

New Hampshire Economic Conditions

September 2011

Bankruptcy Filings in New Hampshire

There were 5,658 bankruptcy filings in New Hampshire during 2010.¹ That was an average of 471.5 bankruptcy filings per month. There have been 3,691 filings during the first nine months of 2011, averaging about 410 filings per month. That is a drop of over 60 filings per month. If this rate continues, there will be about 4,920 filings for 2011, a lower total than seen for the last two years.

Bankruptcy is seen as a last alternative for settling outstanding debt because it equates to an “everybody loses” scenario. A bankruptcy means that the creditor does not get paid, in turn reducing that creditor’s ability to keep current with their own expenses. The recent downturn in the economy and the weak recovery since June 2009 has affected many individuals who lost

jobs and affected businesses with reduced business activity and unpaid services. Bankruptcy has been the legal way out of debt for those with no other options available.

For those who resort to filing for bankruptcy, there are different chapters, or types of filing, to fit their situation. Chapter 7 and Chapter 13 are the most commonly used types of bankruptcy filings. The differences in the chapters for filing depend on whether or not property is involved, what type of property it is (exempt or non-exempt), and how it is treated. Under Chapter 7 bankruptcy, the debtor has non-exempt property liquidated (bank accounts, stocks, homes, currency). The debtor can keep exempt property (pensions, motor vehicle under a certain value, and a portion of unpaid but earned

wages). The intended result is for the debtor to get a “fresh start” on life. Chapter 13 allows a debtor to retain non-exempt property while regular payments are made over a period of time, usually three to five years.

The highest number of filings in New Hampshire was in 2005 with 6,097 bankruptcy filings. This was partly due to a change in the law that became effective November 1, 2005. The change involved an increase in repayment obligations and financial restrictions for those filing bankruptcy. The number of filings rose sharply as those in debt rushed to file to avoid the more stringent rules. Another requirement of the 2005 law is that debtors must get credit counseling before filing. An income level means test for eligibility was also instituted to qualify for Chapter

¹ U.S. Bankruptcy Courts. Table F-2. Business and Nonbusiness Bankruptcy Cases Commenced by Chapter of the Bankruptcy Code. Figures include totals of all Chapters. <www.uscourts.gov/uscourts/Statistics/StatisticalTablesForTheFederalJudiciary/2010/F02Jun10.pdf>. Accessed 3 Oct 2011.

Contents

Seasonally Adjusted Estimates

Unemployment Rates. 3

Current Employment Statistics. 3

Not Seasonally Adjusted Estimates

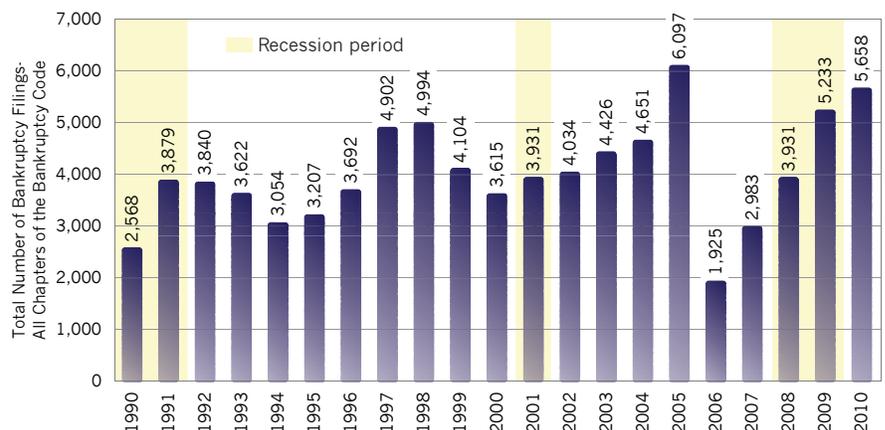
Unemployment Rates. 4

Current Employment Statistics. 6

Claims Activity 7

Visit our Web site:
www.nh.gov/nhes/elmi

Bankruptcies in New Hampshire



7. This is a two-part test to determine if the filer's income is higher than the state median income and if the income level can support paying 25 percent of nonpriority unsecured debt. This test determines if the debtor qualifies to file for Chapter 7, not that a debtor must file under that chapter. Chapter 13 has a repayment schedule and the debtor can retain non-exempt property.

Bankruptcy statistics are one of the yardsticks used to measure economic health. A look at the last 20 years of historical data indicates a relationship between annual bankruptcy filings and recessionary periods.

According to *Personal-Bankruptcy Cycles* by Garrett and Wall,² the number of bankruptcy filings usually rise near the end of or after a recession. Recessions can cause multiple negative income shocks, and eventually bankruptcy is seen as the only option. Bankruptcy rates commonly do not decrease for several quarters into a recovery period. The current rate of bankruptcy filings in New Hampshire is showing signs of returning to pre-recession levels.

*Anthony Scott
Anita Josten*

There are six types of bankruptcy filings:

Chapter 7

The chapter of the Bankruptcy Code providing for "liquidation," that is, the sale of a debtor's nonexempt property and the distribution of the proceeds to creditors. In order to be eligible for Chapter 7, the debtor must satisfy a "means test." The court will evaluate the debtor's income and expenses to determine if the debtor may proceed under Chapter 7.

Chapter 9

The chapter of the Bankruptcy Code providing for reorganization of municipalities (which includes cities and towns, as well as villages, counties, taxing districts, municipal utilities, and school districts).

Chapter 11

A reorganization bankruptcy, usually involving a corporation or partnership. A Chapter 11 debtor usually proposes a plan of reorganization to keep its business alive and pay creditors over time. Individuals or people in business can also seek relief in Chapter 11.

Chapter 12

The chapter of the Bankruptcy Code providing for adjustment of debts of a "family farmer" or "family fisherman," as the terms are defined in the Bankruptcy Code.

Chapter 13

The chapter of the Bankruptcy Code providing for the adjustment of debts of an individual with regular income, often referred to as a "wage-earner" plan. Chapter 13 allows a debtor to keep property and use his or her disposable income to pay debts over time, usually three to five years.

Chapter 15

The chapter of the Bankruptcy Code dealing with cases of cross-border insolvency.

Source: U.S. Bankruptcy Court, Glossary of Legal Terms
www.uscourts.gov/Common/Glossary.aspx

² Garrett, Thomas and Wall, Howard. *Personal-Bankruptcy Cycles*. February 23, 2010. <http://research.stlouisfed.org/wp/2010/2010-010.pdf>