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Bankruptcy Filings Plummet for New York Cities

The number of bankruptcy filings in Buffalo and Rochester, New York fell by 20% year on year in August, marking the 15th straight month and 19th out of the last 20 months that bankruptcy figures fell. The number of new cases fell by 19.8% from 749 to 601, according to new figures from the US Bankruptcy Court for the Western District of New York, which includes courts in both Buffalo and Rochester.

Both cities recorded new 10-year lows in the number of bankruptcies in August year-on-year. Bankruptcy filings fell in Buffalo by 16.6% to 388 cases while in Rochester it dropped 25% to 213. From January 1 till August 31, there have been 3,165 new bankruptcy cases in Buffalo and 1,754 in Rochester bringing the total to 4,919 for the two cities. This number is lower than in the corresponding period last year when Buffalo recorded 3,957 cases and Rochester had 2,196 cases, totaling 6,153 bankruptcies.

The drop in the number of bankruptcies in these New York cities follows the trend nationwide. According to the American Bankruptcy Institute, the number of bankruptcies across the nation fell by 11% in August.

Experts believe a few factors have contributed to the decline in numbers of bankruptcies. Although the economy is still sluggish, the local economy has not suffered too badly. Furthermore, due to the economic crisis, lenders have tightened credit, meaning consumers have less chances of defaulting.

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However, the declining numbers might also indicate another worrying factor – consumers may be so financially distressed they cannot afford the cost of filing for bankruptcy. This is particularly the case for those who have been laid off from their jobs or those who are depleting their unemployment benefits. The unemployment rate of Western New York is still 7.7%, which is on the high side. Nevertheless, it is lower than the national average that now stands at 9.3%.

Ever since the bankruptcy laws have been revamped in 2005, the cost of filing for bankruptcy has also risen.

There were 460 Chapter 7 bankruptcy filings in Buffalo (294) and Rochester (166). All these were filed by individuals, except for 14 that were filed by businesses. There were 136 Chapter 13 bankruptcy cases in the two cities, with Buffalo accounting for 90 of them and Rochester the other 46. There were 5 Chapter 11 cases, 4 in Buffalo and 1 in Rochester.

So far this year in the Western New York district, there have been 3,705 Chapter 7 cases, 1,190 Chapter 13 cases and 21 Chapter 11 cases of bankruptcy.