

Small Business Loan Approval Rates by Institutional Lenders Continue Increase, According to Biz2Credit's November Small Business Lending Index™

Looming Interest Rate Hike Could Lead to Higher Loan Approval Rates

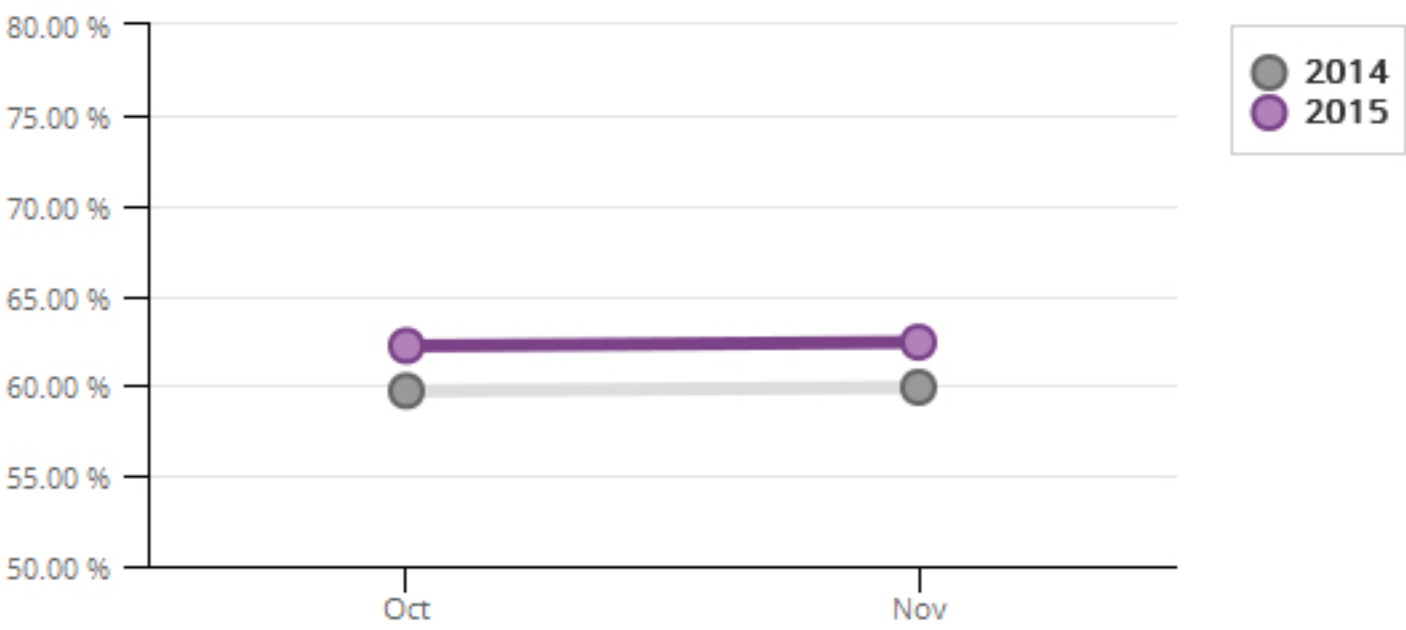
Small business loan approval rates at institutional lenders continued their gradual ascent, according to Biz2Credit's November Small Business Lending Index™, an analysis of more than 1,000 loan requests of qualifying small business owners. While big banks maintained their overall healthy approval rates. However, loan approval rates for small business loans at small banks, credit unions and alternative lenders faltered.



Institutional lenders

Institutional lenders continued month-over-month growth in November, reaching **62.4%**, up from 62.2% in October.

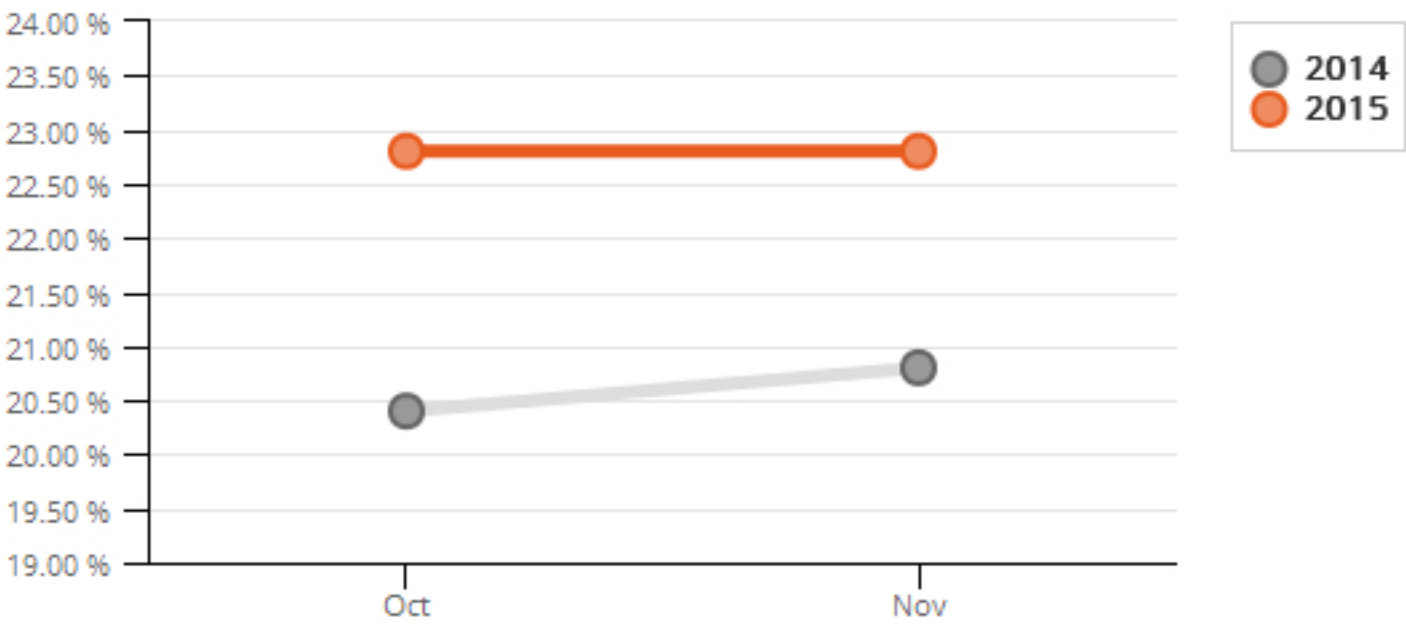
"Institutional lenders are offering better terms to borrowers, and they are noticing," Arora explained. "Investors are purchasing a greater number of loans at lower yields and longer terms as well as low regulatory risks. They are becoming very active players in small business lending."



Big Banks

Big banks (\$10 billion+ in assets) approved **22.8%** of small business loan approvals in November, which matched last month's figure. However, there is optimism that small business lending by big banks will increase in the coming months as Federal Reserve Chairwoman Janet Yellen recently hinted that the Fed would raise interest rates in the near future.

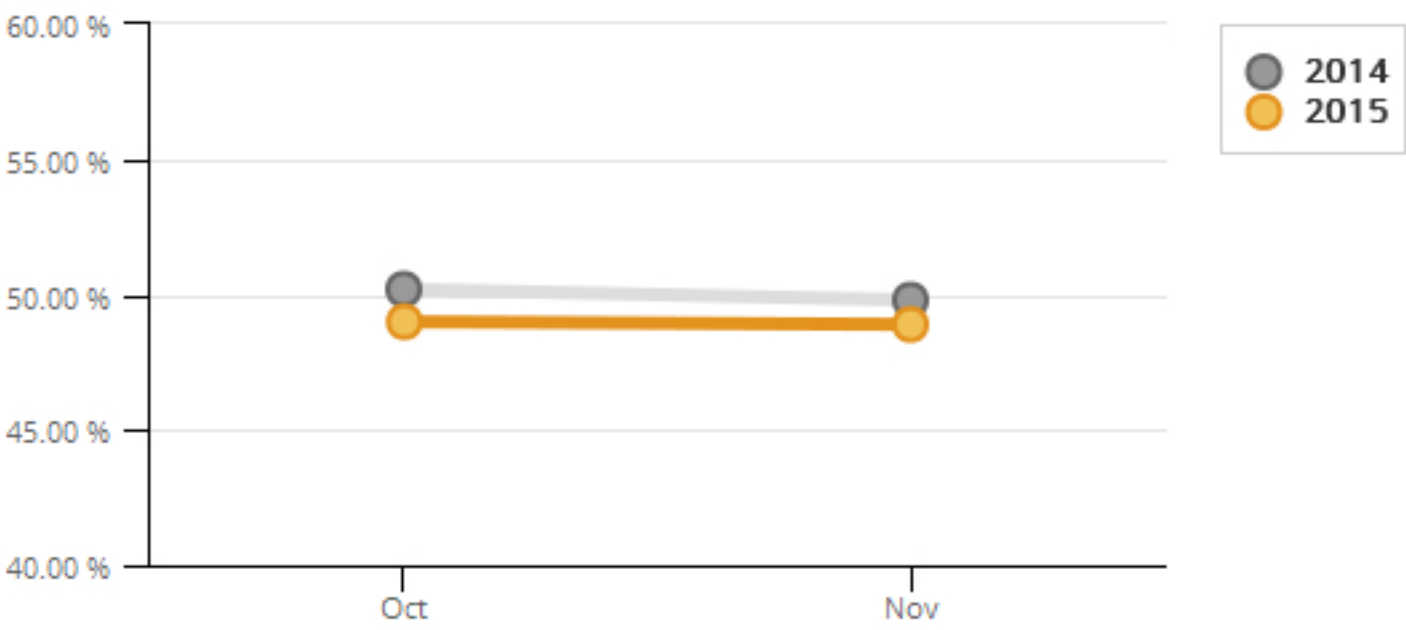
"An increase in interest rates would boost the incentive for big banks to approve a higher percentage of loan requests," suggested Arora. "As the financial spreads on these requests improves, I expect to see more loans approved with the mainstream lenders. Higher profitability on loans will lead to more loan approvals."



Small Banks

Lending approval rates at **small banks** dropped to 48.9% in November, from 49% in October. In addition, for a full calendar year, small banks have denied more than half of their loan requests.

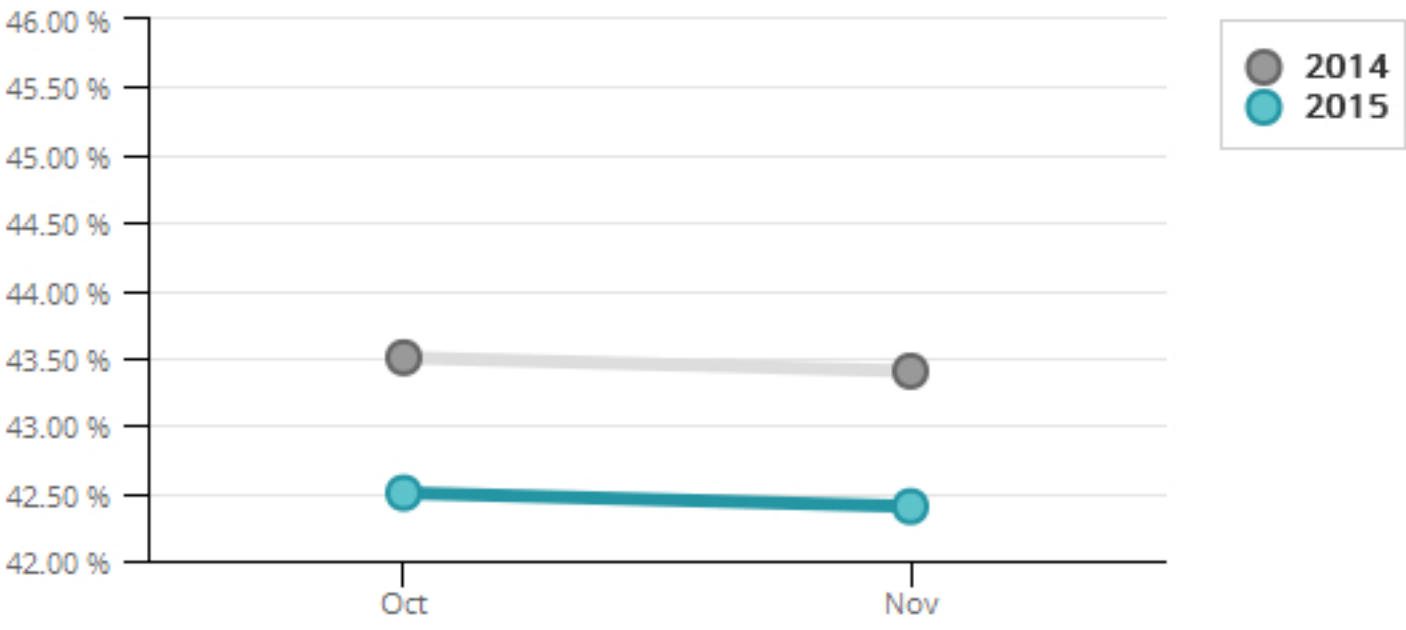
"We are seeing more creditworthy borrowers opting for loans at big banks and institutional lenders," explained Arora. "Small banks have suffered in the last year due to their failure to adapt to improvements in technology and other areas of operations, thus making it more difficult for small business owners to apply for loans. However, the looming interest rate increase should provide small banks with an opportunity to approve more loans."



Credit Unions

Credit unions approved **42.4%** of loan applications in November, down one-tenth of a percent compared to October.

"Credit unions are still limited, in part because of the failure to increase the credit union member business-lending (MBL) cap from 12.25% of their assets to 27.5%," Arora explained.



Alternative Lenders

Loan approval rates at **alternative lenders** dropped for a third straight month from 60.8% to **60.7%** in November. Alternative lenders' approval percentages have steadily declined since January 2014, coinciding with the emergence of institutional lenders in the small business lending marketplace.

"Alternative lenders are not offering competitive terms on their loans and thus are one of the final options for small business owners seeking capital," Arora stated. "This has resulted in less qualified borrowers and a gradual drop in loan approvals, despite the high interest rates that alternative lenders charge."

