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# SMALL BUSINESS LENDING TRENDS

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1st Quarter, 2021



## Overall Observations

Over the past 12+ months, starting late in Q1 2020, there have been significant changes in small businesses' need for funding and how they have been able to satisfy those needs. These factors resulting from impacts of the COVID pandemic, uncertain economic conditions, and various financial assistance programs caused credit trends to change during the last 3 quarters of 2020. The changes in both direction and scale would not have been expected based on trends in periods prior to the pandemic.

In Q1 2021, while there are similar trends when compared to late Q2-early Q3 2020 for both delinquency and credit utilization, the slope of change slowed considerably. This corresponds with the liquidity infusion provided by the Paycheck Protection Program (PPP) and other assistance programs during 2020. The positive impact from these programs on small business payment performance trends continued in early 2021. Any influence from the second wave of PPP funding was not apparent by the end of the first quarter.

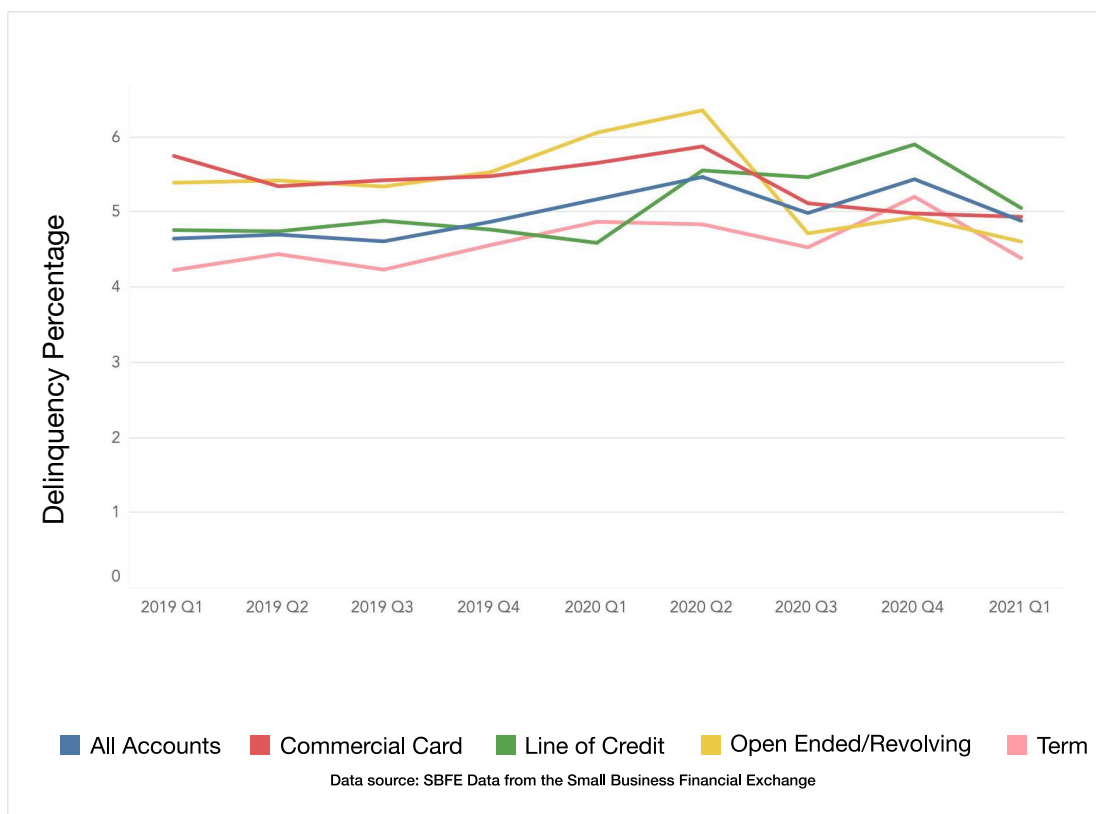
## Methodology

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 that delinquency decreased for every account type in Q1 2021, after an increase in Q4 2020. A significant factor, we believe, was round two of PPP becoming available.
- Q3 2020 and Q1 2021 display similar movement patterns, likely due to liquidity infusion mentioned above.
- 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.

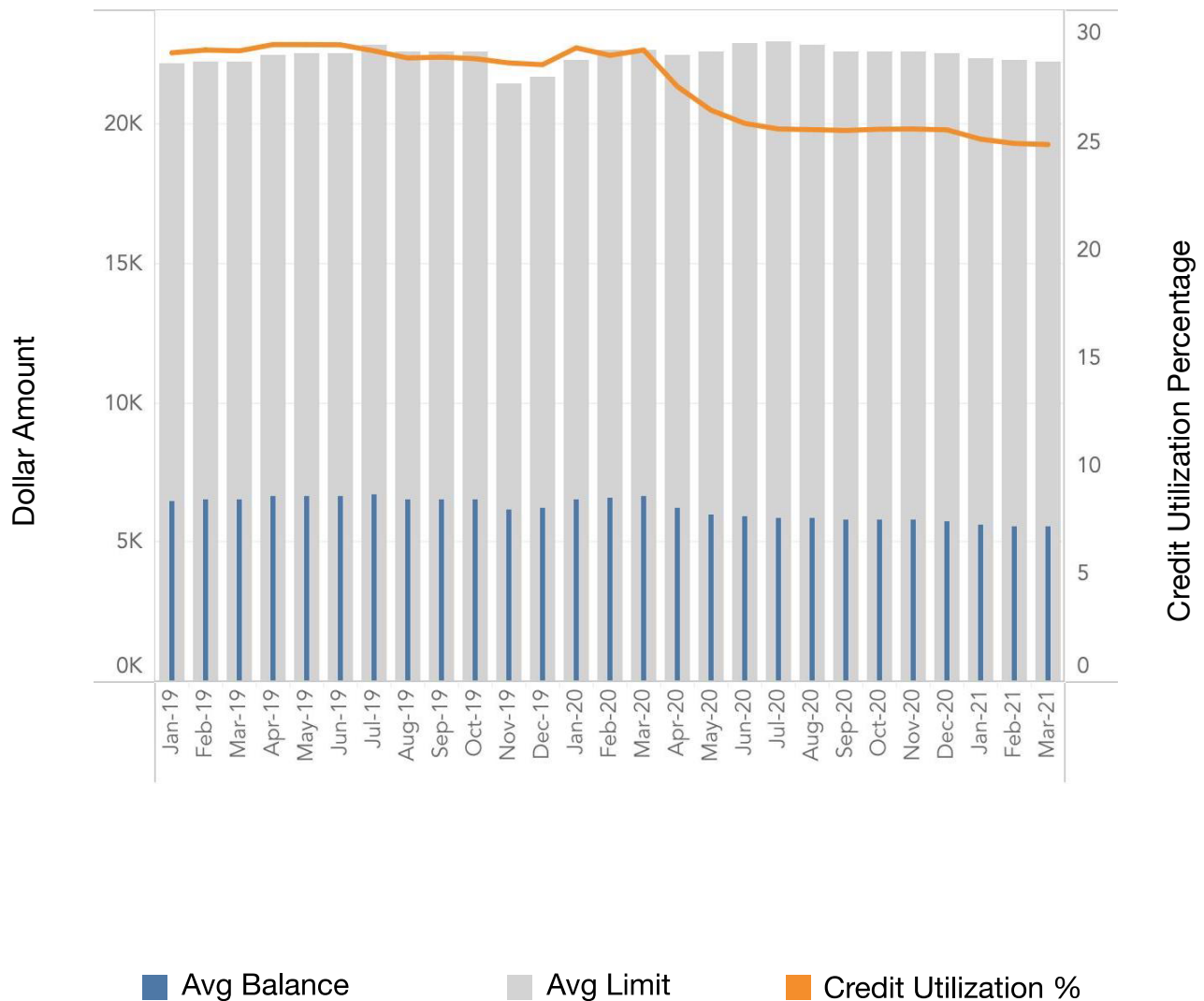
#### Methodology:

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.



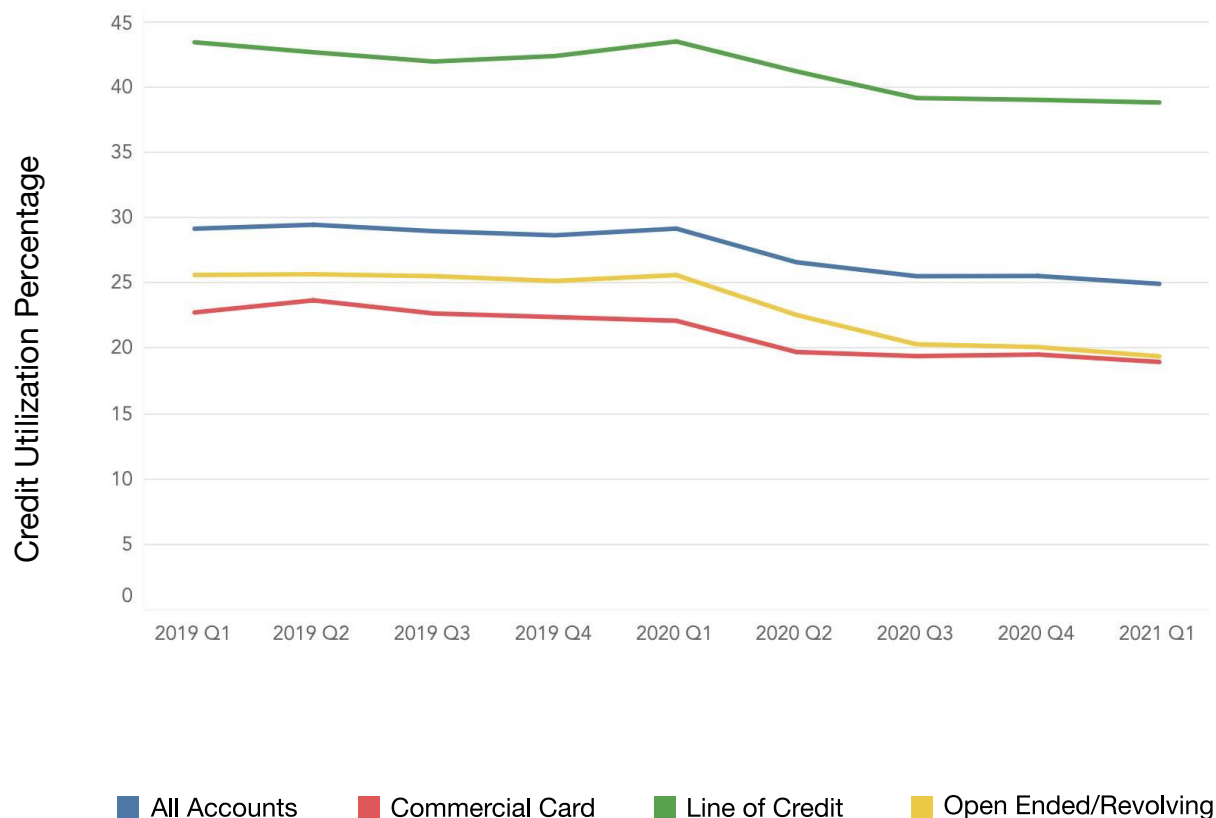
## UTILIZATION

### 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 percentage declined slightly from Q4 2020 to Q1 2021 after the fairly significant slide in the first half of 2020.
- Utilization rates remain at a three-year low.
- We will be paying particular attention to these metrics in 2021 as effects of the pandemic and financial assistance begin to change and small businesses begin to shift back towards normal operation.

### **Methodology:**

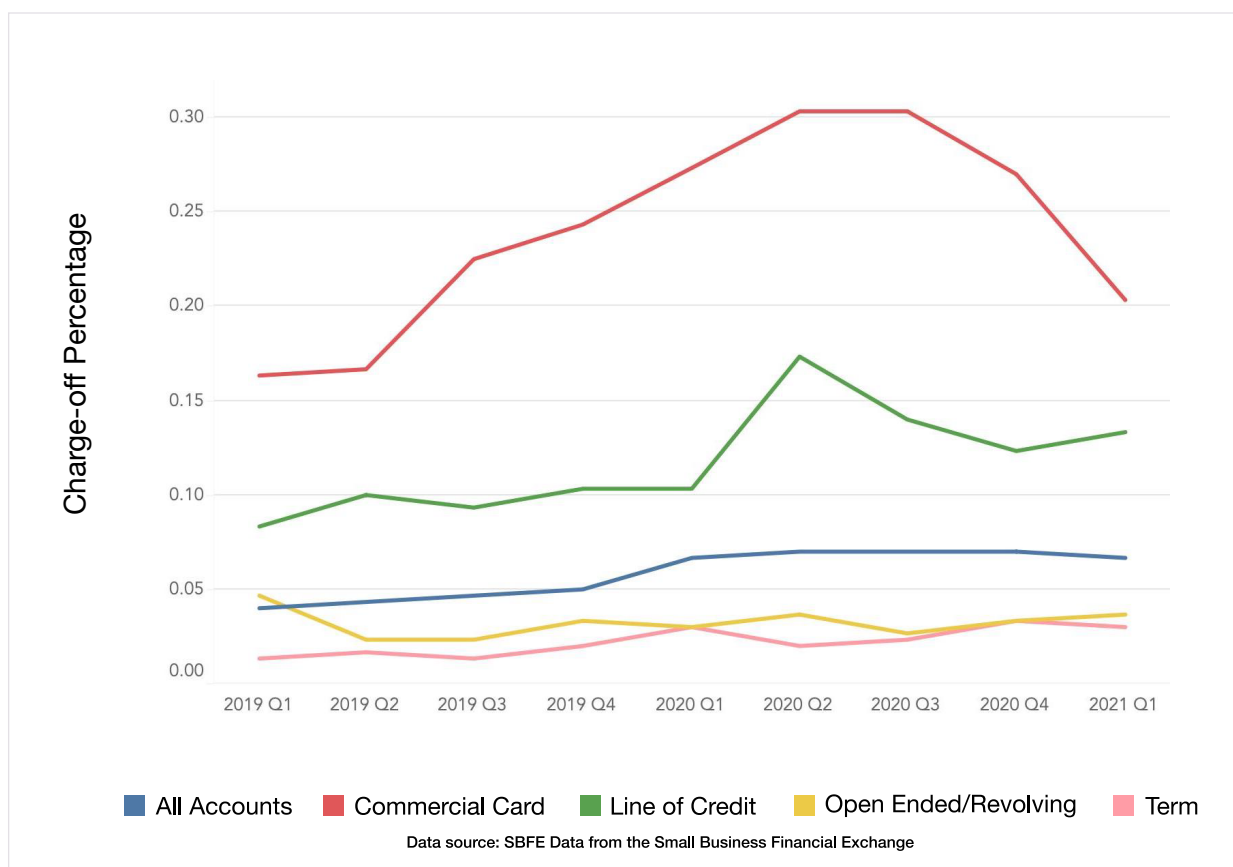
*Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.*

*Utilization is calculated monthly then averaged quarterly.*



## CHARGE OFF

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



- Charge-off rates declined slightly in Q1 2021, driven by a sizeable decrease for commercial cards.
- There was minimal change for secured account types during Q1.
- Q1 remains consistent with 2020 charge-off figures, which is above 2019 levels.

#### **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.