


Small Business Loan Approval Rates Plummet in March 2020: Biz2Credit Small Business Lending Index™



Big Banks

The approval percentage for small business loan applications at big banks (\$10 billion+ in assets) plummeted to just 15.4% from a post-recession high of 28.3% in February 2020, according to the Biz2Credit Small Business Lending Index™ released today. With business closures and layoffs due to coronavirus rattling the economy, numerous sectors in the economy have been shaken, including restaurants, hotels, airlines, and personal services. A remarkable 6.6 million Americans filed for unemployment during the week that ended March 28, according to the Bureau of Labor Statistics on Thursday, April 2. Further, According to the Jobs Report issued on Friday, April 3, 2020, significant declines occurred in restaurant/bar and travel industries, as well as health care and social assistance, professional and business services, retail trade, and construction. Implementation of the PPP program has been initially rocky. On the first day of the program, some of the biggest banks, such as Wells Fargo, were not ready to begin offering PPP loans. Further, although thousands of applications have been filed and approved, money still is not in the hands of business owners. Even willing lenders, such as community banks that process SBA loans, are finding it difficult to get cash to struggling businesses. “Government agencies aren’t accustomed to moving at breakneck speed,” Arora said. “The problem is that up to 75% of small businesses could go under if they don’t receive an injection of cash within the next 60 days.” Further complicating the issue is the enormous amount of information that small business owners are trying to grasp and process related to the program. For instance, on Thursday, April 2, the maximum interest rate that could be charged was reported at 0.5%, but by Friday morning, the Treasury Department had raised the rate to 1%. Information sites, such as SBADisasterLoans.info and CARESActSmallBusiness.info have sprung up to offer information about Small Business Administration (SBA) Economic Injury Disaster Loans (EIDL) and other types of funding for businesses in need of working capital during the coronavirus pandemic. Last week, Biz2Credit introduced Biz2X Accelerate SBA, that enables banks and other financial institutions to efficiently respond to the influx of loan requests from small businesses seeking to take advantage of the Paycheck Protection Program (PPP) of the historic CARES Act stimulus package.

“This is a stunning fall that was not entirely unexpected,” said Biz2Credit CEO Rohit Arora, who oversees the monthly research. “Until just a few weeks ago, the economy was very strong, and big banks were lending at unprecedented frequency. Now, obviously, things have changed dramatically.”




Rohit Arora, Biz2Credit CEO



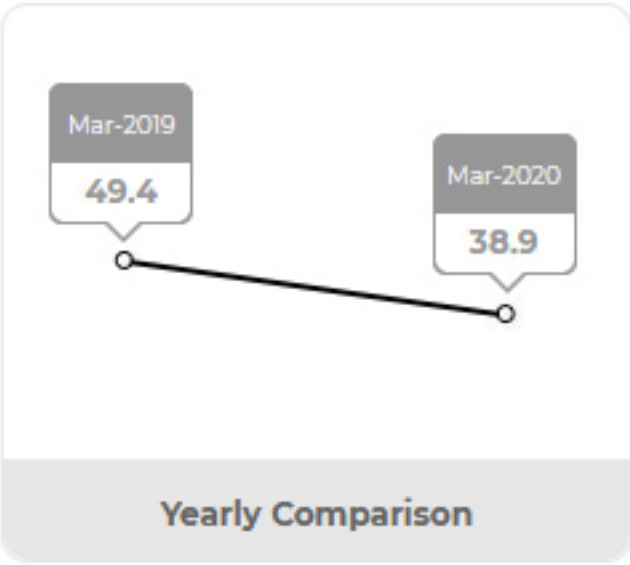
Small Banks

The approval rate at small banks dropped dramatically by more than eleven percent, falling from 50.3% in February to 38.9% in March.

“Smaller banks have been a good source of small business financing for a long time. While they are no longer approving more than they decline, business owners are reaching out to them because they are likely to provide funding through SBA loans,” Arora said. “As the economic crisis related to coronavirus continues, I believe smaller banks will lead the charge in helping companies get back on their feet. We have already seen that since community banks made such a strong showing on the first day of the CARES Act PPP lending program, while some big banks weren’t ready and have already reached their self-imposed lending limit.




Rohit Arora, Biz2Credit CEO



Institutional lenders

Institutional lenders’ approval percentages plummeted from 66.5% in February to 41.2% in March.

“Institutional lenders carved out significant strength in the small business lending marketplace over the past few years, but they are not immune to this market shock,” Arora said.




Rohit Arora, Biz2Credit CEO



Alternative lenders

Small business loan approval rates among alternative lenders fell from 55.9% in February to just 30.4% in March.

“Alternative lenders offer quick cash, so they will play a role in providing money to struggling companies” Arora said. “But those who can wait for government-backed loans will do so, because the interest rate under the PPP lending program is so low at 1%. Honestly, rates cannot go much lower than that, and some of the loans will be forgiven if businesses retain their workforces at pre-coronavirus levels.”



Rohit Arora, Biz2Credit CEO



Credit unions

The approval percentage rate for credit unions drop from what was already a record low of 39.6% in February to 23.2% in March.

“Credit unions had challenges in the business lending marketplace before the coronavirus came along,” said Arora. “With the speed that is required to pump some life into businesses right now, credit unions won’t be in the forefront of lenders. Those that have improved their digital capabilities or partnered with FinTech firms are well ahead of competitors – especially now.”



Rohit Arora, Biz2Credit CEO

