

## Small and Micro Business Lending for 2004-2005

Office of Advocacy, U.S. Small Business Administration

The Office of Advocacy prepares an annual study of institutional lending to small firms. The study provides a review of lending activities based on two types of data that lenders report to their regulating agencies—the Consolidated Reports of Condition and Income (call reports) for June 2005 and the Community Reinvestment Act (CRA) reports for 2004. Because data are available only by the size of the loan, small business loans are defined as business loans under \$1 million, and micro business loans are those under \$100,000. The report includes a discussion of developments in the small and micro business lending activities of institutional lenders. The report examines small business lending in the economy by all lenders in the United States. No attempt has been made to distinguish SBA-guaranteed lenders in the analysis. Lenders are ranked based on their overall lending, not lending under SBA programs.

Part one reviews developments apparent in the call report data from June 2004 through June 2005 and the CRA database for the year 2004. Part two provides directories of the top small and micro business lenders in the 50 states, the District of Columbia, and some U.S. territories. For the reader's convenience, national tables for multibillion-dollar banks and bank holding companies are presented before state tables for all banks, not because bank holding companies are more important in small business lending, but because the tables are shorter.

This year's edition has been expanded to include savings banks and savings and loans associations, in addition to commercial banks. Geographic coverage has been expanded to include American Samoa, Guam, Puerto Rico, and the U.S. Virgin Islands.

### Overall Findings

Amid a slowing economy, the rate of small business lending growth in the United States slowed down in

2005 relative to the previous year. Small business credit cards remained the most dynamic market; the number of small business loans outstanding (for loans under \$100,000) grew by 25 percent, from 15.2 million in June 2004 to 19.0 million in June 2005.

### Highlights

- Total small business loans outstanding for the 8,799 reporting depository institutions in the U.S. and territories were valued at \$601 billion for 21.0 million loans in June 2005. This compares with a total of \$577.1 billion in value and 17.1 million in number in the previous year. There were 19.0 million micro business loans outstanding in June 2005, valued at \$138.4 billion; in June 2004 there were 15.2 million micro business loans outstanding valued at \$135.9 billion.
- The rate of growth in small business borrowing slowed from the previous year; the value of all small business loans outstanding increased 4.1 percent; the largest increase came from the larger small business loans (\$100,000 to \$1 million). The smallest loans (under \$100,000) rose a meager 1.9 percent in spite of a huge increase in the number of loans.
- The number of small business loans, however, resumed their large increases, growing by 22.6 percent between June 2004 and June 2005. The increase was concentrated in the smallest loans, the number of which rose from 15.2 million to 19 million in June 2005. This constituted an increase of 25 percent as compared with a decrease of 11 percent between June 2003 and 2004. (The one-year decline was in large part an accounting phenomenon.)
- Multibillion-dollar lending institutions continued to grow through mergers and acquisitions. Many large lending institutions (most of them bank holding companies—BHCs), saw their total assets increase by 20 percent or more. While the number of multibillion dollar lending institutions with total domestic

assets of more than \$10 billion declined from 104 in June 2004 to 101 in June 2005, their share of total assets grew to 73.8 percent (as compared with 72.8 percent the year before).

- The largest lenders continued to focus on the market for loans under \$100,000, especially the business credit card market. This market accounted for 70 percent of the total number of micro business loans in June 2005. The largest lenders' share of the market for loans between \$100,000 and \$1 million remained relatively unchanged, in both amount and number.

- The CRA reports confirm large lending institutions' lending growth in 2004 and their continued promotion of small business credit cards. In 2004, the 1,484 CRA-reporting institutions extended 8.1 million loans that were less than \$1 million, for a total of \$288 billion in small business loans. This compares with 7.8 million loans valued at \$271 billion in 2003 extended by 1,562 entities. For micro business loans, 7.5 million micro business loans valued at \$95 billion were made in 2004, compared with 7.3 million loans valued at \$87 billion in 2003.

## Scope and Methodology

This study provides a review of lending activities for depository institutions in 2004-2005 based on two types of data reported by lending institutions to their regulating agencies—the call reports for June 2005 (for the amount and number of outstanding loans) and the CRA reports for 2004 (for loans made during the year). Since the reported data are available only by the size of the loan (not by the size of the business), small business loans are defined as business loans under \$1 million; micro business loans are defined as loans under \$100,000. Developments in lending activities over time by lending institutions are analyzed based on the call report statistics for several variables. However, because of the changing number of lending institutions required to file CRA reports, year-to-year changes in these institutions' activities are more difficult to interpret than for the call reports.

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

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

For state lending using the CRA data, lenders were listed in order of the dollar amount of small business loans made in each state in 2003. Large institutions therefore appear at the top. Simple rankings were used for multibillion dollar lending institutions because only a small number of lenders are involved.

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

## Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at [www.sba.gov/advo/research](http://www.sba.gov/advo/research). Copies are available for purchase from:

National Technical Information Service  
5285 Port Royal Road  
Springfield, VA 22161  
(800) 553-6847 or (703) 605-6000  
[www.ntis.gov](http://www.ntis.gov)  
Order number: PB2007-103423  
Paper copy A07 (\$38.00)  
Microfiche A02 (\$20.00)  
CD-ROM A00 (\$29.00)  
Electronic download A00 (\$22.95)

For email delivery of Advocacy's newsletter, press, regulatory news, and research, visit <http://web.sba.gov/list>. For Really Simple Syndication (RSS) feeds, visit [www.sba.gov/advo/rsslibrary.html](http://www.sba.gov/advo/rsslibrary.html).