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Acting Comptroller Says Small Business Credit and Community Banking
Will Thrive in Era of Mega-Mergers

McLEAN, VA. -- Although the banking industry is consolidating as a result of the mega-mergers that have been completed this year, small businesses are likely to enjoy expanded access to banking services and community banks will continue to play a vital role in the financial services industry, said acting Comptroller of the Currency Julie L. Williams.

In a [speech](#) to the McLean Chamber of Commerce, Ms. Williams said the big bank mergers have raised concerns that the price, quality and availability of financial services will suffer. She noted that these concerns are particularly meaningful for small businesses, which traditionally have depended upon banks to meet their credit needs.

"It would indeed be a calamity if banks were no longer able or inclined to play their traditional role of financial provider to the small business community," Ms. Williams said. "Yet, I feel confident in saying that this scenario will not come to pass. In fact, I foresee a future in which small business enjoys even greater access to bank credit and financial services than ever before."

One basis for optimism about the availability of credit to small business is that even very large institutions understand that small businesses are excellent customers, she said. Entrepreneurs are more likely to conduct all of their banking business with their primary lender and to purchase ancillary financial products and services where they bank. Moreover, despite the relatively high failure rates of small businesses, small business loans tend to be better collateralized than other credits and their repayment histories do not compare unfavorably to other classes of borrowers.

"That's why many larger banks have aggressively targeted the small business market in recent years and have developed innovative ways to serve that market," she said. "In fact, some of the most innovative small business programs of late come from many of the very same banks that are today in the process of implementing giant mergers."

However, Ms. Williams cited the key role of community banks in servicing small businesses,

saying that the mix of large and small financial institutions in the U.S. adds strength to the nation's financial system. What community banks lack in size, she said, "they make up for with nimbleness, adaptability, knowledge of local markets, low overhead and personal service."

The acting Comptroller said community banks will be able to maintain an important role in the fiercely competitive financial world because they have qualities small businesses prize: the personal touch, a broad service menu and local management.

"Community bankers pound the pavement in search of new customers and visit existing customers in their local places of business, learning their needs and how best to serve them," Ms. Williams said. They pride themselves on fast turn-around, low prices, and personal assistance, and are specialists in the origination and sale of loans guaranteed by the Small Business Administration and other agencies, she added.

The OCC has demonstrated its commitment to small business lending in a number of ways, she said, including a shift in emphasis on what constitutes compliance with the Community Reinvestment Act.

"These days, we take a broader view of community development, and encourage national banks to make small business lending an important component of their overall commitment to the communities they must serve," she said.

Ms. Williams said the commitment by NationsBank and Bank of America -- in seeking regulatory approval for their recently-completed merger -- to make \$180 billion in small business loans over ten years was a tangible example of how, under enlightened law and regulation, mega-mergers can increase the availability of financing and financial services to entrepreneurs. The OCC recently announced its intention to survey its largest banks to verify how they keep track of and satisfy these publicly-announced CRA commitments.

Ms. Williams said small businesses serve as the engine of the nation's initiative and creative imagination and added that community banks will continue to play a vital role in supplying credit to small companies.

"The dynamism of the small business sector is a big reason why we have enjoyed the

unparalleled economic expansion of recent years," she said. "Keep doing whatever it takes to continue making that happen, and I promise you that we will do our part, too."

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches of foreign banks in the U.S., accounting for more than 58 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.