

## Small Business Lending in the United States, 2013

U.S. Small Business Administration,  
Office of Advocacy, Office of Economic Research, 2014, 155 pages.

### Purpose

This report examines the supply of credit to small firms by depository lending institutions. It analyzes the changes in the market structure of small business credit, and it ranks lenders according to the amount and proportion of small, micro, and macro business loans in their portfolios. It is designed to inform business owners and banks of major participants in the small business loan market. The report is based on data that banks provide to their regulating agencies through Consolidated Reports of Condition and Income (Call Reports) and Community Reinvestment Act (CRA) reports. Please note that this report examines all small business lenders filing Call Reports, but it is not possible to distinguish SBA-guaranteed lenders from the available information.

### Background

The effect of the financial crisis continues to linger in the small business credit market. Since the crisis, small business bank borrowing has remained weak compared to large businesses. Demand and supply side factors contributed to the sluggish recovery, as well as such regulatory changes as increases in bank capital reserve requirements and heightened regulatory oversight. Tighter lending standards reduced the number of creditworthy small business borrowers, and depressed collateral values hampered small firms' ability to borrow. According to the Federal Reserve's Survey of Terms of Business Lending, in 2007 roughly 84 percent of the value of loans under \$100,000 was secured by collateral, and by 2013 that figure had increased to 90 percent. As a result, bank lending to small businesses has yet to recover and is currently at 2002 levels. Some economic measures, such as GDP and unemployment, have improved,

but remain short of pre-crisis levels. The number of banks continued to decline in 2013, leaving small businesses with fewer options to obtain credit (Figure 1).

Financial markets continued to remain supportive of economic growth, and interest rates remain relatively low. In the last few years, bankers have reported easing their credit standards on commercial and industrial loans (C&I). This may have contributed to the improvement seen at the end of 2013 when both the value and volume of small business loans increased simultaneously for the first time in fifteen quarters. In fourth quarter 2013, small business loan value increased by 0.4 percent and volume increased by 1.1 percent. This positive trend carried over to the first quarter of 2014 (Figure 2).

### Loan Size Definitions Used in the Lending Study

This report's loan definitions are based on the size of the loan, not the size of the borrower.

Loan	Size
Small business loan	\$1 million or less
Micro business loan	Under \$100,000 <i>This report's definition of "micro business loan" differs from other SBA programs and other industry uses of the term.</i>
Macro business loan	Between \$100,000 and \$1 million
Large business loan	More than \$1 million

## Highlights

### Small Business Lending by All Banks

- The growth of small business borrowing has been uneven since the Great Recession. Small business loans outstanding amounted to \$585 billion in June 2013. They were down less than half a percent from their June 2012 level, and by the end of 2013 both the number and value of small business loans increased concurrently for the first time since 2008 (Figure 2).
- The value of micro business loans (under \$100,000) increased by 2.0 percent or \$2.8 billion.
- The total number of lenders submitting Call Reports declined to 6,939 in June 2013 from 7,246 in June 2012. The decline consisted almost entirely of the smallest lenders, those with assets under \$100 million.
- In general, the pace of total business lending and large business lending slowed from the previous year. Total business loans outstanding increased 6.7 percent to \$2.6 trillion in June 2013, compared with an 8.0 percent increase the previous year. Large business loans increased by 8.9 percent compared to 12.0 percent in June 2012.

### Lending by Multibillion-dollar Lenders and Bank Holding Companies

- Small business lending continues to be highly concentrated in the largest banks and bank holding companies. The lending industry is made up of over 6,000 banks, yet the 35 largest bank holding companies held 39 percent of all small business loans outstanding in June 2013 (\$227.3 billion of the total \$585 billion in small business loans outstanding). By the end of the year, these 35 banks accounted for \$233.8 billion worth of small business loans.
- Total lending is even more heavily concentrated. Large lenders (with assets exceeding \$10 billion) held roughly 79 percent of total industry assets. Within this category, mega lenders (with more than \$50 billion in assets), held almost 70 percent of the industry's total assets.

### Small Business Lending Trends in the CRA Data

- CRA reports are required for lenders with more than \$1 billion in assets. CRA data provide information on the geographic location of loans made during the calendar year, thereby providing a glimpse of local economies. It is worth noting that in 2005 the CRA reporting threshold changed from \$250 million

to \$1 billion. As such, data comparisons before 2005 may be limited.

- In 2012, 679 banks and bank holding companies filed CRA reports. CRA-reporting lenders made six million small business loans with a total value of \$206 billion. Of these six million small loans, 5.5 million were micro business loans valued at \$68.5 billion (compared with 4.8 million micro loans valued at \$66.4 billion in the previous year). CRA small business lending data cover a portion of credit extended to small businesses.

## Scope and Methodology

This study mainly uses two types of data:

- The Call Report data from the Federal Deposit Insurance Corporation which provide information on loan balances for all depository institutions for 2013.
- The Community Reinvestment Act (CRA) reports from the Federal Financial Institutions Examination Council (FFIEC) which provide information for loans made during the year 2012.

Bank holding company data is used for consolidating the data. The report also provides a brief update through the first two quarters of 2014.

Developments in lending activities over time are analyzed using Call Report statistics for several variables. Because of the changing number of banks required to report under the CRA, year-to-year changes in the lending activities for this group of banks are more difficult to interpret. The report examines all small business lenders filing Call Reports, but it is not possible to distinguish SBA-guaranteed lenders from the available information.

The report contains six extensive sets of tables ranking lenders by various factors, as well as providing other specific lending details. The report lists the top lenders in each state, and an expanded table on the Advocacy website lists all banks by state in terms of their small and micro business lending. The rankings are based on four factors:

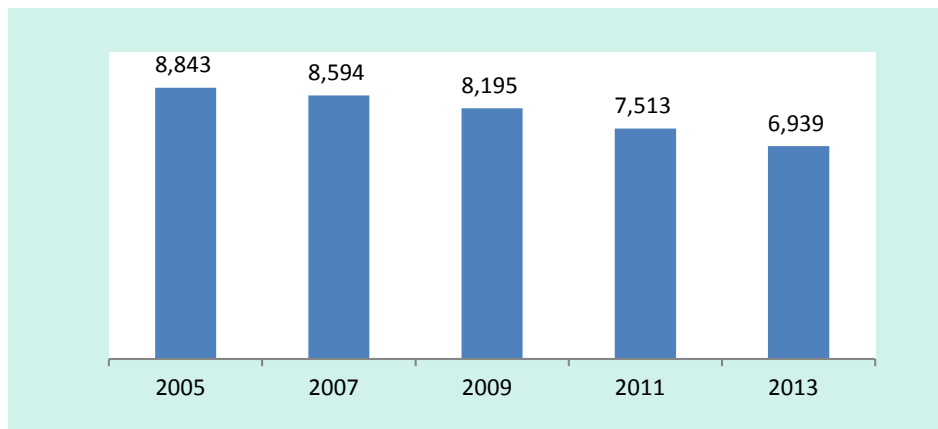
1. The ratio of small, micro, or macro business loans to total assets (total asset ratio or TA ratio),
2. The ratio of small, micro, or macro business loans to total business loans (total business loan ratio or TBL ratio),
3. The amount of small, micro, or macro business lending by the lender, and
4. The number of small, micro, or macro business loans.

## Additional Information

This report is available on the Office of Advocacy's research webpage at [www.sba.gov/advocacy/small-business-lending-united-states-2013](http://www.sba.gov/advocacy/small-business-lending-united-states-2013).

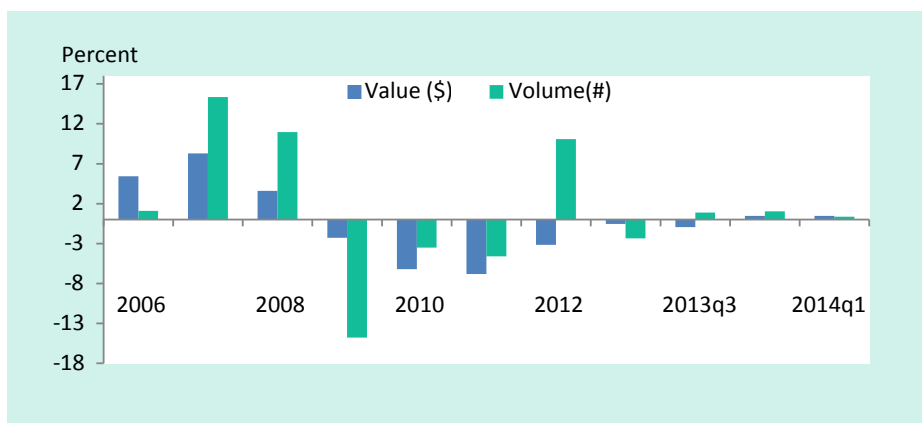
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**Figure 1: Number of Reporting Lenders**



Source: *Small Business Lending in the United States, 2013*. Published by the U.S. Small Business Administration, Office of Advocacy, 2014. Based on FDIC Call Report data.

**Figure 2: Change in Small Business Loan Value and Volume**



Source: *Small Business Lending in the United States, 2013*. Published by the U.S. Small Business Administration, Office of Advocacy, 2014. Based on FDIC Call Report data.