



Bankruptcies Jumped 32 Percent in 2009

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As Dallas bankruptcy lawyers, we were not surprised by any of the facts reported today by the Associated Press, but the story is interesting. Consumers and businesses filed so many bankruptcy petitions in 2009 that it became the seventh-worst year on record, with more than 1.4 million petitions filed. This is an increase of 32% from 2008. Texas ranked No. 32 among the states, with a 25 percent increase in filings. Here are excerpts from the article:

While experts believe some of the increase is due to a natural recovery as consumers and attorneys become accustomed to a recent overhaul of bankruptcy laws, the numbers indicate clear correlations to recession-weary regions. Arizona saw the fastest increase, a jump of 77 percent from the year before, followed by Wyoming (60 percent), Nevada (59 percent) and California (58 percent).

For three years, filings have been steadily rising back toward levels reached early in the decade before Congress overhauled the nation's bankruptcy laws. The 2005 alterations made bankruptcy filings more cumbersome, a move that followed fears from lenders that some consumers were abusing the system to wipe away debts.

John Pottow, a bankruptcy professor at the University of Michigan, said the return to the highs of earlier this decade illustrates the failures of the 2005 overhaul bill. He said the measure largely made filings more costly and time-consuming by forcing consumers to undergo a paperwork-heavy test to determine eligibility for Chapter 7 bankruptcy and adding liability for attorneys who provide help.

"It never made sense in the first place that you could change the laws and make all these bankruptcies go away," said Pottow, who would like to see the 2005 law changes repealed. "If people are encountering financial distress, you can only scare them away for so long before they come back again."

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