
Navigating Turbulent Times

Small Business
Borrower Survey and
Report

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Acknowledgements

Sincere thanks to the entrepreneurs across New Mexico who graciously took my call and made time to lend their voices to this survey. Your work ethic and passion for business are remarkable.

CONTENTS

<u>Introduction</u>	Page 4
<u>Methodology</u>	Page 4
<u>Findings</u>	Page 5
<u>Conclusion</u>	Page 7

Appendix: Survey Questions and Results

Including detail by County and by business sector

1. Operating my business (or nonprofit organization) with financing from The Loan Fund has changed my understanding of the way money works.	Page 9
2. Operating my own company has changed my understanding of what it takes to be successful in business.	Page 11
3. Since establishing my business (or nonprofit), my family's access to banks and financial services has changed.	Page 13
4. Since establishing my business (or nonprofit), my family's household debt has changed.	Page 15
5. Since establishing my business (or nonprofit), my family's reliance on government support has changed.	Page 17
6. The experience of operating my company has affected my sense of optimism about other areas of my life.	Page 19
7. The quality of life of my employees has changed because of their job with my company.	Page 21
8. The financial stability of my employees has changed because of their job with my company.	Page 23
9. Owning my own business (or directing a nonprofit organization) has affected my ability to save for emergencies.	Page 25
10. Owning my own business (or directing a nonprofit organization) has affected my ability to save for retirement.	Page 27
11. Owning my own business (or directing a nonprofit organization) has affected my ability to buy or invest in a home.	Page 29
12. Owning my own business (or directing a nonprofit organization) has affected my ability to invest in the education of a family member.	Page 31
13. Owning my own business (or directing a nonprofit organization) has affected my ability to contribute to my community.	Page 33

Introduction

In the wake of the Great Recession, the U.S. economy has shown signs of strengthening. But until recently, the recovery had been slower and weaker than any in the post-World War II era. Compounded by severe federal budget cuts, credit constraints, and weak demand in many market sectors, layoffs and profit losses have been commonplace from corporate America to Main Street. New Mexico's economy lags even further behind. Over the last five years we have not kept pace with the national or regional recovery, and state forecasts are dim (1).

How have New Mexico's small businesses and non-profits fared through such turbulent times? What long-term effects can be associated with accessing affordable credit? To shed light on those two key questions, the New Mexico Community Development Loan Fund (dba The Loan Fund) launched this independent survey of borrowers whose business loans were initiated and/or active since 2008.

Methodology

The findings in this report rely on data collected from a sample of 129 borrowers across New Mexico (2). The majority (92) of the interviews were conducted face-to-face and on-site at their place of business between May and September 2014; the rest (37) were conducted by phone during the same period.

To give the survey as much credibility as possible, targeted respondents received a letter from The Loan Fund inviting them to take part. The consultant contracted to execute the survey then followed up individually with each borrower by phone and/or email at least twice. It was presented as completely voluntary, anonymous, and an initiative of The Loan Fund itself, not mandated by a funder or other entity.

Only 13 questions long, the interview was designed to be brief and painless – that is, not requiring any preparation, paperwork, or travel – just 10 minutes at the convenience of the respondent. After answering the questions, most respondents offered additional comments about the status of their business and/or the impact The Loan Fund has had. These were transcribed and shared with organizational leadership. The survey results include breakdowns by County and by five business sectors jointly defined with The Loan Fund.

1 New Mexico Bureau of Business and Economic Research 2015 <https://bber.unm.edu/presentations/BBER-EconOutlook2015.pdf>

2 The sample of 129 respondents includes 11 non-profit borrowers, and 2 borrowers who relocated their businesses out of state

Findings

The survey results paint an overall picture of financial stability through the respondents' self-assessment of changes in three areas during the time they've worked with The Loan Fund. These three areas are:

- Asset building
- Saving and investing
- Quality of life

Although the survey was not designed to yield results directly comparable to state or national indicators, they are summarized here relative to pertinent trends in New Mexico and the United States.

Asset Building

Questions 1, 2, 3, 4, and 8 ask the respondent to assess changes in their personal or household financial literacy, business acumen, access to credit, debt level, and (when applicable) the financial stability of their employees.

Responses to the five survey questions related to asset building align with and to some extent, compare favorably to state and national trends:

→ Very strong gains in business acumen and employee financial stability

-New Mexico's small businesses have played a major role in recovering jobs lost during the recession. Companies with fewer than 100 employees have contributed over 90% of net job gains. (3)

-Unemployment rates in New Mexico and across the country have improved, but gains in worker compensation have been slow to follow. In a December 2014 national survey (4), just 1 in 4 employers report higher worker compensation, up from 21% the previous quarter.

→ Moderate gains in financial literacy and access to credit

→ Largely unchanged or decreased household debt levels

-In 2014, 41% of adult Americans gave themselves a grade of C, D, or F on knowledge of personal finances. (5)

-Interest rates are low, but loan demand among small business owners remains historically weak. In a recent national survey, more than half the respondents explicitly said they do not want a loan. (6)

3 New Mexico Department of Workforce Solutions Fall 2013 Regional Review

4 National Federation of Independent Business December 2014 Report on Small Business Economic Trends

5 National Foundation for Credit Counseling 2014 Consumer Financial Literacy Survey

6 National Federation of Independent Business December 2014 Report on Small Business Economic Trends

Saving and Investing

Questions 9, 10, 11, and 12 ask the respondent to assess changes in their ability to save for different purposes: for emergencies, for retirement, to buy or invest in a home, and to invest in the education of a family member (including themselves).

Responses to these questions about savings and investing compare favorably to national trends:

→ Moderate gains in emergency savings and retirement savings

-In a November 2014 survey of consumers in the ten largest U.S. cities, 48% said they live paycheck to paycheck (7)

-Among microbusiness owners, savings rates are not much better. A 2014 online survey found that savings is remarkably low: over half (55%) of respondents could cover only one month or less of business expenses with their current savings. This includes 30% of respondents who reported having no business savings at all. (8)

-7 in 10 self-employed people are not saving for retirement on a regular basis (if at all), while 68% of traditionally employed people put aside a fixed amount on a regular basis (9)

→ Largely unchanged ability to invest in education and buy or invest in a home

-In late 2014, the share of Americans who own their home was 64%, the lowest since 1995 (10)

Quality of Life

The survey included four questions about the impact that business ownership and working with The Loan Fund have had on the respondent's quality of life.

Again, their answers support and to an extent, compare favorably with national trends:

→ The vast majority have no greater or lesser reliance on government support

→ Very strong gains in optimism, community engagement, and employee quality of life

-The wages of 45% of microbusiness workers in a recent national survey were above the low-wage threshold of \$11.73/hour, however, more than half of those people work fewer than 35 hours a week (11)

-During the recession, 39% of women-owned businesses increased their involvement in civic, social or school activities to boost their exposure and create value for their communities (12)

7 National Endowment for Financial Education 2015 Financial New Year Major Market Query Topline Report

8 Corporation for Enterprise Development 2014 In Search of Solid Ground: Understanding the Financial Vulnerabilities of Microbusiness Owners

9 TD Ameritrade 2013 Self-Employed Survey Infographic

10 U.S. Census Bureau News January 29, 2015

11 Aspen Institute 2014 Microbusinesses, Gainful Jobs

12 National Federation of Independent Business 2012 Lessons of the Recession Survey

-The December 2014 Small Business Optimism Index climbed back to pre-recession levels, the highest since October 2006 (13)

Composite Scores

For an alternate view of the data at the personal/household level, a weighted composite score was calculated (14) to gauge how each respondent is doing across all of the issues addressed by the survey. The results are encouraging: **nearly 2 out of 3 respondents scored 80% or better of the highest possible score**, and only 3 respondents scored lower than 60% of the highest possible score. The composite scores also indicate that the strongest businesses tend to be in the service sector.

Conclusion

The borrowers who made themselves available for this survey are the recession survivors. The results indicate they are struggling in certain areas, but overall, their businesses are providing stable jobs and increasing financial security for themselves and their employees. Therefore, the evidence suggests that The Loan Fund is meeting its mission to support poverty alleviation and improved economic and social conditions of New Mexicans.

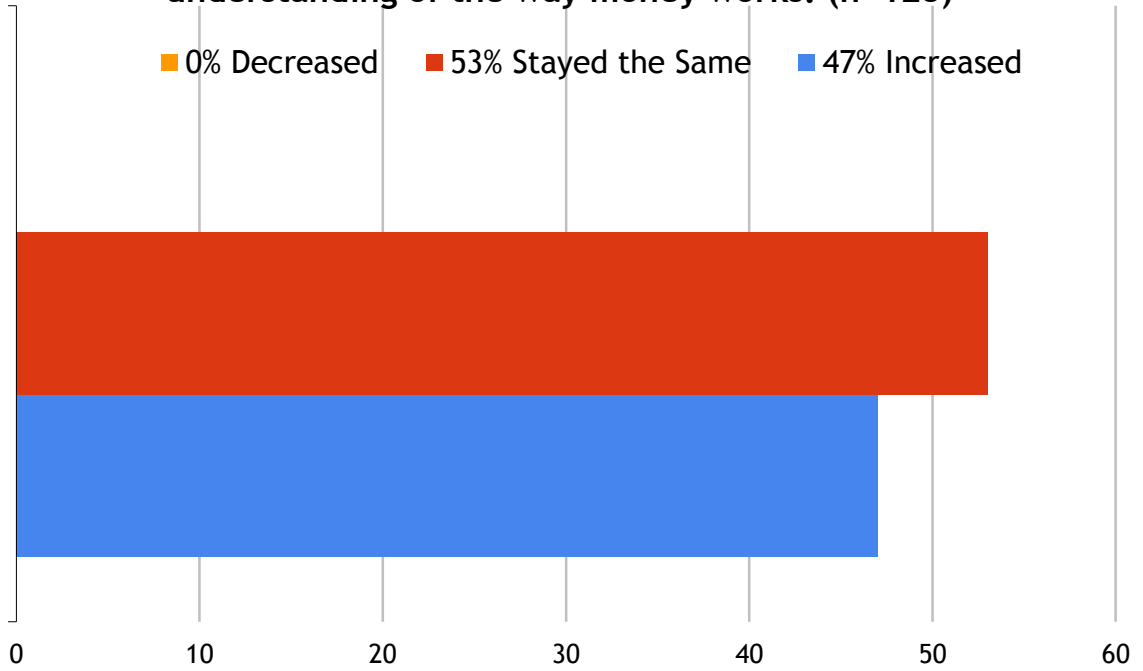
On a February 2015 KUNM radio show, the representative from the New Mexico Bureau of Business and Economic Research (BBER) stated that businesses with a web presence were three times more likely to have survived the recession. The skill sets, time, and capital required to fully engage online are a huge challenge for many small businesses. And, the urgent need to learn how to effectively do business on the internet cuts across all sectors and geographies. The Loan Fund has already integrated internet marketing and Search Engine Optimization into its technical assistance program serving a select number of clients. An expansion of this may be a wise use of resources to fight poverty statewide, particularly in rural areas.

13 National Federation of Independent Business December 2014 Report on Small Business Economic Trends

14 Composite score logic is as follows: 1 point for answers indicating fewer assets, more debt, or decreased financial stability or well-being; 2 points for answers indicating no change; 3 points for answers indicating more assets, less debt, or increased financial stability or well-being

Appendix: Survey Questions and Results

1. Operating my business (or nonprofit organization) with financing from The Loan Fund has changed my understanding of the way money works. (n=128)



Stayed the Same By County

- 56% Bernalillo
- 10% Santa Fe
- 9% Dona Ana
- 4% Taos
- 4% Sandoval
- 3% San Juan
- 3% Tarrant
- 1.5% Lincoln
- 1.5% Rio Arriba
- 1.5% Valencia
- 1.5% Los Alamos
- 1.5% McKinley
- 1.5% Lea
- 1.5% San Miguel

Stayed the Same By Sector

- 59% Service
- 18% Restaurant / Café
- 16% Retail/Wholesale
- 6% Transportation
- 1% Agriculture/Value-Added

Increased By County

48% Bernalillo

20% Santa Fe

5% Sandoval

3% Taos

3% Dona Ana

3% Grant

3% Cibola

3% Out of State

2% Lincoln

2% Rio Arriba

2% Tarrant

2% Valencia

2% Eddy

2% Catron

Increased By Sector

67% Service

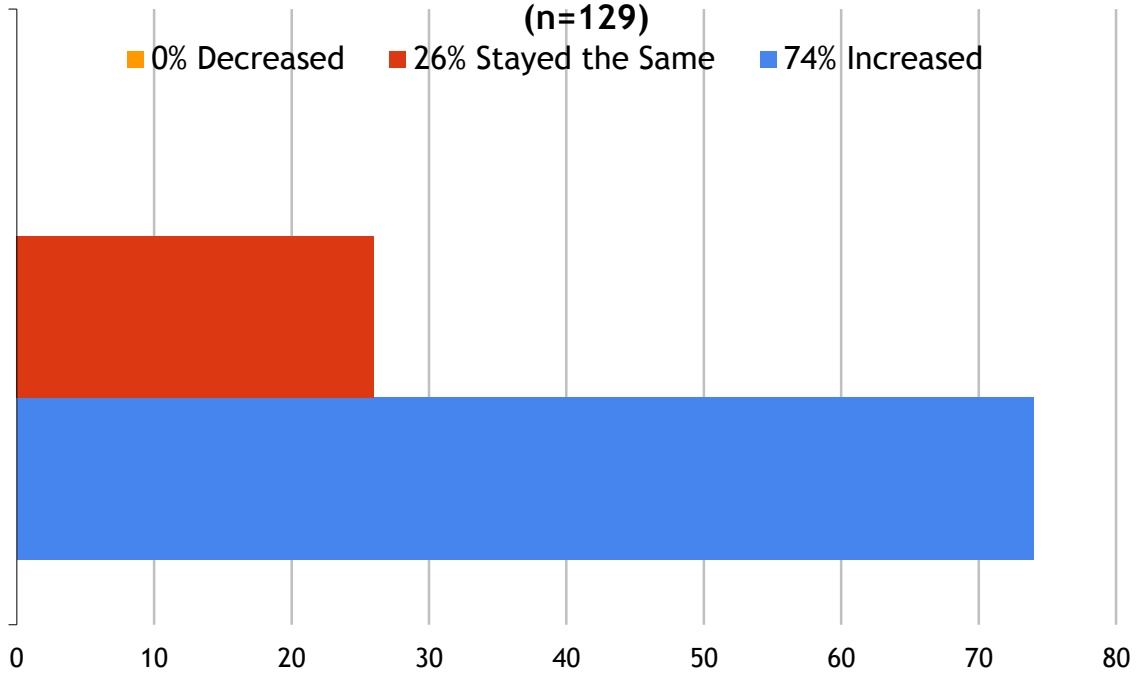
25% Retail/Wholesale

5% Restaurant/Café

3% Transportation

2. Operating my own company has changed my understanding of what it takes to be successful in business.

(n=129)



Stayed the Same By County

- 40% Bernalillo
- 12% Santa Fe
- 9% Taos
- 6% Dona Ana
- 6% Lincoln
- 6% Sandoval
- 6% San Juan
- 3% Tarrant
- 3% McKinley
- 3% San Miguel
- 3% Eddy
- 3% McKinley
- 3% Out of State

Stayed the Same By Sector

- 62% Service
- 22% Retail/Wholesale
- 13% Restaurant / Café
- 3% Transportation

Increased By County

58% Bernalillo

16% Santa Fe

6% Dona Ana

4% Sandoval

2% Rio Arriba

2% Grant

2% Torrance

2% Cibola

2% Valencia

2% Taos

1% Lea

1% Los Alamos

1% Catron

1% Out of State

Increased By Sector

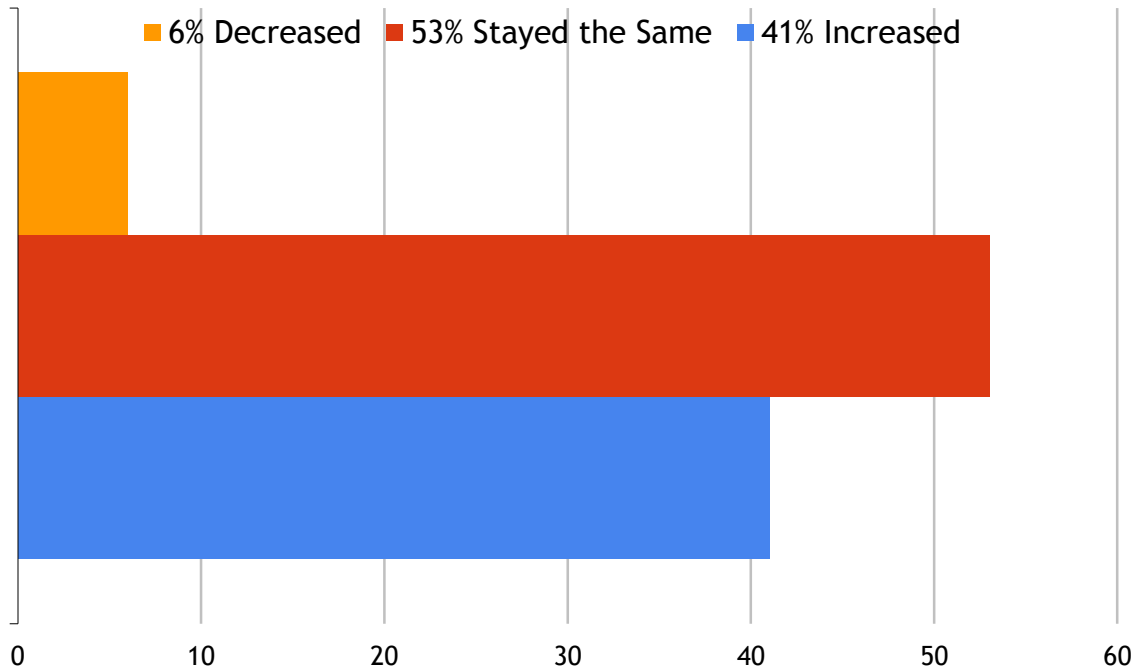
62% Service

22% Retail/Wholesale

13% Restaurant/Café

3% Transportation

3. Since establishing my business (or nonprofit), my family's access to banks and financial services has changed. (n=128)



Decreased By County

- 37% Bernalillo
- 25% Santa Fe
- 25% Taos
- 13% Cibola

Decreased By Sector

- 62% Service
- 13% Retail/Wholesale
- 13% Restaurant / Café
- 13% Agriculture / Value-Added

Stayed the Same By County

- 63% Bernalillo
- 13% Santa Fe
- 4% Sandoval
- 3% Dona Ana
- 3% Lincoln
- 1.5% McKinley
- 1.5% San Miguel
- 1.5% Grant

Stayed the Same By Sector

- 60% Service
- 21% Retail/Wholesale
- 13% Restaurant / Café
- 6% Transportation

- 1.5% Lea
- 1.5% Rio Arriba
- 1.5% Torrance
- 1.5% Valencia
- 1.5% Taos
- 1.5% Cibola

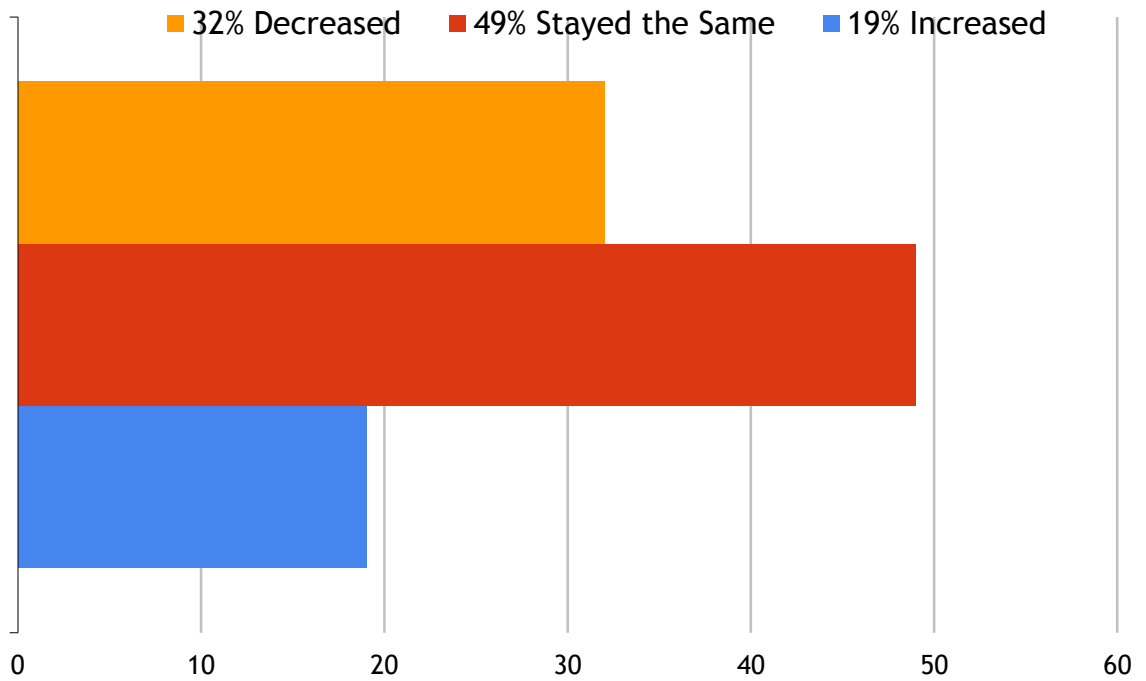
Increased By County

- 40% Bernalillo
- 15% Santa Fe
- 11% Dona Ana
- 6% Sandoval
- 4% Torrance
- 4% Taos
- 4% Out of State
- 4% San Juan
- 2% Eddy
- 2% Rio Arriba
- 2% Los Alamos
- 2% Catron
- 2% Grant
- 2% Valencia

Increased By Sector

- 65% Service
- 21% Retail/Wholesale
- 10% Restaurant/Café
- 4% Transportation

4. Since establishing my business (or nonprofit), my family's household debt has changed. (n=128)



Decreased By County

- 54% Bernalillo
- 25% Santa Fe
- 9% Cibola
- 4% Catron
- 4% Taos
- 4% Lea

Decreased By Sector

- 54% Service
- 33% Retail/Wholesale
- 9% Restaurant / Café
- 4% Transportation

Stayed the Same By County

- 60% Bernalillo
- 11% Santa Fe
- 6% Dona Ana
- 5% Sandoval

Stayed the Same By Sector

- 60% Service
- 17% Restaurant / Café
- 16% Retail / Wholesale
- 5% Transportation

3% Lincoln
3% Rio Arriba
3% Torrance
3% Taos
2% Grant
2% McKinley
2% Los Alamos

2% Agriculture / Value-Added

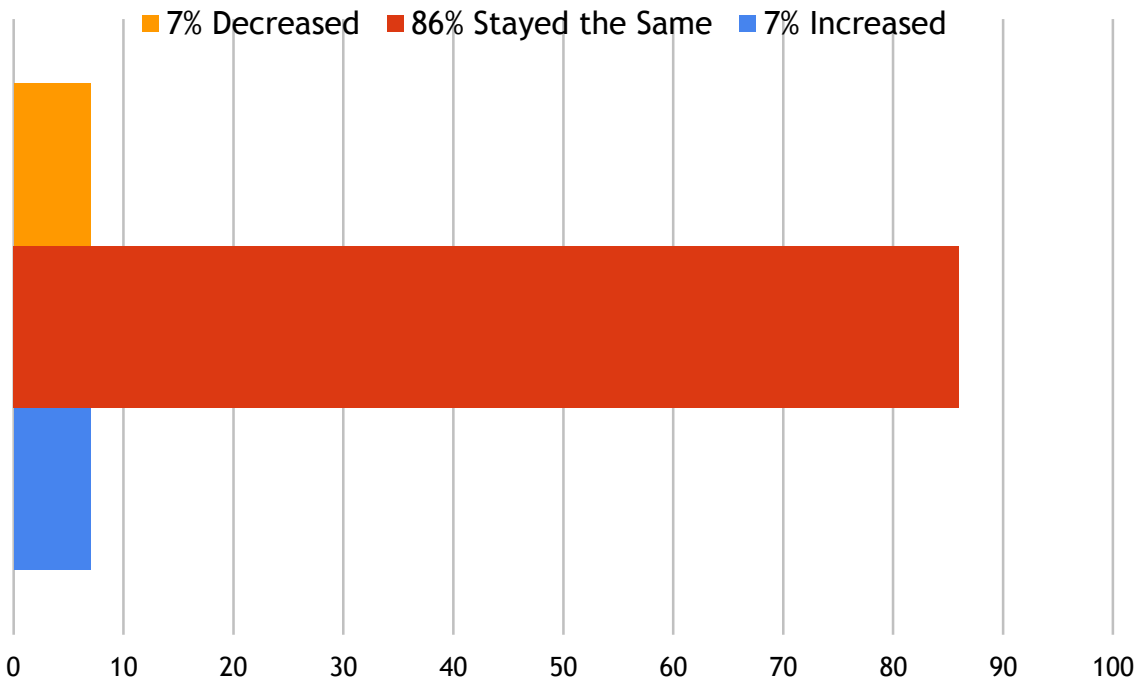
Increased By County

39% Bernalillo
15% Santa Fe
10% Dona Ana
8% Sandoval
5% Valencia
5% Taos
5% Out of State
5% San Juan
2% Eddy
2% Grant
2% San Miguel
2% Torrance

Increased By Sector

71% Service
19% Retail/Wholesale
5% Restaurant/Café
5% Transportation

5. Since establishing my business (or nonprofit), my family's reliance on government support has changed. (n=128)



Decreased By County

- 34% Bernalillo
- 22% Santa Fe
- 11% Lincoln
- 11% Torrance
- 11% Taos
- 11% Out of State

Decreased By Sector

- 44% Service
- 34% Restaurant / Café
- 11% Retail / Wholesale
- 11% Agriculture / Value-Added

Stayed the Same By County

- 55% Bernalillo
- 13% Santa Fe
- 6% Dona Ana
- 4% Sandoval

Stayed the Same By Sector

- 64% Service
- 22% Retail / Wholesale
- 10% Restaurant / Café
- 4% Transportation

- 4% Taos
- 2% Cibola
- 2% San Juan
- 2% Tarrant
- 2% Valencia
- 1% Catron
- 1% Eddy
- 1% Grant
- 1% Lea
- 1% Lincoln
- 1% Los Alamos
- 1% McKinley
- 1% Rio Arriba
- 1% San Miguel
- 1% Out of State

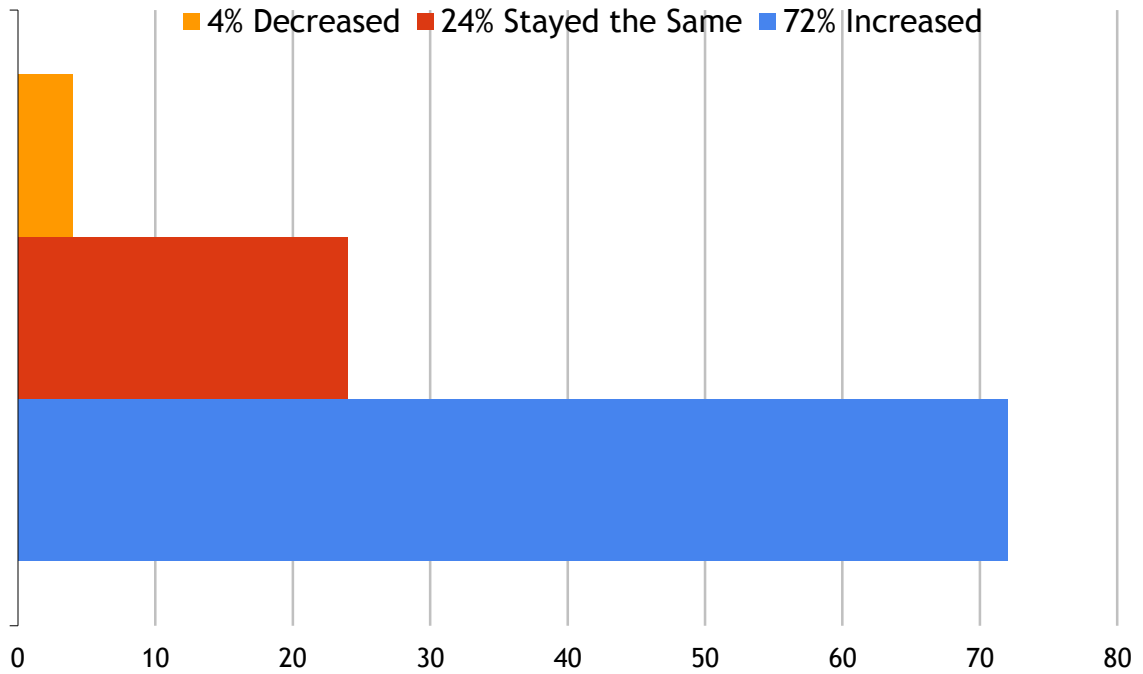
Increased By County

- 34% Bernalillo
- 22% Santa Fe
- 11% Dona Ana
- 11% Sandoval
- 11% Grant
- 11% Rio Arriba

Increased By Sector

- 67% Service
- 11% Retail/Wholesale
- 11% Restaurant/Café
- 11% Transportation

6. The experience of operating my company has affected my sense of optimism about other areas of my life. (n=129)



Decreased By County

- 40% Bernalillo
- 40% Taos
- 20% Santa Fe

Decreased By Sector

- 60% Service
- 20% Restaurant / Café
- 20% Agriculture / Value-Added

Stayed the Same By County

- 55% Bernalillo
- 17% Santa Fe
- 7% Taos
- 3% Sandoval
- 3% Eddy
- 3% Lincoln
- 3% San Juan

Stayed the Same By Sector

- 55% Service
- 29% Retail / Wholesale
- 13% Restaurant / Café
- 3% Transportation

3% San Miguel

3% Torrance

3% Valencia

Increased By County

53% Bernalillo

14% Santa Fe

9% Dona Ana

6% Sandoval

2% Grant

2% Rio Arriba

2% Cibola

2% Torrance

2% Out of State

1% Catron

1% Lea

1% Lincoln

1% San Juan

1% McKinley

1% Los Alamos

1% Taos

1% Valencia

Increased By Sector

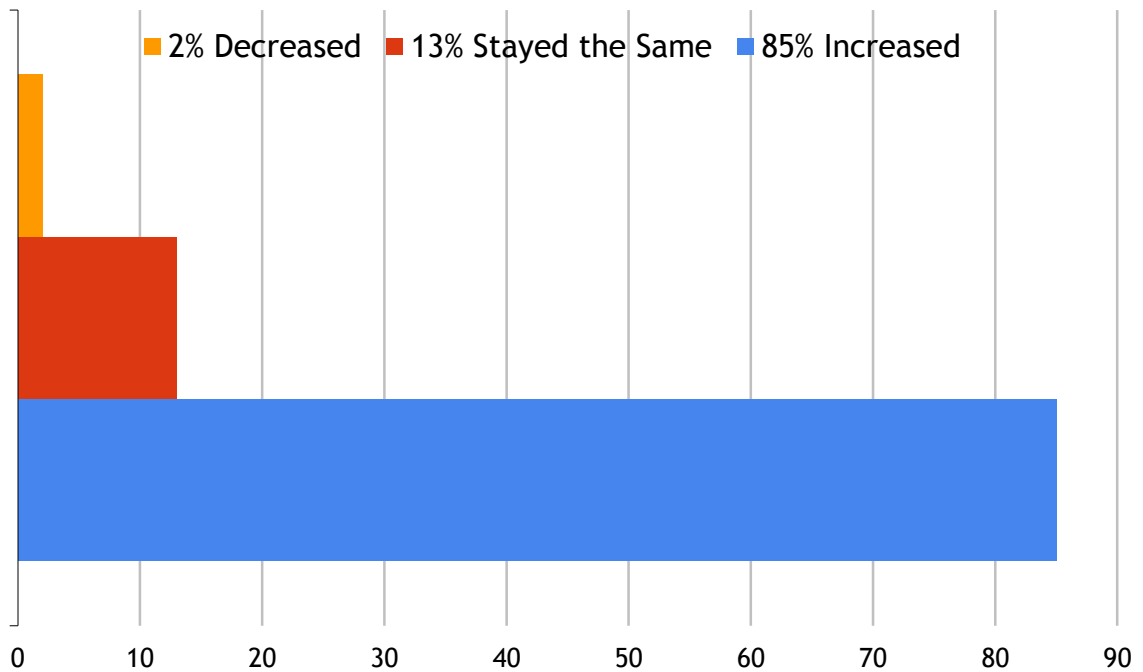
65% Service

18% Retail/Wholesale

11% Restaurant/Café

6% Transportation

7. The quality of life of my employees has changed because of their job with my company. (n=97)



Decreased By County

100% Bernalillo

Decreased By Sector

50% Service

50% Restaurant / Café

Stayed the Same By County

39% Bernalillo

15% Santa Fe

15% Taos

15% Torrance

8% Rio Arriba

8% Lincoln

Stayed the Same By Sector

61% Service

31% Retail / Wholesale

8% Restaurant / Café

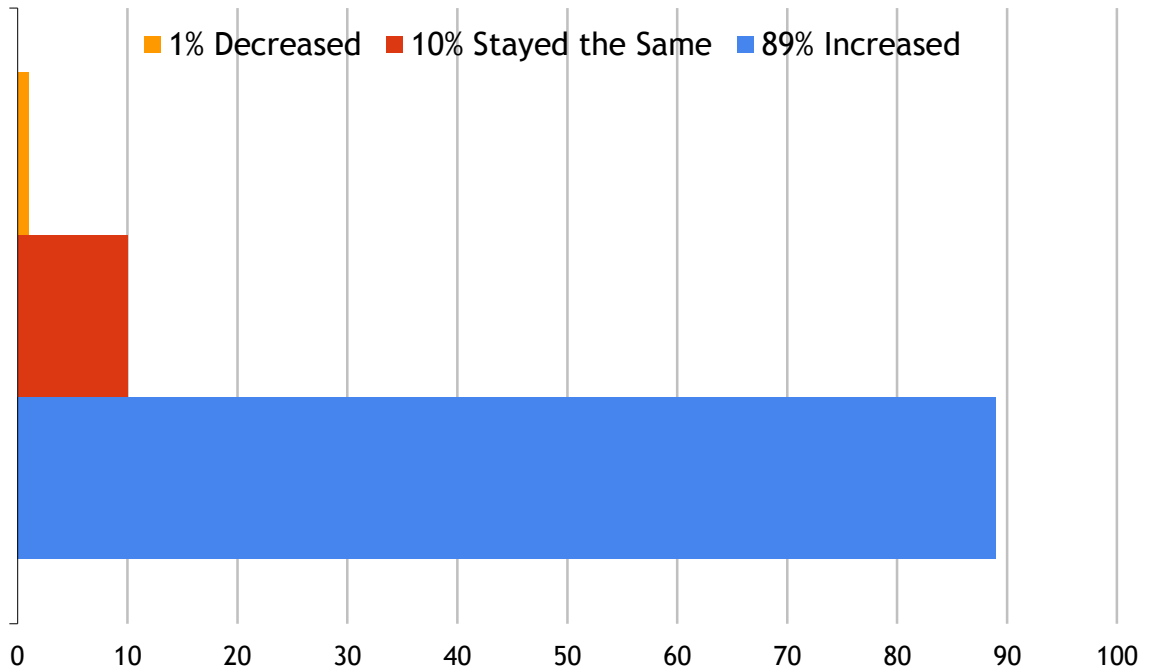
Increased By County

52% Bernalillo
17% Santa Fe
7% Dona Ana
4% Sandoval
4% Taos
3% Cibola
3% Valencia
3% Grant
1% Catron
1% Eddy
1% Lea
1% Lincoln
1% Los Alamos
1% San Juan
1% San Miguel

Increased By Sector

61% Service
22% Retail/Wholesale
13% Restaurant/Café
3% Transportation
1% Agriculture / Value-Added

8. The financial stability of my employees has changed because of their job with my company. (n=97)



Decreased By County

100% Bernalillo

Decreased By Sector

100% Restaurant / Café

Stayed the Same By County

40% Bernalillo

20% Torrance

10% Taos

10% Santa Fe

10% Rio Arriba

10% Cibola

Stayed the Same By Sector

60% Service

40% Retail / Wholesale

Increased By County

53% Bernalillo

18% Santa Fe

7% Dona Ana

5% Taos

4% Sandoval

2% Lincoln

2% Valencia

2% Grant

1% Catron

1% Eddy

1% Lea

1% Los Alamos

1% San Juan

1% San Miguel

1% Cibola

Increased By Sector

62% Service

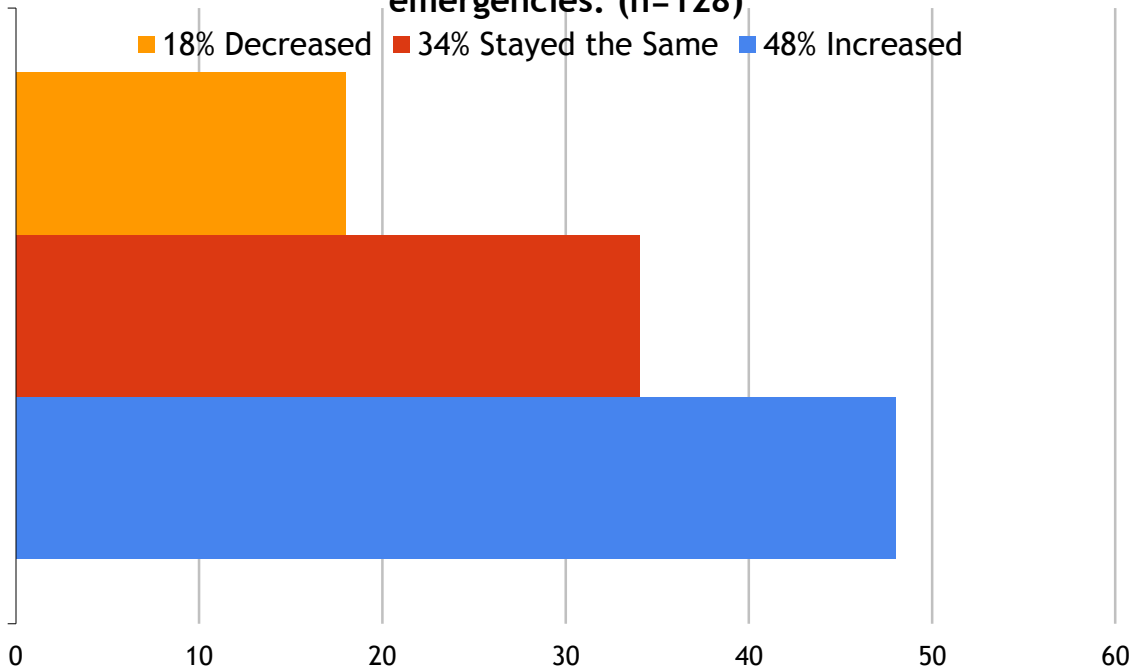
21% Retail/Wholesale

14% Restaurant/Café

2% Transportation

1% Agriculture / Value-Added

9. Owning my own business (or directing a nonprofit organization) has affected my ability to save for emergencies. (n=128)



Decreased By County

- 48% Bernalillo
- 27% Santa Fe
- 9% Taos
- 4% Tarrant
- 4% Sandoval
- 4% San Juan
- 4% Cibola

Decreased By Sector

- 48% Service
- 22% Restaurant / Café
- 22% Retail / Wholesale
- 4% Agriculture / Value-Added
- 4% Transportation

Stayed the Same By County

- 69% Bernalillo
- 10% Santa Fe
- 7% Taos

Stayed the Same By Sector

- 73% Service
- 16% Retail / Wholesale
- 7% Restaurant / Café

2% Sandoval

4% Transportation

2% Torrance

2% Cibola

2% Rio Arriba

2% Dona Ana

2% Lincoln

2% Out of State

Increased By County

Increased By Sector

42% Bernalillo

61% Service

14% Santa Fe

23% Retail/Wholesale

11% Dona Ana

11% Restaurant/Café

6% Sandoval

5% Transportation

3% Grant

3% Valencia

2% Catron

2% Lea

2% Lincoln

2% Eddy

2% Los Alamos

2% McKinley

2% Rio Arriba

2% San Juan

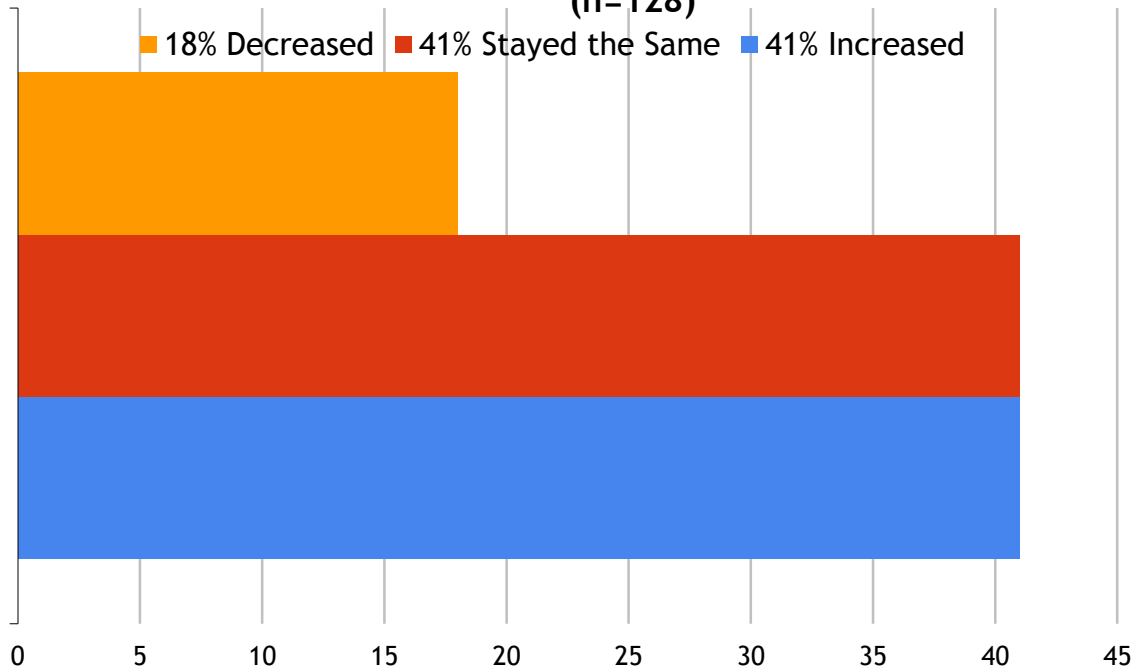
2% San Miguel

2% Torrance

2% Out of State

10. Owning my own business (or directing a nonprofit organization) has affected my ability to save for retirement.

(n=128)



Decreased By County

- 57% Bernalillo
- 22% Santa Fe
- 9% Taos
- 4% Tarrant
- 4% Sandoval
- 4% San Juan

Decreased By Sector

- 44% Service
- 26% Retail / Wholesale
- 22% Restaurant / Café
- 4% Agriculture / Value-Added
- 4% Transportation

Stayed the Same By County

- 48% Bernalillo
- 13% Santa Fe
- 5% Dona Ana
- 4% Sandoval

Stayed the Same By Sector

- 71% Service
- 17% Retail / Wholesale
- 8% Restaurant / Café
- 4% Transportation

4% Taos
4% Torrance
4% Lincoln
4% Cibola
4% Out of State
2% Catron
2% Lea
2% McKinley
2% Rio Arriba
2% Valencia

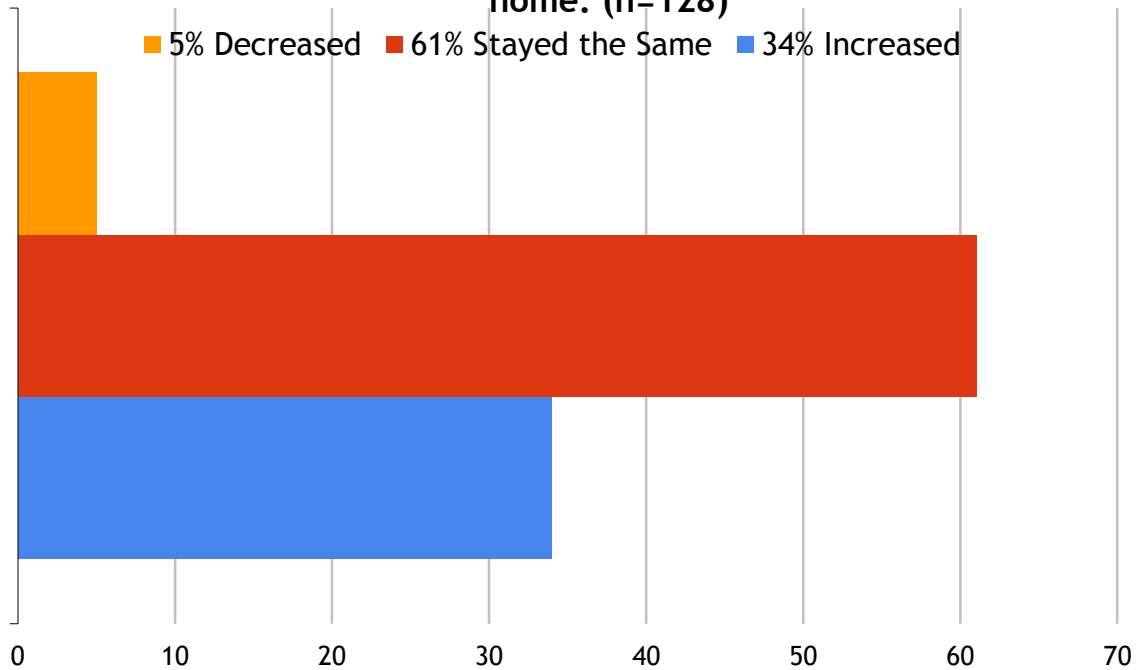
Increased By County

55% Bernalillo
13% Santa Fe
9% Dona Ana
6% Sandoval
3% Grant
2% San Juan
2% Rio Arriba
2% Lea
2% San Miguel
2% Eddy
2% Los Alamos
2% Taos

Increased By Sector

62% Service
21% Retail/Wholesale
11% Restaurant/Café
6% Transportation

11. Owning my own business (or directing a nonprofit organization) has affected my ability to buy or invest in a home. (n=128)



Decreased By County

- 58% Bernalillo
- 14% Taos
- 14% Santa Fe
- 14% Out of State

Decreased By Sector

- 43% Service
- 43% Restaurant / Café
- 14% Retail / Wholesale

Stayed the Same By County

- 58% Bernalillo
- 16% Santa Fe
- 5% Sandoval
- 3% Dona Ana
- 3% Taos
- 3% Torrance

Stayed the Same By Sector

- 63% Service
- 19% Retail / Wholesale
- 10% Restaurant / Café
- 7% Transportation
- 1% Agriculture / Value-Added

3% San Juan

1% Catron

1% Cibola

1% Eddy

1% Grant

1% Lea

1% Lincoln

1% McKinley

1% Rio Arriba

1% Valencia

Increased By County

42% Bernalillo

15% Santa Fe

15% Dona Ana

5% Sandoval

5% Taos

2% San Miguel

2% Rio Arriba

2% Cibola

2% Grant

2% Lincoln

2% Los Alamos

2% Tarrant

2% Valencia

2% Out of State

Increased By Sector

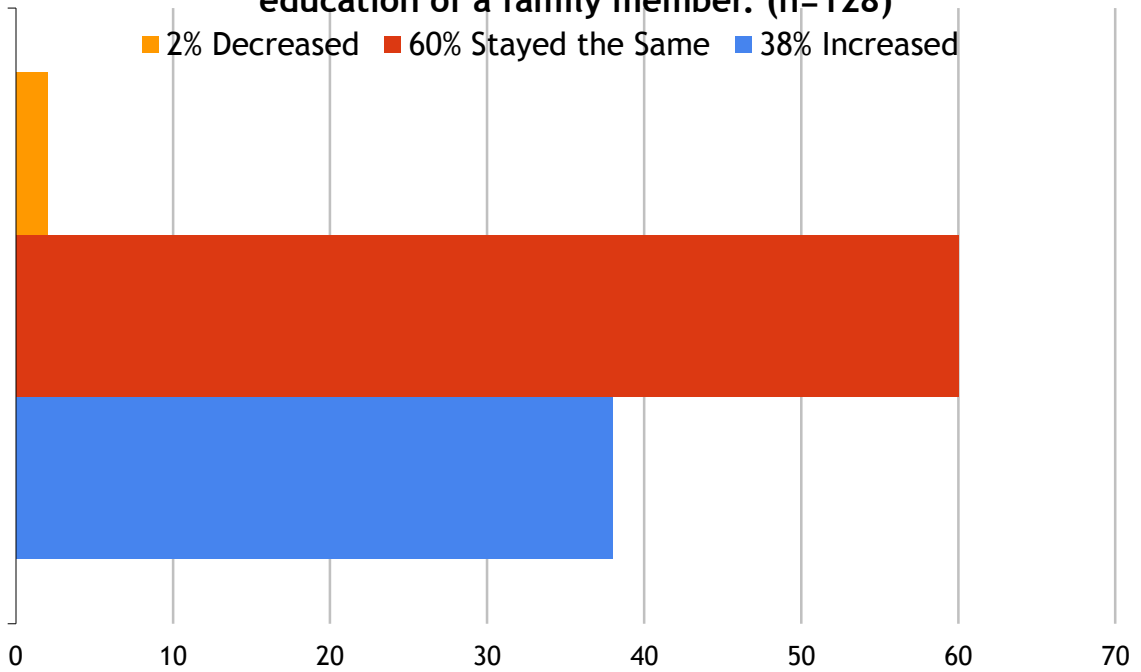
65% Service

23% Retail/Wholesale

9% Restaurant/Café

3% Transportation

12. Owning my own business (or directing a nonprofit organization) has affected my ability to invest in the education of a family member. (n=128)



Decreased By County

67% Bernalillo
33% Santa Fe

Decreased By Sector

67% Restaurant / Café
33% Retail / Wholesale

Stayed the Same By County

57% Bernalillo
13% Santa Fe
6% Sandoval
4% Dona Ana
4% Taos
4% Torrance
2% Valencia
1.5% Eddy

Stayed the Same By Sector

64% Service
22% Retail / Wholesale
8% Restaurant / Café
5% Transportation
1% Agriculture / Value-Added

- 1.5% Cibola
- 1.5% Lincoln
- 1.5% Rio Arriba
- 1.5% Lea
- 1.5% San Juan
- 1.5% Out of State

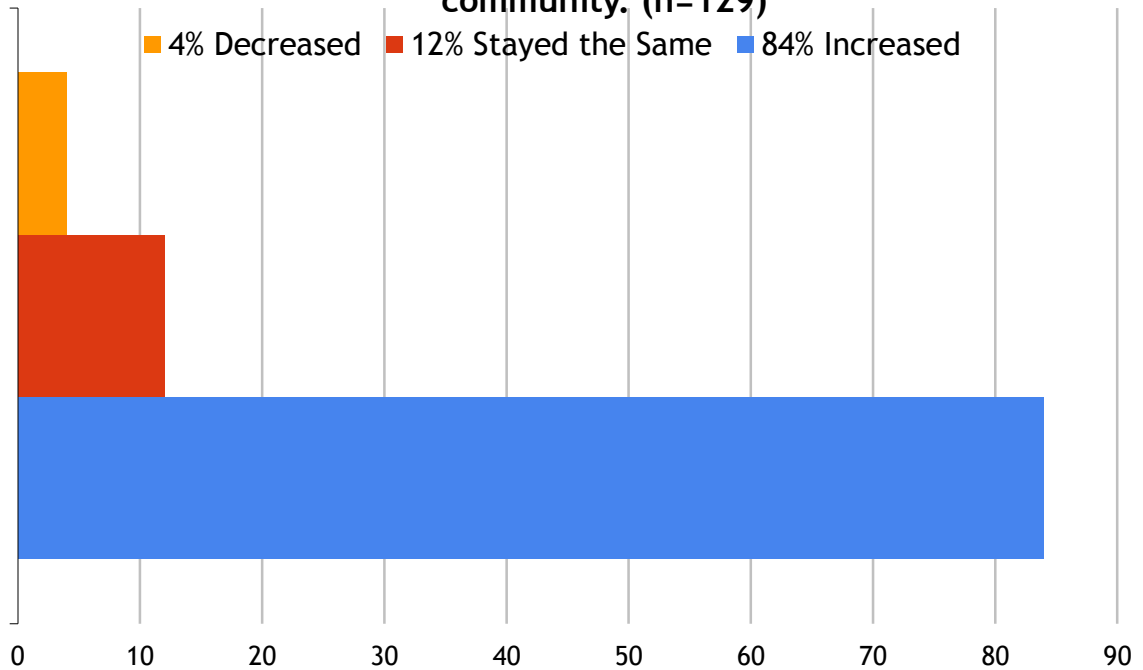
Increased By County

- 44% Bernalillo
- 17% Santa Fe
- 11% Dona Ana
- 4% Grant
- 4% Taos
- 2% Catron
- 2% San Miguel
- 2% Rio Arriba
- 2% Cibola
- 2% Sandoval
- 2% Lincoln
- 2% Los Alamos
- 2% San Juan
- 2% McKinley
- 2% Out of State

Increased By Sector

- 64% Service
- 16% Retail/Wholesale
- 14% Restaurant/Café
- 6% Transportation

13. Owning my own business (or directing a nonprofit organization) has affected my ability to contribute to my community. (n=129)



Decreased By County

- 40% Bernalillo
- 40% Santa Fe
- 20% Tarrant

Decreased By Sector

- 40% Service
- 40% Retail / Wholesale
- 20% Restaurant / Café

Stayed the Same By County

- 57% Bernalillo
- 13% Dona Ana
- 6% Tarrant
- 6% Sandoval
- 6% Eddy
- 6% Santa Fe
- 6% Lea

Stayed the Same By Sector

- 56% Service
- 25% Retail / Wholesale
- 13% Transportation
- 6% Restaurant / Café

Increased By County

53% Bernalillo

15% Santa Fe

5% Dona Ana

4% Sandoval

4% Taos

2% Lincoln

2% Grant

2% Cibola

2% Rio Arriba

2% San Juan

2% Valencia

2% Out of State

1% Tarrant

1% San Miguel

1% McKinley

1% Los Alamos

1% Catron

Increased By Sector

65% Service

18% Retail/Wholesale

12% Restaurant/Café

4% Transportation

1% Agriculture / Value-Added