

Boom in Technology and Ecommerce Spark Small Business Loan Approval Percentages in February 2018, According to Biz2Credit Small Business Lending Index™

Commercial loans spur strong month as small business loan approvals hit post-recession heights

Small business loan approval rates for big banks (25.4%) hit another new high last month, according to the Biz2Credit Small Business Lending Index™ (February 2018 figures) released today. The monthly analysis examined more than 1,000 credit applications from small businesses on Biz2Credit.com.

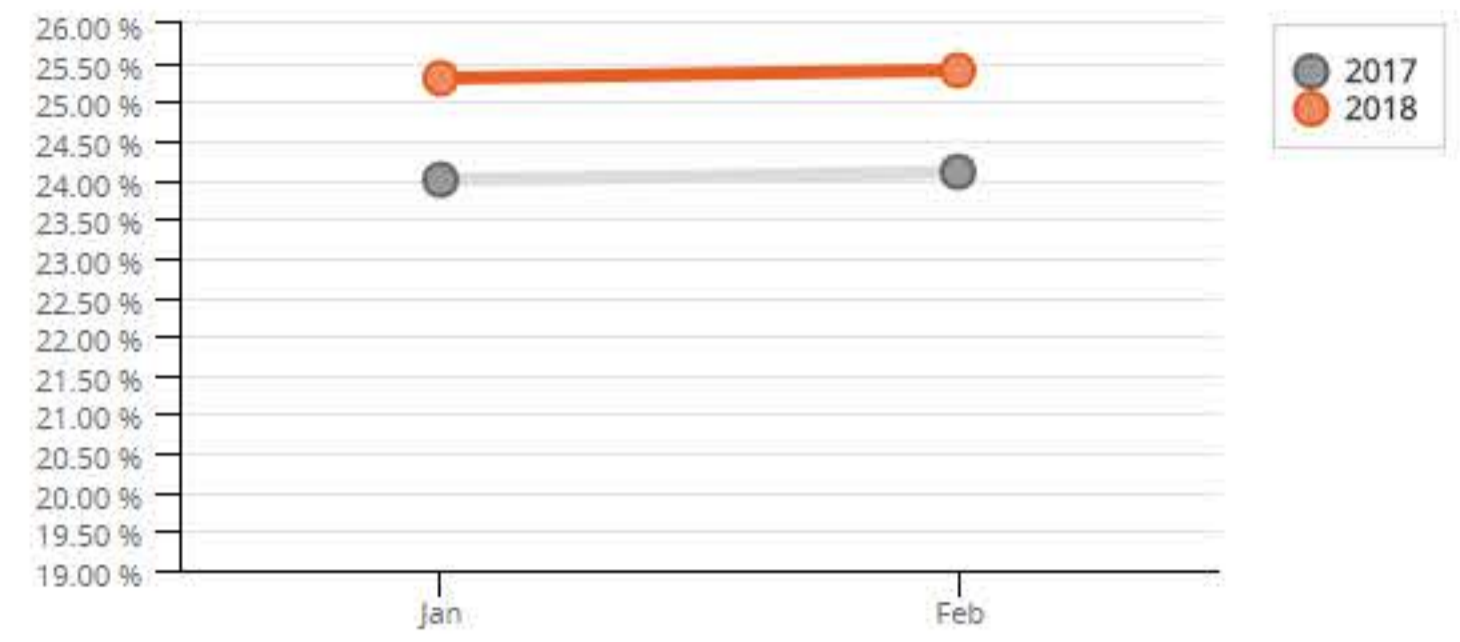


Big Banks

Big banks (assets of \$10 billion+) are granting more than one-quarter of the small business loan applications they receive. The **25.4%** approval percentage, up one-tenth of a percent from January 2018, represents another new benchmark for big banks.

"There is a lot of demand to fund commercial real estate. While mall construction has essentially halted, ecommerce has caused a **boom in the construction of warehouses** and other industrial buildings," said Biz2Credit CEO Rohit Arora, who oversaw the research. "Banks weren't lending to commercial, but now commercial loans are really picking up. There was relatively little construction of industrial buildings in the last 8-9 years."

"The prime rate has gone up, and commercial loans and SBA loans are variable rate loans. Thus, it has become profitable for banks to lend," Arora adds. "Banks are lending at 7 percent now, and with the Fed expected to raise rates again, the rates may go to 8 percent. Meanwhile, the cost of capital hasn't gone up much, so spreads are going up, and the banks have more incentive to close loans."

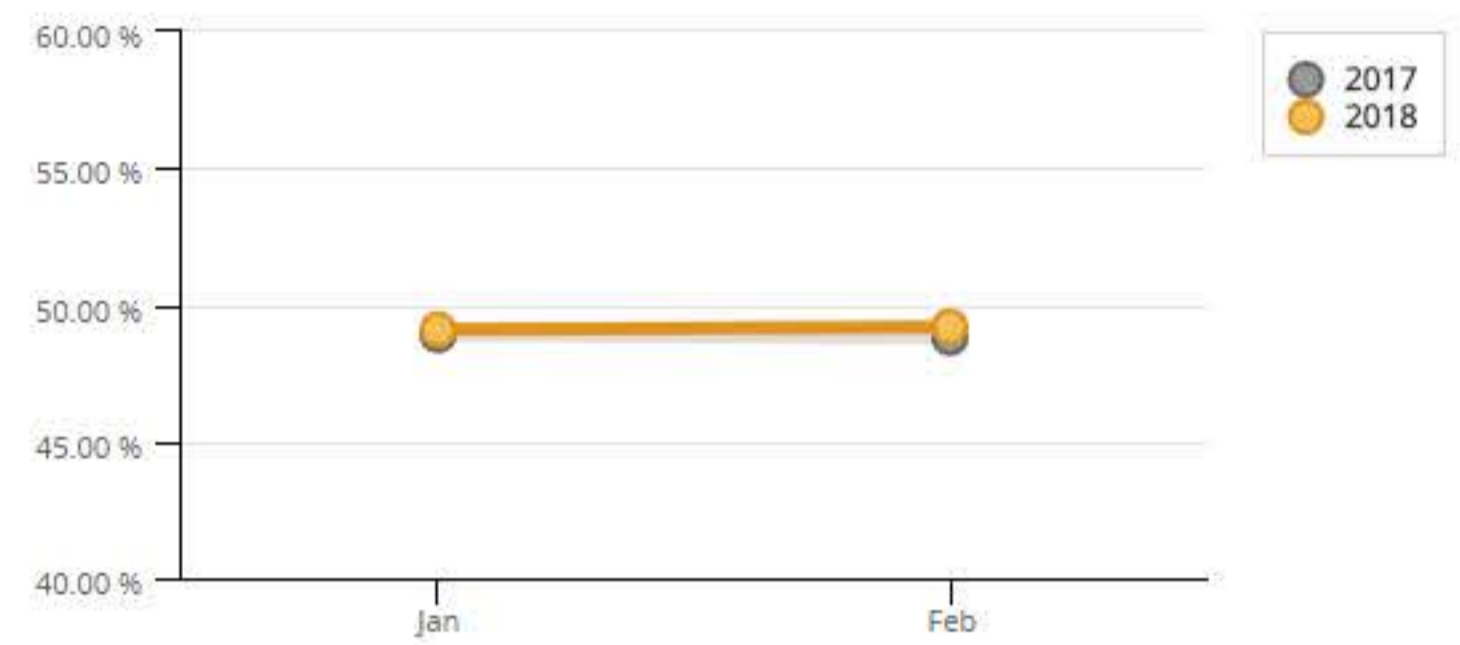


Small Banks

Small business loan approval rates climbed slightly at regional and community banks. Small banks approved **49.2%** of the funding requests they received in February, up one-tenth from the month prior. Many of the loans processed by small banks are SBA loans.

"The SBA made changes, and down payments for commercial real estate went down from 20 percent to 10 percent. That has spurred SBA lending," explained Arora, one of the nation's leading experts in small business finance.

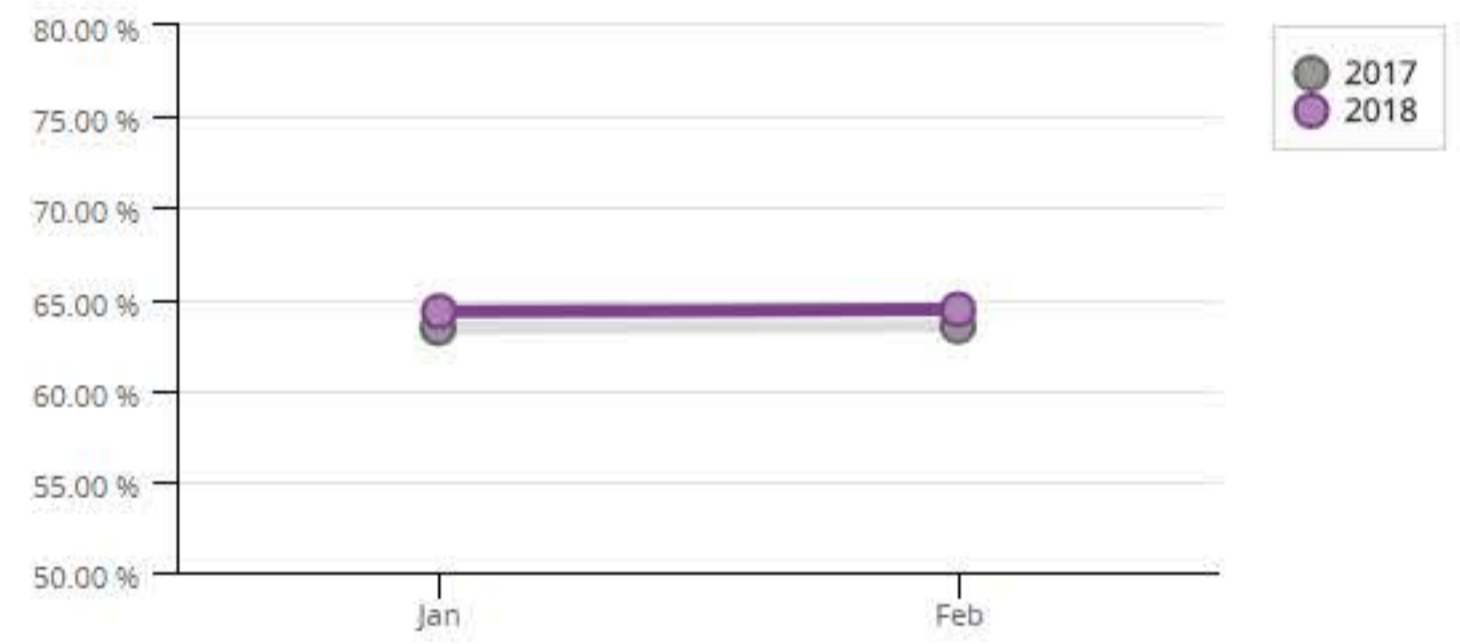
"Another factor is that SBA loan defaults are less than one percent. Meanwhile, the SBA's 75 percent guarantee is still in place." Arora says small banks are also selling the loans on the secondary market, which also adds to their profits.



Institutional lenders

Institutional lenders reached a new Index record **64.4%**, up one-tenth from January. These lenders (pension funds, insurance companies, and others), continue to be important players in small business lending.

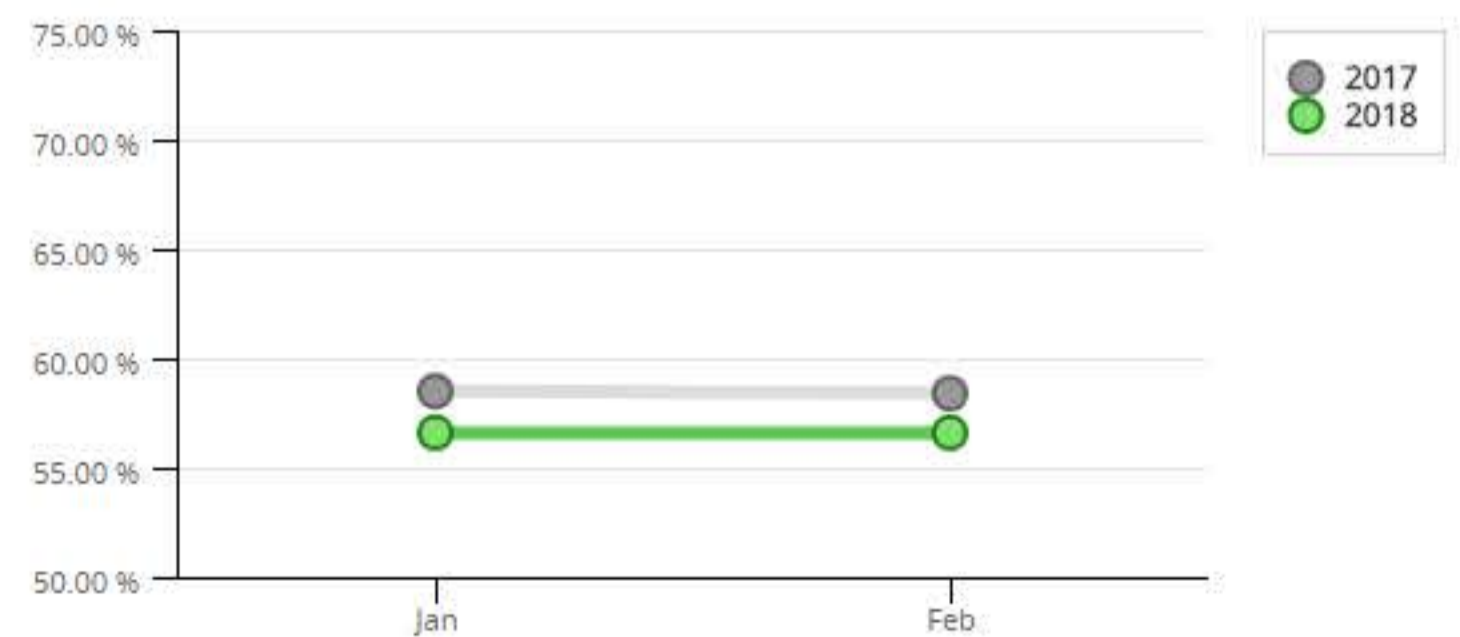
"Institutional investors are a reliable source for small business lending," Arora said. "They offer interest rates and terms that make them very competitive with banks."



Alternative Lenders

Loan approval rates among **alternative lenders** remained at **56.6%**. Approvals have dipped slowly each month for almost two years, except for a small uptick in November 2017.

"Alternative (non-bank) lenders remain a source of funding for businesses that have bad credit histories or that need money in a hurry," Arora explained. "If you have less than stellar creditworthiness, an alternative lender may be the best - and sometimes the only - option."



Credit Unions

Credit unions approved **40.2%** of loan applications in February, a one-tenth of a percent drop from January and a new record low for the Biz2Credit Small Business Lending Index.

"Credit union lending to small businesses has stalled, and competitors that have invested financial technology clearly have an advantage" Arora said. "I expect this trend to continue unless credit unions more fully embrace FinTech."

