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Bankruptcy Filings Up 35 Percent Over Last Year

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Individuals and businesses filed 1.3 million bankruptcy cases in the year ended June 30, an increase of 35 percent over the previous year, the Administrative Office of the U.S. Courts said Thursday.

It is the third consecutive annual increase, as the recession has forced thousands of businesses to close shop and as job losses and rising debt have caused individuals to seek protection from creditors. Business filings increased 63 percent, while individual filings were up 34 percent.

"This is reflective of the overall state of the economy," said Carey Ebert, president of the [National Association of Consumer Bankruptcy Attorneys](#).

Ebert, name partner at Ebert Law Offices in Hurst, Texas, said she's seen the increase accelerate locally just in the last few months, as unemployment and home foreclosures hit areas of the country that previously fared better. "I don't see it getting better any time soon," she said.

The increase cuts across all types of bankruptcy, according to numbers from the Administrative Office. Chapter 7 filings, the most common type for individuals, were up 47 percent, while Chapter 11 filings, the most common type for businesses, were up 91 percent.

And the most recent numbers give little sign that filings will slow down. There were 381,000 filings in the three months ended June 30, compared to 330,000 for the prior three months and 301,000 for the last three months of calendar 2008. The 381,000 filings are the most in a three-month period since late 2005, a period when new rules took effect making it more difficult to declare bankruptcy.

The increase is likely to become ammunition for those who have been lobbying for changes to the bankruptcy system, including a proposal to give judges the ability to modify mortgage terms or even reduce the size of the mortgage principal. Negotiations over that proposal have broken down in Congress amid objections from the financial services industry.



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Congress is also considering a request from the Judicial Conference of the United States to authorize 13 new permanent bankruptcy judgeships, make 22 temporary judgeships permanent and extend two temporary judgeships for five years. Filings per judgeship have increased 60 percent in the last few years, according to [congressional testimony](#) last month.

"In addition to near record case filings, bankruptcy courts now face bankruptcy cases that are more complex and time-consuming than anything previously handled," U.S. District Judge Barbara Lynn told a House Judiciary subcommittee last month. Lynn chairs the Judicial Conference's Committee on the Administration of the Bankruptcy System.

"Cases such as Chrysler, Circuit City, and other national and international corporate reorganizations consume a tremendous amount of a bankruptcy court's time," Lynn said. "Substantial increases in consumer case filings are also problematic for the courts that have inadequate judicial resources."

First reported in [The BLT: The Blog of Legal Times](#).