

# Coleman Report

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## Underneath the Hood -- What's Happening with Newtek, The Nation's #2 SBA 7(a) Lender

*By Bob Coleman, Founder & Publisher*

Newtek's story begins in the late 1990s, when Barry Sloane founded the company as a non-bank lender focused on serving America's small businesses. Long before it held deposits or called itself a bank, Newtek built its reputation as a Small Business Lending Company under the U.S. Small Business Administration, originating government-guaranteed 7(a) loans for independent operators who couldn't always find a home at traditional banks. It financed mom-and-pop restaurants, retail shops, and professional practices while expanding into payroll, merchant services, and insurance—becoming a one-stop business resource. Throughout the 2000s and 2010s, the company's lending arm, Newtek Small Business Finance, steadily grew into one of the top non-bank SBA lenders in the country. By 2022 it was funding more than \$750 million in SBA loans annually, fueled by its digital application platform and broad referral network.



**Barry Sloane**  
CEO, Newtek

The transformation to a bank came in January 2023, when Newtek acquired the National Bank of New York City and renamed it Newtek Bank, National Association. The move converted Newtek from a publicly traded business development company into a bank-holding company with a federally chartered deposit base.

In less than two years the bank's deposits surged past one billion dollars, and its SBA 7(a) production reached record highs. Newtek ended fiscal 2024 as the number-one SBA 7(a) lender in the United States, with more than two billion dollars approved across over 3,000 loans.

Eleven months into FY 25 the bank ranks 2nd in 7(a) production with over 4,000 loan funding \$1.8 billion.

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## **The \$2 billion bank stats as of 9/30/25:**

- \$1.2 billion in deposits
- Deposit growth increased 17% by business deposits and 12% by consumer deposits without bank branches
- ROA of 3.15%
- ROE of 31.94%
- 62% Increase in tangible book value per share over the past 10 quarters

## **About Newtek from Barry Sloane on the Earnings Call**

“Our focus has always been on how we raise deposits, how we make loans, and how we do both with some of the lowest expense ratios in the marketplace,” Barry Sloane said in the company’s third-quarter discussion. “We believe we’re building a business model for the future—a technology-enabled bank focused on efficiency in a market that’s changing rapidly. Credit quality remains a top priority, and we’re confident the at the holding company and the bank, credit losses have stabilized in the third quarter.”

Sloane noted that Newtek aims to “raise deposits below the risk-free rate” by leveraging its integrated model. “We perform payroll for our customers, handle their merchant services, and connect all of it directly with a bank account. That combination is rare and unique in today’s market,” he said.

“We’re proud of our strong return on assets, tangible equity, and efficiency ratio, and as we approach our third anniversary as a bank holding company, we’ve shown that we can manage the bank, manage risk, and execute our plan exactly as intended.”

He contrasted Newtek’s approach with that of traditional community banks: “We don’t compare well to \$300-to-\$500 million market capitalized community banks. We’re entirely different. We’ve opened 22,000 deposit accounts and serve 10,000 borrowers—all without traditional bankers, brokers, or branches. We do payroll for 20,000 employees and process over \$5 billion in electronic payments annually.”

Sloane framed Newtek’s mission around technology, reach, and responsiveness. “Entrepreneurs want access beyond nine to five—they want support on weekends and evenings. That’s who we serve: independent business owners, small and medium-sized enterprises, the 36 million businesses that represent 43 percent of U.S. GDP. We acquire customers cost-effectively, service their needs at strong margins, and make loans on a risk-adjusted basis. We manage credit risk—we don’t avoid it. Even with higher reserves and nonaccruals, our profitability remains extraordinary. This is what differentiates Newtek as a nationally chartered bank from a traditional community bank, and why we see ourselves as a technology-oriented financial holding company built for the next generation of business banking.”

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## **Barry Sloane on Credit Trends and Small Business Resilience**

When asked about current credit trends, Barry Sloane described what he sees as “an economy of haves and have-nots.” He acknowledged ongoing uncertainty in the small business community after a period of high rates and inflation but expressed cautious optimism as rate pressures begin to ease. “We’re seeing some relief in rates,” he said, “and that’s helping stabilize certain sectors.”

Sloane explained that Newtek is deliberately steering clear of industries that have proven too volatile. “We’re staying away from commodity-based businesses—oil and gas, transportation, and agriculture remain challenging categories,” he noted. “Those areas tend to be more exposed to price shocks and supply disruptions.”

Despite those headwinds, he sees strength on the consumer side. “As long as equity markets hold and real estate values continue to appreciate, consumer spending will remain steady,” he said. Sloane emphasized that Newtek’s long experience in small business lending gives it a solid read on credit performance. “We’ve been a lender in this space for more than twenty-five years,” he said. “We’ve seen it in high-rate environments and low-rate ones, in inflation and deflation. Through our payment processing and payroll relationships, we get an early, real-time view of what’s working and what’s not across industries. That helps us manage credit risk proactively while maintaining strong performance in our portfolio.”

## **Barry Sloane on Navigating the SBA Shutdown and Market Shifts**

Barry Sloane addressed investor concerns about how the temporary SBA shutdown might affect Newtek’s loan originations and sales. “We’ve been through this before,” he said. “When you’ve been doing this for over two decades, you learn how to prepare for it.” He explained that by September, Newtek had already projected much of its portfolio through October and November, keeping the pipeline active. “We’re still taking in applications,” he noted, “and there’s a provision in the SBA’s Standard Operating Procedure that allows you to bridge a borrower through a period of time and later roll that into a 7(a) loan.” Sloane emphasized that the company has the tools and experience to “get through these shutdowns,” including providing short-term bridge financing to borrowers until guarantees can be processed.

When asked whether Newtek had pulled PLP authorization numbers ahead of the shutdown, Sloane confirmed that it had. “We did pull product, and that covers loans that will probably fund about forty-five days from the time we get the PLP number,” he said. “So we’re covered for about half the quarter.” He added that the company’s loan mix is evolving, with more commercial real estate and C&I loans offsetting some of the uncertainty in the 7(a) program. “This too shall pass,” he said. “It’s a tough quarter, but we’ve weathered storms like this before. Some lenders are dropping out of the space, but we’ll be here for many years and many quarters after this one.”

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Sloane also reflected on broader market challenges facing SBA lenders. “Customer confidence has softened a bit,” he said. “The SBA’s recent changes have made it harder to get loans done—especially with rules that prevent refinancing merchant cash advances and require proof of U.S. citizenship for anyone with even one percent ownership.” He pointed out that some borrowers with documentation are still being flagged by federal databases as ineligible. “We’ve had customers who qualify in every way, but the system doesn’t recognize them,” he said. “And even among approved borrowers, some are hesitating due to tariffs and general uncertainty.” Despite the slowdown, Sloane remained confident in Newtek’s long-term position. “It’s going to be a tougher business in the near term, but we like the space. It’s a great program and a great product. We finished last year second only to Live Oak Bank in SBA volume, and while the top twenty may reshuffle this year, Newtek’s focus and experience will keep us strong.”

## Barry Sloane on Credit Trends and Small Business Resilience

Barry was asked: “You mentioned on the call that some SBA lenders are leaving the market. Can you give us some color on why that’s happening? You’ve been taking share—what’s your long-term outlook for SBA lenders and your ability to increase share? And on the ALP side, the government shutdown isn’t holding up that program, right? Can you also give us some color on ALP originations for the first three quarters and your outlook for the rest of the year?”

*The ALP was developed in 2019 as a natural extension of NewtekOne’s SBA 7(a) lending program. ALP loans fully amortize over 10–25 years, are underwritten on the borrower’s cash flows, and are secured by personal guarantees and liens on business and personal assets. Unlike SBA programs, the ALP targets larger-loan opportunities (average size about \$4 million vs. ~\$450,000 for SBA 7(a) in Newtek’s case) which enables more efficient portfolio scaling.*

Barry Sloane: “Sure. I appreciate it. This is public information. A top 20 lender has been pushed out of the market.”

“There was an SBA program change relating to limited underwriting scores in the ‘GO’ system. I think they dropped the cutoff SBSS score from around 500 to 350. That change, combined with the environment after PPP, brought a lot of competitors into the SBA space who were really technology providers, not full-service lenders. They didn’t offer the complete lending process that’s required in a regulated environment.

“We are familiar with several other lenders right now that have had to cut back. We hear this directly through the interviewing process—people coming to us, expressing reservations about what their companies are doing going forward.

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On the ALP side, Sloane confirmed there's been no impact. "This does not affect the ALP business at all," he said. "From a volume standpoint, we might see a little bit of degradation in the next quarter or two in 7(a) volume, but we believe we'll be able to deliver good numbers from a market-multiple standpoint and make it up."

He outlined current and projected volumes for the Alternative Lending Program. "From an ALP perspective, we were targeting between \$350 million and \$400 million in ALP loans for this calendar year, and I believe that's what we'll hit," he said. "We hope to do more materially than that next year. I don't have a number finalized, but if I had to come up with one, I'd say between \$500 million and \$600 million."

## Loan Borrower Stats

- Principal balance of outstanding ALP Loans at 09/30/25 (includes loans off balance sheet in JVs and securitizations) of \$612 million.
- Non-performing ALP loans on a fair value basis totaled \$5.4 million.
- Weighted Average FICO Score of 727
- Weighted Average LTV at origination of 47%
- Weighted Average DSCR of 3.4
- Weighted Average Coupon of 13.17%
- Weighted Average Spread to base rate 9.10%
- Weighted Average Seasoning of 15.0 months
- Weighted Average Remaining Term of 248.7 months
- Top five state concentrations (% of remaining principal)
  - NY – 16.5%
  - FL – 11.9%
  - CA – 11.8%
  - TX – 9.4%
  - PA – 7.6%
- No industry concentration greater than 11.1% of ALP loans

## Non Performing and Loan Delinquency Stats

Barry Sloane reports that Newtek's non-performing loans total 8.1% of total loans. He acknowledges the number is elevated compared to community banks or other peer institutions.

However, he emphasizes that the majority of those loans have already been written off or written down, and that the company's focus is now on the performance of the new loan portfolio.

Allowance for credit losses stood at 5.42% of loans for the quarter, supporting a loan-to-deposit ratio of 95% and 78% insured deposits for the quarter.

Sloane notes that as new originations build, the data indicate that the portfolio is stabilizing. When adjusted for the legacy non-bank Newtek loan portfolio, the NPL ratio stands at 3.8%. He explains that the NSPF loans were underwritten during one of the most difficult periods in recent small business finance history — 2021 through 2023 — when the economy was emerging from the pandemic and operating under a near-zero-rate environment with prime at 3%.

According to Sloane, projecting that kind of rate environment across a 25-year horizon was never sustainable. The SBA 7(a) portfolio remains the core of Newtek Bank's business and accounts for 89% of the allowance for credit losses.

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He adds that the bank's strategic plan calls for greater balance in the portfolio by layering in more CRE and C&I loans. That process, he says, is underway and on schedule.

Sloane explains when Newtek acquired its bank charter, the legacy non-bank SBLC assets could not be transferred into the bank due to existing debt obligations. As a result, they remain in three securitizations, issued in 2021, 2022, and 2023.

Sloane concludes that the elevated NPL ratio reflects historical legacy exposure, not current production. The new portfolios are performing, diversification is advancing, and the credit mix is aligning with Newtek's long-term strategic goals.



## Newtek Bank, N.A. Credit Quality Overview

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N.A.

|                                               | 3Q24  | 4Q24  | 1Q25  | 2Q25  | 3Q25  |
|-----------------------------------------------|-------|-------|-------|-------|-------|
| 30 days+ past due and accruing/<br>Loans HFI* | 1.72% | 3.45% | 1.28% | 2.85% | 3.18% |
| NPLs/<br>Loans HFI*                           | 3.73% | 3.86% | 4.96% | 5.40% | 5.79% |
| Net charge-offs/<br>Avg. loans HFI            | 1.45% | 3.59% | 3.13% | 2.76% | 2.61% |
| ACL/<br>Loans HFI*                            | 5.13% | 5.00% | 5.63% | 5.78% | 5.73% |