



SMALL BUSINESS LENDING TRENDS

3rd Quarter, 2021



Overall Observations

Small businesses continued to navigate a challenging landscape as the third quarter metrics remained largely unchanged from the previous quarter.

While some metrics have rebounded, such as the number of new accounts being opened, credit utilization is still well below pre-pandemic levels. Generally, it would be expected for credit balances to increase, when compared to limits, as businesses work toward operating at full capacity. These facts lead to the conclusion that small businesses continued to be cautious and constrained. There are a number of factors that continue to put pressure on the small business environment including local health restrictions, ongoing supply chain issues, as well as significant challenges in filling open positions. These factors have not impacted delinquency or charge-off in a negative way. However, this may lend credence to the thought that small businesses have made adjustments to manage expenses against reduced revenues in these tumultuous times.

As we flip the calendar to 2022, there are a number of possible risks to a continuing rebound for small businesses. New COVID variants may continue to cause new and renewed pressures on small business operations. On a more macroeconomic scale, in the United States the inflation rate has risen to levels not seen in nearly 40 years. While the impact may have been minimal thus far on small businesses, continued price pressures are likely to be a factor business owners will need to adjust for in the coming year.

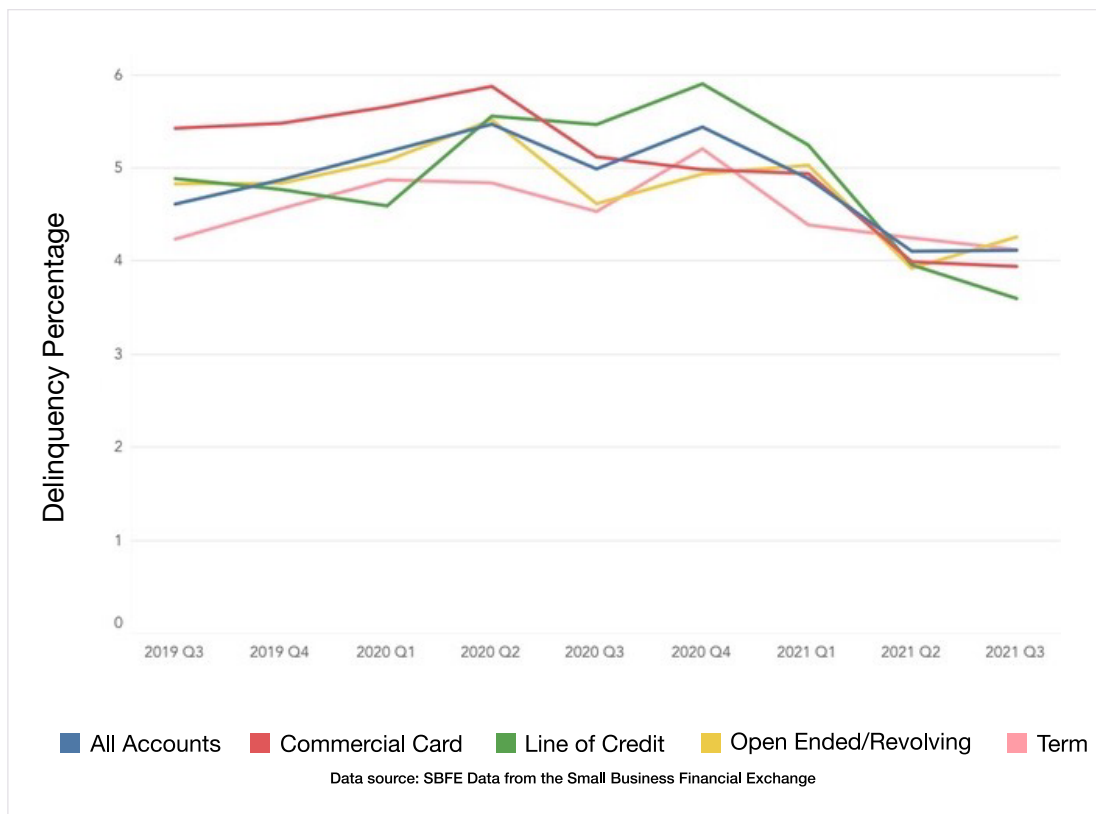
Methodology

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



- Overall, delinquency remained unchanged from the previous quarter.
- During the reported period, delinquency trended similarly in the periods following the two infusions of PPP with a significant decline (Q3 2020 and Q2 2021) . Unlike late 2020, there was not a significant increase after the impact of round two of assistance had waned.
- Term loans have been adjusted by removing all PPP loans from this analysis. This adjustment has been made to reflect delinquency for those accounts in repayment.

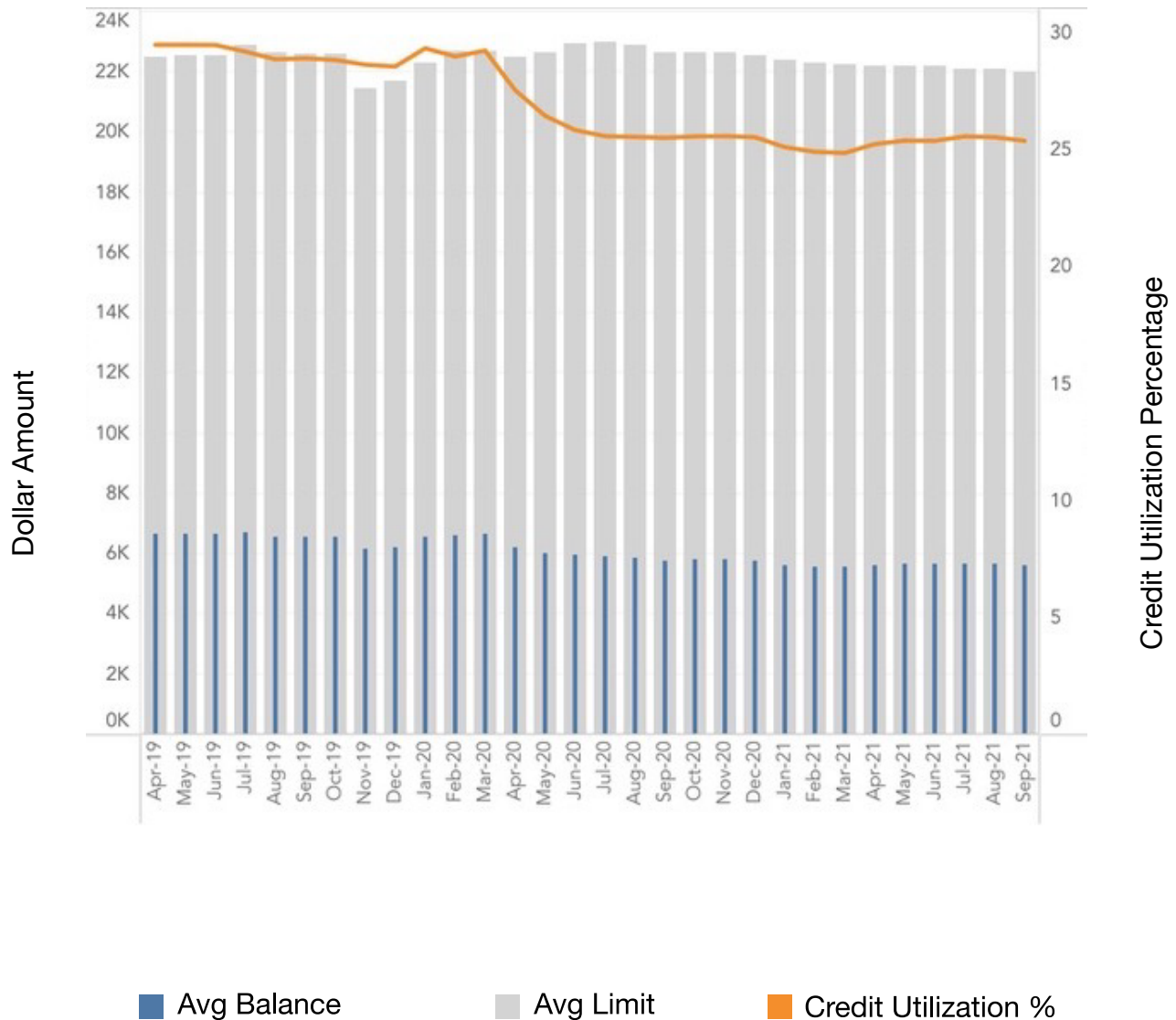
Methodology:

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.



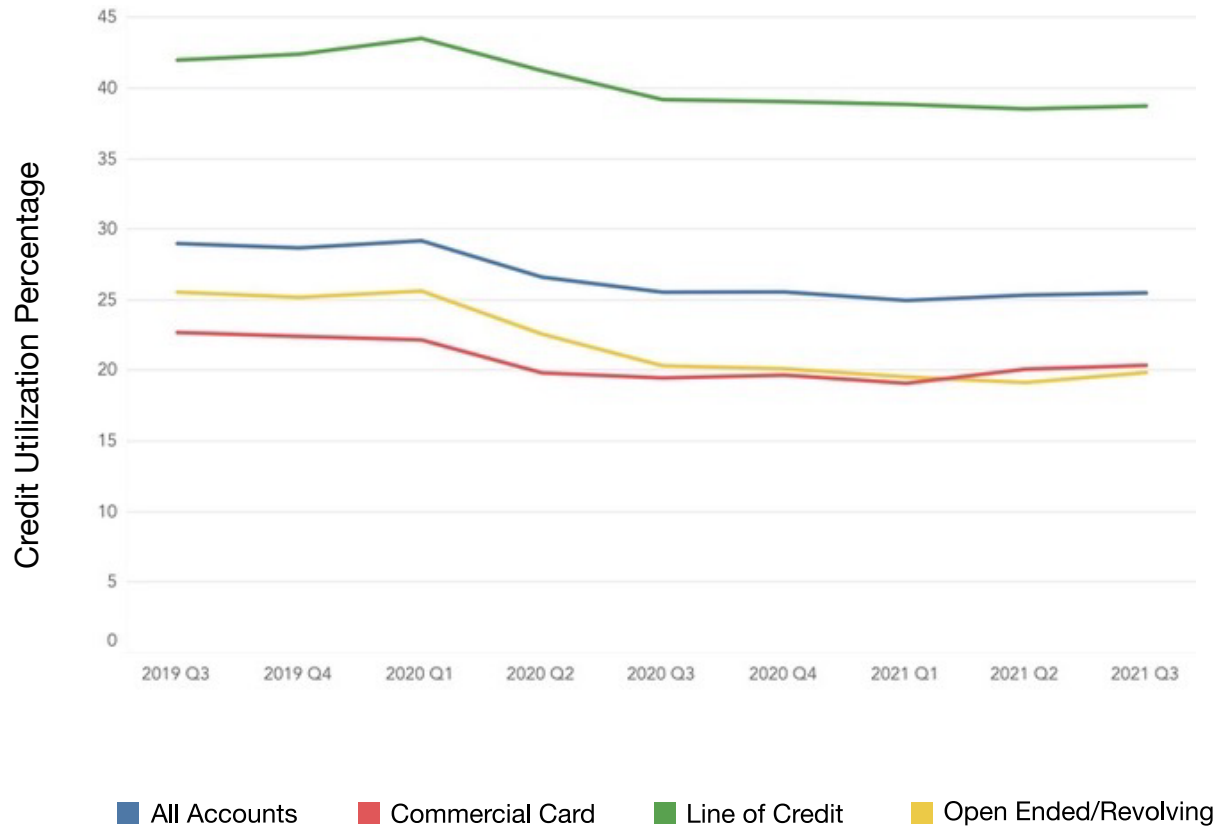
UTILIZATION

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

- Utilization percentages remained very stable over the last several quarters, with just slight increases in the past two periods.
- The minimal growth in utilization has been largely due to lower average credit limits overall.
- Utilization is still trending far below pre-pandemic levels.
- SBFE would expect to see utilization increase closer to pre-pandemic levels as small businesses begin to operate closer to full capacity.

Methodology:

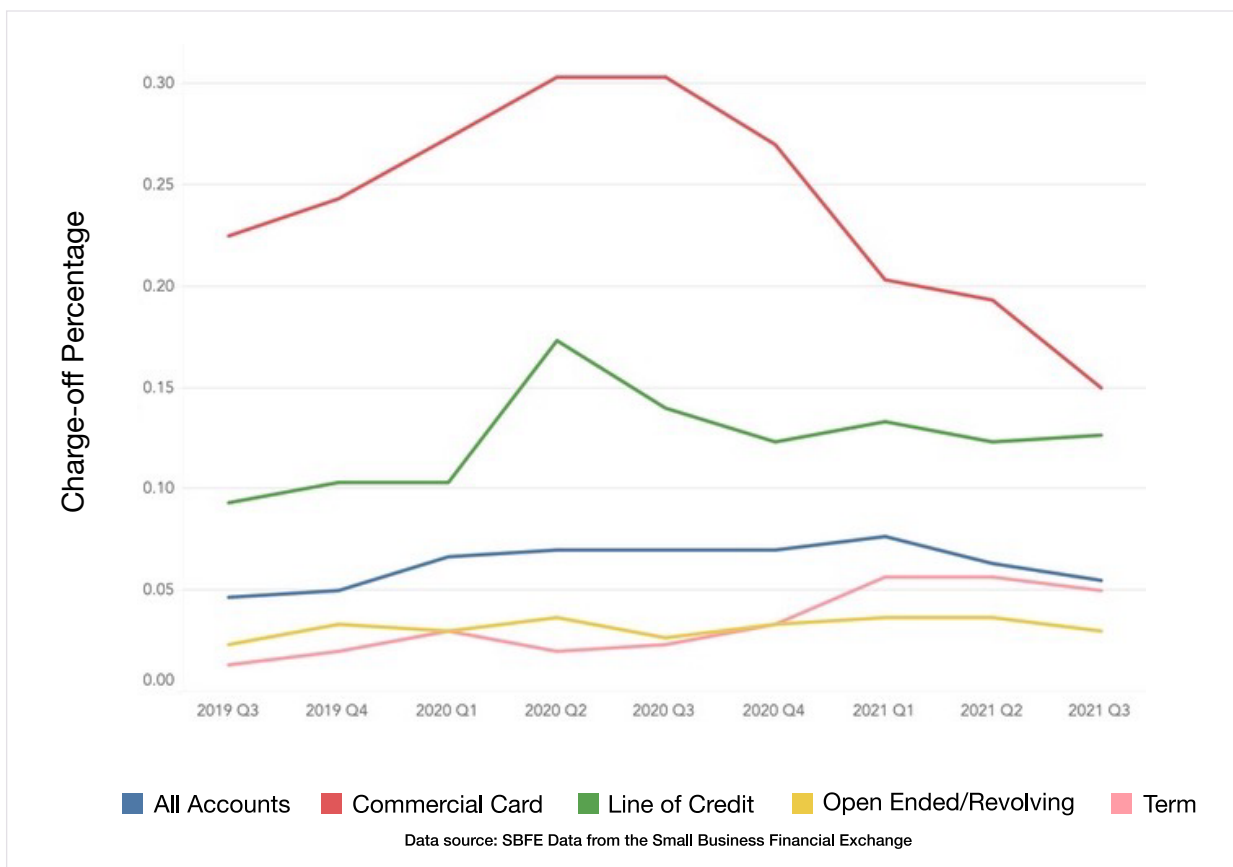
Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.

Utilization is calculated monthly then averaged quarterly.



CHARGE OFF

Charge-off Percentages: All Accounts and Account Types



- Charge-offs declined for all account types except open-ended loans in Q3 2021.
- Losses for term loans have been trending at a higher than normal level over the last three quarters.
- Unsecured account types have leveled off after higher losses experienced during the pandemic.
- Note: PPP loans are not included in the 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.



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.