

# FDIC Advisory Committee on Community Banking

Updates from the Division of Insurance and Research

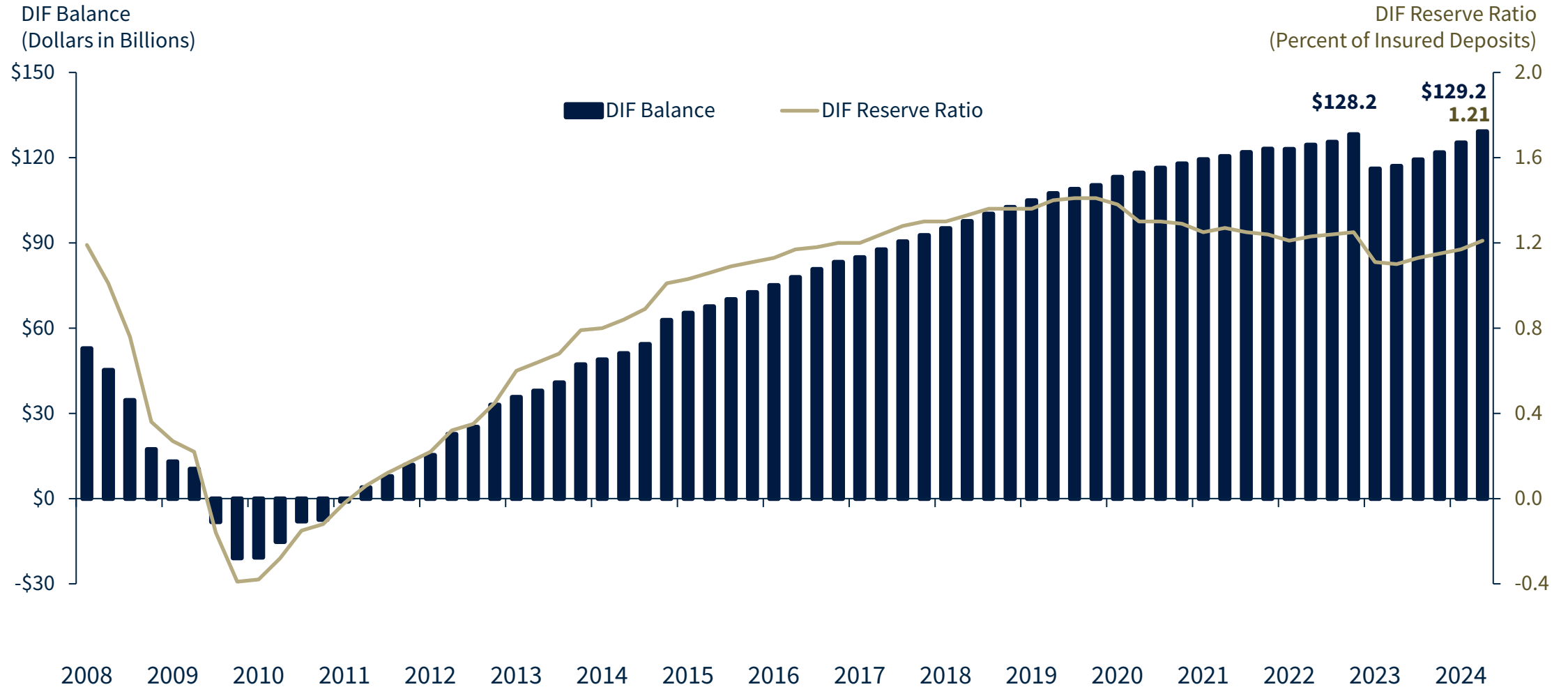




**ADVISORY COMMITTEE ON  
COMMUNITY BANKING**

# **Deposit Insurance Fund Update**

# Deposit Insurance Fund Update



Source: FDIC.

Note: The reserve ratio is calculated as the ratio of the Deposit Insurance Fund (DIF) balance to insured deposits and is calculated as of quarter end.





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# Request for Information on Deposits

# Request for Information on Deposits

On August 6, 2024, the FDIC published to the Federal Register a Request for Information (RFI) on Deposits.

The FDIC seeks information on:

- the characteristics that could affect the stability and franchise value of different types of deposits; and
- whether and to what extent certain types of deposits may behave differently from each other, particularly during periods of economic or financial stress.



# Request for Information on Deposits

The request also seeks comment on whether more detailed or more frequent reporting on these characteristics or types of deposits could inform a number of policy objectives, including:

- enhancing offsite risk and liquidity monitoring;
- improving risk sensitivity in deposit insurance pricing;
- providing analysts and the general public with accurate and transparent data; and
- informing analysis of the benefits and costs associated with additional deposit insurance coverage for certain types of deposits.

The comment period has been extended through December 6, 2024.





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# 2024 Small Business Lending Survey Report

## Overview of Findings



# Context and Motivation

Small businesses are a significant share of private-sector employment

Banks are a key source of external financing for small businesses

Continued consolidation of banking industry

Changes in the competitive and technological landscape

Historically little high-quality data on small business lending – SBLS 2022 builds on success of SBLS 2016

# Context and Motivation

## How do banks make small business loans?

- Decision-making process
- Relationships and markets
- Information used in underwriting



# SBLS 2022: Basics

Data collected in 2022, sometimes referencing 2021

Survey sample was drawn to be nationally representative – can make inferences about the whole industry

2,000 banks sampled, roughly 1,300 responded

- 68% overall response rate
- 1,190 small banks (<\$10 Billion): 65% response
- 120 large banks (>\$10 Billion): 70% response
- Improved on 60% response in 2016, especially for large banks



# SBLS 2022: Definitions

Banks used their own definition of small business

Lending is “business purpose” lending (includes C&I and owner-occupied CRE)

Results shown are for banks that made small business loans in 2021 (~94% of banks)

Most questions excluded credit card lending and government-guaranteed lending (also excludes PPP)



# Overview of Findings

Technology has not changed the basic nature of small business lending

- Relationship-oriented
- Staff-intensive
- Branch-centered

Small and large banks manage smaller loans and start-up lending differently

- Small banks use soft information more than large banks
- Large banks do more credit-score-based lending and automated lending

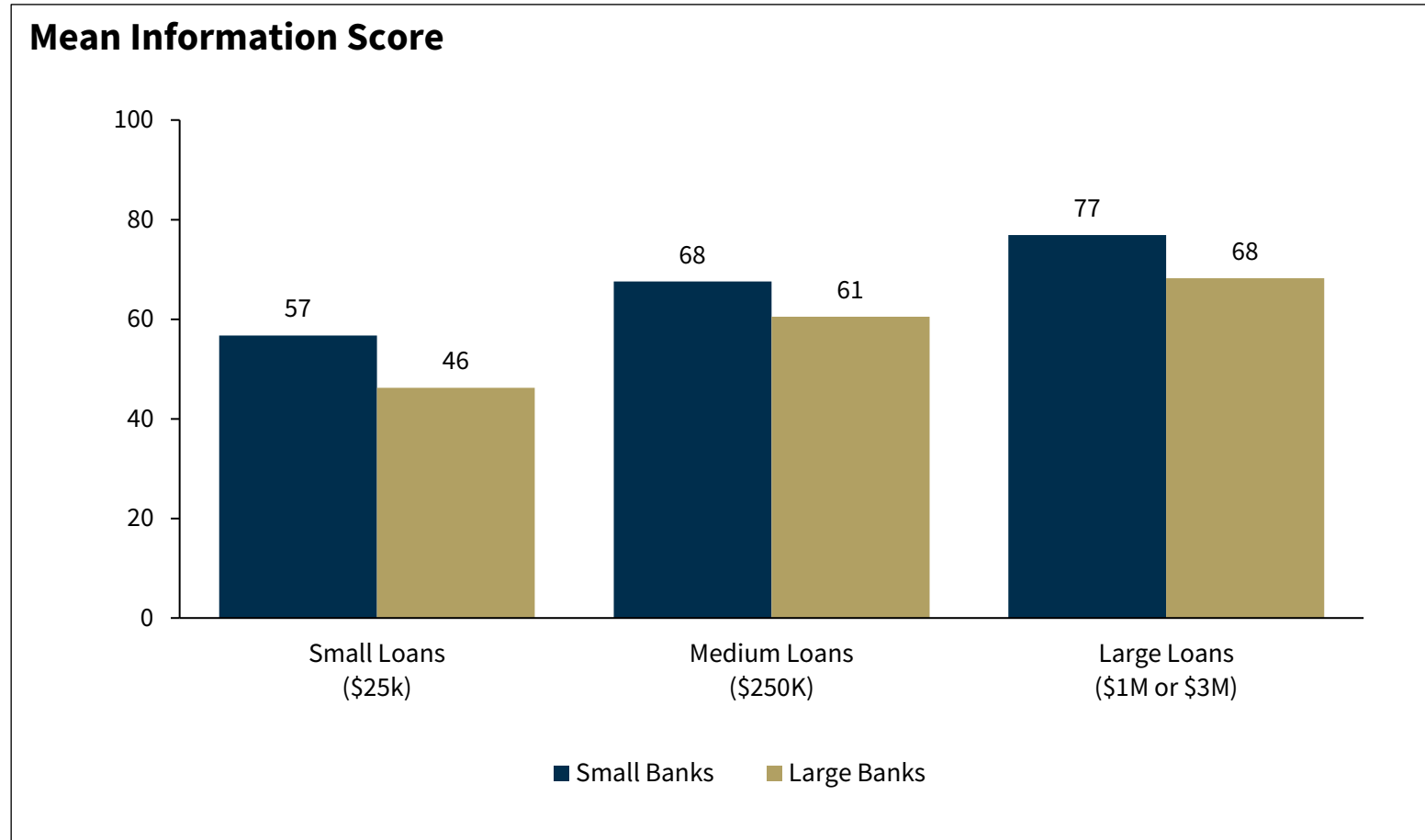


# Selected Findings

- 1 Small banks use more soft information than large banks**
- 2 Technology has not replaced staff-intensive and relationship-oriented practices
- 3 Lending is largely focused around branch locations with an emphasis on in-person interaction

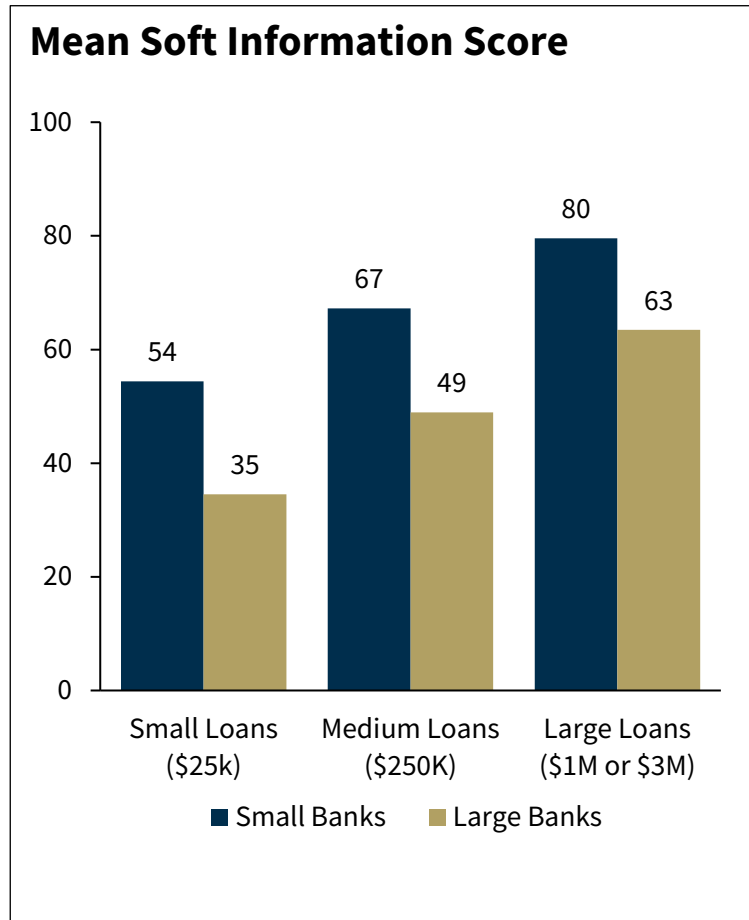


# Information used in underwriting increases with loan size, small banks use more overall

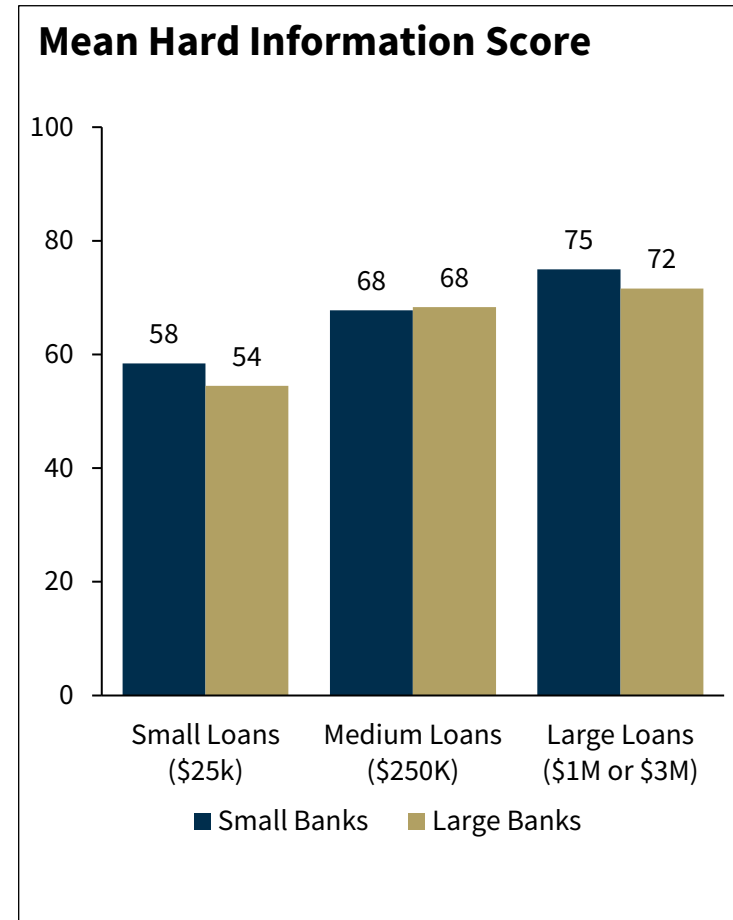


Source: SBLs 2022 I.C4, I.C10, and I.C16

# Small banks use more soft information



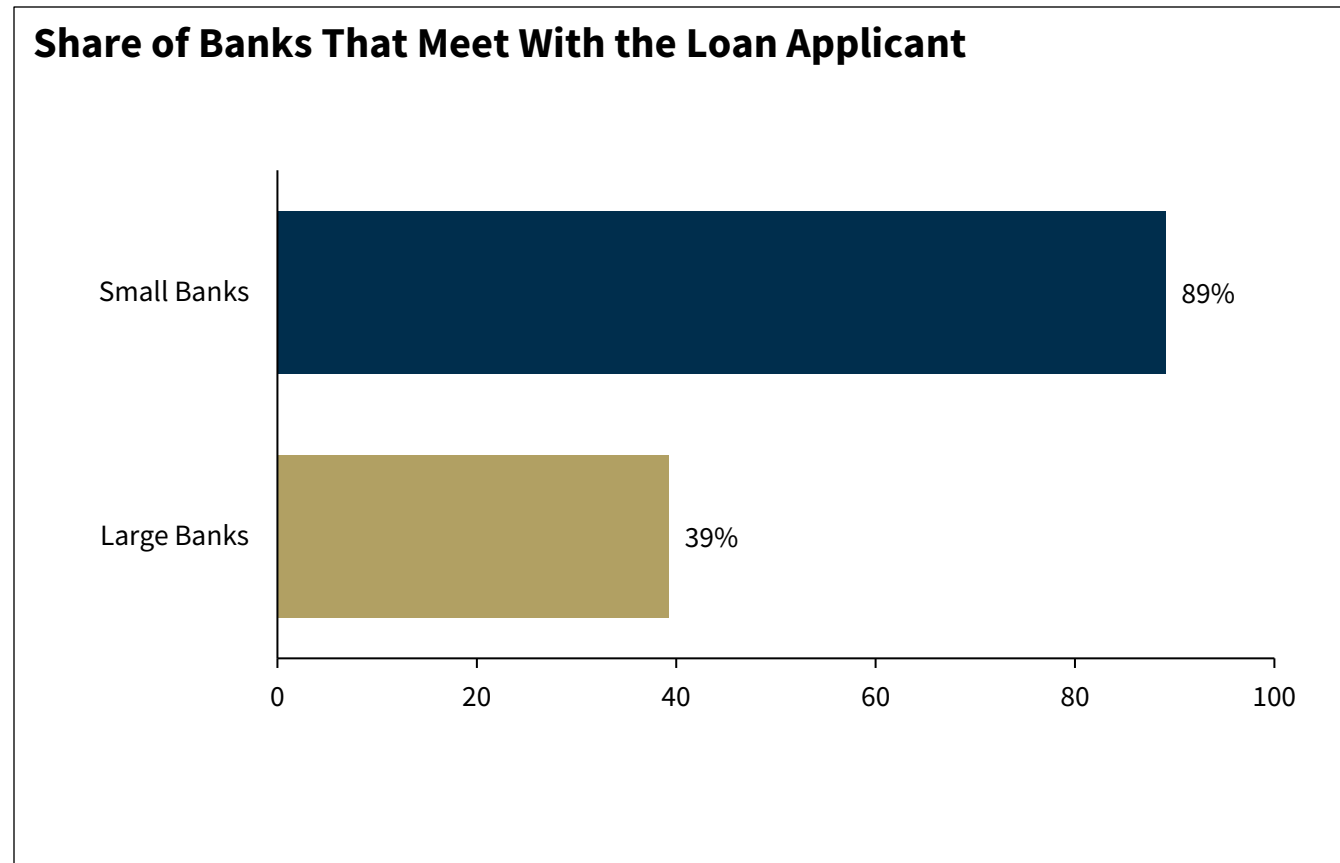
Source: SBLs 2022 I.C4, I.C10, and I.C16



Source: SBLs 2022 I.C4, I.C10, and I.C16



# Small banks are much more likely to meet with applicants



Source: SBLS 2022 I.B11, I.B16, I.B21, and I.B26

# Large banks emphasize credit scores for small loans

## For small loans (\$25K)

- 74% of small banks say financial position is most important, 11% say credit scores
- 36% of large banks say financial position is most important, 59% say credit scores

## For large loans (\$1M/\$3M)

- 82% of small banks say financial position is most important, 4% say credit scores
- 78% of large banks say financial position is most important, 10% say credit scores

Source: SBLS 2022 I.C8, I.C14, and I.C20



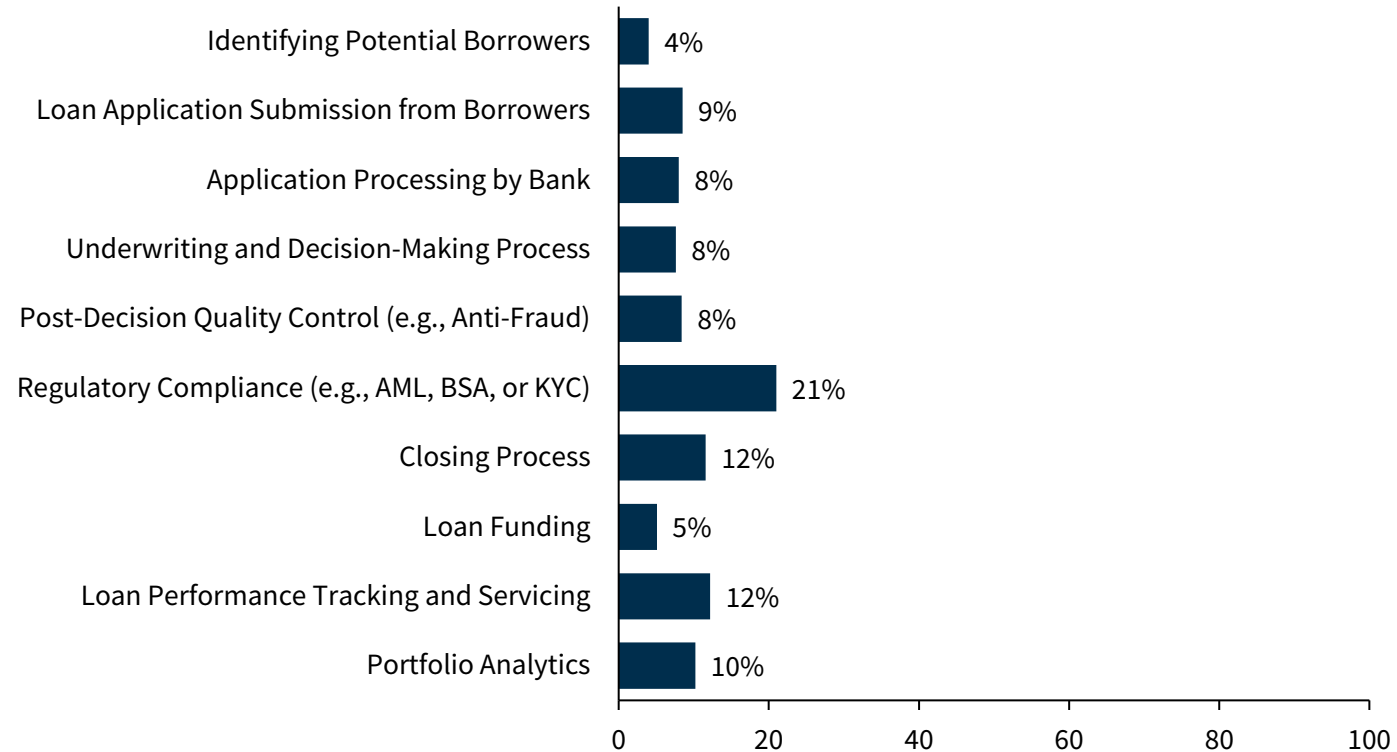
# Selected Findings

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- 2 **Technology has not replaced staff-intensive and relationship-oriented practices**
- 3 Lending is largely focused around branch locations with an emphasis on in-person interaction



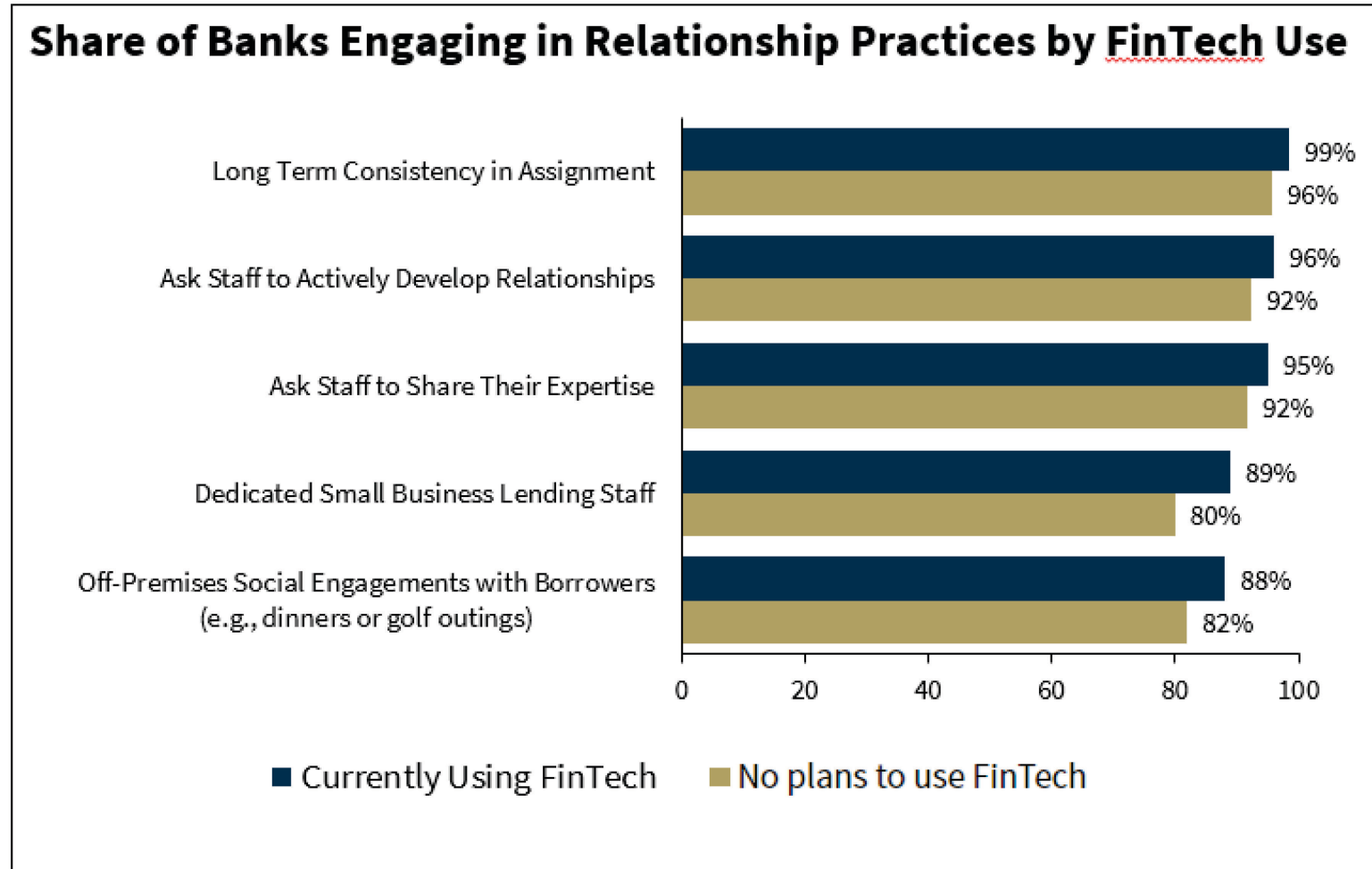
# FinTech Most Commonly Used for Regulatory Compliance and Post-Approval Processing

**Share of Banks Using FinTech by Stage of Loan Process**



Source: SBLS 2022 I.E1

# Banks that Use FinTech Still Engage in Relationship Practices



Source: SBLs 2022 II.A5

# Selected Findings

- 1 Small banks use more soft information than large banks
- 2 Technology has not replaced staff-intensive and relationship-oriented practices
- 3 **Lending is largely focused around branch locations with an emphasis on in-person interaction**



# Small business lending typically occurs near the branch footprint

## Markets are largely defined by branch footprint

- 80% of banks define their small business lending market as based on their branch footprint
- For these banks, the average bank's market extends 40 miles

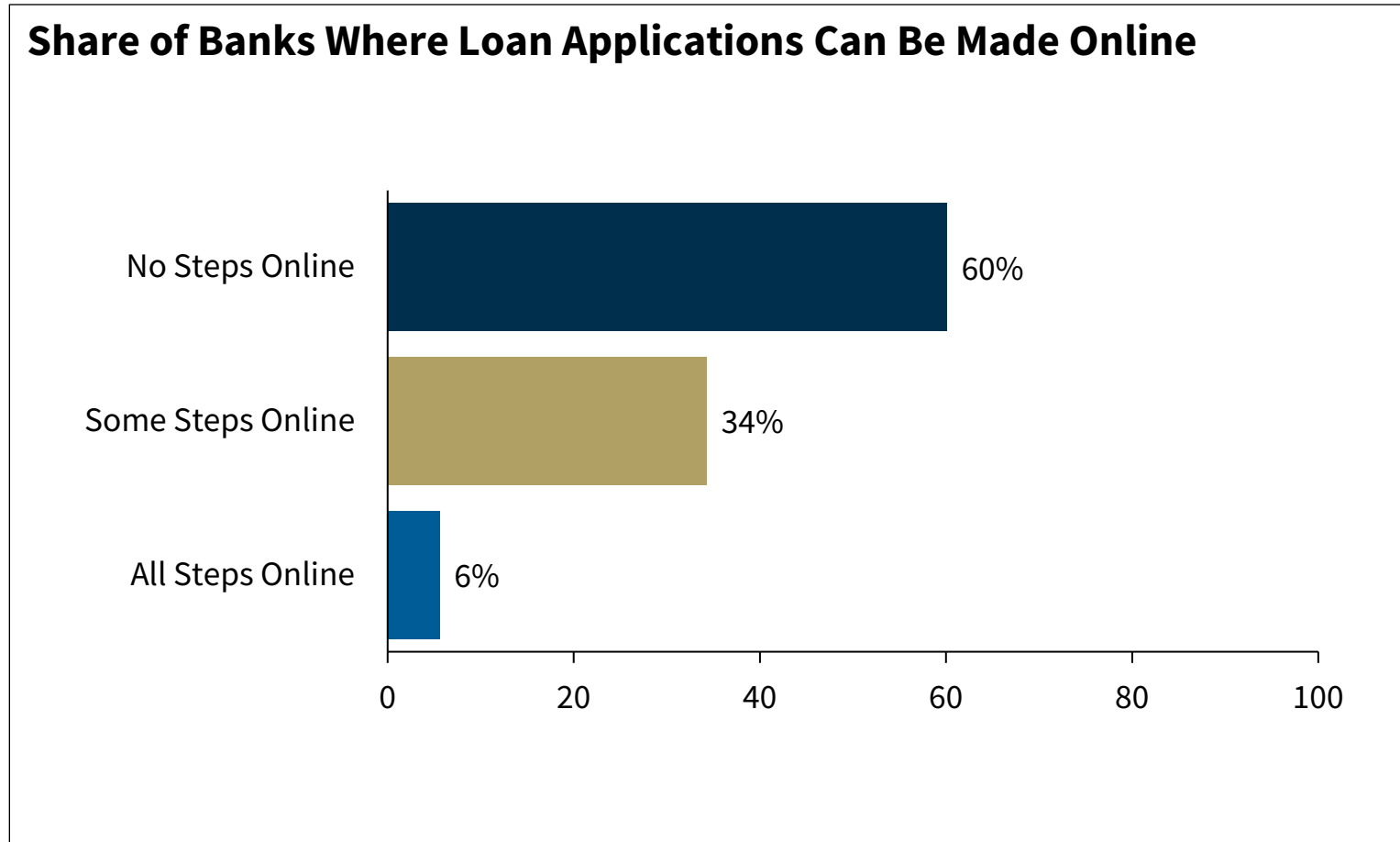
## Top factor limiting markets is competition from other banks

- 89% say borrowers prefer closer banks
- Also important: difficulty in generating and maintaining a relationship with small business borrowers outside market limits

Source: SBLS 2022 II.A1 and II.A2



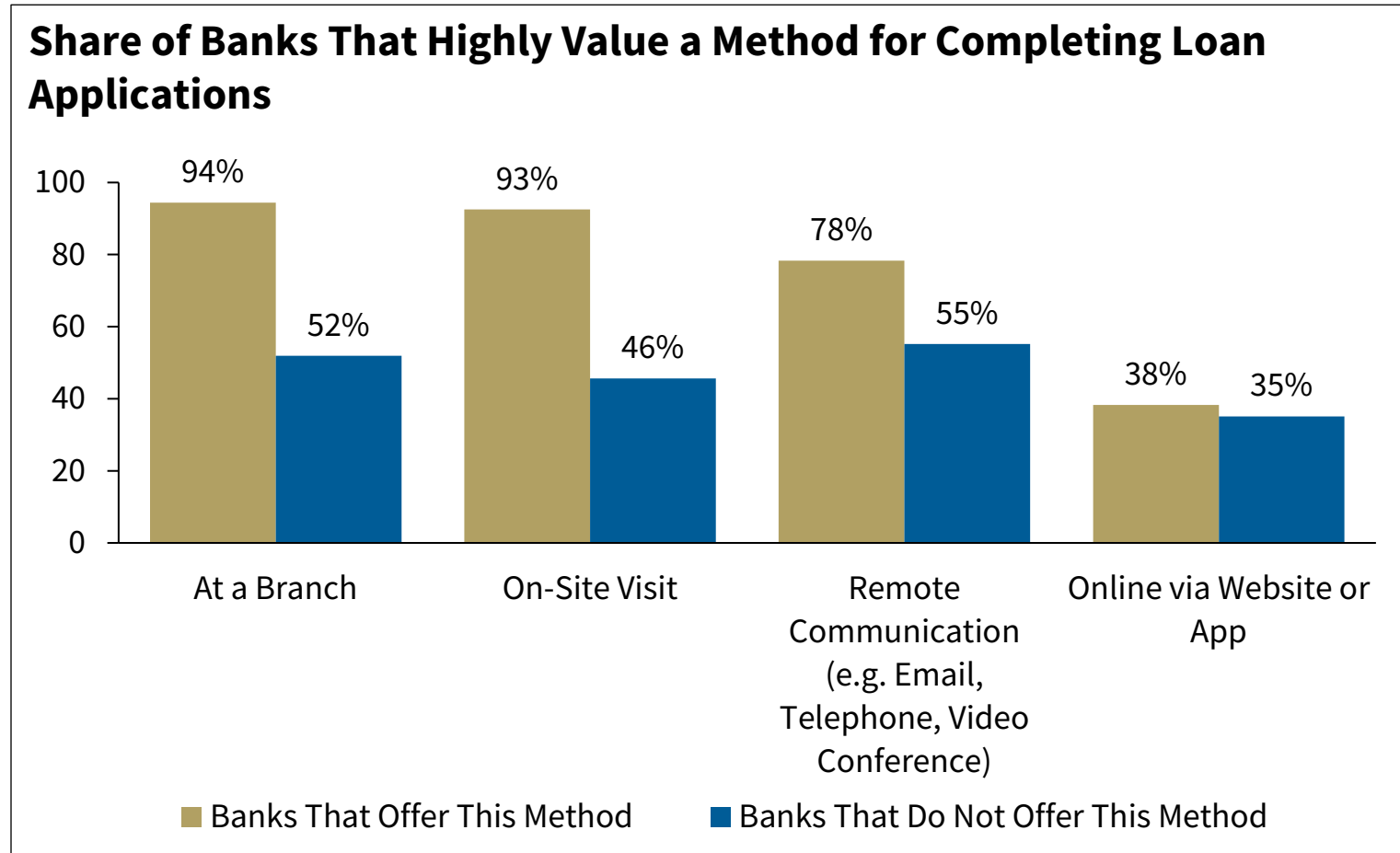
# Very few banks allow borrowers to complete an application entirely online



Source: SBLS 2022 II.A3



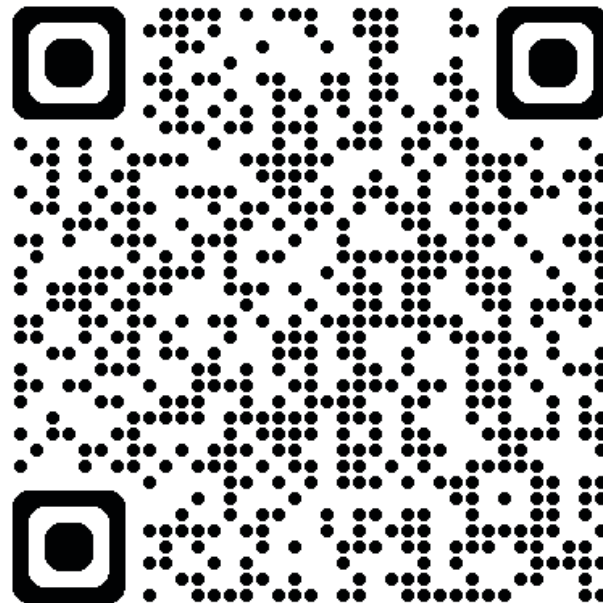
# Banks do not view an online application portal as particularly valuable, even when they offer one



Source: SBLS 2022 II.A3

You may access the full  
2024 Small Business Lending Survey Report  
at

<https://www.fdic.gov/publications/2024-report-small-business-lending-survey>





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