

Small Business Loan Approval Rates at Banks Fell Again in September 2020: Biz2Credit Small Business Lending Index™

Small Businesses in Limbo Awaiting PPP Loan Forgiveness

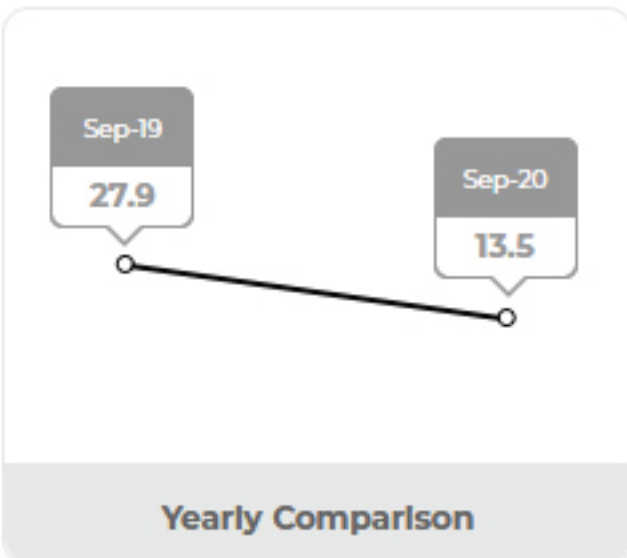
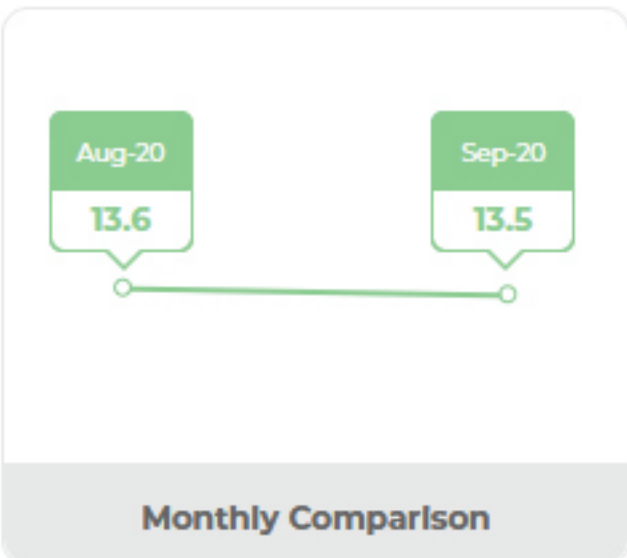


Big Banks

Small business loan approval percentages at big banks (\$10 billion+ in assets) dropped slightly from 13.6% in August to 13.5% in September, indicative of the struggles that small businesses are facing, according to the latest Biz2Credit Small Business Lending Index™ released today. The Biz2Credit Small Business Lending Index figures do not reflect approval of Paycheck Protection Program (PPP) loans approved by the SBA and the Treasury. PPP lending ended on August 8 after providing nearly 5 million companies with \$531 billion in what was expected to be “forgivable loans.” However, thus far, few borrowers have received confirmation that their PPP loans won’t have to be paid back. The U.S. Bureau of Labor Statistics’ Jobs Report on October 2 found that nonfarm payroll employment rose by 661,000 in September, and the unemployment rate declined to 7.9%. These improvements in the labor market reflect the resumption of economic activity that had been severely curtailed due to efforts to contain the coronavirus (COVID-19) pandemic. Job gains occurred in leisure and hospitality, in retail trade, in health care and social assistance, and in professional and business services, according to the Bureau of statistics. Many of those jobs are created by small businesses.

“There’s no doubt that it has become a challenge to secure traditional small business funding in the coronavirus era,” said Biz2Credit CEO Rohit Arora, who oversees the monthly research. “Many companies are taking a wait-and-see approach until Congress passes so-called “PPP 2” legislation. Even if PPP 2 is enacted, business owners may not apply until they receive confirmation that their initial loans are forgiven.”

Rohit Arora, Biz2Credit CEO

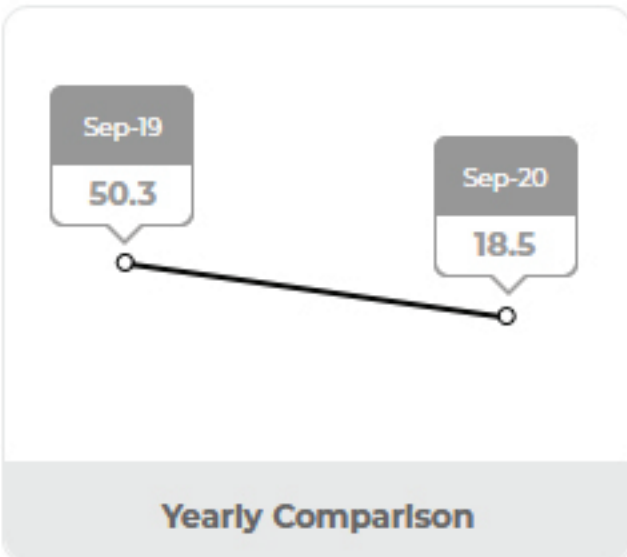
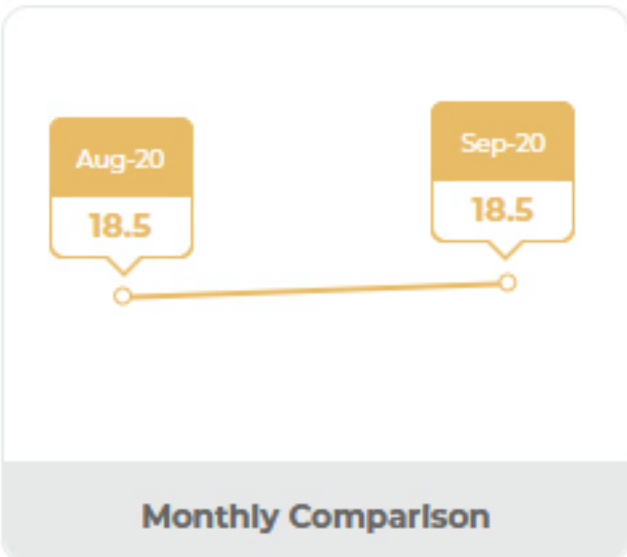


Small Banks

During the month of September, small banks approved 18.5% of funding requests, unchanged from August.

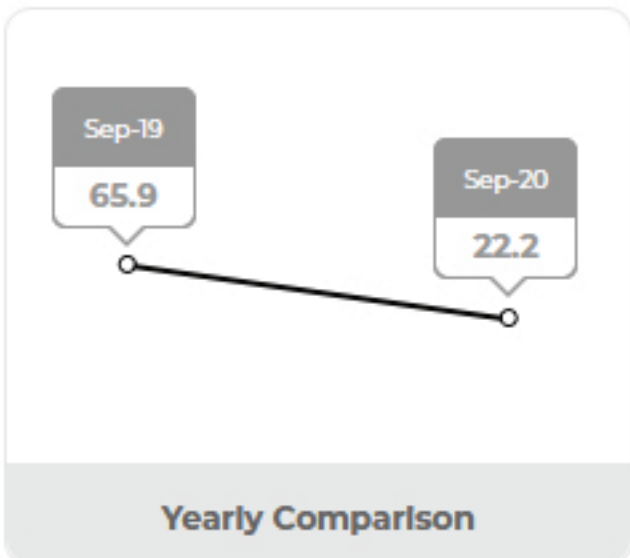
“It’s not reasonable to expect that firms will apply for funding before they find out whether they are on the hook for repaying their initial round of PPP funding,” added Arora, one of the nation’s leading experts in small business finance. “If they must repay loans they thought would be absolved by the government, they won’t look to borrow more. Unfortunately, many businesses are at a life-and-death stage right now if they do not get an infusion of capital.”

Rohit Arora, Biz2Credit CEO



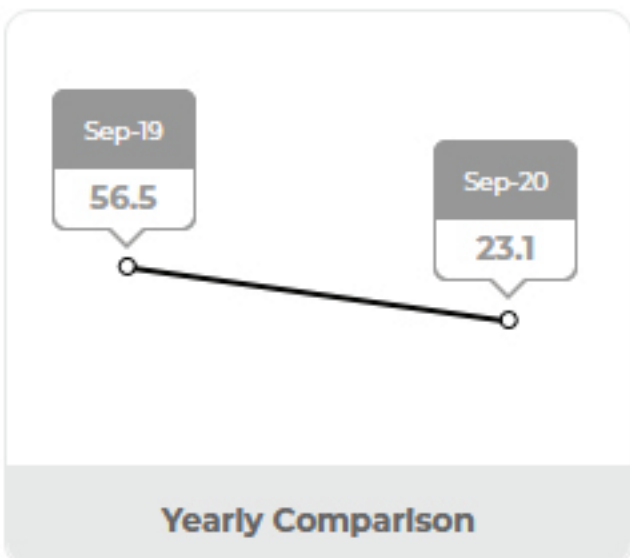
Institutional lenders

Two categories of lenders rose slightly. Institutional lenders saw an uptick in approval percentages from 22.0% in August to 22.2% in September



Alternative lenders

Loan approval rates among alternative lenders increased one-tenth of a percent from 23.0% in August to 23.1% in September.



Credit unions

Credit unions slipped one-tenth of a percent from 21.1% in August to 21.0% in September.

