Biz2Credit®

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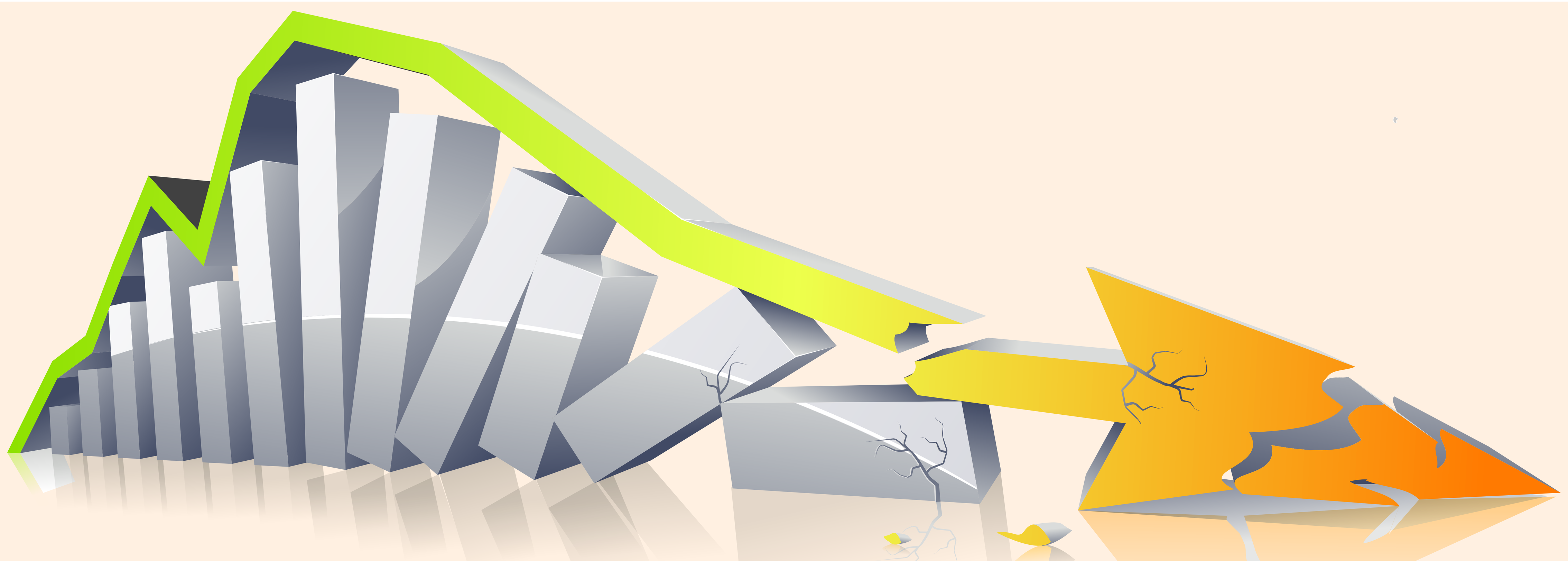
# ANALYSIS OF BANK FAILURES FROM 2009 TO 2014 EXPOSES A "CREDIT DESERT" IN THE SOUTH-EASTERN U.S. AND THE RISE OF ALTERNATIVE LENDING

Bank Funding of Small Businesses Dried Up During and After Recession, According to the Study



**Biz2Credit,** the leading online credit marketplace, today released the results of a study of bank failures sorted by state and their impact on small business borrowers.

A result of banks' reluctance to fund small business ventures was the rise of alternative lenders - merchant cash advance, factors and other non-bank entities - in the marketplace. While these lending institutions made financing available, often the money came at a high interest rate.

"The failure of so many small banks in Georgia and in Florida created a credit desert, The housing market bust hit particularly hard in the Southeast, which resulted in bank failures and risk averse lending behaviors by those banks that survived. Thus, small business owners were stymied in their attempts to secure capital - even when their companies had solid credit scores."
**- Rohit Arora, CEO of Biz2Credit**

"Small business owners were caught between a rock and a hard place. If they needed money, many times the only willing lenders were cash advance companies that charged interest rates of 30 to 40 percent. Borrowing money at those rates and terms simply is not a sustainable funding option in the long term."
**- Rohit Arora, CEO of Biz2Credit**

## STATES WITH THE PERCENTAGES OF BANK FAILURES

| RANK | STATE | FAILED BANKS | % OF FAILED BANKS IN U.S. | % OF ALTERNATIVE LENDERS' FUNDING NATIONWIDE |
|---|---|---|---|---|
| 1 | GEORGIA | 82 | 18.5% | 10.5% |
| 2 | FLORIDA | 68 | 15.3% | 9.3% |
| 3 | ILLINOIS | 55 | 12.4% | 7.1% |
| 4 | CALIFORNIA | 34 | 7.6% | 13.8% |
| 5 | MINNESOTA | 21 | 4.7% | 0.1% |
| 6 | WASHINGTON | 18 | 4.0% | 0.1% |
| 7 | ARIZONA | 15 | 3.3% | 1.7% |
| 8 | MISSOURI | 14 | 3.1% | 0.7% |
| 9 | MICHIGAN | 12 | 2.7% | 4.9% |
| 10 | TEXAS | 9 | 2.0% | 3.5% |

**Top 4 states with the highest number of bank failures (Georgia, Florida, Illinois & California) represented 40% of the total amount of alternative lending deals arranged by Biz2Credit.com**

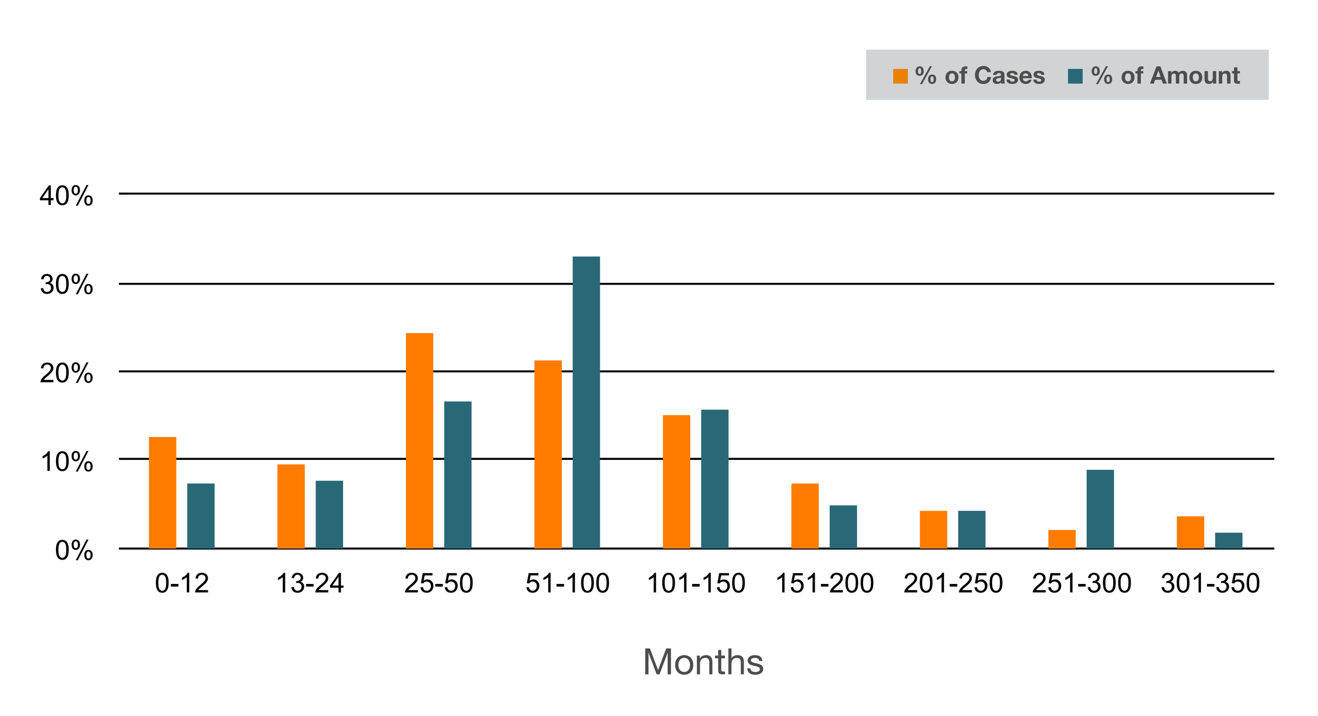
**The states with the largest numbers of alternative lenders** on the Biz2Credit platform were consistent with the states that had the most failed banks.

## OTHER KEY FINDINGS OF THE BIZ2CREDIT "CREDIT DESERT" REPORT:

1

**Small businesses in operation** for **4-8 years** were the most successful in securing capital. **More than 33% percent** of borrowers who received funding through **Biz2Credit** had their businesses between **4-8 years** old. Companies in operation for **one year or less,** accounted for **7.5% of approved loans,** while those in operation for **1-2 years** secured **7.8%** of the total number of deals funded through **Biz2Credit.** Companies aged **2-4 years** accounted for **16.5%,** while firms **older than 10 years** comprised **19.8%** of the funded deals.

**Age of Business Composition**



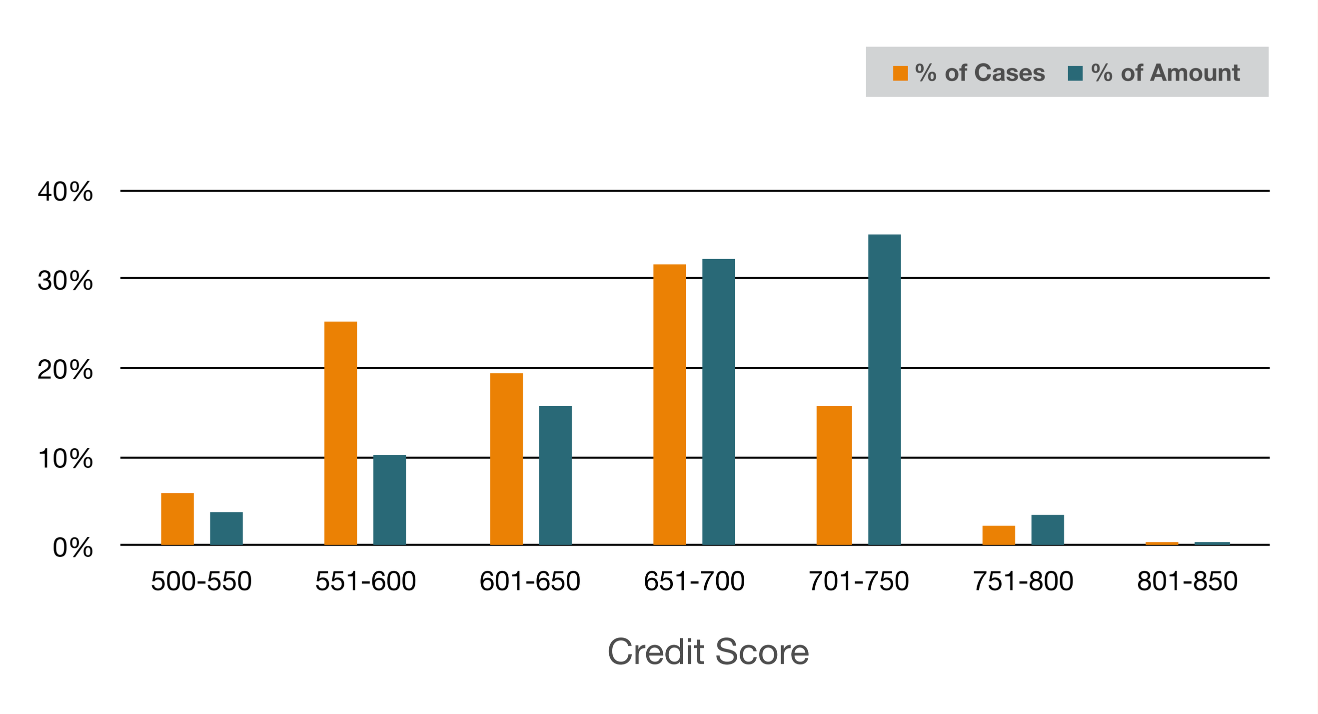

Though more no. of loans **(24.34%)** have been funded where small businesses were between **2-4 years old**, funded amount was higher **(33.03%)** for **4-8 years** old businesses. It shows that **alternate lenders** were hesitant to lend more money to younger businesses during **Credit Desert**.

2

**Companies with credit scores** between **601 and 700** comprised about **half of alternative lending** deals arranged by **Biz2Credit,** while companies ranging between **651 and 750** received the higher percentages of **successfully funded amounts:**

**31.64%** of funds were distributed to businesses with a credit score between **651 and 700.** But businesses with a credit score between **701 and 750** received most funding, amounting to **34.9%** of total alternative funding amount. It implies that people with **higher credit scores** had easier access to **financing.**

**Alternative lending by credit score**




3

States hit hard by the housing market bust- including **Georgia and Florida** in the South-eastern **'Credit Desert'**- saw larger numbers of **alternative lenders.**

| 34 | 32 | 31 | 30 |
|---|---|---|---|
| **California** | **Pennsylvania** | **Florida**<br>**New Jersey** | New York<br>Georgia<br>South Carolina<br>Illinois<br>Arizona<br>Delaware<br>Alaska |

**About Biz2credit – Credit Desert Study**

Biz2Credit recently analyzed bank failures across the U.S. and identified a "Credit Desert" in Georgia and Florida in which small business borrowers found it particularly difficult to secure capital. Our study found that in states where banks failed – many times due to the housing market bust – alternative lenders picked up the slack and filled the voids. Below are results of the Biz2Credit report, which examined bank failures, borrower credit scores, age of business, and alternative funding amounts arranged on the Biz2Credit platform.