

## Biz2Credit Small Business Lending Index Reports New High Approval Rates at Big and Small Banks

### January 2014

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

 **14%**

### Small business loan approvals

In a year-to-year comparison, big bank approval rates have increased by more than 14 percent from the 13.2% approval rate in January 2014.

**56.5%**

### Institutional Lenders,

Institutional Lenders, a new category in the Biz2Credit Small Business Lending Index, approved 56.5% of the funding requests they received. This category of lenders includes credit funds, insurance companies, family funds, and other yield-hungry, non-bank financial institutions that typically offer more competitively priced loan options than alternative lenders in amounts up to \$1 million.

"Institutional investors have emerged in small business lending and offer interest rates that generally fall somewhere between the rates offered by banks (around 6%) and alternative lenders that charge up to 30-50%. As more institutional lenders come into the marketplace, it provides greater amounts of long-term, stable money to the marketplace. Borrowers can get better products at attractive interest rates and terms"

.In the last 3-4 months, Biz2Credit has processed over \$20 million in small business financing from institutional lenders.

"The demand for short-term, high-interest financing will go down, and institutional lenders will fill that void, expects this category to grow as the economic conditions continue to improve." - Biz2Credit CEO Rohit Arora,



### Loan approvals at Big banks

Small business loan approval rates at big banks (\$10 billion+ in assets) increased to a new high of 17.8% in January 2014, up from 17.6% in December 2013, according to the Biz2Credit Small Business Lending Index, a monthly analysis of 1,000 loan applications on Biz2Credit.com. In a year-to-year comparison, lending approval rates at big banks have increased more than 15 percent.

"Increasingly, creditworthy borrowers are applying for small business loans at big banks and having them approved. Big banks, which request proof of three years of profitability, are now receiving applications from companies whose fortunes increased from 2011-2013. Borrowers are opting for non-SBA loans from big banks because these loans require less paperwork and generally are granted faster than SBA loans." - Biz2Credit CEO Rohit Arora,



### Loan approvals at Small banks

Small business loan approvals at small banks reached a new benchmark of 50.9% in January 2014, up from 48.7% in the previous month. While lending approval rates at small banks are up by 2 percent in a year-to-year comparison.

"SBA lending has picked up considerably over the last month, The increase in popularity over the last month in SBA lending accounts for the rise in approval rates at small banks, which rely heavily on the SBA Express program (loans less than \$350,000) and SBA 7(a) program (loans between \$350,000 - \$5 million)." - Biz2Credit CEO Rohit Arora,



### Credit union approvals of small business loans

Meanwhile, credit unions experienced a drop in small business approval rates in January, thereby continuing their slide. Approval rates at credit unions dipped to an all-time low of 43.4% in January from 43.9% in November. Further, lending approval rates by credit unions has declined in 16 of the last 20 months and is down nearly 25 percent in that 20-month period.



### Small business loan approvals by Alternative lenders

Alternative lenders, which emerged as important players in small business lending in 2013, experienced a steep drop-off in approval rates from 67.3% in December to 64.1% in January 2014. Alternative lenders were the biggest beneficiaries of the government shutdown last October.

"What we may be seeing is a return to normalcy for alternative lenders. While they offer speed in their decision-making, alternative lenders charge higher rates than other lenders. As bank lending rebounds, the higher quality borrowers seem to be opting for cheaper money." - 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 with more than 1,100 lenders nationwide.