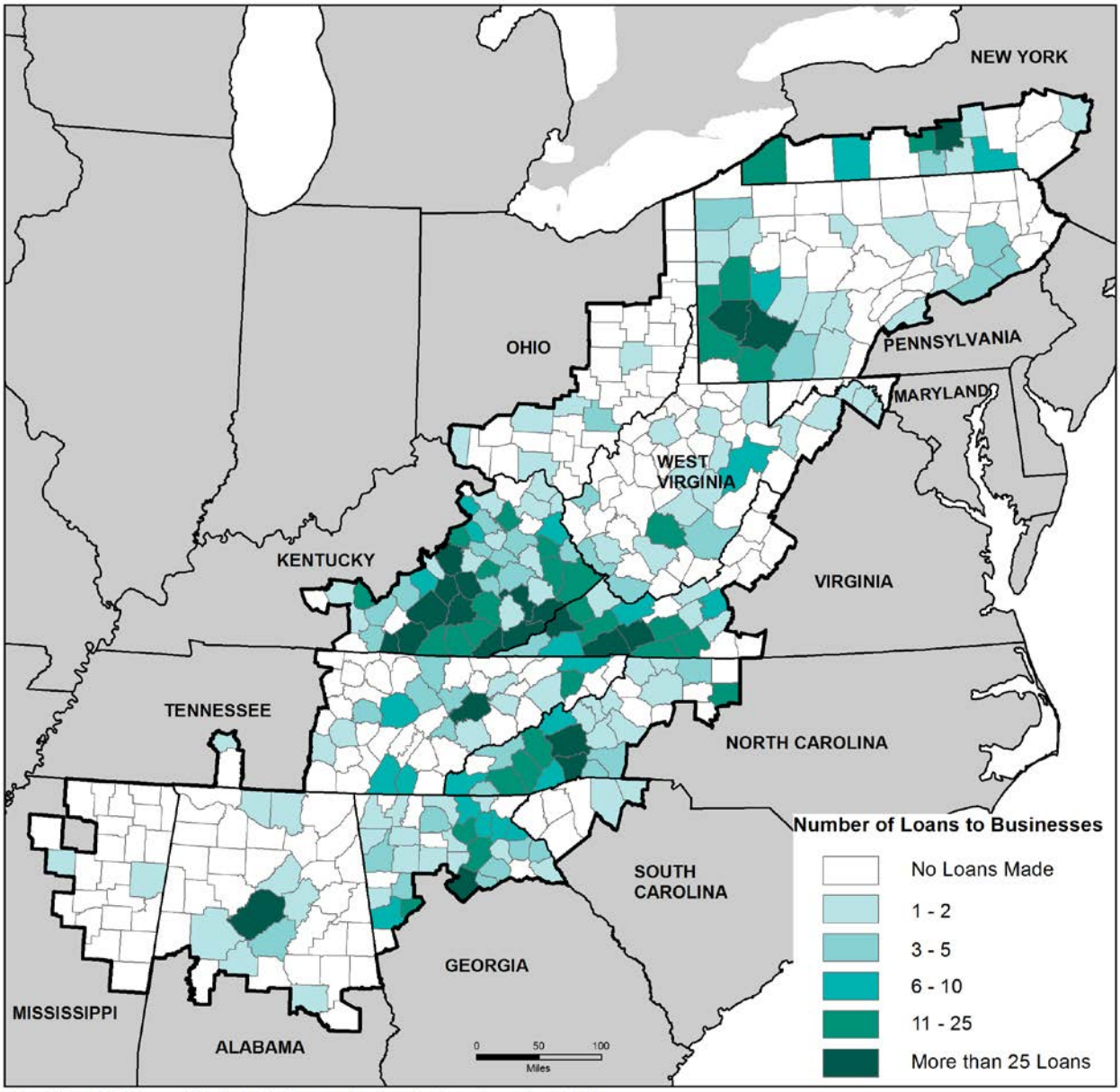
CDFIs were consistent in the types of counties in which they made loans to businesses in both 2007 and 2010. CDFIs loaned more than $500,000 to businesses in 29 counties in 2007 and in 49 counties in 2010 (see Map 6-4 and Map 6-5). The majority of total lending to businesses in both years went to projects in the Central subregion. While less than half, the plurality of money CDFIs lent to businesses went to rural and distressed counties.

Map 6-2: Number of CDFI Loans to Businesses by County, 2007



Map Title: CDFI Loans Made to Businesses in Appalachian Counties, 2007
Data Source: Program Community Investment Impact System Transaction Level Reports for 2007

Map 6-3: Number of CDFI Loans to Businesses by County, 2010



Map Title: CDFI Loans Made to Businesses in Appalachian Counties, 2010
Data Source: Program Community Investment Impact System Transaction Level Reports for 2010

Figure 6-9: Business Lending as a Percent of Amount Loaned by Region

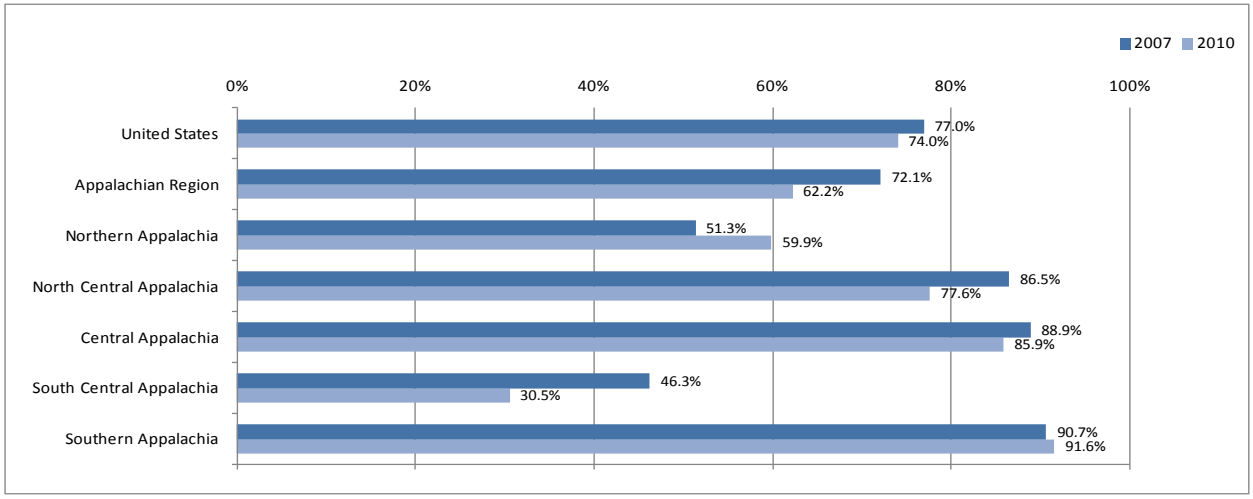


Figure 6-10: Business Lending as a Percent of Amount Loaned by County Type

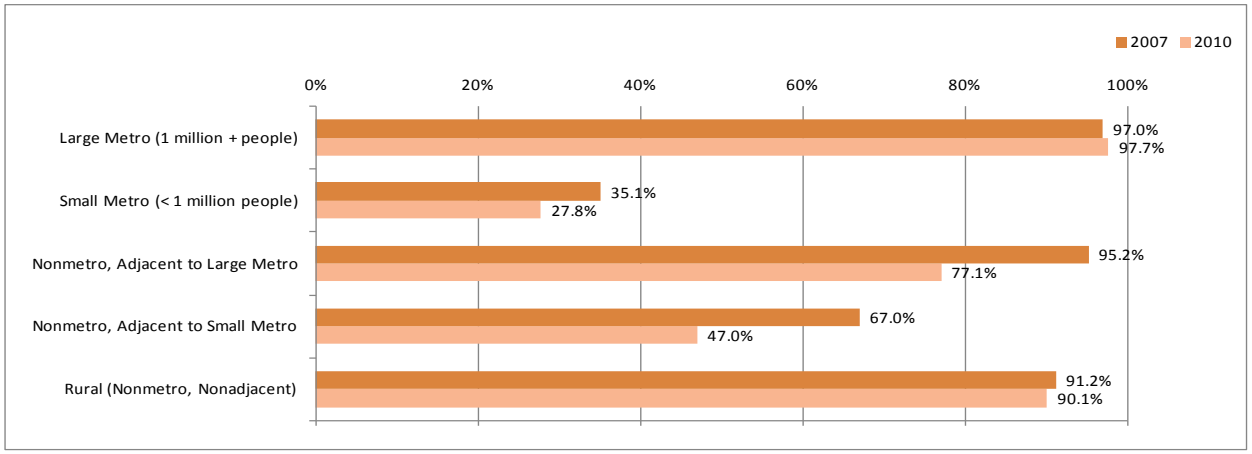


Figure 6-11: Business Lending as a Percent of Amount Loaned by Economic Status

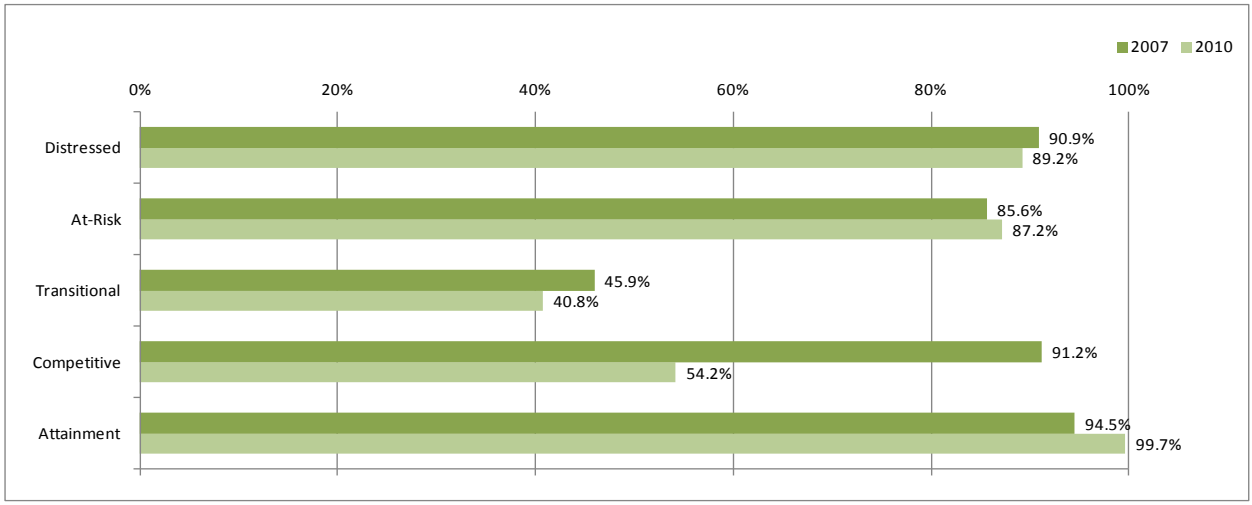
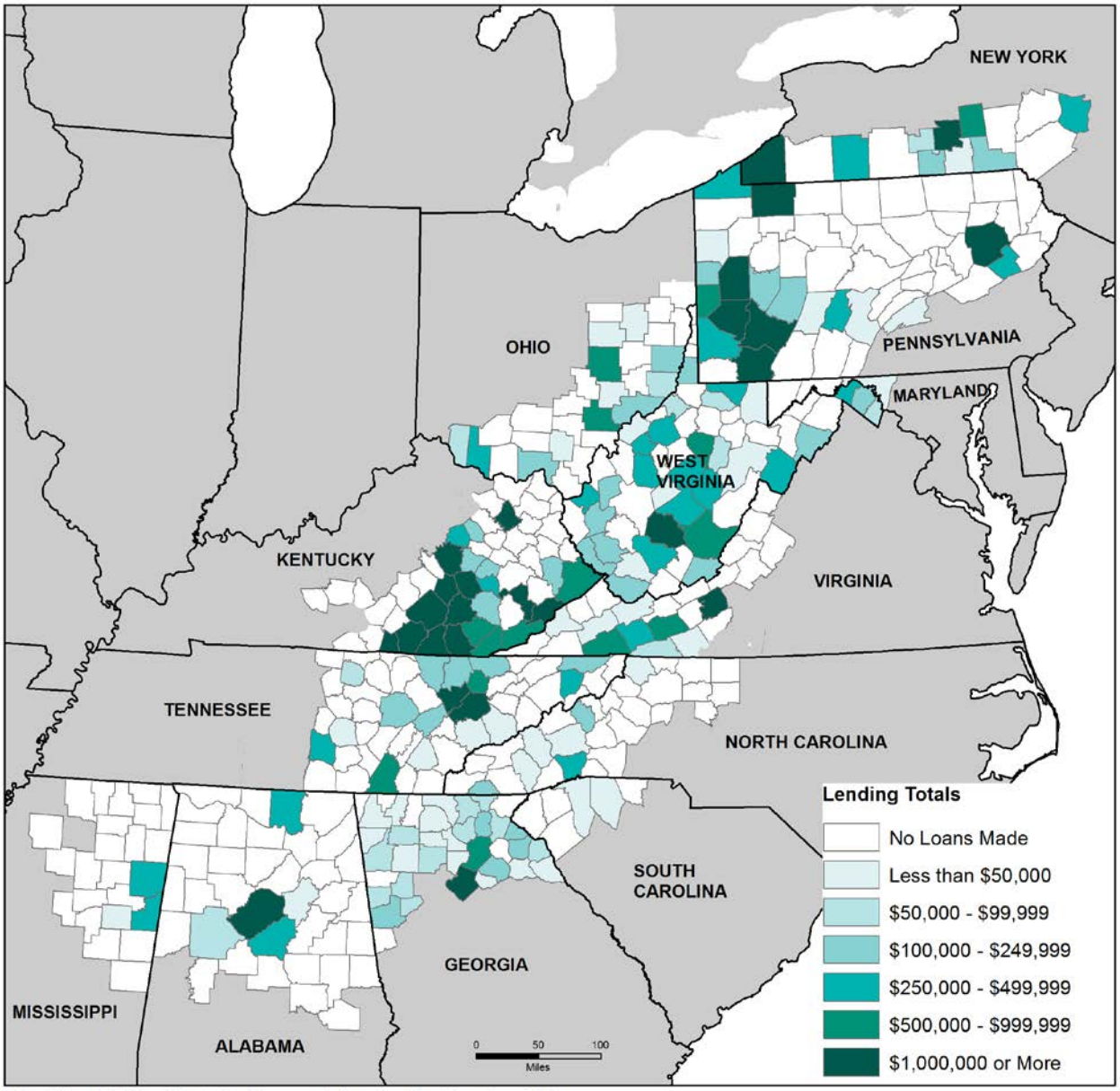


Table 6-5: CDFI Lending by Type of Borrower, 2007 and 2010

	2007				2010			
Number of Loans	Businesses	Percent in Appalachia	Individuals and CDFIs	Percent in Appalachia	Businesses	Percent in Appalachia	Individuals and CDFIs	Percent in Appalachia
United States	**16,121**		**54,583**		**23,746**		**27,495**	
Appalachian Region	**1,416**	**8.8%**	**3,197**	**5.9%**	**2,363**	**10.0%**	**2,298**	**8.4%**
Subregions								
Northern Appalachia	402	28.4%	2,443	76.4%	672	28.4%	624	27.2%
North Central Appalachia	93	6.6%	35	1.1%	59	2.5%	39	1.7%
Central Appalachia	521	36.8%	389	12.2%	870	36.8%	587	25.5%
South Central Appalachia	154	10.9%	247	7.7%	538	22.8%	1,022	44.5%
Southern Appalachia	246	17.4%	83	2.6%	224	9.5%	26	1.1%
County Types								
Large Metro (1 million + people)	306	21.6%	55	1.7%	495	20.9%	13	0.6%
Small Metro (< 1 million people)	402	28.4%	2,446	76.5%	692	29.3%	1,422	61.9%
Nonmetro, Adjacent to Large Metro	19	1.3%	37	1.2%	44	1.9%	49	2.1%
Nonmetro, Adjacent to Small Metro	203	14.3%	349	10.9%	346	14.6%	406	17.7%
Rural (Nonmetro, Nonadjacent)	486	34.3%	310	9.7%	786	33.3%	408	17.8%
Economic Status								
Distressed	409	28.9%	242	7.6%	569	24.1%	386	16.8%
At-Risk	127	9.0%	125	3.9%	286	12.1%	155	6.7%
Transitional	605	42.7%	2,754	86.1%	994	42.1%	1,310	57.0%
Competitive	185	13.1%	44	1.4%	464	19.6%	446	19.4%
Attainment	90	6.4%	32	1.0%	50	2.1%	1	0.0%
Total Amount of Loans (in $ millions)	**Businesses**	**Percent in Appalachia**	**Individuals and CDFIs**	**Percent in Appalachia**	**Businesses**	**Percent in Appalachia**	**Individuals and CDFIs**	**Percent in Appalachia**
United States	**$3,197.6**		**$957.4**		**$3,799.5**		**$1,334.1**	
Appalachian Region	**$142.1**	**4.4%**	**$54.9**	**5.7%**	**$230.7**	**6.1%**	**$140.0**	**10.5%**
Subregions								
Northern Appalachia	$34.7	24.4%	$32.9	59.9%	$51.4	22.3%	$34.4	24.6%
North Central Appalachia	$9.6	6.7%	$1.5	2.7%	$6.0	2.6%	$1.7	1.2%
Central Appalachia	$80.5	56.7%	$10.0	18.3%	$118.0	51.1%	$19.4	13.8%
South Central Appalachia	$8.2	5.8%	$9.6	17.4%	$36.4	15.8%	$82.8	59.1%
Southern Appalachia	$9.1	6.4%	$0.9	1.7%	$19.0	8.2%	$1.7	1.2%
County Types								
Large Metro (1 million + people)	$28.2	19.8%	$0.9	1.6%	$55.6	24.1%	$1.3	0.9%
Small Metro (< 1 million people)	$21.3	15.0%	$39.5	71.9%	$38.6	16.7%	$100.4	71.7%
Nonmetro, Adjacent to Large Metro	$3.0	2.1%	$0.2	0.3%	$2.0	0.8%	$0.6	0.4%
Nonmetro, Adjacent to Small Metro	$14.5	10.2%	$7.2	13.1%	$22.6	9.8%	$25.5	18.2%
Rural (Nonmetro, Nonadjacent)	$75.0	52.8%	$7.2	13.2%	$111.9	48.5%	$12.2	8.7%
Economic Status								
Distressed	$61.5	43.3%	$6.2	11.2%	$78.4	34.0%	$9.5	6.8%
At-Risk	$19.5	13.7%	$3.3	6.0%	$40.6	17.6%	$6.0	4.2%
Transitional	$36.7	25.8%	$43.2	78.7%	$57.9	25.1%	$84.2	60.1%
Competitive	$21.2	14.9%	$2.1	3.7%	$47.8	20.7%	$40.4	28.9%
Attainment	$3.2	2.2%	$0.2	0.3%	$6.0	2.6%	$0.0	0.0%
Average Amount of Loan								
United States	**$198,352**		**$17,540**		**$160,006**		**$48,520**	
Appalachian Region	**$100,356**		**$17,168**		**$97,631**		**$60,941**	

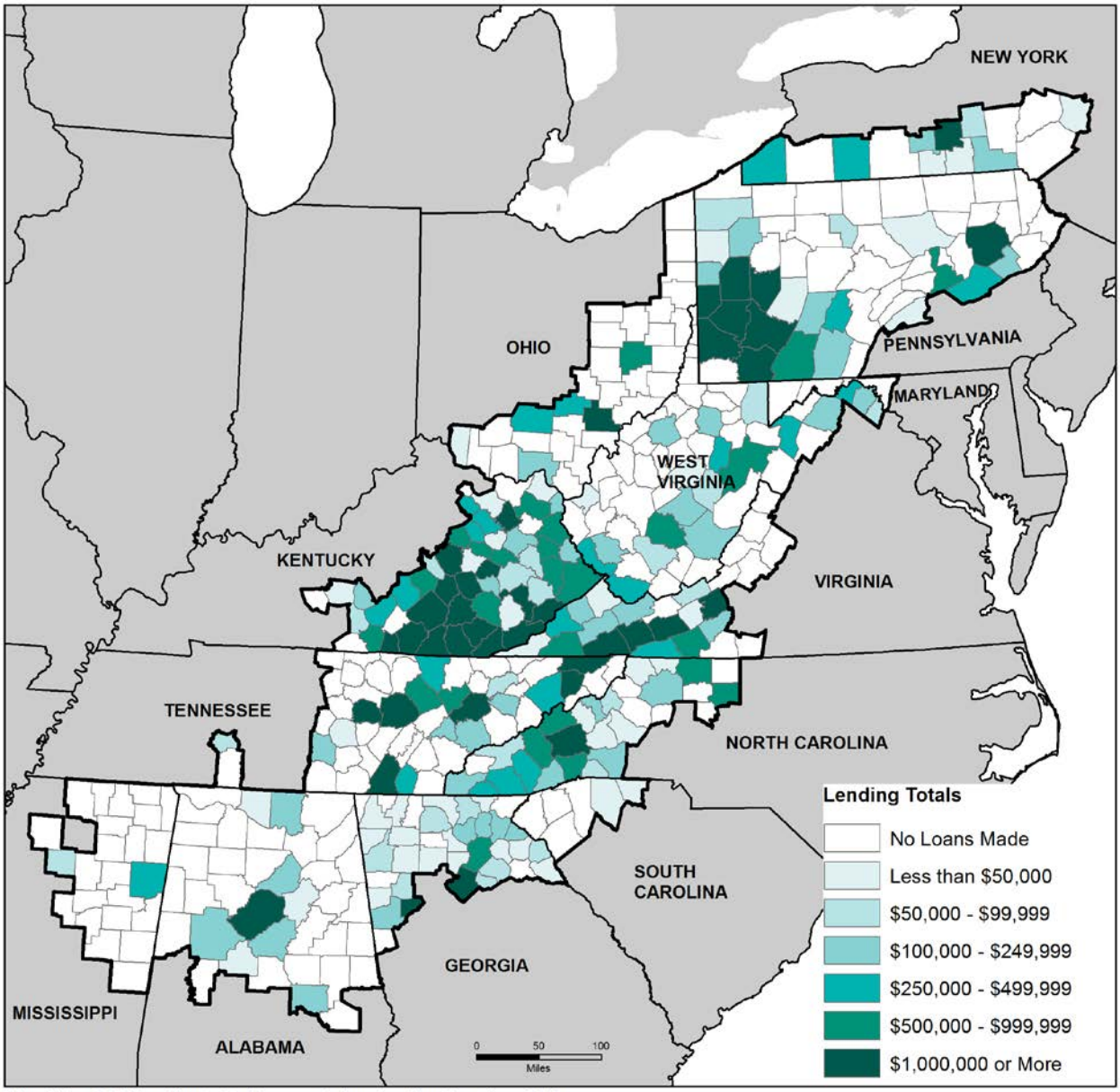
Note: Some CDFIs also lend to other CDFIs, although the percentage of loans and amount loaned to CDFIs is small by comparison to loans to individuals. The two have been combined to simplify the table and show more clearly the percentage of business lending that CDFIs do.

Map 6-4: Amount of Loans to Businesses by County, 2007



Map Title: CDFI Lending to Businesses in Appalachian Counties, 2007
Data Source: Program Community Investment Impact System Transaction Level Reports for 2007

Map 6-5: Amount of Loans to Businesses by County, 2010



Map Title: CDFI Lending to Businesses in Appalachian Counties, 2010
Data Source: Program Community Investment Impact System Transaction Level Reports for 2010

6.7 LOAN PURPOSE

Despite the increased dollar amount of lending for all business purposes, lending in all three business purpose categories – business, microenterprise, and commercial or multi-family real estate development – declined as a percentage of overall CDFI lending in Appalachia between 2007 and 2010 (see Figure 6-12). In terms of amount and percentage of lending, the major increase was in lending for home purchase or improvement, which increased from $39 million in 2007 to over $128 million in 2010 (see Table 6-6).

Although lending for business purposes declined between 2007 and 2010, the percentage of CDFI lending in terms of dollar amounts was considerably higher for business purposes in Appalachia (at 48.4 percent) than nationally (at 22.6 percent). The percentage of CDFI lending for microenterprise is higher in Appalachia than the nation but is still only about 4 percent of the CDFI loan dollars in Appalachia.

The total amount of CDFI lending in Appalachia for business purposes – to a business with more than five employees or in an amount of more than $35,000 – increased by almost 65 percent between 2007 and 2010. The total amount of CDFI lending in Appalachia for microenterprise purposes – that is to a business with not more than five employees and in an amount not more than $35,000 – increased by 72 percent. CDFI lending for commercial and multi-family real estate development and rehabilitation increased slightly in terms of the total amount loaned between 2007 and 2010.

Figure 6-12: Percent of Amount Loaned by Purpose

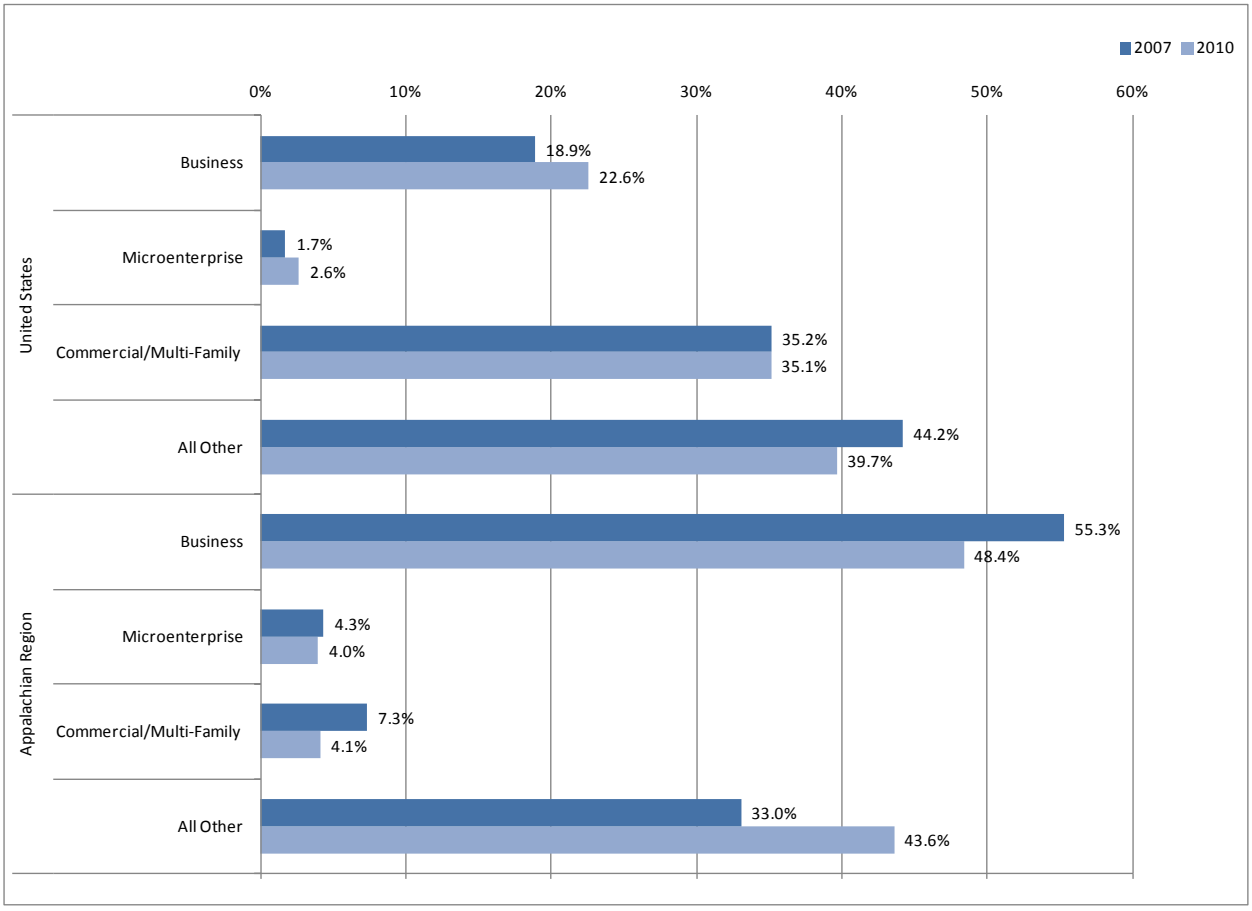


Table 6-6: Number and Amount of Loans by Purpose, 2007 and 2010

Number of Loans	Business		Microenterprise		Commercial or Multi-Family Real Estate Construction or Rehab		Real Estate, Single-Family Construction or Rehab		Home Purchase or Home Improvement		Consumer		Other	
2007		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total
United States	5,774	8.2%	6,639	9.4%	2,401	3.4%	902	1.3%	13,695	19.4%	39,517	55.9%	1,776	2.5%
Appalachian Region	729	15.8%	564	12.2%	41	0.9%	52	1.1%	1,050	22.8%	2,109	45.7%	68	1.5%
2010														
United States	7,843	15.3%	11,425	22.3%	2,808	5.5%	995	1.9%	22,448	43.8%	3,008	5.9%	2,714	5.3%
Appalachian Region	1,206	25.9%	945	20.3%	44	0.9%	83	1.8%	2,101	45.1%	93	2.0%	189	4.1%
Amount of Loans (in $ millions) 2007														
United States	$785.8	18.9%	$71.6	1.7%	$1,460.9	35.2%	$291.0	7.0%	$498.8	12.0%	$336.4	8.1%	$710.56	17.1%
Appalachian Region	$108.9	55.3%	$8.5	4.3%	$14.4	7.3%	$4.6	2.4%	$39.0	19.8%	$12.2	6.2%	$9.33	4.7%
2010														
United States	$1,159.6	22.6%	$135.6	2.6%	$1,802.8	35.1%	$331.8	6.5%	$1,052.7	20.5%	$10.0	0.2%	$641.11	12.5%
Appalachian Region	$179.3	48.4%	$14.7	4.0%	$15.2	4.1%	$10.3	2.8%	$128.3	34.6%	$0.3	0.1%	$22.69	6.1%

Business lending accounted for over three-quarters of the total amount that CDFIs loaned in the Central subregion in 2007 and 2010 (see Figure 6-13). In the North Central subregion, business lending declined by 84 percent, while lending for commercial and multi-family construction and rehabilitation nearly tripled. Business lending accounted for over 80 percent of total CDFI lending in rural counties and about 60 percent of lending in large metropolitan counties (see Figure 6-14). In small metropolitan countis and counties adjacent to metropolitan counties, home purchase and improvement loans increased substantially between 2007 and 2010. Finally, business lending constituted over 80 percent of the amount that CDFIs loaned in distressed counties, and over 72 percent in at-risk counties (see Figure 6-15).

Over half of the loans that CDFIs made in the Central subregion and in rural, and distressed counties in both 2007 and 2010 were either for business or microenterpirse (see Table 6-7). In terms of the amount of loans to business and microenterprise, CDFIs clearly focused on increasing business and microenterprise lending in the Central subregion and in rural counties between 2007 and 2010 (see Table 6-8). For example, the amount of business lending in the Central subregion increased by almost 50 percent and microenterprise lending by 73 percent. Distressed counties, however, did not fare as well. While the total amount loaned for business increased by almost 24 percent, the increase was less than in at-risk, transitional, and competitive counties.

Figure 6-13: Percent of Amount Loaned by Purpose by Region

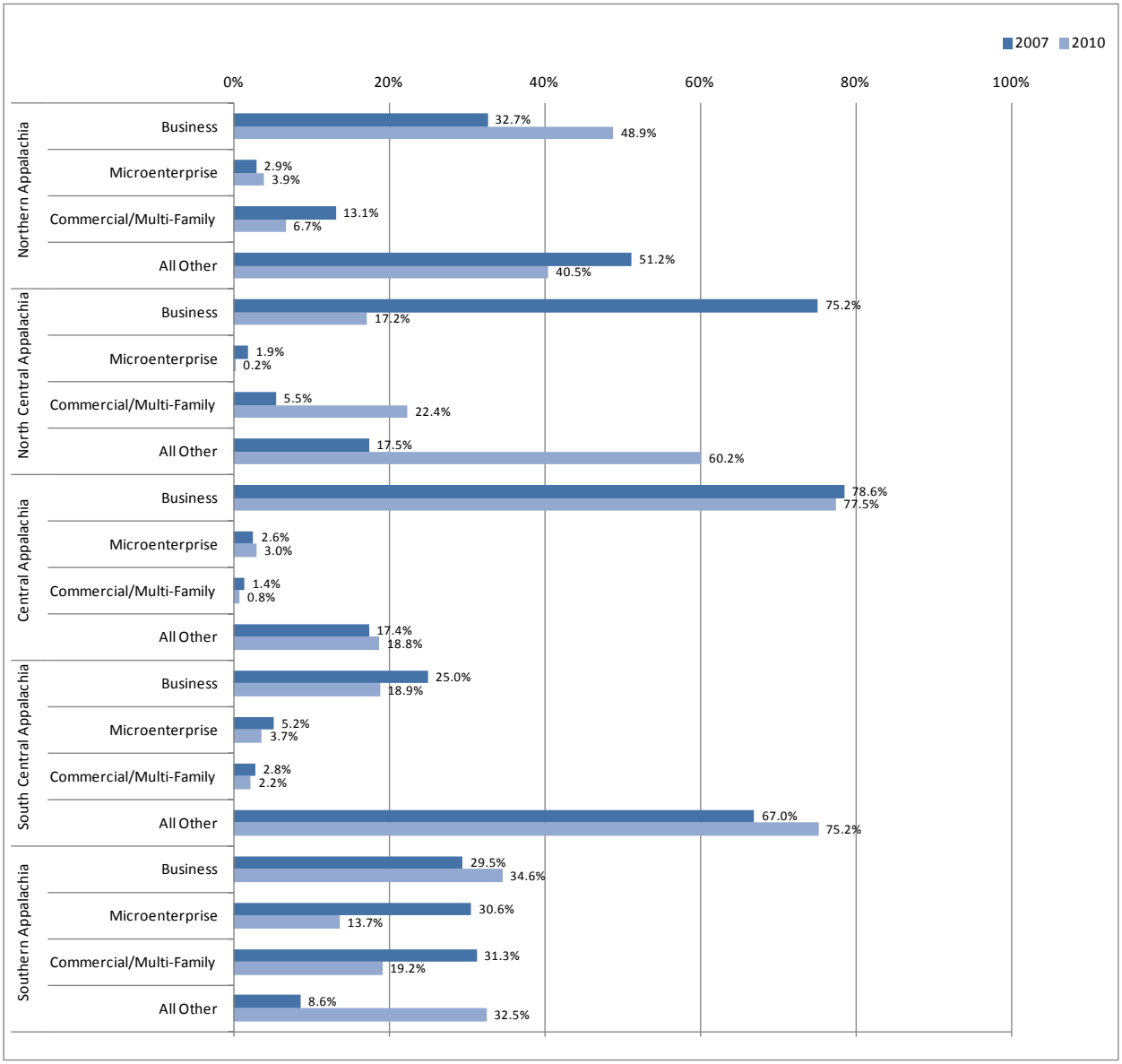


Figure 6-14: Percent of Amount Loaned by Purpose by County Type

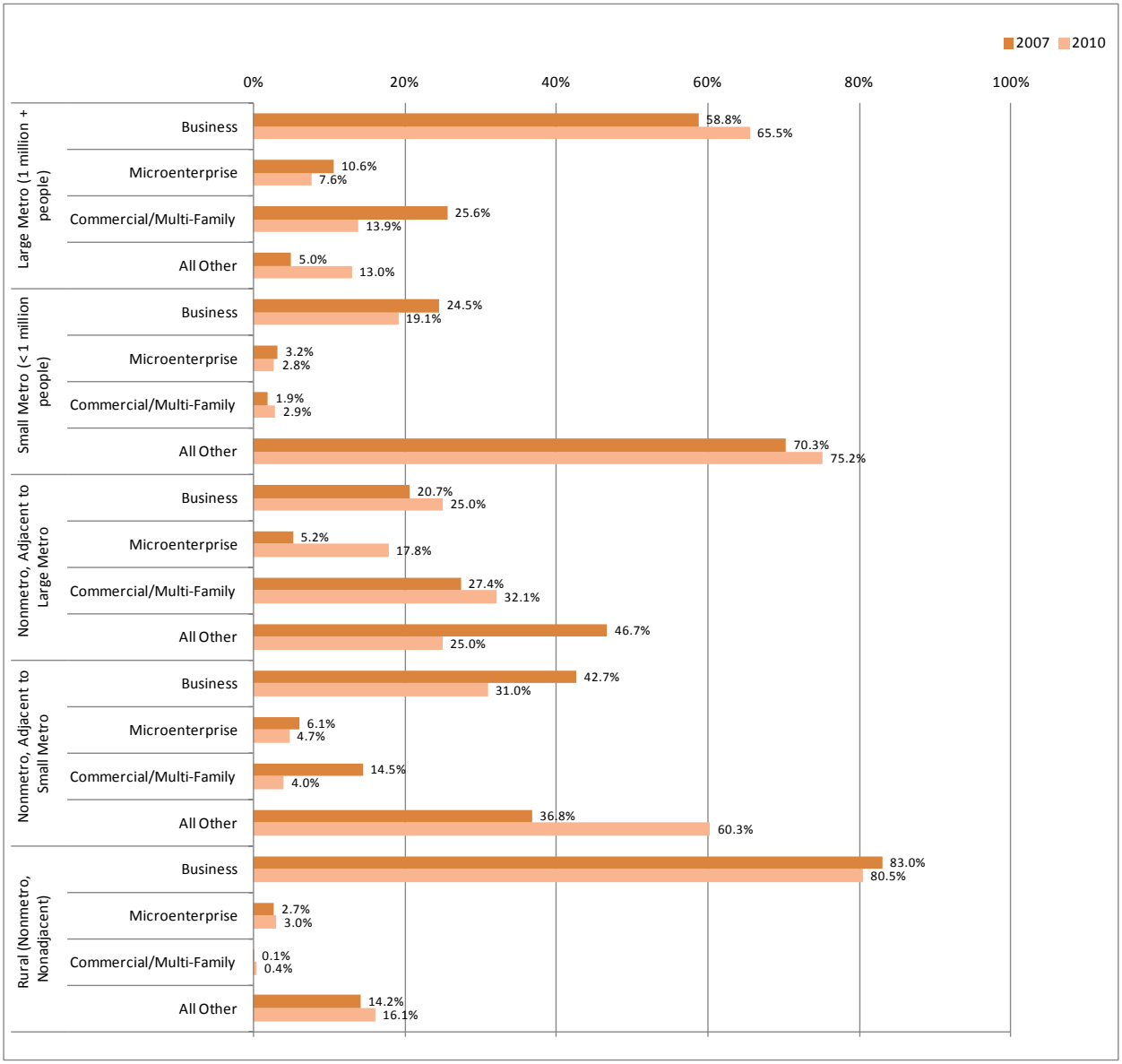


Figure 6-15: Percent of Amount Loaned by Purpose by Economic Status

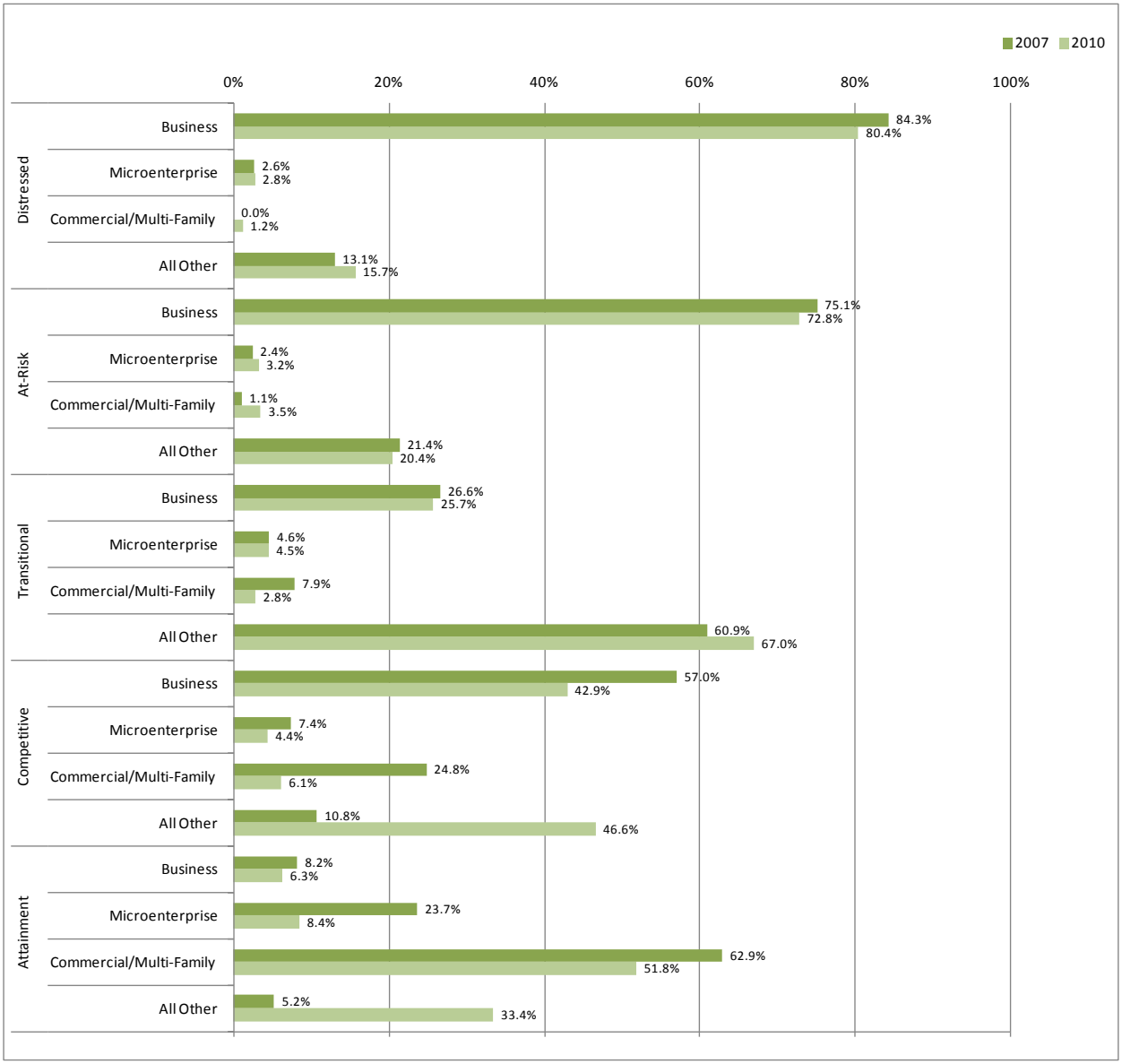


Table 6-7: Number of Loans by Purpose by Type of County, 2007 and 2010

Number of Loans	Business		Microenterprise		Commercial or Multi-Family Real Estate Construction or Rehab		Real Estate, Single-Family Construction or Rehab		Home Purchase or Home Improvement		Consumer		Other	
2007		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total
Subregions														
Northern Appalachia	289	10.2%	81	2.8%	25	0.9%	1	0.0%	419	14.7%	2,018	70.9%	12	0.4%
North Central Appalachia	65	50.8%	15	11.7%	7	5.5%	5	3.9%	31	24.2%	3	2.3%	2	1.6%
Central Appalachia	300	33.0%	159	17.5%	1	0.1%	22	2.4%	381	41.9%	3	0.3%	44	4.8%
South Central Appalachia	44	11.0%	85	21.2%	2	0.5%	19	4.7%	217	54.1%	25	6.2%	9	2.2%
Southern Appalachia	31	9.4%	224	68.1%	6	1.8%	5	1.5%	2	0.6%	60	18.2%	1	0.3%
County Types														
Large Metro (1 million + people)	106	29.1%	183	50.3%	25	6.9%	3	0.8%	2	0.5%	41	11.3%	4	1.1%
Small Metro (< 1 million people)	251	8.8%	118	4.1%	5	0.2%	18	0.6%	581	20.4%	1,850	65.0%	24	0.8%
Nonmetro, Adjacent to Large Metro	7	12.5%	8	14.3%	2	3.6%	0	0.0%	1	1.8%	36	64.3%	2	3.6%
Nonmetro, Adjacent to Small Metro	95	17.2%	94	17.0%	7	1.3%	7	1.3%	208	37.7%	134	24.3%	7	1.3%
Rural (Nonmetro, Nonadjacent)	270	34.0%	161	20.3%	2	0.3%	24	3.0%	258	32.5%	48	6.0%	31	3.9%
Economic Status														
Distressed	231	35.5%	142	21.8%	0	0.0%	17	2.6%	234	35.9%	4	0.6%	23	3.5%
At-Risk	83	32.9%	27	10.7%	3	1.2%	5	2.0%	119	47.2%	4	1.6%	11	4.4%
Transitional	328	9.8%	222	6.6%	19	0.6%	27	0.8%	687	20.5%	2,050	61.0%	26	0.8%
Competitive	83	36.2%	78	34.1%	17	7.4%	3	1.3%	10	4.4%	30	13.1%	8	3.5%
Attainment	4	3.3%	95	77.9%	2	1.6%	0	0.0%	0	0.0%	21	17.2%	0	0.0%
2010														
Subregions														
Northern Appalachia	490	37.8%	160	12.3%	25	1.9%	0	0.0%	560	43.2%	43	3.3%	18	1.4%
North Central Appalachia	13	13.3%	3	3.1%	4	4.1%	7	7.1%	33	33.7%	0	0.0%	38	38.8%
Central Appalachia	490	33.6%	307	21.1%	5	0.3%	37	2.5%	516	35.4%	15	1.0%	87	6.0%
South Central Appalachia	173	11.1%	303	19.4%	4	0.3%	32	2.1%	976	62.6%	35	2.2%	37	2.4%
Southern Appalachia	40	16.0%	172	68.8%	6	2.4%	7	2.8%	16	6.4%	0	0.0%	9	3.6%
County Types														
Large Metro (1 million + people)	244	48.0%	220	43.3%	20	3.9%	5	1.0%	7	1.4%	0	0.0%	12	2.4%
Small Metro (< 1 million people)	388	18.4%	251	11.9%	9	0.4%	20	0.9%	1,359	64.3%	33	1.6%	54	2.6%
Nonmetro, Adjacent to Large Metro	8	8.6%	33	35.5%	2	2.2%	1	1.1%	1	1.1%	43	46.2%	5	5.4%
Nonmetro, Adjacent to Small Metro	137	18.2%	166	22.1%	6	0.8%	14	1.9%	367	48.8%	5	0.7%	57	7.6%
Rural (Nonmetro, Nonadjacent)	429	35.9%	275	23.0%	7	0.6%	43	3.6%	367	30.7%	12	1.0%	61	5.1%
Economic Status														
Distressed	329	34.5%	189	19.8%	4	0.4%	29	3.0%	355	37.2%	3	0.3%	46	4.8%
At-Risk	127	28.8%	111	25.2%	8	1.8%	8	1.8%	138	31.3%	8	1.8%	41	9.3%
Transitional	488	21.2%	421	18.3%	13	0.6%	44	1.9%	1,169	50.7%	82	3.6%	87	3.8%
Competitive	257	28.2%	182	20.0%	17	1.9%	2	0.2%	439	48.2%	0	0.0%	13	1.4%
Attainment	5	9.8%	42	82.4%	2	3.9%	0	0.0%	0	0.0%	0	0.0%	2	3.9%

Table 6-8: Amount of Loans by Purpose by Type of County, 2007 and 2010

Amount of Loans (in $ millions)	Business		Microenterprise		Commercial or Multi-Family Real Estate		Real Estate, Single-Family Construction		Home Purchase or Home Improvement		Consumer		Other	
2007		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total		Pct. of Total
Subregions														
Northern Appalachia	$22.1	32.7%	$2.0	2.9%	$8.9	13.1%	$0.1	0.1%	$20.3	30.1%	$11.3	16.7%	$2.9	4.3%
North Central Appalachia	$8.3	75.2%	$0.2	1.9%	$0.6	5.5%	$0.3	2.7%	$1.2	10.7%	$0.1	0.5%	$0.4	3.5%
Central Appalachia	$71.1	78.6%	$2.3	2.6%	$1.3	1.4%	$2.4	2.6%	$9.2	10.1%	$0.1	0.1%	$4.1	4.6%
South Central Appalachia	$4.5	25.0%	$0.9	5.2%	$0.5	2.8%	$1.6	8.8%	$8.2	46.4%	$0.3	1.5%	$1.8	10.3%
Southern Appalachia	$3.0	29.5%	$3.1	30.6%	$3.2	31.3%	$0.3	3.1%	$0.1	0.6%	$0.4	4.4%	$0.1	0.5%
County Types														
Large Metro (1 million + people)	$16.0	58.8%	$2.9	10.6%	$7.0	25.6%	$0.2	0.8%	$0.4	1.6%	$0.3	1.1%	$0.4	1.6%
Small Metro (< 1 million people)	$14.9	24.5%	$1.9	3.2%	$1.2	1.9%	$1.4	2.4%	$26.4	43.5%	$10.6	17.4%	$4.3	7.0%
Nonmetro, Adjacent to Large Metro	$0.7	20.7%	$0.2	5.2%	$0.9	27.4%	$0.0	0.0%	$0.0	0.7%	$0.1	4.1%	$1.3	41.9%
Nonmetro, Adjacent to Small Metro	$9.3	42.7%	$1.3	6.1%	$3.1	14.5%	$0.5	2.2%	$5.7	26.3%	$1.0	4.6%	$0.8	3.8%
Rural (Nonmetro, Nonadjacent)	$68.2	83.0%	$2.2	2.7%	$0.1	0.1%	$2.5	3.1%	$6.4	7.8%	$0.2	0.2%	$2.5	3.0%
Economic Status														
Distressed	$57.0	84.3%	$1.8	2.6%	$0.0	0.0%	$1.6	2.3%	$5.5	8.1%	$0.0	0.0%	$1.8	2.7%
At-Risk	$17.1	75.1%	$0.6	2.4%	$0.2	1.1%	$0.8	3.6%	$3.0	13.1%	$0.0	0.1%	$1.0	4.5%
Transitional	$21.3	26.6%	$3.7	4.6%	$6.3	7.9%	$1.9	2.4%	$29.6	37.0%	$11.7	14.6%	$5.6	6.9%
Competitive	$13.3	57.0%	$1.7	7.4%	$5.8	24.8%	$0.3	1.5%	$1.0	4.1%	$0.3	1.1%	$0.9	4.1%
Attainment	$0.3	8.2%	$0.8	23.7%	$2.1	62.9%	$0.0	0.0%	$0.0	0.0%	$0.2	5.2%	$0.0	0.0%
2010														
Subregions														
Northern Appalachia	$41.9	48.9%	$3.4	3.9%	$5.7	6.7%	$0.0	0.0%	$31.1	36.3%	$0.0	0.1%	$3.6	4.1%
North Central Appalachia	$1.3	17.2%	$0.0	0.2%	$1.7	22.4%	$0.5	6.6%	$1.2	15.9%	$0.0	0.0%	$2.9	37.7%
Central Appalachia	$106.4	77.5%	$4.1	3.0%	$1.0	0.8%	$3.3	2.4%	$13.3	9.7%	$0.1	0.0%	$9.2	6.7%
South Central Appalachia	$22.5	18.9%	$4.4	3.7%	$2.7	2.2%	$3.3	2.8%	$81.5	68.4%	$0.2	0.1%	$4.7	3.9%
Southern Appalachia	$7.2	34.6%	$2.8	13.7%	$4.0	19.2%	$3.2	15.3%	$1.2	5.8%	$0.0	0.0%	$2.4	11.4%
County Types														
Large Metro (1 million + people)	$37.3	65.5%	$4.3	7.6%	$7.9	13.9%	$3.1	5.4%	$0.4	0.7%	$0.0	0.0%	$3.9	6.9%
Small Metro (< 1 million people)	$26.6	19.1%	$3.8	2.8%	$4.0	2.9%	$1.5	1.1%	$96.6	69.5%	$0.1	0.1%	$6.3	4.5%
Nonmetro, Adjacent to Large Metro	$0.6	25.0%	$0.5	17.8%	$0.8	32.1%	$0.1	2.0%	$0.0	1.3%	$0.0	1.9%	$0.5	19.8%
Nonmetro, Adjacent to Small Metro	$14.9	31.0%	$2.3	4.7%	$1.9	4.0%	$1.3	2.6%	$20.1	41.8%	$0.0	0.1%	$7.6	15.8%
Rural (Nonmetro, Nonadjacent)	$99.9	80.5%	$3.8	3.0%	$0.5	0.4%	$4.4	3.5%	$11.2	9.0%	$0.0	0.0%	$4.4	3.5%
Economic Status														
Distressed	$70.7	80.4%	$2.4	2.8%	$1.0	1.2%	$2.1	2.4%	$8.9	10.1%	$0.0	0.0%	$2.8	3.2%
At-Risk	$33.9	72.8%	$1.5	3.2%	$1.6	3.5%	$1.1	2.3%	$5.3	11.3%	$0.0	0.1%	$3.1	6.8%
Transitional	$36.6	25.7%	$6.4	4.5%	$4.0	2.8%	$6.9	4.8%	$75.6	53.2%	$0.2	0.2%	$12.5	8.8%
Competitive	$37.9	42.9%	$3.9	4.4%	$5.4	6.1%	$0.3	0.3%	$38.6	43.8%	$0.0	0.0%	$2.2	2.5%
Attainment	$0.4	6.3%	$0.5	8.4%	$3.1	51.8%	$0.0	0.0%	$0.0	0.0%	$0.0	0.0%	$2.0	33.4%

6.8 New Markets Tax Credit Investments in Appalachia

Congress established the New Markets Tax Credit program (NMTC Program) in 2000 to create an incentive for increased investment in businesses and real estate projects in low-income communities. The NMTC Program provides investors a credit against federal income taxes equal to 39 percent of their original equity investment in Community Development Entities (CDEs). CDEs are existing domestic businesses with: 1) a primary mission to serve or provide investment capital in low-income communities or to low-income individuals; and 2) have representatives of the community on the governing or advisory board of the organization. The investor receives the federal tax credits over a seven-year period.

Based on data from the CDFI Fund, CDEs have used credits to finance 3,060 projects with a total investment of $20.9 billion since the beginning of the program.[23] Forty-seven CDEs have invested at least part of their credit authority in 351 projects in 62 Appalachian counties, an investment of $706.7 million or about 3.4 percent of the total amount of credit authority invested (see Map 6-6 and Map 6-7). There are only 12 CDEs located in Appalachia, and they have received a total allocation of $321 million in credit authority out of $30 billion in tax credits allocated, or 1.1% of the credit authority allocated, which means that most of the NMTC investment in Appalachia is from CDEs outside of the region. Of the projects in Appalachia, 56 are in 16 distressed counties.[24] The credit authority invested in projects in Appalachia constitute only about 20 percent of the total cost of the projects, and so the total cost of projects receiving NMTC investment in Appalachia is over $3.5 billion.

The majority of credit authority invested in projects completed in 2007 and 2010 was in the Northern and Southern subregions, 68 percent in 2007 and over 79 percent in 2010 (see Figure 6-16). Investment in projects completed in 2010 in the Central subregion decreased by over 40 percent, going from 25 percent of credit authority invested in Appalachia in 2007 to 7 percent in 2010. Large and small metropolitan counties dominated, with 72 percent of the investment in projects completed in both 2007 and 2010 (see Figure 6-17). Funding for projects completed in 2010 in rural counties also decreased by over 40 percent, dropping from 26 percent of credit authority invested in Appalachia in 2007 to 7 percent in 2010. Competitive and transitional counties received 72 percent of the credit authority invested in projects completed in 2007 and 87 percent in projects completed in 2010 (see Figure 6-18). Credits invested in distressed counties in projects completed in 2010 decreased by 16 percent and dropped from 29 percent of credits for project completed in 2007 to 10 percent for projects completed in 2010.

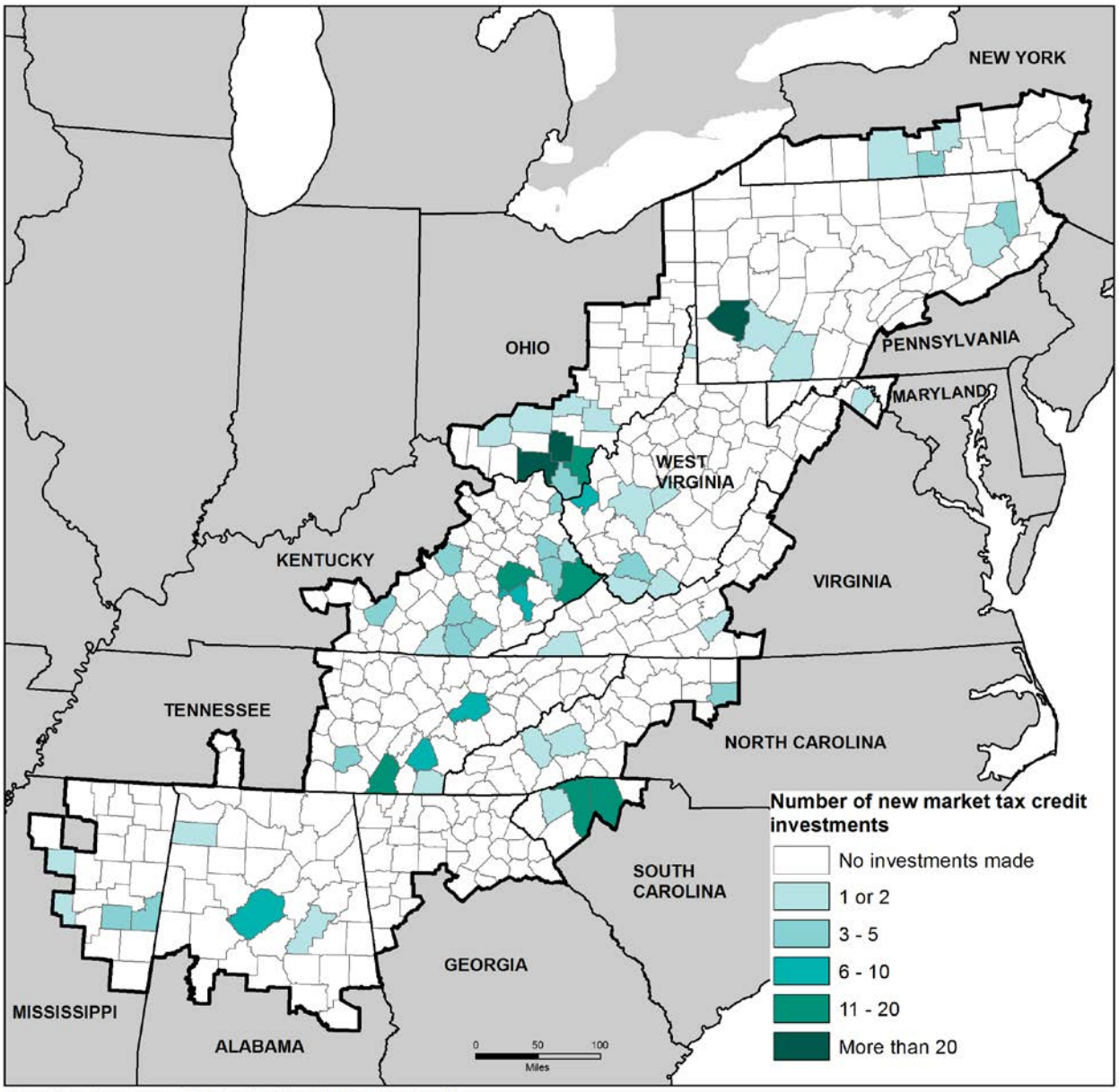
Overall, CDEs invested a total of $3.9 billion in credit authority in projects completed nationally in 2007, including $83 million by 11 CDEs for projects completed in Appalachia (see Table 6-9). CDEs invested a total of $3.5 billion in credit authority for projects completed nationally in 2010, including $180 million invested by 19 CDEs in projects completed in Appalachia. The amount of NMTC credit authority increased by 117 percent for projects completed in 2010, compared with projects completed in 2007, despite a 10.5 percent decrease in credit authority invested in completed projects nationally.

[23] The CDFI Fund only reports investment in completed projects and reports the data as if all investment had occurred in the last year that the project received NMTC investment. The data do not include credit authority that may have been invested in projects that have not been completed as of the time of the data report. The data also only report the CDE making the largest investment, although other CDEs may have invested as well.

[24] The status of counties is based on the status as of 2010. Some of the counties may have changed status between the time the investment was made and 2010.

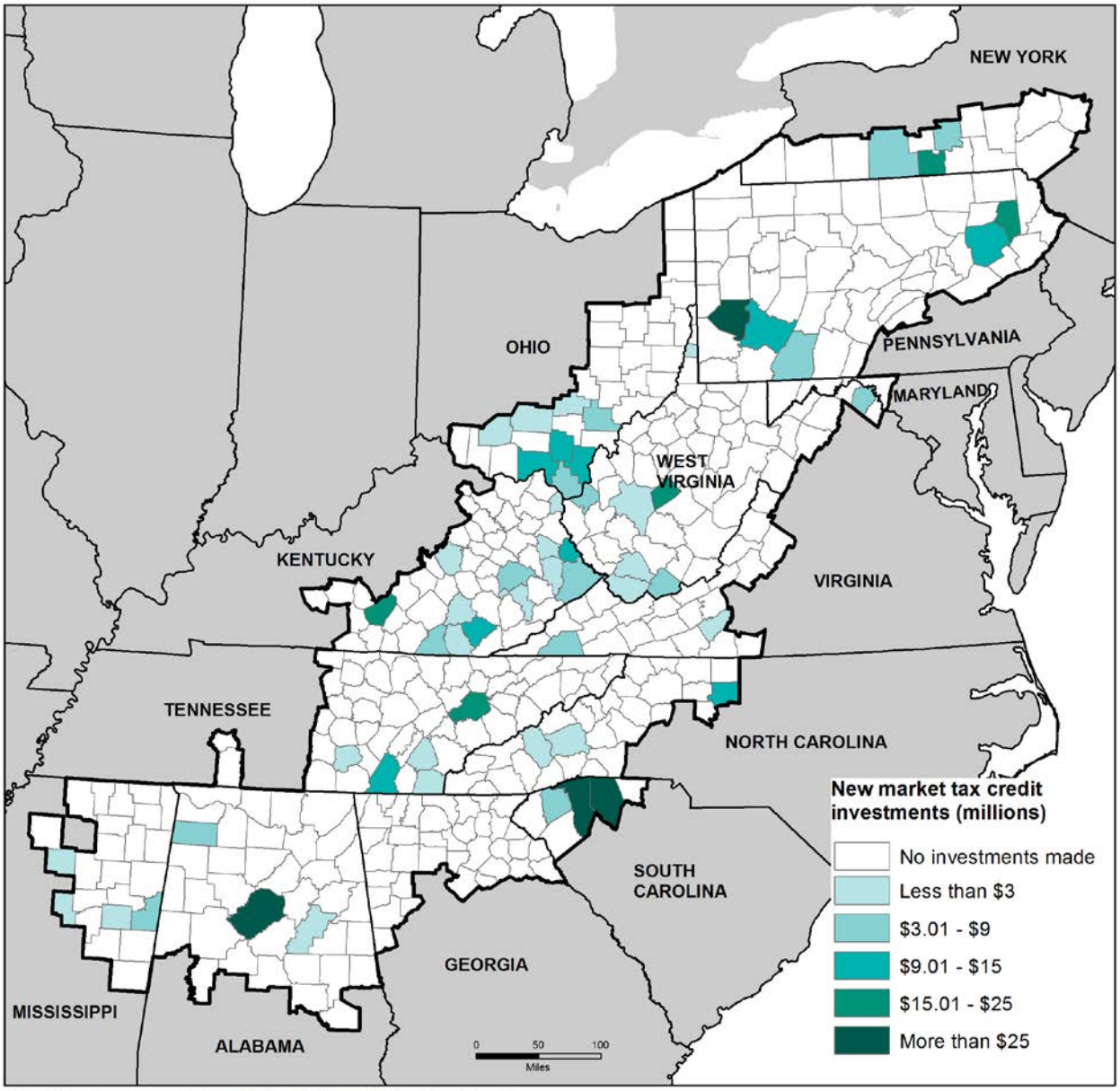
One possible explanation for the pattern of NMTC funding is that tax credit projects require for-profit partners to take advantage of the credits. The recession may have made for-profit investors less willing to help fund projects in more distressed communities. Investors also may naturally favor projects in more urbanized areas, perhaps because more investors are already operating in those areas and are more familiar with the local economic conditions.

Map 6-6: Total Number of New Market Tax Credit Investments, by County, 2000-2010



Map Title: Investments Made with New Market Tax Credit
Data Source: CDFI Fund 2011

Map 6-7: Total Amount of New Market Tax Credit Authority Invested, by County, 2000-2010



Map Title: Investment Dollars Made with New Market Tax Credit
Data Source: CDFI Fund 2011

Figure 6-16: Amount of NMTC Credits by Region

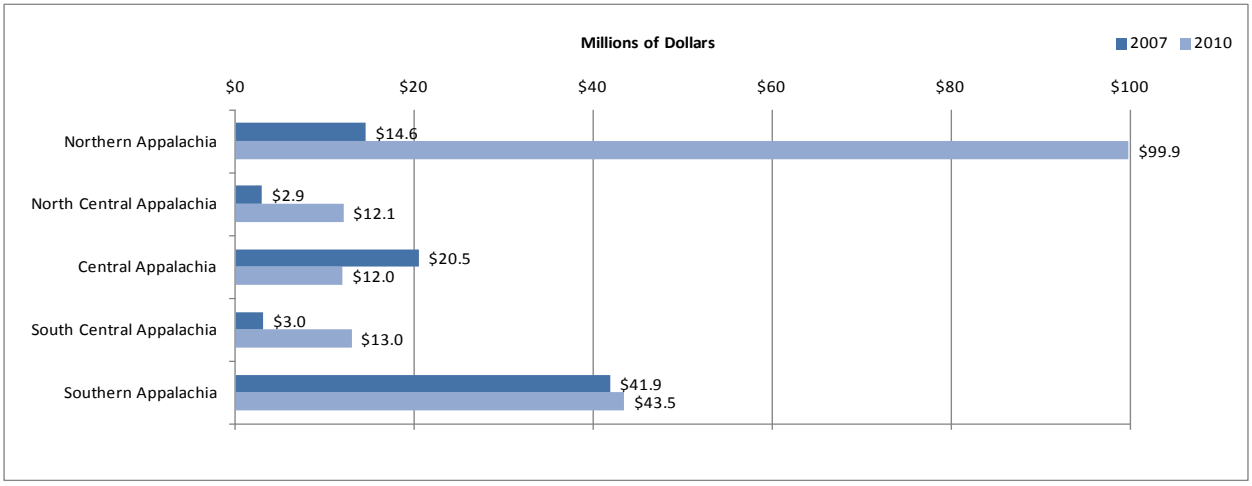


Figure 6-17: Amount of NMTC Credits by County Type

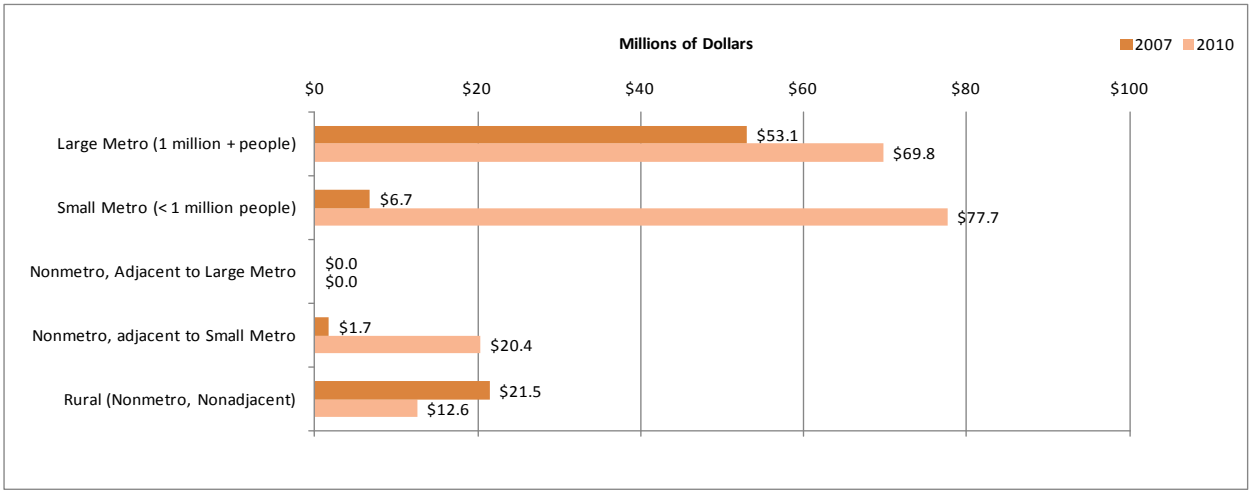


Figure 6-18: Amount of NMTC Credits by Economic Status

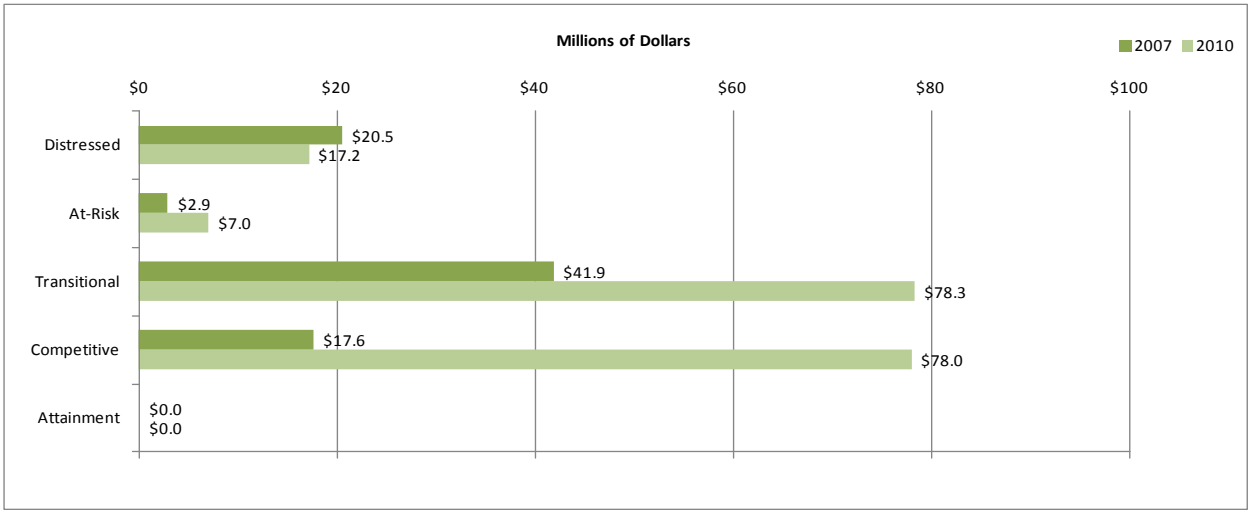


Table 6-9: New Markets Tax Credit Projects and Amounts in Appalachia, 2007 and 2010

	2007				2010			
	Number	Percent of Appalachian Total	Amount (in $ millions)	Percent of Appalachian Total	Number	Percent of Appalachian Total	Amount (in $ millions)	Percent of Appalachian Total
United States			**$3,909.0**				**$3,500.0**	
Appalachian Region	**24**		**$83.0**	**2.1%**	**58**		**$180.4**	**5.2%**
Subregions								
Northern Appalachia	4	16.7%	$14.6	17.6%	26	44.8%	$99.9	55.4%
North Central Appalachia	5	20.8%	$2.9	3.5%	14	24.1%	$12.1	6.7%
Central Appalachia	7	29.2%	$20.5	24.7%	1	1.7%	$12.0	6.7%
South Central Appalachia	2	8.3%	$3.0	3.7%	8	13.8%	$13.0	7.2%
Southern Appalachia	6	25.0%	$41.9	50.5%	9	15.5%	$43.5	24.1%
County Types								
Large Metro (1 million + people)	7	29.2%	$53.1	63.9%	19	32.8%	$69.8	38.7%
Small Metro (< 1 million people)	5	20.8%	$6.7	8.1%	21	36.2%	$77.7	43.0%
Nonmetro, Adjacent to Large Metro	0	0.0%	$0.0	0.0%	0	0.0%	$0.0	0.0%
Nonmetro, adjacent to Small Metro	4	16.7%	$1.7	2.1%	12	20.7%	$20.4	11.3%
Rural (Nonmetro, Nonadjacent)	8	33.3%	$21.5	25.9%	6	10.3%	$12.6	7.0%
Economic Status								
Distressed	7	29.2%	$20.5	24.7%	3	5.2%	$17.2	9.5%
At-Risk	5	20.8%	$2.9	3.5%	12	20.7%	$7.0	3.9%
Transitional	6	25.0%	$41.9	50.5%	22	37.9%	$78.3	43.4%
Competitive	6	25.0%	$17.6	21.3%	21	36.2%	$78.0	43.2%
Attainment	0	0.0%	$0.0	0.0%	0	0.0%	$0.0	0.0%

6.9 MICROLOANS

According to the SBA, the microloan program provides small, short-term loans to small businesses and nonprofit child-care centers. The SBA provides funds to intermediary lenders that are nonprofit community-based organizations. These intermediaries make loans to eligible borrowers. The maximum loan amount is $50,000, and the average microloan nationally is about $13,000. The loans can be used for working capital, purchase of inventory or supplies, purchase of furniture or fixtures, and purchase of machinery or equipment.[25]

In 2007, the average microloan amount was modestly higher in Appalachia ($16,851) than the nation ($13,021). By 2010, the average loan amounts were approximately aligned; the national average was $12,099 and the Appalachian average was $12,902.

Access to the microloan program improved in Appalachia relative to the nation. In 2007, about one microloan was issued per 10,000 small businesses in both Appalachia and the nation. In 2010, less than one microloan was issued per 10,000 small businesses nationally while about 1.6 microloans were issued per 10,000 businesses in Appalachia.

The microloan program is effectively targeting disadvantaged counties in Appalachia. In 2007, Central Appalachia, rural counties, and distressed counties received the most microloans per small 10,000 businesses. The trend is the same in 2010 with 6.96, 3.58, and 4.6 microloans per 10,000 businesses in Central Appalachia, rural counties, and distressed counties, respectively (see Table 6-10).

[25] See http:/www.sba.gov/content/microloan-program.

Table 6-10: Approved Microloans per 10,000 Businesses in Appalachia

	2007			2010		
	Overall Approved Loans	Number of Businesses	Number of Approved Loans per 10,000 Businesses	Overall Approved Loans	Number of Businesses	Number of Approved Loans per 10,000 Businesses
United States	**2,524**	**21,808,201**	**1.16**	**3,572**	**21,530,378**	**1.66**
Appalachian Region	**163**	**1,607,645**	**1.01**	**244**	**1,577,370**	**1.55**
Subregions						
Northern Appalachia	73	477,301	1.53	94	482,014	1.95
North Central Appalachia	11	128,944	0.85	13	124,926	1.04
Central Appalachia	49	115,266	4.25	76	109,122	6.96
South Central Appalachia	22	307,059	0.72	37	304,728	1.21
Southern Appalachia	8	579,075	0.14	24	556,580	0.43
County Types						
Large Metro (1 million + people)	40	395,470	1.01	48	404,330	1.19
Small Metro (< 1 million people)	49	613,330	0.80	66	604,234	1.09
Nonmetro, Adjacent to Large Metro	10	109,171	0.92	11	103,911	1.06
Nonmetro, Adjacent to Small Metro	25	301,104	0.83	57	291,784	1.95
Rural (Nonmetro, Nonadjacent)	39	188,570	2.07	62	173,111	3.58
Economic Status						
Distressed	40	89,777	4.46	40	86,870	4.60
At-Risk	6	145,503	0.41	33	138,028	2.39
Transitional	85	887,755	0.96	122	905,985	1.35
Competitive	23	305,587	0.75	44	292,327	1.51
Attainment	8	135,857	0.59	5	154,160	0.32
Alabama	**2**	**314,870**	**0.06**	**7**	**302,408**	**0.23**
Appalachian Alabama	0	199,561	0.00	0	192,538	0.00
Non-Appalachian Alabama	2	115,309	0.17	7	109,870	0.64
Georgia	**43**	**828,977**	**0.52**	**74**	**792,556**	**0.93**
Appalachian Georgia	8	239021	0.33	24	238,124	1.01
Non-Appalachian Georgia	35	589,956	0.59	50	554,432	0.90
Kentucky	**116**	**304,048**	**3.82**	**323**	**297,724**	**10.85**
Appalachian Kentucky	47	77,542	6.06	59	74,004	7.97
Non-Appalachian Kentucky	69	226,506	3.05	264	223,720	11.80
Maryland	**8**	**388,206**	**0.21**	**22**	**389,579**	**0.56**
Appalachian Maryland	0	14,392	0.00	0	14,993	0.00
Non-Appalachian Maryland	8	373,814	0.21	**22**	**374,586**	**0.59**
Mississippi	**0**	**288,779**	**0.00**	0	248,541	0.00
Appalachian Mississippi	0	69,965	0.00	0	58,339	0.00
Non-Appalachian Mississippi	0	218,814	0.00	0	190,202	0.00
New York	**210**	**1,404,794**	**1.49**	**772**	**1,253,951**	**6.16**
Appalachian New York	17	67,312	2.53	36	62,314	5.78
Non-Appalachian New York	193	1,337,482	1.44	736	1,191,637	6.18
North Carolina	**58**	**615,139**	**0.94**	**67**	**624,133**	**1.07**
Appalachian North Carolina	14	112,966	1.24	29	110,530	2.62
Non-Appalachian North Carolina	44	502,173	0.88	38	513,603	0.74
Ohio	**122**	**691,536**	**1.76**	**142**	**667,427**	**2.13**
Appalachian Ohio	12	117,389	1.02	8	113,316	0.71
Non-Appalachian Ohio	110	574,147	1.92	134	554,111	2.42
Pennsylvania	**72**	**711,343**	**1.01**	**106**	**763,099**	**1.39**
Appalachian Pennsylvania	54	320,365	1.69	57	332,120	1.72
Non-Appalachian Pennsylvania	18	390,978	0.46	49	430,979	1.14
South Carolina	**7**	**272,316**	**0.26**	**33**	**266,975**	**1.24**
Appalachian South Carolina	0	70,528	0.00	0	67,579	0.00
Non-Appalachian South Carolina	7	201,788	0.35	33	199,396	1.65
Tennessee	**5**	**427,304**	**0.12**	**5**	**422,466**	**0.12**
Appalachian Tennessee	1	181,133	0.06	0	178,251	0.00
Non-Appalachian Tennessee	4	246,171	0.16	5	244,215	0.20
Virginia	**112**	**483,178**	**2.32**	**129**	**547,124**	**2.36**
Appalachian Virginia	9	42,503	2.12	25	44,052	5.68
Non-Appalachian Virginia	103	440,675	2.34	104	503,072	2.07
West Virginia (entire state)	**1**	**94,968**	**0.11**	**6**	**91,210**	**0.66**

[Page Intentionally Left Blank]

CHAPTER 7 REVOLVING LOAN FUNDS

7.1 SUMMARY

This chapter examines lending by ARC-funded Revolving Loan Funds (RLFs). The chapter looks at the amount of RLF lending, the total amount invested in the project, and the extent to which RLF lending leveraged additional funds for the projects, as well as the source of those leveraged funds. This chapter also describes the current capital base of RLFs funded by the Economic Development Administration (EDA) as of 2011.

The key findings with respect to the ARC-funded RLFs are:

- The thirty-five ARC-funded RLFs in Appalachia made 87 loans in the amount of $7.7 million in 2007 and 73 loans in the amount of $6.5 million in 2010.
- The $7.7 million in ARC-funded RLF loans leveraged an additional $52.1 million in 2007 and the $6.5 million in ARC-funded RLF loans in 2010 leveraged an additional $60.8 million in 2010. ARC-funded RLF lending in Appalachia attracted more in private investment than in public-sector investment.
- The great majority of ARC RLF funding in 2007 and 2010 was in Northern and Southern Appalachia, transitional counties, and in small metropolitan counties and rural counties.
- There are 69 EDA-funded RLFs located in 54 Appalachia counties as of 2011, having an aggregate capital base of nearly $120 million. Over half of this capital held by just eight RLFs.

Both the ARC and Economic Development Administration (EDA) fund RLFs in Appalachia. ARC-funded RLFs are most active in the Northern and Southern Appalachian subregions and in transitional counties. The $7.7 million of ARC-funded RLF loans leveraged $52.1 million of additional investment in 2007, and $6.5 million of loans leveraged $60.8 million of additional investment in 2010. EDA-funded RLFs are highly concentrated, with over half the capital held by just eight funds located mostly in the Northern Appalachian subregion and in transitional counties.

7.2 INTRODUCTION

A revolving loan fund (RLF) pools public- and private-sector funds and lends them to businesses. Frequently, RLF loans are made to businesses located in disadvantaged communities or in areas not well served by mainstream financial institutions. Several federal agencies have provided funding for RLFs. The Department of Housing and Urban Development (HUD) and the Economic Development Administration (EDA) both started funding RLFs in 1975, and the Department of Agriculture's Intermediary Relending Program began in 1985.[26] The Environmental Protection Agency has an RLF for brownfield remediation, and the ARC has funded RLFs in Appalachia since 1977.[27] In addition, 19 states

[26] We did not receive data that we requested on the Intermediary Relending Program from the Department of Agriculture.

[27] *Public Sector Business Loan Funds: Views and Recommendations from Practitioners*. A joint report of the National Association of Development Organizations (NADO) Research Foundation and the Development District of Appalachia. May 2010.

operated RLFs as of 2006, either directly through a state agency or by funding RLFs operated by non-governmental entities.[28]

RLF loans usually offer more favorable terms than those available from mainstream financial institutions. For example, RLF loans generally have below-market interest rates and may be subordinated to other financing. The interest the borrower pays on the loans provides the RLFs with operating capital and the repayment of principal replenishes the capital that RLFs use to make new loans.

7.3 ARC-Funded Revolving Loan Funds

The vast majority of ARC-funded RLF lending, over 75 percent of the total, was in the Northern and Southern subregions in both 2007 and 2010 (see Figure 7-1). Lending in the Central subregion declined by over 80 percent, from six loans totaling $514,900 in 2007 to just one loan of $100,000 in 2010. RLF lending in small metropolitan counties and counties adjacent to metropolitan counties increased from 61 percent of the total in 2007 to 72 percent in 2010, but the total amount of the loans remained virtually constant at about $4.7 million. RLF lending in rural counties declined by about 40 percent, from $1.8 million in 2007 to $1.1 million in 2010 (see Figure 7-2). RLF lending in transitional counties dropped slightly, from $4.5 million in 2007 to $4.4 million in 2010. Lending in distressed counties decreased by 56 percent, from 12 loans totaling $771,500 in 2007 to five loans totaling $341,500 in 2010 (see Figure 7-3).

Overall, the thirty-five ARC-funded RLFs active in Appalachia since 2006 have made a total of 461 loans, an average of 2.2 loans per RLF per year. The ARC-funded RLFs made 87 loans in a total amount of $7.7 million, an average of $88,370 per loan, in 2007 and 73 loans totaling $6.5 million, an average of $89,239 per loan, in 2010 (see Table 7-1). Because RLFs make relatively few loans, any conclusions drawn from the data must be considered with some caution. The small number of loans in any given year makes the data sensitive to the timing of the loans, with loans made shortly before the beginning or after the end of the 2007 to 2010 time period being excluded. For example, a loan closed in the South Central subregion in December 2006 would not appear in the data even though the funds might actually have been used in 2007. Excluding such a loan would have more of an apparent impact on the data than if there were more loans overall.

[28] National Conference of State Legislatures *Legisbrief,* Vol. 14, No. 1, January 2006.

Figure 7-1: Amount of Loans from ARC-funded Revolving Loan Funds by Region

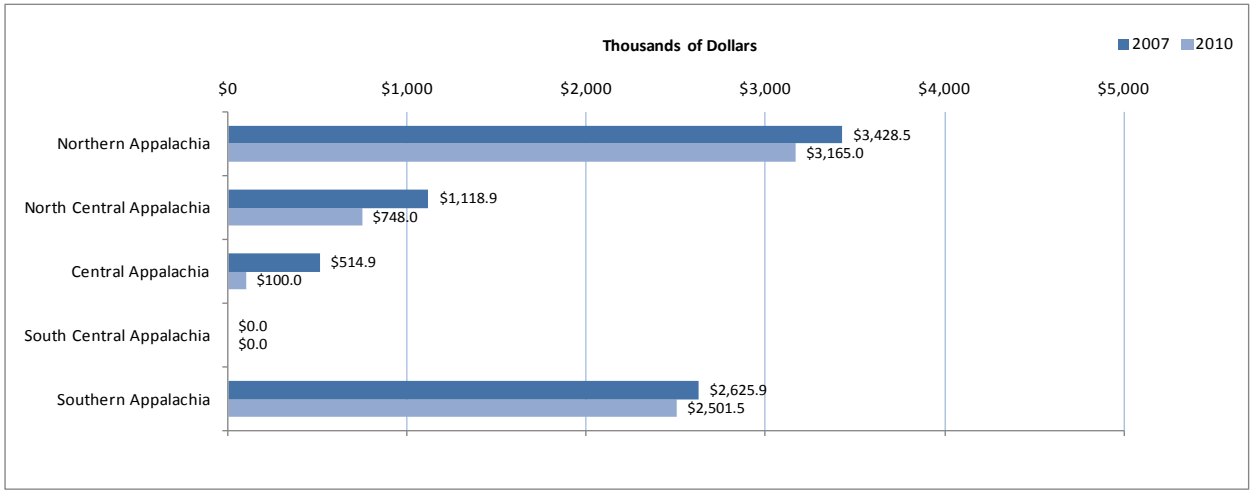


Figure 7-2: Amount of Loans from ARC-funded Revolving Loan Funds by County Type

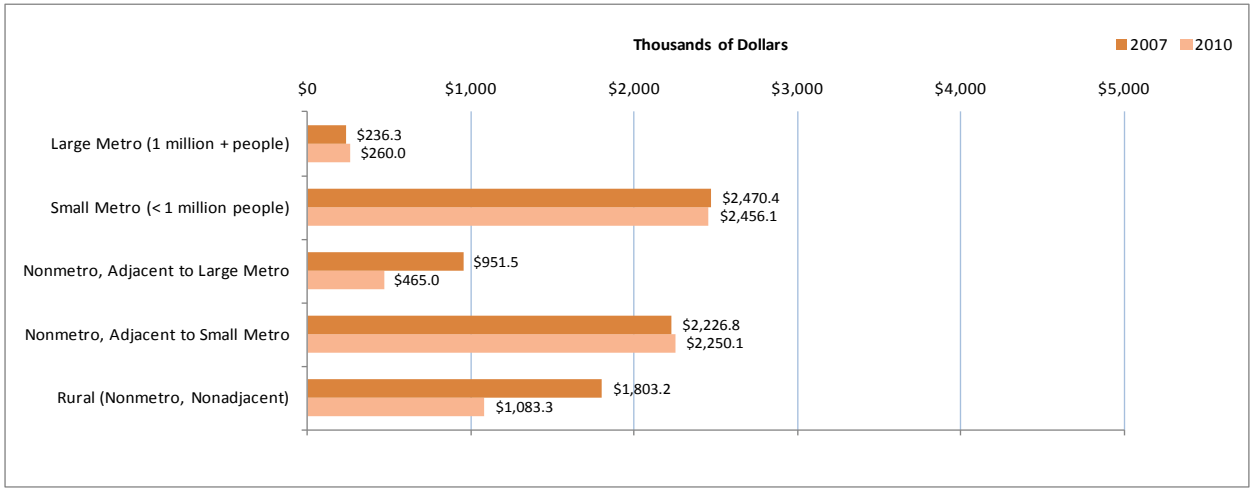


Figure 7-3: Amount of Loans from ARC-funded Revolving Loan Funds by Economic Status

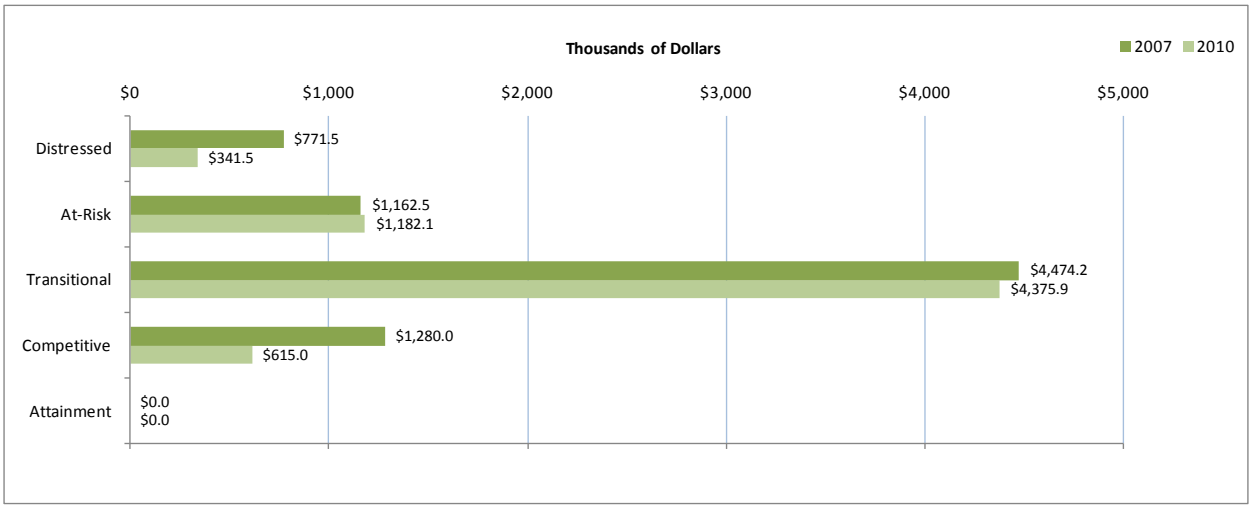


Table 7-1: ARC-funded Revolving Loan Fund Lending

	2007				2010			
	Number	Percent of Total	Amount (in $ thousands)	Percent of Total	Number	Percent of Total	Amount (in $ thousands)	Percent of Total
Appalachian Region	87		$7,688.2		73		$6,514.5	
Subregions								
Northern Appalachia	37	42.5%	$3,428.5	44.6%	36	49.3%	$3,165.0	48.6%
North Central Appalachia	15	17.2%	$1,118.9	14.6%	12	16.4%	$748.0	11.5%
Central Appalachia	6	6.9%	$514.9	6.7%	1	1.4%	$100.0	1.5%
South Central Appalachia	0	0.0%	$0.0	0.0%	0	0.0%	$0.0	0.0%
Southern Appalachia	29	33.3%	$2,625.9	34.2%	24	32.9%	$2,501.5	38.4%
County Types								
Large Metro (1 million + people)	3	3.4%	$236.3	3.1%	3	4.1%	$260.0	4.0%
Small Metro (< 1 million people)	23	26.4%	$2,470.4	32.1%	20	27.4%	$2,456.1	37.7%
Nonmetro, Adjacent to Large Metro	10	11.5%	$951.5	12.4%	6	8.2%	$465.0	7.1%
Nonmetro, Adjacent to Small Metro	30	34.5%	$2,226.8	29.0%	29	39.7%	$2,250.1	34.5%
Rural (Nonmetro, Nonadjacent)	21	24.1%	$1,803.2	23.5%	15	20.5%	$1,083.3	16.6%
Economic Status								
Distressed	12	13.8%	$771.5	10.0%	5	6.8%	$341.5	5.2%
At-Risk	14	16.1%	$1,162.5	15.1%	14	19.2%	$1,182.1	18.1%
Transitional	52	59.8%	$4,474.2	58.2%	46	63.0%	$4,375.9	67.2%
Competitive	9	10.3%	$1,280.0	16.6%	8	11.0%	$615.0	9.4%
Attainment	0	0.0%	$0.0	0.0%	0	0.0%	$0.0	0.0%

RLF loans may either provide stand-alone funding or, more commonly, are made as gap financing in conjunction with other private- or public-sector loans and investments in the same enterprise. Because they may be subordinated to other financing, the borrower can use the initial RLF loan commitment to leverage additional funds. For example, HUD funds some RLFs through its Community Development Block Grant (CDBG) program, and those CDBG-backed loans generate $2.69 in additional private-sector and $0.77 in public-sector investment. Between 1995 and 1998, EDA-funded RLFs had a median leverage of $1.97 for their loans.[29]

The $7.7 million in ARC-funded RLF loans leveraged an additional $52.1 million to finance $59.8 million in total project investments in 2007, and the $6.5 million of ARC-funded RLF loans leveraged an additional $60.8 million to finance $67.3 million in total project investment in 2010 (see Table 7-2). Any direct comparison of leverage ratios among RLFs receiving funding from the various government sources must be done with caution because the funding agencies may have different bases for reporting what counts as leveraged funds.

[29] Walker, Christopher, et al., 2002. *Public-Sector Loans to Private-Sector Businesses: An Assessment of HUD-Supported Local Economic Development Lending Activities*. Washington, DC: The Urban Institute.

Table 7-2: Total Project Investment in Projects Funded by ARC-funded Revolving Loan Funds

	2007				2010			
	Number	Percent of Total	Amount (in $ thousands)	Percent of Total	Number	Percent of Total	Amount (in $ thousands)	Percent of Total
Appalachian Region	87		$59,773.0		73		$67,298.9	
Subregions								
Northern Appalachia	37	42.5%	$30,870.7	51.6%	36	49.3%	$36,162.0	53.7%
North Central Appalachia	15	17.2%	$6,128.0	10.3%	12	16.4%	$4,206.7	6.3%
Central Appalachia	6	6.9%	$6,320.4	10.6%	1	1.4%	$3,699.0	5.5%
South Central Appalachia	0	0.0%	$0.0	0.0%	0	0.0%	$0.0	0.0%
Southern Appalachia	29	33.3%	$16,453.9	27.5%	24	32.9%	$23,231.2	34.5%
County Types								
Large Metro (1 million + people)	3	3.4%	$929.3	1.6%	3	4.1%	$5,415.0	8.0%
Small Metro (< 1 million people)	23	26.4%	$19,893.6	33.3%	20	27.4%	$20,210.1	30.0%
Nonmetro, Adjacent to Large Metro	10	11.5%	$12,058.5	20.2%	6	8.2%	$12,381.0	18.4%
Nonmetro, Adjacent to Small Metro	30	34.5%	$15,642.9	26.2%	29	39.7%	$18,941.8	28.1%
Rural (Nonmetro, Nonadjacent)	21	24.1%	$11,248.7	18.8%	15	20.5%	$10,351.0	15.4%
Economic Status								
Distressed	12	13.8%	$7,706.4	12.9%	5	6.8%	$4,772.5	7.1%
At-Risk	14	16.1%	$5,635.7	9.4%	14	19.2%	$6,538.8	9.7%
Transitional	52	59.8%	$37,517.9	62.8%	46	63.0%	$47,587.6	70.7%
Competitive	9	10.3%	$8,913.0	14.9%	8	11.0%	$8,400.0	12.5%
Attainment	0	0.0%	$0.0	0.0%	0	0.0%	$0.0	0.0%

ARC-funded RLF lending in Appalachia has attracted more in private investment than in other public-sector investment. Government-funded RLFs invested $1.26 for every dollar from ARC-funded RLFs in 2007 and $2.26 in 2010, an increase of 79 percent (see Table 7-3). Banks and other lenders invested $4.03 for every dollar from ARC-funded RLFs in 2007 and $5.16 in 2010, an increase of 28 percent. Overall, including the equity invested by the borrowers, ARC-funded RLF lending leveraged $6.82 in other investment in 2007 and $9.78 in 2010, an increase of 43 percent.

Table 7-3: Leverage per Dollar of ARC-funded RLF Loans

	2007				2010			
	Government RLF Loans	Bank and Other Loans	Borrower Equity	Project Total	Government RLF Loans	Bank and Other Loans	Borrower Equity	Project Total
Appalachian Region	$1.26	$4.03	$1.48	$6.77	$2.26	$5.16	$1.91	$9.33
Subregions								
Northern Appalachia	$1.72	$4.59	$1.69	$8.00	$2.69	$5.92	$1.82	$10.43
North Central Appalachia	$1.10	$1.96	$1.42	$4.48	$1.31	$0.59	$2.72	$4.62
Central Appalachia	$2.64	$7.50	$1.14	$11.28	$14.95	$15.49	$5.55	$35.99
South Central Appalachia	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Southern Appalachia	$0.47	$3.51	$1.29	$5.27	$1.49	$5.14	$1.65	$8.29
County Types								
Large Metro (1 million + people)	$0.20	$2.27	$0.47	$2.93	$0.00	$19.77	$0.06	$19.83
Small Metro (< 1 million people)	$0.88	$4.74	$1.43	$7.05	$2.22	$3.50	$1.50	$7.23
Nonmetro, Adjacent to Large Metro	$1.90	$7.57	$2.20	$11.67	$2.76	$19.92	$2.94	$25.63
Nonmetro, Adjacent to Small Metro	$1.38	$2.72	$1.92	$6.02	$1.58	$3.39	$2.45	$7.42
Rural (Nonmetro, Nonadjacent)	$1.44	$3.06	$0.73	$5.24	$4.08	$2.72	$1.75	$8.56
Economic Status								
Distressed	$2.13	$5.51	$1.35	$8.99	$4.66	$5.45	$2.87	$12.98
At-Risk	$1.37	$1.38	$1.10	$3.85	$1.14	$2.53	$0.86	$4.53
Transitional	$1.43	$4.44	$1.52	$7.39	$2.60	$5.14	$2.13	$9.88
Competitive	$0.07	$4.15	$1.74	$5.96	$0.65	$10.15	$1.86	$12.66
Attainment	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

The data in Table 7-3 show substantial variation in the extent to which ARC-funded RLF loans were able to leverage additional funding among the different categories of counties in Appalachia, but the limited number of loans makes those variations less significant than they might be with a larger sample. For example, the amount leveraged increased from $11.28 per dollar of ARC-funded RLF loans in the Central region in 2007 to $35.99 in 2010. The data for 2007 are based on only six loans made that year in the

region, and the data for 2010 are based on a single loan. Similarly, the data for large metropolitan counties are based on only three loans for each year. With such small samples, the impact of a single loan with unusual financial characteristics can skew the average much more than with a larger sample.

Overall, ARC-funded RLFs provided almost 13 percent of project investment in 2007 and just under 10 percent in 2010 (see Table 7-4). Other government RLFs increased their share of project investment from 16 percent in 2007 to 22 percent in 2010, while bank and other loans continued to represent almost half of the total project investment in both years. Borrower equity remained about 19 percent of the total project investment.

Table 7-4: Percent of Project Investment by Source

	2007				2010			
	Government RLF Loans	Bank and Other Loans	Borrower Equity	Project Total	Government RLF Loans	Bank and Other Loans	Borrower Equity	Project Total
Appalachian Region	12.9%	16.3%	51.9%	19.0%	9.7%	21.9%	49.9%	18.5%
Subregions								
Northern Appalachia	11.1%	19.1%	51.0%	18.8%	8.8%	23.6%	51.8%	15.9%
North Central Appalachia	18.3%	20.1%	35.7%	25.9%	17.8%	23.3%	10.5%	48.4%
Central Appalachia	8.1%	21.5%	61.1%	9.3%	2.7%	40.4%	41.9%	15.0%
South Central Appalachia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Southern Appalachia	16.0%	7.4%	56.0%	20.6%	10.8%	16.1%	55.3%	17.8%
County Types								
Large Metro (1 million + people)	25.4%	5.1%	57.7%	11.8%	4.8%	0.0%	94.9%	0.3%
Small Metro (< 1 million people)	12.4%	10.9%	58.8%	17.8%	12.2%	27.0%	42.6%	18.3%
Nonmetro, Adjacent to Large Metro	7.9%	15.0%	59.7%	17.4%	3.8%	10.4%	74.8%	11.0%
Nonmetro, Adjacent to Small Metro	14.2%	19.7%	38.8%	27.3%	11.9%	18.8%	40.3%	29.1%
Rural (Nonmetro, Nonadjacent)	16.0%	23.2%	49.0%	11.8%	10.5%	42.7%	28.5%	18.3%
Economic Status								
Distressed	10.0%	21.3%	55.1%	13.5%	7.2%	33.3%	39.0%	20.5%
At-Risk	20.6%	28.3%	28.4%	22.7%	18.1%	20.5%	45.8%	15.6%
Transitional	11.9%	17.0%	52.9%	18.1%	9.2%	23.9%	47.3%	19.6%
Competitive	14.4%	1.0%	59.7%	25.0%	7.3%	4.8%	74.3%	13.6%
Attainment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Loans from ARC-funded RLFs contributed to projects that created 968 jobs and retained an additional 960 jobs in 2007 and created 700 jobs and retained 1,091 jobs in 2010 (see Table 7-5) according to reports from the RLFs.[30] The data, however, are based on subjective criteria and are not consistently measured or verified. In both 2007 and 2010, RLFs made loans to projects that retained more jobs than they created in the Northern and North Central subregions, while in the Central and Southern subregions, the loans were to projects that created more jobs than they retained. The loans were to projects that retained more jobs than they created in all types of counties except rural counties in 2007. In distressed counties, the loans were to projects that created more jobs than they retained in both 2007 and 2010, which may reflect the correlation between levels of unemployment and the economic status designation for those counties.

The total project investment per job created increased from $30,994 to $37,566 or 21 percent between 2007 and 2010, but the investment per job for ARC-funded RLFs decreased by 9 percent, from $3,987 to $3,636. The variation among the investment per job in the different categories of counties may reflect the

[30] The jobs data are self-reported and the criteria for reporting a job "created" or "retained" may vary from fund to fund.

effects of the small sample sizes of loans in some categories, but it may also be affected by the kinds of facility financed and whether the business is capital- or labor-intensive. For example, a loan to help open a small medical clinic in a rural area might cost more per job created because of the need for sophisticated and expensive diagnostic equipment, but the benefit to the community in improved access to health care could justify the expenditure. Opening a restaurant, on the other hand, would produce more jobs for a lower cost and might provide badly needed employment for local residents.

Table 7-5: Jobs Created and Retained by Businesses Receiving ARC-funded RLF Loans

	2007				2010			
	Jobs Created	Jobs Retained	ARC RLF Investment per Job	Total Project Investment per Job	Jobs Created	Jobs Retained	ARC RLF Investment per Job	Total Project Investment per Job
Appalachian Region	968	960.5	$3,986.64	$30,994.54	700.5	1091	$3,636.32	$37,565.68
Subregions								
Northern Appalachia	246.5	511.5	$4,523.09	$40,726.52	389	917	$2,423.43	$27,689.13
North Central Appalachia	105	291	$2,825.52	$15,474.63	44.5	63	$6,958.14	$39,132.09
Central Appalachia	412	2	$1,243.72	$15,266.67	60	0	$1,666.67	$61,650.00
South Central Appalachia	0	0	$0.00	$0.00	0	0	$0.00	$0.00
Southern Appalachia	204.5	156	$7,284.11	$45,641.94	207	111	$7,866.25	$73,054.14
County Types								
Large Metro (1 million + people)	14	37	$4,633.82	$18,222.06	13	23	$7,222.22	$150,416.67
Small Metro (< 1 million people)	221.5	266.5	$5,062.30	$40,765.57	334	423	$3,244.52	$26,697.62
Nonmetro, Adjacent to Large Metro	56	123	$5,315.64	$67,365.92	38	152	$2,447.37	$65,163.16
Nonmetro, Adjacent to Small Metro	200.5	376	$3,862.63	$27,134.18	202.5	314	$4,356.47	$36,673.41
Rural (Nonmetro, Nonadjacent)	476	158	$2,844.16	$17,742.42	113	179	$3,709.76	$35,448.63
Economic Status								
Distressed	451	222	$1,146.36	$11,450.74	72	6	$4,378.21	$61,185.90
At-Risk	83	105	$6,183.40	$29,977.02	80.5	68	$7,960.38	$44,032.43
Transitional	319	545	$5,178.53	$43,423.55	515	873	$3,152.63	$34,285.01
Competitive	115	88.5	$6,289.93	$43,798.53	33	144	$3,474.58	$47,457.63
Attainment	0	0	$0.00	$0.00	0	0	$0.00	$0.00

7.4 Economic Development Administration Funded Revolving Loan Funds

Nearly half of all EDA-funded RLFs are in the Northern Appalachian subregion as of 2011,[31] both in terms of the number of RLFs and the percentage of the overall current capital base of EDA-funded RLFs in Appalachia, while the Central Appalachian subregion has the fewest (see Figure 7-4). More than half of those RLFs are in small metropolitan counties and counties adjacent to metropolitan counties, while most of the RLF current capital base is controlled by RLFs located in small metropolitan counties and counties adjacent to large metropolitan counties (see Figure 7-5). The overwhelming majority of EDA-funded RLFs, over 70 percent in terms of numbers and current capital base, are located in transitional counties (see Figure 7-6).

Overall, there are 69 EDA-funded RLFs in 54 counties in Appalachia as of 2011 (see Table 7-6). Those RLFs have a current capital base of nearly $120 million, with over half of that held by just eight RLFs (see Map 7-1). EDA RLFs with the highest total current capital base are located in the following counties: Kanawha, WV ($16.7 million), Chautauqua, NY ($12.2 million), Allegheny, PA ($7.8 million), and Venango, PA ($6.5 million), and they account for 36 percent of the EDA-funded RLF current capital base.

[31] We do not have data on EDA-funded RLFs for 2007 or 2010 to perform the same longitudinal analysis as in the other sections of this report. The data are for 2011 only, and they do not contain the actual level of investment for any individual project or in any geographic area.

Figure 7-4: EDA RLFs and Current Capital Base by Region, 2011

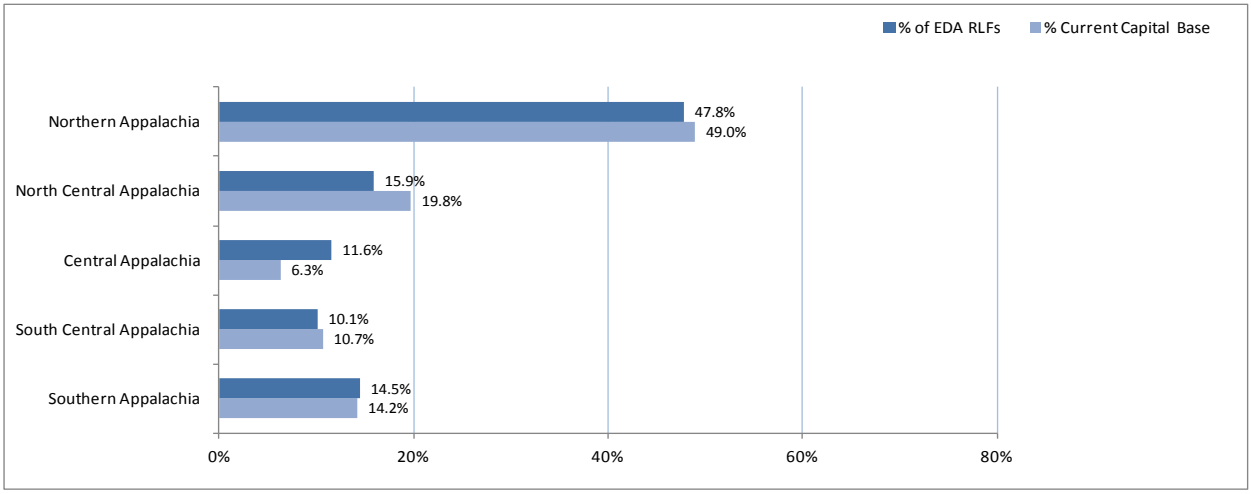


Figure 7-5: EDA RLFs and Current Capital Base by County Type, 2011

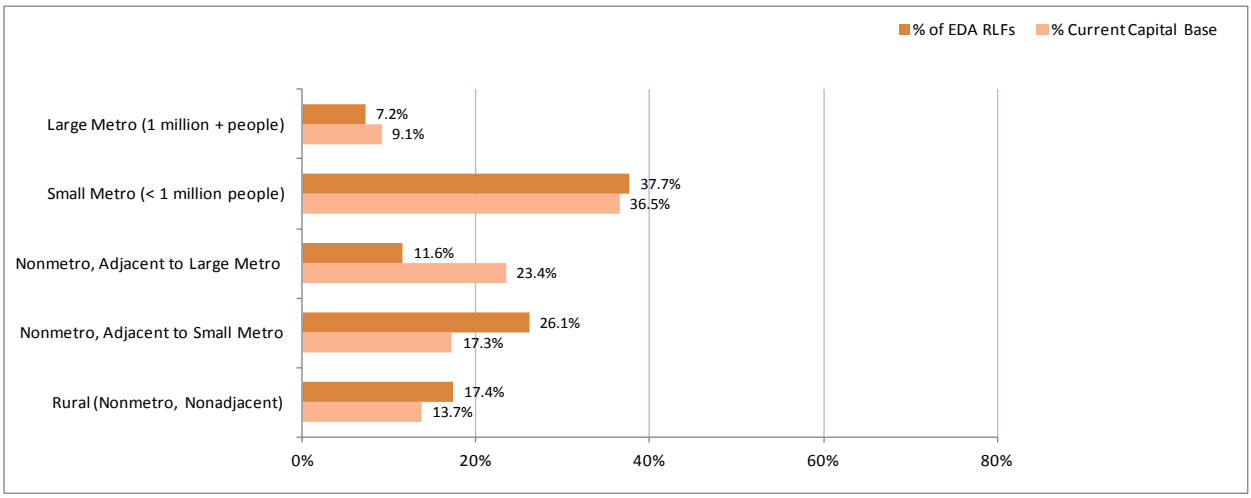
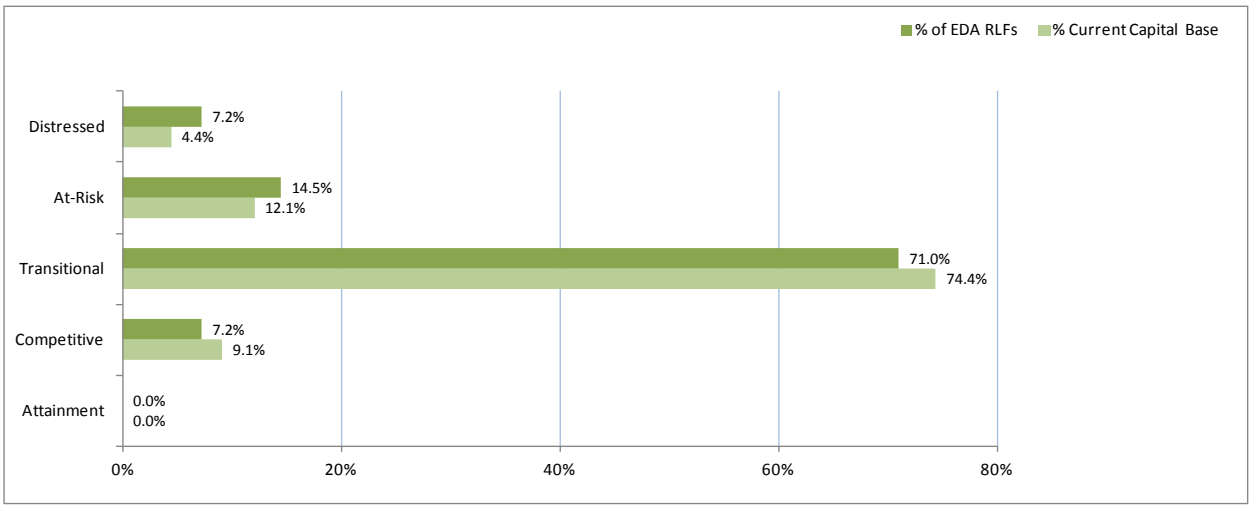
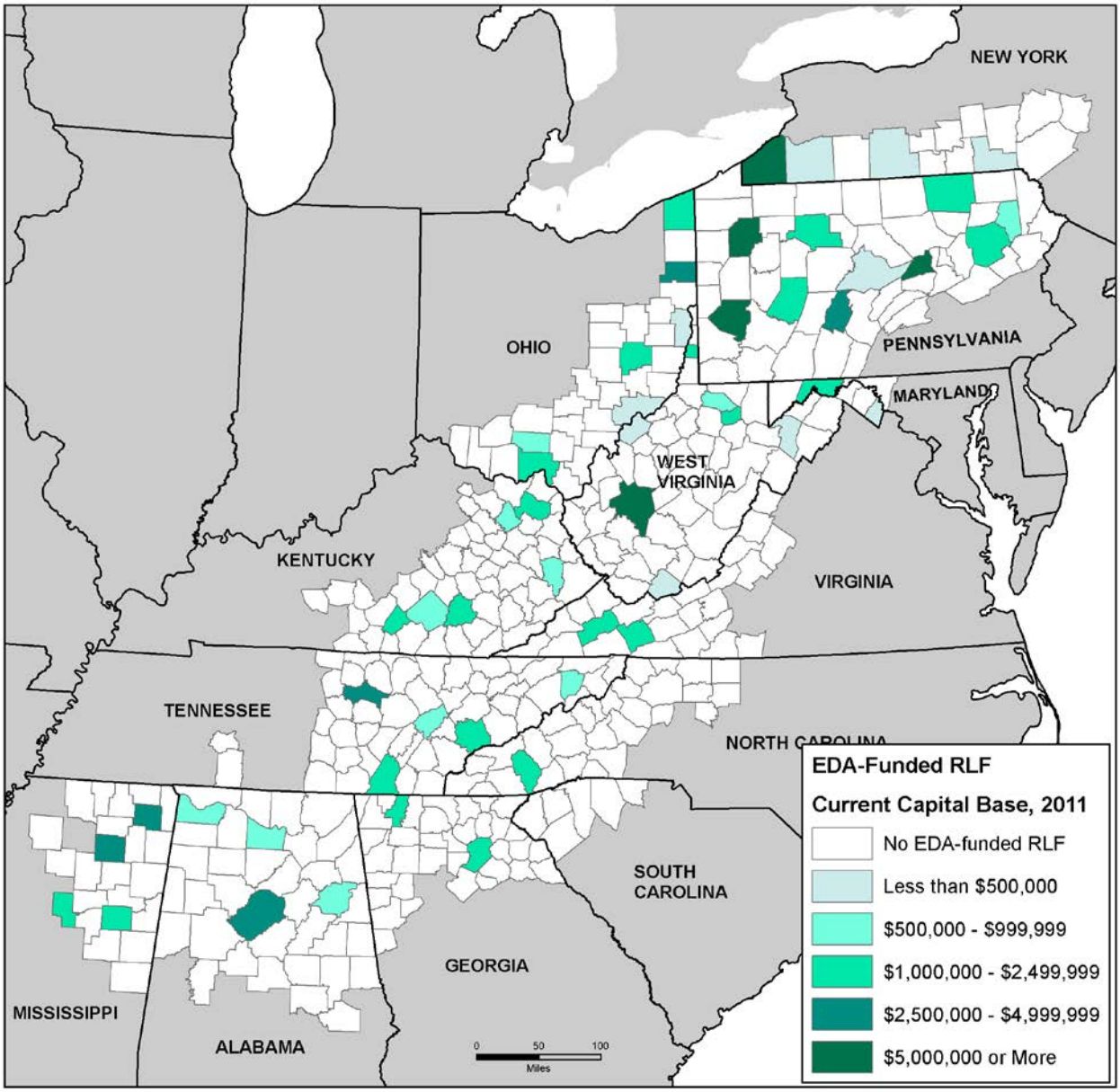


Figure 7-6: EDA RLFs and Current Capital Base by Economic Status, 2011



Map 7-1: EDA Revolving Loan Fund Current Capital Base, by County, 2011



Map Title: EDA-Funded RLF Current Capital Base, 2011
Source: ARC and National Community Reinvestment Coalition, "Access to Capital and Credit in Appalachia" 2012
Data Source: EDA, 2011

Table 7-6: EDA RLFs in Appalachia, (Number and Current Capital Base), 2011

	Count of EDA RLFs	% of EDA RLFs	Current Capital Base	% Current Capital Base
United States	**566**		**$858,479,866**	
Appalachian Region	**69**	**12.2%**	**$119,818,178**	**14.0%**
Subregions				
Northern Appalachia	33	47.8%	$58,674,815	49.0%
North Central Appalachia	11	15.9%	$23,667,308	19.8%
Central Appalachia	8	11.6%	$7,599,178	6.3%
South Central Appalachia	7	10.1%	$12,822,841	10.7%
Southern Appalachia	10	14.5%	$17,054,036	14.2%
County Types				
Large Metro (1 million + people)	5	7.2%	$10,920,134	9.1%
Small Metro (< 1 million people)	26	37.7%	$43,705,756	36.5%
Nonmetro, Adjacent to Large Metro	8	11.6%	$28,061,107	23.4%
Nonmetro, Adjacent to Small Metro	18	26.1%	$20,672,128	17.3%
Rural (Nonmetro, Nonadjacent)	12	17.4%	$16,459,054	13.7%
Economic Status				
Distressed	5	7.2%	$5,308,442	4.4%
At-Risk	10	14.5%	$14,445,422	12.1%
Transitional	49	71.0%	$89,144,181	74.4%
Competitive	5	7.2%	$10,920,134	9.1%
Attainment	0	0.0%	$0	0.0%
Alabama	**8**		**$11,187,133**	
Appalachian Alabama	4	5.8%	$5,237,977	4.4%
Non-Appalachian Alabama	4	-	$5,949,157	-
Georgia	**12**		**$29,114,948**	
Appalachian Georgia	2	2.9%	$2,633,783	2.2%
Non-Appalachian Georgia	10	-	$26,481,165	-
Kentucky	**15**		**$17,564,833**	
Appalachian Kentucky	6	8.7%	$6,313,560	5.3%
Non-Appalachian Kentucky	9	-	$11,251,273	-
Maryland	**10**		**$13,420,026**	
Appalachian Maryland	3	4.3%	$1,991,193	1.7%
Non-Appalachian Maryland	7	-	$11,428,833	-
Mississippi	**9**		**$21,831,670**	
Appalachian Mississippi	4	5.8%	$9,182,277	7.7%
Non-Appalachian Mississippi	5	-	$12,649,394	-
New York	**23**		**$75,216,799**	
Appalachian New York	6	8.7%	$13,288,273	11.1%
Non-Appalachian New York	17	-	$61,928,526	-
North Carolina	**8**		**$6,350,295**	
Appalachian North Carolina	1	1.4%	$1,781,334	1.5%
Non-Appalachian North Carolina	7	-	$4,568,960	-
Ohio	**19**		**$26,640,835**	
Appalachian Ohio	7	10.1%	$11,117,548	9.3%
Non-Appalachian Ohio	12	-	$15,523,287	-
Pennsylvania	**24**		**$48,804,353**	
Appalachian Pennsylvania	19	27.5%	$33,187,173	27.7%
Non-Appalachian Pennsylvania	5	-	$15,617,181	-
South Carolina	**11**		**$15,412,634**	
Appalachian South Carolina	0	0.0%	$0	0.0%
Non-Appalachian South Carolina	11	-	$15,412,634	-
Tennessee	**9**		**$15,469,762**	
Appalachian Tennessee	5	7.2%	$9,983,562	8.3%
Non-Appalachian Tennessee	4	-	$5,486,200	-
Virginia	**12**		**$28,372,125**	
Appalachian Virginia	3	4.3%	$2,343,563	2.0%
Non-Appalachian Virginia	9	-	$26,028,563	-
West Virginia (entire state)	**9**	**13.0%**	**$22,757,936**	**19.0%**

CHAPTER 8 EQUITY INVESTORS

8.1 SUMMARY

This chapter examines two sources of equity investment for businesses: venture capital funds and angel investors. The examination reveals how venture fund equity investments are concentrated in relatively few counties, mostly in the Northern Appalachian subregion and in large and small metropolitan counties.

The key findings with respect to venture fund and angel investors are:

- Less than 2 percent of the venture fund investments were in rural counties and less than 1 percent in Central Appalachia or at-risk counties.
- Allegheny County, PA (city of Pittsburgh) dominates venture fund investment in Appalachia followed by other knowledge-based or medical centers including Jefferson County, AL (city of Birmingham), Gwinnett County, GA (a suburb of Atlanta), Tompkins County, NY (city of Ithaca), and Clermont County, OH (a suburb of Cincinnati).
- The pattern of venture fund investment in Appalachia is consistent with the geographic distribution of biomedical, computer-related, and knowledge-based industries.
- While less is known about angel investors because of their informal nature, the data suggest that the pattern of investment is similar to venture capital fund investment; concentrated near large metropolitan areas and universities, leaving distressed and rural counties underserved.

The total amount of venture capital fund investment declined by about 27 percent between 2007 and 2010. Because venture capital funds tend to invest in high growth fields, such as biotechnology, medical and health, and computers, the investments are highly concentrated in the Northern Appalachian subregion, including Pittsburgh, PA, and Ithaca, NY, and in large metropolitan and transitional or competitive counties. Angel investments also declined between 2007 and 2010 by about 23 percent, with the majority of investments in software, healthcare, and biotechnology sectors. Because angel investors tend to invest near where they live, and because most live near urban areas or universities, angel investors appear to be a limited source of equity investment for businesses in rural and distressed communities.

8.2 VENTURE CAPITAL FUNDS AND ANGEL INVESTORS

Equity investors fall into two distinct categories: investment funds and informal investors. Venture capital funds pool assets from multiple investors and invest those funds in businesses run by other people. Informal investors are wealthy individuals who invest their own money in businesses. One category of informal investors are “friends and family” investors who fund businesses run by relatives, friends, or people they know personally. Angel investors are people who invest their own money in businesses run by unrelated entrepreneurs.

8.2.1 VENTURE CAPITAL FUNDS

Typically, a venture fund is created by fund managers who raise money from large investors, such as pension funds, foundations, or wealthy individuals. Some venture funds are funded entirely from investors, while others, such as those in the Small Business Investment Company (SBIC) program, may receive some of the capital they invest from public sector sources. For example, venture capital funds in

the SBIC program are initially funded by private investors, but they can receive additional capital from the sale of SBA-guaranteed securities, up to three times the amount of the initial private investment in the fund. Some venture capital funds are entirely profit motivated, while others, such as Community Development Venture Funds, balance their profit motive with additional social objectives, such as investing in distressed communities.

Venture capital funds are a crucial source of financing for companies moving from the start-up phase, with an innovative idea or promising technology, through the development phase to the point at which the company can go public or be acquired by an established company that can bring the product or service to market. When a fund makes equity investments, the fund managers take seats on the boards of directors in most cases. Over the life of the investment, the venture capitalists may also participate in running the company and help secure additional investments from other venture funds, if necessary.

Not surprisingly, venture capital funds tend to invest in fields in which innovative technology plays an important role, including biomedical- and computer-related industries. Based on the number of companies receiving venture capital fund investments, over 57 percent of venture capital fund investments in Appalachia were in companies in the biotechnology, medical/health or computer-related sectors in 2007 and over 68 percent were in companies in those sectors in 2010 (see Figures 8-1 and 8-2).

Figure 8-1: Number of Venture Fund Investments by Sector in Appalachia, 2007

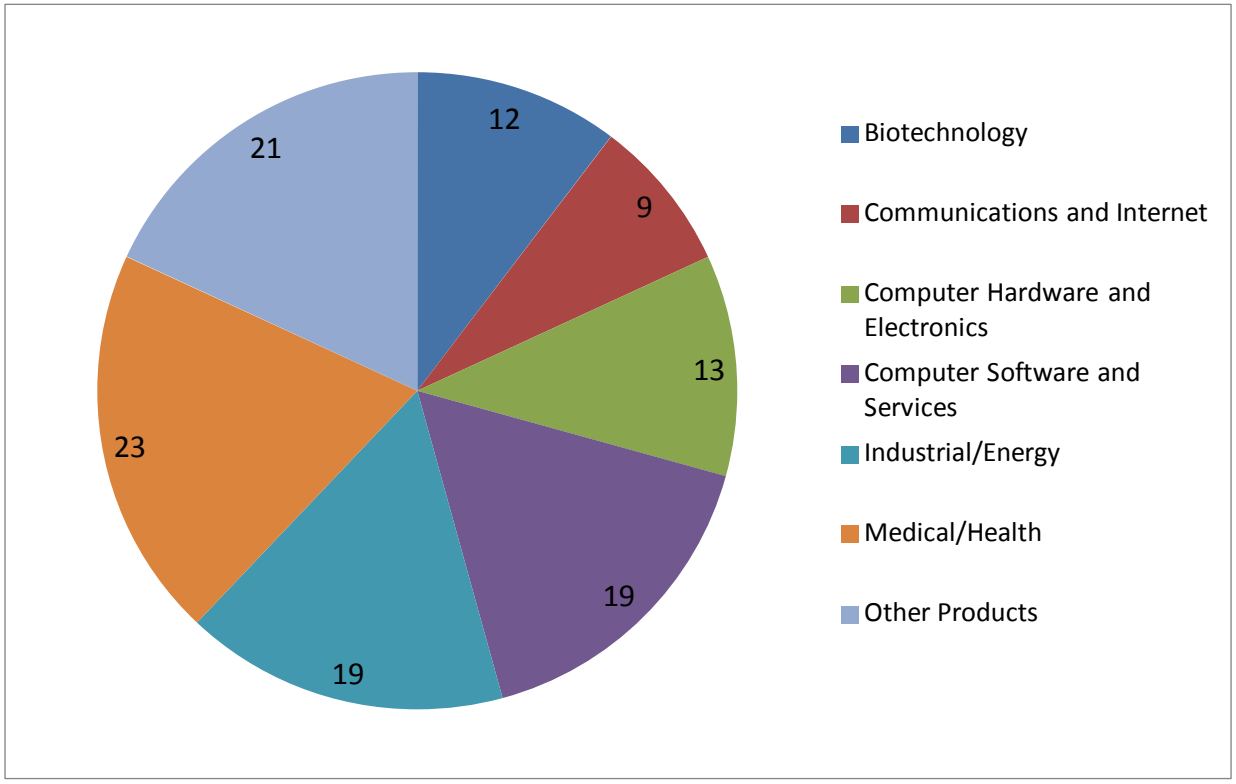
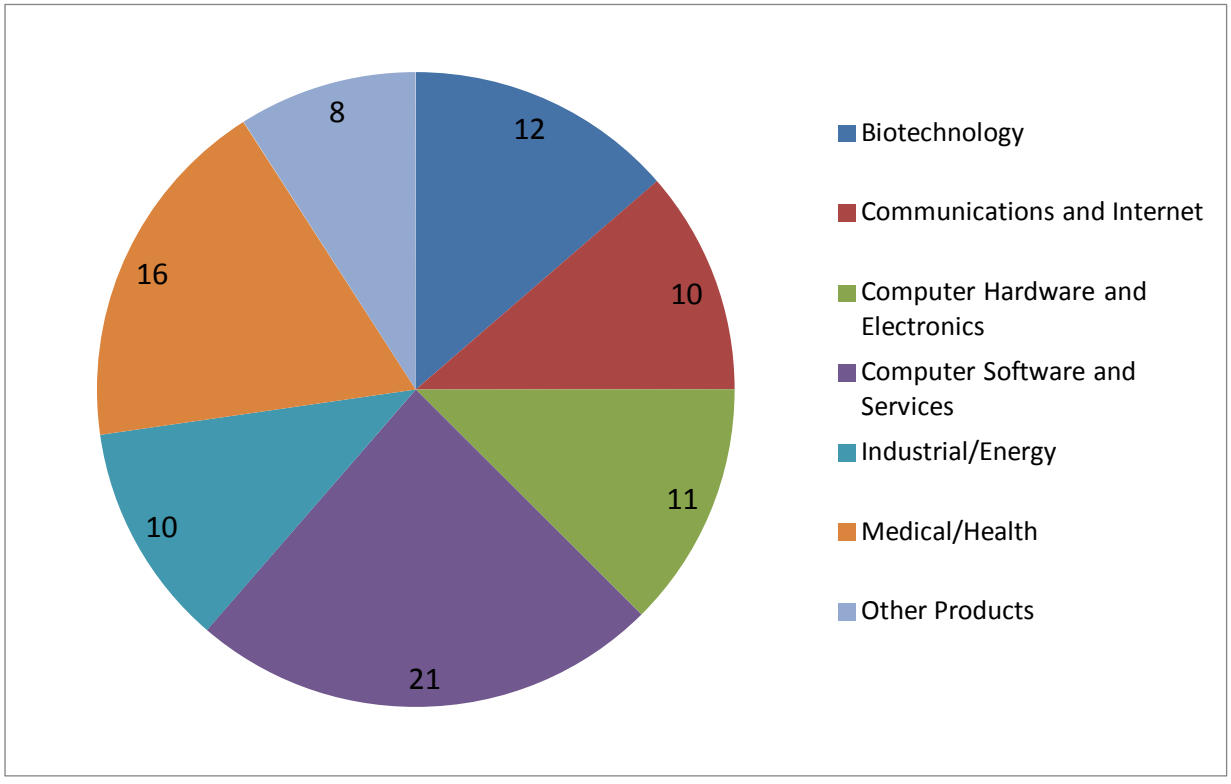
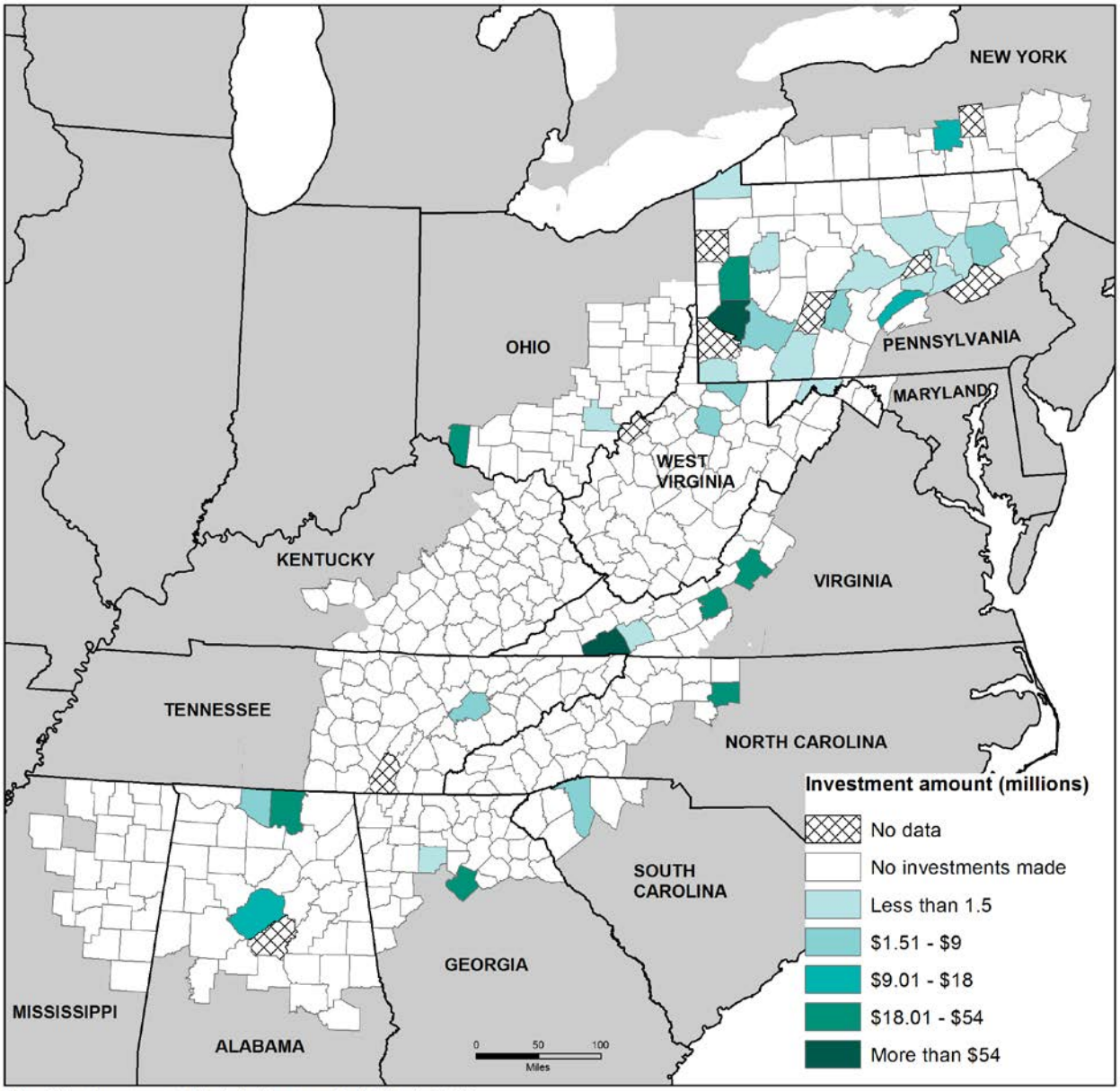


Figure 8-2: Number of Venture Fund Investments by Sector in Appalachia, 2010



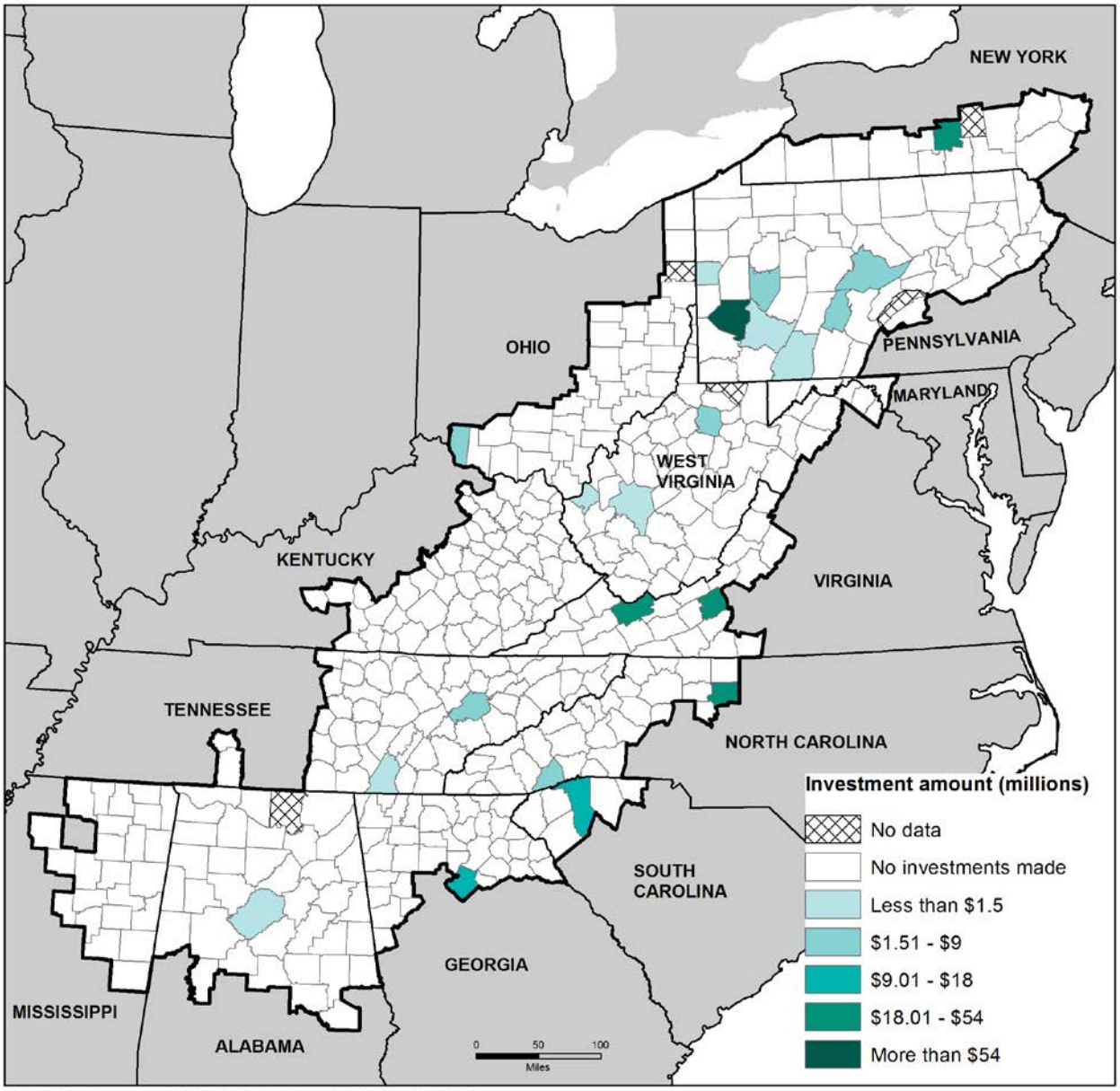
The distribution of venture capital fund investment in Appalachia is consistent with the geographic distribution of biomedical/health and electronics/computer-related business incubation. Allegheny County, PA (city of Pittsburgh) dominates venture fund investment in Appalachia, as shown in Maps 8-1 and 8-2 and Tables 8-1 and 8-2. The next highest numbers of investees (companies receiving investments) in 2007 are in either large or small metropolitan counties, including Jefferson County, AL (city of Birmingham), Gwinnett County, GA (a suburb of Atlanta), and Tompkins County, NY (city of Ithaca), home to Cornell University. In 2010, the next highest numbers of investees are in Tompkins County, NY, and Clermont County, OH (a suburb of Cincinnati). Outside of those few counties, no other counties in Appalachia had more than three companies receiving venture fund investment. Only 44 counties overall had firms receiving investment in 2007, and only 26 had firms receiving investment in 2010.

Map 8-1: Amount of Venture Fund Investment by County, 2007



Map Title: Investments Made by Venture Capitalists in 2007
Data Source: Price Water House Coopers 2007

Map 8-2: Amount of Venture Fund Investment by County, 2010



Map Title: Investments Made by Venture Capitalists in 2010
Data Source: Price Water House Coopers 2010

Table 8-1: Venture Fund Investments in Appalachia, 2007

County	State	Investees	Venture Funds Investing	No. of Separate Investments	County	State	Investees	Venture Funds Investing	No. of Separate Investments
Jefferson	AL	6	7	7	Greene	PA	1	1	1
Limestone	AL	1	1	1	Juniata	PA	1	1	1
Madison	AL	2	2	2	Luzerne	PA	1	1	1
Shelby	AL	1	1	1	Lycoming	PA	1	1	1
Cherokee	GA	1	1	1	Mercer	PA	1	1	1
Gwinnett	GA	8	16	16	Northumberland	PA	2	1	2
Allegany	MD	1	1	1	Schuylkill	PA	1	1	1
Washington	MD	1	4	4	Snyder	PA	1	1	1
Forsyth	NC	1	1	1	Somerset	PA	1	1	1
Cortland	NY	1	1	1	Union	PA	1	1	1
Tompkins	NY	5	8	13	Washington	PA	2	2	2
Athens	OH	1	3	3	Westmoreland	PA	2	5	5
Clermont	OH	1	3	3	Greenville	SC	2	4	4
Mahoning	OH	1	1	1	Hamilton	TN	2	2	2
Allegheny	PA	45	31	77	Knox	TN	2	3	3
Blair	PA	1	1	1	Botetourt	VA	1	2	2
Butler	PA	2	5	5	Montgomery	VA	3	2	3
Cambria	PA	1	1	1	Smyth	VA	1	1	1
Centre	PA	1	1	1	Washington	VA	1	1	1
Clarion	PA	1	1	1	Harrison	WV	1	1	1
Columbia	PA	1	1	1	Monongalia	WV	2	3	3
Erie	PA	2	1	2	Wood	WV	1	1	1

Table 8-2: Venture Fund Investments in Appalachia, 2010

County	State	Investees	Venture Funds Investing	No. of Separate Investments	County	State	Investees	Venture Funds Investing	No. of Separate Investments
Jefferson	AL	3	4	4	Juniata	PA	1	1	1
Madison	AL	1	1	1	Lawrence	PA	1	1	1
Gwinnett	GA	2	2	2	Somerset	PA	1	1	1
Forsyth	NC	3	7	7	Westmoreland	PA	3	5	6
Transylvania	NC	1	1	1	Greenville	SC	2	4	4
Cortland	NY	1	1	1	Hamilton	TN	1	1	1
Tompkins	NY	7	8	14	Knox	TN	2	4	4
Clermont	OH	5	6	10	Montgomery	VA	1	1	1
Mahoning	OH	1	1	1	Tazewell	VA	1	1	1
Allegheny	PA	42	39	74	Cabell	WV	1	1	1
Armstrong	PA	1	1	1	Harrison	WV	1	1	1
Blair	PA	1	3	3	Kanawha	WV	1	1	1
Centre	PA	3	4	5	Monongalia	WV	1	1	1

The extreme concentration of companies receiving venture fund investment in so few counties, 55 percent in four counties in 2007 and 61 percent in three counties in 2010, results in a high degree of geographic concentration with respect to county characteristics, as shown in Figures 8-3 through 8-5. Allegheny County, with over 38 percent of investees in 2007 and over 47 percent in 2010, is a competitive, large metropolitan county in Northern Appalachia, and the data reflect its impact, as shown in Table 8-3. Over 85 percent of all investees in 2007 were in Northern or Southern Appalachia, large or small metropolitan counties, and in competitive or transitional counties. Less than two percent were in rural counties and less than one percent in Central Appalachia or distressed or at-risk counties.

Figure 8-3: Number of Investees by Region

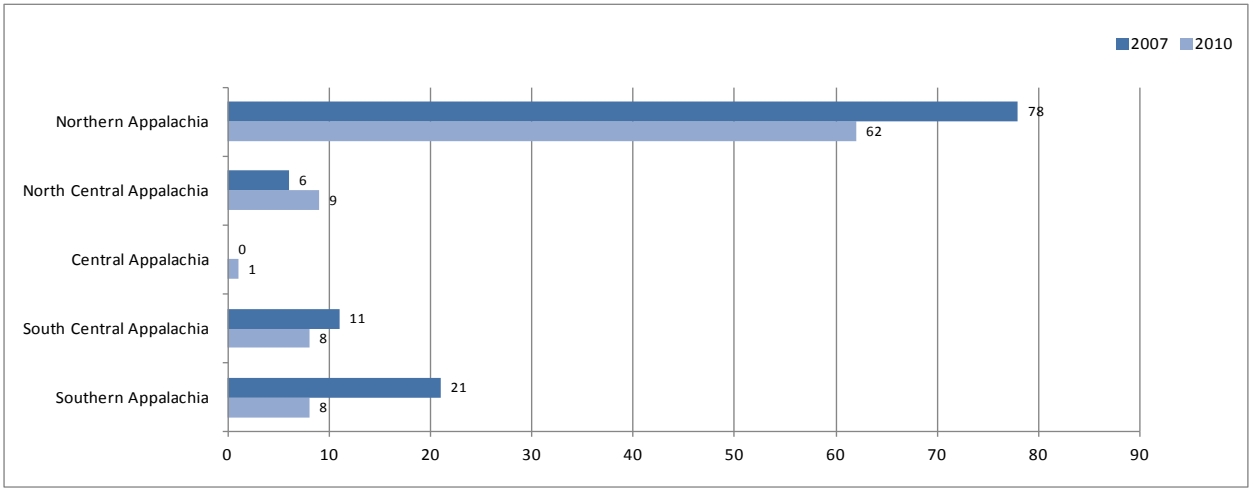


Figure 8-4: Number of Investees by County Type

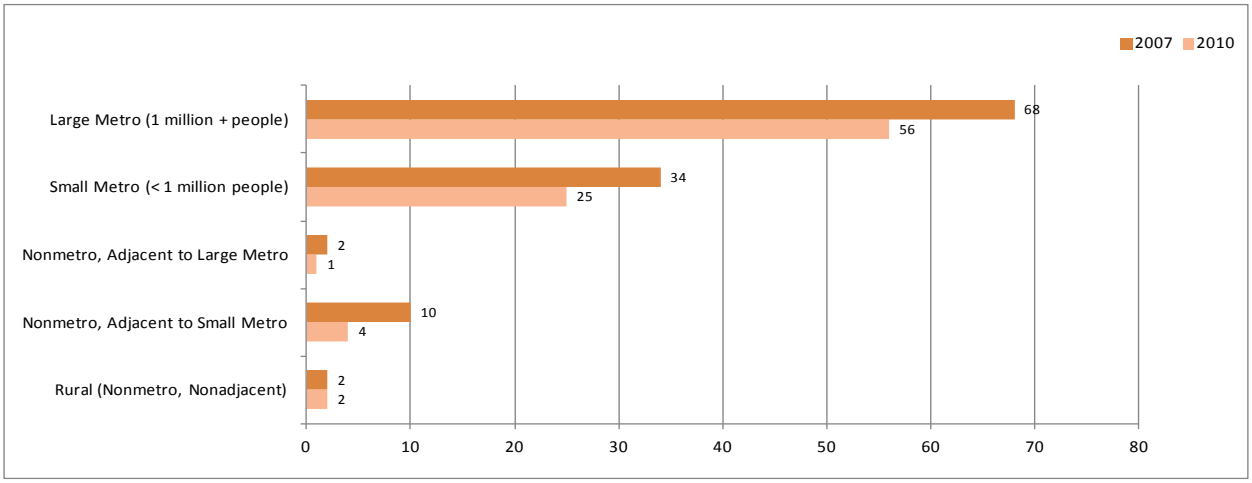


Figure 8-5: Number of Investees by Economic Status

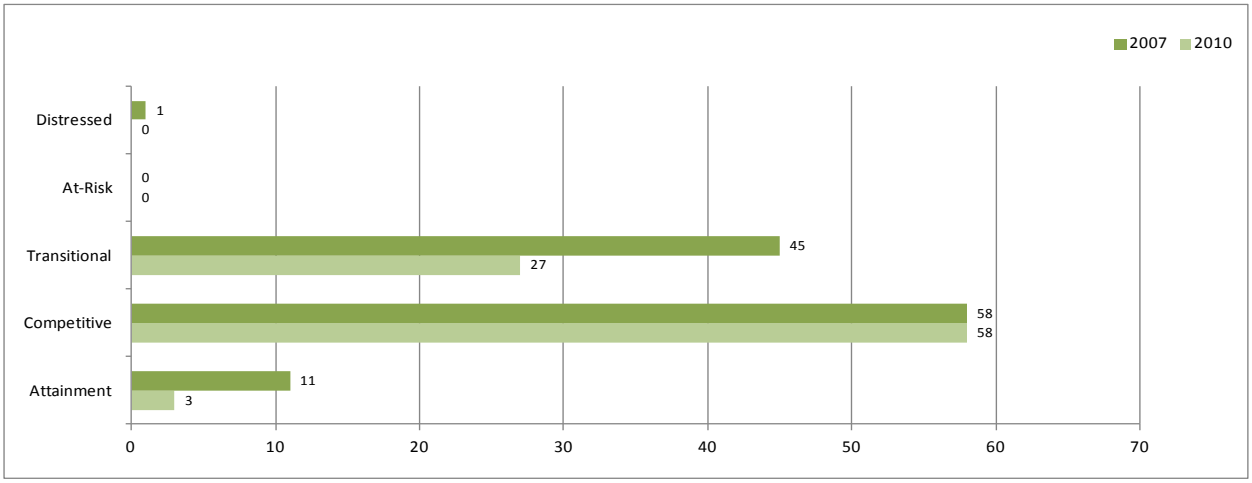


Table 8-3: Venture Fund Investments by Subregion, Type, and Economic Status

	2007				2010			
	Investees		Venture Funds Investing		Investees		Venture Funds Investing	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Appalachian Region	116		129		88		101	
Subregions								
Northern Appalachia	78	67.2%	74	57.4%	62	70.5%	65	64.4%
North Central Appalachia	6	5.2%	11	8.5%	9	10.2%	10	9.9%
Central Appalachia	0	0.0%	0	0.0%	1	1.1%	1	1.0%
South Central Appalachia	11	9.5%	12	9.3%	8	9.1%	14	13.9%
Southern Appalachia	21	18.1%	32	24.8%	8	9.1%	11	10.9%
County Types								
Large Metro (1 million + people)	68	58.6%	71	55.0%	56	63.6%	57	56.4%
Small Metro (< 1 million people)	34	29.3%	43	33.3%	25	28.4%	37	36.6%
Nonmetro, Adjacent to Large Metro	2	1.7%	2	1.6%	1	1.1%	1	1.0%
Nonmetro, Adjacent to Small Metro	10	8.6%	11	8.5%	4	4.5%	4	4.0%
Rural (Nonmetro, Nonadjacent)	2	1.7%	2	1.6%	2	2.3%	2	2.0%
Economic Status								
Distressed	1	0.9%	3	2.3%	0	0.0%	0	0.0%
At-Risk	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Transitional	45	39.1%	50	39.1%	27	30.7%	33	32.7%
Competitive	58	50.4%	55	43.0%	58	65.9%	65	64.4%
Attainment	11	9.6%	20	15.6%	3	3.4%	3	3.0%

8.2.2 ANGEL INVESTORS

Angel investors have recently been recognized as an important source of capital for entrepreneurs. Because they constitute a newly-recognized class of investor, the definition of an angel investor is still being determined. One suggested taxonomy distinguishes between two categories of equity investors, venture funds and informal investors.[32] As noted earlier, venture funds pool assets from multiple investors such as pension funds, foundations, or wealthy individuals and invest these funds in businesses run by other people. The second category of equity investor is the informal investor, a person who invests his/her own money. The taxonomy further distinguishes between two types of informal investors. One type is the "friends and family" investor who funds businesses owned by relatives, friends, or people he/she knows personally. The other type of informal investor is a person who invests in businesses run by unrelated entrepreneurs, and these investors are the angel investors.

Most angel investors are actively involved with the businesses they invest in, providing technical or financial guidance. Some, however, are more passive and have little involvement with the businesses after they make the initial investment.

According to the Center for Venture Research, over 57,000 businesses received angel investor funding in 2007, with a total of $26.0 billion invested. Nearly 60 percent of the investments were in software, healthcare, and biotechnology sectors. In 2010, nearly 62,000 businesses received angel investor funding, but the total invested was only $20.1 billion. Over 60 percent of the amount invested was in software, healthcare, and biotechnology sectors.

More recently, some angel investors have become more formally organized into groups to combine the resources of individuals into larger pools for funding and to broaden the expertise available in making investments. According to one estimate, between 10,000 and 15,000 individuals belong to angel groups. A leading industry association, the Angel Capital Association (ACA), surveyed its members, providing one of the most complete sources of data on angel investors.[33] The vast majority of angel investor respondents to that survey, over 80 percent, invest in start-up or early stage companies, but 35 percent also finance expansion of profitable small companies. More than half of the respondents expected to invest in five or fewer companies in the next year, and more than half of angel investor respondents had average investments of less than $250,000 per company, with only about 9 percent investing an average of more than $500,000 per company.

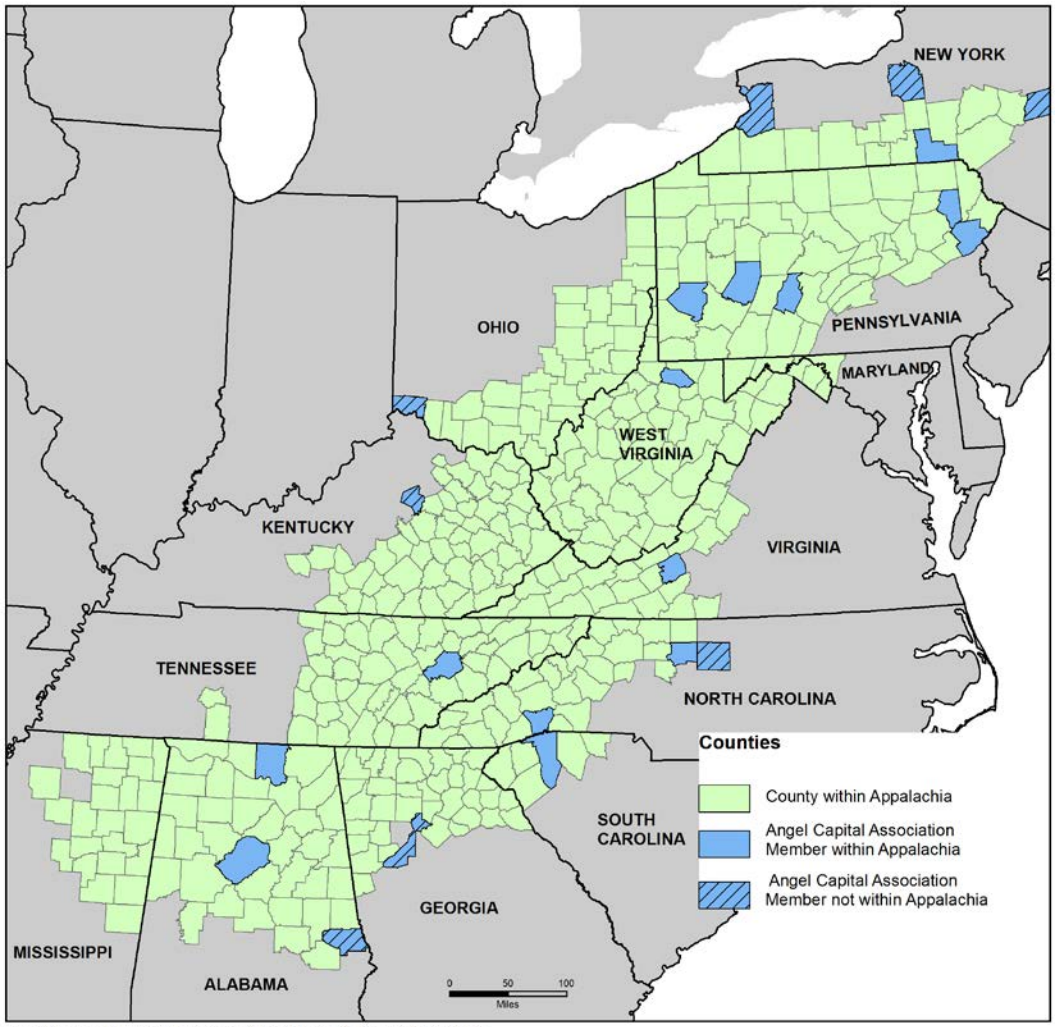
One key factor in determining the availability of angel investor capital for businesses in Appalachia is the geographic limitation that angel investors have on where they will invest. Forty-four percent of the respondents to the ACA survey indicated that they would only invest within a four-hour drive of the group's location, while other studies have suggested that the range may be even more limited geographically, perhaps as little as a one hour drive, noting that angel investors prefer to invest close to

[32] This taxonomy is from Shane, S., 2008. *The Importance of Angel Investing in Financing the Growth of Entrepreneurial Ventures: A Working Paper*. Prepared for the Small Business Administration, Office of Advocacy.
[33] The data are from Shane, S., and A. M. Mixon, 2008, *Angel Groups: An Examination of the Angel Capital Association Survey*, and Angel Investment Groups – Trends and Statistics, May, 2008. This survey was of members of the Angel Capital Association for the Angel Capital Education Foundation. Because the survey was of a non-random group of angel investors, the results may not reflect the universe of angel investors outside of the ACA members.

where they are located.[34] That limitation suggests that businesses in Appalachia will need to find local angel investors if they are to access that source of capital.

Because most angel investors are individuals and most of the investments they make are informal and not reported publicly, it is difficult to know where individual angels are located. Locating some of the more organized angel groups, however, is possible. Map 8-3 shows the counties in or adjacent to Appalachia with a member or members of the ACA located in the county. As the map shows, angel groups are primarily located near urban centers and universities and are not likely to serve most counties in Appalachia.

Map 8-3: Angel Capital Association Members by County, 2011



Map Title: Angel Capital Association Member Location by County
Data Source: Angel Capital Association

[34] Morrissette, Stephen G., 2007. A Profile of Angel Investors, *The Journal of Private Equity*, 10(3): 52-66, and DeGennaro, Ramon P., 2010. Angel Investors: Who They Are and What They Do; Can I Be One, Too?, *The Journal of Wealth Management*, 13(2): 55-60.

CHAPTER 9 LITERATURE REVIEW

9.1 SUMMARY

Small businesses will remain a significant source of employment in the nation and in rural areas like Appalachia. Small businesses also appear to have beneficial impacts on employment on a county level in Appalachia. Supporting small business development is therefore a sensible policy in Appalachia. A significant number of small businesses, perhaps a majority, need access to credit to start and expand. However, access to credit contracted significantly during the Great Recession, particularly for small businesses in low- and moderate-income areas. A lack of consumer demand may also have particularly discouraged small businesses from applying for loans during the Great Recession. Barriers to access also include supply factors such as a tightening of underwriting by banks and a cutback in lending to start-ups.

Smaller banks employ "relationship" lending which is based on knowledge gained by banks through their daily interactions with small business customers. Larger banks use "transactional" lending which is underwriting based on credit scores and other quantifiable factors. Both small and large banks are important for promoting access to credit for small businesses. Small banks' lending tended to remain stable during the Great Recession while large banks contracted their lending. However, a region cannot rely on small banks since their lending has not grown significantly during the last several years. The studies tend to agree that bank branches promote lending to small businesses as relationships with bank customers preserve lending levels even during recessions.

Consolidation presents contradictory influences on small business lending, sometimes decreasing lending and other times not decreasing lending, depending on the institutional and market context. Banks in concentrated markets appear more likely to discriminate. Alternative financial institutions can be a resource particularly in markets with high levels of consolidations or experiencing bank branch closures. The literature suggests that CDFIs have increased their lending and assets during the current recession and that RLFs target disadvantaged communities. In addition, venture funds associated with Community Development Venture Capital could be a resource since they have sizable investments in six states with Appalachian counties.

Policy recommendations reviewed in this chapter include increasing public sector efforts to support new and existing businesses rather than focusing on attracting larger businesses; supporting business development in Central Appalachia that utilizes the subregion's natural resources like renewable energy; and specifying recommendations for the New York Banking Development District program that provides insight for other public sector efforts promoting branching in underserved areas with the aim of also increasing small business lending.

9.2 INTRODUCTION

An extensive literature on small business lending has examined the importance of small businesses to the economy, the determinants of lending to small business, and the impacts of consolidation on small business lending. This inquiry is important since small businesses represent one of the most vulnerable yet critical parts of the national economy and in the Appalachian Region.

9.3 WHY IS LENDING TO SMALL BUSINESSES IMPORTANT?

Small businesses with less than 500 employees constitute 99 percent of firms and employ half the workers in the private sector according to the SBA.[35] In rural America, the importance of small businesses and self-employment is magnified. According to Goetz, Fleming, and Rupasingha (2012), there is now one self-employed worker for every three wage workers in rural areas, which is higher than the ratio for urban areas (though the ratio for urban areas is catching up). They also find that higher shares of locally-owned firms are associated with higher per capita income growth on a county level, but that this relationship is more pronounced in urban than rural areas.[36]

Mojica, Gebremedhin, and Schaeffer of the West Virginia University (2009) find positive impacts of entrepreneurship on employment and population levels in Appalachia.[37] Using data from 1995 through 2005, they assess the change in the number of proprietors and firm births on changes in population and employment controlling for demographic characteristics, the education level of the labor force, population density, infrastructure, and the level of taxation. They find that population growth is positively impacted by the number of proprietors and number of firm births on a county level in Appalachia. They also find that an increase in the number of self-employed proprietors and firm births increases employment. The authors recommend government policies such as subsidies and tax breaks as a means of supporting an increase in entrepreneurship with its benefits on population and employment growth. It would seem that public policies supporting increased lending to entrepreneurs would also benefit Appalachia.

The pursuit of economic development through entrepreneurship also has its skeptics. Some critics view self-employment as low paying and as a last resort for unemployed workers (Goetz, Fleming, and Rupasingha, 2012). In order to further address the economic rewards of self-employment, Loftstrom (2009) conducts descriptive and econometric analysis focusing on low-skilled entrepreneurs defined as those with a high-school diploma or less.[38] Lofstrom notes the importance of this inquiry as the number of self-employed increased from 9.9 million in 1980 to 17.3 million in 2007. Low-skilled entrepreneurs are about 40 percent of self-employed workers in the nation.

Overall, Lofstrom finds that low-skilled entrepreneurs earn less than their counterparts that are wage and salary employees. However, the top 25 percent of earners among male entrepreneurs earn more than the top 25 percent of wage and salary employees. The highest earning women entrepreneurs are not as successful. Just the top 10 percent native born entrepreneurs earn more than the top 10 percent native born women wage and salary workers. Most entrepreneurs experience an earnings disadvantage. Depending on the specific econometric model, native born male entrepreneurs earn 17 to 26 percent less than their wage and salary counterparts. The difference is less for immigrant male entrepreneurs. Over time, low-skilled male entrepreneurs partially overcome the earnings gap. Women entrepreneurs do not fare as well, experiencing earnings that are between 22 and 40 percent less than their wage and salary counterparts, and are not able to make up the gap over 15 to 25 years.

---

[35] See U.S. Small Business Administration, FAQ's available via http://www.sba.gov/sites/default/files/sbfaq.pdf

[36] Goetz, Stephen J., David A. Fleming, and Anil Rupasingha. 2012 Economic Impacts of Self-Employment, *Journal of Agricultural and Applied Economics*, 44,3(August 2012): 315-321.

[37] Mojica, Maribel N., Tesfa G. Gebremedhin, and Peter V. Schaeffer. 2009. A County-Level Assessment of Entrepreneurship and Economic Growth in Appalachia Using Simultaneous Equations. Morgantown, WV: West Virginia University, Division of Resource Management.

[38] Loftstrom, Magnus. Does Self-Employment Increase the Economic Well-Being of Low-Skilled Workers? 2009. San Francisco, CA: Public Policy Institute of California and IZA.

Loftstrom does not conclude that his research indicates that low-skilled entrepreneurship should be discouraged but that expectations should be realistic. In addition, he states that his research has not thoroughly examined wealth accumulation opportunities of low-skilled entrepreneurs or their impacts on job creation. Mojica and Goetz find positive impacts of entrepreneurs on job creation. Policies, including those increasing access to credit and capital, therefore remain sensible pursuits particularly in regions experiencing high unemployment and less access to large-scale employers. Indeed, access to credit is necessary for small business growth. Laderman and Reid (2010) report that 60 percent of small businesses received traditional bank loans.

9.4 Small Businesses and the Great Recession

Just like the NCRC report for ARC, Laderman and Reid (2010) report that small businesses lending declined significantly during the Great Recession from 5.2 million loans or $137 billion during 2007 to 1.6 million loans or $73 billion in 2009.[39] Laderman and Reid find that the decline in lending was greater in low- and moderate-income (LMI) neighborhoods than middle- and upper-income (MUI) neighborhoods and that the disparity in access increased. In 2007, there was 1 loan for every 13.3 small businesses in LMI neighborhoods and 1 loan for every 10.7 small businesses in MUI neighborhoods. By 2010, there was 1 loan for every 28.4 small businesses in LMI neighborhoods and one loan for every 22.6 small businesses in MUI neighborhoods. They also find that the growth in small business lending paralleled the growth of subprime lending in areas like Las Vegas and Phoenix during 2003 and 2007. During the Great Recession, many of the same areas that had experienced a surge in subprime lending also experienced a drop in small business lending as foreclosures rose (there was a statistically significant relationship between declines in small business lending and increases in foreclosure).

Chow and Dunkelberg (2011) compare the effect of the Great Recession on small businesses relative to earlier recessions using data from a survey of members of the National Federation of Independent Business (NFIB).[40] The authors compare trends over time for responses on questions related to firm sales, capital outlays, loan-seeking behavior, and perceptions of the current and future business climate to similar points in earlier recessions starting in 1971. They consistently find that small businesses are performing substantially worse in terms of sales and job creation during this recession than prior ones. The small businesses also have lower expectations and are more pessimistic about future conditions. Their analysis indicates that this is not due to a credit-crunch caused by the financial crisis, as the respondents' reported difficulty in accessing lending is not substantially worse during this recession than previous ones. Instead, they conclude that it is a lack of consumer demand that is responsible for the poor performance of small companies.

[39] Laderman, Elizabeth and Carolina Reid. 2010. The Community Reinvestment Act and Small Business Lending in Low- and Moderate-Income Neighborhoods during the Financial Crisis, Working Paper 2010-05. San Francisco, CA: Federal Reserve Bank of San Francisco.

[40] Chow Michael J. and W.C. Dunkelberg, 2011. The Small Business Sector in Recent Recoveries. A paper presented at the Federal Reserve Board conference, Washington DC, November 2011, available via http://www.federalreserve.gov/newsevents/conferences/chowdunk-20111109.pdf.

Montoriol-Garriga and Wang (2012) find that access to credit was reduced to a greater extent for small firms than larger ones.[41] They examine the effect of the Great Recession on access to credit by small firms relative to large firms. The authors find that while small firms continued to pay higher interest rates than larger firms during the recession, the spread in interest rates declined on loans for small and large firms. This effect was largest for loans issued by banks facing severe capital constraints. The authors attribute these results to greater credit rationing by banks following the recession, when small firms which were especially risky were denied credit, while those who received loans were less risky, leading to a lower spread on their loans.

9.5 Supply and Demand Barriers to Acquiring Loans

During 2010, the Federal Reserve System's Community Affairs Offices hosted 40 meetings involving small businesses, lenders, and other stakeholders in several cities across the country to discuss supply and demand for credit and capital.[42] On the supply side, small businesses and banks alike remarked that underwriting standards tightened during the Great Recession, resulting in less lending. For example, because asset values dropped, several lenders required additional collateral including more equity that small businesses needed for loans. In addition, larger banks tend to rely on credit scores for loans under $200,000 but personal and small business credit scores declined during the Great Recession. In some cases, credit scores declined simply because banks reduced credit limits on credit cards, which artificially increased debt ratios.

In rural areas, bank failures reduced access to credit. In some cases, small businesses lost the bank they relied upon and the bank that assumed the failed bank chose not to continue the relationships or the loans with the small businesses. Small businesses reported that reductions occurred in lines of credit needed to deal with cash flow difficulties, refinance loans, and small dollar loans in amounts under $200,000. In addition, participants at the Federal Reserve meetings noted that loans for start-ups have been reduced with some banks only lending to small businesses with five years of operations.

As a result of less lending from traditional banks, small businesses reported using more credit cards, which had interest rates significantly higher than their previous loans, including lines of credit. CDFIs and credit unions also noted an increase in demand from small businesses having a harder time securing loans from banks. Other small businesses turned to factoring companies and payday lenders.

On the demand side, diminished sales and weakening asset values reduced applications for loans. Reduced confidence by small businesses led to an increased demand for technical assistance. Both existing businesses and unemployed workers seeking to start businesses sought technical assistance. The phenomena of the unemployed seeking help in starting small businesses was particularly noted in a meeting occurring in Appalachia, specifically Morgantown, West Virginia.

Participants at the Federal Reserve meetings recommended greater CRA consideration for equity investments in small businesses and grants that fund technical assistance. Also, the New Markets Tax

[41] Montoriol-Garriga, Judit and J.Christina Wang. 2012. Rationing of Bank Credit to Small Businessess: Evidence from the Great Recession. Working Paper, available via http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2042584

[42] Addressing the Financing Needs of Small Businesses: Summary of Key Themes from the Federal Reserve System's Small Business Meeting Series (2010) available via http://www.federalreserve.gov/newsevents/conferences/sbc_small_business_summary.pdf.

Credit program could be more supportive of small business financing by encouraging more investments in entities that lend to small businesses. Finally, lenders were encouraged to make greater use of "second look" programs that employ sound and flexible underwriting.

9.6 RELATIONSHIP AND TRANSACTIONAL LENDING

In general, researchers agree on the typologies of lending techniques used by large and small banks. They distinguish among asset-based lending, credit scoring, and relationship lending (Mitchell and Pearce, 2005).[43] The first two represent "transactional" lending as they are based on the "hard" or objective information about a borrower. For underwriting purposes, asset-based lending uses information about accounts receivable, inventory, and other forms of collateral. Credit scoring is based on the owner's history of using credit. In contrast, relationship lending is based on "soft" information about the potential borrower. In other words, banks rely on the subjective information about a borrower that they received out of lasting relationships rather than on financial condition of the borrowers. Another indication of relationship lending as reported by Cavalluzzo, Cavalluzzo, and Wolken (2002) is that 84 percent of the loans received by small businesses came from lending institutions located in the same city.[44] The median distance between the firm and the lender was just three miles.

Relationship lending is mainly associated with small banks whereas transactional lending is typically employed by large banks. Berger and Udell (2001) say that banks employing relationship lending should delegate more authority to loan officers than those that use objective information.[45] Small banks are better equipped to delegate authority than larger ones; smaller banks have considerably fewer loan officers, making it easier for smaller banks to manage, trust, and rely upon the quality of loan officers' decisions. Relationship lending is therefore typically done in lower volumes than transactional lending at large banks. Using automated technology such as credit scoring, transactional lending benefits from economies of scale. Large transactional lenders serve relatively high number of customers, enabling them to lower costs per borrower by spreading fixed costs over a large customer base.

Cole, Goldberg, and White (1999) provide detailed analysis of differences between relationship "character" lending and transactional "by-the-number" lending.[46] They found that large banks mostly use "by-the-number" approach and small banks use "character" information which is based on pre-existing relationships between the bank and a borrower. Using the National Survey of Small Business Finances, Cole, et al. classify small banks as those with assets under $1 billion and large banks as those with assets above $1 billion. Cole's regression analyses appear to confirm the different lending approaches of small and large banks. For example, higher debt-to-asset ratios increase the likelihood that large banks will not approve small business loans whereas small banks are not influenced by debt-to-asset ratios. Cole et al. hypothesize that small banks possess superior non-financial information about their customers and are thus able to make decisions not based purely on the numbers. In the same vein, small banks are more

[43] Mitchell, Karlyn and Douglas.K. Pearce. 2005. Availability of Financing to Small Firms using the Survey of Small Business Finance. Working paper submitted to the Small Business Administration, May 2005.
[44] Cavaluzzo, K.S., L.C. Cavaluzzo and J.D. Wolken. 2002. Competition, Small Business Financing, and Discrimination: Evidence From a New Survey. *Journal of Business*. January 2002, vol. 75, no.4
[45] Berger, A.N., R.J. Rosen and G.F. Udell. 2001. The Effect of Market Size and Structure on Competition: The Case of Small Business Lending. Chicago, IL: Federal Reserve Bank of Chicago. October 2001.
[46] Cole, R.A., L.G. Goldberg, and L.J. White. 1999. Cookie-Cutter versus Character: the Micro Structure of Small Business Lending by Large and Small Banks, in J.L. Blanton, A. Williams, and S.L.W. Rhine, ed.: *Business Access to Capital and Credit* (Federal Reserve System Research Conference, March 8, 1999).

likely to approve loans to small business customers that have deposits at their banks while large banks are indifferent to deposit relationships. It appears that small banks are able to better utilize the experience and information gained through the deposit relationship than large banks.

In a region like Appalachia with considerable numbers of mid-size and small banks under $1 billion in assets, small businesses are likely to benefit from relationships with these banks. Chakravarty and Yilmazer (2008) find that the probability of being approved for a loan increases with the amount of assets of a business and the net worth of the owner while the chances of being denied increases with the number of delinquencies and lower credit scores.[47] Interestingly, however, holding all of these factors constant, the probability of receiving a loan during a recession increases if a small business has a pre-existing relationship with the bank and the number of years of that relationship. Thus, even during recessions, relationship lending can preserve access to credit. Getting small businesses "banked" is an important step to promoting their access to credit.

The SBA reports that small banks held their lending steady during the current recession whereas very large banks contracted their lending. At the same time, the SBA cautions upon relying on small banks as a "shock absorber" during recessions since small bank lending during the last decade has not grown dramatically (SBA FAQ, 2011). While small and mid-size banks are important and are more likely to practice relationship banking, stakeholders should work with small businesses to establish relationships with branches of banks of all sizes as a means of increasing access to credit and shielding small businesses against dramatic decreases in credit.[48]

9.7 Bank Branches and Lending

Bank branches are generally found to boost small business lending. Frame, Srinivasan, and Woosley report that the number of bank branches increases the share of small business loans in a bank's portfolio. Immergluck and Smith (2001) report that their research in Chicago reveals that banks with the highest percentage of their branches in low- and moderate-income (LMI) census tracts make the highest percentage of their loans in these tracts while banks with the lowest percentage of branches in LMI tracts make the lowest percentage of their loans in LMI tracts.[49]

Goetz and Rupasingha (2011) estimate the impacts of education levels, income growth, industry mix, population density, and bank branches on the growth of self-employment.[50] They conclude that after controlling for other variables, branches per capita increased self-employment, particularly for small rural counties, for most of the years in their analysis. In particular, branches per capita increased self-employment for 2000 through 2007 but not in 2008 and 2009. The worst years of the Great Recession

[47] Chakravarty, Sugato and Tansel Yilmazer. 2008. A Multistage Model of Loans and the Role of Relationships: A Working Paper, available via http://www.cfs.purdue.edu/csr/research/Chakravarty-research/relationships_final_FM_08%2001%2008.pdf.

[48] Small Business Administration, Office of Advocacy. September 2011. Frequently Asked Questions about Small Business Finance. http://www.sba.gov/sites/default/files/files/Finance%20FAQ%208-25-11%20FINAL%20for%20web.pdf.

[49] Immergluck, Dan and Geoff Smith. 2001. Bigger, Faster…But Better? How Changes in the Financial Services Industry Affect Small Business Lending in Urban Areas. Chicago, Illinois: Woodstock Institute. September 2001

[50] Goetz, Stephan J. and Anil Rupasingha. 2011. The Determinants of Rural Self-Employment: Insights from County-Level Data. A paper prepared for the Federal Reserve Bank Conference on Small Business and Entrepreneurship During an Economic Recovery, Board of Governors of the Federal Reserve System, Washington DC, November 9-10, 2011.

eliminated the positive impact of bank branching on self-employment, most likely because of the deep retrenchment in lending. As lending rebounds, however, bank branches are likely to exhibit once again their positive impact on self-employment.

Laderman and Reid (2010) reinforce the importance of branching. Laderman (2008) finds that only 10 percent of small business lending is from banks with no branches in the local market.[51] They state that lending declined in neighborhoods experiencing the loss of banks either through bank failure or consolidations. Finally, Kobeissi (2009), in a slightly different approach, finds that CRA-related small business lending increases small business start-ups on a local level after controlling for employment growth, bank deposits, University-sponsored Research and Development (R&D), and other economic variables.[52]

9.8 Impacts of Consolidation

A definitive answer regarding the impacts of consolidation on small business lending will probably never be reached. It is quite likely that the economic, institutional, and regulatory context in which mergers occur determine their influence on the level of lending in communities. Reviewing the literature, Hancook, Peek, and Wilcox (2005) hint at the possibilities of different outcomes.[53] In a study in the late 1990's, for example, Berger found that merged banks reduce their small business lending, but that other lenders in the community increased their lending in response, often replacing the lost lending of the merged banks. Similarly in the late 1990's, Peek and Rosengren (1998) concluded that the small business lending behavior of the merged bank resembled the behavior of the acquiring bank instead of the acquired bank.[54] So if the acquiring bank had conducted less small business lending, the newly merged bank was likely to reduce its level of small business lending. Other studies showed that mergers of smaller banks actually increased small business lending while mergers of larger banks had little effect.

While the impacts of bank mergers are likely to be influenced differently by economic and market characteristics, Hancock, Peek and Wilcox (2005) identify important institutional characteristics that are likely to have more uniform impacts at least for larger banks. Hancock, Peek, and Wilcox distinguish between acquisition of banks and merger of bank charters. When a bank holding company (BHC) acquires another BHC, the acquiring BHC can either absorb the acquired BHC's banks completely or let the acquired bank(s) continue lending as a separate entity. In other words, the acquiring BHC can let the acquired bank(s) remain as a separately chartered institution or it can merge the bank(s) and eliminate the charter of the acquired bank(s).

To assess the impacts of acquisitions versus mergers (of bank charters), the study looked at small business lending patterns of the 50 largest bank holding companies excluding credit card lenders. The authors used annual data for the period of 1997-2002. Among the top 50 BHCs in the country, Hancock et al. conclude that larger BHCs (in terms of asset size) tend to reduce their small business lending. In addition,

[51] Laderman, Elizabeth. 2008. The Quantity and Character of Out-of-Market Small Business Lending. Federal Reserve Bank of San Francisco Economic Review.
[52] Kobeissi, Nada. 2009. Impact of the Community Reinvestment Act on New Business Start-Ups and Economic Growth in Local Markets. Journal of Small Business Management 2009 47(4), pp. 489-513.
[53] Hancock, D., J. Peek and J.A. Wilcox. 2005. The Effects of Mergers and Acquisitions on Small Business Lending by Large Banks. Submitted to the Small Business Administration. March 2005.
[54] Peek, J., and E.S. Rosengren. 1998. Bank consolidation and small business lending: It's not just bank size that matters. *Journal of Banking and Finance*, 799-819. 1998.

the reduction is more pronounced when acquiring BHCs merge banks than when the banks are allowed to operate as separately chartered institutions.

Frame, Srinivasan, and Woosley (2001) reinforce the conclusion of Hancock et al. by finding that the share of small business loans in a bank holding company's portfolio increases with the number of subsidiary banks.[55] Frame et al. hypothesize that a subsidiary bank structure is associated with decentralized decision-making in which relationship lending is employed.

Erel (2011) reinforces the conclusion that mergers do not necessarily result in reduced lending.[56] He examines the effect of bank mergers on the mean difference in the ratio of the total (acquirer and target) bank small business loans divided by assets prior to the merger with the same ratio following the merger. The result of the analysis finds no statistically significant decrease in this ratio for the total sample, and in nearly a third of the cases, the change was actually positive. He attributes the lack of an adverse effect of bank consolidation on small business lending to changes in credit technology. Specifically, the advent of credit-scoring may have increased the amount of "hard" information on borrowers available to lenders even at great distances, reducing the need for "soft" information available only when the borrower is in close proximity to the lender. Consequently, as "hard" information becomes more useful in assessing the credit risk of borrowers, mergers in certain cases will not result in aggregate changes in small business lending.

The few studies that examine the impacts of mergers on small business lending in low- and moderate-income tracts generally find that mergers and acquisitions decrease small business lending in these tracts. Reviewing the literature, Immergluck and Smith (2001) state that Samolyk and Richardson (2001) find that banks involved in mergers have smaller growth rates of lending in low- and moderate-income tracts than banks not involved in mergers.[57] From 1996 to 1998, the merging banks' share of small business loans in low- and moderate-income tracts was lower than banks not involved in mergers. Interestingly and importantly, Immergluck and Smith (2001) report that merging banks tend not to decrease their lending in low- and moderate-income census tracts in geographical areas covered by their CRA exams; the decrease in lending in low- and moderate-income tracts occurs in areas outside the scope of the CRA exams. Regulatory enforcement via CRA exams and the merger application process can mitigate decreases in lending as a result of mergers and in some cases may actually increase lending after mergers.

9.9 DISCRIMINATION

The research generally concludes that while discrimination may not be widespread, it occurs in certain loan markets and to certain borrowers. Mitchell and Pearce (2005) using data from the 1998 Survey of Small Business Finances (SSBF) employ a new approach in that they examine possible discrimination in relationship versus transaction lending and by lender type (banks and non-bank finance companies). They state that many researchers regard line of credit lending as "quintessential" relationship loans since line of credit lending represents a sustained commitment on the part of the bank to make periodic loans to

[55] Frame, W.S., A. Srinivasan and L. Woosley. 2001. The Effects of Credit Scoring on Small Business Lending. *Journal of Money, Credit, and Banking.* Vol. 33, No. 3. August 2001.
[56] Erel Isil. The Effect of Bank Mergers on Loan Prices: Evidence from the United States. *The Review of Financial Studies*, 24(4). Pages 1068-1101. 2011.
[57] Samolyk, K.A. and C.A. Richardson. 2001. The Impact of Bank Consolidation on CRA Business Lending. Chicago, Illinois: Federal Reserve Bank of Chicago.

borrowers over a specified time period. Only banks with close relationships with businesses are likely to engage in line of credit lending according to observers. Accordingly, line of credit lending is classified in regression equations as "relationship" loans while "one-shot" deals or transaction loans are commercial mortgages, motor vehicle loans, equipment loans, and capital leases. Mitchell and Pearce construct variables that reflect the degree of market concentration (as measured by the Herfindahl-Hirschman(HHI) index) and variables that capture characteristics of the small businesses including gender, ethnicity, creditworthiness, history of bankruptcy, and asset levels.

Mitchell and Pearce find that African-American and Hispanic business owners are less likely to have bank transaction loans than whites after controlling for market and business characteristics, but that there is no statistically significant difference in the likelihood of receiving a bank line of credit (relationship lending). Also, minorities are more likely to have transaction loans from non-banks. In line with the observation that discrimination is not uniform, the authors could not detect discrimination against Asians and women. The counter-intuitive finding that minorities are less likely to receive transaction loans suggests that smaller banks employing relationship lending may remain an important source of lending for minorities. Moreover, the trend for large banks to engage in transaction lending may decrease, not increase access to credit for minorities. Cole et al. also found that smaller banks are more likely to make loans to African-Americans than large banks with assets above $1 billion.

Cavaluzzo, Cavaluzzo and Wolken (2002) assess the interplay of discrimination and market concentration. In the seminal Economics of Discrimination, Gary Becker hypothesized that discrimination is more likely in highly concentrated markets lacking significant competition. In less competitive markets, firms can get away with discrimination while in more competitive markets the discriminating firms are likely to lose out in the competitive race against firms more willing to hire or serve minorities. Supplementing data from the 1993 National Survey of Small Business Finances with creditworthiness data obtained from Dun and Bradstreet, Cavaluzzo, et al. examined the connection between demographic characteristics of small business borrowers, market concentration, and the ability to access credit.

A series of regression analyses revealed that increases in market concentration as measured by HHI indices result in African-Americans and women being more likely to experience denials of loan applications. Additionally, results show that African-Americans and women are more likely to have unmet credit needs (as measured by a fear to apply because of possibilities of discrimination or actual rejection) when market concentration increases. Finally, a one percentage increase in concentration as measured by an HHI index causes an 11.40 basis point increase in the price of a line of credit for Hispanic small businesses.

A legacy of disparate treatment could be the differences in using loans and credit card financing by gender and race. The SBA reports that women are more likely than males to start businesses without seeking financing. In addition, women-owned businesses are about half as likely as male-owned businesses to obtain business loans from banks. This places women-owned firms are at a double disadvantage because a business' relationship with a bank includes general business technical assistance. Likewise the SBA reports that Hispanic and African-American owners are more likely to rely upon credit

cards than other businesses. This puts them at a disadvantage because a relationship with a bank leads to non-credit lending which is less expensive (SBA FAQ, 2011).[58]

9.10 CDFIs

The diversity of CDFIs complicates efforts to describe what they do and the impacts that they have (Benjamin, Rubin, and Zielenbach 2004).[59] Most of the early research on CDFIs, therefore, is descriptive, ranging from case studies to summaries of financial and investment data. More recently, two datasets have allowed for more quantitative and detailed description of the industry. Even so, the majority of the literature focuses on institutional characteristics rather than on transaction level analysis of lending patterns.

The CDFI Data Project: Providing Capital, Building Communities, Creating Impact reports are a series of annual papers with data on approximately 500 CDFIs, with the most recent edition being FY 2008. The reports are based on data from the Common Data Project, with voluntary submissions from participating institutions, most of which are CDFIs. In addition to an industry summary, the report contains data on the major sub-categories of CDFIs: community development banks; community development credit unions; community development loan funds; and microenterprise funds. The data include the numbers and sizes of CDFIs, the sectors they finance, and the impact of CDFI investment.[60]

Fabiani and Greer (2007)[61] provide an overview of the CDFI industry with their analysis of data submitted by 223 CDFIs for the Community Investment Impact System (CIIS) in FY 2003, the first year that CIIS became operational. In that year, the CDFIs only reported institution level data, and so the report is limited to that level of analysis. The study examined the differences in characteristics among the different types of CDFIs, and how they vary among the different communities they serve.Bershadker et al. (2007)[62] use institutional level CIIS data to provide a longitudinal analysis of CDFI performance for FY 2005 to FY 2007. They find that approximately 11 percent of CDFIs reported making loans in Appalachia in the three years covered in the report. Over 60 percent reported making loans in rural areas, while only about 50 percent reported making loans in major urban areas.[63]

Beginning in FY 2005, the CIIS dataset included transaction level data as well, allowing for finer quantitative analysis of lending patterns and performance. For example, Cowan et al. (2008)[64] merged

---

[58] Small Business Administration, Office of Advocacy. September 2011. Frequently Asked Questions about Small Business Finance. http://www.sba.gov/sites/default/files/files/Finance%20FAQ%208-25-11%20FINAL%20for%20web.pdf

[59] Benjamin, Lehn, Julia Sass Rubin, and Sean Zielenbach. 2004. Community Development Financial Institutions: Current Issues and Future Prospects, *Journal of Urban Affairs* 26(2):177-195.

[60] The most recent report is available online at http://opportunityfinance.net/store/product.asp?pID=177.

[61] Fabiani, D., and J. Greer. 2007. Growth, Diversity, Impact: A Snapshot of CDFIs in FY 2003. Washington, DC: Community Development Financial Institution Fund, U. S. Department of the Treasury.

[62] Bershadker, Andrew, Michael Bzdil, James Greer, and Supapol Siris. 2007. Three year Trend Analysis of Community Investment Impact System Institutional Level Report Data, FY 2003-2005. Community Development Institutions Fund. December 2007.

[63] A comparison of the institution level data on lending in Appalachia with the transaction level data on the location of the project shows that more institutions report lending in Appalachia than report loans for projects in Appalachia.

[64] Cowan, Spencer M., Danielle Spurlock, Janneke Ratcliffe, and Haiou Zhu. 2008. Community Development Financial Institutions and the Segmentation of Underserved Markets. Center for Community Capital Working Paper, August 27, 2008.

the transaction and institution level data to examine whether the composition of the ownership of CDFIs affected its lending patterns. They found that minority controlled CDFIs were significantly more likely to lend in minority census tracts, which suggests that willingness to lend is affected by the relationship between the institution and the community.

A more recent look at the CDFI industry is Swack, Northrup, and Hangen (2012)[65], which looks at data from 592 CDFIs, including all CDFI credit unions and banks, and about half of CDFI loan funds. The data are from regulatory reports, loan applications submitted to the CDFI Fund, and key informant interviews. The study covers the period from 2005 to 2010 and focused on capitalization, liquidity, and risk management. The authors found that CDFIs increased both assets and their loan portfolios in response to the recession, with both CDFI credit unions and CDFI banks growing faster than their non-CDFI counterparts. The report observes that, ". . . true to their mission, CDFIs appear to be 'stepping into the breach' to attempt to close gaps faced by constituents who cannot access traditional market capital."

9.11 VENTURE FUNDS

While a small number of venture funds are also CDFIs, most venture funds are traditional, for-profit investors that make equity investments in small businesses. Those investments have long been recognized as critical for start-ups and for expansion of existing businesses (Barkley and Markley 2001).[66]

The *National Venture Capital Association Yearbook* (2011)[67] provides a comprehensive overview of the industry, with comparative data for past years. For example, it documents the negative impact that the recent recession has had on venture capital firms, with capital under management down 38 percent from the peak in 2005. It also shows the concentration of venture capital, with over 80 percent of investment in only five states, up from 71 percent in those same states in 2000 (Barkley and Markley 2001). Two of the states, New York and Pennsylvania, have counties in the Appalachian Region.

Rubin (2010)[68] observes that the economic characteristics that attract traditional venture fund investments, such as highly concentrated investment opportunities and supporting infrastructure, are not found in rural or poor communities.[69] As a result, such communities tend to attract little conventional venture fund investment. That situation, she suggests, has led to the founding of Community Development Venture Capital (CDVC) - venture firms with a combined economic and social mission. One study (Rubin 2008)[70] found that CDVC funds invested over 80 percent of their capital in 10 states,

[65] Swack, Michael, Jack Northrup, and Eric Hangen, 2012. CDFI Industry Analysis Summary Report. Durham, NH: Carsey Institute.
[66] Barkley, David L., and Deborah M. Markley. 2001. Nontraditional Sources of Venture Capital for Rural America, *Rural America* 16(1):19-26.
[67] Prepared for the National Venture Capital Association by Thomson Reuters, available online at www.nvca.org. The yearbook is updated annually and is available online.
[68] Rubin, Julia Sass. 2010. Venture Capital in Underserved Communities, *Urban Affairs Review*, 45(6):821-835.
[69] Another paper that describes reasons for the lack of traditional investment in rural areas is Brown-Graham, Anita, and William Lambe. 2008. Measures and Methods: Four Tenets for Rural Economic Development in the New Economy. Carsey Institute Paper 46.
[70] Rubin, Julia Sass. 2008. Community Development Venture Capital in Rural Communities. A paper presented at the CDFI Fund Research Conference, Washington, DC, June 2008.

with over 55 percent of the overall investment in six states with counties in the Appalachian Region.[71] Building on an earlier paper (Rubin 2006),[72] Rubin also examines the evolution of CDVC firms and notes recent developments which have led to the decline in the number of new CVDC firms and the negative impact that has had on investment in targeted communities.

9.12 REVOLVING LOAN FUNDS

A revolving loan fund (RLF) combines public- and private-sector capital into a pool that is then transferred either as a below-market interest rate loan or grant to state and local government agencies or non-profit organizations that then lend the money at below-market rates to local businesses (Pulsipher 2006).[73] They serve businesses that may have difficulty securing credit from commercial lenders, primarily start-ups and businesses looking to expand. RLFs can provide gap financing and help those businesses leverage the RLF funding for additional private-sector loans.

Mikesell and Wallace (1996)[74] also note that RLFs can meet some of the demand for venture capital by start-up businesses in rural areas, but they are critical of the model because it is not financially sustainable without periodic infusions of new public funds. They suggest making more market rate loans and tighter standards for lending to improve the sustainability of RLFs.

Walker et al. (2002)[75] examine the performance and impact of loans from RLFs receiving funding from the Department of Housing and Urban Development. The study is based on nearly 1,000 loans made with Community Development Block Grant or Section 108 funds. They looked at the extent of lending, the types of communities where the loans were made, loan performance, and the results in terms of jobs created and leveraging of private-sector investment. They found that more than half of the loans are to communities with poverty rates above 20 percent and about one quarter are to minority-owned businesses. About 25 percent of the loans defaulted, amounting to about 13 percent of the principal loaned.

The National Association of Development Organizations Research Foundation and the Development District Association of Appalachia (2010)[76] provide a more recent look at RLFs. They mix data on RLFs with specific examples, including companies in Appalachia, of how RLF funding has helped businesses develop and expand. They also note the need for improvement and modernization of the various federal programs that provide funding in order to meet the changing business environment in the current economy, as well as recommendations on ways that RLFs can improve their operations.

---

[71] Pennsylvania (16.8%), Tennessee (12.8%), Ohio (9.3%), Kentucky (6.8%), West Virginia (6.3%), and New York (4.1%).

[72] Rubin, Julia Sass. 2006. Financing Rural Innovation with Community Development Venture Capital: Models, Options and Obstacles. *Community Development Investment Review* 2(4):15-27.

[73] Pulsipher, Ian. 2006. Revolving Loan Funds for Small Business Development, *National Conference of State Legislatures Legisbrief*, 14(1).

[74] Mikesell, James J., and George B. Wallace. 1996. Are Revolving Loan Funds a Better Way to Finance Rural Development? Agriculture Information Bulletin No. 724-05, U. S. Department of Agriculture.

[75] Walker, Christopher, Martin D. Abravenal, Patrick Boxall, Roger C. Kormendi, Kenneth Temkin, and Marsha Tornovich. 2002. *Public-sector Loans to Private-sector Businesses: An Assessment of HUD-supported Local Economic Development Lending Activities.* Washington, DC: The Urban Institute.

[76] National Association of Development Organizations Research Foundation and the Development District Association of Appalachia. 2010. Public Sector Business Loan Funds: Views and Recommendations from Practitioners.

9.13 ANGEL INVESTORS

Angel investors are the most informal and private source of capital for growing companies. The Center for Venture Research[77] is one key source for data on angel investors. The Center estimates that 57,120 entrepreneurs received $26.0 billion in angel investments in 2007, and that there were 258,200 individual angel investors that year. Angel investors felt the impact of the recession, as evidenced by the fact that investment declined to $20.1 billion in 2010, but the number of entrepreneurs receiving funding increased to 61,900. There were a total of 265,400 active angel investors that year.

Another source of data on angel investors is the Angel Capital Association (ACA),[78] a voluntary organization of individual angel investors and angel investor groups, with around 6,000 individual members. Shane (2008a)[79] notes that groups that are members of ACA are self-selected and probably differ from the universe of angel investors in significant ways. For example, all of the members are accredited investors, meaning they meet the Security and Exchange Commission's criteria for angel investing. Many angel investors, however, are not accredited. Based on the 2007 ACA survey of its members, the angel groups in ACA range in size from 3 to 280 individuals, with an average of 48 individual members. They prefer to invest at the early or seed stage of business development, and 44 percent will only make investments within a 4 hour drive.

Morrissette (2007)[80] provides a summary of earlier literature on angel investors. He discusses the demographics of the investors, the characteristics of the investments they make, how they find investment opportunities, and the motivation for their investments. He also summarizes the differences between angel investors and venture capital investors, noting that angels invest approximately 11 times as much as venture capitalists.

Using multiple data sources, Shane (2008b)[81] examines the role of angel investing as a source of capital for businesses. He reviews existing literature showing that many angel investors only make a single investment in their lifetime and many spend little time monitoring or working with the company they invested in. He notes that angels strongly prefer to invest in corporations rather than individual entrepreneurs and estimates that fewer than 16,000 companies sought an angel investment within a three year period. He also examines the type of investments that angels make and finds that about 40 percent is debt rather than equity.

DeGennaro (2010)[82] examines the role of angel groups, as opposed to individual angel investors. He notes that groups offer advantages to both the investors who join and to the entrepreneurs in whom they invest. For example, groups can pool capital to make larger investments and have a wider range of

---

[77] Sohl, Jeffrey. 2011. The Angel Investor market in 2010: A Market on the Rebound. Center for Venture Research, and Sohl, Jeffrey. 2008. The Angel Investor Market in 2007: Mixed Signs of Growth. The Center for Venture Research data are available online at http://paulcollege.unh.edu/cvr-analysis-reports.

[78] www.angelcapitalassociation.org.

[79] Shane, Scott. 2008a. Angel Groups: An Examination of the Angel Capital Association Survey. Available at SSRN: http://ssrn.com/abstract=1142645.

[80] Morrissette, Stephen G., 2007. A Profile of Angel Investors, *The Journal of Private Equity*, 10(3): 52-66.

[81] Shane, Scott. 2008b. The Importance of Angel Investing in Financing the Growth of Entrepreneurial Ventures. Small Business Administration, Office of Advocacy. Parts of this report were included in Shane, Scott A., 2009, *Fools Gold? The Truth Behind Angel Investing in America*. New York, NY:Oxford University Press.

[82] DeGennaro, Ramon P., 2010. Angel Investors: Who They Are and What They Do; Can I Be One, Too?, *The Journal of Wealth Management*, 13(2): 55-60.

experience with which to judge potential investments. For the investees, the wider range of experience within the angel group also means that it can mentor the entrepreneur more effectively.

9.14 Policy Recommendations for Rural Small Business Development

Markley and Dabson (2008) examine the role state policy has had in promoting entrepreneurship in Kentucky.[83] The authors argue that economic development policies in the state have traditionally emphasized attracting existing businesses rather than fostering the creation of new companies or the growth of existing ones; such strategies have limited effect because it is unlikely that Kentucky or other states will be able to outbid low-cost international competitors such as China in attracting large firms. The authors make several broad recommendations, including 1) an increase in the resources devoted to small business development versus those devoted to attracting investment from large employers; 2) increased coordination among state agencies, universities, and local governments in the planning and support of small business development programs; 3) accountability programs to track the effectiveness of existing small business programs with the aim of improving their implementation and assuring they meet the needs of local entrepreneurs; 4) creating financial institutions, including micro-enterprise centers, which can provide seed money to local start-ups.

Economic Transition in Central Appalachia: Ideas for the Appalachian Regional Development Initiative (2010) makes several recommendations concerning policies that can help Central Appalachia transition from a mining-based economy to one based on sustainable ecological practices and the creation of green jobs.[84] Among the recommendations is that ARC develop metrics that identify regions in the most need of government assistance; engage community-based organizations in the formulation and implementation of economic development strategies; provide access to capital and education necessary to promote investment in energy efficient buildings by homeowners and local governments; provide financing for the development of renewable energy (wind, solar, etc.) initiatives which can make use of the natural advantages afforded by the region's environment; promote sustainable forest initiatives, small-scale agriculture, and land restoration by owners of small-to-medium sized plots, which the report argues would promote the development of the region by enhancing its advantages with respect to tourism.

In addition to reviewing recommendations specific to small business development in Appalachia, it is useful to review a report *(10 Years In: A Review of the Banking Development District Program)* by New York State on its Banking Development District (BDD) program subsidizing bank branches in underserved areas since expanding bank branches appears to promote lending to small businesses. The report was based on surveys of participating banks as well as community organizations.[85]

One issue for Appalachia is that the great majority of the BDDs are urban; 25 are in New York City and four are in Buffalo. The remaining nine are in Albany, Cayuga, Jefferson, Nassau, Oneida, Onondaga, Orange, and Rockland counties. Of these counties, none are in Appalachia. The report discusses that the

[83] Markley D. and B. Dabson. 2008. Creating a System of Support for Entrepreneurs and Small Businesses in Kentucky: Insights and Policy Recommendations. A paper by the Rural Policy Research Institute for the Mountain Association for Community Economic Development, August 2008.

[84] Mountain Association for Community Economic Development and Kentuckians for the Commonwealth. 2010. *Economic Transition in Central Appalachia: Ideas for the Appalachian Regional Development Initiative*. 2010.

[85] New York State Banking Department. 2010. 10 Years In: A Review of the Banking Development District Program, available via http://www.dfs.ny.gov/banking/bdd.htm.

relatively few branches outside of New York City is due to a lack of awareness of the program in upstate New York.

The New York report offers a number of recommendations to facilitate the financing of bank branches benefiting from the program. For example, options should be expanded to collateralize loans made by participating banks. Also, a two year maturity on the certificate of deposits received by BDD branches is too short and undermines branch profitability. The report recommends a ten year maturity. In addition, the report argues that there should be no limit to the number of times a bank can apply for renewal to the program given the length of time that it might take the subsidized branch to become profitable.

The report also discusses a number of operational issues. For example, banks argue that allowing multiple branches within a single district or creating overlapping boundaries for the BDDs would undermine their profitability, especially in rural areas where demand is limited. The report, however, favored allowing multiple branches in a single district as it would encourage the provision of more services to underserved communities. The report recommends that overlapping districts would be approved on a case-by-case basis.

Community groups argue that more low-cost banking services could be provided by BDD banks. The report agrees, suggesting that the Banking Department should encourage the creation of new services. The report also maintains that a requirement of participating banks to provide financial education to customers would benefit both the bank and customers by mitigating the possibility of default and encouraging the provision and use of financial services, particularly to small businesses. The report suggests that banks partner with a specialized third party organization to provide educational services. The issue of small business loans is not discussed directly by the report. A BDD program should include goals for small business lending and financial education for small business owners as well.

[Page Intentionally Left Blank]

APPENDIX:

TABLE A: RATIOS AND INDICES, 2007

(Note: If index is greater than 1, corresponding ratios and indices are in blue color; and if index is equal to or less than 1, corresponding ratios and indices are in red color.)

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
01007	Bibb, AL	At-Risk	0.29	0.55	15.40	0.23	0.28	0.69	0.98	0.55	0.76	0.78
01009	Blount, AL	Transitional	0.46	0.51	26.62	0.31	0.52	1.09	0.90	0.95	1.01	1.42
01015	Calhoun, AL	Transitional	0.47	0.50	36.10	0.26	0.34	1.09	0.88	1.28	0.85	0.93
01017	Chambers, AL	Transitional	0.34	0.60	9.88	0.24	0.22	0.80	1.06	0.35	0.78	0.60
01019	Cherokee, AL	Transitional	0.46	0.44	11.95	0.33	NA	1.07	0.78	0.42	1.07	NA
01021	Chilton, AL	Transitional	0.38	0.58	3.55	0.27	0.37	0.88	1.02	0.13	0.89	1.02
01027	Clay, AL	At-Risk	0.28	0.49	9.49	0.22	NA	0.65	0.87	0.34	0.71	NA
01029	Cleburne, AL	Transitional	0.40	0.52	0.00	0.38	NA	0.93	0.92	0.00	1.24	NA
01033	Colbert, AL	Transitional	0.34	0.52	4.91	0.18	0.29	0.79	0.92	0.17	0.60	0.81
01037	Coosa, AL	At-Risk	0.35	0.60	0.00	0.40	0.31	0.82	1.06	0.00	1.31	0.85
01043	Cullman, AL	Transitional	0.43	0.53	7.32	0.26	NA	1.01	0.93	0.26	0.86	NA
01049	DeKalb, AL	Transitional	0.36	0.51	10.39	0.27	NA	0.84	0.90	0.37	0.89	NA
01051	Elmore, AL	Transitional	0.48	0.58	7.06	0.30	NA	1.12	1.03	0.25	0.97	NA
01055	Etowah, AL	Transitional	0.46	0.49	9.47	0.23	0.34	1.08	0.85	0.34	0.76	0.92
01057	Fayette, AL	At-Risk	0.32	0.43	0.00	0.31	NA	0.76	0.75	0.00	1.00	NA
01059	Franklin, AL	Distressed	0.24	0.67	0.00	0.17	NA	0.57	1.17	0.00	0.54	NA
01065	Hale, AL	Distressed	0.22	0.60	0.00	0.16	0.19	0.51	1.06	0.00	0.51	0.51
01071	Jackson, AL	Transitional	0.27	0.62	9.87	0.22	NA	0.63	1.08	0.35	0.70	NA
01073	Jefferson, AL	Transitional	0.57	0.54	32.10	0.25	0.42	1.34	0.96	1.14	0.83	1.16
01075	Lamar, AL	At-Risk	0.29	0.41	0.00	0.35	NA	0.68	0.71	0.00	1.14	NA
01077	Lauderdale, AL	Transitional	0.45	0.49	10.12	0.27	0.40	1.06	0.86	0.36	0.86	1.11

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
01079	Lawrence, AL	Transitional	0.25	0.52	0.00	0.21	0.23	0.60	0.92	0.00	0.67	0.62
01083	Limestone, AL	Transitional	0.57	0.46	27.85	0.33	0.42	1.33	0.82	0.99	1.08	1.14
01087	Macon, AL	Distressed	0.37	0.66	0.00	0.18	0.29	0.87	1.17	0.00	0.60	0.81
01089	Madison, AL	Competitive	0.60	0.54	42.09	0.31	0.49	1.39	0.96	1.49	1.01	1.35
01093	Marion, AL	At-Risk	0.30	0.62	5.00	0.20	NA	0.71	1.09	0.18	0.66	NA
01095	Marshall, AL	Transitional	0.49	0.45	10.89	0.34	NA	1.14	0.79	0.39	1.12	NA
01103	Morgan, AL	Transitional	0.48	0.48	12.20	0.29	0.44	1.12	0.85	0.43	0.96	1.22
01107	Pickens, AL	Distressed	0.38	0.26	13.66	0.68	0.44	0.88	0.45	0.48	2.21	1.20
01111	Randolph, AL	At-Risk	0.32	0.63	6.44	0.27	NA	0.76	1.11	0.23	0.89	NA
01115	St. Clair, AL	Transitional	0.54	0.56	13.66	0.34	NA	1.27	0.99	0.48	1.11	NA
01117	Shelby, AL	Attainment	0.77	0.57	25.36	0.38	0.37	1.79	1.00	0.90	1.22	1.00
01121	Talladega, AL	Transitional	0.36	0.62	7.90	0.23	0.18	0.84	1.09	0.28	0.74	0.49
01123	Tallapoosa, AL	Transitional	0.42	0.54	7.02	0.27	0.25	0.97	0.95	0.25	0.88	0.69
01125	Tuscaloosa, AL	Transitional	0.58	0.45	10.79	0.40	0.51	1.37	0.80	0.38	1.31	1.39
01127	Walker, AL	Transitional	0.46	0.39	2.18	0.32	0.40	1.09	0.68	0.08	1.03	1.11
01133	Winston, AL	At-Risk	0.24	0.59	9.71	0.19	NA	0.56	1.03	0.34	0.61	NA
13011	Banks, GA	Transitional	0.42	0.53	15.35	0.40	NA	0.98	0.92	0.54	1.31	NA
13013	Barrow, GA	Competitive	0.54	0.66	39.88	0.36	0.42	1.27	1.17	1.42	1.19	1.14
13015	Bartow, GA	Competitive	0.54	0.59	20.85	0.38	0.47	1.26	1.04	0.74	1.25	1.29
13045	Carroll, GA	Transitional	0.49	0.55	26.98	0.41	0.46	1.15	0.97	0.96	1.34	1.27
13047	Catoosa, GA	Competitive	0.45	0.60	8.23	0.27	NA	1.05	1.05	0.29	0.87	NA
13055	Chattooga, GA	Transitional	0.36	0.49	27.25	0.36	NA	0.85	0.86	0.97	1.18	NA
13057	Cherokee, GA	Attainment	0.67	0.69	55.25	0.39	0.54	1.56	1.21	1.96	1.28	1.47
13083	Dade, GA	Transitional	0.39	0.59	28.06	0.24	0.37	0.91	1.04	1.00	0.79	1.00
13085	Dawson, GA	Attainment	0.56	0.61	23.31	0.39	NA	1.31	1.07	0.83	1.28	NA
13097	Douglas, GA	Competitive	0.55	0.67	47.63	0.35	0.47	1.28	1.17	1.69	1.14	1.29
13105	Elbert, GA	Transitional	0.36	0.55	11.07	0.24	NA	0.85	0.97	0.39	0.77	NA
13111	Fannin, GA	Transitional	0.45	0.52	13.35	0.41	0.52	1.05	0.91	0.47	1.35	1.43
13115	Floyd, GA	Transitional	0.51	0.54	20.41	0.38	0.44	1.19	0.96	0.72	1.23	1.20
13117	Forsyth, GA	Attainment	0.75	0.69	45.90	0.42	NA	1.76	1.21	1.63	1.38	NA
13119	Franklin, GA	Transitional	0.39	0.57	9.76	0.31	NA	0.91	1.01	0.35	1.02	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
13123	Gilmer, GA	Transitional	0.39	0.54	14.55	0.31	NA	0.91	0.95	0.52	1.01	NA
13129	Gordon, GA	Transitional	0.53	0.45	13.10	0.50	NA	1.24	0.78	0.46	1.63	NA
13135	Gwinnett, GA	Attainment	0.59	0.69	53.48	0.35	0.46	1.37	1.20	1.90	1.15	1.25
13137	Habersham, GA	Transitional	0.48	0.47	23.80	0.41	NA	1.13	0.84	0.84	1.35	NA
13139	Hall, GA	Transitional	0.54	0.59	25.27	0.35	0.44	1.26	1.03	0.90	1.13	1.19
13143	Haralson, GA	Transitional	0.48	0.53	9.18	0.41	0.46	1.12	0.93	0.33	1.35	1.26
13147	Hart, GA	Transitional	0.48	0.60	28.00	0.37	NA	1.13	1.05	0.99	1.22	NA
13149	Heard, GA	Transitional	0.33	0.64	0.00	0.24	0.32	0.77	1.13	0.00	0.79	0.88
13157	Jackson, GA	Transitional	0.58	0.62	28.85	0.37	NA	1.35	1.10	1.02	1.22	NA
13187	Lumpkin, GA	Transitional	0.62	0.55	9.18	0.46	NA	1.44	0.97	0.33	1.50	NA
13195	Madison, GA	Transitional	0.40	0.56	17.41	0.30	NA	0.93	0.98	0.62	0.99	NA
13213	Murray, GA	Transitional	0.38	0.63	0.00	0.29	NA	0.88	1.11	0.00	0.94	NA
13223	Paulding, GA	Attainment	0.61	0.68	48.76	0.38	0.53	1.42	1.20	1.73	1.24	1.45
13227	Pickens, GA	Competitive	0.57	0.73	38.70	0.33	0.51	1.33	1.29	1.37	1.07	1.38
13233	Polk, GA	Transitional	0.34	0.60	22.13	0.25	NA	0.79	1.06	0.79	0.82	NA
13241	Rabun, GA	Transitional	0.43	0.55	16.15	0.36	NA	1.00	0.96	0.57	1.16	NA
13257	Stephens, GA	Transitional	0.46	0.53	42.19	0.33	NA	1.08	0.94	1.50	1.09	NA
13281	Towns, GA	Transitional	0.48	0.51	0.00	0.40	NA	1.13	0.90	0.00	1.30	NA
13291	Union, GA	Transitional	0.63	0.47	0.00	0.61	NA	1.48	0.82	0.00	2.00	NA
13295	Walker, GA	Transitional	0.39	0.59	5.42	0.27	0.29	0.91	1.04	0.19	0.88	0.80
13311	White, GA	Transitional	0.60	0.47	0.00	0.48	NA	1.40	0.83	0.00	1.57	NA
13313	Whitfield, GA	Competitive	0.49	0.56	17.31	0.31	0.41	1.14	0.98	0.61	1.03	1.13
21001	Adair, KY	At-Risk	0.26	0.60	0.00	0.17	0.25	0.62	1.06	0.00	0.55	0.67
21011	Bath, KY	At-Risk	0.31	0.38	23.56	0.42	NA	0.73	0.67	0.84	1.38	NA
21013	Bell, KY	Distressed	0.24	0.66	0.00	0.14	0.21	0.57	1.17	0.00	0.45	0.57
21019	Boyd, KY	Transitional	0.33	0.48	34.16	0.19	0.42	0.76	0.85	1.21	0.62	1.15
21025	Breathitt, KY	Distressed	0.18	0.65	10.42	0.12	0.17	0.42	1.14	0.37	0.39	0.48
21043	Carter, KY	Distressed	0.23	0.57	5.27	0.17	NA	0.54	1.01	0.19	0.57	NA
21045	Casey, KY	Distressed	0.21	0.60	0.00	0.18	0.22	0.49	1.06	0.00	0.60	0.59
21049	Clark, KY	Transitional	0.45	0.46	31.24	0.34	0.38	1.06	0.80	1.11	1.11	1.04
21051	Clay, KY	Distressed	0.21	0.53	28.06	0.15	0.20	0.49	0.93	1.00	0.49	0.54

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
21053	Clinton, KY	Distressed	0.18	0.65	0.00	0.15	0.13	0.41	1.15	0.00	0.49	0.35
21057	Cumberland, KY	Distressed	0.17	0.56	15.29	0.14	NA	0.39	0.99	0.54	0.45	NA
21061	Edmonson, KY	At-Risk	0.26	0.59	13.21	0.23	0.20	0.61	1.04	0.47	0.76	0.54
21063	Elliott, KY	Distressed	0.18	0.57	0.00	0.14	0.08	0.43	1.00	0.00	0.46	0.23
21065	Estill, KY	Distressed	0.31	0.56	0.00	0.17	0.29	0.71	0.99	0.00	0.56	0.78
21069	Fleming, KY	At-Risk	0.32	0.45	8.03	0.47	NA	0.75	0.78	0.28	1.55	NA
21071	Floyd, KY	Distressed	0.33	0.54	14.47	0.22	0.23	0.78	0.95	0.51	0.70	0.63
21079	Garrard, KY	Transitional	0.44	0.42	39.02	0.37	NA	1.04	0.73	1.39	1.22	NA
21087	Green, KY	At-Risk	0.27	0.56	21.93	0.21	NA	0.62	0.99	0.78	0.70	NA
21089	Greenup, KY	Transitional	0.30	0.50	0.00	0.20	NA	0.69	0.89	0.00	0.64	NA
21095	Harlan, KY	Distressed	0.24	0.66	0.00	0.14	0.18	0.57	1.16	0.00	0.46	0.49
21099	Hart, KY	At-Risk	0.20	0.57	0.00	0.17	NA	0.46	1.01	0.00	0.55	NA
21109	Jackson, KY	Distressed	0.24	0.60	0.00	0.20	0.21	0.56	1.05	0.00	0.64	0.59
21115	Johnson, KY	Distressed	0.28	0.51	6.23	0.22	NA	0.66	0.89	0.22	0.71	NA
21119	Knott, KY	Distressed	0.25	0.56	23.17	0.15	0.25	0.58	0.98	0.82	0.47	0.69
21121	Knox, KY	Distressed	0.29	0.55	33.44	0.21	0.24	0.68	0.98	1.19	0.68	0.66
21125	Laurel, KY	At-Risk	0.37	0.53	23.27	0.24	0.57	0.85	0.93	0.83	0.78	1.57
21127	Lawrence, KY	Distressed	0.26	0.54	52.69	0.18	0.44	0.61	0.95	1.87	0.58	1.19
21129	Lee, KY	Distressed	0.19	0.66	0.00	0.13	0.17	0.45	1.16	0.00	0.43	0.46
21131	Leslie, KY	Distressed	0.15	0.52	11.85	0.11	0.14	0.35	0.91	0.42	0.35	0.38
21133	Letcher, KY	Distressed	0.31	0.48	6.92	0.23	0.32	0.73	0.85	0.25	0.74	0.87
21135	Lewis, KY	Distressed	0.22	0.65	0.00	0.20	0.18	0.51	1.14	0.00	0.65	0.49
21137	Lincoln, KY	At-Risk	0.22	0.58	33.65	0.20	NA	0.52	1.01	1.19	0.64	NA
21147	McCreary, KY	Distressed	0.18	0.62	0.00	0.16	0.16	0.42	1.08	0.00	0.52	0.43
21151	Madison, KY	Transitional	0.52	0.47	24.23	0.41	0.40	1.22	0.82	0.86	1.33	1.09
21153	Magoffin, KY	Distressed	0.29	0.60	0.00	0.22	0.24	0.67	1.05	0.00	0.72	0.67
21159	Martin, KY	Distressed	0.23	0.48	17.45	0.14	0.18	0.53	0.85	0.62	0.45	0.50
21165	Menifee, KY	Distressed	0.39	0.24	0.00	0.74	0.59	0.92	0.42	0.00	2.41	1.63
21169	Metcalfe, KY		0.17	0.54	23.56	0.14	NA	0.39	0.95	0.84	0.47	NA
21171	Monroe, KY	Distressed	0.28	0.61	31.88	0.28	0.29	0.65	1.07	1.13	0.90	0.79
21173	Montgomery, KY	Transitional	0.58	0.30	16.83	0.57	NA	1.36	0.52	0.60	1.86	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
21175	Morgan, KY	Distressed	0.22	0.54	0.00	0.20	0.21	0.51	0.95	0.00	0.65	0.57
21181	Nicholas, KY		0.22	0.46	0.00	0.26	0.33	0.51	0.81	0.00	0.84	0.89
21189	Owsley, KY	Distressed	0.12	0.60	0.00	0.11	0.11	0.28	1.05	0.00	0.36	0.30
21193	Perry, KY	Distressed	0.28	0.54	0.00	0.17	0.24	0.66	0.95	0.00	0.54	0.65
21195	Pike, KY	At-Risk	0.39	0.50	11.95	0.28	0.37	0.91	0.88	0.42	0.90	1.00
21197	Powell, KY	Distressed	0.47	0.31	0.00	0.42	NA	1.11	0.54	0.00	1.37	NA
21199	Pulaski, KY	At-Risk	0.32	0.59	5.98	0.20	0.27	0.74	1.05	0.21	0.67	0.73
21201	Robertson, KY		0.22	0.43	0.00	0.44	NA	0.51	0.76	0.00	1.45	NA
21203	Rockcastle, KY	Distressed	0.35	0.49	12.63	0.28	NA	0.81	0.86	0.45	0.93	NA
21205	Rowan, KY	At-Risk	0.41	0.44	13.63	0.38	0.37	0.96	0.77	0.48	1.25	1.02
21207	Russell, KY	Distressed	0.26	0.64	7.12	0.14	NA	0.60	1.13	0.25	0.45	NA
21231	Wayne, KY	Distressed	0.21	0.61	0.00	0.16	0.17	0.48	1.08	0.00	0.52	0.46
21235	Whitley, KY	Distressed	0.33	0.51	18.09	0.21	0.43	0.77	0.90	0.64	0.69	1.16
21237	Wolfe, KY	Distressed	0.35	0.49	21.51	0.37	0.30	0.81	0.87	0.76	1.22	0.83
24001	Allegany, MD	Transitional	0.48	0.56	18.30	0.27	0.53	1.12	0.99	0.65	0.87	1.45
24023	Garrett, MD	Transitional	0.65	0.48	38.64	0.39	0.61	1.52	0.85	1.37	1.29	1.67
24043	Washington, MD	Competitive	0.67	0.56	20.64	0.38	0.50	1.56	0.99	0.73	1.23	1.38
28003	Alcorn, MS	At-Risk	0.23	0.42	2.21	0.33	NA	0.55	0.74	0.08	1.09	NA
28009	Benton, MS	Distressed	0.13	0.63	28.29	0.23	NA	0.31	1.12	1.00	0.73	NA
28013	Calhoun, MS	At-Risk	0.22	0.35	5.17	0.61	NA	0.53	0.62	0.18	2.00	NA
28017	Chickasaw, MS	Distressed	0.29	0.31	0.00	0.55	NA	0.69	0.54	0.00	1.78	NA
28019	Choctaw, MS	Distressed	0.14	0.49	19.63	0.30	NA	0.32	0.86	0.70	0.97	NA
28025	Clay, MS	Distressed	0.26	0.34	25.72	0.41	0.19	0.61	0.60	0.91	1.33	0.53
28057	Itawamba, MS	Transitional	0.23	0.43	4.18	0.33	NA	0.53	0.76	0.15	1.09	NA
28069	Kemper, MS	Distressed	0.08	0.48	20.68	0.15	NA	0.19	0.85	0.73	0.50	NA
28081	Lee, MS	Transitional	0.34	0.39	7.63	0.36	NA	0.80	0.69	0.27	1.16	NA
28087	Lowndes, MS	At-Risk	0.43	0.36	27.02	0.48	0.30	0.99	0.63	0.96	1.55	0.81
28093	Marshall, MS	At-Risk	0.21	0.67	6.31	0.23	0.17	0.50	1.18	0.22	0.73	0.45
28095	Monroe, MS	At-Risk	0.29	0.32	2.21	0.60	0.31	0.67	0.56	0.08	1.96	0.85
28097	Montgomery, MS	Distressed	0.15	0.54	0.00	0.20	NA	0.36	0.96	0.00	0.65	NA
28103	Noxubee, MS	Distressed	0.23	0.44	36.73	0.33	0.19	0.55	0.77	1.30	1.06	0.52

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
28105	Oktibbeha, MS	At-Risk	0.37	0.43	7.80	0.46	NA	0.86	0.76	0.28	1.50	NA
28107	Panola, MS	Distressed	0.16	0.60	9.24	0.20	0.08	0.37	1.05	0.33	0.64	0.23
28115	Pontotoc, MS	Transitional	0.21	0.44	6.52	0.31	NA	0.48	0.78	0.23	0.99	NA
28117	Prentiss, MS	At-Risk	0.20	0.45	6.74	0.28	NA	0.46	0.79	0.24	0.90	NA
28139	Tippah, MS	At-Risk	0.12	0.58	7.11	0.15	NA	0.28	1.02	0.25	0.50	NA
28141	Tishomingo, MS	At-Risk	0.16	0.44	0.00	0.20	NA	0.37	0.78	0.00	0.66	NA
28145	Union, MS	Transitional	0.16	0.51	2.89	0.23	NA	0.36	0.90	0.10	0.75	NA
28155	Webster, MS	Distressed	0.27	0.28	7.82	0.76	NA	0.64	0.50	0.28	2.46	NA
28159	Winston, MS	Distressed	0.23	0.34	0.00	0.41	NA	0.53	0.60	0.00	1.34	NA
28161	Yalobusha, MS	At-Risk	0.18	0.51	5.71	0.31	NA	0.41	0.90	0.20	1.00	NA
36003	Allegany, NY	Transitional	0.37	0.63	35.31	0.30	0.50	0.85	1.10	1.25	0.98	1.37
36007	Broome, NY	Transitional	0.53	0.55	0.00	0.30	0.46	1.24	0.96	0.00	0.96	1.27
36009	Cattaraugus, NY	Transitional	0.40	0.59	27.80	0.32	0.31	0.94	1.03	0.99	1.04	0.85
36013	Chautauqua, NY	Transitional	0.45	0.55	40.23	0.30	0.35	1.05	0.96	1.43	0.98	0.96
36015	Chemung, NY	Transitional	0.41	0.59	40.75	0.27	0.31	0.97	1.04	1.45	0.88	0.84
36017	Chenango, NY	Transitional	0.48	0.51	27.44	0.36	0.38	1.12	0.90	0.97	1.18	1.04
36023	Cortland, NY	Transitional	0.42	0.56	36.46	0.29	NA	0.98	0.98	1.29	0.95	NA
36025	Delaware, NY	Transitional	0.49	0.62	13.49	0.31	NA	1.14	1.09	0.48	1.02	NA
36077	Otsego, NY	Transitional	0.57	0.60	18.00	0.40	1.00	1.33	1.05	0.64	1.30	2.74
36095	Schoharie, NY	Transitional	0.48	0.68	13.99	0.34	0.53	1.12	1.20	0.50	1.10	1.45
36097	Schuyler, NY	Transitional	0.47	0.59	48.90	0.34	NA	1.10	1.04	1.74	1.11	NA
36101	Steuben, NY	Transitional	0.38	0.63	66.25	0.28	0.30	0.89	1.10	2.35	0.90	0.81
36107	Tioga, NY	Transitional	0.43	0.59	37.38	0.26	NA	1.02	1.04	1.33	0.86	NA
36109	Tompkins, NY	Transitional	0.52	0.64	45.48	0.35	0.48	1.22	1.13	1.61	1.15	1.30
37003	Alexander, NC	Transitional	0.60	0.41	54.05	0.45	NA	1.41	0.72	1.92	1.46	NA
37005	Alleghany, NC	At-Risk	0.47	0.48	0.00	0.30	NA	1.09	0.85	0.00	0.99	NA
37009	Ashe, NC	Transitional	0.58	0.38	10.35	0.47	0.53	1.36	0.68	0.37	1.53	1.46
37011	Avery, NC	Transitional	0.68	0.40	7.43	0.50	NA	1.58	0.71	0.26	1.63	NA
37021	Buncombe, NC	Transitional	0.63	0.54	24.91	0.39	0.54	1.46	0.95	0.88	1.26	1.49
37023	Burke, NC	Transitional	0.48	0.43	23.70	0.32	0.39	1.12	0.76	0.84	1.04	1.08
37027	Caldwell, NC	Transitional	0.51	0.45	13.54	0.34	0.39	1.20	0.80	0.48	1.12	1.06

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
37039	Cherokee, NC	At-Risk	0.58	0.47	12.68	0.48	0.51	1.35	0.83	0.45	1.58	1.41
37043	Clay, NC	Transitional	0.54	0.49	0.00	0.41	NA	1.26	0.86	0.00	1.34	NA
37059	Davie, NC	Competitive	0.62	0.50	4.29	0.38	0.55	1.46	0.87	0.15	1.24	1.50
37067	Forsyth, NC	Competitive	0.56	0.54	31.90	0.32	0.44	1.30	0.94	1.13	1.03	1.20
37075	Graham, NC	Distressed	0.59	0.36	0.00	0.60	0.69	1.38	0.63	0.00	1.94	1.88
37087	Haywood, NC	Transitional	0.53	0.51	26.65	0.34	0.38	1.25	0.90	0.95	1.09	1.04
37089	Henderson, NC	Competitive	0.65	0.54	15.21	0.40	0.48	1.53	0.95	0.54	1.29	1.32
37099	Jackson, NC	Transitional	0.57	0.51	0.00	0.38	NA	1.34	0.89	0.00	1.23	NA
37111	McDowell, NC	Transitional	0.55	0.54	0.00	0.35	0.41	1.28	0.94	0.00	1.15	1.13
37113	Macon, NC	Transitional	0.62	0.51	6.10	0.40	NA	1.46	0.91	0.22	1.30	NA
37115	Madison, NC	Transitional	0.55	0.51	34.07	0.45	0.53	1.30	0.89	1.21	1.46	1.46
37121	Mitchell, NC	At-Risk	0.47	0.50	17.78	0.36	0.74	1.11	0.89	0.63	1.16	2.03
37149	Polk, NC	Competitive	0.62	0.60	6.92	0.36	NA	1.46	1.06	0.25	1.17	NA
37161	Rutherford, NC	At-Risk	0.48	0.45	14.57	0.31	0.32	1.12	0.78	0.52	1.02	0.86
37169	Stokes, NC	Transitional	0.48	0.47	13.82	0.31	0.52	1.13	0.82	0.49	1.01	1.43
37171	Surry, NC	Transitional	0.45	0.47	84.30	0.27	0.29	1.06	0.83	2.99	0.89	0.80
37173	Swain, NC	At-Risk	0.53	0.48	21.44	0.36	0.63	1.25	0.85	0.76	1.16	1.73
37175	Transylvania, NC	Transitional	0.60	0.51	8.94	0.38	NA	1.41	0.90	0.32	1.23	NA
37189	Watauga, NC	Transitional	0.64	0.44	17.79	0.43	NA	1.49	0.78	0.63	1.41	NA
37193	Wilkes, NC	Transitional	0.54	0.39	24.72	0.41	NA	1.27	0.68	0.88	1.35	NA
37197	Yadkin, NC	Transitional	0.44	0.47	9.79	0.31	NA	1.04	0.82	0.35	1.00	NA
37199	Yancey, NC	At-Risk	0.64	0.41	0.00	0.56	NA	1.49	0.71	0.00	1.81	NA
39001	Adams, OH	At-Risk	0.29	0.49	23.32	0.21	0.27	0.68	0.87	0.83	0.70	0.73
39007	Ashtabula, OH		0.41	0.60	44.66	0.27	0.29	0.97	1.05	1.59	0.89	0.78
39009	Athens, OH	Distressed	0.38	0.66	2.98	0.23	0.31	0.89	1.16	0.11	0.74	0.84
39013	Belmont, OH	Transitional	0.46	0.48	22.89	0.26	0.36	1.07	0.84	0.81	0.85	1.00
39015	Brown, OH	Transitional	0.39	0.52	57.88	0.32	0.34	0.92	0.92	2.05	1.03	0.94
39019	Carroll, OH	Transitional	0.44	0.55	79.22	0.29	0.54	1.04	0.97	2.81	0.94	1.49
39025	Clermont, OH	Competitive	0.66	0.60	71.66	0.39	0.55	1.54	1.05	2.54	1.28	1.51
39029	Columbiana, OH	Transitional	0.44	0.61	44.32	0.26	0.28	1.03	1.08	1.57	0.85	0.78
39031	Coshocton, OH	Transitional	0.37	0.65	34.65	0.20	0.28	0.87	1.15	1.23	0.64	0.77

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
39053	Gallia, OH	At-Risk	0.33	0.62	27.23	0.24	0.28	0.76	1.08	0.97	0.77	0.77
39059	Guernsey, OH	At-Risk	0.39	0.52	62.68	0.30	0.39	0.92	0.92	2.23	0.99	1.07
39067	Harrison, OH	Transitional	0.38	0.51	72.84	0.20	0.37	0.90	0.90	2.59	0.66	1.02
39071	Highland, OH	Transitional	0.38	0.50	19.00	0.35	0.40	0.89	0.88	0.67	1.13	1.09
39073	Hocking, OH	Transitional	0.36	0.51	29.80	0.22	NA	0.84	0.90	1.06	0.73	NA
39075	Holmes, OH	Transitional	0.58	0.54	45.36	0.34	NA	1.35	0.96	1.61	1.09	NA
39079	Jackson, OH	At-Risk	0.26	0.55	4.64	0.18	0.24	0.60	0.96	0.16	0.60	0.65
39081	Jefferson, OH	Transitional	0.43	0.49	40.82	0.23	0.29	1.00	0.86	1.45	0.76	0.79
39087	Lawrence, OH	At-Risk	0.40	0.49	21.62	0.28	0.19	0.92	0.87	0.77	0.90	0.52
39099	Mahoning, OH		0.54	0.58	45.89	0.29	0.36	1.26	1.02	1.63	0.94	0.98
39105	Meigs, OH	Distressed	0.25	0.57	0.00	0.16	0.24	0.59	1.00	0.00	0.54	0.65
39111	Monroe, OH	At-Risk	0.32	0.57	0.00	0.22	0.31	0.74	1.00	0.00	0.73	0.86
39115	Morgan, OH	At-Risk	0.28	0.54	20.37	0.20	0.27	0.66	0.95	0.72	0.64	0.74
39119	Muskingum, OH	Transitional	0.38	0.55	39.51	0.26	0.30	0.88	0.96	1.40	0.86	0.82
39121	Noble, OH	At-Risk	0.34	0.54	0.00	0.24	NA	0.78	0.95	0.00	0.80	NA
39127	Perry, OH	Transitional	0.33	0.55	39.13	0.26	0.26	0.78	0.97	1.39	0.85	0.70
39131	Pike, OH	Distressed	0.28	0.57	5.83	0.20	0.29	0.66	1.00	0.21	0.67	0.80
39141	Ross, OH	Transitional	0.38	0.51	38.17	0.27	0.23	0.89	0.90	1.35	0.88	0.64
39145	Scioto, OH	At-Risk	0.37	0.52	0.00	0.24	0.33	0.87	0.92	0.00	0.77	0.92
39155	Trumbull, OH		0.51	0.59	37.78	0.29	0.33	1.19	1.04	1.34	0.96	0.90
39157	Tuscarawas, OH	Transitional	0.48	0.54	51.02	0.28	0.33	1.13	0.96	1.81	0.92	0.91
39163	Vinton, OH	Distressed	0.24	0.50	0.00	0.22	0.23	0.57	0.87	0.00	0.72	0.64
39167	Washington, OH	Transitional	0.46	0.52	21.58	0.28	0.43	1.07	0.91	0.77	0.90	1.19
42003	Allegheny, PA	Competitive	0.59	0.57	60.23	0.35	0.46	1.39	1.00	2.14	1.13	1.25
42005	Armstrong, PA	Transitional	0.47	0.59	39.76	0.26	0.35	1.09	1.04	1.41	0.86	0.95
42007	Beaver, PA	Transitional	0.54	0.59	54.31	0.31	0.41	1.25	1.03	1.93	1.00	1.11
42009	Bedford, PA	Transitional	0.56	0.47	58.58	0.40	0.40	1.30	0.82	2.08	1.31	1.09
42013	Blair, PA	Transitional	0.57	0.48	51.58	0.34	0.37	1.32	0.85	1.83	1.12	1.01
42015	Bradford, PA	Transitional	0.45	0.49	20.72	0.35	NA	1.05	0.86	0.74	1.15	NA
42019	Butler, PA	Competitive	0.62	0.56	44.86	0.38	0.44	1.45	0.99	1.59	1.22	1.21
42021	Cambria, PA	Transitional	0.52	0.53	30.74	0.32	0.41	1.21	0.93	1.09	1.06	1.11

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
42023	Cameron, PA	Transitional	0.41	0.47	142.05	0.21	NA	0.95	0.82	5.04	0.70	NA
42025	Carbon, PA	Transitional	0.61	0.61	51.61	0.37	0.55	1.42	1.07	1.83	1.20	1.50
42027	Centre, PA	Transitional	0.66	0.55	49.40	0.42	0.51	1.54	0.97	1.75	1.37	1.40
42031	Clarion, PA	Transitional	0.50	0.49	0.00	0.34	NA	1.17	0.86	0.00	1.12	NA
42033	Clearfield, PA	Transitional	0.59	0.42	24.22	0.43	0.50	1.38	0.73	0.86	1.41	1.37
42035	Clinton, PA	Transitional	0.50	0.46	34.76	0.31	0.39	1.17	0.81	1.23	1.02	1.07
42037	Columbia, PA	Transitional	0.58	0.53	39.14	0.39	0.52	1.36	0.94	1.39	1.28	1.42
42039	Crawford, PA	Transitional	0.53	0.48	47.04	0.36	0.34	1.23	0.85	1.67	1.18	0.92
42047	Elk, PA	Transitional	0.52	0.48	20.21	0.33	NA	1.22	0.84	0.72	1.06	NA
42049	Erie, PA	Transitional	0.58	0.47	66.60	0.39	0.41	1.35	0.82	2.36	1.27	1.13
42051	Fayette, PA	At-Risk	0.59	0.47	49.73	0.39	0.54	1.39	0.83	1.77	1.29	1.49
42053	Forest, PA	Distressed	0.36	0.48	30.30	0.28	NA	0.84	0.85	1.08	0.91	NA
42057	Fulton, PA	Transitional	0.50	0.59	35.84	0.34	NA	1.17	1.04	1.27	1.10	NA
42059	Greene, PA	Transitional	0.39	0.54	5.32	0.23	NA	0.91	0.96	0.19	0.75	NA
42061	Huntingdon, PA	Transitional	0.48	0.50	60.58	0.32	0.36	1.11	0.88	2.15	1.05	0.97
42063	Indiana, PA	Transitional	0.59	0.45	20.25	0.39	0.43	1.37	0.79	0.72	1.28	1.19
42065	Jefferson, PA	Transitional	0.55	0.39	22.91	0.38	0.27	1.29	0.69	0.81	1.23	0.73
42067	Juniata, PA	Transitional	0.58	0.52	0.00	0.42	NA	1.35	0.91	0.00	1.38	NA
42069	Lackawanna, PA	Transitional	0.70	0.53	45.47	0.42	0.51	1.63	0.93	1.61	1.38	1.40
42073	Lawrence, PA	Transitional	0.58	0.55	31.15	0.34	0.51	1.35	0.96	1.11	1.09	1.40
42079	Luzerne, PA	Transitional	0.65	0.53	56.10	0.40	0.50	1.53	0.92	1.99	1.30	1.36
42081	Lycoming, PA	Transitional	0.54	0.48	32.68	0.31	0.40	1.26	0.84	1.16	1.00	1.08
42083	McKean, PA	Transitional	0.53	0.44	12.07	0.45	0.43	1.24	0.77	0.43	1.46	1.19
42085	Mercer, PA	Transitional	0.49	0.56	47.44	0.29	0.37	1.13	0.99	1.68	0.94	1.00
42087	Mifflin, PA	Transitional	0.52	0.52	39.68	0.37	0.40	1.23	0.91	1.41	1.19	1.11
42089	Monroe, PA	Transitional	0.80	0.61	58.20	0.44	NA	1.87	1.08	2.07	1.44	NA
42093	Montour, PA	Competitive	0.58	0.54	20.94	0.41	NA	1.35	0.95	0.74	1.34	NA
42097	Northumberland, PA	Transitional	0.52	0.54	30.18	0.31	0.48	1.22	0.95	1.07	1.00	1.31
42099	Perry, PA	Competitive	0.61	0.57	34.53	0.40	0.20	1.43	1.00	1.23	1.29	0.55
42103	Pike, PA	Competitive	0.91	0.68	56.14	0.48	0.88	2.13	1.20	1.99	1.56	2.42
42105	Potter, PA	Transitional	0.44	0.54	33.84	0.31	0.45	1.03	0.95	1.20	1.01	1.24

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
42107	Schuylkill, PA	Transitional	0.57	0.55	25.27	0.35	0.37	1.34	0.97	0.90	1.14	1.02
42109	Snyder, PA	Transitional	0.62	0.54	45.89	0.40	NA	1.44	0.95	1.63	1.31	NA
42111	Somerset, PA	Transitional	0.60	0.46	34.18	0.39	0.48	1.39	0.81	1.21	1.29	1.30
42113	Sullivan, PA	Transitional	0.45	0.50	0.00	0.32	NA	1.05	0.88	0.00	1.03	NA
42115	Susquehanna, PA	Transitional	0.54	0.59	8.61	0.36	NA	1.25	1.03	0.31	1.18	NA
42117	Tioga, PA	Transitional	0.47	0.49	17.12	0.36	NA	1.10	0.87	0.61	1.18	NA
42119	Union, PA	Transitional	0.54	0.61	39.56	0.29	NA	1.27	1.07	1.40	0.94	NA
42121	Venango, PA	Transitional	0.43	0.53	49.00	0.28	0.32	1.00	0.94	1.74	0.93	0.87
42123	Warren, PA	Transitional	0.53	0.37	36.51	0.42	NA	1.23	0.65	1.30	1.37	NA
42125	Washington, PA	Transitional	0.59	0.52	51.76	0.35	0.42	1.39	0.91	1.84	1.13	1.15
42127	Wayne, PA	Transitional	0.71	0.66	16.37	0.41	NA	1.66	1.17	0.58	1.33	NA
42129	Westmoreland, PA	Transitional	0.63	0.52	44.15	0.38	0.43	1.48	0.91	1.57	1.24	1.17
42131	Wyoming, PA	Transitional	0.67	0.56	49.19	0.45	NA	1.58	0.98	1.75	1.46	NA
45007	Anderson, SC	Transitional	0.50	0.55	9.13	0.32	0.35	1.16	0.97	0.32	1.04	0.95
45021	Cherokee, SC	At-Risk	0.43	0.53	10.96	0.29	NA	1.01	0.93	0.39	0.95	NA
45045	Greenville, SC	Competitive	0.60	0.59	28.84	0.36	0.42	1.40	1.03	1.02	1.19	1.16
45073	Oconee, SC	Transitional	0.52	0.61	11.12	0.32	NA	1.21	1.07	0.39	1.05	NA
45077	Pickens, SC	Transitional	0.50	0.59	19.74	0.35	0.55	1.17	1.03	0.70	1.12	1.51
45083	Spartanburg, SC	Transitional	0.51	0.56	17.64	0.31	0.39	1.19	0.99	0.63	1.02	1.07
47001	Anderson, TN	Transitional	0.43	0.60	16.69	0.25	0.33	1.01	1.05	0.59	0.83	0.90
47007	Bledsoe, TN	At-Risk	0.26	0.59	42.37	0.20	NA	0.61	1.04	1.50	0.67	NA
47009	Blount, TN	Competitive	0.55	0.52	24.83	0.35	0.45	1.28	0.92	0.88	1.14	1.23
47011	Bradley, TN	Transitional	0.50	0.51	17.00	0.35	0.39	1.17	0.90	0.60	1.13	1.08
47013	Campbell, TN	At-Risk	0.27	0.65	4.36	0.16	0.21	0.63	1.14	0.15	0.53	0.57
47015	Cannon, TN	Transitional	0.31	0.56	0.00	0.23	0.30	0.72	0.98	0.00	0.75	0.83
47019	Carter, TN	At-Risk	0.47	0.55	12.25	0.28	0.47	1.09	0.96	0.43	0.91	1.29
47025	Claiborne, TN	At-Risk	0.30	0.66	6.36	0.20	0.23	0.70	1.16	0.23	0.64	0.62
47027	Clay, TN	At-Risk	0.30	0.52	0.00	0.28	0.27	0.69	0.91	0.00	0.93	0.75
47029	Cocke, TN	Distressed	0.38	0.53	5.28	0.28	0.40	0.89	0.93	0.19	0.92	1.09
47031	Coffee, TN	Transitional	0.30	0.61	10.66	0.18	0.29	0.71	1.08	0.38	0.58	0.79
47035	Cumberland, TN	Transitional	0.49	0.61	15.30	0.26	NA	1.13	1.08	0.54	0.86	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
47041	DeKalb, TN	Transitional	0.29	0.53	0.00	0.27	NA	0.67	0.94	0.00	0.88	NA
47049	Fentress, TN	Distressed	0.28	0.63	7.86	0.17	0.20	0.66	1.11	0.28	0.56	0.54
47051	Franklin, TN	Transitional	0.30	0.57	3.68	0.20	NA	0.71	1.00	0.13	0.65	NA
47057	Grainger, TN	At-Risk	0.39	0.58	38.28	0.30	NA	0.92	1.03	1.36	0.98	NA
47059	Greene, TN	Transitional	0.43	0.53	5.23	0.31	0.40	1.02	0.93	0.19	1.01	1.10
47061	Grundy, TN	Distressed	0.35	0.68	0.00	0.23	0.28	0.83	1.19	0.00	0.74	0.76
47063	Hamblen, TN	Transitional	0.46	0.55	18.33	0.28	0.36	1.09	0.97	0.65	0.91	0.98
47065	Hamilton, TN	Competitive	0.50	0.55	20.35	0.28	0.43	1.17	0.96	0.72	0.90	1.17
47067	Hancock, TN	Distressed	0.24	0.68	37.04	0.13	0.19	0.57	1.20	1.31	0.42	0.51
47073	Hawkins, TN	Transitional	0.41	0.56	21.07	0.32	0.27	0.96	0.99	0.75	1.04	0.75
47087	Jackson, TN	At-Risk	0.44	0.40	0.00	0.44	0.65	1.03	0.70	0.00	1.44	1.79
47089	Jefferson, TN	Transitional	0.49	0.49	22.59	0.34	NA	1.15	0.86	0.80	1.11	NA
47091	Johnson, TN	Distressed	0.43	0.62	21.25	0.28	0.43	1.02	1.10	0.75	0.91	1.16
47093	Knox, TN	Competitive	0.55	0.55	36.95	0.31	0.44	1.29	0.96	1.31	1.00	1.20
47099	Lawrence, TN		0.28	0.62	32.11	0.21	NA	0.65	1.09	1.14	0.70	NA
47101	Lewis, TN		0.30	0.57	0.00	0.18	NA	0.70	1.01	0.00	0.57	NA
47105	Loudon, TN	Competitive	0.59	0.56	24.98	0.42	NA	1.39	0.98	0.89	1.38	NA
47107	McMinn, TN	Transitional	0.37	0.48	8.56	0.29	0.31	0.88	0.85	0.30	0.95	0.86
47111	Macon, TN	Transitional	0.41	0.35	0.00	0.44	0.38	0.95	0.61	0.00	1.44	1.05
47115	Marion, TN	Transitional	0.29	0.62	13.09	0.22	0.26	0.69	1.09	0.46	0.72	0.72
47121	Meigs, TN	At-Risk	0.36	0.48	15.06	0.27	NA	0.84	0.84	0.53	0.89	NA
47123	Monroe, TN	At-Risk	0.40	0.52	11.59	0.29	NA	0.94	0.92	0.41	0.93	NA
47129	Morgan, TN	At-Risk	0.35	0.62	22.62	0.21	0.39	0.82	1.09	0.80	0.70	1.07
47133	Overton, TN	Transitional	0.36	0.62	0.00	0.21	0.40	0.84	1.10	0.00	0.69	1.10
47137	Pickett, TN	Distressed	0.27	0.66	0.00	0.21	NA	0.63	1.16	0.00	0.69	NA
47139	Polk, TN	Transitional	0.31	0.54	0.00	0.25	0.31	0.73	0.96	0.00	0.81	0.86
47141	Putnam, TN	Transitional	0.46	0.45	7.51	0.26	0.39	1.07	0.79	0.27	0.86	1.07
47143	Rhea, TN	Transitional	0.37	0.58	11.26	0.30	NA	0.87	1.02	0.40	0.97	NA
47145	Roane, TN	Transitional	0.38	0.61	26.60	0.25	NA	0.89	1.07	0.94	0.82	NA
47151	Scott, TN	Distressed	0.24	0.69	7.38	0.14	0.24	0.56	1.22	0.26	0.47	0.66
47153	Sequatchie, TN	Transitional	0.33	0.56	24.91	0.23	0.27	0.77	0.98	0.88	0.73	0.75

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
47155	Sevier, TN	Transitional	0.50	0.52	15.23	0.30	NA	1.16	0.92	0.54	0.99	NA
47159	Smith, TN	Transitional	0.29	0.49	15.59	0.26	0.29	0.67	0.86	0.55	0.83	0.80
47163	Sullivan, TN	Transitional	0.56	0.47	27.99	0.35	0.47	1.30	0.83	0.99	1.13	1.29
47171	Unicoi, TN	Transitional	0.44	0.48	0.00	0.36	NA	1.04	0.84	0.00	1.18	NA
47173	Union, TN	At-Risk	0.33	0.54	19.82	0.23	0.32	0.76	0.95	0.70	0.74	0.86
47175	Van Buren, TN	Transitional	0.30	0.64	0.00	0.23	NA	0.69	1.13	0.00	0.75	NA
47177	Warren, TN	Transitional	0.29	0.55	13.36	0.18	NA	0.67	0.97	0.47	0.57	NA
47179	Washington, TN	Transitional	0.58	0.49	19.32	0.36	0.40	1.35	0.85	0.69	1.18	1.11
47185	White, TN	At-Risk	0.29	0.62	16.10	0.21	NA	0.68	1.09	0.57	0.68	NA
51005	Alleghany + Clifton Forge city + Covington city, VA	Transitional	0.41	0.59	0.00	0.26	NA	0.95	1.04	0.00	0.84	NA
51017	Bath, VA	Competitive	0.28	0.56	0.00	0.20	NA	0.65	0.99	0.00	0.64	NA
51021	Bland, VA	Transitional	0.53	0.30	0.00	0.54	NA	1.24	0.53	0.00	1.76	NA
51023	Botetourt, VA	Attainment	0.58	0.53	28.18	0.35	NA	1.36	0.94	1.00	1.14	NA
51027	Buchanan, VA	At-Risk	0.36	0.54	9.13	0.21	0.21	0.84	0.96	0.32	0.70	0.58
51035	Carroll + Galax city, VA	Transitional	0.44	0.53	23.61	0.28	NA	1.04	0.93	0.84	0.90	NA
51045	Craig, VA	Transitional	0.47	0.55	282.49	0.25	NA	1.10	0.97	10.03	0.83	NA
51051	Dickenson, VA	Distressed	0.49	0.41	0.00	0.44	0.41	1.14	0.72	0.00	1.44	1.12
51063	Floyd, VA	Transitional	0.58	0.54	11.40	0.36	NA	1.35	0.96	0.40	1.17	NA
51071	Giles, VA	Transitional	0.39	0.49	42.19	0.25	NA	0.92	0.86	1.50	0.83	NA
51077	Grayson, VA	Transitional	0.43	0.50	0.00	0.31	NA	1.00	0.89	0.00	1.01	NA
51089	Henry + Martinsville city, VA		0.41	0.53	7.23	0.23	0.33	0.95	0.93	0.26	0.75	0.90
51091	Highland, VA	Transitional	0.46	0.72	0.00	0.49	NA	1.07	1.26	0.00	1.59	NA
51105	Lee, VA	At-Risk	0.27	0.64	0.00	0.23	0.19	0.62	1.13	0.00	0.77	0.52
51121	Montgomery + Radford city, VA	Transitional	0.52	0.18	30.85	0.33	0.21	1.22	0.32	1.10	1.06	0.57
51141	Patrick, VA		0.48	0.55	151.06	0.32	NA	1.13	0.97	5.36	1.04	NA
51155	Pulaski, VA	Transitional	0.47	0.52	0.00	0.29	0.61	1.11	0.92	0.00	0.93	1.67
51163	Rockbridge + Buena Vista city + Lexington city, VA	Transitional	0.53	0.54	4.52	0.33	NA	1.23	0.94	0.16	1.07	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
51167	Russell, VA	At-Risk	0.46	0.39	7.20	0.44	0.34	1.07	0.68	0.26	1.44	0.93
51169	Scott, VA	Transitional	0.31	0.48	17.84	0.31	0.33	0.74	0.84	0.63	1.02	0.90
51173	Smyth, VA	Transitional	0.46	0.34	6.04	0.41	0.37	1.08	0.60	0.21	1.35	1.03
51185	Tazewell, VA	Transitional	0.48	0.43	3.56	0.30	0.38	1.13	0.75	0.13	0.97	1.03
51191	Washington + Bristol city, VA	Transitional	0.54	0.40	0.00	0.43	0.37	1.25	0.70	0.00	1.41	1.00
51195	Wise + Norton city, VA	At-Risk	0.44	0.49	3.83	0.32	0.39	1.03	0.86	0.14	1.04	1.07
51197	Wythe, VA	Transitional	0.47	0.41	5.41	0.37	NA	1.11	0.72	0.19	1.20	NA
54001	Barbour, WV	Distressed	0.32	0.64	28.41	0.26	NA	0.75	1.13	1.01	0.83	NA
54003	Berkeley, WV	Transitional	0.64	0.57	31.50	0.40	0.43	1.49	1.01	1.12	1.31	1.18
54005	Boone, WV	At-Risk	0.37	0.51	0.00	0.27	0.29	0.86	0.90	0.00	0.87	0.80
54007	Braxton, WV	Distressed	0.34	0.56	25.91	0.24	NA	0.80	0.99	0.92	0.79	NA
54009	Brooke, WV	Transitional	0.48	0.46	37.04	0.31	NA	1.13	0.81	1.31	1.00	NA
54011	Cabell, WV	Transitional	0.47	0.57	57.77	0.26	0.39	1.10	1.00	2.05	0.86	1.07
54013	Calhoun, WV	Distressed	0.25	0.69	0.00	0.19	0.15	0.57	1.21	0.00	0.63	0.40
54015	Clay, WV	Distressed	0.34	0.57	0.00	0.28	0.27	0.80	1.00	0.00	0.90	0.73
54017	Doddridge, WV	At-Risk	0.25	0.49	0.00	0.17	NA	0.59	0.86	0.00	0.55	NA
54019	Fayette, WV	Distressed	0.47	0.45	20.21	0.30	0.34	1.10	0.79	0.72	0.97	0.94
54021	Gilmer, WV	Distressed	0.34	0.47	0.00	0.32	NA	0.79	0.83	0.00	1.03	NA
54023	Grant, WV	Transitional	0.40	0.68	0.00	0.22	NA	0.94	1.19	0.00	0.72	NA
54025	Greenbrier, WV	Transitional	0.49	0.49	26.05	0.33	NA	1.14	0.87	0.92	1.07	NA
54027	Hampshire, WV	Transitional	0.41	0.64	25.97	0.32	0.25	0.96	1.13	0.92	1.03	0.68
54029	Hancock, WV	Transitional	0.46	0.57	52.42	0.28	NA	1.07	1.00	1.86	0.91	NA
54031	Hardy, WV	Transitional	0.40	0.67	41.84	0.30	NA	0.94	1.17	1.49	0.98	NA
54033	Harrison, WV	Transitional	0.53	0.52	43.03	0.32	0.58	1.25	0.91	1.53	1.05	1.59
54035	Jackson, WV	At-Risk	0.41	0.47	33.97	0.32	NA	0.96	0.82	1.21	1.05	NA
54037	Jefferson, WV	Competitive	0.72	0.64	29.40	0.41	0.69	1.68	1.13	1.04	1.35	1.89
54039	Kanawha, WV	Transitional	0.45	0.50	23.67	0.26	0.37	1.05	0.88	0.84	0.85	1.02
54041	Lewis, WV	At-Risk	0.29	0.56	12.86	0.32	NA	0.67	0.99	0.46	1.05	NA
54043	Lincoln, WV	Distressed	0.44	0.50	29.41	0.32	0.31	1.04	0.88	1.04	1.04	0.84
54045	Logan, WV	Distressed	0.31	0.54	0.00	0.20	0.26	0.72	0.95	0.00	0.64	0.71
54047	McDowell, WV	Distressed	0.26	0.54	66.01	0.14	0.22	0.62	0.95	2.34	0.47	0.61

FIPS	Appalachian County	ARC's Economic Status, FY 2007	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
54049	Marion, WV	Transitional	0.46	0.53	60.38	0.27	0.24	1.07	0.92	2.14	0.88	0.66
54051	Marshall, WV	Transitional	0.48	0.45	15.09	0.31	0.38	1.13	0.79	0.54	1.00	1.04
54053	Mason, WV	Distressed	0.32	0.59	9.81	0.21	NA	0.75	1.04	0.35	0.69	NA
54055	Mercer, WV	At-Risk	0.58	0.38	12.07	0.41	0.30	1.35	0.68	0.43	1.34	0.81
54057	Mineral, WV	Transitional	0.52	0.53	128.33	0.32	0.27	1.22	0.94	4.56	1.04	0.75
54059	Mingo, WV	Distressed	0.34	0.51	15.42	0.21	0.28	0.79	0.89	0.55	0.67	0.77
54061	Monongalia, WV	Transitional	0.65	0.45	59.11	0.46	0.54	1.53	0.80	2.10	1.50	1.47
54063	Monroe, WV	Transitional	0.49	0.58	32.15	0.41	NA	1.14	1.02	1.14	1.33	NA
54065	Morgan, WV	Transitional	0.79	0.58	24.75	0.55	1.07	1.85	1.01	0.88	1.79	2.92
54067	Nicholas, WV	At-Risk	0.60	0.36	7.24	0.45	NA	1.40	0.63	0.26	1.46	NA
54069	Ohio, WV	Transitional	0.52	0.49	53.96	0.30	0.40	1.22	0.86	1.92	0.97	1.11
54071	Pendleton, WV	Transitional	0.34	0.68	0.00	0.24	NA	0.78	1.19	0.00	0.78	NA
54073	Pleasants, WV	Transitional	0.29	0.56	25.45	0.25	NA	0.67	0.98	0.90	0.83	NA
54075	Pocahontas, WV	At-Risk	0.40	0.50	51.19	0.31	NA	0.94	0.89	1.82	1.02	NA
54077	Preston, WV	At-Risk	0.56	0.49	35.59	0.45	0.40	1.31	0.86	1.26	1.48	1.10
54079	Putnam, WV	Competitive	0.56	0.49	44.63	0.36	NA	1.31	0.86	1.58	1.17	NA
54081	Raleigh, WV	Transitional	0.51	0.48	29.71	0.28	NA	1.18	0.85	1.05	0.93	NA
54083	Randolph, WV	At-Risk	0.38	0.64	35.36	0.26	NA	0.89	1.12	1.26	0.86	NA
54085	Ritchie, WV	At-Risk	0.33	0.44	0.00	0.29	NA	0.77	0.77	0.00	0.95	NA
54087	Roane, WV	Distressed	0.41	0.63	57.97	0.25	NA	0.95	1.10	2.06	0.82	NA
54089	Summers, WV	Distressed	0.39	0.58	0.00	0.29	0.30	0.91	1.02	0.00	0.95	0.83
54091	Taylor, WV	At-Risk	0.43	0.49	55.05	0.34	NA	1.00	0.86	1.95	1.12	NA
54093	Tucker, WV	At-Risk	0.35	0.56	21.69	0.30	NA	0.83	0.98	0.77	0.98	NA
54095	Tyler, WV	At-Risk	0.37	0.59	24.94	0.28	NA	0.86	1.03	0.89	0.91	NA
54097	Upshur, WV	At-Risk	0.50	0.52	7.64	0.35	NA	1.18	0.91	0.27	1.13	NA
54099	Wayne, WV	At-Risk	0.46	0.54	52.22	0.29	0.23	1.08	0.94	1.85	0.96	0.63
54101	Webster, WV	Distressed	0.54	0.38	74.81	0.52	0.65	1.27	0.67	2.66	1.70	1.77
54103	Wetzel, WV	At-Risk	0.31	0.51	0.00	0.22	NA	0.72	0.90	0.00	0.73	NA
54105	Wirt, WV	Distressed	0.35	0.56	40.82	0.28	NA	0.81	0.99	1.45	0.92	NA
54107	Wood, WV	Transitional	0.44	0.48	30.92	0.26	0.35	1.03	0.84	1.10	0.86	0.97
54109	Wyoming, WV	Distressed	0.27	0.62	21.48	0.16	0.13	0.63	1.10	0.76	0.53	0.37

TABLE B: RATIOS AND INDICES, 2010

(Note: If index is greater than 1, corresponding ratios and indices are in blue color; and if index is equal to or less than 1, corresponding ratios and indices are in red color)

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
01007	Bibb, AL	At-Risk	0.11	0.55	0.00	0.07	0.11	0.83	0.91	0.00	0.99	0.94
01009	Blount, AL	Transitional	0.11	0.56	6.76	0.04	0.12	0.82	0.93	0.36	0.59	1.01
01015	Calhoun, AL	Transitional	0.13	0.52	13.35	0.06	0.12	0.92	0.87	0.72	0.88	1.04
01017	Chambers, AL	Transitional	0.08	0.72	0.00	0.04	0.05	0.59	1.2	0.00	0.5	0.41
01019	Cherokee, AL	Transitional	0.12	0.42	38.24	0.08	NA	0.86	0.7	2.06	1.04	NA
01021	Chilton, AL	Transitional	0.1	0.62	3.69	0.05	0.08	0.69	1.04	0.2	0.65	0.68
01027	Clay, AL	Transitional	0.07	0.69	0.00	0.03	NA	0.47	1.16	0.00	0.39	NA
01029	Cleburne, AL	Transitional	0.1	0.72	12.22	0.03	NA	0.72	1.19	0.66	0.47	NA
01033	Colbert, AL	Transitional	0.17	0.43	5.39	0.1	0.19	1.23	0.72	0.29	1.34	1.64
01037	Coosa, AL	Transitional	0.11	0.58	32.57	0.06	0.07	0.78	0.96	1.75	0.83	0.64
01043	Cullman, AL	Transitional	0.1	0.61	11.65	0.04	NA	0.75	1.01	0.63	0.52	NA
01049	DeKalb, AL	Transitional	0.09	0.58	9.03	0.03	NA	0.65	0.96	0.49	0.44	NA
01051	Elmore, AL	Competitive	0.13	0.64	9.39	0.06	NA	0.97	1.07	0.51	0.77	NA
01055	Etowah, AL	Transitional	0.13	0.54	11.87	0.05	0.09	0.92	0.9	0.64	0.7	0.8
01057	Fayette, AL	Transitional	0.09	0.39	0.00	0.06	NA	0.66	0.65	0.00	0.87	NA
01059	Franklin, AL	Transitional	0.12	0.47	10.38	0.07	NA	0.89	0.79	0.56	1.01	NA
01065	Hale, AL	Distressed	0.06	0.76	0.00	0.03	0.06	0.45	1.27	0.00	0.38	0.51
01071	Jackson, AL	Transitional	0.08	0.79	0.00	0.03	NA	0.54	1.31	0.00	0.45	NA
01073	Jefferson, AL	Competitive	0.19	0.52	13.37	0.08	0.15	1.37	0.87	0.72	1.14	1.28
01075	Lamar, AL	Transitional	0.11	0.48	9.51	0.07	NA	0.78	0.8	0.51	0.92	NA
01077	Lauderdale, AL	Transitional	0.19	0.47	10.85	0.1	0.17	1.38	0.78	0.58	1.37	1.48
01079	Lawrence, AL	Transitional	0.1	0.39	0.00	0.07	0.11	0.74	0.66	0.00	0.94	0.95
01083	Limestone, AL	Transitional	0.18	0.5	4.85	0.09	0.18	1.32	0.83	0.26	1.25	1.56
01087	Macon, AL	Distressed	0.1	0.58	0.00	0.07	0.08	0.73	0.97	0.00	1.01	0.66
01089	Madison, AL	Attainment	0.17	0.53	20.16	0.08	0.14	1.24	0.88	1.09	1.11	1.24
01093	Marion, AL	Transitional	0.1	0.79	5.59	0.03	NA	0.71	1.31	0.3	0.47	NA
01095	Marshall, AL	Transitional	0.13	0.48	4.63	0.07	NA	0.91	0.8	0.25	0.9	NA
01103	Morgan, AL	Competitive	0.14	0.57	11.53	0.07	0.16	1.02	0.95	0.62	0.95	1.35
01107	Pickens, AL	At-Risk	0.22	0.17	7.66	0.21	0.25	1.56	0.28	0.41	2.93	2.15

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
01111	Randolph, AL	Transitional	0.06	0.72	6.62	0.02	NA	0.41	1.2	0.36	0.31	NA
01115	St. Clair, AL	Transitional	0.15	0.64	11.28	0.07	NA	1.06	1.06	0.61	0.98	NA
01117	Shelby, AL	Attainment	0.24	0.53	18.2	0.11	0.08	1.7	0.88	0.98	1.49	0.71
01121	Talladega, AL	Transitional	0.08	0.71	6.25	0.03	0.08	0.61	1.18	0.34	0.46	0.71
01123	Tallapoosa, AL	Transitional	0.13	0.65	11.16	0.05	0.14	0.94	1.09	0.6	0.75	1.18
01125	Tuscaloosa, AL	Transitional	0.2	0.44	5.27	0.11	0.19	1.43	0.74	0.28	1.56	1.69
01127	Walker, AL	Transitional	0.2	0.29	7.29	0.11	0.18	1.46	0.48	0.39	1.55	1.54
01133	Winston, AL	Transitional	0.07	0.62	5.48	0.03	NA	0.52	1.04	0.3	0.42	NA
13011	Banks, GA	Transitional	0.12	0.63	8.04	0.08	NA	0.9	1.05	0.43	1.13	NA
13013	Barrow, GA	Transitional	0.14	0.7	7	0.06	0.11	0.98	1.17	0.38	0.86	0.93
13015	Bartow, GA	Transitional	0.14	0.62	11.85	0.07	0.12	1.02	1.04	0.64	0.98	1.05
13045	Carroll, GA	Transitional	0.12	0.71	13.11	0.06	0.11	0.87	1.18	0.71	0.82	0.94
13047	Catoosa, GA	Transitional	0.13	0.69	11.57	0.05	NA	0.96	1.14	0.62	0.69	NA
13055	Chattooga, GA	At-Risk	0.15	0.49	0.00	0.11	NA	1.09	0.82	0.00	1.55	NA
13057	Cherokee, GA	Attainment	0.17	0.72	19.47	0.07	0.17	1.21	1.2	1.05	0.91	1.51
13083	Dade, GA	Transitional	0.1	0.75	10.41	0.04	0.07	0.72	1.25	0.56	0.5	0.59
13085	Dawson, GA	Competitive	0.17	0.69	0.00	0.08	NA	1.21	1.15	0.00	1.16	NA
13097	Douglas, GA	Transitional	0.11	0.74	11.17	0.05	0.09	0.81	1.24	0.6	0.67	0.82
13105	Elbert, GA	At-Risk	0.09	0.71	12.42	0.03	NA	0.64	1.18	0.67	0.44	NA
13111	Fannin, GA	Transitional	0.15	0.46	11.22	0.13	0.12	1.05	0.77	0.6	1.74	1.05
13115	Floyd, GA	Transitional	0.14	0.55	4.68	0.08	0.15	1.03	0.92	0.25	1.1	1.28
13117	Forsyth, GA	Attainment	0.22	0.73	24.28	0.07	NA	1.57	1.22	1.31	1.01	NA
13119	Franklin, GA	Transitional	0.11	0.57	27.67	0.07	NA	0.79	0.96	1.49	0.91	NA
13123	Gilmer, GA	Transitional	0.13	0.59	22.43	0.08	NA	0.92	0.98	1.21	1.18	NA
13129	Gordon, GA	Transitional	0.2	0.38	45.77	0.15	NA	1.44	0.63	2.46	2.04	NA
13135	Gwinnett, GA	Attainment	0.13	0.72	20.24	0.05	0.14	0.95	1.2	1.09	0.67	1.21
13137	Habersham, GA	Transitional	0.13	0.56	3.17	0.08	NA	0.97	0.94	0.17	1.13	NA
13139	Hall, GA	Transitional	0.16	0.62	11.53	0.07	0.13	1.14	1.03	0.62	1.04	1.14
13143	Haralson, GA	Transitional	0.09	0.74	19.69	0.05	0.09	0.69	1.23	1.06	0.66	0.75
13147	Hart, GA	At-Risk	0.15	0.6	17.89	0.09	NA	1.08	1	0.96	1.23	NA
13149	Heard, GA	Transitional	0.08	0.7	0.00	0.05	0.07	0.59	1.16	0.00	0.66	0.64
13157	Jackson, GA	Transitional	0.15	0.71	7.14	0.07	NA	1.09	1.19	0.38	0.92	NA
13187	Lumpkin, GA	Transitional	0.19	0.62	14.25	0.11	NA	1.38	1.03	0.77	1.49	NA
13195	Madison, GA	Transitional	0.16	0.56	6.09	0.1	NA	1.14	0.93	0.33	1.4	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
13213	Murray, GA	Transitional	0.12	0.63	11.2	0.05	NA	0.83	1.05	0.6	0.74	NA
13223	Paulding, GA	Competitive	0.13	0.75	7.43	0.06	0.12	0.94	1.25	0.4	0.78	1.07
13227	Pickens, GA	Competitive	0.14	0.75	11.16	0.06	0.13	0.99	1.26	0.6	0.86	1.1
13233	Polk, GA	Transitional	0.08	0.67	0.00	0.04	NA	0.58	1.12	0.00	0.57	NA
13241	Rabun, GA	Transitional	0.18	0.41	12.67	0.15	NA	1.28	0.68	0.68	2.05	NA
13257	Stephens, GA	Transitional	0.12	0.62	28.31	0.06	NA	0.87	1.03	1.52	0.78	NA
13281	Towns, GA	Transitional	0.18	0.39	7.98	0.16	NA	1.3	0.66	0.43	2.25	NA
13291	Union, GA	Transitional	0.18	0.52	13.2	0.13	NA	1.27	0.86	0.71	1.8	NA
13295	Walker, GA	Transitional	0.11	0.68	14.78	0.04	0.09	0.76	1.14	0.8	0.6	0.76
13311	White, GA	Transitional	0.17	0.61	4.16	0.1	NA	1.23	1.02	0.22	1.37	NA
13313	Whitfield, GA	Transitional	0.18	0.57	24.39	0.09	0.17	1.27	0.95	1.31	1.24	1.48
21001	Adair, KY	Distressed	0.09	0.74	6.81	0.04	0.05	0.64	1.24	0.37	0.5	0.47
21011	Bath, KY	Distressed	0.09	0.77	0.00	0.03	NA	0.65	1.29	0.00	0.44	NA
21013	Bell, KY	Distressed	0.07	0.82	22.39	0.03	0.06	0.47	1.36	1.21	0.38	0.55
21019	Boyd, KY	Transitional	0.12	0.56	11.1	0.06	0.09	0.86	0.93	0.6	0.84	0.78
21025	Breathitt, KY	Distressed	0.05	0.89	0.00	0.02	0.02	0.39	1.49	0.00	0.28	0.21
21043	Carter, KY	Distressed	0.07	0.77	5.82	0.03	NA	0.52	1.29	0.31	0.39	NA
21045	Casey, KY	Distressed	0.08	0.9	0.00	0.03	0.07	0.55	1.5	0.00	0.42	0.58
21049	Clark, KY	Transitional	0.14	0.48	7.93	0.09	0.12	1.04	0.8	0.43	1.21	1.07
21051	Clay, KY	Distressed	0.09	0.49	0.00	0.06	0.07	0.62	0.81	0.00	0.8	0.6
21053	Clinton, KY	Distressed	0.06	0.76	28.99	0.02	0.04	0.43	1.26	1.56	0.24	0.36
21057	Cumberland, KY	Distressed	0.04	0.76	0.00	0.02	NA	0.27	1.27	0.00	0.22	NA
21061	Edmonson, KY	At-Risk	0.13	0.41	14.22	0.11	0.15	0.95	0.69	0.77	1.47	1.32
21063	Elliott, KY	Distressed	0.04	0.88	0.00	0.03	0.00	0.31	1.46	0.00	0.35	0.00
21065	Estill, KY	Distressed	0.08	0.69	0.00	0.03	0.07	0.56	1.15	0.00	0.47	0.61
21069	Fleming, KY	At-Risk	0.14	0.6	0.00	0.07	NA	0.99	0.99	0.00	1.04	NA
21071	Floyd, KY	Distressed	0.12	0.63	3.9	0.06	0.06	0.85	1.05	0.21	0.87	0.53
21079	Garrard, KY	Transitional	0.16	0.44	9.48	0.1	NA	1.18	0.74	0.51	1.4	NA
21087	Green, KY	At-Risk	0.13	0.25	11.11	0.12	NA	0.95	0.42	0.6	1.65	NA
21089	Greenup, KY	Transitional	0.1	0.66	0.00	0.05	NA	0.75	1.1	0.00	0.68	NA
21095	Harlan, KY	Distressed	0.08	0.71	0.00	0.05	0.06	0.55	1.19	0.00	0.64	0.48
21099	Hart, KY	Distressed	0.19	0.21	38.02	0.19	NA	1.39	0.35	2.05	2.66	NA
21109	Jackson, KY	Distressed	0.05	0.56	14.75	0.02	0.04	0.38	0.93	0.79	0.31	0.33
21115	Johnson, KY	Distressed	0.12	0.66	0.00	0.08	NA	0.9	1.1	0.00	1.09	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
21119	Knott, KY	Distressed	0.07	0.71	0.00	0.05	0.06	0.49	1.19	0.00	0.7	0.54
21121	Knox, KY	Distressed	0.1	0.68	12.51	0.04	0.09	0.72	1.13	0.67	0.61	0.76
21125	Laurel, KY	At-Risk	0.12	0.66	5.18	0.05	0.08	0.84	1.09	0.28	0.63	0.71
21127	Lawrence, KY	Distressed	0.07	0.77	10.93	0.02	0.01	0.51	1.28	0.59	0.33	0.12
21129	Lee, KY	Distressed	0.1	0.63	0.00	0.09	0.09	0.75	1.05	0.00	1.31	0.78
21131	Leslie, KY	Distressed	0.03	0.8	0.00	0.02	0.02	0.21	1.33	0.00	0.23	0.22
21133	Letcher, KY	Distressed	0.12	0.4	38.82	0.1	0.13	0.89	0.66	2.09	1.38	1.11
21135	Lewis, KY	Distressed	0.08	0.77	0.00	0.04	0.03	0.59	1.29	0.00	0.62	0.25
21137	Lincoln, KY	Distressed	0.06	0.72	13.71	0.03	NA	0.41	1.2	0.74	0.38	NA
21147	McCreary, KY	Distressed	0.03	0.83	84.13	0.02	0.02	0.25	1.38	4.53	0.24	0.19
21151	Madison, KY	Transitional	0.12	0.69	1.99	0.06	0.07	0.86	1.15	0.11	0.81	0.64
21153	Magoffin, KY	Distressed	0.08	0.75	12.71	0.03	0.06	0.56	1.26	0.68	0.43	0.54
21159	Martin, KY	Distressed	0.04	0.67	0.00	0.02	0.03	0.32	1.11	0.00	0.27	0.22
21165	Menifee, KY	Distressed	0.05	0.76	0.00	0.03	0.07	0.37	1.26	0.00	0.39	0.57
21169	Metcalfe, KY	Distressed	0.05	0.65	25.16	0.03	NA	0.39	1.09	1.35	0.4	NA
21171	Monroe, KY	Distressed	0.13	0.68	68.97	0.07	0.09	0.93	1.13	3.71	0.99	0.79
21173	Montgomery, KY	Transitional	0.24	0.39	51.4	0.19	NA	1.73	0.66	2.77	2.63	NA
21175	Morgan, KY	Distressed	0.04	0.86	14.61	0.01	0.03	0.27	1.44	0.79	0.2	0.26
21181	Nicholas, KY	At-Risk	0.06	0.56	0.00	0.03	0.09	0.44	0.93	0.00	0.47	0.74
21189	Owsley, KY	Distressed	0.02	0.75	0.00	0.03	0.03	0.15	1.25	0.00	0.48	0.3
21193	Perry, KY	Distressed	0.09	0.56	4.94	0.05	0.08	0.66	0.93	0.27	0.65	0.7
21195	Pike, KY	At-Risk	0.18	0.55	51.75	0.12	0.14	1.28	0.91	2.79	1.71	1.23
21197	Powell, KY	Distressed	0.3	0.18	12.8	0.26	NA	2.14	0.3	0.69	3.67	NA
21199	Pulaski, KY	At-Risk	0.09	0.71	8.08	0.04	0.05	0.66	1.19	0.44	0.52	0.39
21201	Robertson, KY	Distressed	0.09	0.8	0.00	0.06	NA	0.63	1.33	0.00	0.84	NA
21203	Rockcastle, KY	Distressed	0.06	0.68	0.00	0.03	NA	0.44	1.14	0.00	0.44	NA
21205	Rowan, KY	At-Risk	0.13	0.57	26.79	0.1	0.11	0.97	0.95	1.44	1.37	0.99
21207	Russell, KY	Distressed	0.07	0.84	7.41	0.03	NA	0.53	1.4	0.4	0.37	NA
21231	Wayne, KY	Distressed	0.07	0.95	8.72	0.02	0.06	0.49	1.58	0.47	0.3	0.48
21235	Whitley, KY	Distressed	0.11	0.59	4.89	0.06	0.1	0.76	0.98	0.26	0.81	0.88
21237	Wolfe, KY	Distressed	0.06	0.43	30.63	0.06	0.06	0.46	0.71	1.65	0.77	0.48
24001	Allegany, MD	Transitional	0.15	0.54	34.04	0.07	0.12	1.05	0.89	1.83	1.01	1.05
24023	Garrett, MD	Transitional	0.24	0.52	16.65	0.1	0.22	1.7	0.86	0.9	1.42	1.95
24043	Washington, MD	Competitive	0.19	0.56	19.38	0.1	0.17	1.38	0.94	1.04	1.34	1.49

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
28003	Alcorn, MS	At-Risk	0.1	0.41	0.00	0.05	NA	0.73	0.68	0.00	0.76	NA
28009	Benton, MS	Distressed	0.05	0.68	0.00	0.03	NA	0.35	1.13	0.00	0.38	NA
28013	Calhoun, MS	At-Risk	0.13	0.26	0.00	0.12	NA	0.92	0.44	0.00	1.65	NA
28017	Chickasaw, MS	Distressed	0.16	0.26	9.66	0.1	NA	1.13	0.44	0.52	1.37	NA
28019	Choctaw, MS	Distressed	0.06	0.48	0.00	0.04	NA	0.45	0.8	0.00	0.56	NA
28025	Clay, MS	Distressed	0.14	0.31	0.00	0.11	0.11	0.98	0.52	0.00	1.49	0.91
28057	Itawamba, MS	Transitional	0.09	0.29	9.35	0.06	NA	0.64	0.48	0.5	0.78	NA
28069	Kemper, MS	Distressed	0.03	0.58	26.63	0.01	NA	0.23	0.97	1.43	0.15	NA
28081	Lee, MS	Transitional	0.15	0.41	18.2	0.1	NA	1.05	0.68	0.98	1.41	NA
28087	Lowndes, MS	At-Risk	0.19	0.3	7.68	0.13	0.13	1.36	0.5	0.41	1.84	1.1
28093	Marshall, MS	Distressed	0.07	0.78	14.8	0.03	0.06	0.54	1.29	0.8	0.36	0.53
28095	Monroe, MS	At-Risk	0.1	0.44	15.75	0.07	0.11	0.74	0.73	0.85	0.98	0.99
28097	Montgomery, MS	Distressed	0.07	0.6	0.00	0.03	NA	0.47	1	0.00	0.48	NA
28103	Noxubee, MS	Distressed	0.11	0.24	21.44	0.09	0.08	0.77	0.4	1.15	1.24	0.67
28105	Oktibbeha, MS	At-Risk	0.15	0.33	14.62	0.11	NA	1.1	0.56	0.79	1.59	NA
28107	Panola, MS	Distressed	0.05	0.72	2.83	0.02	0.01	0.38	1.2	0.15	0.3	0.06
28115	Pontotoc, MS	Transitional	0.06	0.67	3.94	0.03	NA	0.47	1.12	0.21	0.44	NA
28117	Prentiss, MS	At-Risk	0.07	0.39	8.26	0.04	NA	0.52	0.66	0.44	0.59	NA
28139	Tippah, MS	At-Risk	0.05	0.61	0.00	0.02	NA	0.33	1.02	0.00	0.25	NA
28141	Tishomingo, MS	At-Risk	0.07	0.62	11	0.03	NA	0.49	1.04	0.59	0.37	NA
28145	Union, MS	Transitional	0.06	0.69	3.37	0.02	NA	0.41	1.16	0.18	0.29	NA
28155	Webster, MS	Distressed	0.15	0.32	0.00	0.14	NA	1.11	0.53	0.00	1.91	NA
28159	Winston, MS	Distressed	0.07	0.36	34.26	0.05	NA	0.53	0.61	1.85	0.73	NA
28161	Yalobusha, MS	Distressed	0.04	0.58	0.00	0.03	NA	0.31	0.96	0.00	0.37	NA
36003	Allegany, NY	At-Risk	0.18	0.62	32.15	0.09	0.13	1.32	1.03	1.73	1.22	1.08
36007	Broome, NY	Transitional	0.19	0.66	35.06	0.1	0.18	1.35	1.11	1.89	1.34	1.56
36009	Cattaraugus, NY	Transitional	0.2	0.66	0.00	0.08	0.17	1.46	1.1	0.00	1.16	1.43
36013	Chautauqua, NY	Transitional	0.2	0.68	25.83	0.08	0.18	1.42	1.14	1.39	1.14	1.54
36015	Chemung, NY	Transitional	0.14	0.71	71.43	0.06	0.13	1.02	1.19	3.85	0.81	1.1
36017	Chenango, NY	Transitional	0.14	0.53	12.81	0.08	0.13	1	0.89	0.69	1.08	1.1
36023	Cortland, NY	Transitional	0.2	0.6	35.95	0.08	NA	1.41	1	1.94	1.07	NA
36025	Delaware, NY	Transitional	0.11	0.7	5.54	0.05	NA	0.82	1.17	0.3	0.63	NA
36077	Otsego, NY	Transitional	0.15	0.6	8.15	0.07	0.33	1.05	1	0.44	0.97	2.89
36095	Schoharie, NY	Transitional	0.14	0.76	25.83	0.06	0.13	1.01	1.27	1.39	0.83	1.16

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
36097	Schuyler, NY	Transitional	0.14	0.67	86.28	0.07	NA	1.02	1.12	4.65	0.93	NA
36101	Steuben, NY	Transitional	0.17	0.58	88.32	0.09	0.23	1.2	0.97	4.76	1.29	1.96
36107	Tioga, NY	Transitional	0.12	0.74	23.15	0.05	NA	0.85	1.23	1.25	0.74	NA
36109	Tompkins, NY	Transitional	0.2	0.65	16.32	0.1	0.23	1.48	1.09	0.88	1.34	1.96
37003	Alexander, NC	Transitional	0.18	0.52	0.00	0.12	NA	1.32	0.87	0.00	1.65	NA
37005	Alleghany, NC	Transitional	0.13	0.59	0.00	0.08	NA	0.91	0.99	0.00	1.12	NA
37009	Ashe, NC	Transitional	0.17	0.32	15.76	0.13	0.14	1.2	0.53	0.85	1.86	1.24
37011	Avery, NC	Transitional	0.25	0.41	21.16	0.19	NA	1.8	0.68	1.14	2.59	NA
37021	Buncombe, NC	Transitional	0.18	0.56	21.05	0.1	0.19	1.32	0.93	1.13	1.39	1.62
37023	Burke, NC	Transitional	0.15	0.48	11.51	0.09	0.12	1.11	0.79	0.62	1.28	1.02
37027	Caldwell, NC	Transitional	0.14	0.53	7.21	0.08	0.11	1.04	0.88	0.39	1.08	0.95
37039	Cherokee, NC	At-Risk	0.16	0.53	4.57	0.12	0.16	1.17	0.89	0.25	1.63	1.42
37043	Clay, NC	Transitional	0.16	0.65	21.74	0.1	NA	1.13	1.08	1.17	1.4	NA
37059	Davie, NC	Competitive	0.2	0.56	20.55	0.1	0.19	1.42	0.93	1.11	1.45	1.61
37067	Forsyth, NC	Competitive	0.19	0.54	20.63	0.1	0.15	1.35	0.9	1.11	1.4	1.3
37075	Graham, NC	At-Risk	0.33	0.34	0.00	0.3	0.36	2.35	0.56	0.00	4.16	3.1
37087	Haywood, NC	Transitional	0.14	0.58	0.00	0.08	0.12	1.03	0.96	0.00	1.07	1.05
37089	Henderson, NC	Competitive	0.19	0.55	13.91	0.1	0.19	1.37	0.93	0.75	1.4	1.61
37099	Jackson, NC	Transitional	0.17	0.48	11.1	0.11	NA	1.19	0.8	0.6	1.5	NA
37111	McDowell, NC	Transitional	0.16	0.64	5	0.06	0.12	1.13	1.06	0.27	0.89	1.02
37113	Macon, NC	Transitional	0.16	0.45	3.16	0.1	NA	1.18	0.75	0.17	1.36	NA
37115	Madison, NC	Transitional	0.16	0.41	8.5	0.11	0.15	1.15	0.68	0.46	1.54	1.32
37121	Mitchell, NC	At-Risk	0.16	0.5	0.00	0.11	0.18	1.15	0.83	0.00	1.49	1.55
37149	Polk, NC	Competitive	0.16	0.71	13.61	0.07	NA	1.18	1.18	0.73	0.91	NA
37161	Rutherford, NC	At-Risk	0.18	0.48	0.00	0.11	0.15	1.29	0.81	0.00	1.59	1.33
37169	Stokes, NC	Transitional	0.18	0.54	4.79	0.11	0.17	1.29	0.91	0.26	1.59	1.49
37171	Surry, NC	Transitional	0.16	0.59	80.15	0.08	0.09	1.12	0.99	4.32	1.14	0.8
37173	Swain, NC	At-Risk	0.11	0.48	18.96	0.09	0.07	0.82	0.81	1.02	1.28	0.57
37175	Transylvania, NC	Transitional	0.17	0.54	12.91	0.09	NA	1.21	0.89	0.7	1.19	NA
37189	Watauga, NC	Transitional	0.2	0.42	25.59	0.14	NA	1.45	0.71	1.38	1.87	NA
37193	Wilkes, NC	Transitional	0.17	0.42	10.49	0.1	NA	1.2	0.7	0.56	1.43	NA
37197	Yadkin, NC	Transitional	0.16	0.46	14.68	0.1	NA	1.14	0.77	0.79	1.38	NA
37199	Yancey, NC	At-Risk	0.26	0.34	0.00	0.22	NA	1.9	0.56	0.00	3.01	NA
39001	Adams, OH	At-Risk	0.07	0.73	6.16	0.04	0.04	0.5	1.22	0.33	0.5	0.38

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
39007	Ashtabula, OH	Transitional	0.12	0.68	17.36	0.05	0.1	0.9	1.14	0.93	0.75	0.84
39009	Athens, OH	Distressed	0.09	0.77	9.35	0.04	0.05	0.65	1.28	0.5	0.52	0.47
39013	Belmont, OH	Transitional	0.14	0.45	29.71	0.08	0.13	1.02	0.74	1.6	1.04	1.14
39015	Brown, OH	Transitional	0.12	0.64	8.45	0.07	0.1	0.85	1.07	0.45	0.95	0.85
39019	Carroll, OH	Transitional	0.17	0.52	25.48	0.09	0.12	1.25	0.87	1.37	1.26	1.02
39025	Clermont, OH	Competitive	0.21	0.63	35.35	0.1	0.18	1.54	1.05	1.9	1.38	1.53
39029	Columbiana, OH	Transitional	0.16	0.53	18.02	0.09	0.12	1.17	0.88	0.97	1.26	1.07
39031	Coshocton, OH	Transitional	0.1	0.63	0.00	0.04	0.1	0.69	1.05	0.00	0.53	0.86
39053	Gallia, OH	At-Risk	0.07	0.77	17.09	0.03	0.06	0.49	1.29	0.92	0.48	0.49
39059	Guernsey, OH	At-Risk	0.15	0.62	3.94	0.09	0.15	1.08	1.03	0.21	1.29	1.34
39067	Harrison, OH	Transitional	0.12	0.56	0.00	0.09	0.1	0.87	0.93	0.00	1.21	0.9
39071	Highland, OH	Transitional	0.09	0.64	23.41	0.05	0.05	0.65	1.07	1.26	0.65	0.43
39073	Hocking, OH	Transitional	0.1	0.61	29.89	0.05	NA	0.69	1.01	1.61	0.71	NA
39075	Holmes, OH	Transitional	0.2	0.54	31.09	0.09	NA	1.47	0.91	1.67	1.31	NA
39079	Jackson, OH	At-Risk	0.06	0.59	0.00	0.02	0.04	0.44	0.98	0.00	0.33	0.32
39081	Jefferson, OH	At-Risk	0.17	0.49	14.56	0.09	0.17	1.23	0.81	0.78	1.21	1.49
39087	Lawrence, OH	At-Risk	0.13	0.52	0.00	0.08	0.06	0.91	0.86	0.00	1.1	0.55
39099	Mahoning, OH	Transitional	0.18	0.55	20.47	0.09	0.15	1.32	0.92	1.1	1.21	1.27
39105	Meigs, OH	Distressed	0.07	0.75	0.00	0.04	0.06	0.51	1.25	0.00	0.49	0.51
39111	Monroe, OH	Distressed	0.09	0.59	12.8	0.05	0.06	0.65	0.98	0.69	0.69	0.54
39115	Morgan, OH	Distressed	0.07	0.78	0.00	0.03	0.07	0.48	1.31	0.00	0.4	0.59
39119	Muskingum, OH	Transitional	0.16	0.53	27.27	0.08	0.16	1.15	0.89	1.47	1.15	1.35
39121	Noble, OH	At-Risk	0.13	0.71	14.01	0.06	NA	0.94	1.18	0.75	0.88	NA
39127	Perry, OH	At-Risk	0.09	0.58	0.00	0.05	0.06	0.67	0.97	0.00	0.65	0.55
39131	Pike, OH	Distressed	0.06	0.7	11.99	0.04	0.05	0.46	1.16	0.65	0.49	0.39
39141	Ross, OH	Transitional	0.11	0.51	30.05	0.06	0.09	0.76	0.85	1.62	0.78	0.8
39145	Scioto, OH	At-Risk	0.13	0.62	22.61	0.06	0.13	0.97	1.04	1.22	0.83	1.11
39155	Trumbull, OH	Transitional	0.18	0.6	30.91	0.09	0.17	1.32	1	1.66	1.19	1.48
39157	Tuscarawas, OH	Transitional	0.16	0.59	26.68	0.07	0.11	1.14	0.98	1.44	0.99	0.96
39163	Vinton, OH	Distressed	0.06	0.63	0.00	0.03	0.06	0.43	1.06	0.00	0.41	0.5
39167	Washington, OH	Transitional	0.13	0.62	12.62	0.07	0.13	0.95	1.04	0.68	0.94	1.17
42003	Allegheny, PA	Competitive	0.22	0.45	17.71	0.12	0.19	1.58	0.74	0.95	1.71	1.61
42005	Armstrong, PA	Transitional	0.16	0.47	12.16	0.09	0.12	1.19	0.79	0.65	1.19	1.06
42007	Beaver, PA	Transitional	0.19	0.5	24.1	0.1	0.17	1.4	0.83	1.3	1.37	1.45

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
42009	Bedford, PA	Transitional	0.16	0.51	6.45	0.1	0.09	1.19	0.86	0.35	1.32	0.8
42013	Blair, PA	Transitional	0.2	0.49	12.42	0.1	0.15	1.47	0.81	0.67	1.44	1.28
42015	Bradford, PA	Transitional	0.21	0.49	32.04	0.14	NA	1.51	0.82	1.73	1.94	NA
42019	Butler, PA	Competitive	0.22	0.51	14.14	0.12	0.18	1.57	0.85	0.76	1.61	1.6
42021	Cambria, PA	Transitional	0.17	0.38	9.07	0.1	0.17	1.22	0.63	0.49	1.44	1.43
42023	Cameron, PA	Transitional	0.19	0.38	28.65	0.14	NA	1.35	0.64	1.54	1.97	NA
42025	Carbon, PA	Transitional	0.15	0.62	20.36	0.07	0.14	1.06	1.03	1.1	1	1.2
42027	Centre, PA	Transitional	0.2	0.52	17.23	0.12	0.16	1.41	0.87	0.93	1.62	1.37
42031	Clarion, PA	Transitional	0.19	0.34	4.12	0.13	NA	1.37	0.56	0.22	1.77	NA
42033	Clearfield, PA	Transitional	0.28	0.31	7.11	0.22	0.24	2.03	0.51	0.38	2.99	2.07
42035	Clinton, PA	Transitional	0.15	0.63	5.26	0.08	0.14	1.08	1.04	0.28	1.04	1.21
42037	Columbia, PA	Transitional	0.19	0.6	8.36	0.11	0.19	1.34	1	0.45	1.56	1.66
42039	Crawford, PA	Transitional	0.24	0.42	14.96	0.15	0.22	1.72	0.7	0.81	2.05	1.93
42047	Elk, PA	Competitive	0.24	0.33	0.00	0.15	NA	1.74	0.55	0.00	2.14	NA
42049	Erie, PA	Transitional	0.23	0.37	10.22	0.15	0.19	1.68	0.62	0.55	2.07	1.67
42051	Fayette, PA	At-Risk	0.22	0.33	8.87	0.16	0.2	1.61	0.55	0.48	2.18	1.71
42053	Forest, PA	Distressed	0.15	0.4	0.00	0.1	NA	1.05	0.67	0.00	1.33	NA
42057	Fulton, PA	Transitional	0.15	0.44	10.74	0.11	NA	1.09	0.73	0.58	1.54	NA
42059	Greene, PA	Transitional	0.15	0.55	15.02	0.07	NA	1.1	0.91	0.81	1.04	NA
42061	Huntingdon, PA	Transitional	0.15	0.52	0.00	0.1	0.05	1.1	0.86	0.00	1.35	0.4
42063	Indiana, PA	Transitional	0.24	0.34	0.00	0.14	0.22	1.75	0.56	0.00	1.98	1.91
42065	Jefferson, PA	Transitional	0.3	0.24	3.81	0.19	0.25	2.17	0.41	0.21	2.69	2.13
42067	Juniata, PA	Transitional	0.22	0.47	20	0.16	NA	1.6	0.78	1.08	2.2	NA
42069	Lackawanna, PA	Transitional	0.21	0.5	22.41	0.12	0.18	1.52	0.84	1.21	1.71	1.59
42073	Lawrence, PA	Transitional	0.19	0.41	11.87	0.09	0.19	1.41	0.69	0.64	1.29	1.65
42079	Luzerne, PA	Transitional	0.21	0.49	21.38	0.12	0.14	1.51	0.81	1.15	1.73	1.23
42081	Lycoming, PA	Transitional	0.16	0.66	16.16	0.06	0.18	1.15	1.09	0.87	0.89	1.55
42083	McKean, PA	Transitional	0.28	0.4	8.19	0.19	0.21	2	0.66	0.44	2.65	1.86
42085	Mercer, PA	Transitional	0.17	0.44	24.81	0.09	0.15	1.23	0.73	1.34	1.27	1.31
42087	Mifflin, PA	Transitional	0.14	0.64	0.00	0.06	0.08	0.98	1.06	0.00	0.88	0.73
42089	Monroe, PA	Transitional	0.2	0.55	12.59	0.09	NA	1.45	0.92	0.68	1.27	NA
42093	Montour, PA	Competitive	0.17	0.56	20.04	0.1	NA	1.23	0.93	1.08	1.41	NA
42097	Northumberland, PA	Transitional	0.16	0.57	18.46	0.08	0.15	1.18	0.96	0.99	1.04	1.34
42099	Perry, PA	Competitive	0.15	0.57	4.64	0.08	0.09	1.06	0.95	0.25	1.09	0.81

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
42103	Pike, PA	Transitional	0.18	0.77	9.39	0.07	0.14	1.33	1.28	0.51	0.91	1.24
42105	Potter, PA	Transitional	0.2	0.4	33.73	0.14	0.19	1.45	0.67	1.82	1.88	1.69
42107	Schuylkill, PA	Transitional	0.18	0.6	17.06	0.08	0.13	1.28	1	0.92	1.17	1.14
42109	Snyder, PA	Transitional	0.2	0.57	20.24	0.12	NA	1.43	0.94	1.09	1.63	NA
42111	Somerset, PA	Transitional	0.23	0.35	10.94	0.15	0.18	1.64	0.59	0.59	2.08	1.56
42113	Sullivan, PA	Transitional	0.11	0.65	27.78	0.06	NA	0.8	1.08	1.5	0.83	NA
42115	Susquehanna, PA	Transitional	0.19	0.6	18.63	0.1	NA	1.36	1.01	1	1.42	NA
42117	Tioga, PA	Transitional	0.2	0.53	24.89	0.12	NA	1.48	0.88	1.34	1.72	NA
42119	Union, PA	Transitional	0.17	0.61	16.94	0.07	NA	1.2	1.01	0.91	0.99	NA
42121	Venango, PA	Transitional	0.15	0.4	3.31	0.08	0.17	1.1	0.67	0.18	1.13	1.51
42123	Warren, PA	Transitional	0.29	0.39	9.2	0.17	NA	2.07	0.66	0.5	2.35	NA
42125	Washington, PA	Competitive	0.19	0.47	17.86	0.1	0.16	1.36	0.78	0.96	1.39	1.36
42127	Wayne, PA	Transitional	0.14	0.79	14.49	0.06	NA	1	1.32	0.78	0.84	NA
42129	Westmoreland, PA	Competitive	0.22	0.4	13.17	0.13	0.17	1.62	0.67	0.71	1.84	1.49
42131	Wyoming, PA	Transitional	0.2	0.54	40.43	0.11	NA	1.47	0.9	2.18	1.53	NA
45007	Anderson, SC	Transitional	0.14	0.64	9.76	0.06	0.1	1	1.07	0.53	0.88	0.89
45021	Cherokee, SC	At-Risk	0.13	0.69	3.86	0.05	NA	0.92	1.16	0.21	0.69	NA
45045	Greenville, SC	Transitional	0.2	0.62	14.09	0.1	0.14	1.44	1.03	0.76	1.35	1.25
45073	Oconee, SC	Transitional	0.14	0.7	2.35	0.07	NA	1.01	1.16	0.13	0.92	NA
45077	Pickens, SC	Transitional	0.13	0.66	6.74	0.07	0.15	0.96	1.09	0.36	0.91	1.31
45083	Spartanburg, SC	Transitional	0.16	0.64	9.7	0.07	0.13	1.15	1.06	0.52	1.03	1.16
47001	Anderson, TN	Transitional	0.14	0.6	17.54	0.06	0.12	1.01	1	0.94	0.9	1.04
47007	Bledsoe, TN	At-Risk	0.06	0.86	0.00	0.02	NA	0.41	1.44	0.00	0.33	NA
47009	Blount, TN	Transitional	0.18	0.57	15.14	0.09	0.16	1.31	0.95	0.82	1.28	1.4
47011	Bradley, TN	Transitional	0.14	0.56	6.37	0.07	0.14	1.04	0.93	0.34	0.98	1.21
47013	Campbell, TN	At-Risk	0.06	0.87	4.67	0.03	0.06	0.44	1.45	0.25	0.35	0.5
47015	Cannon, TN	Transitional	0.09	0.57	0.00	0.05	0.09	0.67	0.95	0.00	0.64	0.75
47019	Carter, TN	At-Risk	0.11	0.66	8.11	0.05	0.08	0.79	1.1	0.44	0.73	0.69
47025	Claiborne, TN	At-Risk	0.05	0.81	6.63	0.03	0.03	0.37	1.35	0.36	0.37	0.29
47027	Clay, TN	Distressed	0.1	0.38	0.00	0.08	0.06	0.74	0.64	0.00	1.06	0.56
47029	Cocke, TN	Distressed	0.1	0.75	16.83	0.04	0.08	0.69	1.26	0.91	0.59	0.73
47031	Coffee, TN	Transitional	0.08	0.84	2.8	0.03	0.08	0.57	1.4	0.15	0.4	0.67
47035	Cumberland, TN	Transitional	0.11	0.71	2.88	0.05	NA	0.77	1.19	0.16	0.63	NA
47041	DeKalb, TN	Transitional	0.08	0.52	0.00	0.05	NA	0.57	0.86	0.00	0.69	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
47049	Fentress, TN	Distressed	0.07	0.8	0.00	0.02	0.05	0.51	1.33	0.00	0.32	0.47
47051	Franklin, TN	Transitional	0.09	0.81	0.00	0.03	NA	0.64	1.35	0.00	0.47	NA
47057	Grainger, TN	At-Risk	0.1	0.72	9.65	0.04	NA	0.7	1.2	0.52	0.52	NA
47059	Greene, TN	Transitional	0.11	0.6	2.56	0.05	0.15	0.78	1	0.14	0.63	1.3
47061	Grundy, TN	Distressed	0.07	0.82	0.00	0.05	0.07	0.51	1.36	0.00	0.62	0.64
47063	Hamblen, TN	Transitional	0.14	0.6	19.1	0.07	0.13	1.01	1	1.03	0.94	1.16
47065	Hamilton, TN	Transitional	0.15	0.54	17.45	0.07	0.16	1.11	0.91	0.94	0.93	1.4
47067	Hancock, TN	Distressed	0.04	0.89	0.00	0.01	0.03	0.26	1.48	0.00	0.07	0.22
47073	Hawkins, TN	Transitional	0.12	0.57	12.82	0.08	0.08	0.89	0.95	0.69	1.08	0.69
47087	Jackson, TN	At-Risk	0.17	0.25	32.47	0.16	0.09	1.24	0.41	1.75	2.16	0.82
47089	Jefferson, TN	Transitional	0.14	0.6	7.61	0.08	NA	1.04	1	0.41	1.06	NA
47091	Johnson, TN	Distressed	0.1	0.73	0.00	0.04	0.1	0.72	1.22	0.00	0.55	0.85
47093	Knox, TN	Competitive	0.18	0.54	14.86	0.08	0.16	1.33	0.9	0.8	1.12	1.42
47099	Lawrence, TN	Distressed	0.08	0.72	11.4	0.04	NA	0.55	1.2	0.61	0.54	NA
47101	Lewis, TN	At-Risk	0.08	0.75	63.61	0.03	NA	0.54	1.24	3.43	0.48	NA
47105	Loudon, TN	Competitive	0.17	0.64	6.85	0.08	NA	1.23	1.06	0.37	1.17	NA
47107	McMinn, TN	Transitional	0.12	0.62	12.28	0.06	0.14	0.85	1.03	0.66	0.81	1.22
47111	Macon, TN	Transitional	0.17	0.32	0.00	0.15	0.15	1.2	0.54	0.00	2.01	1.33
47115	Marion, TN	Transitional	0.06	0.71	0.00	0.03	0.05	0.47	1.18	0.00	0.44	0.43
47121	Meigs, TN	At-Risk	0.08	0.58	0.00	0.04	NA	0.61	0.97	0.00	0.62	NA
47123	Monroe, TN	Transitional	0.1	0.5	0.00	0.06	NA	0.73	0.84	0.00	0.79	NA
47129	Morgan, TN	At-Risk	0.09	0.79	11.92	0.02	0.05	0.65	1.31	0.64	0.33	0.42
47133	Overton, TN	At-Risk	0.08	0.7	21.98	0.04	0.08	0.57	1.17	1.18	0.52	0.73
47137	Pickett, TN	Distressed	0.06	0.77	26.81	0.01	NA	0.43	1.29	1.44	0.19	NA
47139	Polk, TN	Transitional	0.11	0.57	76.42	0.07	0.11	0.78	0.94	4.12	1.03	0.98
47141	Putnam, TN	Transitional	0.14	0.5	9.93	0.08	0.16	1.02	0.84	0.53	1.08	1.38
47143	Rhea, TN	At-Risk	0.11	0.84	0.00	0.04	NA	0.76	1.4	0.00	0.51	NA
47145	Roane, TN	Transitional	0.12	0.64	3.44	0.06	NA	0.84	1.06	0.19	0.77	NA
47151	Scott, TN	Distressed	0.05	0.85	0.00	0.02	0.05	0.37	1.42	0.00	0.21	0.47
47153	Sequatchie, TN	Transitional	0.06	0.73	11.26	0.03	0.05	0.4	1.22	0.61	0.38	0.43
47155	Sevier, TN	Transitional	0.14	0.61	2.55	0.07	NA	1	1.02	0.14	0.95	NA
47159	Smith, TN	Transitional	0.09	0.36	8.53	0.07	0.08	0.67	0.6	0.46	1.03	0.65
47163	Sullivan, TN	Transitional	0.18	0.51	18.28	0.09	0.2	1.31	0.86	0.98	1.19	1.75
47171	Unicoi, TN	Transitional	0.16	0.46	0.00	0.12	NA	1.18	0.76	0.00	1.6	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
47173	Union, TN	At-Risk	0.1	0.61	0.00	0.05	0.09	0.69	1.01	0.00	0.73	0.82
47175	Van Buren, TN	At-Risk	0.05	0.63	0.00	0.03	NA	0.39	1.04	0.00	0.46	NA
47177	Warren, TN	At-Risk	0.08	0.69	17.74	0.03	NA	0.55	1.14	0.96	0.36	NA
47179	Washington, TN	Transitional	0.19	0.46	13.21	0.1	0.13	1.34	0.76	0.71	1.4	1.1
47185	White, TN	At-Risk	0.08	0.74	0.00	0.04	NA	0.6	1.24	0.00	0.59	NA
51005	Alleghany + Clifton Forge city + Covington city, VA	Transitional	0.1	0.65	0.00	0.06	NA	0.75	1.08	0.00	0.85	NA
51017	Bath, VA	Competitive	0.14	0.73	173.91	0.09	NA	1.04	1.21	9.37	1.21	NA
51021	Bland, VA	Transitional	0.13	0.55	0.00	0.08	NA	0.97	0.92	0.00	1.1	NA
51023	Botetourt, VA	Attainment	0.12	0.63	9.22	0.05	NA	0.88	1.04	0.5	0.68	NA
51027	Buchanan, VA	At-Risk	0.08	0.61	0.00	0.03	0.05	0.59	1.02	0.00	0.46	0.4
51035	Carroll + Galax city, VA	Transitional	0.13	0.61	4.37	0.06	NA	0.92	1.02	0.24	0.88	NA
51045	Craig, VA	Transitional	0.16	0.86	0.00	0.08	NA	1.18	1.44	0.00	1.05	NA
51051	Dickenson, VA	Distressed	0.22	0.42	15.22	0.14	0.21	1.61	0.7	0.82	1.93	1.78
51063	Floyd, VA	Transitional	0.17	0.64	9.7	0.1	NA	1.22	1.06	0.52	1.33	NA
51071	Giles, VA	Transitional	0.15	0.64	20.24	0.09	NA	1.08	1.06	1.09	1.22	NA
51077	Grayson, VA	Transitional	0.11	0.58	0.00	0.06	NA	0.76	0.97	0.00	0.81	NA
51089	Henry + Martinsville city, VA	Transitional	0.14	0.47	7.52	0.09	0.17	1.03	0.79	0.41	1.25	1.51
51091	Highland, VA	Transitional	0.08	0.82	0.00	0.05	NA	0.6	1.36	0.00	0.72	NA
51105	Lee, VA	At-Risk	0.07	0.75	0.00	0.04	0.05	0.48	1.26	0.00	0.52	0.46
51121	Montgomery + Radford city, VA	Transitional	0.14	0.64	13.64	0.08	0.06	0.99	1.06	0.73	1.08	0.51
51141	Patrick, VA	Transitional	0.14	0.55	65.48	0.08	NA	0.98	0.92	3.53	1.15	NA
51155	Pulaski, VA	Transitional	0.13	0.64	26.84	0.07	0.15	0.96	1.07	1.45	0.91	1.31
51163	Rockbridge + Buena Vista city + Lexington city, VA	Transitional	0.16	0.58	12.51	0.1	NA	1.12	0.97	0.67	1.32	NA
51167	Russell, VA	At-Risk	0.23	0.54	15.76	0.14	0.15	1.66	0.89	0.85	1.93	1.33
51169	Scott, VA	At-Risk	0.14	0.38	21.39	0.11	0.18	1.04	0.63	1.15	1.57	1.56
51173	Smyth, VA	Transitional	0.19	0.43	5.82	0.14	0.12	1.39	0.72	0.31	1.98	1.05
51185	Tazewell, VA	Transitional	0.16	0.6	3.56	0.07	0.14	1.14	1	0.19	1.01	1.17
51191	Washington + Bristol city, VA	Transitional	0.22	0.43	1.87	0.15	0.11	1.58	0.72	0.1	2.13	0.95
51195	Wise + Norton city, VA	At-Risk	0.16	0.49	4.02	0.1	0.15	1.19	0.81	0.22	1.36	1.29
51197	Wythe, VA	Transitional	0.15	0.47	10.28	0.1	NA	1.08	0.79	0.55	1.45	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
54001	Barbour, WV	At-Risk	0.09	0.74	0.00	0.05	NA	0.65	1.24	0.00	0.76	NA
54003	Berkeley, WV	Transitional	0.18	0.67	17.45	0.11	0.15	1.3	1.12	0.94	1.56	1.28
54005	Boone, WV	At-Risk	0.11	0.6	27.29	0.06	0.08	0.76	1	1.47	0.81	0.7
54007	Braxton, WV	Distressed	0.08	0.74	12.92	0.05	NA	0.61	1.23	0.7	0.73	NA
54009	Brooke, WV	Transitional	0.1	0.56	0.00	0.05	NA	0.71	0.93	0.00	0.63	NA
54011	Cabell, WV	Transitional	0.17	0.57	26.68	0.1	0.15	1.24	0.95	1.44	1.36	1.28
54013	Calhoun, WV	Distressed	0.05	0.83	0.00	0.01	0.04	0.4	1.39	0.00	0.2	0.36
54015	Clay, WV	Distressed	0.05	0.76	0.00	0.02	0.03	0.35	1.27	0.00	0.24	0.29
54017	Doddridge, WV	At-Risk	0.2	0.69	0.00	0.05	NA	1.44	1.15	0.00	0.66	NA
54019	Fayette, WV	At-Risk	0.21	0.58	39.35	0.13	0.18	1.51	0.96	2.12	1.84	1.56
54021	Gilmer, WV	At-Risk	0.15	0.42	0.00	0.11	NA	1.1	0.69	0.00	1.55	NA
54023	Grant, WV	Transitional	0.2	0.34	33.56	0.13	NA	1.48	0.56	1.81	1.74	NA
54025	Greenbrier, WV	At-Risk	0.18	0.54	13.66	0.13	NA	1.29	0.9	0.74	1.75	NA
54027	Hampshire, WV	Transitional	0.1	0.8	9.22	0.05	0.06	0.73	1.33	0.5	0.63	0.56
54029	Hancock, WV	Transitional	0.1	0.53	12.53	0.05	NA	0.73	0.88	0.67	0.7	NA
54031	Hardy, WV	Transitional	0.13	0.47	26.88	0.09	NA	0.96	0.79	1.45	1.24	NA
54033	Harrison, WV	Transitional	0.18	0.55	29.1	0.11	0.22	1.3	0.91	1.57	1.49	1.93
54035	Jackson, WV	Transitional	0.17	0.46	14.73	0.12	NA	1.2	0.77	0.79	1.65	NA
54037	Jefferson, WV	Competitive	0.16	0.7	3.5	0.08	0.14	1.12	1.17	0.19	1.15	1.18
54039	Kanawha, WV	Transitional	0.2	0.51	27.28	0.12	0.19	1.44	0.86	1.47	1.6	1.65
54041	Lewis, WV	At-Risk	0.09	0.6	0.00	0.07	NA	0.68	1	0.00	0.96	NA
54043	Lincoln, WV	Distressed	0.1	0.61	0.00	0.06	0.06	0.69	1.01	0.00	0.86	0.54
54045	Logan, WV	At-Risk	0.13	0.69	0.00	0.05	0.1	0.95	1.14	0.00	0.67	0.89
54047	McDowell, WV	Distressed	0.06	0.63	0.00	0.03	0.05	0.4	1.05	0.00	0.44	0.44
54049	Marion, WV	Transitional	0.15	0.6	25.92	0.09	0.11	1.12	0.99	1.4	1.3	0.96
54051	Marshall, WV	Transitional	0.13	0.57	30.79	0.09	0.09	0.92	0.95	1.66	1.3	0.8
54053	Mason, WV	At-Risk	0.1	0.7	0.00	0.07	NA	0.72	1.17	0.00	0.95	NA
54055	Mercer, WV	At-Risk	0.24	0.4	9.86	0.16	0.09	1.71	0.66	0.53	2.27	0.82
54057	Mineral, WV	Transitional	0.16	0.57	0.00	0.1	0.14	1.16	0.96	0.00	1.42	1.19
54059	Mingo, WV	Distressed	0.14	0.67	0.00	0.07	0.11	0.99	1.11	0.00	0.97	0.97
54061	Monongalia, WV	Transitional	0.25	0.5	17.87	0.17	0.22	1.79	0.84	0.96	2.41	1.9
54063	Monroe, WV	At-Risk	0.15	0.6	0.00	0.1	NA	1.08	1.01	0.00	1.34	NA
54065	Morgan, WV	Transitional	0.19	0.57	0.00	0.15	0.09	1.41	0.95	0.00	2.02	0.79
54067	Nicholas, WV	At-Risk	0.23	0.44	0.00	0.15	NA	1.69	0.73	0.00	2.12	NA

FIPS	Appalachian County	ARC's Economic Status, FY 2010	Ratios					Indices (U.S. = 1)				Indices (Appalachia=1)
			Small Business Lending Ratio	Credit Card Business Lending Ratio	SBA 7a Lending Ratio	Lending to Smallest Business Ratio	Small Business Lending in LMI Neighborhoods Ratio	Small Business Lending Index	Credit Card Business Lending Index	SBA 7a Lending Index	Lending to Smallest Business Index	Small Business Lending in LMI Neighborhoods Index
54069	Ohio, WV	Transitional	0.18	0.61	55.04	0.08	0.17	1.31	1.01	2.96	1.07	1.47
54071	Pendleton, WV	Transitional	0.09	0.71	0.00	0.03	NA	0.63	1.18	0.00	0.45	NA
54073	Pleasants, WV	Transitional	0.05	0.76	26.04	0.03	NA	0.4	1.27	1.4	0.38	NA
54075	Pocahontas, WV	At-Risk	0.16	0.59	18.32	0.08	NA	1.16	0.98	0.99	1.14	NA
54077	Preston, WV	Transitional	0.19	0.62	0.00	0.14	0.17	1.4	1.03	0.00	1.91	1.49
54079	Putnam, WV	Competitive	0.26	0.52	22.59	0.16	NA	1.86	0.87	1.22	2.15	NA
54081	Raleigh, WV	Transitional	0.23	0.54	7.43	0.13	NA	1.65	0.9	0.4	1.84	NA
54083	Randolph, WV	Transitional	0.1	0.7	6.2	0.05	NA	0.73	1.16	0.33	0.75	NA
54085	Ritchie, WV	At-Risk	0.11	0.45	54.15	0.12	NA	0.81	0.75	2.92	1.64	NA
54087	Roane, WV	Distressed	0.09	0.8	0.00	0.03	NA	0.66	1.33	0.00	0.36	NA
54089	Summers, WV	Distressed	0.13	0.48	0.00	0.09	0.08	0.96	0.8	0.00	1.29	0.71
54091	Taylor, WV	At-Risk	0.15	0.61	0.00	0.13	NA	1.11	1.02	0.00	1.86	NA
54093	Tucker, WV	At-Risk	0.06	0.62	43.67	0.04	NA	0.46	1.03	2.35	0.59	NA
54095	Tyler, WV	At-Risk	0.08	0.58	0.00	0.05	NA	0.58	0.97	0.00	0.73	NA
54097	Upshur, WV	At-Risk	0.18	0.47	0.00	0.12	NA	1.33	0.79	0.00	1.64	NA
54099	Wayne, WV	At-Risk	0.16	0.54	14.27	0.09	0.03	1.17	0.9	0.77	1.3	0.26
54101	Webster, WV	Distressed	0.15	0.36	0.00	0.13	0.27	1.09	0.6	0.00	1.79	2.3
54103	Wetzel, WV	At-Risk	0.11	0.53	0.00	0.08	NA	0.77	0.88	0.00	1.04	NA
54105	Wirt, WV	Distressed	0.06	0.69	0.00	0.05	NA	0.45	1.15	0.00	0.65	NA
54107	Wood, WV	Transitional	0.16	0.56	15.18	0.08	0.15	1.15	0.94	0.82	1.12	1.33
54109	Wyoming, WV	Distressed	0.07	0.6	12.67	0.06	0.01	0.52	0.99	0.68	0.86	0.11