

Interest Rate Hikes Push Small Business Loan Approval Percentages Higher at Big Banks in March, According to Biz2Credit Small Business Lending Index™

Small Increases Mean Millions in Profits for Banks with \$10 Billion or More in Assets

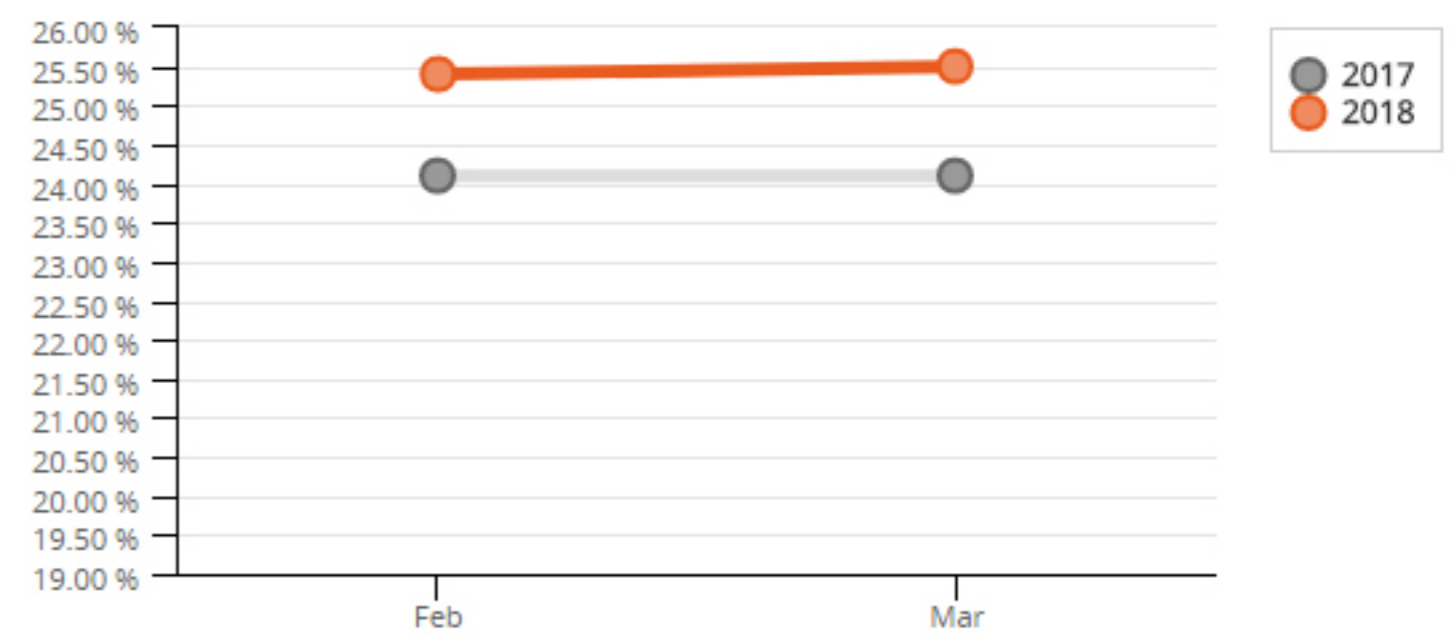
Small business loan approval rates for big banks (25.5%) continued the upswing with yet another new high last month, according to the Biz2Credit Small Business Lending Index™ (March 2018 figures) released today. The monthly analysis examined more than 1,000 credit applications from small businesses on Biz2Credit.com.



Big Banks

Big banks (assets of \$10 billion+) are granting more than one-quarter of the small business loan applications they receive. The **25.5%** approval percentage, up one-tenth of a percent from February 2018, represents a high point for big banks.

"With the Federal Reserve's continuing path of interest rates increases, small business loans are becoming more and more profitable. A small rate hike means tens of millions of dollars in profit, since the big banks' cost of capital has not changed," said Biz2Credit CEO Rohit Arora, who oversees the monthly report. "Big banks have a larger deposit base, and they can be more aggressive in lending, especially in a strong economy."

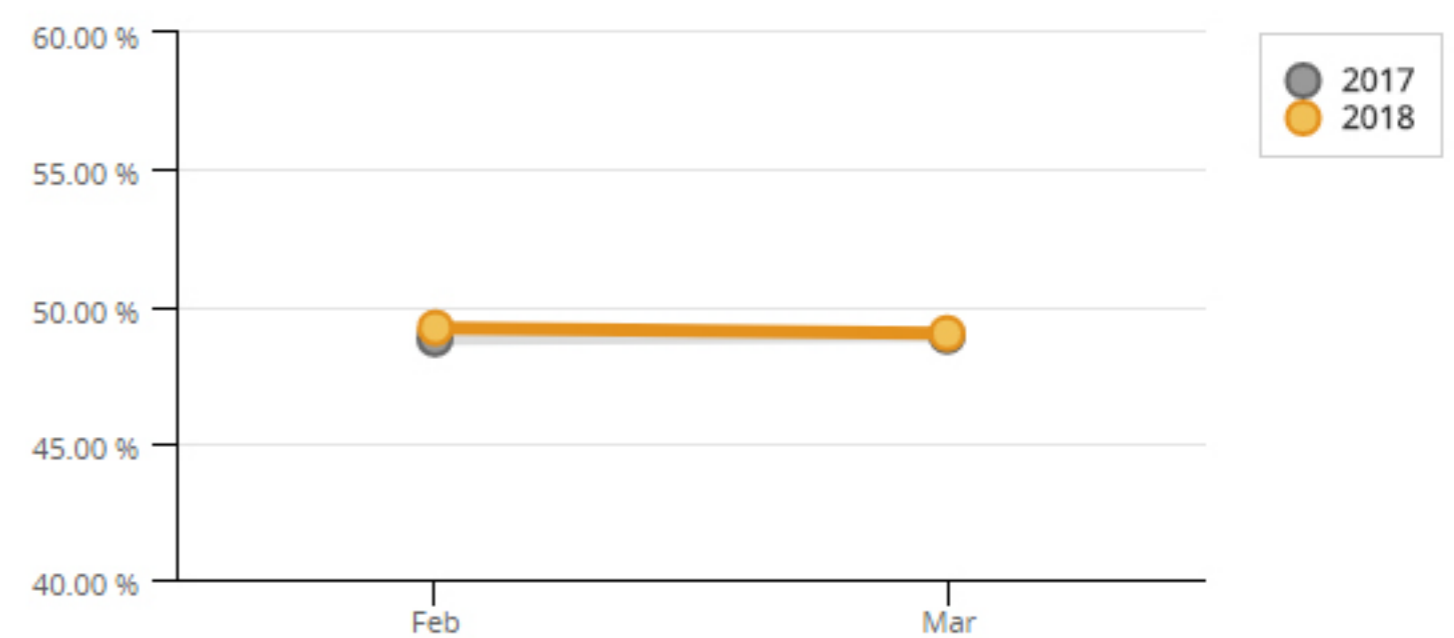


Small Banks

Small business loan approval rates climbed slightly at regional and community banks. Small banks approved **49.0%** of the funding requests they received in March, down two-tenths from February.

"Small banks typically process a lot of SBA loans, which put weight on the previous year's tax returns. Many businesses that have to submit returns by March 15 file for extensions, and their accountants are operating on overdrive until April 15," Arora explained. "This happens every year, especially for small banks that make SBA loans. I expect their approvals to pick up again in May, after tax season ends."

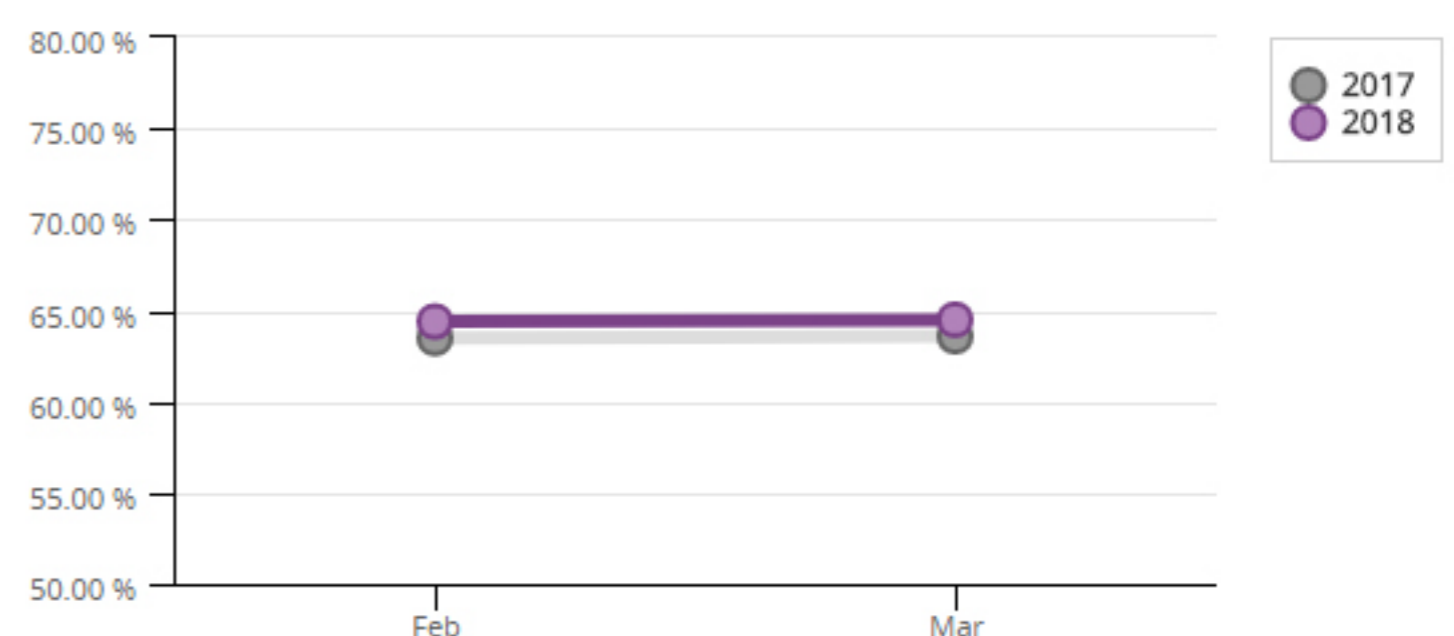
"Big banks are extending lines of credit, and they look at accounts receivable. SBA loans are tax return-driven. This is why the big bank approvals increased, while small bank approval percentages dropped in March," Arora added.



Institutional lenders

Institutional lenders reached a new Index record **64.5%**, up one-tenth from February. These lenders (pension funds, insurance companies, and others), continue to be important players in small business lending.

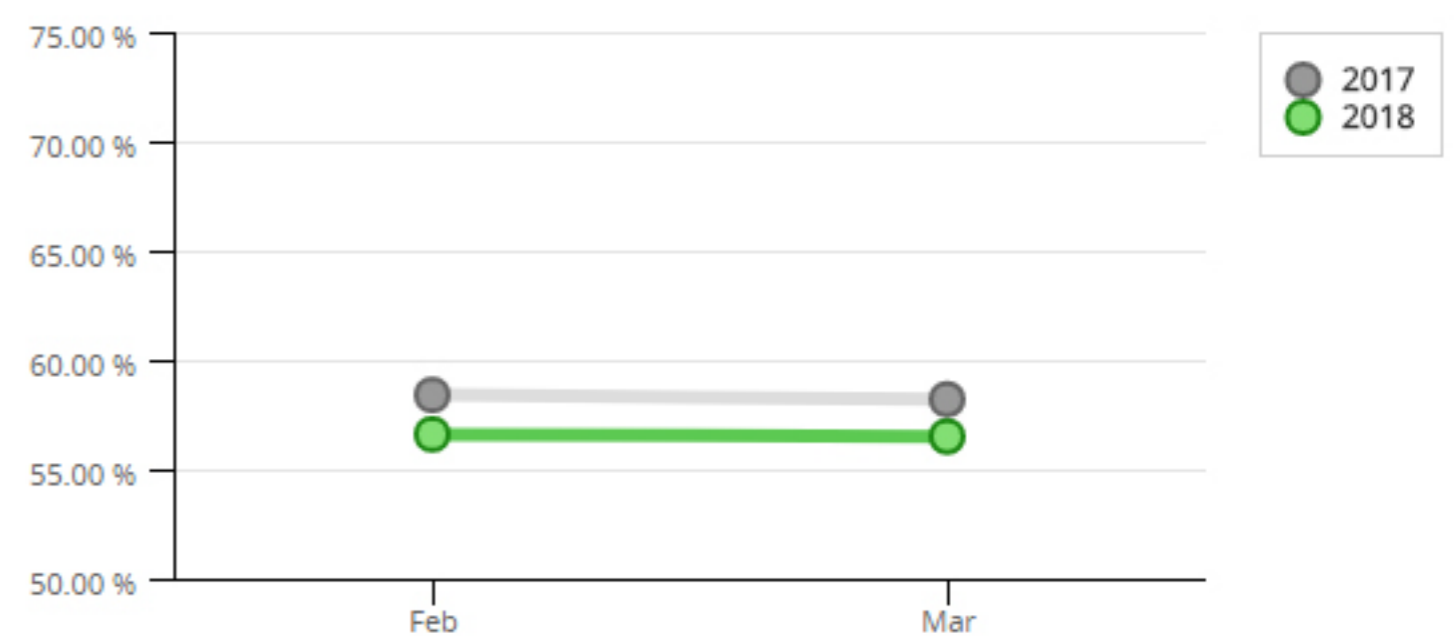
"Institutional investors continue to gain traction in the small business credit marketplace," Arora said. "Just a few years ago, they were not very involved in small business loans, but they have learned that it is quite profitable and the risks of default have been quite low. These lenders offer attractive interest rates and terms."



Alternative Lenders

Loan approval rates among alternative lenders dipped slightly to **56.5%** from February's 56.6 percent. Approval percentages have slipped every month for almost two years, with the exception of a small uptick in November 2017.

"Alternative (non-bank) lenders play an important role for companies that have immediate cash flow problems and for small business owners who do not qualify for traditional bank loans," Arora explained. "Their cost of capital is high, but in a cash crunch, alternative lenders can throw a lifeline to a company that has a less than stellar credit history."



Credit Unions

Credit unions approved **40.1%** of loan applications in March, a one-tenth of a percent drop from February and a new record low for the Biz2Credit Small Business Lending Index.

"Credit unions traditionally have been a good source of loans for small businesses, but some of their market share have been overtaken by other non-bank lenders," Arora said. "Unless they invest more into financial technology (FinTech), this category will remain stagnant."

