



LATEST NEWS **U.S. DECISION CAN'T WAIT FOR AFGHAN LEGITIMACY: GATE**

Quotes, News, Pictures & Video **SEARCH** [Login](#)



James Pethokoukis
Where politics and the economy intersect.
[See all posts](#)

Chapter 7 & 13 Bankruptcy
No One Wants To File For Bankruptcy But It May Be The Smartest Choice.
[www.Bizalmy.com/Calfornia](#)

Filing for Bankruptcy
Thinking about Filing Bankruptcy? Free Online Bankruptcy Evaluation
[www.Chapter7.com](#)

Chapter 7 Lawyers
Find out if Chapter 7 is Right for you. Call Us 1-877-942-3729.
[www.Zrawa.com](#)

You are here: [Home](#) > [Business & Finance](#) > [Article](#)

DJIA : **10041.48 -50.71 -0.50%** | Nasdaq : **2163.47 -12.85 -0.59%**

- HOME
- BUSINESS & FINANCE
- Markets
- Deals
- Small Business
- Green Business
- Industries
- Industry Summits
- Stocks
- Funds
- ETFs
- Currencies
- Commodities
- Options
- Economy
- Bonds
- Analyst Research
- Portfolio
- NEWS

Report finds new wrinkle in U.S. bankruptcies

Mon Oct 19, 2009 8:25am EDT

[Email](#) | [Print](#) | [Share](#) | [Reprints](#) | [Single Page](#)

[\[-\] Text](#) [\[+\]](#)



1 of 2 [Full Size](#)

By James B. Kelleher

CHICAGO (Reuters) - Recent bankruptcy filings by small U.S. businesses show a trend that could complicate lenders' efforts to identify at-risk borrowers, a new study reveals.

PayNet Inc, which provides analytic tools to the commercial credit industry, looked at 750 **small business** bankruptcy filers and found 50 percent were current with one or more of their lenders when they threw in the towel and sought protection from their creditors.

"Approximately half the lenders never saw it coming," PayNet President Bill Phelan said. "They were blindsided."

PayNet will officially release the study on Monday at the annual convention of the Equipment Leasing and Finance Association in San Diego.

The 750 companies PayNet studied collectively owed \$58 million in loans, leases and lines of credit -- a tiny fraction of the 100,000 **small businesses** that

MORE NEWS

U.S. small business loans in arrears rise: PayNet
Thursday, 1 Oct 2009 06:02am EDT

MARKET NEWS

Wall St ends lower on profit taking; Yahoo up late | [Video](#)
Yahoo triples profit, beats expectations
Dollar rallies from 14-month low vs euro
[More Business & Investing News...](#)

PayNet said have filed for bankruptcy over the past year with an estimated \$10 billion in obligations outstanding.

But the speed and silence with which so many of them went under marks a phenomenon that is deeply worrying to lenders, who historically have managed default risk by closely monitoring delinquencies.

In this downturn, however, some borrowers are refusing to telegraph their distress before they throw in the towel. "They pay and pay and pay," Phelan said, "and then they file for bankruptcy."

PayNet's study found, however, that most of the companies -- even those that continued to pay most of their creditors on time right until they filed -- had at least one account that fell into delinquency before they sought court protection.

So lenders who could see how borrowers were performing on other obligations enjoy a better chance of identifying at-risk borrowers, PayNet.

"Just because you're getting paid doesn't mean everything's OK," Phelan said. "It's not the full picture."

PayNet collects real-time loan information, such as originations and delinquencies, from more than 225 leading U.S. capital equipment lenders.

PayNet's proprietary database of **small business** loan performance encompasses more than 16 million current and historic contracts worth over \$700 billion.

(Reporting by James B. Kelleher; Editing by Richard Chang)

© Thomson Reuters 2009 All rights reserved

SHARE: [Del.icio.us](#) [Digg](#) [Mixx](#) [Yahoo!](#) [Facebook](#) [LinkedIn](#)

Find The Card That's Right For You

Join the other established businesses that have joined American Express OPEN[®]

OPEN

[LEARN MORE](#)

MOST POPULAR ON REUTERS

1. **UPDATE 2-New York Times to cut 100 newsroom jobs**
2. Fake security software in millions of computers - Symantec
3. Wall Street on edge as SEC top cop gets aggressive
4. Galleon founder's fate may help sink the group
5. MOVES-UPDATE 3-Winston & Strawn, Baker Hostetler
6. Toyota launches new hybrid, Honda warms to electric
7. Wall St ends lower on profit taking; Yahoo up late | [Video](#)
8. CORRECTED - Groups urge EU to block Oracle's plan to buy Sun
9. Sorry, no jobs. This is California
10. UPDATE 2-Barclays: Ford may beat Q3 Street view, upgrades stock

[Most Popular Articles RSS Feed](#)

RECOMMENDED FOR YOU

U.S. small business loans in arrears rise: PayNet
CIT debt swap struggles, bankruptcy looms
Fed's Tarullo sees need for more small business aid

MORE BUSINESS NEWS

[Geithner says focus still on economic recovery](#)