

# Loan Approval Rates Drop at Banks and Alternative Lenders in May 2017, According to Biz2Credit Small Business Lending Index™

## Institutional Lenders Experience a Slight Increase

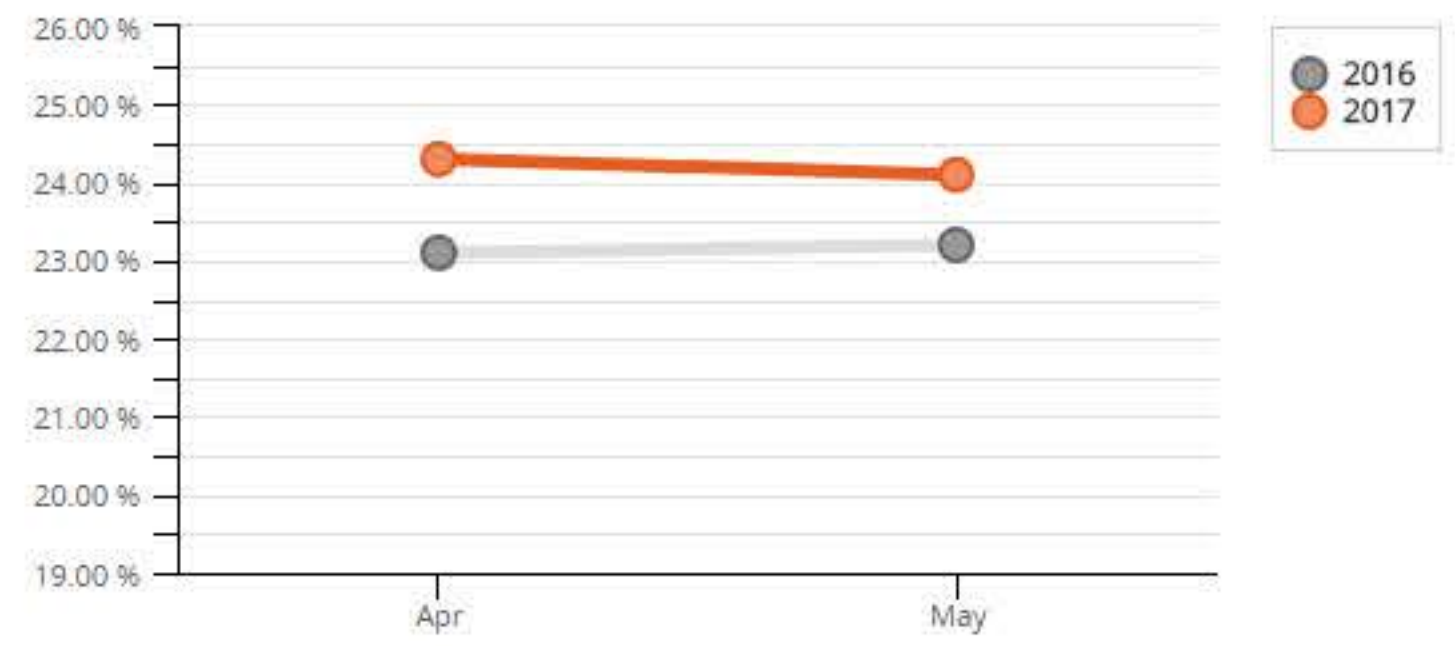
Loan approval rates at big banks (\$10 billion-plus in assets), small banks, alternative lenders and credit unions dipped slightly in May 2017, according to the latest Biz2Credit Small Business Lending Index, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com.



### Big Banks

Small business loan approval rates at **big banks** fell two-tenths of a percent from April's 24.3% figure, a post-recession high, to **24.1%** in May 2017. The drop comes after approval rates at big banks climbed for most of the year.

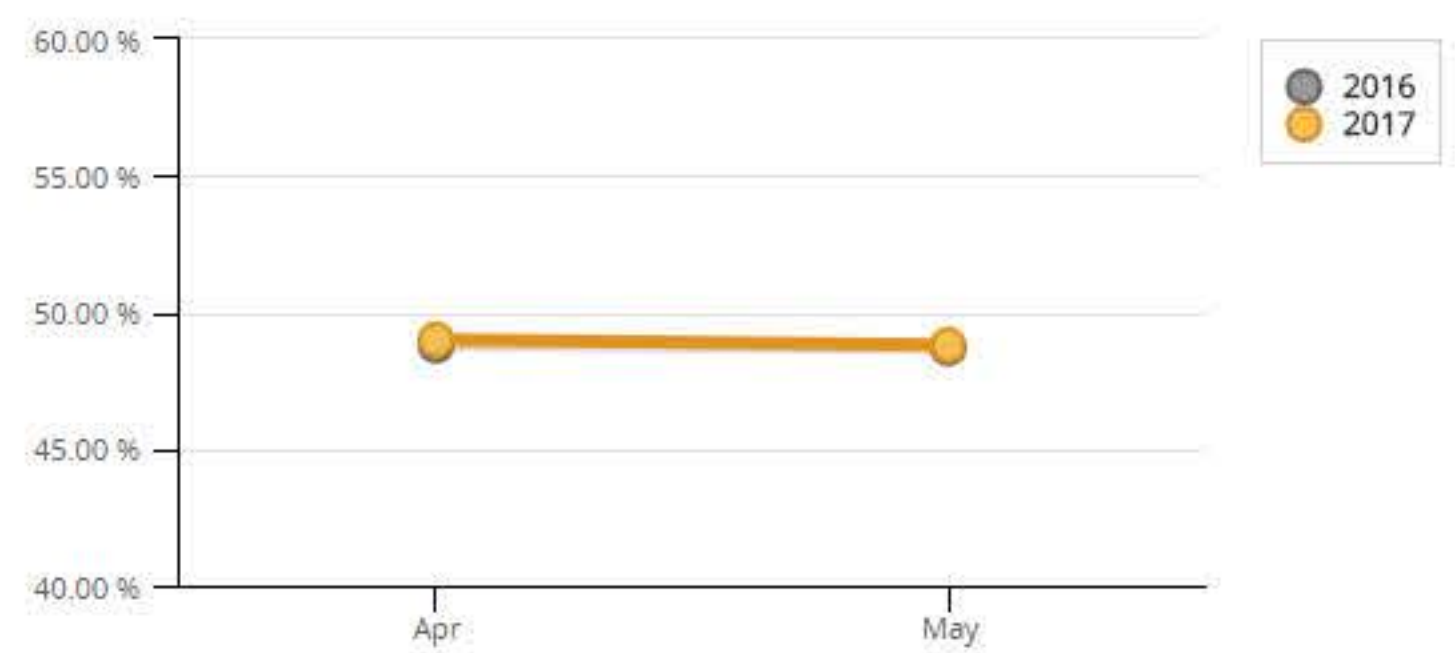
"Despite the overall strength of the U.S. economy, there are concerns about recent acts of terror, perceived instability of President Trump's administration, and his erratic behavior," said Biz2Credit CEO Rohit Arora, who oversaw the research. "Trump's promised tax cuts have not happened yet, and we don't really know if his overhaul of Obamacare will help small business owners. These factors cause anxiety in credit marketplaces. We've seen it on our platform as the volume of loan applications slowed in May."



### Small Banks

Loan approval rates at **small banks** also dropped in May to **48.8%**, down from April's 49% figure. Small banks have flirted with the 50% mark, but have not reached it since October 2014.

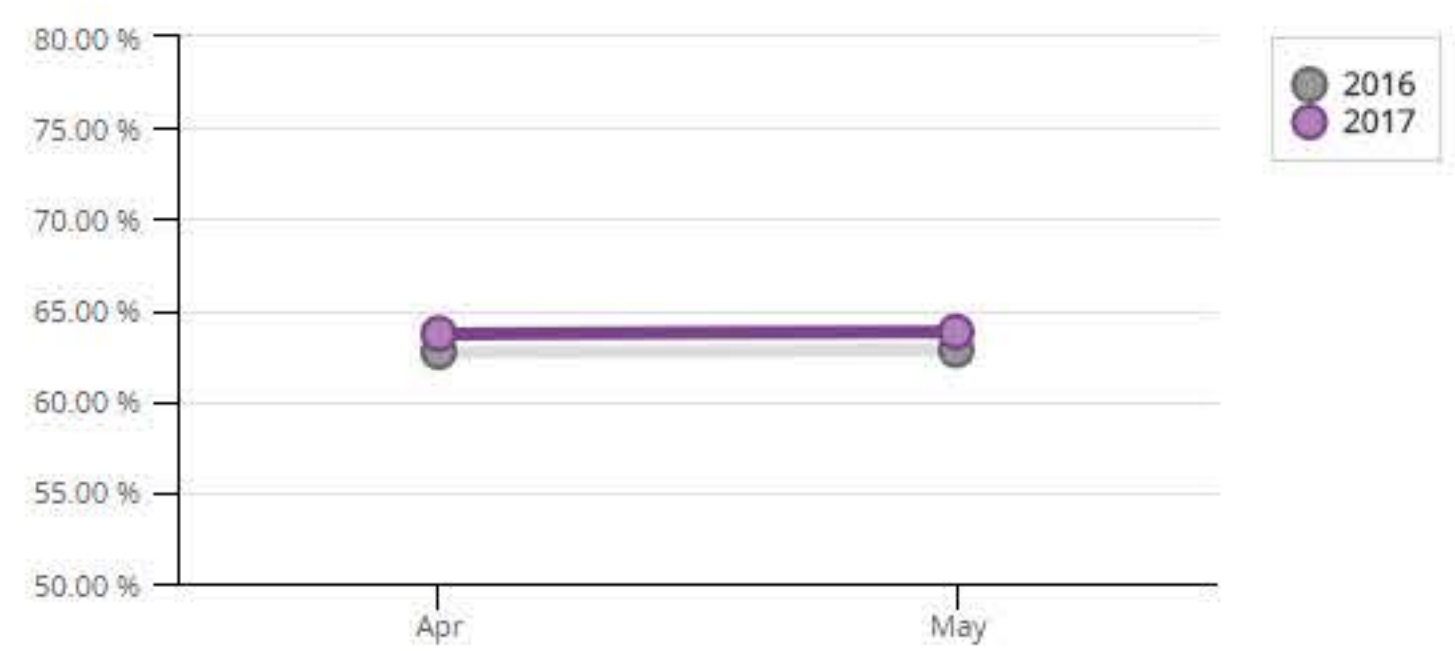
"Small banks are approving almost half of their business funding requests. The demand for SBA-backed loans in the marketplace remains strong. As SBA loans are popular with both borrowers and lenders," explained Arora, one of the nation's leading experts in small business finance.



### Institutional lenders

**Institutional lenders** loan approval rates in May improved slightly to **63.8%**, another new high on Biz2Credit's index. It marked the fifth time in the past six months that this category of lenders showed an increase in funding approval percentages.

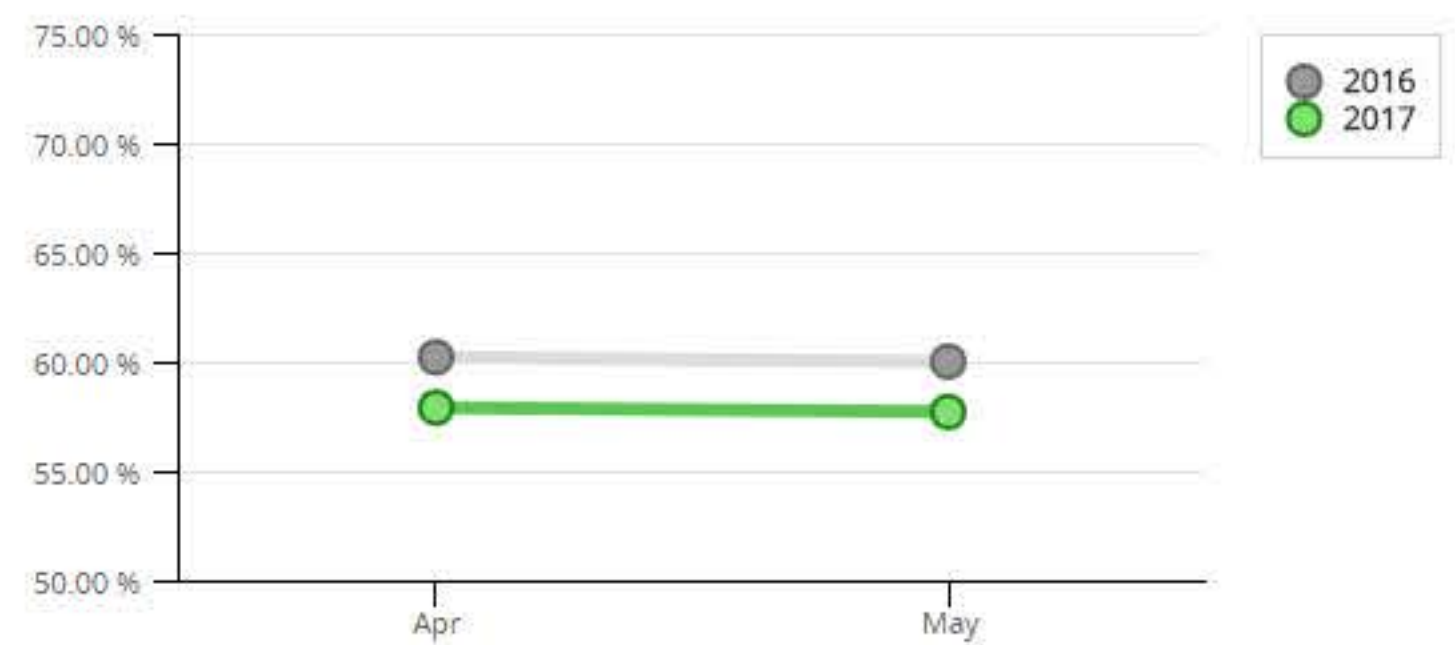
"The U.S. dollar remains strong against the euro, the British pound, and other international currencies. For this reason, foreign investors continue to look for high yields from America's small business credit marketplace," said Arora. "There is no denying, however, that global investors have some anxiety about President Trump's performance in office thus far."



### Alternative Lenders

Loan approval rates dropped at **alternative lenders** by two-tenths of a percent in May, as non-bank lenders granted **57.7%** of the funding requests. This marks nearly one year of consecutive decreases for this category of lenders.

"As banks and institutional investors close deals at levels that are still quite high, alternative lending has lost its attractiveness. Alternative lenders charge much higher rates, and this makes them lenders of last resort for many borrowers," explained Arora. "Small business owners are able to secure financing at lower costs from other types of lenders fairly quickly. This hurts alternative lenders."



### Credit Unions

Loan approval rates at **credit unions** dropped one-tenth of a percent in May to **40.5%**, another new low for this category of funders on Biz2Credit's index.

"Credit unions continue to trend downwards in their approval percentages," Arora says. "Their volume is low, and they are becoming less relevant in small business lending. I don't see this changing any time soon."

