2026 U.S. SMB Credit Risk Report:
Improving decision precision

Insights from U.S. financial institutions on the acceleration of SMB lending and evolving credit risk strategies

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Executive summary

Small and midsize business (SMB) lending continues to represent a significant growth opportunity for U.S financial institutions.

Most are expanding their SMB credit and lending businesses, with many increasing their appetite for SMB credit risk and expecting approval rates to rise over the next year. This momentum, however, is unfolding alongside increasing delinquency rates and mounting pressure across the credit risk lifecycle. To support more precise credit risk decisions, many are already using alternative data while planning to increase investments in data, analytics and advanced technologies.

Key takeaways

U.S. financial institutions are leaning into SMB lending

72%

are actively or moderately expanding their SMB credit and lending business.

SMB lending has become a clear strategic growth priority, with most financial institutions reporting revenue growth by at least 5% over the past two years.

SMB lending growth is increasing pressure on credit decisioning

77%

of financial institutions report SMB delinquency rates have increased over the past two years.

Growing loan demand, rising approval rates and increasing delinquency rates point to a more complex lending environment — one where balancing growth with disciplined risk management is crucial.

The next edge comes from decision precision, not more data alone

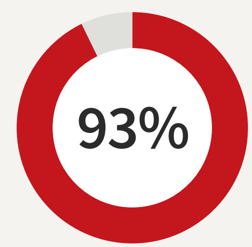
47%

of financial institutions say alternative data has had a major impact on faster credit decisioning.

Alternative data is already delivering measurable positive impact across SMB credit decisioning. Moving forward, the next advantage will come from how effectively lenders connect and activate data, analytics and decisioning capabilities.

Why decision precision matters

As SMB lending expands, the challenge is no longer simply identifying more lending opportunities. It's distinguishing the right opportunities from emerging risks with greater precision. The research suggests improving decision quality will be critical to sustaining profitable growth.



of financial institutions see some missed opportunity in declining creditworthy SMB applicants

Research methodology and survey demographics

LexisNexis® Risk Solutions worked with an independent research firm to conduct a national survey of 125 SMB credit assessment professionals at financial institutions across the U.S. The survey was conducted among organizations actively involved in SMB lending in May 2026.

Respondents were asked for feedback and opinions about current market conditions, SMB credit risk challenges, data and technology adoption and future investment priorities to better understand how financial institutions are approaching SMB credit risk decisioning and the factors shaping future strategies.

Most financial institutions surveyed defined SMBs using a combination of annual revenue (66%), annual loan size or credit exposure (66%) and number of employees (55%). Business segment or internal customer classification (39%) and industry sector (36%) were also used by some of the respondents.

Respondent qualifications

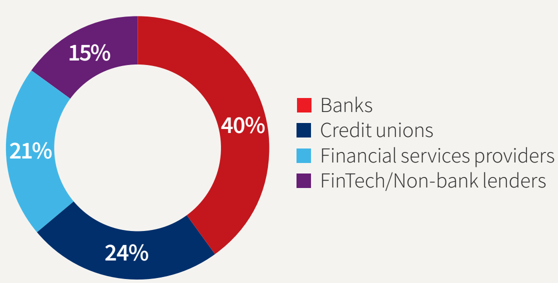
All survey participants had to indicate in a response that SMBs are at least somewhat important to their business and offer at least one credit or lending solution to them in order to participate.

80% offered three or more credit or lending solutions to SMBs, including:

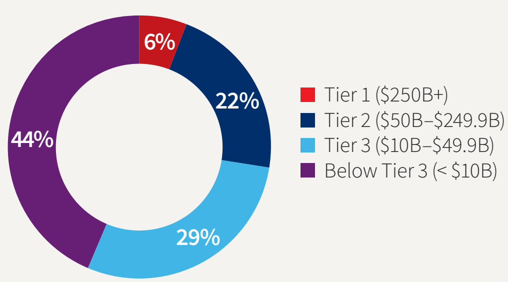
75%	**Small business term loans**
75%	**Small business lines of credit**
75%	**SBA loans or government-backed small business loans**

Respondent snapshot

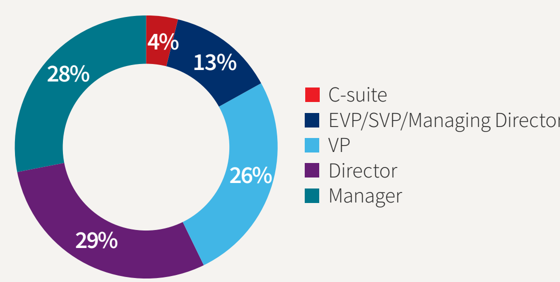
Institution type



Assets Under Management (AUM) tiers



Respondent seniority



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Defining alternative data

For the purposes of this report, **alternative credit data** (sometimes referred to as **alternative data**) is credit decisioning information that extends beyond traditional commercial data, financial statements, tax returns and conventional credit tradelines. It may include cash-flow and bank transaction data, consumer credit information for business owners or guarantors, trade payment history and other operational, behavioral or digital signals.

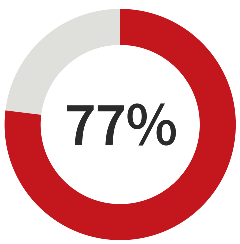
Used alongside traditional credit information, these signals provide a more comprehensive view of a business and its principals, and support more informed credit decisions. Alternative credit data should always be used in accordance with applicable laws, regulations and governance requirements.

SMB lending is firmly positioned for growth

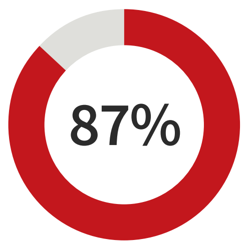
SMB lending is a clear and consistent strategic priority for U.S. financial institutions.

Over the past two years, 71% saw an increase in SMB revenue by at least 5%, while 72% are actively or moderately expanding their SMB credit and lending businesses. Rather than simply responding to stronger market demand, institutions are actively positioning for continued expansion by increasing their appetite for SMB credit risk and are expecting approval rates to rise over the next year.

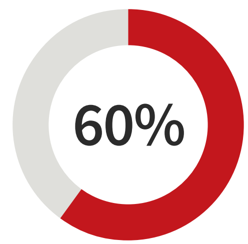
Growth momentum is building across the market



have increased their appetite for SMB credit risk over the past one to two years



report increased SMB loan volume or demand over the past one to two years



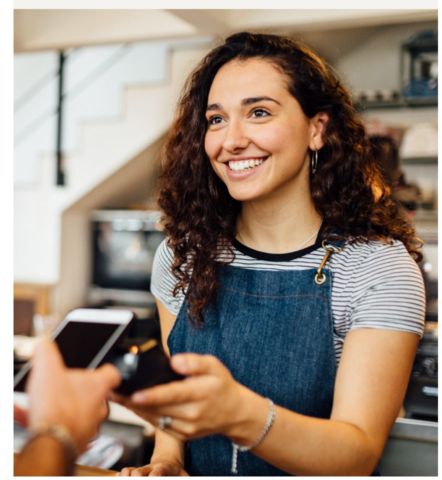
report increased approval rates for SMB credit applications over the past two years

The findings point to sustained expansion rather than isolated growth: institutions are serving greater demand while becoming more willing to extend credit to SMB borrowers.

Approval rates are expected to keep rising

70% expect their SMB credit approval rates to increase over the next 12 months.

No respondents expect approval rates to decline, signaling continued confidence in the SMB lending opportunity.



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Rapid SMB lending growth is creating a more complex credit risk environment

The growth opportunity in SMB lending is bringing greater complexity to credit risk assessment. As financial institutions expand their SMB lending portfolios, they are also navigating a more challenging operating environment. More than three-quarters (77%) report SMB delinquency rates have increased over the past two years, underscoring that growth and risk are increasing in parallel.

The findings also reveal that institutions are experiencing this complexity differently. While 40% report facing three or more **major SMB credit risk assessment challenges**, 45% report facing none, suggesting meaningfully different operating realities across the market. Yet one finding is remarkably consistent: Every SMB credit risk assessment area tested was **rated at least somewhat challenging by 85% or more of respondents**, while major-challenge ratings remained tightly clustered across all areas. Rather than identifying one dominant pain point, these findings point to broad, systemic pressure across the SMB credit decisioning process.

Major challenges: Complete response list

Pressure extends across SMB credit decisioning

Rank	SMB credit risk assessment challenge	Somewhat + major challenge
1	Difficulty accessing real-time or cash-flow-based data	94%
2	Rising fraud and identity risk	92%
3 (tie)	Difficulty monitoring risk across existing SMB portfolios Time and effort required to collect and verify SMB documentation Difficulty assessing newer or smaller businesses	91%
6 (tie)	Limitations of current credit risk models or tools Balancing growth objectives with risk management	90%
8	Incomplete or thin credit files for SMB applicants	89%
9	Limited availability of reliable SMB financial data	88%
10 (tie)	Uncertainty about the reliability and quality of alternative data sources Regulatory or compliance requirements affecting SMB credit decisions	87%
12	Difficulty identifying strong credit risks early in the process	85%

Major challenges

The top reported challenges point to three critical pressure areas

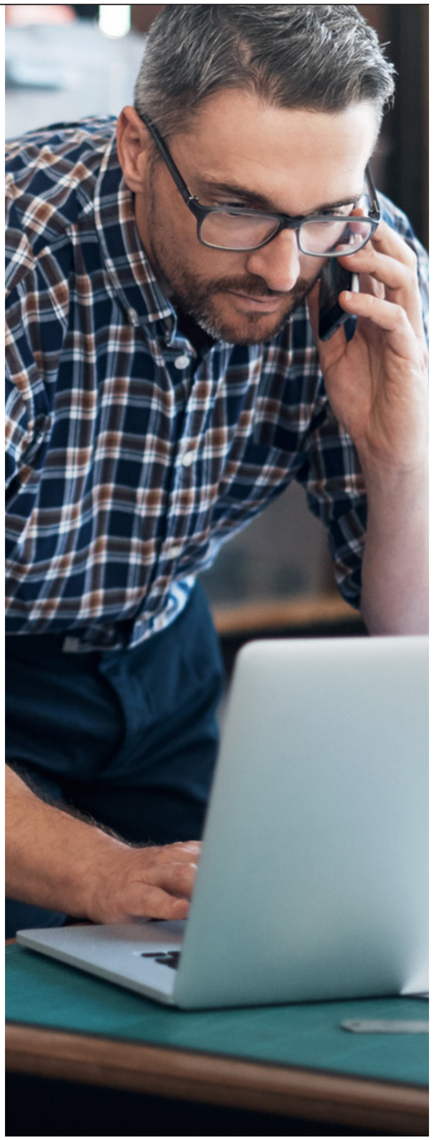
30% Rising fraud and identity risk

30% Difficulty monitoring risk across existing SMB portfolios

30% Incomplete or thin credit files for SMB applicants

These findings suggest that the greatest pressure points are those that most directly affect lenders' ability to more accurately assess, monitor and manage SMB credit risk throughout the lending lifecycle.

Confidence is strongest at origination, but can decline as SMB credit risk evolves or portfolios change

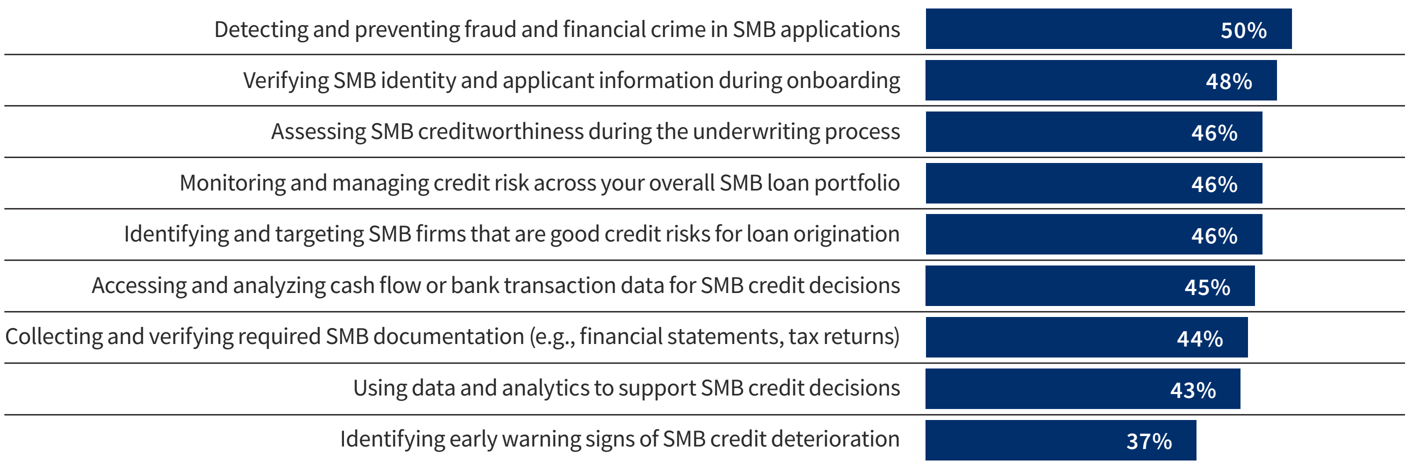


The broad market pressures facing SMB lenders are also exposing important confidence gaps across the credit risk lifecycle. While financial institutions generally express confidence in their current capabilities, relatively few report being very confident, particularly in capabilities that require continuous visibility into changing borrower risk. This suggests many institutions have opportunities to improve decision precision as SMB credit profiles evolve over time.

Confidence is highest in detecting and preventing fraud among SMB applicants, with half (50%) of respondents reporting they are very confident in this capability. However, confidence steadily declines across other core functions, reaching its lowest point in identifying early warning signs of SMB credit deterioration, where just 37% report being very confident.

No more than half of lenders feel "very confident" across current capabilities

% Very confident in their organization's tools and capabilities



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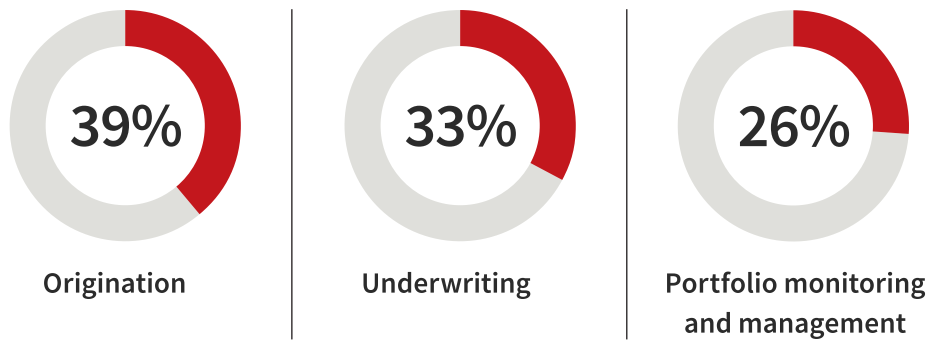
A similar pattern emerges when looking at lenders' reported satisfaction with credit risk assessment capabilities. Overall satisfaction is widespread but deep satisfaction is uncommon, with low "very satisfied" ratings at every stage:

Percent very satisfied with SMB credit risk assessment ability by lifecycle stage



Together, these findings suggest many institutions are well positioned to make initial credit decisions but are less confident maintaining visibility as portfolio risk changes over time.

Confidence is lowest where ongoing portfolio visibility matters most

Just 37% are very confident in identifying early warning signs of SMB credit deterioration

Only 26% are very satisfied with their current portfolio monitoring and management capabilities

Earlier in the study, 30% identified difficulty monitoring risk across existing SMB portfolios as a major challenge

Taken together, these findings suggest that **maintaining visibility into changing SMB credit risk remains a significant opportunity for many institutions,** particularly as delinquency rates continue to rise.

As financial institutions seek to strengthen decision precision, many are expanding their use of data, analytics and connected technologies to improve visibility into evolving SMB credit risk.

Alternative data continues to move from experimental to embedded across the SMB credit lifecycle

Traditional credit information continues to anchor SMB credit decisioning, but alternative data is becoming an integral part of how financial institutions assess evolving risk. Alternative data use is currently highest at origination (62%), followed by underwriting (46%) and portfolio monitoring and management (42%).

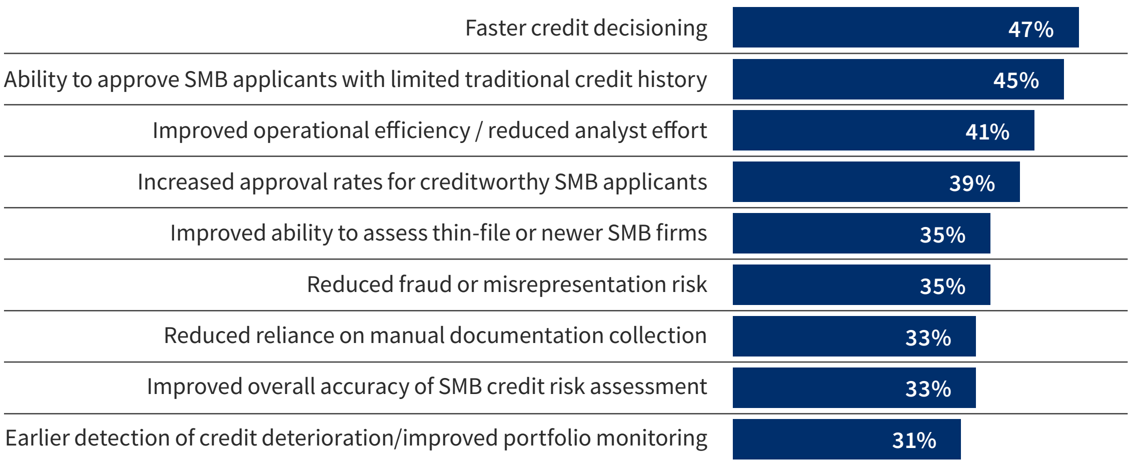
Origination	Underwriting	Portfolio monitoring and management
62%	46%	42%

Cash flow and bank transaction data (81%), consumer credit data about business owners or guarantors (72%) and trade payment data (58%) are the most widely used sources of alternative data today. Interest is also building around utility or recurring bill payment data (48%), accounting or bookkeeping platform data (42%) and e-commerce marketplace data (41%), signaling where adoption may expand next.

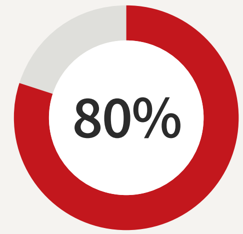
Integration is also deepest at the front end of the SMB credit lifecycle, but it remains a meaningful constraint to broader alternative data adoption. Only 41% of financial institutions report fully integrating alternative data into origination workflows, followed by underwriting (40%) and portfolio monitoring and management (34%). These findings point to clear opportunities to expand both the use and impact of alternative data in support of more proactive, more precise risk decisions.

Alternative data is driving measurable impact across SMB credit decisioning

Impact of alternative data on SMB credit decisioning: % major impact

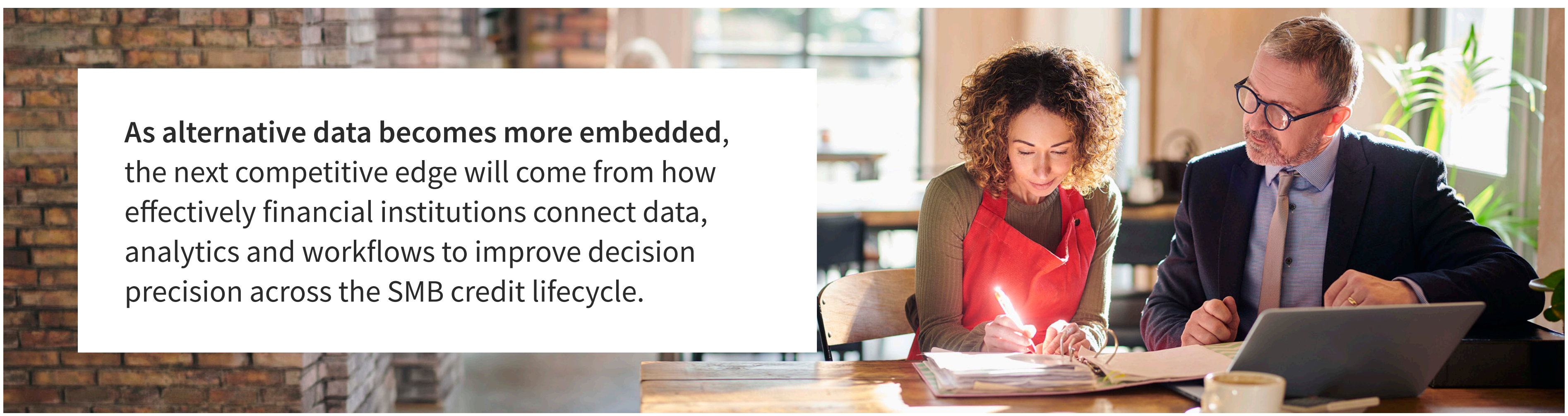


Addressing the integration challenge



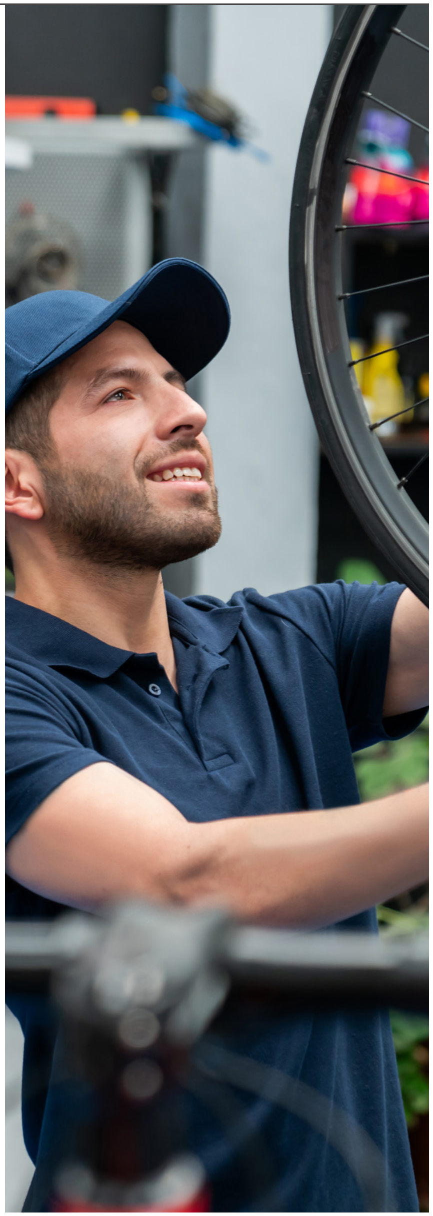
of financial institutions develop SMB credit risk analytics models at least partly in-house, but most pair internal capabilities with external support.

Few respondents reported relying on either alone. APIs, orchestration and model-ready signals can help teams put external data, analytics and expertise to work within internal models and decisioning workflows — overcoming integration barriers and expanding the adoption and impact of alternative data.



As alternative data becomes more embedded, the next competitive edge will come from how effectively financial institutions connect data, analytics and workflows to improve decision precision across the SMB credit lifecycle.

Better decisions will require more than better data



Alternative data's momentum is part of a broader evolution in SMB credit decisioning. Financial institutions expect a range of factors to shape credit decisions over the next three years, led by real-time cash flow or bank transaction data (29%), AI and machine learning models (23%), fraud and identity risk tools (18%) and regulatory and compliance changes (16%).

Investment priorities align with these expectations. Rather than focusing on isolated capabilities, financial institutions are planning to invest in more connected decisioning environments that bring together data, analytics and workflows across the SMB credit lifecycle.

Investment plan for SMB credit decisioning (next 1–2 years)

Top five investment priorities	Percent planning to increase investment somewhat + significantly
Artificial intelligence (AI)	75%
Fraud and identity risk tools (including AI-enabled fraud detection)	64%
Automation/straight-through processing of credit decisions	54%
Platform/orchestration technology	50%
Alternative data purchases	48%

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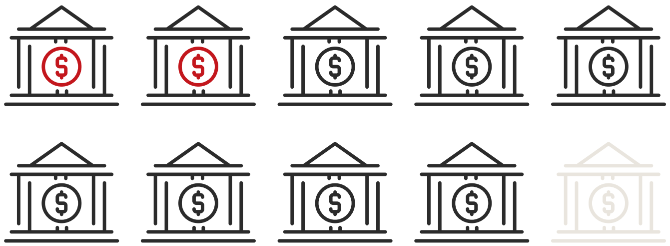
AI is widely used, but full-scale adoption remains limited

Nearly nine in 10 financial institutions use analytics, AI or machine learning in some capacity, but only 22% use it extensively across SMB credit decisioning.

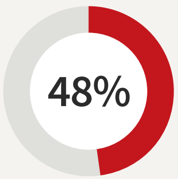


As adoption expands, the value of AI will increasingly depend on how effectively it is applied to solve credit risk challenges. Governed responsibly, trained and executed transparently and grounded in the right data, AI can help financial institutions identify evolving patterns of SMB credit risk earlier and enable more precise decisions across the SMB credit lifecycle.

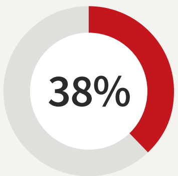
Automation is advancing across the SMB credit lifecycle

Portfolio monitoring and management currently leads in automation, but automation maturity is lacking across all stages of the SMB credit lifecycle for most financial institutions. There is both opportunity and intent to expand automation efforts more broadly moving forward.

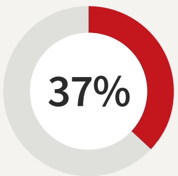
Current SMB credit lifecycle automation maturity: Percent fully or mostly automated



Portfolio monitoring and management



Loan and credit origination



Loan and credit underwriting

The path to stronger SMB lending performance

Financial institutions have a clear definition of success in SMB lending, centered on profitable, disciplined growth and customer relationship outcomes. Across the measures ranked most important for evaluating SMB credit risk assessment activities, most lenders report meeting expectations.

Relatively few, however, report exceeding them. Just 22% say they are outperforming expectations in growing SMB credit portfolios while maintaining acceptable levels of risk, respondents' top-ranked measure of success. Exceeding expectations is also relatively uncommon across other priority outcomes, ranging from 20% for reducing charge-offs and credit losses to 35% for speed of SMB credit decisioning.

Together, these findings suggest that while financial institutions have established what success looks like, there remains meaningful opportunity to improve outcomes through more connected data, analytics and decisioning capabilities.

How financial institutions define and measure SMB credit risk success

Measure	Ranked a top 2 measure of SMB credit risk assessment success	Performance vs. Expectations: Exceeded	Performance vs. Expectations: Met
Growing your SMB credit portfolio while maintaining acceptable risk	41%	22%	60%
Customer relationship outcomes	35%	Not asked	Not asked
Speed of SMB credit decisioning	26%	35%	49%
Reducing charge-offs and credit losses	26%	20%	63%
Operational efficiency/staff productivity in SMB credit risk evaluation	26%	30%	62%
Increasing approval rates for creditworthy SMB applicants	22%	28%	58%
Profitability/ROI from SMB lending activities	22%	Not asked	Not asked

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The role of the right strategic partner

The findings throughout this report suggest stronger SMB lending performance will depend on how effectively data, analytics and decisioning capabilities are connected across the SMB credit lifecycle. The right strategic provider can help financial institutions augment existing assessment strategies and translate integrated capabilities into more precise, more confident SMB credit risk decisions.

Build a more complete view of SMB credit risk by addressing thin-file businesses, limited financial data and fragmented information with broader, more reliable risk signals.

Strengthen confidence in credit decisions through identity verification, fraud detection and robust data and analytics.

Improve credit risk assessment by helping lenders more accurately identify creditworthy businesses while appropriately assessing risk.

Enable proactive portfolio risk management through continuous monitoring and earlier identification of emerging credit deterioration.

Connect data, analytics and decisioning workflows to support more informed, efficient and consistent decisions across the SMB credit lifecycle.

From adoption to execution

As SMB lending accelerates, sustainable growth will depend less on approving more applicants and more on improving visibility into evolving credit risk to support precise, confident decisions across the full SMB credit lifecycle.

The findings in the 2026 U.S. SMB Credit Risk Report suggest SMB credit decisioning is evolving into a continuous lifecycle discipline, from more informed underwriting to more proactive portfolio monitoring. This approach can help financial institutions pursue growth while maintaining disciplined risk management by identifying more creditworthy SMB applicants, responding earlier to emerging risk and making more informed decisions in an increasingly complex environment.

Technology adoption alone will not define the next competitive edge. The next generation of SMB lending leaders will be determined by how effectively they connect data, analytics and decisioning capabilities to improve visibility into evolving credit risk and strengthen decision precision across the SMB credit lifecycle.

Learn how broader, deeper business intelligence from LexisNexis® Risk Solutions can help financial institutions improve visibility into evolving SMB credit risk, recognize valuable opportunities and stay on top of risk throughout the customer lifecycle.