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# SMALL BUSINESS LENDING TRENDS

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3rd Quarter, 2022



## Overall Observations

The metrics for Q3 2022 are closer to pre-pandemic levels, although external factors during the periods are much different. This return to pre-COVID performance could signify a return to a more normal environment, or possible stress, with increasing delinquency rates, coupled with increasing utilization rates. Small businesses remain in a unique financial environment with consistent rate increases to combat inflation. This may have had an effect on the type of funding small businesses have sought in 2022.

New account openings peaked in April of 2022 after nearly a two-year trend of growth. While card account growth continues to be strong, the data shows a decline in more typically secured types of accounts. This could be due to a couple of factors: 1) with current rate environment, approval rates for typical term loans are down due to increased payments or, 2) a conscious decision by the small business to obtain revolving credit in lieu of other funding while waiting for a more advantageous environment to secure fixed rate funding.

While previous releases of these trends have represented a rolling 27-month period, for the next several quarters, this analysis includes a longer time frame to keep pre-Covid performance in scope.

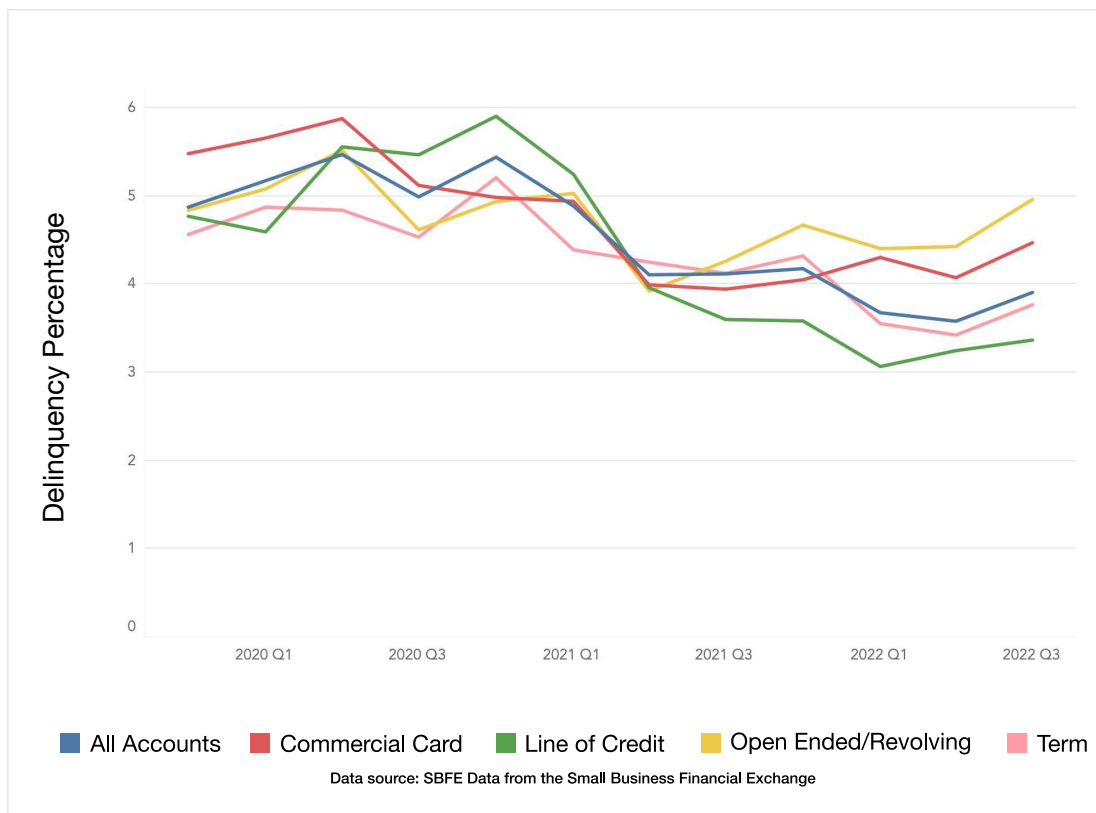
## Methodology

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 increased for all account types in most recent quarter.
- Even with increased delinquency, it still remains well below figures from early in the pandemic.
- Preliminary October data does show sharp increases in delinquency, specifically for card.
- As typically seen, unsecured debt had higher delinquency percentages than secured accounts in Q3 2022. Note that this was not always the case during the pandemic period.

#### **Methodology:**

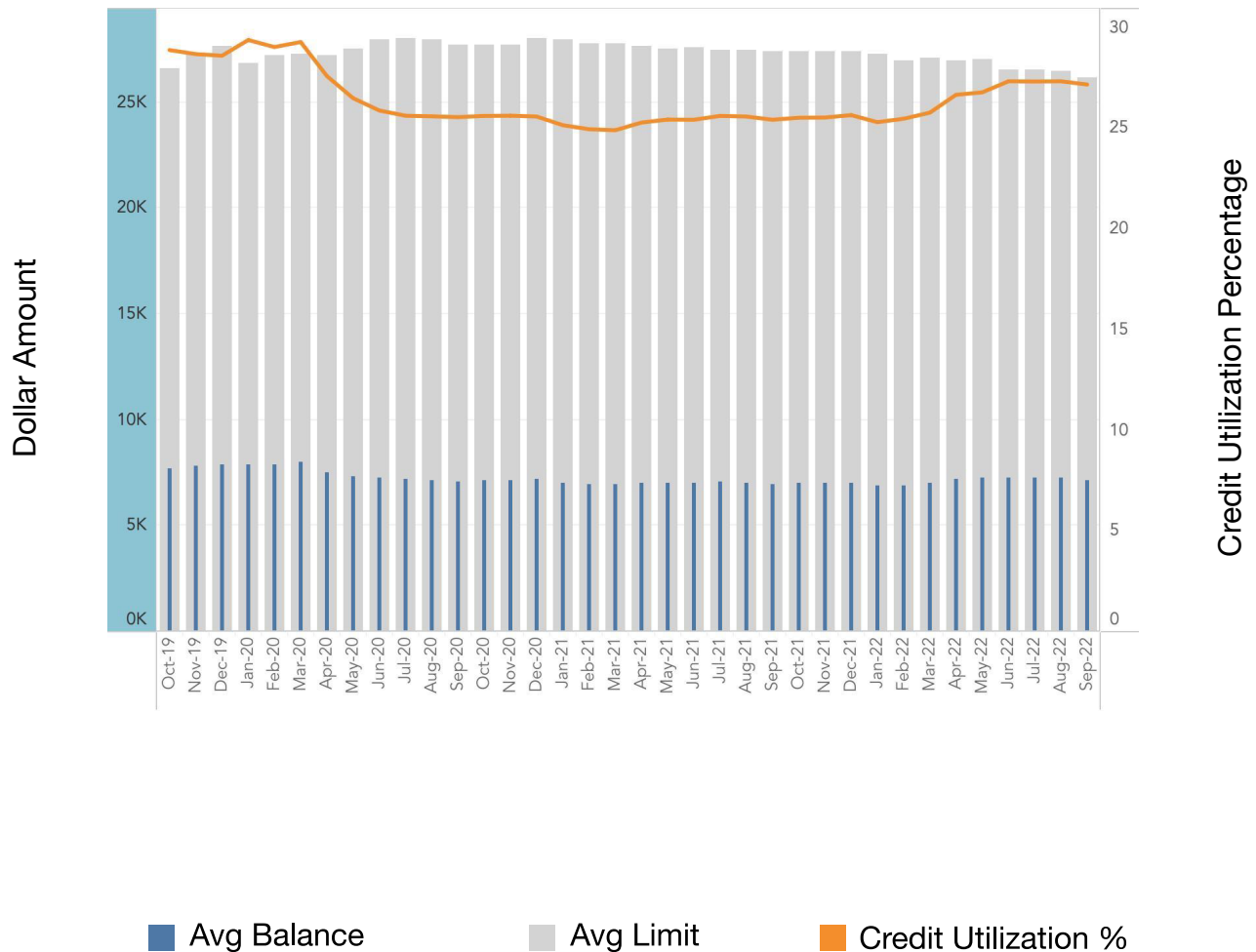
Calculated using the total outstanding balances of all open accounts 30 days or more past due divided by the total outstanding balances of all open accounts reported. Delinquencies are calculated monthly then averaged quarterly.

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.



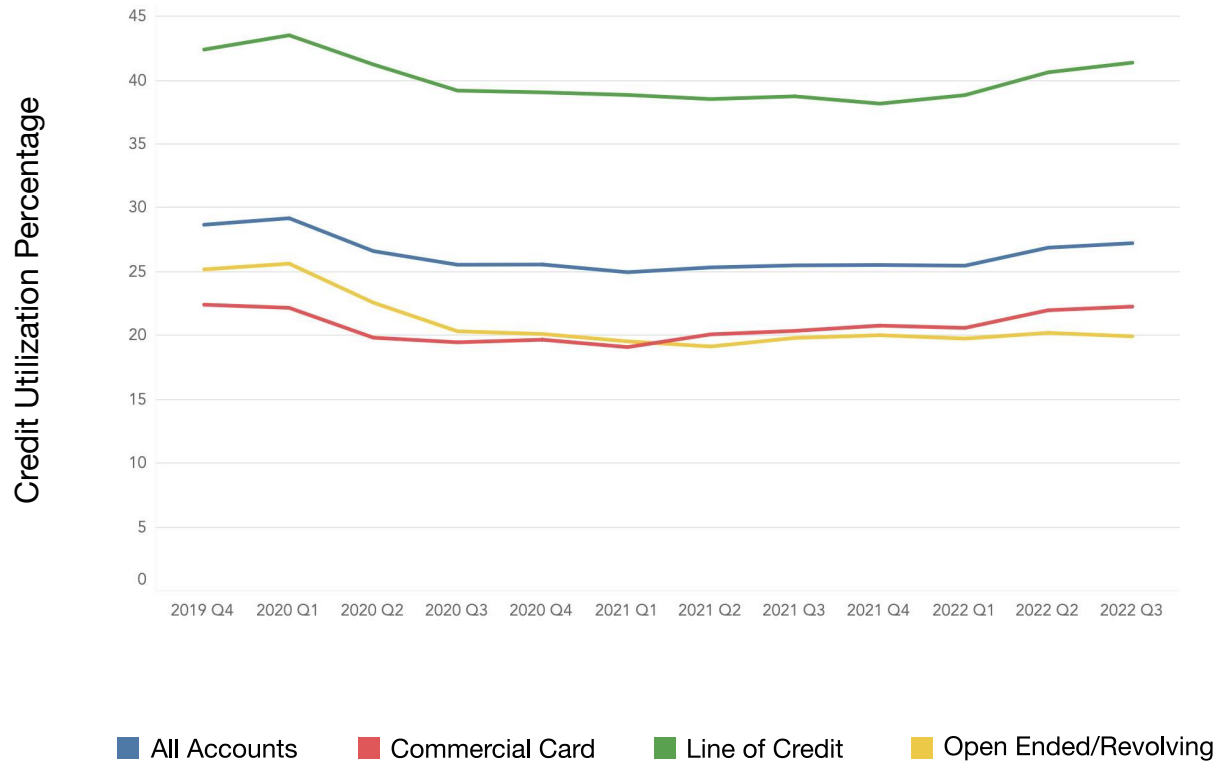
## UTILIZATION

### 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 continues to increase on a quarterly basis and is currently at its highest point post pandemic and is back in line with 2019 figures.
- This movement is due to both decreasing limits as well as increasing balances.
- Card limits are at their lowest point for the analyzed period.

### **Methodology:**

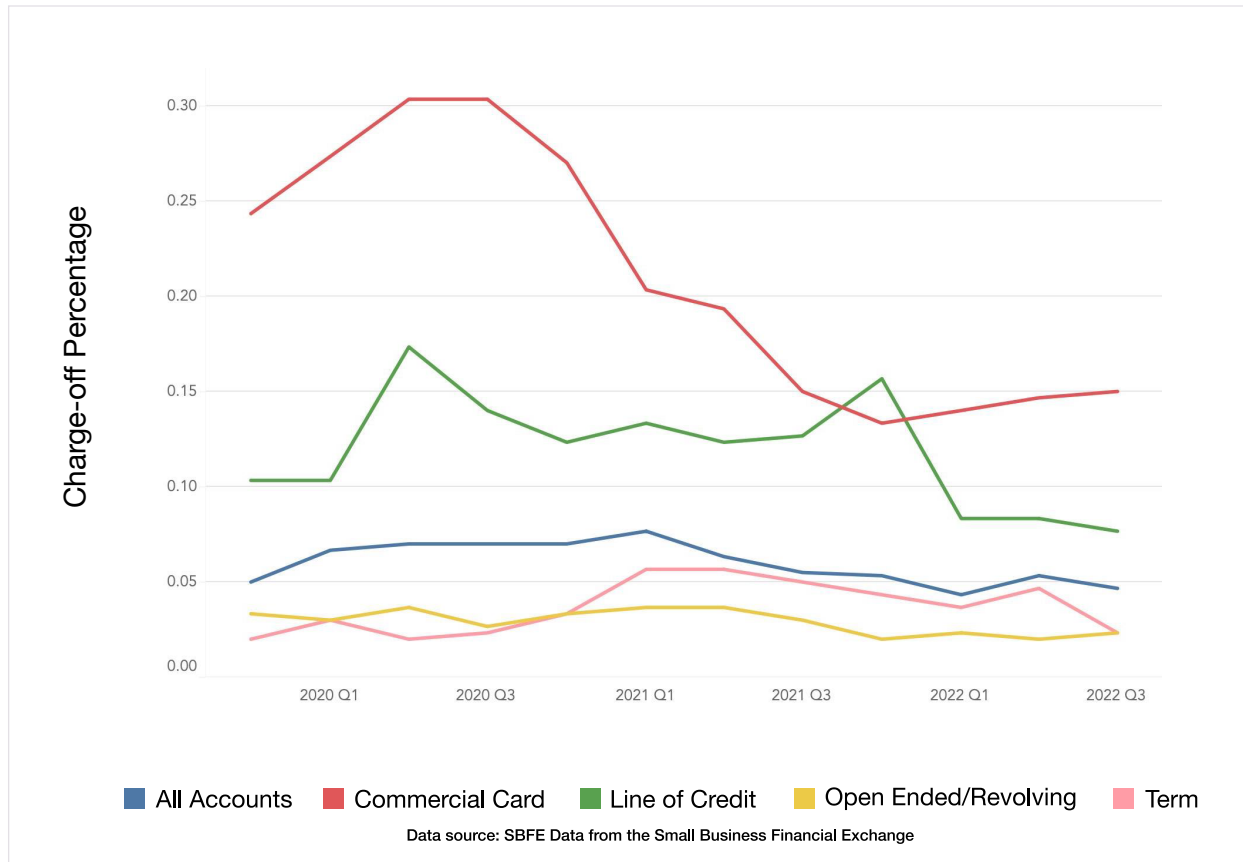
*Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.*

*Utilization is calculated monthly then averaged quarterly.*



## CHARGE OFF

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



- Charge-offs remained stable when compared to previous quarter.
- Unsecured account types have leveled-off after higher losses experienced during the pandemic.
- With delinquency continuing to increase, SBFE will continue to monitor for increased charge-off activity.

#### 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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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.