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# SMALL BUSINESS LENDING TRENDS

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2nd Quarter, 2021



## Overall Observations

The last 18+ months have certainly been a unique time for the small business community. Many factors have impacted our standard metrics and trends both positively and negatively. Multiple rounds of federal government financial assistance and lender assistance programs have resulted in both delinquency and credit utilization exhibiting unexpected directions and levels during this period.

With many outlooks appearing to signal a growth trend for the economy, we would expect to see average credit utilization rebound to near or above pre-pandemic levels. We would expect to see an upward trend in utilization as businesses begin to operate closer to full capacity with strong demand for their products and services. We have not yet seen the expected uptick in balances compared to limits and recognize that a number of factors such as weakness in the labor market, inability to obtain raw materials and supplies, or continued COVID restrictions are suppressing small businesses' need for capital.

We are seeing reasons for optimism in the most recent quarters. New account as a percentage of all accounts reached pre-pandemic levels in early 2021 and has continued to increase until the end of Q2. This indicates that small businesses are obtaining credit facilities which often indicates that they are planning for growth. The data also show a slight increase in utilization for commercial card accounts during the 2nd quarter of this year. This type of change also typically signals businesses preparing for growth in revenue. As a whole, the current state of the small business ecosystem may be described as healthy but constrained. Assistance programs have played a role in aiding small businesses in weathering the pandemic, but we are seeing a waning of this influence and signs that small businesses are beginning to return to normal or to a "new normal."

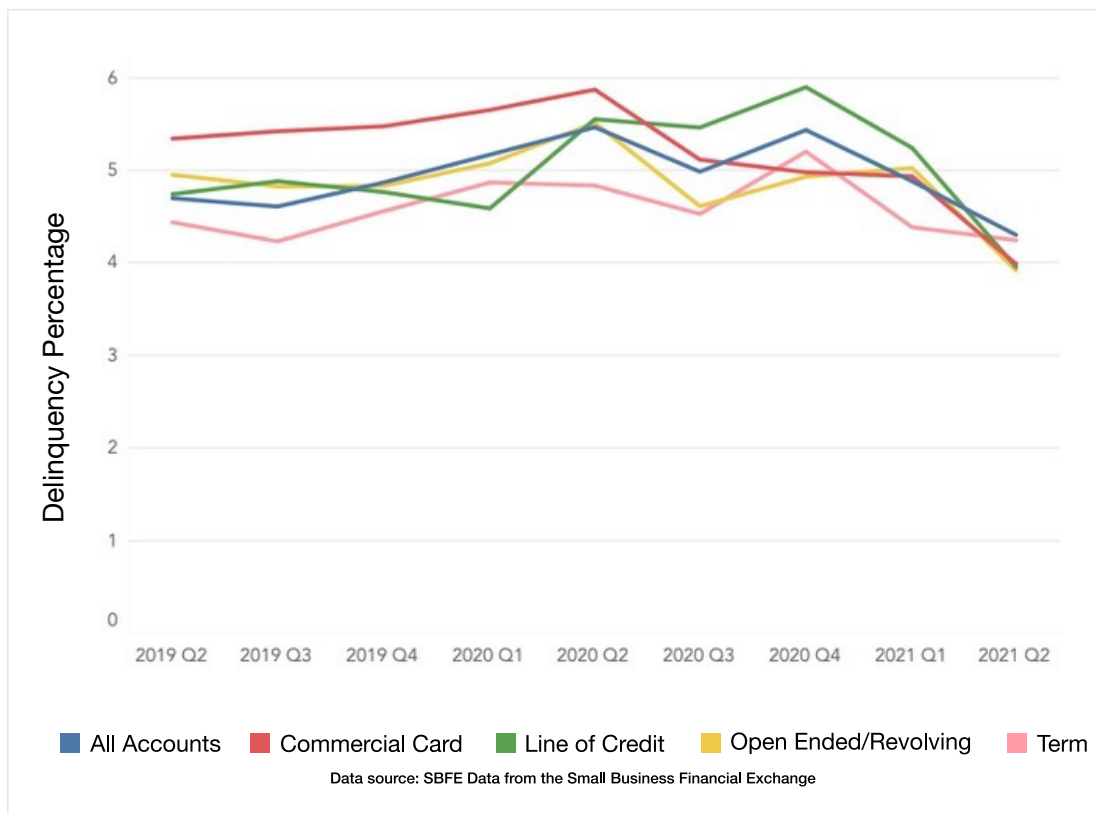
## Methodology

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 continues to decline for all account types in Q2 2021 and is at its lowest point in the analyzed period for all account types.
- Delinquency responded similarly to the two infusions of PPP showing declines in all account types during period in which funds became available.
- SBFE would expect delinquency percentage to increase going forward (as it did in Q4 2020), as affect from assistance programs begins to lessen.
- Term loans have been adjusted by removing all PPP loans from analysis. This adjustment has been made to reflect delinquency for those accounts in repayment.

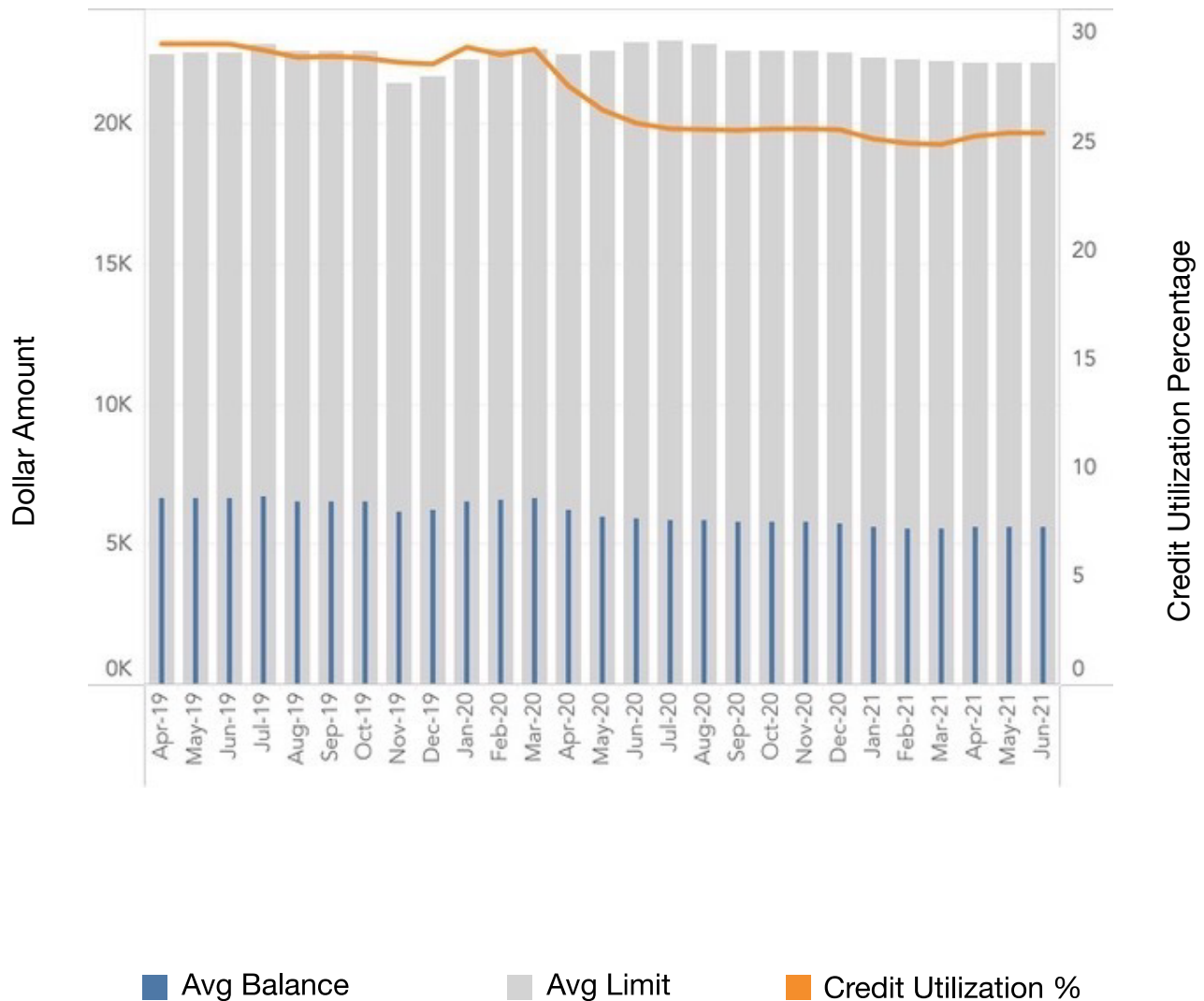
#### Methodology:

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.



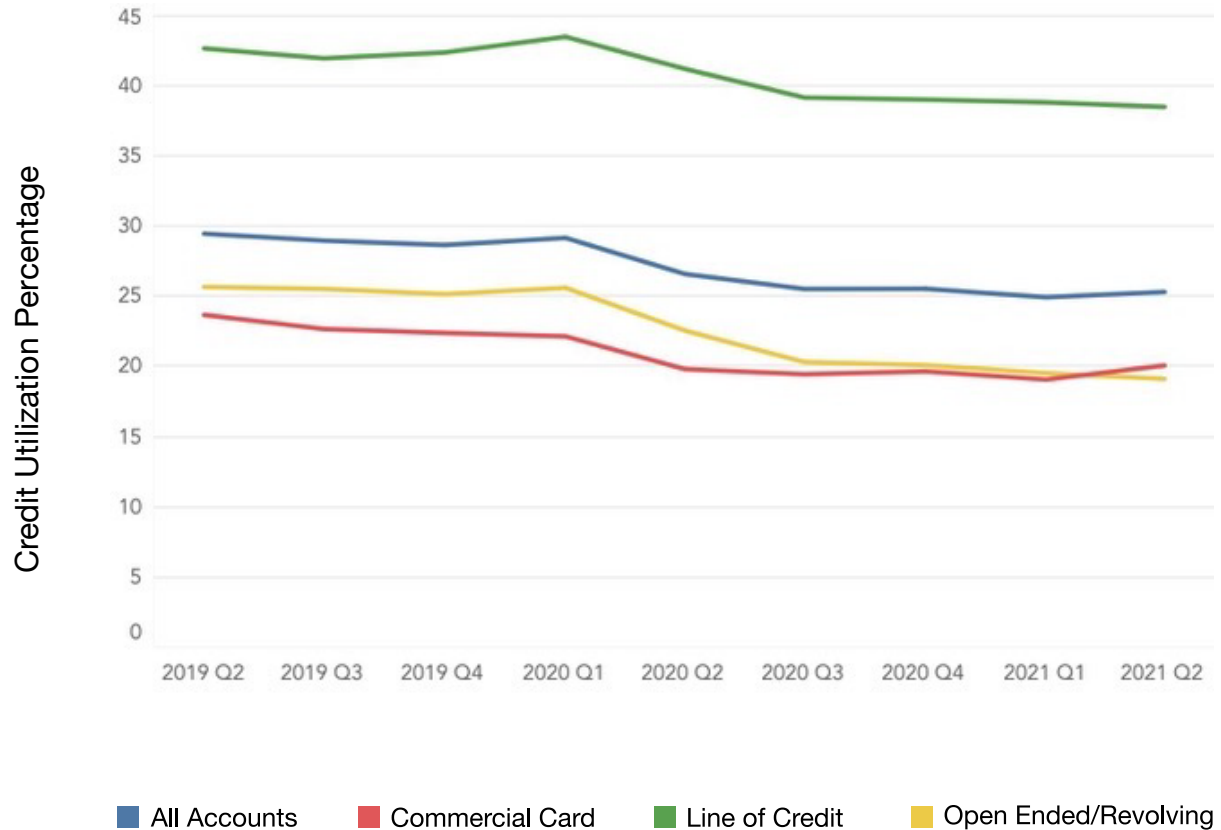
## UTILIZATION

### 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

- There is a slight increase in utilization for all account types due to increased utilization on commercial cards.
- This increase is the result of an uptick in balances, as limits have remained fairly consistent.
- Q2 signals the first increase in utilization since the start of the pandemic.
- Utilization as a whole is still trending far below pre- pandemic levels.
- SBFE would expect to see utilization increase as small businesses begin to operate closer to full capacity with strong demand.

### **Methodology:**

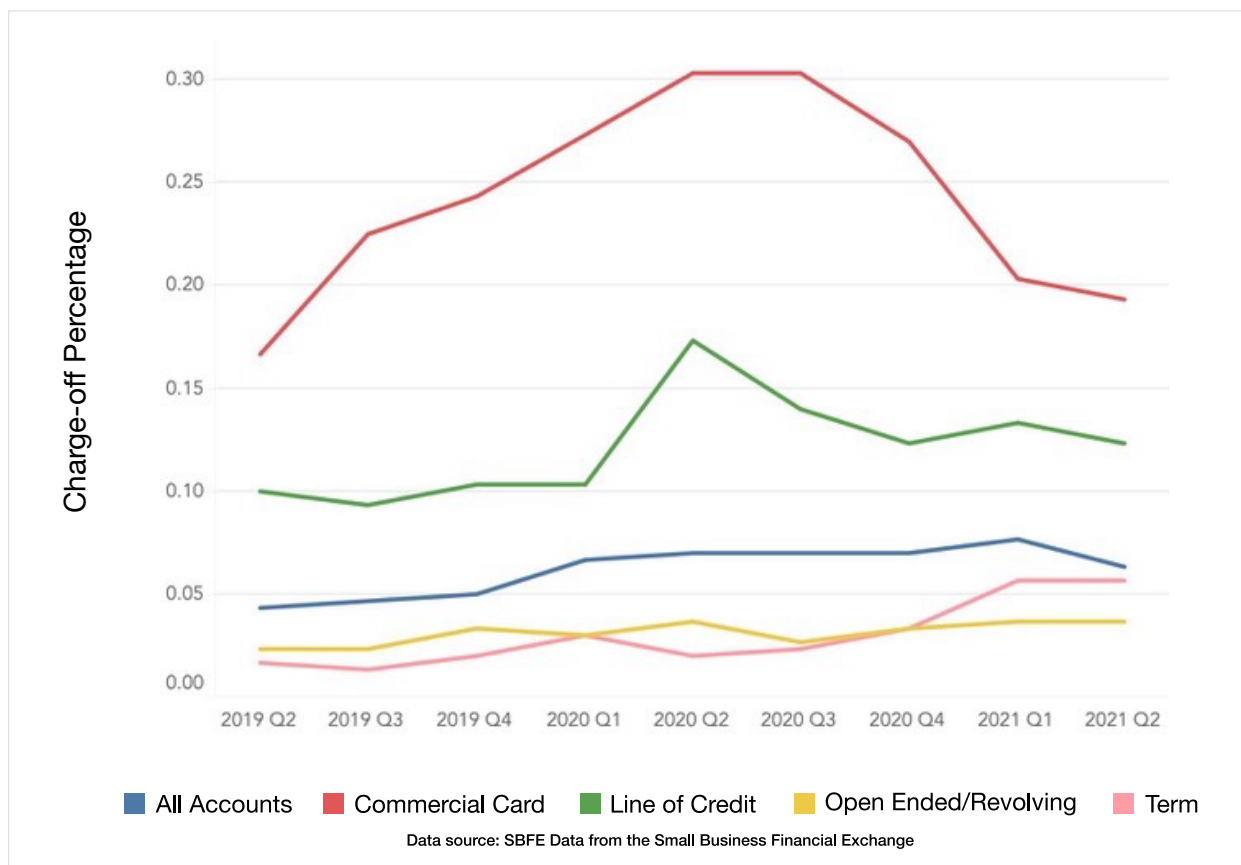
*Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.*

*Utilization is calculated monthly then averaged quarterly.*



## CHARGE OFF

### Charge-off Percentages: All Accounts and Account Types



- There has been a decline in charge-off activity for all account types except term loans in the most recent quarter.
- Term loan losses have been at a higher than normal level over the last two quarters.
- Unsecured account types have leveled off after seeing higher activity during pandemic.
- Note: PPP loans are not included in analysis as they would artificially deflate ratios by vastly increasing term balances with minimal charge-offs due to structure.

#### **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.



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## CONTACT US

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[info@sbfe.org](mailto:info@sbfe.org)

[www.sbfe.org](http://www.sbfe.org)

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](http://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.