

April – September Saw the Lowest Chapter 13 Filing Rate Since at Least 1994!

(statics provided by U.S. Courts)

Two weeks ago, we looked at the YTD percentage decline in consumer bankruptcy filings (both Chapter 7 and Chapter 13). This week, we drill down and look at the decline in filings for just Chapter 13 cases over the last ten years.

As I'm sure you all are aware, there has been a steep decline in Chapter 13 filings. But did you know these are by far the lowest numbers going back to 1994?¹ The average Chapter 13 filing rate for April through Sept. was around 30,000 cases per quarter. Based on prior filing trends (and knowing that November and December are traditionally low filing months), I generously project that 2020 will end up with a total of around 160,000 to 170,00 Chapter 13 filings. In contrast, the next lowest Chapter 13 filing rate was 1994 with a total of 240,639 cases. In other words, it appears that 2020 will have the lowest number of Chapter 13 filings since at least 1994.

Since 2015, Chapter 13 filings have remained fairly level at an average of 72,500 cases per quarter. But filings in 2d and 3rd Quarter 2020 were 28,232 and 31,010 cases respectively. As mentioned in my last update, this decline cannot be from a diminishing need for bankruptcy relief. Even during one of the strongest economies in 50 years, Chapter 13 filings still averaged around 70,800 cases per quarter. If one were to assume that, but for the pandemic, filings for 2d and 3rd Qtr. 2020 would have remained at 70,000 per quarter, that would result in a projected, postponement of approximately 80,700 Chapter 13 cases for April – September. Add to this the additional financial pressures on consumers from the pandemic, and it seems likely that with each passing month, the pent up demand for bankruptcy relief will only grow. The questions are when will the wave break, and how large will it be?



¹ 1994 is the oldest year for which I could find a report for just Chapter 13 filings.