Taking the Risk Out of Small Business Lending

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New Study Reveals Transportation Sector Still Struggling

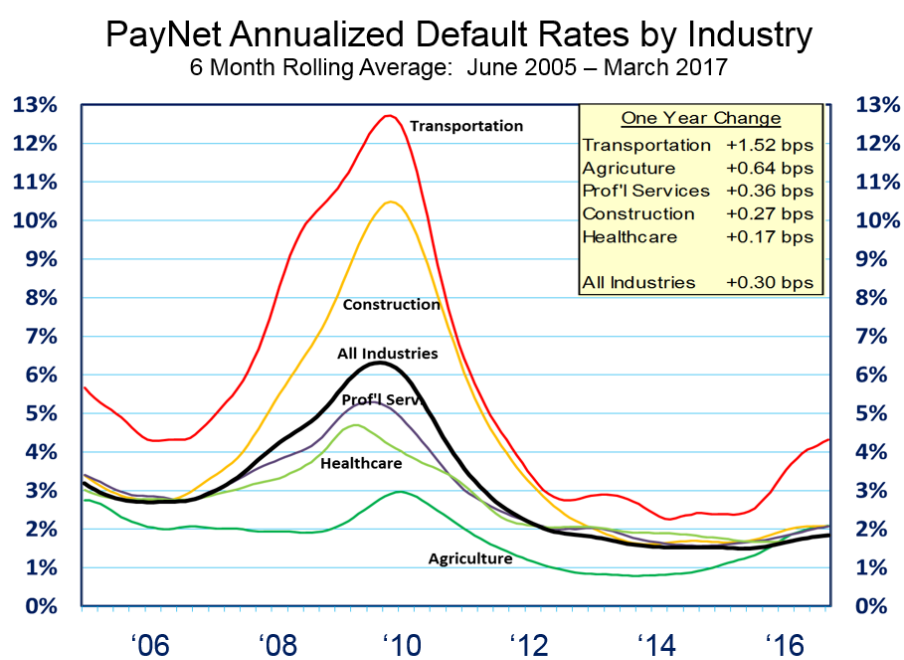
U.S. Small Business Default Rates for Most Industries Now Rising

(Baltimore, MD—June 5, 2017)— A new study by PayNet, Inc., a firm that provides risk management tools and market insight to the commercial credit industry, shows the transportation industry continues to deteriorate, with default rates now approaching levels not seen since the tail end of the Great Recession.

PayNet's Small Business Default Index (SBDFI) shows the rolling 6-month average annualized default rate for the Transportation sector has increased 152 bps to 4.32% for March 2017 from 2.81% in March 2016.

Over the same time period, the National rolling 6-month average annualized default rate only increased from 1.55% to 1.85%. Industries like Construction increased from 1.80% to 2.07% and Health Care increased from 1.67% to 1.84%.

"Despite these increases, Transportation defaults are still much lower than peak level default rates that were over 12.5% in early 2010 and 6.32% for all industries," says Thomas Ware, Senior Vice President, Analytics & Product Development, PayNet. "While defaults are important as they are a precursor to loss, at the end of the day it is loss that lenders really care about – but increased defaults tend to lead to increased Loss Given Default."



Credit quality for all contracts booked in 2016, as measured by the PayNet MasterScore® v2, is the lowest annual level seen in the trucking sector for small and medium sized businesses since 2009. The average credit score in the sector is down to 691 for captives and non-captives, compared to peak values of 710 for captives in 2012 and 707 for non-captives in 2011.

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A score difference of 20 points doubles the odds of defaults, so the contracts booked in 2016 are nearly twice as likely to default as those that were booked in 2012.

Small Business delinquency rates are up nationally, 11% year-over-year, increasing from 1.21% to 1.34%. However, Transportation is up 33% to 1.73% in 2017, from 1.30% in 2016.

"Owner Operators and Small Fleets are the most volatile sector of the industry, and the first to find their services no longer required when demand is soft," Ware added. "This economic reality of their business is clearly reflected today in the performance numbers."

Additional information will be provided at PayNet's Booth at the Equipment Leasing and Finance Association (ELFA) Credit & Collections Conference in Baltimore, June 4-6, 2017, where there will be several presentations involving PayNet's data and indices.

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About

PayNet Inc. is the leading provider of credit ratings on small businesses enabling lenders to manage credit risk, grow earning assets and operate credit at lower cost. PayNet maintains the largest proprietary database of small business loans, leases and lines of credit encompassing over 23 million contracts worth over $1.5 Trillion. Using state-of-the-art analytics, PayNet converts raw data into real-time marketing intelligence and predictive information that subscribing lenders use to make informed small business financial decisions and improve their business strategy. For more information visit www.paynet.com.

PayNet Small Business Default Index (SBDFI)

The PayNet Small Business Default Index (SBDFI) measures small business defaults and signal insolvency across multiple sectors of the economy at the national, state and industry levels. Default is a point-in-time measurement of borrowers that have failed to remain current and as such is a vital piece of information to assess risk exposure and evaluate the health of the overall economy.