



SMALL BUSINESS LENDING TRENDS

4th Quarter, 2020



Overall Observations

In the fourth quarter of 2020, the impacts of the pandemic continued to weigh on the small business community . The liquidity infusion provided by Paycheck Protection Program (PPP) and other assistance programs continued to stabilize certain measurements as the year ended. However, as the initial round of PPP funding ended in the 3rd quarter, key delinquency metrics began to rise. These signs of stress on the industry may be short lived as the second round of PPP funding begins early in 2021 and other assistance efforts begin rolling out in the same time period.

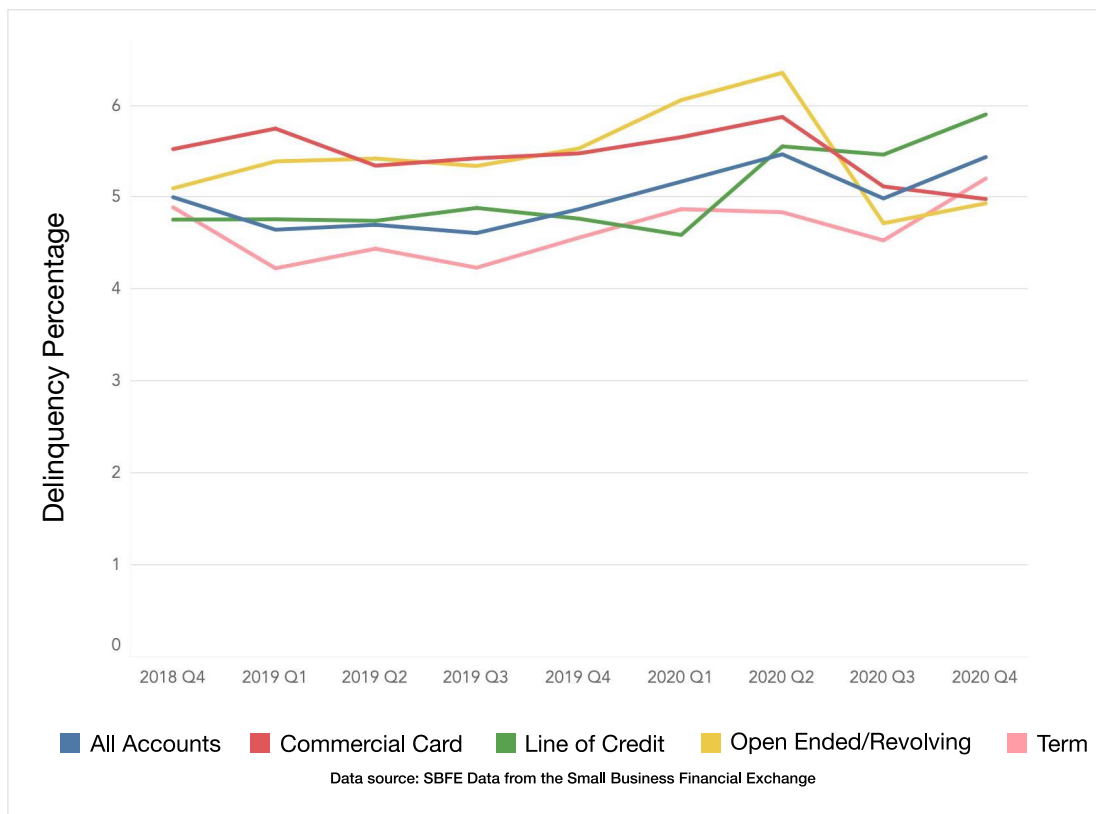
Methodology

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



- SBFE Data shows delinquency increases for nearly every account type in Q4, after a decline in Q3. We believe a significant contributing factor is the end of key financial assistance programs in Q3.
- Unsecured accounts types are trending lower than expected in relation to secured account types, which is not typical performance.
- 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.

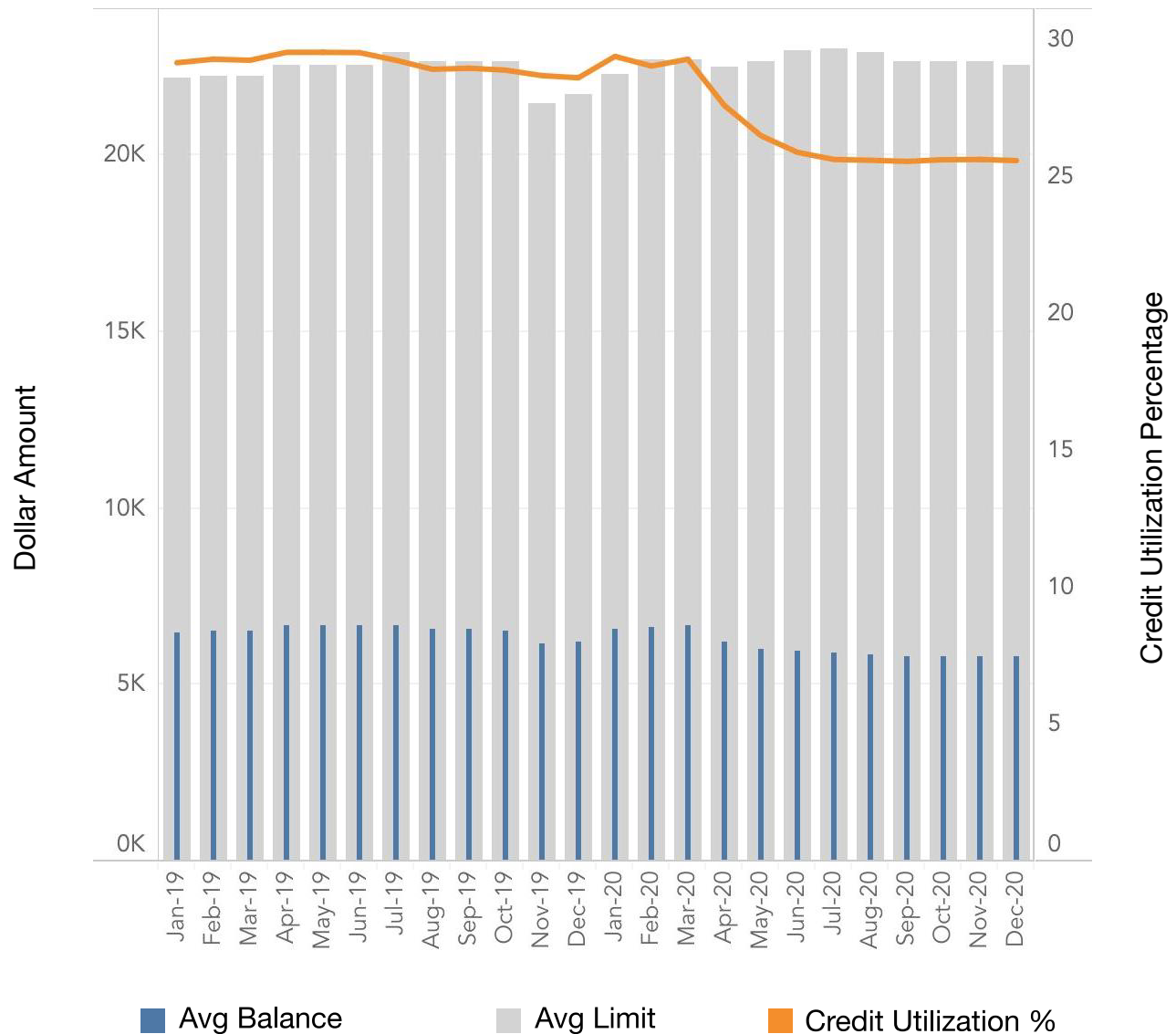
Methodology:

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.



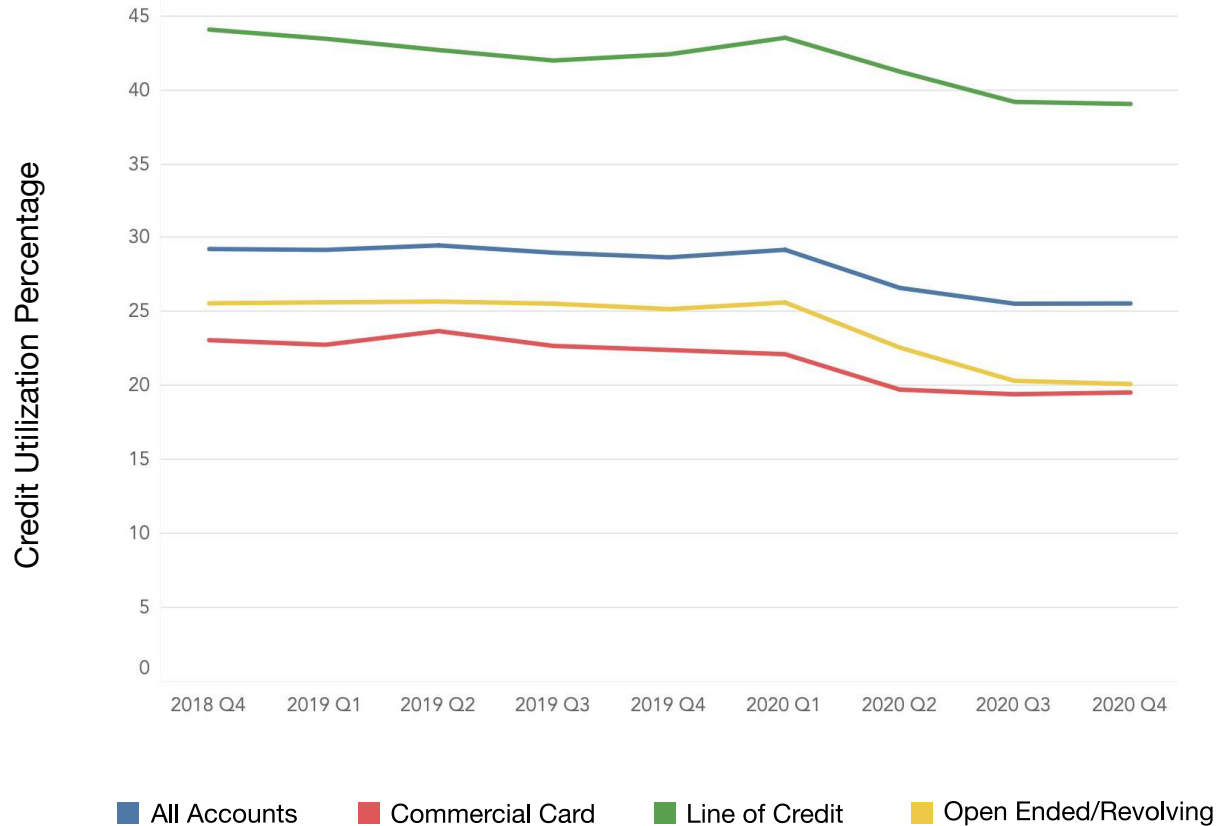
UTILIZATION

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

- Utilization remained steady between Q3 to Q4 after the fairly significant slide in the first half of 2020.
- Utilization rates continue to remain near three-year lows.
- We will be paying particular attention to these metrics in 2021 as effects of the pandemic and financial assistance begin to change.

Methodology:

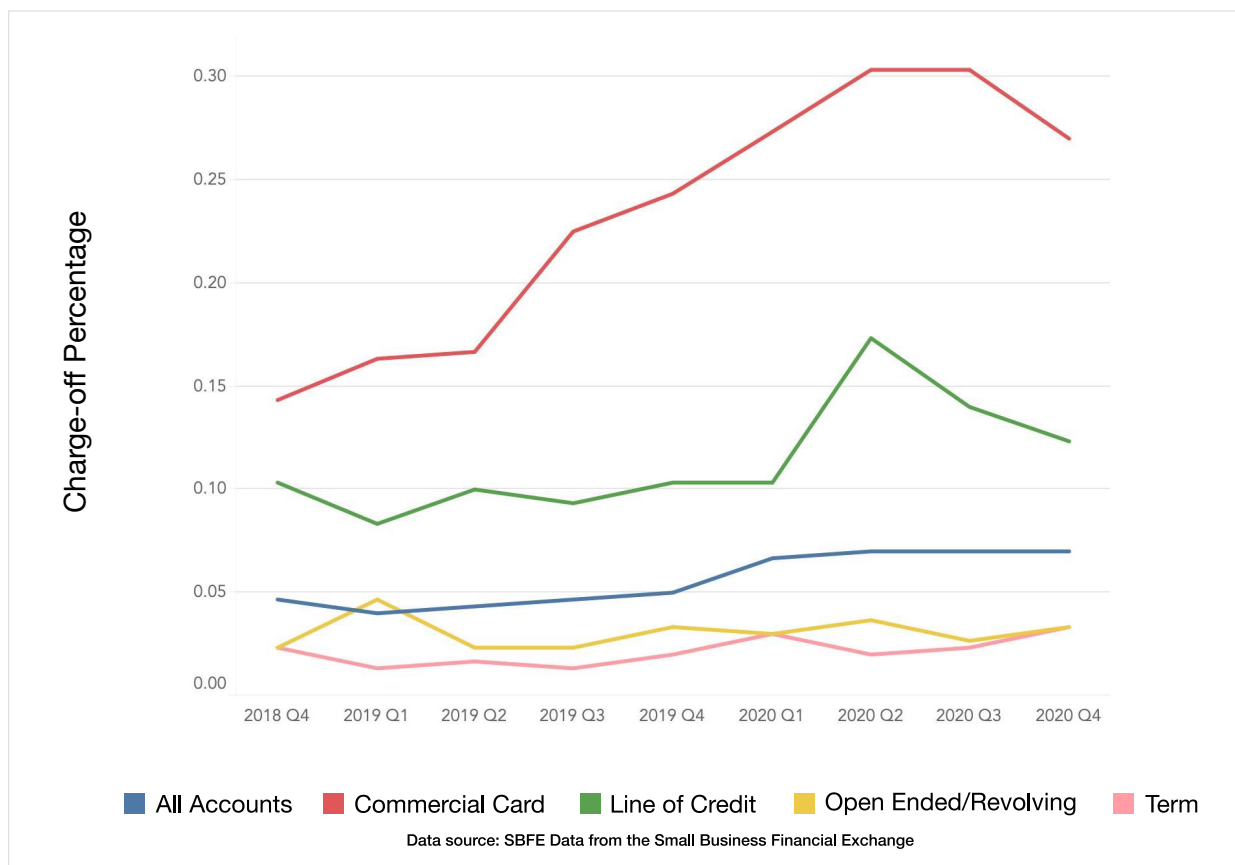
Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.

Utilization is calculated monthly then averaged quarterly.



CHARGE OFF

Charge-off Percentages: All Accounts and Account Types



- After peaking in Q2, charge-off rates for traditionally unsecured account types continued to improve in Q4.
- SBFE Data shows a slight increase in the most recent quarter for collateralized loan types, which aligns with delinquency trends as well.
- As expected, 2020 charge-off rates continue to trend above previous 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.