

Current state of small business lending

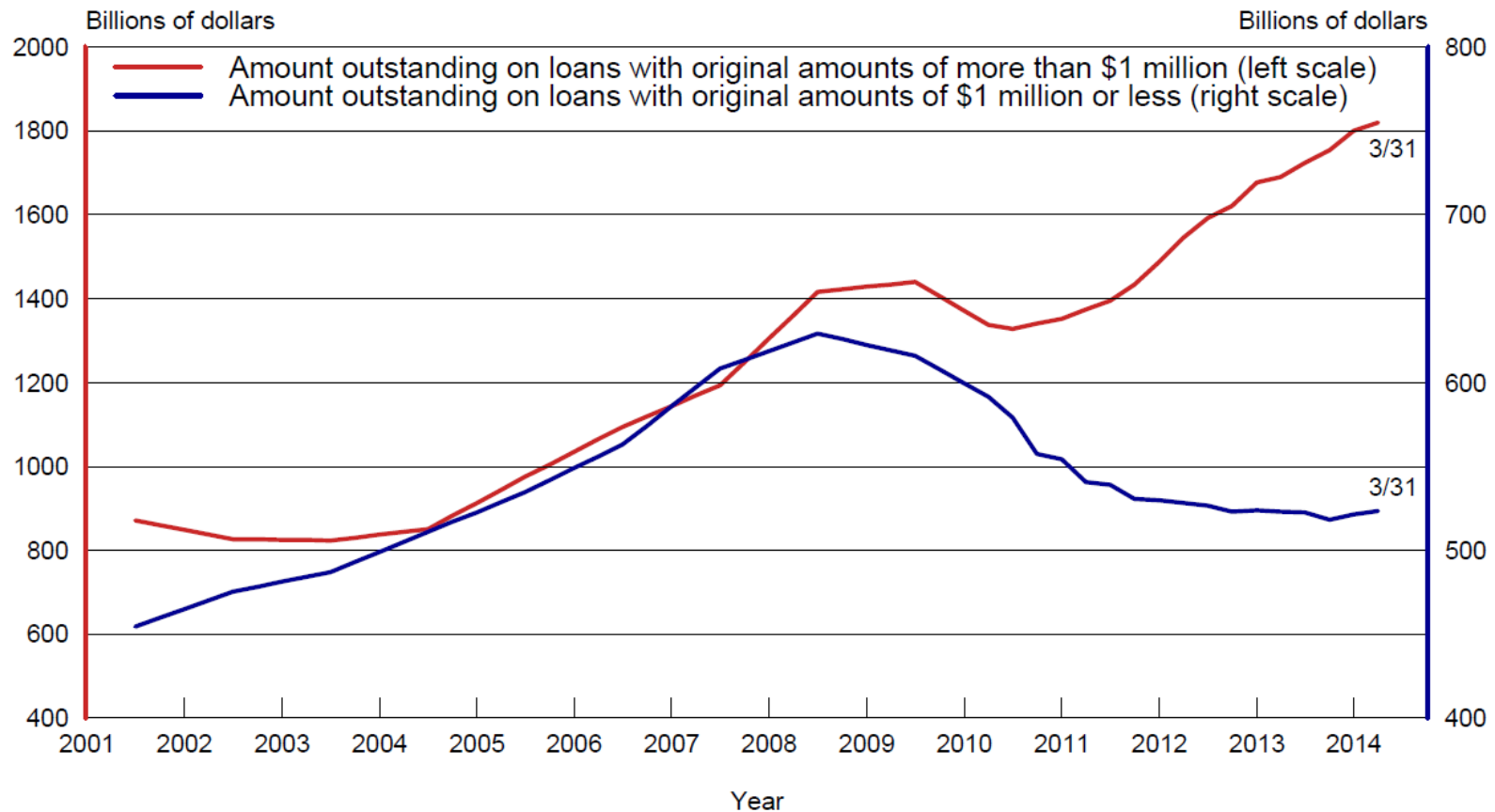
Traci Mach

Board of Governors of the Federal Reserve System

May 15, 2014

The opinions expressed are those of the author and do not necessarily represent those of the Board of Governors or its staff.

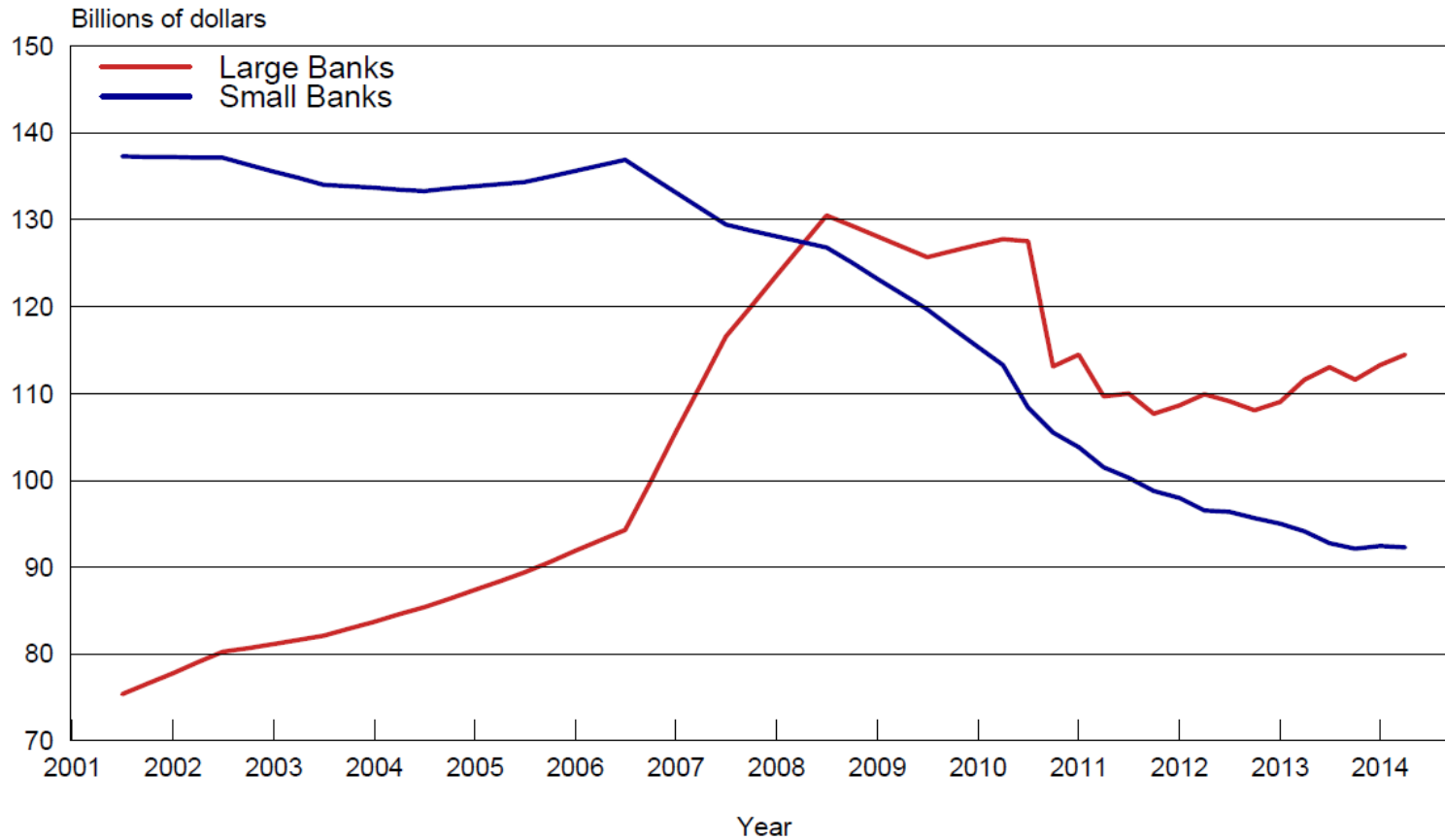
Amount outstanding in loans to businesses by loan size



Note: Beginning March 2010, the data reporting frequency changed from annual to quarterly.

Source: These data are constructed from special tabulations of the June 30, 2001, to March 31, 2014, Call Reports (Consolidated Reports of Condition and Income for U.S. Banks).

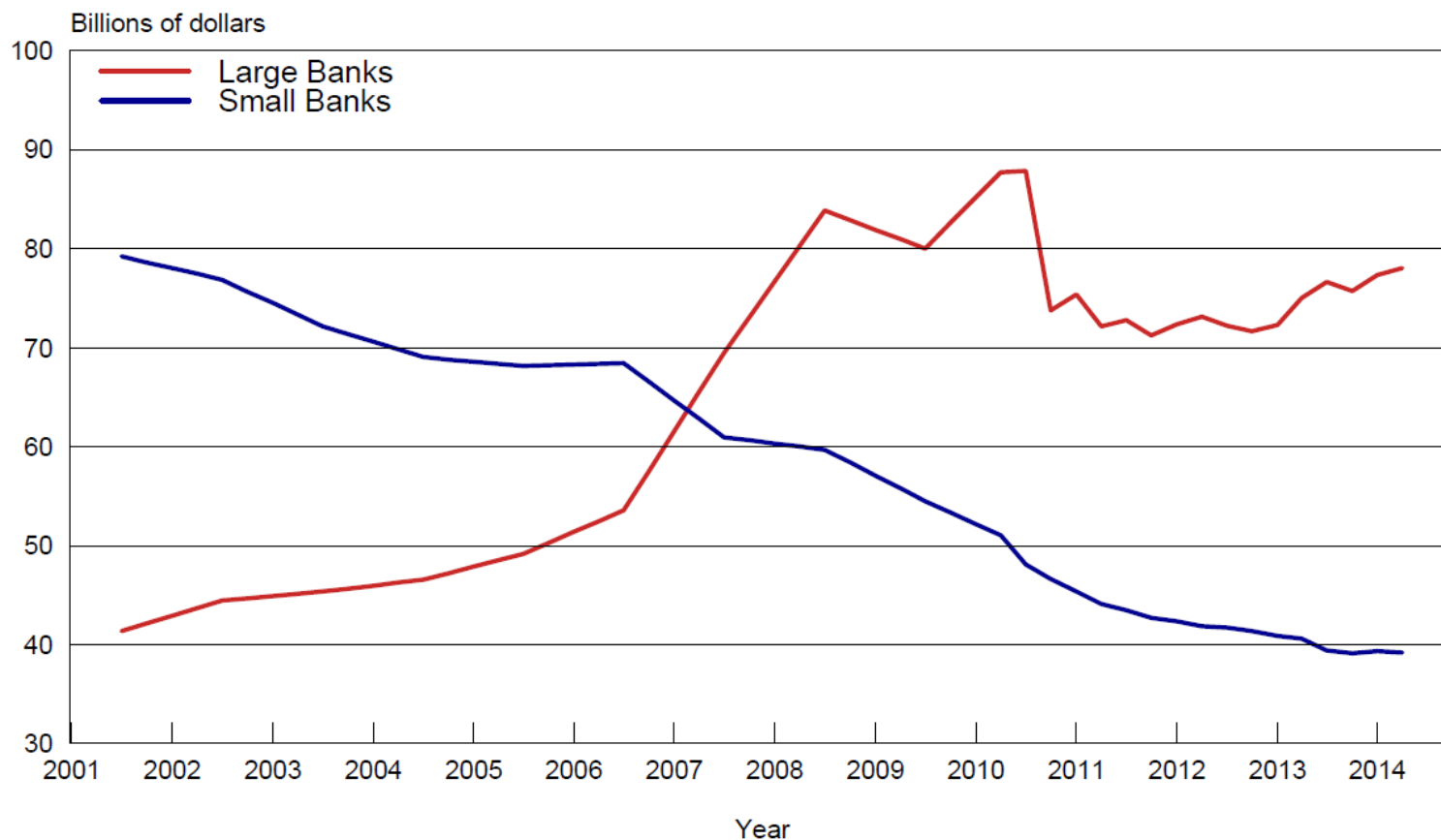
Amount outstanding in loans less than \$250,000 by bank size



Note: Beginning March 2010, the data reporting frequency changed from annual to quarterly.

Source: These data are constructed from special tabulations of the June 30, 2001, to March 31, 2014, Call Reports (Consolidated Reports of Condition and Income for U.S. Banks).

Amount outstanding in loans less than \$100,000 by bank size



Note: Beginning March 2010, the data reporting frequency changed from annual to quarterly.

Source: These data are constructed from special tabulations of the June 30, 2001, to March 31, 2014, Call Reports (Consolidated Reports of Condition and Income for U.S. Banks).

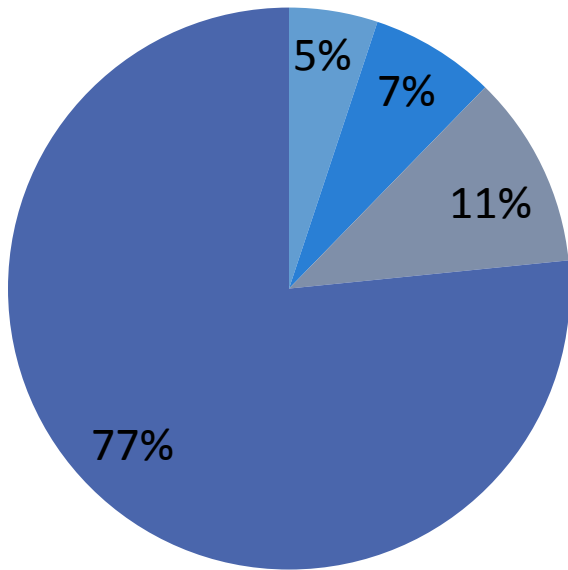
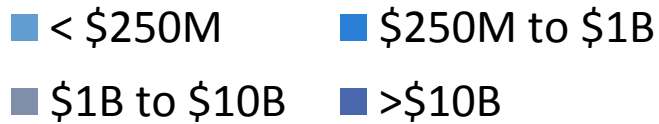
Sources of outstanding loan dollars for small businesses

	% share of 1998 dollars outstanding	% share of 1998 dollars outstanding
Commercial banks	65	57
Savings bank	3	5
Savings & Loans	0	1
Credit union	1	1
Finance company	13	16
Insurance company	1	2
Leasing company	3	3
Mortgage company	5	5
Other	8	10

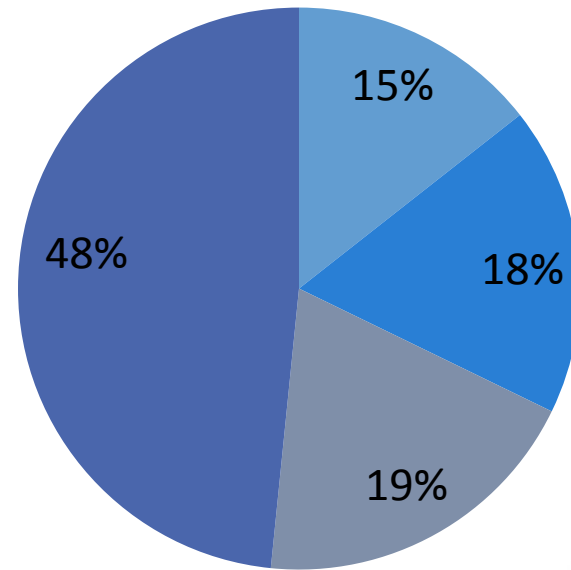
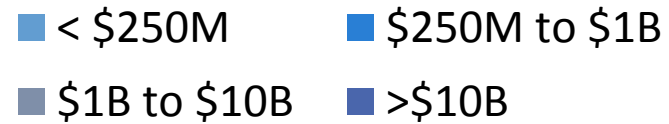
Source: 1998 and 2003 Surveys of Small Business Finances

Bank holdings of small business loans in 2007

Share of assets

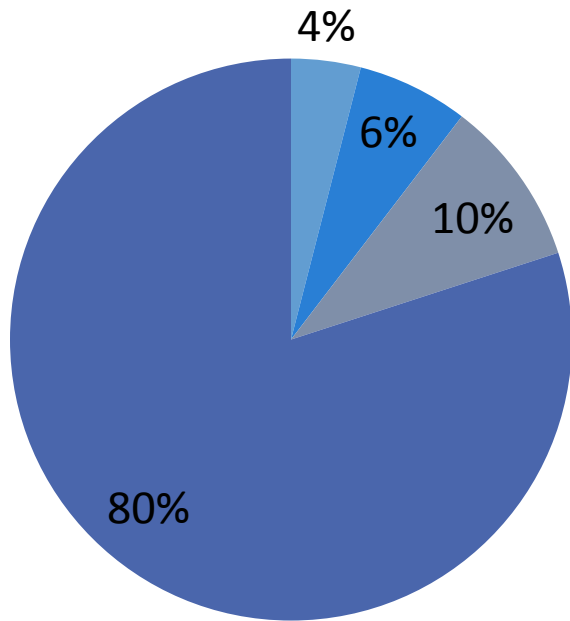
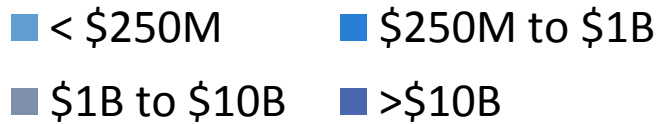


Share of small loans

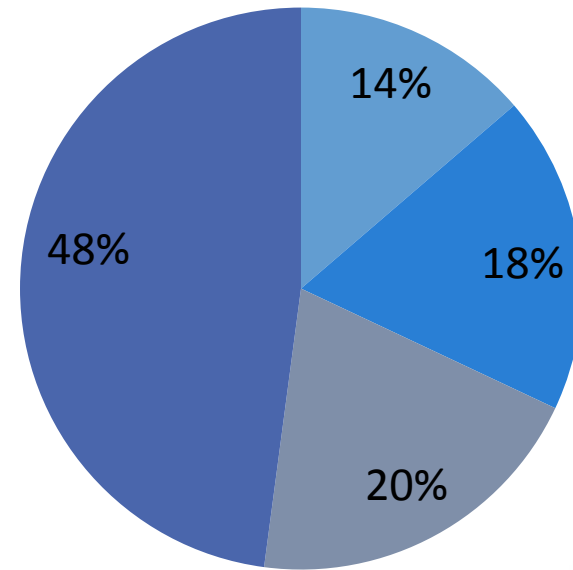
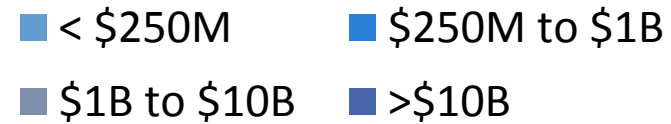


Bank holdings of small business loans in 2011

Share of assets



Share of small loans



If not community banks, then who?

- Alternative lenders are growing rapidly in many forms
 - Cash advances (CAN projecting \$1 billion transactions for 2014)
 - Short term fast loans (OnDeck surpassed \$825 million dollars lent, growing more than 150% in last year)
 - Crowdfunding (P2P, equity, donations—Massolution estimated that crowdfunding sites raised \$5.1 billion last year alone, almost doubling 2012 when \$2.7 billion was raised)
- Alternative lenders still represent a small fraction of total small business lending market
 - 2003 SSBF estimated small businesses held \$6.2 trillion in outstanding loans

Moving forward

- As the economy continues to improve, small businesses appetite for credit should grow
 - The demand for small dollar loans (working capital loans) may be particularly strong
- Community banks remain reportedly cautious about making relationship loans and may continue to be so going forward
- Some of the alternative lenders are quite expensive; more information is needed about the long-term consequences of using this form of high-cost credit