

Small Business Lending in the United States, 2017

Office of Advocacy
U.S. Small Business Administration

January 2020



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Acknowledgments

This edition of *Small Business Lending in the United States*, which addresses changes in 2017, was written and compiled by Victoria Williams, Economist. George Haynes of Montana State University prepared the data for the analysis under contract 73351018P0054 to the Office of Advocacy. The editor of the report is Rebecca Krafft.

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Definitions, Terms, and Abbreviations

Bank. Any national bank and state bank, and any federal branch and insured branch; includes any former savings association.

BHC. Bank holding company. A company that owns and/or controls one or more U.S. banks or one that owns, or has controlling interest in, one or more banks. A bank holding company may also own another bank holding company, which in turn owns or controls a bank. The company at the top of the ownership chain is called the top holder.

Call Report. Short term for the Report of Condition and Income, a report which must be filed by all regulated financial institutions in the United States on a bi-annual basis.

C&I loan. Commercial and industrial loan; one of the two categories of a business loan.

CRA. The Community Reinvestment Act. The CRA requires lending institutions with total assets of approximately \$1 billion or more to report their small business lending activities.

CRE loan. Commercial real estate loan; one of the two categories of a business loan.

Commercial bank. A financial institution that is owned by stockholders, operates for a profit, and engages in various lending activities.

Community bank. A community bank is a depository institution that is typically locally owned and operated. In general, community banks can be defined as those owned by organizations with less than \$10 billion in assets.

Depository lending institution. A financial institution in the United States that is legally allowed to accept monetary deposits from consumers into safekeeping and use them to make loans to other customers. Important categories are savings banks, commercial banks, savings and loan associations, and credit unions. This report covers all of these categories except credit unions and refers to them collectively as “lenders.”

FDIC. Federal Deposit Insurance Corporation.

Large business loan. A loan greater than \$1 million.

Mega lender. Bank holding company with more than \$50 billion in assets.

MDI. Minority depository institution. A federally insured depository institution where 51 percent or more of the voting stock is owned by minority individuals; insured depository institutions may choose MDI status if a majority of the Board of Directors is made up of minority individuals and the community that the institution serves is predominantly minority.

Online lending. An internet platform that connects lenders and borrowers. This term is used interchangeably with “marketplace lending.”

Other depository institution. Those financial institutions not specifically listed with authority to accept deposits of funds.

Savings bank. Banking institution organized to encourage thrift by paying interest dividends on savings. Savings banks can have state and federal affiliations, for example, state savings banks and federal savings banks.

Small business loan. A commercial loan of \$1 million or less.

Small business. A firm with fewer than 500 employees.

State bank. The term “state bank” means any bank, banking association, trust company, savings bank, industrial bank or similar depository institution, or other banking institution which is engaged in the business of receiving deposits, other than trust funds, and is incorporated under the laws of any state.

Traditional lender. This term refers to a lender that is FDIC insured.

Introduction

Purpose. U.S. banks play an integral role as credit suppliers to small businesses. Small businesses comprise of nearly all employer firms in the economy and employ 47.3 percent of the private sector workforce (SBA Advocacy, 2019). The existence and performance of these vibrant businesses depend on how banks and other financial intermediaries are responding to their credit needs. This report uses publicly available data on U.S. banks to analyze the patterns in small business lending.

Similar to last year's report, this report incorporates a brief discussion on minority depository lending institutions. Additionally, detailed small business lending information on all depository institutions for each state is available on Advocacy's webpage in a user-friendly format. Most importantly, an effort has been made to present information in this report in a more digestible and visual manner in the form of summary tables and figures.

Structure and Coverage. The lending patterns of banks and other depository institutions in the small business credit market are captured in this report. The Call Report and Community Reinvestment Act (CRA) databases show the changes for loans under \$100,000, \$100,000 to \$1 million, and \$1 million or less. Both these databases cover only a portion of the credit extended to small businesses annually. Nonbank institutions such as finance companies and alternative lenders also extend such loans and are not covered in this report. The Call Report findings are presented first, which includes a summary of the lending activities by minority lenders. This is followed by findings from CRA data. Four performance measures in the report indicate how lenders are meeting the credit needs of small businesses, namely:

- Number of loans,
- Aggregate lending,
- Total asset ratio, and
- Total small business loan ratio.

These measures are used to evaluate lending at the national level in the report, and identify individual lenders investing in small businesses in the detailed appendix tables. The information provides developments in the small business loan market to small businesses and depository lenders. All federal insured depository lenders filing Call Reports (savings banks, cooperative banks, savings and loan associations, and commercial banks), except for credit unions and foreign banks, are covered in this publication. The report analyzes all small business lenders, but the FDIC and CRA data available do not make it possible to distinguish SBA-guaranteed lenders or SBA-guaranteed loans. Geographic coverage includes the 50 states, the District of Columbia, and selected U.S. territories.¹

¹ The territories covered are the Federated States of Micronesia, Guam, Puerto Rico, and the U.S. Virgin Islands.

Data. Data years presented range from 2013 to 2017, with analyses focusing on 2017 for the June Call Reports and for calendar year 2016 for the CRA reports.² These reports are filed by depository lending institutions with their respective regulatory agencies and cover two types of small business loans:

- Loans secured by nonfarm nonresidential properties, or commercial real estate (CRE) loans, and
- Commercial and industrial (C&I) loans.

Data are available for the size of the loan — not for the size of the business, thus loan categories reported by lenders are done in three loan sizes listed below:

- Loans of \$250,000 through \$1 million
- Loans of \$100,000 through \$250,000
- Loans \$100,000 or less³

Additional sizes are:

- \$1 million and under = small business loans
- \$100,000 to \$1 million⁴

The Differences Between Call Report and CRA Data

The Call Report and CRA data complement each other, but they are not comparable since they provide different kinds of loan information. The Call Reports measure outstanding loan balances by location of the lender’s headquarters with a reporting year of June to June. The CRA data, on the other hand, show loans originated in the state in which they are made during the calendar year. **Box 1** summarizes each source’s characteristics.

Box 1. Comparison of Call Report and CRA Data in the Small Business Lending Study		
	Call Report Data	CRA Data
Data year	June 2016 – June 2017	January – December 2016
Loan information provided	Stock of outstanding business loan balances, reported bi-annually ⁵	Loans originated and purchased over the calendar year
How loan location is identified	State in which lender’s headquarters is located	State in which the lender made the loan.
Lenders reporting	All reporting lenders—depository lending institutions and bank holding companies	Depository lending institutions and bank holding companies with approximately \$1 billion or more in assets

² See the Appendix for additional information on these data sources.

³ In earlier reports this was referred to as “micro business loan” which differs from other SBA programs and other industry uses of the term.

⁴ Previously referred to as “macro business loan.”

⁵ In March 2017 Call Report data collection switched from quarterly to twice a year, in June and December.

These databases are the only publicly available sources of information on the small business lending of individual lenders. However, they reflect only the supply of loans provided by federally insured lenders. Small firms have access to other sources of credit, such as their suppliers, finance companies, marketplace lenders, family and friends, and others. To fully understand the small business loan market, reliable loan demand data from traditional lenders, nonbank lenders, and marketplace lenders are needed, which this report does not include. Thus, this report should be cautiously interpreted due to a tendency to attribute all changes in small business lending solely to lenders' willingness to extend credit.

Accessing the Data

Readers can learn about the banks in their own communities and states by visiting Advocacy's webpage, where a list of all reporting banks in each state can be found. Appendix Tables 3 and 4 show state rankings of either the top 10 or the top 10 percent of lenders in each state. The expanded Tables 3a and 4a show rankings for all of a state's reporting banks. The tables are part of this report, located in the finance section of Advocacy's website, <https://advocacy.sba.gov/tag/banking-finance>.

Economic Credit Conditions in the Small Business Financial Credit Market

Borrowing from banks and other depository lending institutions remained positive for both large business loans (loans exceeding \$1 million), and for small business loans (loans \$1 million or less) from June 2016-June 2017. The pace of borrowing and lending was less brisk, but healthy for large business loans compared to the prior year. Small business loans outstanding continued to lag in growth and followed a trend similar to large business loans.

Financial conditions were supportive of economic growth even with increases in interest rates. Rates were still low by historic standards, but credit availability remained difficult for some small businesses and riskier borrowers. Respondents to the Senior Loan Officer Opinion Survey reported easing lending terms on commercial and industrial loans, but experienced a weak demand for small business loans.⁶ Meanwhile, real gross domestic product (GDP) grew at an annual rate of 2.2 percent in 2017 from 1.6 percent in the year prior. Small business GDP has grown by 25 percent in real terms over the last 16 years (1998 to 2014), but their share of GDP over this period has declined from 48.0 percent to 43.5 percent (Kobe & Schwinn, 2018).

Among external financing, the U.S. banking system is the major supplier of traditional credit to small businesses. Analysis of the 2014 Annual Survey of Entrepreneurs shows that banks are the most important institutional supplier of external credit to small businesses (Robb, 2018).⁷ Recent banking analysis from the FDIC data shows that community banks continue to be active in the small business lending space (Tholmer, 2018). Federal Reserve's 2016 Small Business Credit Survey found that both small employer and non-employer firms are more likely to apply to banks when seeking credit than non-traditional lenders (Federal Reserve Banks, 2017).⁸ However, non-traditional lenders, such as online lenders, fill part of the gap by providing financial assistance to entrepreneurs and small business borrowers who have difficulty obtaining credit from traditional lenders. For example, Black- and Hispanic-owned are more likely to apply for credit from online lenders than nonminority-owned firms.⁹ While comprehensive public data on non-traditional lending is not available, the lending patterns of banks and other depository lenders using the Call Report and Community Reinvestment Act data are discussed below.

I. Findings from the June 2017 Call Reports

A. Small Business Loans Outstanding from all Reporting Lenders

Bank lending to small and large businesses remained positive over June 2016 to June 2017. The growth rate for the dollar amount of loans outstanding for all small business loans (\$1 million or less) increased

⁶ The Senior Loan Office Opinion Survey on Bank Lending Practices is conducted quarterly by The Federal Reserve Board. For information, visit <https://www.federalreserve.gov/data/sloos.htm>.

⁷ An earlier study by Mach & Wolken, (2006), using the 2003 Survey of Small Business Finances showed that banks were the most important to small businesses seeking external financing.

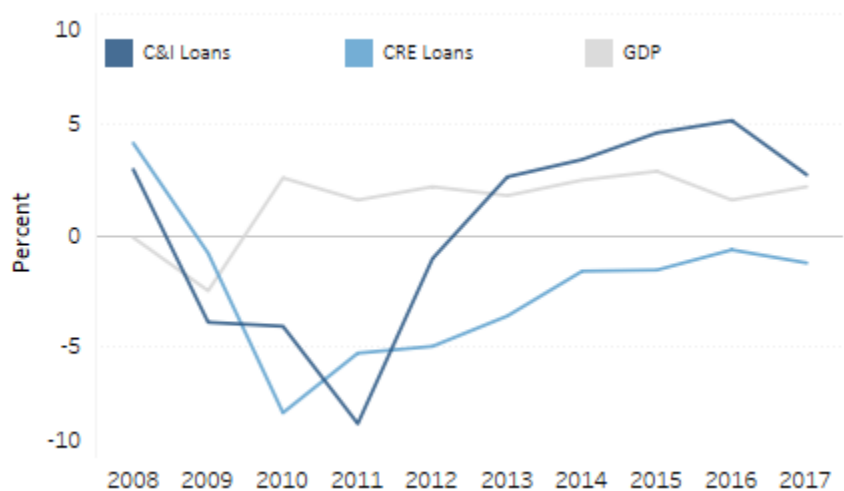
⁸ This publication was a joint effort by all the Federal District banks. A total of six different studies were conducted and they are located at <https://www.fedsmallbusiness.org/survey/2017/report-on-microbusinesses>.

⁹ See <https://www.fedsmallbusiness.org/survey/2017/report-on-minority-owned-firms>.

from \$614 billion in June 2016 to \$619 billion in June 2017. Compared with large business loans for the same period, small business loans grew at roughly 1 percent while large business loans grew at a healthy annual rate of 5.7 percent (**Tables A & B**). The aggregate number of small business loans outstanding grew at a slower pace than the prior year, from 7.6 during June 2015-June 2016 to 1.4 percent between June 2016 and June 2017 (**Table C**).

Small business loans consist of two categories—commercial industrial loans (C&I) and commercial real estate (CRE) loans (\$1 million or less).¹⁰ Total small business C&I loans amounted to \$337 billion in June 2017, representing roughly 55 percent of total small business loans outstanding. Growth in the value of both loan categories was down compared to the previous year (**Figure 1**). The total number of small CRE loans continue to be dwarfed by the number of C&I loans, which represent about 95 percent of the total number (**Table C**).

Figure 1. Percent Change in Small Business Loan Balances and Gross Domestic Product



Note: Real gross domestic product is seasonally adjusted.
 Source: Call Reports, FDIC, and Gross Domestic Product, BEA.

¹⁰ C&I and CRE loans of \$1 million or less when combined make up small business loans.

Table A: Value of Small Business Loans Outstanding for Depository Lenders by Loan Type and Size, 2013 to 2017

Billions of Dollars

Loan Type and Size at Origination	2013	2014	2015	2016	2017	Percentage Change, 16-17
Commercial Real Estate						
Less than \$100,000	16.8	15.8	15.0	14.2	13.2	-6.7
\$100,000 to \$250,000	50.5	49.2	47.8	46.6	45.2	-3.2
\$250,000 to \$1 million	229.3	226.8	224.4	224.7	223.4	-0.6
Total Commercial Real Estate	296.6	291.8	287.3	285.5	281.8	-1.3
Commercial and Industrial						
Less than \$100,000	124.1	129.6	135.8	145.2	152.5	5.0
\$100,000 to \$250,000	47.2	48.3	50.3	53.8	54.6	1.5
\$250,000 to \$1 million	116.7	120.0	125.6	129.3	129.9	0.5
Total Commercial and Industrial	288.1	297.9	311.8	328.3	337.0	2.7
Total						
Small Business Loans (\$1 million or less)	584.7	589.8	599.0	613.8	618.9	0.8
Large Business Loans (more than \$1 million)	1,781.2	1,949.0	2,119.7	2,333.0	2,465.4	5.7
Business Loans	2,365.9	2,538.8	2,718.8	2,946.8	3,084.3	4.7
Domestic Assets of Depository Lenders	12,618.4	13,373.1	14,095.2	14,886.2	15,414.1	3.5
Number of BHC's and Independent Lenders	6,402	6,189	5,917	5,652	5,416	-4.2

Note: Domestic assets of depository lenders = total assets less foreign assets.

Source: SBA Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

Table B: Value of Small Business Loans Outstanding by Depository Lender Size, 2013-2017

Billions of Dollars, Nominal

Lenders by Total Asset Size	2013	2014	2015	2016	2017	Percent Change 2016-2017
Less than \$100 million	15.8	14.6	12.9	11.5	10.4	-9.6
\$100 million to \$499.9 million	108.0	105.0	100.0	96.0	90.5	-5.7
\$500 million to \$999.9 million	55.2	53.5	53.5	52.8	55.6	5.2
\$1 billion to \$9.9 billion	120.1	125.9	131.7	139.5	133.0	-4.6
\$10 billion to \$49.9 billion	58.9	65.3	72.4	73.5	85.6	16.4
\$50 billion or more	226.6	225.5	228.6	240.5	243.7	1.3
Total Small Business Loans	584.7	589.8	599.0	613.8	618.9	0.8

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

Table C: Number of Small Business Loans Outstanding by Loan Type and Size, 2013-2017

Millions

Loan Type and Size at Origination	2013	2014	2015	2016	2017	Percent Change 2016-2017
Commercial Real Estate						
Less than \$100,000	0.38	0.36	0.35	0.33	0.31	-6.1
\$100,000 to \$250,000	0.40	0.39	0.38	0.37	0.37	-1.7
\$250,000 to \$1 million	0.57	0.57	0.57	0.57	0.58	0.9
Total Commercial Real Estate	1.35	1.31	1.30	1.28	1.26	-1.7
Commercial and Industrial						
Less than \$100,000	20.74	21.20	21.97	23.78	24.13	1.5
\$100,000 to \$250,000	0.48	0.50	0.52	0.57	0.59	3.5
\$250,000 to \$1 million	0.40	0.41	0.43	0.45	0.46	3.7
Total Commercial and Industrial	21.62	22.11	22.92	24.79	25.18	1.6
Total Small Business Loans	22.97	23.42	24.22	26.07	26.43	1.4

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

B. Loan Sizes

The number and amount for C&I and CRE loans categories are provided under three loan size buckets:

- Under \$100,000,
- \$100,000-\$250,000, and
- \$250,001-\$1 million).

For both C&I and CRE loan categories, the smallest loan size, loans under \$100,000, was the most active in terms of amount of loans during 2016-2017 period. C&I loans in this size bucket increased the most by 5.0 percent, offsetting the 6.7 percent decline in CRE loans of this size. Combined, this loan size increased by 4.0 percent; representing the only positive growth among the various C&I and CRE loan sizes when aggregated. The statistic for the smallest loan size (less than \$100,000) is difficult to interpret because of continued efforts made by small business credit card issuers to consolidate their data reporting.¹¹ The number of loans within C&I and CRE of the same loan sizes when combined were all positive with the highest growth at about 2.0 percent (**Tables A and C**).

C. Lending by Size of Lender

The size and number of lending institutions is affected by mergers and acquisitions, closures, failures, and new charters. Thus, the significance of lenders in the small business loan markets continues to evolve. In

¹¹ Small business credit cards continue to play an important role in this loan size category where they account for majority of loans in this small business loan size category.

the second quarter of 2017, the number of bank holding companies and independent lenders filing Call Reports totaled 5,416, which is 236 fewer than the previous year.¹² The change in the number of banks varied across bank sizes, with institutions with assets of \$1 billion or more increasing during this period.

Bank lending activity to small businesses varied among the different bank sizes. Small business loans by lenders in two size categories--with under \$500 million in assets and between \$1 billion to \$9.9 billion--contracted during the one-year period while other lenders' small business lending grew (**Table B**).

Declines by lender asset size ranged between -4.6 percent to -9.6 percent, while increases ranged from a low of 1.3 percent to a high of 16.4 percent. Though large lenders with assets from \$10 billion to \$49.9 billion accounted for the largest increase in small business lending between June 2016 to June 2017, their market share in the small business loan market is relatively small. They accounted for only 13.8 percent of the dollar amount of small business loans during this period.

Growth in the number of small business loans increased by 1.4 percent. The number of loans declined for two bank asset size categories (\$100 million to \$499.9 million and \$500 million to under \$1 billion), but the number increased for all other bank sizes. Mega lenders with \$50 billion or more accounted for most of the number of small business loans (**Table D**).

Using a different lens from the perspective of community banks provides some additional insight on small business lending. Community banks play a unique role to small businesses as their activities tend to be localized, and the sizes of these lenders tend to be smaller when compared to non-locally based banks. Community banks in this report uses the Federal Deposit Insurance Corporation (FDIC) definition; one that is not solely based on the asset size of the bank, but includes other non-asset based criteria (FDIC, 2012).¹³ Using this definition, community banks represented over 90 percent of all depository lending institutions in June 2017 and held 43 percent of all small business loans based on the FDIC's community bank performance report.¹⁴ These banks numbered 5,338 during this period, down 264 from the prior year—a trend similar to all banks.¹⁵ All the same, growth in small business loans at community banks was 2.7 percent between June 2016 and June 2017, and totaled \$296.9 billion (**Figure 2**). Interestingly, the increase was attributable to both C&I and CRE loans (up 3.4 and 3.8 percent respectively), but when all banks (community and non-community banks) are examined the data shows that small business CRE loans remain subdued.

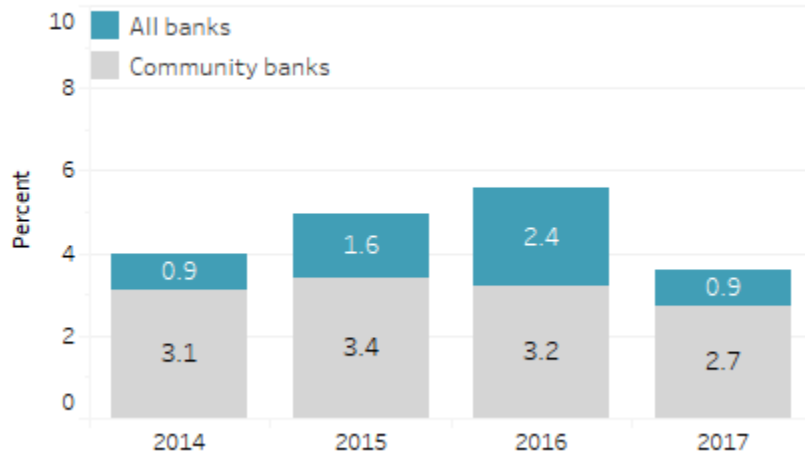
¹² At the unconsolidated level, the total number of lenders with assets under \$500 million was 318 fewer from June 2016 to June 2017.

¹³ See *FDIC Community Banking Study*, Chapter 1 – Defining the Community Bank.

¹⁴ The FDIC publishes the Quarterly Banking Profile, which provides a comprehensive summary of activities of all FDIC insured institutions.

¹⁵ FDIC, Quarterly Banking Profile, 2nd quarter, 2017.

Figure 2. Percent Change in Year-To-Year Small Business Loans By All Banks and Community Banks, 2014-2017



Source: SBA, Office of Advocacy, tabulations from the FDIC Quarterly, June 2014-2017 Call Reports.

Table D: Number of Small Business Loans Outstanding by Lender Size, 2013 to 2017

Millions

Lenders by Total Asset Size	2013	2014	2015	2016	2017	Percent Change 2016-2017
Less than \$100 million	0.20	0.19	0.19	0.15	0.15	4.2
\$100 million to \$499.9 million	1.00	0.99	0.96	1.01	0.94	-6.2
\$500 million to \$999.9 million	1.50	1.39	1.43	1.43	1.42	-0.7
\$1 billion to \$9.9 billion	1.38	1.41	1.56	1.62	1.66	3.0
\$10 billion to \$49.9 billion	1.72	1.81	1.20	1.29	1.44	11.2
\$50 billion or more	17.16	17.62	18.89	20.57	20.81	1.2
Total Small Business Loans	22.97	23.42	24.22	26.07	26.43	1.4

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

D. Small Business Lending Measures: The Total Asset Ratio and Total Small Business Loan Ratio

The performance of small business lenders is based on two measures: their small business loans as a percentage of their total assets and their total business loans. The total amount of small business loans to the lender’s total assets is referred to as the “total asset ratio.”¹⁶

The Total Asset Ratio represents the percentage of a lender’s assets that is assigned to small business borrowers. A positive change between periods indicates increased success of a borrower obtaining funds. **Tables E** and **F** show the total asset ratios by loan size, loan category, and asset size of lender. **Table E** shows that small business borrowers seeking both commercial real estate loans (CRE) and commercial industrial loans (C&I) were less successful as indicated in the negative change of 1.5 percent between 2016 and 2017.

Table E: Total Asset Ratios, 2013-2017

Value of Small Business Loans Outstanding to the Value of Loan Type, Percent

Loan Type and Size at Origination	2013	2014	2015	2016	2017	Percent Change 2016-2017
Commercial Real Estate						
Less than \$100,000	1.07	1.04	1.00	0.94	0.89	-5.0
\$100,000 to \$250,000	1.63	1.60	1.56	1.53	1.49	-2.8
\$250,000 to \$1 million	5.73	5.61	5.47	5.37	5.32	-1.0
Total Commercial Real Estate	8.42	8.24	8.03	7.84	7.70	-1.8
Commercial and Industrial						
Less than \$100,000	1.80	1.79	1.76	1.74	1.72	-1.1
\$100,000 to \$250,000	1.15	1.14	1.14	1.15	1.13	-1.1
\$250,000 to \$1 million	2.35	2.32	2.31	2.31	2.29	-0.9
Total Commercial and Industrial	5.29	5.26	5.21	5.20	5.15	-1.0
Total Small Business Loans (\$1 million or less)	13.71	13.50	13.24	13.04	12.85	-1.5

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

The total asset ratio by the asset size of the lender is presented in **Table F**. The data shows that, in general, small business total asset ratio declined by lenders in all asset size categories with the exception of lenders in the \$500 million to \$999.9 million range where they remained relatively unchanged. The largest (mega) lenders devote a very small share of their assets to small business loans—roughly 3 percent. Even though these lenders invest much smaller shares of their assets in small business loans, they dominate the

¹⁶ The ratios used in Tables E-G are the mean ratios for all lenders. These ratios are derived by computing the ratio for each lender, then computing the mean for all lenders in each category shown. See the Appendix for additional information.

small business loan market in the amount of loans they provide. The data shows that borrowers seeking loans from lenders with \$10 billion or more in assets were more successful in obtaining funds compared to other size lenders as indicated in the positive change during the period.

Table F: Total Asset Ratio by Lender Size, 2013-2017

Value of Small Business Loans Outstanding to the Value of Lender Assets by Lender Size, Percent

Lenders by Total Asset Size	2013	2014	2015	2016	2017	Percent Change 2016-2017
Less than \$100 million	13.68	13.48	13.11	12.88	12.83	-0.3
\$100 million to \$499.9 million	14.97	14.77	14.59	14.44	14.23	-1.4
\$500 million to \$999.9 million	12.34	12.12	12.00	12.05	12.05	0.0
\$1 billion to \$9.9 billion	9.54	9.55	9.47	9.37	9.12	-2.7
\$10 billion to \$49.9 billion	5.17	5.21	5.24	5.06	5.40	6.8
\$50 billion or more	3.44	3.29	3.05	2.91	2.94	1.0
Total Small Business Loans	13.71	13.50	13.24	13.04	12.85	-1.5

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

The Total Small Business Loan Ratio is used to evaluate the performance of small business loans by showing the total small business share of total business loans. This ratio indicates how well small business borrowers are competing for business loans against their counterparts. **Tables G and H** present information by loan size and lender size for this ratio. Similar to the total asset ratio, the small business loan ratio has steadily declined over the last few years—suggesting that small business borrowers seeking loans are having difficulty competing for business loans with larger firms.

Table G: Total Small Business Loan Ratio by Loan Type and Size, 2013-2017

Ratio (Percent of Total Business Loans Outstanding)

Loan Type and Size at Origination	2013	2014	2015	2016	2017	Percent Change 2016-2017
Commercial Real Estate						
Less than \$100,000	7.89	7.63	7.29	6.93	6.49	-6.4
\$100,000 to \$250,000	8.49	8.34	8.20	8.05	7.83	-2.7
\$250,000 to \$1 million	23.75	23.26	22.76	22.32	21.95	-1.7
Total Commercial Real Estate	40.13	39.24	38.25	37.31	36.27	-2.8
Commercial and Industrial						
Less than \$100,000	11.83	11.78	11.50	11.18	10.91	-2.4
\$100,000 to \$250,000	5.43	5.45	5.47	5.44	5.32	-2.4
\$250,000 to \$1 million	9.64	9.58	9.65	9.58	9.43	-1.6
Total Commercial and Industrial	26.89	26.80	26.62	26.20	25.66	-2.1
Total Small Business Loans (\$1 million or less)	67.03	66.04	64.87	63.51	61.93	-2.5

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

Small business loans ratios by lender size followed a similar downward trend with the exception of lenders with \$10 billion to \$49.9 billion in assets; this category remained fairly stable during this time period (**Table H & Figure 3**). Large lenders with \$10 billion or more in assets held 20 percent of their business loans with small businesses, while the smallest lenders with assets under \$100 million held four times more of these loans compared to the very large lenders.

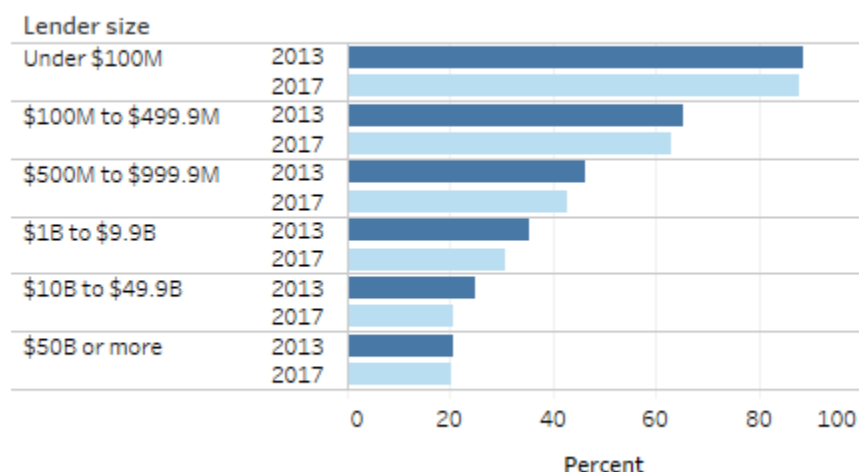
Table H: Total Small Business Loan Ratio by Lender Size, 2013-2017

Ratio (Percent of Total Business Loans Outstanding)

Lenders by Total Asset Size	2013	2014	2015	2016	2017	Percent Change 2016-2017
Less than \$100 million	88.62	88.39	88.05	87.99	87.83	-0.2
\$100 million to \$499.9 million	65.18	64.65	64.29	63.65	62.88	-1.2
\$500 million to \$999.9 million	46.16	45.86	44.82	43.98	42.75	-2.8
\$1 billion to \$9.9 billion	35.31	34.05	32.74	31.76	30.61	-3.6
\$10 billion to \$49.9 billion	25.03	24.43	21.68	20.54	20.78	1.2
\$50 billion or more	20.77	19.73	20.26	20.27	20.12	-0.8
Total Small Business Loans	67.03	66.04	64.87	63.51	61.93	-2.5

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

Figure 3. Small Business Loan Ratio by Bank Size



Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

E. All Small Loans Outstanding from Multi-billion Dollar Lenders

Bank mergers and acquisitions along with changes in competition continue to affect the small business loan market. Consolidation has had its biggest net effect on the very smallest and the largest banks; with the number of banks declining for the smallest banks while large banks total assets have increased more than tenfold between 1985 and 2013 (Backup & Brown, 2014). The importance of multi-billion dollar lenders in the small business loan market is displayed in **Table I**. In 2017, lenders with more than \$10 billion in assets numbered 117. They held over half (53 percent) of the value of small business loans and over 80 percent of the banking industry’s assets. These lenders’ small business lending is mostly concentrated in the commercial and industrial loan market for loans under \$100,000.

Table I: Share of Business Loans and Total Assets by Size of Lender, 2017

Year and Loans by Size	Total Asset Size of the Lending Institution or Bank Holding Company							Total
	>50B	10B-50B	>10B	1B-10B	500M-1B	100M-500M	<100M	
2017	(percentage)							
Total Assets of the Institution	70.5	11.0	81.5	10.8	3.0	4.2	0.5	100.0
Commercial Real Estate								
Less than \$100,000	9.6	9.4	19.0	21.3	13.9	36.7	9.2	100.0
\$100,000 to \$250,000	18.4	14.2	32.6	27.4	13.0	24.4	2.7	100.0
\$250,000 to \$1 million	24.6	15.7	40.2	28.1	11.9	18.2	1.5	100.0
Commercial and Industrial								
Less than \$100,000	73.7	6.7	80.4	8.1	3.8	6.4	1.3	100.0
\$100,000 to \$250,000	38.7	15.8	54.5	21.0	8.4	14.4	1.8	100.0
\$250,000 to \$1 million	35.1	18.6	53.7	24.0	8.4	12.6	1.3	100.0
Total Small Business Loans	39.4	13.8	53.2	21.5	9.0	14.6	1.7	100.0
Total Large Business Loans	61.0	15.7	76.7	16.2	3.7	3.3	0.1	100.0
Total Business Loans	56.6	15.4	72.0	17.3	4.8	5.5	0.4	100.0
Number of Institutions	38	79	117	601	664	2,714	1,320	5,416

F. Small Business Loans and Minority Lenders

Minority depository institutions (MDIs) participate in the small business credit market but are less active in this arena when compared with non-minority lenders. Similar to other lenders, minority lenders help distribute funds from savers to borrowers and help meet the credit needs of the communities they serve.¹⁷

¹⁷ MDIs are defined as a federally insured depository institutions where 51 percent or more of the voting stock is owned by minority individuals, but also allows insured depository institutions to choose MDI status if a majority of the Board of Directors is made up of minority individuals and the community that the institution serves is predominantly minority. Minority is defined as Black American, Asian American, Hispanic American, Native American, or Multi-racial American see

Trends in the total number of minority banks mirror those of non-minority lenders—a steady decline over the years. Minority lenders make up a very small portion of bank holding companies and independent lenders in the United States; they account for just about 3 percent of lenders. They hold less than 3 percent of the value of total small business loans, large business loans, total business loans, and total assets.

Minority lenders’ small business lending consists of both commercial industrial loans and commercial real estate loans of \$1 million or less. Their small business lending portfolio is largely concentrated in CRE loans, which accounted for 80 percent or \$9.6 billion of their total small business loan portfolio (\$13.6 billion) in 2017. Minority lenders’ small business loan growth has been uneven in the recent past. In 2017, small business loans outstanding declined in every loan type and loan size category, a contrast to the prior year when all categories were positive (**Table J**).

Minority lenders’ total share of small business loans by lender size is shown in **Table K**. Lenders with assets of \$10 billion or more held 39.3 percent of the total value of small businesses loans. Their small business loan share has slowly increased in the last couple of years. Minority lenders exist in all asset size categories except for the largest category—more than \$50 billion in assets.

Table J: Value of Business Loans Outstanding for Minority Depository Lenders, 2013 to 2017

Billions of Dollars, Nominal

	2013	2014	2015	2016	2017	Percent Change 2016-2017
Less than \$100,000	0.9	0.8	0.8	0.8	0.8	-4.8
\$100,000 to \$250,000	2.1	1.9	1.9	2.0	1.9	-5.4
\$250,000 to \$1 million	11.5	11.7	11.1	11.3	10.9	-3.4
Total						
Commercial Real Estate	10.1	9.7	9.7	9.9	9.6	-2.7
Commercial and Industrial	4.4	4.6	4.1	4.2	3.9	-6.2
Small Business Lending	14.5	14.4	13.8	14.1	13.6	-3.8
Large Business Loans (greater than \$1 million)	48.3	51.2	54.9	62.3	65.5	5.3
Business Loans	62.8	65.6	68.8	76.3	79.1	3.6
Assets of Depository Lenders	168.9	174.4	183.3	199.3	208.9	4.8
Number of BHC's and Independent Lenders	171	168	163	162	156	-3.7

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

Table K. Share of Business Loans and Total Assets by Minority Lender Size, 2017

Year and Loans by Size	Total Asset Size of the Lending Institution or Bank Holding Company							Total
	>50B	10B-50B	>10B	1B-10B	500M-1B	100M-500M	<100M	
Total Assets of the Institution	0.0	58.6	58.6	23.0	8.7	8.7	1.0	100.0
Total Small Business Loans	0.0	39.3	39.3	23.1	12.8	21.1	3.8	100.0
Total Large Business Loans	0.0	60.2	60.2	22.7	9.7	6.9	0.4	100.0
Total Business Loans	0.0	56.6	56.6	22.8	10.3	9.3	1.0	100.0
Number of Institutions	0	6	6	16	25	75	34	156

Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

II. Findings from 2016 CRA Reporting Institutions

A. Small Business Lending by CRA Reporting Lenders

This section examines the geographic lending activities of depository lending institutions under the Community Reinvestment Act (CRA). The CRA program requires lenders with total assets of approximately \$1 billion or more to report their small business lending activities. The purpose of the CRA is to encourage federally insured depository lenders to help meet the credit needs of the local communities in which they are located. Data from the CRA covers the lending activities of lenders within a calendar year. Similar to the Call Report, the CRA uses the same definition for small business lending—loans of \$1 million or less. Data is categorized by the borrower’s location, and gives an idea of the small business lending activities in a geographic area. Although the CRA data provide information on the amount of credit extended in an area, they do not indicate the amount or nature of the overall demand for credit in that area. Thus, readers should be cautious about drawing conclusions solely using the CRA data as differences in loan volume across areas may reflect differences in local demand for credit (FFIEC, 2017).¹⁸

CRA data are composed primarily of loan originations and loan purchases. Typically loan purchases are less than 5 percent of the reported activity. Both numbers are aggregated and reported in the tables below. **Table L** compares the Call Report information for all depository lenders with CRA information for those depository lenders required to submit CRA reports. **Table M** reports the dollar amount and number of loans made by lenders submitting CRA reports.

¹⁸ See notes from the FFIEC https://www.ffiec.gov/hmcpr/cra_fs17.htm

Table L: Comparison of Assets and Business Loans of Depository Lending Institutions

Description	Call Report Information (Loans and Assets in Billions of Dollars)		Percentage of Call Report Institutions Submitting CRA Information				
	June 2017	December 2016	2017	2016	2015	2014	2013
	All Institutions	CRA Institutions					
Small Business Loans							
Less than \$100,000	165.8	138.4	83	82	77	81	79
\$100,000 to \$1 million	453.1	305.7	67	67	66	67	66
Total Small Business Loans	618.9	444.1	72	71	69	70	69
Total Business Loans	3,084.3	2,661.8	86	86	87	87	86
Total Assets, June 2017	15,414.1	13,314.9	86	86	81	85	85
Number of Lenders	5,416	611					

Note: The CRA column is the value of FDIC loans outstanding by lenders reporting CRA information. These are "outstanding" loans as of 06/2017, not CRA loans as of 12/2016.

Source: SBA Office of Advocacy, tabulations from the FFIEC Community Reinvestment Act reports.

Table M. Value and Number of Loan Originations and Purchases by CRA Reporting Institutions, 2012-2016

(dollar values in billions, number in millions)

Loan Size and Assets	2013	2014	2015	2016	Change 15 -- 16	
					Difference	%
Value of Small Business Loans						
Less than \$100,000	66.0	73.6	82.0	104.9	22.9	27.9
\$100,000 to \$1 million	139.8	139.4	143.0	151.6	8.6	6.0
Total Value of Small Business Loans	205.8	213.0	225.0	256.5	31.5	14.0
Number of Small Business Loans						
Less than \$100,000	4.6	5.2	5.6	7.0	1.4	24.0
\$100,000 to \$1 million	0.4	0.4	0.4	0.4	0.0	0.0
Total Number of Small Business Loans	5.0	5.6	6.0	7.4	1.4	22.6
Number of CRA Reporting Lenders	652	633	630	611	-19	-3.0

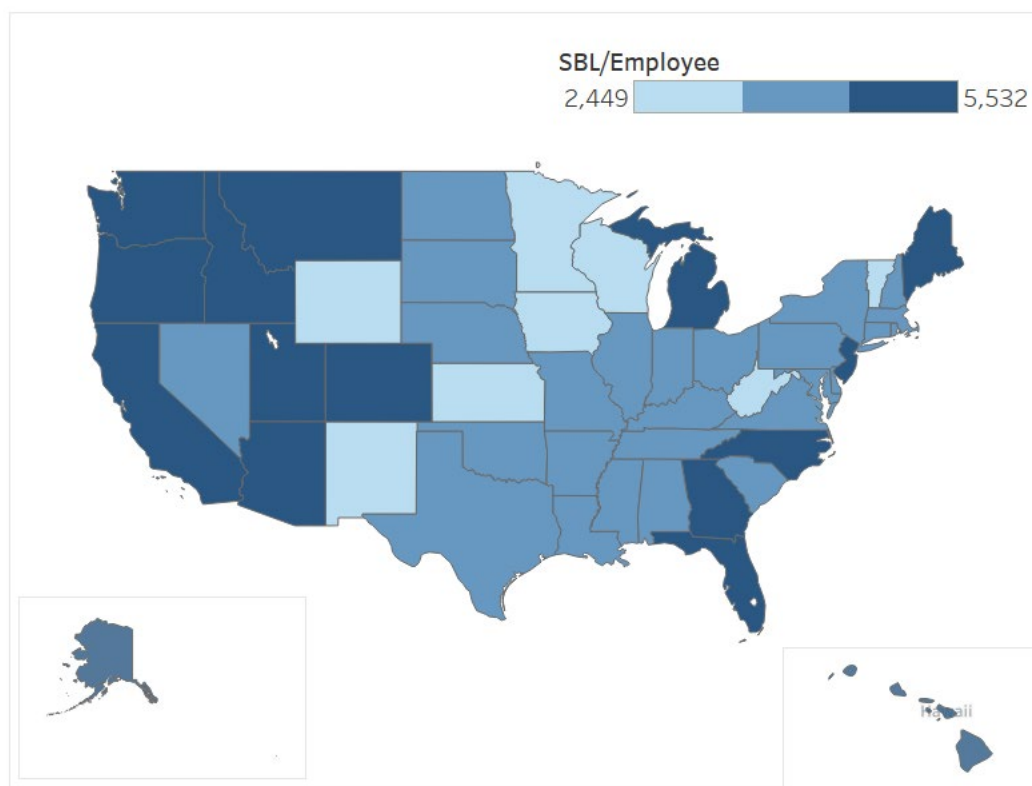
Source: SBA Office of Advocacy, tabulations from the FFIEC Community Reinvestment Act reports.

The number of lenders that submitted CRA reports in 2016 totaled 611 (19 fewer than the previous year). **Table L** shows that Call Report lenders submitting reports in the CRA program accounted for 72 percent of the dollar volume of small business loans and 86 percent of the industry's total domestic assets and business loans. These institutions were heavily involved in the market for loans under \$100,000, representing 83 percent of these loans. The value of loans outstanding by lenders in the CRA program

totaled \$444 billion in 2016 compared with \$436 billion the previous year. Again, because the CRA does not include all the lenders in the Call Reports, the balance tends to be lower compared to the Call Reports. The aggregate number and amount of loans originated is presented in **Table M**. CRA lenders extended a total of 7.4 million loans valued at \$256.5 billion in 2016.

To account for differences in the sizes of each state, **Figure 4** shows the average small business loan per employee in 2016 by state which ranged from \$2,449 to \$5,616. Appendix Table 5 provides a detailed breakdown, including the total amount of commercial loans less than \$100,000 by state.

Figure 4. Small Business Loan Amount per Employee by State



Note: See Appendix Table 5 for total state loans less than \$100K.

Source: SBA Office of Advocacy, based on FFIEC CRA data and Census Bureau SUSB data.

B. Loans \$100,000 or Less and Loans \$100,000–\$1 Million by CRA Lenders

The value and number of loans made by multi-billion dollar banks and other lenders increased from the previous year. These lenders were active in market for loans under \$100,000 and made 7.0 million loans valued at \$105 billion in 2016, compared with 5.6 million loans worth \$82 billion the year prior. Loans ranging from \$100,000–\$1 million had an uptick in value during this period.

Conclusion

In summary, small business lending to small firms continued to inch upward. Information based on small business loan activity on outstanding balances and originations present an overall positive picture. However, when lending is looked at separately by C&I and CRE, a different story arises and shows that total small business CRE lending remained subdued. Community banks provide a slightly different dimension on C&I and CRE lending. Overall, they show that community banks remained active in the small business loan market and that both loan categories grew positively over the year with CRE loans growing a little more than C&I loans. Meanwhile, minority lenders' growth in small business loans remained uneven. Small businesses continue to face financing challenges, especially as large banks continued to lend just a small percentage of their commercial loans to small firms.

Data Sources, Limitations, and Methodology

Data Sources. Data for this report are compiled by the three federal banking agency members of the Federal Financial Institutions Examination Council (FFIEC): the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. The report uses Call Report data from the FDIC website and Community Reinvestment Act (CRA) data from the FFIEC's web page, which were tabulated for the Office of Advocacy by George Haynes, Ph.D. of Montana State University.

The Call Reports, officially the Consolidated Reports of Condition and Income, are bi-annual reports filed by financial institutions with their appropriate depository regulators. Call Reports provide detailed information on the current status of a financial institution.

The Community Reinvestment Act (CRA), data are important for understanding small business lending activities by lenders and bank holding companies in a given state. These data show activities of local reporting depository lenders, including large lenders that have a local presence in a state or territory but are headquartered out of the state.¹⁹

Data Limitations. The Call Report and CRA data provide a useful look at small loans held by all depository institutions, but the picture remains incomplete. On the demand side, the Call Report and CRA data do not provide information on the personal or demographic characteristics of the borrowers, or characteristics of the businesses (such as employment or sales data, income or balance sheet information). Thus, these statistics do not shed light on the demand for financial capital by small business owners.

The Call Report and CRA data provide information on the aggregate value and number of loans for \$1 million or less, including those secured by nonfarm, nonresidential property and commercial and industrial loans. The data do not provide information about whether the loan is a line of credit or an asset-backed loan (such as a capital lease, vehicle, or equipment loan). Small and large business lending is defined by the loan size; however, there may be some overlap, as some small firms may have outstanding/originated loans of more than \$1 million and some large businesses may have originated loans of \$1 million or less.

Call Report data likely underestimate the loan balances with larger lenders because these lenders are more likely to securitize loans with SBA loan guarantees; hence, only the unguaranteed portion of the loan will still be reported by the lender. Smaller lenders are more likely to hold the entire small business loan in house, even if the loan has an SBA loan guarantee attached.

¹⁹ The criteria for CRA lenders filing the reports changed in 2005. For more information see www.federalreserve.gov/newsevents/press/bcreg/20081217a.htm and www.ffiec.gov/cra/reporter.htm. For detailed information on loan originations and purchases visit and the CRA reporting program; www.ffiec.gov/cra/default.htm.

Household assets are often pledged against the debt of the business, and business and household financial assets occasionally are intertwined. Hence, a complete picture of the financial condition of small businesses requires a careful review of income statement and balance sheet information for both the household and the business.

Finally, the CRA data provides useful information on current lending primarily for larger depository lenders required to submit CRA reports. While the current size threshold at which lenders must submit a CRA report is total assets over \$1 billion, the CRA dataset does include about 200 lenders with assets below the mandatory reporting threshold who have reported either voluntarily or because they elected to be evaluated as a “large” institution during CRA examinations. CRA data include originations and purchases of small business loans. Originations are new loans or extensions of lines of credit and purchases are loans purchased from another lender in the current year.

For more information about the limitations of CRA data, see “A Guide to CRA Data Collection and Reporting,” www.ffiec.gov/cra/guide.htm. For other limitations of Call Report data, see the Disclaimer and Notes section of the FDIC webpage, www2.fdic.gov/sdi/main.asp.

Methodology. The data obtained from the CRA, bank holding company, and Call Reports are linked by a common identifier which allows the data to be consolidated. The bank holding companies and independent institutions along with other variables are generated. All foreign banks are excluded, and the data is segmented and aggregated into different bank size categories for analysis. The CRA data is then generated. Tables E, F, G and H employ the total asset ratios (ratios of small business loans to total assets) and the total business loan ratios (ratios of small business loans to total business loans), which are the mean ratios for all lenders. These ratios are derived by computing the ratio for each lender, then computing the mean for all lenders in each category shown.

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