

## Assessing the Data: Filing Trends in Bankruptcy, 2007-2011

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In this article we review bankruptcy filing trends nationwide and by state in recent years. This is an update of a previous *ABI Journal* article<sup>1</sup> that examined filing trends several years after the effective date of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA).

### Nationwide Filing Trends

The earlier article noted that filings increased by 38 percent from calendar year 2006 to calendar year 2007.<sup>22</sup> As shown in Table 1, filings increased substantially in the subsequent three years.

Table 1.

<b>Bankruptcy Filings Nationwide (2007 Compared to 2010)</b>			
	<b>2007</b>	<b>2010</b>	<b>Percent Change 2007 to 2010</b>
Total Filings	850,912	1,593,081	+87.2%
Chapter 7	519,364	1,139,601	+119.4%
Chapter 13	324,771	438,913	+35.1%
Chapter 11	6,353	13,713	+115.9%
Other Cases	424	854	+101.4%

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<sup>1</sup> See Crewson, Philip and Flynn, Ed, "Data Show Trends in Post-BAPCPA Filings," *ABI Journal*, July/August 2008, p. 14.

<sup>2</sup> The 38 percent increase in 2007 was followed by annual filing increases of 31 percent in 2008 and 32 percent in 2009. This was the first time that annual increases exceeding 30 percent have been recorded for three consecutive years.

## Regional and State Filing Trends

Within the national filing statistics are distinct geographic trends. While overall bankruptcy filings increased by 87 percent from 2007 to 2010, the growth rate was not uniform across states. Every state reported an increase of at least 25 percent during this period, but in six states filings increased by more than 150 percent between 2007 and 2010. Table 2 shows the 10 states with the greatest increase in filings since 2007. With the exception of Florida and Maryland, all of these are Western states.

Table 2.

<b>States With the Highest Growth Rate in Filings 2007 to 2010</b>			
<b>State</b>	<b>Total Filings</b>		<b>Percent Increase</b>
	<b>2007</b>	<b>2010</b>	
Arizona	10,920	42,829	292%
California	72,615	260,210	258%
Hawaii	1,386	3,978	187%
Utah	6,464	18,478	186%
Nevada	10,953	30,143	175%
Florida	41,462	113,066	173%
Washington	15,568	34,124	119%
Idaho	3,838	8,355	118%
Maryland	13,733	29,698	116%
Oregon	9,386	20,243	116%

Four states—Arizona, California, Florida and Nevada—accounted for about 42 percent of the total national increase in filings since 2007. In recent years these states also had the largest decreases in housing values<sup>3</sup> and extremely high levels of foreclosure activity,<sup>4</sup>

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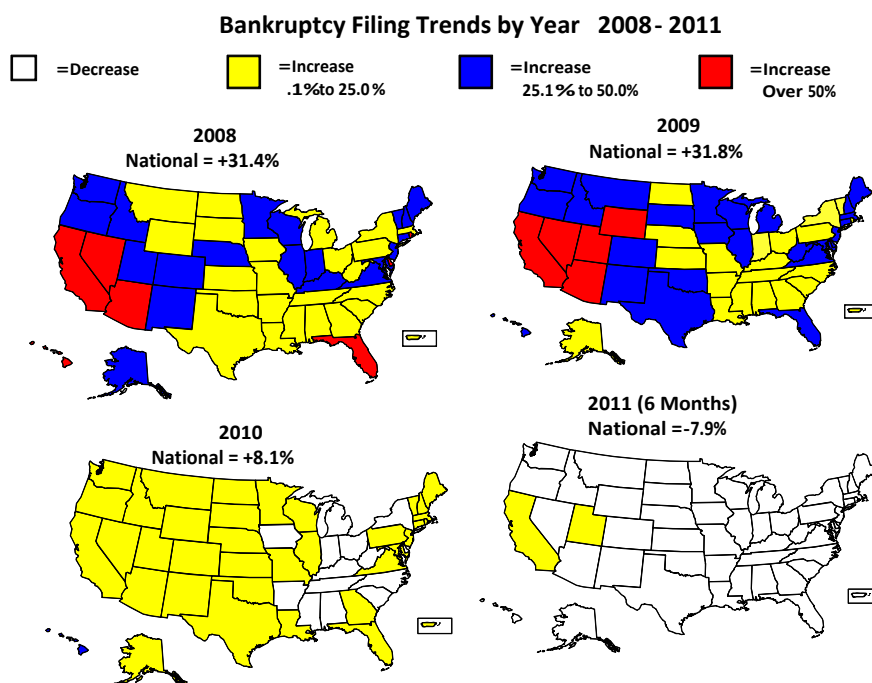
<sup>3</sup> “Fannie Mae 2011 First-Quarter Credit Supplement,” May 6, 2011, [www.fanniemae.com/ir/pdf/sec/2011/q1credit\\_summary.pdf](http://www.fanniemae.com/ir/pdf/sec/2011/q1credit_summary.pdf).

<sup>4</sup> “Record 2.9 Million U.S. Properties Receive Foreclosure Filings in 2010 Despite 30-Month Low in December,” RealtyTrac.com, January 12, 2011, <http://www.realtytrac.com/content/press-releases/http://www.realtytrac.com/content/press-releases/record-29-million-us-properties-receive-foreclosure-filings-in-2010-despite-30-month-low-in-December-6309>.

and private analysts report that they now have a large percentage of homeowners who owe more on their mortgages than their homes are worth.<sup>5</sup>

Chart 1 depicts geographic filing patterns in the last three and one-half years. States colored red and blue experienced extremely high growth rates in filings, yellow indicates a modest increase, and white indicates a decrease in filings from the prior year. In 2008 and 2009 many Western states had very high filing increases. In 2010 all Western states experienced only modest growth in filings, while many Eastern states reported declines in total annual filings.

Chart 1.



In the first six months of 2011, total filings nationwide declined by 7.9 percent from the same period in 2010.<sup>6</sup> Only two states—California and Utah—experienced filing increases during this period.

<sup>5</sup> “New CoreLogic Data Shows 23 Percent of Borrowers Underwater with \$750 Billion Dollars of Negative Equity,” March 8, 2011, [http://www.corelogic.com/About-Us/News/New-CoreLogic-Data-Shows-23-Percent-of-Borrowers-Underwater-with-\\$750-Billion-Dollars-of-Negative-Equity.aspx](http://www.corelogic.com/About-Us/News/New-CoreLogic-Data-Shows-23-Percent-of-Borrowers-Underwater-with-$750-Billion-Dollars-of-Negative-Equity.aspx).

<sup>6</sup> Total filings nationwide were 810,209 in the first half of 2010, and 745,968 in the first half of 2011.

## Filing Trends by Chapter

### Chapters 7 and 13

Table 3 shows chapter 7 and chapter 13 filings by year since 2007. Prior to 2011 the rate of increase was greater for chapter 7 cases. For the first six months of 2011 filings of cases in both chapters are down from last year, with a greater decrease in chapter 7 filings.

Table 3.

<b>Chapter 7 and Chapter 13 Filings By Year</b>				
<b>Calendar Year</b>	<b>Chapter 7 Filings</b>	<b>Percent Change From Prior Year</b>	<b>Chapter 13 Filings</b>	<b>Percent Change From Prior Year</b>
2007	519,364	+43.9%	324,771	+29.3%
2008	744,424	+43.3%	362,762	+11.7%
2009	1,050,832	+41.2%	406,962	+12.2%
2010	1,139,601	+8.4%	438,913	+7.9%
2011 (6 months)	535,381	-9.5%	204,122	-3.2%

### Chapter 11

As shown in Table 4, chapter 11 filings increased by 139 percent between 2007 and 2009, and then declined by about 10 percent in 2010. In the first half of 2011, chapter 11 filings declined nearly 15 percent from last year.

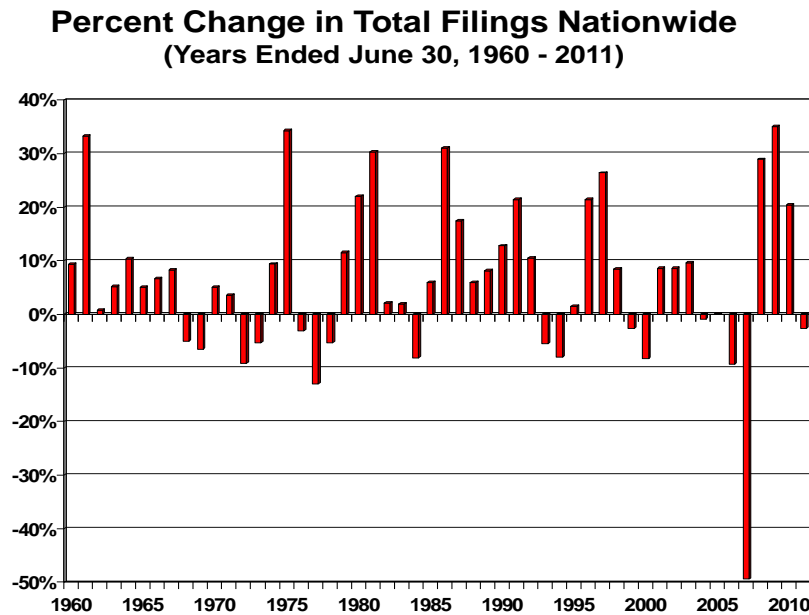
Table 4.

<b>Chapter 11 Filings By Year</b>		
<b>Calendar Year</b>	<b>Chapter 11 Filings</b>	<b>Percent Change From Prior Year</b>
2007	6,353	+23.0%
2008	10,160	+59.9%
2009	15,189	+49.5%
2010	13,713	-9.7%
2011 (6 months)	6,071	-14.5%

## Future Filing Trends

The current trend may appear to be a dramatic turnaround from just two years ago when filings were increasing significantly in nearly every state. However, historic data demonstrate that bankruptcy filings are increasing about two-thirds of the time and decreasing the other one-third of the time. As shown in Chart 2, between 1960 and 2000,<sup>7</sup> there were six separate periods when bankruptcy filings declined.<sup>8</sup>

Chart 2.



Each period of decline lasted between 18 months and 36 months, and each cumulative decline was between 9 percent and 20 percent. So far in 2011 filings have shown modest declines. If the historical pattern repeats, we can expect filings to fall for another year or two.

## Conclusion

After several years of soaring bankruptcy filings, 2010 brought more modest growth overall and a drop in chapter 11 filings. Filings nationwide have dropped for the first six months of 2011. If historic filing trends repeat, we can expect filings to fall for the next 12 months to 24 months, with an overall dip somewhere in the 10 percent to 20 percent range from the 2010 peak, before rebounding sometime in late 2012 or 2013.

<sup>7</sup> Chart 2 shows filing trends for years ended June 30, because a complete time series based on calendar year data is not available.

<sup>8</sup> Filings were also declining in 2004 and 2005, prior to the pre-BAPCPA surge in filings.