Small Business Lending in the United States, 2016

Office of Advocacy
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Acknowledgments

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Definitions

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. The report is officially known as the Report of Condition and Income and must be filed by all regulated financial institutions in the United States on a quarterly basis. Banks are required to file no later than 30 days after the end of each quarter.

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

CRA. The Community Reinvestment Act.

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.

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. A term used interchangeably with "marketplace lending" generally includes any internet platform that connects lenders and borrowers.

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 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 which the board of directors finds to be operating substantially in the same manner as an industrial bank), or other banking institution which is engaged in the business of receiving deposits, other than trust funds (as defined in this section), and is incorporated under the laws of any state.

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

Introduction

Purpose. The growth and survival of U.S. small businesses depends on how depository lending institutions and other financial intermediaries are attending to the credit needs of small firms. The financing and credit needs of small firms varies by business size, type of lender, business owner, and age of the business. Thus, all these components tend to contribute to the challenges small firms face when seeking access to credit. Nonetheless, 99.7 percent of firms with paid employees are small businesses, employing 47.5 percent of the private workforce in 2015 (SBA Advocacy, 2018). These tenacious businesses accounted for roughly 40 percent of U.S. private nonfarm output (Petkov, 2016), and for 63 percent share of net jobs between 2010 and 2016 (SBA Advocacy, 2017). This study predominantly uses public sources of information on U.S. banks to analyze the patterns in small business lending by evaluating aggregate data of depository lending institutions.

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

Structure and Coverage. Developments in the small business credit markets occurring mainly from depository lending institutions are observed in this report. The Call Report and Community Reinvestment Act (CRA) databases show the changes for loans under $100K, $100K to $1M, 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. The Call Report findings are presented first, which include a summary on the lending activities by minority lending institutions. This is followed by findings from CRA data, and lastly, the conclusion is presented. 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 in the report to evaluate lending at the national level, and, in the listing online, they are used to help recognize individual lenders investing in small businesses. The data provides information to small businesses and depository lenders of developments in the small business loan market. This publication covers all federal insured depository lending institutions filing Call Reports (savings banks, cooperative banks, savings and loan associations, and commercial banks) except for credit unions and foreign banks. It provides analyses for all small business lenders, but the information available does not make it possible to distinguish SBA-guaranteed lenders or SBA-guaranteed loans. Data years presented range from 2012 to 2016, with analyses focusing 2015 to 2016. Geographic coverage includes the 50 states, the District of Columbia, and selected U.S. territories.[1]

Data. This report is based on the Call Reports from June 2015 through June 2016 and the CRA data for calendar year 2013 and 2014.[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 less[3]

Additional sizes are:

- $1 million and under = small business loans
- $100,000 to $1 million[4]

Comparison of Call Report and CRA Data

Both the Call Report and CRA data complement each other, but they are not comparable since they provide different kinds of loan information. For example, 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.

[1] The territories covered are the Federated States of Micronesia, Guam, Puerto Rico, and the U.S. Virgin Islands.
[2] See the Appendix for additional information on these data sources.
[3] In previous 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."

Box 1. Comparison of Call Report and CRA Data in the Small Business Lending Study		
	Call Report Data	**CRA Data**
Data year	**2016**	**2015**
Loan information provided	Stock of outstanding business loan balances, 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

These databases are the only publicly available sources of information on the small business lending of individual lending institutions. 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 because there is the 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. Detailed tables show state rankings of either the top 10 or the top 10 percent of lenders in each state. Visit Advocacy's webpage at https://www.sba.gov/advocacy/small-business-lending-united-states-2016 for the full listing.

[5] Starting in March 2017 data for small business loans for the Call Report is collected twice a year, June and December as oppose to quarterly.

Recent Developments in the Small Business Financial Credit Market (Economic Credit Conditions)

The economy continued to grow at a slower, but healthy pace in 2016 as real gross domestic product (GDP) grew 1.5 percent after a 2.9 percent growth the previous year. The federal funds rate (the rate at which depository institutions lend to each other), which impacts credit conditions, total demand, as well as the performance of the economy, was raised three times between December 2016 and March 2017 by the Federal Open Market Committee (FOMC).[6] In spite of the increase, financial conditions continued to favor stable economic growth as there was ample liquidity in the market.

Borrowing from lending institutions increased from the previous year for both large and small business loans (loans exceeding $1 million, and loans $1 million or less respectively). The pace of borrowing was supported to some extent by relatively low interest rates, low borrowing costs, along with easy credit to many borrowers. All the same, credit availability still remained difficult for some small businesses and riskier borrowers. According to the 2016 Senior Loan Officer Opinion Survey, bank respondents reported easing lending terms on commercial and industrial loans in the second half of the year, but standards on such loans remained unchanged relative to earlier in the year.[7] Bankers reported continued tightening standards on commercial real estate loans over the 2016 period.

Small businesses use an assortment of financing sources such as self-financing, traditional, and innovative methods, as well as a wide range in the amount used, a finding well-documented in academic research. The new Annual Survey of Entrepreneurs (ASE) shows that self-financing was the most common source of startup capital among new business owners, with 73 percent of Asians, 72 percent of Hispanics, 70 percent of Blacks or African Americans, and 65 percent of Whites relying on this source (Robb, 2018). Another survey found that the credit gap is most pronounced for certain minority-owned firms that mostly rely on personal funds for business financing (Federal Reserve Banks, 2017).[8] In addition, the amount of capital that small businesses need for startups range widely, with 60 percent of businesses starting with less than $50,000, and a considerable share – 12 percent using over $250,000 (McManus, 2017).

All the same, non-depository institutions have become another option for borrowers with less stellar credit. Non-depository institutions continued to provide financing to small business borrowers, who have difficulty obtaining credit from traditional lenders due to weak credit scores and inadequate credit history. Recently, approval rates from these lenders have declined or remained flat compared to traditional lenders with $10 billion or more in assets based on Biz2credit.

To date, the U.S. banking system continues to be the major supplier of traditional credit to small businesses since these businesses have very limited access to capital markets. The 2016 Small Business

[6] FOMC is a committee within the Federal Reserve System that is charged with overseeing open market operations (i.e., the Fed's buying and selling of United States Treasury securities).
[7] This survey is conducted quarterly by The Federal Reserve. Visit Senior Loan Officer Opinion Survey on Bank Lending Practices or https://www.federalreserve.gov/data/sloos.htm.
[8] For the entire report visit: https://clevelandfed.org/~/media/content/community%20development/smallbusiness/2016%20sbcs/sbcs%20minority%20owned%20report.pdf.

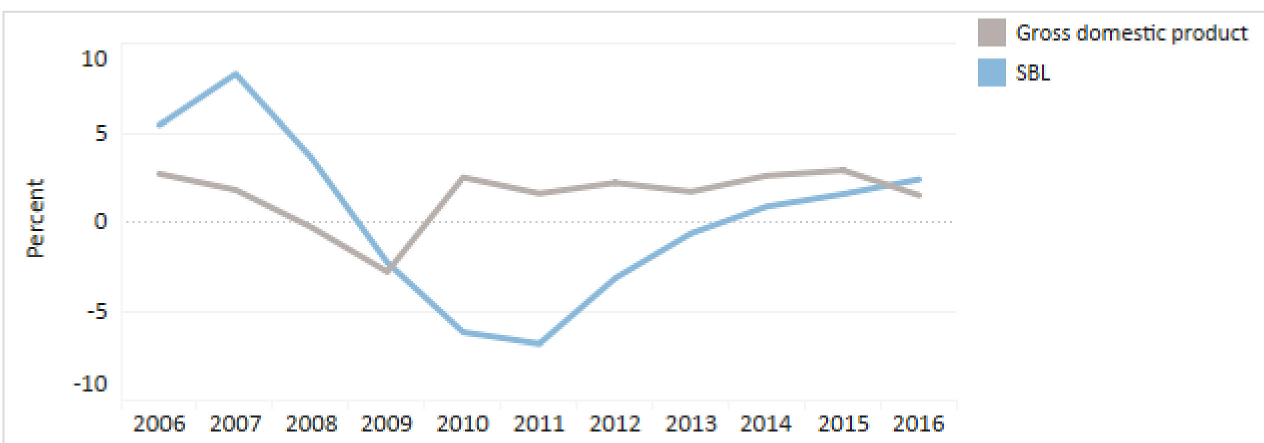
Credit Survey Report on Employer Firms found that businesses with annual revenues of $1 million or less frequently apply to traditional depository lenders and are more likely than larger firms to apply to an online lender for credit/loan (Federal Reserve Banks, 2017).[9] The survey found that these small employer firms are more likely to rely on owners' personal credit scores to obtain financing than larger firms (91 percent vs 87 percent respectively). Thus, the performance of businesses, especially small firms, depends on how small business credit markets are addressing the needs of small firms. This is explored next by looking at the lending patterns of banks and other depository institutions using the Call Report and Community Reinvestment Act data.

I. Findings from the June 2016 Call Reports

A. Small Business Loans Outstanding from all Reporting Lending Institutions

Overall, small business lending by banks and other depository lending institutions showed modest increases from June 2015 to June 2016 compared with the previous period June 2014 to June 2015. The rate of growth of the dollar amount of loans outstanding for all small business loans (loans $1 million or less) increased 2.5 percent, from $599 billion in June 2015 to $614 billion in June 2016, compared with 1.6 percent the previous year (**Figure 1, Table A & B**). This annual increase is comparable to borrowing over a decade ago (between 2003 and 2004). Most of the increases were primarily from loans under $250,000. The smallest loan size under $100,000, and loans between $100,000 and $250,000 increased 5.6 percent and 2.3 percent, respectively. The growth in small business loans outstanding is miniscule when compared to large business lending for the same period. Large business loans exceeding $1 million grew strong at an annual rate of 10 percent from 2015 to 2016.

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



Note: Real GDP is seasonally adjusted.
Source: Small Business Lending, FDIC, and Gross Domestic Product, BEA.

[9] 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.newyorkfed.org/smallbusiness/small-business-credit-survey-employer-firms-2016.

Between 2013 through 2016, the aggregate number and amount of small business loans has increased steadily with each year stronger than the previous one (Table C). The number of small business loans outstanding grew at an annual rate 7.6 percent between June 2015 and June 2016 compared to 3.4 percent between June 2014 and June 2015.

Table A: Value of small business loans outstanding for depository lenders by loan type and size, 2010 to 2016
Billions of Dollars

Loan Type and Size at Origination	2012	2013	2014	2015	2016	Percent Change 15-16
Commercial Real Estate						
Less than $100,000	18.0	16.8	15.8	15.0	14.2	-5.6
$100,000 to $250,000	53.1	50.5	49.2	47.8	46.6	-2.5
$250,001 to $1 million	236.7	229.3	226.8	224.4	224.7	0.1
Total Commercial Real Estate	307.8	296.6	291.8	287.3	285.5	-0.6
Commercial and Industrial						
Less than $100,000	120.2	124.1	129.6	135.8	145.2	7.0
$100,000 to $250,000	46.5	47.2	48.3	50.3	53.8	6.9
$250,000 to $1 million	114.0	116.7	120.0	125.6	129.3	2.9
Total Commercial and Industrial	280.6	288.1	297.9	311.8	328.3	5.3
Total Small Business Loans ($1 million or less)	588.5	584.7	589.8	599.0	613.8	2.5
Total Large Business Loans (greater than $1 million)	1,681.2	1,781.2	1,949.0	2,119.7	2,333.0	10.1
Total Business Loans	2,269.7	2,365.9	2,538.8	2,718.8	2,946.8	8.4
Total Assets of Depository Lenders	12,188.8	12,618.4	13,373.1	14,095.2	14,886.2	5.6
Number of BHC's and Independent Lenders	6,637	6,402	6,189	5,917	5,652	-4.5

Note: Total domestics assets = assets less foreign assets.
Source: SBA, Office of Advocacy, tabulations from the Federal Deposit Insurance Corporation, June Call Reports.

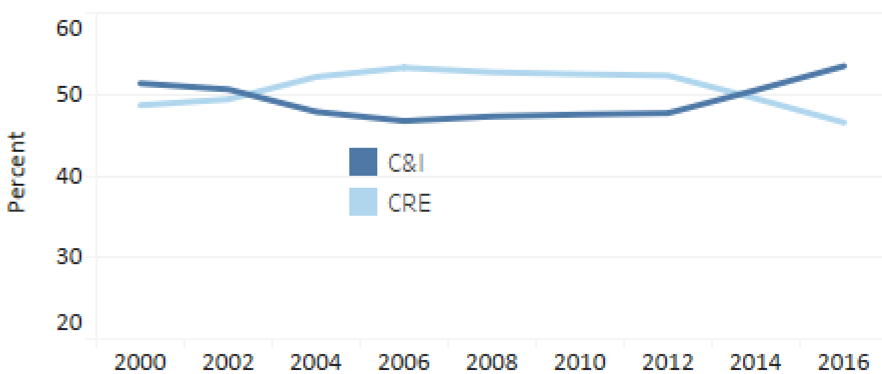
Two categories of loans make up small business loans ($1 million or less)--commercial industrial loans (C&I) and commercial real estate (CRE) loans. Both of these categories show different borrowing patterns.[10] For example, small C&I loans have inched upward in the last few years while the trend for small CRE loans moved in the opposite direction (**Figure 2)**. The number of small C&I loans represent over 95 percent of all small business loans and over half the dollar value of these loansa trend that has been gradually increasing since 2014 (**Table C)**. The data indicates that the increase in total small business loans outstanding is attributable to C&I loans.

[10] Commercial industrial loans and commercial real estate loans when combined make up small business loans.

B. Loan Sizes

The aggregate number and amount of all three C&I loan size categories (under $100,000, $100,000-$250,000, and $250,001-$1 million) increased over the 2015-2016 period, with the smallest loan sizes increasing the most. These increases for the number of loans ranged from 2.7 percent to 8.2 percent and from 2.9 percent to 7.0 percent for loan amounts. The lower bounds of the increases are attributable to small business loan sizes from $250,000 to $1 million. Both the number of loans and the amount for the smallest loans grew at an annual rate of 8.0 percent and 5.7 percent, respectively. These 24.1 million loans outstanding were valued at $159.3 billion (**Tables A** and **C**). It is important to mention that for the smallest loan size ($100,000) statistics are difficult to interpret because of continued efforts made by small business credit card issuers to consolidate their data reporting.[11]

Figure 2. C&I and CRE as a Percent of all Small Business Loans



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

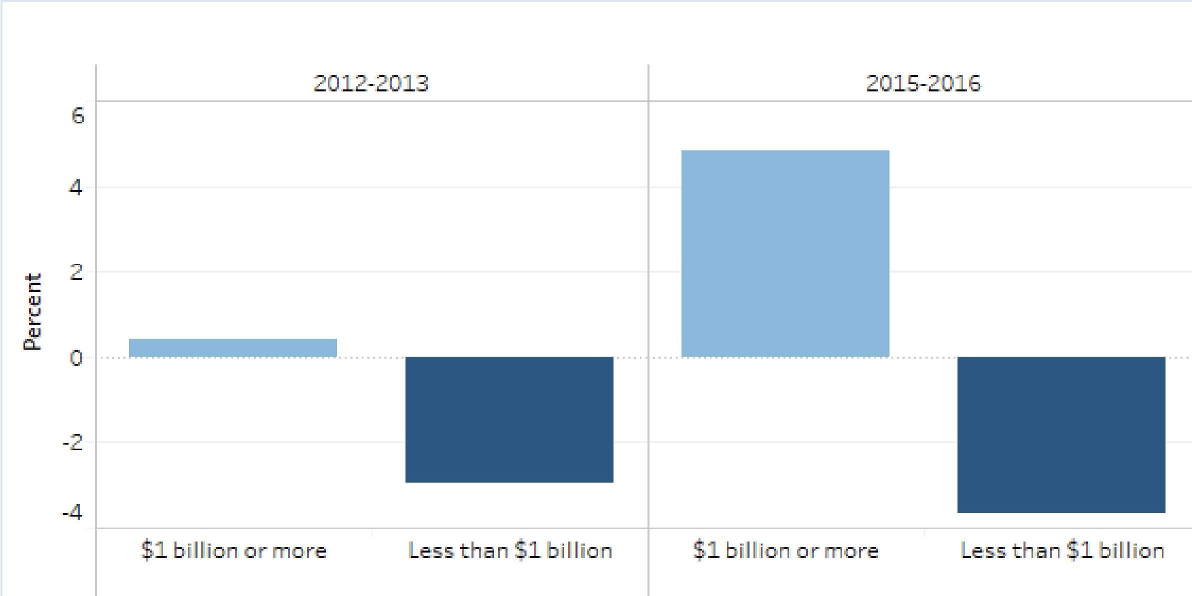
C. Lending by Size of Lender

The significance of lending institutions of different sizes in the small business loan markets continue to evolve as the banking industry continues to grow and consolidate. The numbers of depository institutions are affected by consolidations, closures, failures, and new charters. Thus, the numbers of depository lenders filing the call reports were 265 fewer from June 2015 and totaled 5,652 in June 2016.[12] The declines occurred among institutions with a billion or less in assets, with the most declines coming from the smallest institutions with assets of less than $100 million.

The lending activity of lenders with assets under $1 billion remained subdued while loans made by depository lending institutions with assets of $1 billion or more helped offset some of the decline by roughly $12 billion between June 2015 and June 2016 (**Table B** and **Figure 3**). The decline by small business lenders with under a $1 billion in assets between periods 2012-2013 and 2015-2016 was fairly unchanged. In contrast, larger lenders with assets ($1 billion or more) experienced a healthy growth from 2015-2016 when compared to 2012-2013.

[11] Small business credit cards continue to play an important role in this loan size category where they accounted majority of loans in this small business loan size category.
[12] The total number of the smallest lenders with assets under $500 million was 286 fewer from June 2015 to June 2016.

Figure 3. Percent Change in Small Business Loans by Bank Size



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

Lenders with $10 billion or more in domestic assets continue to control the small business loan market. These large lenders made 83.9 percent of the number of small business loans and over half of the total value of small business lending in 2016 **(Tables B & D)**.

The analysis shows that these lenders tend to be active in the smallest loan size category where they held roughly 74 percent of loans within this category (**Figure 4**).[13] Loans under $100K tend to be associated with credit card lending; over one-third of these lenders were identified as having credit card lending as part of their portfolios.[14] Lenders headquartered in Delaware, Ohio, Missouri, and North Carolina were connected with credit card lending.[15]

Table B: Value of Small Business Loans Outstanding by Depository Lender Size, 2012-2016

Billions of Dollars, Nominal

Lenders by Total Asset Size	2012	2013	2014	2015	2016	Percent Change, 15-16
Less than $100 million	17.6	15.8	14.6	12.9	11.5	-11.0
$100 million to $499.9 million	111.0	108.0	105.0	100.0	96.0	-4.0
$500 million to $999.9 million	56.0	55.2	53.5	53.5	52.8	-1.3
$1 billion to $9.9 billion	119.8	120.1	125.9	131.7	139.5	5.9
$10 billion to $49.9 billion	55.6	58.9	65.3	72.4	73.5	1.6
$50 billion or more	228.6	226.6	225.5	228.6	240.5	5.2
Total Small Business Loans	588.5	584.7	589.8	599.0	613.8	2.5

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

[13] The smallest loan size category makes up 26 percent of small business loans in 2016.

[14] These percentages are underrepresented since lenders with ratios below 0.005 were excluded from the analysis; when included they represent over half of these lenders.

[15] A minimum of three BHCs existed in these states that engaged credit card lending based on their credit card ratios i.e. credit card loans to total assets of 0.005 and above (see Tables 1A-C).

Table C: Number of Small Business Loans Outstanding by Loan Type and Size, 2012-2016

Millions of Loans

Loan Type and Size at Origination	2012	2013	2014	2015	2016	Percent Change %
Commercial Real Estate						
Less than $100,000	0.41	0.38	0.36	0.35	0.33	-4.7
$100,000 to $250,000	0.41	0.40	0.39	0.38	0.37	-1.7
$250,000 to $1 million	0.59	0.57	0.57	0.57	0.57	0.8
Total Commercial Real Estate	1.41	1.35	1.31	1.30	1.28	-1.4
Commercial and Industrial						
Less than $100,000	21.25	20.74	21.20	21.97	23.78	8.2
$100,000 to $250,000	0.48	0.48	0.50	0.52	0.57	7.9
$250,000 to $1 million	0.39	0.40	0.41	0.43	0.45	2.7
Total Commercial and Industrial	22.11	21.62	22.11	22.92	24.79	8.1
Total Small Business Loans ($1 million or less)	23.52	22.97	23.42	24.22	26.07	7.6

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

Table D: Number of Small Business Loans Outstanding By Lender Size, 2012 to 2016

Millions of Loans, Number

Lenders by Total Asset Size	2012	2013	2014	2015	2016	Percent Change %
Less than $100 million	0.24	0.20	0.19	0.19	0.15	-20.3
$100 million to $499.9 million	1.04	1.00	0.99	0.96	1.01	5.4
$500 million to $999.9 million	1.56	1.50	1.39	1.43	1.43	0.2
$1 billion to $9.9 billion	1.42	1.38	1.41	1.56	1.62	3.4
$10 billion to $49.9 billion	1.58	1.72	1.81	1.20	1.29	7.3
$50 billion or more	17.69	17.16	17.62	18.89	20.57	8.9
Total Small Business Loans	23.52	22.97	23.42	24.22	26.07	7.6

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

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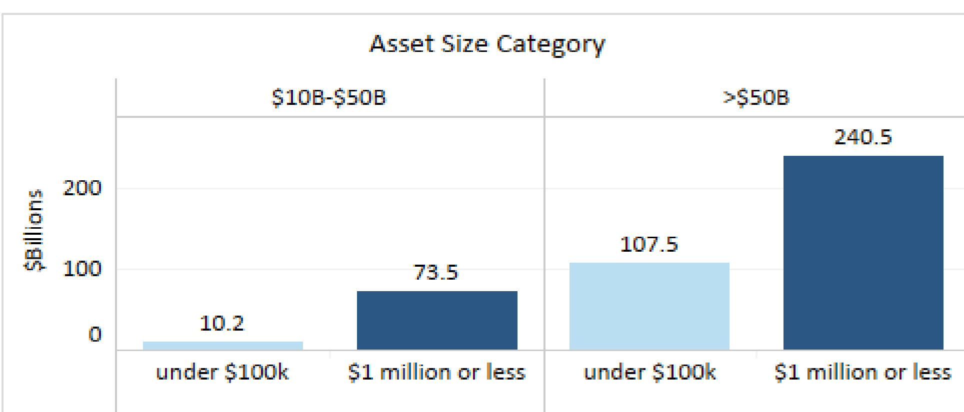
Figure 4. Small Business Loans Outstanding by Bank Size, 2016



Note: See online appendix **Table 1** for bank holding company lenders by state.

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

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 asset 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 percentage change between 2015 and 2016, 2.4 percent for CRE and less than 1 percent for C&I. As seen in both categories, the data suggests that borrowers seeking loans in the smallest amounts under $100k were less successful in competing with other uses of capital held by these lenders. The total assets ratio declined by approximately 1.5 percent for small business loans between June 2015 and June 2016.

Table E. Total Asset Ratios, 2012-2016
(value of small business loans outstanding to the value of loan type, percent)

						Percent Change
Loan Type and Size at Origination	2012	2013	2014	2015	2016	15-16
Commercial Real Estate						
Less than $100,000	1.13	1.07	1.04	1.00	0.94	-6.0
$100,000 to $250,000	1.66	1.63	1.60	1.56	1.53	-2.0
$250,000 to $1 million	5.82	5.73	5.61	5.47	5.37	-1.8
Total Commercial Real Estate	8.62	8.42	8.24	8.03	7.84	-2.4
Commercial and Industrial						
Less than $100,000	1.85	1.80	1.79	1.76	1.74	-0.6
$100,000 to $250,000	1.16	1.15	1.14	1.14	1.15	0.5
$250,000 to $1 million	2.36	2.35	2.32	2.31	2.31	0.0
Total Commercial and Industrial	5.37	5.29	5.26	5.21	5.20	-0.1
Total Small Business Loans ($1 million or less)	13.99	13.71	13.50	13.24	13.04	-1.5

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

The total asset ratio in **Table F** is presented by the asset size of the lending institution. 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 asset to small business loans—roughly 3 percent. Comparable loan share data by the smallest lenders for small business loans was more than 4 times that of the mega lenders at roughly 12.9 percent in 2016. Interestingly, the largest percentage decline during the period was from the largest lenders. Even though these lenders invest much smaller shares of their assets in small business loans, they dominate the small business loan market in the amount of loans they provide.

[16] The ratios used in Tables E-H 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.

Table F. Total Asset Ratio by Lender Size, 2012-2016
(value of small business loans outstanding to the value of lender assets by lender size, percent)

Lenders by Total Asset Size	2012	2013	2014	2015	2016	Percent Change 15-16
Less than $100 million	14.09	13.68	13.48	13.11	12.88	-1.8
$100 million to $499.9 million	15.24	14.97	14.77	14.59	14.44	-1.1
$500 million to $999.9 million	12.33	12.34	12.12	12.00	12.05	0.4
$1 billion to $9.9 billion	9.61	9.54	9.55	9.47	9.37	-1.1
$10 billion to $49.9 billion	5.28	5.17	5.21	5.24	5.06	-3.4
$50 billion or more	3.63	3.44	3.29	3.05	2.91	-4.5
Total Small Business Loans ($1 million or less)	13.99	13.71	13.50	13.24	13.04	-1.5

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

Table G. Total Small Business Loan Ratio by Loan Type and Size, 2012-2016
Ratio (percent of total business loans outstanding)

Loan Type and Size at Origination	2012	2013	2014	2015	2016	Percent Change 15-16
Commercial Real Estate						
Less than $100,000	8.26	7.89	7.63	7.29	6.93	-4.9
$100,000 to $250,000	8.62	8.49	8.34	8.20	8.05	-1.8
$250,000 to $1 million	24.04	23.75	23.26	22.76	22.32	-1.9
Total Commercial Real Estate	40.92	40.13	39.24	38.25	37.31	-2.5
Commercial and Industrial						
Less than $100,000	12.15	11.83	11.78	11.50	11.18	-2.8
$100,000 to $250,000	5.41	5.43	5.45	5.47	5.44	-0.5
$250,000 to $1 million	9.64	9.64	9.58	9.65	9.58	-0.7
Total Commercial and Industrial	27.20	26.89	26.80	26.62	26.20	-1.6
Total Small Business Loans ($1 million or less)	68.12	67.03	66.04	64.87	63.51	-2.1

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.

The ratio for small business loans ratios by lender size followed a similar downward trend with the exception of largest lenders who remained fairly stable during this time period (**Table H**). At polar ends, the largest lenders with $50 billion or more in assets held 20 percent of their business loans with small businesses, while the smallest lenders with assets under $100K held four times more of these loans.

Table H. Total Small Business Loan Ratio by Lender Size, 2012-2016
Ratio (percent of total business loans outstanding)

Lenders by Total Asset Size	2012	2013	2014	2015	2016	Percent Change 15-16
Less than $100 million	89.45	88.62	88.39	88.05	87.99	-0.1
$100 million to $499.9 million	65.62	65.18	64.65	64.29	63.65	-1.0
$500 million to $999.9 million	46.66	46.16	45.86	44.82	43.98	-1.9
$1 billion to $9.9 billion	36.48	35.31	34.05	32.74	31.76	-3.0
$10 billion to $49.9 billion	25.68	25.03	24.43	21.68	20.54	-5.3
$50 billion or more	22.43	20.77	19.73	20.26	20.27	0.0
Total Small Business Loans	68.12	67.03	66.04	64.87	63.51	-2.1

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

E. All Small Loans Outstanding from Multi-billion-dollar Lending Institutions

The small business loan market for lending institutions of various sizes operate continues to be affected by bank consolidations and changes in competition. The importance of large lenders in the small business loan market is displayed in **Table I.** Multi-billion-dollar lending institutions with assets of $10 billion or more increased from 104 to 107 due to continued merger and acquisition activities. These large lenders accounted for 70.9 percent of total business loans and 80.7 percent of total industry's assets in June 2016. Conversely, the number of institutions with $10 billion or less in assets has declined by 27 percent, between Q1 2000 and Q4 2014, while large banks increased by 32 percent during this period (Peirce & Miller, 2015).

Large lenders with assets of $10 billion or more continue to dominate the small business marketplace. These lenders' share of the small business loan market was 51.2 percent, but their efforts are more prominent in the C&I market for the smallest loan where their share for these loans was 79.2 percent—an increase from 77.9 percent in 2015.

F. Small Business Loans and Minority Depository Lending Institutions

Another perspective of the small business credit market using Call Report data is explored, which evaluates the lending activities of Minority Depository Institutions. Lending is the primary purpose of banks, since they help distribute funds from savers to borrowers, and Minority Depository Institutions (MDIs) are also part of this process. Their role is to help meet the credit needs of the communities they operate in by providing credit or investing in them.[17] Trends in the total number of minority banks mirror that of non-minority lending institutions—a steady decline over the years. Of the 5,652 bank holding

[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 to 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 www.fdic.gov/regulations/resources/minority/MDI_Definition.html or www.fdic.gov/regulations/resources/minority/MDI.html.

companies and independent lenders in the U.S. in 2016, MDIs accounted for roughly 3.0 percent of these institutions (**Table J**). MDIs held nearly $200 billion (1.3 percent) of total assets and roughly $76.3 billion (2.6 percent) of all business loans by lending institutions.

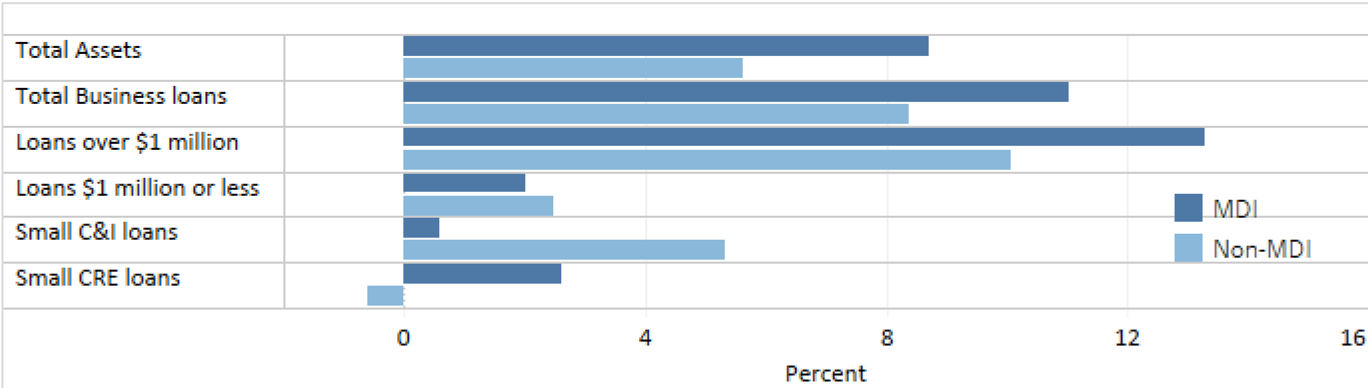
Table I: Share of Business Loans and Total Assets by Size of Depository Institution, 2016

	Total Asset Size of the Lending Institution or Bank Holding Company							
Year and Loans by Size	>50B	10B-50B	**>10B**	1B-10B	500M-1B	100M-500M	<100M	Total
2016				(percentage)				
Total Assets of the Institution	70.7	10.0	**80.7**	11.2	3.0	4.6	0.6	100.0
Commercial Real Estate								
Less than $100,000	11.7	7.5	**19.2**	21.7	12.8	36.6	9.7	100.0
$100,000 to $250,000	19.7	11.3	**30.9**	28.8	12.3	25.1	2.9	100.0
$250,000 to $1 million	25.3	12.9	**38.2**	29.6	11.3	19.3	1.6	100.0
Commercial and Industrial								
Less than $100,000	72.9	6.3	**79.2**	8.7	3.7	7.0	1.5	100.0
$100,000 to $250,000	38.7	14.1	**52.7**	22.0	7.8	15.4	2.0	100.0
$250,000 to $1 million	35.7	16.6	**52.4**	24.8	7.9	13.4	1.4	100.0
Total Small Business Loans	39.2	12.0	**51.2**	22.7	8.6	15.6	1.9	100.0
Total Large Business Loans	61.6	14.5	**76.2**	16.6	3.5	3.6	0.1	100.0
Total Business Loans	56.9	14.0	**70.9**	17.9	4.6	6.1	0.5	100.0
Number of Institutions	38	69	**107**	596	633	2,853	1,463	5,652

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

Similar to non-MDI lenders, MDIs' small business loans consists of both commercial industrial loans and commercial real estate loans (nonfarm nonresidential property) of $1 million or less. MDIs' small business lending portfolio is largely concentrated in CRE loans unlike non-MDIs' small business portfolio. Minority lenders held $9.9 billion (3.5 percent) in commercial real estate (CRE) loans and $4.2 billion (1.3 percent) in commercial and industrial (C&I) loans for U.S. small businesses (**Table J**). These minority lenders held about the same percentage of their total business portfolio in small businesses loans as other depository lenders in 2016, around 20 percent.

Figure 5. Percent Change of Non-MDIs and MDIs by Category, 2015-2016



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

Small business lending by MDIs stabilized and improved amongst all loan categories and sizes in 2016, with the smallest loan size category accounting for the most percentage change from the previous year. MDIs' small business outstanding CRE increased by 2.6 percent compared to non-MDIs' CRE, which remained suppress in 2016 (**Figure 5**). MDIs' large business loans over $1 million increased the most during this time period — by double digits, from 7.3 percent during June 2014 to June 2015, to 13.3 percent from June 2015 to June 2016. Again, MDIs hold a very small portion in the value of the total small business loan market, total assets and total business loans with the largest percent share being 3.0 percent.

In addition, nearly 86 percent of minority depository lenders are small BHCs or independent lenders with $1 billion or less in total assets, and they account for less than 40 percent of total small business loans. The largest minority lenders, with assets exceeding $1 billion, hold roughly 81 percent of the total MDI assets and represent over 60 percent of the MDI small business loans outstanding (**Table K**).

Table J. Value of Business Loans Outstanding for Minority Depository Lenders, 2012 to 2016
Billions of Dollars, Nominal

	2012	2013	2014	2015	2016	Percent Change 2015-2016
Less than $100,000	1.8	0.9	0.8	0.8	0.8	6.2
$100,000 to $250,000	2.8	2.1	1.9	1.9	2.0	2.8
$250,000 to $1 million	14.8	11.5	11.7	11.1	11.3	1.6
Total						
Commercial Real Estate	13.0	10.1	9.7	9.7	9.9	2.6
Commercial and Industrial	6.5	4.4	4.6	4.1	4.2	0.6
Small Business Loans ($1 million or less)	19.5	14.5	14.4	13.8	14.1	2.0
Large Business Loans (more than $ 1 million)	61.0	48.3	51.2	54.9	62.3	13.3
Business Loans	80.5	62.8	65.6	68.8	76.3	11.0
Assets of Depository Lenders	232.1	168.9	174.4	183.3	199.3	8.7
Number of BHC's and Independent Lenders	177.0	171.0	168.0	163.0	162.0	-0.6

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, 2016

	Total Asset Size of the Lending Institution or Bank Holding Company							
Year and Loans by Size	>50B	10B-50B	**>10B**	1B-10B	500M-1B	100M-500M	<100M	Total
2016				(percentage)				
Total Assets of the Institution	0.0	51.9	**51.9**	28.9	8.1	10.0	1.1	100.0
Total Small Business Loans	0.0	28.7	**28.7**	34.7	11.3	22.1	3.3	100.0
Total Large Business Loans	0.0	49.3	**49.3**	33.6	8.9	7.8	0.5	100.0
Total Business Loans	0.0	45.5	**45.5**	33.8	9.3	10.4	1.0	100.0
Number of Institutions	0	5	**5**	18	23	81	35	162

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

II. Findings from 2015 CRA Reporting Institutions

A. Small Business Lending by CRA Reporting Lending Institutions

This section examines the geographic lending activities of depository lending institutions under the Community Reinvestment Act (CRA). The CRA is intended to encourage federally insured depository lenders to help meet the credit needs of the local communities in which they are located. The CRA program requires lending institutions with total assets of approximately $1 billion or more to report their small business lending activities. Data from the CRA covers the lending activities of depository institution 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 this gives an idea of the geographic activities of small business lending in an area. Although the CRA data provide information on extensions of credit in a geographic 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 contain information on loans to businesses with annual revenues of $1 million or less. In 2015, about 37 percent of the value of all CRA small business loans was extended to firms with a $1 million or less in revenues, which corresponded to 52 percent for the number of loans (FFIEC, 2017).[19]

Two tables in this section highlight the activities of small business lending as shown in the CRA data. **Table L** compares 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 lending institutions submitting CRA reports. CRA data are composed primarily of loan originations, and loan purchases are normally a smaller share (less than 5 percent) of the reported activity. Both numbers are aggregated and reported in **Table M** below.

The number of lending institutions that submitted CRA reports in 2015 totaled 630, three fewer than the previous year. Analysis shows that lenders of the Call Reports submitting reports in CRA program accounted for 71 percent of the dollar volume of small business loans and over 85 percent of the industry's total domestic assets (**Table L**). These institutions were actively engaged in the market for loans under $100K, representing82 percent of these loans. The value of loans outstanding by lenders in the CRA program totaled $436 billion in 2015 compared with $421 billion the previous year. These balances are lower when compared to the Call Reports because the CRA does not capture all the lenders in the Call Reports.

Table M shows that the number and amount of loans originated increased from the previous year. CRA lending institutions extended a total of 6.0 million loans valued at $225 billion in 2015. The aggregate value of loans for the largest lenders with assets of $50 billion or more was 3 times more than that of lenders with $10 to $50 billion in assets **(Figure 6).** The figure also lists and ranks the top five lenders in

[18] See notes from the FFIEC. https://www.ffiec.gov/hmcrpr/cra_fs16.htm.
[19] https://www.ffiec.gov/hmcrpr/cra16tables1-5.pdf#Table2.

these categories extending loans of $1 million or less and loans under $100K. The total rank is based on four variables: the lender's total asset ratio, total business lending ratio, amount of small business loans, and number of small business loans.[20] **Figure 7** shows the value of small business loans per small business employee in a given state with amounts ranging from roughly $2,100 to $5,000.

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

	Call Report Information *(Loans and Assets in Billions of Dollars)*		Percentage of Call Report Institutions Submitting CRA Information				
Description	June 2016 All Institutions	December 2015 CRA Institutions	2015	2014	2013	2012	2011
Small Business Loans							
Less than $100,000	159.4	131.5	82	81	79	76	76
$100,000 to $1 million	454.4	304.8	67	67	66	66	63
Total Small Business Loans	613.8	436.3	71	70	69	68	66
Total Business Loans	2,946.8	2,521.7	86	85	86	81	73
Total Assets, June 2016	14,886.2	12,771.8	86	85	85	80	84
Number of Lending Institutions	5,652	630					

Note: The CRA column is the value of FDIC loans outstanding by lenders reporting CRA information. These are "outstanding" loans as of 06/2016, not CRA loans as of 12/2015.
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, 2012-2015
(dollar values in billions, number in millions)

					Change 14 - 15	
Loan Size and Assets	2012	2013	2014	2015	Amount	%
Value of Small Business Loans						
Less than $100,000	68.4	66.0	73.6	82.0	8.4	11.5
$100,000 to $1 million	137.4	139.8	139.4	143.0	3.6	2.6
Total Value of Small Business Loans	205.9	205.8	213.0	225.0	12.0	5.6
Number of Small Business Loans						
Less than $100,000	5.5	4.6	5.2	5.6	0.4	8.6
$100,000 to $1 million	0.4	0.4	0.4	0.4	0.0	1.6
Total Number of Small Business Loans	5.9	5.0	5.6	6.0	0.5	8.2
Number of Lending Institutions (BHC's and Independents)	678	652	633	630	-3.0	-0.5

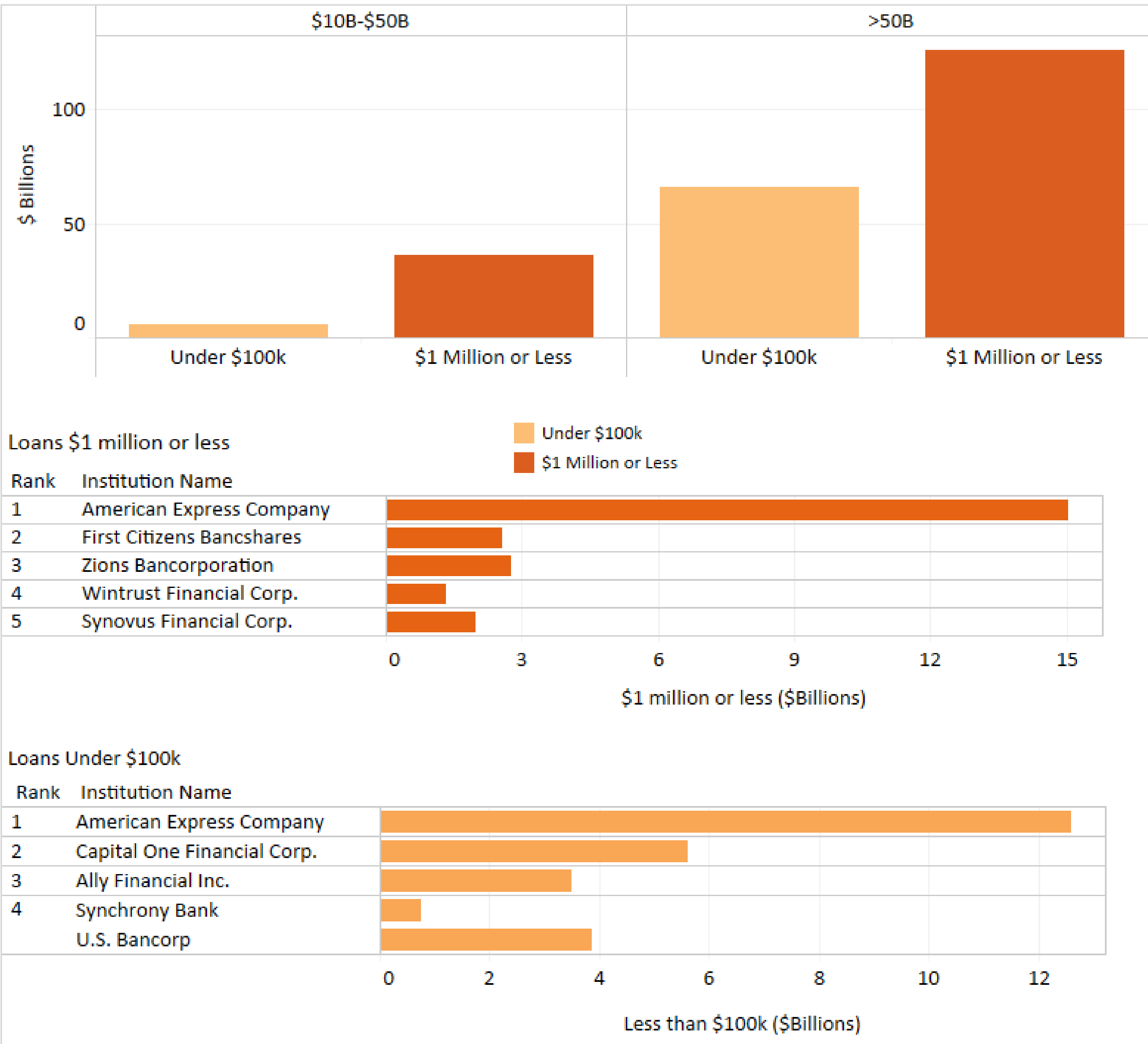
Source: SBA Office of Advocacy, tabulations from the FFIEC Community Reinvestment Act reports.

[20] The total rank is generated from the aggregate summary of all variable rankings. This method provides a fair chance for all banks examined within each asset size category examined to get recognized not only on their lending activities, but also on their performance.

B. Loans $100K or Less and Loans $100K–$1 Million by CRA Lending Institutions

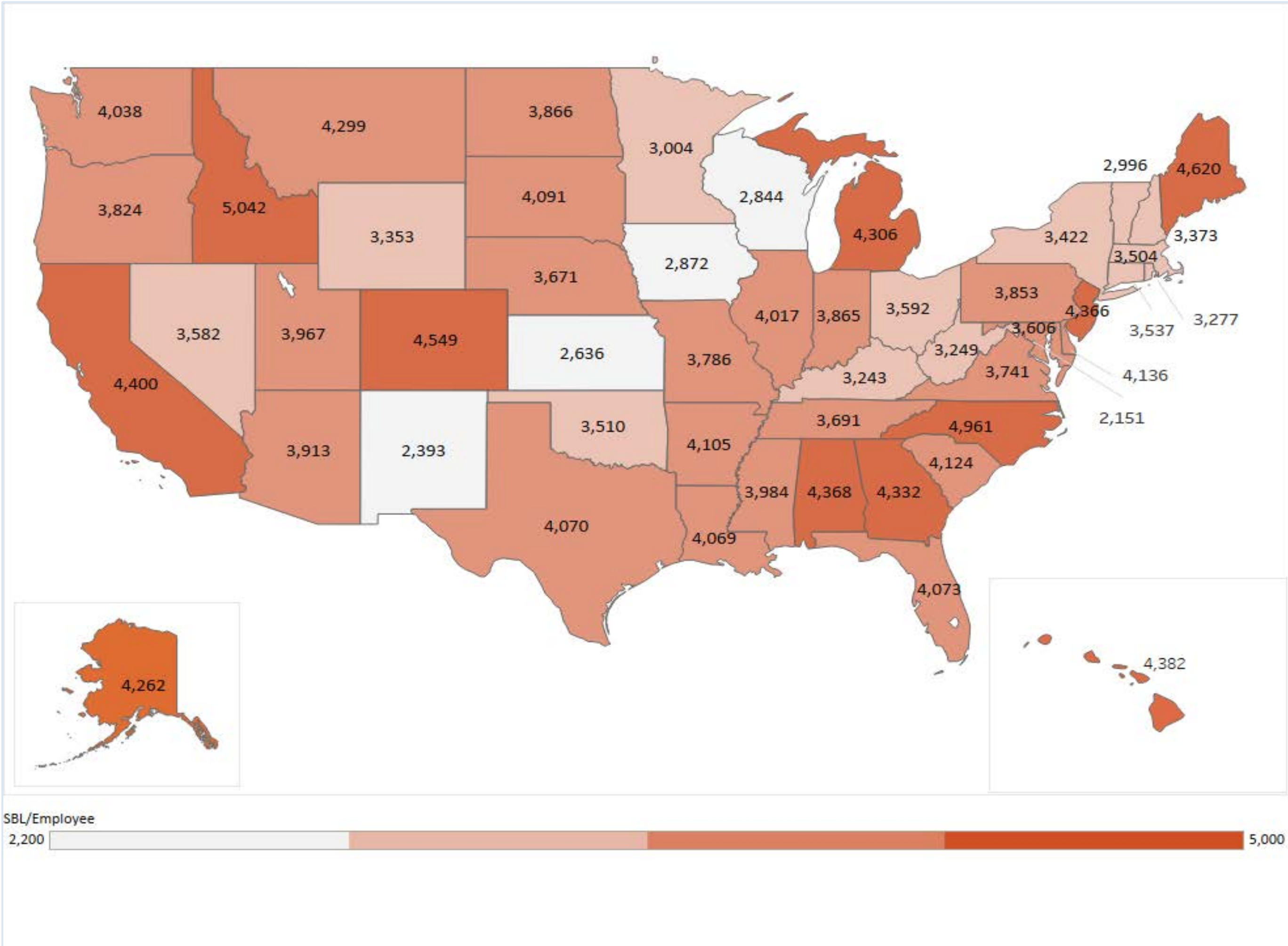
The number of loans made by multi-billion-dollar banks and other lenders for loans under $100K was 5.6 million business loans with a value $82 billion in 2015 compared with 5.2 million in the amount of $73.6 billion the previous year (**Table M**). These lenders accounted for 36.4 percent of the dollar amount loans extended and 93.5 percent of the number of business loans under $100k made in 2015. Larger loans ranging from $100K-$1 million remained fairly stable in number but increased value.

Figure 6. Lenders Extending Small Business Loans, CRA 2015



Note: See **Table 2** for all large bank holding lenders and **Table 4** for all top lenders by state in the online Appendix.
Source: SBA Office of Advocacy, tabulations from the FFIEC Community Reinvestment Act reports.

Figure 7. Small Business Loan Amount per Employee by State



Note: see online appendix **Table 5** for total state loans under $100K.
Source: SBA Office of Advocacy, tabulations from the FFIEC Community Reinvestment Act reports and U.S. Census Bureau, Statistics of U.S. Businesses.

Conclusion

Both the Call Reports and the CRA reports indicate that small business loans have improved gradually in the last few years, but still remain below pre-crisis levels. Most of the small business loan activity (in terms of percent change) is generated from smallest loan size category in both number and value. In terms of small business loans outstanding by asset size, the data show that large lenders with $1 billion or more continue to be active in small business lending.

However, small business lending performance ratios tell a different story. They show a declining trend in both the percentage of a lender's asset invested in small business loans, as well as in the small business loan share relative to total business loans.

Data on Minority Depository Lending institutions showed that growth of small businesses loans outstanding was positive in all size categories (total loans less than $100K, $100K to $250K, and $250K to $1 million), though minority lenders hold a relatively small percentage of total small business loans, and their share has been declining. MDIs' small business loan portfolio is highly concentrated in CRE loans compared to non-MDIs' small business portfolio. While the CRE portion of non-MDIs remained suppressed in 2016, MDIs' CRE portion was strong and helped offset the decline in MDI C&I.

Overall, both the Call Report and CRA data show that the downward pressure on small business lending is easing. The largest lenders, in general, invest much smaller proportions of their assets in small business loans, but they dominate the market in terms of the amount of loan value they provide.

Data Sources and Limitations

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. 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; https://www.ffiec.gov/cra/default.htm.

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 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 less than $1 million.

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 lending institution. Smaller institutions are more likely to hold the entire small business loan in house, even if the loan has an SBA loan guarantee attached.

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 of just over $1 billion, the CRA data set includes lenders with total assets of less than $1 billion. 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 lending institution 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, and 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, BHC, and Call Reports are linked by a common identifier. The common identifier allows for the data to be consolidated. The BHCs 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. Text Tables E through H employ the total assets 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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