

## Small Business Lending: Third Quarter 2013

### *Small Business Loan Growth Continues to Fluctuate*

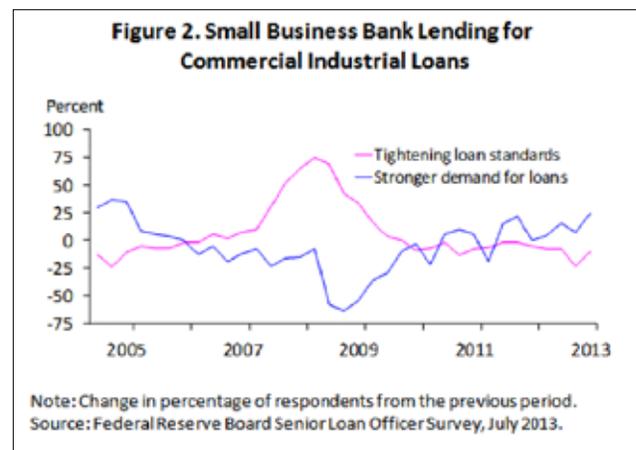
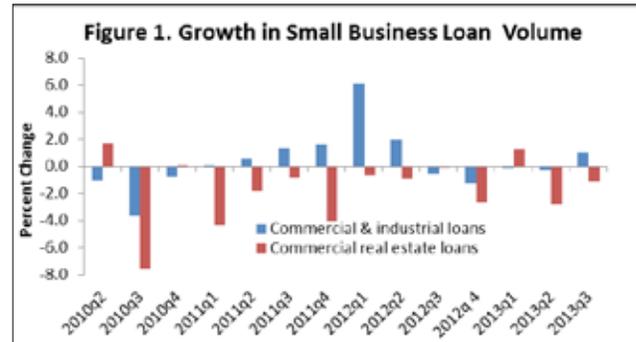
In the third quarter of 2013, small business loans under \$1 million totaled \$580 billion, a decline of \$5.9 billion (1 percent) after experiencing an increase in the previous quarter (see Table 1). Decreases were seen in both small commercial and industrial (C&I) and small commercial real estate (CRE) loan values. However, while total loan values declined slightly, the actual volume of small business loans increased by 1 percent after being in negative territory for the last four quarters (see Figure 1).

#### *Small Business Loan Segments*

On a year-to-year basis (September 2012 through September 2013), C&I loans increased by 2.2 percent, while CRE loans shrunk by 3.4 percent during this period. The share of C&I loans in terms of value remained flat over the year at 22 percent. On the other hand, CRE loan value share gradually declined over the year from 29 percent to 27 percent, based on the recent Call Report data.

#### *Market Conditions*

Several market indicators show signs that credit to small business firms is improving. For example, bankers continued to ease their lending standard to small firms as the credit quality of small firms improved (see Figure 2). Credit balances increased and delinquency rates decreased, according to Moody's Analytics Small Business Credit Index. Approval rates by alternative lenders continued to increase, according to Biz2Credit Small Business Lending Index. The portion of businesses that had their financial needs met increased to 42 percent in the 3rd quarter, from 28 percent in the 1st quarter 2013, based on Atlanta's Federal Small Business Survey. The percentage of small business owners that were denied credit declined over this period. These findings are consistent with that of the NFIB survey, which reported a decline in the percent of small business owners indicating unmet credit needs.



#### *Lenders*

There were small declines of about 1 percent in each loan size category in the third quarter of 2013 (under \$1 million, \$100,000 to \$1 million, and under \$100,000). Depository lenders with assets in the \$1 billion to \$9.9 billion, and \$10 billion to \$49.9 billion categories had increases that helped offset the declines by the rest of the lenders.

**Table 1. Number and Value of Outstanding Small Business Loans 2010-2013**

	March 2010	June 2010	Sept. 2010	Dec. 2010	March 2011	June 2011	Sept. 2011	Dec. 2011	March 2012	June 2012	Sept. 2012	Dec. 2012	March 2013
<b>Value (\$ Billions)</b>													
Commercial & Industrial Loans <\$ 1M <i>Percent Change C&amp;I</i>	316	310 (1.92)	293 (5.39)	291 (0.73)	284 (2.60)	283 (0.19)	280 (1.11)	283 0.96	279 (1.17)	280 0.29	278 (0.58)	284 1.90	285 0.59
Commercial Real Estate loans <\$ 1M <i>Percent Change CRE</i>	350	342 (2.32)	337 (1.48)	333 (1.20)	326 (2.19)	324 (0.60)	320 (1.26)	315 (1.44)	311 (1.38)	308 (1.01)	306 (0.70)	302 (1.12)	299 (1.10)
<b>Total Small business loan share</b>	<b>31.6</b>	<b>31.2</b>	<b>30.4</b>	<b>30.0</b>	<b>29.2</b>	<b>28.8</b>	<b>28.0</b>	<b>27.3</b>	<b>26.7</b>	<b>26.1</b>	<b>25.7</b>	<b>25.0</b>	<b>24.9</b>
<b>Volume (Millions)</b>													
Commercial & Industrial Loans <\$ 1M	20.9	20.7	19.9	19.7	19.7	19.9	20.1	20.4	21.7	22.1	22.0	21.7	21.7
Commercial Real Estate loans <\$ 1M	1.7	1.7	1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4
<b>Total volume of small business loans</b>	<b>22.6</b>	<b>22.4</b>	<b>21.5</b>	<b>21.3</b>	<b>21.3</b>	<b>21.4</b>	<b>21.6</b>	<b>21.9</b>	<b>23.1</b>	<b>23.5</b>	<b>23.4</b>	<b>23.1</b>	<b>23.1</b>
Percent Change		(0.85)	(3.98)	(0.76)	(0.29)	0.43	1.16	1.22	5.64	1.78	(0.51)	(1.31)	(0.06)

Source: Federal Deposit Insurance Corporation.