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# SMALL BUSINESS LENDING TRENDS

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2nd Quarter, 2019



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## Overall Observations

Our data indicates small business credit performance, on a quarterly basis across three key metrics, continues to remain relatively consistent over the two-year period. Credit utilization has remained fairly level during the period with a slight upward trend over the three months of the second quarter of 2019. In the second quarter, delinquencies reversed the trend of slow increase over the past year falling back below 4% by the end of June. Alongside dropping delinquency rates, charge-offs exhibited a small decrease during the second quarter of 2019, ending slightly above a quarter of a percent in losses.

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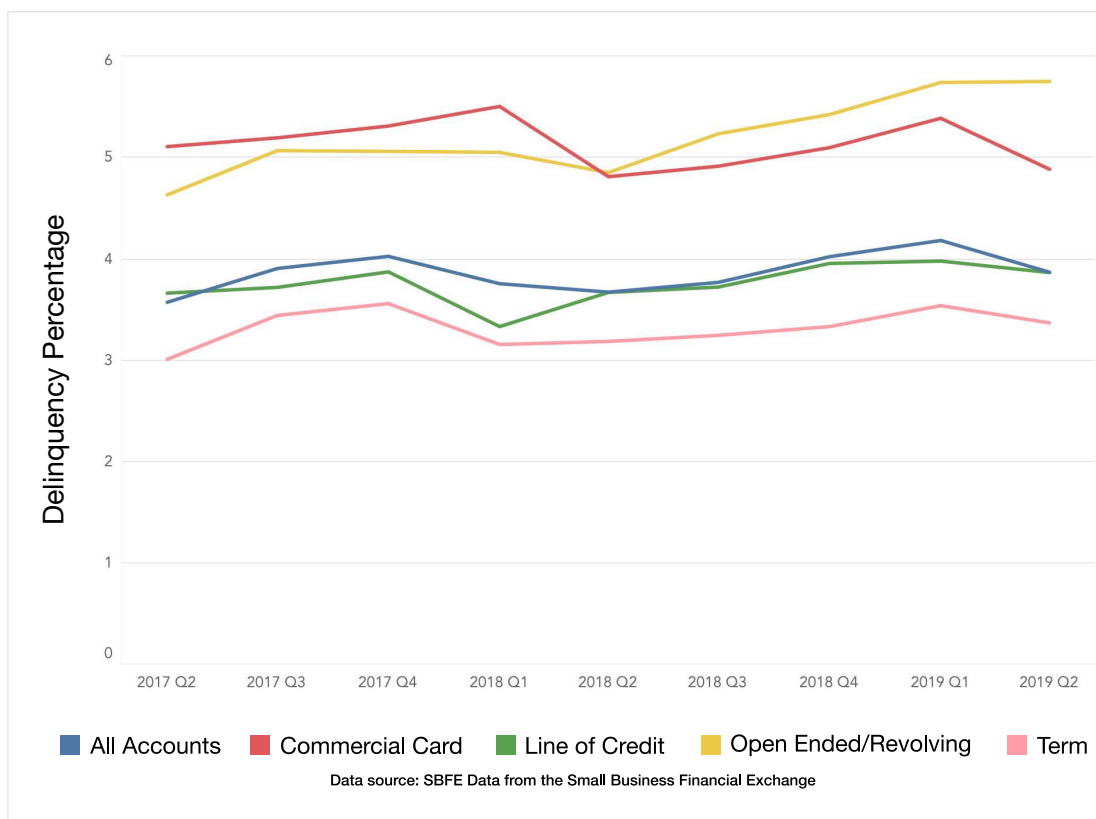
## Methodology

The base of the Small Business Lending Trends is data reported to the Small Business Financial Exchange™ (SBFE®). The SBFE Data™ include 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



After eclipsing a two year high last quarter, delinquency behaved in a similar fashion to Q2 of 2018 with a slight dip attributed in large part to credit card delinquency. This interrupted the consistent trend over the previous three quarters, which illustrated varying but consistent increases in delinquency percentages. Additionally, we have observed the following:

- Card delinquency has behaved in very similar fashion over the analyzed time-frame and shows higher patterns of cyclicity than other account types.
- Accounts types over the past year have aligned directionally, with the one outlier being open ended/revolving in the most recent quarter, which shows a minimal increase of .01%.
- Looking at all accounts, Q2 2019 has increased year over year, coming in at higher levels than both Q2 2017 and Q2 2018.

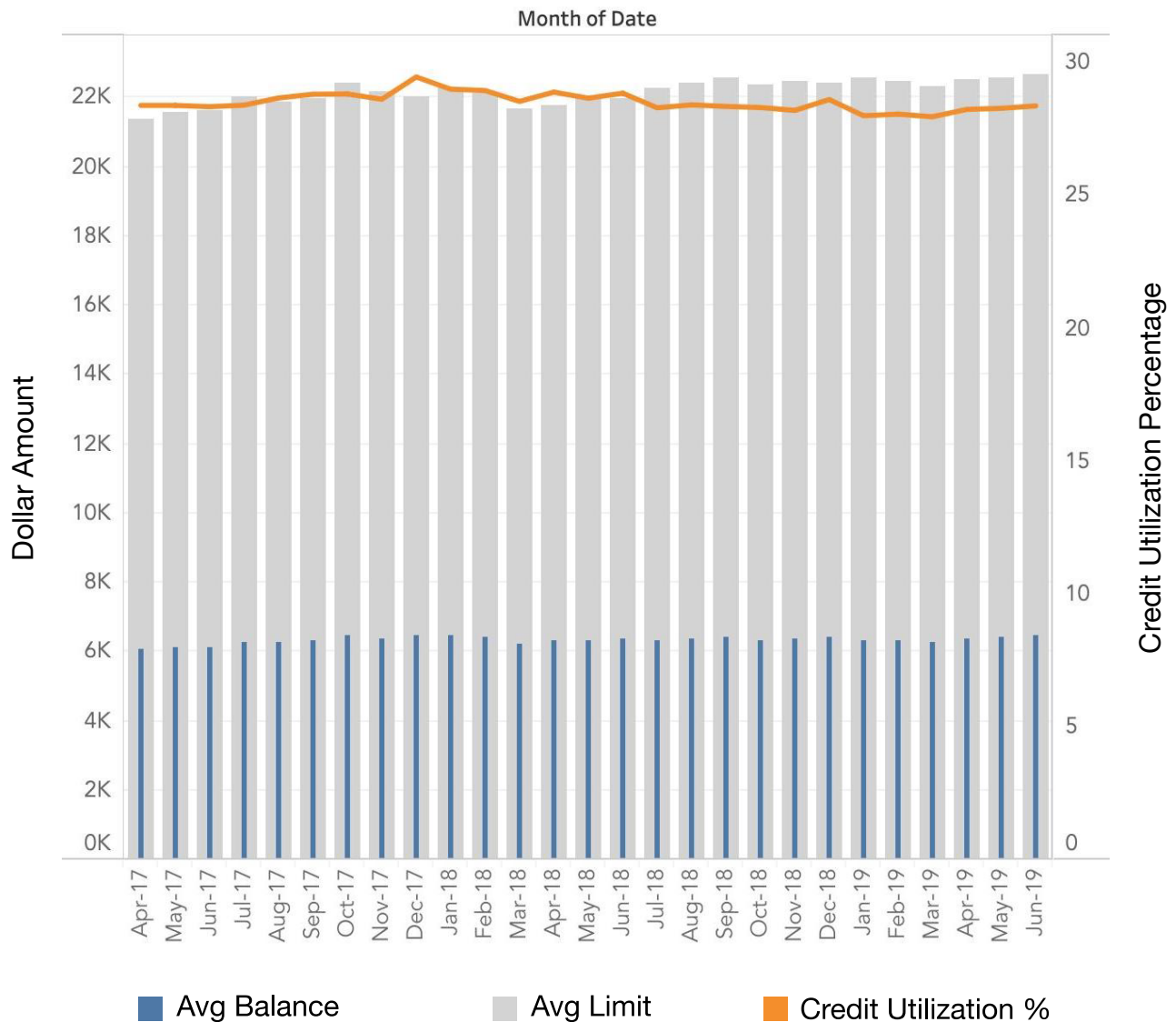
*Methodology: Calculated using the total outstanding balances of all open accounts 30 days or more past due divided by the total outstanding balances of all open accounts reported. Delinquencies are calculated monthly then averaged quarterly. Delinquency trends also include delinquent accounts in a non-accrual status in order to provide an accurate reflection of all 30+ day delinquent activity and provide insight into the health of small businesses*

<sup>(1)</sup> Lines of credit and term loans are more likely to be secured by collateral and a business may prioritize payment of these obligations over unsecured products



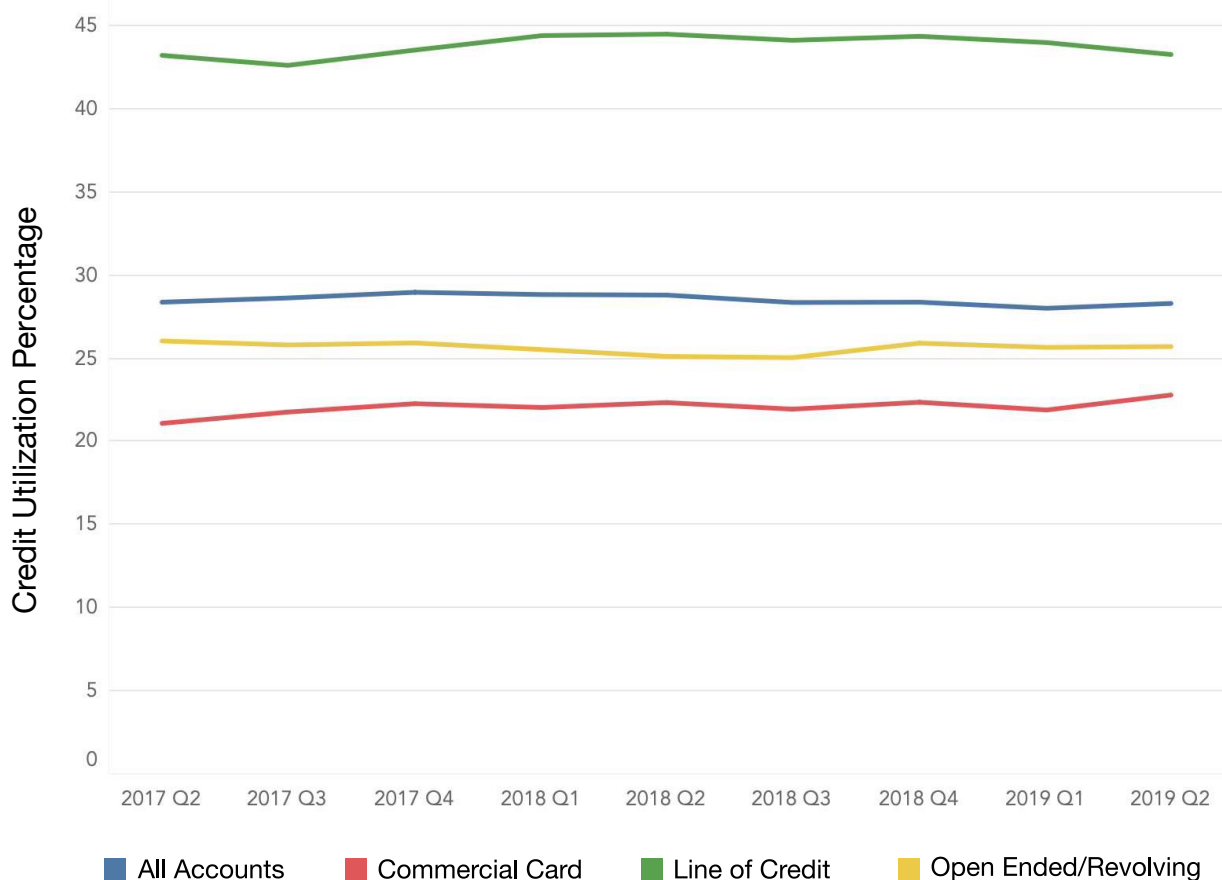
## UTILIZATION

### 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

Revolving accounts are often leveraged to fund short term credit needs and historically provide insight into small business credit activity.

The three relevant data points associated with revolving accounts are credit limit, balance, and credit utilization. These trends have been fairly consistent over the analyzed time frame although we see some slight increases in the credit card space in the most recent quarter with Line of Credit creeping in the other direction.

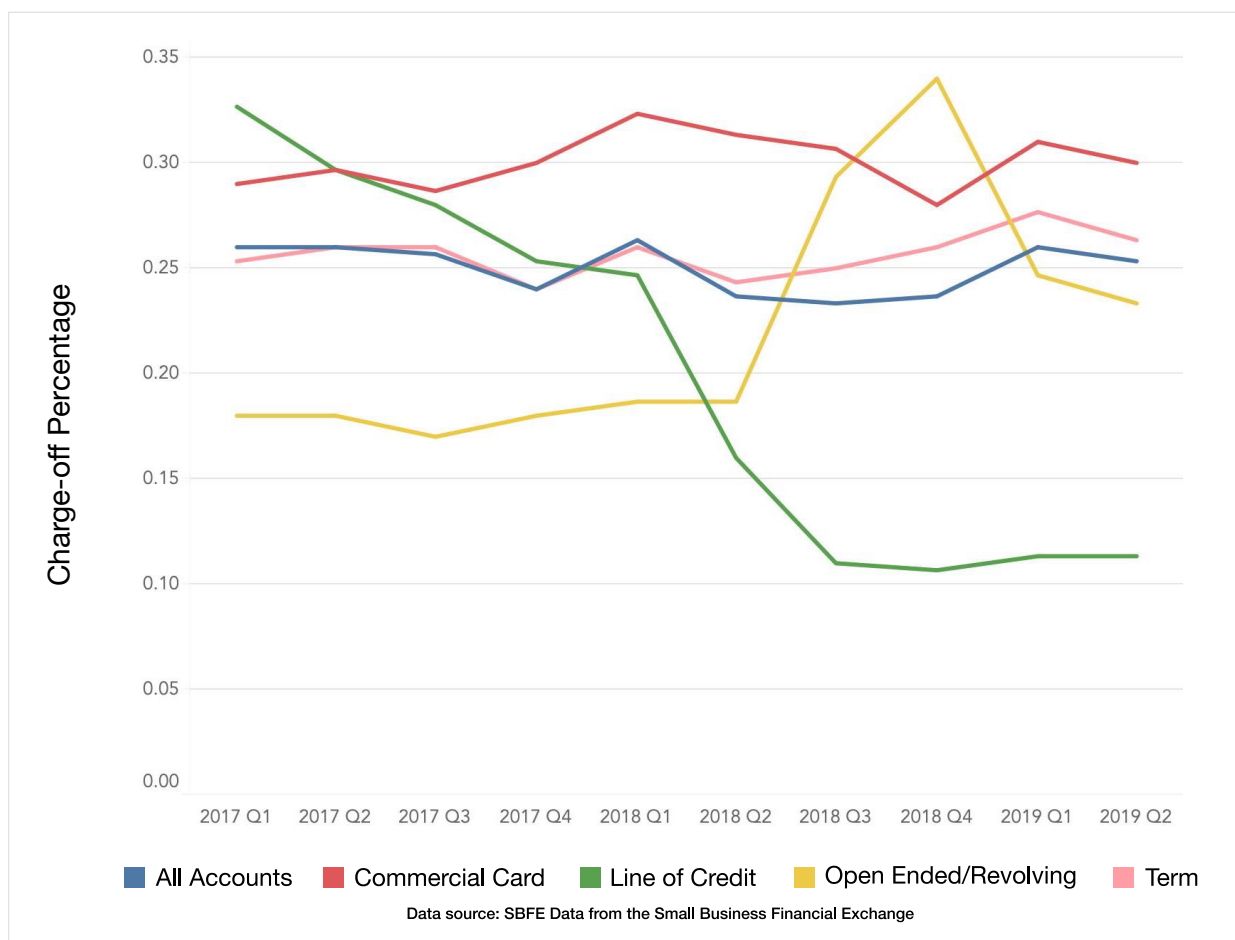
- As a whole, it is worth noting that while utilization has remained consistent, there appears to be both increasing limits and balances. This rings true in the last quarter, as well as over the two year timeframe.
- Utilization has shown a slight "spike" in December of both years.

*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



The most recent quarter shows a slight decrease for a majority of account types, which would mirror delinquency trends for the same quarter. Charge-off activity for the first quarter of 2019 also performed in similar fashion to delinquency trends during the same time period. There seems to be correlation, primarily in the commercial card space, with increasing delinquency along with higher charge-off levels in Q1.

- This is somewhat counterintuitive to expectation, as the life cycle of an account would suggest that delinquency precedes charge-off. The quarterly split encompassing a longer time frame could lead to this type of result with both actions falling within the same time period.
- All accounts line is fairly consistent across analyzed timeframe, with slight increases in Q1 of each year followed by a decline in the following quarter.
- Q2 2019 shows very similar actions across all account types.

*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.*

*Note: Figures are not calculated on an annualized basis.*



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## CONTACT US

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The Small Business Financial Exchange, familiarly known as SBFE®, is a not for profit 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.



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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.