# Strong Economy Leads to Record High Small Business Loan Approval Percentages at Big Banks in July, According to The Biz2Credit Small Business Lending Index<sup>TM</sup>

#### All categories of lenders to small businesses performed well in July 2018

Small business loan approval rates for big banks reached another high point in July 2018, according to the Biz2Credit Small Business Lending Index<sup>TM</sup> released today.



### **Big Banks**

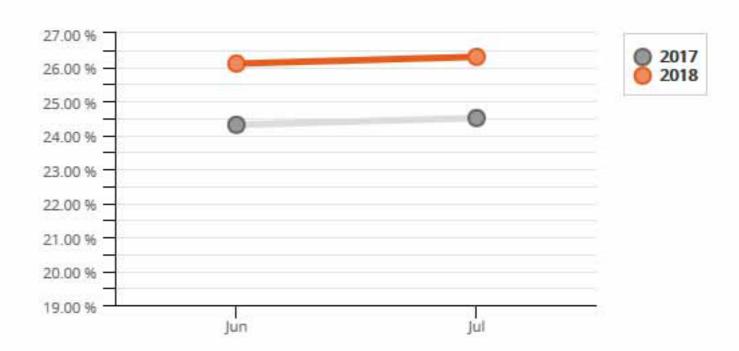
The July approval percentage for **big banks** (assets of \$10 billion+) rose two-tenths of a percent from June's figure of 26.1% to **26.3**%, according to Biz2Credit's monthly report, which examines more than 1,000 credit applications made by small businesses via the company's online lending platform.

On August 1, the Federal Reserve issued a statement that economic activity has risen at a strong rate. The Fed expects to continue gradual increases in the federal funds interest rate will be consistent with sustained expansion of economic activity, strong labor market conditions, and inflation near the central bank's 2 percent target.

Further, according to the August 3rd Jobs Report, unemployment for people who do not have a high school diploma dropped to 5.1 percent in July, the lowest figure since the Labor Department began reporting on this group of workers in 1992. The Jobs Report also stated that nonfarm employment increased by 157,000 in July and that professional and business services, manufacturing, healthcare and social assistance, added jobs during the month. Figures also rose for the food & beverage, hospitality, construction and healthcare services industries.

"The Fed rated the economy as strong this month, and the Jobs Report found that the economy keeps adding jobs in many sectors. In addition, there is optimism among small business owners. All of these factors create an atmosphere that is ripe for small business lending," said Biz2Credit CEO Rohit Arora, who oversees the Index. "Business owners continue to invest in their firms and are finding success in securing capital, according to our latest figures."

"Many of the new jobs now being filled have been created by small businesses," Arora said. "Opportunities are abound for all workers, including workers who do not have high levels of education."





#### **Small Banks**

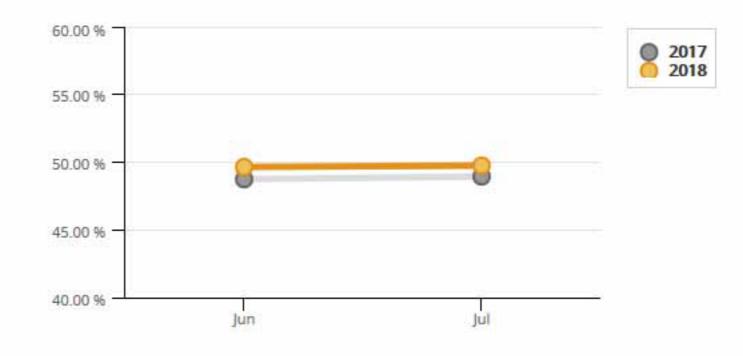
Business loan approval rates rose at regional and community banks. Small banks granted 49.7% of the funding requests they received in July, up one-tenth from June. It represents the highest figure for small banks since December 2014.

Banks reportedly eased important lending terms, including maximum loan size and the spread of loan rates over their cost of funds, for commercial real estate (CRE) loans, according to the Fed's latest updated Senior Loan Officer Opinion Survey on Bank Lending Practices. Almost all banks that reportedly eased CRE credit policies pointed to aggressive competitors, including nonbank lenders, as a major reason for easing, according to the survey.

"Small banks continue to approve SBA loan applications, which enable younger, growing companies to secure financing because government backing helps reduce lenders" exposure to risk," Arora explained.

"Smaller banks are a good source of capital for startups and companies with less than stellar credit ratings."

"Real estate entrepreneurs are looking for CRE loans for fix-and-flip projects that have become quite lucrative," Arora says. "These projects help upgrade neighborhoods and provide jobs in the construction industry, which is doing well in this economy."

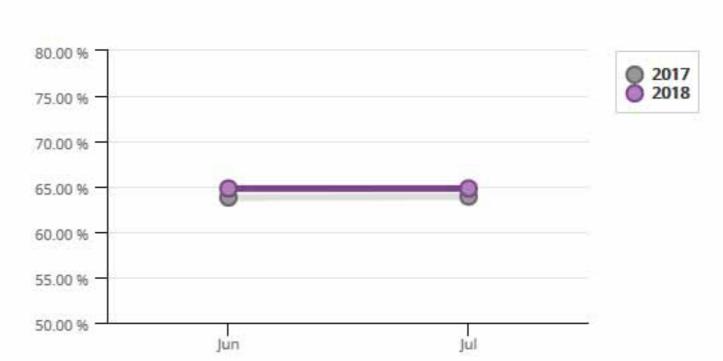




## Institutional lenders

Institutional lenders remained unchanged at an Index record 64.8%, the same as June's figure.

"Institutional lenders (pension funds, insurance companies, and others), are an important and growing player in the small business credit marketplace," Arora explained. "They offer competitive interest rates and long repayment terms."



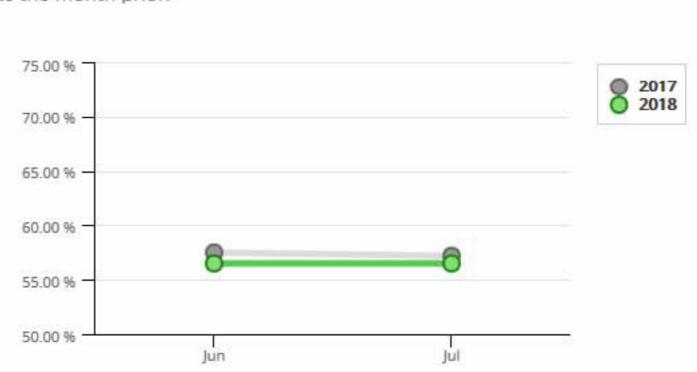


## **Alternative Lenders**

Loan approval rates among alternative lenders remained at 56.5 %, the same as the month prior.

"There will always be a demand for funding from non-bank lenders.

They are willing to lend money to small businesses that do not qualify for traditional bank loans," Arora explained. "Alternative lenders are a source of quick capital, but borrowers do pay high interest rates for the money."





## **Credit Unions**

Credit unions approved 40.3% of loan applications in July, the same as in June, according to the Biz2Credit Index.

"Overall, July 2018 was a strong month for small business lending approvals across all categories of lenders," Arora said."

