The Economy of Bankruptcy

In the Central District of California, year-to-date bankruptcy filings are up 70% over last year. Chapter 7 filings make up 77% of the total filings year to date. Why? Because California's unemployment rate is at an all time high and holding at 12.1% according to the Bureau of Labor Statistics. EDD says we're at 11.9%

Let's just pour salt upon the open wound and admit that California was also the **sub-prime loan** mecca all the way into the crash in 2008. These option arm loans were sold here in **California** well into late 2007 and the "teaser" or introductory rates on these loans sold were 5, 7, and 10 year terms. This means that we have yet to see the end of the foreclosure crisis here in California because these loans have not yet adjusted upward.

With a surplus of uninhabited homes on their hands, banks are left holding the bag in the **foreclosure game**. Unfortunately, many homeowners could have saved their homes, had they contacted an attorney, who would have determined any legal claims to stop the foreclosure, like Truth in Lending Act (TILA), predatory lending (Fraud), or Real Estate Settlement Procedures Act (RESPA) violations. However, this is not as easy as it sounds and requires litigation. A chapter 13 bankruptcy has been the forum of choice to stop foreclosures and save homes. Unfortunately, SB 61, has not passed, but is still being discussed. **SB 61** would allow bankruptcy courts to modify mortgages and reduce principal loan balances in bankrutpcy.

We are all in this together and this market affects us all. At no other time has it become more apparent that we join together for the solution.