

Lending Continues to Stall at Alternative Lenders, Credit Unions and Small Banks

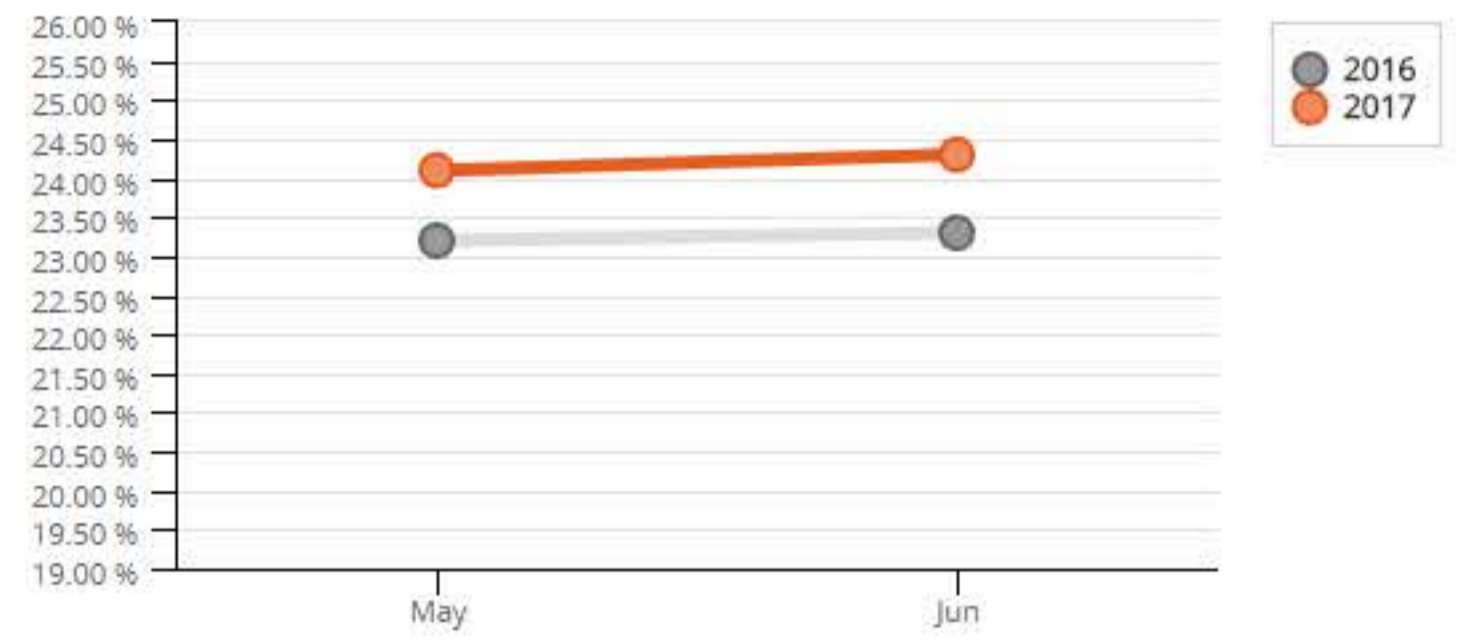
Loan approval rates at big banks (\$10 billion-plus in assets) increased to post-recession highs in June 2017, according to the latest Biz2Credit Small Business Lending Index™, the monthly analysis of more than 1,000 small business loan applications on Biz2Credit.com. Meanwhile, small banks, alternative lenders and credit unions all experienced a decline in the percent of funding requests they approved. While loan approval rates at institutional investors remained stagnant.



Big Banks

Small business loan approval rates at **big banks** bounced back in June, improving two-tenths of a percent to 24.3%, matching an all-time Index high. It marked the eighth time in the last 12 months that loan approval rates increased at this category of lenders.

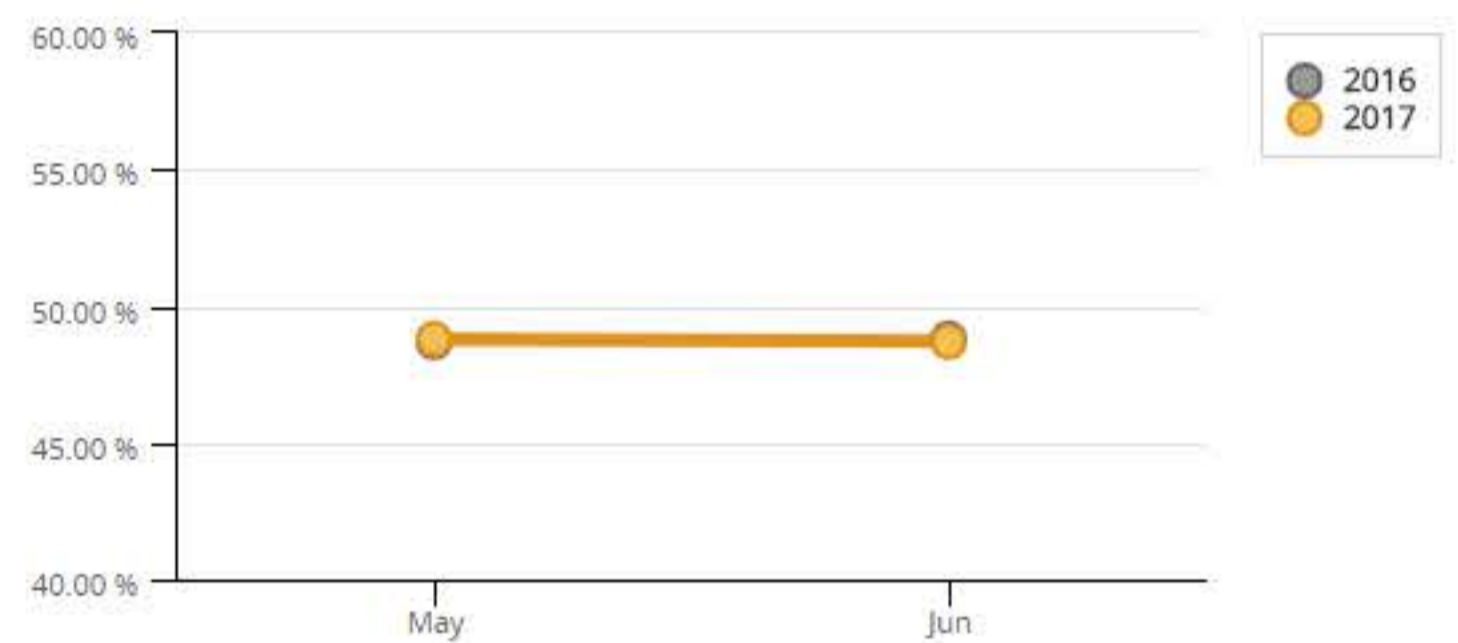
"For the third consecutive quarter, the Federal Reserve has voted to increase its benchmark interest rate to a range between 1 percent and 1.25 percent in a vote of confidence in the economy. This bodes well for big banks," explained Biz2Credit CEO Rohit Arora, who oversaw the research. "Small business lending is strong among mainstream lending institutions. The interest rate increase are resulting in more profitable deals for big banks. This is incentivizing these mainstream lending institutions to approve a higher percentage of loan requests."



Small Banks

Loan approval rates at **small banks** dropped slightly in June to **48.7%**, down from May's 48.8% figure. It marked the second consecutive month that loan approval rates dropped in this category of lenders.

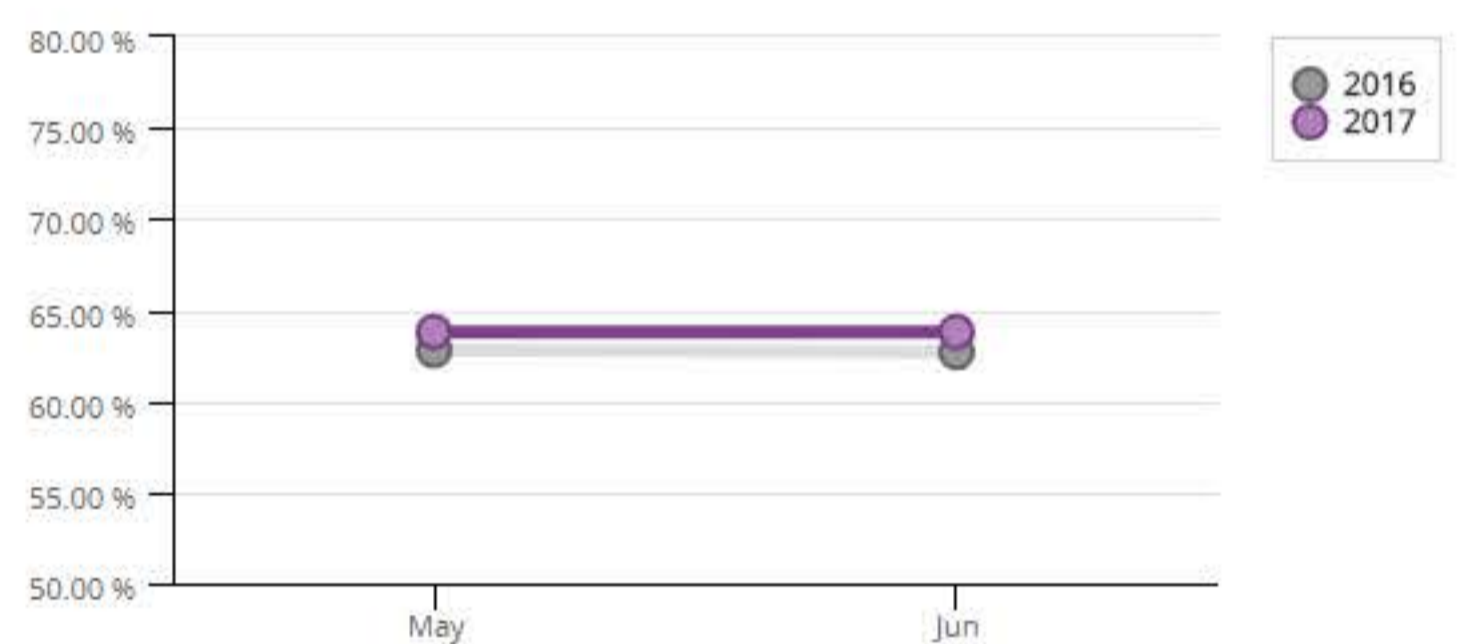
"Despite this small dip, small banks are a good source for small business funding, particularly for SBA-backed loans," said Arora, one of the leading experts in small business finance. "Small banks have not crossed the 50 percent threshold."



Institutional lenders

Institutional lenders loan approval rates in June remained stagnant at **63.8%**. However, the percentage marks an all-time high for Biz2Credit's index, continuing an 11-month streak of neutral or positive gains in loan approval rates.

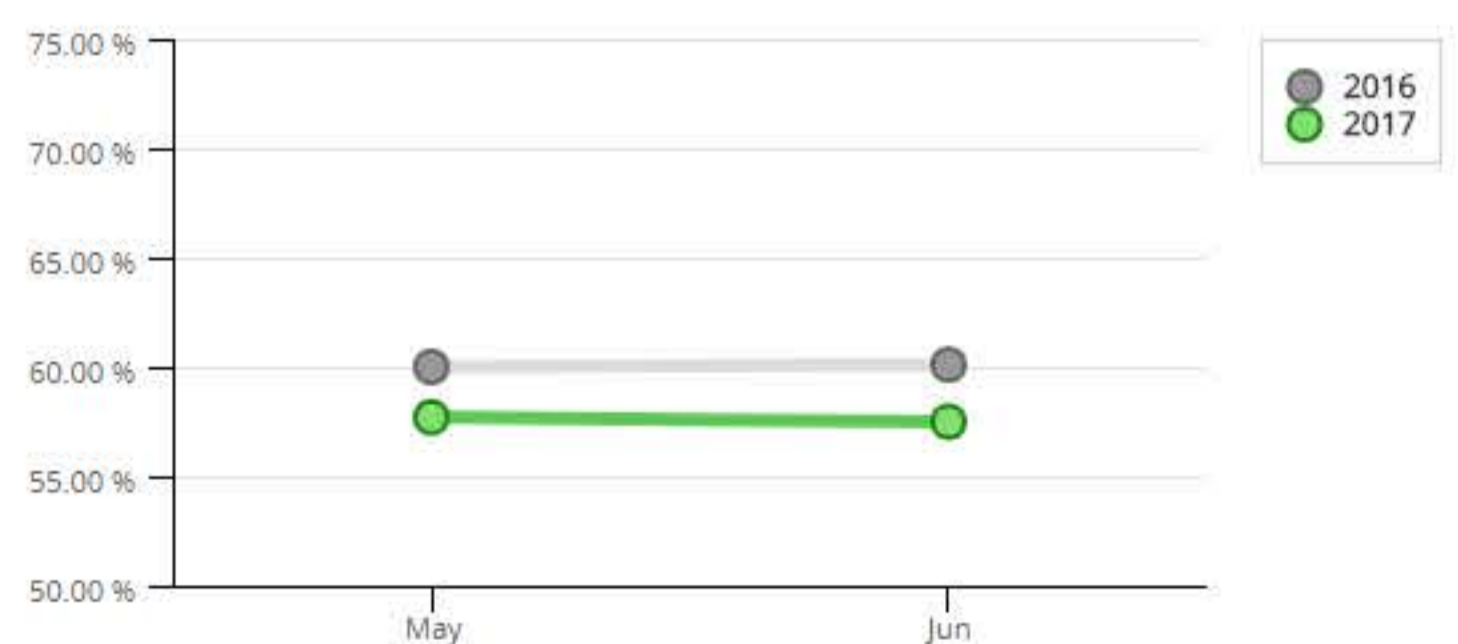
"The Fed has expressed its confidence in the U.S. economy as the dollar remains strong on global markets, which dictates strong interest from international players in the space," said Arora. "This has resulted in more loans being granted from international investors as the category of lenders continues to revolutionize lending."



Alternative Lenders

Loan approval rates dropped at alternative lenders by two-tenths of a percent in June, as non-bank lenders granted 57.5% of the funding requests. This marks one full calendar year of consecutive decreases for this category of lenders.

"Approval percentages at big banks and institutional investors are at post-recession highs. The result is that alternative lenders get requests from less creditworthy borrowers. These are riskier deals," explained Arora. "At the same time, banks and institutional lenders can process loan requests quickly and at lower rates, which brings them more attractive borrowers. These are the primary reasons we have seen such a downward spiral for the alternative lender category."



Credit Unions

Loan approval rates at **credit unions** dropped one-tenth of a percent in June to **40.4%**, another new low for this category of funders on Biz2Credit's index.

"In the FinTech era, credit unions have fallen behind because other categories of lenders have embraced technology. In the process, they lowered their risk, while many credit unions have remained somewhat old fashioned," Arora says. "Credit unions typically process loan requests at a slower rate, and in today's fast paced economy, borrowers simply aren't willing to wait. Credit unions are becoming less relevant in small business lending."

