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Report Finds Disparities in Numbers of Loans Made to Rochester Area Businesses

Empire Justice Center Report on Small Business Lending Finds Low to Moderate Income Communities and Communities of Color Most Affected; Local and Regional Banks Still Play An Important Role In Addressing Community Needs

Rochester, NY—Today Empire Justice Center is hosting a community roundtable to release and discuss the findings from its first comprehensive examination of small business lending since the mid-1990s. The report, “**#AllTogetherNow: Improving Small Business Lending in the Rochester NY Community,**” looks at aggregate small business lending in 2015 and compares it to the distribution of occupied businesses for the city of Rochester, Monroe County and the rest of the Rochester metro area. Lending of the area’s largest banks and top small business lenders is also reviewed.

“Our community needs to work together to improve access to credit for businesses located in the city of Rochester. As our report shows, the city has 7,245 occupied businesses or 28% of the businesses in the Rochester area. However, city businesses received only 17% of the area’s loans in 2015, and only 20% of the total dollar volume of lending,” noted Barbara Van Kerkhove, Researcher/Policy Analyst at Empire Justice Center and principal author of the report. “The discrepancies were clearest in areas with low to moderate income census tracts and with significant communities of color.”

The report also found that local initiatives and banks are most likely to work with underserved businesses.

“The City of Rochester believes that small businesses are the backbone of our economy. That’s why we launched several initiatives through our Office of Innovation and Department of Neighborhood and Business Development to support small businesses, including the Kiva Rochester microloan program and our worker-owned Market Driven Community Cooperatives project. We look forward to continuing to work with lenders across our community to grow our economy by improving access to credit and creating jobs and more vibrant neighborhoods,” said Mayor Lovely Warren, City of Rochester.

“We are happy to see some of our local and regional banks stepping up to the plate and contributing significantly to the small business lending dollars flowing to businesses in Rochester,” added Ms. Van Kerkhove, in reference to the finding that 5 of the top 8 lenders in total dollar volume of lending were local or regional banks (M&T, Five Star, Canandaigua NB,

Bank of Castile, and First Niagara Bank (acquired by KeyBank in 2016)); these 5 banks captured a combined 60% of the Rochester area's dollar volume lending market.

Other key findings include:

- Lending in the towns of Monroe County was higher than one would expect based on the proportion of businesses. The towns had 11,894 occupied businesses or 45% of the area's businesses, but received 52% of the MSA's loans and 52% of the MSA's lending volume.
- When it comes to the number of small business loans, the area's 8 largest banks made only 6,035 loans for 38% of the market, less than one-half of their combined 83% depository market share.
- Five large credit card lenders (American Express, Capital One, Synchrony, US Bank and Citibank) capture more of the small business loan market than the top 8 banks. Together, these lenders made 7,497 loans, for 47% of the Rochester metro area market.

Recommendations include:

- Urge the Consumer Financial Protection Bureau (CFPB) to pass a strong rule to 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.
- Increase Community Development Financial Institutions' (CDFIs') access to resources through additional bank support and state funding of the NYS CDFI Fund, which was created by the NYS legislature in 2007.
- Increase affordable loan options for young or start up small businesses.

“As a CDFI, the funding that PathStone Enterprise Center receives from banks is critical to doing what we do. However, the current capacity of CDFIs to support small businesses comes nowhere near replacing the decline in small business lending by the country's big banks since the Great Recession,” said Hubert Van Tol, CEO of PathStone Enterprise Center, when reviewing the findings.

“This report shows there's a unique opportunity for Rochester's top banks to do more to support new and expanding businesses, particularly businesses located in low-moderate income neighborhoods or communities of color. There are a variety of options, including developing smaller dollar closed-end loan products for these businesses or funding loan loss reserves at CDFIs. Today's roundtable is a way to explore these options, so that businesses in our community can access affordable, responsible credit,” said Ruhi Maker, Senior Attorney at Empire Justice Center.

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Empire Justice Center is a statewide, multi-issue, multi-strategy, public interest law firm focused on changing the “systems” within which poor and low-income families live. Empire Justice protects and strengthens the legal rights of people in New York State who are poor, disabled or disenfranchised through: systems change advocacy, training and support to other advocates and organizations, and high quality direct civil legal representation. Empire Justice has four offices in Albany, Rochester, Yonkers, White Plains and Central Islip on Long Island.