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## Oddities, Ideas, Big Banks and Small Biz

by [Steve Brown](#)

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Research shows the kangaroo rat can go without water longer than any other mammal including the camel and that men are anywhere from 4x to 6x more likely to be struck by lightning than women. Those are some strange and interesting facts, but bankers may be more interested to learn about the results from a recent study by the US Chamber of

Commerce. It looked at what state and local governments are doing to foster small business growth in their respective communities and found funding for entrepreneurial programs increased 30% between 2012 and 2013. An important takeaway from the report is that while states can create an environment in which small entrepreneur ideas and business will thrive.

One way community banks help their small business customers flourish is through lending initiatives, which are on the rise with respect to small companies, according to the most recent Senior Loan Officer Opinion Survey.

So too, is the competition, as low rates and low loan demand mean community banks must work even harder to win this business. Big banks and alternative lenders are increasingly trying to encroach on the small business market that has long been the bread and butter of community banking.

Indeed, there have been some signs to indicate that over the past year, big banks have begun lending more freely to small businesses, after a lengthy hiatus. According to the Small Business Lending Index from Biz2Credit, for example, big bank loan approval rates made a big jump in September 2012 and have been steadily rising since then.

Many large banks have also been taking extra pains to showcase their small business services and to increase staffing in this area. Wells Fargo, for example, recently announced a hiring initiative aimed at providing more coverage for small businesses. Earlier this year, Bank of America said it had met its goal of hiring more than 1,000 small business bankers nationally.

Efforts the big banks have made over the past few years also appear to be paying off some, as data from SNL Financial shows. Overall, aggregate small nonfarm business loans at US banks stood at \$539.7B at year-end 2012, a 2% drop from 2011. However, banks with greater than \$10B in assets remained the largest holders of nonfarm small-business debt with a market share of 45% at year-end, up six percentage points from June 2005 and 23 percentage points from June 1995.

Further, most of that growth in market share came at the expense of smaller banks with less than \$1B in assets, SNL data shows. The market share of this group of banks stood at 34% in 2012, down significantly from the 41% level of June 2005 and also down from 51% in June 1995.

Although the data shows the biggest banks are getting a larger piece of the pie, it's interesting to note that they aren't doing such a great job of lending to small businesses compared with their overall deposit base, according to data from MultiFunding LLC. Based on their analysis of FDIC data, the average US bank uses 7.29% of its deposits to make loans to small businesses. By this measure, some of the country's biggest and best-known banks are among the worst for small business lending.

Still, the fact that big banks have been gaining market share in the small business loan market is troubling--especially since loans to small businesses have been the core of community banks for years. Given rising competition, community bankers will have to fight hard to show small business owners you are willing to do what it takes to help them succeed. The good news is that we know you are up to the challenge.

# BANK NEWS

## **M&A**

First National Bank of Pennsylvania (\$11.8B, PA) will buy Baltimore County Savings Bank (\$641mm, MD) for about \$79mm in stock.

## **M&A**

BNC Financial Group (\$629mm, CT) will buy The Wilton Bank (\$75mm, CT) for an undisclosed sum.

## **Spinoff**

Bloomberg reports JPMorgan Chase will spin off its private-equity unit from its bank as it looks to raise equity for the unit from outside investors.

## **Customers**

The Census Bureau reports people who moved to take a new job climbed to 3.5mm in 2012 vs. 2.8mm in 2011. This is the highest level in 6Ys and a 25% increase YOY.

## **Better Housing**

The latest quarterly data from CoreLogic finds at the end of Q1, 19.8% of all residential properties with a mortgage had negative equity vs. 21.7% in Q4 2012.

## **Mixed Housing**

RealtyTrac reports lenders initiated foreclosures on more homes last month, as completed foreclosures climbed 11% in May vs. Apr. Meanwhile, home repossessions were down 29% YOY.

## **Social Biz**

A survey by Manta finds 39% of small business owners say they are getting a return on investment from using social media and about 50% have increased their time spent with social media in Q1.

## **Customer Debt**

A new report by CardHub.com finds consumers paid down \$32.5B in existing credit card debt in the 1Q (about 7% less than the same period last year and the smallest amount in 4Ys). Overall, the average household has \$6,591 in credit card debt.

## **Underwater Homes**

A new study by the FINRA Investor Education Foundation finds states where the percentage of homes are the least underwater are OK (5.7%), ND (6.0%), ME (6.5%), SD (6.6%) and VT (6.6%). States where homes are the most underwater are NV (35.4%), AZ (24.4%), CA (24.1%), WA (22.3%) and GA (21.3%).

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