

Small Business and Micro Business Lending in the United States, for Data Years 2005-2006

by Victoria Williams and Charles Ou, U.S. Small Business Administration,
Office of Advocacy, Office of Economic Research, 2008. 124 pages.

Introduction

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 2006 and the Community Reinvestment Act (CRA) reports for 2005. 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 2006 and the CRA database for the year 2005. 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.

Beginning in 2005, the report was expanded to include savings banks and savings and loan 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

The rate of growth in small business lending outstanding was modest in the 2006 sluggish economy. For micro loans, the growth in dollars exceeded the growth in the number of loans. For mid-sized loans, the increase in the number of loans exceeded the growth in dollars, implying that more loans were made in small amounts.

Highlights

- In June 2006, small business loans (loans under \$1 million) outstanding from 8,709 U.S. reporting depository institutions were valued at \$634 billion for 21.3 million loans. The comparable figures for 2005 were \$601 billion in 21.0 million loans.
- The 19.0 million micro business loans (loans under \$100,000) outstanding in 2006 were valued at \$146 billion, compared with \$138.4 billion in the same number of micro business loans the previous year. The number of mid-sized business loans outstanding (loans ranging from \$100,000 to under \$1 million) grew by 13 percent from the previous year.
- The rate of increase in small business borrowing was moderate, as the value of small business loans outstanding increased from 4.1 percent in 2005 to 5.5 percent in 2006. The value of micro business loans, mid-sized business loans, and small business loans all increased by 5.5 percent, with a negligible decrease in the number of micro business loans.

- The mid-sized loan share of the dollar value of business loans outstanding increased slightly, while the share of the number of these loans dropped from 42 to 38 percent, reflecting an increase in average account balances.

- The number of multibillion-dollar lending institutions with total domestic assets of more than \$10 billion increased from 101 in June 2005 to 108 in June 2006. They accounted for 75.2 percent of total domestic assets, 64 percent of total business loans and 45 percent of small business loans under \$1 million.

- As of June 2006, the largest lenders—those with more than \$10 billion in assets—continued to control the market for micro business loans, especially in the credit card market, where they accounted for 75.2 percent of the total number of loans (up from 70 percent in 2005) and 53 percent of the total amount outstanding.

Scope and Methodology

This report observes the environment of lending institution activities using two types of data reported by financial institutions to their regulating agencies. Call Reports include information on the number and dollar amount of loans outstanding by loan size for business loans in June 2006, and Community Reinvestment Act (CRA) data cover lending to small businesses for calendar year 2005.

The data reported are available by loan size, not by business size. Small business loans are defined here as loans under \$1 million; mid-sized loans are those valued at \$100,000 to under \$1 million; and micro loans are loans of less than \$100,000. 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 filing Call Reports, for which information on total assets and total business loans is available, four criteria are used as the basis for a lender's performance ranking. A decile ranking is first computed 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.

A summary ranking consolidating the four decile rankings is computed for each institution in the state rankings. Four top scores will sum to 40. To make the top score total 100, each score is multiplied by 2.5.

To rank state lending using the CRA data, lenders are listed in order of the dollar amount of small business loans made in each state in 2005. Large institutions therefore appear at the top. Simple rankings are used for multibillion-dollar lending institutions because a small number of lenders is involved.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at 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. Copies are available for purchase from:

National Technical Information Service
5285 Port Royal Road
Springfield, VA 22161
(800) 553-6847 or (703) 605-6000
TDD: (703) 487-4639

www.ntis.gov

Order number: PB2008-105184

Paper A07 (\$38.00)

Microfiche A02 (\$20.00)

CD-ROM A00 (\$29.00)

Download A00 (\$22.95)

To receive email notices of Advocacy's newsletter, press, regulatory news, and research, visit <http://web.sba.gov/list>. For really simple syndication, visit www.sba.gov/advo/rsslibrary.html.