

Reports - Findings from Analysis of Nationwide Summary Statistics for 2015 Community Reinvestment Act Data Fact Sheet (August 2016)

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

Background

The CRA is intended to encourage federally insured commercial banks and savings associations (savings and loan associations and savings banks) 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 2015 the threshold was \$1.221 billion.

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. 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; and
- 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 socioeconomic characteristics.

Further, although the 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 loan volume across areas may reflect differences in local demand for credit. Indeed, CRA performance assessments by the 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 cover only a portion of the credit extended to small businesses and small farms. Banks and savings associations that do not report CRA data and nonbank institutions not covered by the CRA, such as commercial finance companies, also extend such loans.

General Description of the 2015 CRA Small Business and Small Farm Loan Data

For 2015, a total of 751 lenders reported data about originations and purchases of small loans (loans with original amounts of \$1 million or less) to businesses and farms, representing a 2 percent decrease from the 767 lenders reporting data for 2014 (see [Table 1](#)).¹ Of the 751 institutions reporting 2015 data, 246 had assets below the mandatory reporting threshold and reported either voluntarily or because they elected to be evaluated as a “large” institution during CRA examinations.² Overall, the smaller number of total reporters in 2015 compared with 2014 reflects fewer voluntary reporters, as the number of institutions with assets above the reporting threshold increased by 2 (0.4 percent) between 2014 and 2015.

Small business and small farm lending reported in the CRA data covers a significant share of small business and small farm lending by all commercial banks and savings associations. Analysis of data from Bank Call and Thrift Financial Reports indicates that CRA reporters account for about 70 percent of small business loans outstanding (by dollars) and about 28 percent of small farm loans outstanding (by dollars) at bank and thrift institutions (see [Table 1](#)). Larger institutions account for most of the reported lending. During 2015, banks and thrifts with assets of \$1.221 billion or more (as of December 31, 2014) accounted for over 95 percent (by dollars) of reported small business loan originations (see [Table 3](#)). The very largest institutions – 105 reporters with assets of \$10 billion or more – accounted for about 69 percent of CRA-reported small business loans originated in 2015 (in dollars, not shown in tables).

In the aggregate, about 6.1 million small business loans (originations and purchases) totaling \$228 billion were reported in 2015 (see [Table 1](#)). The total number of loans and the number of loans originated increased by about 8.5 percent and 7.7 percent relative to 2014. Reporting institutions offered a variety of explanations for the increase in reported loans, emphasizing mergers and acquisitions. The dollar amount of originations increased by about 5.6 percent. Regarding small farm loans, the number and dollar amount increased by about 2 percent and 5 percent, respectively, in 2015 from 2014.

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 loan originations, 93 percent of the small business loans and about 77 percent of the small farm loans originated in 2015 were for amounts under \$100,000 (see [Table 2](#)). Measured in dollar amount of loans, the distribution differs; about 35 percent of the small business loans and about 27 percent of the small farm loans were extended through loans of less than \$100,000 (see [Table 2](#)).

Loans to Smaller Businesses and Farms

The CRA data include information about loans to businesses or farms with revenues of \$1 million or less. Overall, over 52 percent of the number of reported small business loan originations (about 37 percent measured in dollar amount of loans) and 61 percent of the number of reported small farm loan originations (about 68 percent measured in dollar amount of loans) were extended to firms with revenues of \$1 million or less (see [Table 2](#)).

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 largely parallels the distribution of population and businesses across these four income groups, although lending activity in upper-income areas exceeds the share of businesses and population in such areas.⁴ For example, low-income census tracts include about 6 percent of the population and businesses, and accounted for nearly 5 percent of the number and about 6 percent of the total dollar amount of small business loans in 2015.⁵ Upper-income census tracts include about 28 percent of the population and about 31 percent of the businesses, and had about 38 percent of the number and 36 percent of the total dollar amount of small business loans in 2015. Each income category's share of the number and dollar amount of loans remained about the same in 2015 as in 2014 (see [Table 1](#)).

Analysis of the CRA data shows that small business loans are heavily concentrated in cities and their suburban outliers, 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 were extended to farms located in rural 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 751 institutions reporting for 2015, 629 institutions reported community development lending activity (see [Table 5](#)). As in previous years, in 2015 lenders with assets that met or exceeded the mandatory reporting threshold (\$1.221 billion in 2015) extended the vast majority of reported community development loans. Overall, all lenders reported over \$87 billion in community development loans in 2015, a 16 percent increase over 2014 and continuing a steady rate of growth since 2011.

Tables are in Portable Document Format (PDF).

¹ For the purposes of this table, reporters with assets of less than \$250 million are categorized as "small"; reporters with assets at or above the CRA reporting asset threshold for the given year (see <http://www.ffiec.gov/cra/reporter.htm>) are categorized as "large"; and the remainder of reporting institutions are categorized as "medium." 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. In addition, depository institutions must report the information if they elect to be evaluated as "large" institutions during CRA examinations.

² Tables 3 and 5 indicate that 221 reporting institutions had assets as of December 31, 2014, below \$1.221 billion. Another 25 reporters did not meet the mandatory reporting threshold because their assets as of December 31, 2013, were not high enough. The asset size threshold that triggers data collection and reporting is \$1.221 billion as of December 31 of each of the two prior calendar years.

³ For the 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. Data regarding census tract income categories are derived from the 2010 American Community Survey. For more information, refer to <http://www.census.gov/acs/www>.

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 2014, about 2 percent of the reported small business loans by number and 1 percent by dollar amount included such a designation.

⁵ Data on the share of population across census tract income categories are derived from the 2010 Census of Population and Housing. 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.