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# SMALL BUSINESS LENDING TRENDS

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1st Quarter, 2020



## Overall Observations

All metrics indicated more movement than previous periods as small businesses began to feel the effect of COVID-19 late in Q1 2020. Delinquency and utilization in particular were stressed which we suspect was due to short term business closures affecting many regions/industries. As the small business community continues in this period of uncertainty, Q2 should provide valuable insight on expectations for how rapid a rebound may be, or if the current climate will be more prolonged.

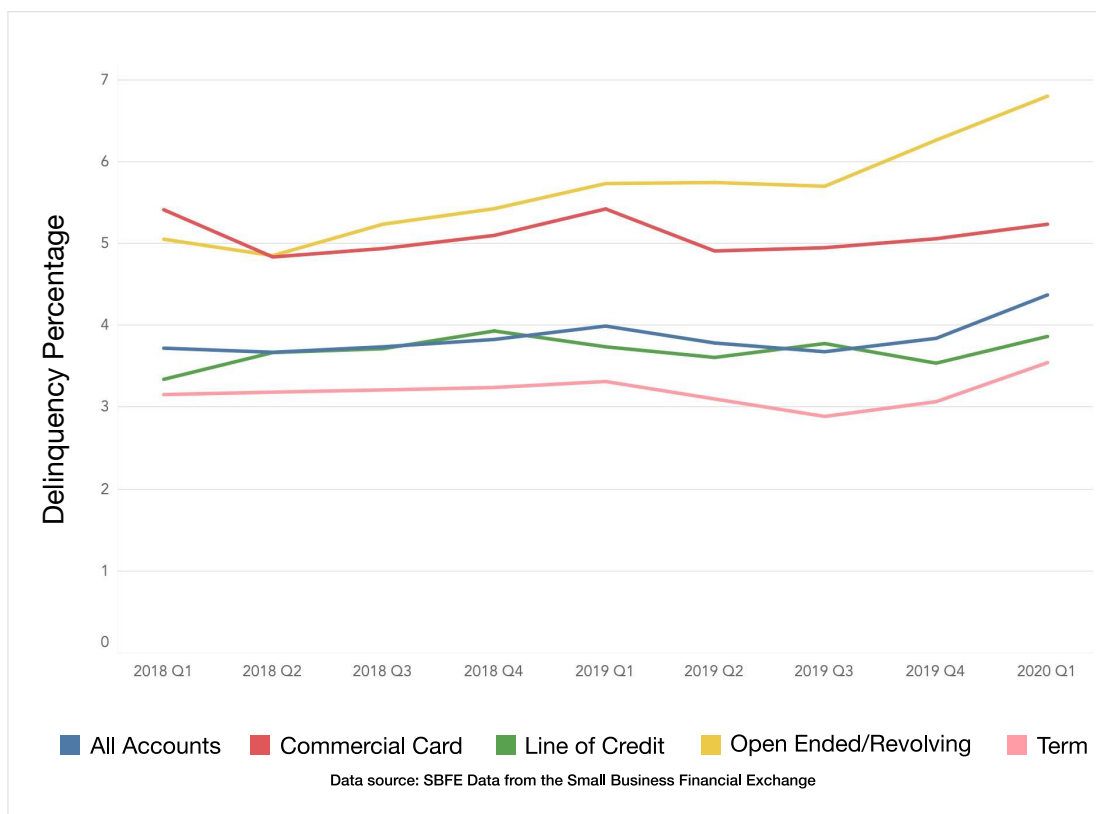
## Methodology

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 increased for each account type in Q1 2020.
- Q1 2020 is the high point during the analyzed period.
- Q1 has historically reported higher delinquency levels than the preceding and following quarter. This trend may not continue in 2020 as external factors will play a larger role than previous periods.

#### Methodology:

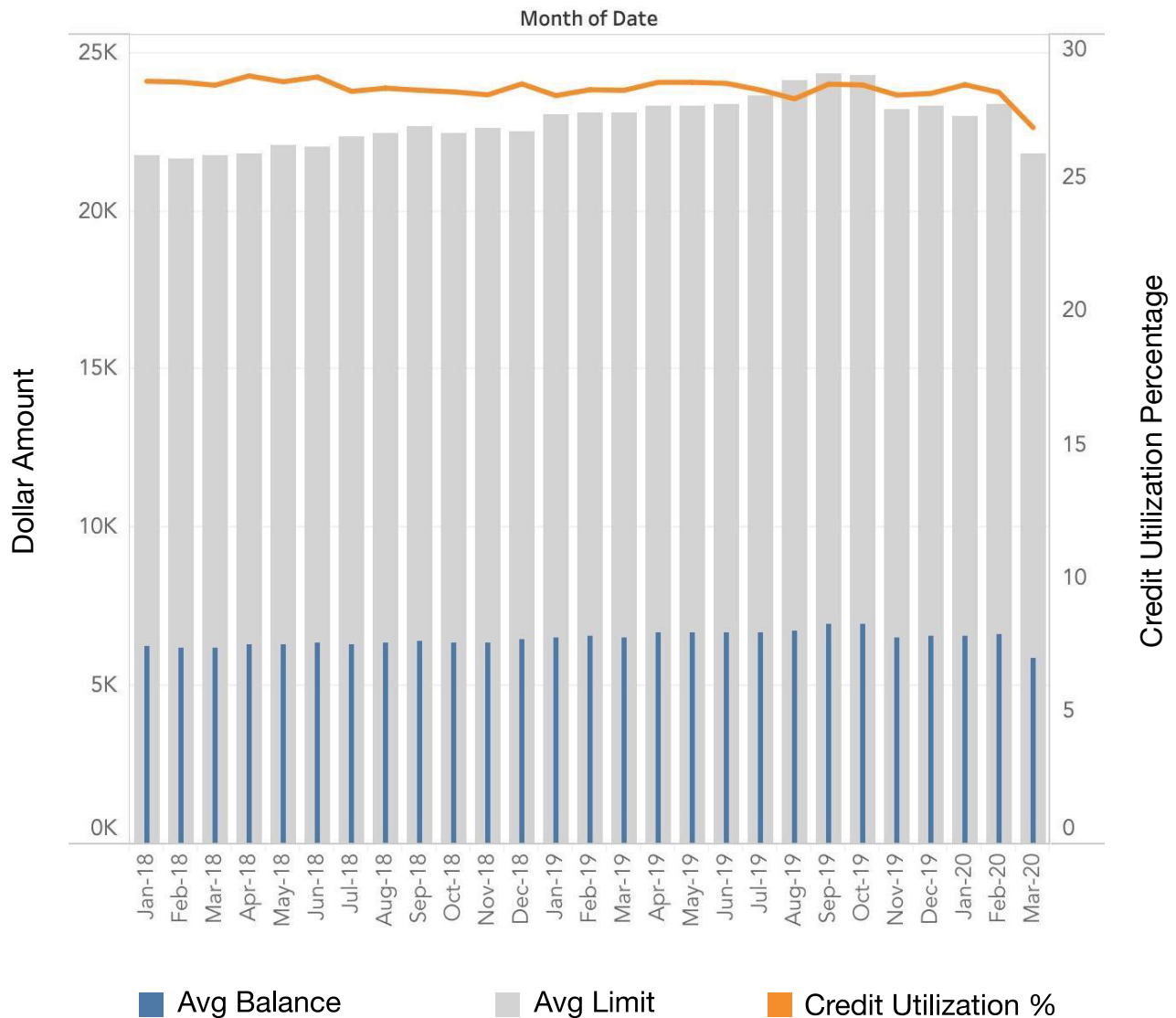
Calculated using the total outstanding balances of all open accounts 30 days or more past due divided by the total outstanding balances of all open accounts reported. Delinquencies are calculated monthly then averaged quarterly. Delinquency trends also include delinquent accounts in a non-accrual status 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.



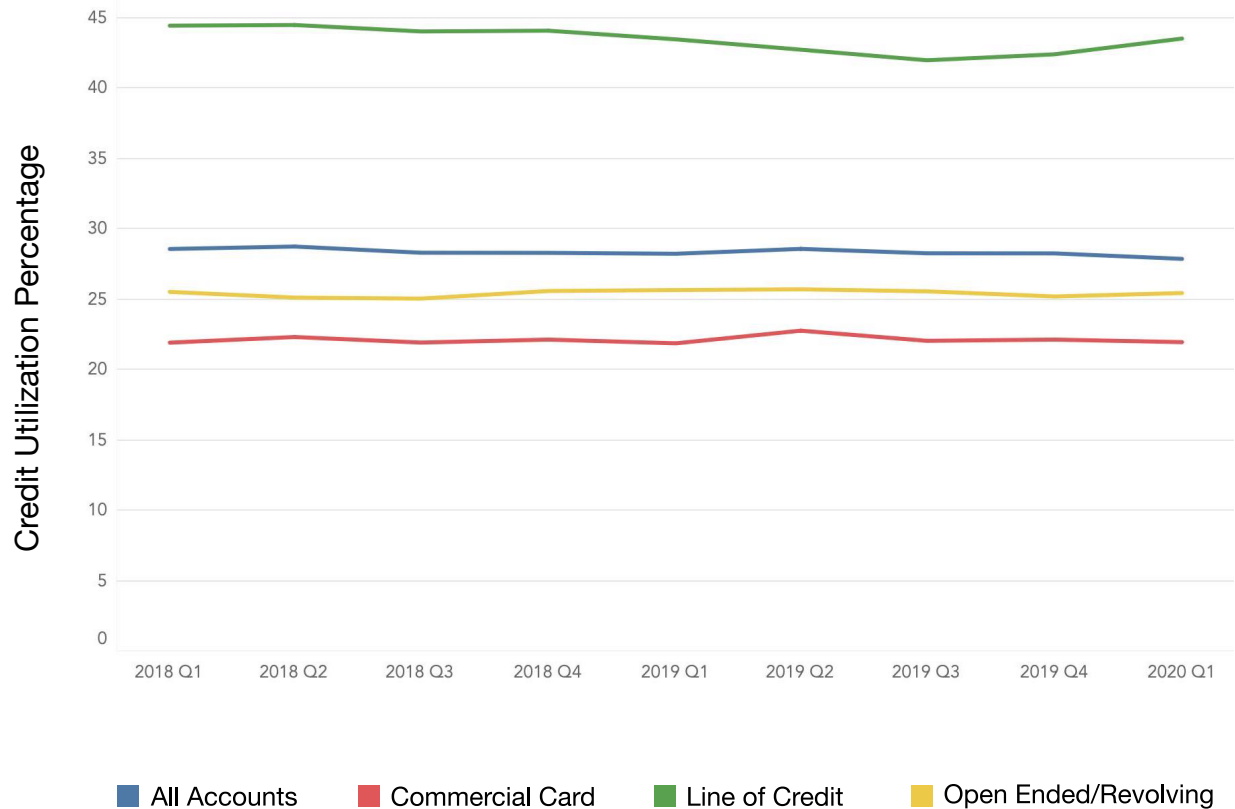
## UTILIZATION

### 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

- The three relevant data points associated with revolving accounts are credit limit, balance, and credit utilization.
- Limits and balances both continued to decline with balances falling more rapidly than limits leading to declining utilization.
- Limits and balances are at their lowest reported levels for the analyzed period, as use of revolving facilities by small businesses declined. The impact of the COVID-19 pandemic and ensuing financial crisis can be seen in the latter portion of Q1. The trends for the remainder of 2020 are difficult to forecast due to these external factors.

### **Methodology:**

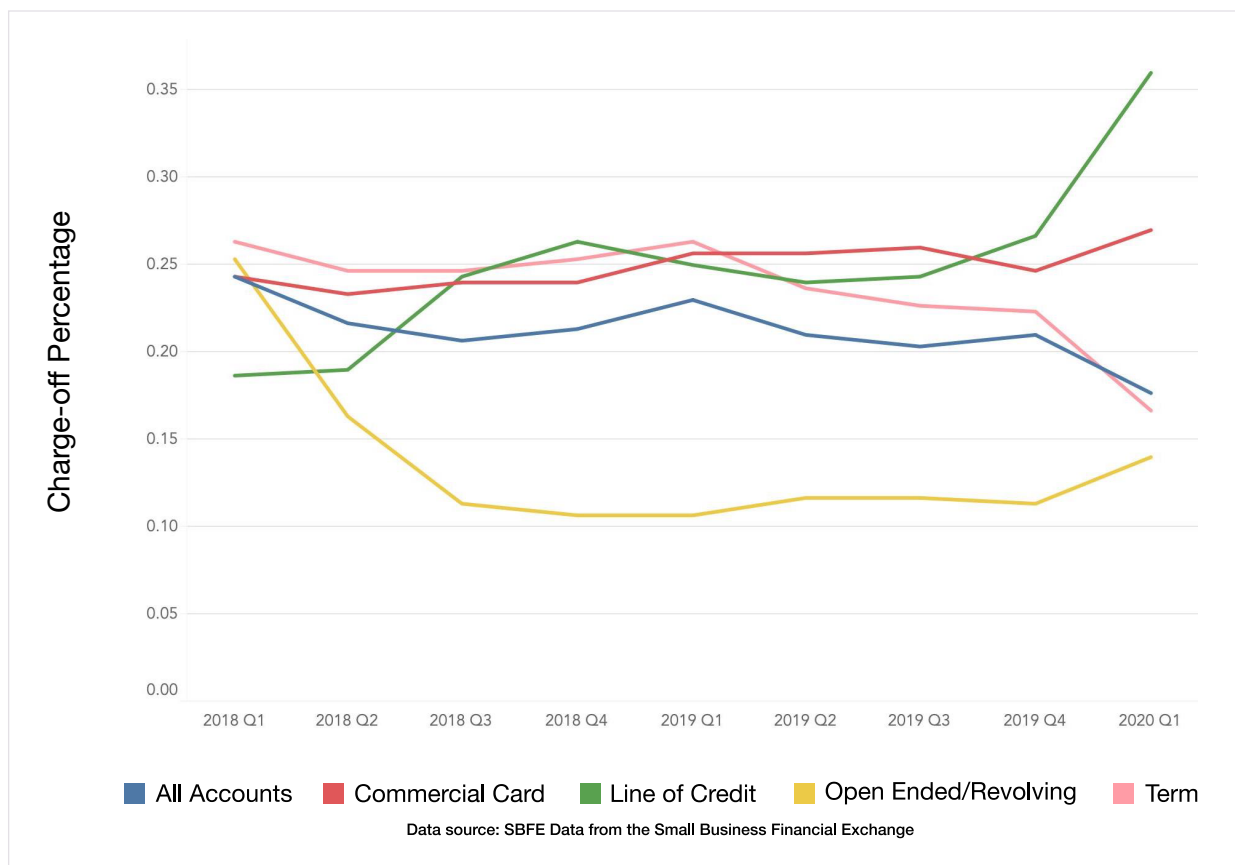
*Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.*

*Utilization is calculated monthly then averaged quarterly.*



## CHARGE OFF

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



- Q1 2020 saw an increase over typical charge-off rates for all account types that extend “open” credit.
- Charge-off percentage for the term loans dipped in the opposing direction, possibly due to collateral structure and/or these loans being the first payment priority for the small business.
- Overall charge-offs declined due to term loans representing the largest account subset, dollar-wise.

#### 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.