

Small Business and Micro Business Lending in the United States for Data Years 2007-2008

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Introduction

Annually, the Office of Advocacy prepares a study on institutional lending to small firms. The latest report examines small business lending in the economy by lenders in the United States, based on two types of data that lenders report to their regulating agencies—the Consolidated Reports of Condition and Income (Call Reports) for June 2008 and the Community Reinvestment Act (CRA) reports for 2007. These represent the most current data available.

Data are available only by the size of the loan: small business loans are business loans under \$1 million, and micro business loans are those under \$100,000. The report includes a discussion of developments in the small and micro business lending activities of institutional lenders. No attempt has been made to distinguish SBA guaranteed lenders in the analysis. Lenders are ranked based on their overall lending, not lending under SBA programs.

Part one reviews developments apparent in the June 2007 to June 2008 Call Report data and the CRA database for the year 2007. Part two provides directories of the top small and micro business lenders in the 50 states, the District of Columbia, and some U.S. territories. National tables for multi-billion-dollar financial institutions and bank holding companies are presented first, followed by state tables.

Beginning in 2005, the report was expanded to include savings banks and savings and loan associations, in addition to commercial banks. Geographic coverage has been expanded to include American Samoa, Guam, Puerto Rico, and the U.S. Virgin Islands.

Overall Findings

As the economy weakened, small business lending by banks and other lending institutions showed moderate increases in the first half of 2008. Borrowers and lenders began holding off on new borrowing and lending in reaction to an uncertain economy.

Highlights

- Small business loans outstanding (loans under \$1 million) were valued at \$711.3 billion in June 2008, up \$26.7 billion or 4.0 percent from the previous year—half the increase of \$50.6 billion or 8.0 percent from June 2006 to June 2007.
- The value of loans under \$100,000 increased by 6.8 percent, or \$10.8 billion between June 2007 and June 2008. The number of loans increased by 15.7 percent. Increases in both the dollar amount and volume may be attributed to continued efforts to promote small business credit cards.
- The value of loans of \$100,000 to \$1 million increased by just 3.2 percent, while the number of these loans decreased by 23.3 percent, from 2.9 million to 2.2 million over the June 2007 to June 2008 period.
- The dollar volume of borrowing by large corporations in loan sizes over \$1 million increased by 12.2 percent between June 2007 and June 2008, compared with 11.7 percent the previous year.
- Banking consolidations continued. On net, the number of consolidated lending institutions declined by 85 between June 2007 and June 2008 to 7,380.
- The number of the smallest lenders with assets under \$500 million was down by 150, to 6,094.

- The total number of multi-billion-dollar institutions with assets over \$10 billion declined from 106 to 100, yet they accounted for larger shares—66.0 percent—of total business loans and 76.5 percent of total assets in June 2008.

Scope and Methodology

This report observes the environment of lending institution activities using two types of data reported by financial institutions to their regulating agencies. Call Reports include information on the number and dollar amount of business loans outstanding in June 2008. Community Reinvestment Act data cover lending to small businesses for calendar year 2007. These are the most current data available.

The data reported are available by loan size, not by business size. Small business loans are defined here as loans under \$1 million; larger small business loans are those valued at \$100,000 to under \$1 million; and micro loans are loans of less than \$100,000.

Large lending institutions with total domestic assets of more than \$10 billion are ranked and reported separately, under the presumption that they serve a national market. Rankings by state are made for all CRA-reporting lenders on the basis of the designated headquarters state of the reporting lending institutions (see Table 5 for the number of institutions in each state).

Two ranking methods are used, depending upon the availability of data. For lending institutions filing Call Reports, for which information on total assets and total business loans is available, four criteria are used as the basis for a lender's performance ranking. A decile ranking is first computed for individual criteria; decile rankings range from 1 to 10. Lending institutions in the top 10 percent of all lenders in the state receive the maximum score of 10; banks in the lowest 10 percent receive a score of 1. Lenders that do not lend to small businesses (loans under \$1 million) receive a 0. A summary ranking consolidating the four decile rankings is computed for each institution in the state rankings. Four top scores will sum to 40. To make the top score total 100, each score is multiplied by 2.5.

Two criteria are shown in the lending rankings by state using the CRA data: the dollar totals and number of loans. Lenders are listed in order of the dollar amount of small business loans made in each state in 2007. Large institutions therefore appear at the top. Simple rankings are used for multi-billion-

dollar lending institutions because a small number of lenders is involved.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report is online at www.sba.gov/advo/research/sbl_08study.pdf. Summaries and text of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research. Copies are available for purchase from:

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