



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

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National Bankruptcy Rate Declines, in Indiana Also

In a recent report, the Administrative Office for the US Courts said that the bankruptcy rate has fallen by 8% between October 1, 2010 and September 30, 2011. Indiana State also saw a drop in bankruptcies year on year for the fiscal year ending September 30.

There were 1,467,221 bankruptcy filings throughout the country in the latest year compared to the 1,596,355 million filed the year before. This year, there were 10% less Chapter 7 filings and 4% less Chapter 13 filings whereas Chapter 11 filings fell by a significant 16%. In the latest report on the fiscal fourth quarter, the number of bankruptcy filings fell by 15% compared to the same period last year.

Chapter 7 bankruptcy is where the debtor liquidates all disposable assets to pay off debts while Chapter 13 bankruptcy is a court approved payment plan for individuals to pay off their debts over a period of up to 5 years. And chapter 11 bankruptcy is for businesses to reorganize their finances to repay their debts.

In the state of Indiana, a total of 48,438 bankruptcies were filed last year in the fiscal year ending September 30. This included 983 business bankruptcies. But this year during the same period, the number of bankruptcies came up to 41,199 bankruptcies, including 775 business bankruptcies. The lower number of business bankruptcies is largely due to the fact that banks are now more willing to give time to businesses to pay up their debts rather than initiate bankruptcy proceedings.

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The 7th Circuit Court of Appeals, which includes Indiana, Illinois and Wisconsin, said there was a 10% drop in bankruptcy filings overall according to official figures. Last year, there were a total of 161,182 bankruptcy filings compared to 145,018 in the most recent year.

The Northern District of Indiana's bankruptcy filings fell by 15.7%, from 19,538 to 16,477. Out of these, the number of Chapter 7 filings declined by 16%, while the Chapter 13 filings fell by 13.4%. There was also good news for the Southern District where overall filings went down by 14.5%, to 24,727 from 28,905 a year ago. Chapter 7 bankruptcy filings also fell by 13.8% while Chapter 13 filings declined by 15.5%.

As a result of these improved figures, Indiana's national bankruptcy rating also improved to seventh in the number of overall filings in the most recent year, compared to fourth the year before. At the same time, Indiana also rose from third to sixth in Chapter 7 filings and dropped from 10th to 11th in Chapter 13 filings.