

# #AllTogetherNow: Improving Small Business Lending in the Rochester NY Community

WRITTEN BY:  
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## **ABOUT EMPIRE JUSTICE CENTER**

Empire Justice Center is a statewide, public interest law firm with offices in Albany, Rochester, White Plains, Yonkers and Central Islip (Long Island). Empire Justice focuses on changing the “systems” within which poor and low-income families live. With a focus on poverty law, Empire Justice undertakes research and training, acts as an informational clearinghouse, and provides litigation backup to local legal services programs and community based organizations. As an advocacy organization, Empire Justice engages in legislative and administrative advocacy on behalf of those impacted by poverty and discrimination. As a non-profit law firm, Empire Justice provides legal assistance to those in need and undertakes impact litigation in order to protect and defend the rights of disenfranchised New Yorkers.

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## I. INTRODUCTION

This is the first analysis of small business lending that Empire Justice Center has done since the mid-1990s, when the Greater Rochester Community Reinvestment Coalition (GRCRC), a coalition convened by Empire Justice Center and its predecessor organization, the Public Interest Law Office of Rochester (PILOR), analyzed small business lending in the city of Rochester. Equitable access to responsible credit has been important to these organizations since 1993, when GRCRC was first convened to advocate for increased mortgage lending in the city of Rochester. Access to credit matters. When done equitably and responsibly, obtaining mortgage and small business loans can reduce poverty; build wealth in immigrant communities and communities of color, which are still suffering the vestiges of redlining; and, most importantly, advance economic and racial justice.

Over the past 20 years, several crises in the mortgage lending industry—redlining, subprime lending and the foreclosure crisis—have captured the attention of Empire Justice and GRCRC.<sup>1</sup> Still, in discussions with banks and in comments to their regulators,<sup>2</sup> the topic of small business lending is often included, particularly the need for small loans to smaller, mostly start-up businesses.



Small businesses today face numerous challenges, many of which are related to access to credit. As with mortgage lending, small business lending at the national level declined dramatically between 2007 and 2010. While it has been slowly recovering, small business lending has yet to reach its peak levels of 2007, or even the levels of 2001.<sup>3</sup>

These long-time challenges, along with the newer ones arising from changes in the small business lending industry, are well documented, as seen below in our review of several recent small business lending reports.

- In April of 2017, the 12 Federal Reserve Banks issued a report on the system's Small Business Credit Survey. The report examined the financial challenges faced by small businesses. The report documented that 61% of survey respondents faced financial challenges; 44% of respondents expressed concern about credit availability, and 36% expressed concern about paying operating expenses.<sup>4</sup>
- On September 14th 2017, the California Reinvestment Coalition (CRC) released a study based on a survey of 42 CRC members and allies. The survey documented that small businesses seek multiple financing options but end up using credit cards, online lenders and merchant cash advances—all of which are often higher cost products. For these businesses, online lenders fill the credit gap left by regulated financial institutions, with 87% of CRC survey respondents reporting that small businesses “often” or “sometimes” turn to these services.<sup>5</sup> Large institutions tend to make small business loans in the form of credit cards, which may carry higher rates, fewer protections, and be less likely to meet long term capital needs. Importantly, the report also documents the challenges of women-owned and minority-owned businesses, including discrimination, language access barriers, no credit history or bad credit history.
- An August 2017 report by the Woodstock Institute discusses the distribution of Community Reinvestment Act (CRA) small business loans under \$100,000 among small businesses in Detroit, MI and Richmond, VA. The report found that between 2012 and 2015, businesses in predominantly minority census tracts in Detroit and Richmond did not receive loans proportionate to their share of each region's businesses. If loans had been made in proportion to the number of small businesses, an additional 17,000 loans worth \$247 million would have been made in Detroit, and 3,800 additional loans worth \$58.1 million would have been made in Richmond.<sup>6</sup>
- A growing concern is that small businesses are turning to online lenders or “fintechs” to fill the gap left by brick and mortar lenders. In April 2017, the Harvard Business Review reported that small and medium sized enterprises had \$300 billion in loans outstanding at U.S. banks. Morgan Stanley estimates that online lenders will increase lending to such businesses so that by 2020, \$60 billion of lending will occur by online lenders.<sup>7</sup> However, online lending can be expensive and unaffordable, with high interest rates and short terms that hurt a business's ability to grow.<sup>8</sup> Later in this report, we will discuss the need to allow states to regulate this growing industry.

As our country grapples with how small business lending, particularly fintech and merchant cash advance lending, should be regulated, it's important to understand how lenders are serving small businesses at the local level. Where is small business lending occurring in the Rochester, New York area? How are smaller-sized businesses or those wanting smaller loans being served? Are businesses getting their loans from banks with a local presence, from outside banks or from credit card or online lenders?

***This report seeks to answer these questions to see how well economic and social justice are being served and to inform decisions about products, initiatives and regulations related to accessing credit for small businesses.***

## II. PURPOSE OF REPORT AND STRUCTURE

Our report provides an in-depth snapshot of the small business lending landscape in the Rochester, New York area and how that landscape relates to the larger economic context described above. This report is intended to be a catalyst for a community conversation about increasing access to responsible credit for small businesses, both start-ups and established businesses, and particularly women, minority and immigrant-owned enterprises. Our hope is that our analysis of Rochester will help to inform not just the local conversation, but will be useful to state- and national-level stakeholders and decision makers as well.

The report starts with a detailed examination of aggregate small business lending in 2015 in the six-county Rochester Metropolitan Statistical Area (MSA)—where loans were made in the MSA, the types of loans and the dollar volume of those loans, and compare the lending to the distribution of businesses in the MSA. We then look at the lending of individual banks and lenders in the Rochester area—the largest banks, the lenders making the largest number of small business loans and the lenders with the largest lending volumes. We also include several cases of initiatives happening here in Rochester and elsewhere in New York State that support small businesses and/or provide credit in innovative ways. Finally, we make several recommendations to improve the ability of Rochester-area businesses to access responsible credit so they and our economy can thrive.

## III. AGGREGATE ANALYSIS

As seen in the table on the next page, in 2015 there were 15,648 CRA small business loans made in the Rochester NY MSA totaling over \$790.2 million. Of these loans:

- 14,141, or **90%** of the total number of loans, were loans of \$100,000 or less (the lowest category reported) totaling almost \$208.9 million, or 26% of the total dollar volume of lending.
- 7,153, or 46% of the total number of loans, were loans to businesses with gross annual revenues under \$1 million (GAR<\$1MM), totaling almost \$248.8 million, or 31% of the total dollar volume of lending.

This is a very high level summary of lending in the Rochester MSA. More can be learned by looking at how the lending is distributed geographically and by how it compares to the distribution of small businesses in the Rochester area.

### A. SMALL BUSINESSES IN THE ROCHESTER AREA

As of March 31, 2017, there are an estimated 26,330 businesses in the Rochester NY metropolitan statistical area (MSA),<sup>9</sup> of which:

- 7,245 (28%) are located in the city of Rochester
- 11,894 (45%) are in the surrounding towns in Monroe County
- 7,191 (27%) are in the other five counties of the MSA (Livingston, Ontario, Orleans, Wayne and Yates)
- 4,671 (18%) are in majority (50-100%) non-white census tracts
- 7,921 (30%) are in low-moderate income census tracts

## B. COMPARING THE DISTRIBUTION OF LENDING TO BUSINESSES

### Rochester MSA's Small Business Lending Compared to Geographic Distribution of Businesses and to Smaller Loans and Smaller Businesses

	Rochester MSA	City of Rochester	Monroe County Towns	Rest of MSA	LMI Tracts in MSA	Majority Non-White Tracts in MSA
No. Occupied Businesses	26,330	7,245	11,894	7,191	7,921	4,671
<b>Number of Loans</b>						
Total No. Loans	15,648	2,660	8,134	4,854	2,626	1,446
Loan Amt <= \$100,000	14,141	2,369	7,338	4,434	2,333	1,264
Bus. w/ GAR < \$1 M	7,153	1,139	3,557	2,457	1,151	602
<b>% of Total Loans To...</b>						
Loan Amt <= \$100,000	90%	89%	90%	91%	89%	87%
Bus. w/ GAR < \$1 M	46%	43%	44%	51%	44%	42%
<b>Dollar Volume of Lending (\$000's)</b>						
Total Lending	\$ 790,248	\$ 155,887	\$ 414,928	\$ 219,433	\$ 154,747	\$ 98,617
Loan Amt <= \$100,000	\$ 208,866	\$ 31,641	\$ 105,457	\$ 71,768	\$ 32,690	\$ 17,054
Bus. w/ GAR < \$1 M	\$ 248,784	\$ 43,752	\$ 125,061	\$ 79,971	\$ 42,558	\$ 24,378
<b>% of Total Lending To...</b>						
Loan Amt <= \$100,000	26%	20%	25%	33%	21%	17%
Bus. w/ GAR < \$1 M	31%	28%	30%	36%	28%	25%
<b>Geographic Distribution of Lending and Businesses</b>						
% MSA's Occupied Businesses in...		28%	45%	27%	30%	18%
% MSA's Loans in...						
Total No. Loans		17%	52%	31%	17%	9%
Loan Amt <= \$100,000		17%	52%	31%	16%	9%
Bus. w/ GAR < \$1 M		16%	50%	34%	16%	8%
% MSA's Dollar Volume of Lending in...						
Total Lending		20%	53%	28%	20%	12%
Loan Amt <= \$100,000		15%	50%	34%	16%	8%
Bus. w/ GAR < \$1 M		18%	50%	32%	17%	10%

One would expect that the distribution of loans and dollar volume of lending in each area would be on par with the proportion of the MSA's businesses in each area. However, as seen in Figure 1 below and in the table above, there are clear disparities in lending to businesses in the Rochester area.

In 2015, as seen in Figure 1 below, 15,648 small business loans, totaling \$790.2 million, were made in the Rochester MSA. Of these loans:

- 2,660 (17%) were made in the city of Rochester
- 8,134 (52%) were made in the surrounding Monroe County towns
- 4,854 (31%) were made in the rest of the MSA
- 41,446 (9%) were to businesses in majority (50-100%) non-white census tracts
- 2,626 (17%) were to businesses in low-moderate income census tracts

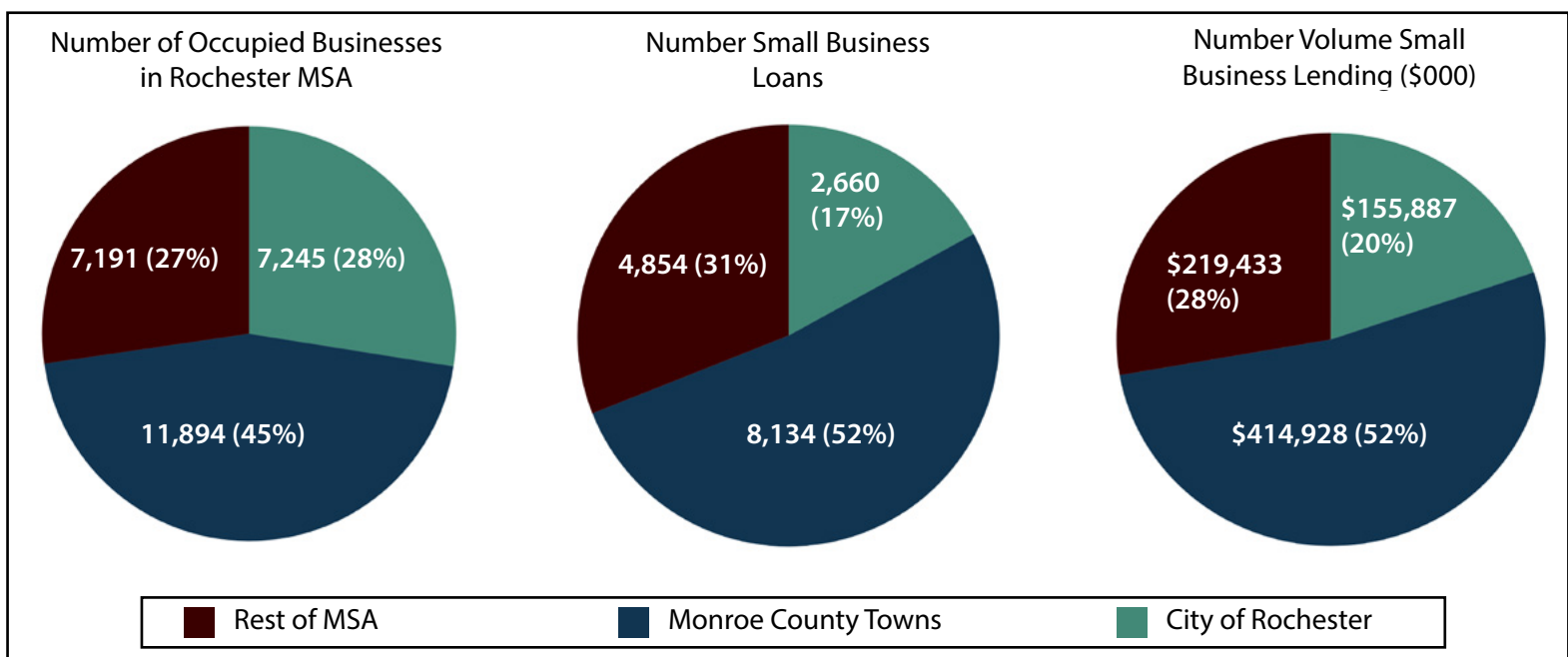
Of the \$790 million in lending:

- \$155.9 million (20%) was to businesses in the city of Rochester
- \$414.9 million (52%) was to businesses in the surrounding Monroe County towns
- \$219.4 million (28%) was to businesses in the rest of the MSA
- \$98.6 million (12%) was to businesses in majority (50-100%) non-white census tracts
- \$154.7 (20%) was to businesses in low-moderate income census tracts

As seen in Figure 1 below, comparing the distribution of businesses to small business lending in the Rochester MSA in 2015, the lending does not match up to the distribution of businesses.

**While the city of Rochester has 28% of the MSA's businesses, city businesses received only 2,660 loans or 17% of the MSA's small business loans.** Conversely, the surrounding towns in Monroe County have 45% of the MSA's businesses, but businesses here received 8,134 loans or 52% of the area's small business loans.

**FIGURE 1: COMPARING SMALL BUSINESS LENDING TO THE GEOGRAPHIC DISTRIBUTION OF BUSINESSES IN THE ROCHESTER MSA**



Even within the city of Rochester, there are discrepancies in proportions of loans compared with the location of businesses, but not with the distribution of the dollar volume of lending. While 64% of city of Rochester businesses are located in majority non-white census tracts, only 54% of the loans, and 63% of the dollar volume of lending, made in the city went to businesses in these census tracts.

Lending in the city's low-moderate income census tracts follow a pattern similar to that seen in its communities of color—disparities in the distribution of loans made, but not so much in the dollar volume of lending. While 81% of the city's businesses are in low-moderate income tracts, they received 73% of the loans and 80% of the dollar volume of lending.



The average loan size in the Rochester MSA was \$50,500; however, there were noteworthy differences across geographies.

- In the city of Rochester, the average loan size was \$58,600, the highest average among the various geographic areas, while the average was \$51,000 in the Monroe County towns and only \$45,200 in the rest of the MSA
- The average loan size in the MSA's low-moderate income census tracts was \$58,900, compared to \$63,900 in the city's low-moderate income areas and \$50,800 in those in the Monroe County towns
- The average loan size in majority non-white census tracts in the MSA, all but one of which are in the city of Rochester, was \$68,200

Note that the average loan size decreases as the tract's population becomes less white:

- The average loan size in 50<80% non-white census tracts was \$72,800
- The average loan size in 80-100% non-white census tracts was \$54,600

The more people of color there are in a tract, the lower the average dollar volume of the loan. It is also interesting that businesses in the city of Rochester had a higher average loan size than the rest of the county and the MSA. Without detailed application, denial and geographic data we cannot analyze this disparity. However, it is possible that small city businesses needing smaller loans have credit needs that are not being met in the current landscape.

The five other counties within the Rochester MSA account for 27% of businesses in the MSA, and received 31% of small business loans and 28% of the total dollar volume of lending. In those areas, the rate of lending is fairly consistent with the number of businesses.

## CASE STUDY: VENTURE JOBS FOUNDATION

Venture Jobs Foundation<sup>10</sup> (VJF) has a mission to invest in small businesses that bring jobs to low- and mid-skilled workers in low income neighborhoods. Launched a few years ago, the Foundation received its funding last year from Canandaigua National Bank, JPMorgan Chase Bank N.A., the Lyons National Bank and a private foundation. VJF also received a matching grant from the City of Rochester to launch the Rochester Fund. This micro-enterprise loan fund makes loans between \$10,000 and \$50,000 with interest rates of 5% to small businesses that are either located in or will relocate to high poverty neighborhoods.

The foundation also recently started the VJF Jobs Kitchen accelerator program with a grant from JPMorgan Chase and donations from two private regional foundations. Jobs Kitchen is a nine-week cohort-based mentoring program for entrepreneurs so they can more quickly develop their business plans for potential funding. In return, these new businesses commit to bringing low- to moderate-skill jobs to workers in high poverty neighborhoods.<sup>11</sup>

## IV. MAPPING SMALL BUSINESS LENDING IN THE ROCHESTER AREA

### A. MAPPING SMALL BUSINESS LENDING IN THE CITY OF ROCHESTER AND MONROE COUNTY

A revealing way to examine patterns of lending is through mapping data geographically. This was done with the numbers or concentration of businesses per census tract and the number of small business loans per census tract—namely the total CRA small business loans, the number of loans less than or equal to \$100,000 ( $\leq \$100,000$ ), and the number of loans to businesses with gross annual revenues less than \$1 million ( $\text{GAR} < \$1\text{MM}$ ). There are separate maps showing the distribution of businesses and loans for the city of Rochester, for the rest of Monroe County, and for the other five counties of the MSA (Orleans, Livingston, Ontario, Yates and Wayne).<sup>12</sup> These maps are located in Appendix B.

#### i. Geographic distribution of businesses

Recall that there are over 7,200 occupied businesses in the city of Rochester and almost 11,900 in the rest of Monroe County. As seen by the map, Figure 2, showing the dispersion of businesses across city census tracts, the largest concentration of businesses falls in the city's central business district (CBD). There is also a notable cluster of businesses east of the city's center, as well as to the west and directly north where there are many businesses dispersed throughout. There are significantly fewer businesses in the Northern arm of the city, the southern-most section of the city, and the southeastern edge of the city—areas of the city with large residential neighborhoods.

Outside of the city of Rochester within Monroe County, the largest concentration of businesses falls along the borders of the city (see Figure 3). These include Irondequoit, Brighton, Gates and Greece, along with towns in the eastern and southern part of the county: Henrietta, Pittsford, East Rochester, Perinton, and Webster. The southeastern towns and villages have the largest concentration of businesses.

#### ii. Geographic distribution of loans

Over 15,600 small business loans were made in the 6-county Rochester MSA in 2015, for a mean of 58 loans per census tract and a median of 47.<sup>13</sup> The table below shows the number of occupied small businesses and the number of loans, as well as their mean and median, for various types of loans and geographies. Note that, no matter what type of loan, the average number of loans (mean and median) per census tract for the city of Rochester is *substantially* smaller than for the Monroe County Towns, the rest of the MSA or the MSA as a whole, and much smaller than is warranted by the average number of businesses in the city. For example, the mean total number of loans per census tract was 73 loans for the Monroe County towns compared to 33 for the city (only 46% that of the towns). However, given that the city has a mean of 91 businesses per census tract, 85% of the mean of 107 businesses per tract for the towns, this disparity in the number of loans per tract is not warranted.

The maps in Appendix B show the differences in how these loans were distributed in the city of Rochester, Monroe County and the rest of the MSA and the numbers of loans related to the concentration of businesses. They clearly show that businesses in some neighborhoods or areas received more loans than those in other areas; and for many neighborhoods, it was not due to the lack of businesses. As the maps also highlight which neighborhoods were low-moderate income neighborhoods and/or communities of color, this information combined with the lending patterns, point us toward some possible reasons and avenues for improving access to credit for businesses in these neighborhoods. A summary of the maps follows.

<b>Comparing Number of Small Businesses to Number of Loans and Averages per Census Tract for Different Lending Categories and Geographies, Rochester NY MSA (2015)</b>				
	<b>No. Occupied Small Businesses</b>	<b>Total No. Loans</b>	<b>No. Loans &lt;=\$100,000</b>	<b>No. Loans to GAR&lt;\$1MM Businesses</b>
<b>Rochester MSA</b>				
Number	26,325	15,648	14,141	7,153
Mean	98	58	53	27
Median	65	47	45	24
<b>City of Rochester</b>				
Number	7,240	2,660	2,369	1,139
Mean	91	33	30	14
Median	51	19	18	8
<b>Monroe County Towns</b>				
Number	11,894	8,134	7,338	3,557
Mean	107	73	67	32
Median	72	64	60	29
<b>Rest of MSA</b>				
Number	7,191	4,854	4,434	2,457
Mean	93	63	58	32
Median	75	56	53	29

In 2015, a total of 2,660 small business loans were made in the city of Rochester, with a mean of 33 loans per census tract and a median of 19. As seen in Figure 4 showing the total number of loans and businesses by census tract, there are swaths of the city with very little small business lending activity in 2015. All but one of the tracts with the fewest loans (red tracts indicating 0-19 loans) are low income communities and/or communities of color. The lack of lending (red and yellow) in much of the northeastern and southwestern areas of the city is particularly surprising, given the good concentration of businesses in these areas.

Still, some parts of the city did have higher levels of lending. The central business district has both the highest concentration of businesses and the highest category of loans. The western-most part of the city, which experienced a high volume of lending (indigo tracts indicating 88-298 loans and teal tracts with 61-87 loans), is similarly populated with businesses and is also low-moderate income and/or majority non-white. There are several census tracts in the eastern part of the city with high volumes of lending (indigo or teal), despite containing a smaller number of businesses than some other parts of the city experiencing extremely low levels of lending.

In the Monroe County towns outside the city of Rochester, a total of 8,134 small business loans were made in 2015, with a mean of 73 loans per census tract and a median of 64 (see table above). As seen in Figure 5 showing the number of loans and businesses by census tract in the towns of Monroe County, very few census tracts are low-moderate income, and none are communities of color. Most of this map is either indigo or teal, indicating census tracts with the highest numbers of loans, 88-298 or 61-87 loans, respectively. Compare this to the city of Rochester map, where at least half of the map's area is red or yellow, indicating fewer loans than the MSA mean of 58 loans. Most of the Monroe County towns have average or higher than average numbers of loans, despite the lower density of businesses on the west side or in the far southern parts of the county. There are some areas of Greece and Irondequoit, close to the city, and East Rochester, with a low-moderate income area, which received fewer-than-expected loans given the number of businesses. Note that Hamlin, northern Chili and west Webster have lower levels of small business loans, aligning with the relatively few businesses located there.

The lending patterns for loans  $\leq$ \$100,000 follows the same patterns described above for the city and the towns. The table above shows that 2,369 loans  $\leq$ \$100,000 were made in the city, for a mean of 30 and median of 18 loans per census tract. In the surrounding towns, 7,338 of these loans were made, for a mean of 67 and a median of 60 loans per census tract. The mean number of these smaller loans in the towns was twice as high as that for the city.

In the city, the patterns of lending seen in Figure 6, the number of loans  $\leq$ \$100,000, are similar to those in Figure 4, except that there are more red and yellow census tracts, showing the lowest number of loans, and fewer indigo tracts, with the highest number of loans. The numbers of these smaller loans in the city's northeastern and southwestern census tracts and in the northern and southern tracts just outside the CBD are disturbingly low. While many of these neighborhoods are well populated with businesses, most are low-moderate income communities of color (cross-hatch marks).

The pattern of number of loans  $\leq$ \$100,000 per census tract in the Monroe County towns, as seen in Figure 7, is very similar to the total number of loans pattern (Figure 5). Most of the census tracts have the highest levels of lending (indigo and teal). It is noteworthy that two of the low-moderate income census tracts (in East Rochester and Irondequoit) moved from yellow in the total loan map to red in this map, indicating that businesses there had less access to these smaller loans.

The same is true for lending patterns to smaller businesses, those with gross annual revenues less than \$1 million ( $\text{GAR} < \$1\text{MM}$ ). Recall that in the Rochester MSA, loans to businesses with  $\text{GAR} < \$1\text{MM}$  make up 46% or 7,153 of the loans in the Rochester MSA, a much smaller proportion than the smaller loans ( $\leq$ \$100,000), which make up 90% of the area's loans. The table above shows that 1,139 loans to businesses with  $\text{GAR} < \$1\text{MM}$  were made in the city, for a mean of 15 and median of 9 loans per census tract. In the surrounding towns, 3,557 of these loans to smaller businesses were made, for a mean of 32 and a median of 29 loans per census tract; these averages are two and three times as large, respectively, as those in the city.

Figure 8 shows the number of loans by census tract to businesses with  $\text{GAR} < \$1\text{MM}$  in the city of Rochester.<sup>14</sup> As expected by the low mean and median, large swaths of the city, particularly in the northeast and southwest, had fewer than 20 of these loans per census tract (red and yellow shaded tracts). Only the CBD and three other census tracts had enough loans to smaller businesses to be in the highest category of 43-126 loans.

The concentration of loans to businesses with  $\text{GAR} < \$1\text{MM}$  in the rest of Monroe County, shown in Figure 9, is somewhat lower than the two other types of loans (total loans and loans  $\leq$ \$100,000), as indicated by the variety of colors and fewer tracts in the two highest categories (indigo and teal) of loans, 30-126 loans here. As in the other county maps, Greece, Irondequoit and East Rochester still have some of the lowest concentrations of loans; they have several red and yellow tracts denoting 0-19 loans, substantially lower than the mean of 32 loans per census tract and median of 29.



## CASE STUDY: PATHSTONE ENTERPRISE CENTER

PathStone Enterprise Center, Inc. (PECI) is a non-profit, 501(c)(3) regional Community Development Corporation organized in 1997 and certified as a Community Development Financial Institution (CDFI) in 1998. It is an affiliate of PathStone Corporation, based in Rochester, NY. PEGI is the economic development and lending arm of PathStone Corporation with a service area that includes upstate New York between Buffalo and Syracuse and the western half of Puerto Rico.

Since its inception, PEGI has made an aggregate 1,348 loans totaling \$30.6 million, while leveraging an additional \$26.2 million in private funding, and PEGI currently has assets of approximately \$12,000,000. The small business loan segment of the portfolio has resulted in over 2,600 jobs created or retained in New York and Puerto Rico. PEGI services all of its loans. Its current small business portfolio includes over 180 loans with outstanding balances totaling over \$6,300,000. In FY2017 PEGI originated 89 small business loans totaling \$3,880,000 (or an average of just over \$43,000 per loan). 47 of those loans were to businesses owned by minorities.

PECI is capitalized by a variety of government and private funds. PEGI is microlender for SBA and USDA. PEGI has received loan and grant capital from New York's Empire State Development that it uses for relending. In addition PEGI has received Program Related Investments (long term low interest loans or grants) from six financial institutions and three foundations for the purpose of making loans that they are unable to make in their service areas.

TK Flooring Inc. is a Rochester-based startup flooring company that came to PathStone Enterprise Center when the owner Mr. Thoue Kongmany, an immigrant from Southeast Asia, decided to strike out on his own after working as a crew foreman for a large established flooring company for several years. Because of the startup status and competitive nature of the business, the Enterprise Center loan committee was reluctant to make a loan to TK and initially turned him down, but offered him a chance to come back if he was able to provide his list of pending contracts and better financial data. Mr. Kongmany came back, the loan committee approved him for \$10,000 and soon an additional \$10,000, and another \$25,000. Each time Mr. Kongmany heard the concerns of the loan committee and adjusted his business practices accordingly. He was eventually approved for a fifth loan in the amount of \$100,000 based on the 11 contracts he had been awarded. After being awarded that loan, he had been in business long enough and had a good enough financial statement that a community bank was willing to provide his business a line of credit. He now has extensive contracts including with a university and with a hotel chain.

## **B. MAPPING SMALL BUSINESS LENDING OUTSIDE MONROE COUNTY**

### *i. Geographic distribution of businesses*

Over two-thirds of the businesses in the Rochester MSA fall within Monroe County. The five counties outside Monroe (Livingston, Ontario, Orleans, Wayne and Yates) had 7,191 businesses or 29% of the MSA's businesses. As shown in Figure 10, outside Monroe County, the businesses are most concentrated just to the southeast and east of Monroe County and in the villages.

### *ii. Geographic distribution of loans*

We would expect these counties to have proportions of the MSA's small business loans similar to the 29% of businesses. As seen in the tables and figure above, this expectation is often met for the five counties as a whole. In 2015, businesses in these counties received 4,854 loans or 31% of the MSA's loans and \$219.4 million or 28% of the total dollar volume of lending made in the region.

There was a mean of 63 loans per census tract and a median of 56, slightly higher than the averages for the MSA as a whole (see table on page 11). As seen in Figure 11, showing the total number of small business loans for the MSA, many of the census tracts outside the city in Monroe County received the largest numbers of loans (88-298 loans, indigo tracts) as did several in Yates, Livingston, and Ontario Counties. These three counties also had several census tracts receiving between 37-87 loans (green and teal tracts), the two categories near the mean and median, and they only had a few census tracts of low lending (0-36 loans, red and yellow tracts). Although Wayne County appears to have several villages and tracts with comparable numbers of businesses to, if not more businesses than, several areas in Livingston and Yates Counties, lending for much of Wayne County is low, particularly in the villages along the Erie Canal (along the south) and in the eastern part of the county.

Businesses in Livingston, Ontario, Orleans, Wayne and Yates Counties received 4,434 loans  $\leq$  \$100,000 in 2015, for a mean of 58 loans per census tract and a median of 53 (see table above). The geographic patterns for these smaller loans are very similar to the total loan patterns, described above.

When examining loans to businesses with  $\text{GAR} < \$1\text{MM}$ , the five counties as a whole received 2,457 loans, for a mean of 32 loans per census tract and a median of 29 (see table above). Many, if not most, of the census tracts in Orleans, Livingston, Yates and Ontario Counties saw high numbers of loans, between 30-126 loans (teal and indigo tracts). In comparison, all parts of Wayne County, except Macedon, saw fewer than 30 loans per tract, and many tracts saw fewer than 20 loans.

This suggests that while small businesses in many of the more rural parts of the Rochester MSA have access to credit, businesses in Wayne County, particularly smaller businesses, are facing challenges in accessing credit or in preparing to become ready for a small business loan.

## V. LENDING BY ROCHESTER'S TOP BANKS AND SMALL BUSINESS LENDERS

We also examined how the top banks and small business lenders performed compared to their peers, the aggregate and other financial institutions, particularly with respect to lending to businesses in low-moderate income neighborhoods and to businesses with GAR<\$1MM. Due to the limitations of the publicly available data, we are not able to map small business lending by institution or to assess how well they served women, minority and immigrant-owned businesses.

### A. LENDING BY ROCHESTER'S TOP 8 BANKS

As of June 30, 2015, the Rochester area's top 8 banks were, in order of depository market share (see Table 1, Appendix C):

- M&T Bank, with 25% of the market
- JPMorgan Chase Bank, with 13% of the market
- Canandaigua National Bank and Trust, with 11% of the market
- Citizens Bank, with 10% of the market
- First Niagara Bank, with 8% of the market
- KeyBank, with 7% of the market
- Five Star Bank, with 6% of the market
- Bank of America, with 5% of the market

Together, these 8 banks captured over 83% of the area's FDIC insured deposits. Table 2 in Appendix C shows how these depositories compare to each other, to other financial institutions and to aggregate (all financial institution) lending with respect to small business lending.

### CASE STUDY: FARMINGDALE SMALL BUSINESS DEVELOPMENT CENTER

The Farmingdale Small Business Development Center<sup>15</sup> (FSBDC) is located on the campus of Farmingdale State College on Long Island. It provides low-cost workshops and free one-on-one technical and management assistance to start-up and existing small businesses. Services range from answering startup and business structure questions to assisting with business plans, cash flow projections, marketing plans, and loan information. It is administered by the State University of New York and funded in part by the U. S. Small Business Administration and the State of New York.

The FSBDC works with any individual or small business needing assistance. One of the FSBDC's priorities is to ensure women-owned and minority-owned business enterprises have access to quality small business assistance. Last year, 37% of its clients were minority or non-white-owned businesses and 48% were women-owned businesses or women-women partnerships.

Over the past three years, staff at the FSBDC has seen an increase in predatory online lending, mainly via Merchant Cash Advance (MCA) companies, targeted to minority-owned small businesses. The FSBDC works with businesses that get these online/MCA loans to get them refinanced through a CDFI into an affordable, responsible loan.

Another way to get a business out of a high-cost online loan is to refinance to a SmartLoan, an affordable online small business loan from the Excelsior Growth Fund, a CDFI. With an interest rate of 11.9% and terms up to 5 years, this loan allows small businesses the time and savings to improve their credit and get into a more traditional small business or SBA loan.<sup>16</sup>

SBDCs are located throughout New York State. The Rochester area SBDC is located at SUNY Brockport.<sup>17</sup>

*i. Total loans and dollar volume of lending*

In 2015, 15,851 small business loans were originated in the Rochester MSA totaling \$793 million. The table below shows the performance of the top 8 banks (in order of dollar volume of lending and with overall market share rankings).

<b>Top 8 Banks 2015 Small Business Loans and Dollar Volume of Lending, Rochester NY MSA</b>						
(In order of dollar volume of lending)						
	Number of Loans			Dollar Volume of Lending (\$MM)		
	No.	Market Share	Rank Among All Lenders	Dollar Volume	Market share	Rank Among All Lenders
<b>M&amp;T</b>	842	5.3%	9	\$212.88	26.8%	1
<b>Five Star</b>	757	4.8%	10	\$89.59	11.3%	2
<b>Canandaigua NB</b>	984	6.2%	6	\$79.43	10.0%	3
<b>JPMorgan Chase</b>	1564	9.9%	2	\$40.20	5.1%	5
<b>First Niagara</b>	444	2.8%	11	\$32.54	4.1%	6
<b>Bank of America</b>	934	5.9%	8	\$31.10	3.9%	7
<b>Citizens Bank</b>	333	2.1%	12	\$20.66	2.6%	10
<b>KeyBank</b>	177	1.1%	17	\$13.38	1.7%	16
<b>Totals Top 8</b>	6035	38.1%		\$519.77	65.5%	

This is summarized here:

- M&T made 842 loans (5.3% of the market) totaling \$212.9 million (26.8% of the market), so it ranked 1st in dollar volume of lending
- Five Star made 757 loans (4.8% of the market) totaling \$89.6 million (11.3% of the market), so it ranked 2nd in dollar volume of lending
- Canandaigua NB ranked 3rd in dollar volume of lending by making 984 loans (6.2% of the market) totaling \$79.4 million (10% of the market)
- JPMorgan Chase made 1,564 loans (9.9% of the market) totaling \$40.2 million (5.1% of the market), putting it 5th in dollar volume of lending
- First Niagara ranked 6th in dollar volume of lending by making 444 loans (2.8% of the market) totaling \$32.5 million (4.1% of the market)
- Bank of America ranked 7th in dollar volume of lending by making 934 loans (5.9% of the market) totaling \$31.1 million (3.9% of the market)
- Citizens ranked 10th in dollar volume of lending by making 333 loans (2.1% of the market) totaling \$20.7 million (2.6% of the market)
- KeyBank made 177 loans (1.1% of the market) totaling \$13.4 million (1.7% of the market), so it ranked 16th in dollar volume of lending



We would expect a bank's small business lending market share to be in line with its depository market share. Overall, the top 8 banks do not meet this expectation. Together, the top 8 banks captured 66% of the Rochester area's small business dollar volume lending market, significantly smaller than their combined 83% depository market share. Some banks, however, met or exceeded their depository market shares with respect to their dollar volume of small business lending—M&T, Five Star and Canandaigua NB. Bank of America's 7th place dollar volume lending ranking exceeded its 8th place depository market share ranking.

JPMorgan Chase's lending is much higher in terms of number of loans compared to its dollar volume of lending because one of its subsidiaries, Chase Bank, is a major small business credit card lender. While not shown here, Chase Bank made 1,471 small business loans in 2015 (all of which were <=\$100,000), for 94% of the bank's total number of loans, exceeding the 91% average for all lenders and the 83% average for the top 8 banks. Bank of America's smaller dollar lending also exceeded these averages; 96% of its loans were <=\$100,000, indicating that it did a lot of credit card lending. JPMorgan Chase and Bank of America's high volume of smaller, credit card loans is also reflected in their small average loan sizes, \$25,700 and \$33,300 respectively, the smallest among the top 8 banks.

## CASE STUDY: WESTMINSTER ECONOMIC DEVELOPMENT INITIATIVE AND WEST SIDE BAZAAR, BUFFALO, NY

The Westminster Economic Development Initiative<sup>18</sup> (WEDI), founded in 2006 and a CDFI since 2016, includes a program that works with entrepreneurs and existing small business owners to create small businesses, expand existing ventures, and participate in the local workforce. WEDI does this in three ways, through: (1) business training sessions and workshops to educate business owners in starting and running their operations as efficiently and effectively as possible, as well as one-on-one technical assistance; (2) a microloan financing program, providing start-up and existing businesses loans between \$1,000 and \$20,000 (with some flexibility) at rates between 8.5% and 10% (depending on the source of funds); and (3) the West Side Bazaar, WEDI's small business incubator program.

The West Side Bazaar<sup>19</sup> is a small business incubator on the west side of Buffalo that works with recent immigrants and/or low-income entrepreneurs. It currently has 9 food-related businesses, 4 of which have access to the kitchen, 9 retail/service vendors and one service business. Since it opened in 2009, the bazaar has hosted 44 small businesses, creating and maintaining over 50 jobs, and graduating many start-up businesses into the market. In addition to providing space to new businesses at below market rent (graduated over 3 years), West Side Bazaar and WEDI staff provide one-on-one coaching business plan development and marketing and tax preparation assistance.

Due to its success, WEDI is looking to expand the West Side Bazaar into a larger space to accommodate new food/restaurant businesses as well as additional industries. The Bazaar has a waiting list of 33 businesses, of which 17 are food vendors.

WEDI's microloan program has made over 85 microloans totaling over \$350,000 since its inception in 2008. Eighty eight percent (88%) of the business borrowers are still in operation.

## *ii. Lending to businesses in low-moderate income neighborhoods*

Of the 15,821 small business loans totaling \$793 million made in the Rochester MSA in 2015, only 2,626, or 17%, totaling \$154.8 million, or 20%, went to businesses located in low-moderate income census tracts (see Table 2, Appendix C). On average, the top 8 banks performed similarly in lending to businesses in low-moderate income tracts, with 16% of their loans and 21% of their dollar volume of lending going to these businesses.

Some of the top banks, however, outperformed or matched these averages in lending to businesses in low-moderate income areas:

- First Niagara made 23% of its loans and 23% of its dollar volume of lending in low-moderate income tracts
- KeyBank made 20% of its loans and 32% of its dollar volume of lending in low-moderate income tracts
- M&T made 20% of its loans and 23% of its dollar volume of lending in low-moderate income tracts
- Canandaigua NB made 18% of its loans and 21% of its dollar volume of lending in low-moderate income tracts

Note that three of these four banks making loans in low-moderate income neighborhoods are local or regional banks.

## *iii. Smaller loans*

Since 90% of the loans were  $\leq$ \$100,000, the distribution of these loans to businesses in low-moderate income communities are at rates similar to those for total loans. Of the 14,342 loans  $\leq$ \$100,000 totaling \$211.4 million made in the Rochester MSA in 2015, only 2,333, or 16%, totaling \$32.7 million, or 15%, went to businesses located in low-moderate income census tracts. On average, the top 8 banks performed similarly in making these smaller loans to businesses in low-moderate income tracts, with 15% of their smaller loans and 16% of their dollar volume of lending going to these businesses. Still only 4.1% of the total dollar volume of lending of all lenders was used for loans  $<$ \$100,000 to businesses in low-moderate income census tracts; the average for the top 8 banks was only 3.5%. In comparison, both Bank of America and First Niagara used 8.4% of their total dollar volume of lending for these smaller loans in low-moderate income tracts; at least twice the rates for all lenders and the top 8 banks.

## *iv. Loans to smaller businesses*

According to the Consumer Financial Protection Bureau (CFPB), referencing a 2012 US Census Bureau survey of business owners, 83 percent of the 27.6 million businesses in the US, and 90% of minority-owned and 91% of women-owned firms, have no employees other than the owner. An additional 16% of businesses, and 10% of minority-owned and 9% of women-owned firms, have between 1-49 employees. Less than 1% of these businesses or firms have 50 or more employees.<sup>20</sup>

The 2012 survey also categorized US businesses by annual sales or receipts. Seventy-six percent of all businesses, and 86% of minority-owned and 88% of women-owned firms, had receipts less than \$100,000. An additional 19% of businesses, and 12% of minority-owned and 10% of women-owned firms, had receipts between \$100,000 to less than \$1 million. Only 5% of US firms, and 2.3% of minority-owned and 1.7% of women-owned firms, had receipts of \$1 million or more.<sup>21</sup>

Smaller businesses, those with gross annual revenues less than \$1 million or those with less than 500 employees (according to the Small Business Administration), are important to the nation's economy. Businesses with less than 500 employees provide jobs for almost one-half of private sector workers,<sup>22</sup> and are more likely to hire those with a high school diploma than are larger firms.<sup>23</sup> Businesses with GAR<\$1MM make up 95% of US firms and 98% of minority-owned and women-owned firms. It is critical to the health of these smaller businesses and to the health of the Rochester-area economy that they have access to affordable, responsible credit.

As seen in Table 2 (Appendix C), less than one half of the small business loans made in the Rochester MSA in 2015 were to businesses with GAR<\$1MM. Some 7,233 loans, or 46% of loans, were made to smaller businesses totaling \$250.3 million, or 32% of total lending. Together, the top 8 banks sent less of their lending to businesses with GAR<\$1MM than all financial institutions; they made 2,598 loans to these smaller businesses, or 36% of their loans, for \$149.3 million in lending, or 29% of their total lending. Three of the top 8 banks, namely Canandaigua NB, First Niagara and Five Star, did better at serving the area's smaller businesses. These banks exceeded the aggregate and top 8 averages for both how many of their loans and how much of their lending went to businesses with GAR<\$1MM.

For all lenders and the top 8 lenders, only 7% of their total number of loans, and 5% of their total dollar volume of lending, went to GAR<\$1MM businesses in low-moderate income tracts. Bank of America, Citizens, First Niagara and KeyBank outperformed the average of 7% in the proportion of their loans going to GAR<\$1MM businesses in low-moderate income tracts; and Canandaigua NB and First Niagara outperformed the average of 5% in the percentage of their dollar volume of lending going to these smaller businesses in low-moderate income tracts.

It is also useful to compare the lending of the top 8 banks to that of other financial institutions, mainly because the top banks are obligated by the Community Reinvestment Act (CRA) to serve the entire Rochester community, particularly low-moderate income households and neighborhoods. They also undergo regular fair lending exams. While other financial institutions include the area's smaller banks that are subject to this regulatory overview, they also include credit unions and banks that do not have CRA obligations in Rochester, and online and credit card lenders which have no CRA obligations and less oversight with respect to fair access to credit.

Focusing on the dollar volume of small business lending (bottom half of Table 2), we can see that, as a whole, the top 8 banks had 66% of the Rochester MSA market in 2015, while other financial institutions had 34% of the market. We would expect that if banks are serving the community well, their market shares in the various submarkets would be on par with the overall market share. If they are not penetrating these smaller markets as well, this creates an opportunity for lenders with fewer obligations or ties to the community to step in and lend to businesses. Compared to the 66% dollar volume lending market share of the top 8 banks in the Rochester area, together they had a market share of:

- 69% in lending to businesses in low-moderate income tracts
- 54% in lending of amounts <=\$100,000
- 55% in lending of amounts <=\$100,000 in low-moderate income tracts
- 60% in lending to businesses with GAR<\$1MM
- 60% in lending to businesses with GAR<\$1MM in low-moderate income tracts

Except for the general low-moderate income market, the top 8 banks did not capture as much of the other market categories as expected by their overall market share. As such, other financial institutions were able to better penetrate these various market categories, despite having a substantially smaller average loan size of \$28,000 compared to the top 8 bank average of \$86,000. Among the top 8 banks, only Canandaigua NB and First Niagara's penetration into all of the various submarkets was on par with or exceeded their overall MSA market shares.

Of the total dollar volume of lending made by other financial institutions, 6.2% went to businesses with GAR<\$1MM in low-moderate income communities; only three of the top 8 banks met or exceeded this. At 7.2%, Canandaigua NB's proportion going to these businesses exceeded other financial institutions', Five Star met it at 6.2%, and First Niagara's proportion of 12.5% was double that for other financial institutions.

The Rochester MSA's top 8 banks, on the whole, are the area's main players in meeting the overall dollar volume credit needs of the area's businesses, particularly larger businesses or those with bigger credit needs in low-moderate income areas. As seen by the low number of loans to low-moderate income tracts in every category, a lot of the lending in these areas was done through larger loans to larger businesses. There is substantial room for improvement in lending to smaller businesses, or those with smaller credit needs, in low-moderate income census tracts. The overwhelming majority of small business loans given out by the top 8 banks (except M&T) are loans <=\$100,000; we need to see more of these small loans going to businesses in low-moderate income neighborhoods.

## CASE STUDY: KIVA ROCHESTER

Kiva Rochester<sup>24</sup> is a partnership between the City of Rochester and Kiva, the world's largest crowdfunding microlender. Launched by Mayor Lovely Warren's Office of Innovation and Strategic Initiatives, Kiva Rochester works to provide Rochester's small business owners and entrepreneurs with zero (0) percent interest crowdfunded loans of up to \$10,000 (with repayment terms of 1-3 years) to help them grow or launch their businesses.<sup>25</sup> Eligible borrowers can apply to have half of their loans funded by the Rochester Economic Development Corporation (REDCO) Matching Loan Fund.

Between its inception in August 2016 and November 2017, Kiva Rochester has facilitated 45 fully funded loans, for a total loan amount of \$223,500, with an average loan size of \$4,900. Seventy percent of the borrowers have self-reported incomes of \$40,000 or less, 47% are women, and 76% are Black or Latino.

Although borrowers must not be currently in bankruptcy or foreclosure, no social security number, collateral, business plan, or financial statements are required to apply. Along with the submission of a narrative and self-reported financial application, borrowers establish creditworthiness through a process called social underwriting, where they invite the people who know them best – their friends, family, and customers – to support the borrower with loans of \$25 or more at the beginning of their crowdfunding campaign. Once a borrower has established creditworthiness through this social underwriting process, Kiva's worldwide community of over 1.7 million lenders has access to fund the remainder of the loan.

The City of Rochester currently has a network of 38 partner organizations and individuals who provide technical assistance or act as mentors, coaches or trustees to the entrepreneurs. Trustees publicly vouch (visible on the Kiva online lending platform) for the trustworthiness of a business owner and the viability of their business; the City of Rochester is one of several local trustees. Kiva Rochester is looking for additional organizations to be trustees; resource partners, which provide free or low cost training and technical assistance to small business owners; and referral partners, banks or other traditional lenders that refer small businesses to Kiva Rochester when they don't qualify for a traditional loan.



## B. ROCHESTER'S TOP SMALL BUSINESS LENDERS

In this section, we examine the lending patterns of the Rochester area's top small business lenders, based on total number of loans and dollar volume of lending, Tables 3 and 4 respectively in Appendix C.

### *i. Top lenders by total number of loans*

Collectively, the top 8 lenders made 10,979 small business loans in 2015, about 70% of the small business loans made in the Rochester MSA (see Table 3). Here is a summary of the top 8 lenders (by number of loans made):

- American Express was by far the top lender, with 2,539 loans and 16% of the market
- JPMorgan Chase ranked 2nd with 1,564 loans and 9.9% of the market
- Capitol One ranked 3rd with 1,505 loans and 9.5% of the market
- Synchrony Bank was 4th with 1,333 loans and 8.4% of the market
- US Bank was 5th with 1,143 loans and 7.2% of the market
- Canandaigua NB was 6th with 984 loans and 6.2% of the market
- Citibank ranked 7th with 977 loans and 6.2% of the market
- Bank of America came in 8th with 934 loans and 5.9% of the market

Note that only three of the top 8 lenders here are among the Rochester area's top 8 banks—JPMorgan Chase, Canandaigua NB and Bank of America. The five other lenders are clearly credit card lenders, as 99-100% of their loans were  $\leq$ \$100,000 and their average loan size was between \$3,420 and \$10,260.

Credit cards are often the only type of credit that small businesses can access, either due to time or credit constraints, and many business owners like the flexibility. The penetration of the Rochester market by so many lenders that exclusively (including Chase Bank, a subsidiary of JPMC) or mostly do credit card loans demonstrates a credit need that could be met more affordably with small dollar term loans.

The dollar volume of lending section in Table 3 shows that all of the five exclusive credit card lenders are providing more credit via loans  $\leq$ \$100,000 to businesses in low-moderate income communities than all lenders or other financial institutions, on average, are doing. While 4.1% of the dollar volume lending of all financial institutions, and 2.8% of the dollar volume of lending for other financial institutions, is going for smaller loans in low-moderate income census tracts:

- 13% of American Express \$26 million in lending were smaller loans ( $\leq$ \$100,000) to businesses in low-moderate income tracts
- 16% of Capital One's \$13.8 million in lending were smaller loans to businesses in low-moderate income tracts
- 13% of Synchrony Bank's \$4.6 million in lending were smaller loans to businesses in low-moderate income tracts
- 16% of US Bank's \$8.6 million in lending were smaller loans to businesses in low-moderate income tracts
- 12% of Citibank's \$6.3 million in lending were smaller loans to businesses in low-moderate income tracts

It looks like these lenders also penetrated the lending market for businesses with  $\text{GAR} < \$1\text{MM}$ .<sup>26</sup> Four of the credit card banks' market shares for both number of loans and dollar volume of lending to businesses with  $\text{GAR} < \$1\text{MM}$  were higher than their overall Rochester MSA market shares. They also outperformed all financial institutions and other financial institutions with respect to the proportion of their loans and dollar volume of lending going to these smaller businesses.

## *ii. Top lenders by dollar volume of lending*

Table 4, showing the top 8 small business lenders in the Rochester area by dollar volume of lending, looks a lot more like the top 8 bank lending table, as 6 of the top 8 dollar volume lenders are also among the top 8 banks.

Collectively, the top 8 lenders made \$573.6 million in small business lending in 2015, for 72% of the total dollar volume of lending in the Rochester MSA. Here is a summary of the top 8 dollar volume lenders:

- M&T was by far the top lender, with \$212.9 million in lending and 27% of the market
- Five Star ranked 2nd with \$89.6 million in lending and 11% of the market
- Canandaigua NB ranked 3rd with \$79.4 million in lending and 10% of the market
- Bank of Castile was 4th with \$61.8 million in lending and 7.8% of the market
- JPMorgan Chase was 5th with \$40.2 million in lending and 5.1% of the market
- First Niagara was 6th with \$32.5 million in lending and 4.1% of the market
- Bank of America ranked 7th with \$31.1 million in lending and 3.9% of the market
- American Express came in 8th with \$26.1 million in lending and 3.3% of the market

Five of these top 8 dollar volume lenders are local or regional banks (M&T, Five Star, Canandaigua NB, Bank of Castile and First Niagara), of which four are among the top 8 banks. Bank of Castile, while not a top 8 bank, is a local bank. After M&T, Bank of Castile had the highest average loan size of \$193,200 per loan. And, given that Bank of Castile's dollar volume market shares to businesses with GAR<\$1MM and to those businesses in low-moderate income tracts exceeded its overall MSA market share, it is likely that the bank made some larger loans to these businesses. Also, the bank still made the smaller loans; 55% of its 320 loans were <=\$100,000.

Of the \$793.06 million given to small businesses in 2015, \$154.8 million, or 20% of lending, went to businesses in low-moderate income tracts, and \$117.2 million of the total lending of top 8 lenders, or 20% of their lending, went to low-moderate income tracts. Four of the top dollar volume lenders lent a similar or higher proportion of their loans to businesses in low-moderate income tracts, three of which are local or regional banks. These included:

- M&T with 23% of its lending going to low-moderate income tracts
- Canandaigua NB, with 21% of its lending going to low-moderate income tracts
- First Niagara, with 23% of its lending going to low-moderate income tracts
- American Express, with 20% of its lending going to low-moderate income tracts

A total of \$250.3 million in lending, or 32% of the total lending, was made to businesses with GAR<\$1MM, of which \$175.8 million was made by the top 8 dollar volume lenders, for 31% of their total lending. Some of these top 8 lenders sent substantially higher proportions of their lending to smaller businesses; these are:

- Five Star, with 40% of its lending going to businesses with a GAR<\$1MM
- Canandaigua NB, with 36% of its lending going to businesses with a GAR<\$1MM
- Bank of Castile, with 37% of its lending going to businesses with a GAR<\$1MM
- First Niagara, with 58% of its lending going to businesses with a GAR<\$1MM
- American Express, with 47% of its lending going to businesses with a GAR<\$1MM

First Niagara clearly knew how to lend to smaller businesses, and found ways to serve those located in low-moderate income neighborhoods; 82% of its 444 loans went to businesses with GAR<\$1MM, and 18% went to these smaller businesses in low-moderate income tracts. Again, 58% of First Niagara's dollar volume of lending went to smaller businesses and 13% went to them in low-moderate income tracts. These are the top proportions among any of these top 8 dollar volume lenders. We will work with KeyBank to ensure this type of lending going forward, as it acquired First Niagara in 2016.

Five Star also looks like it is finding a market among businesses with GAR<\$1MM, as 71% of its loans and 40% of its dollar volume of lending went to these businesses. While the bank performed well in lending to smaller businesses in low-moderate income tracts, it underperformed in the other types of low-moderate income tract lending. As the bank continues to grow, we are hopeful that it will find ways to better serve businesses located in low-moderate income tracts.

## CASE STUDY: THE COMMUNITY LOAN FUND OF THE CAPITAL REGION

The Community Loan Fund of the Capital Region<sup>27</sup> (CLF) is a non-profit community development financial institution (CDFI) serving the Capital Region of New York State -- Albany, Columbia, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren & Washington Counties. The fund provides access to capital by pooling investments and donations from individuals, faith-based organizations and banks, and re-lending it to non-profit organizations for affordable housing and community services, to micro enterprises for business development, and to individuals for home ownership and repair. CLF also offers training and technical assistance. Specifically, the organization's small business and micro enterprise lending program focuses on businesses owned by women, minorities or low-income people. Eighty percent of its small/micro business borrowers are low-moderate income. CLF makes loans up to \$25,000 for start-up businesses and up to \$50,000 for the expansion of existing businesses. The fund's free training and technical assistance goes from business plan writing through after the business opens. This new post-opening technical assistance program includes technical assistance in financial management ( i.e. training in Quickbooks) and marketing—both in a classroom setting and one-on-one coaching, and is one of the reasons there is a near zero percent default rate in CLF's small business lending.

The CLF worked with one emerging entrepreneur, who is also an immigrant and single mother, after she and her son had come out of a domestic violence shelter. As she had grown up in her family's food business, she had the desire and skills to work in this business. However, she was also a victim of identity theft, so she had very poor credit. A diner where she had worked came up for sale; she wanted to buy the business and begin catering in ethnic food, as well. The CLF provided one-on-one technical assistance to this entrepreneur to address her credit issues and to help perfect her business plan. The fund then loaned her \$25,000 to help purchase the diner business and to expand it into catering. A couple of years later, she was offered jobs in both California and Florida just based on recommendations from the catering arm of her business. She is now working in Florida.

## VI. CONCLUSION

This report is an attempt to answer several questions about access to credit by Rochester area small businesses. Where is small business lending occurring? How are smaller-sized businesses or those wanting smaller loans being served? Are businesses getting their loans from banks with a local presence, from outside banks or from credit card and online lenders?

In 2015, loans to small businesses in the Rochester area were most concentrated in suburban Monroe County. As a whole, the towns in Monroe County received higher proportions of the loans and the dollar volume of lending (both 52%) than expected given their proportion of the MSA's occupied businesses (45%). Businesses in the city of Rochester, in low-moderate income tracts and in communities of color received fewer loans and less of the dollar volume of lending than expected by the proportions of businesses in these areas.

Geographic differences in the number of small business loans are also seen in the maps. Most Monroe County towns experienced lending that was higher than the MSA average of 58 loans per census tract. In comparison, most of the city of Rochester had fewer loans than the MSA average. In the rest of the MSA, Wayne County generally had the lowest levels of lending.

Ninety percent of the loans originated in 2015 were less than or equal to \$100,000, indicating that there is a strong market for relatively small loans in the Rochester area. The average loan size was slightly higher in the city of Rochester (\$58,600) than it was in the Monroe County towns (\$51,000) or the rest of the MSA (\$45,200).

Most of the small business lending in the Rochester area in 2015 was to businesses with revenues of \$1 million or more. Only 46% of the loans in the MSA, and 31% of the dollar volume of lending, were to businesses with gross annual revenues under \$1 million, even though at the national level these businesses make up 95% of all enterprises.

Our analysis of the Rochester area's top 8 banks shows that, overall, the MSA's largest banks penetrated the small business lending market less than expected by their depository market share. Together, the top 8 depositories did less lending to businesses with GAR<\$1MM, to businesses obtaining smaller loans, and to these types of loans in low-moderate income tracts than expected by their overall MSA market share. Depending upon the category, two or more of the top 8's local/regional banks (Canandaigua NB, First Niagara, Five Star, M&T) often outperformed the larger banks or the averages (AFI, Top 8) in lending to businesses in low-moderate income census tracts, to businesses with GAR<\$1MM, or to these smaller businesses in low-moderate income tracts. For example, Canandaigua NB, First Niagara, and Five Star outperformed the aggregate and top 8 averages for both number of loans and dollar volume of lending with respect to lending to businesses with GAR<\$1MM.

Our analysis of the top 8 lenders based on total number of loans shows that credit card lenders are filling a small business credit need in the Rochester area. There is clearly an opportunity for banks with a depository presence and CRA obligations in Rochester to develop smaller dollar term loan products to reduce the use of these high interest rate forms of credit.

*Five of the top 8 institutions making the most loans are large credit card lenders—American Express, Capital One, Synchrony, US Bank and Citibank. Ninety-nine to 100% of these lenders' loans were <=\$100,000, and their average loan size was \$10,260 or less. None of these five lenders have any CRA obligations because they have no local depository presence. Still, these credit card lenders had substantial penetration in the following markets: businesses with GAR<\$1MM and businesses with GAR<\$1MM in low-moderate income communities.*

The performance of the top 8 lenders based on dollar volume of lending highlights the important role played by our local/regional banks. Three out of the 4 top 8 lenders with dollar volume distributions to low-moderate income communities above the MSA average of 19.5% were local or regional banks (M&T, Canandaigua NB, and First Niagara). Four out of the 5 top 8 lenders with dollar volume distributions to businesses with GAR<\$1MM above the MSA average of 31.6% were also local banks (Five Star, Canandaigua NB, Bank of Castile, and First Niagara). Given their larger average loan sizes (\$73,000 to \$253,000), these banks are responsible for much of the higher dollar volume lending to smaller businesses, and lending to businesses in low-moderate income census tracts.



## VII. RECOMMENDATIONS

Rochester's shift from a big company high-tech manufacturing region is almost complete. We now have a variety of small high tech and service businesses, as well as large service and educational institutions. Rochester also is host to a growing immigrant community, members of which are starting micro-businesses to support themselves and their families.

Moreover, as documented in an August 2017 report by Act Rochester, the Rochester area has yet to effectively address the "substantial disparities in childhood poverty, overall poverty, academic achievement, earnings and homeownership rates between African Americans and Latinos and white populations."<sup>28</sup> Thriving small businesses in the city of Rochester can increase the ability of city residents to access jobs and climb out of poverty and for these disparities to be reduced.

### A. RECOMMENDATIONS

For all of these businesses to succeed, no matter their size, sector or geographic area, they need access to affordable, responsible credit and lenders who understand Rochester's changing market. Empire Justice Center recommends the following actions to seed a community conversation about how to make this happen.

- 1. Expand and enhance the small business lending data that is reported and released to the public to allow for more detailed analysis and increased accountability.** The Consumer Financial Protection Bureau (CFPB) can do this by promulgating a strong rule to implement Section 1071 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).<sup>29</sup> Advocates and financial institutions should support a strong rule by the CFPB and strongly oppose any efforts to repeal Section 1071 or to develop carve-outs or exemptions. If a strong Section 1071 rule is approved, some of the new information is likely to include the action taken on a business loan application (ie. whether it was approved or denied), as well as the gross annual revenue of the business, the race, ethnicity and gender of the principle owner(s), the census tract of the business, and the type and purpose of the loan.<sup>30</sup> Except for two large gross annual revenue categories, none of this information is currently available to the public. Such data will be extremely valuable in helping ensure fair lending to small businesses, particularly those owned by women and people of color.
- 2. Support the Small Business Borrowers' Bill of Rights (BBoR) by either becoming a signatory or endorser.**<sup>31</sup> The BBoR identifies six fundamental rights that all small business owners seeking financing should have, along with specific practices by lenders and brokers that are necessary to uphold and protect these rights. They are rights to transparent pricing and terms, non-abusive products, responsible underwriting, fair treatment from brokers, inclusive credit access and fair collections practices. Lenders can become signatories, attesting that they abide by all of the requirements of the BBoR. Organizations that are not directly involved in lending but that support responsible business lending practices can endorse the BBoR.
- 3. Increase affordable loan options for young or start-up small businesses.** Banks can work with local community advocates, economic development officials, community development financial institutions (CDFIs) and the business community to craft a product that is affordable and makes business sense. Some banks only offer credit card loans for businesses younger than 2 years. These banks should be encouraged to refer these businesses to CDFIs, so they don't have to resort to a higher cost credit card loan or a predatory loan from an online or merchant cash advance lender.

4. **Banks need to adequately fund CDFIs to make smaller loans and provide technical assistance to new or young businesses.** However, funding of CDFIs cannot replace doing the work of underwriting and originating small business loans; banks need to do this as well. When businesses are not ready for a loan, banks can refer them to CDFIs for credit repair and technical assistance. CDFIs can return the favor by referring businesses to banks for a more traditional loan product when ready.
5. **Ensure adequate financing of federal and state funds that support CDFIs.** The U.S. Treasury CDFI Fund is under threat of being gutted in the 2018 federal executive budget where its funding would go from \$248 million to \$14 million.<sup>32</sup> The New York State CDFI Fund, modeled after the federal fund, was created by legislation in 2007. However, it has yet to receive any appropriations.<sup>33</sup>
6. **Increase the visibility of CDFIs' loan products and technical support services.** CDFIs should work together at the local level to market their products and services and work with their supervising organizations to get marketing support. Banks should provide funding and/or technical support for the marketing of what CDFIs offer.
7. **States should have the power to regulate fintech companies.** While the Office of the Comptroller of the Currency (OCC) is considering creating a new "special purpose" national bank charter for fintech lenders,<sup>34</sup> fintechs can currently apply for an industrial loan company (ILC) charter and be regulated by the OCC. Social Finance, Varo and Square have all applied to the OCC for regulatory approval to expand their ability to lend to small businesses under an ILC charter.<sup>35</sup> If the OCC approves these charter applications, fintech lenders will be able to lend all over the country and charge higher interest rates than are allowed under New York State and other state laws. In January 2017, NY Department of Financial Services (DFS) Superintendent, Maria T. Vullo, submitted a comment letter opposing the OCC's proposal to create a special purpose national bank charter for fintech companies,<sup>36</sup> and in May 2017, the department sued the OCC.<sup>37</sup> DFS argued that, instead of the OCC granting national charters that would allow fintech institutions to avoid state usury caps, New York should license and regulate fintechs. In December 2017, a federal judge dismissed the DFS's May lawsuit, saying that since the OCC had yet to reach a decision on fintech charters, the case was filed too early.<sup>38</sup>

# APPENDIX A

## I. METHODOLOGY

**Aggregate data.** Empire Justice obtained the 2015 aggregate CRA small business lending data from the public data files at Federal Financial Institutions Examination Council (FFIEC), specifically Table A1-1, Small Business Loans by County - Originations from the Council's flat files,<sup>39</sup> and used the count and dollar volume of small business loan originations by census tract for the Rochester MSA. Some of the totals in this report that used this data may be slightly different than overall small business lending totals, due to some of the data reported with "tract not known." This data set includes small business loans made via business credit card loans.

**Lender data.** Empire Justice obtained the 2015 CRA small business lending disclosure data from the National Community Reinvestment Coalition (NCRC), which obtained the data from Federal Financial Institutions Examination Council (FFIEC), specifically Table D1-1, Small Business Loans by County – Originations.<sup>40</sup> NCRC then filtered the data to obtain the count and dollar volume of CRA small business loans (totals and those in low-moderate income census tracts) by lender for the Rochester MSA. This data set includes small business loans made via business credit card loans.

**Estimating the number of businesses.** HUD aggregates by census tract US Postal Service (USPS) data on residential and business vacancies.<sup>41</sup> Using several fields from this data, Empire Justice created an estimate of the number of occupied businesses in each census tract as of March 31, 2017. It was calculated as: Estimated number occupied businesses = Total Count of Business Addresses – (Total Count of Vacant Business Addresses + Total Count of No Statistics Business Addresses). "No Statistics Business Addresses" can be classified as no-stat for many reasons, including: Rural Route addresses vacant for 90 days or longer; addresses for businesses or homes under construction and not yet occupied; addresses in urban areas identified by a carrier as not likely to be active for some time. We believe this approach conservatively estimates the number of businesses occupied as of March 31, 2017. Thanks to the National Community Reinvestment Coalition (NCRC) for providing the original HUD dataset.

**Mapping.** The maps were created using the aggregate CRA small business lending data and laying the estimated number of occupied businesses per census tract over the colors signifying the number of loans per census tract. The dots do not indicate the actual location of businesses. The mapping program, ARC GIS, scatters the dots randomly throughout each census tract, giving a sense of the density of occupied businesses in each tract.

The number of loans for each type of loan (total CRA loans, loans <= \$100,000 and loans to businesses with GAR<\$1 million) are divided approximately equally among the five categories of loans (red, yellow, green, teal, indigo) used throughout the maps and are based on all of the census tracts in the MSA, so the cutoffs for each type of loan are the same across the three geographies (city of Rochester, Monroe County towns, other 5 MSA counties).

Note that we do not compare the number of businesses in a census tract to the number of loans to businesses with GAR<\$1 million because the HUD/USPS vacancy data does not include information on business size, so we cannot estimate the number of businesses with GAR<\$1 million located in each census tract.

# APPENDIX B: MAPS



**FIGURE 2: NUMBER BUSINESSES BY CENSUS TRACT AS OF MARCH 31, 2017 (ROCHESTER, NY)**

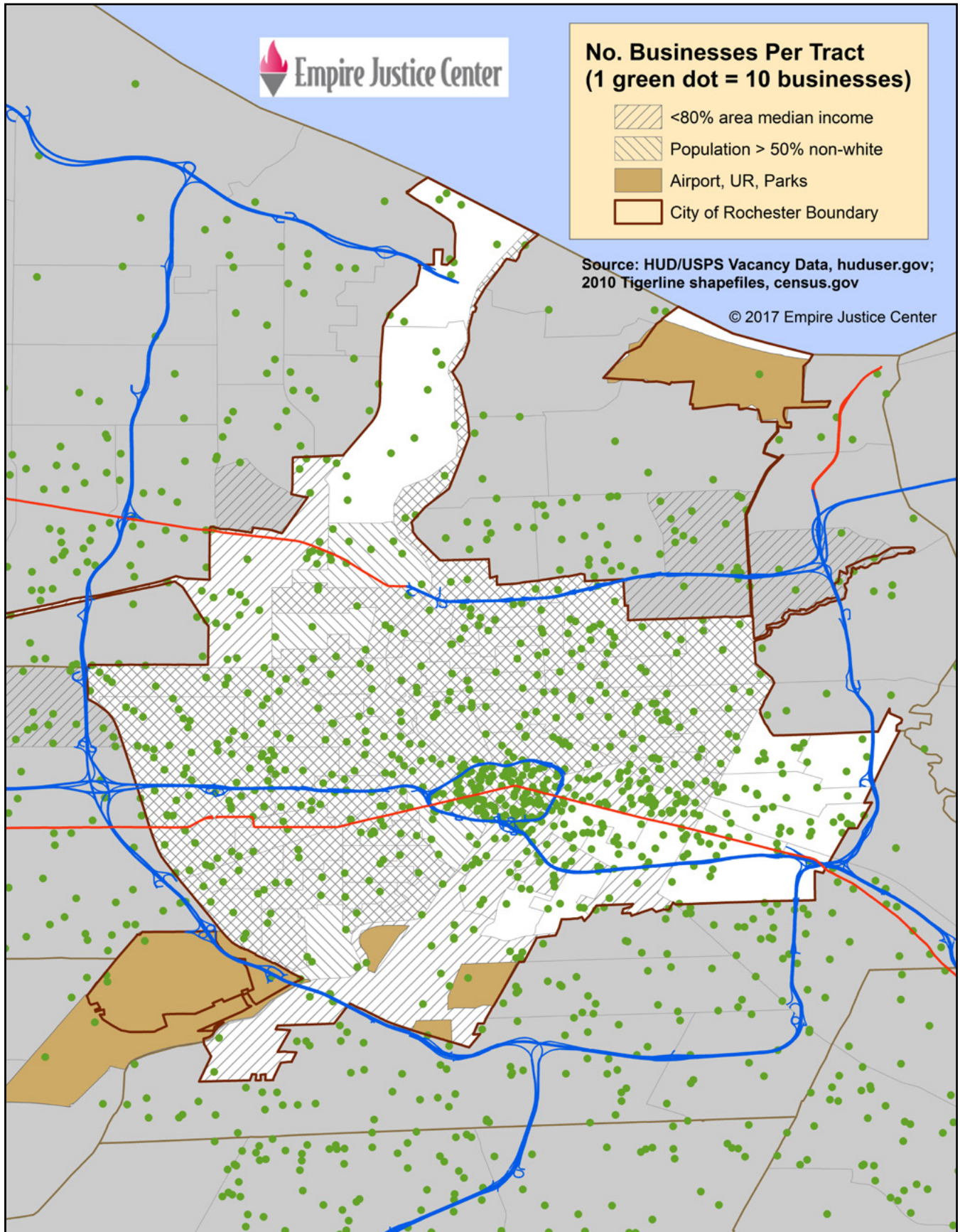
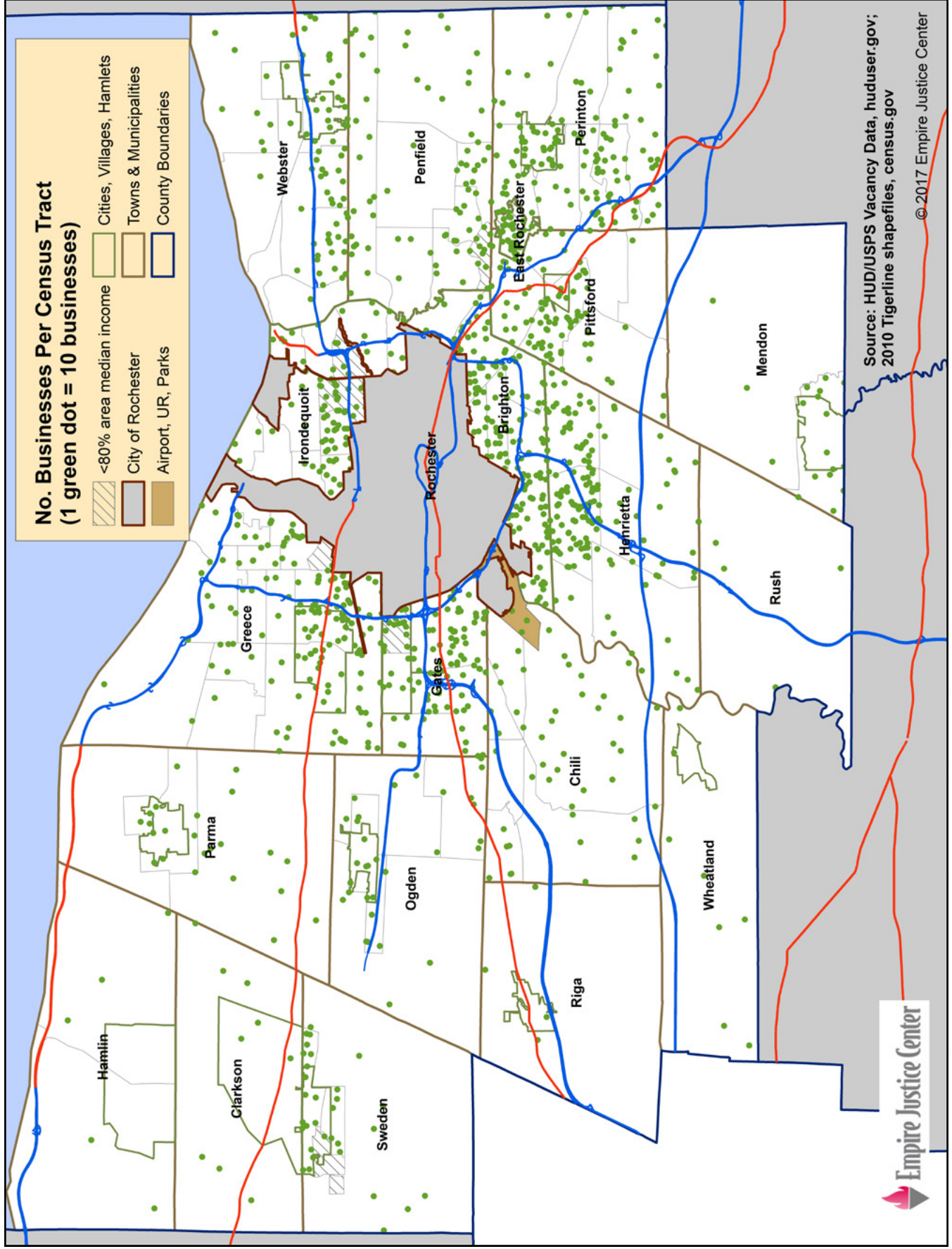
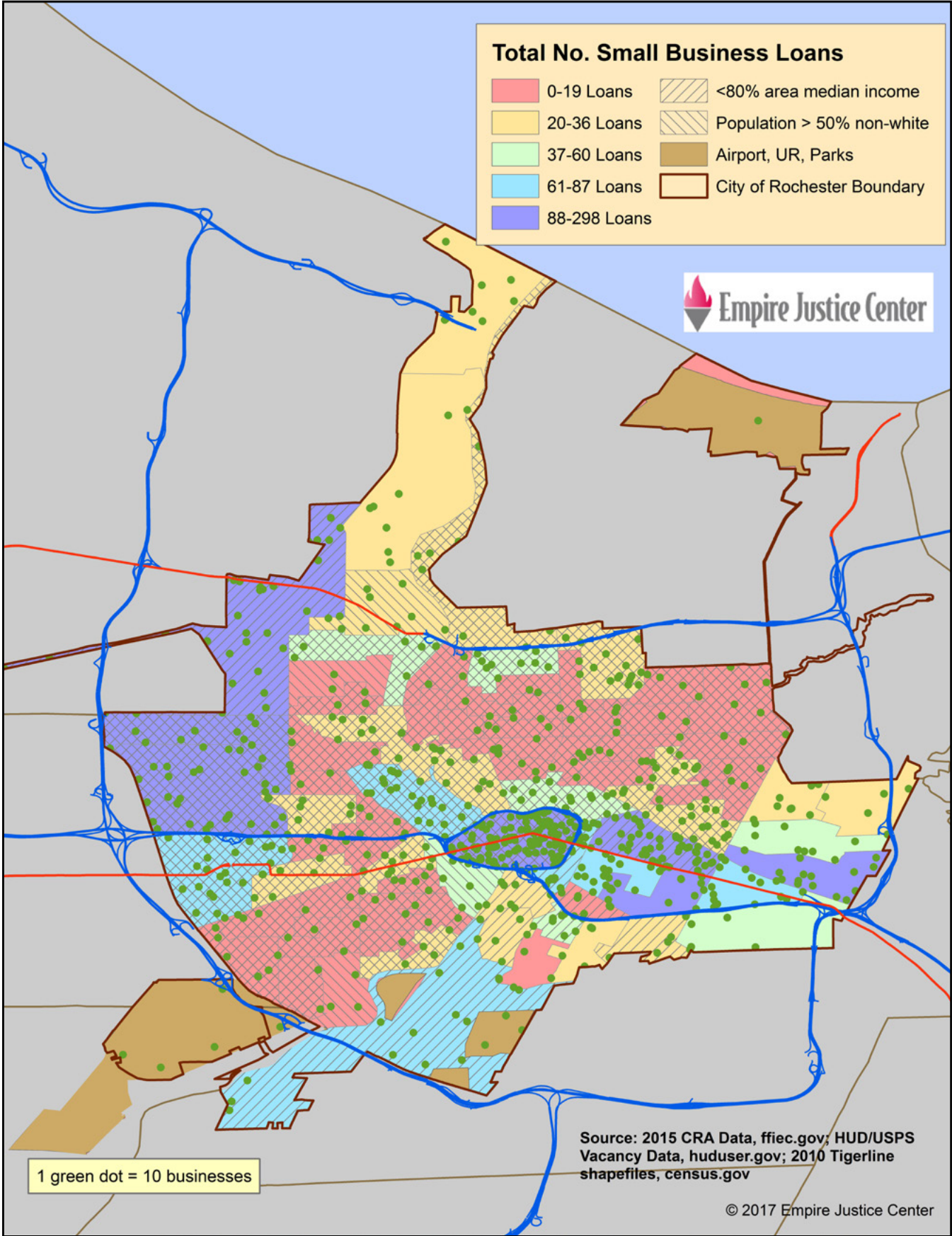


FIGURE 3: NUMBER BUSINESSES BY CENSUS TRACT AS OF MARCH 31, 2017 (MONROE COUNTY, NY)

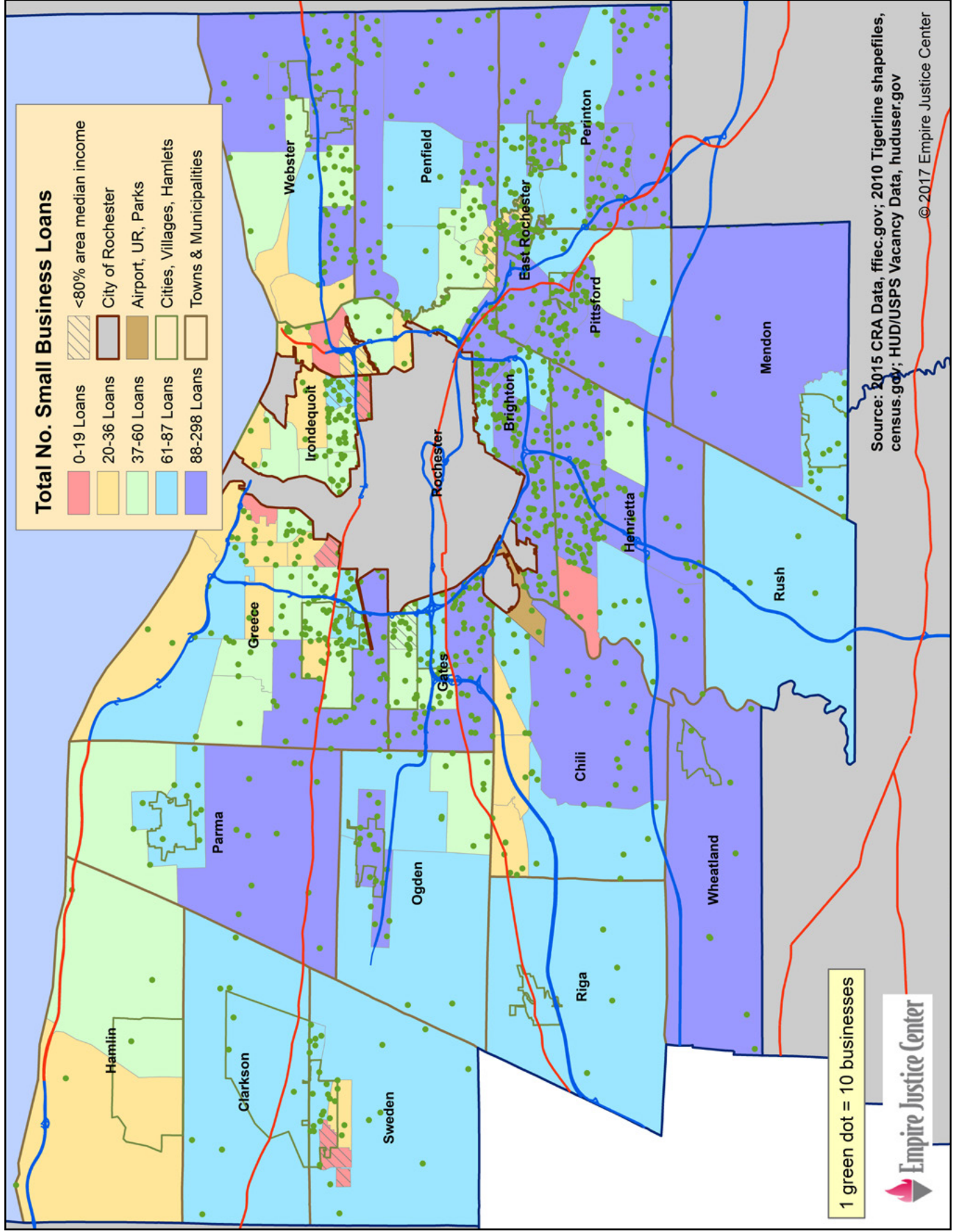




**FIGURE 4: TOTAL NUMBER CRA SMALL BUSINESS LOANS - 2015, AND NUMBER OF BUSINESSES, BY CENSUS TRACT (ROCHESTER, NY)**

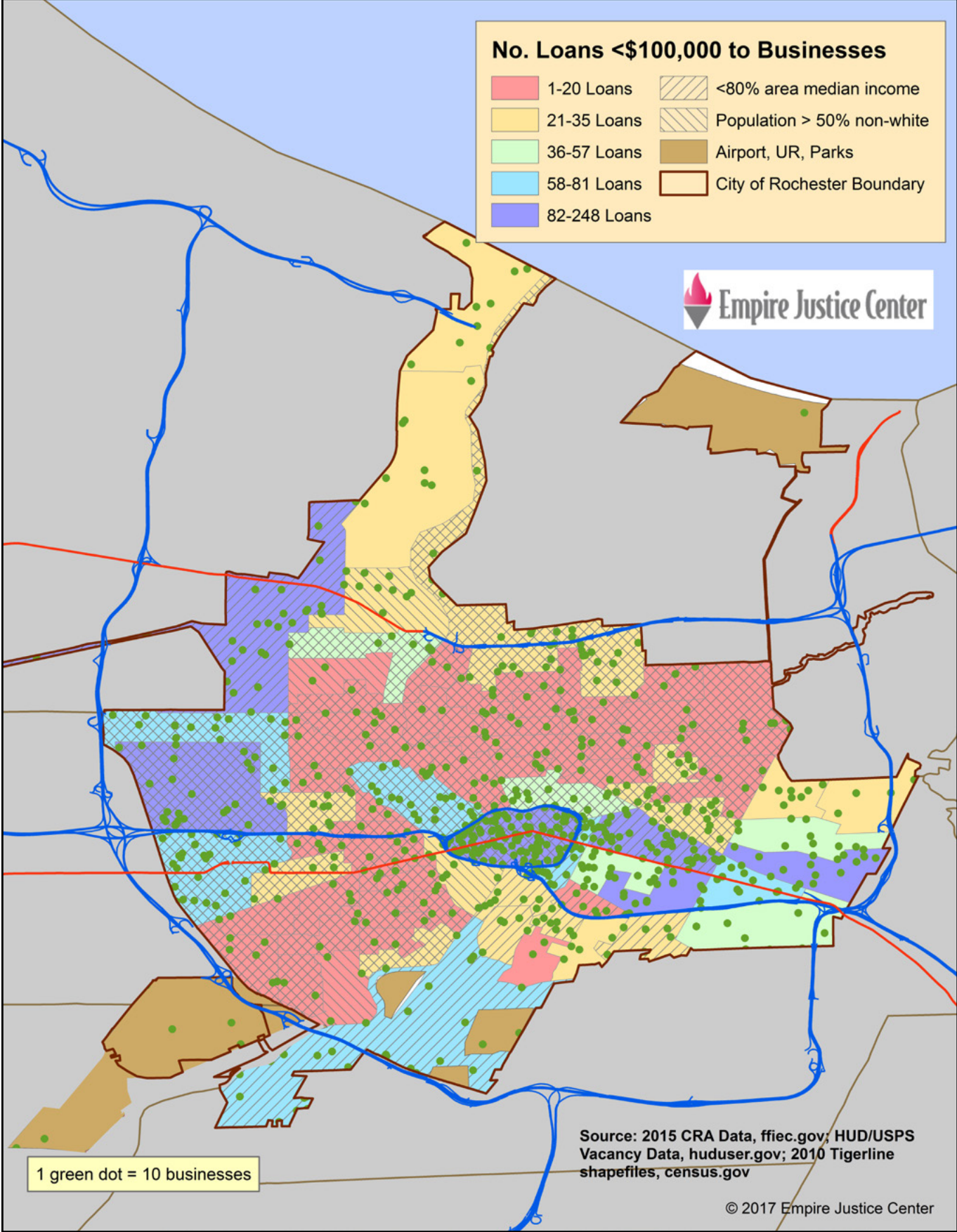


**FIGURE 5: TOTAL NUMBER CRA SMALL BUSINESS LOANS - 2015 AND NUMBER OF BUSINESSES, BY CENSUS TRACT (MONROE COUNTY, NY)**



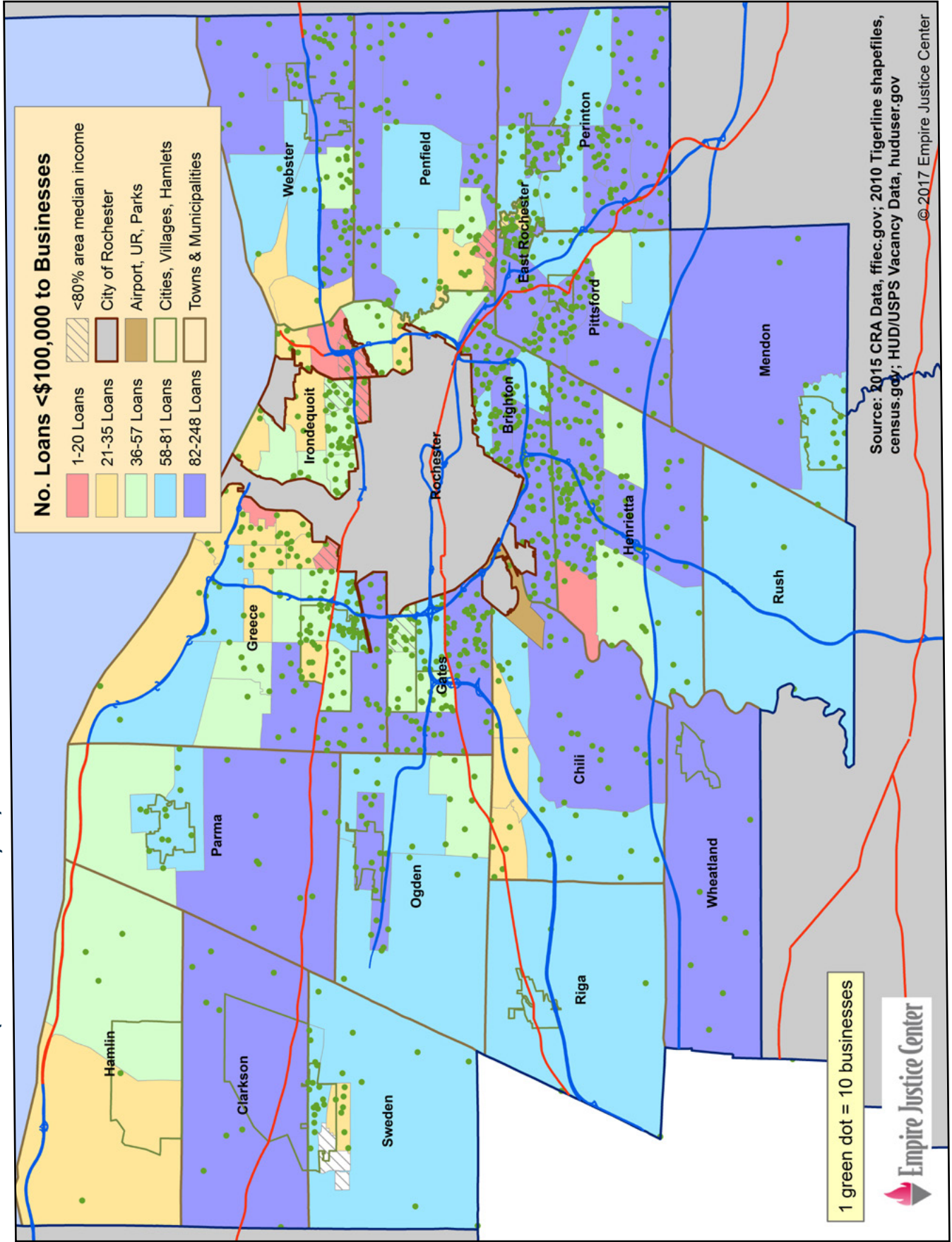


**FIGURE 6: NUMBER LOANS <=\$100,000 TO BUSINESSES - 2015, AND NUMBER OF BUSINESSES, BY CENSUS TRACT (ROCHESTER, NY)**

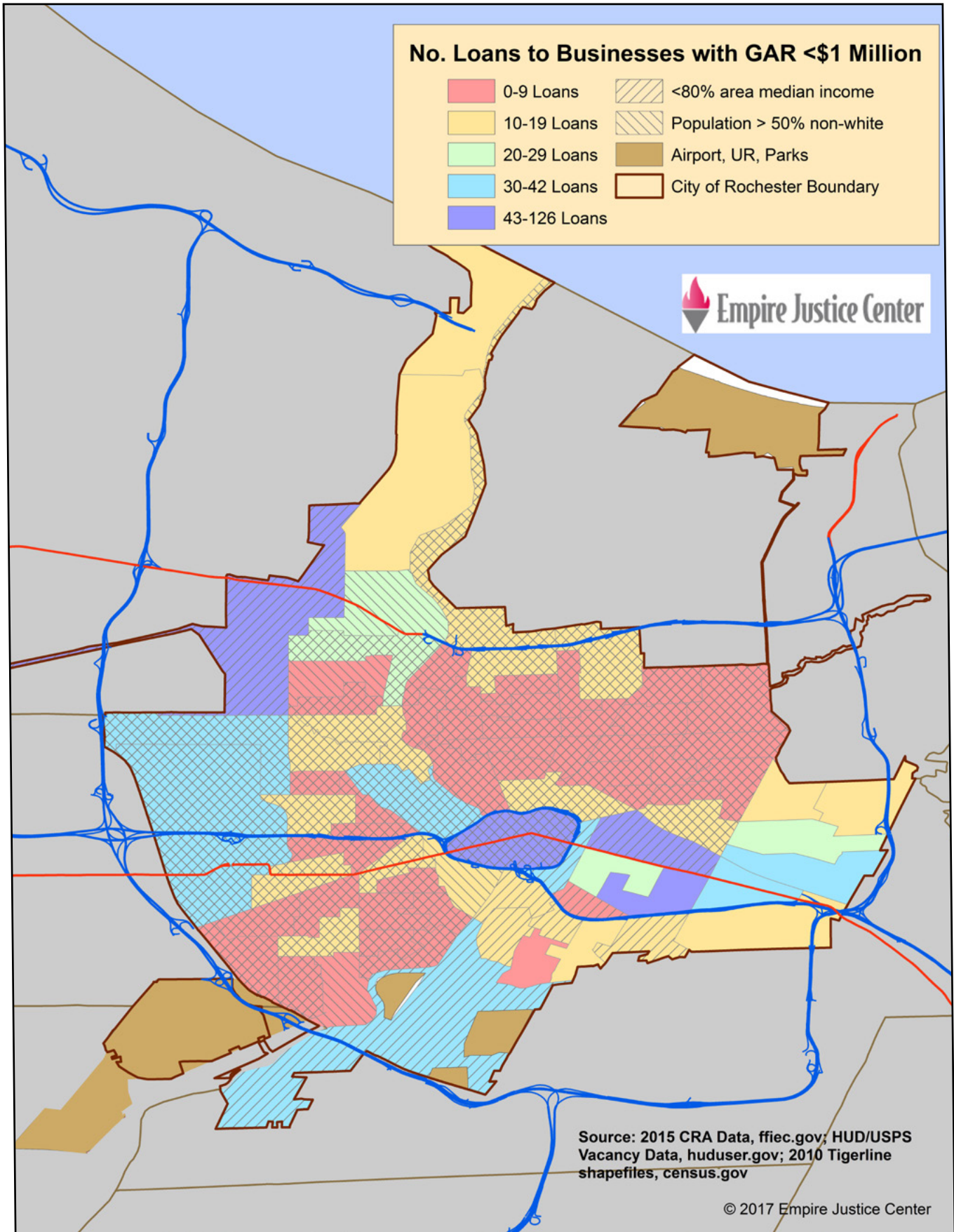




**FIGURE 7: NUMBER LOANS <=\$100,000 TO BUSINESSES - 2015, AND NUMBER OF BUSINESSES, BY CENSUS TRACT (MONROE COUNTY, NY)**



**FIGURE 8: NUMBER LOANS TO BUSINESSES WITH GROSS ANNUAL REVENUES UNDER \$1 MILLION BY CENSUS TRACT, 2015 (ROCHESTER, NY)**





**FIGURE 9: NUMBER LOANS TO BUSINESSES WITH GROSS ANNUAL REVENUE UNDER \$1 MILLION BY CENSUS TRACT, 2015 (MONROE COUNTY, NY)**

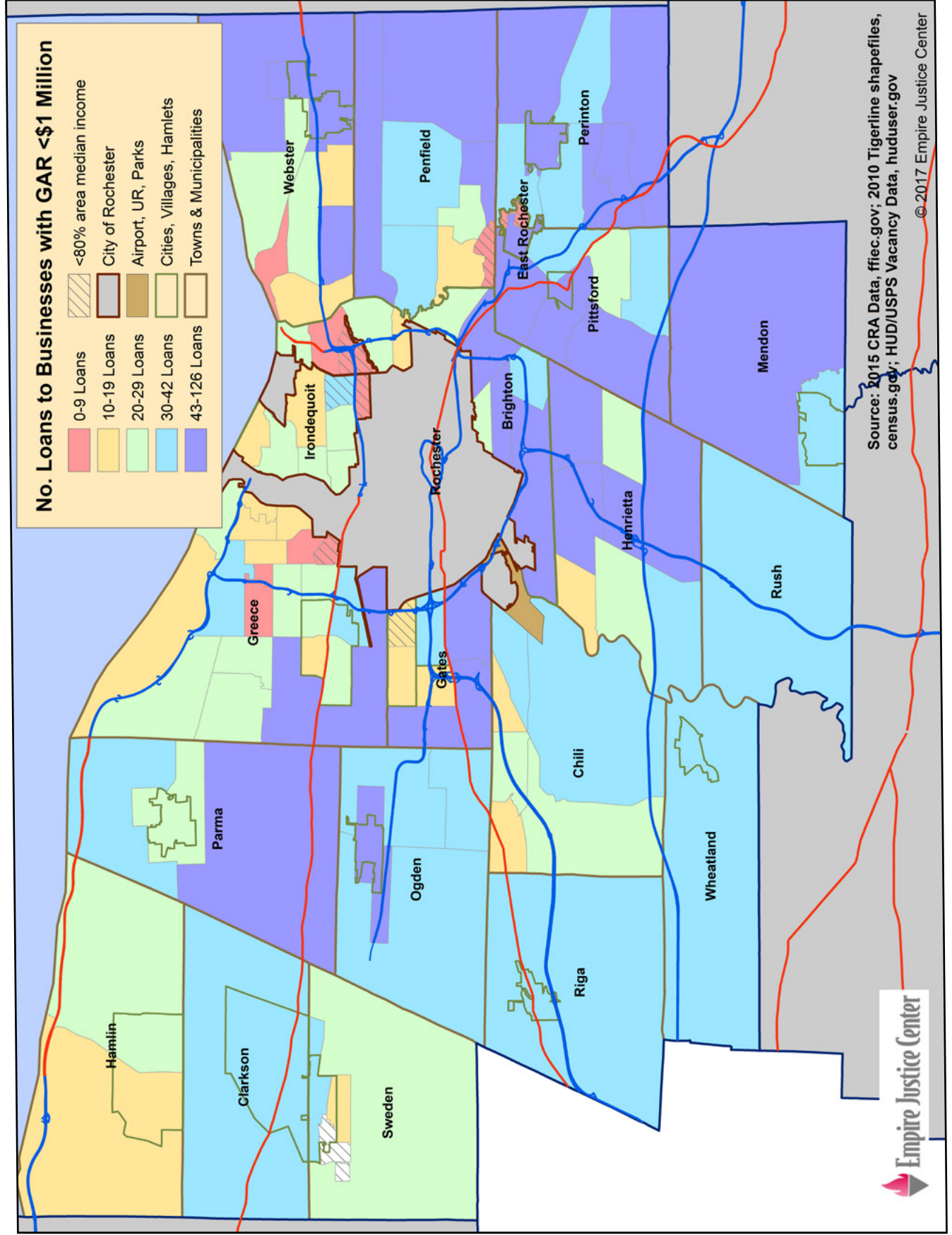
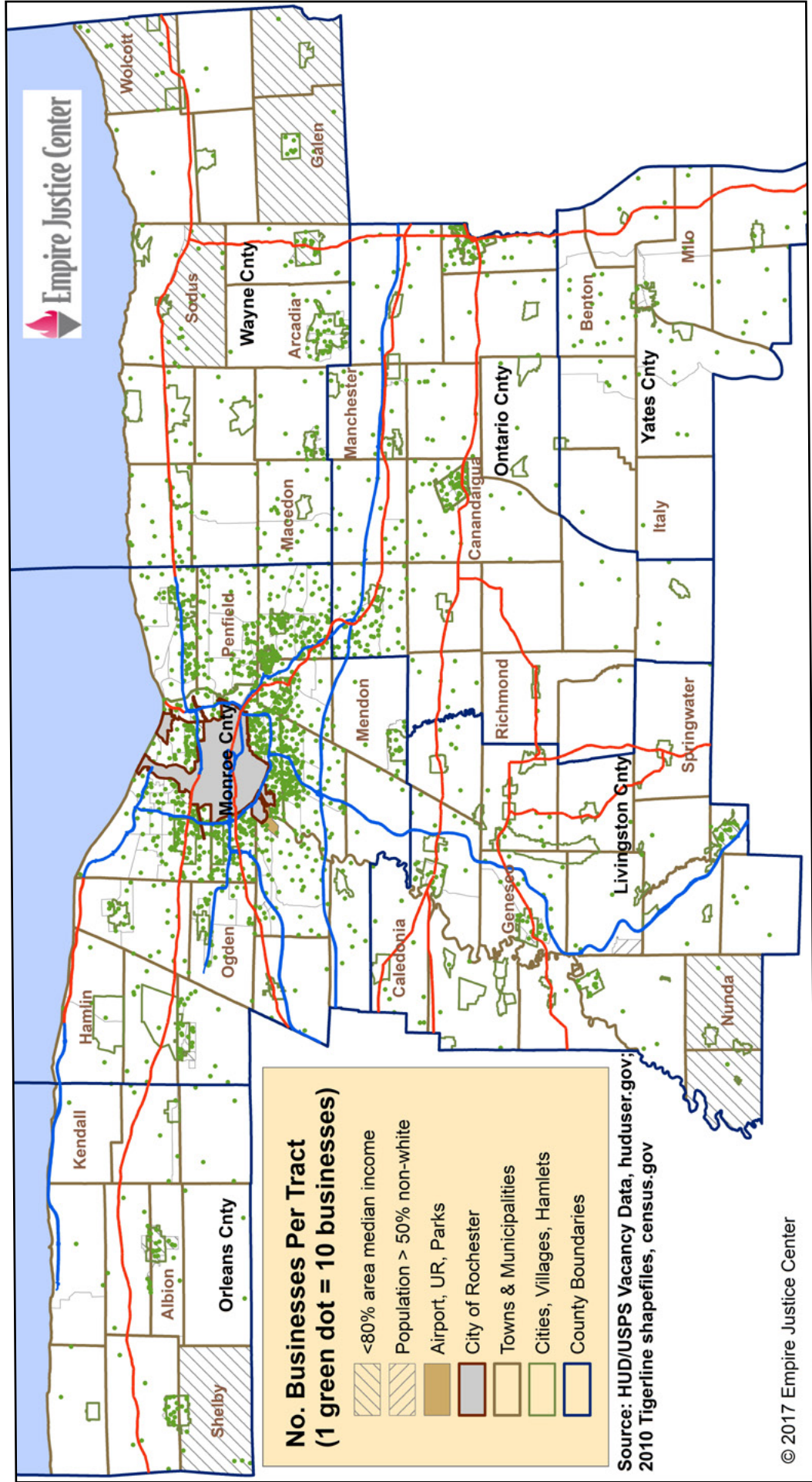
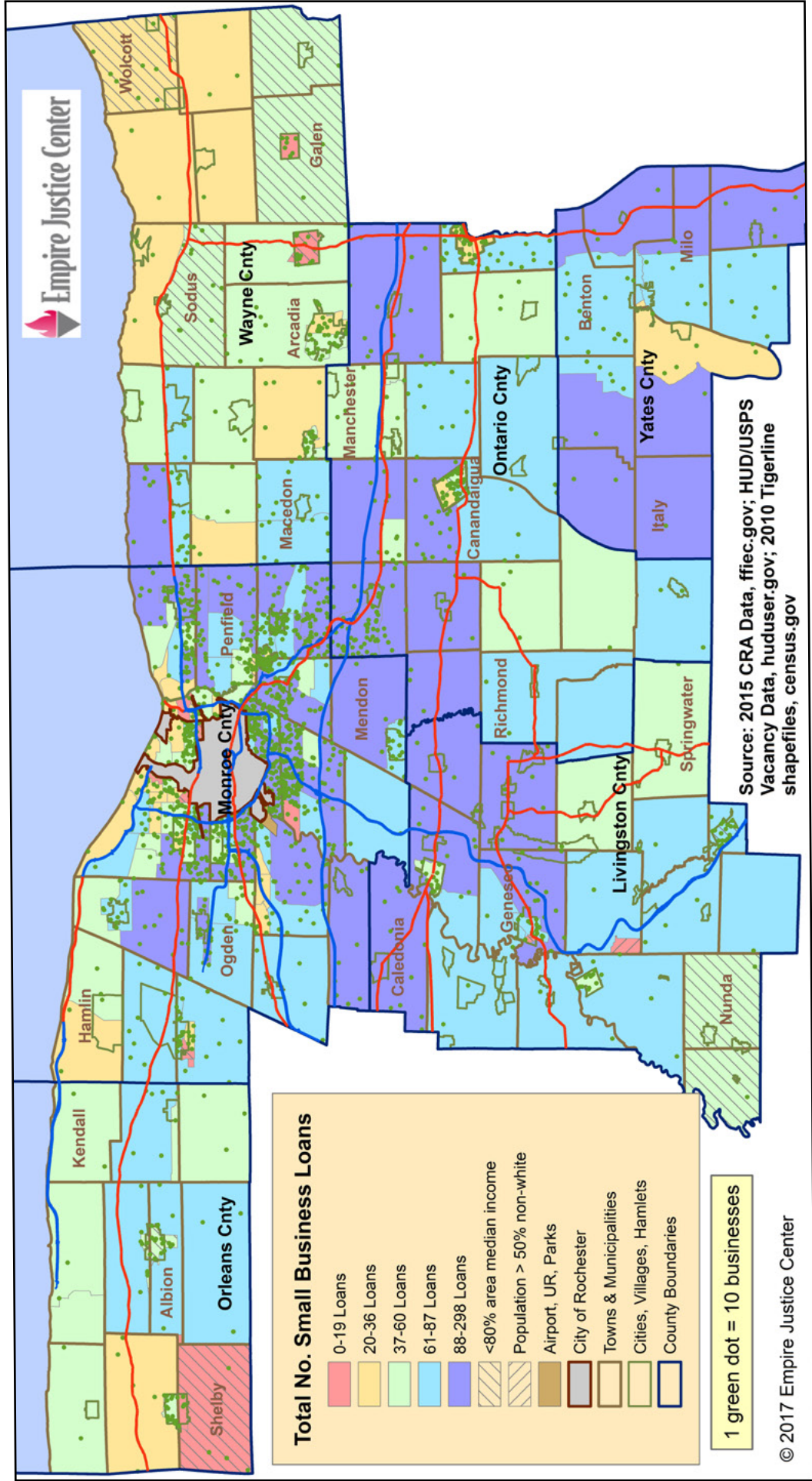


FIGURE 10: NUMBER BUSINESSES BY CENSUS TRACT AS OF MARCH 31, 2017 (ROCHESTER NY MSA)



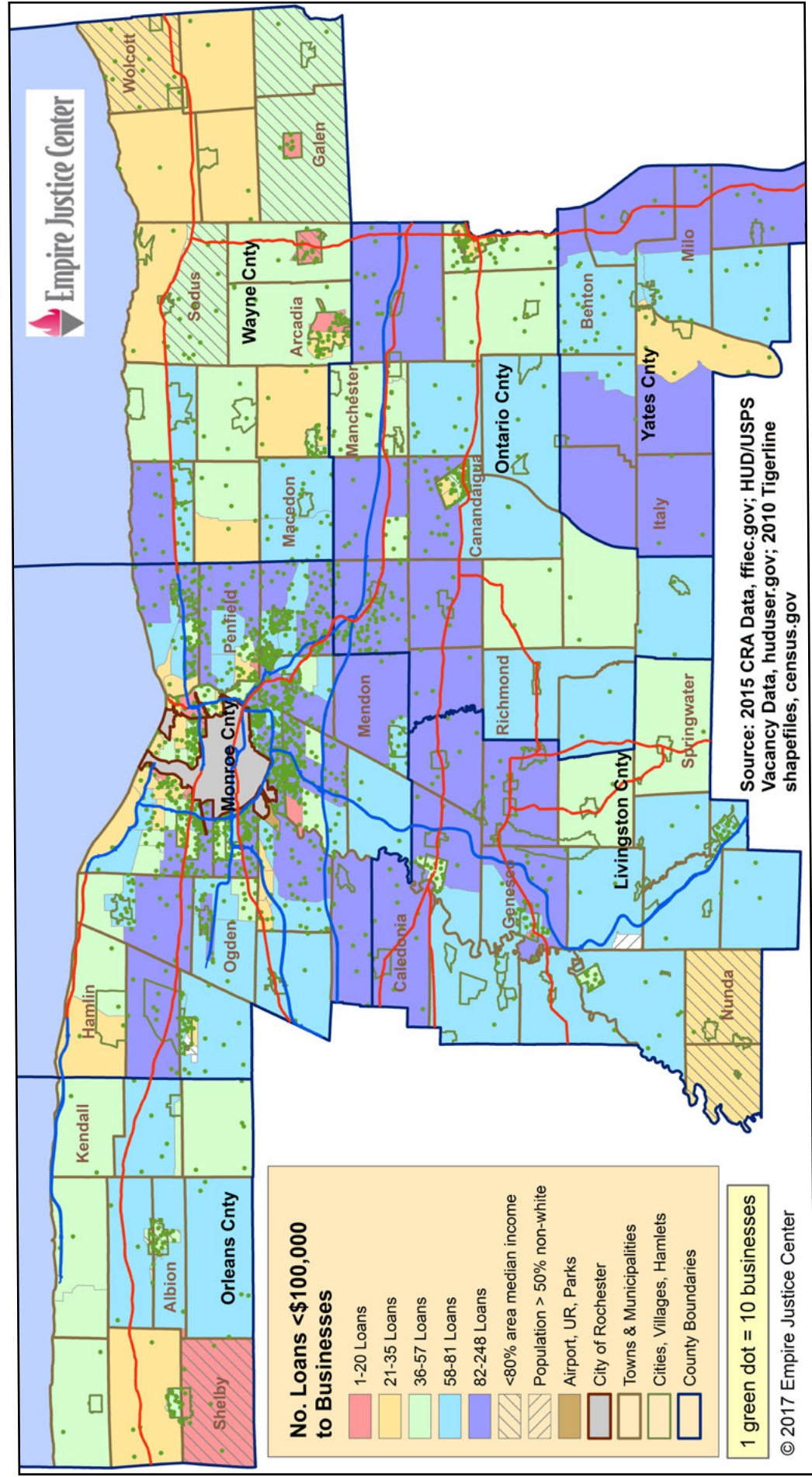


**FIGURE 11: TOTAL NUMBER CRA SMALL BUSINESS LOANS - 2015, AND NUMBER OF BUSINESSES, BY CENSUS TRACT (ROCHESTER, NY MSA)**

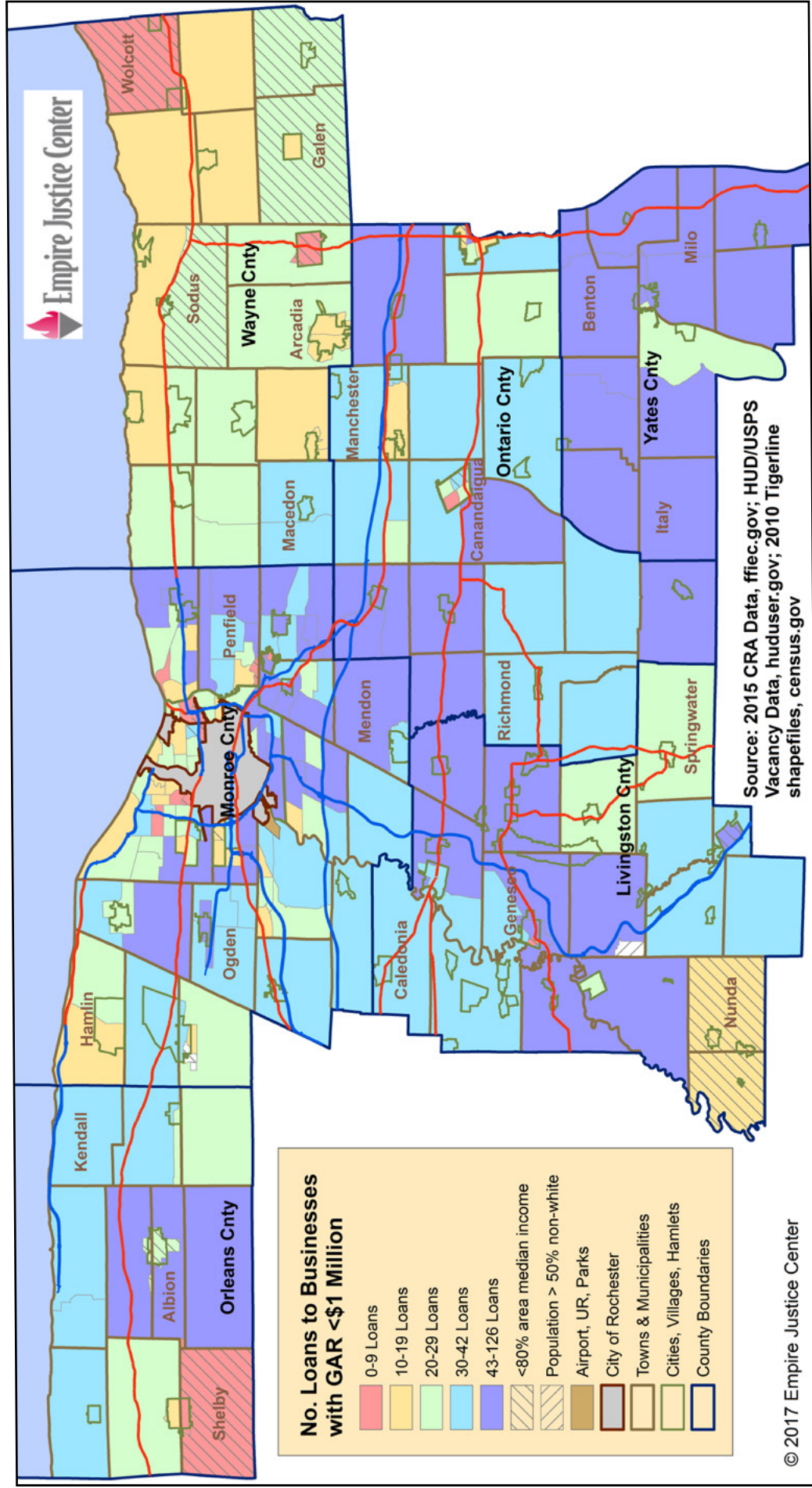




**FIGURE 12: NUMBER LOANS <=\$100,000 TO BUSINESSES - 2015, AND NUMBER OF BUSINESSES, BY CENSUS TRACT (ROCHESTER NY MSA)**



**FIGURE 13: NUMBER LOANS TO BUSINESSES WITH GROSS ANNUAL REVENUES UNDER \$1 MILLION BY CENSUS TRACT, 2015 (ROCHESTER NY MSA)**



Source: 2015 CRA Data, ffiec.gov; HUD/USPS Vacancy Data, huduser.gov; 2010 Tigerline shapefiles, census.gov



# APPENDIX C: TABLES

**Table 1: Offices and Deposits of all FDIC-Insured Institutions, Rochester NY MSA  
Deposit Market Share Report, as of June 30, 2015**

Rank	Institution Name	CERT	State (Hqtrd)	Bank Class	State/ Federal Charter	Outside of Market			Inside of Market			
						No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	No. of Offices	Deposits (\$000)	Market Share
1	Manufacturers and Traders Trust Company	588	NY	SM	State	680	69,435,147	31	4,067,862	24.57%		
2	JPMorgan Chase Bank, National Association	628	OH	N	Federal	5,517	1,067,217,028	28	2,207,972	13.34%		
3	The Canandaigua National Bank and Trust Company	6985	NY	N	Federal	0	0	25	1,821,820	11.01%		
4	Citizens Bank, National Association	57957	RI	N	Federal	818	71,764,107	33	1,575,129	9.52%		
5	First Niagara Bank, National Association	16004	NY	N	Federal	387	27,565,021	20	1,395,054	8.43%		
6	KeyBank National Association	17534	OH	N	Federal	979	71,492,706	23	1,076,380	6.50%		
7	Five Star Bank	659	NY	SM	State	30	1,716,822	20	956,098	5.78%		
8	Bank of America, National Association	3510	NC	N	Federal	4,847	1,168,791,585	14	777,157	4.69%		
9	The Lyons National Bank	7151	NY	N	Federal	2	80,011	10	673,182	4.07%		
10	Community Bank, National Association	6989	NY	N	Federal	165	5,593,217	19	626,848	3.79%		
11	The Bank of Castile	13292	NY	NIM	State	9	582,823	10	412,184	2.49%		
12	Genesee Regional Bank	26333	NY	NIM	State	0	0	3	372,817	2.25%		
13	Fairport Savings Bank	30056	NY	SB	State	0	0	5	177,683	1.07%		
14	USNY Bank	58541	NY	NIM	State	2	87,199	1	120,084	0.73%		
15	Northwest Bank	28178	PA	SB	State	157	5,880,396	5	92,533	0.56%		
16	Generations Bank	16040	NY	SB	Federal	6	151,088	3	53,334	0.32%		
17	The Upstate National Bank	13748	NY	N	Federal	2	24,989	1	50,047	0.30%		
18	Medina Savings and Loan Association	30547	NY	SL	State	0	0	1	46,460	0.28%		
19	Savannah Bank National Association	14619	NY	N	Federal	4	98,617	1	27,210	0.16%		
20	Steuben Trust Company	12936	NY	NM	State	12	396,111	2	21,718	0.13%		
21	Woodforest National Bank	23220	TX	N	Federal	749	3,962,586	3	2,386	0.01%		
	Top 8 Banks					13,258	2,477,982,416	194	13,877,472	83.84%		
	Number of Institutions in the Market: 21				TOTALS	14,366	2,494,839,453	258	16,553,958	100		



**Table 2: Top 8 Banks Small Business Lending, 2015**

**Top 8 Depositories, Rochester, NY MSA**

<b>Number of Loans</b>											
	AFI	BOA	CNB	Citizens	FNFG	Five Star	JPMC	KeyBank	M&T	Top 8	OFI
<b>Number of Loans Ranking Among All</b>											
		<b>8</b>	<b>6</b>	<b>12</b>	<b>11</b>	<b>10</b>	<b>2</b>	<b>17</b>	<b>9</b>		
<b>Rochester MSA Total</b>	15,851	934	984	333	444	757	1564	177	842	6,035	9,816
<b>Rochester MSA in LMI CT</b>	2,626	174	177	48	101	93	181	35	171	980	1,646
<b>Loan Amt &lt;= \$100,000</b>	14,342	892	823	294	383	565	1519	157	394	5,027	9,315
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	2,333	167	141	41	87	64	171	27	73	771	1,562
<b>Bus. w. GAR &lt; \$1 M</b>	7,233	474	491	236	366	540	9	98	384	2,598	4,635
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	1,151	90	79	31	78	63	4	19	67	431	720
<b>Marketshare</b>											
		<b>BOA</b>	<b>CNB</b>	<b>Citizens</b>	<b>FNFG</b>	<b>Five Star</b>	<b>JPMC</b>	<b>KeyBank</b>	<b>M&amp;T</b>	<b>Top 8</b>	<b>OFI</b>
<b>Rochester MSA Total</b>		5.9%	6.2%	2.1%	2.8%	4.8%	9.9%	1.1%	5.3%	38.1%	61.9%
<b>Rochester MSA in LMI CT</b>		6.6%	6.7%	1.8%	3.8%	3.5%	6.9%	1.3%	6.5%	37.3%	62.7%
<b>Loan Amt &lt;= \$100,000</b>		6.2%	5.7%	2.0%	2.7%	3.9%	10.6%	1.1%	2.7%	35.1%	64.9%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>		7.2%	6.0%	1.8%	3.7%	2.7%	7.3%	1.2%	3.1%	33.0%	67.0%
<b>Bus. w. GAR &lt; \$1 M</b>		6.6%	6.8%	3.3%	5.1%	7.5%	0.1%	1.4%	5.3%	35.9%	64.1%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>		7.8%	6.9%	2.7%	6.8%	5.5%	0.3%	1.7%	5.8%	37.4%	62.6%
<b>Percentage of Rochester MSA Loans In:</b>											
	<b>AFI</b>	<b>BOA</b>	<b>CNB</b>	<b>Citizens</b>	<b>FNFG</b>	<b>Five Star</b>	<b>JPMC</b>	<b>KeyBank</b>	<b>M&amp;T</b>	<b>Top 8</b>	<b>OFI</b>
<b>Rochester MSA in LMI CT</b>	16.6%	18.6%	18.0%	14.4%	22.7%	12.3%	11.6%	19.8%	20.3%	16.2%	16.8%
<b>Loan Amt &lt;= \$100,000</b>	90.5%	95.5%	83.6%	88.3%	86.3%	74.6%	97.1%	88.7%	46.8%	83.3%	94.9%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	14.7%	17.9%	14.3%	12.3%	19.6%	8.5%	10.9%	15.3%	8.7%	12.8%	15.9%
<b>Bus. w. GAR &lt; \$1 M</b>	45.6%	50.7%	49.9%	70.9%	82.4%	71.3%	0.6%	55.4%	45.6%	43.0%	47.2%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	7.3%	9.6%	8.0%	9.3%	17.6%	8.3%	0.3%	10.7%	8.0%	7.1%	7.3%
<b>Total Amount of Loans (Millions of Dollars)</b>											
	<b>AFI</b>	<b>BOA</b>	<b>CNB</b>	<b>Citizens</b>	<b>FNFG</b>	<b>Five Star</b>	<b>JPMC</b>	<b>KeyBank</b>	<b>M&amp;T</b>	<b>Top 8</b>	<b>OFI</b>
<b>Dollar Volume of Lending Ranking Among All Lenders</b>											
		<b>7</b>	<b>3</b>	<b>10</b>	<b>6</b>	<b>2</b>	<b>5</b>	<b>16</b>	<b>1</b>		
<b>Rochester MSA Total</b>	\$793.06	\$31.10	\$79.43	\$20.66	\$32.54	\$89.59	\$40.20	\$13.38	\$212.88	\$519.77	\$273.29
<i>Avg Loan Size (in thousands)</i>	\$50.03	\$33.30	\$80.72	\$62.03	\$73.29	\$118.34	\$25.70	\$75.60	\$252.82	\$86.13	\$27.84
<b>Rochester MSA in LMI CT</b>	\$154.75	\$5.82	\$16.30	\$2.40	\$7.43	\$15.17	\$6.94	\$4.26	\$48.84	\$107.14	\$47.61
<b>Loan Amt &lt;= \$100,000</b>	\$211.44	\$14.93	\$21.03	\$7.10	\$12.00	\$20.73	\$18.35	\$2.70	\$17.53	\$114.37	\$97.07
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	\$32.69	\$2.61	\$3.61	\$0.97	\$2.74	\$2.37	\$2.06	\$0.51	\$3.16	\$18.01	\$14.68
<b>Bus. w. GAR &lt; \$1 M</b>	\$250.31	\$6.77	\$28.23	\$6.66	\$18.83	\$35.47	\$1.43	\$1.84	\$50.09	\$149.33	\$100.98
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	\$42.56	\$1.01	\$5.74	\$0.62	\$4.06	\$5.58	\$0.72	\$0.55	\$7.35	\$25.64	\$16.92
<b>Marketshare</b>											
		<b>BOA</b>	<b>CNB</b>	<b>Citizens</b>	<b>FNFG</b>	<b>Five Star</b>	<b>JPMC</b>	<b>KeyBank</b>	<b>M&amp;T</b>	<b>Top 8</b>	<b>OFI</b>
<b>Rochester MSA Total</b>		3.9%	10.0%	2.6%	4.1%	11.3%	5.1%	1.7%	26.8%	65.5%	34.5%
<b>Rochester MSA in LMI CT</b>		3.8%	10.5%	1.6%	4.8%	9.8%	4.5%	2.8%	31.6%	69.2%	30.8%
<b>Loan Amt &lt;= \$100,000</b>		7.1%	9.9%	3.4%	5.7%	9.8%	8.7%	1.3%	8.3%	54.1%	45.9%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>		8.0%	11.0%	3.0%	8.4%	7.2%	6.3%	1.6%	9.7%	55.1%	44.9%
<b>Bus. w. GAR &lt; \$1 M</b>		2.7%	11.3%	2.7%	7.5%	14.2%	0.6%	0.7%	20.0%	59.7%	40.3%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>		2.4%	13.5%	1.5%	9.5%	13.1%	1.7%	1.3%	17.3%	60.2%	39.8%
<b>Percentage of Rochester MSA Loans In:</b>											
	<b>AFI</b>	<b>BOA</b>	<b>CNB</b>	<b>Citizens</b>	<b>FNFG</b>	<b>Five Star</b>	<b>JPMC</b>	<b>KeyBank</b>	<b>M&amp;T</b>	<b>Top 8</b>	<b>OFI</b>
<b>Rochester MSA in LMI CT</b>	19.5%	18.7%	20.5%	11.6%	22.8%	16.9%	17.3%	31.8%	22.9%	20.6%	17.4%
<b>Loan Amt &lt;= \$100,000</b>	26.7%	48.0%	26.5%	34.4%	36.9%	23.1%	45.7%	20.1%	8.2%	22.0%	35.5%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	4.1%	8.4%	4.5%	4.7%	8.4%	2.6%	5.1%	3.8%	1.5%	3.5%	5.4%
<b>Bus. w. GAR &lt; \$1 M</b>	31.6%	21.8%	35.5%	32.2%	57.9%	39.6%	3.6%	13.7%	23.5%	28.7%	36.9%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	5.4%	3.3%	7.2%	3.0%	12.5%	6.2%	1.8%	4.1%	3.5%	4.9%	6.2%
Notes: Citizens includes Citizens Bank, NA and Citizens Bank of Pennsylvania. JPMC includes Chase Bank USA, NA and JPMorgan Chase Bank, NA.											
AFI: All Financial Institutions											
OFI: Other Financial Institutions											
Prepared by: Empire Justice Center, 8/17/2017, 585-454-4060											

**Table 3: Top 8 CRA Small Business Lenders, 2015**

*(By Total Number of Loans)*

**Rochester, NY MSA**

<b>Number of Loans</b>											
	AFI	American Express	JPMC	Capital One	Synchrony Bank	US Bank	CNB	Citibank	BOA	Top 8	OFI
<b>Rochester MSA Total</b>	15,851	2,539	1,564	1,505	1,333	1,143	984	977	934	10,979	4,872
<b>Rochester MSA in LMI CT</b>	2,626	404	181	282	193	179	177	200	174	1,790	836
<b>Loan Amt &lt;= \$100,000</b>	14,342	2,522	1,519	1,505	1,333	1,142	823	971	892	10,707	3,635
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	2,333	397	171	282	193	178	141	199	167	1,728	605
<b>Bus. w. GAR &lt; \$1 M</b>	7,233	1,648	9	797	1	712	491	671	474	4,803	2,430
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	1,151	240	4	141	0	93	79	119	90	766	385
<b>Marketshare</b>											
	AFI	American Express	JPMC	Capital One	Synchrony Bank	US Bank	CNB	Citibank	BOA	Top 8	OFI
<b>Rochester MSA Total</b>		16.0%	9.9%	9.5%	8.4%	7.2%	6.2%	6.2%	5.9%	69.3%	30.7%
<b>Rochester MSA in LMI CT</b>		15.4%	6.9%	10.7%	7.3%	6.8%	6.7%	7.6%	6.6%	68.2%	31.8%
<b>Loan Amt &lt;= \$100,000</b>		17.6%	10.6%	10.5%	9.3%	8.0%	5.7%	6.8%	6.2%	74.7%	25.3%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>		17.0%	7.3%	12.1%	8.3%	7.6%	6.0%	8.5%	7.2%	74.1%	25.9%
<b>Bus. w. GAR &lt; \$1 M</b>		22.8%	0.1%	11.0%	0.0%	9.8%	6.8%	9.3%	6.6%	66.4%	33.6%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>		20.9%	0.3%	12.3%	0.0%	8.1%	6.9%	10.3%	7.8%	66.6%	33.4%
<b>Percentage of Rochester MSA Loans In:</b>											
	AFI	American Express	JPMC	Capital One	Synchrony Bank	US Bank	CNB	Citibank	BOA	Top 8	OFI
<b>Rochester MSA in LMI CT</b>	16.6%	15.9%	11.6%	18.7%	14.5%	15.7%	18.0%	20.5%	18.6%	16.3%	17.2%
<b>Loan Amt &lt;= \$100,000</b>	90.5%	99.3%	97.1%	100.0%	100.0%	99.9%	83.6%	99.4%	95.5%	97.5%	74.6%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	14.7%	15.6%	10.9%	18.7%	14.5%	15.6%	14.3%	20.4%	17.9%	15.7%	12.4%
<b>Bus. w. GAR &lt; \$1 M</b>	45.6%	64.9%	0.6%	53.0%	0.1%	62.3%	49.9%	68.7%	50.7%	43.7%	49.9%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	7.3%	9.5%	0.3%	9.4%	0.0%	8.1%	8.0%	12.2%	9.6%	7.0%	7.9%
<b>Total Amount of Loans (Millions of Dollars)</b>											
	AFI	American Express	JPMC	Capital One	Synchrony Bank	US Bank	CNB	Citibank	BOA	Top 8	OFI
<b>Rochester MSA Total</b>	\$793.06	\$26.05	\$40.20	\$13.84	\$4.56	\$8.60	\$79.43	\$6.29	\$31.10	\$210.07	\$582.99
<i>Avg Loan Size (in thousands)</i>	\$50.03	\$10.26	\$25.70	\$9.20	\$3.42	\$7.52	\$80.72	\$6.44	\$33.30	\$19.13	\$119.66
<b>Rochester MSA in LMI CT</b>	\$154.75	\$5.27	\$6.94	\$2.20	\$.59	\$1.85	\$16.30	\$1.31	\$5.82	\$40.28	\$114.47
<b>Loan Amt &lt;= \$100,000</b>	\$211.44	\$21.15	\$18.35	\$13.84	\$4.56	\$8.10	\$21.03	\$4.36	\$14.93	\$106.33	\$105.11
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	\$32.69	\$3.28	\$2.06	\$2.20	\$.59	\$1.35	\$3.61	\$.76	\$2.61	\$16.45	\$16.25
<b>Bus. w. GAR &lt; \$1 M</b>	\$250.31	\$12.23	\$1.43	\$8.10	\$0.1	\$5.20	\$28.23	\$3.43	\$6.77	\$65.41	\$184.90
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	\$42.56	\$1.55	\$.72	\$1.02	\$0.0	\$.72	\$5.74	\$.45	\$1.01	\$11.21	\$31.35
<b>Marketshare</b>											
	AFI	American Express	JPMC	Capital One	Synchrony Bank	US Bank	CNB	Citibank	BOA	Top 8	OFI
<b>Rochester MSA Total</b>		3.3%	5.1%	1.7%	0.6%	1.1%	10.0%	0.8%	3.9%	26.5%	73.5%
<b>Rochester MSA in LMI CT</b>		3.4%	4.5%	1.4%	0.4%	1.2%	10.5%	0.8%	3.8%	26.0%	74.0%
<b>Loan Amt &lt;= \$100,000</b>		10.0%	8.7%	6.5%	2.2%	3.8%	9.9%	2.1%	7.1%	50.3%	49.7%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>		10.0%	6.3%	6.7%	1.8%	4.1%	11.0%	2.3%	8.0%	50.3%	49.7%
<b>Bus. w. GAR &lt; \$1 M</b>		4.9%	0.6%	3.2%	0.0%	2.1%	11.3%	1.4%	2.7%	26.1%	73.9%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>		3.6%	1.7%	2.4%	0.0%	1.7%	13.5%	1.1%	2.4%	26.3%	73.7%
<b>Percentage of Rochester MSA Loans In:</b>											
	AFI	American Express	JPMC	Capital One	Synchrony Bank	US Bank	CNB	Citibank	BOA	Top 8	OFI
<b>Rochester MSA in LMI CT</b>	19.5%	20.2%	17.3%	15.9%	13.0%	21.5%	20.5%	20.9%	18.7%	19.2%	19.6%
<b>Loan Amt &lt;= \$100,000</b>	26.7%	81.2%	45.7%	100.0%	100.0%	94.2%	26.5%	69.3%	48.0%	50.6%	18.0%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	4.1%	12.6%	5.1%	15.9%	13.0%	15.7%	4.5%	12.0%	8.4%	7.8%	2.8%
<b>Bus. w. GAR &lt; \$1 M</b>	31.6%	47.0%	3.6%	58.5%	0.3%	60.5%	35.5%	54.5%	21.8%	31.1%	31.7%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	5.4%	6.0%	1.8%	7.3%	0.0%	8.4%	7.2%	7.2%	3.3%	5.3%	5.4%
Notes: Capital One includes Capital One Bank (USA) NA and Capital One, NA. JPMC includes Chase Bank USA, NA and JPMorgan Chase Bank, NA.											
AFI: All Financial Institutions											
OFI: Other Financial Institutions											
Prepared by: Empire Justice Center, 8/15/2017, 585-454-4060											



**Table 4: Top 8 CRA Small Business Lenders, 2015**

*(By Total Dollar Volume of Lending)*

**Rochester, NY MSA**

<b>Number of Loans</b>											
	AFI	M&T	Five Star	CNB	Bank of Castile	JPMC	FNFG	BOA	Am Express	Top 8	OFI
<b>Rochester MSA Total</b>	15,851	842	757	984	320	1,564	444	934	2,539	8,384	7,467
<b>Rochester MSA in LMI CT</b>	2,626	171	93	177	51	181	101	174	404	1,352	1,274
<b>Loan Amt &lt;= \$100,000</b>	14,342	394	565	823	175	1,519	383	892	2,522	7,273	7,069
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	2,333	73	64	141	24	171	87	167	397	1,124	1,209
<b>Bus. w. GAR &lt; \$1 M</b>	7,233	384	540	491	151	9	366	474	1,648	4,063	3,170
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	1,151	67	63	79	23	4	78	90	240	644	507
<b>Marketshare</b>											
		M&T	Five Star	CNB	Bank of Castile	JPMC	FNFG	BOA	Am Express	Top 8	OFI
<b>Rochester MSA Total</b>		5.3%	4.8%	6.2%	2.0%	9.9%	2.8%	5.9%	16.0%	52.9%	47.1%
<b>Rochester MSA in LMI CT</b>		6.5%	3.5%	6.7%	1.9%	6.9%	3.8%	6.6%	15.4%	51.5%	48.5%
<b>Loan Amt &lt;= \$100,000</b>		2.7%	3.9%	5.7%	1.2%	10.6%	2.7%	6.2%	17.6%	50.7%	49.3%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>		3.1%	2.7%	6.0%	1.0%	7.3%	3.7%	7.2%	17.0%	48.2%	51.8%
<b>Bus. w. GAR &lt; \$1 M</b>		5.3%	7.5%	6.8%	2.1%	0.1%	5.1%	6.6%	22.8%	56.2%	43.8%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>		5.8%	5.5%	6.9%	2.0%	0.3%	6.8%	7.8%	20.9%	56.0%	44.0%
<b>Percentage of Rochester MSA Loans In:</b>											
	AFI	M&T	Five Star	CNB	Bank of Castile	JPMC	FNFG	BOA	Am Express	Top 8	OFI
<b>Rochester MSA in LMI CT</b>	16.6%	20.3%	12.3%	18.0%	15.9%	11.6%	22.7%	18.6%	15.9%	16.1%	17.1%
<b>Loan Amt &lt;= \$100,000</b>	90.5%	46.8%	74.6%	83.6%	54.7%	97.1%	86.3%	95.5%	99.3%	86.7%	94.7%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	14.7%	8.7%	8.5%	14.3%	7.5%	10.9%	19.6%	17.9%	15.6%	13.4%	16.2%
<b>Bus. w. GAR &lt; \$1 M</b>	45.6%	45.6%	71.3%	49.9%	47.2%	0.6%	82.4%	50.7%	64.9%	48.5%	42.5%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	7.3%	8.0%	8.3%	8.0%	7.2%	0.3%	17.6%	9.6%	9.5%	7.7%	6.8%
<b>Total Amount of Loans (Millions of Dollars)</b>											
	AFI	M&T	Five Star	CNB	Bank of Castile	JPMC	FNFG	BOA	Am Express	Top 8	OFI
<b>Rochester MSA Total</b>	\$793.06	\$212.88	\$89.59	\$79.43	\$61.82	\$40.20	\$32.54	\$31.10	\$26.05	\$573.60	\$219.46
<i>Avg Loan Size (in thousands)</i>	\$50.03	\$252.82	\$118.34	\$80.72	\$193.19	\$25.70	\$73.29	\$33.30	\$10.26	\$68.42	\$29.39
<b>Rochester MSA in LMI CT</b>	\$154.75	\$48.84	\$15.17	\$16.30	\$11.43	\$6.94	\$7.43	\$5.82	\$5.27	\$117.18	\$37.57
<b>Loan Amt &lt;= \$100,000</b>	\$211.44	\$17.53	\$20.73	\$21.03	\$8.24	\$18.35	\$12.00	\$14.93	\$21.15	\$133.95	\$77.48
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	\$32.69	\$3.16	\$2.37	\$3.61	\$1.32	\$2.06	\$2.74	\$2.61	\$3.28	\$21.13	\$11.56
<b>Bus. w. GAR &lt; \$1 M</b>	\$250.31	\$50.09	\$35.47	\$28.23	\$22.73	\$1.43	\$18.83	\$6.77	\$12.23	\$175.79	\$74.52
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	\$42.56	\$7.35	\$5.58	\$5.74	\$4.38	\$0.72	\$4.06	\$1.01	\$1.55	\$30.39	\$12.17
<b>Marketshare</b>											
		M&T	Five Star	CNB	Bank of Castile	JPMC	FNFG	BOA	Am Express	Top 8	OFI
<b>Rochester MSA Total</b>		26.8%	11.3%	10.0%	7.8%	5.1%	4.1%	3.9%	3.3%	72.3%	27.7%
<b>Rochester MSA in LMI CT</b>		31.6%	9.8%	10.5%	7.4%	4.5%	4.8%	3.8%	3.4%	75.7%	24.3%
<b>Loan Amt &lt;= \$100,000</b>		8.3%	9.8%	9.9%	3.9%	8.7%	5.7%	7.1%	10.0%	63.4%	36.6%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>		9.7%	7.2%	11.0%	4.0%	6.3%	8.4%	8.0%	10.0%	64.6%	35.4%
<b>Bus. w. GAR &lt; \$1 M</b>		20.0%	14.2%	11.3%	9.1%	0.6%	7.5%	2.7%	4.9%	70.2%	29.8%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>		17.3%	13.1%	13.5%	10.3%	1.7%	9.5%	2.4%	3.6%	71.4%	28.6%
<b>Percentage of Rochester MSA Loans In:</b>											
	AFI	M&T	Five Star	CNB	Bank of Castile	JPMC	FNFG	BOA	Am Express	Top 8	OFI
<b>Rochester MSA in LMI CT</b>	19.5%	22.9%	16.9%	20.5%	18.5%	17.3%	22.8%	18.7%	20.2%	20.4%	17.1%
<b>Loan Amt &lt;= \$100,000</b>	26.7%	8.2%	23.1%	26.5%	13.3%	45.7%	36.9%	48.0%	81.2%	23.4%	35.3%
<b>Loan Amt &lt;= \$100,000 in LMI CT</b>	4.1%	1.5%	2.6%	4.5%	2.1%	5.1%	8.4%	8.4%	12.6%	3.7%	5.3%
<b>Bus. w. GAR &lt; \$1 M</b>	31.6%	23.5%	39.6%	35.5%	36.8%	3.6%	57.9%	21.8%	47.0%	30.6%	34.0%
<b>Bus. w. GAR &lt; \$1 M in LMI CT</b>	5.4%	3.5%	6.2%	7.2%	7.1%	1.8%	12.5%	3.3%	6.0%	5.3%	5.5%

Notes: Capital One includes Capital One Bank (USA) NA and Capital One, NA. JPMC includes Chase Bank USA, NA and JPMorgan Chase Bank, NA.

AFI: All Financial Institutions

OFI: Other Financial Institutions

Prepared by: Empire Justice Center, 8/17/2017, 585-454-4060



## END NOTES

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