

Access to Credit: A Guide For Lenders and Women Owners of Small Businesses

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Introduction

Women entrepreneurs are playing an increasingly important role in the U.S. economy. In growing numbers, they are committing their talents, energies, and personal financial resources to start their own businesses. Nevertheless, some women are concerned that they may lack reasonable access to credit when it comes time for their first business loan or for additional financing for their small business.

For their part, small business lenders have begun to question whether traditional lending practices and products are as effective as they once were in meeting the credit needs of women and other small business owners.

To foster an improved understanding of the issues that affect women's access to small business credit, the author, Lorraine M. Woos, Federal Reserve Bank of Chicago, collaborated with the staff of the nonprofit Women's Business Development Center of Chicago, Illinois, to produce this Guide. We asked women business owners and lenders for their perspectives on the small business loan application process. From their responses, we identified the factors that impede the loan-seeking process and formulated recommendations for successful small business lending relationships.

The discussions and recommendations contained in the Guide are based on a variety of sources. Our years of experience with and contacts through the regulatory and community outreach functions at the Federal Reserve Bank of Chicago, and the activities of the Women's Business Development Center provided important background information.

Another, and possibly the most important source of information, was a half-day focus group consisting of women business owners and small business lenders, who met at the Federal Reserve Bank of Chicago in May 1993. This group provided valuable information and insight on how women business owners and lenders view the lending process and how communication and mutual understanding could be improved.

Their personal experiences provided direction for our final source of information: interviews with women business owners, lenders, nonprofit service providers, and other researchers interested in small business issues.

The information in this Guide represents the ideas and opinions of those involved in the credit process — both lenders and women business owners. The recommendations should not be viewed as requirements. Rather, they should be seen as guideposts for lenders and small business owners seeking to establish successful, profitable relationships with each other.

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“There are approximately 6.5 million women-owned businesses in the United States, nearly 50% of the nation's small businesses. One in ten workers is employed by a woman entrepreneur.”

*Strengthen Illinois:
An Action Plan for Women's
Economic Empowerment*

We are grateful to everyone who contributed to this Guide and are especially grateful to the focus group participants:

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We wish to emphasize at the outset that we, as well as those we interviewed, recognize the inherent difficulties of small business lending. Sound underwriting of small business credit requires lenders to take into account risk, collateral, track record, and other criteria. The sound application of these criteria can, and frequently does, impact the provision of small business credit to business owners regardless of gender, race, or other personal characteristics. Nonetheless, just as the potential for bias and miscommunication has long been acknowledged in consumer lending, the women business owners and lenders we interviewed agreed that the small business lending process is similarly vulnerable.

We therefore hope that the discussions and recommendations contained in this Guide are both timely and helpful to lenders, women business owners, and others who work to improve access to small business credit.

Ensuring Lending Practices Free of Gender Bias

During the focus group and in subsequent discussions, the issue of gender bias in the small business lending process was a major concern to women business owners and to many lenders as well. Almost every woman business owner we interviewed volunteered at least one incident in which she had to confront gender bias by someone in her lender's organization. Some lenders expressed similar concerns about gender bias within their own institutions.

For this discussion, gender bias refers to lender behaviors that foster inappropriate consideration of the applicant's gender in the credit underwriting and approval process. Gender-biased behaviors can severely hamper women seeking small business credit and can impede the formation of profitable customer relationships, even before customers' needs or loan requests are assessed. In addition to discouraging potentially profitable loans, gender bias could lead to violations of the Equal Credit Opportunity Act.

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“Women continue to go into business in unprecedented numbers; they are starting businesses at least one-and-one-half times the rate of men.”
Data Collection Fact Sheet,
The National Foundation for Women Business Owners, 1994.

The comments by lenders and women business owners strongly suggest that both groups should remain alert to the potential for gender bias, and be prepared to deal, in an open and constructive manner, with any practices that unfairly burden women business applicants.

Gender Stereotyping

Gender stereotyping consists of beliefs and attitudes that create different expectations for individuals based on their gender and can lead to biased behavior. Almost all women business owners we talked to said they experienced gender stereotyping from their lenders, primarily through loan officers' comments and remarks. The most frequent comments were references to the woman business owner's physical appearance or age; the unsuitability of the business for a woman; the spouse's view of the business; marriage plans; plans for childbearing or childcare arrangements; and other gender-related remarks unrelated to the financial aspects of the application or the applicant's loan qualifications. Women business owners found these comments irritating and in many instances demeaning. Such comments also fostered the business owners' perceptions that the lending institution might allow gender bias to influence the credit decision on their loan application. The net result was to create immediate barriers between women business owners and the institution's loan officers.

Lenders need to be mindful that stereotypical comments or questions related to gender offend and alienate women customers, can contribute to improper loan underwriting, and risk violation of fair lending laws.

Lifestyle Issues: Divorce and Childbearing

In addition to their concerns about outright gender stereotyping, women business owners commented about some lenders' insensitivity to lifestyle issues which commonly affect women. Divorce and the presence of children were the two most frequently mentioned.

A few women related how the temporary financial disruptions of divorce hurt their applications for business credit years afterward. These disruptions included the loss of a home which could otherwise be pledged as collateral, temporary credit history problems, and the temporary depletion of savings.

Women generally viewed these disruptions as short term. Once overcome by rebuilding personal financial resources and credit histories, these circumstances should have little impact on a business loan application. However, women business owners reported that lenders persisted, in many cases, to use past divorce-related financial or credit problems as an indicator of an applicant's current creditworthiness.

Women also perceived that some lenders view the actual or potential presence of children as a risk factor that could threaten a woman business owner's ability to manage her business and repay her loan. Women business owners stated that lenders should be mindful that childraising responsibilities are increasingly shared between mothers and fathers and, therefore, should not be considered in assessing a woman business owner's application for credit any more than they should be in assessing a man's application.

Networking and Marketing

Women business owners reported that they routinely attended lenders' networking events such as chamber of commerce dinners, cocktail parties, and golf outings, and that they generally found that these events were effective opportunities to meet and exchange information with lenders.

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"Banks should market loan services to women through educational seminars designed to educate them about small business loans and the different ways loans can be structured."

Focus group participant

However, they also reported that these events lose their effectiveness for women business owners when they become social rather than professional interactions. Well-designed small business networking events are sensitive to the time, location, and preferences of women as well as men, and should include loan officers and business owners of both genders.

Regarding lender marketing, women business owners commented that they responded favorably when financial institutions portrayed women business owners in their marketing campaigns. Marketing and sales efforts to reach women business owners should show that their banking relationships will be conducted in an atmosphere free from gender stereotyping. For example, marketing pieces can portray women as owners of businesses not traditionally owned by women. Most importantly, they should portray businesswomen

using the financial, negotiating, and management skills necessary for successful business ownership.

Gender and Compliance with the Equal Credit Opportunity Act

A discussion of gender bias and stereotyping and their effect on women business owners' access to credit would not be complete without reviewing how provisions of the Equal Credit Opportunity Act relate to small business credit.

The following discussion of gender-based protections and small business lending compliance requirements under the Equal Credit Opportunity Act is excerpted from the brochure, "A Guide to Business Credit and the Equal Credit Opportunity Act," developed by the Federal Reserve System. To obtain a copy, see Part 3 of this Guide, Sources of Additional Information.

"Obtaining credit can be a difficult process — especially the first time — for any business owner. Sometimes, however, women may be concerned that they are receiving less favorable treatment not for credit-related reasons, but because of their gender. All business applicants have certain protections against discrimination under the Equal Credit Opportunity Act. The ECOA makes it illegal for lenders to deny a loan application, to discourage a woman from applying for a loan, or to give a woman less favorable terms because of gender status. Under the law, lenders may not take factors such as sex, race, national origin, or marital status into account; nor may they assume that a woman will interrupt her business plans to get married or to raise children.

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"Fully one-third of women business owners perceive some degree of gender-based discrimination from their financial institution."
Research Highlights, The National Foundation for Women Business Owners, 1994

"There is often confusion about just what the lender can ask of a spouse (or another person who has no connection to the business). The ECOA sets limits on the signatures and information that can be obtained. With respect to signatures, the lender is allowed to require another person's guarantee in addition to that of the woman applicant, should her application fail to meet the lender's standards of creditworthiness. If all or most of the assets listed on the woman's personal financial statement are owned jointly with her spouse, or with someone else, the lender is likely to require such a guarantee. But the lender is not permitted to arbitrarily require that the guarantor be her spouse.

"In the case of secured credit, the lender is allowed to obtain a spouse's signature on certain documents when the applicant offers jointly-owned property as security for the loan. In this event, the spouse (or other co-owner) may be asked to sign documents — such as a mortgage or other security agreement — that would be necessary under applicable state law to make the property available to satisfy the debt.

“Other than that, the lender may not ask for information about the woman’s spouse unless the spouse has some connection to the business, or unless she is relying on her spouse’s income to satisfy the debt; she is relying on alimony, child support or separate maintenance payments to establish creditworthiness; or she is living in one of certain states classified as ‘community property states’.”

“Both lenders and women business owners need to communicate clearly on the nature and purpose of any spousal participation in the loan process, as this aspect of business credit underwriting can be particularly vulnerable to incurring violations of the Equal Credit Opportunity Act. Unless the spouse is also an applicant for the loan, a spouse’s participation in the process other than for securing certain collateral should not be assumed or requested by the lender. Women business owners should clearly understand that the person they submit to the financial institution as a co-applicant or guarantor does not need to be their spouse, but rather the person of her choice who most effectively addresses the specified underwriting weakness in the application.”

Recommendations

The following recommendations can help lenders and women business owners prevent gender bias in the business credit process.

Recommendations for Lenders

- *Develop and conduct training for loan officers, senior management, directors, and support staff to eliminate gender stereotyping.* Gender stereotyping can occur at the initial interview, during the application process, at networking events, during loan committee meetings with senior management, or at any time throughout the daily operation of the institution. It sends signals to both women applicants and loan staff that business opportunities with women clients are not taken seriously. In addition, it can diminish the professional reputation of the financial institution in the eyes of other customers.
- *Review credit reports to assess realistically the current ability of the woman business owner to repay the loan.* When making business credit decisions based on credit history information, ensure that loan policies are being applied equitably to all small business applicants. If the credit bureau reports reveal past financial difficulties, ask the applicant what caused the difficulties. Use the answers and verifications you receive in assessing the loan application to help ensure that gender bias did not play a role in the credit decision.
- *Plan and market networking events that are suitable for both men and women business owners, lenders, and management staff.* Women business owners are a growing market for profitable banking and lending relationships. Successful lenders will ensure that their networking events are scheduled and designed to maximize participation by women as well as men business owners.

- *Hire and promote qualified women for lending and management positions.* Qualified women loan officers and department managers can help identify and eliminate gender bias in an institution's small business lending operations, thus increasing the potential for profitable lending to women-owned small businesses.
- *Consider implementing a shopping or self-testing program to audit possible gender bias in your small business lending unit.* Such a program can identify how women customers are being served. It can reveal possible sources of gender bias, different treatment of women applicants, uneven application of loan policies, or simply ways in which you can improve your small business lending unit's effectiveness in serving and retaining women business customers.

For assistance in developing a program, contact your federal regulatory agency, local nonprofits concerned with small business lending or fair lending issues, or private consultants who specialize in shopping and testing services.

- *Portray successful women business owners in a variety of businesses and business roles throughout your institution's marketing efforts.* Show women in nontraditional business settings, and portray them using traditional business skills, such as negotiation, management, and financial analysis. This will help demonstrate to potential customers your financial institution's commitment to the success of women business owners.
- *Develop underwriting policies, procedures, and staff training that clearly identify the requirements and prohibitions specified under the Equal Credit Opportunity Act.* Review small business underwriting, staff training, marketing, and related materials and procedures to ensure compliance with the Equal Credit Opportunity Act. Have your compliance officer and other management staff conduct periodic refresher training; develop a process for second-look reviews at denied women business applicants, and conduct outreach to local chambers of commerce, nonprofits, and women's business associations to find out how your institution is perceived by women business owners.

Recommendations for Women Business Owners

- *Take advantage of networking opportunities.* Small business networking opportunities are offered by financial institutions, local nonprofits, chambers of commerce, professional associations, and others. They help women business owners meet lenders, share credit application experiences with other women business owners, and help foster positive images of women as small business owners.
- *Know your rights under the Equal Credit Opportunity Act.* Review "A Guide to Business Credit and the Equal Credit Opportunity Act." (See Part 3, Sources of Additional Information). This brochure explains the fair lending protections accorded small business loan applicants.

If you feel you have been unfairly treated at any point in the credit application or pre-application process, request a meeting with the institution's management or Consumer Compliance Officer. If you are not satisfied with the answers you receive, or if you feel your complaint is not satisfactorily resolved, follow up with a letter to the institution's president or other senior official.

If your loan was denied, lenders may have a justifiable basis for the denial. Nevertheless, you have a right to a full explanation of why you were denied, including information demonstrating that your gender was not a factor in the credit decision.

If these steps do not result in a satisfactory resolution, call the federal agency responsible for the institution's compliance with consumer and fair lending regulations.

To identify the appropriate regulatory agency, ask the lender, or obtain the name from the bottom of the loan denial form (called the "Adverse Action Notice"). If your lender is a federally-regulated bank or savings and loan, the institution's regulator will also be identified in the CRA Notice posted in the lobby. The federal agency will conduct its own investigation of your complaint and work to resolve your concerns in accordance with Equal Credit Opportunity Act provisions.

Fostering Long-Term Customer/Lender Relationships

In the focus group and in many of our subsequent interviews, lenders frequently cited lack of loyalty on the part of small business owners as a major barrier to meeting their customers' needs and providing them with the appropriate business credit product at a reasonable cost and in a timely fashion.

For lenders, loyalty frequently means relationship banking, that is, the cross-selling of various small business deposit, credit, and cash-management along with personal finance products designed to meet the business owner's business and personal financial needs. For lenders this builds additional profit into the financial relationship. They believe that they earn their customers' loyalty because of the amount of time and service they devote to supporting the needs of small business accounts.

Although lenders' comments on the loyalty issue were directed to small business owners in general, many stated that women business owners in particular lacked a sense of loyalty.

For their part, women business owners stated that when lenders do not provide timely, high-quality services, they are forced to choose between loyalty to their lender and the business credit they need. Invariably they will choose the needs of their businesses.

The two principal reasons women cited for switching to other lenders were delays in processing loan requests, and their assignment to inexperienced loan officers who lack influence in the organization.

Women business owners stated they also changed lenders when they learned that their lender offered products and services at better terms to men. Many lenders we interviewed said that in their experience men were generally more skilled and aggressive in negotiating loans and financial service packages for their businesses than were women business owners. These lenders acknowledged that, as a result, perhaps men did obtain better loan terms than women. Women, however, perceived that they had been taken advantage of and agreed that switching lenders under these circumstances was reasonable.

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“The 6.5 million women-owned businesses in 1992 provided jobs for more than 11 million people. Over the last several years, as the largest corporations in the nation were reducing their workforces in record numbers, 25 percent of women-owned businesses were adding employees.”
*Data Collection Fact Sheet,
The National Foundation for
Women Business Owners, 1994*

While women business owners acknowledged that many of them needed to improve their financial skills, they believed that they should not have to negotiate for competitive terms and services with their lender. On the contrary, they very strongly believed that their relationship should not be adversarial, but that their lender should be on their side. They expected lenders to provide services that will help their businesses grow, not just sell them services or products that would maximize short-term bank profits at the long-term expense of the business customer.

Women also perceived that men business owners who were similarly situated received better banking services. Women owners thought that men were more likely to receive more advice geared to retaining them as long-term corporate customers. Women business owners stated that they suspected that lenders viewed men-owned businesses as more likely to succeed than women-owned businesses. As a result, they believed, lenders were more likely to try to develop a longer-term relationship with men business owners by offering competitively priced financial services, while trying to maximize profits up front from women business owners.

As the above discussion demonstrates, women business owners and lenders hold widely different views on the issue of customer loyalty. However, both lenders and women business owners can take steps to foster satisfactory, long-term banking relationships.

To foster customer loyalty, lenders can conduct the account relationship in a way that convinces women business owners that the institution is on their side. Lenders should demonstrate that they have both the intention and the ability to work with women business owners in developing financial services packages that will help their businesses succeed.

In this way, lenders can become more successful in fostering the loyalty of their women small business customers, retain profitable accounts from women-owned businesses, and enhance profitability through cross-selling personal financial products and services to women business owners.

Long-term banking relationships benefit women business owners as well as lenders through more personal service, quicker processing of loan and other service requests, and greater access to lenders' expertise and advice. They save time too. Rather than spending time and effort identifying a new lending in-

stitution and familiarizing a new loan officer with the company's strategies, history, products, and financial needs, the woman owner can spend time on activities which help her business grow and prosper.

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“To fulfill both their long- and short-term credit needs, a significant number of women business owners are turning, or are forced to turn, to private sources – and to a wider variety of sources – than are other business owners.”

Research Highlights, The National Foundation for Women Business Owners, 1994

Thus, from the lenders' perspective, it makes sense to examine their small business lending units to identify any practices or procedures that would discourage customer loyalty and hinder account managers from establishing long-term banking relationships with women business owners.

From an owner's perspective, it makes sense to select a lender who seems prepared to offer the level of responsiveness and service that she will need in the short and long term. Women business owners should consider spending some time to get to know their lenders at the beginning of the relationship to avoid nonproductive and time-consuming account switching later on.

Recommendations

The following recommendations for lenders and women business owners can help foster long-term, productive banking relationships.

Recommendations for Lenders

- *Study your customer base to determine both the satisfaction levels and retention of women customers.* Conduct a simple study to determine how many small business deposit accounts you retain and how many eventually become loan customers. Ask long-term women customers about their satisfaction with your bank's services. Remember, it is as difficult, inconvenient, and costly for a woman owner to change lenders as it is for the lender who loses her as a customer.

Compare your products and services with those of your competitors. Call customers who have left and ask them to discuss frankly why they switched to another institution. Consult with local nonprofits active with small business issues. Such a study will help identify what you are doing right and where you may need improvement.

Recommendations for Women Business Owners

- *Research and identify lending institutions that are equipped to meet your current and future banking needs before establishing a banking relationship.* Do your banking homework to select a lender who can realistically meet your expectations and needs. Talk to other small business owners, nonprofits that support small business interests, and women business owners to identify a short list of potential lenders to interview. During the interview, ask questions about location, hours, and other services, as well as questions such as:
 - Does the institution have a special small business lending unit with specially trained and designated staff who can advise you on various deposit, cash management, and loan products as your business grows?
 - Will the institution assign you a specific loan or account officer who will take the time to get to know you and your business?
 - Does the institution offer the full array of deposit and credit products you are likely to need as your business grows over the years?
- *Use your initial deposit relationship to lay the groundwork for a long-term banking relationship.* Your first banking relationship will typically be a deposit account. Use this opportunity to meet your account officer, discuss your business' short- and long-term goals, and obtain recommendations about the deposit products right for you. This discussion will give you a sense of the service you can expect from your lender, the extent of your account officer's expertise regarding small business deposit and credit needs, and the prospects for a long-term relationship.
- *Work with your financial institution to find the loan officer right for you.* If you feel a particular loan officer lacks the experience or skill to help you develop your loan request properly and represent your application effectively before committee or senior management, request a new officer. If your request cannot be accommodated, ask that a more experienced loan officer provide advice and assistance to help represent your request.

If you suspect gender bias, do not hesitate to ask the institution's management to assist in addressing your concerns. Also, actively network with other small business owners to obtain recommendations on loan officers.

Supporting Small Business Lending Units

Both women business owners and small business lenders expressed the view that many small business lending units had low status in their institutions. They believed that as a consequence these units experienced staffing problems, were often second-guessed at the management and committee levels, and generally lacked management support needed to help the units succeed as profit centers. Women business owners perceived that they may be particularly affected by a small business lending unit's internal problems or lack of resources.

Small business loan officers and women business owners both commented that the corporate culture and corresponding management practices of some financial institutions may hinder, rather than foster, the success of small business lending units. Both groups commented that some institutions may view their small business lending units as little more than a training ground for less-experienced loan officers. After some small business lending experience, these trainees would graduate to middle-market or other lending units of the institution, where more highly compensated lending and account management is done.

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“We hope that when the credit goes to the loan committee, the junior loan officer understands our business.”
Focus group participant

Women believed that their chances for loan approval were enhanced if they were represented to the loan committee or senior institution management by a senior loan officer with high lending authority, a solid portfolio of small business accounts, and a good track record — someone who could fend off any second-guessing or gender bias that may influence the loan decision. However, women frequently perceived that they were taken less seriously as business owners and so were routinely funneled to the least-experienced or lowest-ranking loan officers.

Many loan officers agreed with the women owners and expressed concerns that their small business lending units are not viewed as viable and productive profit centers within their organizations. They indicated that these units frequently lacked status within their organizations, and were staffed with poorly trained and poorly compensated lenders who wanted to move into other business lending units.

Some loan officers cited their discomfort with what they perceived as gender bias and stereotyping by their institutions' senior management and loan committee members. Gender bias and stereotyping, when expressed at high levels of management, can stall or kill loan requests by requiring additional, unnecessary documentation, requesting additional guarantees or co-signers, or mandating other terms or conditions that would not be required of comparable men applicants.

Gender bias and stereotyping at this high level can also send unmistakable signals to loan origination staff that business loan requests from women applicants are unwelcome and will require a significantly tougher sales job in committee. As a result, loan officers may actually discourage applications from women.

As with any line of business, once an institution makes the strategic decision to offer small business products, it needs to examine its operations to ensure that the necessary delivery mechanisms are in place to help its small business unit succeed.

Recommendations for Lenders

Lenders may wish to consider the following recommendations for reviewing and improving management support for their small business lending units:

- *Staff, train, and support your small business lending unit adequately.* Consider including experienced and skilled loan officers and support staff in your unit. Consider using various forms of compensation and expressions of organizational status to reinforce the importance of the unit to its members and other staff and management. Provide training and other career enhancements to small business lending unit staff comparable to those provided other commercial lending units. Senior management and directors should not demean or “nitpick” small business loan packages, and in general should avoid any behavior suggesting that small businesses are less important to the institution than other types of commercial accounts.
- *Avoid a pattern of assigning women business owners to new, less-experienced or less-skilled loan officers.* While the more skilled and experienced loan officers may already have a roster of long-time clients, consider assigning a portion of women owners of new or small businesses to these officers to determine how much their skill and experience enhance these applications. In this way, management may find loan underwriting techniques which other loan staff could learn to use as well.
- *Consider leveraging the skills and experience of staff from other commercial lending units for the benefit of your small business lending unit.* Initiate strong cross-training programs. Encourage senior loan officers to mentor less-experienced lenders. Promote advisory relationships between staff of different lending units. In this way, you may find you are delivering your services more efficiently, enhancing satisfaction among small business customers, and increasing profitability of the small business lending unit.
- *Promote small business lending positions as career and training opportunities for lending staff.* Frequently small business loan officers develop a wider range of skills than many of those assigned to larger customers. Small business lenders have the opportunity to counsel small businesses on many facets of finance and operations, and routinely deal with company presidents and CEOs and

not just staff-level representatives of larger companies. They also have enhanced opportunities to learn the production, operations, human resources, and market aspects of credit analysis, as well as the purely financial aspects of their customers' balance sheets.

Small business lending can thus be presented as a career in itself, or as a worthwhile foundation to larger and more complex credits.

Making Timely Credit Decisions

One of the problems most frequently mentioned by women business owners was serious delays in the credit decision process. Repeatedly, women business owners emphasized the time-sensitive aspect of small business credit. For example, lucrative contracts can be lost without a loan to purchase materials; payroll obligations cannot be met without a working capital line of credit; and a unique growth opportunity could pass without a timely loan to purchase the right equipment.

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“Decisions need to be quick because our actions are quick.”
Focus group participant

Women recounted experiences of finally reaching the lender, after numerous unreturned phone calls, only to find that another piece of information was needed, or that their loan package was sitting at the bottom of a senior lender's in-box waiting attention.

On the other hand, lenders explained that many factors can delay the timely provision of a credit decision. Lenders suggested that small business owners, regardless of gender, often frustrate the efficiency of the loan approval process in two ways. First, lack of planning, or emergency, last-minute loan requests impose deadlines which no lender can reasonably meet. Second, poor business record keeping of financial statements, tax returns, and other legal and financial records hinders the loan officer's ability to proceed with the loan request promptly and smoothly.

Recommendations

As these comments make clear, both lenders and women business owners have a responsibility to ensure timely and efficient processing of small business loan requests. The following recommendations suggest ways that both lenders and women business owners can help ensure timely loan processing.

Recommendations for Lenders

- *Emphasize to all levels of your small business lending unit staff the importance of processing loans and other financial service applications in a timely manner. Take steps to ensure that your institution provides timely processing, decision-making, and service delivery. Consider developing systems to identify and resolve bottlenecks and track customer inquiries about delays.*

Most small businesses do not have sufficient capital reserves for large unplanned cash outlays to finance an unexpected growth opportunity or weather an unforeseen crisis. Therefore, promptness in processing goes well beyond mere courtesy or convenience; it can make or break a small business.

Lenders who develop a reputation for prompt handling of loan and other financial service requests are likely to benefit from high levels of customer satisfaction and positive word-of-mouth publicity.

On the other hand, lenders who demonstrate a pattern of unwarranted delays in processing loan requests from women business owners could be violating the Equal Credit Opportunity Act.

- *Consider using local nonprofit small business agencies for small business loan packaging.* Use nonprofits to identify prospective small business applicants and assist them with paperwork and loan packaging to cut down on your loan processing time.

To identify appropriate nonprofits, ask for referrals from other lenders, small business customers, local government, or Small Business Administration offices, or, if you are a bank or savings institution, your own Community Affairs Officer.

Recommendations for Women Business Owners

- *Anticipate short-term credit needs and discuss them with your lender before you actually need a loan.* Try to anticipate credit needs you cannot handle with cash on hand. Before you need access to credit to take advantage of a business opportunity or to meet emergency situations, consider working with your lender to obtain a credit line or similar loan that will be available when you need it.
- *Keep your financial statements current and prepare them carefully.* You will save yourself and your lender time and aggravation by having your business' financial statements readily available. Resist any temptation to economize on their preparation. You will save time and money in the long term with professionally prepared and maintained statements.

In addition to public accountants and financial planners, some nonprofit agencies offer training, technical assistance and counselling on financial statement preparation and other aspects of business finance and planning.

- *Develop a business plan.* Even if you have been in business a long time without a formal business plan, you should still consider developing a plan to facilitate future credit applications. If you already have one, review it periodically and update and improve it as necessary.

A well-conceived business plan is an asset to your financial package and can help your loan officer in presenting your loan request. It demonstrates to lenders and others that you know your business and its growth opportunities.

Making Successful Start-up and Small-Amount Loans

Based on the comments from lenders and women business owners, the special credit needs of new small businesses, including start-up and small-amount loan requests, create special credit underwriting challenges. With women constituting a growing portion of owners of new businesses, they need to become familiar with the credit underwriting challenges these businesses pose to lenders.

Likewise, lenders need to remain sensitive to how the various gender-related issues previously discussed can affect their underwriting decisions on start-up and small-amount loans.

Start-Up Loans

A new business can include a home-based, microenterprise or “cottage industry” business, or a hobby or part-time sideline that has evolved into a full-time business. It can also be a franchise, an existing small business with a new owner and possibly a new location, or a new consultant business started by a skilled professional.

Few new or start-up businesses are begun entirely with financing from a financial institution. Many rely solely on the personal investment of the owner. Owners who are able to obtain start-up financing generally do so by pledging significant personal assets, such as their personal residence, as collateral.

The women business owners and lenders we talked to agreed that lending to new businesses is perhaps one of the most difficult areas of business lending. New businesses present lenders with the problem of how to assess businesses’ viability and owners’ personal abilities and creditworthiness.

The women owners and the lenders concurred that depending on the business’ and owner’s financial track record, not all start-up or new businesses were good candidates for small business loans. In addition, some form of personal financial commitment or guaranteed support for a new business credit was to be expected. However, women expressed special concerns about gender bias in the credit decision process for new businesses, given the amount of lender discretion inherent in this type of lending.

Women’s concerns focused on whether they are treated differently from men in similar circumstances. Much new business lending is referred to as character lending, or lending in which the total picture of a borrower’s viability,

business history, and chance for success is taken into account. Lenders and women business owners generally supported character lending, agreeing that it promotes a long-practiced, common-sense type of low-documentation small business lending.

However, women questioned whether gender bias can unduly influence a lender's judgment on whether to make a character loan. For example, many businesses start as microenterprises, financed in their nascent stages through the owner's personal credit cards. Women questioned whether a lender would view this type of start-up financing by a woman owner in a positive way, showing personal financial commitment and dedication to the start-up, or negatively, showing lack of business finance acumen.

Women also expressed concerns that a woman with a business not traditionally owned by women — for example, a woman starting a carpentry business — may confront more difficulty than a man in gaining a lender's confidence.

Because of the significant amount of lender discretion in character lending programs, women were concerned that they could be inequitably treated if the program is poorly managed.

Character lending provides lenders and applicants the opportunity to highlight what they both bring to the table in structuring a successful loan package. Women applicants contribute prior work experience, banking relationships, training and skills, current success with the venture as a hobby or a part-time job, and personal financial resources and guarantees. Lenders contribute their knowledge of the type of business, the market for the business' goods or services, business finance, and money management principles.

When negotiating a character loan, lenders should consider whether gender bias or stereotyping might influence their judgment, causing them to hold women to higher or different standards than they hold men.

For their part, women should adequately prepare their new business loan requests so that their contributions are convincingly supported and can be used to help the lender justify a favorable decision.

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“Women business owners are three times as likely as other businesses to use credit cards for short-term financing.”
Research Highlights,
The National Foundation
for Women Business
Owners, 1994

Small-Amount Loans

Women and lenders had different perspectives on applications for small loan amounts.

From the women owners' point of view, lenders should welcome small loan requests. Women viewed these requests as opportunities to solidify a banking relationship and create loyalty to the bank. According to women business owners, these loans provide lenders with good word-of-mouth referrals to other small businesses, all at minimal risk to the institutions. Women business owners generally believed that lenders have little to lose and much to gain from making small loans.

However, lenders generally perceived no difference in either the stringency of credit standards that must be applied, or the amount of work necessary to make a small loan or a large loan. The only difference to most lenders was the amount of income to the institution. For many lenders, the income to be derived from making a very small loan is usually insufficient to compensate either the loan officer or the financial institution for the amount of time, effort, and overhead used to make the loan.

To balance their customers' need for small loan amounts with their institutions' need for efficiency and profitability, some lenders reported offering collateral-based and credit line products upon which business owners can draw for small-amount financing needs without having to file repeated loan applications.

In addition, many lenders stated that the provision of well documented and thorough loan application packages frequently facilitated the processing and approval of small loan requests by reducing the overhead costs usually associated with these requests.

Various nonprofits and government agencies also offer programs or guarantees to help lenders address some of these problems through risk- and cost-sharing strategies. Nonprofits, in particular, have a long track record of providing training, counselling, technical assistance, and loan packaging services in conjunction with local lending institutions to facilitate new business and small-amount lending.

Efforts such as these recognize that risk and profitability are lending realities that must be addressed in tandem with programs for increasing credit availability to new and small businesses with modest credit needs.

Recommendations

The following recommendations provide lenders and women business owners with some strategies for successful start-up and small-amount loans.

Recommendations for Lenders

- *Design and manage character lending programs that recognize the potential for bias.* Develop loan policies, underwriting criteria, lender training, and management oversight procedures to avoid bias-based credit decisions.

Successful character lending programs are not without guidelines, criteria, and documentation. They are programs which permit and encourage loan staff to be flexible and use their experience and judgment to meet their customer's needs profitably for lenders, and timely and conveniently for the business owners.

- *Consider using governmental and nonprofit lending programs.* Federal, state, and local governments, and nonprofit agencies offer small business lending programs that promote and provide incentives for new businesses and small-amount lending. For example, various federal and local governmental agencies offer financial incentives for institutions to lend to small businesses in smaller loan amounts. Some of these agencies provide a range of guarantees for the loan amount, and increasingly, some are streamlining the process, by offering low-documentation loans under certain amounts.

In addition, a growing number of nonprofits provide lenders and borrowers access to loan participation and equity investment pools, and other credit enhancements that strengthen a loan package. Nonprofits also assist lenders by providing management, marketing, and financial training to small business borrowers. These programs will help mitigate risk and profitability concerns while meeting customers' needs.

- *Consider developing products and banking services tailored specifically to new businesses and those that need small-amount loans.* Owners of new or very small businesses appreciate extended banking hours on Saturdays and evenings, and telephone and "on-line" banking services. Owners who need occasional small-loan amounts like the convenience of products, such as checking accounts with credit line and monthly statement features, that facilitate quick access to small credit advances.
- *If you must deny a loan request as submitted, consider offering the applicant an alternative.* Be willing to work with small business owners to restructure a loan denial into a loan approval.

When a loan request is not suitable for approval as submitted, consider working with the applicant to determine if alternative structuring of the credit can meet her needs as well as yours. For example, phasing in the purchase of additional equipment can lower the loan principal; additional collateral can reduce lender risk; a small-amount loan request can be made more profitable to the lender by converting it to a line of credit.

Recommendations for Women Business Owners

- *Assemble all relevant information to help your lender approve your application.* Recognize that lenders are profit-driven, and that for them, like you, time is money. Prepare a loan request binder or folder which includes a resume of your past experience and training, market studies, a business plan, financial projections, contingency plans, your personal financial statements, and related documents. This binder will speed the application process by reducing the time and effort lenders spend obtaining information and documentation and help them reach a favorable decision.
- *Be flexible and negotiate.* The lending process is largely negotiation. In negotiating with your lender to develop a loan request, you should identify and clearly articulate your business' needs and assets and seek the most favorable loan terms for your business.

While lenders may deny your initial request, continue negotiating to explore other alternatives for funds. In many cases lenders may be willing to restructure the loan or vary the terms to meet your needs.

Improving Customer Understanding of Business Finance, Financial Statements, and the Credit-Underwriting Process

In our discussions with lenders and women small business owners, it became apparent that they must “speak the same financial language.” Financial statements are the common language that the business and financial communities need to do business with each other. They provide business owners and loan officers with shared financial knowledge about the business and the credit underwriting criteria that lenders intend to use.

From the lender's point of view, missing or poorly-prepared financial statements can cause severe problems for a loan application. Lenders freely admit that women business owners who do not have financial statements are routinely asked to prepare them. Lenders reported that often many small business owners try to save money by preparing their own financial statements, only to sacrifice credibility and explain inaccuracies or misstatements.

However, even when financial statements are current and have been properly prepared, some women business owners reveal their limited financial expertise by not recognizing negative factors in the statements. For example, a lack of retained earnings, poor cash management, poor collection on accounts, or late payments to suppliers can cause serious problems for a business loan request.

Lenders especially mentioned lack of retained earnings as a common negative factor revealed in small businesses' financial statements since lenders typically rely on retained earnings to measure a business' ability to support debt. Women business owners, however, regard retained earnings as an unnecessary tax liability and contend that lenders should be willing to place greater reliance on an owner's willingness to repay debt. Despite their disagreement, both groups acknowledge that tax laws tend to encourage business owners to keep retained earnings low.

Nevertheless, women business owners must accept the basic principle of business credit underwriting that when lenders are making loan decisions, they rely more on the enterprise's earnings than on the owner's salary.

This owner/lender debate illustrates the need for improved understanding and communication about how financial statements are used in the credit-underwriting process.

Another common area of disagreement between lenders and women business owners relates to the valuation of collateral. According to lenders, owners invariably overrate the value of their personal or corporate collateral. According to owners, lenders are too conservative in the valuation of collateral.

While these differences can be expected, many of the women business owners stated that their collateral was undervalued because of the loan officer's inexperience. These women business owners resented having to explain the various aspects of their business collateral to lenders who didn't know their type of business. Many owners expressed frustration at having to educate them.

Some lenders stated that lack of financial expertise was more pronounced with women business owners while some felt that this was a problem with small business owners in general. Lenders stated that many women business owners were competent running their businesses, but they needed to improve their understanding of their financial statements.

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“They tend to be very good at running their businesses, but when it comes down to understanding the financial statements and why we're looking at the ratios we do, there's a lack of understanding and we run into that a lot.”
Focus group participant

In summary, a new business owner spends a tremendous amount of time and energy building her business. When applying for credit, she should exert the same energy preparing the financial statements, cash flow, and profitability analyses. She should not view the financial side of her business as a luxury for which she has no time.

On the other hand, lenders should review how they handle and nurture new business accounts, emphasizing the importance of having properly prepared and current financial statements, and, if necessary, suggest that owners learn to understand financial statements and their relationship to the credit underwriting process.

Recommendations

The following recommendations for lenders and women business owners suggest various actions that both can take to improve communication about the financial aspects of small business credit underwriting.

Recommendation for Lenders

- *Advise women business owners early in the account relationship about the importance of financial record keeping and business finance.* Emphasize the importance of understanding and maintaining accurate and up-to-date financial statements.

Understanding financial statements will assist her with her corporate and personal financial planning and prepare her for the types of scrutiny that you will apply to the business when she applies for credit. For example, your periodic review of her business' retained earnings or accounts receivable will prepare her for your questions during the loan application process.

Locate sources of training for women business owners on financial statement preparation and financial concepts, and refer your clients as needed.

Recommendation for Women Business Owners

- *Make your understanding of financial statements and business finance concepts a priority for your business.* Contact local colleges, universities, or nonprofits that assist small businesses for lists of courses and other training on small business finance.

Make sure loan officers thoroughly explain any financial concerns they have about your business during a routine discussion or the loan application process, and take immediate steps to resolve the concerns.

Identifying Opportunities for Service-Sector Lending

As with other issues discussed in this Guide, many of the special problems associated with lending to service-sector small businesses are gender-neutral. However, a growing number of service-sector businesses are owned by women, and therefore, it is important to discuss how a lender's preference for collateral-based lending can impact credit flow to these businesses.

While lenders emphasized that non-collateral based underwriting criteria — such as cash flow, retained earnings, and a track record of profitability — are critical factors in their underwriting process, collateral does in fact provide the basis for many credit extensions, in that it reduces risk and provides lenders with some degree of loss recovery.

Some lenders noted that a growing number of commercial finance companies and suppliers have developed special financing programs for well-collateralized small business credits — such as those secured by real estate, inventory, and equipment — leaving banks with the difficult non-collateral-based credits.

Increased competition for collateral-based lending may in fact benefit small businesses in the manufacturing, processing, or retailing sectors, and those that could use real estate as collateral.

However, for small businesses engaged in service-sector activities, the picture may not be as bright. As the American economy continues to move from a reliance on manufacturing, which typically uses real estate and expensive equipment as collateral, to reliance on the sale of services, lenders will need to rely less on familiar tangibles, and more on intellectual property, skilled labor pools, and other new intangibles that will comprise the collateral of the service-sector businesses of the future. Lenders will be especially challenged to develop underwriting criteria that can meaningfully evaluate these types of small business loan requests.

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“More than 40 percent of women-owned businesses had been operating for 12 years or more, and in every industrial sector including manufacturing, agribusiness, retail as well as high-growth industries such as health, business and professional services.”
Data Collection Fact Sheet,
The National Foundation for
Women Business Owners, 1994

In developing these criteria, lenders need to become familiar with emerging service-sector technologies and markets, and the increasingly specialized services those markets demand. Lenders will be increasingly called upon to address the credit needs of service-sector professionals who are selling services to corporate customers. Lenders need to learn to value intellectual property and to understand technology’s role in small business. In addition, they need to stay informed about the new global marketplace in which more and more of our nation’s service-sector businesses function.

With a better understanding of these issues, banks and other types of financial institutions will create new ways of underwriting service-sector small business credit. Unless traditional collateral-based credit underwriting is augmented by new standards which are capable of taking into account the new realities of service-sector businesses, banks and other lenders risk losing their opportunities to serve this growing market.

Women are increasingly well represented as owners of both traditional and emerging categories of service-sector businesses. As this trend continues, women business owners will increasingly look to financial institutions to address their business finance needs.

The strategies for both lenders and women owners of service-sector businesses are clear. Lenders need to understand service-sector business, and women business owners need to provide their lenders with the information they need to make informed, knowledgeable lending decisions.

Recommendations

The following recommendations can help lenders provide small business credit to service-sector firms. The recommendations also help women business owners gain access to such credit.

Recommendation for Lenders

- *Review your loan policies, underwriting criteria, and service-sector small business portfolio to assess whether your small business lending unit is missing service-sector business lending opportunities. Answer questions such as:*
 - Are you missing loan opportunities because of overdependence on collateral-based criteria?
 - Do your loan officers know how to value service-sector receivables for loan collateralization?
 - Does your institution have a sufficient understanding of the service sector to underwrite service-sector loans confidently?
 - Does your institution stay current on service-sector product, technology, and market developments so that you can respond profitably to the credit needs of small service-sector business customers?

Recommendation for Women Business Owners

- *Educate your lender on your service-sector business.* Explain to your lender everything about your business, your product line, your production process, your equipment and technology, and market demand.

Develop a portfolio of studies, news clips, brochures, and other materials which lend credibility to your business and your expectations of profitability. Provide current financial statements, and demonstrate your ability to sell your service and collect your accounts.

Conclusion

Small business lending is a challenging and evolving area of commercial banking. The small business lenders who succeed in building a solid portfolio of small business loans bring energy, experience, sound judgment, and creativity to their work.

Likewise, today's successful small business owners need to be committed, well-informed, and knowledgeable about both their businesses and business finance if their businesses are to grow and prosper.

The women business owners and lenders who contributed to this Guide have shown how gender-related issues can influence not only lender behavior and judgment, but also women's own use of information and skills that lead to successful loan requests.

As discussed in this Guide, financial institutions that recognize the business opportunities of women-owned small businesses will implement business strategies to increase their market share of this growing and profitable market segment. These strategies include:

- Implementing specific suggestions on how to improve networking with women business owners;
- Reviewing and monitoring underwriting criteria for gender bias;
- Training staff;
- Strengthening small business lending units;
- Improving communication with women business customers; and
- Staying current with emerging small business trends.

Women business owners can use the Guide's recommendations to develop strategies to facilitate their access to small business credit. These strategies include:

- Planning ahead for credit needs;
- Doing homework before selecting a financial institution;
- Learning how to develop financial statements and business plans;
- Understanding loan underwriting criteria;
- Communicating clearly and effectively with lenders; and
- Developing strong negotiating skills.

Successful women business owners will review and, as appropriate, implement the strategies and techniques contained in this Guide to strengthen their relationships with their financial institutions and better represent themselves as creditworthy and profitable small business owners.

This checklist is a summary of the recommendations discussed throughout this Guide, and can be photocopied for use in training or as a quick reference.

Recommendations for Lenders

To ensure bias-free practices:

- Develop and conduct training for loan officers, senior management, directors, and support staff to eliminate gender stereotyping.
- Review credit reports to assess realistically the current ability of the woman owner to repay the loan.
- If credit bureau reports or other information reveals past credit problems, ask the applicant to provide additional information about the cause, extent, and resolution of the problem.
- Plan and market networking events that are suitable for both men and women business owners, lenders, and management staff.
- Hire and promote women for lending and management positions.
- Consider implementing a shopping or self-testing program to audit possible gender bias in your small business lending unit.
- Portray successful women business owners in a variety of businesses and business roles throughout your institution's marketing efforts.
- Develop underwriting policies and procedures that clearly identify when and how co-signer, guarantor, and security agreement requirements will be used.

To enhance customer loyalty:

- Review your customer base to determine if you are losing women customers:
 - Compare your products and services to those of your competitors
 - Call customers who have left your institution and ask them why they moved their accounts.
 - Get feedback about your institution from local nonprofits and government small business agencies.

To enhance the effectiveness of your small business lending unit and its organizational status:

- Staff, train, and support your small business lending unit adequately:
 - Use compensation or other expressions of appreciation to reinforce management support for the unit.
 - Provide training and other career enhancements to small business lending unit staff comparable to those provided other commercial lending units.
 - Treat all small business loan packages seriously and with respect.

- Avoid routinely assigning women business owners to new, less-experienced, or less-skilled loan officers:
 - Consider assigning some women small business clients to more experienced and established loan officers to see if their increased skill and experience enhances underwriting outcomes.
- Consider leveraging the skills and experience of the commercial loan staff from other lending units into your small business unit:
 - Implement cross-training between small business lending units and other commercial lending units.
 - Consider having less-experienced small business loan officers mentored by more experienced commercial lenders.
 - Promote the formation of advisory relationships between your small business unit and other commercial lending units.
- Promote small business lending positions as career and training opportunities for financial institution staff.

To ensure timely response to loan requests:

- Emphasize the importance of processing loan and other financial service applications in a timely manner:
 - Design management systems that identify bottlenecks or other inefficiencies in your small business lending unit.
 - Develop procedures for resolving customer inquiries about service delays.
- Consider using local nonprofit small business agencies, such as Small Business Development Centers, for small business loan packaging.

To facilitate start-up and small amount lending:

- Design and manage character lending programs which recognize the potential for bias:
 - Review your character lending loan policies and underwriting criteria for possible gender bias.
 - Provide character lending training to your small business loan staff to avoid gender bias.
 - Design and implement character lending management oversight procedures, such as a second-review program, to eliminate bias-based credit decisions.

- Consider using government and nonprofit lending programs. Federal, state, and local governments, and nonprofit agencies offer small business lending programs that promote and provide incentives for new businesses and small-amount lending:
 - Use local nonprofits as referral sources for management, marketing, and financial training for your small business customers.
- Develop a line of products specially tailored for small business owners:
 - Consider products such as checking accounts with credit line and combined monthly statement features.
 - Provide increased access to banking services through extended evening and Saturday hours, or telephone and “on-line” banking services.

To help women business customers better understand financial and lending criteria used by your financial institution in the credit application process:

- Advise women business owners early in the account relationship about the importance of financial record keeping and learning about business finance.
- Identify external sources of training for women business owners on financial statement preparation and financial concepts, and refer your customers accordingly.
- If you must deny a loan request as submitted, consider offering the applicant an alternative.

To increase your service-sector lending opportunities:

- Review your loan policies, underwriting criteria, and service-sector small business portfolio to assess whether your small business lending unit is missing service-sector business lending opportunities:
 - Assess whether your small business loan policies are overly dependent on collateral-based criteria.
 - Determine whether your small business loan officers are sufficiently knowledgeable about valuation of service-sector receivables.
 - Determine whether your institution is sufficiently familiar with service-sector business developments and growth in order to identify service-sector lending and servicing opportunities.

Recommendations for Women Owners of Small Businesses

To deal effectively with potential gender bias issues:

- Know your rights under the Equal Credit Opportunity Act.
- Take advantage of networking opportunities sponsored by financial institutions, other small business owners, chambers of commerce, professional associations, nonprofit organizations, and others.

To develop a satisfactory and long-term relationship with your financial institution:

- Research and identify lenders who are equipped to meet your current and future banking needs before establishing a banking relationship:
 - Obtain referrals from other small business owners (including women owners) and nonprofits to identify a “short-list” of candidates.
 - Investigate whether the institutions have specialized small business lending units, products, and services that will meet your long and short-term needs.
- Use your initial deposit relationship to lay the groundwork for a long-term banking relationship:
 - Meet your account officer, and discuss your business and its short- and long-term goals.
 - Ask your account officer for a thorough review of the deposit and cash management products available to your business. This will give you a sense of the level of service you will be able to expect throughout your account relationship.
- Work with your lender to find the loan officer right for you:
 - Express your concerns or problems promptly to financial institution management.

To help ensure timely processing of your loan request:

- Anticipate short-term needs and discuss them with your lender before you actually need a loan.
- Have your financial statements professionally prepared and keep them current.
- Develop a business plan regardless of how long you have been in business.

To strengthen your request for a new business or small-amount loan:

- Assemble all relevant information to mitigate potential concerns that lenders may have with your application:
 - Discuss any weaknesses or other concerns about your loan request with your lender prior to submitting your application to head off any problems.
 - Provide a complete loan package as part of your loan application. A well organized binder or folder will impress your lender and facilitate processing your request. It should include:
 - Your professional resume,
 - Market studies,
 - Business plan,
 - Financial statements and projections,
 - Contingency plans,
 - Personal financial statements, and
 - Related documents

- Be flexible and discuss alternatives to your initial loan request. Negotiate!

To communicate effectively the financial aspects of your business with your lender:

- Understand financial statements and business finance concepts:
 - Contact local colleges, universities, or nonprofits that assist small businesses for course listings and training on small business finance.
 - Make sure loan officers thoroughly explain any financial concerns they have about your business during the loan application process or a routine discussion, and take immediate steps to resolve these concerns.

If you own a service-sector business:

- Educate your lender on your service-sector business:
 - Maintain a file of studies, news articles, and the like on your type of business and its markets, and periodically share these materials with your loan officer.
 - Keep your loan officers informed about your business developments and successes on an ongoing basis; the more background they have about your business, the better service they can provide you.

Additional Readings

We recommend the following materials to bankers, women business owners, nonprofits, and others interested in small business lending to women. A number of these materials served as sources for concepts, issues, and research findings presented in this Guide.

Board of Governors of the Federal Reserve System, *A Guide to Business Credit and the Equal Credit Opportunity Act*, Washington, D.C.: U.S. Government Printing Office, 1987.

Written for small business owners, this 12-page brochure discusses the lender's perspective, types of credit, the credit application process, protections under the ECOA, and options that small business loan applicants have if turned down for credit. It also lists federal ECOA enforcement agencies.

Federal Reserve Bank of Boston, *Closing the Gap: A Guide to Equal Opportunity Lending*, Boston, MA, 1993.

Although this 27-page booklet focuses on fair lending to minorities seeking home mortgage credit, many of the principles and recommendations are applicable to improving small business lending to women and minorities. Small business lending units will be particularly interested in the discussions of fair and aggressive marketing to protected classes, second review of denied applications, and the impact of business location on loan underwriting. A videotape version, produced by the Federal Reserve Banks of Boston, Chicago and San Francisco, is also available. To order the videotape, write or call Videocopy, 650 Vaqueros Avenue, Sunnyvale, CA, 94086. Tel. (800) 708-7080.

Federal Reserve Bank of Chicago, *Small Business Credit and the Equal Credit Opportunity Act*, Chicago, IL, 1993.

This one-page fact sheet covers small business loan applicants' rights under the Equal Credit Opportunity Act, and actions to take if they suspect a violation of ECOA.

Federal Reserve Bank of New York, *The Credit Process: A Guide for Small Business Owners*, New York, NY, 1994.

This 26-page booklet is written for small business owners seeking financing for the first time. It covers sources and types of financing, preparation of a business plan and loan application, funding resources, and action to take if a loan is denied. It also contains an especially useful and comprehensive glossary of finance terms, agencies and fair lending regulations.

Glassman, Cynthia A., *The Weakening Role of Banks in Financing Small Business*, Washington, D.C.: Association of Reserve City Bankers, 1993.

This study, prepared by Ms. Glassman of Furash & Co. for the Banking Research Fund of the Association of Reserve City Bankers, discusses bank competition for small business loans from non-bank lenders and the inroads non-bank lenders have made into this market formerly dominated by commercial banks. It also makes recommendations on what banks need to do to remain competitive with non-bank lenders, including enhancing convenience and responsiveness to small business customers and their needs.

Illinois Women's Economic Development Summit — 1993, *Strengthen Illinois: An Action Plan for Women's Economic Empowerment*, Chicago, Illinois: Women's Business Development Center, 1993.

This 22-page report summarizes a platform of policies and strategies that target economic justice for women in Illinois. Much of the report discusses issues related to women entrepreneurs and women-owned businesses.

National Foundation for Women Business Owners and Dun and Bradstreet Information Services, *Research Highlights, Women-Owned Businesses: Breaking the Boundaries, The Progress and Achievement of Women-Owned Enterprises*, Washington, D.C., 1995.

To order, contact The National Foundation for Women Business Owners, 1377 K Street, N.W., Suite 637, Washington, D.C., 20005.

National Women's Business Council, *Access to Capital Expert Policy Workshop Report*, Chicago, IL: Federal Reserve Bank of Chicago, 1994.

This 51-page report covers the proceedings of the "Access to Capital Workshop," conducted by the National Women's Business Council and hosted by the Federal Reserve Bank of Chicago in June 1994. One of a series of workshops nationwide, it convened local experts to discuss the barriers that prevent women business owners from tapping private capital markets, and some ways to overcome these barriers.

U.S. Small Business Administration, *Small Business Investment Companies: The SBIC Program*, Washington, D.C.: U.S. Government Printing Office, 1994.

This 11-page brochure describes the Small Business Investment Company Program, procedures that SBICs follow to provide capital to small businesses, program requirements, restrictions and uses, and information on obtaining licensing to start an SBIC.

Small Business Assistance Organizations

The following is a brief list of national and Chicago-area organizations that women business owners, small business lenders, and others can contact for more information on credit and other issues related to women-owned small businesses. A more complete list can be obtained by writing the National Women's Business Council, 409 3rd Street S.W., Suite 5850, Washington, D.C., 20004.

National Association of Women Business Owners/
The National Foundation for Women Business Owners
1100 Wayne Avenue, Suite 830
Silver Spring, MD 20910-5603
Phone: 301/495-4975

National Community Reinvestment Coalition
1875 Connecticut Avenue N.W., Suite 1010
Washington, D.C. 20009
Phone: 202/986-7898

National Women's Business Council
409 Third Street S.W., Suite 5850
Washington, D.C. 20024
Phone: 202/205-3850

Women's Business Development Center
8 S. Michigan Avenue, Suite 400
Chicago, IL 60603
Phone: 312/853-3477