



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

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U.S. Small Business Investment Stall Continues *Political & Policy Issues Drive Uncertainty*

(November 1, 2016) —The September 2016 data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, decreased to 128.9 in September from 132.8 in August.

Compared to the September 2015, the SBLI is down 7%, the fourth consecutive month of year-over-year decreases and seventh in the last 12.

“Investment has remained muted as the election cycle unfolds and U.S. small businesses wait to see the results,” notes William Phelan, president of PayNet. “This still appears to be a lull in economic growth rather than a sea change.”

Industries in general are trending more negative signaling more slowdown ahead. Agriculture (-15.4%), Transportation (-12.5%), Mining (-9.4%), and Accommodation & Food (-7.7%) lead the decliners.

Financial health remains strong because small businesses are not investing or taking risks. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) remained flat at 1.32%. This is no change from the prior month and only 13 basis points above last year's past dues. Delinquencies rose moderately in Transportation (+1 bps) and Retail (+2 bps) while declining in Agriculture -3 bps) and Healthcare (-3 bps).

“With the election and open policy issues impacting small businesses’ investment decisions, they are clearly hunkering down and reacting with more fear than desire to expand,” Phelan added.

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About

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to manage credit risk, grow earning assets and operate credit at lower cost. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 23 million contracts worth over \$1.4 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 www.paynet.com.

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 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.

PayNet Small Business Default Index (SBDFI)

The PayNet Small Business Default Index (SBDFI) measures small business defaults and signal insolvency across multiple sectors of the economy at the national, state and industry levels. Default is a point-in-time measurement of borrowers that have failed to remain current and as such is a vital piece of information to assess risk exposure and evaluate the health of the overall economy.