

# Small Biz Lending Approval Rates Improve at Institutional Investors and Small Banks, Stall at Big Banks in March 2017, According to Biz2Credit Small Business Lending Index™

## Lending at Alternative Lenders and Credit Unions Continues to Falter

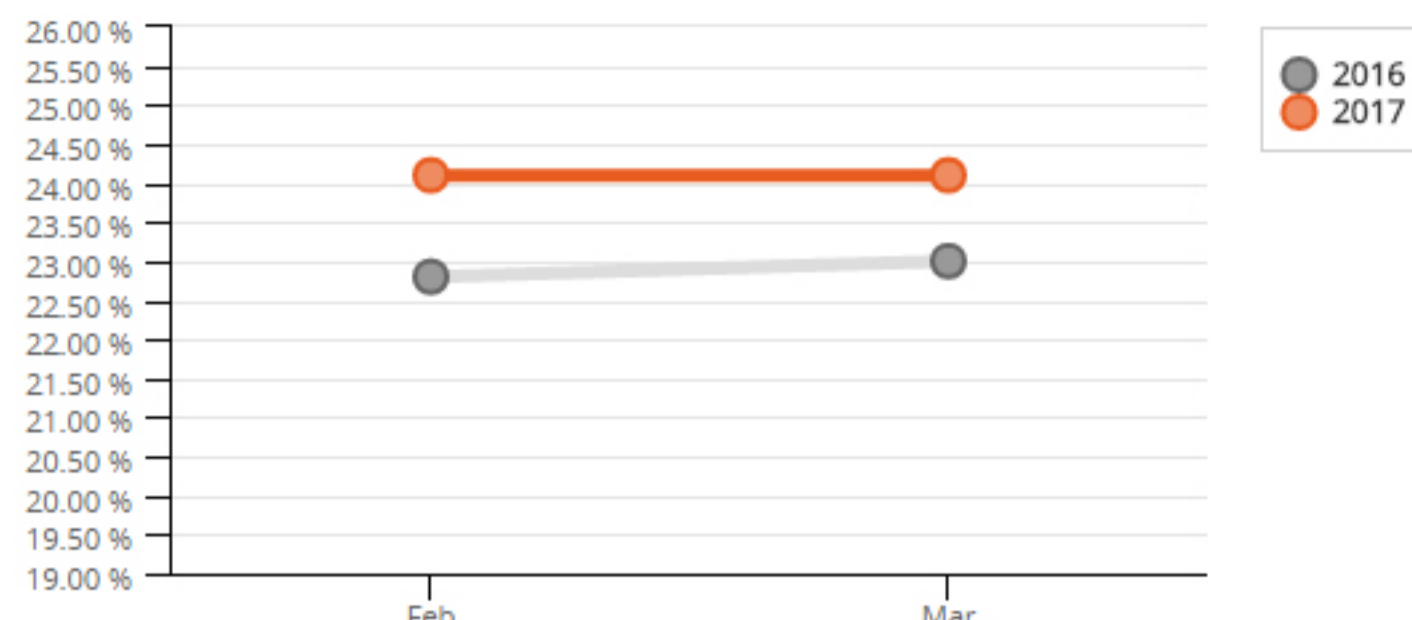
Loan approval rates at institutional investors and small banks improved in March 2017, according to the latest Biz2Credit Small Business Lending Index™, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com. Big banks' (\$10 billion-plus in assets) loan approval were stagnant in the last month, but remained at an all-time Index high. Meanwhile, loan approval rates at credit unions and alternative lenders continues to falter.



### Big Banks

Small business loan approval rates at **big banks** remained at **24.1%** in March 2017, effectively ending seven consecutive months of increases. However, the outlook for lending at big banks is still strong, coinciding with the confidence in the economy and looming interest rate hikes that the Federal Reserve is expected to implement this year.

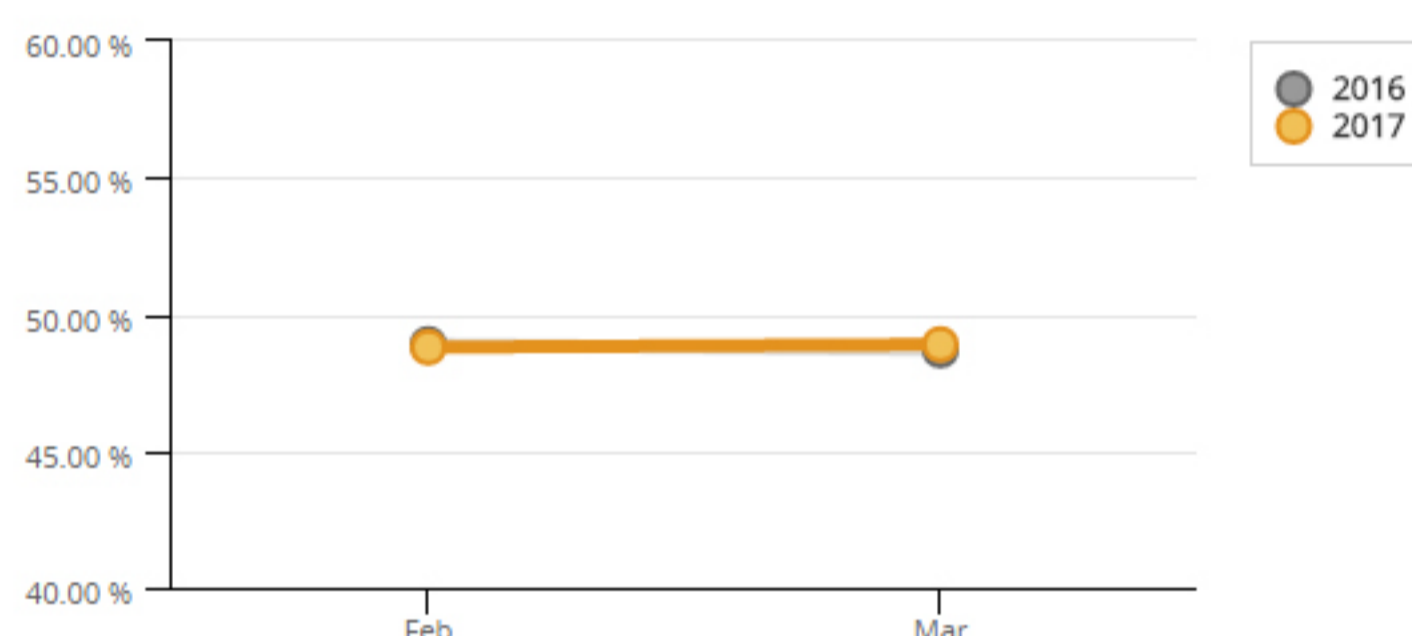
"The Fed's recent announcement that it wants to start unwinding the \$4.5 trillion in bonds on its balance sheets bodes well for banks," said Biz2Credit CEO Rohit Arora, who oversaw the research. "It signals that the economy is strong and will likely result in yet another interest rate hike. Since a majority of small business loans are linked to U.S. prime interest rates, this will improve spreads at banks while providing more incentives to approve funding requests."



### Small Banks

Loan approval rates at **small banks** bounced back in March, improving by one-tenth of a percent to **48.9%** as the category of lenders continues to approach that 50% mark, which has eluded them for the last two and a half years.

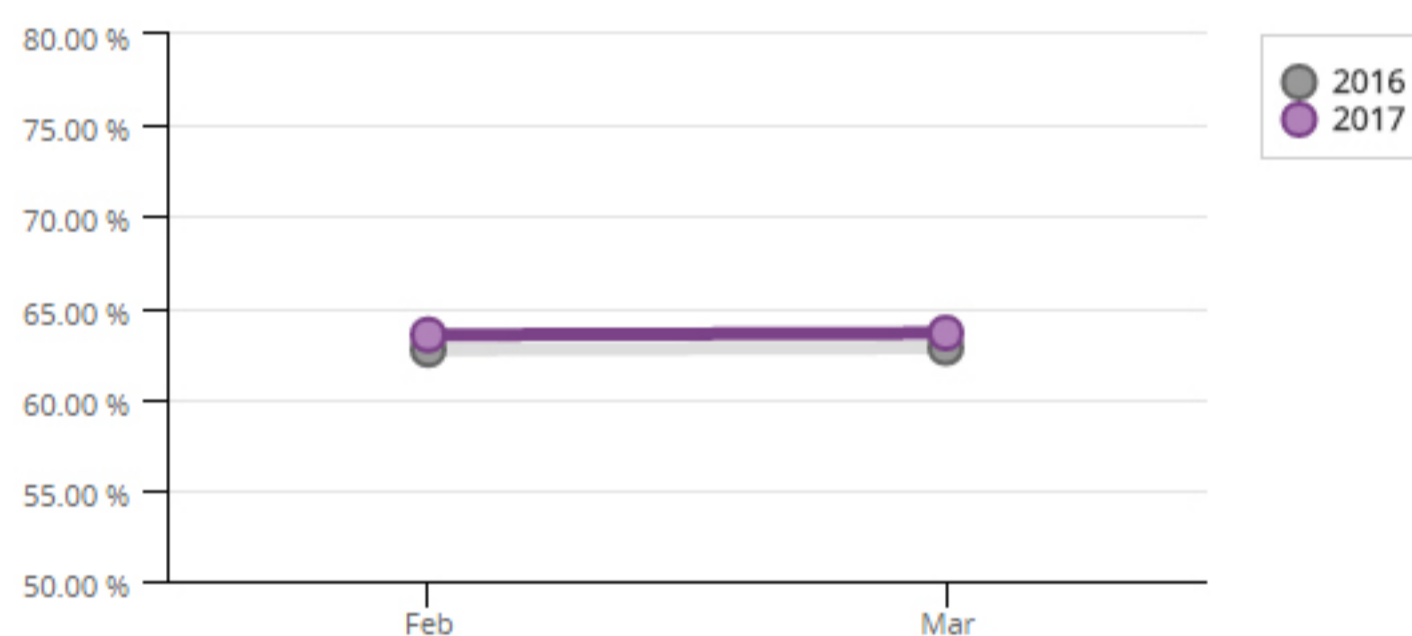
"We are seeing more small businesses taking advantage of SBA loan programs," explained Arora, one of the nation's leading experts in small business finance. "SBA-backed loans are popular with small business owners and lenders because of the mitigated risk involved for those financing the loan products. As a result, this has become a popular vehicle for entrepreneurs to leverage in order to get access to funding."



### Institutional lenders

Institutional lenders' loan approval rates improved to **63.6%**, reaching a new high mark on Biz2Credit's analysis. It marked the third time in the last four months that this category of lenders experienced an uptick in their funding approval percentages.

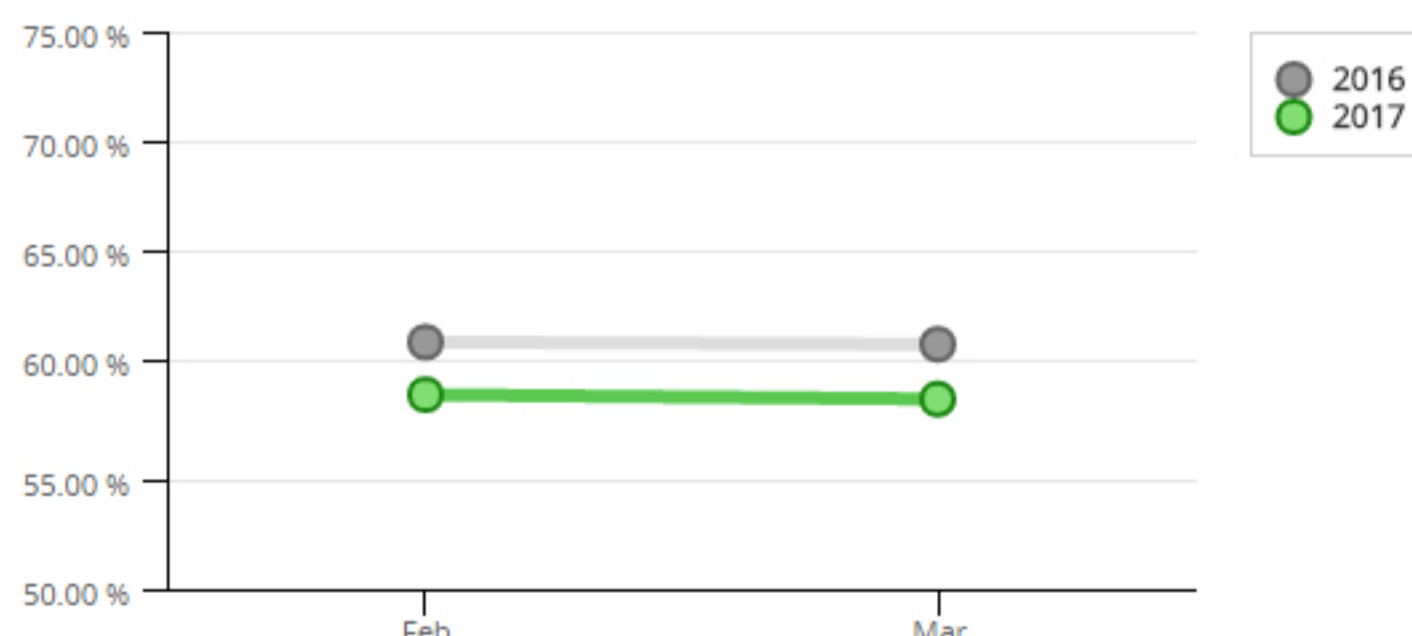
"The strong values of the stock market and U.S. dollar continue to attract a high volume of investors from all over the world," said Arora. "While there isn't cause for alarm yet, the Fed's plan to start reducing bonds on its balance sheet could result in diminishing liquidity for institutional lenders. There is concern that some of President Trump's proposed plans such as tax reform and infrastructure could result in inflation."



### Alternative Lenders

Loan approval rates dropped at alternative lenders by two-tenths of a percent in March, as they granted **58.2%** of the loan requests. This marks the ninth consecutive month of decreases in this category of lenders.

"As their competitive advantage - speed in processing loans - becomes less and less, alternative lenders continue to struggle to take market share away from lenders," explained Arora. "The advancements in technology at big banks and institutional lenders channels more creditworthy borrowers to these institutions and leaves alternative lenders with less attractive borrowers."



### Credit Unions

Loan approval rates at credit unions dropped one-tenth of a percent in March to **40.7%**, the lowest mark to date in this category of lenders as it continues its downward spiral in the small business lending game.

"Credit unions are routinely overlooked in small business loans as they lag behind in technology," Arora says. "Competing lending institutions are taking market share away from credit unions, which are often left with less creditworthy borrowers. Thus, their approval percentages go down."

