



ISSUE BRIEF

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IS THE SBA LOSING ITS MISSION?

Lending to Minorities: Not Fortune 1000 Corporations

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The Greenlining Institute conducts this annual report to analyze and grade financial institutions' performance in originating Small Business Administration (SBA)-backed loans to America's most underserved small business community: the five million minority-owned businesses. While some analysts have questioned the SBA's continued relevance in a business environment that is shifting more towards small business financing with private and venture capital, the SBA remains vital and relevant to the survival of minority enterprises given the wide disparities in access to such private capital between minority entrepreneurs and non-Hispanic White entrepreneurs. Unfortunately, the SBA's very crucial role as the nation's primary advocate for minority small businesses is undermined by continued budget cuts under the Bush Administration, and by the continued misappropriation of small business government contracts to large, mostly White-owned corporations.

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.

No financial institution has met Greenlining's goal of making 60% of its annual SBA loans to underserved minority entrepreneurs. In fact, **Bank of America** is the only bank that made more than 10% of its loans to African Americans.

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.

Size Doesn't Matter

There is little correlation between the differences in bank size and their rate of lending. Many of the smaller banks

in our study outperformed the larger ones, sometimes 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
2	J.P. Morgan Chase & Co.
3	Washington Mutual, Inc.
4	Citigroup
5	PNC Financial Services Group
6	U.S. Bank
7	Comerica Inc.
8	Wachovia Bank
9	National City Corporation
10	Union Bank of California, Corp.
11	Sovereign Bancorp, Inc
12	Capital One, NA
13	SunTrust Banks, Inc.
14	M&T Bank Co.
15	BB&T Corp.
16	HSBC Bank USA, N.A.
17	Key Bank, N.A.
18	Fifth Third Bancorp

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Lending to Minorities Overall

Overall, no banks met Greenlining's challenge to originate 60% of all its SBA loans in 2006 to minority entrepreneurs, although **Citigroup** came close to meeting that goal. We also recognize the **Bank of America** for continuing to produce the largest number of loans to minorities.

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America	5,468	A
2	J.P. Morgan Chase	2,947	B+
3	U.S. Bank	1,153	B-
4	Washington Mutual	1,148	B-
5	Citigroup	1,044	B-
6	Capital One, NA	812	C+
7	PNC Financial Services	703	C+
8	National City Corp.	491	C+
9	Comerica Inc.	215	C
10	Wachovia Bank	184	C-
11	M&T Bank Co.	177	C-
12	Sovereign Bancorp, Inc	156	C-
13	BB&T Corp.	127	C-
14	Union Bank of CA	119	C-
15	Key Bank, N.A.	101	C-
16	SunTrust Banks, Inc.	72	D
17	HSBC Bank USA, N.A.	67	D
18	Fifth Third Bancorp	39	F

Ranking by PERCENT of Loans Made			
Rank	Bank	% Loans	Grade
1	Citigroup	56.0%	A-
2	Bank of America	49.8%	B+
3	Washington Mutual	39.0%	B
4	Union Bank of CA	38.5%	B
5	PNC Financial Services	35.4%	B
6	J.P. Morgan Chase	34.5%	B-
7	Sovereign Bancorp, Inc	32.5%	B-
8	Comerica Inc.	32.4%	B-
9	Wachovia Bank	27.1%	C+
10	SunTrust Banks, Inc.	25.5%	C+
11	U.S. Bank	21.5%	C
12	HSBC Bank USA, N.A.	21.5%	C
13	National City Corp.	21.3%	C
14	BB&T Corp.	16.2%	D
15	M&T Bank Co.	15.6%	D
16	Key Bank, N.A.	14.3%	F
17	Capital One, NA	12.8%	F
18	Fifth Third Bancorp	12.5%	F

Lending to African Americans

Our report shows that African American small businesses are the most underserved by financial institutions in terms of both number and percentage of SBA loans originated to this group compared to the other racial and ethnic groups in our study. However, Greenlining recognizes that **Bank of America** has shown leadership in their lending performance to African Americans this year.

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America	1,422	A
2	J.P. Morgan Chase	632	B
3	Washington Mutual	254	C+
4	U.S. Bank	220	C+
5	Capital One, NA	163	C
6	PNC Financial Services	154	C
7	Citigroup	116	C-
8	National City Corp.	112	C-
9	BB&T Corp.	55	D
10	Wachovia Bank	52	D
11	M&T Bank Co.	47	F
12	Comerica Inc.	39	F
13	SunTrust Banks, Inc.	23	F
14	Key Bank, N.A.	20	F
15	Sovereign Bancorp, Inc	18	F
16	Union Bank of CA	15	F
17	HSBC Bank USA, N.A.	14	F
18	Fifth Third Bancorp	11	F

Ranking by PERCENT of Loans Made			
Rank	Bank	% Loans	Grade
1	Bank of America	13.0%	B
2	Washington Mutual	8.6%	C+
3	SunTrust Banks, Inc.	8.2%	C+
4	PNC Financial Services	7.8%	C
5	Wachovia Bank	7.6%	C
6	J.P. Morgan Chase	7.4%	C
7	BB&T Corp.	7.0%	C
8	Citigroup	6.2%	C-
9	Comerica Inc.	5.9%	C-
10	Union Bank of CA	4.9%	C-
11	National City Corp.	4.9%	C-
12	HSBC Bank USA, N.A.	4.5%	D
13	M&T Bank Co.	4.1%	D
14	U.S. Bank	4.1%	D
15	Sovereign Bancorp, Inc	3.8%	F
16	Fifth Third Bancorp	3.5%	F
17	Key Bank, N.A.	2.8%	F
18	Capital One, NA	2.6%	F

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Lending to Asian Americans

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America	1,938	A-
2	J.P. Morgan Chase	1,252	B+
3	Citigroup	560	C+
4	U.S. Bank	495	C
5	PNC Financial Services	404	C
6	Washington Mutual	398	C
7	Capital One, NA	304	C
8	National City Corp.	107	C-
9	Comerica Inc.	103	C-
10	M&T Bank Co.	91	D
11	Sovereign Bancorp, Inc	81	D
12	Wachovia Bank	73	D
13	Union Bank of CA	43	F
13	Key Bank, N.A.	43	F
14	HSBC Bank USA, N.A.	42	F
15	BB&T Corp.	37	F
16	SunTrust Banks, Inc.	26	F
17	Fifth Third Bancorp	12	F

Ranking by PERCENT of Loans Made			
Rank	Bank	% Loans	Grade
1	Citigroup	30.0%	A+
2	PNC Financial Services	20.3%	A
3	Bank of America	17.7%	B+
4	Sovereign Bancorp, Inc	16.9%	B+
5	Comerica Inc.	15.5%	B+
6	J.P. Morgan Chase	14.6%	B
7	Union Bank of CA	13.9%	B
8	Washington Mutual	13.5%	B
9	HSBC Bank USA, N.A.	13.5%	B
10	Wachovia Bank	10.7%	C+
11	U.S. Bank	9.2%	C
12	SunTrust Banks, Inc.	9.2%	C
13	M&T Bank Co.	8.0%	C
14	Key Bank, N.A.	6.1%	C-
15	Capital One, NA	4.8%	D
16	BB&T Corp.	4.7%	D
17	National City Corp.	4.6%	D
18	Fifth Third Bancorp	3.8%	F

Asian Americans fare best overall among minorities. The top two banks in percent-age of loans, **Citigroup** and **PNC Financial Services** surpassed Greenlining's mini-mum lending goal of 20%. **Bank of America** and **JP Mor-gan** produced far more loans than any of their competitors.

Lending to Latinos

Ranking by NUMBER of Loans Made			
Rank	Bank	# Loans	Grade
1	Bank of America	2,041	A
2	J.P. Morgan Chase	996	B+
3	Washington Mutual	485	C+
4	U.S. Bank	395	C+
5	Citigroup	362	C+
6	Capital One, NA	303	C+
7	National City Corp.	253	C
8	PNC Financial Services	135	C-
9	Comerica Inc.	64	D
10	Union Bank of CA	53	D
11	Sovereign Bancorp, Inc	50	F
11	Wachovia Bank	50	F
12	M&T Bank Co.	30	F
12	Key Bank, N.A.	30	F
13	BB&T Corp.	27	F
14	SunTrust Banks, Inc.	20	F
15	Fifth Third Bancorp	15	F
16	HSBC Bank USA, N.A.	10	F

Ranking by PERCENT of Loans Made			
Rank	Bank	% Loans	Grade
1	Citigroup	19.4%	A
2	Bank of America	18.6%	B+
3	Union Bank of CA	17.2%	B+
4	Washington Mutual	16.5%	B
5	J.P. Morgan Chase	11.7%	C
6	National City Corp.	11.0%	C
7	Sovereign Bancorp, Inc	10.4%	C
8	Comerica Inc.	9.6%	C
9	U.S. Bank	7.4%	C-
10	Wachovia Bank	7.4%	C-
11	SunTrust Banks, Inc.	7.1%	C-
12	PNC Financial Services	6.8%	C-
13	Fifth Third Bancorp	4.8%	D
14	Capital One, NA	4.8%	D
15	Key Bank, N.A.	4.2%	D
16	BB&T Corp.	3.5%	F
17	HSBC Bank USA, N.A.	3.2%	F
18	M&T Bank Co.	2.6%	F

This year no banks met Greenlining's 20% lending goal to Latinos, but **Citigroup** came close to meeting the goal at 19.4% of loans to Latinos. Greenlining also recognizes **Bank of America** for produc-ing far more SBA loans to La-tinos than its competitors.

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Recommendations

Over a dozen federal investigations have uncovered instances of fraud and administrative oversight at the Small Business Administration that have diverted billions of dollars in government contracts away from the small businesses who were the intended recipients, and into the hands of some of the world's largest corporations. In the face of a lack of checks and balances at the governmental level, it has taken the work of a citizen advocacy group, the American Small Business League, headed by small business advocate Lloyd Chapman, to touch off the investigations that are now finding that the nation's 26 million small business owners have been operating on a very uneven playing field.

The SBA's own documentation reports that they disbursed \$77.8 billion in government contracts in fiscal year 2006, up from \$75.1 billion in 2005, yet Chapman's office estimates that \$60 billion a year in contracts intended for small businesses are actually granted to large corporations. More conservative estimates, such as those of Chairwoman of the House Committee on Small Business Nydia Velázquez's office, estimate the value of the misappropriated contracts at \$12 billion a year or more.

Many analysts have attributed this lack of administrative oversight to the "starvation diet" under which the agency has been operating since President Bush took power. The SBA's fiscal year 2007 budget under President Bush's administration represents a 37% reduction since 2001, and the proposed budget for 2008 would represent a 45% cut since that time. These cuts have taken a toll on staff levels at the agency, most critically in the procurement depart-

ment, which is responsible for handling the disbursement of contracts. Equally as critical, the budget cuts have caused closures and reductions in service at the SBA's Small Business Development Centers around the nation, which are primarily responsible for providing education and technical assistance directly to small business owners.

In light of these administrative issues and the findings from our report card data, Greenlining raises 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.

- Sign into law the series of bills currently being heard on the Senate floor that provides funding to the Small Business Development Centers.
- Rescind all contracts that were acquired by Fortune 1000 companies through buying out small businesses or other fraudulent means.
- Remove small business contracts fraudulently granted to large corporations from the 23% of government contracts intended for actual small businesses.
- Strongly urge banks to set a goal of originating 60 percent of their annual SBA loan numbers to minorities. This alone would *double* the number of SBA loans to minority-owned business.



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