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Small Business Bank Lending in Baltimore's Black Butterfly and White L, 2013 - 2023

A Bmore Collab Research Report

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1. Introduction

Access to capital in the form of small business lending is one of many key financial investments required to build and sustain healthy neighborhoods, improve economic mobility for households, and create generational wealth. When restaurants, grocery stores, cafes, doctors' offices, hardware stores, and other consumer and service amenities open and operate in a neighborhood, they become engines for job creation and attract new investments. Access to capital facilitates opportunities for entrepreneurs to launch businesses and build generational wealth that can be reinvested into the neighborhoods they call home.

Not all entrepreneurs enjoy the same level of access to capital in U.S. cities. National surveys have revealed deep racial disparities in access to capital for small business owners and entrepreneurs, including a 2023 Federal Reserve study showing that 28% of minority-owned businesses in operation since 2020 accessed a bank loan compared to 48% of white-owned businesses. Unfortunately, unequal access to capital for Black entrepreneurs and disinvestment in majority-Black neighborhoods has a long history in cities nationwide.

In Maryland, on May 8, 2023, Governor Wes Moore signed into law the Access to Banking Act to promote the growth and availability of financial services in low- and moderate-income communities. The goal of the Act is to increase access to capital for small businesses and entrepreneurs in underserved neighborhoods. Additionally, in June 2025, Governor Moore established the Maryland Community Investment Venture Fund to enhance financial services for underserved communities and, later that month, officially designated 419 Census tracts as part of the 2024 Just Communities legislation with the goal of closing the racial wealth gap.

Given these new efforts to improve access to capital for underserved entrepreneurs, many of whom live and work in Baltimore City, this research should inform ongoing policy discussions and efforts at both the state and local levels to help drive investment and build a vibrant small business ecosystem in Baltimore's Black Butterfly neighborhoods.

Key Findings

This study examines community level disparities in lending across Baltimore City in recent years and the racialized geography of banks' small business lending in Baltimore by looking over a decade of the most recent publicly available data from 2013 to 2023. Specifically, it analyzes how banks have invested small business capital in Baltimore City's Black Butterfly and White L neighborhoods.

Major findings from an analysis of small business lending in Baltimore between 2013 and 2023 include:

- White L neighborhoods received over $3.2 billion in small business loans compared to $1.3 billion in Black Butterfly neighborhoods.
- While the Black Butterfly contains almost two-thirds of the population of Baltimore City, those neighborhoods received less than one-third of the total small business loan amount that went to the city.
- The average White L neighborhood received almost five times the amount of small business loans than the average Black Butterfly neighborhood. This disparity has not improved over time.
- Of the top 35 neighborhoods ranked by total loan amount, all but four were in the White L. Among the 100 neighborhoods that received the least amount of investment, all but 10 were in the Black Butterfly.
- The Downtown neighborhood received nearly a half billion dollars in loans, making it the top neighborhood for small business lending. Other top neighborhoods included Canton Industrial Area, Pulaski Industrial Area, Mount Vernon, and Harbor Point.
- Excluding the neighborhood around the jail, Harlem Park received the least amount of loans of just over $600,000, or just over 1% of what Downtown received. Among other neighborhoods that received the least amount of investment were O'Donnell Heights, Harford-Echodale, and Coppin Heights.
- Although there was a significant lending disparity between White L and Black Butterfly neighborhoods, disparities between high poverty and low poverty neighborhoods were inconsequential.

This report is the second installment in a research series on investments in small businesses and entrepreneurship in Baltimore City. The first report in the series, The Historical Origins of Discriminatory Bank Lending in Baltimore by Lawrence T. Brown, PhD, MPA, explores the historical origins of citywide discriminatory bank lending and provides context for the present-day analysis presented here. Following reports in this series will include qualitative research by Yolanda Christophe, PhD, and Suntae Kim, PhD, on Baltimore entrepreneurs' experiences engaging with financial institutions. Additional quantitative studies on Small Business Administration lending programs and bank branch locations in Baltimore City add color to these investigations.

2. Past Work

This research brief is not the first to analyze disparities in small business lending in Baltimore City. Several studies have focused on small business investment in Baltimore's Black Butterfly and White L neighborhoods.

In the wake of Freddie Gray's murder by police, a 2015 NCRC report looked at home mortgage and small business lending in Baltimore City and surrounding counties. It found low levels of investment in east and west Baltimore and higher levels of investment around the Harbor. However, the NCRC analysis mostly focused on home mortgage lending and only looked at one year (2013) of small business lending data.

A 2019 research feature by the Urban Institute compared a variety of investment flows to Black Butterfly and White L neighborhoods in Baltimore, focusing on as many types of investments as they could track. The section on small business lending focused on data from 2011 to 2016, adjusted lending amounts per household, and compared race and poverty rates. The Urban Institute found significant disparities in small business investment by race, with majority-Black neighborhoods receiving less investment than majority-white neighborhoods, while high poverty neighborhoods actually received more funding than low poverty neighborhoods.

Finally, past work at the Johns Hopkins 21st Century Cities Initiative analyzed small business lending in Baltimore over a decade, but looked at the city as a whole, focusing on annual trends and lending institutions, not neighborhood level differences. This report updates past work by analyzing the most recently available data, looking over a longer time period, and focusing solely on small business bank loan investments in neighborhoods. It is also one part of a series that analyzes investments in small businesses and entrepreneurship across Baltimore City.

3. Data

The small business lending data used in this report is based on the Federal Financial Institutions Examination Council (FFIEC) Community Reinvestment Act (CRA) bank disclosure reports. This data comes from federally insured banks in the U.S. that meet annually determined asset size thresholds.[1] While these data do not contain the universe of bank lending, they reflect the vast majority.[2] The data are reported at the Census tract level and include loan originations of $1 million or less made to businesses.

The demographic data points on race come from the US Census Bureau's 2022 Five-Year American Community Survey. In this report, Black Butterfly neighborhoods are defined as those in which more than 50% of the population is Black or African American alone or in any combination with another race. The White L refers to neighborhoods that do not meet this definition.

4. Findings

Overall

In Baltimore City, there are 132 neighborhoods[3] where the share of Black residents is greater than 50%. They make up the Black Butterfly in Baltimore.

1. Some banks that do not meet this asset threshold voluntarily report their lending activity. For example, in 2017, 177 of the 718 banks reporting their lending activity to the FFIEC fell below the threshold.
2. For example, in 2017, the CRA data covered about 97% of small business loan originations.
3. Loan data are reported at the Census tract level, which we use here as our definition of "neighborhood". Census tracts are geographic units that average 4,000 residents and are the closest approximation to a neighborhood that the US Census Bureau reports demographic information.

The remaining 67 neighborhoods that are majority non-Black make up the White L.

Black Butterfly neighborhoods are home to 384,163 people, 326,686 of which are Black, while White L neighborhoods are home to 200,385 people, 45,103 of which are Black. This means that the Black Butterfly is not just home to the vast majority of the Black population of Baltimore, but it is also home to nearly two-thirds of the entire population of the city.

As shown in Table 4.1, from 2013 to 2023, the Black Butterfly received 40,517 small business loans totaling $1.3 billion while the White L received 66,569 loans totaling $3.3 billion.[4] This means that the Black Butterfly, which consists of nearly two-thirds of the population of the city, received less than one third of the total amount of small business loans that city businesses received.

4. Dollar amounts are reported in 2023 inflation-adjusted amounts.

Over this period, the average Black Butterfly neighborhood received just over $10 million in small business loans while the average White L neighborhood received almost five times that amount, $48.9 million in loans. The average size of small business loans in Black Butterfly neighborhoods was about $33,000, while it was about $49,000 in the average White L neighborhood.

Table 4.1: Small business lending in Baltimore City, 2013-2023. Source: FFIEC CRA and American Community Survey. Note: Loan amounts are adjusted for inflation to 2023 dollars

	Num. of loans	Total $ Amt.	Avg. per neighborhood	Avg. loan size	Population share	Loan amount share
White L	66,569	$3,278,298,257	$48,929,815	$49,246	34.2%	71.1%
Black Butterfly	40,517	$1,338,319,900	$10,138,777	$33,031	65.7%	28.9%

After hovering between 26% and 29% from 2013 to 2020, the share of loans going to the Black Butterfly increased to above 30% in 2021 and was over 34% in 2022 and 2023. However, in 2023, Baltimore City received the smallest amount of small business loans ($280 million) that it had since 2010 ($272 million), when the nation was emerging from a global recession.

In 2023, total loan amounts in the Black Butterfly were the third lowest of any year between 2013 and 2023. Simultaneously, the White L had its lowest total loan year in 2023 of $280 million, which was 14% lower than the second lowest loan total year of $325 million in 2013. In this context, the increasing share of loans going to the Black Butterfly was due to loans declining in the White L as opposed to loans increasing in the Black Butterfly.

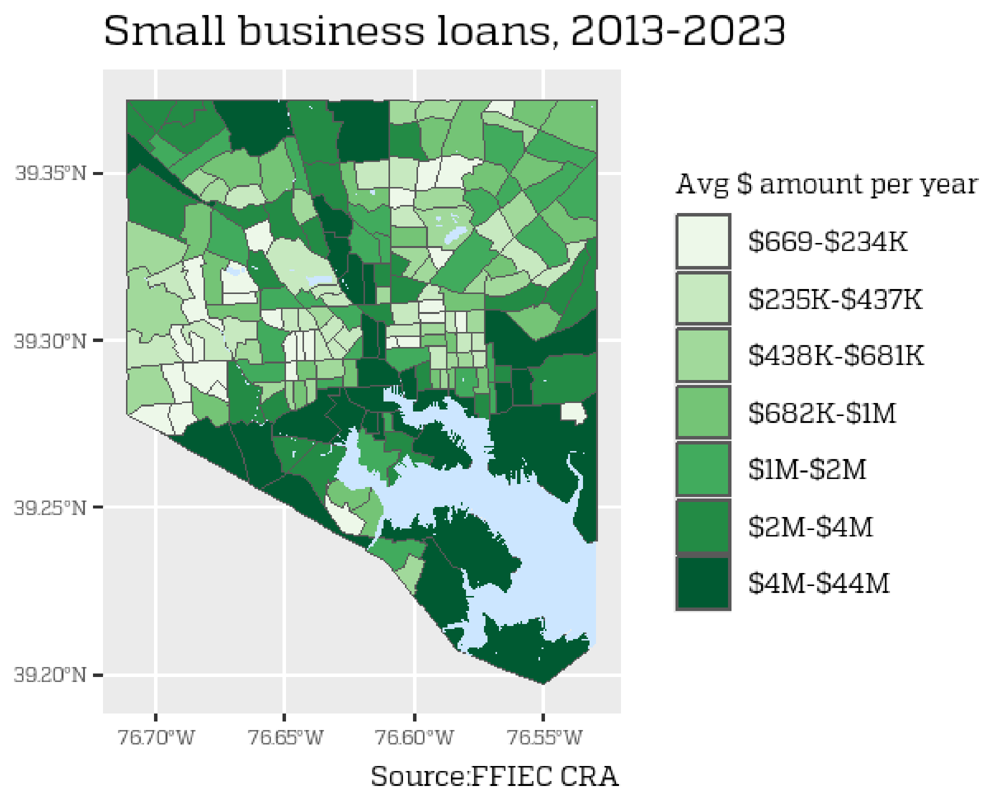
Comparing the period that the aforementioned Urban Institute report looked at, from 2011 to 2016, with our later period, 2017 to 2023, there was almost no change in the amount of small business loans per household that went to neighborhoods that were at least 85 percent Black. Majority White neighborhoods received more than five times the amount of small business loans per household.

Neighborhood disparities

Mapping the average annual amount of small business loans received by each neighborhood in Baltimore City between 2013 and 2023, as shown in Figure 4.1, neighborhoods in the Black Butterfly received an annual average of $921,707 in loans over this period, compared to $4,448,165 for neighborhoods in the White L or almost five times the amount going to Black Butterfly neighborhoods. Even after excluding the White L Downtown Baltimore neighborhood, which was an extreme outlier, neighborhoods in the White L received an annual average of $3,839,939 in loans, or over four times the amount that the average neighborhood in the Black Butterfly received.

The map shows that lending is highly concentrated in White L neighborhoods. In the port and industrial areas surrounding the harbor, these neighborhoods receive between $4 million and $44 million per year in small business loans. Immediately east and west of Downtown Baltimore and Mount Vernon, there are clear lending deserts in the east and west Baltimore Black Butterfly neighborhoods of Biddle Street, Harlem Park, and Franklin Square. The lending deserts stretch out further into the wings of the Butterfly in neighborhoods including Harford-Echodale, Rognel Heights, and Uplands, with these neighborhoods receiving between $69,000 and $234,000 in small business loans per year.

Figure 4.1: Average annual amount of small business lending by neighborhood, 2013-2023.



The top 13 neighborhoods ranked by total loan amount between 2013 and 2023 were all in the White L. Only one majority Black neighborhood received more than $64 million in loans during this period, while the same was true for 17 neighborhoods in the White L.

Among the top 35 neighborhoods ranked by total small business loan amount received, there were only four Black Butterfly neighborhoods. Among the 50 neighborhoods that received the least amount of small business lending, all but one was in the Black Butterfly. Among the 100 neighborhoods that received the least amount of small business lending, all but ten were in the Black Butterfly.

The neighborhood that received the highest amount of small business loans was the Downtown Baltimore central business district, which received 6,587 loans totaling $490 million between 2013 and 2023. Excluding the neighborhood that includes the jail, the Census tract that contains Harlem Park received the least amount of small business loans, receiving 66 loans totaling $632,114.

Figures 4.2 and 4.3 show the ten neighborhoods that received the most and least small business loans between 2013 and 2023. As shown in Figure 4.2, Downtown is an outlier, having received almost half a billion in small business loans. Other top neighborhoods including Mount Vernon, Harbor Point, and Little Italy received between about $100 and $150 million in small business loans. All of the top ten neighborhoods are in the White L.

Figure 4.2: 10 neighborhoods that received the most amount of small business loans, 2013-2023.

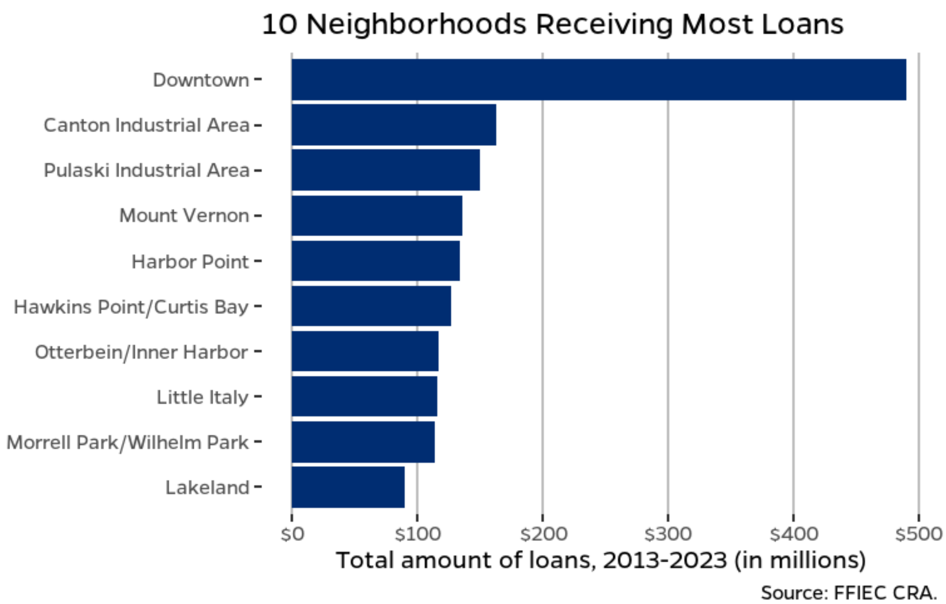
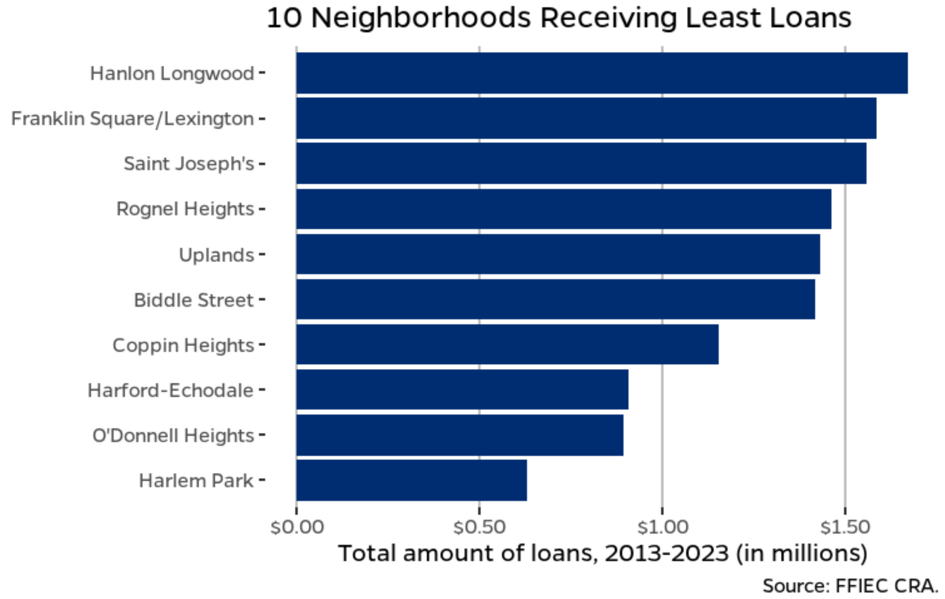


Figure 4.3 shows the ten neighborhoods that received the least amount of small business loans between 2013 and 2023 (excluding the neighborhood that includes the jail). All of these neighborhoods are in the Black Butterfly, with the majority receiving between $1 and $2 million in small business loans. Notably, Harlem Park received the least, $632,113 in small business loans.

Figure 4.3: 10 neighborhoods that received the least amount of small business loans, 2013-2023.



Neighborhood change

Tables 4.2 and 4.3 show which neighborhoods saw the largest increases in small business lending over the period versus those with the largest decreases. To measure change, the analysis compares the six-year period from 2013 to 2018 with the five-year period from 2019 to 2023. Over two-thirds of neighborhoods experienced an increase in the amount of small business loans between the early and late period, mostly due to Paycheck Protection Program (PPP) lending in 2020 and 2021. The median neighborhood experienced an increase of just under $900,000 in small business lending.

Table 4.2: Top 10 neighborhoods by change in total loan amount: 2013 to 2018 and 2019 to 2023

Neighborhood	Change in loan amount	Percent change
Curtis Bay/Hawkins Point	$29,457,509	61%
Canton Industrial Area	$13,700,557	18%
Locust Point	$13,490,907	76%
Liberty Square/Mondawmin	$9,602,250	119%
Pulaski Industrial Area	$8,540,326	12%
Downtown	$8,084,967	3%
Port Covington/Riverside	$7,534,024	101%
Fells Point	$7,504,465	12%
Remington	$7,499,685	41%
Little Italy	$7,442,941	14%

Among the top ten neighborhoods shown in Table 4.2, all but Liberty Square/Mondawmin were in the White L. Both Liberty Square/Mondawmin and Port Covington/Riverside are notable for seeing their small business loan totals more than double. For Liberty Square/Mondawmin, annual loan totals were between $240,000 and $1.7 million between 2013 to 2018 before surging to nearly $6 million in 2020 (due to PPP loans) and then settling around $2 million in 2022 and 2023.

Additionally, among the top ten neighborhoods, all but Curtis Bay/Hawkins Point can attribute their large increases to PPP loans in 2020 and 2021, rather than increased investment that was sustained after the PPP program expired. While Curtis Bay/Hawkins Point did see an increase in small business lending in 2020 and 2021 from PPP loans, it sustained similarly high levels of investment in 2022 and 2023, in contrast to the other top neighborhoods, which saw large drops after the PPP expired.

Table 4.3 shows the neighborhoods that experienced the largest decline in total loan amount from the 2013 to 2018 period to the 2019 to 2023 period. Among the ten neighborhoods that saw the greatest decline, four were in the Black Butterfly.

Table 4.3: 10 neighborhoods with the greatest decline in small business loans by change in total loan amount: 2013 to 2018 and 2019 to 2023

Neighborhood	Change in loan amount	Percent change
Canton	$(17,484,508)	-42%
Mount Vernon	$(12,543,574)	-17%
Sharp-Leadenhall	$(10,417,666)	-38%
Glen/Pimlico	$(10,391,458)	-65%
Bayview/Greektown	$(7,601,756)	-31%
Frankford	$(7,596,142)	-34%
Saint Paul	$(6,716,370)	-44%
Homeland/Bellona-Gittings	$(6,203,261)	-22%
Westport	$(4,807,384)	-32%
East Baltimore-Midway	$(4,639,799)	-21%

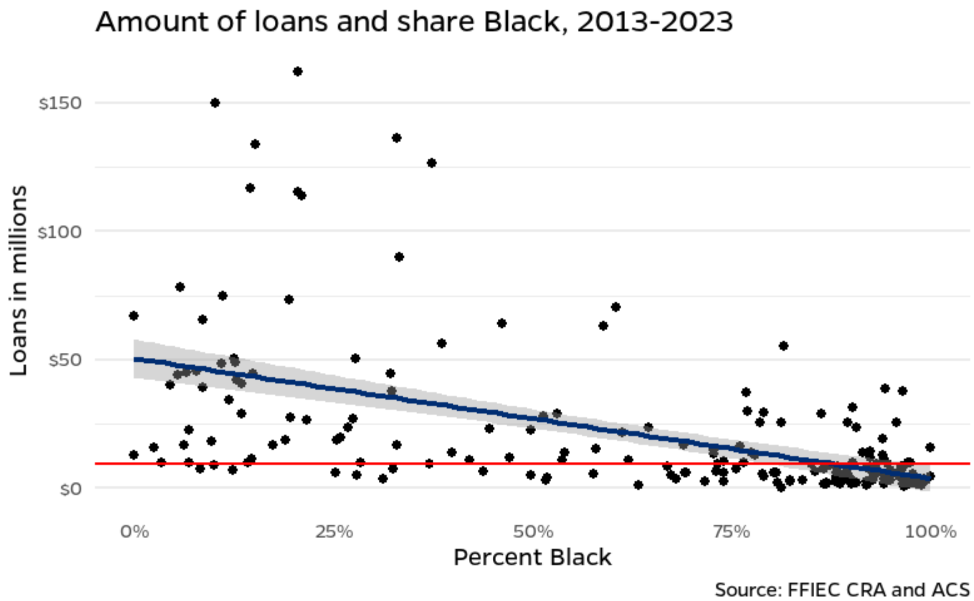
Canton experienced the largest decline of nearly $17.5 million in small business loans. After experiencing high loan levels of $7 and $8 million in 2014 and 2015, loan amounts declined in Canton, and after a brief spike in 2020 PPP lending, fell again to $2 million a year. Mount Vernon received between $7 and $10 million a year in loans between 2013 and 2018, experienced a large increase in PPP loans with $18.6 million in 2020 and $14 million in 2021, and then experienced a significant decline to around $7 million in 2022 and 2023. However, both Canton and Mount Vernon still rank among the top neighborhoods receiving small business loans, with Mount Vernon receiving the third highest loan amount in 2023 and Canton in the top quarter of all neighborhoods.

Among these 10 neighborhoods, the Black Butterfly neighborhood of Glen/Pimlico experienced the largest percent decline in loan totals between the two periods of 65%. While the neighborhood received annual loan totals of between $1.6 and $3.4 million between 2013 and 2018, it received just under $2 million in the PPP loan years of 2020 and 2021, before declining to around half a million in loans in 2022 and 2023.

Race and poverty

As shown in Figure 4.4, where each dot represents a neighborhood in Baltimore City, there is a negative correlation between the share of Black residents in a neighborhood and the total amount of small business loans received between 2013 and 2023. Two thirds of Black Butterfly neighborhoods received less than the median amount of small business lending ($9.5 million) that went to Baltimore neighborhoods, as shown with the red horizontal line in Figure 4.4.

Table 4.3: Number of small business loans by share of Black residents by tract, 2013-2023.
Note: The Downtown Baltimore census tract is omitted for scale. The tract is 42% Black and received 6,587 loans.



The disparity in small business lending between high and low poverty neighborhoods was much less severe than the disparity in lending between the Black Butterfly and the White L. Looking at the period between 2011 and 2016, the Urban Institute found that high poverty neighborhoods in Baltimore City received more in small business loans per household than low poverty neighborhoods, with high poverty neighborhoods receiving $7,145 in small business loans per household compared to $5,498 for low poverty neighborhoods. Using their high/low poverty threshold of 25% of households in poverty, this research shows the opposite disparity between 2013 and 2023, with low poverty neighborhoods receiving $20,055 in small business loans per household compared to $14,547 for high poverty neighborhoods.

Recognizing that the overall poverty rate in Baltimore City has declined over the past 15 years, the high/low poverty threshold should be lowered to 20% of households in poverty, which was the average for the entire city in 2024. Under the updated threshold, the disparity remains, but is less severe, with high poverty neighborhoods receiving $17,441 in small business loans compared to $19,135 for low poverty neighborhoods.

A major reason for this difference between the Urban Institute finding was that the Downtown neighborhood went from a neighborhood with a poverty rate above 25% in the 2011 to 2016 period to a neighborhood with a poverty rate of 13.7% in 2023, making it a low poverty neighborhood. Removing the Downtown neighborhood from this analysis, high poverty neighborhoods received slightly more in small business loans between 2013 and 2023, $17,441 compared to $16,498 in low poverty neighborhoods. For all three of these methods, the small business lending disparity between high and low poverty neighborhoods is much less than that between the Black Butterfly and the White L.

5. Conclusion

Baltimore City has experienced persistent disparities in small business lending in recent years with the majority of investments going to neighborhoods in the White L, while the majority of the population of the city located in the Black Butterfly sees comparatively little investment. Between 2013 and 2023, White L neighborhoods received nearly 2.5 times the total amount of small business loans than Black Butterfly neighborhoods. Despite being home to two-thirds of the population of Baltimore City, the Black Butterfly received just one-third of the amount of small business loans. The average White L neighborhood received almost five times the amount of small business loans than the average Black Butterfly neighborhood. Importantly, these disparities have not improved over time.

Given these findings and the renewed focus of the State of Maryland on addressing access to capital for underserved groups and goal of closing the racial wealth gap, Baltimore needs public, private, and non-profits to collaborate and provide resources in the form of financing, technical assistance, and other supports to ensure that small businesses and entrepreneurs are able to thrive in Baltimore's Black Butterfly neighborhoods.

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About 21st Century Cities Initiative

The 21st Century Cities Initiative (21CC) at Johns Hopkins University is the campus hub for research, teaching, and outreach related to urban economic growth and urban quality of life. Through rigorous data analysis and policy evaluation, our center focuses on how to align the incentives of the private sector and federal, state, and local governments to unlock the full potential of cities including Baltimore, U.S, and international cities.

City residents and firms gain from the benefits of density. When we live at close physical proximity, we learn more from each other, we can more easily trade and interact with each other, and we can specialize in activity where we have a comparative advantage because we know that we can trade with others who have an edge in supplying services that we demand but that we do not have the time to produce for ourselves. While cities offer great opportunities, they also impose costs. Cities suffer from various degrees of pollution, traffic congestion, and crime. These social costs can significantly lower urban quality of life.

21CC seeks to identify cost effective strategies for accentuating the gains from urban density while mitigating the social costs of living and working in close physical proximity.

Find out more

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