



SMALL BUSINESS LENDING TRENDS

4th Quarter, 2022



Overall Observations

Inflation, interest rate hikes and other economic forces are making an impact on small business credit. In Q4, 2022, delinquency and utilization have both increased from previous quarters. This is despite the fact that the number of accounts opened increased in 2022, which typically leads to lower delinquency and utilization percentages overall.

Account growth continues to be strong within the card space and has a large impact on the metrics. This could be due to a couple of factors 1) with the current rising rate environment, booking rates for term loans are down due to small businesses being reluctant to lock in higher fixed rates and, 2) small businesses looking quick, flexible liquidity as they need to operate in the higher cost environment. This increase in new cards, combined with these accounts being utilized at a much higher rate, would indicate financial stress on many small businesses. We would typically expect delinquency to be lower for these new accounts, however, we are not seeing the normal positive impact on delinquency rates.

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

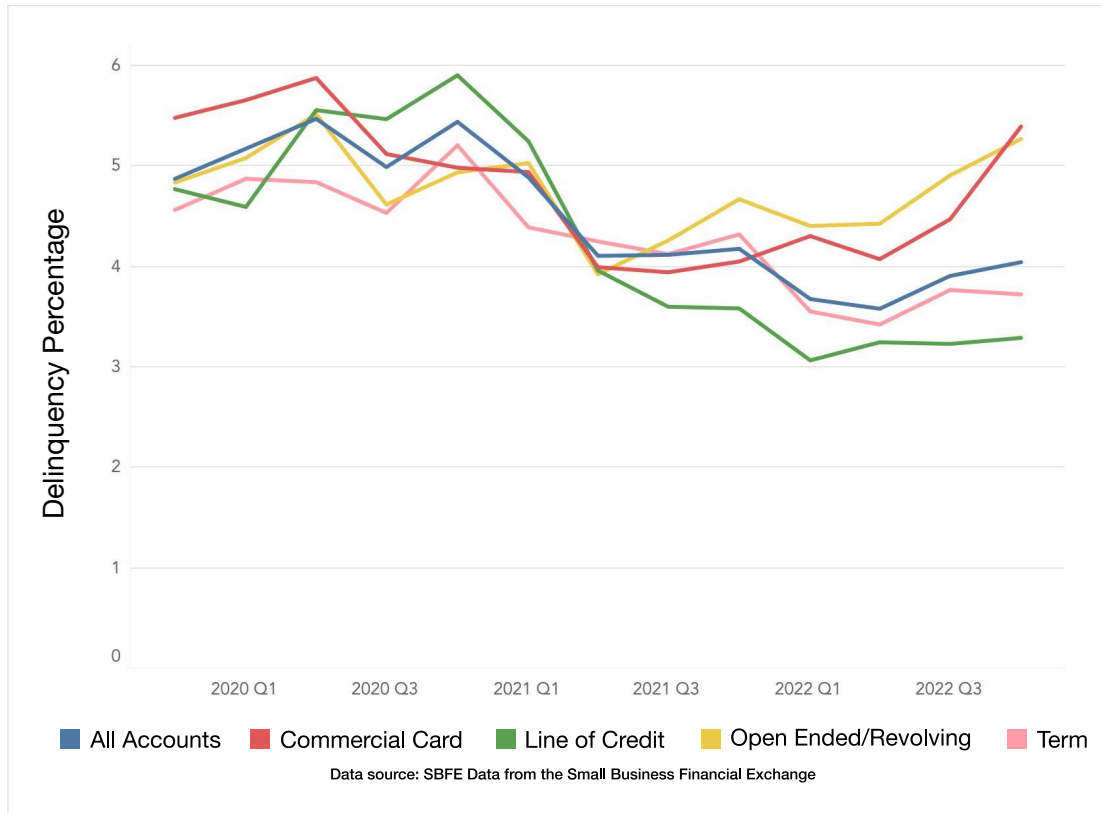
Methodology

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 increased significantly for unsecured account types over last quarter.
- Even with these increases, percentages still remain below those from early in the pandemic.
- Unsecured accounts have diverged from secured account types and are trending more one percentage higher.

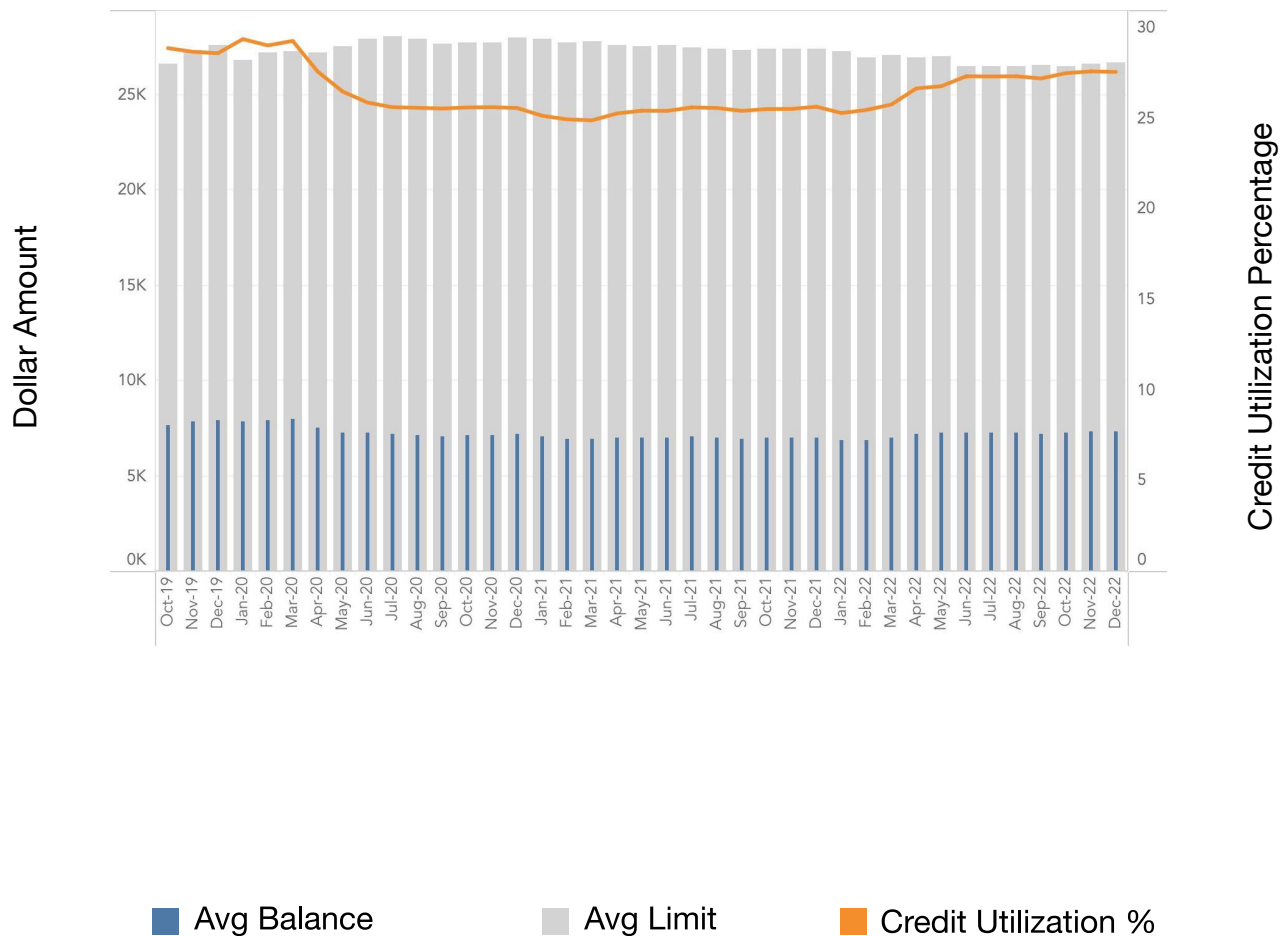
Methodology:

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.



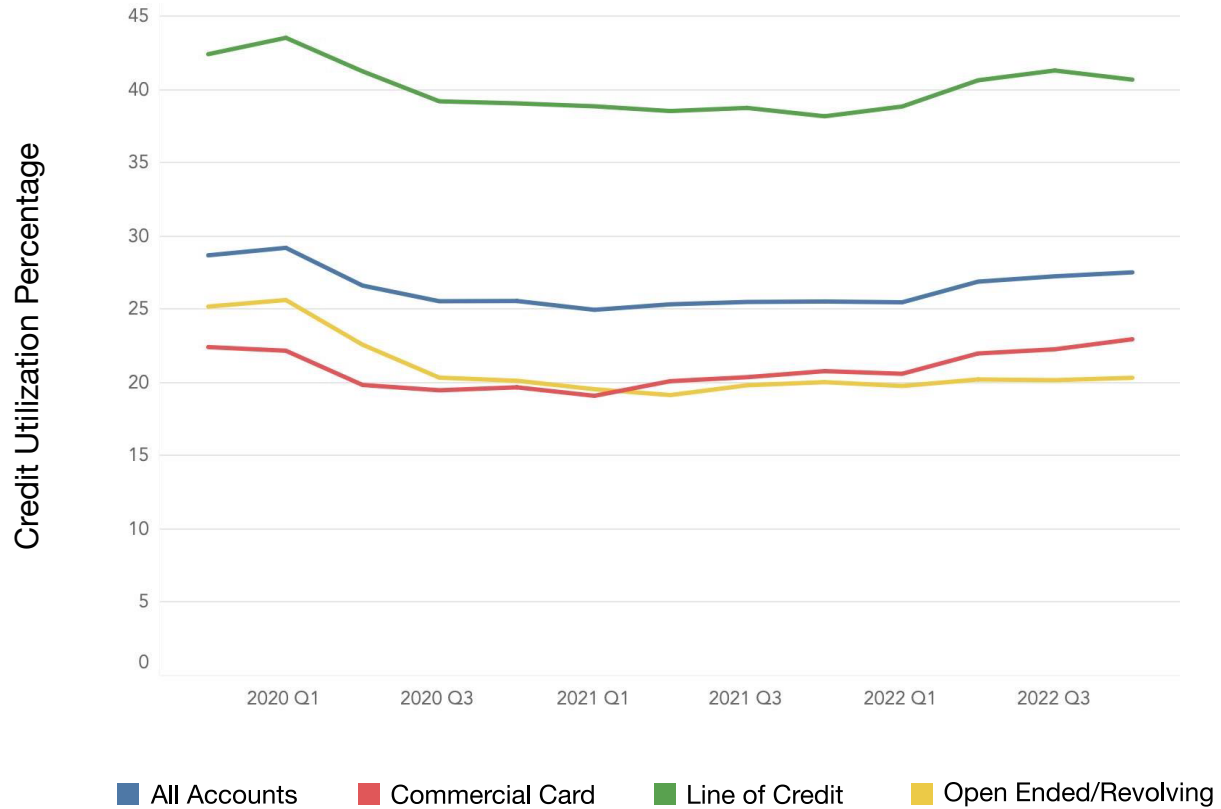
UTILIZATION

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. This is back in line with 2019 figures.
- This movement is due to both decreasing limits as well as increasing balances. Limit decreases are likely due to the volume of new cards within the last twelve months as well as lenders turning more conservative during this period of economic uncertainty.
- New cards opened within the last year appear to be carrying higher balances than previous vintages.

Methodology:

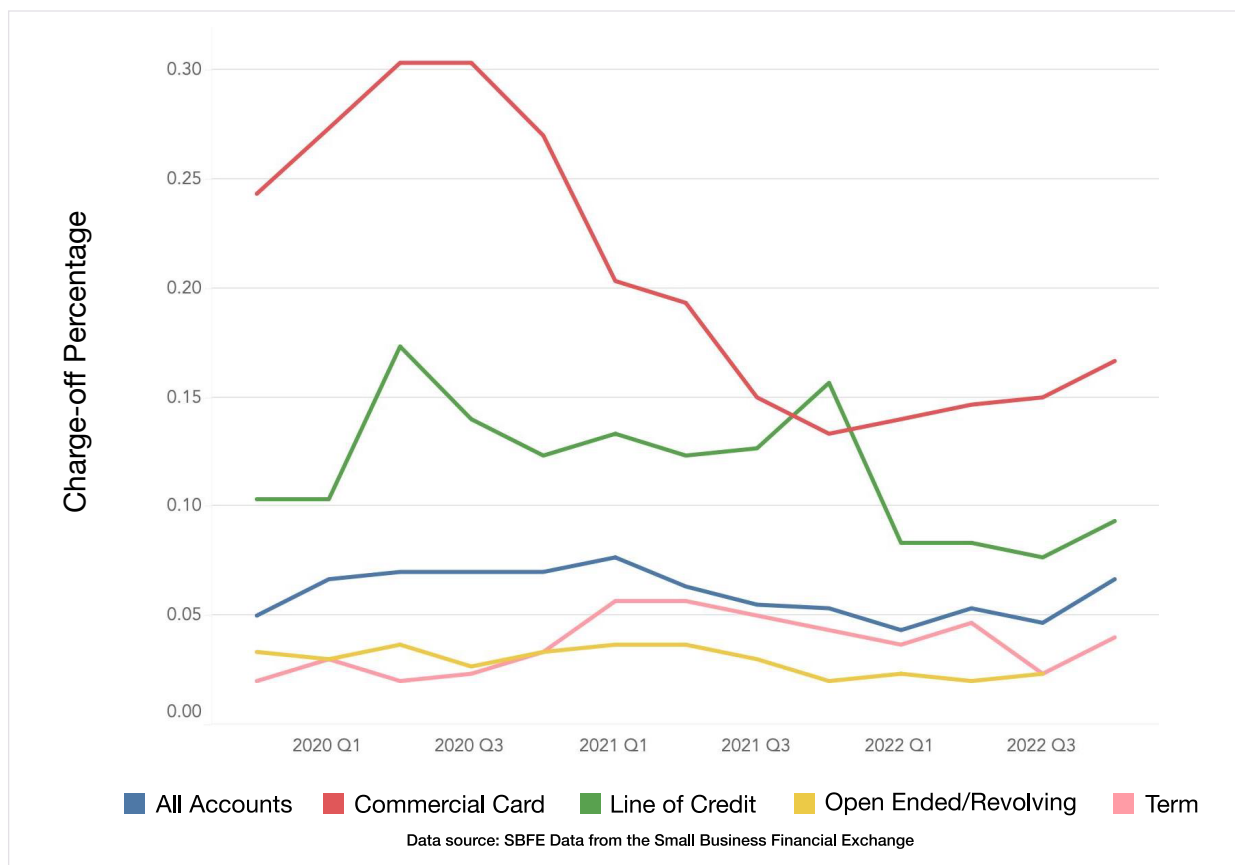
Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.

Utilization is calculated monthly then averaged quarterly.



CHARGE OFF

Charge-off Percentages: All Accounts and Account Types



- Charge-offs increased for all account types over the last quarter.
- Unsecured account types have leveled-off after higher losses experienced during the pandemic.
- While still below pre-pandemic levels, this quarter marked an increase for secured account types.
- With delinquency continues 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.



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.