

Biz2Credit Small Business Lending Index™ Reports Loan Approval Rates at Banks Declined in December 2020, Are Down More Than 50 Percent from One Year Ago

Approval percentages for all categories of lenders dropped more than 50% from December 2019

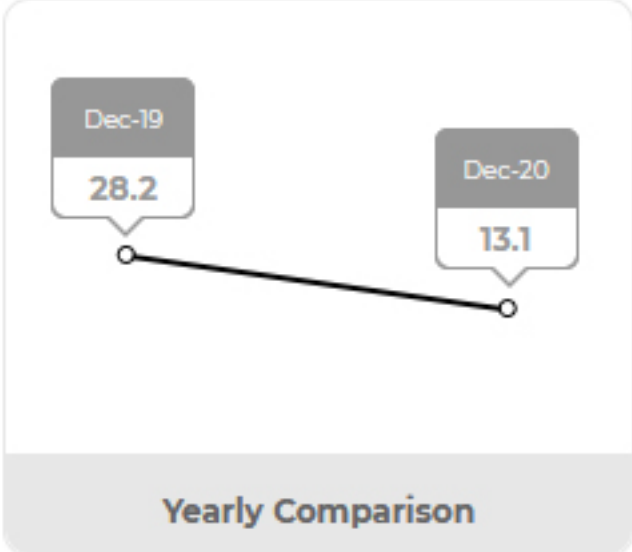
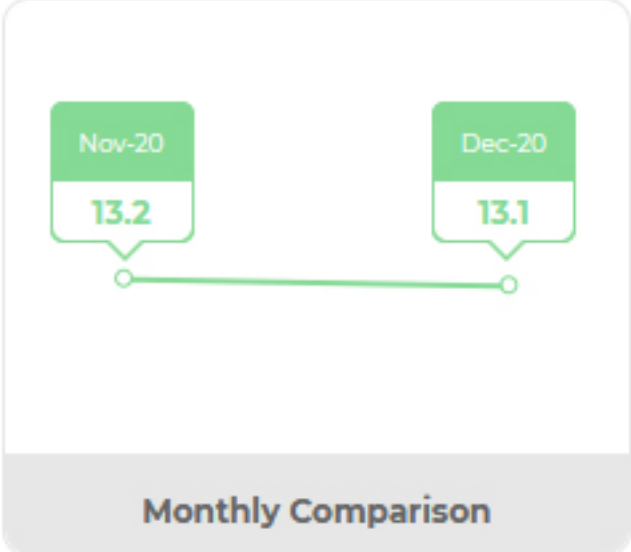


Big Banks

Small business loan approval percentages at big banks (\$10 billion+ in assets) dropped slightly from 13.2% in November to 13.1% December, an indication that the challenges for small business owners in need of financing continue, according to the latest Biz2Credit Small Business Lending Index™ released today. In comparison, big banks approved 28.2% of the funding requests they received in December 2019. Biz2Credit also performed research on borrowers who expressed interest in the PPP following the government's recent announcement that the program would reopen. Biz2Credit has found that more than 80% of the total loan amount requested for PPP loans came from small businesses with less than 50 employees, a significant change from the initial round back in April. Biz2Credit, which allowed for pre-registration for PPP2 funding in advance of the SBA's opening of the program on Jan. 11, finds that second loan requests account for approximately two-thirds of loan pre-applications for the government-approved funding. The U.S. Bureau of Labor Statistics on Friday, Jan. 8, 2021, found that nonfarm payroll employment rose by 140,000 in December, and the unemployment rate remained at 6.7%. The improvements in the labor market reflect the continued resumption of economic activity that was curtailed by the coronavirus pandemic and efforts to contain it. Notable job gains occurred in transportation and warehousing as holiday gifts are on their way to stores and to consumers. Employment also rose in professional and business services, and healthcare.

"Even though many companies are operating at a loss right now and need capital, they refrained from applying because of the likelihood of rejection and the economic uncertainty caused by the second wave of the coronavirus," said Biz2Credit CEO Rohit Arora, one of the nation's leading experts in small business finance. "Business owners are anxiously awaiting the second round of Paycheck Protection Program (PPP) funding."

Rohit Arora, Biz2Credit CEO

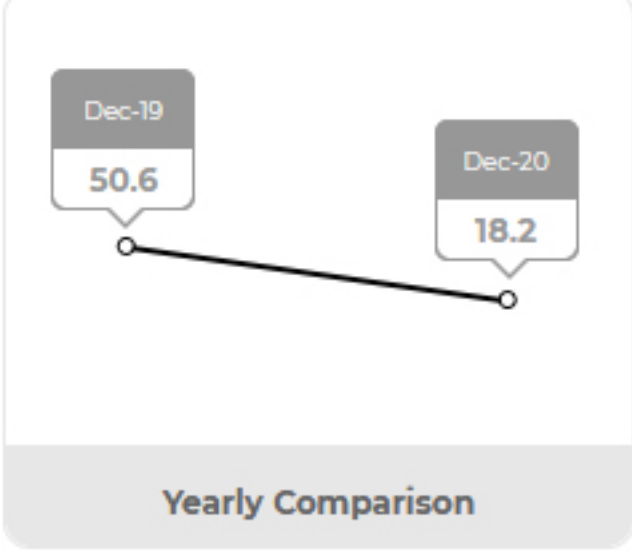
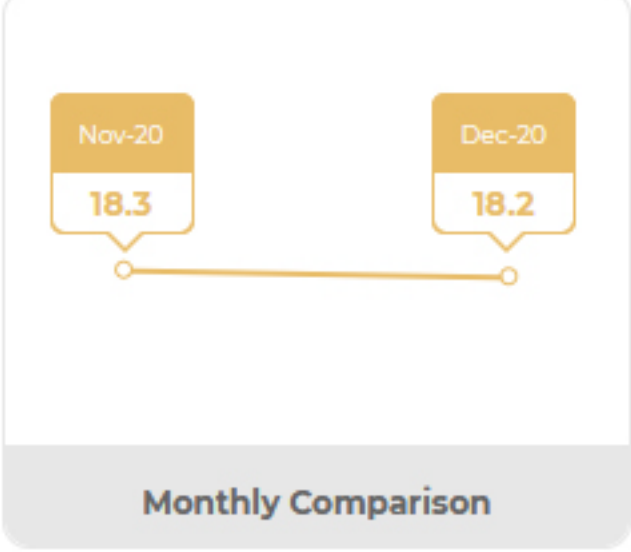


Small Banks

During December, small banks approved 18.2% of business financing applications, down one notch from 18.3% the month before. In sharp contrast, small banks granted more than half (50.6%) of funding requests last December. The news comes as applications for the second round of the Paycheck Protection Program begins accepting new applications this week from a select group of the smallest lenders in the SBA's approved lender list.

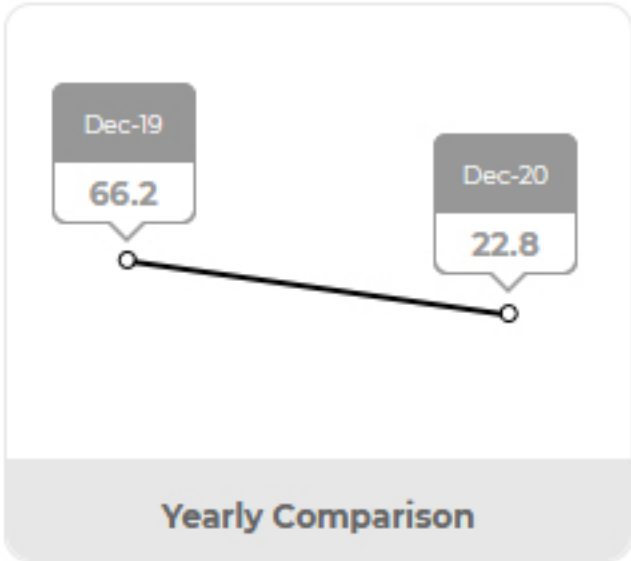
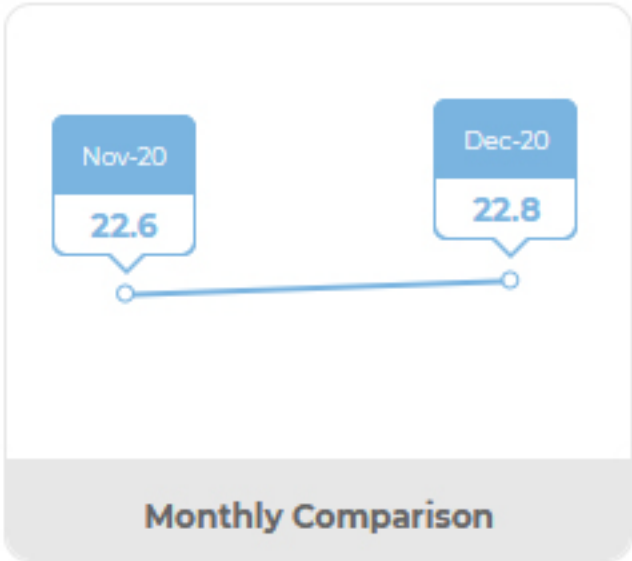
"This dramatic drop is attributed to the toll the coronavirus has taken on small businesses and the economy overall," Arora said.

Rohit Arora, Biz2Credit CEO



Institutional lenders

Institutional lenders approved 22.8% of applications for funding in December, slightly up from 22.6% in November.

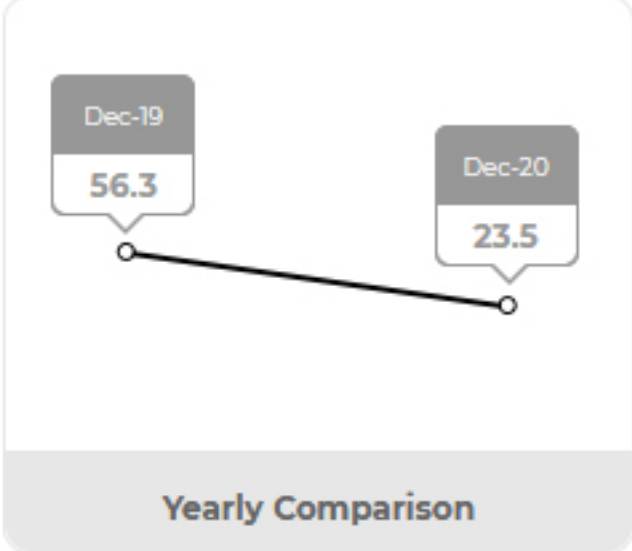
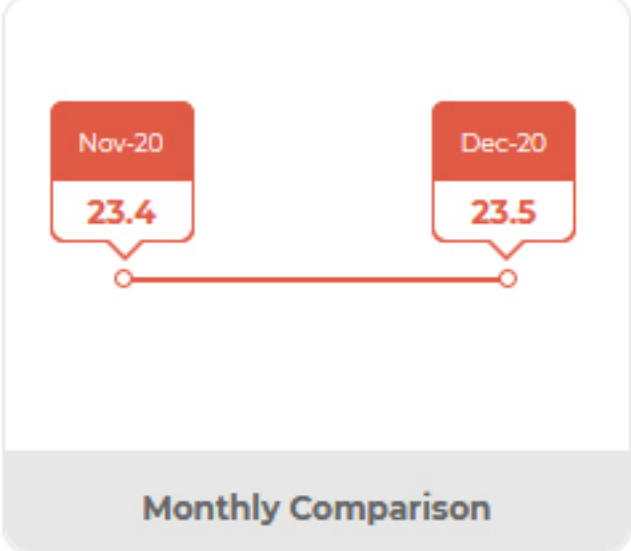


Alternative lenders

Loan approval rates among alternative lenders rose slightly from 23.4% in November to 23.5% in December. These figures again shine light on the challenges for small companies in search of capital. Last December, institutional lenders approved nearly two-thirds (66.2%) of their funding requests, and alternative lenders granted 56.3% of their applications.

"Despite these two small bright spots, companies seeking capital are having a tough time securing it. Right now, business owners are looking to the government for help, but not all of them qualify for PPP," Arora said. "Although representatives of the SBA said today that the lending pool for PPP2 should be enough to cover the qualified borrowers who apply, it's likely that many business owners will still require a lot of capital even beyond PPP loans. They don't currently have options because lenders are approving so few regular loan applications."

Rohit Arora, Biz2Credit CEO



Credit unions

Credit unions slipped one-tenth of a percent to a 20.6% approval rate in December from 20.7% in November. A year ago, they approved almost 40% of the applications they received in December 2019.

