



## IS THE SBA LOSING ITS MISSION?

Lending to Minorities: Not Fortune 1000 Corporations

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*The Small Business Administration has increasingly come under criticism from a wide range of leaders who should ordinarily be its strongest supporters, including small business associations; Nydia Velázquez (D-NY), chair of the Committee on Small Business of the House of Representatives; and many minority business organizations. This report analyzes and grades financial institutions' performance in making SBA loans to our nation's most underserved small business community, five million minority-owned businesses. It recognizes, however, that both the number and the recipients of the loans has been curtailed as a result of the Bush Administration's decision to severely cut the SBA budget. These cuts force the financial industry to disproportionately bear the cost of a program intended to expand America's economy, increase our gross domestic product, and increase employment, particularly in underserved communities.*

### The Best and the Worst in SBA Lending to Minorities

The number of minority-owned businesses in the United States is growing at two to three times the national average for all U.S. businesses, yet the proportion of Small Business Association loans going to minority entrepreneurs has remained constant at about one-third of all loans.

#### 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.

Given the growth of minority-owned businesses in the U.S., 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.

In this report we present data on the number and percentage of SBA loans each bank originated to African American, Asian American, and Latino entrepreneurs, as well as for all minorities combined.

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, who make a total of 200 or more SBA loans per year.

#### Size Doesn't Matter

We find that there is no correlation between the differences in bank size and their rate of lending. Indeed, many of the smaller banks in our study outperformed the larger ones, some-

times by wide margins. This indicates that a major factor in determining a bank's lending rate to minorities is its corporate commitment to serving a diverse client base.

#### OVERALL RANKING

Rank	Financial Institution
1	Bank of America, N.A.
2	J.P. Morgan Chase
3	Washington Mutual
4	Citigroup, Inc.
5	Wells Fargo & Co.
6	PNC Financial Services
7	Citizen's Financial
8	HSBC USA Inc.
9	U.S. Bancorp
10	Comerica Inc.
11	Capital One Financial
12	SunTrust Banks, Inc.
13	Wachovia Corp.
14	M&T Bank Corp.
15	Marshall & Ilsley Corp.
16	National City Corp.
17	Sovereign Bancorp, Inc.
18	KeyCorp
19	BB&T Corp.
20	Fifth Third Bancorp

## Lending to Minorities Overall

Overall, no banks met Greenlining's challenge to originate 60% of all its SBA loans in 2006 to minority entrepreneurs. We recognize the **Bank of America** for producing more than three times more loans than the second-ranked bank. We also recognize **Citigroup** for its leadership in meeting minority lending goals in terms of percentage of loans.

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America, N.A.	5,842	A-
2	J.P. Morgan Chase	1,912	B
3	Citizen's Financial	1,380	B-
4	Wells Fargo & Co.	1,352	B-
5	U.S. Bancorp	1,002	C+
6	Washington Mutual	975	C+
7	Capital One Financial	901	C+
8	PNC Financial Services	722	C
9	HSBC USA Inc.	547	C
10	Citigroup, Inc.	442	C-
11	National City Corp.	321	C-
12	M&T Bank Corp.	241	C-
13	Comerica Inc.	226	C-
14	KeyCorp	137	D
15	SunTrust Banks, Inc.	126	D
16	Marshall & Ilsley Corp.	122	D
17	Sovereign Bancorp, Inc.	106	D
18	BB&T Corp.	81	F
19	Fifth Third Bancorp	75	F
20	Wachovia Corp.	49	F

Ranking by PERCENTAGE of Loans Made			
Rank	Bank	% Loans	Grade
1	Citigroup, Inc.	54.7%	A-
2	Washington Mutual	46.6	B
3	Bank of America, N.A.	44.6	B-
4	HSBC USA Inc.	40.8	B-
5	Marshall & Ilsley Corp.	36.5	C+
6	Comerica Inc.	33.9	C+
7	SunTrust Banks, Inc.	33.8	C+
8	PNC Financial Services	33.4	C
9	J.P. Morgan Chase	33.0	C
10	Wachovia Corp.	32.9	C-
11	Wells Fargo & Co.	27.4	C-
12	U.S. Bancorp	21.3	C-
13	Sovereign Bancorp, Inc.	21.2	C-
14	Citizen's Financial	19.9	D
15	M&T Bank Corp.	18.5	D
16	Capital One Financial	18.2	D
17	KeyCorp	15.5	D
18	National City Corp.	15.0	F
19	Fifth Third Bancorp	14.5	F
20	BB&T Corp.	14.3	F

## Lending to African Americans

Our report shows that African American small businesses are the most underserved by financial institutions. The #1 bank in percentage of total loans, **SunTrust Bank**, originated 12.9% of its loans to this racial group, a little more than half of the goal of 20%. **Bank of America** shows leadership in terms of number of loans to African Americans, at 1,337 loans, which stands in stark contrast to the lowest-ranked bank, **Marshall & Ilsley**, which produced only eight loans in 2006.

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America, N.A.	1,337	A-
2	J.P. Morgan Chase	427	B-
3	Citizen's Financial	348	C+
4	Capital One Financial	239	C
5	Washington Mutual	236	C
6	Wells Fargo & Co.	213	C
7	PNC Financial Services	166	C-
8	U.S. Bancorp	158	C-
9	National City Corp.	84	D
10	HSBC USA Inc.	50	D
11	Citigroup, Inc.	50	D
12	SunTrust Banks, Inc.	48	D
13	M&T Bank Corp.	44	D-
14	Comerica Inc.	38	D-
15	BB&T Corp.	37	D-
16	KeyCorp	19	F
17	Sovereign Bancorp, Inc.	16	F
18	Fifth Third Bancorp	13	F
19	Wachovia Corp.	12	F
20	Marshall & Ilsley Corp.	8	FF

Ranking by PERCENTAGE of Loans Made			
Rank	Bank	% Loans	Grade
1	SunTrust Banks, Inc.	12.9%	B
2	Washington Mutual	11.3	C+
3	Bank of America, N.A.	10.2	C+
4	Wachovia Corp.	8.1	C
5	PNC Financial Services	7.7	C
6	J.P. Morgan Chase	7.4	C
7	BB&T Corp.	6.5	C-
8	Citigroup, Inc.	6.2	C-
9	Comerica Inc.	5.7	C-
10	Citizen's Financial	5.0	D
11	Capital One Financial	4.8	D
12	Wells Fargo Corp.	4.3	D
13	National City Corp.	3.9	D
14	HSBC USA Inc.	3.7	D-
15	M&T Bank Corp.	3.4	D-
16	U.S. Bancorp	3.4	D-
17	Sovereign Bancorp, Inc.	3.2	D-
18	Fifth Third Bancorp	2.5	F
19	Marshall & Ilsley Corp.	2.4	F
20	KeyCorp	2.1	F

### Lending to Asian Americans

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America, N.A.	2,196	A-
2	J.P. Morgan Chase	748	B-
3	Citizen's Financial	680	B-
4	Wells Fargo & Co.	523	C+
5	U.S. Bancorp	487	C+
6	PNC Financial Services	419	C+
7	HSBC USA Inc.	399	C+
8	Washington Mutual	321	C
9	Capital One Financial	277	C
10	Citigroup, Inc.	193	C
11	M&T Bank Corp.	134	C-
12	Comerica Inc.	126	C-
13	National City Corp.	108	C-
14	KeyCorp	74	D
15	Sovereign Bancorp, Inc.	58	D
16	BB&T Corp.	32	F
17	Fifth Third Bancorp	31	F
18	SunTrust Banks, Inc.	29	F
19	Marshall & Ilsley Corp.	18	F
20	Wachovia Corp.	16	F

Ranking by PERCENTAGE of Loans Made			
Rank	Bank	% Loans	Grade
1	HSBC USA Inc.	29.7%	A+
2	Citigroup, Inc.	23.9	A
3	PNC Financial Services	19.4	A-
4	Comerica Inc.	18.9	A-
5	Bank of America, N.A.	16.8	B+
6	Washington Mutual	15.3	B
7	J.P. Morgan Chase	12.9	C+
8	Sovereign Bancorp, Inc.	11.6	C+
9	Wachovia Corp.	10.7	C+
10	Wells Fargo Corp.	10.6	C+
11	U.S. Bancorp	10.4	C+
12	M&T Bank Corp.	10.3	C+
13	Citizen's Financial	9.8	C
14	KeyCorp	8.4	C
15	SunTrust Banks, Inc.	7.8	C
16	Fifth Third Bancorp	6.0	C-
17	BB&T Corp.	5.6	D
18	Capital One Financial	5.6	D
19	Marshall & Ilsley Corp.	5.4	D
20	National City Corp.	5.1	D

Asian Americans fare best overall among minorities. The top two banks in percentage of loans, **HSBC** and **Citigroup** surpassed Greenlining's minimum lending goal of 20%. **Bank of America** produced almost three times the amount of loans of the second-ranked bank, **JP Morgan Chase**.

### Lending to Latinos

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America, N.A.	2,242	A-
2	J.P. Morgan Chase	672	B-
3	Wells Fargo & Co.	562	C+
4	Washington Mutual	406	C
5	Capital One Financial	335	C
6	Citizen's Financial	326	C
7	U.S. Bancorp	321	C
8	Citigroup, Inc.	194	C-
9	PNC Financial Services	116	C-
10	National City Corp.	107	C-
11	Marshall & Ilsley Corp.	93	D
12	HSBC USA Inc.	90	D
13	Comerica Inc.	56	D
14	M&T Bank Corp.	53	D
15	SunTrust Banks, Inc.	38	F
16	KeyCorp	30	F
17	Fifth Third Bancorp	30	F
18	Sovereign Bancorp, Inc.	26	F
19	Wachovia Corp.	21	F
20	BB&T Corp.	10	FF

Ranking by PERCENTAGE of Loans Made			
Rank	Bank	% Loans	Grade
1	Marshall & Ilsley Corp.	27.8%	A
2	Citigroup, Inc.	24.0	A
3	Washington Mutual	19.4	A-
4	Bank of America, N.A.	17.1	B+
5	Wachovia Corp.	14.1	B-
6	J.P. Morgan Chase	11.6	C+
7	Wells Fargo Corp.	11.4	C+
8	SunTrust Banks, Inc.	10.2	C+
9	Comerica Inc.	8.4	C
10	U.S. Bancorp	6.8	C
11	Capital One Financial	6.8	C
12	HSBC USA Inc.	6.7	C
13	Fifth Third Bancorp	5.8	D
14	PNC Financial Services	5.4	D
15	Sovereign Bancorp, Inc.	5.2	D
16	National City Corp.	5.0	D
17	Citizen's Financial	4.7	D-
18	M&T Bank Corp.	4.1	D-
19	KeyCorp	3.4	D-
20	BB&T Corp.	1.8	F

The top two banks in percentage of loans to Latinos, **Marshall & Ilsley** and **Citigroup** surpassed Greenlining's 20% lending goals to this ethnic group. **Bank of America** produced more than three times the number of loans to Latinos compared to the second-ranked bank, **JP Morgan Chase**.

**98% of all U.S. businesses have less than 100 employees, yet the SBA's definition of a small business is one with a maximum of 500 employees.**

## Recommendations

Since President Bush's election, the credibility and effectiveness of the Small Business Administration has been undermined by several problems. The lack of a proper definition of the size of an eligible small business, and the lack of a procedure for canceling a small business' SBA contracts in the event its being acquired by a large, non-SBA-eligible enterprise has resulted in \$12 billion in small business loan money going to large companies. In addition, President Bush has made successive cuts to the agency's budget with each fiscal year, such that the current budget is less than half what it was before his election in 2001.

In explaining these problems, Nydia Velázquez, chair of the Small Business Committee of the House of Representatives asserts that, "it is no coincidence that these cuts have occurred at the same time that we have seen a number of mishaps at the SBA."

In light of these administrative issues and the findings from our report card data, Greenlining poses the following recommendations for the SBA to move

beyond its current problems, raise its profile among federal agencies, become a more substantial player in the market, and truly become a resource for America's small businesses owners, especially those from traditionally underserved minority and lower-income communities.

- Double the SBA budget by fiscal year 2010 in order to ensure adequate staffing and funding.
- Rescind all contracts that were acquired by Fortune 1000 companies through buying out small businesses.
- Redefine the loan requirements for an eligible small business, placing a employee cap of 100 persons, since 98% of all U.S. businesses have less than 100 employees.
- Banks should be encouraged to originate 60 percent of their annual SBA loan numbers to minorities.

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