

Banks’ Small Business Loan Approval Rates Hit Record High in December 2019: Biz2Credit Small Business Lending Index™



Big Banks

The approval percentage for small business loan applications at big banks (\$10 billion+ in assets) rose one-tenth of a percent to reach 28.2% in December 2019, a new post-recession record high, according to the Biz2Credit Small Business Lending Index™ released today. Private sector, nonfarm employment increased by 145,000 in December, while the unemployment rate remained at 3.5%, according to the Bureau of Labor Statistics’ Jobs Report issued on Friday, Jan. 10. Notable job gains occurred in the retail trade during the holiday shopping season and in healthcare and food and hospitality. In 2019, payroll employment rose by 2.1 million jobs, according to the report.

"A lot of businesses apply for funding at the end of the year since a time when companies are looking forward at their growth plans," said Biz2Credit CEO Rohit Arora, who oversees the monthly research. "Interest rates are low, thanks to cuts by the Fed, and the strong economy the climate is near perfect for small businesses to borrow for growth. If you have a solid business, banks have been willing to lend."




Rohit Arora, Biz2Credit CEO



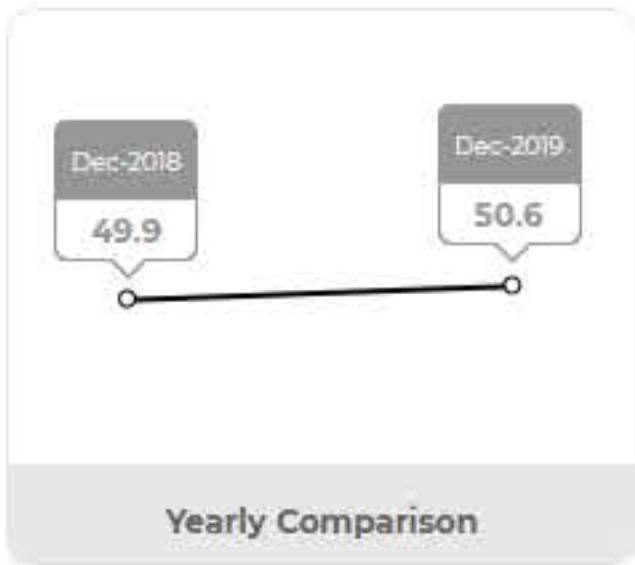
Small Banks

The 2019 Fiscal Year was a great year for SBA lending, and Biz2Credit expects this trend to continue. The approval rate at small banks, which often are SBA-approved lenders, also climbed one-tenth of a percent from 50.5% in November to 50.6% in December.

"Lending a regional and community banks is still strong. Smaller banks process a lot of SBA loans, which reached record levels in 2019," Arora explained. "Regional and community banks cannot rest on their laurels, however. As big banks remain active and invest in digital loan application technology, the smaller banks either must develop their own systems."



Rohit Arora, Biz2Credit CEO



Institutional lenders

Institutional lenders’ approval rates rose one-tenth percent from November’s figure to reach 66.2% last month.

"Institutional lenders are a good source for small business funding. They offer financing at reasonable interest rates and are becoming an increasingly important source of capital for entrepreneurs," Arora said.



Rohit Arora, Biz2Credit CEO



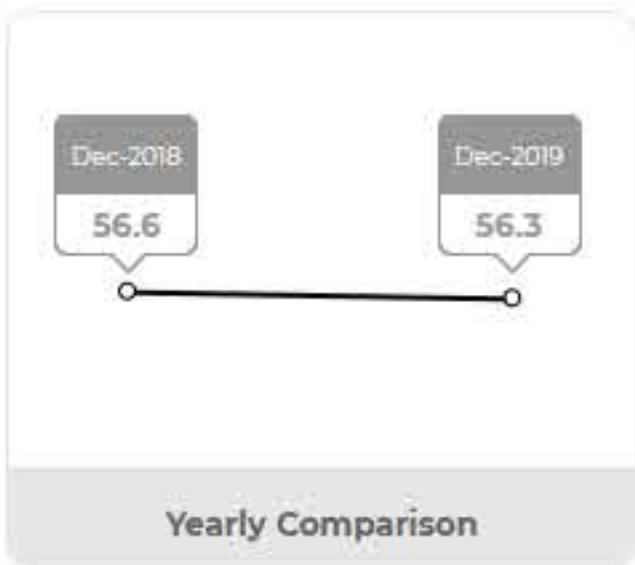
Alternative lenders

Small business loan approval rates among alternative lenders remained at 56.3% in December.

"Alternative lenders are a consistent source of capital for companies that need money quickly or that don't qualify for bank loans," Arora said. "Alternative lenders can help companies during times of short-term cash crunches, but the interest rates they charge are higher than other lenders."




Rohit Arora, Biz2Credit CEO



Credit unions

The approval percentage rate for credit unions remained unchanged at 39.7% in December, tying the record low recorded in September 2019.

"In order to survive today, credit unions need to change their business models, invest in technology or partner with FinTech firms so that they can process digital loan applications, and eliminate membership applications," said Arora, who oversees the Biz2Credit research. "Credit unions are doing business in an old-fashioned way, and it hinders their relevance in today's lending marketplace."



Rohit Arora, Biz2Credit CEO

