

Small Biz Loan Approval Rates at Big Banks and Institutional Investors Improve in May 2016, According to Biz2Credit Small Business Lending Index

Ahead of Federal Reserve's Next Meeting, Lending Falters at Small Banks, Alternative Lenders, and Credit Unions

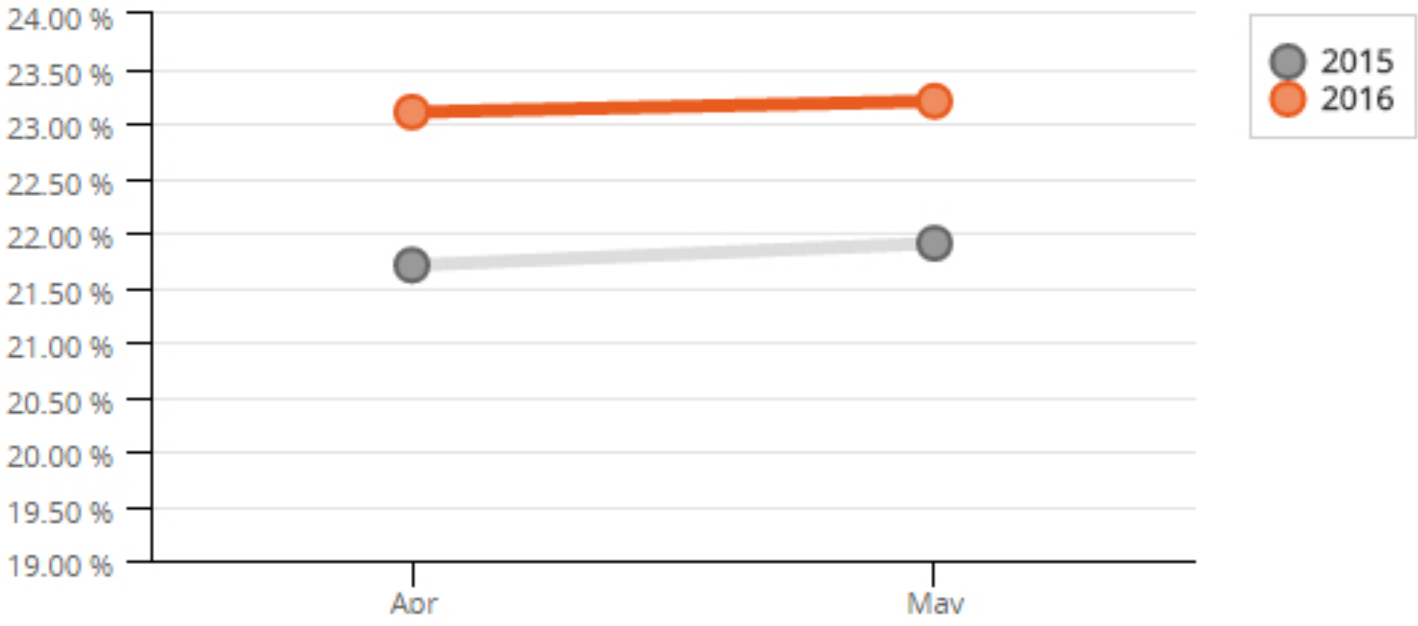
Loan approval rates at big banks (\$10 billion+ in assets) and institutional lenders increased in May 2016, according to the most recent Biz2Credit Small Business Lending Index™, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com. Meanwhile, small banks, alternative lenders and credit unions experienced a drop in their loan approval rates in the last month.



Big Banks

Big banks Small business loan approval rates at big banks (\$10 billion+ in assets) improved to a new all-time Index high of 23.2%, up one tenth of a percent over the last month. In a year-to-year comparison, big banks are approving 6% more funding requests on average. It was the seventh time in the last nine months that lending approval rates increased at big banks.

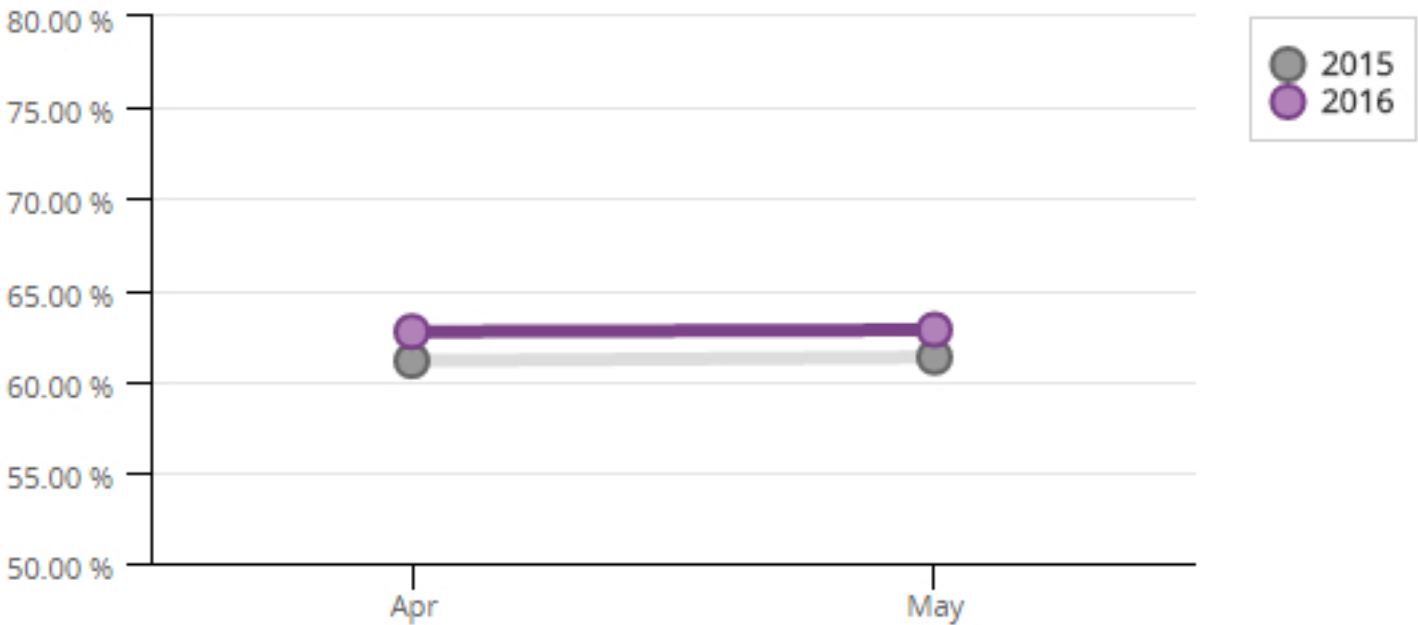
"Big banks have demonstrated their commitment to small business lending over the last two years with investments in automation that have resulted in higher profit margins." said Biz2Credit CEO Rohit Arora, who oversaw the research. "If the Federal Reserve decides to increase interest rates at the June 14-15 meeting, I expect lending approval rates at big banks to continue to surge. However, with the potential economic fallout likely if Britain leaves the European Union, an interest rate hike may not come until later this summer."



Institutional lenders

Institutional lenders rebounded after experiencing their first drop in loan approval rates in over two years during April. Loan approval rates improved by one-tenth of a percent to **62.8%** in May, matching an all-time Index high.

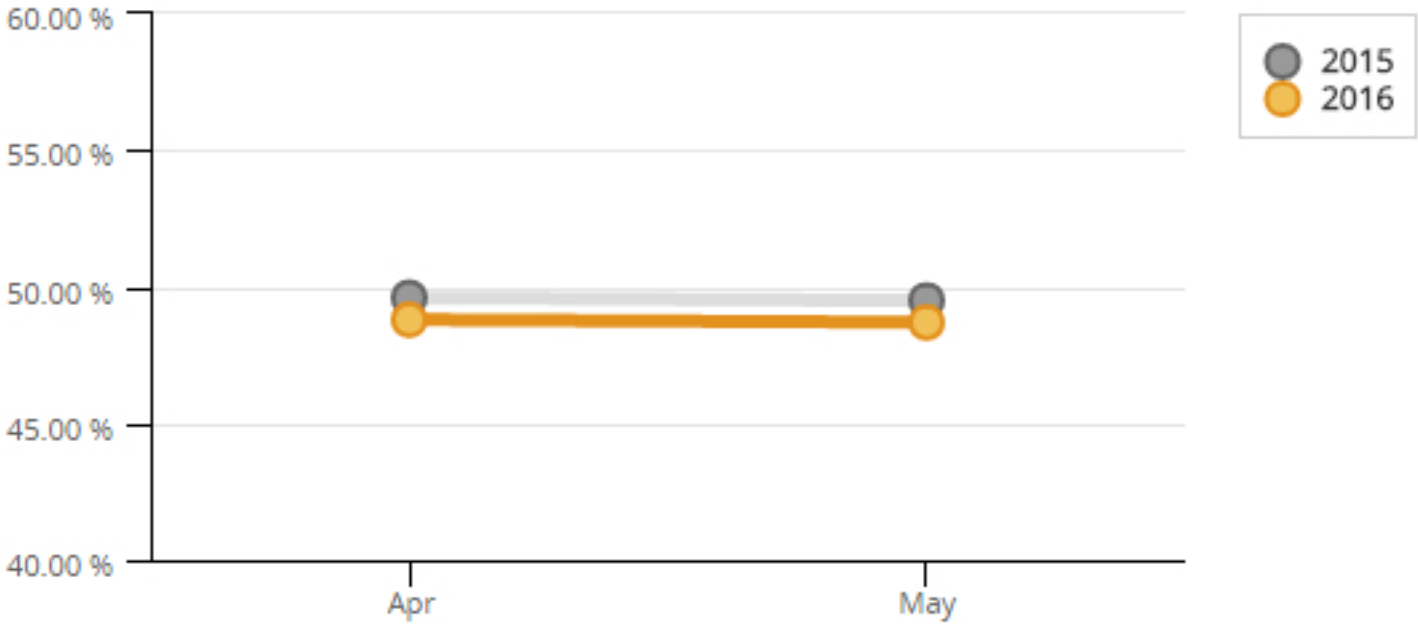
"For the better part of the last two years, institutional lenders have been one of the stronger driving forces in the industry." Arora said. "The rebound in May is encouraging. High yields and low default rates allow this category of lenders to continue to thrive."



Small Banks

Meanwhile, for the fourth time in the last five months, lending approval rates dropped at **small banks** down to **48.7%** in May 2016, matching a two and a half year low.

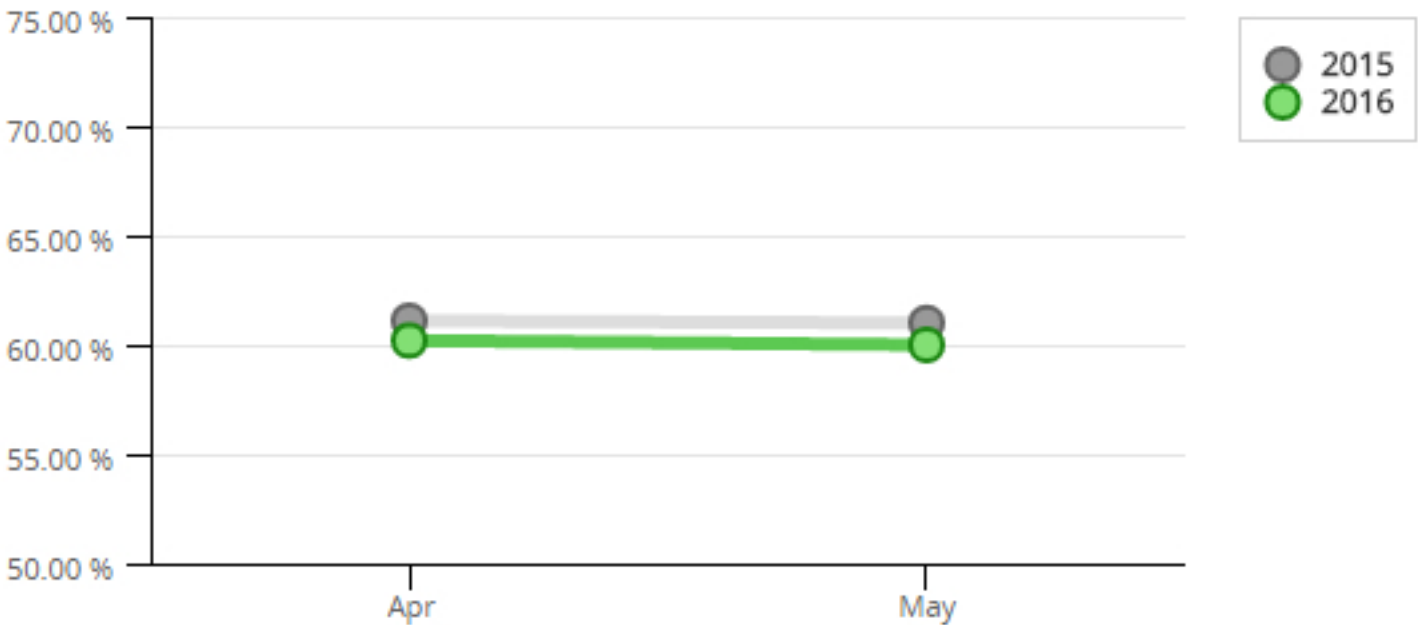
"As big players such as J.P. Morgan and Wells Fargo expand in small business lending, it continues to negatively impact small banks."said Arora. "When lenders invest in technology, small business owners can now receive funding in a matter of days. This has led to higher quality borrowers gravitating to the larger financial institutions."



Alternative Lenders

Alternative lenders took yet another big hit in May, now approving three out of five loan requests on average. Last month, lending approval rates dropped to **60%**. Over the last two and a half years, alternative lenders' approval rates have dropped significantly; they granted more than two-thirds of their loan requests (67.3%) in December 2013.

"The economic recovery has been beneficial to small business owners in many ways, and borrowing is near the top of that list," Arora explained. "Small business owners with good-standing credit no longer have to borrow at any cost. Instead, they are moving away from the high-cost loans typically associated with alternative lenders, which are now forced to grant riskier loans to make a profit."



Credit Unions

Credit unions continued their long decline in loan approval rates, granting a new all-time Index low of **41.7%** in May, down two tenths of a percent from April. Loan approval percentage rates have declined at credit unions every month in the past 12 months.

"Credit unions keep losing out. The reasons are their inability or unwillingness to adapt to technology and the stalled efforts to increase the member business lending cap." Arora added. "This combination has been devastating to this category of lenders. Until something changes, I expect the downward trend to continue."

