

Reasons for Recent Decrease in Bankruptcy Filings in [Arizona](#)

As 2011 comes to a close, it is obvious that less people have filed for [bankruptcy](#) this year than last year. And what is more, less people seem to file every month than the month preceding it. Why would this be, and does this signal economic growth?

The first thing to note is that there are many factors that go into the number of nation-wide bankruptcy filings each month. Back in 2005, when Congress passed stricter laws regarding who would be eligible for [Chapter 7](#) bankruptcy, the number of bankruptcies spiked just before the law was enacted, in anticipation of the law's effects. Once the law came into effect, the number of filings decreased dramatically for a year, and then increased again. The number of people in financial hardship during those years probably stayed relatively level, but the effect of new policies made the filing numbers appear strange.

There are two main schools of thought on the low numbers, but both are probably overly-simplistic. The first is a belief that the increase, since it coincides with decreased unemployment figures, signals economic growth and the health of the economy overall. While it is difficult to really say either way, critics of this theory point to the fact that bankruptcy filings are usually the result of the state of an individual's finances six months before, while unemployment do not usually stem from so far back.

The other philosophy argues that the decrease in bankruptcies is precisely the product of a bad economy. Although this sounds duplicitous, it is based on the idea that credit has been harder to come by. This means, of course, that less debt is possible. And since debt is what triggers bankruptcy, a natural drop in the [bankruptcy](#) rate has developed.

The analysis of widespread trends in the economy and in bankruptcy filings is difficult to do. It is likely that we will not know the reason behind these drops in filings until years from now.

[Speak](#) with a local bankruptcy attorney before making any bankruptcy decisions.

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