



Personal Bankruptcy Filings Soar

Foreclosures and Job Losses Push Chapter 7 Filings Up Nearly a Third in 2009

By TROY MCMULLEN

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For nearly a decade, Gerard Young collected a six-figure salary as an account executive at an [Orlando](#), Fla., public relations firm. But just over a year ago, as a [recession](#) raged and unemployment soared, Young lost his job and quickly found himself sinking into debt.

Three months ago, as creditors closed in on his home and car, Young filed for [Chapter 7](#) bankruptcy in order to liquidate his assets to pay off some debts.

"You never really think it could happen to you," says Young, 46. "One day you're out shopping for a house and enjoying your life and then the next thing you know you're broke."

The worst U.S. [recession](#) in a generation is sending personal bankruptcy rates soaring.

The number of Americans filing for personal [bankruptcy](#) rose by nearly a third in 2009, largely fueled by foreclosures and job losses, according to new figures released by [National Bankruptcy Research Center](#), which compiles and analyzes bankruptcy data.

The group says personal bankruptcy filings reached 1.41 million last year, up 32 percent from 2008. That's the highest level of consumer-bankruptcy filings since 2005. In December alone, 113,274 Americans filed for bankruptcy, a third higher than the same month a year earlier.

The findings also showed that [Chapter 7](#) filings were up more than 42 percent as of November 2009, compared with the same period a year earlier. A Chapter 7 filing liquidates assets to pay off some debts and absolves the filers of others.

Filings for [Chapter 13](#), under which a filer must have income to repay debt, rose by 12 percent and made up less than a third of 2009 filings as of November.

Bankruptcy analysts expect matters to worsen again this year as the deepest economic downturn since the Great [Depression](#) continues to work its way through U.S. households.

"A combination of economic stress, including high debt loads, rising unemployment and unsustainable mortgage burdens, left many consumers with little choice but to seek the financial relief of bankruptcy," Samuel J. Gerdano, executive director of the American Bankruptcy Institute, said.

Experts say the real estate bust and rising unemployment rates are forcing more people to file for bankruptcy. That's especially true for many middle-class Americans who may never have considered the option in the past.

Middle-Class Americans

Filings from 2008 showed more people with high-income and high-education levels resorted to bankruptcy petitions, according to an annual survey of consumer-bankruptcy filers' demographics by the [Institute for Financial Literacy](#), a nonprofit that provides bankruptcy-related counseling and education services,

Included in that group is former NFL quarterback [Bernie Kosar](#). Although he made millions on the playing field, Kosar recently filed for Chapter 7, according to court papers.

A court-appointed trustee will sell Kosar's assets -- listed at \$9.2 million -- and distribute the proceeds to his creditors. The bank filings show Kosar has \$18.9 million in debt.

In the San Francisco Bay area, home to the affluent enclaves of [Contra Costa](#) and Alameda counties, the profile of those facing bankruptcy is extending deeper into the middle class.

In the [Oakland](#) division of U.S. Bankruptcy Court's California Northern section, filings increased 59 percent; from 7,887 in 2008 to 12,564 in 2009.

In the San Francisco division, which includes San Francisco and [San Mateo](#) counties, filings increased 62 percent; from 2,579 in 2008 to 4,190 in 2009.

Meanwhile, in the state of [Georgia](#), one in 50 households declared bankruptcy in 2009 between January and November, leaving the state with the third-highest personal bankruptcy rate in the nation.

"For the first time in many, many years, you are seeing more educated people with high incomes turning to bankruptcy," says Jeremy Richards, a bankruptcy attorney in Austin, Texas. "These were folks who have lost high-paying jobs and now find themselves in financial trouble."

Chapter 7 of the bankruptcy code provides for "liquidation," in which the debtor's property is sold and the proceeds are distributed to creditors. The balance of the unsecured debt is discharged to give honest debtors a fresh start.

To file under Chapter 13, a person must have regular income. But the explosion of long-term unemployment has meant that many filing for bankruptcy today do not meet that standard.

The Unemployed

Nearly 40 percent of the nation's 15.4 million unemployed have been jobless for 27 weeks or longer.

Stephen Glenn, a Raleigh, N.C., bankruptcy attorney, says he typically handles between 30 and 40 cases a month. But his office juggled twice that amount in November, he says.

"There was a steady rise throughout the year," Glenn says. "And I get the feeling it will continue in that direction this year."