Reports - Findings from Analysis of Nationwide Summary Statistics for 2010 Community Reinvestment Act Data Fact Sheet (August 2011)

This analysis is based on data compiled by the three federal banking agency members of the Federal Financial Institutions Examination Council (FFIEC)—the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency—for institutions reporting under the Community Reinvestment Act (CRA) regulations.

Background

The CRA is intended to encourage federally insured commercial banks and savings associations to help meet the credit needs of the local communities in which they are chartered. The regulations that implement the CRA require commercial banks and savings associations with total assets of approximately $1 billion or more to collect and report data regarding their small business and small farm lending and community development lending. The mandatory reporting threshold adjusts annually based on changes to the Consumer Price Index and for 2010 was $1.098 billion.[1]

The small business and small farm lending data reported under the CRA regulations provide useful information about such lending, but they are less comprehensive than the data reported on home mortgage lending under the Home Mortgage Disclosure Act (HMDA). For example, the CRA data:

- include information on loans originated or purchased, but not on applications denied.
- indicate whether a loan is extended to a borrower with annual revenues of $1 million or less, but the data do not include demographic information about the applicant.
- are aggregated into three categories based on loan size and reported at the census tract level, rather than loan-by-loan.

Interpreting the CRA data can be challenging. For example, lending institutions are asked to report the geographic location of the loan. If the proceeds of a small business loan are used in more than one location, the institution can record the loan location as either the address of the borrower's business headquarters or the location where the greatest portion of the proceeds are applied, as indicated by the borrower. However, these locations may have different socio-demographic and economic characteristics.

Further, although CRA data provide information on extensions of credit in a geographic area, they do not indicate the amount or nature of the overall demand for credit in that area. Consequently, caution should be used in drawing conclusions from analyses using only CRA data, as differences in local loan volume may reflect differences in local demand for credit. Indeed, CRA performance assessments by the bank and thrift supervisory agencies focus on evaluating the volume and distribution of lending in the context of local credit needs.

Finally, the CRA small business and small farm lending data reported each year covers only a portion of the credit extended to small businesses and small farms. Banks and savings institutions that do not report CRA data and nonbank institutions not covered by CRA, such as commercial finance companies, also extend such loans.

General Description of the 2010 CRA Small Business and Small Farm Loan Data

For 2010, a total of 880 lenders reported data about originations and purchases of small business and small farm loans, a 6.5 percent decrease from the 941 lenders reporting data in 2009 (see Table 1).[2] As a consequence of amendments to the CRA regulations, beginning in September 2005, banking institutions with assets below the mandatory reporting threshold (and, beginning in October 2004, savings associations with assets below that threshold) are not required to collect or report data on their small business or small farm lending. However, institutions with assets below the mandatory reporting threshold may voluntarily collect and report such information, and they must report the information if they elect to be evaluated as "large" institutions during CRA examinations. Of the 880 institutions reporting 2010 data, nearly 40 percent were not "large" institutions under the applicable regulation and, therefore, reported either voluntarily or because they elected to be evaluated as "large" (see Table 3). Overall, the smaller number of reporters in 2010 compared to 2009 reflects mergers and acquisitions among previous reporters, a few bank failures and a reduction in the number of voluntary reporters.

Small business and small farm lending data submitted by the CRA data reporters are a significant portion of total small business and small farm lending by all commercial banks and savings institutions. Analysis of data from Consolidated Reports of Condition and Income (Call Reports) and Thrift Financial Reports indicates that loans by CRA reporters represent about 82 percent of the small business loans outstanding measured by number of loans and about 20 percent of the small farm loans outstanding measured by number of loans extended by all commercial banks and savings institutions (see Table 1). Larger institutions account for most of the reported lending: During 2010, commercial banks and savings institutions with assets of $1.098 billion or more (as of December 31, 2009) originated or purchased 93 percent, by dollars, of the small business loans reported under CRA (see Table 3).

While the decline in the number of loan originations and purchases may appear significant compared to 2009 (see Table 2), the majority of the decline is due to a significantly reduced number of loan purchases, rather than loan originations, and is related to the activities of one large lender. In the aggregate, about 4.3 million small business loans (totaling $180 billion) and about 147,000 small farm loans (totaling $ 11.8 billion) were reported as being originated or purchased in 2010. Loan originations accounted for the vast proportion of the total activity (with purchases comprising only about 51,000). Both the number of small business loan originations reported in 2010 and the dollar amount of such lending decreased about 9 percent from 2009, with the number of originations declining from 4.63 million to 4.21 million. The number of small farm loan originations was down about 2 percent and the dollar amount of such lending was virtually unchanged. Some reporting institutions consulted stated that lending opportunities had increased, while others noted that economic conditions remained weak. The failure of 18 previous reporters and fewer voluntary reporters partially contributed to the decrease in reported originations.

The most significant change compared to the 2009 data is a sharp decline in the number of reported purchases of small business loans. The higher number of reported purchases of small business loans in 2009 was attributable largely to the one-time report of an institution that acquired a very large number of small business loans (1.5 million) as the result of an acquisition. Overall, the number of small business loans reported as purchases from another institution decreased from 1.6 million in 2009 to 50,000 in 2010. Loan purchases were not a significant contributor to the volume of small farm loans in 2010 (or in previous years); they accounted for less than 1.0 percent of the small farm loans reported in 2010 (derived from Table 2).

The CRA data provide information about the size of small business and small farm loans. For small business loans, the maximum loan size reported is $1 million; for small farm loans, the maximum is $500,000. Measured by number of loans, about 92 percent of the small business loans and about 77 percent of the small farm loans originated in 2010 were for amounts under $100,000 (see Table 2). Measured by dollars, the distribution differs. Almost 32 percent of the small business loan dollars and about 29 percent of the small farm loan dollars were extended through loans of less than $100,000 (see Table 2).

The CRA data also include information on how many of the reported loans were extended to businesses or farms with revenues of $1 million or less (*i.e.,* smaller firms). About 35 percent of the number of reported small business loans (about 37 percent measured by dollars) and 77 percent of the number of reported small farm loans (about 73 percent measured by dollars) were extended to smaller firms (see Table 2).

The proportion of small business loans extended to smaller firms in 2010 (35 percent measured by number) was virtually unchanged from 2009. Lending to smaller firms peaked in 1999 at 60 percent. The longer-term decline in the percentage of small business loans to smaller firms primarily is due to a substantial increase in lending to larger firms through lines of credit and credit cards. The decline also reflects the fact that some banks no longer request revenue-size information from business customers. Therefore, these banks no longer report which, if any, "small business" loans were extended to small businesses and consequently, such data is not included as loans to smaller firms.

The Geographic Distribution of Small Business and Small Farm Lending

The availability of information about the geographic location of businesses and farms receiving credit provides an opportunity to examine the distribution of small business and small farm lending across areas grouped by socio-demographic and economic characteristics. Information on the distribution of businesses and population provides some context within which to view these distributions.

CRA performance assessments include an analysis of the distribution of small business and small farm loans (of all types) across census tracts grouped into four income categories: low-, moderate-, middle-, and upper-income.[3] Overall, the distribution of the number (see Table 4.1) and the dollar amounts (see Table 4.2) of small business loans across these categories parallels the distribution of population and businesses across these four income groups.[4] For example, low-income census tracts include about 5 percent of the population and almost 4 percent of the businesses, and received about 3 percent of the number and about 4 percent of the total dollar amount of small business loans in 2010.[5] Each income category's share of the number and dollar amount of loans remained about the same in 2010 as in 2009, although the share by number of loans, but not dollars, increased a few (about 3) percentage points in upper-income areas and decreased a few (about 2) percentage points in middle-income areas.

Analysis of the CRA data shows that small business loans are heavily concentrated in U.S. principal cities and suburban areas (about 88 percent measured by number or by dollar amount of all small business loans), as are the bulk of the U.S. population and the number of businesses (see Tables 4.1 and 4.2). The majority of small farm loans (about 63 percent, measured by number of loans or by dollars of loans) were extended in rural areas, with the remainder extended primarily in suburban areas (see Tables 4.3 and 4.4).

Community Development Lending

Institutions reporting CRA data disclose the number and dollar amount of their community development loans. Among the 880 institutions reporting for 2010, 648 institutions (about 74 percent) extended community development loans (derived from Table 5). The number of institutions reporting community development loans decreased about 5 percent from 2009, when 679 institutions reported such loans. As in 2009, in 2010 lenders with assets that met or exceeded the mandatory reporting threshold ($1.098 billion in 2010) extended the vast majority of reported community development loans. When both loan originations and purchases are considered, the dollar volume of community development lending increased from 2009, from $34.7 billion (data not shown in tables) to $40.3 billion (see Table 5), an increase of approximately 16 percent.

Tables are in Portable Document Format (PDF).

Endnotes

[1] The mandatory reporting threshold decreased from $1.109 billion to $1.098 billion in 2010.

[2] For the years 2001 through 2007, the following lender asset-size categories were used in Tables 1, 3, and 5 (in millions): less than 100; 100-249; 250-999; and 1,000 or more. To improve users' ability to differentiate between large banking institution reporters and voluntary reporters, in Tables 1, 3, and 5 the lender asset-size categories for the 2008 CRA data were adjusted as follows (in millions): less than 100; 100-249; 250-1,060; and 1,061 or more. For the year 2009, the lender asset-size categories have been adjusted as follows in Tables 1, 3, and 5 (in millions): less than 100; 100-249; 250-1,108; and 1,109 or more. For 2010, the categories are less than 100; 100-249; 249-1,097 and 1,098 or more. Table 1 data reflect the former asset categories for 2001 through 2007 and the adjusted asset categories for 2008-2010.

[3] For purposes of the regulations, a low-income census tract has a median family income that is less than 50 percent of the median family income for the broader area (the metropolitan area containing the tract or the entire non-metropolitan area of the state); a moderate-income census tract, 50 percent to less than 80 percent; a middle-income census tract, 80 percent to less than 120 percent; and an upper-income census tract, 120 percent or more.

[4] Beginning in 1998, institutions filing CRA data were allowed to report that the census tract location of a firm or farm receiving a loan was unknown. For 2010, 3.5 percent of the reported small business loans by number and 1.7 percent by dollar amount included such a designation.

[5] Data on the share of population across census tract income categories are derived from the 2000 Census of Population and Housing (most current available). Data on the share of businesses across census tract income categories are derived from information from Dun and Bradstreet files of businesses. Calculations exclude agricultural-related firms.

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