



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

U.S. Small Business Lending Signals Increased Optimism March, 2014

Small Business Economy Returning to Long-term Investments

(CHICAGO, IL — April 30, 2014) —The latest data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which has proven to be a leading indicator of GDP between 2-5 months, shows small business investment activity continues to grow at a faster pace. The SBLI registered 115 in March, 2014, an 18% increase over the same month last year. The Index increased 3% compared to February which was revised slightly from 110.5 to 111.6. This most recent release signals increased optimism among small businesses.

“The quarterly trend line for small business credit improved to 9% from a 7% rate last year. Small businesses see a need to take on more credit to expand property, plant and equipment projects. These cautious businesses are shifting into growth optimism. They seem to be more confident as a result of the demand for their increased production, which bodes well for the economy” states William Phelan, president of PayNet, Inc.

Credit risk continues to remain stable, even with a slight jump in past dues. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) which measures loans more than 30 but less than 91 days past due increased 1 basis point to 1.19% in March 2014 compared to February, 2014 which was revised from 1.19% to 1.18%. Compared to one year ago, delinquency is still down from 1.27% in March 2013.

This latest report indicates the maturing growth stage of this business cycle, as credit standards ease for borrowers. PayNet predicts credit costs will rise slightly as defaults increase from a historical low of 1.4% in 2013 to a projected 1.7% in 2014. With higher credit costs and pricing pressure, lending profits will feel a slight squeeze this year.

“The key is to watch for the next phase of the business credit cycle. As borrowers and lenders become more confident, it becomes easier to lose sight of risks. Over time, default can revert back to more normal levels of 2.5 – 3.0% for small business credit which is higher than the current 1-2%,” said Phelan.

About

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to achieve optimal risk management, growth and operational efficiencies. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 22 Million contracts worth over \$1.2 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time marketing intelligence and predictive information that subscribing lenders use to make informed small business financial decisions and improve their business strategy. For more information visit paynetonline.com.

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Thomson Reuters/PayNet Small Business Lending Index (SBLI)

The Small Business Lending Index (SBLI) is based on new commercial loan and lease originations by major U.S. lenders in PayNet’s proprietary database. This index measures the volume of loans to small businesses normalized to January 2005. Small businesses generally respond to changes in economic conditions more rapidly than do larger businesses, so this statistic is a leading indicator of the economy and predicts changes in GDP between 2-5 months.

Thomson Reuters/PayNet’s Small Business Delinquency Index (SBDI)

The Small Business Delinquency Index (SBDI) measures the financial stress of small businesses with \$1mm or less in credit outstanding.

Press Contact:

Jamie Born, Senior Director, Communications, PayNet, Inc.
847-853-6117
jborn@paynetonline.com