

New Hampshire Economic Conditions

December 2009

Bankruptcy filings in New Hampshire

Many aspects of the current economic recession have been dominating news headlines, such as business closures, job losses and specific industries experiencing the hardest conditions.

In general, statistics typically used to measure the economy don't always show the impact the downturn has on individuals. Bankruptcy filings in New Hampshire may provide a gauge of how residents of the state are handling the current economy.

A review of New Hampshire's monthly bankruptcy filings since 1990 displays distinct seasonal patterns. It appears that months with a higher number of filings have generally been in the spring. Prior to a law change effective November 1, 2005 that restricted bankruptcy filings, April 1998 had the highest number of filings with 527. In October 2005, high volumes

of debtors filed, trying to be cleared of their obligations before the law changed. The October count of 1,792 bankruptcy filings was followed by 29 in November, as debtors adjusted to the new law. Since then, the number of filings has gradually increased.

The law change required debtors to get credit counseling before they were allowed to file, and restricted the income level of those filing for Chapter 7 (liquidation). The new law also mandated repayment of at least some of the debt under Chapter 13 for debtors with incomes higher than the state median. The law was changed with the intent to reduce, if not eliminate, cases of individuals who would repeatedly acquire volumes of debt and then be relieved by bankruptcy. Additionally, lenders were hopeful that the requirement for individuals with higher incomes to

make some sort of financial restitution (under Chapter 13) would help reduce bad debt write-offs.

The current economy created the perfect storm for debt. Devaluation of the overall housing market, job losses, and uncertainty, have all added to individual financial insecurity. The situation has left many with no other alternative but to file for some financial relief through bankruptcy. In the last several months, the number of bankruptcy filings has climbed back up to about 500. In spite of the new restrictive law, the number of bankruptcy filings has almost returned to pre-October 2005 levels. These levels are likely an adjustment to the 2005 law combined with difficulties presented by this exceptionally bad economy, and should recede when the economy begins to recover.

Anita Josten

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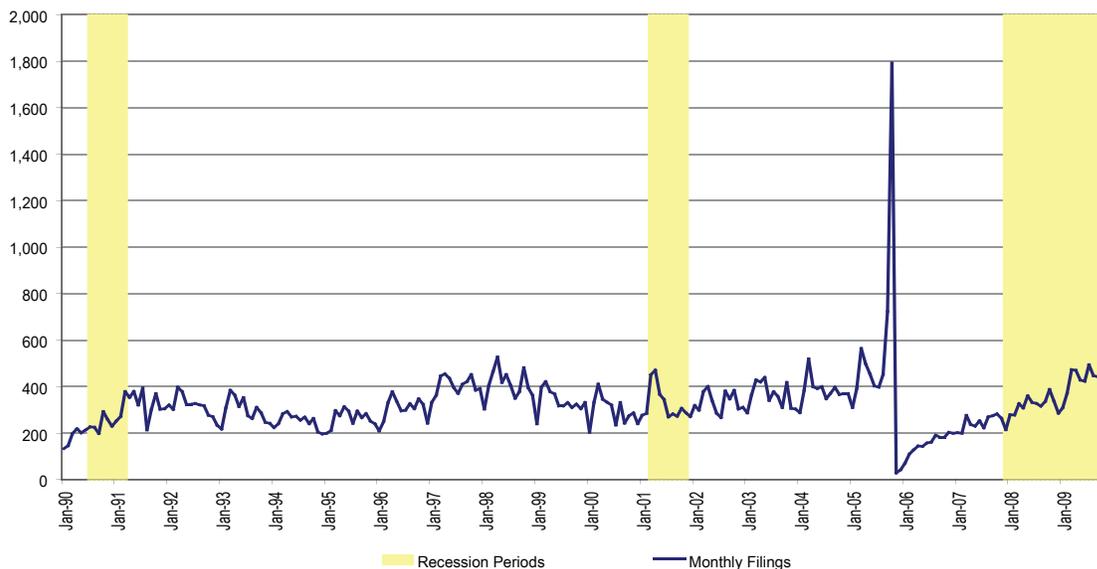
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Total Monthly Bankruptcy Filings in New Hampshire



Source: US Bankruptcy Court, District of New Hampshire