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Bankruptcy filings up 28.9 percent  
Thursday, August 28, 2008 3:20 AM  
By Tracy Turner

THE COLUMBUS DISPATCH

The effects of a struggling economy and a decline in the housing market have shown up in another barometer of economic health: bankruptcy filings.

Nationwide, there were 967,831 bankruptcy cases filed in the 12 months ended June 30, up 28.9 percent from the previous year, when cases totaled 751,056, according to federal court data released yesterday.

Of the new cases, 25,597 involved central and southern Ohioans.

The cases filed in U.S. Bankruptcy Court for the Southern District of Ohio represent an increase of 19.7 percent from the 21,378 cases that were filed in the year before.

The majority of the filings were for Chapter 7 bankruptcy, which requires liquidation of certain assets to help repay debt, or Chapter 13, which has the filer repaying some of the debt over time.

Bankruptcy numbers spiked before a new law went into effect, making it tougher for people to file.

The change decreased filings for a short time because people weren't able to get the immediate debt relief they could previously, said William T. Boda, a retired bankruptcy judge and adjunct professor of law at the Moritz College of Law at Ohio State University.

But that's changed.

"Now with the defaults in mortgage lending in particular, more people are finding that they have no out," Boda said. "The significant growth in residential mortgage defaults has suggested to people that they ought to just bite the bullet and start over again, even though it's somewhat painful to do."

Another reason for the increase is that the law didn't affect the reasons people file, said Larry J. McClatchey, an attorney with Kegler, Brown, Hill & Ritter, a Columbus law firm.

"People file because they've lost their jobs, had an uninsured illness or divorce," he said. "And now with the increase in mortgage defaults, that has fueled the problem even more."

Nationally, nonbusiness filings made up 96.5 percent of the total.

On the business side, 33,822 cases were filed in the 12-month period, including 23,372

under Chapter 7, which allows for an orderly shutdown of the business.

There were 6,513 Chapter 11 filings, 314 Chapter 12 filings for family farm bankruptcy, and 3,569 Chapter 13 filings for small-debt reorganization.

By region, the highest number of combined filings was in the U.S. Bankruptcy Court's 6th District, which encompasses Kentucky, Michigan, Ohio and Tennessee. The total came to 167,561, up 21.2 percent in the past year.

Tennessee had the highest filing rate per capita, at 6.92 filings per 1,000 people. Michigan had the highest per-capita rate of Chapter 7 filings, at 3.82 per 1,000 people.

The largest percentage increase, 60.9 percent, was in the court's 9th District, which includes California, Arizona and Nevada, which are among the states hardest hit by the housing meltdown.

Information from the Associated Press was included in this story.

[tturner@dispatch.com](mailto:tturner@dispatch.com)

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