Small Business Loan Approvals at Big Banks Hit New High; Other Categories of Lender Dip Slightly, According to Biz2Credit Small Business Lending Index™ for February 2019

Lending Atmosphere Still Solid for Small Business Borrowers

The loan approval percentage for small business credit applicants hit a record high of 27.2% at big banks ($10 billion+ in assets) in February, while approval rates at small banks, alternative lenders and credit unions dipped slightly, according to the Biz2Credit Small Business Lending Index™ for February 2019.

Big Banks

"After two months at an averge 27%, the approvals by big banks climbed a bit at big banks in February."

"In an interview with 50 Minutes on Sunday, March 3, Federal Reserve Chair Jerome Powell told Scott Perlcy: "What's happened in the last 90 or so days is that we've seen increasing evidence of the global economy slowing down. We're going to wait and see how those conditions evolve before we make any changes to our interest rate policy.""

"We see the economy as a good place. We think that the outlook is a favorable one. Inflation is muted and our policy rate we think is in an appropriate place," added Powell, who has overseen four interest rate hikes during his tenure. "I think growth this year will be slower than last year. Last year was the highest growth that we've experienced since the financial crisis. I expect that growth will continue to be positive and continue to be at a healthy rate."

"Overall, the cost of capital is relatively low, small businesses are looking to secure capital and for many companies, their recent financial performances have made them creditworthy borrowers," said Biz2Credit CEO/RVP John Avana, who oversees the monthly research derived from more than 1000 small business credit applications on his company's online lending platform.

"The Federal Reserve has slowed its trend of incremental interest rate hikes, which is good news for borrowers," said Avana, one of the nation's leading experts in small business finance. "Money is flowing to small business borrowers, while the cost of capital is still reasonable—especially traditional bank loans."

Small Banks

Small bank approvals of small business loan applications dropped two-tenths of a percentage point from 49.0% in January to 48.8% in February.

"Meanwhile, the Infos Report released on March 6, saw a stunning drop in job creation: just 20,000 new jobs, which may be an indication that business growth may be slowing a bit. The NFP Small Business Optimism Index dipped to 3.3 points in January, as business owners expressed concern about future economic growth. However, optimism remains well above the historical average and is a reflection of the uncertainty during the 35-day government shutdown, according to the NFIB."

Institutional lenders

Institutional lenders climbed up to 69.2%, up a notch from 68.1% in January.

Alternative Lenders

Loan approval rates among alternative lenders dropped from 57.3% in January to 57.2% in February, a one-tenth of a percent drop.

Credit Unions

Credit union approvals dropped slightly from 43.0% in January to 42.0% of loan applications in February.

The economy is still solid, and overall the approval rates for small business loans in February were stable," added Avana, who oversees the Biz2Credit research. "There are no major macro issues in the economy right now. Although 2019 may not be as good as 2018, we are still in very good economic times. This is beneficial for small business owners in search of capital."

1 The economy is still solid, and overall the approval rates for small business loans in February were stable," added Avana, who oversees the Biz2Credit research. 1 There are no major macro issues in the economy right now.