

# Small Biz Loan Approval Rates Drop at Big Banks and Alternative Lenders in July 2016, According to Biz2Credit Small Business Lending Index

## Institutional Lenders and Small Banks Fill Void

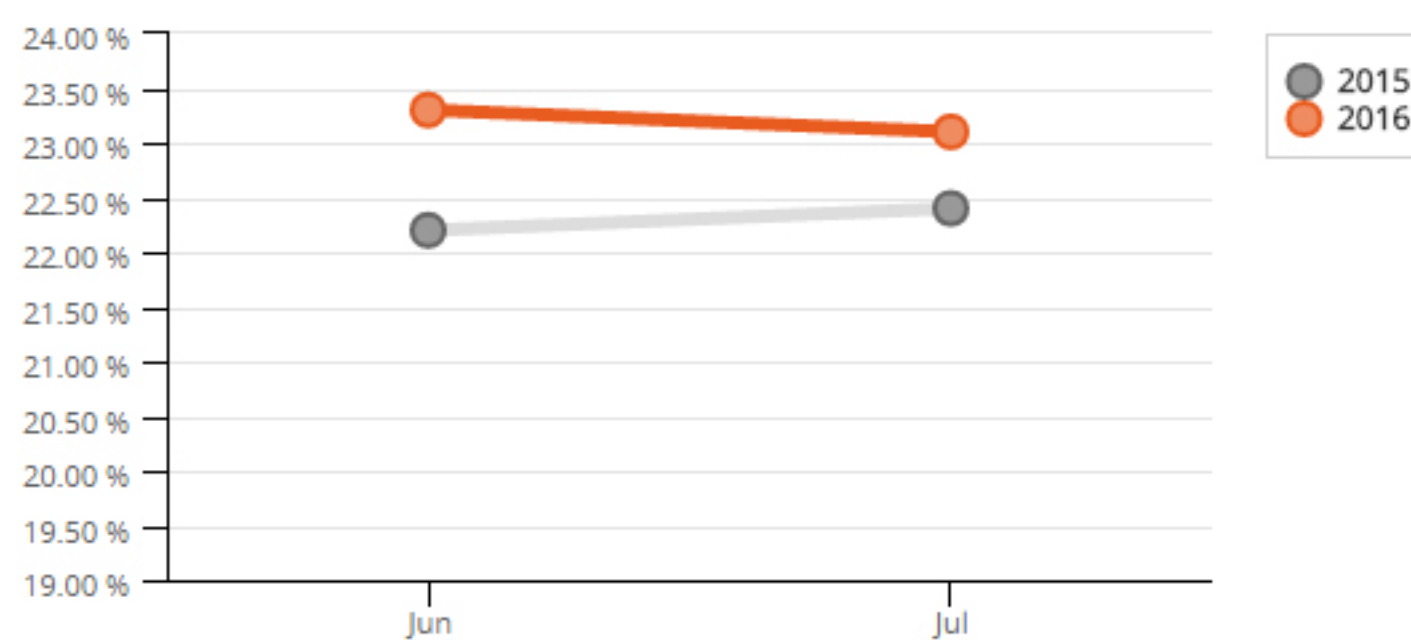
Loan approval rates at big banks (\$10 billion+ in assets), alternative lenders, and credit unions dipped in July 2016, according to the most recent Biz2Credit Small Business Lending Index™, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com. Meanwhile, institutional lenders and small banks filled the void, approving loans at higher rates last month.



### Big Banks

Big banks Small business loan approval rates at big banks (\$10 billion+ in assets) dropped to **23.1%** in July, down two-tenths of a percent from June's figure.

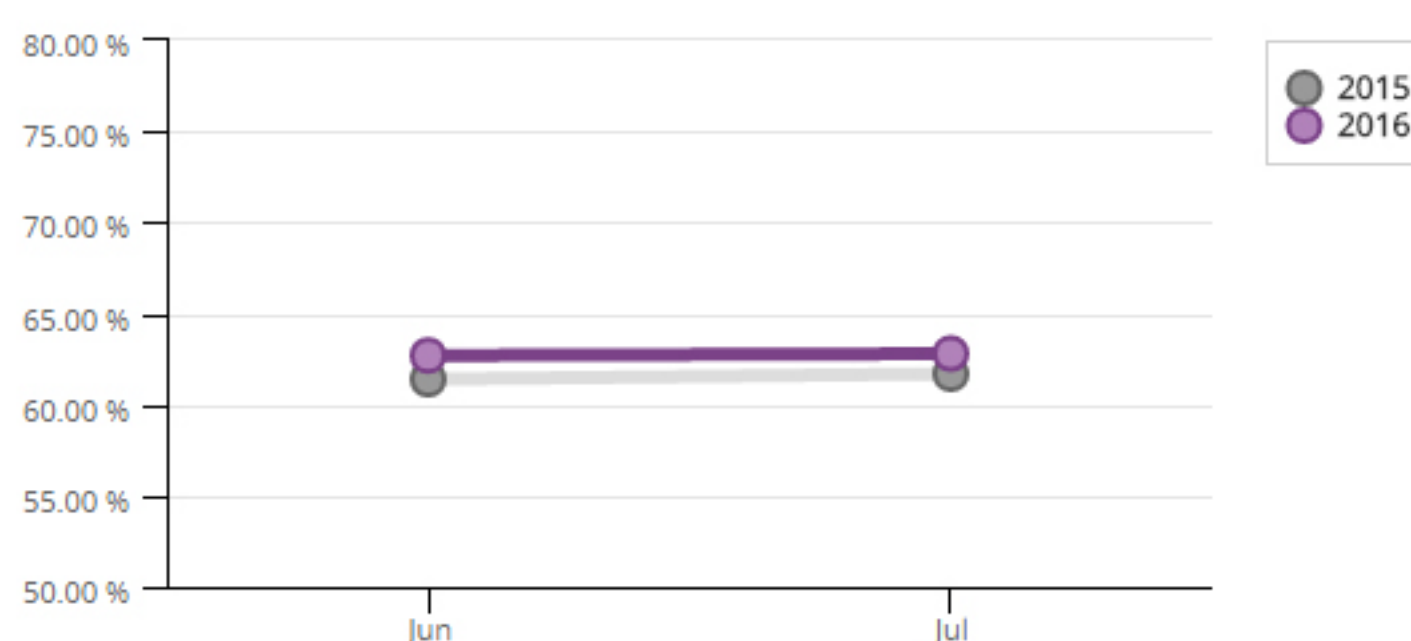
"The economy in the second quarter was a bit sluggish because of slower global growth; this impacts big banks more than other lenders," suggests Biz2Credit CEO Rohit Arora, who oversaw the research. "When there is turbulence in international markets, such as the angst over Britain's leaving the EU, big banks tend to become more conservative in their lending. Brexit had some impact, but not a major one, on small business finance."



### Institutional lenders

Institutional lenders' loan approval rates bounced back in July to **62.8%**, matching an all-time Index high.

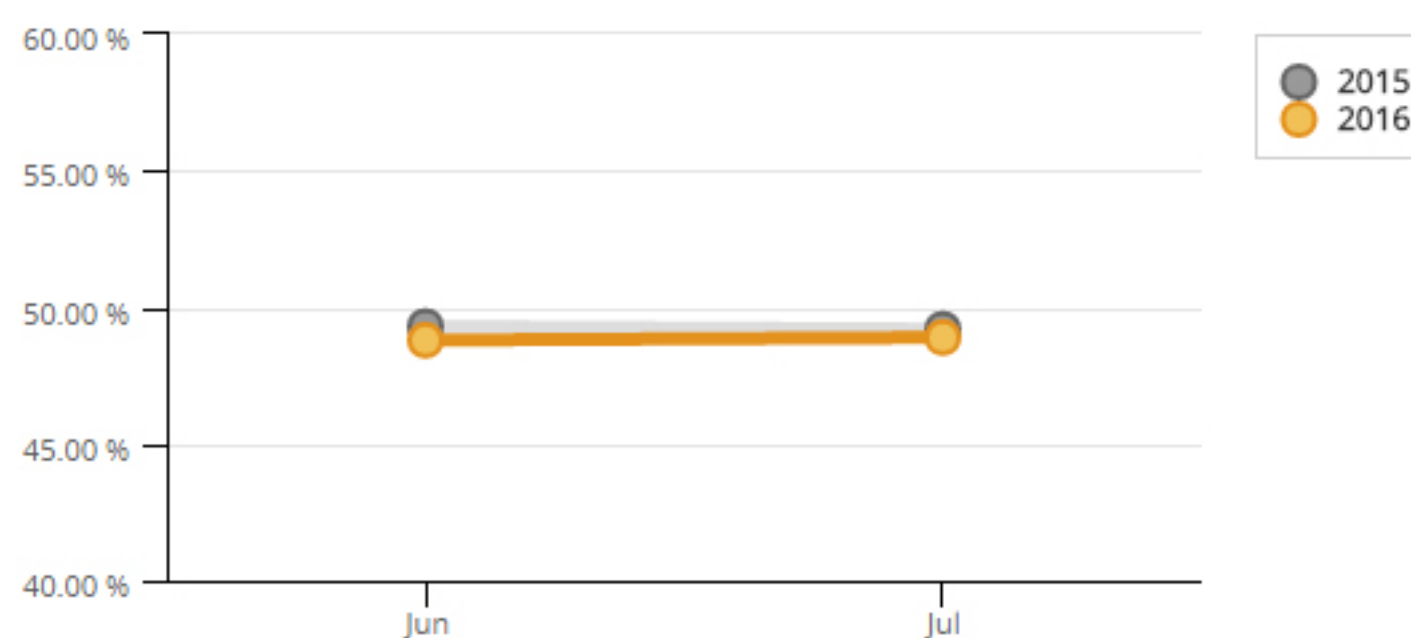
"Over the last two years, institutional lenders have emerged as a strong driving force in the industry and continue to provide affordable loan products to borrowers with high rates of success," said Arora, one of the nation's leading experts on small business finance. "This category of lender is doing well because of high yields and low default rates. Further, institutional investors from other countries are looking to enter the U.S. market as there currently is much global uncertainty, especially in Europe. This is encouraging for small business owners and start-ups seeking capital. I expect this trend to continue."



### Small Banks

Meanwhile, lending approval rates increased slightly at small banks up to **48.9%** in July.

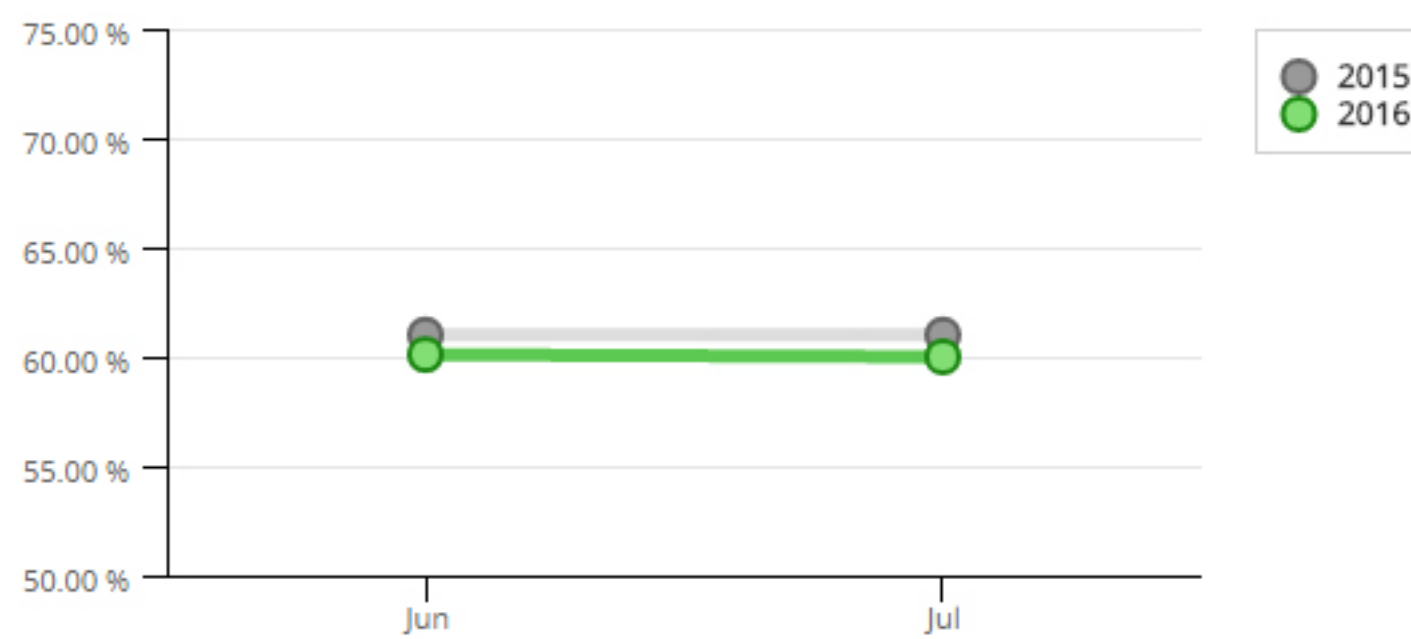
"Small banks process more SBA-backed loans than big banks do. SBA loans minimize the overall risk assumed when loan requests are approved," explained Arora. "The current state of the global market doesn't have as much influence on small banks as it does with big banks. They filled the void in July when the big banks skidded a little bit."



### Alternative Lenders

Alternative lenders experienced a decrease in loan approval rates in July and approved three out of five loan requests (60%). However, this category of lenders experienced a decrease in loan approval rates in four out of the last five months.

"Alternative lenders have steadily lost favor among small business borrowers, in large part because their cost of capital is so high," Arora explained. "Credit-worthy borrowers can typically secure better interest rates and terms from other types of lenders. Alternative lenders still have some appeal for borrowers whose credit scores might be low."



### Credit Unions

Credit unions continued their slow decline in loan approval rates, drop to an all-time Index low of **41.5%** in July, down one-tenth of a percent from June. Loan approval percentage rates have declined at credit unions every month for more than a year.

"Credit unions are behind in the times when it comes to utilizing digital technology. This slows down the loan process significantly," Arora added. "Borrowers prefer to receive the funding from their loan requests as quick as possible, and thus are opting to competing categories of lenders from whom they can receive funding faster."

