

Small Business Access to Bank Credit:
The Little Engine that Could
Year Three

California Reinvestment Coalition

December 2003

California Reinvestment Coalition

The California Reinvestment Coalition is a Community Reinvestment Act advocacy coalition of more than two hundred community-based organizations. CRC began its advocacy efforts in 1986 when Wells Fargo Bank acquired Crocker Bank. It currently has CRA agreements with major California financial institutions including Bank of America, Comerica Bank, City National Bank, Union Bank, U.S. Bank, Washington Mutual Bank, and Wells Fargo Bank.

In 1994, CRC published its first report on small business lending, *No Credit for Those Who Need It: Uncle Sam Ignores Small and Minority Business*, reviewing SBA lending in California Counties. In 1998, CRC published a report, *New Small Business Lending Horizons: How Banks and Technical Assistance Providers Can Create a Vibrant New Business Lending Market*, on the dramatic positive impact of technical assistance to small businesses.

In early 2002, CRC published *Small Business Access to Credit; the Little Engine that Could* looking at 2000 small business lending by financial institutions. A second report published in December 2002 reviewed the following lending year, 2001. This third report reviews the following lending year, 2002 (the most recent public data), and analyzes that year's small business lending and the three year trends.

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Executive Summary

Small business is the economic engine of every community and is particularly critical for low income communities. Two-thirds of all California businesses are estimated to have four or fewer employees and 85 percent are so small that their annual revenues are less than \$1 million¹. These employers provide employment, goods and services and positive models for local communities in an environment starved for positive economic opportunity. A recent Wall Street Journal article² focuses specifically on the key role that small business plays in employment and the GDP. This report looks specifically at the 30 major small business lenders' credit activity in five California counties.

Yet, these businesses have to leap many hurdles to access credit from conventional business lenders. This study examines whether small businesses in lower income³ neighborhoods have an equal opportunity to get loans. The stories told by small business owners and the data in this report would lead the California Reinvestment Coalition (CRC) to believe that the answer to this question is NO.

The Federal Reserve System's September 2002 Report to Congress on the Availability of Credit to Small Business found that "smaller and younger firms had their loan applications denied more frequently." The 1998 Federal Reserve Survey of Small Business Finance found that 23 percent of respondents did not apply for credit out of fear of denial which indicates that demand from younger, smaller firms could have been even higher.

Clearly, there are inequities in access to credit for smaller businesses. CRC has developed an *equality benchmark* to measure whether and to what degree the small business lending playing field is level. This benchmark is based on the common sense notion that if 30 percent of all Los Angeles businesses are located in lower income neighborhoods then any lender should originate at least 30 percent of its' small business loans in those neighborhoods.

CRC expected that most of the major small business lenders would offer credit access in a fairly even manner. This has not proven to be the case. Not one of California's major small business lenders met the equality benchmark in all five counties (Alameda, Fresno, Los Angeles, Sacramento and San Diego) in 2000 or 2001 or 2002. They are not lending equitably to businesses located in lower income neighborhoods.

¹ As reported in "Financial Services Used by Small Businesses: Evidence from the 1998 Survey of Small Business Finances" by Bitler, Robb and Wolken, Federal Reserve Bulletin, April 2001.

² "Small Companies Slowly Build Momentum in the Job Market" by Clare Ansberry, Wall Street Journal, December 4, 2003.

³ CRC will use lower income as short hand for low-and moderate-income in this report. This covers census tracts whose average household income is at 80 percent of area median income.

Even when the standard drops to meeting the benchmark in three counties still it is only three of the thirty dominant business lenders in California that meet the equality benchmark in either one of the categories: loans less than \$100,000 or loans to small businesses with revenues less than \$1 million in lower income neighborhoods. Yet, these 30 financial institutions did 95 percent or more of all small business lending in each of the five counties.

The most significant study findings are:

- ▶ **Highest Score=Failing Grade:** On a numerical scale of a ten⁴, Bank of the West scored the highest marks of all thirty lenders: six points or a discouraging 60 percent. This would be a failing grade in any classroom in the world.
- ▶ **Bigger not Better:** Disappointingly, neither the second largest statewide bank, Wells Fargo Bank, nor Washington Mutual, the third largest financial institution, met the equality benchmark in even one county.
- ▶ **Mega Lender Falls Hard:** Bank of America, California's largest bank, fell dramatically from the heights of 2001 when it exceeded the equality benchmark in all five counties for loans to smaller businesses in lower income neighborhoods. In 2002, it exceeded this benchmark in only two counties.
- ▶ **Local is Better:** Community banks were the high achievers meeting the needs for credit of small businesses in their local markets. Hanmi Bank again lent more than double the benchmark in Los Angeles County for small loans and loans to small businesses. And, the Mechanics Bank again did almost twice the equality benchmark for both small loans and loans to small businesses in Alameda County.
- ▶ **Credit cards ≠ Small businesses:** Two major credit card lenders who made 65,075 small business loans in California, Advanta and First National Bank of Omaha, did no lending to businesses with revenues less than \$1 million in the five counties during 2002. Major credit card lender, Bank One, did a total of only 24 loans to small businesses while making 25,683 small business loans overall in California.

Since small businesses are crucial to economic growth and prosperity in lower income communities, the facts in this report demonstrate the sad fact that barriers for minority business owners and small businesses in lower income neighborhoods continue to limit and circumscribe these neighborhoods. The dismal failure of these major financial institutions to meet or exceed the equality benchmark in every county puts the lie to the supposed American ideal of equal opportunity. A strong engine of economic recovery is severely hindered by these unequal barriers to credit.

⁴ The 10 points are one for meeting the equality benchmark for loans less than \$100,000 in each of the five counties, and one for meeting the benchmark for lending to businesses with revenues less than \$1 million in each county.

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The failure of these financial institutions to reach the equality benchmark illustrates that small businesses in low income areas still do not have an even playing field. In particular, it seems clear that the major small business lenders overlook the market potential of these communities.

A 2000 Federal Reserve survey of banks found that two-thirds of the 143 respondents reported that CRA-related lending led to new, profitable opportunities for their bank. This shows that with oversight, the “free market” can work for those with the greatest need.

This lack of equal access is a situation that should be remedied immediately by these major financial institutions and investigated by the U.S. Congress and the federal regulators who are responsible for overseeing these lenders. CRC makes the following recommendations based on this study:

- ▶ Major financial institutions should be scrutinized by federal financial regulators to ensure that there is an even playing field for entrepreneurs of color and business owners in lower income communities.
- ▶ The federal Fair Trade Commission should scrutinize Advanta and other huge credit card lenders that do not lend to smaller businesses yet advertise themselves as small business lenders.
- ▶ The Federal Reserve should take Regulation B off its dusty back shelf and allow financial institutions to voluntarily collect race data on business borrowers. This will expand opportunity for business owners of color as it did for home buyers in the early 1990's.

Overview

Small businesses start with the entrepreneur's own financial resources and those of their families and friends. When they are ready to expand and grow, they turn to banks for loans. Newly available data from the Survey of Small Business Finances⁵ shows that in 1998 most small businesses in the U.S. were very small: nearly two-thirds had fewer than five employees. It also reveals that commercial banks continue to be the most common credit suppliers for small business. Yet, banks are demonstrably reluctant to lend to minority-owned businesses or small businesses in low- or moderate-income neighborhoods where credit is most needed and can do the most good.

Many small business people relate serious problems accessing credit from financial institutions and business lenders. The California Reinvestment Coalition's (CRC) review of the 2002 public conventional small business lending data looks at these questions with a particular focus on the neighborhoods that are most likely to have difficulty accessing credit: low- and moderate-income⁶ census tracts. CRC's review found for the third year in a row that small businesses in those neighborhoods do not have equal access to credit compared to businesses in wealthier neighborhoods in California.

There is little objective data collected and publicly available on small business lending to minority-owned businesses or small businesses in specific low- and moderate-income neighborhoods. Despite this, the Federal Reserve System continues to shelve a proposal (changes in Regulation B) to allow regulated financial institutions to collect data voluntarily on the race of business borrowers. Advocates and a number of bankers believe this would be a good thing. Allowing the collection of race information on small business loans is likely to expand small businesses lending in lower income neighborhoods and to entrepreneurs of color as increased access to home mortgage data expanded access to home loans in the early 1990's.

The community development data on small business lending that is publicly available from the federal financial regulators and used for this report is very general. The smallest geographic unit is the metropolitan area or county. Small business lending data is collected on loans for less than \$100,000, less than \$250,000 and less than \$1 million as well as for loans to businesses with annual revenues less than \$1 million by the Federal Financial Institutions Examination Council (FFIEC). The data is reported in groupings of ten percent of income of the total metropolitan area or county. It should be noted that this data includes "business" credit card lending; in fact, the number one lender is credit card lender, American Express, in almost every state in the

⁵ As reported in "Financial Services Used by Small Businesses: Evidence from the 1998 Survey of Small Business Finances" by Bitler, Robb and Wolken, Federal Reserve Bulletin, April 2001.

⁶ Low- and moderate-income census tracts are those areas where the average income is at or below 80 percent of the metropolitan area's median income.

nation. Many financial institutions combine loans, lines of credit and credit card lending in their reporting. There is no data on conventional lending that identifies the ethnicity of the business owner. Only the U.S. Small Business Administration collects such data.

The lack of public information is extremely unfortunate since the history of American banking shows that when lending data is made public, banks seek to make their lending more equitable. This could happen for small business lending if the Federal Reserve System allowed voluntary collection of the ethnicity of business owners.

Introduction

This report looks at small business lending in Alameda, Fresno, Los Angeles, Sacramento and San Diego Counties by the 30 major small business lenders in California. It is compiled from conventional CRA-reportable small business lending as reported by financial institutions to the federal financial regulatory agencies. The study looks first at small business loans less than \$100,000 and then at loans to businesses with revenues of less than \$1 million annually. The five counties were chosen because of their prominence in the state and the higher proportion of low-income people and people of color.

This report, *Small Business Access to Bank Credit: The Little Engine that Could, Year Three*, looks at the credit that is most needed for low income communities and communities of color. Therefore, it looks at loans for less than \$100,000 in low- and moderate-income areas (census tracts with average incomes of 80 percent or less of area median income) in Alameda, Fresno, Los Angeles, Sacramento and San Diego Counties. This is based on the premise that these loans of less than \$100,000 are made predominantly to smaller businesses who cannot qualify for larger loans and do business in poorer neighborhoods. However, many of these borrowers are larger businesses who happen to only need \$100,000 at the moment.

The report also looks at loans to businesses with revenues of less than \$1 million in these same neighborhoods. This is the clearest measure of lending to small businesses in lower income areas because the size of the business is clearly identified as \$1 million or less. The loans for less than \$100,000 are often to large corporations whose access to credit suffers few limitations.

The California Reinvestment Coalition is a nonprofit membership organization of more than two hundred nonprofit organizations and public agencies across California. CRC members have negotiated community commitments from major California financial institutions that include lending for small and minority-owned businesses. CRC committees work on housing and economic development, and consumer issues as well as bank monitoring and negotiations. CRC works with community-based organizations in local communities to promote the economic revitalization of California's low-income communities and communities of color.

In 1994, CRC published its first report on small business lending, *No Credit for Those Who Need It: Uncle Sam Ignores Small and Minority Business*, which reviewed SBA lending in California counties. The report showed small and minority-owned businesses experienced great difficulty

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in accessing SBA lending because of the very large loans made by banks. It also showed data that indicated African American and Latino owned businesses had much greater difficulty accessing credit compared to Caucasians. CRC published a 1998 report, *New Small Business Lending Horizons: How Banks and Technical Assistance Providers Can Create a Vibrant New Business Lending Market*, on the dramatic positive impact of technical assistance to small businesses. In May 2002, CRC published *Small Business Access to Credit; the Little Engine that Could* looking at 2000 small business lending by financial institutions. This report analyzes the following lending year, 2002 (the most recent public data), and reviews that year's small business lending and the two and three year trends.

In this third year's report on bank lending to businesses in low- and moderate-income neighborhoods:

- ▶ CRC looked at the thirty financial institutions that were chosen because they either were major small business lenders statewide or made a significant number of loans (usually more than one hundred) in one or more of the five counties reviewed. These thirty financial institutions made more than 80 percent of all CRA-reportable small business loans in California in the year 2002 and made 95-98 percent of the loans in these counties.
- ▶ CRC also did a numerical ranking of the 30 financial institutions based on the ten criteria in the report. The maximum of ten points is a total of one for meeting the equality benchmark for loans less than \$100,000 in each of the five counties, and one for meeting the benchmark for lending to businesses with revenues less than \$1 million in each county.
- ▶ Community banks were also reviewed to see if studies showing proportionately greater small business lending by local financial institutions held true in these five counties.

The Federal Reserve System's September 2002 Report to Congress on the Availability of Credit to Small Business found that "smaller and younger firms had their loan applications denied more frequently." The 1998 Federal Reserve Survey of Small Business Finances found that 23 percent of respondents did not apply for credit out of fear of denial so demand from younger, smaller firms could have been even higher.

Overall Numerical Ranking

CRC developed an overall numerical ranking to compare each of the 30 banks on its total achievement relative to the equality benchmark in each of the categories in the report. There is a total of possible 10 points. One point is given for each county where a financial institution meets or surpasses the benchmark for loans less than \$100,000 for a total of five points. One point is given for each county where a financial institution meets or surpasses the benchmark for loans to businesses with an annual revenue of \$1 million or less for a total of five points. More detail on the ranking is shown in Appendix C.

- ✓ Bank of the West received six points.
- ✓ Hanmi Bank, Union Bank of California, Bank of America and GE Capital Financial scored four points.

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- ✓ Comerica and Greater Bay Banks received only three points.
- ✓ Citigroup, the largest bank in the world, received only one point.
- ✓ Wells Fargo Bank, California's second largest bank, and Washington Mutual Bank, California's largest thrift, received zero points.

In reviewing previous years, California Bank & Trust was the best lender in 2000 (six points) and Bank of America in 2001 (six points). Unfortunately in 2002, Bank of America was above the equality benchmark in only four of ten counties and California Bank & Trust in only one. Washington Mutual Bank dropped from four counties in 2001 to zero in 2002 and Wells Fargo Bank dropped from two to zero.

Community Banks

The report looks at community banks that did one hundred or more loans in their local counties as well as California's major banks. Studies have shown that community banks often serve their local community more fully than banks with a multi-state presence. The Federal Reserve Report to Congress states that "smaller banking organizations tend to be relatively more vigorous small business loan originators than their larger rivals. In 2001, the average ratios for small business loan origination show an inverse relationship between lending and size." Banks with assets less than \$1 billion did small business loans equal to 19 percent of assets while banks with assets more than \$10 billion did eight percent⁷.

CRC found that some community banks were the most outstanding lenders to businesses in low- and moderate-income neighborhoods in their counties. Others were not as good.

- ▶ The Mechanics Bank did almost one and one-half times the equality benchmark for both small loans and loans to small businesses in Alameda County.
- ▶ Hanmi Bank lent more than double the benchmark in Los Angeles County for small loans and loans to small businesses.
- ▶ Bank of the Sierra did the most small loans in Fresno County.

⁷ Allen Berger, Richard Rosen and Gregory Udell. "The Effect of Market Size Structure on Competition: The Case of Small Business Lending," Working Paper 2001-63, Finance and Economics Discussion Series, Board of Governors of the Federal Reserve System, 2001.

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- ▶ San Diego National Bank and Hanmi Bank were the only bank lenders that exceeded the equality benchmark in small loans in San Diego County.
- ▶ Greater Bay Bank exceeded the equality benchmark in small loans in Alameda County.
- ▶ Fremont Bank was at barely half of the equality benchmark in both small loans and loans to small businesses in Alameda County.

Loans Less than \$100,000

CRC looked at loans for less than \$100,000 to businesses located in low- or moderate-income census tracts. While some of these borrowers are larger businesses, they are likely to be smaller businesses that serve and employ residents of poorer communities and have great difficulty accessing credit. The proportion of the 30 financial institutions' loans for less than \$100,000 to businesses located in low- or moderate-income neighborhoods was compared to the equality benchmark in each county.

CRC expected that a significant number of these major California lenders' would hit the equality benchmark in all five counties for loans less than \$100,000 but not one of these 30 major small business lenders did. In fact, not one lender met the mark in five or even four counties in 2002. It is shocking that only two of these 30 major lenders (Bank of the West and GE Capital Finance) whose lending counted for 95 percent or more of the markets in each of these counties met the equality benchmark for three of the five counties.

California Bank & Trust and U.S. Bank which had met the equality benchmark in two of the five counties for 2001 were not able to do so in 2002. The new lenders who met the equality benchmark in two counties were Comerica Bank, Greater Bay Bank, Hanmi Bank, and Union Bank.

Looking at the two-year trend, CRC identified which lenders' proportion of low- and moderate-income lending dropped dramatically.

- ▶ Advanta dropped from 46 percent of its loans in 2001 to zero percent in 2002 in Alameda County.
- ▶ California Bank & Trust dropped more than 50 percent from 55 percent to a little less than one-quarter the proportion of its loans in Alameda County.
- ▶ Washington Mutual Bank dropped by almost one-quarter the proportion of its loans in Alameda County, 41 to 13 percent.

Comparing 2002 with 2000 loans of \$100,000 or less to businesses in low- and moderate-income neighborhoods:

- ▶ California Bank & Trust's proportion of lending dropped more than half in Alameda County during this three-year period.
- ▶ Washington Mutual Bank was down by two-thirds in Alameda County, half in Fresno County, two-fifths in Los Angeles County, and three-fifths in Sacramento County from 2000 to 2002.

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- ▶ Advanta Bank, Bank of the West and Key Bank's proportion of lending dropped in half in lower income areas of Los Angeles County from 2000 to 2002.

The overall data for loans of less than \$100,000 showed:

- ▶ Hanmi Bank was the only financial institution that doubled the equality benchmark in any county; it did so in Los Angeles County.
- ▶ Advanta Bank did 50 percent or less than the equality benchmark in three counties.
- ▶ For the five counties studied, the facts are as follows:
 - Alameda County:
 - Six of the thirty major small business lenders lent an amount that met the equality benchmark. They were Bank of America, City National Bank, Greater Bay Bank, Comerica Bank, Mechanics Bank, and Union Bank of California.
 - Two of the banks fell below 50 percent of the benchmark; they were Westamerica and Washington Mutual Banks.
 - Fresno County:
 - Only four of the thirty major lenders lent an amount that met the equality benchmark. They were Bank of the Sierra, Bank of the West, GE Capital and MBNA America.
 - Two of the Banks did less than 50 percent of the benchmark; they were Washington Mutual and City National Banks.
 - Los Angeles County:
 - Only eight of the thirty major lenders lent an amount that met the equality benchmark in this huge county. They were Bank of America, Bank of the West, Bank One, Comerica Bank, GE Capital Finance, Hanmi Bank, Universal Bank, and U.S. Bank.
 - Only Advanta and HSBC Banks fell below 50 percent of the benchmark.
 - Sacramento County:
 - Only six of the thirty major small business lenders lent an amount that met the equality benchmark. They were Bank of the West, California Bank & Trust, First National Bank of Omaha, Greater Bay Bank, Key Bank, and Union Bank.
 - Only one Bank did less than 50 percent of the benchmark; it was Washington Mutual Bank.
 - San Diego County:
 - Only three of the thirty major lenders lent an amount that met the equality benchmark. They were GE Capital, Hanmi Bank, and San Diego National Bank.
 - One bank fell below 50 percent of the benchmark; it was Advanta Bank.

Loans to Businesses with Revenues less than \$1 Million

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CRC then looked at loans to businesses with annual revenue of \$1 million or less located in low- or moderate-income census tracts. These are smaller businesses that serve key needs in poorer communities and often have greater difficulty accessing credit. The proportion of the 30 financial institutions' loans to these businesses located in low- or moderate-income neighborhoods was compared to the proportion of businesses located in those neighborhoods in each county.

Again, CRC expected that a significant number of the financial institutions would hit the equality benchmark in all five counties. In 2001, Bank of America did so and Bank of the West met the mark in four counties. In 2002, Bank of the West only hit the equality benchmark in three counties and Bank of America only did it in two. Hanmi, Mechanics and Union Bank also hit the equality benchmark in two of the five counties.

Comparing 2002 with 2001 loans to businesses with annual revenues less than \$1 million:

- ▶ Advanta and Washington Mutual Banks dropped from above the equality benchmark to no loans to businesses in low- and moderate-income areas in Alameda County. In fact, Advanta did no loans to these smaller businesses in poorer neighborhoods in 2002.
- ▶ California Bank & Trust did less than half (44.5 percent) the loans proportionally in Sacramento County.
- ▶ Bank of the West did less than one-half (45.6 percent) the proportion of loans from the previous year in San Diego County.

Reviewing the longer term three-year trend, CRC determined which lender's proportion of low- and moderate income lending changed dramatically.

- ▶ Advanta Bank's lending dropped to zero in all five counties from previously respectable levels.
- ▶ Bank of the West's lending proportion dropped to zero in Alameda County and to three-fifths of its 2000 level in San Diego County.

The overall data for loans to businesses with annual revenue less than \$1 million showed:

- Major credit card lenders and California market share leaders, Advanta and First National of Omaha did no lending to these small businesses in any of the five counties despite doing 65,075 California small business loans that were reported under CRA. Bank One did zero loans in three counties and GE Capital in two counties despite doing 89,784 loans overall. It would seem that these "small business" lenders offer their credit cards only to large corporations.
- Bank of the West was above the equality benchmark in three of the five counties.
- Hanmi Bank did twice the equality benchmark in Los Angeles.
- The following three financial institutions met the equality benchmark in two of the five counties: Hanmi Bank, Mechanics Bank, and Union Bank.
- For the five counties studied, the facts are as follows:
 - Alameda County:

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- Three of the thirty major small business lenders lent an amount that met the equality benchmark. They were City National Bank, Mechanics Bank, and Union Bank of California.
- Seven of the Banks fell below 50 percent of the benchmark proportion; they were Advanta Bank, American Express, Bank One, Fremont Bank, First National Bank of Omaha, GE Capital and Westamerica Bank.
- Fresno County:
 - Only three of the thirty major lenders lent an amount that met the equality benchmark. They were Bank of America, Bank of the West, and Citigroup.
 - Five of the Banks made so few loans that they fell below 50 percent of the benchmark: Advanta Bank, Bank One, City National Bank, First National Bank of Omaha, and GE Capital.
- Los Angeles County:
 - Only four of the thirty major lenders lent an amount that met the equality benchmark. They were Bank of America, Bank of the West, Hanmi Bank, and Mellon Bank.
 - Six banks lent below 50 percent of the benchmark proportion: Advanta Bank, First National of Omaha, GE Capital, HSBC Bank, Universal Bank and Washington Mutual Bank.
- Sacramento County:
 - Only six of the thirty major small business lenders lent an amount that met the equality benchmark. They were Bank of the West, GE Capital, Greater Bay Bank, Key Bank, River City Bank, and Union Bank.
 - Three Banks fell below 50 percent of the benchmark: Advanta Bank, Bank One, and First National of Omaha.
- San Diego County:
 - Only three of the thirty major lenders lent an amount that met the equality benchmark. They were Bank One, Comerica Bank, and Hanmi Bank.
 - Four banks lent so little that they fell below 50 percent of the benchmark: Advanta Bank, GE Capital, First National of Omaha and Greater Bay Bank.

Summary

It is clear from the data available that small businesses continue to experience difficulties accessing credit. These difficulties translate into impediments to the economic vitality of lower income communities. CRC hopes that this report will prompt lenders to focus more on small business lending in lower income neighborhoods and convince the Federal Reserve System that the collection of race data in small business lending would allow a full discussion of whether the market is operating in an equitable fashion. At this point, the data would indicate that the market does not meet the equality benchmark.

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Since small businesses are crucial to economic growth and prosperity in lower income communities, the facts in this report announce that barriers for minority business owners and small businesses in lower income neighborhoods continue to limit and circumscribe these neighborhoods. The dismal failure of these major financial institutions to beat the equality benchmark puts the lie to the supposed American ideal of equal opportunity. A strong engine of economic recovery is severely handicapped by these unequal barriers to credit.

The failure of these financial institutions to reach the equality benchmark in every county illustrates that small businesses in low income areas or those owned by entrepreneurs of color still do not have an even playing field. In particular, African American business owners must leap high hurdles compared to all other entrepreneurs.

A 2000 Federal Reserve survey of banks found that two-thirds of the 143 respondents reported that CRA-related lending led to new, profitable opportunities for their bank. This shows that with oversight, the “free market” can work for those with the greatest need.

Immediate remedies to these inequities should be offered by these major financial institutions. In addition, there should be investigations by the U.S. Congress and the federal regulators who are responsible for overseeing these lenders. CRC makes the following recommendations based on this study:

- Major financial institutions should be scrutinized by federal financial regulators to ensure that there is an even playing field for entrepreneurs of color and business owners in lower income communities.
- The federal Fair Trade Commission should scrutinize Capital One and other huge credit card lenders that do not lend to smaller businesses yet advertise themselves as small business lenders.
- The Federal Reserve should take Regulation B off its dusty back shelf and allow financial institutions to voluntarily collect race data on business borrowers. This will expand opportunity for business owners of color.

Appendix A - Loans Less than \$100,000

Alameda County - 2002 Conventional Small Business Lending
 Sorted by Proportion of Loans less than \$100,000 Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Mechanics Bank	52.3%	\$40,056	197
Union Bank	44.0%	\$41,913	332
City National	42.1%	\$56,105	38
Greater Bay Bk	39.5%	\$49,158	76
Bank of America	38.5%	\$1,620	1,374
Comerica Bank	35.7%	\$53,321	28
Businesses	33.7%		
MBNA America	33.4%	\$7,643	2,827
Chase Manhattan	31.8%	\$18,028	176
Wells Fargo	29.9%	\$23,071	8,769
Capital One	29.7%	\$3,161	8,945
Bank of the West	29.6%	\$43,813	406
Citigroup	29.1%	\$67,737	5,168
Bank One	26.8%	\$11,083	1,256
1st Natl Bk Omaha	26.3%	\$7,707	205
GE Capital	26.3%	\$4,303	2,809
American Express	24.4%	\$12,051	4,272
Advanta Bank	24.3%	\$4,765	900
CA Bk&Trust	23.0%	\$57,824	74
Fremont Bank	20.4%	\$63,197	142
Key Bank	20.0%	\$25,500	10
US Bank	18.1%	\$11,775	862
Westamerica Bk	15.4%	\$58,436	39
WAMU	12.5%	\$37,375	8

Appendix A (cont.) - Loans Less than \$100,000

Fresno County - 2002 Conventional Small Business Lending

Sorted by Proportion of Loans less than \$100,000 Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Bank of Sierra	33.3%	\$30,889	45
MBNA America	33.3%	\$6,385	1,300
GE Capital	29.9%	\$4,024	1,322
Bank of the West	28.4%	\$40,701	197
Businesses	28.2%	\$22,367	
Westamerica Bk	27.5%	\$50,690	142
Bank of America	27.2%	\$14,717	1,374
Union Bank	26.4%	\$27,488	832
Wells Fargo	26.3%	\$23,946	2,556
1st Natl Omaha	25.3%	\$5,926	95
Key Bank	25.0%	\$28,750	4
Bank One	24.9%	\$7,086	406
American Exprs	24.4%	\$4,665	5,794
Advanta Bank	24.3%	\$8,110	2,575
Citigroup	22.9%	\$67,737	5,168
Chase	22.6%	\$14,384	159
CA Bk&Trust	22.1%	\$55,506	77
Capital One	20.1%	\$2,814	4,240
WAMU	14.3%	\$45,571	7
City National Bk	0.0%	\$35,000	1

Appendix A (cont.) - Loans Less than \$100,000

Los Angeles County - 2002 Conventional Small Business Lending
Sorted by Proportion of Loans less than \$100,000 Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Hanmi Bk	64.0%	\$43,064	408
Bank One	46.8%	\$5,120	9,896
US Bank	30.4%	\$13,090	2,074
Bank of America	29.4%	\$18,658	8,800
Bank of the West	29.3%	\$43,827	1,035
Comerica Bank	28.0%	\$51,720	107
Universal Bank	26.3%	\$11,274	285
GE Capital	25.9%	\$3,520	17,407
Businesses	25.9%	\$25,530	
Mellon	25.6%	\$19,906	2,080
CA Bk&Trust	25.1%	\$52,152	689
MBNA	24.3%	\$7,851	13,577
Capital One	24.1%	\$2,671	66,720
Citigroup	23.8%	\$65,450	40,881
Wells Fargo	22.9%	\$22,221	45,814
Chase	22.3%	\$16,538	2,194
1st Natl of Omaha	22.1%	\$7,530	698
Union Bank	21.4%	\$36,839	4,458
American Express	19.2%	\$5,739	35,905
City National Bank	19.2%	\$49,867	1,141
WAMU	19.2%	\$41,442	104
Key Bank	17.9%	\$21,250	28
Greater Bay Bank	16.0%	\$38,960	50
Advanta	12.4%	\$7,825	16,814
HSBC Bank	10.1%	\$199,196	286

Appendix A (cont.) - Loans Less than \$100,000

Sacramento County - 2002 Conventional Small Business Lending
 Sorted by Proportion of Loans less than \$100,000 Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Key Bank	50.0%	\$19,167	6
Bank of the West	42.4%	\$49,554	177
Greater Bay Bank	40.0%	\$56,800	5
Union Bank	34.1%	\$41,161	211
CA Bk&Trust	33.3%	\$58,216	51
1st Natl of Omaha	31.5%	\$6,397	146
Businesses	31.5%	\$32,495	
River City Bank	31.1%	\$49,783	106
Chase	31.0%	\$17,103	87
MBNA	30.4%	\$7,106	1,542
Westamerica Bk	29.9%	\$54,529	87
US Bank	28.9%	\$1,817	560
Bank of America	27.3%	\$19,116	594
Wells Fargo	27.2%	\$21,310	7,003
GE Capital	25.0%	\$3,757	2,691
Citigroup	22.9%	\$15,040	2,155
Bank One	21.7%	\$7,422	696
Capital One	21.2%	\$2,820	7,397
American Express	16.9%	\$5,157	3,137
Comerica Bank	16.7%	\$39,000	6
Advanta	16.1%	\$7,836	1,849
WAMU	10.0%	\$36,500	10

Appendix A (cont.) - Loans Less than \$100,000

San Diego County - 2002 Conventional Small Business Lending

Sorted by Proportion of Loans less than \$100,000 Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Hanmi Bank	31.3%	\$44,750	32
SanDiegoNatl Bk	29.5%	\$49,827	156
GE Capital	26.3%	\$3,587	5,852
Businesses	26.3%	\$33,628	
Key Bank	25.0%	\$23,750	16
Bank of America	24.1%	\$18,731	1,620
Union Bank	24.1%	\$26,033	5,991
MBNA	23.8%	\$8,133	3,231
US Bank	22.1%	\$17,974	1,443
Capital One	22.0%	\$2,968	19,906
1st Natl of Omaha	21.6%	\$7,015	777
CitiGroup	21.1%	\$91,645	12,685
CA Bk&Trust	20.6%	\$47,861	469
Wells Fargo	20.5%	\$21,200	13,763
WAMU	20.4%	\$32,163	49
Chase Manhattan	20.3%	\$19,360	689
Bank One	19.0%	\$7,120	1,820
American Express	18.0%	\$4,937	12,051
Bank of the West	17.9%	\$51,872	39
Greater Bay Bank	17.4%	\$52,913	23
Comerica Bank	15.8%	\$53,368	19
City National Bank	14.3%	\$59,400	35
Advanta	13.4%	\$7,746	4,765

Appendix B - Loans to Businesses with Revenues Less than \$1Million

Alameda County - 2002 Conventional Small Business Lending

Sorted by Loans to Business with Revenues less than \$1 million Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Mechanics Bank	49.2%	\$138,364	187
Union Bank	44.8%	\$62,092	250
City National	41.7%	\$237,472	36
Businesses	34.6%		
Chase Manhattan	34.1%	\$9,912	91
Bank of America	34.0%	\$24,888	720
WAMU	30.8%	\$305,308	13
Wells Fargo	30.4%	\$28,625	1,814
Citigroup	29.2%	\$72,807	3,091
MBNA America	29.0%	\$7,710	899
Capital One	28.3%	\$16,636	99
Bank of the West	28.2%	\$59,994	319
CA Bk&Trust	27.1%	\$128,771	70
Key Bank	22.2%	\$22,778	9
Greater Bay Bk	21.3%	\$274,383	47
US Bank	19.7%	\$45,931	274
Comerica Bank	17.6%	\$339,000	17
Fremont Bank	15.9%	\$187,808	151
GE Capital	14.8%	\$25,852	27
Westamerica Bk	12.5%	\$203,275	40
American Express	0.0%	\$0	0
Bank One	0.0%	\$0	0
Advanta Bank	0.0%	\$0	0
1st Natl Bk Omaha	0.0%	\$0	0

Appendix B (cont.) - Loans to Businesses with Revenues Less than \$1Million

Fresno County - 2002 Conventional Small Business Lending

Sorted by Loans to Business with Revenues less than \$1 million Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Bank of America	34.0%	\$24,888	720
Bank of the West	29.5%	\$47,481	156
Citigroup	29.2%	\$72,807	3,091
Businesses	28.7%	\$29,645	
Chase	25.3%	\$9,960	99
Key Bank	25.0%	\$28,750	4
WAMU	25.0%	\$125,875	8
Union Bank	24.9%	\$31,853	695
American Exprs	23.8%	\$6,953	2,277
Wells Fargo	23.6%	\$24,646	512
Westamerica Bk	23.5%	\$137,595	153
Bank of Sierra	21.8%	\$185,527	55
MBNA America	21.8%	\$7,310	422
CA Bk&Trust	21.6%	\$137,635	74
Capital One	19.6%	\$10,875	56
Advanta Bank	0.0%	\$0	0
Bank One	0.0%	\$0	0
City National Bk	0.0%	\$0	0
1st Natl Omaha	0.0%	\$0	0
GE Capital	0.0%	\$10,333	3

Appendix B (cont.) - Loans to Businesses with Revenues Less than \$1Million

Los Angeles County - 2002 Conventional Small Business Lending

Sorted by Loans to Business with Revenues less than \$1 million Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Hanmi Bk	58.4%	\$76,844	377
Mellon	29.3%	\$207,655	58
Bank of America	28.2%	\$22,131	6,875
Bank of the West	27.3%	\$77,923	788
Businesses	27.1%	\$60,093	
Comerica Bank	26.8%	\$304,685	127
US Bank	25.6%	\$46,969	1,175
CA Bk&Trust	24.2%	\$105,910	636
Wells Fargo	23.9%	\$21,223	10,381
Bank One	23.8%	\$75,000	21
Citigroup	22.5%	\$82,990	24,675
Capital One	22.4%	\$10,812	812
MBNA	20.2%	\$8,423	4,955
Union Bank	19.3%	\$49,336	3,151
American Express	18.6%	\$8,097	14,209
Chase	17.8%	\$10,007	1,276
Key Bank	17.4%	\$20,435	23
Greater Bay Bank	16.2%	\$192,486	37
City National Bank	15.3%	\$145,738	800
WAMU	13.0%	\$140,403	77
HSBC Bank	5.9%	\$368,647	170
Universal Bank	0.0%	\$159,000	2
Advanta	0.0%	\$0	0
1st Natl of Omaha	0.0%	\$0	0
GE Capital	0.0%	\$0	0

Appendix B (cont.) - Loans to Businesses with Revenues Less than \$1Million

Sacramento County - 2002 Conventional Small Business Lending

Sorted by Loans to Business with Revenues less than \$1 million Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
GE Capital	64.0%	\$28,240	25
Key Bank	50.0%	\$19,167	6
Greater Bay Bank	40.0%	\$278,600	10
Bank of the West	38.4%	\$131,621	177
River City Bank	36.2%	\$131,957	69
Union Bank	33.5%	\$70,753	170
Businesses	31.0%	\$59,547	
US Bank	29.5%	\$65,756	275
Westamerica Bk	29.0%	\$117,903	62
Chase	28.3%	\$9,567	60
Wells Fargo	26.3%	\$22,391	1,618
Bank of America	25.7%	\$22,163	459
MBNA	25.5%	\$7,777	556
WAMU	25.0%	\$48,125	8
Comerica Bank	23.5%	\$279,235	17
CA Bk&Trust	23.0%	\$122,255	51
Capital One	22.7%	\$10,761	88
Citigroup	21.9%	\$14,728	1,309
American Express	19.2%	\$7,034	1,361
Advanta	0.0%	\$0	0
Bank One	0.0%	\$0	0
1st Natl of Omaha	0.0%	\$0	0

Appendix B (cont.) - Loans to Businesses with Revenues Less than \$1Million

San Diego County - 2002 Conventional Small Business Lending

Sorted by Loans to Business with Revenues less than \$1 million Compared to Portion of Businesses

<u>Bank</u>	<u>Inc <80%</u>	<u>AvgLoan</u>	<u>Total Loans</u>
Bank One	33.3%	\$71,667	3
Hanmi Bank	33.3%	\$66,515	33
Comerica Bank	30.2%	\$330,907	43
Businesses	27.1%	\$54,627	
SanDiegoNatl Bk	26.5%	\$163,099	151
Key Bank	25.0%	\$23,333	12
Bank of America	24.4%	\$28,494	1,271
MBNA	23.4%	\$8,288	1,446
Union Bank	23.3%	\$29,343	4,745
City National Bank	22.7%	\$227,227	22
US Bank	21.9%	\$86,771	630
Chase Manhattan	21.3%	\$10,044	296
Wells Fargo	21.2%	\$20,419	3,130
WAMU	20.8%	\$144,000	53
CitiGroup	20.1%	\$63,799	7,798
CA Bk&Trust	19.5%	\$124,435	584
American Express	17.6%	\$6,941	4,948
Bank of the West	17.1%	\$152,293	41
Capital One	16.7%	\$10,541	257
Greater Bay Bank	12.0%	\$195,040	25
GE Capital	11.4%	\$30,771	35
Advanta	0.0%	\$0	0
1st Natl of Omaha	0.0%	\$0	0

Appendix C - Overall Numerical Ranking
Year 2002 Benchmark Standards

Financial Institution	Loans <\$100K	Rev<\$1 M	Total
ADVANTA BANK CORPORATION	0	0	0
AMERICAN EXPRESS CENTURION	0	0	0
BANK OF AMERICA	2	2	4
BANK OF THE SIERRA	1	0	1
BANK OF THE WEST	3	3	6
BANK ONE	1	1	2
CALIFORNIA BANK & TRUST	1	0	1
CAPITAL ONE	0	0	0
CHASE BANK	0	0	0
CITIGROUP	0	1	1
CITY NATIONAL BANK	1	1	2
COMERICA BANK	2	1	3
FIRST NATIONAL BANK OF OMAHA	1	0	1
FREMONT BANK	0	0	0
GE CAPITAL FINANCIAL	3	1	4
GREATER BAY BANK	2	1	3
HANMI BANK	2	2	4
HSBC BANK	0	0	0
KEY BANK	1	1	2
MBNA AMERICA.	1	0	1
MELLON 1ST BUSINESS BANK	0	1	1
RIVER CITY BANK	0	1	1
SAN DIEGO NATIONAL BANK	1	0	1
THE MECHANICS BANK	1	1	2
UNION BANK OF CALIFORNIA	2	2	4
UNIVERSAL BANK.	1	0	1
US BANK	1	0	1
WASHINGTON MUTUAL BANK	0	0	0
WELLS FARGO BANK, NA	0	0	0
WESTAMERICA BANK	0	0	0
Total	27	20	48