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New York's community banks provide most of the loans for the state's small businesses and farms, generating more than half of all small- business loans and almost all small-farm loans even though they hold less than one-fourth of all bank assets in the state, banking regulators said in a new report.

The report by the state Department of Financial Services found that community banks — which had declined in the 1990s — grew in the last decade, despite the financial crisis and tough competition.

They did so by providing small-business and mortgage loans, filling the vacuum created as big banks retreated, said Superintendent of Financial Services Benjamin M. Lawsky.

“Community banks focus on the unique needs of their communities,” Lawsky said. “They build strong customer relationships, which help attract local retail deposits. These banks take deposits from their communities and then typically recycle them back into their communities in the form of loans.”

Today, while community banks hold only 22 percent of all assets of banks in the state, they provide almost 55 percent of small-business loans and nine out of 10 small-farm loans. Even the smallest banks, with less than \$1 billion in assets and only about 6 percent of all assets at banks insured by the Federal Deposit Insurance Corp., are responsible for almost 28 percent of all small- business loans and 43 percent of small-farm loans.

In turn, Lawsky said, that demonstrates the importance of small banks for job

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In Western New York, the report lists seven community banks: Bank of Akron, Alden State Bank, Evans Bank, Bank of Holland, Lake Shore Savings Bank, Bank of Cattaraugus and Cattaraugus County Bank. Total loan assets in the region fell 80 percent to \$1.9 billion in 2011 from \$9.5 billion in 1992. Commercial loans dropped to \$400 million from \$1.3 billion in 1992 but have since held steady, with \$435 million in 2011.

The report defined community banks as those with less than \$10 billion in assets — a much higher definition than is often used in the industry. By that measure, there were 169 such banks based in New York State in 2011, operating under either state or national charters. The report only looked at banks that were headquartered in the state, not those with just branches here, to enable the researchers to identify trends. It covers the years from 1992 to 2011.

The report notes that the share of industry assets held by community banks fell sharply in the 1990s in New York because of competition from and mergers among big banks, the sale of 83 community banks and recent economic factors.

In particular, total assets at community banks fell 30 percent to \$166 billion in 2011 from \$237 billion in 1992, while their share of total industry assets in the state fell to 21 percent from 29 percent. Similarly, loans at community banks fell from 30 percent of all loans at banks to 13 percent from 1992-2001. And deposits fell from \$188.5 billion in 1992, or 33 percent market share, to \$116.3 billion in 2001.

The total number of community banks fell from 299 in 1992 to 169 in 2011.

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