

Findings from Research on Small Business Borrower Experiences

March 2026

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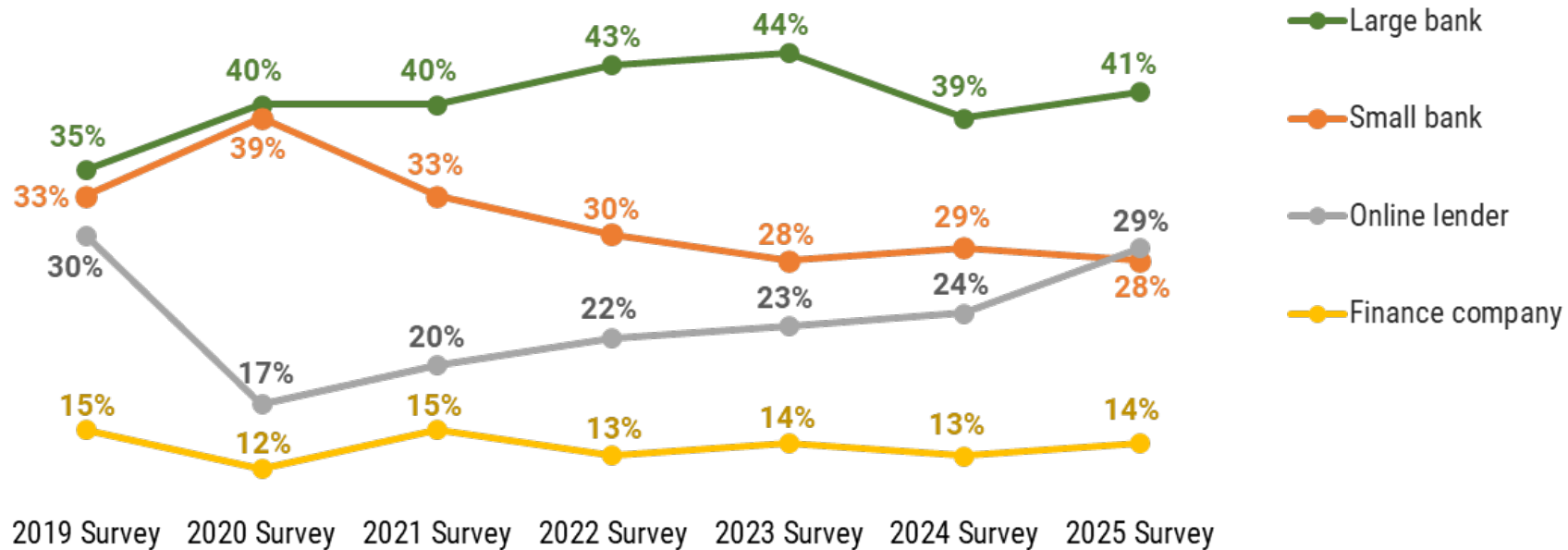


Relevant Federal Reserve Research

- Reports from the Small Business Credit Survey (SBCS), an annual survey of more than 10K small businesses
 - [*2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey*](#) (2026)
 - [*Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey*](#) (2022)
- Focus group studies:
 - [*Alternative Lending through the Eyes of “Mom & Pop” Small Business Owners*](#) (2015)
 - [*Browsing to Borrow: “Mom & Pop” Small Business Perspectives on Online Lenders*](#) (2018)
- Online lender website analysis: [*Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites*](#) (2019)

The SBCS finds changes in the small business credit market

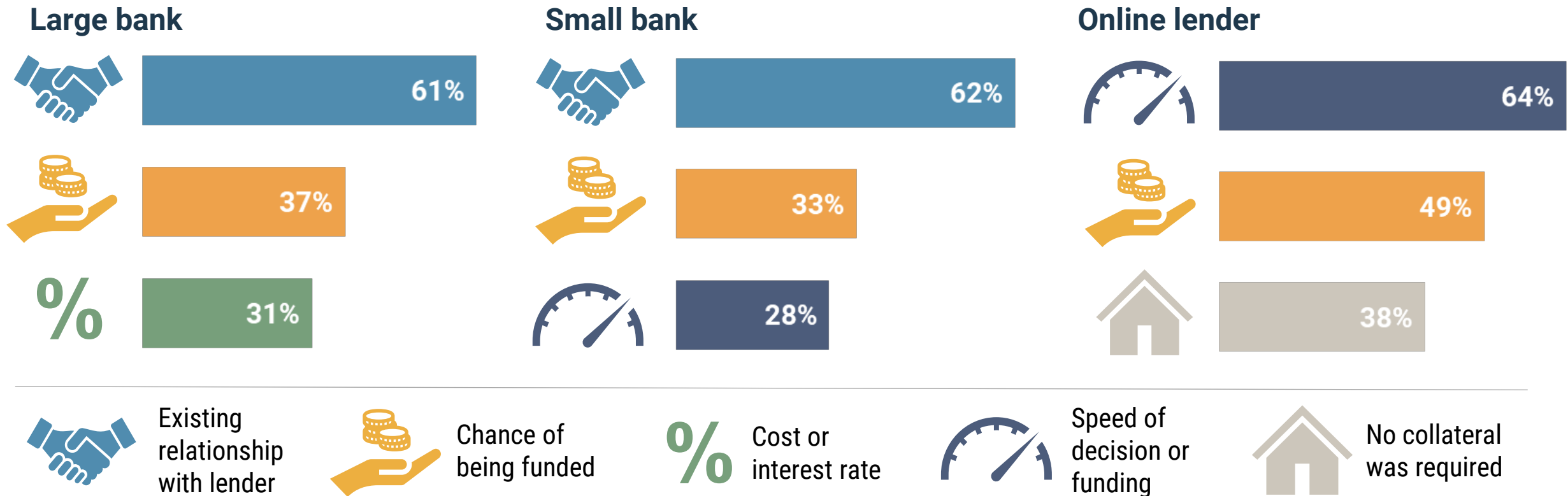
CREDIT SOURCES APPLIED TO, Prior 12 Months, By Survey Year
(% of loan, line of credit, and merchant cash advance applicants)



Source: Small Business Credit Survey, 2026 Report on Employer Firms
Note: Respondents may select multiple lenders.

Applicants consider more than cost when applying for financing

TOP THREE FACTORS INFLUENCING WHERE FIRMS APPLY, *By Source*
 (% of loan, line of credit, and merchant cash advance applicants at source)

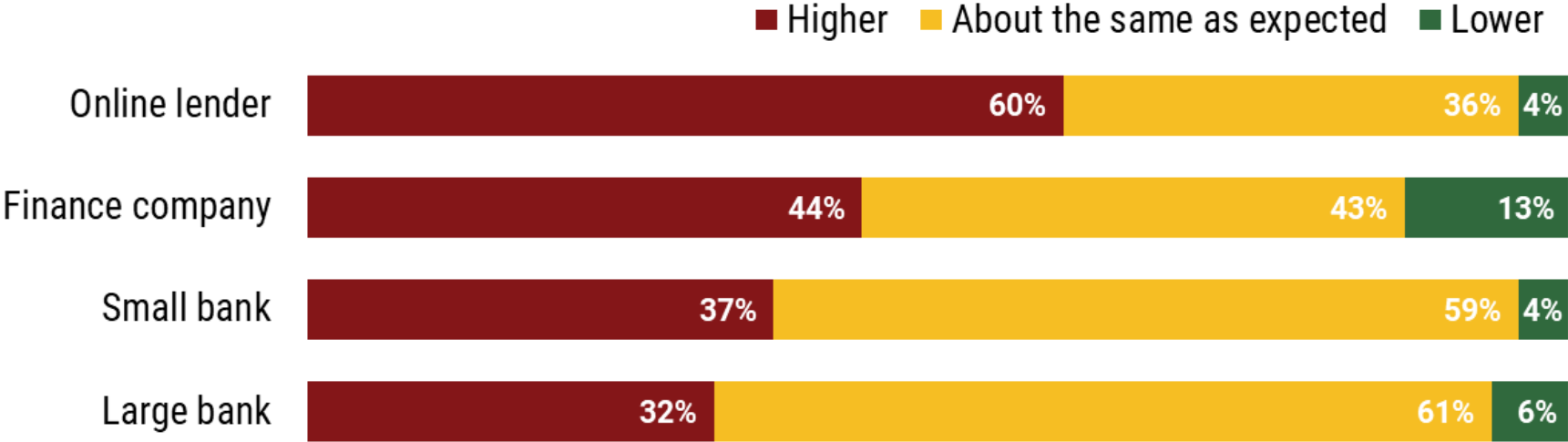


Source: Small Business Credit Survey, 2026 Report on Employer Firms
 Note: Select factors and lender categories shown. See report for additional details.

Many borrowers reported higher-than-expected borrowing costs

ACTUAL BORROWING COST RELATIVE TO EXPECTATIONS

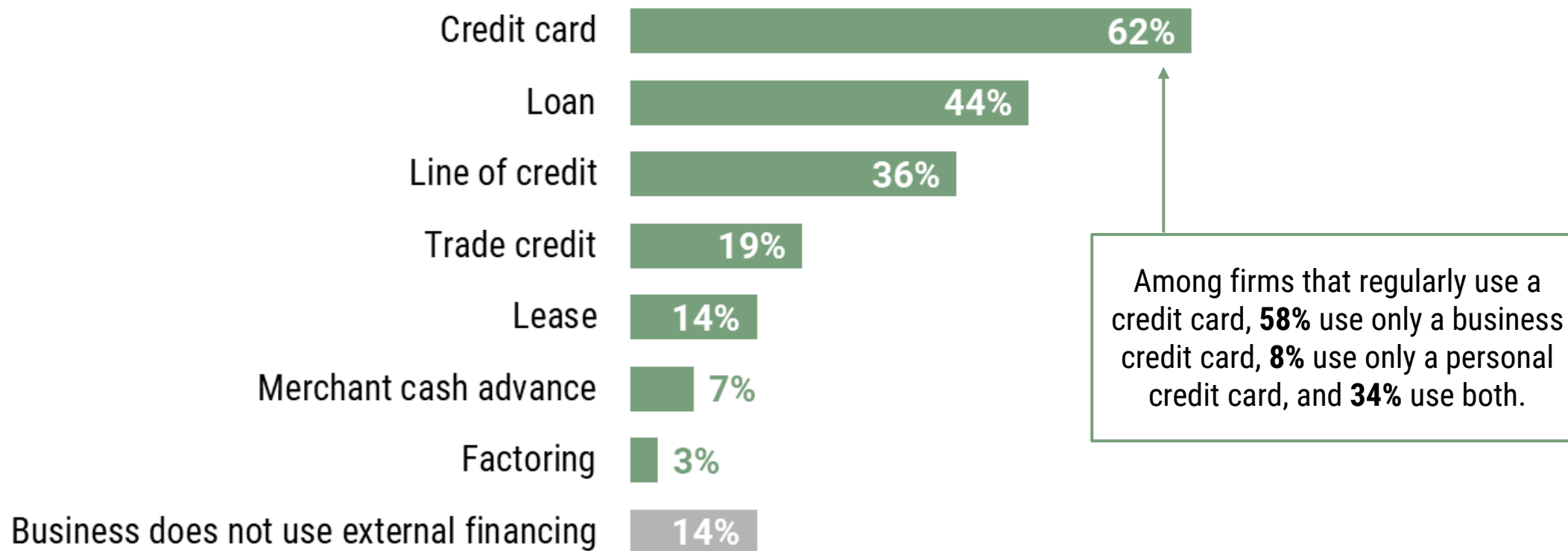
(% of loan, line of credit, and merchant cash advance borrowers at source)



Source: Small Business Credit Survey, 2026 Report on Employer Firms

Small businesses often use personal credit to pay business expenses

USE OF FINANCING AND CREDIT, *Products Used on a Regular Basis* (% of employer firms)



Source: Small Business Credit Survey, 2026 Report on Employer Firms
Note: Respondents may select multiple products.

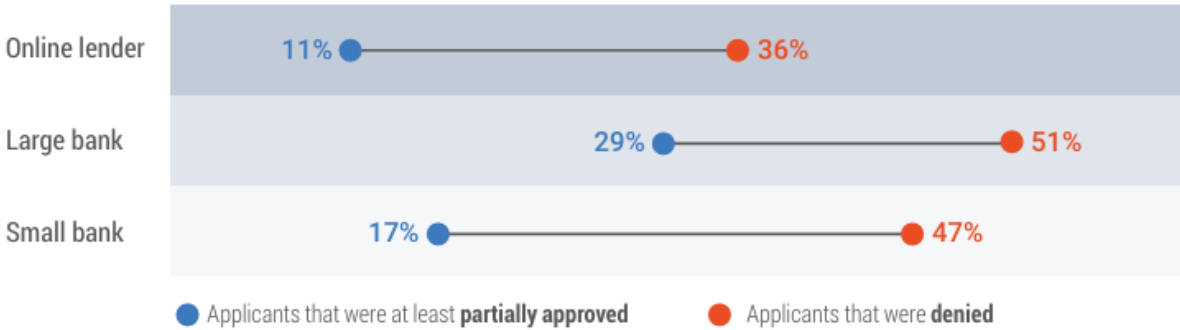
Unlike bank applicants, approved online lender applicants report more challenges with rates and terms than denied applicants

CHALLENGES WITH LENDERS, *By Source and Approval*

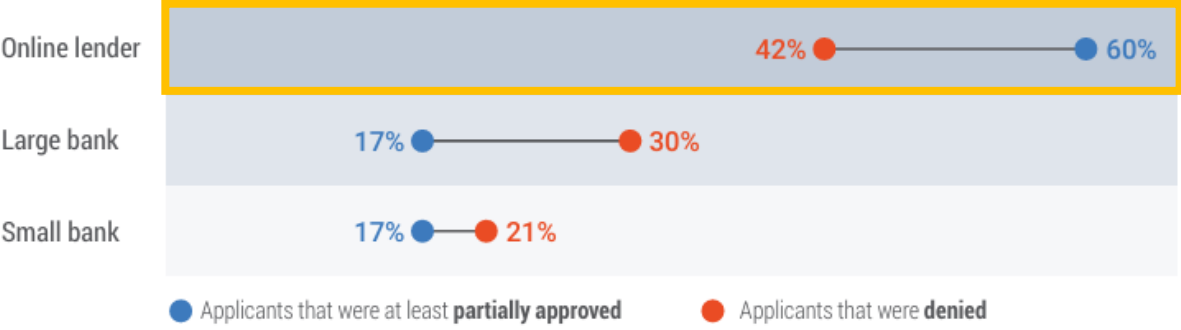
(% of loan, line of credit, and cash advance applicants at source that were denied/approved)



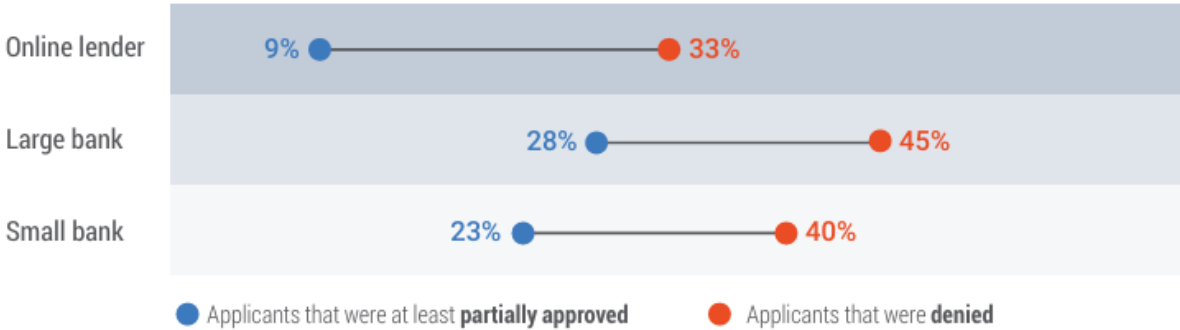
Difficult application process



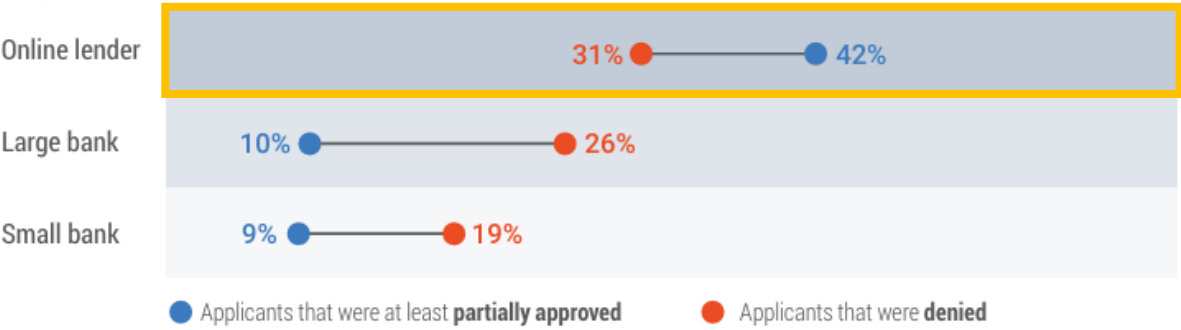
High interest rate



Long wait for credit decision or funding



Unfavorable repayment terms



See "Clicking for Credit: Experiences of Online Lender Applicants from the Small Business Credit Survey." Data from 2021 Small Business Credit Survey.

Focus groups with small business owners shed light on understanding of credit products

In online focus groups, small business owners raised several concerns after visiting online lender websites and comparing sample products:



Participants initially said it was “easy” to evaluate sample credit products, but many expressed uncertainty or answered questions incorrectly when making product comparisons, especially on cost.



Participants often made incorrect assumptions about products when they encountered unfamiliar terminology or features.



Virtually all participants said they wanted clear disclosure of product costs and terms in a standard way that enabled comparisons. APR was among the details most important to participants.

Varied product rate descriptions make apples-to-apples cost comparisons a challenge

Sample scenario: \$50,000 borrowed; repaid in six months

	Lenders' rate description	Total amount owed*	Estimated APR equivalent*
<i>Product A</i>	1.15 factor rate	\$59,000	~70% APR
<i>Product B</i>	4% fee rate	\$56,500	~45% APR
<i>Product C</i>	9% simple interest	\$54,500	~46% APR

* Calculated using product information (including repayment terms and fees) provided on three of the online lenders' websites reviewed for this study.

Additional resources

- Small Business Credit Survey (SBCS) reports: www.fedsmallbusiness.org
 - [*Click, Submit 2.0: An Update on Online Lender Applicants from the Small Business Credit Survey*](#) (2019)
 - [*Click, Submit: New Insights on Online Lender Applicants from the Small Business Credit Survey*](#) (2016)
- Other research using SBCS data:
 - [*The Rise of Fintech Lending to Small Businesses: Businesses' Perspectives on Borrowing*](#) (2020)