



TAKING THE RISK OUT OF
SMALL BUSINESS LENDING

U.S. Small Business Lending Investment Continues *Positive Expansion from Food Service, Transportation & Recreation Sectors Fuel GDP*

(NEW YORK, NY — May 5, 2015) —The March data release of the Thomson Reuters/PayNet Small Business Lending Index (SBLI), which is a leading economic indicator of GDP, increased 2% from seasonally adjusted 127.1 in February 2015 to 129.6 in March 2015. Compared to the same month one year ago, the SBLI is up 12%.

GDP surprised us on the low side at 0.2% in the 1st quarter; demand GDP is actually negative because much of the growth was inventories. The Fed calls this “transitory” but the reality is the U.S. economy is stuck in low gear.

“If not for the small business investment, this latest GDP number would have been horrendous for the economy,” states William Phelan, president of PayNet. “Investment by small businesses is a bigger driver of GDP than we thought. A 1% increase in SBLI drives about \$6.8 billion in activity so small business accounted for a big portion of the increase in GDP,” says Mr. Phelan. Those sectors investing more now can expect to experience difficulties to fill job openings. These investments by small businesses will eventually lead to wage gains.

Small businesses are well positioned to invest and expand because financial health remains very good. Default rates of small businesses hit an all-time low in 2014 at 1.0%. PayNet’s forecast for higher default rates is based on greater risk-taking as indicated by a slight rise in loan delinquencies since 2013. The Thomson Reuters/PayNet Small Business Delinquency Index (SBDI) 31-90 days past due decreased 1 bp from 1.26% in February 2015 to 1.25% in March 2015. As compared to one year ago, delinquency is up 5% (6 bps), the tenth consecutive month of year-over-year increases.

Sectors Driving the U.S. Economy

Year-over-Year growth of sectors with all time high borrowing volume in March 2015

- Accommodation and Food Services grew 15.8% from 105.9 to 122.7.
- Transportation/Warehousing grew 26.3% from 93.8 to 118.5.
- Arts/Entertainment/Recreation grew 10% from 143.9 to 158.2.
- US Education grew 4.7% from 117.4 to 122.9.

Geographic Regions Supporting U.S. economy

- PayNet’s Small Business Lending Index (SBLI) increased in 43 of 51 states over the last 12 months
- Florida showed the largest Year Over Year growth of 13% for the 10 largest states
- Texas rolling 12 month SBLI is up 12% from 112.5 to 125.4, in spite of the downturn in energy

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 23 Million contracts worth over \$1.3 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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