

Big Banks’ Small Business Loan Approvals Continue to Rise, Reach New Record High in November, According to Biz2Credit Small Business Lending Index™


Improvement seen in lending by big banks, small banks, and institutional investors in November



Big Banks

The approval percentage for small business loan applications at big banks (\$10 billion+ in assets) inched up one-tenth of a percent to reach 28.1% in November 2019, a new post-recession height, according to the Biz2Credit Small Business Lending Index™ released today. Private sector, nonfarm employment rose by 266,000 in November, while the unemployment rate was little changed at 3.5 percent, according to the U.S. Bureau of Labor Statistics’ Jobs Report issued on Friday, Dec. 6. Employment rose in manufacturing, reflecting the return of workers from a strike. Notable job gains occurred in health care and in professional and technical services. Many of those jobs were created by small businesses.

“Interest rate cuts by the Federal Reserve, optimism among small business owners, and an overall strong economy account for an incredibly strong for small business lending,” said Biz2Credit CEO Rohit Arora, who oversees the monthly research. “If you are a small business owner considering investing money in your firm, you may not see a time better than now.”




Rohit Arora, Biz2Credit CEO



Small Banks

During the recently completed Fiscal Year 2019, SBA loan volume exceeded \$28 billion with more than 63,000 approved loans. The approval rate at small banks, which often are SBA-approved lenders, also climbed one-tenth of a percent from 50.4% in October to 50.5% in November.

“Small banks continue to approve more loan requests than they reject – for both traditional bank loans and SBA loans,” Arora explained. “As business owners look ahead and consider their growth path for 2020, I expect that small business lending at regional and community banks will be strong into the foreseeable future.”




Rohit Arora, Biz2Credit CEO



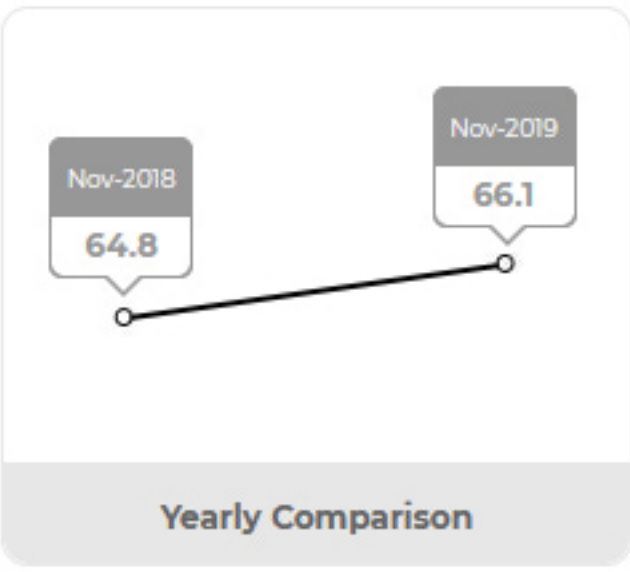
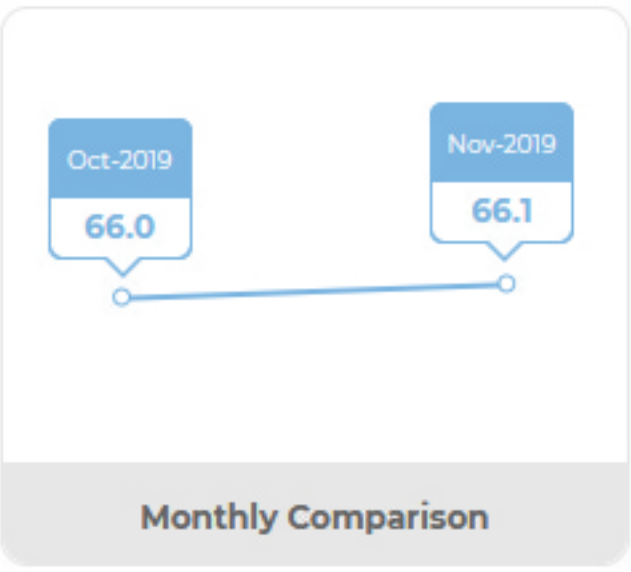
Institutional lenders

Institutional lenders’ approval rates again inched up by one-tenth percent, reaching 66.1%, up a notch from October’s figure of 66%.

“Institutional lenders have successfully entered the small business lending marketplace. By offering loans at reasonably interest rates and longer terms, they have become an excellent source of capital for entrepreneurs,” Arora said.




Rohit Arora, Biz2Credit CEO



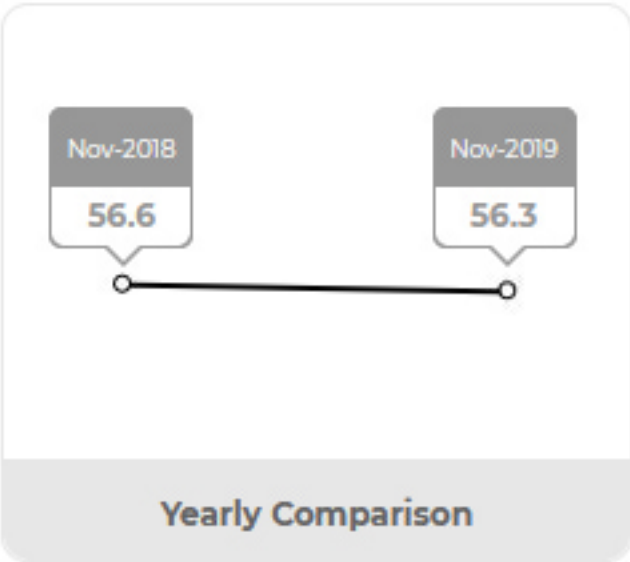
Alternative lenders

Small business loan approval rates among alternative lenders slipped a notch to 56.3% last month from 56.4% in October.

“While alternative lenders’ approval percentages have been slipping from their high points during the post-recession credit crunch, they remain an important source of capital for companies that need money quickly,” Arora said. “Many small business owners that don’t qualify for loan from traditional sources rely on alternative lenders to get them out of short-term cash flow issues, albeit at high interest rates.”



Rohit Arora, Biz2Credit CEO



Credit unions

The approval percentage rate for credit unions remained unchanged at 39.8% in November, only slightly above the record low of 30.7% recorded in September 2019.

“Credit unions are in danger of becoming irrelevant in small business lending. Some of them are making investments in to digital technology so that they can process online loan applications, but many of them have not. They are falling behind as a category of lenders for this reason,” said Arora, who oversees the Biz2Credit research. “Credit unions are technologically behind banks and other lenders, some of them may not be able to survive unless they partner with FinTech platforms that can provide digital capabilities.”



Rohit Arora, Biz2Credit CEO

