



---

# SMALL BUSINESS LENDING TRENDS

---

4rd Quarter, 2019



---

## Overall Observations

Delinquency and charge-off metrics have remained consistent over the reported 24 month period. However, we have seen noticeable movement with the utilization metrics, specifically decreasing limits and balances. This may signal some tightening by lenders and small business borrowers. This change will need some additional time of observation to determine if a trend is forming or if this was a temporary movement.

---

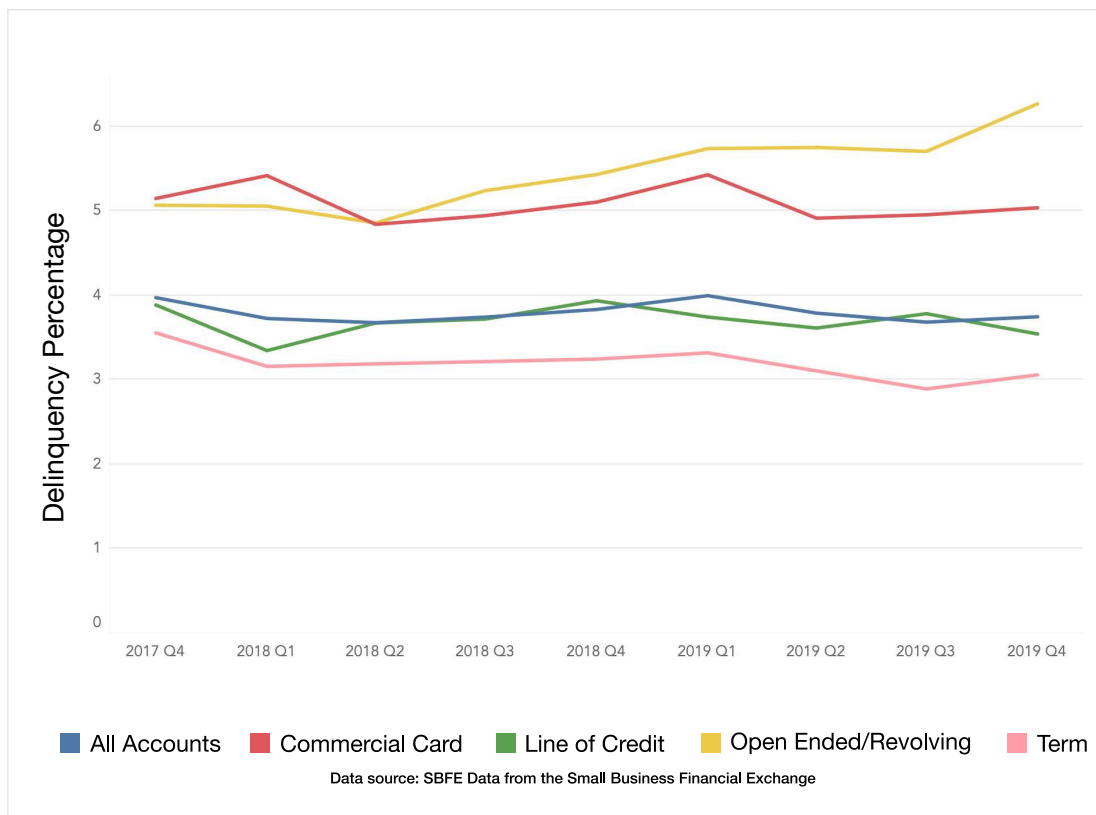
## Methodology

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



Delinquency trend during the 4th quarter indicates a slight uptick in most account types, not unexpectedly, as term delinquency increased from its two year low the previous quarter.

- Term is the largest driver of delinquency as it encompasses the most dollars. This leads to “all accounts” following term more closely than other account types.
- SBFE organizations have reported a steady increase in open-ended revolving for an 18-month period.
- Card delinquency continues to behave in very similar fashion over the analyzed timeframe and shows higher patterns of cyclical when compared to other account types. It has peaked in Q1 in each of previous 3 years.

#### **Methodology:**

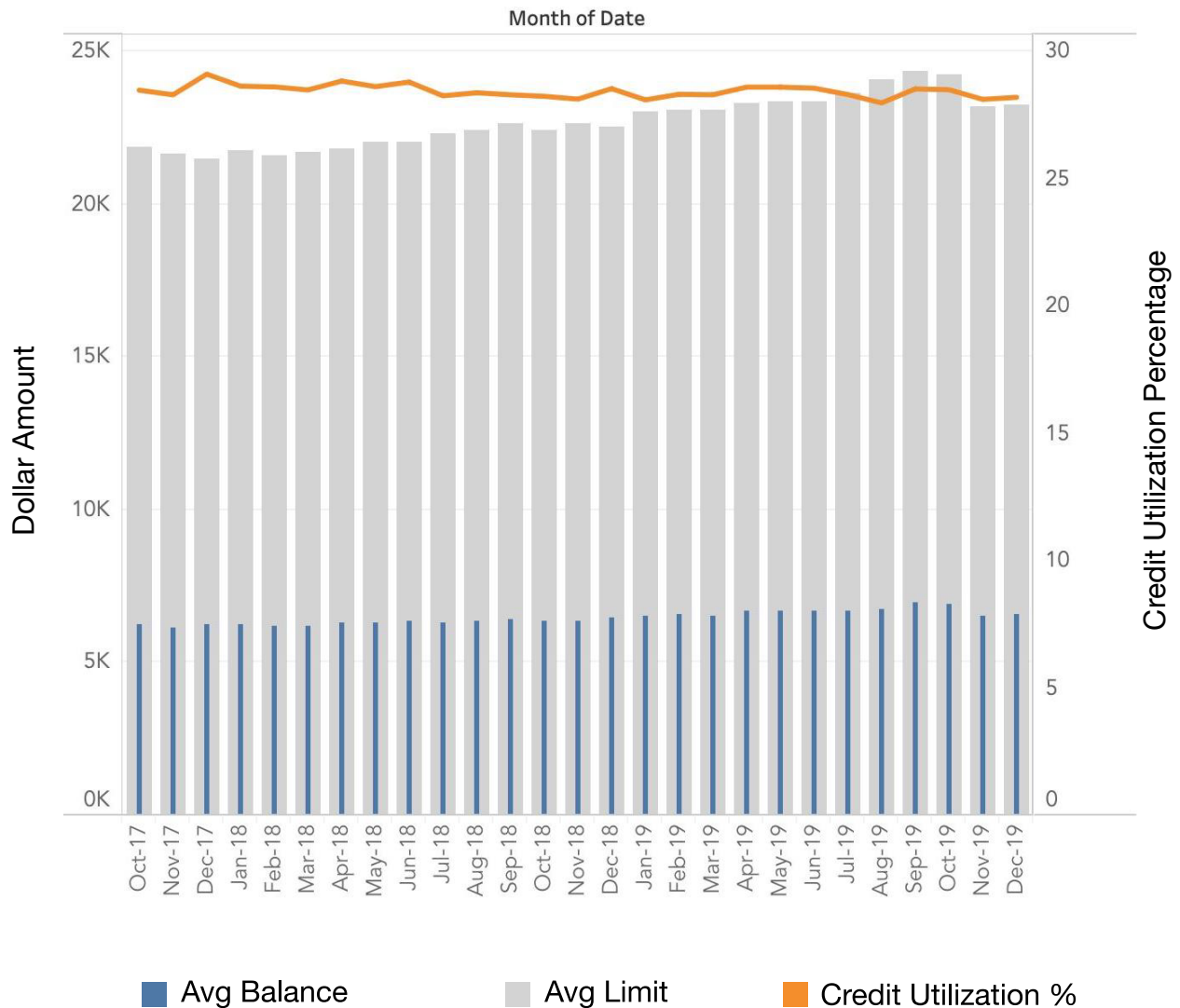
Calculated using the total outstanding balances of all open accounts 30 days or more past due divided by the total outstanding balances of all open accounts reported. Delinquencies are calculated monthly then averaged quarterly. Delinquency trends also include delinquent accounts in a non-accrual status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



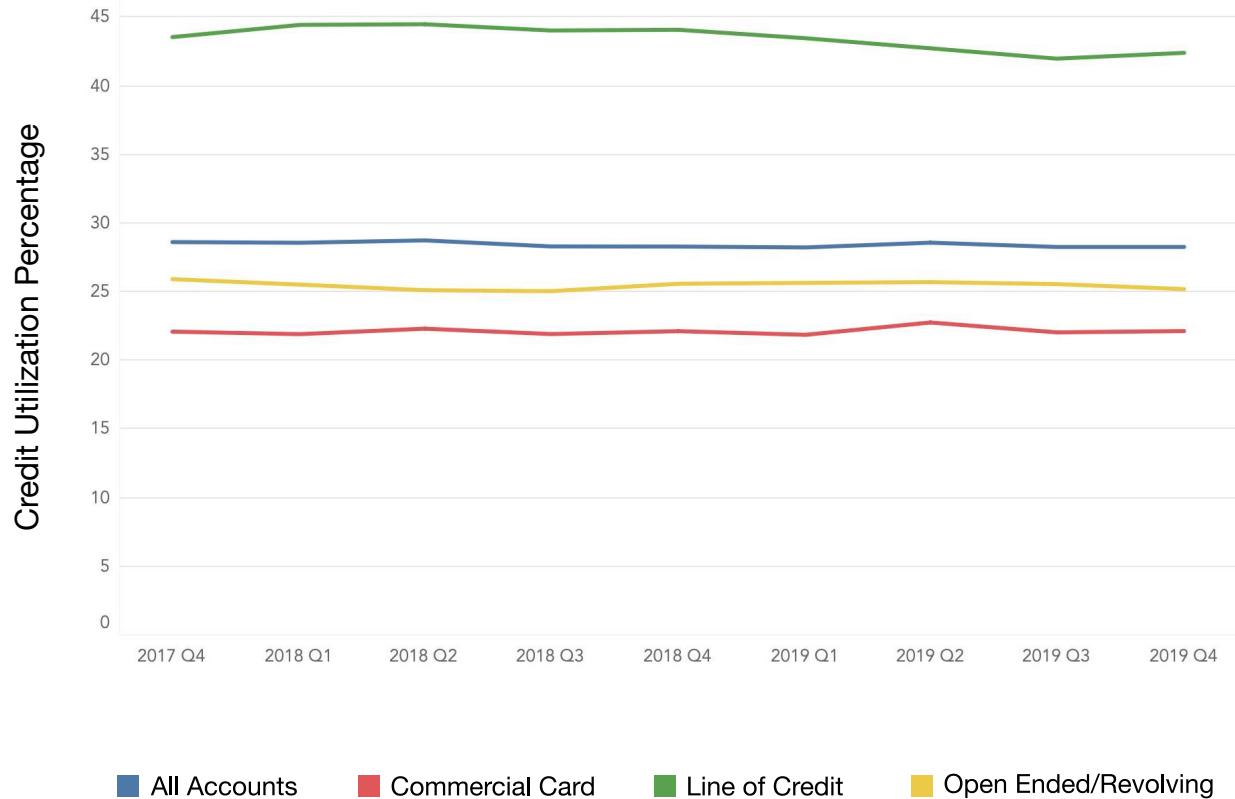
## UTILIZATION

### 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. After many consecutive months of both limits and balance trending upward, both metrics reversed course in the most recent quarter with utilization adjusting down slightly as balances fell at a greater rate.

- Utilization as a whole has remained fairly consistent over last two years as the fluctuations in limit and balance were adjusting at a similar rate.
- “All accounts” has reported the same utilization in Q3/Q4 2019.

### **Methodology:**

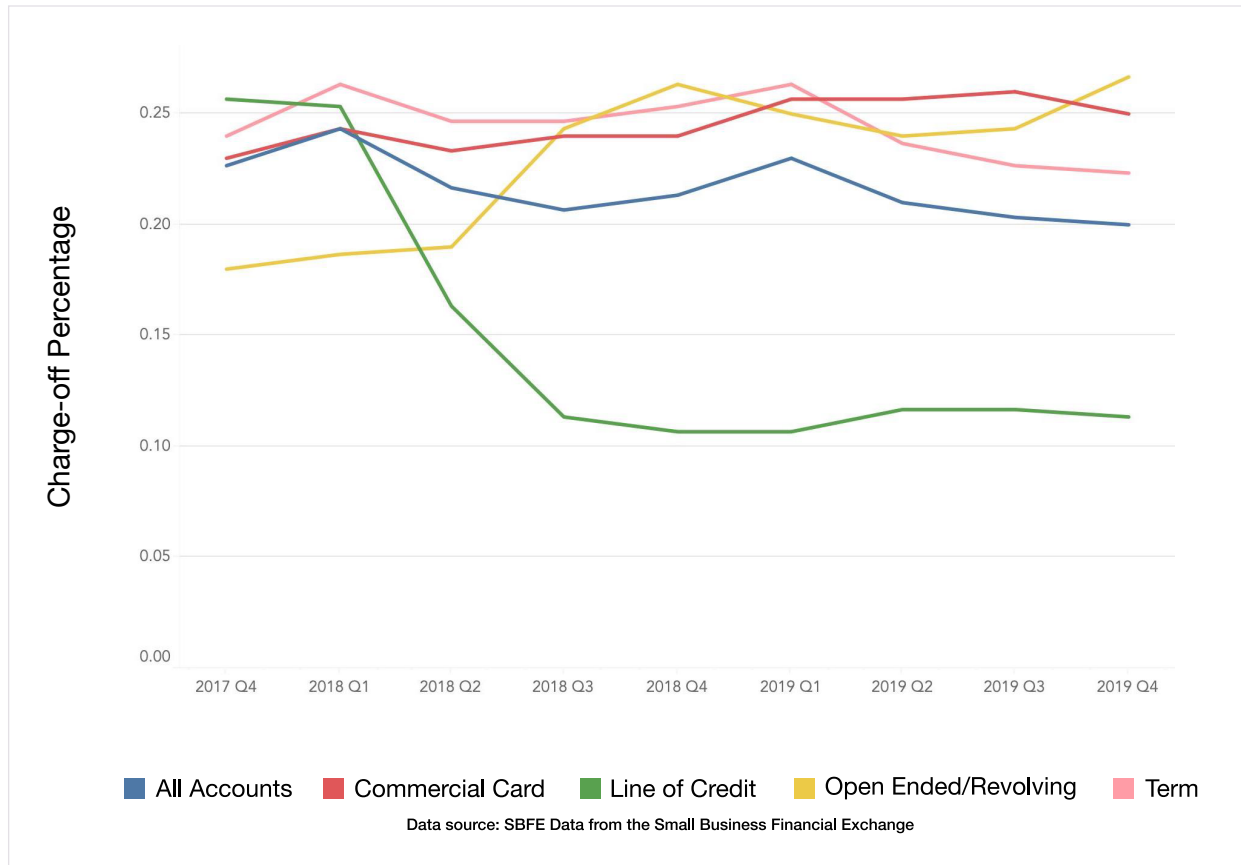
*Calculated using the outstanding balance of revolving account types divided by the credit limit for those accounts.*

*Utilization is calculated monthly then averaged quarterly.*



## CHARGE OFF

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



Charge-offs typically follow similar trends as delinquencies with a short lag in comparison. Due to this being structured as a quarterly view, that lag period can be captured within the same quarter or early in the following quarter.

- Q4 2019 shows very similar movement across all account types with open-ended revolving being a slight outlier with a minimal increase in charge-off rate
- There seems to be correlation, with higher than normal delinquency in Q1, with higher charge-off levels also falling within Q1. This is seen in both 2018 and 2019.

**Note: The commercial card values have changed since the previous quarter with some contributors making enhancements to their submissions to provide more accurate views of charge-offs. Due to this, the commercial card line and all accounts line (due to the impact of the change in commercial card values) has been restated for previous time periods.**

#### Methodology:

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

---



[info@sbfe.org](mailto:info@sbfe.org)

[www.sbfe.org](http://www.sbfe.org)

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.



[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.