

Small Business Loan Approval Rates Dropped to Record Lows in April 2020: Biz2Credit Small Business Lending Index™



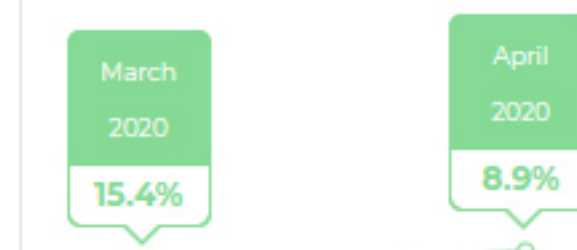
Big Banks

The approval percentage for small business loan applications at big banks (\$10 billion+ in assets) plummeted below double digits to just 8.9%, down from 15.4% in March and an all-time high 28.3% in February 2020, according to the Biz2Credit Small Business Lending Index™ released today. The April 2020 figure was the lowest approval rate for big banks since the Index began in January 2011. The rates do not reflect PPP loan approval rates; the approvals for PPP loans are made by the government, rather than by the banks themselves. According to the Jobs Report issued on Friday, May 8, 2020, total non-farm payroll employment fell by 20.5 million in April. The unemployment rate, which was well below 4% for most of the past two years, rose to 14.7 percent, the U.S. Bureau of Labor Statistics reported. The changes in these measures reflect the impact of the coronavirus (COVID-19) pandemic. Employment fell sharply in all major industry sectors but was particularly heavy in the travel, leisure, and hospitality sectors. “These economic figures underscore the importance of getting capital into the hands of small business owners quickly,” Arora said. “There is limited time left to act to save America’s small businesses for the foreseeable future.”

“The decline was wholly expected, but still startling,” said Biz2Credit CEO Rohit Arora, who oversees the monthly research. “Until February, the economy was as strong as we had ever seen, and big banks were lending at unprecedented frequency. Now, unemployment is at Depression era-levels. The rapidity of this change is still hard to comprehend even two months later.”



Rohit Arora, Biz2Credit CEO



Monthly Comparison



Yearly Comparison



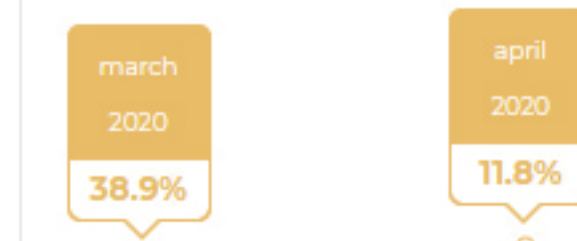
Small Banks

The approval rate at small banks has also plummeted, falling to 11.8% in April, down from 38.9% in March and 50.3% in February. Smaller institutions approved more than half (52%) of the small businesses receiving loans and a total of 47% of the PPP Second Round's total loan volume of \$88.91 billion, according to the latest figures from the SBA. In Round Two, smaller banks comprise over 95.7% of PPP-participating lenders (5,229 in total). Community lenders and smaller federally insured banks and credit unions with less than \$10 billion in assets have processed almost 40% of all PPP loans (loan count 972,611) across both rounds of funding, the SBA reported.

“Smaller banks have been overwhelmed by a flood of PPP loan requests, but they have still had some non-PPP applications. The approvals for these loan applications are strikingly low,” Arora said. “Regional and community banks are being asked to play a large role in the recovery of small businesses. We can expect this to continue, particularly since the PPP loans come with government backing.”



Rohit Arora, Biz2Credit CEO



Monthly Comparison



Yearly Comparison



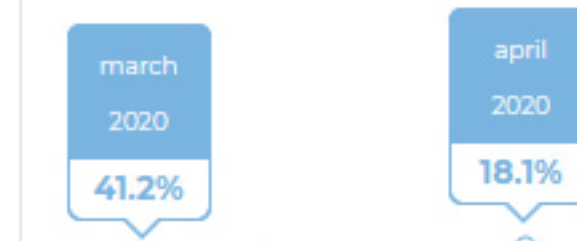
Institutional lenders

Institutional lenders' approval percentages plummeted to 18.1% from 41.2% in March and a record high of 66.5% in February.

“Institutional lenders may be shying away from lending to small businesses at the moment. They became important players in the small business lending marketplace because of relatively high yields and low default rates. Unfortunately, this is not the case right now,” Arora said. “Looking long term, I do expect them to regain their strength and become important players again.”



Rohit Arora, Biz2Credit CEO



Monthly Comparison



Yearly Comparison



Alternative lenders

The fall of loan approval rates among alternative lenders dropped to just 15.2%, which fell from 30.4% in March and 55.9% in February.

“Because PPP loans come at just a 1% interest rate and, in many cases, will be forgivable, companies looked for other options besides funding from alternative lenders,” Arora said. “However, because of the speed at which they can make decisions and put money into the bank accounts of small businesses, they are likely to be some of the first to return to high levels of funding as the crisis eases. They may not again reach pre-coronavirus levels, but there will still be a place for them in the small business lending marketplace.”



Rohit Arora, Biz2Credit CEO



Monthly Comparison



Yearly Comparison



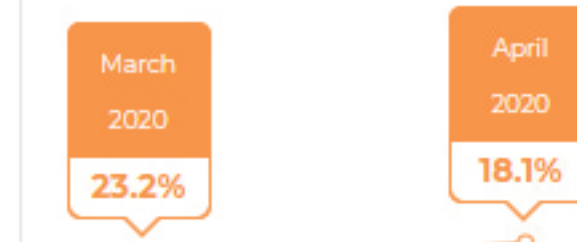
Credit unions

The approval percentage rate for credit unions hit another record low for the third straight month. Credit unions approved 18.1% of funding requests in April, following March's approval percentage of 23.2%, and 39.6% in February.

“Credit unions struggled in the business lending marketplace for quite some time even before the coronavirus came along,” said Arora. “Many of them were shut out in the first round of PPP funding, and thus the businesses that applied with them for loans did not stand much of a chance. The Treasury Department and SBA made some changes, so the figure may rise next month. Credit unions that have their own digital loan application systems or that partnered with FinTech firms to enable online applications now have a big leg up on the competition.”



Rohit Arora, Biz2Credit CEO



Monthly Comparison



Yearly Comparison