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Equifax National Analysis Reveals Myriad of Small Business Bankruptcy Trends

Bankruptcy Petition Rates Improve in Q1 2011 While Rate of Decline Slows Across the Nation

ATLANTA, Aug. 24, 2011 /PRNewswire/ -- While better days may be on the horizon for the commercial bankruptcy market, it remains to be seen if recent trends will continue for the nation's more than 24 million small businesses. According to a national study conducted by [Equifax Inc.](#) (NYSE: EFX), small business bankruptcies declined by 15.32 percent from Q1 2010 to Q1 2011, with a noticeable drop in key Western states. However, total U.S. small business bankruptcies in the first quarter of this year are still 30.03 percent higher than reported in the pre-recession period of Q1 2008. Further analysis by Equifax reveals that while small business bankruptcy rates have decreased in many U.S. regions, the pace of decline could be slowing in key areas when analyzing trends from Q3 2010 to Q1 2011.

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To conduct this study, Equifax analyzed national bankruptcy trends by metropolitan statistical area (MSA) during Q1 2011 and compared these findings to previous timeframes. Equifax data shows that in Q1 2011 nine of the top 15 MSA's with the greatest number of small business bankruptcies experienced a year-over-year decline in business failures from Q1 2010. In fact, key MSA's in California and Oregon, which reported record-high small business bankruptcy numbers in Q2 2009, saw double-digit dips from Q1 2010 to the first quarter of this year. The Denver/Aurora, Colorado MSA reported the biggest drop, with a 26.16 percent decrease in bankruptcy petitions during this time period. While these findings represent a positive development for the small business market, the data must be viewed using a wider lens to assess broader trends. As the table below shows, small business bankruptcies are still at levels that far exceed those of pre-recession periods, especially for Western region MSA's.

MSA	Bankruptcy Total Q1/08	Bankruptcy Total Q1/10	Bankruptcy Total Q1/11	% of Change Q1/08 – Q1/11	% of Change Q1/10 – Q1/11
Los Angeles-Long Beach -Glendale, CA	505	1032	1048	107.52%	1.55%
Riverside-San Bernardino -Ontario, CA	295	720	629	113.22%	-12.64%
Sacramento-Arden-Arcade – Roseville, CA	291	486	434	49.14%	-10.70%
San Diego-Carlsbad-San Marcos, CA	208	391	400	92.31%	2.30%
Houston-Sugar Land-Baytown, TX	242	396	363	50.00%	-8.33%
Santa Ana-Anaheim-Irvine, CA	156	356	328	110.26%	-7.86%
Portland-Vancouver-Beaverton, OR-WA	144	370	320	122.22%	-13.51%
California – Rest of State	161	314	315	95.65%	0.32%
Dallas-Plano-Irving, TX	196	319	295	50.51%	-1.88%
New York-White Plains-Wayne, NY-NJ	232	266	277	19.40%	4.13%
Chicago-Naperville-Joliet, IL	218	300	272	24.77%	-2.67%
Denver-Aurora, CO	216	367	271	25.46%	-26.16%
Oakland-Fremont-Hayward, CA	163	239	266	63.19%	11.30%
Oregon-Rest of State	107	286	238	122.43%	-16.78%
Unknown	245	195	236	-3.67%	21.02%
Total	3379	6037	5692	68.45%	-5.71%

**Note, the group Unknown refers to zip codes that are not related to a specific MSA.*

Despite some improvement in small business bankruptcy rates during Q1 2011, it appears that another trend has developed in select regions and may be overshadowing market gains in the commercial landscape. Equifax data shows that when comparing bankruptcy rates from Q3 2010 through Q1 2011, there has been a modest deceleration in the rate of decline for key MSA's reporting some of the highest small business bankruptcy rates in the country. While 60 percent of these MSA's continued to experience a decrease in small business bankruptcy petitions during both the Q3 2010 to Q4 2010 and Q4 2010 to Q1 2011 timeframes, three of these areas saw a significant drop in the rate of decline from Q4 2010 to the first quarter of this year. They include the Riverside/San Bernardino/Ontario, Santa Ana/Anaheim/Irvine and Oregon-Rest of State MSA's. Also signaling a potential shift in small business bankruptcy trends is the rise in petitions within four key MSA's: Sacramento/Arden/Arcade, California-Rest of State, New York/White Plains/Wayne, NY-NJ and Chicago/ Naperville/Joliet, IL. While bankruptcies in all of these areas have consistently declined since Q2 2009, Equifax data revealed that the number of petitions in each of these MSA's jumped from Q4 2010 to the first quarter of this year. The table below provides a closer look at these trends:

MSA	Bankruptcy Total Q3/10	Bankruptcy Total Q4/10	Bankruptcy Total Q1/11	% of Change Q3/10 – Q4/10	% of Change Q4/10 – Q1/11
Los Angeles-Long Beach -Glendale, CA	1112	1242	1048	11.69%	-15.62%
Riverside-San Bernardino -Ontario, CA	844	659	629	-21.92%	-4.55%
Sacramento-Arden-Arcade –Roseville, CA	476	409	434	-14.07%	6.11%
San Diego-Carlsbad-San Marcos, CA	376	389	400	3.46%	2.83%
Houston-Sugar Land-Baytown, TX	378	444	363	17.46%	-18.24%
Santa Ana-Anaheim-Irvine, CA	445	387	328	-13.03%	-15.24%
Portland-Vancouver-Beaverton, OR-WA	371	333	320	-10.24%	-3.90%
California – Rest of State	348	293	315	-15.80%	7.51%
Dallas-Plano-Irving, TX	337	318	295	-5.64%	-7.23%
New York-White Plains-Wayne, NY-NJ	304	267	277	-12.17%	3.74%
Chicago-Naperville-Joliet, IL	322	264	272	-18.01%	3.03%
Denver-Aurora, CO	414	367	271	-11.35%	-26.16%
Oakland-Fremont-Hayward, CA	294	291	266	-1.02%	-8.59%
Oregon-Rest of State	274	249	238	-9.12%	-5.22%
Unknown	409	363	236	-11.25%	-34.99%
Total	6704	6275	5692	-6.40%	-9.29%

**Note, the group Unknown refers to zip codes that are not related to a specific MSA.*

"In light of today's shifting economic conditions, bankruptcy trends serve as a valuable prism through which to evaluate the credit health of today's small business market," said Dr. Reza Barazesh, senior vice president, [Equifax Commercial Information Solutions](#). "Our latest analysis shows that while business failures may be on the decline, conflicting trends are still making us question if the worst is behind us. Only time will tell if these patterns are just a market aberration resulting from current economic turbulence or a sign of change to come."

To gain a holistic picture of small business bankruptcy trends, Equifax also analyzed the 15 metro areas with the fewest filings in the first quarter of 2011. Equifax analysis revealed that 10 of these 15 MSA's saw a decline in bankruptcy petitions from Q4 2010 to Q1 2011 and the total number of bankruptcy filings for these 15 metro areas decreased by 43.09% in Q1 2011 year-over-year. As the table below shows, all of these MSA's reported 9 bankruptcies or less during Q1 2011.

MSA	Bankruptcy Total Q1 2010	Bankruptcy Total Q4 2010	Bankruptcy Total Q1 2011
Baton Rouge, LA	10	9	9
Alaska – Rest of State	12	11	9
Norwich, New London, CT	11	14	8
Kingsport- Bristol TN-VA	13	8	8
Hagerstown-Martinsburg, MD-WV	4	18	8
Amarillo, TX	11	8	8
Toledo, OH	23	10	7
Fort Smith, AR-OK	14	17	7
Charleston, WV	8	8	7
Lynchburg, VA	13	3	6
Lakeland, FL	15	12	6
Clarksville, TN-KY	17	11	6
Gulfport-Biloxi MS	12	9	5
Gainesville, FL	6	5	5
South Bend-Mishawaka, IN-MI	12	5	4
Total	181	148	103

For this study, Equifax applied analytics to identify the total number of small businesses and define the MSA's within the sample population. Equifax classifies a small business as a commercial entity of less than 100 employees. As part of the study, Equifax analyzed Chapter 7, 11 and 13 filings. Chapter 7 is a liquidation proceeding in which a debtor receives a discharge of all debts, while Chapters 11 and Chapter 13 are reorganization bankruptcies that allow individuals and companies to pay off debt over a set period of years. To learn more about Equifax Small Business Solutions, visit www.equifaxsmallbusiness.com.

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