

# Section 5: Social Impact of MDIs

## Overview

MDIs tend to serve communities in which a higher share of the population lives in LMI census tracts and a higher share of residents are minorities, compared with non-MDI metro nonfarm community banks. In addition, a comparison of mortgage lending based on analysis of Home Mortgage Disclosure Act data showed that MDIs originated a greater share of their mortgages for properties in LMI census tracts and to minority borrowers when compared with non-MDI metro nonfarm community banks. Compared with non-MDIs, MDIs also originate a greater share of SBA 7(a) loans to borrowers in LMI census tracts and to borrowers in census tracts with higher shares of minority residents. Based on these comparisons, MDIs appear to be effective in serving LMI communities and minority households and communities with high concentrations of minority populations.

## Social Impact of Minority Depository Institutions

MDIs have played an important role in providing mortgage credit, small business lending, and other banking services to minority and LMI communities.

MDI headquarters and branches are concentrated in metropolitan areas. Similarities exist among the local demographics of MDI office locations, the lending activities they undertake, and the communities they seek to serve. This section compares the demographic characteristics of estimated service areas of MDI institutions with those of non-MDI metro nonfarm community banks, and explores lending by these groups of institutions in the context of those demographic characteristics.<sup>29</sup>

We evaluate the social impact of MDIs using a unique estimate of each institution's geographic service area (see page 59). The results show that compared with other financial institutions, MDIs tend to serve communities in which a higher share of the population lives in LMI census tracts and in which higher shares of residents are minorities. MDIs also originate a greater share of their mortgages to borrowers who live in LMI census tracts and to minority borrowers, compared with non-MDI community or noncommunity institutions.<sup>30</sup> Compared with non-MDIs, MDIs also originate a greater share of small business loans guaranteed by the SBA to borrowers in LMI census tracts and to borrowers in census tracts with higher shares of minority residents.

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<sup>29</sup>The comparisons include MDI banks and non-MDI community banks that do not specialize in farm lending and that operate all of their branches in metropolitan areas. This limits the comparison of MDIs to similar institutions, because MDIs and their branches are more heavily concentrated in metropolitan areas than are non-MDIs. Limiting the 2011 analysis to banks that operate all their branches in metropolitan areas drops four African American MDIs, five Hispanic American MDIs, three Asian American MDIs, 522 non-MDI metro nonfarm community banks, and 202 non-MDI noncommunity banks. Limiting the 2016 analysis to banks that operate all of their branches in metropolitan areas drops two African American MDIs, eight Hispanic American MDIs, five Asian American MDIs, 491 non-MDI metro nonfarm community banks, and 187 non-MDI noncommunity banks.

<sup>30</sup>Native American MDIs provide important services to Native American populations. They are not included in the analyses of geographic service areas or mortgage lending due to the fact that only a minority of Native American MDIs have all of their branches in metropolitan areas. For example, in 2011, only three Native American MDIs out of 18 had all of their branches in metropolitan areas and they were not representative of the universe of Native American MDIs.

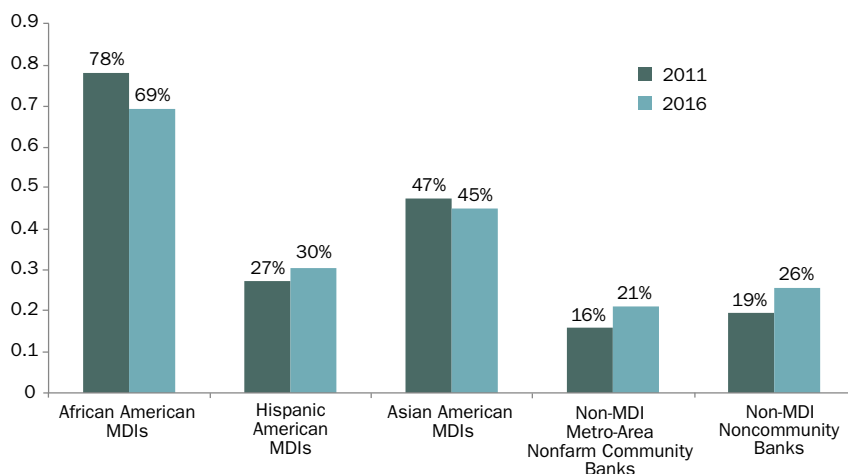
## The Median Share of Service Area Population Living in LMI Tracts Is Higher Among MDIs

This report compares the populations served by MDIs with those served by non-MDI metro nonfarm community banks based on computed geographic service areas.<sup>31</sup> The share of service area populations that live in LMI census tracts was higher for MDIs in both 2011 and 2016. The share of estimated service area populations living in LMI tracts was substantially higher for African American, Hispanic American, and Asian American MDIs,

compared with non-MDI metro nonfarm community banks (see Chart 5.1 below).

For example, in 2016, the estimated service area population living in LMI tracts was 69 percent for the median African American MDI, more than three times the share for the median non-MDI metro nonfarm community bank. Similarly, the estimated service area population living in LMI tracts was 30 percent for the median Hispanic American MDI and 45 percent for the median Asian American MDI.

Chart 5.1  
The Median Share of Estimated Service Area Population Living in LMI Census Tracts Is Higher Among MDIs



Source: FDIC

## The Median Share of Minority Populations in Service Areas Is Higher for MDIs

A 2017 FDIC survey showed that 8.4 million “unbanked” U.S. households did not have bank accounts with mainstream financial institutions, and another 24.2 million households were “underbanked.”<sup>32</sup> The survey also indicated that minority households were more likely than other households to be unbanked. In 2017, 16.9 percent of African American households and 14.0 percent of Hispanic American households were unbanked, compared with 3.0 percent of

white households. Operating offices in minority communities helps provide underserved populations with access to mainstream financial services.

MDIs are important service providers to minority populations, which have higher percentages of unbanked households than other population groups. Using the geographic service area designations, MDI offices are typically in areas with a higher share of minority populations. Analysis of the demographic characteristics of these service areas shows that in

<sup>31</sup>See “Why Disaggregate Community Banks for Comparisons of Financial Performance?” on page 37.

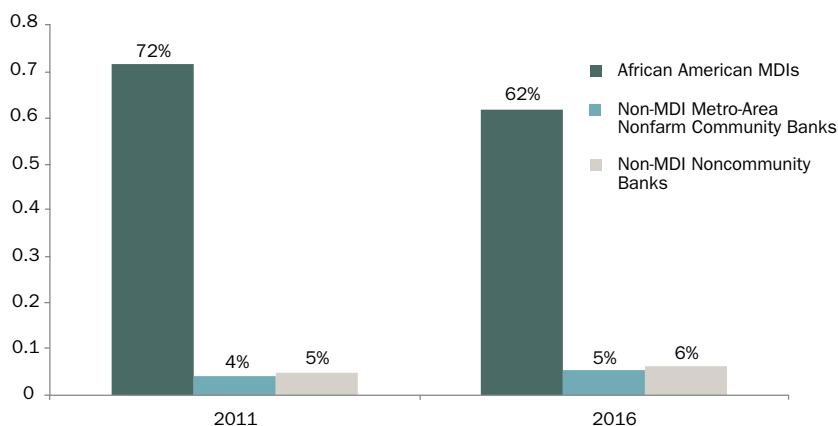
<sup>32</sup>Federal Deposit Insurance Corporation, 2017 *FDIC National Survey of Unbanked and Underbanked Households*, [https://www.economicinclusion.gov/downloads/2017\\_FDIC\\_Unbanked\\_HH\\_Survey\\_Report.pdf](https://www.economicinclusion.gov/downloads/2017_FDIC_Unbanked_HH_Survey_Report.pdf) (2017).

both 2011 and 2016, the minority share of estimated service area populations was much higher for all three groups of MDIs compared with non-MDIs.

For example, in 2011, the median share of estimated service area population that was African American was 72 percent for African American MDIs, compared

with 4 percent among non-MDI metro nonfarm community banks (see Chart 5.2 below). For 2016, the median share of estimated service area population that was African American was 62 percent for African American MDIs, compared with 5 percent among non-MDI metro nonfarm community banks.

**Chart 5.2**  
**The Median Share of Estimated Service Area Population That Is African American Is Higher for African American MDIs**



Source: FDIC

Hispanic American MDIs also have service area populations with a higher median share of Hispanic American residents compared with non-MDIs (see Chart 5.3, page 58). In 2011, the median share of the estimated service area population that was Hispanic American was 67 percent for Hispanic

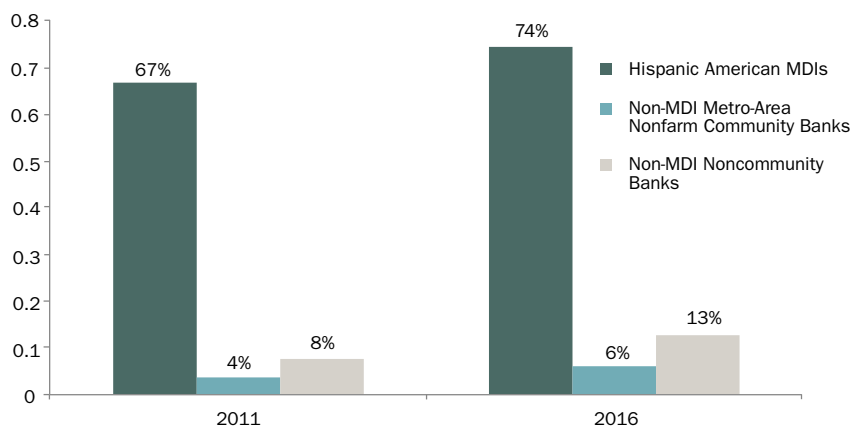
American MDIs, compared with 4 percent for non-MDI community banks. In 2016, the median share of estimated service area population that was Hispanic American was 74 percent among Hispanic American MDIs, compared with 6 percent among non-MDI community banks.

Asian American MDIs also had service area populations with a higher share of Asian Americans compared with non-MDI community banks in both 2011 and 2016 (see Chart 5.4 below). In 2011, the median share of the estimated service area population that was Asian American was 28 percent for Asian American MDIs, compared with

2 percent for non-MDI community banks. In 2016, the median share of estimated service area population that was Asian American was 37 percent among Asian American MDIs, compared with 2 percent among non-MDI community banks.

Chart 5.3

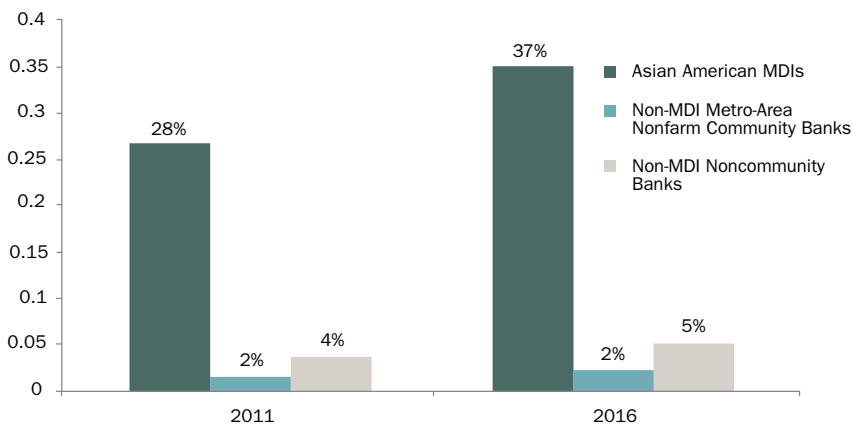
**The Median Share of Estimated Service Area Population That Is Hispanic Is Higher for Hispanic American MDIs**



Source: FDIC

Chart 5.4

**The Median Share of Estimated Service Area Population That Is Asian American Is Higher for Asian American MDIs**



Source: FDIC

## ESTIMATING THE SERVICE AREA OF EACH BANK

To examine the impact of MDIs on the communities they serve, it is necessary to first identify the geographic service area of each bank. Unfortunately, no readily available data indicate each bank's self-identified market area. In addition, the data indicating a bank's Community Reinvestment Act (CRA) assessment area are only reported by large banks with assets that exceed \$1 billion (in 2005 dollars) in two consecutive years. Most MDIs and non-MDI metro non-farm community banks have assets below this threshold and therefore do not report their CRA assessment area. Previous research has estimated bank service areas as the combination of all census tracts in which each bank operates its headquarters and branch offices. A shortcoming of this approach is that a census tract often covers only a small geographic area, and the average size of census tracts tends to decline as population density increases. In addition, looking only at the census tracts in which a bank's offices are located ignores people living in other nearby tracts who may also be served by those offices.

This report uses a more nuanced strategy to estimate the service area of banks that operate their branches in metropolitan areas. Recognizing that different metropolitan areas, and the outlying and central counties of each metropolitan area, have distinct distributions of residential population and bank branches, this strategy incorporates those distributions to calculate a locally determined distance threshold (LDT) to estimate the likely service area for each bank branch.<sup>1</sup> This approach includes the census tract in which a bank's branch is located in its service area and any other census tract within the radius defined by the LDT. The overall service area for each bank is the combination of the service areas for each of its full-service branches. The following two-step process is used to identify the geographic service area of each bank.

**STEP 1:** Determine a "locally determined distance" that most customers might be expected to travel to conduct their banking business in the central or outlying counties of a given metropolitan area. For each geographic area, the LDT is computed so roughly 75 percent of the area's population has at least one full-service bank branch within that distance. Generally, this LDT is substantially longer for less densely populated metropolitan areas and for areas with more sparsely distributed bank branches than it is for more densely populated (with people or bank branches) metropolitan areas. Moreover, LDT distances can differ substantially across various metropolitan areas.<sup>2</sup>

**STEP 2:** Estimate the service area of each banking office based on this LDT. Using the distance calculated for the central and outlying counties of each metropolitan area, a circle can be drawn around each banking office located there. Census tracts with their population-weighted central point within or touching that circle are said to be served by that banking office, and the total population served by each banking office is the sum of the residents of those census tracts. The total population served by each bank is the sum of the residents of census tracts served by each of its individual banking offices.

<sup>1</sup> The Office of Management and Budget (OMB) defines central counties of each metropolitan area based on the share or size of their population that lives in urban areas of 10,000 or more people. All metropolitan areas have at least one central county. Many metropolitan areas also include outlying counties, which OMB defines based on commuting patterns to and from the central counties of the metropolitan area. See <https://www.census.gov/programs-surveys/metro-micro/about.html> for additional details regarding metropolitan areas and their central and outlying counties.

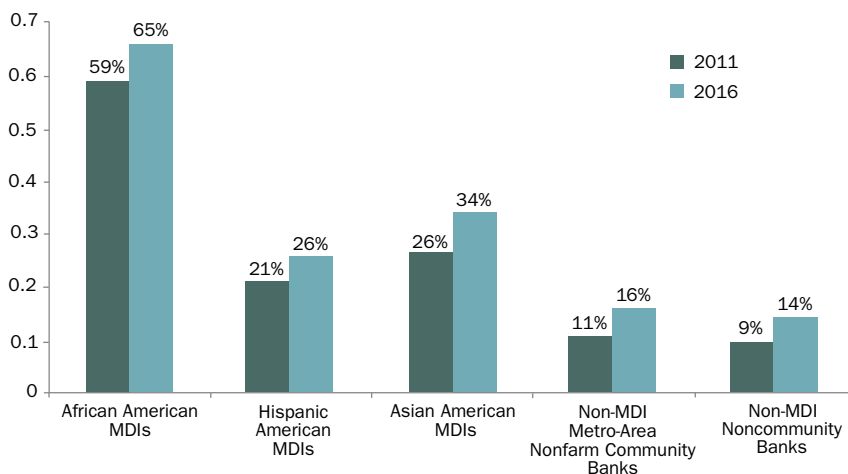
<sup>2</sup>For example, using 2016 data from the FDIC Summary of Deposits, the central counties of the New York-Jersey City-White Plains, NY-NJ metropolitan division (OMB divides 11 very large metropolitan areas into metropolitan divisions) had the shortest locally determined distance threshold (LDT) of any central counties (.46 miles), while the central counties of the Flagstaff, AZ, metropolitan area, had the longest LDT (6.73 miles). For outlying counties, LDTs based on 2016 data ranged from a low of .21 miles in the Provo-Orem, UT, metropolitan area to a high of 23.93 miles in the El Paso, TX, metropolitan area.

## Home Mortgage Lending of MDIs

MDIs not only maintain offices in communities with higher LMI population shares than other institutions, but among banks that report data under the Home Mortgage Disclosure Act (HMDA),<sup>33</sup> MDIs also originate a greater share of their home mortgages to borrowers whose properties are in LMI census

tracts.<sup>34</sup> For example, in 2016, the median African American MDI originated 65 percent of its HMDA-reportable mortgages to borrowers in LMI census tracts, four times the share of mortgages originated to such borrowers by non-MDI metro nonfarm community banks (see Chart 5.5 below).

Chart 5.5  
The Median Share of HMDA-Reported Mortgage Originations for Properties in LMI Census Tracts Is Higher for MDIs



Source: FDIC

Chart 5.5 also shows that in 2016, the median shares of mortgage loans made on properties in LMI census tracts by Hispanic American and Asian American MDIs substantially exceeded the share made by non-MDI metro nonfarm community banks.

MDIs also serve a substantially higher share of minority home mortgage borrowers compared with non-MDI metro nonfarm community banks. Chart 5.6 on page 61 shows that the median share of

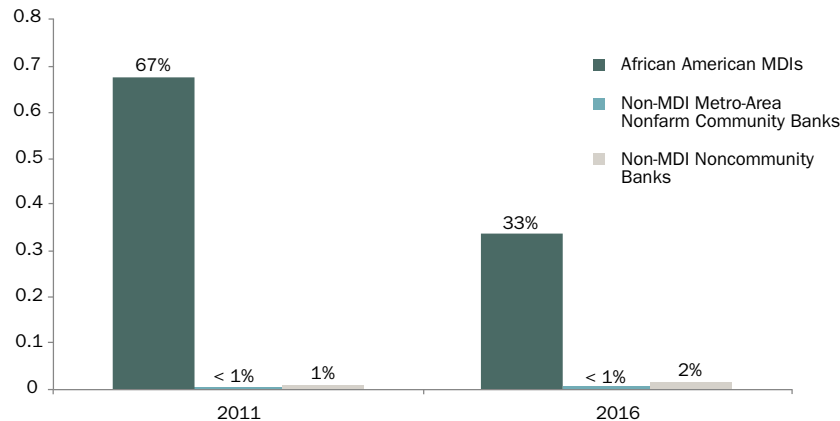
HMDA-reported mortgages made to African American borrowers in 2011 was 67 percent for African American MDIs, compared with less than 1 percent for non-MDI metro nonfarm community banks. The median share of mortgages made to African American borrowers was 33 percent for African American MDIs in 2016, a level that continued to substantially exceed the less than 1 percent share reported by non-MDI metro nonfarm community banks that year.<sup>35</sup>

<sup>33</sup>Depository institutions that meet three criteria must report HMDA data: (1) assets as of December 31 of the year preceding data collection exceed an annually adjusted threshold (\$44 million for collecting 2016 HMDA data and \$40 million for collecting 2011 HMDA data); (2) on December 31 of the year preceding data collection, the institution had a home or branch office in an MSA; and (3) in the calendar year preceding HMDA data collection, the institution originated at least one home purchase or refinance loan secured by a first-lien on a one- to four-family dwelling.

<sup>34</sup>In this section, HMDA data is used for all analyses of home mortgage lending. HMDA data is the only available data with information about the race/ethnicity of the borrower.

<sup>35</sup>The difference between the 2011 median of 67 percent and the 2016 median of 33 percent is not statistically significant. The demographics of the geographies in which African American MDIs originated these mortgages were comparable in 2011 and 2016.

**Chart 5.6**  
**The Median Share of HMDA-Reported Mortgage Originations to African American Borrowers Is Higher for African Americans MDIs**

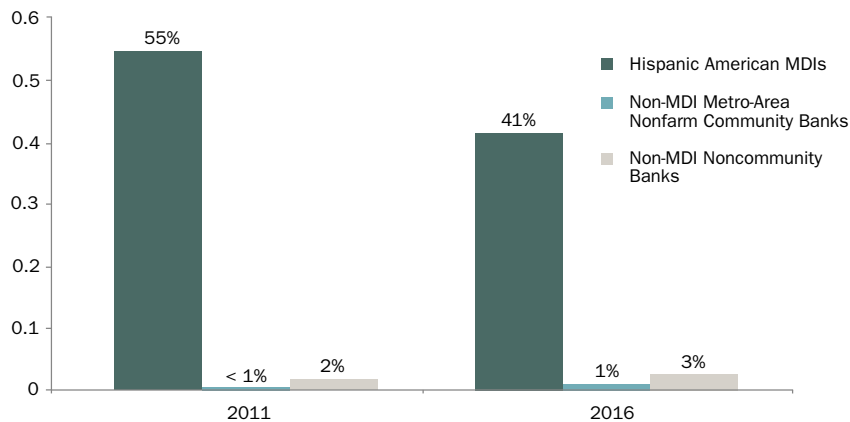


Source: FDIC

Chart 5.7 below shows that the median share of HMDA-reportable mortgages made to Hispanic American borrowers in 2011 was 55 percent for Hispanic American MDIs, compared with less than 1 percent for non-MDI metro nonfarm community

banks. In 2016, the median share of mortgages made to Hispanic American borrowers was 41 percent, while the share was 1 percent for non-MDI metro nonfarm community banks.<sup>36</sup>

**Chart 5.7**  
**The Median Share of HMDA-Reported Mortgage Originations to Hispanic Borrowers Is Higher for Hispanic American MDIs**



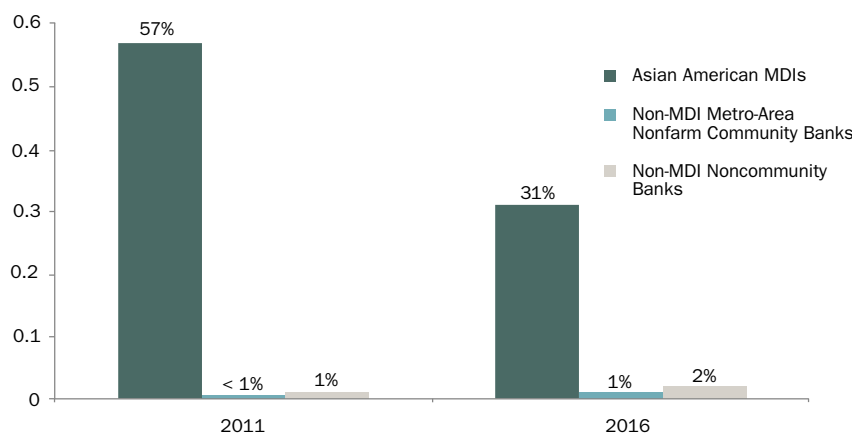
Source: FDIC

<sup>36</sup>The difference between the 2011 median of 55 percent and the 2016 median of 41 percent is not statistically significant. The demographics of the geographies in which Hispanic MDIs originated these mortgages were comparable in 2011 and 2016.

Finally, Asian American MDIs also originated a higher percentage of their mortgages to Asian American borrowers. Chart 5.8 below shows that the median Asian American MDI originated 57 percent of its HMDA-reportable mortgages to Asian American

borrowers in 2011, compared with less than 1 percent for non-MDI community banks. In 2016, the median share of mortgages made to Asian Americans was 31 percent, while the share was 1 percent for non-MDI community banks.<sup>37</sup>

**Chart 5.8**  
**The Median Share of HMDA-Reported Mortgage Originations to Asian American Borrowers Is Higher for Asian American MDIs**



Source: FDIC

In addition to originating home mortgages to minority borrowers, MDIs also originated home mortgages to organizations, and shares of originations to organizations increased substantially between 2011 and 2016.<sup>38</sup> Organizations may be for-profit or non-profit entities. For example, small business borrowers may finance their business by taking out a mortgage on their personal residence.<sup>39</sup>

Chart 5.9 on page 63 shows that the median share of HMDA-reportable mortgages made to organizations was 6 percent for African American MDIs in 2011. In 2016, the median share originated to organizations by African American MDIs increased to 40 percent.

The median share of HMDA-reportable mortgages originated to organizations was 25 percent for Hispanic American MDIs in 2011. In 2016, the median share originated to organizations by Hispanic American MDIs increased to 39 percent.

The median share of HMDA-reportable mortgages originated to organizations was 17 percent for Asian American MDIs in 2011. In 2016, the median share originated to organizations by Asian American MDIs increased to 57 percent.

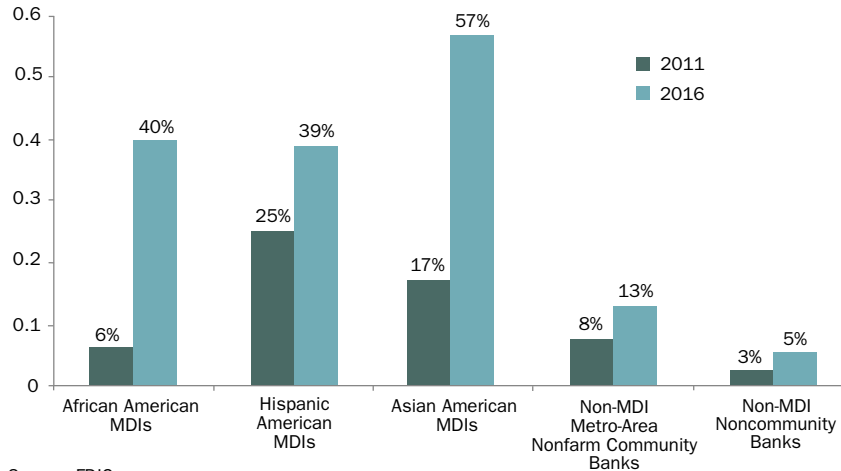
<sup>37</sup>The demographics of the geographies in which Asian American MDIs originated these mortgages were comparable in 2011 and 2016.

<sup>38</sup>When the borrower is an organization, race/ethnicity information is not required to be collected.

<sup>39</sup>The *FDIC Small Business Lending Survey* found that a majority of banks, particularly small ones, commonly accept one- to four-family residential properties as collateral for small business loans. See *FDIC Small Business Lending Survey*, section 5. <https://www.fdic.gov/bank/historical/sbls/> (2018).



**Chart 5.9**  
**The Median Share of HMDA-Reported Mortgage Originations to Organizations**



Source: FDIC

### MDI SBA 7(a) Lending Activity

This section compares small business lending activity by MDIs and non-MDIs in 2016 and 2018 to further analyze the social impact of MDIs on the communities they serve. This report focuses on loans guaranteed by the U.S. Small Business Administration (SBA), and specifically examines SBA's largest financing program, the 7(a) loan program. The SBA provides a guarantee between 50 and 90 percent of the loan taken by a small business borrower using the 7(a) program. These loans may be used for a variety of purposes, including financing working capital, financing the purchase of land or equipment to be used for the operation of the business, or refinancing existing business debt. SBA's 7(a) loan program is designed to facilitate lending to businesses otherwise unable to secure credit with reasonable terms

from conventional lending sources. Thus, the 7(a) loan data provide an opportunity to examine how MDIs offer credit to underserved communities.

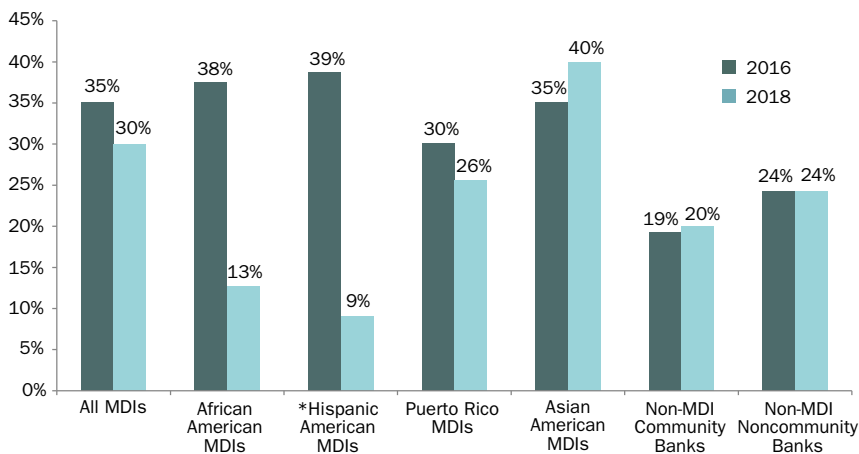
It would be optimal to use demographic information on both the small business borrowers and the communities they serve when measuring the social impact of MDI SBA lending. However, demographic data for each SBA loan borrower are not readily available. Therefore, this report uses the demographics of the census tract containing the address of the borrower when analyzing the communities served by MDIs. The demographic data are based on the census tract of the borrower's address, or the borrower tract, and not the specific demographics of each borrower.

## MDIs Lend to Businesses in LMI Communities More Than Non-MDIs

During the years under analysis, MDIs made a greater share of their loans to small business borrowers located in LMI census tracts than non-MDI banks. In 2016 and 2018, the median MDI institution originated a higher median share of SBA 7(a) loans to borrowers in LMI tracts compared with both non-MDI community and noncommunity banks (see Chart 5.10 below). In fact, MDIs originated a 16 percentage point higher share of loans in LMI tracts than non-

MDI metro nonfarm community banks in 2016 and a 10 percentage point higher share in 2018. MDIs also loaned to borrowers in LMI tracts at a higher rate than non-MDI noncommunity banks. MDIs had a share 11 percentage points higher in 2016 than non-MDI noncommunity banks. Non-MDI noncommunity banks held their share stable in 2018 at 24 percent, while the share held by MDIs declined to 30 percent.<sup>40</sup> Despite this decline, MDIs continue to originate a higher share of SBA 7(a) loans to borrowers in LMI tracts.

Chart 5.10  
Median Share of SBA 7(a) Loans in LMI Census Tracts



Sources: FDIC, U.S. Census Bureau, SBA

\*MDIs headquartered in Puerto Rico were disaggregated from the Hispanic American MDI category.

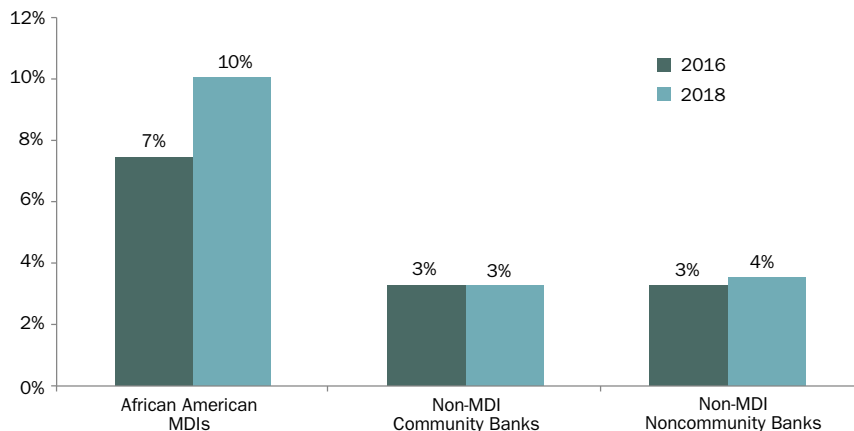
## MDI Borrowers Live in Communities with Higher Shares of Minority Populations

The 7(a) lending activity of MDIs in 2016 and 2018 was concentrated in communities with higher shares of population within the MDI's minority group. The median share of the African American population in the borrower tracts of SBA loans made by African American

MDIs was 7 percent in 2016 and 10 percent in 2018. These levels are higher median population percentages than both non-MDI metro nonfarm community banks (3 percent for both time periods) and non-MDI noncommunity banks (3 percent in 2016 and 4 percent in 2018) (see Chart 5.11, page 65).

<sup>40</sup>The decline in the median share of LMI census tracts among African American MDI and Hispanic American MDI SBA 7(a) loans between 2016 and 2018 is not statistically significant and may be a function of a small number of loans among those institutions.

**Chart 5.11**  
**Median Share of African American Population in Census Tracts of SBA 7(a) Borrowers**

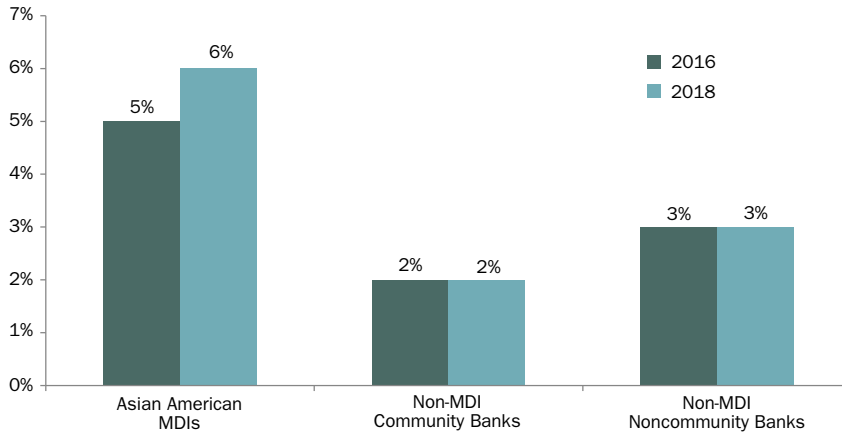


Sources: FDIC, U.S. Census Bureau, SBA

The median percentage of the Asian American population in the borrower tracts of Asian American MDI SBA 7(a) loans was also higher compared with non-MDI community banks and non-MDI noncommunity banks. During 2016, the percentage of the borrower tracts'

population that was Asian American was 5 percent, while the share was 2 percent for non-MDI metro nonfarm community banks and 3 percent for non-MDI noncommunity banks. The 2018 analysis reflected similar results (see Chart 5.12, page 66).

**Chart 5.12**  
**Median Share of Asian American Population in Census Tracts of SBA 7(a) Borrowers**

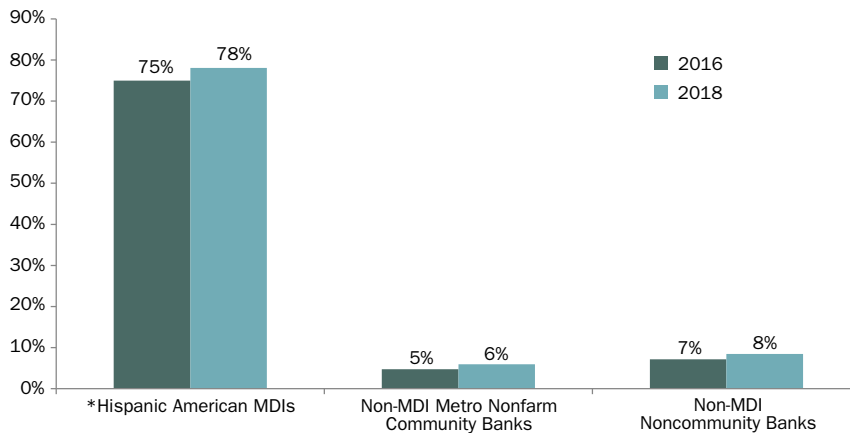


Sources: FDIC, U.S. Census Bureau, SBA

Finally, the median percentage of the Hispanic American population in the borrower tracts of Hispanic American MDI 7(a) loans was considerably higher than the share for non-MDIs.<sup>41</sup> In 2016, the Hispanic American share of the population in borrower tracts for Hispanic American MDIs was 75 percent, compared with 5 percent for non-MDI metro

nonfarm community banks and 7 percent for non-MDI noncommunity banks. In 2018, the Hispanic American share of the population in borrower tracts was 78 percent for Hispanic American MDIs, 6 percent at non-MDI metro nonfarm community banks, and 8 percent at non-MDI noncommunity banks (see Chart 5.13 below).

**Chart 5.13**  
**Median Share of Hispanic American Population in Census Tracts of SBA 7(a) Borrowers**



Sources: FDIC, U.S. Census Bureau, SBA

\*MDIs headquartered in Puerto Rico were disaggregated from the Hispanic American MDI category.

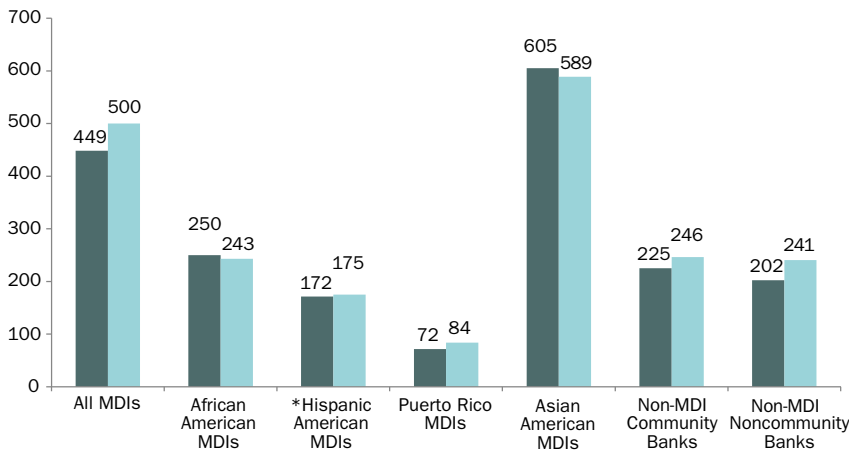
<sup>41</sup>MDIs headquartered in Puerto Rico were disaggregated from the Hispanic American MDI category in the SBA lending analysis.

## MDI Loan Size Varies Widely by Minority Status

MDIs originated higher-dollar loans when compared with non-MDI community banks and non-MDI noncommunity banks in 2016 and 2018 (Chart 5.14 below). Factors affecting the difference may include loan program utilization and loan distribution amounts. Some 7(a) sub-programs vary with regard to loan terms, including maximum loan size. Not all SBA 7(a) lenders originate loans using all of the sub-programs available, which

may affect the size of the SBA 7(a) loans they originate. Standard 7(a) loans are offered up to \$5 million, while the SBA 7(a) Community Advantage caps loans at \$250,000 and the SBA 7(a) Express program limits loans to \$350,000. In 2016, non-MDI noncommunity banks originated 67 percent of their SBA 7(a) loans under the SBA Express loan program, compared with 22 percent for MDIs. The 2018 analysis reflected similar results.

Chart 5.14  
Median SBA 7(a) Loan Size (Dollars in Thousands)



Sources: FDIC, U.S. Census Bureau, SBA  
\*Hispanic American MDIs headquartered in Puerto Rico were excluded.

In 2016, the median MDI loan was nearly \$450,000, compared with \$225,000 at non-MDI metro nonfarm community banks and more than \$200,000 at non-MDI noncommunity banks. In 2018, the MDI median loan size grew to \$500,000, double the non-MDI metro nonfarm community bank median of \$246,000 and the non-MDI noncommunity bank median of \$241,000. The relatively high median loan size of all MDIs is primarily driven by the high median loan size of Asian American MDIs, which originate more SBA

7(a) loans than other MDIs and also use the SBA 7(a) Express program at a lower rate than the aggregate share of all MDIs. The size of a small business loan does not necessarily indicate service to the borrower or a community. The *2017 Federal Reserve Small Business Credit Survey Report: Employer Firms* found that more than half of respondents that applied for loans sought financing of \$100,000 or less, and three-quarters sought financing of \$250,000 or less.<sup>42</sup>

<sup>42</sup>Federal Reserve Banks, 2017 *Federal Reserve Small Business Credit Survey: Report on Employer Firms*, <https://www.fedsmallbusiness.org/media-library/fedsmallbusiness/files/2018/sbcs-employer-firms-report.pdf>.

## DEFINING SMALL BUSINESS ADMINISTRATION COMMERCIAL LENDING IN CENSUS TRACTS

This section analyzes the census tracts of the addresses of Small Business Administration (SBA) borrowers, hereafter referred to as borrower tracts. The following process is used to connect SBA loans by FDIC-insured institutions to tract-level demographic data:

**STEP 1:** Determine the individual 7(a) loans originated by FDIC-insured institutions headquartered in an MSA. Using loan-specific data as of December 31, 2018, applicable individual 7(a) loans were linked to FDIC-insured institutions headquartered in an MSA.<sup>1</sup> The institutions were then classified into the following categories: MDIs, non-MDI community banks, non-MDI noncommunity banks, African American MDIs, Hispanic American MDIs excluding Puerto Rico, Asian American MDIs, and Puerto Rico MDIs. For institutions with merger or acquisition activity within the same category, the loan origination data migrate to the new institution. However, for institutions with merger or acquisition activity outside their category, the loan data and institution are excluded from the analysis because data limitations prevent the identification of the originating lender.<sup>2</sup> Community banks qualifying as farm banks were excluded from the analysis.<sup>3</sup>

**STEP 2:** Connect the individual 7(a) loans to census tracts. The address of the borrower of every applicable 7(a) loan origination is linked to the appropriate Federal Financial Institution Examination Council (FFIEC) census tract data. For population analysis, a loan/tract-level dataset was constructed containing the shares of the tract population that are African American, Asian American, or Hispanic American. From this dataset, median values for each bank were extracted for each type of minority share of

population. With each FDIC-insured SBA 7(a) lender associated with a median share of loan/tract population that is African American, Asian American, or Hispanic American, “medians of medians” were extracted to capture the median loan/tract share of population for each minority group for all banks in each banking category.

A relatively small number of Hispanic American MDIs participated in the SBA 7(a) program in 2016 and 2018. Nearly half of those that participated were MDIs headquartered in Puerto Rico. As a result, the medians calculated for Hispanic American MDIs were skewed toward the demographics of Puerto Rico. For this reason, Hispanic American MDIs headquartered in Puerto Rico are included in the analysis and data visualizations of all MDIs but are excluded from Hispanic American MDI SBA analysis.

Table 5.1 on page 69 shows the universe of data analyzed for this section.<sup>4</sup>

<sup>1</sup>MDI headquarters are concentrated in metropolitan areas; only banks headquartered in metropolitan areas were included in the scope of the analysis. Limiting the scope to banks headquartered in MSAs reduced the loan universe by 9.8 percent (from 59,744 loans to 53,909 loans) in 2016 and by 11.3 percent (from 56,468 loans to 50,086 loans) in 2018.

<sup>2</sup>Any merger or acquisition activity since loan origination will result in the reporting lender being a different entity than the lender that originated the loan within the SBA loan data. Data limitations prevent the identification of the originating lender in these cases. Removing loans related to merger or acquisition activity outside their category of classified FDIC-insured institutions further reduced the loan universe by 16.0 percent (from 53,909 loans to 45,299 loans) in 2016 and by 16.0 percent (from 50,086 loans to 42,113 loans) in 2018.

<sup>3</sup>Limiting the scope of community banks headquartered in metropolitan areas to those that do not meet the FDIC definition of farm banks limited the universe of metro community banks by 0.6 percent (290 loans) in 2016 and by 0.6 percent (273 loans) in 2018.

<sup>4</sup>Native American or Native Alaskan American MDIs were excluded from both 2016 and 2018 analysis as only three applicable loans were originated in 2016 and six in 2018. Two loans originated by Multi-racial MDIs were excluded from the loan universe as no Multi-racial MDIs existed as of year-end 2018.

**Table 5.1**  
**Small Business Administration Commercial Lending Loan Universe**

	<b>2016 Loan Count</b>	<b>2016 Average Loans Per Institution</b>	<b>2018 Loan Count</b>	<b>2018 Average Loans Per Institution</b>
Hispanic American MDI*	46	11.5	21	4.2
African American MDI	39	5.6	102	10.2
Puerto Rico MDI	415	103.8	272	68
Asian American MDI	2,264	66.6	2,314	56.4
Non-MDI Community Bank	10,847	14.3	11,545	15.5
Non-MDI Non-Community Bank	31,395	266.1	27,578	237.7

Sources: FDIC, SBA

Notes: The community bank is defined in the FDIC Community Banking Study (2012). For 2016 analysis, 45,006 SBA loans originated by 926 institutions were included within the scope. For 2018 analysis, 41,832 SBA loans originated by 922 institutions were included within the scope.

\*Hispanic banks headquartered in Puerto Rico were excluded.