

## Drop in Small Business Bankruptcies Outpaces Decline in Consumer Bankruptcies

### Equifax Data Shows 18% Decrease in Small Business Bankruptcy Petitions

*“While changing economic conditions continue to bring both market challenges and opportunities, the rate of small business bankruptcy appears to be waning and even showing signs of improvement,”*  
 Reza Barazesh, senior vice president, Commercial Information Solutions.  
*“While a number of factors could impact this trend over the next year, recent developments suggest that the landscape for small businesses will be more stable in the future.”*

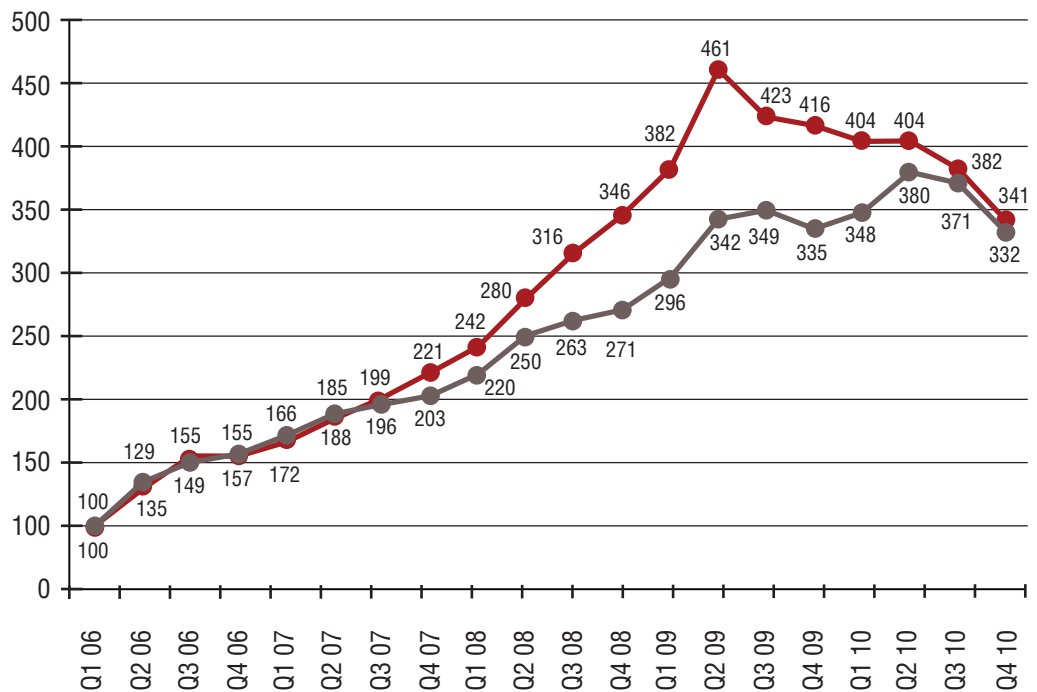
The story behind today’s economic picture appears to include some positive business credit trends based on the results of a recent study conducted by Equifax Commercial Information Solutions. According to Equifax data, small business bankruptcies dropped for the sixth consecutive quarter - declining 18% in Q4 2010 from the previous year. On a national level, small business bankruptcies continue to decline at a faster rate than consumer bankruptcies, which decreased less than 1.0% from Q4 2009 to Q4 2010. This analysis raises some interesting questions. Are bankruptcy rates showing some signs of stabilization? Will this trend continue?

### The Equifax Bankruptcy GPS: Mapping Bankruptcy Trends

Integral to this study was the Equifax Bankruptcy GPS, an index that compares small business and consumer bankruptcy petitions quarter over quarter. Equifax Commercial Information Solutions developed this index to closely track bankruptcy petitions for both small businesses and individuals over time. The chart below shows the latest results from the Equifax Bankruptcy GPS - findings which suggest that small business bankruptcies reached their ceiling and are now trending downward. According to Equifax analysis, small business bankruptcy petitions decreased 26% in Q4 2010 since reaching their highest point during the economic downturn in Q2 2009. On the other hand, consumer bankruptcy petitions experienced a slower rate of decline over the same time period.

Chart 1  
 Small Business/Consumer quarterly petitions for bankruptcy

● CONSUMER  
 ● COMMERCIAL



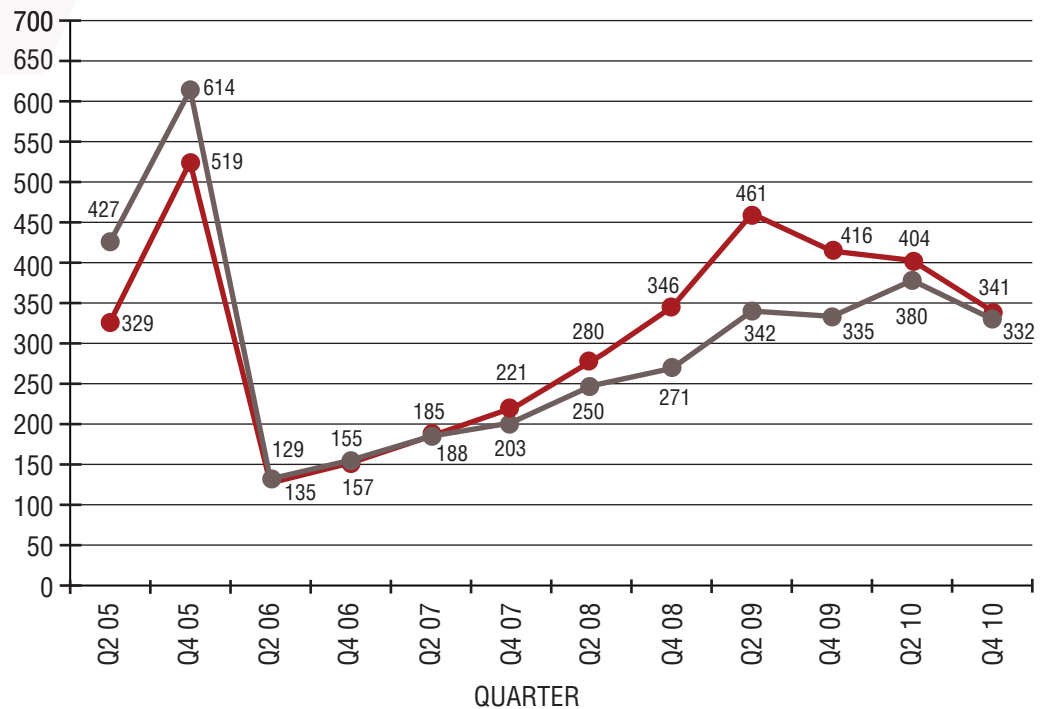
Note, Equifax classifies a small business as a commercial entity of fewer than 100 employees. As part of the study, Equifax analyzed Chapter 7, 11 and 13 filings.

**Market Conditions: At the Forefront of Improved Bankruptcy Trends?**

It looks like we may have come full circle since the onset of the economic downturn and legislative developments such as the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. Equifax data shows that both small business and consumer bankruptcies peaked in Q4 2005 – around the same time that legislative changes took effect. While these numbers experienced a sharp decline in Q2 2006, an increase in bankruptcy petitions was seen throughout 2007 and 2008 as the nation navigated through economic turbulence. This trend continued until Q2 2009 when small business bankruptcies hit a historic high following legislative changes and the nation’s economic downturn. Following behind were consumer bankruptcies which hit their highest point four quarters later in Q2 2010. Despite all these ups and downs, 2010 saw a return to bankruptcy levels similar to those experienced in the first half of 2005 – just as bankruptcy legislation was passed.

Chart 2  
Small Business/Consumer  
quarterly petitions for bankruptcy,  
pre & post bankruptcy legislation

● CONSUMER  
● COMMERCIAL



**Equifax Commercial Information Solutions**

Equifax Commercial Information Solutions is the leading provider of small business intelligence. We provide the information and expertise necessary for companies to best understand and manage their dealings with small business customers, prospects and suppliers. Our best-in-class commercial credit risk data, combined with highly predictive scoring, corporate linkage, and innovative technology, enables companies to make quick, confident credit decisions and minimize potential losses. Leveraging our EFX ID<sup>®</sup> keying and linkage technology, companies can also gain greater visibility into their supply chain as well as improve the precision of their sales and marketing efforts – from customer acquisition to retention and expansion.

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