Loan Approval Rates at Banks Improve in April 2016, While Alternative Lenders' Percentages Drop Significantly, According to Biz2Credit Small Business Lending Index™ for April 2016

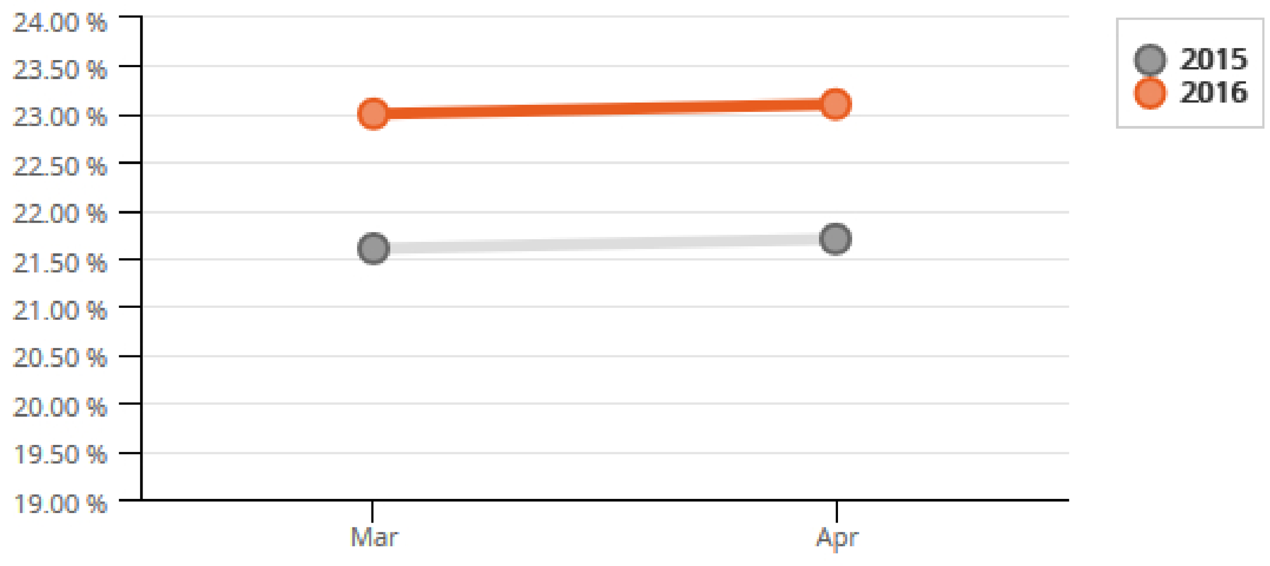
Alternative Lenders, Credit Unions and Institutional Lenders Falter

Loan approval rates at both big banks ($10 billion+ in assets) and small banks thrived in April 2016, according to the latest Biz2Credit Small Business Lending Index™, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com. Meanwhile, approval percentages dropped significantly at alternative lenders. Institutional lenders and credit unions also experienced a slight drop in their loan approval rates in the last month.

Big Banks

Big banks ($10 billion+ in assets) approved **23.1%** of loan applications in April, up one tenth of a percent in the last month and the highest approval percentage since the Index began more than five years ago. In fact, lending approval rates today are more than twice as high as they were in April 2011 during the so-called "credit crunch." Moreover, lending approval rates at big banks have improved in six of the last eight months.

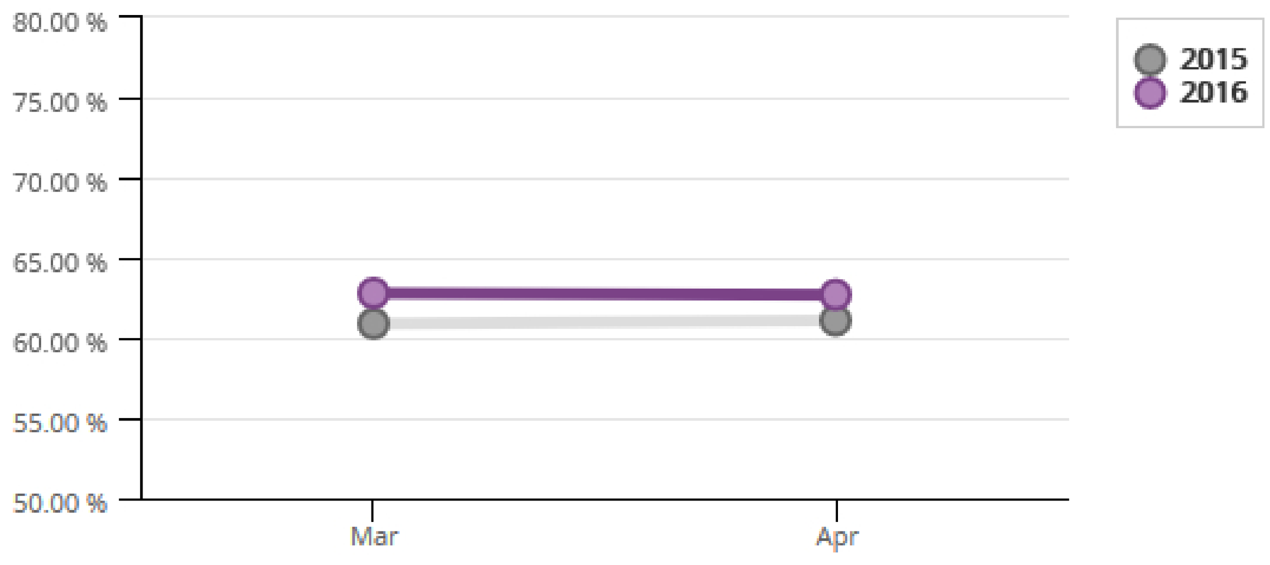
"Big banks have been the tortoise while alternative lenders have been the hare. Their approval percentages have climbed slowly and steadily for several years," explained Biz2Credit CEO Rohit Arora, who oversaw the research. "As more banks continue to leverage technology, the risks of loan defaults are better identified. It also lowers their loan processing costs. This has resulted in an increase in the banks' willingness to lend."



Institutional lenders

Lending approval rates at institutional lenders dropped for the first time in more than two years, albeit only slightly, to **62.7%** in April from 62.8% in March. It marks the first drop for this category of lenders since Biz2Credit began monitoring the approval rates of institutional lenders in January 2014.

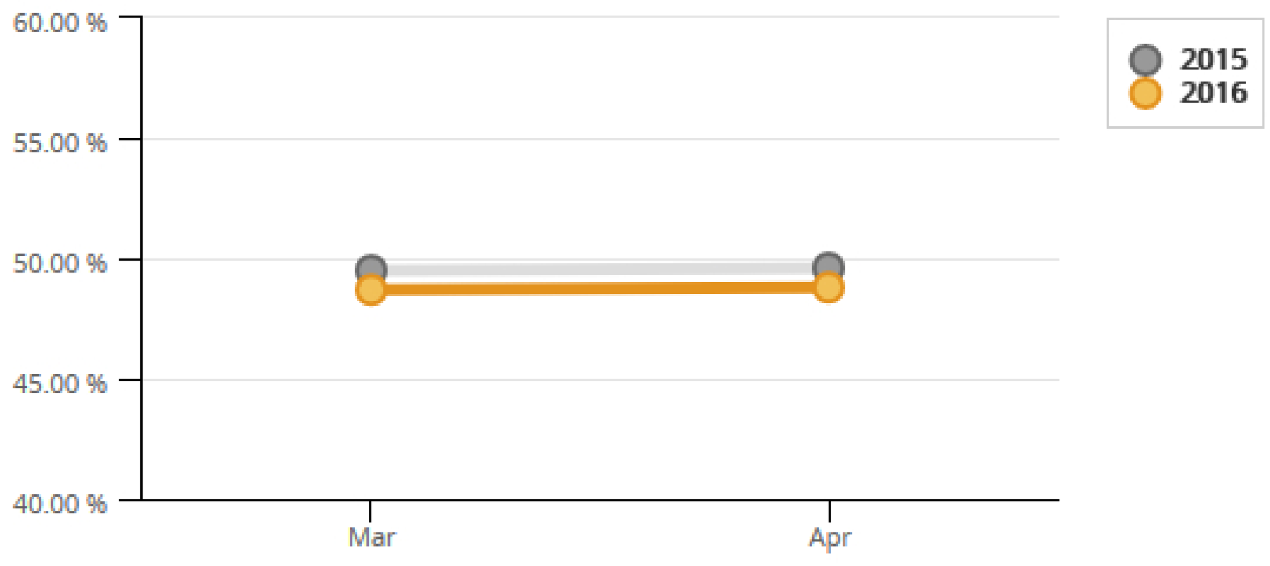
"Despite this small hiccup, institutional lenders should still be considered one of the strong driving forces in the industry," suggested Arora. "The high yields in small business remain attractive, and I expect a rebound in the approval rates in coming months. There is little compliance risk in small business lending for them. It's an attractive asset class for them."



Small Banks

small banks Further, lending approval rates at small banks improved to **48.8%** from 48.7% in March 2016.

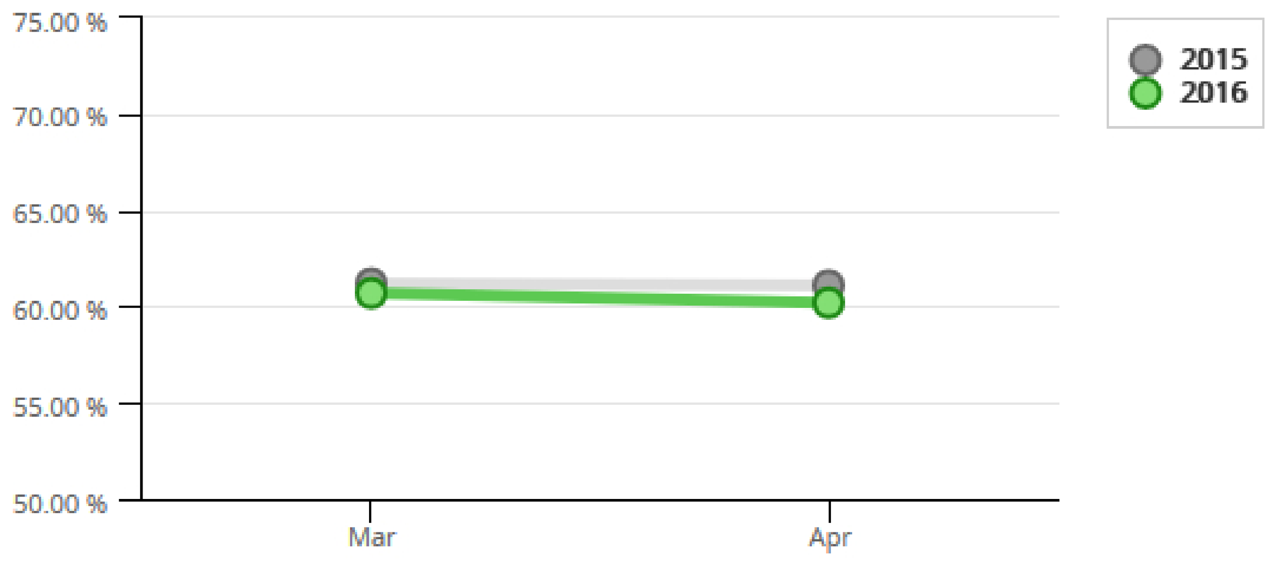
"Small banks are still doing a lot of SBA loans, which are government-backed and thus are less risky to make," said Arora. "From May onward, small bank approvals go up as companies that filed for tax filing extensions then can start borrowing for expansion, working capital and refinance."



Alternative Lenders

Alternative lenders took a big hit in April, approving loans at a rate a half percentage point lower in the last month to **60.2%**. This approval rate is down significantly from the category's Index-high of 67.3% two and a half years ago.

"We may be seeing a bit of a correction in the marketplace. Alternative lenders were willing to make riskier loans, but could afford defaults because their high interest rates reflected the volatility of the non-bank loan market," Arora explained. "As the banks keep making loans at attractive rates to higher quality borrowers, alternative lenders are losing out. They may soon become an afterthought for small business owners, especially those with good-standing credit who no longer have to borrow at any cost."



Credit Unions

Credit unions continue to deny an increasing percentage of loan requests, granting an all-time Index low of **41.9%** in April, down one tenth of a percent from March. This marks the 11th consecutive month that loan approval rates have declined at credit unions.

"Credit unions are wavering in the small business finance space largely because of their inability to adapt to the technological advancements that competing categories of lenders are implementing," Arora added. The lending cap still has not gone up. That continues to hurt credit unions. They are not as competitive as they were.