



Office of Advocacy News Release

Advocacy: the voice of small business in government

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Credit Scoring Can Increase Access to Credit For Small Business

WASHINGTON, D.C. – The introduction of credit scoring by banks for small business loans may help increase small businesses’ access to credit, according to a study released today by the Office of Advocacy of the U.S. Small Business Administration. The report also found that relationships continue to be the dominant factor in banks’ decisions to lend to small businesses.

“The report documents how the use of credit scoring can lead to risk-based pricing of loans which ‘democratizes’ lending, meaning that riskier loans can now be made to start-ups or small business owners with little credit history,” said Dr. Chad Moutray, Chief Economist for the Office of Advocacy.

Written by Drs. Charles and Adrian Cowan with funding from the Office of Advocacy, *A Survey Based Assessment of Financial Institution Use of Credit Scoring for Small Business Lending*, shows that banks, particularly those in urban areas, are moving towards the use of both owner and business credit scoring as a key metric in the small business loan decision.

For banks that have adopted credit scoring, it appears that there are significant increases in the importance of small business and micro business loans in the total lending portfolio subsequent to the use of credit scoring in the lending decision. Nonetheless, the use of credit scoring is not universal with about 47 percent of banks surveyed using some form of credit scoring for small business lending.

The Office of Advocacy, the “small business watchdog” of the federal government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats, and it funds research into small business issues.

For more information and a complete copy of the report, visit the Office of Advocacy website at www.sba.gov/advo.

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The Office of Advocacy of the U.S. Small Business Administration (SBA) is an independent voice for small business within the federal government. The presidentially appointed Chief Counsel for Advocacy advances the views, concerns, and interests of small business before Congress, the White House, federal agencies, federal courts, and state policy makers. For more information, visit www.sba.gov/advo, or call (202) 205-6533.