

## Biz2Credit Small Business Lending Index Drop in Approval Rates at Big Banks and Rise in Small Banks

March 2014

According to the Biz2Credit Small Business Lending Index, a monthly analysis of 1,000 loan applications on Biz2Credit.com

 **7.60%**

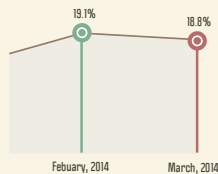
### Small business loan approvals

In a year-to-year comparison, big bank approval rates have increased by more than 16.75 percent from the 13.2% approval rate in March 2013.

**58.1%**

### Institutional Lenders,

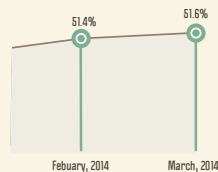
Institutional Lenders approved 58.1% of the funding requests they received in March, a moderate increase from 56.6% in February. Lending approval rates by institutional lenders have progressively increased its loan approval rates since it was first introduced as a category to the Biz2Credit Small Business Lending Index in January 2014. Lenders include credit funds, insurance companies, family funds, and other yield-hungry, non-bank financial institutions that typically offer more competitively priced loan options than alternative lenders in amounts up to \$1 million.



### Loan approvals at Big banks

Small business loan approval rates at big banks (\$10 billion+ in assets) dropped to 18.8% in March 2014 which earlier stood at 19.1% in February, reported Biz2Credit Small Business Lending Index – a monthly analysis of 1,000 loan applications on Biz2Credit.com. However, in a year-to-year comparison, lending approval rates at big banks still have increased nearly 20 percent.

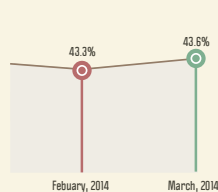
"Big banks rely on tax data to process non-SBA loans. Since tax season is always a busy time of the year for CPAs who are preparing tax returns, they have less time to pull together statements for business owners seeking loans. This slows the loan application process. Big banks typically process more conventional loans for larger firms than SBA Express Loans, which are more popular with companies that need less than \$350,000." – Biz2Credit CEO Rohit Arora,



### Loan approvals at Small banks

Small business loan approval rates at small banks increased to 51.6% in March 2014, up from 51.4% last month. Small bank lending approval rates have increased over the last three months and four out of the last five months.

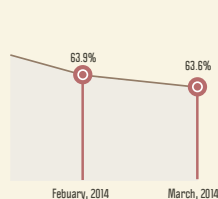
"The SBA Express and Small Business Loan Programs are becoming increasingly popular among small banks. These types of loans are 85 percent guaranteed by the SBA, and there are no guarantee fees for the borrowers, which makes them very appealing to small banks." – Biz2Credit CEO Rohit Arora,



### Credit union approvals of small business loans

Meanwhile, credit unions experienced a slight increase in lending approvals. In March, small business loan approval rates at credit unions improved from 43.3% in February to 43.6%. Though, lending approval rates by credit unions are down by nearly 5% in a year-to-year comparison.

"Credit unions are increasingly planning to adopt SBA Express Loans. If they do not become involved in SBA loans, the real likelihood is that their small business lending will continue to slide." – Biz2Credit CEO Rohit Arora,



### Small business loan approvals by Alternative lenders

Alternative lenders decreased for the third consecutive month to 63.6% in March from 63.9% in February 2014. Alternative lenders are starting to feel the squeeze from banks and institutional lenders, which are attracting higher quality borrowers who are willing to shop around.

"As economic conditions continue to improve, more creditworthy borrowers elect to seek funding from traditional lenders, such as banks and institutional lenders, which offer lower interest rates. Small company owners want to avoid daily payments that cash advance firms charge on short-term loans. The effective interest rate can reach up to 30-40% which is too high for most businesses." – Biz2Credit CEO Rohit Arora,

#### About the Biz2Credit Small Business Lending Index

Biz2Credit analyzed loan requests ranging from \$25,000 to \$3 million from companies in business more than two years with an average credit score above 680. Unlike other surveys, the results are based on primary data submitted by more than 1,000 small business owners who applied for funding on Biz2Credit's online lending platform, which connects business borrowers with more than 1,100 lenders nationwide.