

COMMUNITY BANKS CONTINUE LENDING TO SMALL BUSINESSES

By Steve Huston, BANKWEST MN

While it may seem like the world has changed, some things really haven't changed. Specifically, our road to economic recovery will not come from Wall Street or Washington DC but will instead come when our small businesses and consumers believe and take actions that generate revenue and produce products and services that people want and need. The banking industry is no different...ultimately our nation's community banks are vital to recovery.

The Independent Community Bankers of America (ICBA) today reiterated that our nation's community banks continue to specialize in small business relationship lending, while larger financial institutions have decreased lending to this critical segment of the market. ICBA also called attention to overzealous bank examinations, which could ultimately hamstringing community banks' efforts to support local small businesses.

"America's small businesses and the more than 8,000 Main Street community banks that serve them are the engines that drive our local economies and are vital to our nation's economic recovery effort," said R. Michael Menzies, ICBA chairman and president and CEO of Easton Bank and Trust Co., Easton, Md. "Despite the recession, community banks continue to lend to their small business customers in cities and towns throughout America—ensuring job creation and economic stability for small business owners, employees and their local economies."

Even though community banks with less than \$1 billion in assets hold only 12 percent of all bank assets, they have made 40 percent of all small business loans currently outstanding. These community banks make the majority (58 percent) of all small business loans less than \$100,000. Community banks with less than \$10 billion in assets have made two-thirds, or 67 percent, of small business loans currently outstanding and hold 62 percent of outstanding loan balances. Banks with less than \$1 billion in assets made 48 percent of loans and held 40 percent of loan balances. In contrast, banks with more than \$100 billion in assets—the nation's largest financial institutions—made only 22 percent of small business loans and held only 25 percent of balances.

"Despite the difficult economic times, BANKWEST remains well capitalized as defined by the FDIC," said BANKWEST President Steven Huston. "We continue to make loans to businesses and individuals in the communities we serve. BANKWEST has been very active in originating new loans to small businesses and has worked with the Small Business Administration on various new and existing loan programs currently available. This can be a very good time for businesses to explore options available with their community banker."

“The current examination environment is of vast concern. If excessively aggressive exams continue, there will be a dramatic and adverse impact on the ability of community banks to lend to small businesses, which would impair their ability to support economic growth in their local community—hindering the national economic recovery effort,” Menzies said.

As community banks and small businesses work together to help our economy recover, it is important to advance legislation that promotes a robust Small Business Administration and advance policies that keep small businesses strong and vibrant. ICBA fully supports the Small Business Financing and Investment Act of 2009 (H.R. 3854), which the House passed in October. The legislation would help community banks provide long-term capital to the small business customers they proudly serve. Additionally, ICBA appreciates the Obama administration’s efforts to expand small business lending through community banks. The lending initiatives announced by the President in October are yet another tool that will help community banks continue to serve small businesses in their communities.