

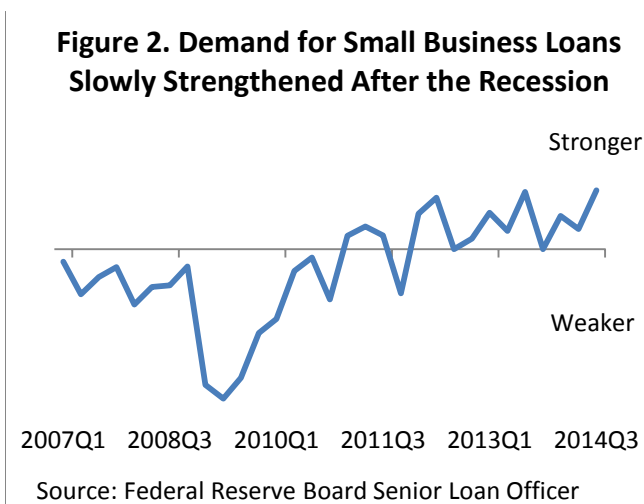
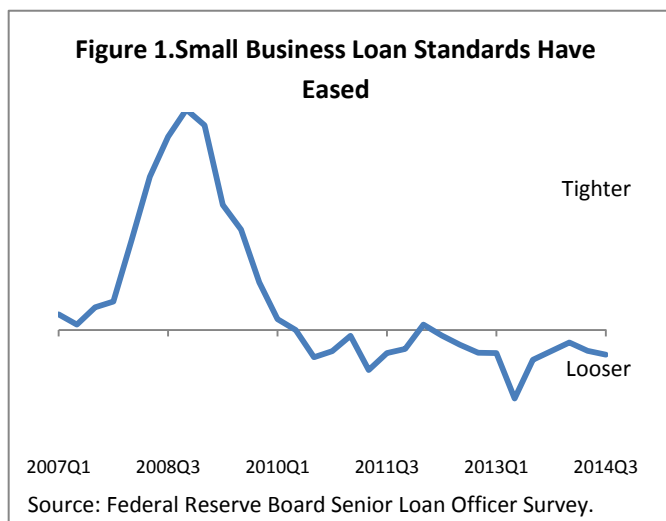
## Small Business Lending: Second Quarter 2014

BY VICTORIA WILLIAMS, ECONOMIST

Small business lending has stabilized and continues to move upward. Several small business economic and lending indicators show the U.S. economy is improving, as financial conditions continue to support economic growth.

### *Small Business Lending Standards and Loan Demand*

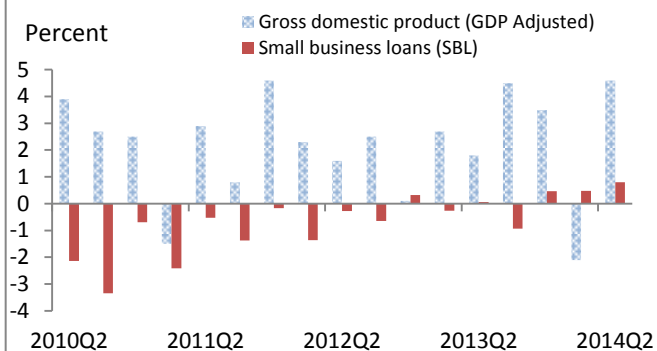
Small business borrowing conditions continue to slowly improve. Bankers responding to the Senior Loan Officer Opinion Survey reported easing their bank lending policies for all business loans, and they reported experiencing stronger demand for these loans (Figures 1 and 2).



### *Loan Sizes*

The availability of credit in the small business loan market shows positive signs. Total small business lending, which consists of loans up to \$1 million, remained positive for the third consecutive quarter (Figure 3). Large business loans, which tend to move with gross domestic product, were positive as well (Figure 4).

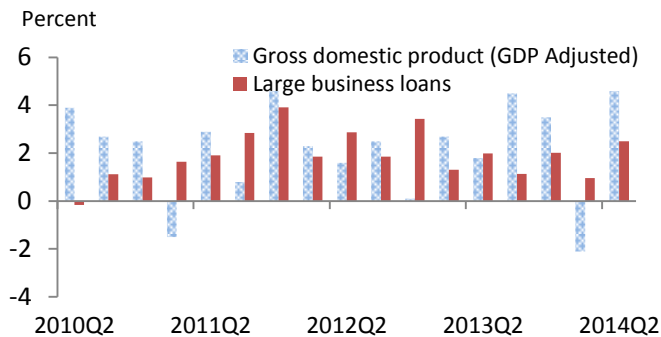
**Figure 3. Percent Change in Small Business Loans and Gross Domestic Product**



Note: Real GDP is seasonally adjusted.

Source: Federal Deposit Insurance Corporation and U.S. Dept.

**Figure 4. Percent Change in Large Business Loans and Gross Domestic Product**



Note: Real GDP is seasonally adjusted.

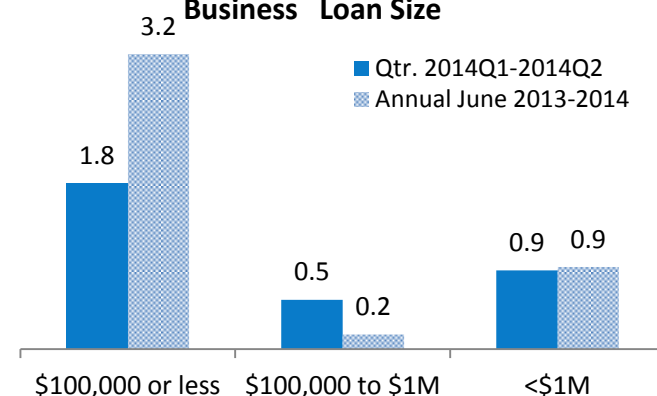
Source: Federal Deposit Insurance Corporation and U.S. Dept. Commerce, Bureau of Economic Analysis.

Other small business loan size subcategories increased in the second quarter as well (Figure 5). The smallest loan size category (\$100,000 or less) remains active relative to the other categories as demonstrated by both annual and quarterly data (Figure 5).

### Commercial Real Estate and Industrial Loans

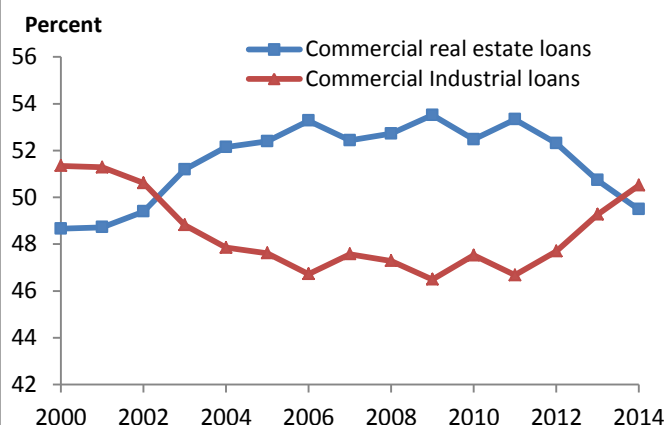
Small business loans consist of two segments: commercial real estate (CRE) and commercial and industrial (C&I) loans. CRE loans typically make up the largest share of small business loans. Their share of loan dollar volume has slowly declined since 2013. On the other hand, the share of small C&I loans has increased steadily since 2011. C&I loans constitute 94.4 percent of the number of loans and 50.5 percent of the dollar volume of loans (Figure 6).

**Figure 5. Percent Change in Small Business Loan Size**



Source: U.S. SBA, Office of Advocacy, based on Call Report

**Figure 6. Share of Small Business Loan Value Before and After the Recovery**



Source: Federal Deposit Insurance Corporation.

### Small Business Lending by Size of Lender

Small business loans outstanding increased among lenders with assets of \$1 billion or more. Bank holding companies and other large depository institutions with assets of \$10 billion or more accounted for 62 percent or \$297.9 billion of total small business C&I loans outstanding in the second quarter of 2014.