



Small Business Lending in the United States, 2016

Office of Advocacy, Office of Economic Research, September 2018.

Data generated by George Haynes of Montana State University under contract SBAHQ-16-M-0107.

Report: 30 pages; Data appendix: 26 pages; Data tables: 111 pages (Excel and pdf format);

Expanded state-by-state data (Excel format)

September 2018

No. 442

Small Business Lending in the United States, 2016 examines small business lending by depository institutions using the Consolidated Reports of Condition and Income (Call Reports) for 2016 and Community Reinvestment Act (CRA) data for 2015 from the Federal Financial Institutions Examination Council. The report informs the small business community of developments in the small business loan markets. Small business loans are defined as business loans of \$1 million or less based on the Federal Deposit Insurance Corporation's conventional definition. In addition to the report on national small business lending trends, extensive data tables list the top small business lenders providing credit to small firms in each state. Small business stakeholders can use the data tables to research the small business lending of banks in their states.

The banking sector is evolving, resulting from bank consolidation as well as competition from non-depository lenders, online lenders, and other forms of alternative finance. Despite these changes, the banking system is a major credit supplier to both small and mature firms.

Overall Findings

Both the Call Reports and the CRA data indicate that small business lending has improved gradually in the last few years, but it still remains below pre-2008 levels. All of the recent improvement occurred at larger banks, and small business lending by smaller banks continued to decline. Total growth in small business loans outstanding was driven by commercial and industrial (C&I) loans. Small business loan growth by minority depository institutions was positive for both commercial real estate (CRE) loans and C&I loans.

Highlights

Small Business Lending by All Banks

- Small business loans outstanding grew at a modest rate of 2.5 percent between June 2015 and June 2016, from \$599 billion to \$614 billion. The yearly change was smaller in comparison with the average growth from 2012 to 2016 of 4.3 percent.
- C&I loans increased in all small business loan size categories. The largest growth was in loans under \$100,000, which grew by 7.0 percent from June 2015 to June 2016.
- CRE loans continue to contract, but at a much slower pace; lending contracted in all loan sizes categories except larger small business loans, from \$250,000 to \$1 million. These remained relatively unchanged.
- The total asset ratio and the small business lending ratio continue to decline. The largest lenders (with assets of \$50 billion or more) devote a very small share of assets to small business loans—roughly 3 percent, but they dominate the small business loan market in the amount they provide. (By comparison, the smallest lenders directed 13 percent of their assets to small business loans.)
- The number of small business loans outstanding totaled 26 million, an increase of 7.6 percent from 2015 to 2016.

Small Business Lending By Size of Lender

- The largest lenders (\$50 billion or more in assets) totaled 38; their combined portfolios held 71 percent of the industry's assets and 39 percent of all small business loans. Small lenders (less than \$1 billion in assets) numbered 4,949. They held 8 percent of the industry's assets and 26 percent of small business loans in their portfolios.

- The number of loans by the largest lenders increased by 9.0 percent from 2015 to 2016, and their share was 78.9 percent for the number of small business loans.

- Small business lending by lenders with assets under \$1 billion decreased by 3.0 percent in 2012-2013 and 3.7 percent in 2015-2016. Small business loans from institutions with assets of \$1 billion or more grew during both periods: by 0.4 percent in 2012-2013 and 4.8 percent in 2015-2016 (**Figure 1**).

- Small business lending continued its fall at smaller institutions. The largest decline has occurred at the smallest banks, with small business lending at banks with less than \$100 million in assets falling by 34.7 percent between 2012 and 2016 (**Table 1**).

Small Business Lending by Minority Depository Institutions

- The report highlights data on minority-owned lenders. Minority lenders' small business loan growth was positive in both the C&I and CRE loan categories. Minority banks' small CRE lending balances increased by 2.6 percent from June 2015 to June 2016, while total small business CRE lending remained suppressed during this period (**Table 2**).

- There were 162 minority-owned banks in 2016, and they accounted for roughly \$14 billion in small business loans outstanding, an increase of 2.0 percent from 2015 to 2016.

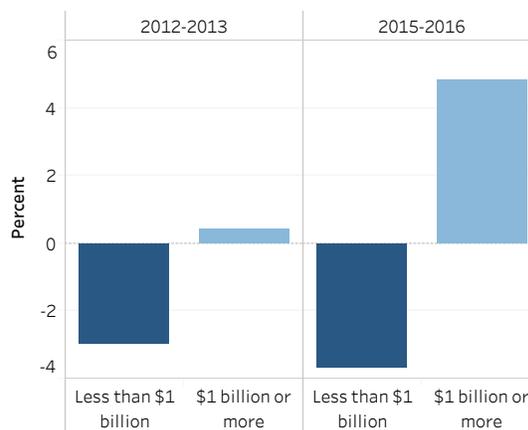
- Nearly 86 percent of minority-owned lenders are small (\$1 billion or less in total assets), and they accounted for about 37 percent of all small business loans made by minority-owned banks.

Small Business Lending Trends in the Community Reinvestment Act Data

- Lenders with more than \$1 billion in assets are required to report under the CRA. As a result, CRA data does not capture all the lenders in the Call Reports. A total of 630 lending institutions submitted CRA reports in 2015. Comparison of the Call Reports and CRA data shows that the CRA lenders accounted for 71 percent of the dollar volume of small business loans and more than 85 percent of the industry's assets.

- Roughly 37 percent of the value of all CRA small business loans in 2015 were extended to firms with \$1 million or less in revenues; this corresponds to 52 percent of the number of loans.

Figure 1. Change in Small Business Lending by Bank Size



Source: Small Business Lending in the United States, 2016. U.S. Small Business Administration, Office of Advocacy, from FDIC Call Reports, 2012-2016.

Table 1. Value of Small Business Loans Outstanding by Lender Size, 2012 and 2016 (Billions of nominal dollars)

Lenders by Total Asset Size	2012	2016	Percent change 2012-2016
Less than \$100 million	17.6	11.5	-34.7
\$100 million to \$499.9 million	111.0	96.0	-13.5
\$500 million to \$999.9 million	56.0	52.8	-5.6
\$1 billion or more	403.9	453.5	12.3
Total Small Business Loans	588.5	613.8	4.3

Source: Small Business Lending in the United States, 2016. U.S. Small Business Administration, Office of Advocacy, from FDIC Call Reports, 2016.

Table 2. Percent Change in Small Business Lending, June

Loan Type and Size at Origination	Percent Change 2015-2016
All Small Business Loans (\$1 million or less)	
Commercial real estate	-0.6
Commercial and industrial	5.3
Total small business loans	2.5
Total business loans	8.4
Minority Depository Institution Lending (\$1 million or less)	
Commercial real estate	2.6
Commercial and industrial	0.6
Total small business loans	2.0
Total business loans	11.0

Source: Small Business Lending in the United States, 2016. U.S. Small Business Administration, Office of Advocacy, from FDIC Call Reports, 2016.

- The number and amount of loans originated increased from the previous year. CRA lending institutions extended a total of 6.0 million loans valued at \$225 billion in 2015.

Scope and Methodology

The lending activities and patterns of depository institutions are covered in this report. Two types of data are used. The Consolidated Reports of Condition and Income (Call Reports) from the Federal Deposit Insurance Corporation provide information on loan balances for all reporting depository institutions. The Community Reinvestment Act (CRA) from the Federal Financial Institutions Examination Council (FFIEC) provides information for loan originations and purchases. The reported data from both databases are available only by the size of the loan, not by the size of the business; thus, small business loans are defined as business loans under \$1 million.

Foreign depository institutions are removed, then the data is aggregated and categorized into small business loan size categories and bank asset sizes. Bank holding company data is used for consolidating the data. Developments in lending activities over time are analyzed using Call Report statistics for several variables.

It is important to note that this report examines all small business lenders filing Call Reports, but data provided does not make it possible to distinguish SBA-approved lenders and SBA-guaranteed loans.

Because of the changing number of banks required to report under the CRA, caution should be exercised when making comparisons of year-to-year changes in the lending activities for this group of banks.

The report contains six extensive sets of tables ranking lenders by various factors, as well as providing other specific lending details by state. Rankings are created for three size categories of lending: \$1 million or less; \$100,000 or less; and \$100,000 to \$1 million.

The rankings are based on four factors:

1. The ratio of small business loans in three size categories to total assets (total asset ratio or TA ratio);
2. The ratio of small business loans in three size categories to total business loans (total business loan ratio or TBL ratio);
3. The value of small business loans in three size categories by the lender, and
4. The number of small business loans in three size categories.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this

process can be obtained by contacting the Office of Economic Research at 202-205-6533. Questions or feedback should be emailed to advocacy@sba.gov.

Lending Research Tools

In addition to the report on national small business lending trends, extensive data tables list the top small business lenders in each state. Small business stakeholders can use the data tables as a research tool.

- Table 3A, 3B and 3C provide lists of the top small business lenders in each state using four ranking factors. They list the top 10 in-state lenders or the top 10 percent, whichever number is smaller. These tables are based on Call Report data that is keyed to the lenders' headquarters location rather than the location of the lending activity. A significant amount of lending activity by large lenders takes place in states other than the one in which the headquarters are located.

- The expanded Tables 3A and 3B provide this information for all lenders. These are only available in Excel spreadsheets. To find lenders in your state, select the worksheets labeled State_expanded 3a and 3b. Click on the drop down in column A, and select one state.

- Tables 4A, B and C list the top lenders for each state using CRA data. These tables only include larger lenders, but they are sorted by the state in which the borrower is located.

Further details about the rankings and the data are contained in the Data Description Appendix.

Related Research from the Office of Advocacy

Financing Patterns and Credit Market Experiences: A Comparison by Race and Ethnicity for U.S. Employer Firms. Alicia Robb, February 2018.

This report examines racial and ethnic differences in financing patterns, access to capital, and credit market experiences among U.S. employer firms.

www.sba.gov/advocacy/financing-patterns-and-credit-market-experiences-comparison-race-and-ethnicity-us-employer

Dissecting Access to Capital, Michael McManus, September, 2017.

This fact sheet provides brief information on start-up capital by employer firms, by amount and new funding relationships using the 2015 Annual Survey of Entrepreneurs.

www.sba.gov/sites/default/files/capital_access_fact_sheet_final.pdf.

How Did Bank Lending to Small Business in the United States Fare After the Financial Crisis? Rebel A. Cole, January 2018.

This report examines small business lending by banks of different sizes and their financial health after the financial crisis.

<https://www.sba.gov/advocacy/how-did-bank-lending-small-business-united-states-fare-after-financial-crisis>.

READ THE FULL REPORT ONLINE

This report is available on the Office of Advocacy's webpage at www.sba.gov/advocacy.

To stay informed of Advocacy's future research, visit www.sba.gov/content/connect-us-0. By subscribing to the Small Business Regulation & Research category, you can choose to receive email notices of Advocacy research, news releases, regulatory communications, or *The Small Business Advocate* newsletter.

