

# Big Banks Hit Record High Small Business Loan Approval Percentages in September, According to Biz2Credit Small Business Lending Index™

## Loan application volume and approvals rise at banks, both large and small

Small business loan approval rates for big banks reached another high point in September 2018, according to the Biz2Credit Small Business Lending Index™ released today.



### Big Banks

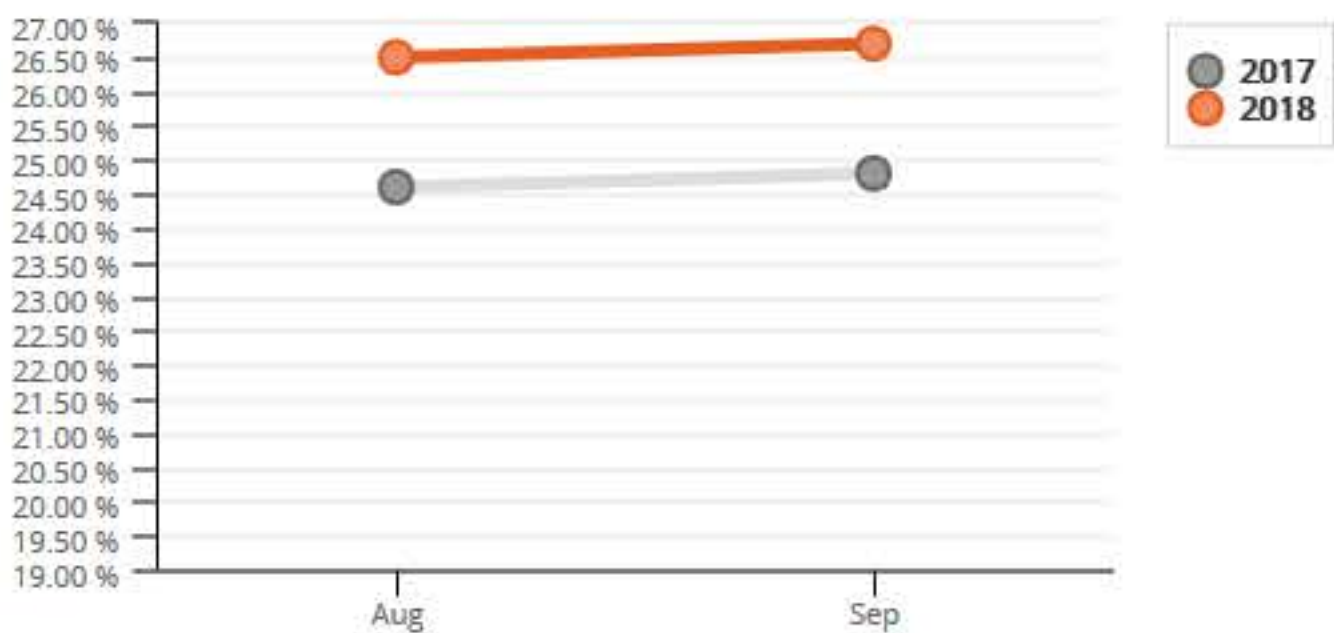
The September approval percentage for **big banks** (assets of \$10 billion+) rose two-tenths of a percent from August's figure of 26.5% to **26.7%**, according to Biz2Credit's monthly report, which examines more than 1,000 credit applications made by small businesses via the company's online lending platform.

"There was a lot of pent up demand in the marketplace. With the continuous rate hikes by the Federal Reserve, banks are making more money when they lend because their spreads are up," said Biz2Credit CEO Rohit Arora, who oversees the Index. "Additionally, there is demand in secondary market for these loans. People are trying to borrow money now before the rates go up further."

"Overall economic factors come into play. The unemployment rate declined by 0.2 percentage point to 3.7 percent in September, according to The Bureau of Labor Statistics' [October 5 Jobs Report](#). The Labor Department also reported that 134,000 jobs were created in the economy during September. The biggest job gains occurred in professional and business services, in health care, and in transportation and warehousing.

Arora believes the strong dollar, surging stock market, and general optimism among small business owners account for the robust small business lending atmosphere.

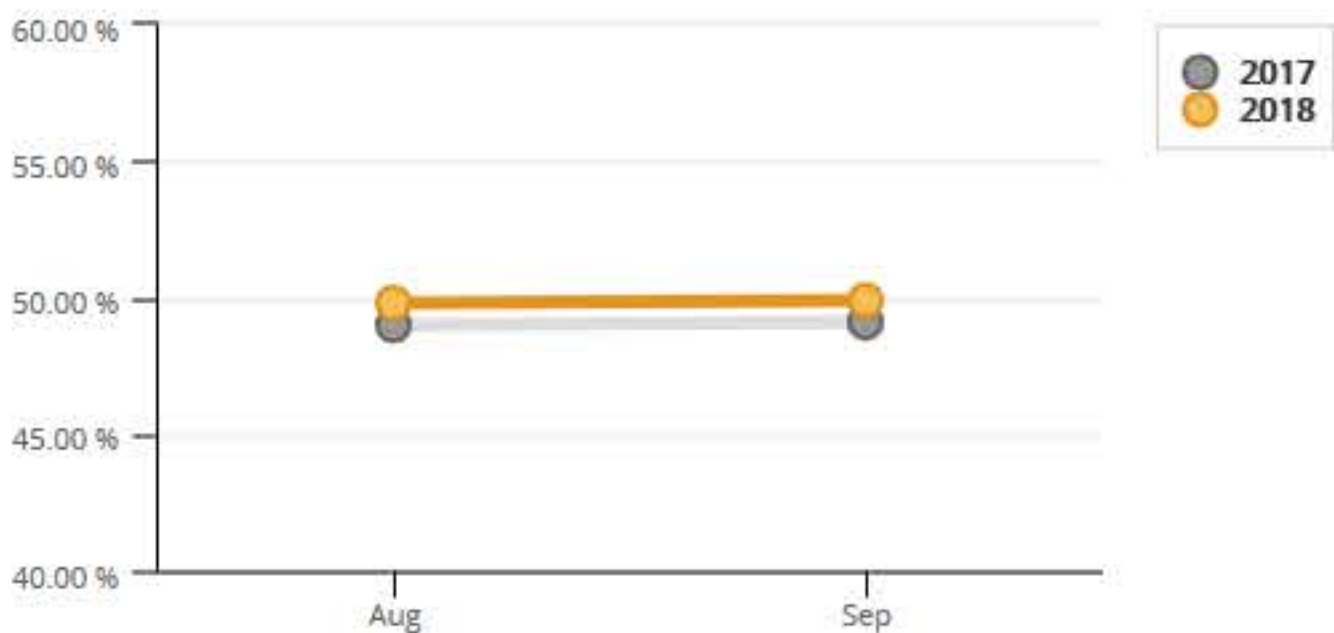
"American small businesses generally are not export-focused. When the local economy does well, the small businesses do well," Arora added.



### Small Banks

Business loan approval rates rose at regional and community banks. **Small banks** granted **49.9%** of the funding requests they received in September, up one-tenth from August. It represents the highest figure for small banks in four years, since October 2014.

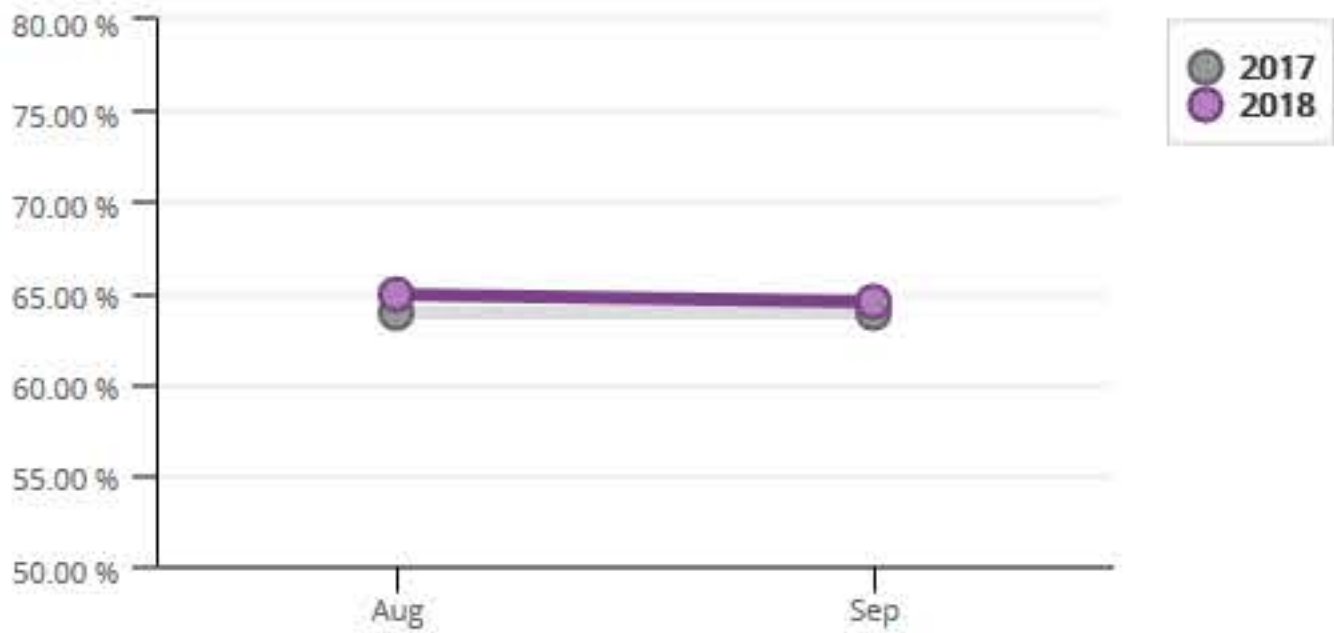
"Small banks are processing record numbers of SBA loans. With a solid economy and the SBA's government guarantees that mitigate lender risk, small banks now are approving roughly half of the loan requests they receive," Arora explained."



### Institutional lenders

**Institutional lenders** slipped from an Index record 64.9% to **64.5%** in September. After more than two years of steady increases, approval percentages slipped for the first time since June 2016.

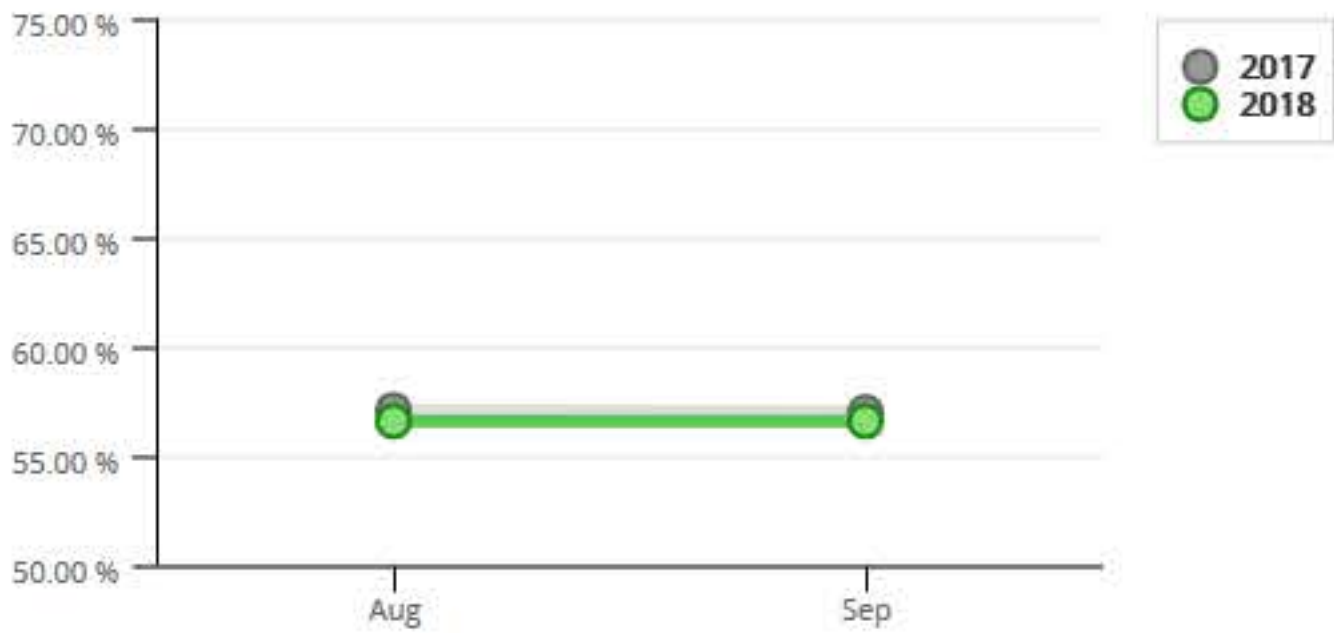
"Intensified competition from banks and increasing interest rates have negatively impacted the approvals by institutional lenders, but they are still performing very well," Arora said.



### Alternative Lenders

Loan approval rates among **alternative lenders** remained at **56.6%**.

"Alternative lenders - factors, cash advance companies, etc. - are not for everyone, especially at a time when the banks have opened their purse strings," Arora explained. "They do provide a lifeline to companies that are in a bind and may not qualify for funding from traditional sources. Thus, alternative lenders will continue to do well even as competition has intensified among banks."



### Credit Unions

**Credit unions** approved **40.3%** of loan applications in September, a slight increase of one-tenth of a percent from August, according to the Biz2Credit Index.

"Overall, I would say that this positive lending atmosphere will last until interest rates go up another 50 to 75 basis points," Arora said. "Next year, the impact of the tax cuts may slow a bit. At some point, lending will start weakening, but probably not until middle to late 2019."

