

Bankruptcies May Dip Below Pre-Recession Lows

by Joel R. Glucksman on July 19, 2012

The number of both commercial and noncommercial bankruptcy filings fell during the second half of 2012, and analysts say the steady declines may prompt bankruptcies to fall to pre-recession levels by the end of the year.

A joint study conducted by the American Bankruptcy Institute and Epiq Systems reveals overall bankruptcy petitions fell 14 percent during the first half of the year. Those entities and individuals which filed for protection under bankruptcy law dropped to 632,130 from 731,500 during the same period in 2011. Commercial filings experienced the most significant decline, as they fell 22 percent during this period to 30,946 from 39,598. Noncommercial court proceedings dropped by 13 percent to 601,184 from 691,902.

Lastly, the nearly 100,000 bankruptcy filings in June represented an 18 percent decrease from 2011.

“We are on pace for perhaps the lowest total new bankruptcies since before the financial crisis in 2008,” said ABI Executive Director Samuel Gerdano. “With sustained low interest rates and weak consumer spending, we expect bankruptcies to stay at relatively low levels through the end of 2012.”

The ABI attributes the declines to consistently low interest rates, which have made it more affordable for businesses and individuals to seek out affordable and manageable loans. The Federal Reserve has promised to keep rates low through 2014, and possibly 2016, depending on economic conditions.

Despite a decline in filings, several big-name corporations were still forced to file for bankruptcy protection this year, including Houghton-Mifflin, Hostess, and American Airlines. However, many corporate entities, such as the Philadelphia Orchestra, have also emerged from court proceedings intact and with solid restructuring agreements.