

BANKRUPTCY BY THE NUMBERS

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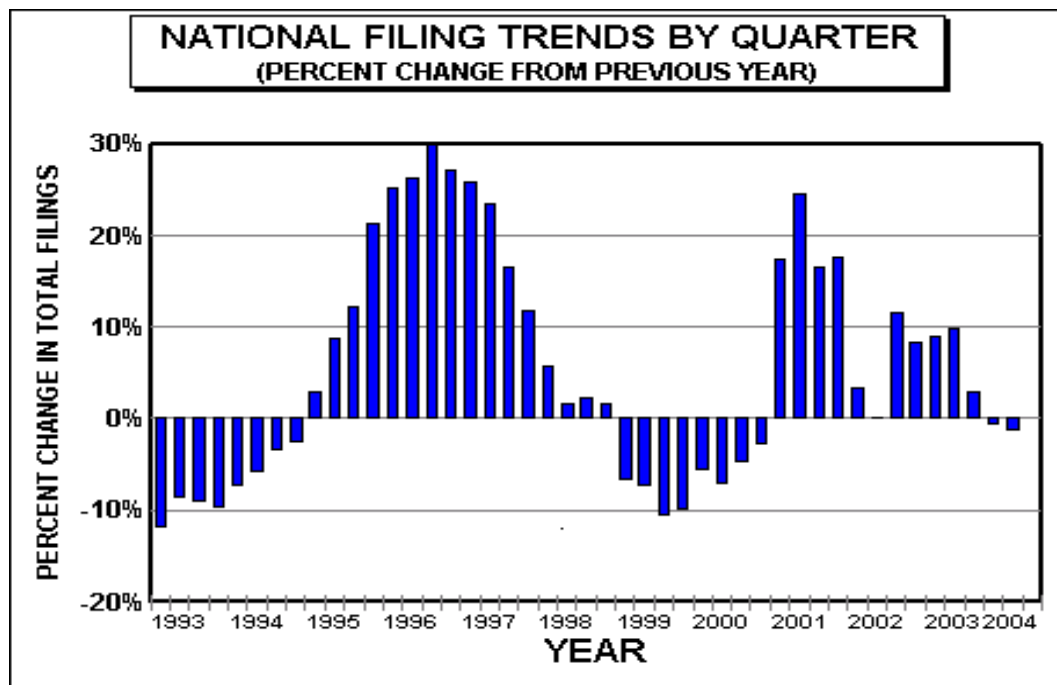
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In this article we examine bankruptcy filing trends since 1993. Our intent is to describe what has happened over the last eleven years, rather than to try to explain why it has occurred. We chose this time period because it encompasses two complete filing cycles, the first lasting from 1993 through 1998, and the second lasting from 1999 through 2003. These two cycles are the latest in a series of cycles extending back for decades.² Filings wax and wane, with the increases being greater than the subsequent decreases, so that filings have grown overall from about 110,000 in 1960, to over 1.6 million in 2003.

The last two official bankruptcy statistical releases by the **Administrative Office of the United States Courts** have shown that filings declined slightly compared to the same quarter in the prior year.³ Prior to that, filings had increased for 11 consecutive quarters. The following graph shows the percentage change by quarter (compared to the prior year) since 1993.

Figure 1.



¹ All views expressed in this article are those of the authors, and do not necessarily represent the views of the Executive Office for United States Trustees or the Department of Justice.

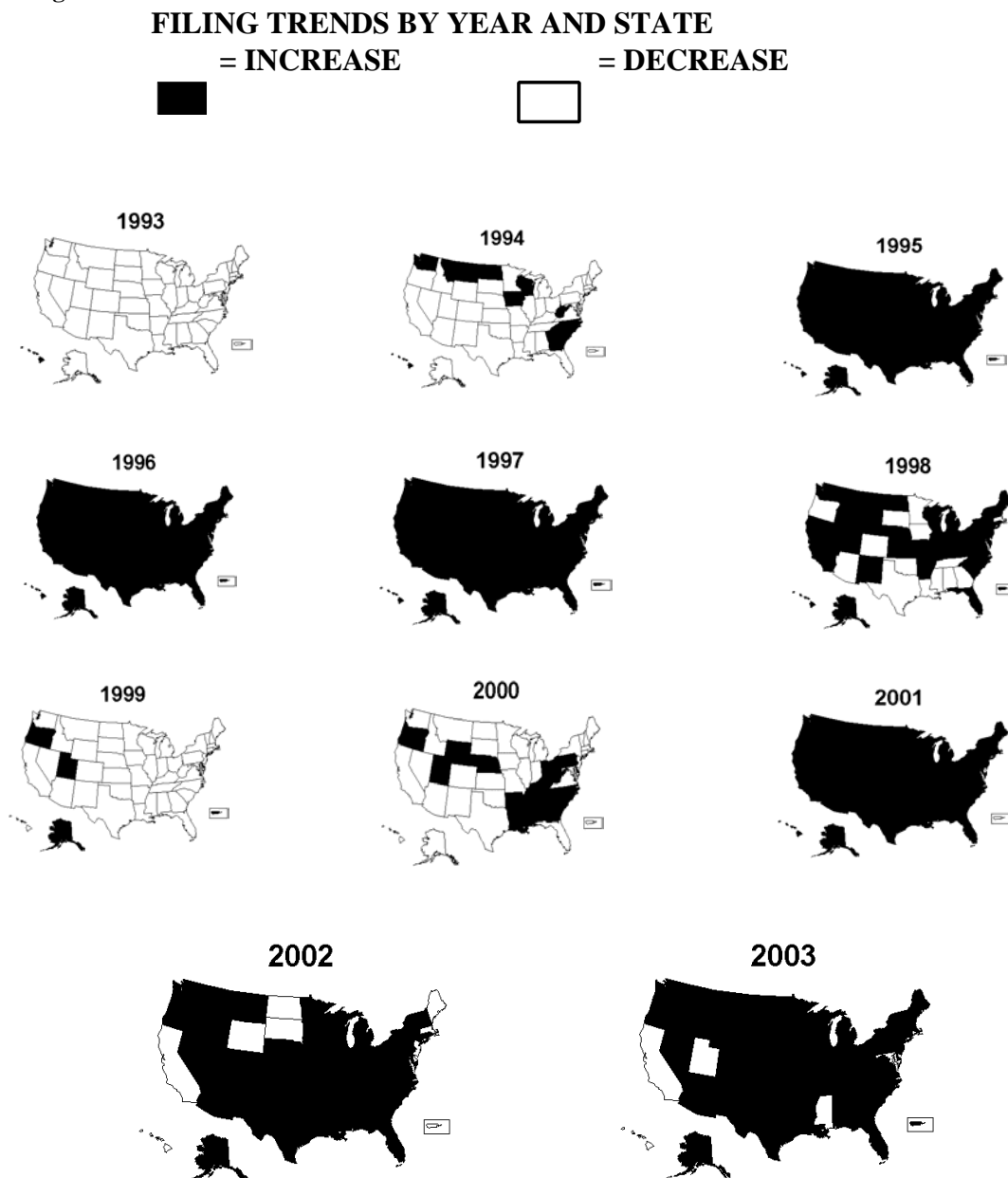
²For a more detailed description of these cycles, see: Flynn, Ed, and Bermant, Gordon, "Filing Projections" *ABI Journal* May 2001.

³ Their press releases are available at: http://www.uscourts.gov/Press_Releases/index.html

During this period filings declined during 1993 and 1994, increased from 1995 through 1998, and declined again during 1999 and 2000, followed by increases from 2001 through 2003. The increases were greater and longer lasting than the decreases, so that over the 11-year period filings nationwide increased by 71%.

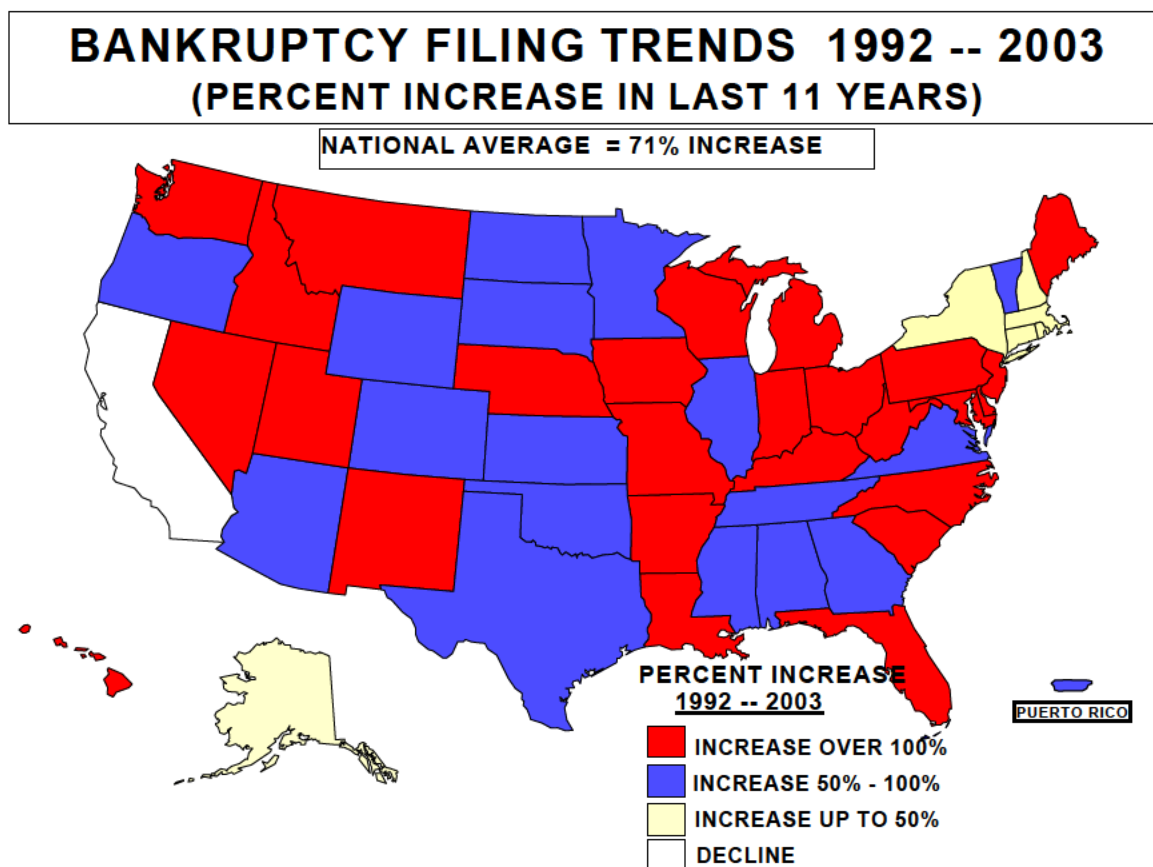
State trends: State filing numbers have risen and fallen in considerable synchrony since 1993. For example, as shown in Figure 2, nearly all states had an increase in filings during 1998, 2001, 2002, and 2003, and every state had increases during 1995, 1996, and 1997. During 1993, 1994, 1999, and 2000, filings were decreasing in nearly every state.

Figure 2



Cumulative Changes 1992 - 2003: Although bankruptcy filings have serially risen and fallen in synchrony among the states, the extent of the changes has varied markedly from state to state. As seen in Figure 3, filings more than doubled in 24 states between 1992 and 2003. The largest increases occurred in Arkansas (+195%), Utah (+169%), Hawaii (+165%), North Carolina (+161%), and Nevada (+156%). On the other end of the continuum of growth, filings in seven states - including five located in the Northeast - grew by under 50%. States recording the smallest increases include Massachusetts (+6%), New Hampshire (+15%), Rhode Island (+23%), Minnesota (+25%), Connecticut (+29%), Alaska (+45%), and New York (+46%). Among the states, only California had fewer filings in 2003 than in 1992, despite the fact that during that period the state's population increased from 30.8 million to 35.9 million.

Figure 3

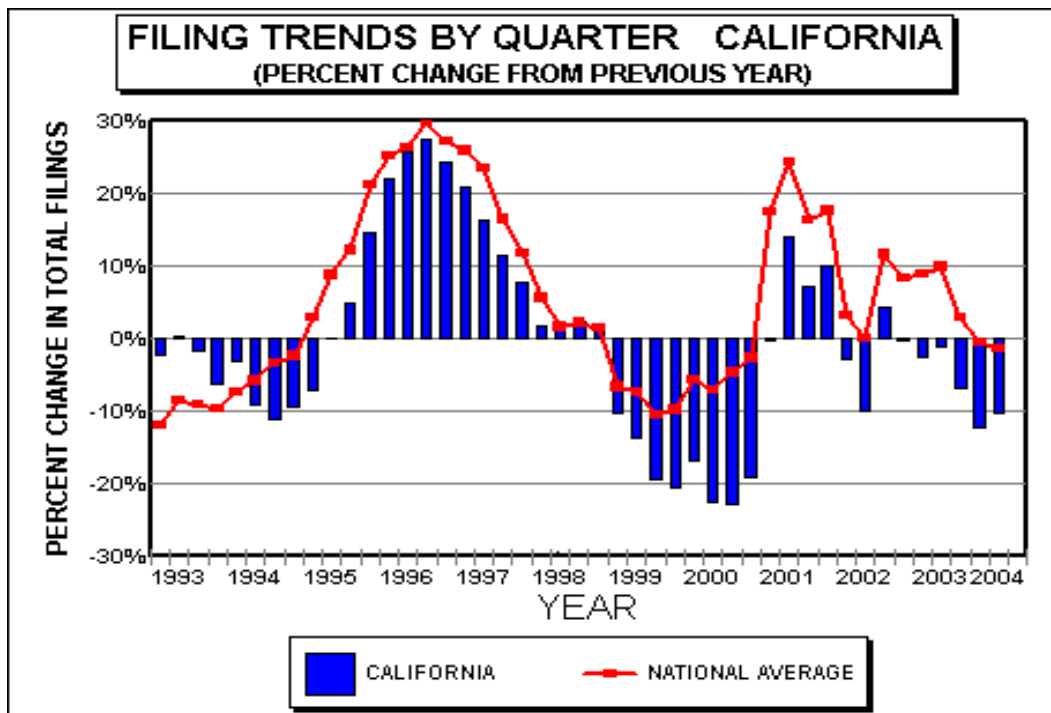


The Case of California: During a period when filings have increased substantially in most states, bankruptcy filings in California have decreased by 12.5% since 1992. As shown in Figure 4⁴, the state's percentage reduction in filings during periods of national decline were greater than the national

⁴ A comparable graph for each state is available on the United States Trustee internet website at: <http://www.usdoj.gov/ust/statistics/Bank-Stats/States/StatesStatistics.html>

average while the growth in filings in California during periods of national growth tracked the national average more closely. When corrected for population, California had the fifth highest filing rate in 2002.⁵ By 2003 California ranked 36th in filings relative to population. In 1992 California accounted for 16.6% of filings nationwide. Although by 2003 the California proportion had fallen to 8.5%, filings there were still higher than in any other state.

Figure 4



Discussion: Bankruptcy filing trends since 1993 generally have continued a pattern of up and down cycles. A review of these filing patterns is largely a portrait of consumer filings. Nearly 98% of all cases in 2003 were filings by consumers in chapter 7 and chapter 13. As we have noted earlier, these filing patterns create interpretive opportunities and challenges⁶ - but our purpose here is to describe rather than explain the recent trends. The recent experience of California is particularly interesting as a notable exception to the national trends since 1992.

⁵ For caveats about filing rates and population see Flynn, Ed, and Bermant, Gordon, "Who's Number One?" *ABI Journal*, March 2004.

⁶ See Bermant, Gordon, and Flynn, Ed "On the Basis of These Numbers" *ABI Journal*, April 2000.