



SMALL BUSINESS LENDING TRENDS

1st Quarter, 2023



Overall Observations

In the first quarter of 2023 trends continued in the same direction as previous quarters in payment performance with some changes in credit utilization percentages. Both delinquency and charge-off numbers continued to increase as rising interest rates and higher costs of goods and services appear to be putting ongoing stress on small businesses. Even with the increases, secured account types still continue to trend below pre-COVID levels, while unsecured loans remain consistent with pre-COVID performance.

Utilization declined for the first time after six previous quarters of increases. This decrease may be an effect of declining inflation since the beginning of the year, although a portion of this is also due to utilization rebounding back to normal levels after a period of low rates due to influx of cash from pandemic assistance.

Even with rates and inflation causing uncertainty in the small business space, account growth holds steady. The number of new accounts remains strong. This is particularly true for card products which seem to be less affected by the current rate environment and provide the easiest and most flexible way for businesses to obtain capital.

For the time being, SBFE will continue to represent a longer period than the typical 24 months to keep pre-Covid performance in scope.

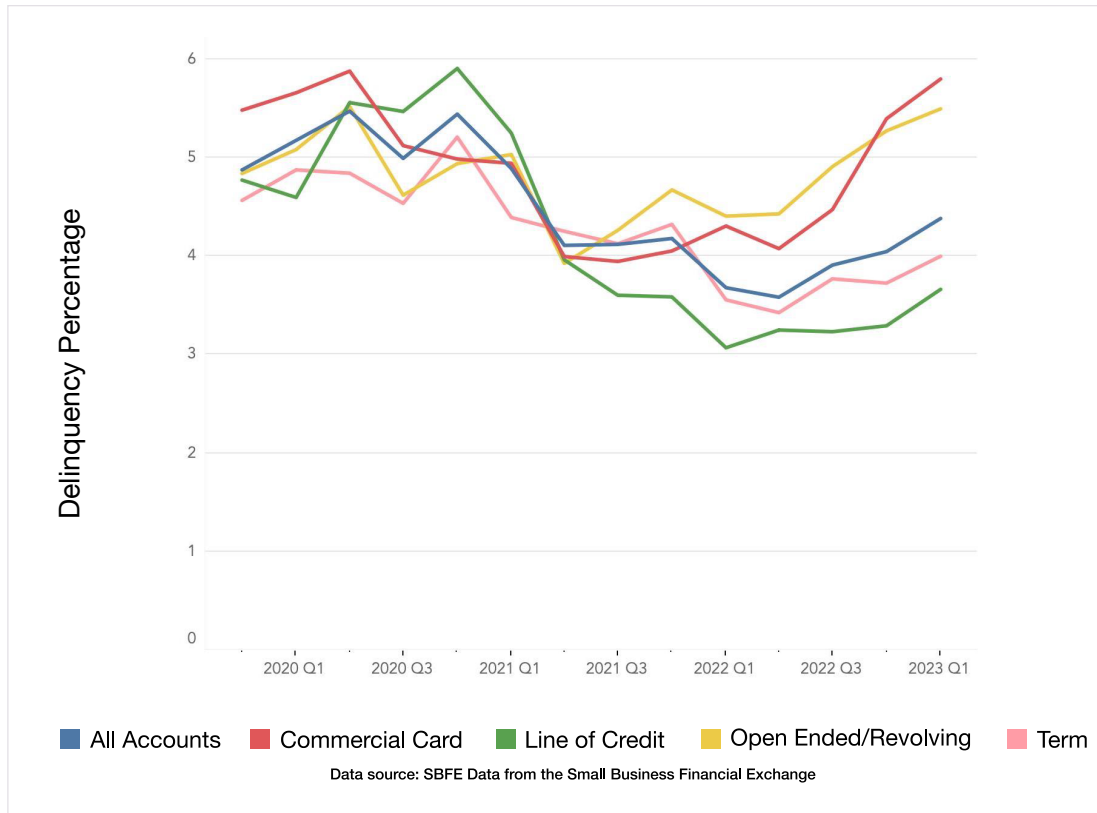
Methodology

The base of the Small Business Lending Trends is data reported to the Small Business Financial Exchange™ (SBFE®). The SBFE Data™ includes information on small businesses and their payment performance on commercial credit accounts contributed by SBFE member organizations. SBFE's membership includes banks, credit unions, alternative lenders, captive finance companies, independent finance companies, leasing companies and more. The methodology for each metric is included in the narrative for each respective report.



DELINQUENCY

Delinquency Percentages: All Accounts and Account Types



- Delinquency rates continued their increase, with this quarter showing increases across all account types.
- Dollars at risk due to past due card accounts has risen over 150 basis points since Q1 2022.
- Unsecured account types are at or above pre-pandemic levels.
- Secured account types remain well below early 2020 levels but have been steadily increasing.

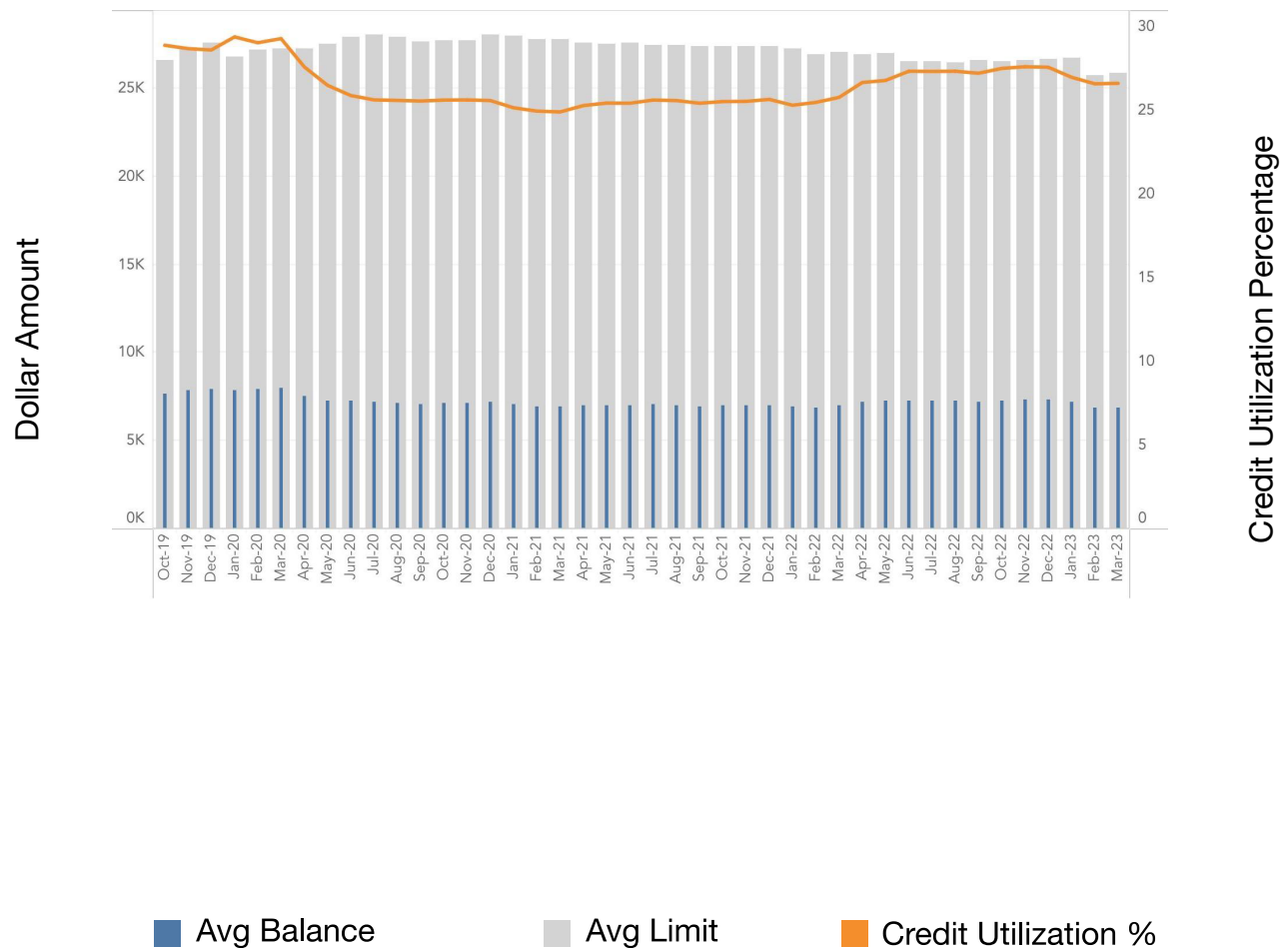
Methodology:

Calculated using the total outstanding balances of all open accounts 30 days or more past due divided by the total outstanding balances of all open accounts reported. Delinquencies are calculated monthly then averaged quarterly. Delinquency trends also include delinquent accounts in a non-accrual status in order to provide an accurate reflection of all 30+ day delinquent activity and provide insight into the health of small businesses.



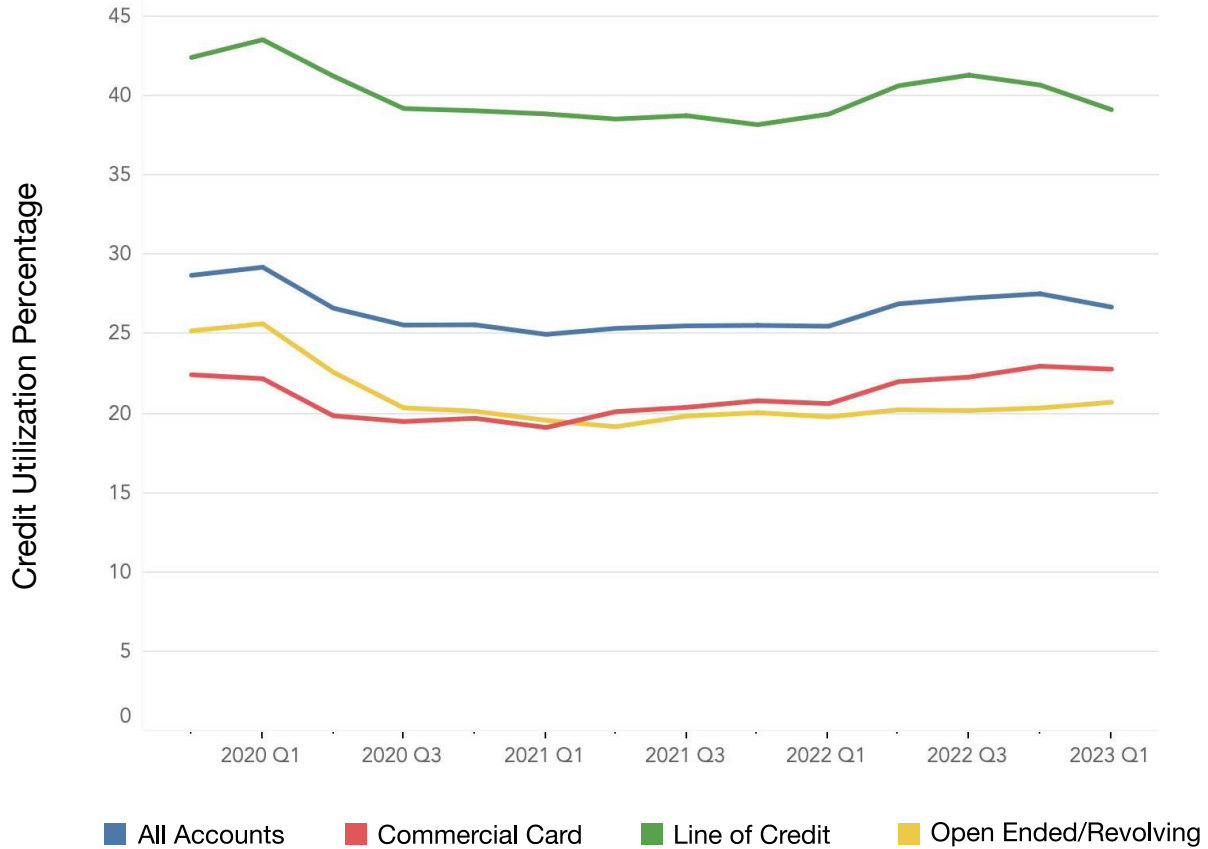
UTILIZATION

Credit Utilization Trend: All Revolving Account Types



Data source: SBFE Data from the Small Business Financial Exchange

Credit Utilization Percentage: Revolving Account Types



Data source: SBFE Data from the Small Business Financial Exchange

- Utilization trended slightly lower after peaking in Q1 2023.
- Part of the decline in utilization for Q1 is due to a number of line of credit accounts not being in the data utilized compared to prior quarters. LOCs tend to have higher limits and balances when compared to card accounts. The accounts will be reincorporated into the Q2 2023 reports.
- New cards opened within the last year continue to carry higher balances than previous vintages.

Methodology:

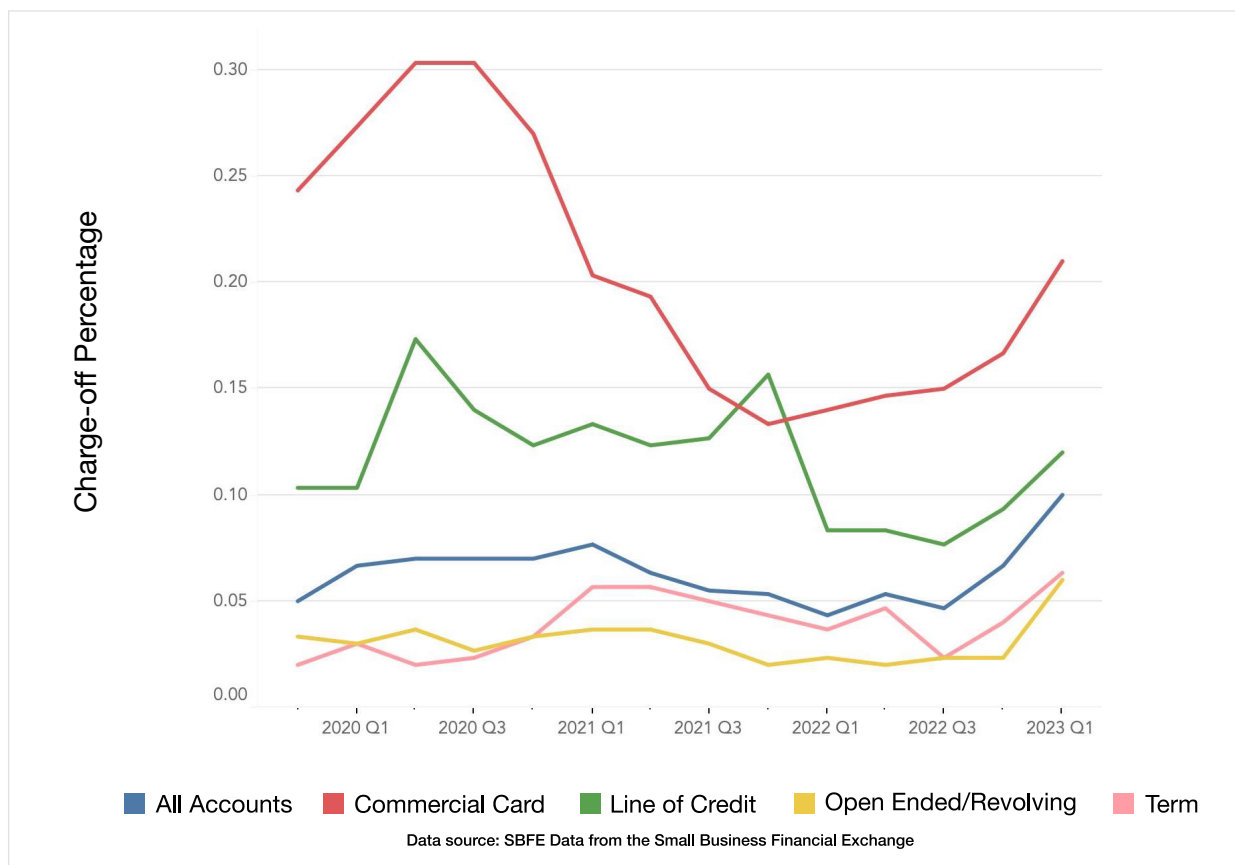
Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.

Utilization is calculated monthly then averaged quarterly.



CHARGE OFF

Charge-off Percentages: All Accounts and Account Types



- Charge-offs increased for all account types for the second straight quarter following four quarters of increasing delinquency.
- Losses for unsecured account types are still below levels at the height of the pandemic.
- Write-offs on secured accounts have increased significantly for the first time in the past two years.

Methodology:

Calculated using the total balances of accounts charged-off during a given month divided by the total outstanding balances of all accounts reported. Charge-offs are calculated monthly then averaged quarterly.



CONTACT US



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The Small Business Financial Exchange, familiarly known as SBFE®, is a trade association for small business lenders striving to be the trusted advocate for the safe and secure growth of small businesses. We do this by gathering and protecting the largest aggregation of small business payment data in the US today and leveraging the power of that data to help the small business industry build a true and accurate picture of small business.



www.consumerbankers.com

The Consumer Bankers Association is the only national financial trade group focused exclusively on retail banking and personal financial services — banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members include the nation's largest bank holding companies as well as regional and super-community banks that collectively hold two-thirds of the total assets of depository institutions.