

Wisconsin bankruptcy filings lowest in nine years

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(Photo: Paul Gores / Milwaukee Journal Sentinel)

Bankruptcy filings in Wisconsin fell to their lowest level in nine years in 2016 as an improving economy and jobs climate helped more consumers keep up with their debts.

U.S. Bankruptcy Court data shows there were 16,831 bankruptcy petitions of all types filed in the state last year. That was down almost 9% from 2015, and the fewest since 15,626 in 2007.

“We’ve definitely seen a drop in the filings,” said Milwaukee bankruptcy attorney James Miller, noting that the slowdown seems to track with a reduction in mortgage foreclosures.

Bankruptcy filings peaked in Wisconsin at nearly 30,000 in 2010 and have been retreating ever since as the economy slowly has healed from the Great Recession and the unemployment rate has dropped.

Preliminary data showed the unemployment rate in Wisconsin in December was 4%, the lowest since January of 2001. Wisconsin’s worst unemployment rate was 9.2% at the end of 2009.

The reduction in bankruptcy filings in Wisconsin was better on a percentage basis than nationally in 2016. There were 771,894 total bankruptcy filings in the U.S. last year, around 6% fewer than in 2015, according to the American Bankruptcy Institute.

About two-thirds of bankruptcy petitions in Wisconsin were Chapter 7 filings, the type intended to give people a fresh start by wiping out debt such as overwhelming medical bills, utility bills and credit card balances.

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However, bankruptcy attorneys have found that as the job situation has improved, fewer people want to file Chapter 7 liquidation bankruptcies and instead opt for a Chapter 13 filing, which lets consumers with regular income develop a plan to repay all or some of their debts over three to five years.

“In Chapter 13, people are keeping their houses and keeping their cars,” said attorney Todd Esser, of EsserLaw LLC in Milwaukee.

Data shows that Chapter 13 filings have increased as a percentage of total bankruptcies over the past few years in Wisconsin. In 2014, Chapter 13 filings accounted for 24% of all filings in Wisconsin and rose to almost 27% in 2015. Last year, Chapter 13 filings — sometimes called “the wage earner’s plan” — totaled about 30% of bankruptcy filings in the state.

“A lot of people are saying, ‘Look, I created these debts. I can’t pay them all back right now but I want to pay as much as I can afford to pay,’” Esser said. “And so those repayment plans are working out well.”

Miller, of Miller & Miller, said even though people are back to work, many still are having a hard time covering all their expenses and are working multiple jobs to keep pace.

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“More people are certainly working. But I’m still seeing people who are under-employed,” Miller said. “It just seems like they’re working lower paying jobs or working multiple jobs to make ends meet.”

Some former college students also have been filing Chapter 13 bankruptcies in the hope of delaying full payments on student loans, which can't be wiped out in a Chapter 7 bankruptcy.

Miller said tougher credit standards have made it more difficult for some consumers to obtain credit cards and pile up debt.

Miller said, though, he wouldn't be surprised to see a bump in bankruptcy filings this year. Because a Chapter 7 filing that discharges consumer debt can be filed only once every eight years, people who filed near the peak of the recession but never were able to recover financially could file again in 2017.

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