

SMALL BIZ LOAN APPROVAL RATES DROP AT BIG BANKS AND ALTERNATIVE LENDERS IN JULY 2016

According to the Biz2Credit Small Business Lending Index™, a monthly analysis of more than 1,000 loan applications on Biz2Credit.com

Loan approval rates at big banks (\$10 billion+ in assets), alternative lenders, and credit unions dipped in July 2016, according to the most recent Biz2Credit Small Business Lending Index™, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com. Meanwhile, institutional lenders and small banks filled the void, approving loans at higher rates last month.



LOAN APPROVALS AT INSTITUTIONAL LENDERS

Institutional lenders' loan approval rates bounced back in July to 62.8%, matching an all-time Index high.

↑ YEARLY COMPARISON



↑ MONTHLY COMPARISON



“Over the last two years, institutional lenders have emerged as a strong driving force in the industry and continue to provide affordable loan products to borrowers with high rates of success. This category of lender is doing well because of high yields and low default rates. Further, institutional investors from other countries are looking to enter the U.S. market as there currently is much global uncertainty, especially in Europe. This is encouraging for small business owners and start-ups seeking capital. I expect this trend to continue.” - Biz2Credit CEO Rohit Arora



LOAN APPROVALS AT BIG BANKS

Small business loan approval rates at big banks (\$10 billion+ in assets) dropped to 23.1% in July, down two-tenths of a percent from June's figure.

↑ YEARLY COMPARISON



↓ MONTHLY COMPARISON



“The economy in the second quarter was a bit sluggish because of slower global growth; this impacts big banks more than other lenders. When there is turbulence in international markets, such as the angst over Britain's leaving the EU, big banks tend to become more conservative in their lending. Brexit had some impact, but not a major one, on small business finance.” - Biz2Credit CEO Rohit Arora



LOAN APPROVALS AT SMALL BANKS

Meanwhile, lending approval rates increased slightly at small banks up to 48.9% in July.

↓ YEARLY COMPARISON



↑ MONTHLY COMPARISON



“Small banks process more SBA-backed loans than big banks do. SBA loans minimize the overall risk assumed when loan requests are approved. The current state of the global market doesn't have as much influence on small banks as it does with big banks. They filled the void in July when the big banks skidded a little bit.” - Biz2Credit CEO Rohit Arora



CREDIT UNION APPROVALS

Credit unions continued their slow decline in loan approval rates, drop to an all-time Index low of 41.5% in July, down one-tenth of a percent from June. Loan approval percentage rates have declined at credit unions every month for more than a year.

↓ YEARLY COMPARISON



↓ MONTHLY COMPARISON



“Credit unions are behind in the times when it comes to utilizing digital technology. This slows down the loan process significantly. Borrowers prefer to receive the funding from their loan requests as quick as possible, and thus are opting to competing categories of lenders from whom they can receive funding faster.” - Biz2Credit CEO Rohit Arora



SMALL BUSINESS LOAN APPROVALS BY ALTERNATIVE LENDERS

Alternative lenders experienced a decrease in loan approval rates in July and approved three out of five loan requests (60%). However, this category of lenders experienced a decrease in loan approval rates in four out of the last five months.

↓ YEARLY COMPARISON



↓ MONTHLY COMPARISON



“Alternative lenders have steadily lost favor among small business borrowers, in large part because their cost of capital is so high. Credit-worthy borrowers can typically secure better interest rates and terms from other types of lenders. Alternative lenders still have some appeal for borrowers whose credit scores might be low.” - Biz2Credit CEO Rohit Arora

ABOUT THE BIZ2CREDIT SMALL BUSINESS LENDING INDEX™

Biz2Credit analyzed loan requests ranging from \$25,000 to \$3 million from companies in business more than two years with an average credit score above 680. Unlike other surveys, the results are based on primary data submitted by more than 1,000 small business owners who applied for funding on Biz2Credit's online lending platform, which connects business borrowers and lenders.