



## Highlight: Community bank focus on small business lending

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October 30, 2025

Despite a sector-wide downward trend in the allocation to small business lending, community banks continue to hold the highest portfolio share dedicated to this segment.

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- Over the last decade, the ratio of small business loans to total loans has, on average, demonstrably declined across banks irrespective of asset size aside from a brief spike as a result of the federal government's Paycheck Protection Program.
- Although this decline is most pronounced in the community bank data, community banking organizations (CBOs)<sup>[1]</sup> continue to hold a comparatively larger share of small business loans as a percentage of total loans relative to their larger bank counterparts.
- According to the Federal Reserve Bank of Kansas City's [Small Business Lending Survey](#), respondents have reported a long-term trend in declining credit quality along with a corresponding tightening of credit quality standards. Moreover, respondents anticipate trade policy, labor costs, and inflation to negatively impact loan demand over the next 12 months.

Questions or comments? Please contact [KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org](mailto:KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org)

### Endnotes

[1] Community banking organizations are defined as having less than \$10 billion in total assets.