

# Government Shutdown Hurts SBA Lending at Banks in December, According to Biz2Credit Small Business Lending Index™

## Business loan approval percentages continue to rise at big banks and institutional lenders, while alternative lenders and credit unions again dip slightly

With the U.S. Small Business Administration (SBA) closed for the past two weeks because of the partial government shutdown, SBA loan approvals dropped in December 2018 at banks and other institutions. Despite this setback, overall **small business loan** approval rates for big banks reached another record high (27%) in December 2018, according to the Biz2Credit Small Business Lending Index™ released today.

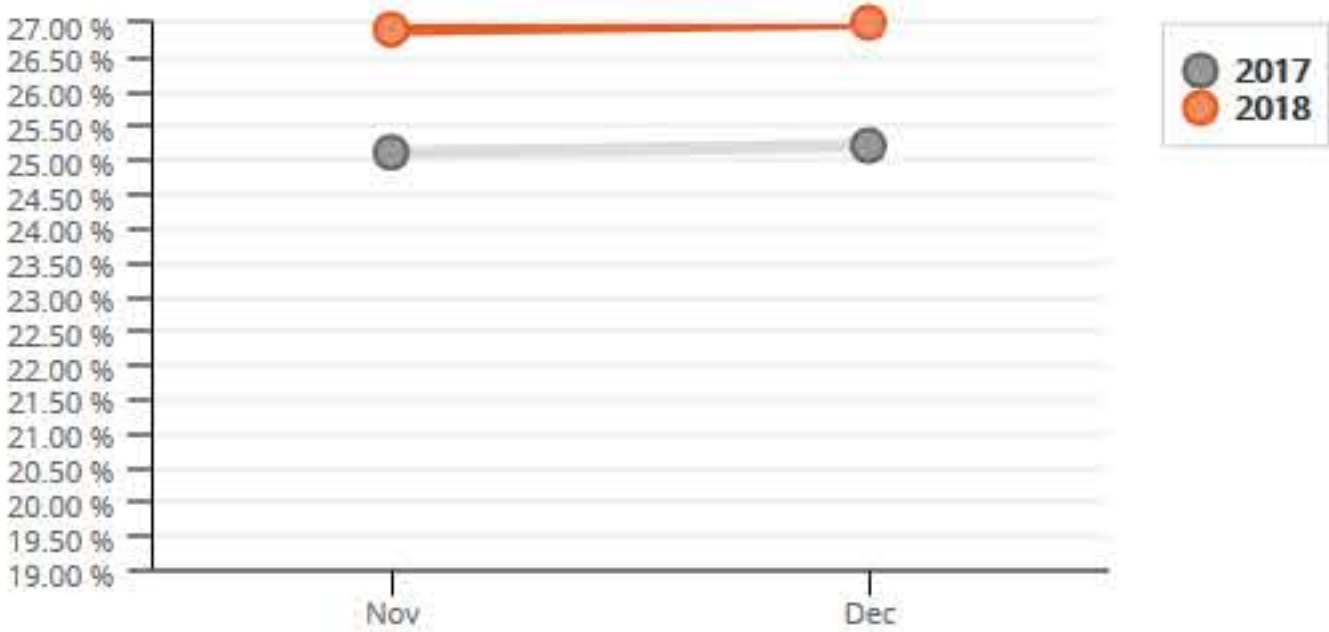


### Big Banks

The December approval percentage for **big banks** (assets of \$10 billion+) rose one-tenth of a percent from October's figure of 26.9% to **27%**, according to Biz2Credit's monthly report, which examines more than 1,000 small business credit applications made via its online lending platform.

Eyes are also on Washington because Federal Reserve chairman Jerome Powell hinted that the central bank may reconsider the Fed's recent policy of raising interest rates if economic growth slows down. However, the recent holiday shopping season is considered one of the strongest in six years, and the Department of Labor reported that the economy added 312,000 jobs in December, a number far above consensus expectations. The Fed signaled in December that two more rate hikes could come in 2019, on top of five consecutive quarters with interest rate increases.

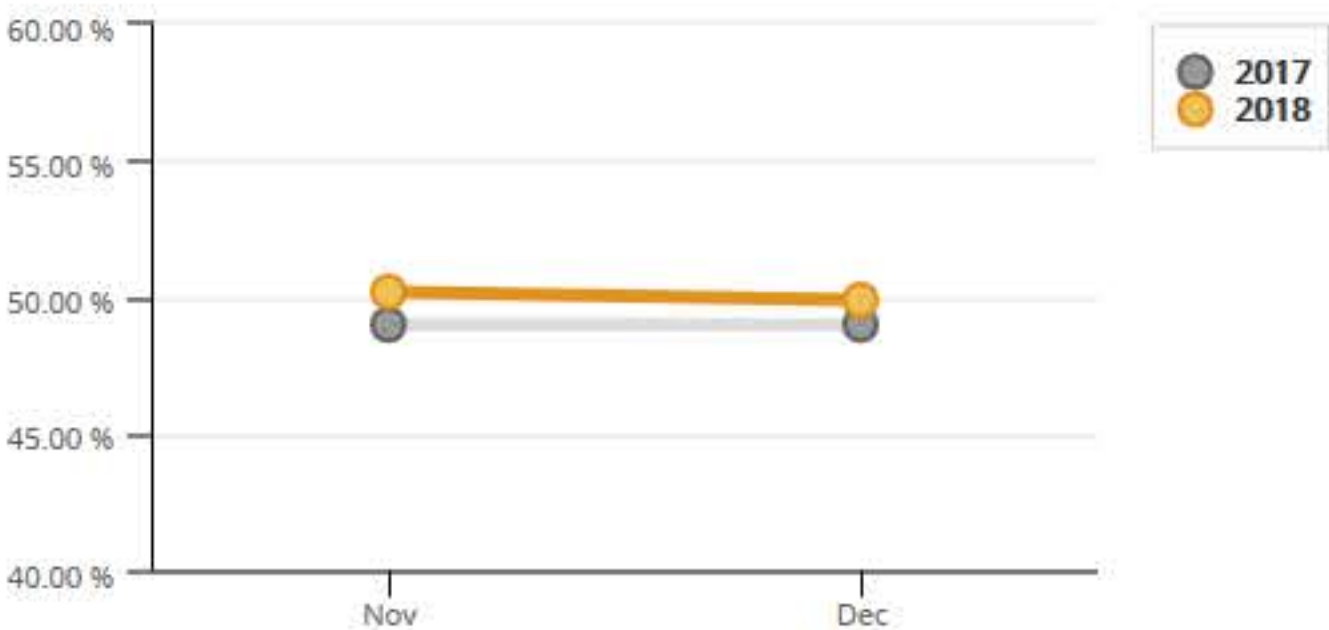
"Things were moving quite well before the shutdown, and still are for big banks," said Biz2Credit CEO Rohit Arora, who oversees the Index. "With the SBA closed, there is now a backlog of companies awaiting funding primarily from small banks. At this point, it will take months for regional banks to recover from this jam and restore the flow capital to small businesses."



### Small Banks

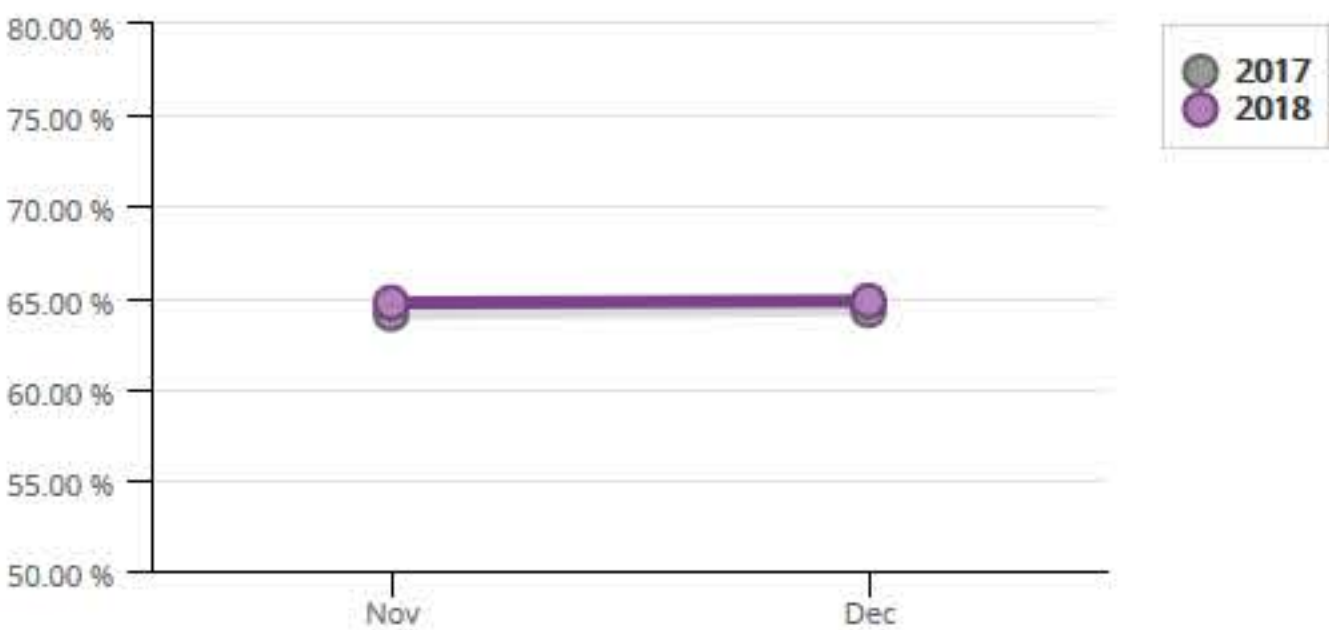
Business loan approval rates dropped three-tenths of a percent at regional and community banks in December 2018. **Small bank** approvals slipped below the half-way mark to **49.9%** following the month of November when 50.2% were approved.

"With all the political quarreling in Washington, little has been reported about the impact on small businesses because SBA lending has stalled. The government shutdown really has begun to hurt small companies in search of capital," Arora added"



### Institutional lenders

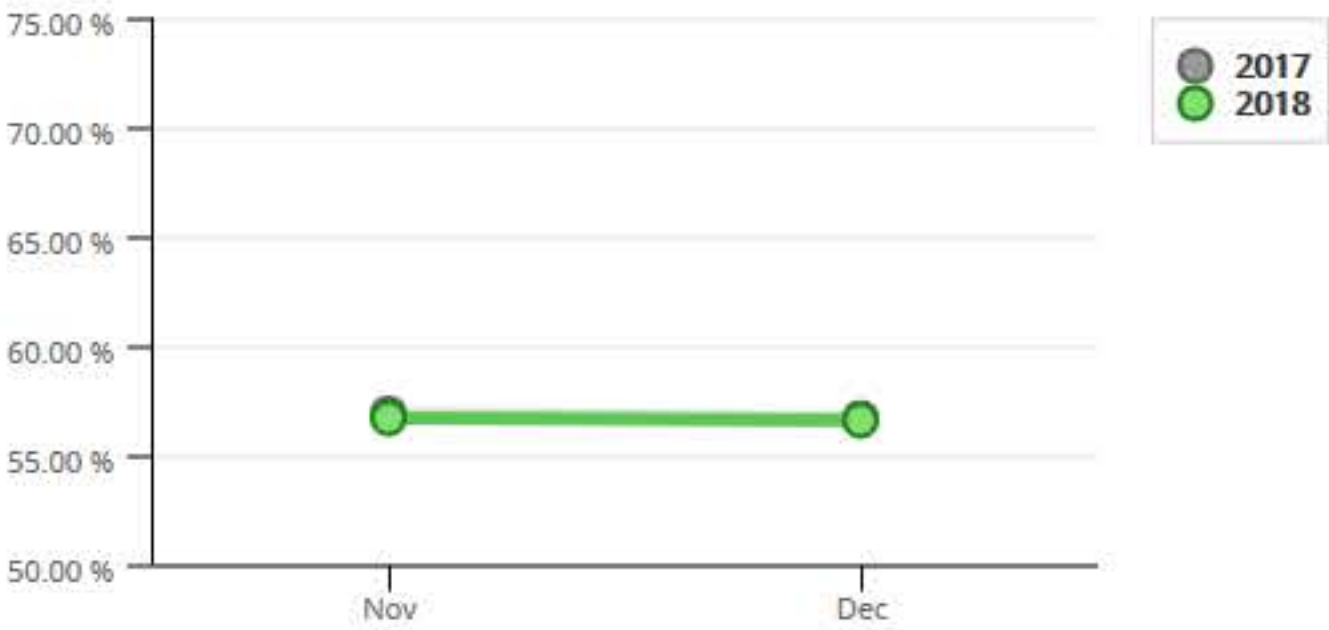
**Institutional lenders** inched slightly up to **64.8%** in December, up one-tenth of a percent from 64.7% in November, a good sign for small business borrowers.



### Alternative Lenders

Loan approval rates among **alternative lenders** dropped from 56.7% in November to **56.6%** in December. While some of these lenders were affected by the SBA shutdown, experts advise that the trend could reverse itself if the shutdown continues.

"If SBA lending continues to stall, alternative lenders could rebound. They will offer money when other lenders do not, but the funding comes at higher rates and shorter terms," Arora explained. "These lenders have carved out a niche by funding companies that do not qualify for traditional bank loans. The higher cost of capital is a reflection of the increased risk involved in lending to those firms."



### Credit Unions

**Credit unions** approved **40.1%** of loan applications in December, tying an all-time low figure, down one-tenth of a percentage from November, according to the Biz2Credit Index.

"No matter how you look at it, 2018 was still a great year for small business lending. As long as the government shutdown does not continue much longer, we are still in a good place," Arora said. "If SBA lending stalls much longer, it will negatively impact small companies looking for funding, slowing down the strong growth we've seen in this part of the economy."

