Report finds new wrinkle in U.S. bankruptcies

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 filings 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 filed for bankruptcy last year.

Phelan said they had paid off most of their lenders when they threw in the towel and sought protection from their creditors.

"Just because you're getting paid doesn't mean everything's OK," 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 said.

"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)