Findings from Analysis of Nationwide Summary Statistics for 2022 Community Reinvestment Act Data Fact Sheet

This analysis is based on 2022 data compiled by the three Federal banking agency members of the Federal Financial Institutions Examination Council (FFIEC) with Community Reinvestment Act (CRA) responsibilities — the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC). This analysis was conducted using data compiled for financial institutions reporting under the CRA regulations.

Background

The CRA[1] was enacted by Congress in 1977 and is designed to encourage regulated financial institutions to help meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, consistent with safe and sound operations. Financial institutions with total assets that meet a certain threshold are required to collect and report data regarding their small business and small farm lending and community development lending. The mandatory reporting threshold adjusts annually based on changes to the Consumer Price Index for Urban Wage Earners and Clerical Workers and for 2022 was $1.384 billion.[2]

The small business and small farm lending data reported under the CRA regulations provide useful information about such lending, but they are less comprehensive than the data reported on home mortgage lending under the Home Mortgage Disclosure Act. For example, the CRA data:

- include information on loans originated or purchased, but not on applications denied;
- indicate whether a loan is extended to a borrower with annual revenues of $1 million or less, but the data do not include demographic information about the applicant; and
- are aggregated into three categories based on loan size and reported at the census tract level, rather than loan-by-loan.

Certain considerations should be taken into account when reviewing and interpreting the CRA data. For example, financial institutions are asked to report the geographic location of the loan. If the proceeds of a small business loan are used in more than one location, the financial institution can record the loan location as either the address of the borrower's business headquarters or the location where the greatest portion of the proceeds are

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[1] 12 U.S.C. 2901 *et seq*. The CRA is implemented by the OCC in 12 CFR part 25, the Board in 12 CFR part 228 (Regulation BB), and the FDIC in 12 CFR part 345.

[2] See FFIEC Community Reinvestment Act 2022 Reporting Criteria.

applied, as indicated by the borrower. However, these locations may have different socioeconomic characteristics.

Further, although the CRA data provide information on extensions of credit in a geographic area, they do not indicate the amount or nature of the overall demand for credit in that area. Consequently, caution should be used in drawing conclusions from analyses using only CRA data, as differences in loan volume across areas may reflect differences in local demand for credit. Indeed, CRA performance assessments by the supervisory agencies focus on evaluating the volume and distribution of lending in the context of local credit needs.

Finally, the CRA small business and small farm lending data reported each year cover only a portion of the credit extended by financial institutions to small businesses and small farms. Financial institutions that do not report CRA data and nonbank financial institutions not covered by the CRA, such as commercial finance companies, also extend such loans.

General Description of the 2022 CRA Small Business and Small Farm Loan Data

For 2022, a total of 711 lenders reported data about originations and purchases of small loans to businesses (loans with original amounts of $1 million or less) and small farms (loans with original amounts of $500,000 or less), representing a 3.7 percent increase from the 685 lenders reporting data for 2021 (see Table 1).[3] Of the 711 institutions reporting 2022 data, 80 had assets below the mandatory reporting threshold and reported either voluntarily or because they elected to be evaluated as a "large" institution during CRA examinations.

Small business and small farm lending reported in the CRA data covers a significant share of all small business and small farm lending. Analysis of data from Consolidated Reports of Condition and Income submitted by financial institutions indicates that CRA reporters account for about 74.8 percent of small business loans outstanding (by dollars) and about 34.3 percent of small farm loans outstanding (by dollars) at financial institutions (see Table 1). Larger institutions account for most of the reported lending. During 2022, financial institutions with assets of $1.384 billion or more (as of December 31, 2021) accounted for 99.3 percent (by dollars) of reported small business loan originations (see Table 3). The very largest institutions – 154 reporters with assets of $10 billion or more – accounted for

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[3] For the purposes of this table, reporters with assets of less than $250 million are categorized as 'small'; reporters with assets at or above the CRA reporting asset threshold for the given year (see http://www.ffiec.gov/cra/reporter.htm) are categorized as 'large'; and the remainder of reporting institutions are categorized as 'medium.' As a consequence of amendments to the CRA regulations, beginning in September 2005, banking institutions with assets below the mandatory reporting threshold (and, beginning in October 2004, savings associations with assets below that threshold) are not required to collect or report data on their small business or small farm lending. However, institutions with assets below the mandatory reporting threshold may voluntarily collect and report such information. In addition, depository institutions must report the information if they elect to be evaluated as "large" institutions during CRA examinations.

about 72 percent of CRA reported small business loans originated in 2022 (by dollars, not shown in tables).

In the aggregate, about 8.9 million small business loans (originations and purchases) totaling nearly $284.6 billion were reported in 2022 (see Table 1). The total number of small business loans (including purchases) decreased by 5.8 percent, and the number of small business loans originated decreased by 5.7 percent relative to 2021. The dollar amount of small business loans originated decreased by 24.8 percent. The decrease in total number of small business loans originated, and especially the total dollar amount of small business loans originated is largely due to the phasing out of the Paycheck Protection Program (PPP).[4] Regarding small farm loans, the number of originations decreased by about 18.3 percent and the dollar amount of small farm loans decreased by 3.3 percent in 2022 from 2021.

The CRA data provide information about the size of small business and small farm loans. For small business loans, the maximum loan size reported is $1 million; for small farm loans, the maximum is $500,000. Measured by number of loan originations, about 94.5 percent of the small business loans and 80.1 percent of the small farm loans originated in 2022 were for amounts under $100,000 (see Table 2). The distribution differs for the dollar amount of loans originated; about 40.6 percent of the small business loan dollars and about 27.8 percent of the small farm loan dollars were extended through loans of less than $100,000 (see Table 2).

Loans to Smaller Businesses and Farms

The CRA data include information about small loans to businesses or farms with revenues of $1 million or less. Overall, about 52.3 percent of the number of reported small business loan originations (about 35.1 percent measured by dollar amount of loans) and 59.5 percent of the number of reported small farm loan originations (about 65.6 percent measured by dollar amount of loans) were extended to businesses or farms with revenues of $1 million or less (see Table 2).

The Geographic Distribution of Small Business and Small Farm Lending

The availability of information about the geographic location of businesses and farms receiving credit provides an opportunity to examine the distribution of small business and small farm lending across areas grouped by socioeconomic and demographic characteristics. Information on the distribution of businesses, farms, and population provides some context within which to view these distributions.

CRA performance assessments include an analysis of the distribution of small business and small farm loans (of all types) across census tracts grouped into four relative income categories: low-, moderate-, middle-, and upper-income.[5] Overall, the distribution of the

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[4] See U.S. Small Business Administration Paycheck Protection Program.

[5] For purposes of the regulations, a low-income census tract has a median family income that is less than 50 percent of the median family income for the broader area (the metropolitan area containing the tract or the

number (see Table 4.1) and the dollar amounts (see Table 4.2) of small business loans across these categories largely parallels the distribution of population and businesses across these four income groups, although lending activity in upper-income areas exceeds the share of businesses and population in such areas.[6] For example, low-income census tracts include about 6 and 5 percent of the population and businesses respectively, and accounted for about 4 percent of the number and 5 percent of the total dollar amount of small business loans in 2022.[7] Upper-income census tracts include about 29 percent of the population and about 35 percent of the businesses, and had about 38 percent of the number and 37 percent of the total dollar amount of small business loans in 2022. The share of reported loans by dollar amount going to upper income tracts has been similar in previous years.

Analysis of the CRA data shows that small business loans are heavily concentrated in cities and their suburban outliers, as are the bulk of the U.S. population and the number of businesses (see Table 4.1 and Table 4.2). The majority of small farm loans were extended to farms located in rural areas (see Table 4.3 and Table 4.4).

Community Development Lending

Institutions reporting CRA data disclose the number and dollar amount of their community development loans. Among the 711 institutions reporting for 2022, 633 institutions reported community development lending activity (see Table 5). As in previous years, in 2022, lenders with assets that met or exceeded the mandatory reporting threshold extended the vast majority of reported community development loans. Overall, all lenders over the reporting threshold reported over $150 billion in community development loans in 2022, a 1 percent decrease from the amount reported in 2021. This decrease may also be attributable to the phasing out of the PPP lending as many of the PPP loans that did not meet the size requirements of reportable small business loans met the qualifications for community development and were reported as such.

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entire non-metropolitan area of the state); a moderate-income census tract, 50 percent to less than 80 percent; a middle-income census tract, 80 percent to less than 120 percent; and an upper-income census tract, 120 percent or more. Data regarding census tract income categories are derived from the 2020 5-year American Community Survey. For more information refer to http://www.census.gov/acs/.

[6] Beginning in 1998, institutions filing CRA data were allowed to report that the census tract location of a firm or farm receiving a loan was unknown. For 2022, about 1 percent of the reported small business loans by both number and dollar amount included such a designation.

[7] Data on the share of population across census tract income categories are derived from the 2022 American Community Survey. Data on the share of businesses across census tract income categories are derived from information from Dun and Bradstreet files of businesses. Calculations exclude agricultural-related firms.