



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

U.S. Small Business Lending Signals Solid 3rd Quarter Growth for GDP

Small Business Investment Signifies Organic Growth

(CHICAGO, IL — September 3, 2014) —The July release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, grew 10% over July 2013. The SBLI increased 7% from 120.0 in June 2014 to 128.5 in July 2014 and now stands close to the 131.7 high point reached in January 2007.

“The July data means GDP growth is off to a good start in the 3rd quarter. Clearly, 10% expansion means more is happening in the small business economy than just replacement of worn out property, plant and equipment,” states William Phelan, president of PayNet. “The inconsistent growth of 2013 and Q1 2014 is turning into solid expansion, which translates into real economic growth.”

The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due increased for the third consecutive month, up from 1.23% in June 2014 to 1.25% in July 2014. Compared to one year ago, delinquency is up 5% for the second consecutive month of year-over-year increases.

All segments (except Transportation) saw month-over-month increases ranging from 1 basis point to 3 basis points. Transportation continues to see all time low levels of delinquency, currently 0.85%.

The SBDI 91-180 days past due remained flat at 0.30% from June 2014 to July 2014. Compared to one year ago, delinquency is up 6%, the third consecutive month of year-over-year increases.

The recent rise in loans past due represents a move to normal risk taking. However, credit risk remains at historic lows providing positive conditions for the rising rate of small business investment. Loan delinquencies today stand approximately 10 basis points lower than 2006 when the SBLI was equivalent to the current value.

“This report means third quarter economic growth will receive a boost from small businesses and lends credence to solid expansion of the U.S. economy at low credit risk,” Phelan noted.

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 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.

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