

Small Business Loan Approval Rates Rebounded in May 2020: Biz2Credit Small Business Lending Index™



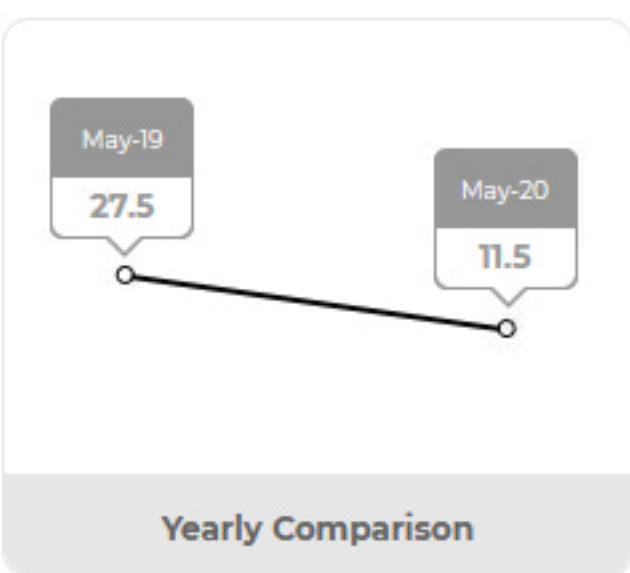
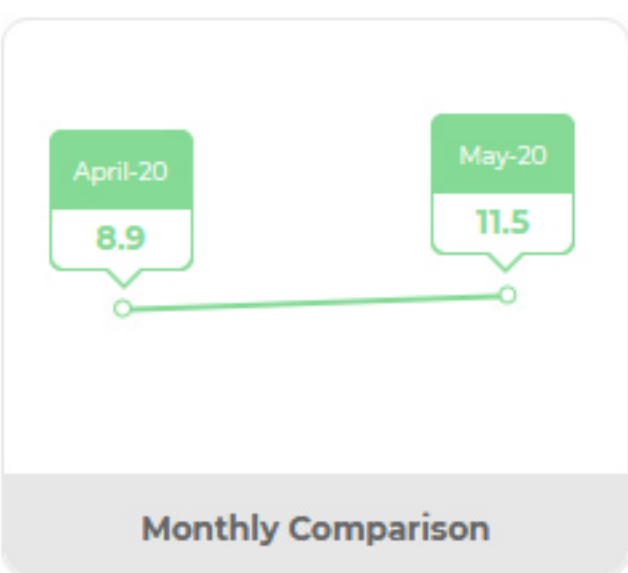
Big Banks

The approval percentage for small business loan applications at big banks (\$10 billion+ in assets) rebounded from just 8.9% in April to 11.5% in May, according to the Biz2Credit Small Business Lending Index™ released today. The May 2020 figure is still far below the record high rate in February, pre-coronavirus pandemic. The rates do not reflect PPP loan approval rates; the approvals for PPP loans are made by the government, rather than by the banks themselves. Smaller institutions approved more than half (52%) of the small businesses receiving loans and a total of 47% of the PPP Second Round’s total loan volume of \$88.91 billion, according to the latest figures from the SBA. In Round Two, smaller banks comprise over 95.7% of PPP-participating lenders (5,229 in total). Community lenders and smaller federally insured banks and credit unions with less than \$10 billion in assets have processed almost 40% of all PPP loans (loan count 972,611) across both rounds of funding, the SBA reported.

“Big banks, small banks, and all other categories of lenders saw their approval percentages rise in May – after a horrendous April,” said Biz2Credit CEO Rohit Arora, who oversees the monthly research. “Now that coronavirus cases are going down, the economy is beginning to reopen. I hope things get back to a ‘new normal’ quickly. Otherwise, many small businesses could fail.” “The more than 2.5% jump was a pleasant surprise for big bank lending,” said Arora, one of the nation’s leading experts in small business lending. “Toward the end of May, the economy began to rebound from the beating it took at the hands of the coronavirus lockdown. Unemployment dropped from April’s Depression era-levels. Many economic factors are fluctuating tremendously since 2020 began.”



Rohit Arora, Biz2Credit CEO



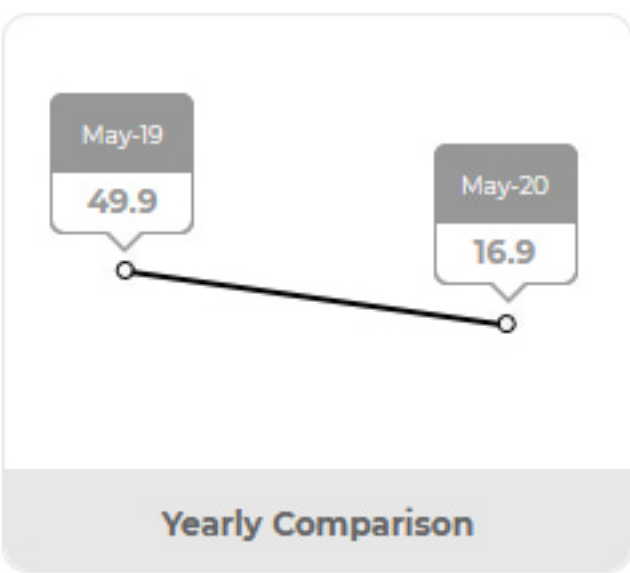
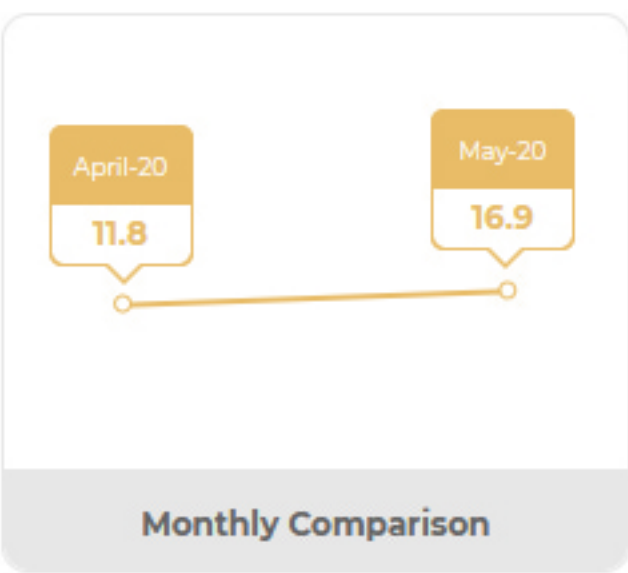
Small Banks

The approval rate at small banks climbed to 16.9% in May from the disappointing 11.8% in April. Just a few months ago, in February 2020, small business loan approvals were a robust 50.3%.

“While smaller banks process many PPP loan requests, they still receive non-PPP applications,” Arora said. “Regional and community banks are playing an important role in the recovery of small businesses.”



Rohit Arora, Biz2Credit CEO



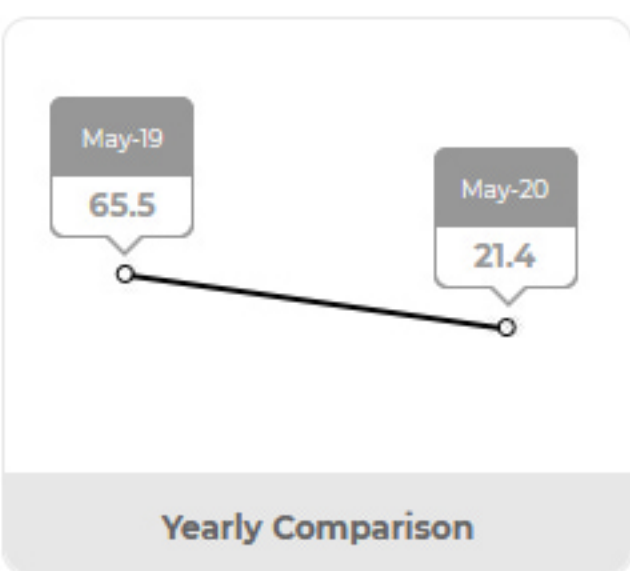
Institutional lenders

Institutional lenders’ approval percentages bounce back to 21.4% in May, after posting a disappointing 18.1% in April.

“Institutional lenders hit a record high of 66.5% in February, but they are remaining in the game even after poor approval rates in March and April,” Arora said. “Once the economy fully emerges from the coronavirus lockdown, institutional lenders will again become important players in the small business lending marketplace.”




Rohit Arora, Biz2Credit CEO



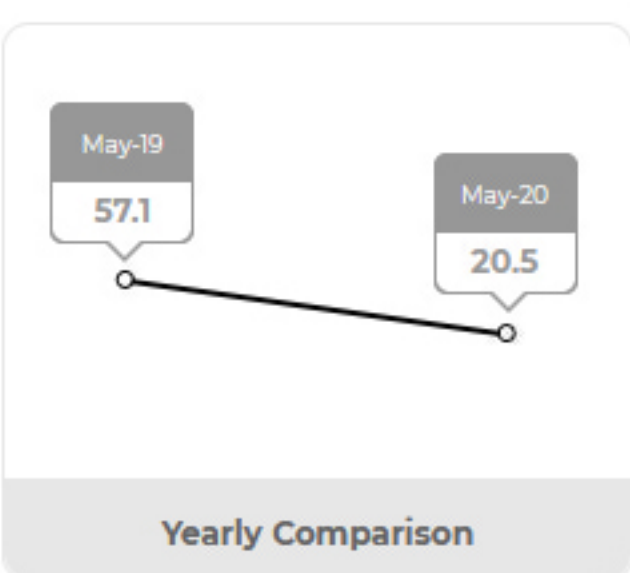
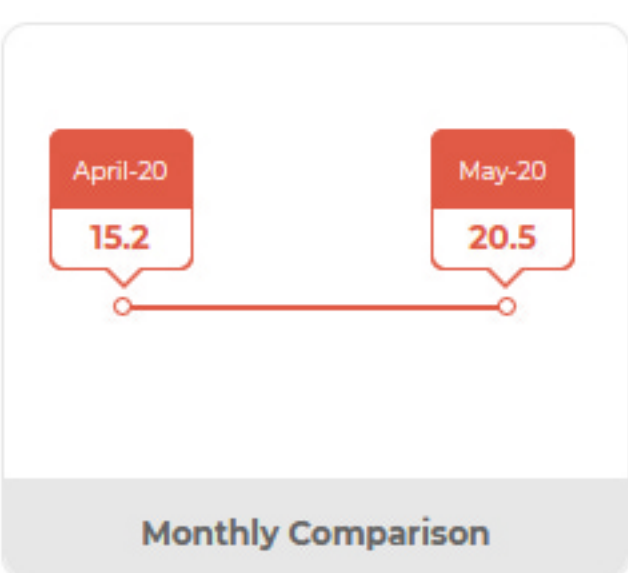
Alternative lenders

Loan approval rates among alternative lenders jumped up to 20.5% after falling to just 15.2% in April.

“Some borrowers are seeking funding from alternative lenders because the turnaround time is so quick, and small business owners were desperate for cash,” Arora said. “Although they may not again reach pre-coronavirus levels, alternative lenders certainly play a role in small business lending.”




Rohit Arora, Biz2Credit CEO



Credit unions

Credit unions approved 21.2% of loan requests in May, up from just 18.1% in April 2020. The Treasury Department and SBA made some desperately needed adjustments, and that helped small businesses apply for – and receive – cash to spend. Credit unions that have their own digital loan application systems or that partnered with FinTech firms to enable online applications now have a big leg up on the competition.” According to the Jobs Report issued by the U.S. Bureau of Labor Statistics on Friday, June 5, 2020, non-farm employment rose by 2.5 million in May. Additionally, the unemployment rate declined to 13.3%, reported. These improvements in the labor market reflected a limited resumption of economic activity that was curtailed in March and April due to the coronavirus pandemic. In May, employment rose sharply in leisure and hospitality, construction, education and health services, and retail trade. However, government employment continued to decline sharply.

“Small businesses drive much of the economy’s growth and new job creation. It’s a positive sign to see employment figures rise so sharply in May,” Arora said.



Rohit Arora, Biz2Credit CEO

