



# SMALL BUSINESS RESEARCH SUMMARY

No. 253  
March 2005

## Small Business and Micro Business Lending in the United States for Data Years 2002-2003

### Introduction

The Office of Advocacy prepares an annual study of bank lending to small firms, using the most recent data available on small and micro business loans to small firms and on the banks that serve them. This study provides a brief review of the banks' lending activities in 2002-2003 based on two types of data reported by banks to their regulating agencies—the call reports for June 2003 and the Community Reinvestment Act (CRA) reports for 2002. 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 commercial banks in the United States. Within Part One, the first section reviews developments apparent in the call report data (June 2002 through June 2003); the second looks at developments based on the CRA database for the year 2002.

Part Two provides directories of the top small and micro business lenders in the states using both the call report and CRA data. For the reader's convenience, national tables for multi-billion-dollar banks and bank holding companies (BHCs) are presented before state tables for all banks, not because BHCs are more important in small business lending, but because the tables for them are shorter. Four sets of tables are presented.

### Highlights

- The pace of borrowing and lending in the small business loan markets was slower in the period covered than in the June 2001 to June 2002 period; both the demand for and supply of bank loans showed

moderate increases in 2002 and the first half of 2003. Small business loans outstanding (loans under \$1 million) totaled \$495 billion as of June 2003, an increase of \$11.1 billion or 2.3 percent between June 2002 and June 2003, compared with an overall increase of 5.1 percent over the previous period. Business loans stopped declining over this period; the total value of business loans increased 0.85 percent to a value outstanding of \$1.32 trillion.

- As in the June 2001 to June 2002 period, the smallest loans showed the least activity during this period, with declines in both the dollar amount and number of loans outstanding. The dollar value of small business loans under \$100,000 declined by 2.5 percent. Increases in the dollar values of larger small business loans—those of \$100,000 to \$250,000 and \$250,000 to \$1 million—were also smaller than in the previous period—2.3 percent and 4.7 percent in 2003, compared with 4.9 percent and 7.0 percent, respectively.

- Micro business loans outstanding, defined here as business loans under \$100,000, totaled \$125.7 billion in June 2003, down \$3.2 billion or 2.5 percent from June 2002. Most significant in micro business lending over this period is the 10.0 percent decline in the number of loans, from 15.7 million to 14.1 million. Some of these declines, however, may be attributable to accounting changes.

- In 2002, a total of \$227.5 billion in small business loans under \$1 million were extended by 905 CRA-reporting banks/BHCs, compared with \$203 billion in 2001. Large multi-billion-dollar banks and BHCs made 5.3 million micro business loans valued at \$73 billion in 2002, compared with 4.9 million loans valued at \$62 billion in 2001. The CRA data confirm the findings in the call report data of the

importance of multi-billion-dollar banks and BHCs in the market for the smallest loans, and also their declining share of the larger small business loans (\$100,000-\$1 million).

- The relative importance of large banking institutions in the U.S. economy continued to increase. The 67 largest banks/BHCs, each with assets in excess of \$10 billion, accounted for 74.3 percent of total banking assets in the United States in June 2003. The importance of these banks/BHCs in the small business loan markets, however, varied. In the market for the smallest loans under \$100,000, their importance continued to increase, from 46.4 percent of the total dollar amount in June 2002 to 47.6 percent in June 2003 and from 60.0 percent of the number of these loans outstanding to 64.3 percent. This trend confirms the continued promotion of small business credit cards by these large banks. In the market for loans between \$100,000 and \$1 million, the importance of the large banks seems to have declined. Their share of these loans declined from 46.1 percent to 44.6 percent of the dollar amount and from 48.2 percent to 44.5 percent of the number over the June 2002 to June 2003 period, in spite of the increased asset share of these banks.

## Scope and Methodology

This study provides a review of the banks' lending activities in 2002-2003 based on two types of data reported by banks to their regulating agencies—the call reports for June 2003 (for the amount and number of outstanding loans) and the Community Reinvestment Act (CRA) reports for 2002 (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 to include loans under \$100,000.

Developments in lending activities over time by banks are analyzed based on the call report statistics for various variables. However, because of the changing number of banks required to report under the CRA reporting requirements (some 1000 large banks and BHCs are required to report under the CRA), year-to-year changes in the lending activities for these banks are more difficult to interpret.

Large banks and BHCs with total domestic assets in excess of \$10 billion are ranked and reposted separately, under the presumption that they serve a national market. Rankings by state are made for all

"reporting" banks on the basis of the designated headquarters state of the reporting bank. Two ranking methods are used, depending upon the availability of data.

For banks where information for total assets and total business loans are available (those filing call reports), four criteria are used as the basis for a bank's performance ranking. A summary rank for four decile ranks is computed for each bank in the state rankings. A decile ranking is first used for individual criteria; decile rankings range from 1 to 10. Banks in the top 10 percent of all banks in the state receive the maximum score of 10; banks in the lowest 10 percent receive a score of 1. Banks 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, banks were listed in order of the dollar amount of small business loans made in each state in 2002. Large institutions therefore appear at the top.

Simple rankings were used for multi-billion-dollar banks and BHCs because only a small number of banks 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 by email at [advocacy@sba.gov](mailto:advocacy@sba.gov) or by phone at (202) 205-6533.

## Ordering Information

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

To receive email notices of new Advocacy research, press releases, regulatory communications, and publications, including the latest issue of *The Small Business Advocate* newsletter, visit <http://web.sba.gov/list> and subscribe to the appropriate Listserv.