Small Business Loan Approval Rates at Banks Fell in August 2020: Blz2Credit Small Business Lending Index™

Slight Declines in Approval Percentages at Alternative Lenders and Credit Unions

Big Banks

Small business loan approval percentages at big banks ($10 billion+ in assets) and small banks dropped slightly in August 2020, reversing an upward trend that began in May, according to the Blz2Credit Small Business Lending Index™ released today. In August, big banks granted only 13.6% of the loan applications they received, compared to 13.8% in July. The figures do not reflect approval of Paycheck Protection Program (PPP) loans, which are made by the government, rather than by the banks themselves, PPP lending ended on August 8 after providing nearly 5 million small businesses with an infusion of much needed cash, which ultimately will be “forgivable loans” in most cases. Now that the program has ended, many small business owners are hoping that Congress will pass anticipated PPP2 legislation thought would help continue the flow of capital to America’s small businesses. The U.S. Bureau of Labor Statistics’ Jobs Report on September 4 found that nonfarm payroll employment rose by 1.4 million in August, and the unemployment rate fell to 8.4%. These improvements in the labor market reflect the continued resumption of economic activity that has been curtailed due to the coronavirus pandemic and efforts to contain it. Notable job gains in the private sector occurred in retail trade, in professional and business services, in leisure and hospitality, and in education and health services. Many of those jobs are created by small businesses.

Small Banks

Small banks approved 18.0% of their funding requests, a small dip from 18.4% in July.

Institutional lenders

Institutional lenders were the only category of lender that saw an uptick in approval percentages during August, as approvals rose from 21.9% in July, up from 22.0% in August.

Alternative lenders

Loan approval rates among alternative lenders dropped a notch from 23.3% last month to 23.0% in August.

Credit unions

Credit unions also slipped one-tenth of a percent from 25.2% in July to 25.1% this month.