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ANNUAL REPORT ON LENDING TO MINORITY-OWNED SMALL BUSINESSES

The Best and the Worst of 2008 in SBA Lending to Minorities

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Introduction

Lending volume at the SBA has decreased significantly since 2007, creating problems for entrepreneurs, who have always turned to SBA-backed loans when they cannot access conventional credit. Specifically, there was a 30.3% decline in total number of SBA-backed loans nationally, including 39.3% decline in California.

This credit crunch is particularly toxic to inner-city and rural communities of color, where small businesses, many of which are minority-owned, provide 80% of the jobs in these areas. Small businesses also comprise 99% of all businesses in lower-income, minority areas, meaning that locals depend on them for their everyday needs.

Greenlining Ranks the Banks

As the primary originators of small business loans, banks are the human face of the SBA. The Greenlining Institute produces an annual report card that grades the banks based on their rate of lending to African Americans, Asian Americans, and Latinos, their change in performance over time, and their progress in meeting lending goals.

Greenlining has challenged all the major lending banks to originate 60% of their annual

SBA loans to minority entrepreneurs, 20% each to African Americans, Asian Americans, and Latinos. As of yet, no financial institution has met Greenlining's goal of making 60% of its annual SBA loans to underserved minority entrepreneurs.

To provide a fair comparison, we selected for study only the top SBA lenders in the United States. We define these as those banks having \$50 billion or more in total assets, and who make a total of 200 or more SBA loans per year.

OVERALL RANKING

| Rank | Financial Institution |
|------|------------------------------|
| 1 | Bank of America |
| 2 | JP Morgan Chase & Co. |
| 3 | Citigroup Inc. |
| 4 | Wells Fargo & Co. |
| 5 | PNC Financial Services Group |
| 6 | Capital One Financial Corp. |
| 7 | US Bancorp |
| 8 | Comerica Inc. |
| 9 | SunTrust Banks, Inc. |
| 10 | Wachovia Corp. |
| 11 | Sovereign Bancorp, Inc. |
| 12 | BB&T Corp. |
| 13 | Huntington Bancshares Inc. |
| 14 | National City Corp. |
| 15 | Marshall & Ilsley Corp. |
| 16 | M&T Bank Corp. |
| 17 | KeyCorp |



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Lending to Minorities Overall

No banks met Greenlining's challenge to originate 60% of all its SBA loans in 2008 to minority entrepreneurs, although **Citigroup** came close to meeting that goal. **JP Morgan Chase** overtook **Bank of America** this year as the top bank in terms of number of loans to minorities. Overall SBA lending to all minority-owned businesses has declined 32.3% nationally and 39.5% in California. This decline is slightly greater than the decline in overall SBA lending nationally and in California.

| Ranking by NUMBER of Loans Made | | | |
|---------------------------------|-------------------------|--------------|-------|
| Rank | Bank | # Loans | Grade |
| 1 | JP Morgan Chase | 2,418 | A |
| 2 | Bank of America | 1,560 | B |
| 3 | US Bancorp | 729 | B- |
| 4 | Wells Fargo & Co. | 709 | B- |
| 5 | Capital One Financial | 334 | C+ |
| 6 | PNC Financial Services | 298 | C+ |
| 7 | Citigroup Inc. | 286 | C+ |
| 8 | Huntington Bancshares | 198 | C |
| 9 | Wachovia Corp. | 156 | C |
| 10 | National City Corp. | 152 | C |
| 11 | BB&T Corp. | 143 | C |
| 12 | Sovereign Bancorp | 121 | C- |
| 13 | Comerica Inc. | 113 | C- |
| 14 | SunTrust Banks, Inc. | 106 | C- |
| 15 | M&T Bank Corp. | 100 | C- |
| 16 | KeyCorp | 84 | D |
| 17 | Marshall & Ilsley Corp. | 56 | D |
| | TOTAL | 7,563 | |

| Ranking by PERCENT of Loans Made | | | |
|----------------------------------|-------------------------|--------------|-------|
| Rank | Bank | % Loans | Grade |
| 1 | Citigroup Inc. | 57.5% | A |
| 2 | Bank of America | 46.6% | B+ |
| 3 | SunTrust Banks, Inc. | 34.2% | B |
| 4 | JP Morgan Chase & Co. | 33.5% | B |
| 5 | Sovereign Bancorp, Inc. | 31.4% | B |
| 6 | Comerica Inc. | 29.6% | B- |
| 7 | PNC Financial Services | 29.3% | B- |
| 8 | Wells Fargo & Co. | 25.5% | B- |
| 9 | Wachovia Corp. | 22.6% | B- |
| 10 | Capital One Financial | 19.9% | C+ |
| 11 | BB&T Corp. | 18.8% | C+ |
| 12 | US Bancorp | 18.4% | C+ |
| 13 | Marshall & Ilsley Corp. | 17.3% | C |
| 14 | Huntington Bancshares | 14.7% | D |
| 15 | National City Corp. | 14.1% | D |
| 16 | KeyCorp | 13.0% | F |
| 17 | M&T Bank Corp. | 12.4% | F |
| | TOTAL | 27.8% | |

Lending to African Americans

This year, **JP Morgan Chase** has surpassed **Bank of America** in lending performance to African Americans. **SunTrust** and **Citigroup** were the only two banks to originate more than 10% of their loans to African American entrepreneurs. Overall SBA lending to African American-owned businesses has declined 19.7% nationally and 20.8% in California. This decline is less than the overall decline in SBA lending nationally and in California.

| Ranking by NUMBER of Loans Made | | | |
|---------------------------------|-------------------------|--------------|-------|
| Rank | Bank | # Loans | Grade |
| 1 | JP Morgan Chase | 717 | A- |
| 2 | Bank of America | 308 | B- |
| 3 | US Bancorp | 115 | C |
| 4 | Wells Fargo & Co. | 104 | C |
| 5 | Capital One Financial | 76 | D |
| 6 | PNC Financial Services | 70 | D |
| 7 | BB&T Corp. | 67 | D |
| 8 | Huntington Bancshares | 56 | D- |
| 9 | Citigroup Inc. | 53 | D- |
| 10 | SunTrust Banks, Inc. | 46 | F |
| 11 | Wachovia Corp. | 43 | F |
| 12 | M&T Bank Corp. | 33 | F |
| 13 | National City Corp. | 32 | F |
| 14 | Comerica Inc. | 17 | F |
| 15 | KeyCorp | 15 | F |
| 16 | Sovereign Bancorp, Inc. | 11 | F |
| 17 | Marshall & Ilsley Corp. | 9 | F |
| | TOTAL | 1,772 | |

| Ranking by PERCENT of Loans Made | | | |
|----------------------------------|-------------------------|-------------|-------|
| Rank | Bank | % Loans | Grade |
| 1 | SunTrust Banks, Inc. | 14.8% | B |
| 2 | Citigroup Inc. | 10.7% | B- |
| 3 | JP Morgan Chase & Co. | 9.9% | B- |
| 4 | Bank of America | 9.2% | B- |
| 5 | BB&T Corp. | 8.8% | B- |
| 6 | PNC Financial Services | 6.9% | C |
| 7 | Wachovia Corp. | 6.2% | C |
| 8 | Capital One Financial | 4.5% | D |
| 9 | Comerica Inc. | 4.5% | D |
| 10 | Huntington Bancshares | 4.2% | D |
| 11 | M&T Bank Corp. | 4.1% | D |
| 12 | Wells Fargo & Co. | 3.7% | F |
| 13 | National City Corp. | 3.0% | F |
| 14 | US Bancorp | 2.9% | F |
| 15 | Sovereign Bancorp, Inc. | 2.9% | F |
| 16 | Marshall & Ilsley Corp. | 2.8% | F |
| 17 | KeyCorp | 2.3% | F |
| | TOTAL | 6.5% | |

Lending to Asian Americans

| Ranking by NUMBER of Loans Made | | | |
|---------------------------------|-------------------------|--------------|-------|
| Rank | Bank | # Loans | Grade |
| 1 | JP Morgan Chase & Co. | 914 | A- |
| 2 | Bank of America | 592 | B |
| 3 | US Bancorp | 358 | C+ |
| 4 | Wells Fargo & Co. | 319 | C+ |
| 5 | PNC Financial Services | 150 | C- |
| 6 | Capital One Financial | 134 | C- |
| 7 | Citigroup Inc. | 125 | C- |
| 8 | Huntington Bancshares | 104 | C- |
| 9 | National City Corp. | 67 | D |
| 10 | Sovereign Bancorp, Inc. | 66 | D |
| 11 | Wachovia Corp. | 57 | D |
| 12 | Comerica Inc. | 51 | D |
| 13 | BB&T Corp. | 50 | D |
| 14 | M&T Bank Corp. | 41 | F |
| 15 | KeyCorp | 39 | F |
| 16 | SunTrust Banks, Inc. | 31 | F |
| 17 | Marshall & Ilsley Corp. | 13 | FF |
| TOTAL | | 3,111 | |

| Ranking by PERCENT of Loans Made | | | |
|----------------------------------|-------------------------|--------------|-------|
| Rank | Bank | % Loans | Grade |
| 1 | Citigroup Inc. | 25.2% | A |
| 2 | Bank of America | 17.7% | B+ |
| 3 | Sovereign Bancorp, Inc. | 17.1% | B+ |
| 4 | PNC Financial Services | 14.7% | B |
| 5 | Comerica Inc. | 13.4% | B |
| 6 | JP Morgan Chase & Co. | 12.7% | B |
| 7 | Wells Fargo & Co. | 11.5% | B- |
| 8 | SunTrust Banks, Inc. | 10.0% | B- |
| 9 | US Bancorp | 9.1% | C+ |
| 10 | Wachovia Corp. | 8.3% | C+ |
| 11 | Capital One Financial | 8.0% | C+ |
| 12 | Huntington Bancshares | 7.7% | C |
| 13 | BB&T Corp. | 6.6% | C- |
| 14 | National City Corp. | 6.2% | C- |
| 15 | KeyCorp | 6.1% | C- |
| 16 | M&T Bank Corp. | 5.1% | D |
| 17 | Marshall & Ilsley Corp. | 4.0% | F |
| TOTAL | | 11.4% | |

This year only **Citigroup** surpassed the 20% goal in lending to Asian American-owned businesses. **JP Morgan Chase** takes the lead in number of loans to this group. Overall SBA lending to Asian American-owned businesses has declined 30.8% nationally and 40% in California.

Lending to Latinos

| Ranking by NUMBER of Loans Made | | | |
|---------------------------------|-------------------------|--------------|-------|
| Rank | Bank | # Loans | Grade |
| 1 | JP Morgan Chase & Co. | 725 | B+ |
| 2 | Bank of America | 637 | B+ |
| 3 | Wells Fargo & Co. | 254 | B- |
| 4 | US Bancorp | 219 | B- |
| 5 | Capital One Financial | 114 | C |
| 6 | Citigroup Inc. | 107 | C |
| 7 | PNC Financial Services | 64 | D |
| 8 | Wachovia Corp. | 49 | F |
| 9 | National City Corp. | 47 | F |
| 10 | Comerica Inc. | 42 | F |
| 11 | Sovereign Bancorp, Inc. | 37 | F |
| 12 | Marshall & Ilsley Corp. | 30 | F |
| 13 | KeyCorp | 28 | F |
| 14 | SunTrust Banks, Inc. | 26 | F |
| 15 | BB&T Corp. | 25 | F |
| 16 | M&T Bank Corp. | 23 | F |
| 17 | Huntington Bancshares | 20 | F |
| TOTAL | | 2,447 | |

| Ranking by PERCENT of Loans Made | | | |
|----------------------------------|-------------------------|-------------|-------|
| Rank | Bank | % Loans | Grade |
| 1 | Citigroup Inc. | 21.5% | A |
| 2 | Bank of America | 19.0% | A- |
| 3 | Comerica Inc. | 11.0% | C |
| 4 | JP Morgan Chase & Co. | 10.0% | C |
| 5 | Sovereign Bancorp, Inc. | 9.6% | C |
| 6 | Marshall & Ilsley Corp. | 9.3% | C |
| 7 | Wells Fargo & Co. | 9.2% | C |
| 8 | SunTrust Banks, Inc. | 8.4% | C- |
| 9 | Wachovia Corp. | 7.1% | C- |
| 10 | Capital One Financial | 6.8% | C- |
| 11 | PNC Financial Services | 6.3% | D+ |
| 12 | US Bancorp | 5.5% | D |
| 13 | National City Corp. | 4.4% | D |
| 14 | KeyCorp | 4.3% | D |
| 15 | BB&T Corp. | 3.3% | F |
| 16 | M&T Bank Corp. | 2.8% | F |
| 17 | Huntington Bancshares | 1.5% | F |
| TOTAL | | 9.0% | |

Only **Citigroup** met Greenlining's goal for lending to Latino-owned businesses, though **Bank of America** came close at 19%. Greenlining also recognizes **JP Morgan Chase** took the lead in number of loans to Latinos. However, overall SBA lending to Latino-owned businesses declined 45.3% nationally and almost half (48.4%) in California. These amounts are much greater than the overall declines in SBA lending both nationally and in California.

SBA Under Obama: A Promising Future?

President-elect Barack Obama has proposed an economic stimulus plan that is likely to exceed \$500 billion, with the intention of creating \$2.5 million new jobs. SBA lending, properly targeted, is one of the most efficient ways creating new jobs, as well as protecting existing ones.

Obama has already outlined a Small Business Emergency Rescue Plan, recognizing the importance of maintaining a healthy environment for small business to the health of the overall economy. One of the main provisions detailed in the plan is that the SBA lend directly to small businesses that cannot access other sources of capital through its Disaster Loan Program. This program had come under heavy criticism in the wake of Hurricane Katrina for its gross inability to respond to the crisis.

Although the agency has since taken steps to strengthen its disaster preparedness, Greenlining has reservations that without more fundamental changes in SBA personnel,

purpose, vision, and leadership that fundamental change will not occur.

In addition to continued work to improve the Disaster Loan Program, the agency should continue to ensure that the small business loans it guarantees go only to small businesses, and not to large corporations that have acquired small businesses or subsidiaries of large companies.

The Obama Administration has strongly supported government investment in infrastructure projects, which would create high wage jobs across the country. By renewing enforcement of its business size limitations and continuing to improve its Disaster Loan Program, the SBA will ensure that more small businesses will receive government contracts to engage in this effort to rebuild our country, and that its programs remain relevant in the new economy.

Overall, any programmatic changes in the SBA should be considered in the context of the great importance of small businesses to the health of the United States' economy.

Recommendations

The Greenlining Institute recommends that the incoming Obama Administration, through the next SBA Administrator take the following steps to ensure that the agency remains an effective advocate for minority entrepreneurship and innovation:

- The Obama Administration should restore the SBA budget to its 1978 level of \$12 billion. (It is presently under \$1 billion, and the 1978 figure of \$3.8 billion after adjustment for inflation amounts to \$12 billion.) This will allow it to provide technical assistance and capacity building

to small businesses, particularly for micro-businesses.

- The SBA should provide incentives for financial institutions to immediately triple their SBA lending.
- Congress and Secretary of Commerce Bill Richardson should encourage Secretary of the Treasury Tim Geithner, the chair of Federal Reserve, and Larry Summers, chair of President Obama's National Economic Council to make available \$50 billion of bailout funds for small businesses, including minority- and women-owned businesses.

The Full Report is Available at:

www.greenlining.org/initiatives/community-reinvestment/our-research



THE GREENLINING INSTITUTE

Greenlining is a multi-ethnic advocacy, research, leadership development, and public policy organization whose ultimate goal is to increase the role that low-income and minority Californians play in the civic arena in order to create equitable policies and improve quality of life for all communities.

Our mission is to empower communities of color and other disadvantaged groups through multi-ethnic economic and leadership development, civil rights and anti-redlining activities.

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