

# Small Business Loan Approvals at Banks Hit Record Highs, According to July 2019 Biz2Credit Small Business Lending Index™

Alternative Lending Drops and Credit Unions Sink to a Record Low



## Big Banks

Approval rates for small business loan applications rose to another post-recession record (27.7%) at big banks (\$10 billion+ in assets), while also climbing above 50% at small banks in July

"Small business lending remains strong and is growing at big banks and at regional and community banks. Entrepreneurs who have a good credit history are having success in securing capital in 2019," said Biz2Credit CEO Rohit Arora, who oversees the monthly research derived from more than 1,000 small business credit applications on his company's online lending platform.




Rohit Arora, Biz2Credit CEO



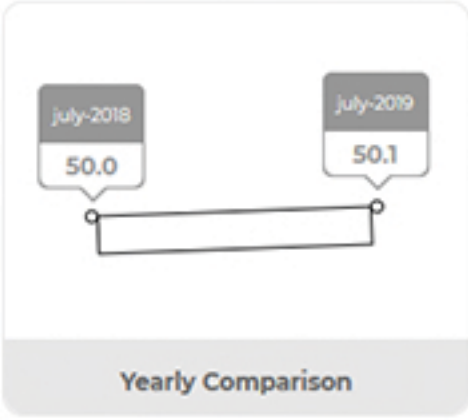
## Small Banks

Small bank approvals of small business loan applications inched up one-tenth of a percent to 50.1% from 50% in June. "The U.S. Small Business Administration (SBA) is the largest economic development agency in the world," said SBA New York District Director, Beth Goldberg. "With an annual credit line of more than \$30 billion allocated by Congress, SBA guaranteed loans help bridge the gap between small businesses that lenders might turn away and those who are able to start or grow companies with financing." Goldberg added that through the end of June, 2019, SBA had guaranteed \$20.6 billion nationwide in small business loans. More-than \$650 million of this went to firms in her district, which encompasses New York City, Long Island and seven counties of the Lower Hudson Valley. Meanwhile, the Labor Department's Jobs Report released on August 5, reported that nonfarm payroll employment increased by 164,000 in July, while the unemployment rate remains at 3.7 percent. The U.S. Bureau of Labor Statistics noted that significant job gains occurred in professional and business services, health care, and social services. "While the Jobs Report numbers slightly exceeded expectations, small business owners are expressing concerns about a tariff war with China, which could cause them to reconsider holiday season hiring and expansion plans," Arora said. "On the other hand, the Federal Reserve cut interest rates for the first time in 11 years last week, which lowers the cost of capital for borrowers. Overall, rates are attractive right now."

"More than half of the applicants who apply at small banks for funding, usually SBA loans, are getting the funding. SBA loans are certainly an important part of the mix," Arora explained.




Rohit Arora, Biz2Credit CEO



## Institutional lenders

Institutional lenders' approval rates rose one-tenth of a percent to 65.7% from June's figure of 65.6%.

"Institutional lenders are playing an increasingly important role in small business financing," Arora said




Rohit Arora, Biz2Credit CEO



## Alternative lenders

Small business loan approval rates among alternative lenders dropped three-tenths of a percent to 56.8% from 57.1% in June.

"The renewed strength of bank lending to small businesses has negatively impacted alternative lenders," Arora said. "High quality borrowers can get cheaper money at banks, but those with mediocre credit histories may still find that alternative lenders are the only ones who will fund them. Alternative lenders help business owners that the banks reject."




Rohit Arora, Biz2Credit CEO



## Credit unions

Credit unions fell below the 40% mark in July for the first time since Biz2Credit began analyzing small business loan approval percentages in 2011. Currently, credit unions are approving 39.9% of loan applications, which represents a record low point.

"Credit unions are still hurt by the Member Business Lending cap (12.25% of their assets), the aggressiveness of other categories of lenders, and by a lack of digitization," said Arora, who oversees the Biz2Credit research. "Right now, there is not a lot of momentum in credit unions' small business lending."



Rohit Arora, Biz2Credit CEO

