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Personal Bankruptcies Rise, Reversing Trend

By SARA MURRAY

More Americans filed for bankruptcy protection in July, reversing a trend of declining filings over the previous three months and highlighting the continuing financial struggles of many consumers.

Personal bankruptcies numbered 137,698 last month, a 9% increase from the June total, according to the American Bankruptcy Institute, an organization of lawyers and other professionals. The data were supplied by the National Bankruptcy Research Center; similar government tallies won't be released for months.



Curbs on access to credit, such as those that arose during the recent recession, tend to fuel consumer bankruptcies as individuals who encounter trouble paying debts fail to find new sources of credit. "They can no longer borrow to stave off the day of reckoning," said Robert Lawless, a University of Illinois law professor.

Filings in July were also up 9% compared with the same month a year ago, and 2010 is on pace to record the largest number of consumer-bankruptcy filings in five years. Filings topped 1.4 million last year, the most since Congress revamped bankruptcy laws in 2005 to make it more difficult for consumers to shed debt.

So far this year there have been nearly 908,000 personal-bankruptcy filings, representing roughly one in every 125 U.S. households. At this point last year there were about 802,000 filings.

The upswing in personal filings has cast doubt on whether the 2005 bankruptcy-law change has been effective. Filings declined drastically in 2006 but resumed their increase in following years.

Consumer-bankruptcy filings are veering toward the higher levels recorded in the early and mid-2000s, before the overhaul, but have so far remained a bit lower. The number of filings could decline modestly in the next few years if less access to credit makes it more difficult to accumulate debt.

Personal bankruptcies haven't been distributed evenly. The suburbs of Atlanta had particularly high filing rates, according to an analysis by Ronald Mann, a professor at Columbia University's law school. Of the 10

U.S. counties with the highest filing rates, six were in Georgia.

Filings in many Southern states, however, have begun to decline compared with last year, including South Carolina, Alabama, Tennessee, West Virginia and Mississippi.

"The places that have come out of this quickly are the places that aren't really tied to the financial centers," said Mr. Mann.

In other areas, the number of personal bankruptcies continued to skyrocket. Filings in Hawaii, California, Arizona and Utah have jumped 30% or more compared with a year ago.

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