Lending by Depository Lenders to Small Businesses, 2003 to 2010

by

George W. Haynes and Victoria Williams
Office of Advocacy
Small Business Administration

for

Release Date: March 2011

The statements, findings, conclusions, and recommendations found in this study are those of the authors and do not necessarily reflect the views of the Office of Advocacy, the United States Small Business Administration, or the United States government

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Foreword

The success of small businesses depends upon their access to credit, and institutional lenders are critically important as sources of capital to small firms. This report parallels the Office of Advocacy's annual studies on small firm finances. It takes a longer term look, from 2003 to 2010, at the performance of depository lenders with respect to the supply of small business lending.

The study, *Lending by Depository Lenders to Small Businesses, 2003 to 2010*, looks at small business lending in the context of an economy that has endured a deep recession and appears poised for recovery. It relies on data based on reports provided by depository institutions to their respective regulating agencies—Call Reports for June of each year from 2003 to 2010.

The research focuses on changes in five performance categories: aggregate lending, numbers of loans, average loan sizes, ratio of small business loans to total assets, and ratio of small business loans to total business loans. Two types of small business loans are reported by the FDIC: loans secured by nonfarm, nonresidential properties, or commercial real estate (CRE) loans; and commercial and industrial (C&I) loans.

The report first looks at small business loans held by depository lenders over the period from 2003 to 2010, with special emphasis on lending institutions with total assets exceeding $10 billion.

The second section examines small business loans held by "community lenders"—depository lenders with assets of less than $10 billion. It focuses specifically on 2009-2010 trends in each of the ten U.S. regions as defined by the U.S. Small Business Administration.

If you have questions or comments about this study, please contact the Office of Advocacy, U.S. Small Business Administration, Mail Code 3112, 409 Third St., S.W., Washington, D.C. 20416, or fax (202) 205-6928. Technical questions may be addressed to Victoria Williams at (202) 205-6533 or by email: advocacy@sba.gov or victoria.williams@sba.gov.

We welcome your comments and suggestions.

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Executive Summary

Access to credit is essential for the survival and success of small businesses. While the debate continues over the contribution of supply and demand factors to accessing credit, one fact remains clear: the supply of small business loans held by depository lenders (commercial banks and savings institutions) has declined over the past two years. Depository lenders hold approximately 60 percent of the total value of loans to small businesses in asset-backed loans (capital leases and vehicle and equipment loans) and lines of credit. This descriptive report utilizes Federal Deposit Insurance Corporation (FDIC) Call Report data to examine changes in the supply of small loans held by depository lenders since 2003 and assesses the contribution of small and large depository lenders to this decline in small business loans.

Small business lending peaked in 2008 when depository institutions in the United States held more than $711 billion in small business loans. From 2008 to 2010, this small business lending declined by 8.3 percent to $652 billion. In 2009-2010 alone, these depository institutions reduced their small loan portfolio by $43 billion, or 6.2 percent. Lenders with $10 billion or more in total assets, which hold about 48 percent of all small business loans, were responsible for more than 55 percent of this decline.

Perhaps of most concern are the further declines in two key ratios: the ratio of small business loans to total assets and the ratio of small business loans to total business loans. Small business loans constituted about 16.5 percent of total assets in 2003, but only 15.3 percent in 2010; hence, small businesses are less successful in competing against other uses of the capital held by these lending institutions. Small business lending is also losing market share in the business loan market. Over the eight years from 2003 through 2010, small business loans as a share of total business loans declined by more than 12 percentage points, from 81.7 percent in 2003 to 68.9 percent in 2010.

Introduction

Access to credit is essential for the survival and success of small businesses. While the debate continues over the contribution of supply and demand factors to such access, clearly the supply of small business loans held by depository lenders (commercial banks and savings institutions) declined over the 2008-2010 period. Depository lenders hold approximately 60 percent of the total value of loans to small businesses in asset-backed loans, including capital leases, vehicle and equipment loans, and lines of credit.[1]

From 2008 to 2009, the relatively modest decline in gross domestic product or GDP (less than 2 percent) paralleled a modest 2.3 percent decline in small business loans. More recently, the substantial gain in GDP from 2009 to 2010 occurred during a period of further declines in small business lending by depository institutions (-6.2 percent). This descriptive report examines changes in the supply of small loans held by depository lenders since 2003 and assesses the contribution of small and large depository lenders to this decline.

The study examines changes in small business lending for all lenders insured by the Federal Deposit Insurance Corporation (FDIC) from 2003 through 2010. Dollar amounts are reported in nominal terms, with no adjustments for inflation. A small business loan is defined as a loan originated for $1 million or less at some point in time over the last several years. The value is the outstanding balance of small business loans held by these lenders on June 30 of each year. Clearly, some small businesses have borrowed more than $1 million at one time and some large businesses have occasionally borrowed less than $1 million at one time; hence, some overlap occurs in the information supplied the FDIC.

This study focuses on changes in five performance measures: aggregate lending, numbers of loans, average loan sizes, ratio of small business loans to total assets, and ratio of small business loans to total business loans. Two types of small business loans are reported by the FDIC: loans secured by nonfarm, nonresidential properties, or commercial real estate (CRE) loans; and commercial and industrial (C&I) loans. The study examines the changes in small business loans from 2009 to 2010 and the contribution of lenders with assets over $10 billion to declines in small business loans.

The first section examines small business loans held by depository lenders, with special emphasis on lending institutions with total assets exceeding $10 billion. The second section examines small business loans held by "community lenders"—depository lenders with assets of less than $10 billion—in each of the 10 regions as defined by the U.S. Small Business Administration (SBA). The third section discusses the methods used in this study. A detailed reporting of changes in the supply of small loans and selected ratios for all lenders is included in the appendices. Appendix A reports changes in the

[1] Haynes, G.W. & Brown, J.R. (2009). *Examination of Financial Patterns Using the Survey of Small Business Finances*, monograph for the U.S. Small Business Administration, Office of Advocacy (contract number SBAHQ-07-M-0381).

five performance measures from 2003 for all lenders with total assets exceeding $10 billion. Appendix B reports changes for community lenders in each of the 10 regions.

Results

Aggregate Loan Value

The various measures of depository institutions' small business lending—aggregate lending, the number of loans, mean loan values, and ratios of total small business loans to total assets and to total business loans—exhibited various changes over the 2003-2010 period. While the tables will show these 2003-2010 changes, this study focuses primarily on changes from 2009 to 2010.

Chart 1 Total Value of Small Business Loans by Depository Lender Asset Size, 2003-2010

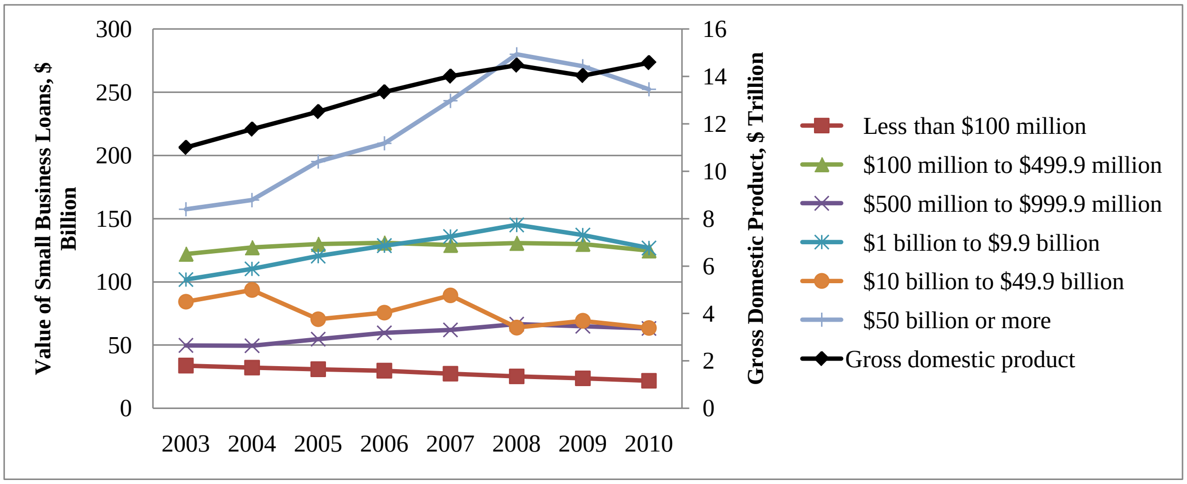


Chart 1 shows trends in nominal small business lending from depository institutions compared with gross domestic product (GDP) from June 2003 to June 2010 (Bureau of Economic Analysis, 2010). Small business lending by large lenders (with total assets of $50 billion or more) increased substantially from 2003 to 2008, then declined significantly from 2008 to 2010. Lenders with $10 billion to $50 billion in assets decreased their lending from $84.3 billion in 2003 to under $64 billion in 2010. All other lenders, except the smallest lenders with $100 million or less in assets, increased their small business lending from 2003 to 2010. But even as GDP began to increase in 2010, small business lending was declining.

Aggregate small business lending by depository institutions decreased by 2.3 percent from $711.5 billion in 2008 to $695.2 billion in 2009 (Table 1). In 2009-2010, aggregate small business lending decreased by another 6.2 percent, to $652.2 billion. The number of depository lenders submitting reports to the FDIC decreased by 3 percent, from 8,461 lenders in 2008 to 8,204 lenders in 2009. In 2009-2010, the number of lenders decreased by another 4.4 percent to 7,839 lenders.

Table 1 Value of Small Business Loans by Depository Lender Asset Size, 2003 to 2010

Size of Loan and Lender (Total Assets)	2003	2004	2005	2006	2007	2008	2009	2010	Change 09 - 10 Difference	Change 09 - 10 %
	(billions of dollars, nominal)									
All Small Loans, All Lenders	549.3	577.4	601.6	634.2	686.8	711.5	695.2	652.3	-43.0	-6.2
Less than $100 million	33.8	32.1	30.9	29.8	27.3	25.3	23.7	21.8	-1.8	-7.7
$100 million to $499.9 million	122.1	127.2	129.9	130.9	129.1	130.7	129.9	124.7	-5.2	-4.0
$500 million to $999.9 million	49.8	49.5	54.7	59.7	62.0	66.6	64.9	63.1	-1.8	-2.8
$1 billion to $9.9 billion	101.9	110.3	120.4	128.7	135.9	145.0	137.1	126.8	-10.3	-7.5
$10 billion to $49.9 billion	84.3	93.6	70.4	75.6	89.3	63.9	69.2	63.5	-5.7	-8.3
$50 billion or more	157.5	164.7	195.2	209.6	243.2	280.1	270.5	252.4	-18.2	-6.7
All CRE Loans, $100,000 or less	32.2	30.3	29.9	28.7	28.4	28.5	26.4	22.2	-4.3	-16.1
Less than $100 million	5.4	4.9	4.6	4.2	3.7	3.5	3.2	2.9	-0.3	-10.3
$100 million to $499.9 million	11.3	11.1	10.5	10.2	9.3	9.2	8.5	7.9	-0.6	-6.8
$500 million to $999.9 million	3.4	2.9	2.8	3.1	2.8	2.7	2.6	2.5	-0.1	-3.2
$1 billion to $9.9 billion	4.5	4.7	5.2	4.7	4.6	4.8	4.9	4.0	-0.9	-18.1
$10 billion to $49.9 billion	3.4	2.7	1.8	1.7	2.7	2.6	1.3	1.3	-0.1	-4.4
$50 billion or more	4.2	4.2	4.9	4.8	5.4	5.6	6.0	3.7	-2.3	-38.5
All CRE Loans, $100,000 to $250,000	58.1	61.3	62.4	65.0	68.8	68.6	67.1	59.6	-7.5	-11.2
Less than $100 million	3.5	3.5	3.4	3.2	2.9	2.6	2.6	2.4	-0.2	-7.1
$100 million to $499.9 million	15.5	16.5	16.7	16.6	16.1	15.9	15.6	15.2	-0.4	-2.4
$500 million to $999.9 million	6.2	6.2	6.8	7.2	7.3	7.8	7.7	7.4	-0.3	-4.4
$1 billion to $9.9 billion	12.0	12.5	13.0	13.7	14.1	14.7	14.6	14.0	-0.6	-4.4
$10 billion to $49.9 billion	7.8	8.9	6.3	6.5	7.0	5.4	5.5	5.5	0.0	-0.7
$50 billion or more	13.1	13.7	16.2	17.7	21.3	22.2	21.1	15.2	-5.9	-28.1
All CRE Loans, $250,000 to $1 million	190.9	209.5	222.9	244.2	262.8	277.9	278.4	260.5	-17.9	-6.4
Less than $100 million	8.6	8.7	8.6	8.6	7.9	7.5	7.7	7.2	-0.5	-6.0
$100 million to $499.9 million	46.7	49.6	52.5	54.1	53.5	54.8	57.1	56.6	-0.5	-0.8
$500 million to $999.9 million	20.4	21.2	24.4	26.7	28.4	30.7	30.7	30.4	-0.4	-1.2
$1 billion to $9.9 billion	39.8	45.1	50.6	55.7	57.9	63.8	63.7	61.2	-2.6	-4.1
$10 billion to $49.9 billion	28.8	33.1	25.1	28.6	32.0	26.6	27.5	26.9	-0.5	-2.0
$50 billion or more	46.6	51.8	61.7	70.5	83.1	94.5	91.8	78.3	-13.5	-14.7
All C&I Loans, $100,000 or less	104.4	104.4	108.3	117.0	131.2	141.7	134.5	137.2	2.7	2.0
Less than $100 million	8.7	7.7	7.2	6.6	6.0	5.3	4.5	4.1	-0.4	-8.3
$100 million to $499.9 million	18.2	17.7	17.2	16.4	15.8	15.5	14.4	12.8	-1.6	-10.9
$500 million to $999.9 million	6.4	5.9	6.4	7.1	6.9	7.1	6.7	6.7	-0.1	-1.3
$1 billion to $9.9 billion	14.2	13.9	14.9	16.1	17.3	17.4	12.8	11.2	-1.6	-12.4
$10 billion to $49.9 billion	18.0	19.1	13.8	15.1	20.8	7.5	11.5	7.8	-3.7	-32.5
$50 billion or more	38.8	40.1	48.9	55.6	64.5	88.9	84.5	94.5	10.1	11.9
All C&I Loans, $100,000 to $250,000	51.2	53.0	54.5	54.7	57.5	57.3	55.1	51.1	-3.9	-7.1
Less than $100 million	2.9	2.8	2.7	2.6	2.4	2.2	2.0	1.8	-0.2	-8.7
$100 million to $499.9 million	10.6	11.2	11.3	11.1	11.3	11.2	10.9	10.3	-0.6	-5.4
$500 million to $999.9 million	4.4	4.3	4.6	4.9	5.2	5.6	5.4	5.1	-0.3	-5.9
$1 billion to $9.9 billion	9.7	10.4	10.9	11.7	12.6	12.9	11.9	10.5	-1.4	-11.6
$10 billion to $49.9 billion	7.9	8.6	6.5	6.6	7.3	5.5	6.0	6.2	0.2	3.4
$50 billion or more	15.6	15.6	18.7	17.8	18.8	19.8	19.0	17.4	-1.7	-8.8
All C&I Loans, $250,000 to $1 million	112.6	118.9	123.6	124.7	138.0	137.4	133.7	121.6	-12.0	-9.0
Less than $100 million	4.6	4.6	4.5	4.6	4.4	4.2	3.7	3.4	-0.3	-8.2
$100 million to $499.9 million	19.8	21.2	21.8	22.4	23.1	24.0	23.5	21.9	-1.6	-6.8
$500 million to $999.9 million	8.9	8.9	9.8	10.7	11.5	12.6	11.8	11.2	-0.6	-5.2
$1 billion to $9.9 billion	21.7	23.7	25.8	26.8	29.4	31.6	29.2	26.0	-3.2	-11.0
$10 billion to $49.9 billion	18.4	21.3	17.0	17.0	19.5	16.3	17.5	15.9	-1.5	-8.8
$50 billion or more	39.2	39.3	44.8	43.2	50.1	48.9	48.1	43.3	-4.8	-9.9

The total value of small business loans declined by just over $43 billion from 2009 to 2010. More than 55 percent of the decline was attributed to large lenders with $10 billion or more in total assets. These lenders have held more than 48 percent of all small business loans from depository institutions since 2007 (see also Appendix C, Table 1). The largest lenders with $50 billion or more in total assets were responsible for more than 42 percent of the decline.

CRE loans of $250,000 to $1 million saw the largest total value decline—by $17.9 billion or 6.4 percent, from $278.4 billion in 2009 to $260.5 billion in 2010 (Table 1). Seventy-five percent of the decline in these loans—$13.5 billion—was in loans from the largest lenders with more than $50 billion in total assets (Appendix A, Table 1.4).

The second largest value decline was in C&I loans between $250,000 and $1 million, down by $12.0 billion, or 9.0 percent, from $133.7 billion in 2009 to $121.6 billion in 2010. The largest lenders reduced this C&I lending by 9.9 percent, or about 40 percent of the decline in value (Appendix A, Table 1.7).

Third largest was the decline in CRE loans between $100,000 and $250,000, down by $7.5 billion, or 11.2 percent. In this loan category, the largest lenders reduced their lending by 28.1 percent, or nearly 79 percent of the total value decline (Appendix A, Table 1.3).

The smallest CRE loans of $100,000 or less had the fourth largest decline. The value of these loans was down by $4.3 billion or 16.1 percent. The largest lenders reduced their lending in this category by 38.5 percent, which accounted for 53 percent of the decline (Appendix A, Table 1.2).

The fifth largest decline, of $3.9 billion, or 7.1 percent, was in C&I loans between $100,000 and $250,000. The largest lenders reduced their C&I lending in this size category by under 9 percent (see also Appendix A, Table 1.6).

C&I loans of $100,000 or less actually increased by $2.7 billion, or 2.0 percent. The largest lenders have held more than 60 percent of the value of these loans since 2008, and they increased the total value of this lending by over $10 billion in 2010.

This aggregate loan value analysis highlights the importance of large lenders to small business borrowers. Lenders with $10 billion or more in assets held 48 percent of total small business loans in 2010 and accounted for more than 55 percent of the decline in aggregate loan value between 2009 and 2010. From 2003 to 2008, the megalenders increased the value of small business loans by 78 percent, from $157.5 billion to more than $280 billion. The last two years, however, have been marked by substantial declines.

Wells Fargo and Company and Bank of America have led the small business loan market since 2003. These two depository lenders held just under 6 percent of the value of small business loans in 2003; by 2010, they held more than 11 percent. Given the dominance of lenders with more than $50 billion in total assets, the 6.7 percent decline in the value of their lending accounted for more than 42 percent of the decline in the market for small business loans.

Other lenders, such as Ally Financial Inc., First Niagara Financial Group, and GE Money Bank, increased their small business lending substantially in 2009-2010. Ally Financial, Inc., increased their lending sevenfold, from $1.5 billion in 2009 to more than $11.1 billion in 2010. First Niagara Financial Group and GE Money Bank increased their lending by over $1 billion.

Number of Loans

Chart 2 Total Number of Small Business Loans by Depository Lender Asset Size, 2003-2010

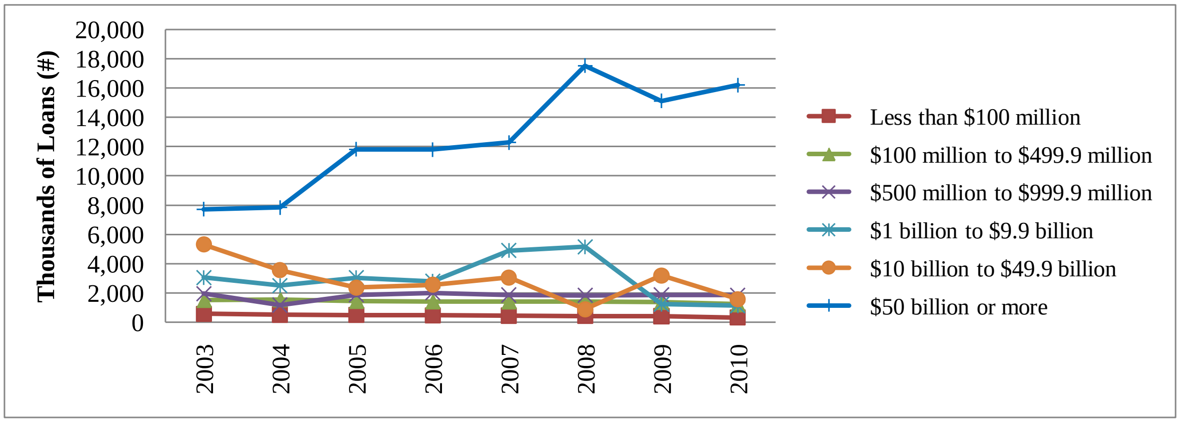


Chart 2 shows trends in the number of small business loans held by depository institutions from 2003 through 2010. Overall, the number declined by 3.9 percent, or about 900,000 loans from 2009 to 2010 (Table 2). Lenders with assets of $10 billion to $50 billion had the largest decline, by over 50 percent, from 3.2 million loans in 2009 to 1.6 million in 2010. Lenders with assets over $50 billion increased the number of small business loans by just over 7 percent.

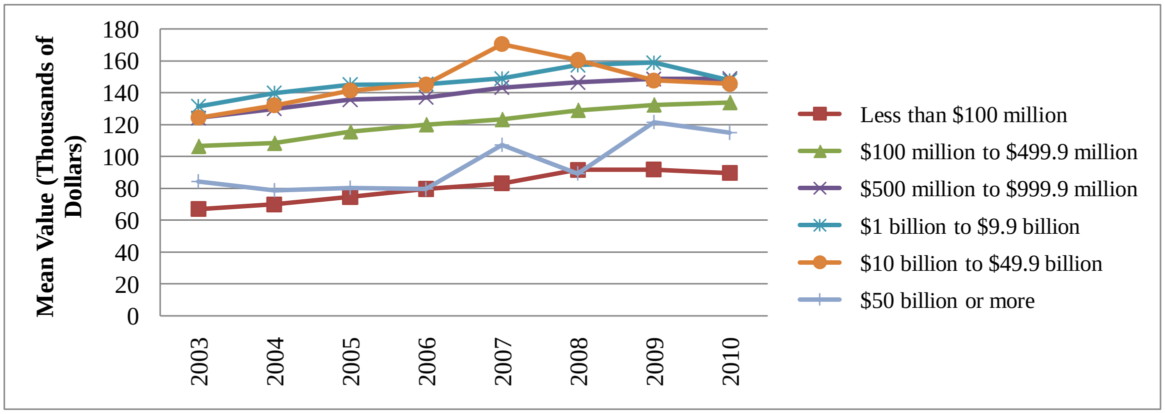
Nearly 90 percent of all loans held by depository institutions are C&I loans of $100,000 or less. The largest lenders have more than doubled the number of loans in this category since 2003, while in other lending institutions the numbers have declined. Thus, in 2003, the largest banks held 41 percent of the number of these smallest loans and more than 38 percent of all small business loans; by 2010, they held nearly 80 percent of the smallest loans and over 70 percent of all small business loans. The concentration of loans in this category reflects the growth in credit cards offered by the largest banks. For more detail on the number of loans, see Appendix Tables 2.1 through 2.7.

Table 2 Number of Small Loans by Depository Lender Asset Size, 2003 to 2010

Size of Loan and Lender (Total Assets)	2003	2004	2005	2006	2007	2008	2009	2010	Change 09 - 10 Difference	%
					(thousands of loans)					
All Small Loans, All Lenders	20,114	17,134	21,032	21,027	23,934	27,220	23,182	22,276	-906.4	-3.9
Less than $100 million	575	515	494	465	443	414	409	309	-100.3	-24.5
$100 million to $499.9 million	1,517	1,557	1,449	1,419	1,413	1,406	1,380	1,220	-159.7	-11.6
$500 million to $999.9 million	1,949	1,167	1,863	1,999	1,858	1,827	1,853	1,847	-6.5	-0.4
$1 billion to $9.9 billion	3,046	2,503	3,042	2,799	4,898	5,157	1,223	1,131	-91.7	-7.5
$10 billion to $49.9 billion	5,310	3,559	2,360	2,555	3,044	887	3,189	1,563	-1626.4	-51.0
$50 billion or more	7,716	7,832	11,824	11,791	12,279	17,529	15,128	16,206	1078.3	7.1
All CRE Loans, $100,000 or less	742	677	676	644	709	637	590	553	-37.3	-6.3
Less than $100 million	108	98	96	87	94	98	71	67	-4.1	-5.8
$100 million to $499.9 million	259	239	234	225	244	219	197	176	-20.8	-10.6
$500 million to $999.9 million	97	67	65	64	62	62	57	110	53.3	94.0
$1 billion to $9.9 billion	110	111	117	109	152	104	102	94	-7.9	-7.8
$10 billion to $49.9 billion	68	63	42	40	42	30	29	30	0.4	1.3
$50 billion or more	100	99	122	118	115	124	135	77	-58.2	-43.1
All CRE Loans, $100,000 to $250,000	439	463	472	483	517	507	508	449	-59.1	-11.6
Less than $100 million	25	26	26	24	24	19	19	17	-1.9	-10.0
$100 million to $499.9 million	113	122	126	121	122	119	123	115	-7.7	-6.3
$500 million to $999.9 million	54	54	50	52	53	61	62	54	-7.7	-12.5
$1 billion to $9.9 billion	90	93	100	104	105	108	107	106	-1.9	-1.8
$10 billion to $49.9 billion	58	66	47	48	57	39	41	41	0.3	0.7
$50 billion or more	98	102	122	134	156	161	156	115	-40.2	-25.8
All CRE Loans, $250,000 to $1 million	484	532	567	585	640	700	695	637	-58.3	-8.4
Less than $100 million	22	22	32	22	20	18	19	17	-1.5	-8.0
$100 million to $499.9 million	112	119	144	127	147	155	159	151	-7.9	-5.0
$500 million to $999.9 million	70	75	58	62	66	100	92	71	-21.7	-23.5
$1 billion to $9.9 billion	97	108	119	133	137	146	148	147	-1.0	-0.7
$10 billion to $49.9 billion	70	83	63	68	73	60	63	64	0.0	0.1
$50 billion or more	113	125	151	173	197	220	213	187	-26.2	-12.3
All C&I Loans, $100,000 or less	17,596	14,564	18,369	18,381	20,932	24,366	20,373	19,720	-652.7	-3.2
Less than $100 million	379	328	300	296	270	247	272	177	-94.9	-34.9
$100 million to $499.9 million	873	904	768	772	722	732	724	611	-112.8	-15.6
$500 million to $999.9 million	1,656	900	1,614	1,738	1,586	1,498	1,516	1,526	10.6	0.7
$1 billion to $9.9 billion	2,581	2,009	2,509	2,239	4,126	4,561	645	582	-63.3	-9.8
$10 billion to $49.9 billion	4,975	3,195	2,095	2,282	2,745	651	2,935	1,312	-1622.1	-55.3
$50 billion or more	7,133	7,227	11,084	11,054	11,483	16,675	14,282	15,512	1229.8	8.6
All C&I Loans, $100,000 to $250,000	483	505	539	522	617	553	543	509	-33.8	-6.2
Less than $100 million	26	25	25	23	21	20	17	17	-0.5	-2.9
$100 million to $499.9 million	96	103	105	103	105	103	99	96	-2.7	-2.7
$500 million to $999.9 million	42	41	43	46	51	56	57	49	-8.1	-14.1
$1 billion to $9.9 billion	95	100	106	116	193	130	120	109	-10.4	-8.7
$10 billion to $49.9 billion	76	84	61	61	66	53	61	63	1.3	2.1
$50 billion or more	149	151	199	172	181	192	188	175	-13.5	-7.2
All C&I Loans, $250,000 to $1 million	370	393	409	413	520	457	473	408	-65.2	-13.8
Less than $100 million	16	16	15	14	14	13	11	14	2.6	23.0
$100 million to $499.9 million	63	68	72	70	74	77	78	70	-7.9	-10.1
$500 million to $999.9 million	30	31	32	35	40	50	70	37	-33.0	-47.4
$1 billion to $9.9 billion	73	81	90	98	184	109	101	94	-7.3	-7.2
$10 billion to $49.9 billion	63	68	53	55	61	52	60	54	-6.3	-10.5
$50 billion or more	124	128	145	140	147	156	154	140	-13.4	-8.7

Mean Loan Value

Chart 3 Mean Value of Small Business Loans by Depository Lender Asset Size, 2003 to 2010



The mean value of loans is calculated by dividing the loan value by the number of loans held by the depository institution in each loan type category. Expressed in nominal terms over the longest period from 2003 to 2010, the mean value of loans increased for all categories of lenders (Chart 3).

In the most recent period from 2009 to 2010, the mean value declined only slightly, from $122,000 to $121,000 (Table 3). Lenders with $1 billion to $10 billion in assets saw the most substantial decline, by $11,200, or 7.1 percent. For the largest lenders, the mean value declined by $6,700, or 5.5 percent. These declines in mean values reflect the increased numbers of credit card loans held by these depository lenders.

The largest percentage decline in the mean value of loans occurred for CRE loans of $100,000 or less, down by $2,800 or 6.2 percent from 2009 to 2010. Lenders with assets of $10 billion to $50 billion saw the largest decline in mean values for these types of loans, 37.5 percent. All other loan categories had declines of 2.1 percent or less, or slight increases. For additional detail on mean loan values for each type of loan, see Appendix Tables 3.1 through 3.7.

Table 3 Mean Value of Small Business Loans by Depository Lender Asset Size, 2003 to 2010

Size of Loan and Lender (Total Assets)	2003	2004	2005	2006	2007	2008	2009	2010	Change 09 - 10 Difference	%
	(thousands of dollars, nominal)									
All Small Loans, All Lenders	90	94	101	148	112	119	122	121	-0.3	-0.3
Less than $100 million	67	70	75	80	83	92	92	90	-2.3	-2.5
$100 million to $499.9 million	106	108	116	120	123	129	132	134	1.5	1.1
$500 million to $999.9 million	124	130	136	137	143	146	149	149	0.0	0.0
$1 billion to $9.9 billion	131	140	145	145	149	157	159	148	-11.2	-7.1
$10 billion to $49.9 billion	124	132	141	145	171	161	148	146	-2.1	-1.4
$50 billion or more	84	79	80	80	107	89	122	115	-6.7	-5.5
All CRE Loans, $100,000 or less	43	41	41	41	40	46	46	43	-2.8	-6.2
Less than $100 million	41	39	39	38	37	43	45	43	-2.2	-4.8
$100 million to $499.9 million	45	44	42	42	42	48	45	44	-1.5	-3.3
$500 million to $999.9 million	44	44	43	45	44	43	45	42	-2.6	-5.8
$1 billion to $9.9 billion	41	41	41	44	41	45	52	41	-11.9	-22.7
$10 billion to $49.9 billion	38	33	34	34	51	98	59	37	-22.2	-37.5
$50 billion or more	41	38	40	41	38	38	39	35	-4.3	-10.8
All CRE Loans, $100,000 to $250,000	93	96	99	100	103	106	108	109	0.9	0.9
Less than $100 million	65	68	69	71	72	73	76	77	1.6	2.1
$100 million to $499.9 million	115	117	120	120	123	123	123	124	0.1	0.1
$500 million to $999.9 million	128	131	131	134	133	135	134	132	-1.9	-1.4
$1 billion to $9.9 billion	124	126	125	126	129	128	129	126	-3.2	-2.5
$10 billion to $49.9 billion	112	103	103	107	110	110	115	116	0.4	0.3
$50 billion or more	126	121	122	117	109	120	114	106	-7.5	-6.6
All CRE Loans, $250,000 to $1 million	267	278	289	299	309	320	329	331	1.3	0.4
Less than $100 million	162	174	184	192	199	204	211	213	1.7	0.8
$100 million to $499.9 million	350	354	363	370	374	380	386	385	-1.6	-0.4
$500 million to $999.9 million	403	406	406	404	412	420	415	414	-0.9	-0.2
$1 billion to $9.9 billion	394	403	404	406	410	415	415	398	-17.0	-4.1
$10 billion to $49.9 billion	370	353	343	361	379	359	369	380	10.7	2.9
$50 billion or more	384	378	385	370	376	393	392	377	-14.6	-3.7
All C&I Loans, $100,000 or less	23	23	23	24	24	25	24	24	-0.5	-2.1
Less than $100 million	23	23	24	24	24	25	24	24	0.1	0.4
$100 million to $499.9 million	23	23	24	24	24	25	25	24	-0.9	-3.5
$500 million to $999.9 million	22	23	23	23	23	25	24	24	-0.2	-0.7
$1 billion to $9.9 billion	23	23	24	24	24	24	25	24	-1.6	-6.4
$10 billion to $49.9 billion	20	20	21	19	22	22	22	20	-1.3	-6.2
$50 billion or more	19	18	17	18	18	19	18	18	0.7	3.7
All C&I Loans, $100,000 to $250,000	73	76	77	79	82	84	85	84	-0.8	-1.0
Less than $100 million	52	55	57	59	60	61	62	62	-0.6	-0.9
$100 million to $499.9 million	90	91	92	93	95	96	96	95	-1.1	-1.1
$500 million to $999.9 million	98	99	99	97	100	103	101	100	-0.8	-0.8
$1 billion to $9.9 billion	99	99	98	97	100	102	104	96	-7.5	-7.2
$10 billion to $49.9 billion	90	88	87	94	100	92	94	91	-2.7	-2.9
$50 billion or more	109	96	95	92	91	98	95	89	-5.3	-5.6
All C&I Loans, $250,000 to $1 million	190	198	206	255	223	232	235	230	-4.7	-2.0
Less than $100 million	114	123	130	137	143	149	152	150	-1.0	-0.7
$100 million to $499.9 million	248	251	258	262	270	275	272	264	-8.6	-3.1
$500 million to $999.9 million	285	287	282	280	292	304	296	290	-5.3	-1.8
$1 billion to $9.9 billion	292	288	290	291	295	306	307	287	-20.8	-6.8
$10 billion to $49.9 billion	258	260	277	277	304	294	302	292	-10.1	-3.4
$50 billion or more	315	283	272	269	316	297	311	291	-20.4	-6.5

Total Asset Ratio

Chart 4 Ratio of Small Business Loans to Total Assets by Depository Lender Asset Size, 2003 to 2010

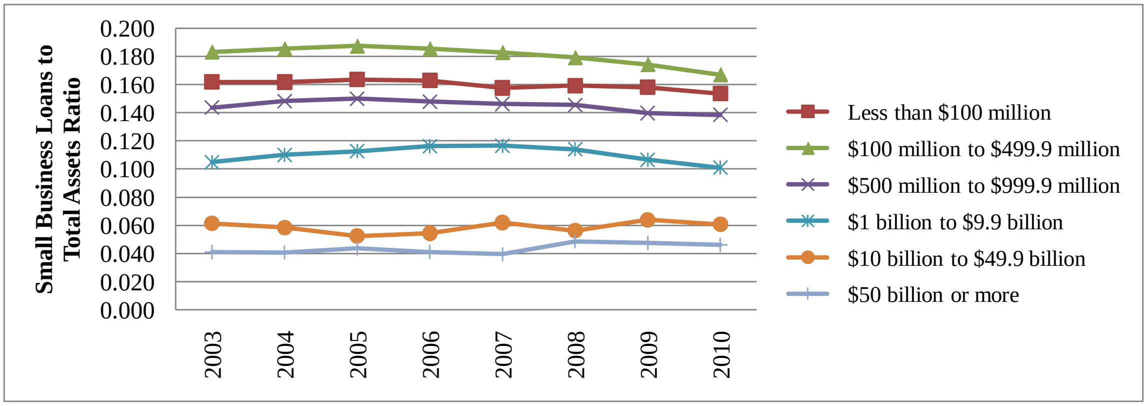


Chart 4 examines changes in the total asset ratio—the ratio of the value of small business loans to total assets, or the proportion of total assets allocated to small business loans. In effect, it measures the success of small businesses in competing with other borrowers for the financial capital held by the lending institution. Averaged across all sizes of lending institutions, the total asset ratio was remarkably stable over the 2003-2010 period, with small business loans constituting 15 to 17 percent of total assets (Table 4).

In 2010, the average total asset ratio for lenders with assets of less than $10 billion was over 10 percent—and for lenders with assets of $100 million to $500 million it was nearly 17 percent. In contrast, for larger lenders with assets of $10 billion or more, the ratio was less than 6.5 percent. The asset ratio declined steadily from 2003 to 2010 across all asset classes of lenders, except those with assets of $10 billion or more.

In 2010, asset ratios were between 1 percent and 3 percent for all individual types of loans, except CRE loans of $250,000 to $1 million, where the asset ratio was greater than 6 percent. In 2009-2010, the largest percentage declines in the asset ratio were for loans of less than $100,000; CRE loan asset ratios declined by 6.9 percent and C&I loans asset ratios declined by 7.4 percent. The largest lenders saw a 22.7 percent decline in asset ratios for CRE loans under $100,000, and a 17.1 percent increase in asset ratios for C&I loans under $100,000. For additional detail on total asset ratios, see Appendix Tables 4.1 through 4.7.

Among the largest individual lenders, total asset ratios vary between 0 and 21.7 percent. American Express and Wintrust Financial Services have total asset ratios of 20 percent or higher. Among the larger small business lenders, Bank of America Corporation had the largest percentage decline, of more than 26 percent from 2009 to 2010. Ally Financial, Inc., had the largest percentage increase in the total asset ratio, from 3.4 percent in 2009 to over 18 percent in 2010 (Appendix Table 4.1).

Table 4 Total Asset Ratio for Small Loans by Depository Lender Asset Size, 2003 to 2010

Size of Loan and Lender (Total Assets)	2003	2004	2005	2006	2007	2008	2009	2010	Change 09 - 10 Difference	%
All Small Loans, All Lenders	0.165	0.166	0.168	0.167	0.163	0.162	0.159	0.153	-0.005	-3.4
Less than $100 million	0.162	0.162	0.164	0.163	0.158	0.159	0.158	0.154	-0.005	-2.9
$100 million to $499.9 million	0.183	0.185	0.187	0.186	0.183	0.179	0.174	0.167	-0.007	-4.2
$500 million to $999.9 million	0.144	0.148	0.150	0.148	0.146	0.146	0.140	0.138	-0.001	-0.9
$1 billion to $9.9 billion	0.105	0.110	0.113	0.116	0.117	0.114	0.107	0.101	-0.006	-5.4
$10 billion to $49.9 billion	0.061	0.058	0.052	0.054	0.062	0.056	0.064	0.061	-0.003	-5.0
$50 billion or more	0.041	0.041	0.044	0.041	0.039	0.049	0.047	0.046	-0.001	-3.1
All CRE Loans, $100,000 or less	0.022	0.020	0.019	0.018	0.016	0.016	0.015	0.014	-0.001	-6.9
Less than $100 million	0.028	0.026	0.026	0.024	0.023	0.024	0.023	0.022	-0.001	-4.0
$100 million to $499.9 million	0.018	0.018	0.017	0.016	0.014	0.014	0.012	0.012	-0.001	-7.9
$500 million to $999.9 million	0.010	0.009	0.008	0.008	0.007	0.006	0.006	0.006	0.000	-0.8
$1 billion to $9.9 billion	0.005	0.005	0.005	0.004	0.004	0.004	0.004	0.003	-0.001	-18.3
$10 billion to $49.9 billion	0.003	0.002	0.002	0.001	0.002	0.002	0.001	0.001	0.000	-0.6
$50 billion or more	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.000	-22.7
All CRE Loans, $100,000 to $250,000	0.019	0.019	0.020	0.019	0.019	0.018	0.018	0.018	0.000	-1.8
Less than $100 million	0.016	0.017	0.017	0.017	0.016	0.016	0.017	0.016	0.000	-1.4
$100 million to $499.9 million	0.023	0.024	0.024	0.023	0.023	0.022	0.021	0.020	0.000	-2.4
$500 million to $999.9 million	0.018	0.019	0.019	0.018	0.017	0.017	0.017	0.016	0.000	-2.9
$1 billion to $9.9 billion	0.012	0.013	0.013	0.013	0.012	0.012	0.011	0.011	0.000	-2.0
$10 billion to $49.9 billion	0.006	0.006	0.005	0.005	0.005	0.005	0.005	0.005	0.000	4.5
$50 billion or more	0.004	0.003	0.004	0.004	0.003	0.004	0.003	0.003	-0.001	-15.8
All CRE Loans, $250,000 to $1 million	0.051	0.054	0.057	0.058	0.058	0.059	0.061	0.061	0.000	0.0
Less than $100 million	0.037	0.039	0.041	0.042	0.042	0.043	0.047	0.046	0.000	-1.0
$100 million to $499.9 million	0.068	0.070	0.073	0.074	0.073	0.073	0.075	0.074	-0.001	-0.8
$500 million to $999.9 million	0.059	0.064	0.067	0.066	0.067	0.067	0.066	0.066	0.001	0.8
$1 billion to $9.9 billion	0.042	0.046	0.049	0.051	0.051	0.051	0.050	0.049	-0.001	-1.7
$10 billion to $49.9 billion	0.021	0.021	0.019	0.021	0.024	0.024	0.025	0.026	0.001	3.7
$50 billion or more	0.013	0.012	0.014	0.015	0.014	0.017	0.016	0.015	-0.002	-10.4
All C&I Loans, $100,000 or less	0.036	0.033	0.032	0.030	0.029	0.027	0.024	0.022	-0.002	-7.4
Less than $100 million	0.047	0.043	0.043	0.041	0.039	0.038	0.035	0.033	-0.001	-3.4
$100 million to $499.9 million	0.029	0.027	0.026	0.025	0.024	0.023	0.020	0.018	-0.002	-10.5
$500 million to $999.9 million	0.019	0.018	0.018	0.018	0.016	0.016	0.014	0.015	0.000	0.6
$1 billion to $9.9 billion	0.014	0.014	0.014	0.015	0.015	0.013	0.010	0.009	-0.001	-11.4
$10 billion to $49.9 billion	0.015	0.012	0.009	0.009	0.011	0.006	0.011	0.008	-0.004	-33.7
$50 billion or more	0.008	0.007	0.009	0.008	0.008	0.015	0.016	0.018	0.003	17.1
All C&I Loans, $100,000 to $250,000	0.014	0.015	0.014	0.014	0.014	0.014	0.013	0.013	-0.001	-5.6
Less than $100 million	0.013	0.014	0.014	0.014	0.014	0.014	0.013	0.013	-0.001	-5.8
$100 million to $499.9 million	0.016	0.016	0.016	0.016	0.016	0.015	0.015	0.014	-0.001	-5.3
$500 million to $999.9 million	0.013	0.013	0.012	0.012	0.012	0.012	0.012	0.011	-0.001	-4.9
$1 billion to $9.9 billion	0.010	0.010	0.010	0.010	0.010	0.010	0.009	0.008	-0.001	-10.1
$10 billion to $49.9 billion	0.005	0.005	0.005	0.005	0.005	0.005	0.006	0.006	0.000	5.0
$50 billion or more	0.004	0.004	0.004	0.004	0.004	0.004	0.003	0.003	-0.001	-16.6
All C&I Loans, $250,000 to $1 million	0.024	0.026	0.026	0.027	0.028	0.028	0.027	0.026	-0.002	-5.7
Less than $100 million	0.020	0.022	0.022	0.024	0.024	0.025	0.024	0.023	-0.001	-4.0
$100 million to $499.9 million	0.030	0.031	0.031	0.031	0.033	0.033	0.031	0.029	-0.002	-7.3
$500 million to $999.9 million	0.025	0.026	0.026	0.026	0.027	0.028	0.025	0.025	-0.001	-3.1
$1 billion to $9.9 billion	0.021	0.022	0.023	0.023	0.024	0.024	0.022	0.021	-0.002	-8.3
$10 billion to $49.9 billion	0.013	0.013	0.013	0.013	0.015	0.014	0.016	0.015	-0.001	-4.6
$50 billion or more	0.012	0.012	0.011	0.009	0.009	0.009	0.008	0.007	-0.001	-14.3

Total Business Loan Ratio

Chart 5 Ratio of Small Business Loans to Total Business Loans by Depository Lender Asset Size, 2003 to 2010

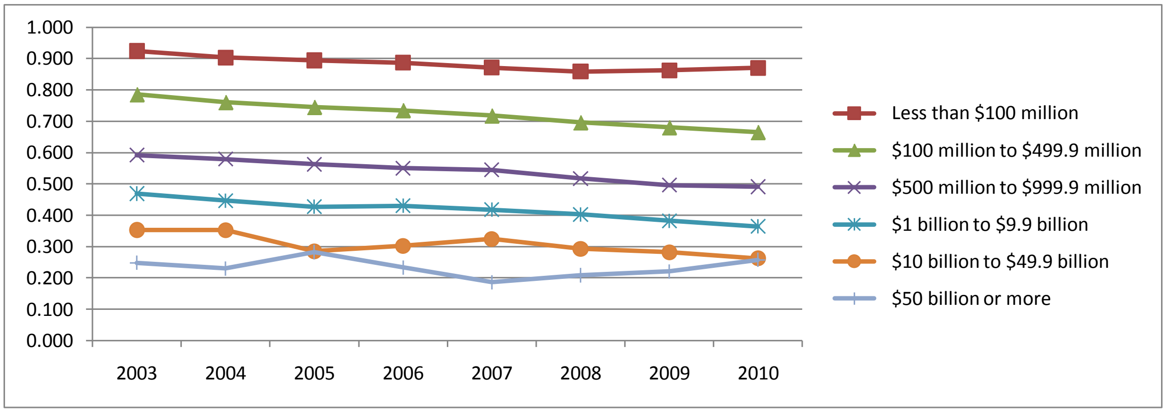


Chart 5 shows the 2003-2010 changes in the total business loan ratio—the ratio of small business loans to total business loans. In effect, the total business loan ratio measures the success of small businesses in competing with larger businesses for loans. Historically, depository lenders have allocated between 70 and 80 percent of their total business loan portfolio to these smaller loans of $1 million or less (Table 5). The pattern has been largely the same over the past eight years, with all sizes of lenders allocating smaller proportions of their total business loans to small businesses, except the largest lenders with assets of $50 billion or more, which have increased small business loans relative to other loans in the recent past.

The total business loan ratios vary substantially by the size of lender. The smallest lenders had total business loan ratios of 85 percent or higher; the largest lenders, 25 percent or lower. For additional detail on the total business loan ratio, see Appendix Tables 5.1 through 5.7.

Among the largest lenders, total business loan ratios vary between 0 and 100 percent. Several lenders, including American Express, GE Money Bank, Discover Financial Services, Barclays, and Hudson City Savings Bank, have ratios of 100 percent. Among the larger small business lenders, Bank of America Corporation had the largest percentage decrease; their total business loan ratio declined by more than 12 percent. Ally Financial had the largest percentage increase, with a total business loan ratio that was less than 50 percent in 2009 increasing to more than 70 percent in 2010 (Appendix Table 5.1).

Table 5 Total Business Loan Ratio by Depository Lender Asset Size, 2003 to 2010

Size of Loan and Lender (Total Assets)	2003	2004	2005	2006	2007	2008	2009	2010	Change 09 - 10 Difference	%
All Small Loans, All Lenders	0.817	0.792	0.774	0.760	0.740	0.715	0.699	0.689	0.0	-1.4
Less than $100 million	0.924	0.904	0.894	0.887	0.871	0.859	0.863	0.870	0.0	0.9
$100 million to $499.9 million	0.786	0.761	0.745	0.735	0.718	0.696	0.680	0.665	0.0	-2.3
$500 million to $999.9 million	0.592	0.579	0.563	0.551	0.545	0.517	0.496	0.491	0.0	-1.1
$1 billion to $9.9 billion	0.469	0.447	0.427	0.431	0.418	0.402	0.382	0.364	0.0	-4.7
$10 billion to $49.9 billion	0.353	0.353	0.285	0.303	0.325	0.293	0.282	0.262	0.0	-7.0
$50 billion or more	0.248	0.230	0.282	0.234	0.186	0.209	0.221	0.258	0.0	16.5
All CRE Loans, $100,000 or less	0.148	0.133	0.122	0.113	0.102	0.099	0.094	0.089	0.0	-4.6
Less than $100 million	0.214	0.195	0.187	0.176	0.165	0.170	0.169	0.167	0.0	-1.3
$100 million to $499.9 million	0.107	0.097	0.086	0.081	0.074	0.070	0.065	0.062	0.0	-5.3
$500 million to $999.9 million	0.048	0.041	0.036	0.034	0.029	0.026	0.025	0.027	0.0	6.6
$1 billion to $9.9 billion	0.022	0.020	0.019	0.019	0.016	0.017	0.016	0.013	0.0	-21.5
$10 billion to $49.9 billion	0.016	0.014	0.012	0.013	0.018	0.013	0.004	0.004	0.0	-1.3
$50 billion or more	0.007	0.006	0.007	0.005	0.004	0.004	0.004	0.003	0.0	-22.0
All CRE Loans, $100,000 to $250,000	0.092	0.093	0.091	0.089	0.087	0.083	0.082	0.083	0.0	1.2
Less than $100 million	0.086	0.091	0.088	0.090	0.089	0.086	0.090	0.094	0.0	5.1
$100 million to $499.9 million	0.106	0.104	0.103	0.099	0.096	0.091	0.088	0.088	0.0	-0.7
$500 million to $999.9 million	0.083	0.079	0.078	0.073	0.071	0.066	0.065	0.064	0.0	-2.5
$1 billion to $9.9 billion	0.060	0.055	0.050	0.049	0.048	0.045	0.042	0.042	0.0	-0.4
$10 billion to $49.9 billion	0.035	0.044	0.035	0.029	0.020	0.019	0.018	0.019	0.0	4.6
$50 billion or more	0.020	0.019	0.022	0.018	0.015	0.015	0.014	0.012	0.0	-15.5
All CRE Loans, $250,000 to $1 million	0.207	0.214	0.222	0.226	0.226	0.223	0.232	0.236	0.0	1.8
Less than $100 million	0.154	0.164	0.172	0.178	0.180	0.179	0.192	0.200	0.0	4.1
$100 million to $499.9 million	0.270	0.269	0.276	0.278	0.272	0.268	0.274	0.275	0.0	0.3
$500 million to $999.9 million	0.245	0.256	0.260	0.252	0.256	0.240	0.234	0.234	0.0	0.2
$1 billion to $9.9 billion	0.184	0.189	0.190	0.193	0.188	0.183	0.178	0.176	0.0	-1.2
$10 billion to $49.9 billion	0.140	0.131	0.105	0.110	0.116	0.115	0.099	0.102	0.0	3.3
$50 billion or more	0.072	0.072	0.115	0.100	0.066	0.068	0.084	0.079	0.0	-6.6
All C&I Loans, $100,000 or less	0.217	0.195	0.182	0.172	0.162	0.150	0.138	0.131	0.0	-4.9
Less than $100 million	0.327	0.299	0.289	0.277	0.268	0.255	0.245	0.242	0.0	-1.0
$100 million to $499.9 million	0.135	0.123	0.113	0.109	0.104	0.101	0.093	0.087	0.0	-7.0
$500 million to $999.9 million	0.074	0.066	0.059	0.060	0.058	0.053	0.049	0.047	0.0	-4.5
$1 billion to $9.9 billion	0.073	0.057	0.053	0.052	0.049	0.045	0.039	0.039	0.0	-0.8
$10 billion to $49.9 billion	0.071	0.067	0.045	0.066	0.068	0.060	0.082	0.059	0.0	-27.9
$50 billion or more	0.073	0.052	0.064	0.050	0.041	0.070	0.065	0.116	0.1	78.9
All C&I Loans, $100,000 to $250,000	0.059	0.061	0.059	0.059	0.060	0.057	0.055	0.053	0.0	-3.1
Less than $100 million	0.061	0.067	0.066	0.068	0.069	0.067	0.067	0.065	0.0	-1.6
$100 million to $499.9 million	0.062	0.060	0.060	0.058	0.059	0.057	0.054	0.053	0.0	-2.0
$500 million to $999.9 million	0.047	0.045	0.043	0.043	0.044	0.043	0.040	0.037	0.0	-6.4
$1 billion to $9.9 billion	0.044	0.044	0.035	0.036	0.036	0.035	0.033	0.028	0.0	-14.0
$10 billion to $49.9 billion	0.026	0.026	0.022	0.021	0.027	0.023	0.019	0.022	0.0	14.2
$50 billion or more	0.020	0.023	0.022	0.018	0.016	0.015	0.014	0.012	0.0	-15.0
All C&I Loans, $250,000 to $1 million	0.093	0.096	0.098	0.100	0.103	0.103	0.099	0.096	0.0	-2.6
Less than $100 million	0.082	0.088	0.092	0.097	0.101	0.102	0.101	0.102	0.0	0.8
$100 million to $499.9 million	0.108	0.107	0.109	0.110	0.113	0.111	0.106	0.101	0.0	-4.3
$500 million to $999.9 million	0.096	0.092	0.087	0.087	0.088	0.090	0.083	0.082	0.0	-1.2
$1 billion to $9.9 billion	0.086	0.082	0.081	0.082	0.080	0.078	0.074	0.067	0.0	-9.8
$10 billion to $49.9 billion	0.063	0.070	0.065	0.064	0.076	0.063	0.059	0.055	0.0	-6.2
$50 billion or more	0.055	0.057	0.052	0.043	0.044	0.037	0.040	0.036	0.0	-10.6

Share of Small Business Loans

The market for small business loans continues to become more concentrated (Table 6). Lenders with $10 billion or more in total assets held 44 percent of small business loans in 2003, but more than 48 percent by 2010. The largest lenders, those with $50 billion or more in total assets, realized the most substantial gains in market share, of 10 percentage points from 28.7 percent in 2003 to 38.7 percent in 2010. Small lenders with less than $500 million in total assets have seen their market share decline by 6 percentage points from 28.4 percent in 2003 to 22.4 percent in 2010. Most of this decline was borne by the smallest lenders with total assets of less than $100 million.

The most dramatic increase in market share for the largest lenders occurred in C&I loans of $100,000 or less, which includes credit card loans. The market share of these loans held by lenders with $50 billion or more in total assets increased by more than 30 percentage points, from 37.2 percent in 2003 to 68.9 percent in 2010. All other lender categories lost market share in these loans from 2003 to 2010; the smallest lenders lost more than 50 percent of their market share.

Table 6 Share of Small Business Loans Held by Depository Lenders by Loan Type and Lender Asset Size, 2003 to 2010

Size of Loan and Lender (Total Assets)	2003	2004	2005	2006	2007	2008	2009	2010
All Small Loans, All Lenders								
Less than $100 million	6.2	5.6	5.1	4.7	4.0	3.6	3.4	3.3
$100 million to $499.9 million	22.2	22.0	21.6	20.6	18.8	18.4	18.7	19.1
$500 million to $999.9 million	9.1	8.6	9.1	9.4	9.0	9.4	9.3	9.7
$1 billion to $9.9 billion	18.5	19.1	20.0	20.3	19.8	20.4	19.7	19.4
$10 billion to $49.9 billion	15.4	16.2	11.7	11.9	13.0	9.0	10.0	9.7
$50 billion or more	28.7	28.5	32.4	33.1	35.4	39.4	38.9	38.7
All CRE Loans, $100,000 or less								
Less than $100 million	16.9	16.0	15.5	14.5	12.9	12.4	12.1	12.9
$100 million to $499.9 million	35.0	36.5	35.0	35.5	32.7	32.4	32.0	35.6
$500 million to $999.9 million	10.7	9.5	9.2	10.8	9.7	9.6	9.7	11.2
$1 billion to $9.9 billion	13.8	15.5	17.5	16.4	16.4	16.7	18.4	17.9
$10 billion to $49.9 billion	10.5	8.8	6.2	6.1	9.4	9.2	5.0	5.6
$50 billion or more	13.1	13.7	16.5	16.8	19.0	19.8	22.8	16.7
All CRE Loans, $100,000 to $250,000								
Less than $100 million	6.0	5.7	5.4	4.9	4.2	3.8	3.8	4.0
$100 million to $499.9 million	26.7	26.9	26.8	25.6	23.5	23.2	23.2	25.5
$500 million to $999.9 million	10.7	10.1	10.9	11.0	10.6	11.3	11.5	12.3
$1 billion to $9.9 billion	20.6	20.4	20.9	21.1	20.5	21.4	21.8	23.4
$10 billion to $49.9 billion	13.5	14.6	10.0	10.1	10.2	7.9	8.2	9.2
$50 billion or more	22.5	22.3	26.0	27.3	31.0	32.4	31.5	25.5
All CRE Loans, $250,000 to $1 million								
Less than $100 million	4.5	4.1	3.9	3.5	3.0	2.7	2.8	2.8
$100 million to $499.9 million	24.4	23.7	23.6	22.1	20.3	19.7	20.5	21.7
$500 million to $999.9 million	10.7	10.1	11.0	10.9	10.8	11.1	11.0	11.7
$1 billion to $9.9 billion	20.8	21.5	22.7	22.8	22.0	22.9	22.9	23.5
$10 billion to $49.9 billion	15.1	15.8	11.2	11.7	12.2	9.6	9.9	10.3
$50 billion or more	24.4	24.7	27.7	28.9	31.6	34.0	33.0	30.0
All C&I Loans, $100,000 or less								
Less than $100 million	8.4	7.3	6.6	5.7	4.6	3.7	3.3	3.0
$100 million to $499.9 million	17.4	17.0	15.9	14.1	12.0	11.0	10.7	9.3
$500 million to $999.9 million	6.2	5.7	5.9	6.1	5.2	5.0	5.0	4.9
$1 billion to $9.9 billion	13.6	13.3	13.8	13.7	13.2	12.3	9.5	8.2
$10 billion to $49.9 billion	17.3	18.3	12.8	12.9	15.8	5.3	8.6	5.7
$50 billion or more	37.2	38.4	45.1	47.5	49.1	62.8	62.8	68.9
All C&I Loans, $100,000 to $250,000								
Less than $100 million	5.7	5.3	4.9	4.8	4.2	3.8	3.6	3.5
$100 million to $499.9 million	20.8	21.1	20.6	20.4	19.6	19.6	19.7	20.1
$500 million to $999.9 million	8.6	8.1	8.4	9.0	9.0	9.8	9.8	9.9
$1 billion to $9.9 billion	19.0	19.7	19.9	21.3	21.9	22.5	21.5	20.5
$10 billion to $49.9 billion	15.4	16.2	11.8	12.0	12.6	9.6	10.8	12.0
$50 billion or more	30.5	29.5	34.2	32.6	32.7	34.6	34.6	33.9
All C&I Loans, $250,000 to $1 million								
Less than $100 million	4.1	3.9	3.6	3.7	3.2	3.0	2.8	2.8
$100 million to $499.9 million	17.6	17.8	17.6	18.0	16.8	17.4	17.6	18.0
$500 million to $999.9 million	7.9	7.5	7.9	8.6	8.3	9.2	8.8	9.2
$1 billion to $9.9 billion	19.3	19.9	20.9	21.5	21.3	23.0	21.8	21.3
$10 billion to $49.9 billion	16.3	17.9	13.7	13.7	14.2	11.8	13.1	13.1
$50 billion or more	34.8	33.1	36.2	34.7	36.3	35.6	36.0	35.6

Summary of National Results

This study examines the 2003-2010 changes—primarily declines—in small business loans originating with depository lenders. The relatively modest decline in GDP from 2008 to 2009 (less than 2 percent) paralleled a 2.3 percent decline in small business loans. More recently, substantial gains in GDP from 2009 to 2010 contrasted with further declines in small business loans by depository institutions (down 6.2 percent).

Small business lending peaked in 2008 when depository institutions in the United States held more than $711 billion in small business loans. From 2008 to 2010, these institutions' small business lending declined by 8.3 percent to $652 billion. In 2009-2010 alone, lenders reduced their small loan portfolio by $43 billion; large lenders with $10 billion or more in assets, which hold about 48 percent of all small business loans, were responsible for more than 55 percent of the decline.

CRE loans from $250,000 to $1 million saw the largest decline in value over the 2009-2010 period, $17.9 billion; the largest lenders were responsible for $13.5 billion, or 75 percent. C&I loans of $100,000 or less actually increased by nearly $3 billion, with the largest lenders leading the way by increasing their portfolio of these loans by $10 billion.

Lenders with assets of $10 billion or more have held nearly 50 percent of the market for small business loans by depository institutions since 2007. In 2010, the highest level of concentration was in C&I loans of $100,000 or less, where the large lenders held nearly 75 percent of the market. The smallest lenders, those with $500 million in total assets, have seen their share of the small business loan market decline from 28.4 percent in 2003 to 22.4 percent in 2010. More concentration in the small business loan market effectively moves borrowers away from relationship lenders in their communities and to more distant factor lenders.

Perhaps of most concern is the further decline in the ratios of small business loans to total assets and small business loans to total business loans. Small business loans constituted about 16.8 percent of total assets in 2005, but only 15.3 percent in 2010; hence, small business lending is becoming less significant for these lenders. Small business lending is also losing market share in the business loan market. In the eight-year period from 2003 to 2010, small business loans as a share of total business loans declined more than 10 percentage points from 81.7 percent in 2003 to 68.9 percent in 2010.

The analysis included in this report was completed in nominal terms; however, a supplementary set of tables is available in real terms, where the producer price index was used to adjust for inflation. After adjustment for inflation, aggregate small business lending declined by just over 5 percent from 2003 to 2010 and by 8.7 percent from 2009 to 2010.

The downturn in the value of loans held by depository lenders could be caused by many factors, which should be explored in further research. Factors include, but are not limited to, the following:

1. The dramatic downturn in housing prices decreased the value of important collateral for many small business borrowers and subsequently reduced the amount of money available from the lender.

2. The demand for loans emanates from the demand for the product or service sold by the small business. Since 2007, demand as measured by gross sales has declined for many small businesses; consequently, growth plans have also slowed. In a slowing economy, prudent business owners are very careful to limit their risk exposure by reducing loan balances. (A parallel is large businesses that retain cash and limit borrowing when the economy cools.)

3. Financial uncertainty reigns in the current market, leading small businesses to proceed very carefully until they are certain their business is likely to stabilize or grow.

4. Regulators are monitoring lending activity more closely and are more quick to classify loans as nonperforming than they were previously.

5. Information asymmetries are very high in small business lending, especially in financial markets driven by factor—rather than relationship—lending. If information asymmetries are high, one would expect the small business loan market to recover more slowly than other financial markets.

6. Line of credit markets, represented by C&I loans of less than $100,000, have changed substantially over the past several years. On the positive side, C&I loan balances have increased since 2003 by more than 30 percent in nominal terms. On the negative side, much of this growth has occurred for lenders with $50 billion or more in total assets at the expense of all other smaller lenders. While credit card loans have increased rapidly over the last decade, the growth appears to represent the movement of line-of-credit financing away from smaller relationship lenders to larger factor lenders.

7. In this newly regulated market, smaller lenders are likely to be less profitable because they have fewer sales of products and services to spread out over the higher auditing and FDIC costs. Hence, they have less money to lend to small businesses and others.

Regional Analyses

The regional analyses use the same five performance measures as the national analysis; the difference is that for the U.S. regions, as defined by the U.S. Small Business Administration (see Table 7), the data and analysis cover only "community banks"—depository institutions with assets of less than $10 billion. The analysis examines the five performance measures for each lender in each region from 2009 to 2010. The lenders are ranked by the value of the small business loans they held. Small business lending varies substantially across the 10 regions (Table 7). Overall findings with respect to the various performance measures include the following:[2]

- More than 40 percent of the total value of small business lending is held by community lenders in two regions: Region 4 (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee) and Region 5 (Illinois, Indiana, Ohio, Michigan, Minnesota, and Wisconsin).
- From 2009 to 2010, the most substantial declines in small business lending—more than 15 percent—occurred in Region 9 (Arizona, California, Hawaii, Nevada, Guam, Formosa, and American Samoa) and Region 10 (Alaska, Idaho, Oregon, and Washington).
- The largest number of small business loans is held by community lenders in Region 8 (Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming) where large credit card lenders are located, especially in South Dakota and Utah.
- The number of small business loans held in Region 9 declined more than 25 percent from 2009 to 2010.
- Mean loan values have remained remarkably stable over the past two years across all regions.
- Total asset ratios have declined by less than 5 percent across all regions, with the largest decline occurring in Region 8 (Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming).
- Total business loans ratios have declined less than 4 percent across all regions, with the largest decline occurring in Region 6 (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas).

Highlights for community lenders in each region are summarized below.

[2] See appendix tables for additional detail about the regions and states.

Table 7 Summary of Community Depository Lender Performance in each Region, 2010

		Small Business Loans			Asset	Business
Region and States		Amount	Number	Mean	Ratio	Loan Ratio
		(million of dollars)	(thousands of loans)	(thousands of dollars)	(%)	(%)
Region 1	Connecticut, New Hampshire, Massachusetts, Maine, Rhode Island and Vermont	19,226	146	148	12.4	63.5
Region 2	New York, New Jersey, Puerto Rico and Virgin Islands	19,982	136	192	12.2	54.3
Region 3	District of Columbia, Delaware, Maryland, Pennsylvania, Virginia and West Virginia	32,229	277	148	14.0	64.2
Region 4	Alabama, Florida, Georgia, Kentucky, Mississippi,North Carolina, South Carolina and Tennessee	66,542	716	132	16.4	66.0
Region 5	Illinois, Indiana, Ohio, Michigan, Minnesota and Wisconsin	72,797	651	115	16.3	74.4
Region 6	Arkansas, Louisiana, New Mexico, Oklahoma and Texas	44,197	504	96	15.6	72.3
Region 7	Iowa, Kansas, Missouri and Nebraska	31,262	375	82	14.0	78.2
Region 8	Colorado, Montana, North Dakota, South Dakota, Utah and Wyoming	17,795	1,483	96	15.7	75.5
Region 9	Arizona, California, Hawaii, Nevada, Guam, Formosa and American Somoa	20,735	129	222	17.9	43.5
Region 10	Alaska, Idaho, Oregon and Washington	11,680	91	168	21.0	56.7

Region 1

Aggregate lending for community lenders in Region 1 (Connecticut, New Hampshire, Massachusetts, Maine, Rhode Island, and Vermont) declined by just over 1 percent from 2009 to 2010. Lenders with $500 million or more in total assets increased their lending to small businesses, while lenders with less than $500 million in total assets decreased their small business lending. The largest change occurred in commercial real estate (CRE) loans of less than $100,000, which decreased by nearly 16 percent.

The number of small business loans increased slightly overall, but declined by nearly 3,400 loans, or 4.9 percent, for C&I loans of $100,000 or less. Larger community lenders increased the number of loans to small businesses, while the smaller lenders decreased the number.

The mean loan value declined by 3 percent for all small business loans and decreased by nearly 24 percent for CRE loans of $100,000 or less. This value declined by less than 2 percent across all lender categories except the largest lender category, which saw a 15 percent decline in mean loan value.

The total assets ratio—the ratio of total small business loans to total assets—was basically unchanged for small business loans. Total asset ratios increased for CRE loans and commercial and industrial (C&I) loans of $100,000 or less. The smallest lenders, those with assets of less than $100 million, and the largest lenders with assets of $1 billion to $10 billion, saw declines of more than 6.5 percent, while other lenders realized an increase in the total assets ratio of 3 percent or more.

The total business loan ratio—the ratio of total small business loans to total business loans—declined by 2.4 percent between 2009 and 2010. The largest decline was in C&I loans of $100,000 to $250,000, down by nearly 8 percent. Lenders with total assets of $100 million or more experienced declines in the total business loan ratio. This result suggests that small business loans are becoming a smaller percentage of total business loans for lenders in this region.

Region 2

Aggregate lending for community lenders in Region 2 (New York, New Jersey, Puerto Rico, and the Virgin Islands) declined from 2009 to 2010 by just over 1 percent. Lenders with $100 million to $500 million in total assets increased their small business lending, while other lenders decreased it. The largest change occurred in C&I loans of less than $100,000, which declined by nearly 11 percent.

The number of small business loans was down by about 25,000, or 15.4 percent. The highest percentage decrease was in C&I loans of $100,000 or less, which declined by 28 percent from 2009 to 2010. The largest community lenders saw a decline of nearly 27 percent and accounted for virtually all of the decline in the number of loans.

The mean loan value increased by less than 1 percent across all small business loan categories, declined by less than 4 percent across all C&I loan categories, and increased for CRE loans of $100,000 or less and $250,000 to $1 million.

The total asset ratio (ratio of total small business loans to total assets) declined by 2.4 percent. It increased for CRE loans of $250,000 to $1 million, but declined for all other types of loans. The smallest lenders with assets of less than $100 million and larger lenders with assets of $500 million to $1 billion saw increases in the total assets ratio of 5.6 percent and 1.1 percent, respectively. For the largest community lenders, the total assets ratio declined by 12.5 percent.

The total business loan ratio (small business loans to total business loans) declined by 1.5 percent between 2009 and 2010. The largest percentage decline was in C&I loans of $100,000 to $250,000, down by over 10 percent. Lenders with total assets of $100 million or more realized declines in the total business loan ratio. Small business loans are becoming a smaller percentage of total business loans for these lenders, except for the smallest lenders in this region.

Region 3

Aggregate lending for community lenders in Region 3 (Delaware, Maryland, Pennsylvania, Virginia, West Virginia, and the District of Columbia) declined by just over 5 percent from 2009 to 2010. All categories of lenders, except lenders with $500 million to $1 billion in total assets, had declines in the aggregate value of small business loans. Lenders with $500 million to $1 billion in total assets saw an increase of $710 million, or 12 percent. The largest change occurred in C&I loans of less than $100,000, which declined by over 14 percent.

The number of small business loans decreased by about 15,000, or 5.2 percent. The highest percentage decrease in the number was in C&I loans of $100,000 or less, which declined by 10 percent from 2009 to 2010. The largest community lenders saw a decline of more than 9,500 loans—nearly 63 percent of the decline in the number of small business loans for the region.

The mean loan value increased by less than 3 percent for small business loans. It declined by 14 percent for CRE loans of $100,000 or less and was relatively stable for other loan type and size categories.

The total assets ratio (ratio of small business loans to total assets) declined by 2 percent. The ratio increased slightly for CRE loans of $250,000 to $1 million, but declined for all other types of loans. The smallest lenders, those with assets of less than $100 million, and larger lenders with assets of $500 million to $1 billion had small increases in the total assets ratio. The largest community lenders saw a decline of 8.7 percent, with C&I loans of all sizes showing declines of 12 percent or more.

The total business loan ratio (small business loans to total business loans) declined by less than 1 percent between 2009 and 2010. The largest percentage decline was in CRE loans of $100,000 or less, down by over 10 percent. Lenders with total assets of $100 million or more saw declines in the total business loan ratio. The highest percentage decline was in lenders with assets of $1 billion to $10 billion, where total business loan ratios declined by 10.6 percent or more.

Region 4

Aggregate lending for community lenders in Region 4 (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee) declined from 2009 to 2010 by just under 5 percent. All lender and loan categories had declines in small business lending. Community lenders with assets of $100 million to $500 million saw the largest value change: small business loans were down by more than $1.2 billion, or 4.2 percent. This decline represented more than 35 percent of the total decline in small business loans by community lenders in the region. C&I loans of all sizes declined by 9 percent or more.

The number of small business loans was down by nearly 49,000, or 6.4 percent. The highest percentage decrease was in C&I loans of $250,000 to $1 million, which declined by nearly 57 percent from 2009 to 2010. These changes should be viewed with caution: they are based on substantial decreases in the number of loans by Helm Bank and Interamerican Bank and substantial increases in loans by Greystone Bank from 2009 to 2010.

The mean loan value increased by less than 2 percent across all small business loan categories. It declined by more than 8 percent for CRE loans of $100,000 or less and just under 5 percent for C&I loans of $250,000 to $1 million. The mean value was relatively stable for other loan type and size categories.

The total assets ratio (total small business loans to total assets) declined by 3 percent. It was down for all types of lenders and loans. Lenders with assets of $500 million to $1 billion had the largest decline, of over 4 percent. C&I loans of all sizes realized declines of 5 percent or more in the total assets ratio.

The total business ratio (small business loans to total business loans) declined by less than 2 percent between 2009 and 2010. The largest percentage decline was in C&I loans of $250,000 to $1 million, down by over 10 percent. Lenders with total assets of $100 million or more saw declines; the highest percentage decline in the total business loan ratio was in loans by lenders with assets of $1 billion to $10 billion. By loan type, the largest decline occurred in the C&I loans, where the ratio was down by over 3.5 percent for all loan sizes. The result suggests that small business loans are shrinking as a percentage of total business loans for these lenders, except the smallest lenders.

Region 5

Aggregate lending for community lenders in Region 5 (Illinois, Indiana, Ohio, Michigan, Minnesota, and Wisconsin) declined by 6.3 percent from 2009 to 2010. All categories of lenders saw a decline in the aggregate value of small business loans. The largest percentage change occurred in CRE loans of less than $100,000 and C&I loans of $100,000 to $250,000, which declined by nearly 11 percent. The largest community lenders had a 10 percent drop in the value of these loans, which constituted more than 57 percent of the total decline in the value of small business loans in the region.

The number of small business loans decreased by about 105,000, or nearly 14 percent. The highest percentage declines were in CRE loans of $100,000 or less, which were down by more than 25 percent from 2009 to 2010. Lenders with assets of $100 million to $500 million experienced the sharpest downturn in the number of small business loans, a 17.2 percent drop. This decline of 53,600 loans constituted in excess of 50 percent of the decline in the number of small business loans.

The mean loan value decreased by less than 1 percent for small business loans. It was down by 3.4 percent for CRE loans of $100,000 or less and was relatively stable for other loan types and size categories.

The total assets ratio (small business loans to total assets) declined by over 4 percent and was down for all types of loans. CRE loans of $100,000 or less and all C&I loan size categories realized the largest declines. The smaller community lenders, those with assets of less than $500 million, realized decreases of 4 percent or more in the total assets ratio, while larger lenders saw modest increases.

The total business loan ratio (small business loans to total business loans) declined by just over 1 percent between 2009 and 2010. The largest percentage decline was in C&I loans of $100,000 or less, down by over 5 percent. Lenders with total assets of $100 million to $500 million saw declines in this ratio, while other lenders saw a stable to slightly increasing ratio.

Region 6

Aggregate lending by community lenders in Region 6 (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) declined by 2.4 percent from 2009 to 2010. All categories of lenders, except those with assets of $500 million to $1 billion, saw a decline in the aggregate value of small business loans. The largest percentage change occurred in CRE loans of less than $100,000, which declined by more than 21 percent. The largest community lenders saw a 4.2 percent decline, which constituted more than 58 percent of the total decline in the value of small business loans for the region.

The number of small business loans was down by more than 35,000, or 6.5 percent, The highest percentage decline was in CRE loans of $100,000 or less, which declined by more than 14 percent. While the smaller lenders saw declines in the number of loans, the largest community lenders increased loans by 18 percent, or 24,600 loans; in particular, they increased C&I loans of $100,000 or less by 38.6 percent, or more than 27,000 loans in 2010.

The mean loan value increased by less than 2 percent. It was down by more than 2 percent for CRE and C&I loans of $100,000 or less, but increased only slightly for other types of loans. The largest lenders had the most substantial decline in mean loan value.

The total assets ratio (total small business loans to total assets) declined by over 3 percent. It was down for all types of loans except the largest CRE and C&I loans. The smallest community lenders with assets of less than $100 million realized a slight increase, while larger lenders saw declines in the total asset ratio. The largest lenders had the largest decrease in the total asset ratio—down nearly 11 percent for all small business loans and 32.5 percent for CRE loans of $100,000 or less.

The total business loan ratio (small business loans to total business loans) declined by just over 3 percent from 2009 to 2010. The largest percentage decline was in CRE and C&I loans of $100,000 or less, which declined by 9 percent and 10.9 percent, respectively. Lenders with total assets of $1 billion to $10 billion saw a decline of 10 percent in the total business loan ratio; other lenders had more modest declines.

Region 7

Aggregate lending by community lenders in Region 7 (Iowa, Kansas, Missouri, and Nebraska) declined by nearly 4 percent from 2009 to 2010. All categories of lenders saw declines in the value of small business loans. The largest percentage change occurred in C&I loans of less than $100,000, which were down by more than 10 percent. Community lenders with assets of $500 million to $1 billion had an 11.9 percent decline, which constituted more than 56 percent of the decline in the value of small business loans.

The number of small business loans was down by 31,700, or 7.8 percent. The highest percentage decline was in C&I loans of $100,000 or less, down by more than 13 percent from 2009 to 2010. The largest community lenders increased the number by 3.8 percent. The smallest community lenders saw a decrease of 28.8 percent overall in the number of loans; the number of C&I loans of $100,000 or less dropped by more than 36 percent.

The mean loan value increased by just over 1 percent; for CRE loans of $100,000 or less, the decrease was nearly 5 percent. The largest lenders had the most substantial decline, of 4.2 percent, in mean loan value; the mean value of their largest CRE and C&I loans was down by 8.8 percent or more.

The ratio of total small business loans to total assets (the total asset ratio) declined by nearly 4 percent. The total asset ratio decreased for all types of loans except the largest CRE loans. The smallest community lenders, with assets of less than $100 million, saw a decline of 2 percent, compared with more than 12 percent for the largest lenders.

The total business loan ratio (small business loans to total business loans) was down by just over 1 percent between 2009 and 2010. The largest percentage decline was in CRE loans of $100,000 or less, down by more than 5 percent. Lenders with total assets of $500 million to $10 billion had declines of 2 percent or more in the total business loan ratio; for other lenders the declines were less than 1 percent.

Region 8

Aggregate lending by community lenders in Region 8 (Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming) declined by less than 0.5 percent in 2009-2010. Smaller lenders, with total assets of $500 million or less saw decreases in aggregate lending of 10 percent or more, while larger lenders experienced substantial increases. The largest percentage decline occurred in CRE loans of less than $100,000, down by nearly 11 percent. C&I loans of $100,000 or more increased by 6.5 percent or more.

One lender, GE Financial Capital, Inc., had a significant impact on the number of loans. This report includes GE Financial Capital, Inc. in the analysis; the dramatic decline in the number of loans from 2008 to 2009 is attributed largely to this lender. In 2009-2010, the number of small business loans was down by nearly 36,000 loans, or 2.4 percent. The highest percentage decline, of more than 7 percent, was in C&I loans of $100,000 or more. All lender categories saw declines in the number of loans, except community lenders with assets of $500 million to $1 billion, which increased the number by nearly 2 percent.

The mean loan value increased overall by less than 1 percent; for CRE loans of $100,000 or less, it was up 4.5 percent. The largest lenders had the most substantial decline in mean loan value, of 5.7 percent.

The total assets ratio (small business loans to total assets) declined by nearly 5 percent. It was down for all types of loans except CRE loans of $100,000 to $250,000. The smallest and largest community lenders had declines of more than 6 percent, while lenders with assets of $500 million to $1 billion saw a substantial increase of 8.7 percent.

The ratio of total small business loans to total business loans, or total business loan ratio, declined by less than 1 percent between 2009 and 2010. The largest percentage decline was in CRE loans of $100,000 or less, which were down by more than 8 percent. The largest and smallest community lenders saw declines in the total business loan ratio, while other lenders realized slight increases.

Region 9

Aggregate lending by community lenders in Region 9 (Arizona, California, Hawaii, Nevada, Guam, Formosa, and American Samoa) declined by nearly 16 percent from 2009 to 2010. The largest lenders saw decreases in aggregate lending of over $3 billion, or 24 percent. The $3 billion decline constituted more than 79 percent of the total decline in small business loans for the region. The largest percentage decline occurred in CRE and C&I loans of less than $100,000, which were down more than 25 percent.

The number of small business loans decreased in excess of 44,000 loans, or 25.6 percent. The highest percentage decline was in C&I loans of $100,000 or less, down by more than 35 percent from 2009 to 2010. All lender categories saw sharp declines in the number of small business loans, except lenders with assets of $500 million to $1 billion, which increased the number by 14.1 percent.

The mean loan value increased by 1 percent. Only CRE loans of $250,000 to $1 million realized an increase. The sharpest decline in the mean value was in CRE loans of $100,000 or less. Among lender size categories, the smallest lenders had the most substantial decline in mean loan value, 9.4 percent.

The total assets ratio (small business loans to total assets) declined by nearly 3 percent. The total asset ratio decreased or increased slightly for all types of loans, except CRE loans of $100,000 or less, for which the ratio increased more than 30 percent. The smaller community lenders saw declines in the total asset ratio compared with increases of more than 3 percent for the largest community lenders.

The ratio of total small business loans to total business loans, or total business loan ratio, declined by just over 1 percent between 2009 and 2010. The largest percentage decline was in C&I loans of $2550,000 to $1 million, which were down by more than 8 percent. The largest percentage increase was in CRE loans of $100,000 or less, up more than 12 percent. The total business loan ratio was remarkably stable across all community lender categories, with a slight increase for the smallest community lenders and slight decreases for the larger community lenders.

Region 10

In 2009-2010, aggregate lending by community lenders in Region 10 (Alaska, Idaho, Oregon, and Washington) was down by more than 16 percent, the sharpest decline in any of the 10 regions. The two largest categories of community lenders saw decreases in aggregate lending of more than $2 billion or nearly 22 percent. The $2 billion drop constituted nearly all of the decline in small business loans. The largest percentage declines occurred in C&I loans of all sizes.

The number of small business loans decreased by more than 17,000 loans, or 16.2 percent. The highest percentage decline was in C&I loans of all sizes, the number was down by more than 18 percent. The number of small business loans dropped sharply in all lender size categories. Lenders with $500 million to $1 billion in assets saw a decline of nearly 38 percent, or 8,700 loans.

The mean loan value increased by more than 2 percent. The largest decline in the mean value was in C&I loans of $250,000 or more. All lender categories, except lenders with $100 million to $500 million in total assets, saw increases in mean loan values. The smallest lenders realized the most substantial increase, of 11 percent.

The ratio of total small business loans to total assets, or total assets ratio, declined by about 2 percent. The total asset ratio increased by nearly 12 percent for CRE loans of $100,000 to $250,000 and decreased by 8.5 percent for C&I loans of $250,000 or more. The smallest community lenders increased their total asset ratios, while the larger community lenders saw a decrease.

The total business loan ratio (small business loans to total business loans) was virtually unchanged from 2009 to 2010. The largest percentage increase was in CRE loans of $100,000 or less, up by more than 22 percent. C&I loans of more than $100,000 saw substantial percentage decreases. The smallest community lenders increased their total business loan ratio by more than 12 percent, while all other community lender categories had decreases.

Data and Methods

This descriptive study utilizes Call Report data supplied for all depository institutions by the Federal Deposit Insurance Corporation (FDIC).[3] The data employed in this study are available on the FDIC website (http://www2.fdic.gov/sdi/main.asp). This information is obtained from the Federal Financial Institutions Examination Council (FFIEC) Call Reports and the Office of Thrift Supervision (OTS) thrift financial reports submitted by all FDIC-insured depository institutions. All information is collected and presented based on the headquarters office of the institution. The depository institutions include the following types of commercial banks and savings institutions: (1) commercial bank, national charter, Fed member supervised by the Office of Controller of the Currency (OCC); (2) commercial bank, state charter, Fed member, supervised by the Federal Reserve Board (FRB); (3) commercial bank, state charter, Fed member, supervised by FDIC; (4) savings bank, state charter, supervised by FDIC; (5) savings association, state or federal charter, supervised by OTS; and (5) insured branches of foreign-created institutions. Commercial banks have held approximately 90 percent of small business loans held by depository institutions since 2003. In 2010, commercial banks supervised by the OCC, FRB, and FDIC held 39 percent, 35 percent and 15 percent of small business loans, respectively. Savings and loan associations, savings banks, and insured branches of foreign institution held the other 11 percent of small business loans.

The FDIC website contains a relatively complete report of the balance sheet and income statement information for each depository lender on June 30 of each year. This study utilizes variables to identify the lender, assets, all business loans and all small business loans. The variable definitions for data downloaded from the FDIC website are reported in Table 8.

FDIC Call Reports provide information on lenders based on the location of their headquarters, rather than on the location of their loans. Therefore, the FDIC Call Reports are not appropriate for examining the distribution of all loans by geographical region for the larger lenders. If community lenders (lenders with less than $10 billion in total assets) are the only lenders included, regional differences can be quantified. Because of the interest in community lenders for distributing additional capital under the Small Business Jobs Act of 2010, this study focuses on the regional differences in community lenders, using the FDIC Call Report data.

Data Limitations

The FDIC data include independent lenders and lenders owned by bank holding companies. All lenders owned by an individual bank holding company are combined into one observation in this analysis (Table 9). Of the 7,839 lenders reported by the FDIC on June 30, 2010, 84 percent (6,583 lenders) were independent lenders or single bank

[3] The FDIC information is downloaded from http://www2.fdic.gov/sdi/main.asp.

holding companies, while the remaining 16 percent (1,256) were owned by multibank holding companies. These 1,256 lenders were members of 448 multibank holding companies. The 6,583 independent and single bank holding company lenders, combined with the 448 multibank holding companies, yields 7,031 lending entities used in this analysis in 2010.

From 2003 to 2010, the total number of lenders declined by more than 15 percent, from 9,282 in 2003 to 7,839 in 2010. Among the U.S. lending institutions, the largest percentage decline (30 percent) was in the number of commercial banks (national charter, Fed member, supervised by the OCC). The number of savings associations declined by more than 20 percent. In Regions 1 and 3, the number of lenders declined by more than 20 percent from 2003 to 2010.

Small business loans are separated into six categories: commercial real estate (CRE), $100,000 or less; CRE, $100,000 to $250,000; CRE, $250,000 to $1 million; commercial and industrial (C&I), $100,000 or less; C&I, $100,000 to $250,000; and C&I, $250,000 to $1 million. CRE loans are defined as commercial and industrial loans excluding the following: all loans secured by real estate, loans to individuals, loans to depository institutions and foreign governments, loans to states and political subdivisions, and lease financing receivables.

The percentage of loans in each category has been remarkably stable over the past eight years, with CRE loans constituting nearly 40 percent of the value of all small business loans in 2010.

One important step in reporting Call Report data is combining all bank holding company institutions utilizing bank holding company numbers. When merging the datasets for 2003 through 2010, bank holding companies numbers may not be consistent because of merger and acquisition activity. In addition, this study is focusing on the changes in small business loan activity between 2009 and 2010. In selected cases, merger and acquisition activity substantially increased the number and value of small business loans from 2009 to 2010. Accurate reporting of the differences in small business loans from 2009 to 2010 requires recognizing the mergers and acquisitions that occurred from July 1, 2009, through June 30, 2010. The FDIC datasets for 2009 and 2010 have recognized mergers and acquisitions for Bank of America, Wells Fargo Bank, Synovus Bank, TCF National Bank, Capitol One, and Fifth Third Bank. In these cases, the bank holding company numbers are consistent from 2009 to 2010. Other mergers and acquisitions have not been incorporated into the 2009 FDIC dataset.

All asset and loan values reported in this study are in nominal terms. Another complete set of tables using inflation-adjusted monetary numbers is available upon request.

Call Report data must be used with caution. This information includes only the outstanding balance of original loans of $1 million or less held by depository lenders. Therefore, the population of lenders identified in this study is depository lenders only, not all lenders of financial capital to small businesses. The loans discussed in the study are “small loans” held by the lender at a point in time, June 30 of each year. Some small firms may have originated loans of more than $1 million and some large businesses may have originated loans of less than $1 million. In addition, the loan amounts represent the balance remaining as of June 30; hence, this information provides no information on new loans originated during the year. While the Call Report data do include some information on unused loan commitments, it is not possible to separate unused commitments for small business loans from other loans held by the lender. This information provides guidance on the supply of small business loans in the market, but provides no information on the demand for small business loans.

Finally, Call Report data likely underestimate the loans originated 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 be 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.

While the Call Report data provide an interesting and useful look at the small loans held by all depository institutions, the picture is incomplete. On the demand side, the Call Report data provide no information on the personal or demographic characteristics of the borrower, characteristics of the business (such as employment or sales data), or financial characteristics of the business (such as skeletal income and balance sheet information). Hence, the Call Report data do not allow an assessment of the demand for financial capital by small business owners. On the supply side, the Call Report data do provide information on the aggregate value and number of loans originated for $1 million or less for CRE and C&I loans. Unfortunately, no information is available about whether the loan is a line of credit or asset-backed loan (such as a capital lease, vehicle, or equipment loan).

Depository lenders hold about 60 percent of the total loans to small business borrowers from traditional sources of credit (excluding owner loans). The remaining 40 percent borrowed through finance companies, brokerage firms, family, friends, and other businesses are not included. In addition, household assets are often pledged against the debt of the business, and business and household finance assets occasionally are intertwined. 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.

Table 8 Variables from the FDIC Statistics Used in Depository Lending Database

Variable	Description
cert	A unique NUMBER assigned by the FDIC used to identify institutions and for the issuance of insurance certificates
docket_xx	A unique number assigned by the Office of Thrift Supervision used to identify institutions.
rssdhcr_xx	Federal Reserve Bank number for Bank Holding Companies
fed_rssd_xx	A unique number assigned by the Federal Reserve Board as the entity's unique identifier.
name_xx	The legal name of the institution.
city_xx	City in which an institution's headquarters is physically located.
stalp_xx	State in which an institution's headquarters is physically located.
zip_xx	Zip code in which an institution's headquarter is physically located.
year	Reporting year (2003 - 2010)
bkclass_xx	A classification code assigned by the FDIC based on the institution's charter type
asset_xx	The sum of all assets owned by the institution including cash, loans, securities, bank premises and other assets. This total does not include off-balance-sheet accounts.
dep_xx	The sum of all domestic office deposits, including demand deposits, money market deposits, other savings deposits and time deposits.
lnlsgr_xx	Total loans and lease financing receivables, net of unearned income.
lnrenres_xx	Nonresidential loans (excluding farm loans) primarily secured by real estate held in domestic offices.
lnci_xx	Commercial and industrial loans. Excludes all loans secured by real estate, loans to individuals, loans to depository institutions and foreign governments, loans to states and political subdivisions and lease financing receivables.
Lnrenr4_xx	Amount of currently outstanding loans secured by nonfarm nonresidential properties with original amounts less than $1,000,000 held in domestic offices.
lnrenr1_xx	Amount of currently outstanding loans secured by nonfarm nonresidential properties with original amounts of $100,000 or less held in domestic offices.
lnrenr2_xx	Amount of currently outstanding loans secured by nonfarm nonresidential properties with original amounts of more than $100,000 through $250,000 held in domestic offices.
lnrenr3_xx	Amount of currently outstanding loans secured by nonfarm nonresidential properties with original amounts between $250,000 and $1,000,000 held in domestic offices.
Lnci4_xx	Amount of currently outstanding commercial and industrial loans less than $1,000,000 held in domestic offices.
lnci1_xx	Amount of currently outstanding commercial and industrial loans with original amounts of $100,000 or less held in domestic offices.
lnci2_xx	Amount of currently outstanding commercial and industrial loans with original amounts between $100,000 and $250,000 held in domestic offices.
lnci3_xx	Amount of currently outstanding commercial and industrial loans with original amounts $250,000 and $1,000,000 held in domestic offices
Lnrenr4N_xx	Number of individual loans secured by nonfarm nonresidential properties with original amounts less than $1,000,000 held in domestic offices.
lnrenr1n_xx	Number of individual loans secured by nonfarm nonresidential properties with original amounts of $100,000 or less held in domestic offices.
lnrenr2n_xx	Number of individual small business loans secured by nonfarm nonresidential properties in domestic offices with original amounts of more than $100,000 through $250,000
lnrenr3n_xx	Number of individual loans secured by nonfarm nonresidential properties with original amounts between $250,000 and $1,000,000 held in domestic offices.
Lnci4N_xx	Number of individual commercial and industrial loans with original amounts less than $1,000,000 held in domestic offices.
lnci1n_xx	Number of individual commercial and industrial loans with original amounts of $100,000 or less held in domestic offices.
lnci2n_xx	Number of individual commercial and industrial loans with original amounts between $100,000 and $250,000 held in domestic offices.
lnci3n_xx	Number of individual commercial and industrial loans with original amounts between $250,000 and $1,000,000 held in domestic offices.

Note: xx is for each years (03 to 10).

Table 9 Depository Institution Profile by Lender Type, Holding Company Status and Headquarters Region

Lender Characteristics	2003	2004	2005	2006	2007	2008	2009	2010
Number of Depository Lenders	9,282	9,090	8,880	8,788	8,624	8,461	8,204	7,839
Lender Type								
Commercial bank, national charter, Fed member supervised by OCC	2,047	1,957	1,864	1,780	1,676	1,585	1,505	1,427
Commercial bank, state charter, Fed member, supervised by FRB	952	931	906	903	888	874	858	836
Commerial bank, state charter, Fed member, supervised by FDIC	4,834	4,806	4,779	4,795	4,786	4,744	4,632	4,413
Savings bank, state charter, supervised by FDIC,	488	474	449	445	429	419	407	401
Savings association, state or federal charter, supervised by OTS	947	910	870	854	835	829	793	753
Insured branch of foreign created institution	14	12	12	11	10	10	9	9
Lender Holding Company Status								
Independent	7,284	7,183	7,096	7,049	6,912	6,843	6,743	6,583
Bank holding company member (more than one member)	1,998	1,907	1,784	1,739	1,712	1,618	1,461	1,256
Lender Headquarters Location by Region								
1 - Connecticut, New Hampshire, Massachusetts, Maine, Rhode Island, Vermont	385	367	353	346	336	323	308	301
2 - New York, New Jersey, Puerto Rico (and Virgin Islands)	380	367	357	357	349	340	339	329
3 - District of Columbia, Delaware, Maryland, Pennsylvania, Virginia, West Virginia	662	639	620	618	583	565	542	529
4 - Alabama, Florida, Georgia, Kentucky, Mississippi, N. Carolina, S. Carolina, Tennessee	1,575	1,566	1,535	1,551	1,546	1,530	1,469	1,361
5 - Illinois, Indiana, Ohio, Michigan, Minnesota, Wisconsin	2,275	2,236	2,138	2,097	2,035	1,972	1,912	1,828
6 - Arkansas, Louisiana, New Mexico, Oklahoma, Texas	1,391	1,356	1,335	1,304	1,284	1,268	1,240	1,218
7 - Iowa, Kansas, Missouri, Nebraska	1,457	1,439	1,418	1,399	1,369	1,337	1,308	1,270
8 - Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming	570	560	560	555	540	532	509	489
9 - Arizona, California, Hawaii, Nevada, Guam (and Am. Samoa, Guam, Formosa)	420	399	401	402	417	430	418	369
10 - Alaska, Idaho, Oregon, Washington	167	161	163	159	165	164	159	145

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Appendix A

Small Business Loans by Depository Lenders with Assets of $10 Billion or More

Available on the Office of Advocacy website at www.sba.gov/advocacy

Appendix B

Small Business Loans by Depository Lenders with Assets of Less than $10 Billion for Ten Regions

Available on the Office of Advocacy website at www.sba.gov/advocacy