

Financial Trends

Rising home and insurance costs spur bankruptcy pressures

BY ABRAHAM GALVAN

South Florida residents and even small businesses are shifting more toward reorganization type in bankruptcy filings, according to local bankruptcy experts.

It wouldn't be a shock if there's an uptick in personal filing, said Ivan Reich, a partner and lead of the bankruptcy, insolvency and restructuring practice group for Nason Yeager Gerson Harris & Fumero law firm.

"I think in South Florida it's due to the

rising insurance costs and rising housing costs," he said. "The inflation here is twice as high than the rest of the country and I think it's putting a lot of pressure on people. I think you're going to start seeing a lot more personal bankruptcies Chapter 13."

In 2022, there were 2,334 cases of Chapter 13 filed at the Bankruptcy Court of the Southern District of Florida. So far, about 1,145 filings have been reported in 2023. In June 2022 alone, there were 185 cases

filed compared to 210 cases in June 2023.

Chapter 13 bankruptcy is a type of bankruptcy that allows individuals with regular income to develop a plan to repay all or part of their debts over time, which is usually in three to five years.

"In the State of Florida, you will not find a lot of corporate Chapter Seven bankruptcies filings because we have a state law called the Assignment for the Benefit of Creditors (ABC) federal statute, which is a much more efficient and cheaper form

to liquidate a business."

The benefit of creditors alternative bankruptcy filing is an option for businesses that are ready to close shop and has many advantages that make it attractive, including saving time, less publicity, simpler transfer and cost-effectiveness.

"There's still a lot of economic concerns out there and supply chain has become a big issue for a while already," Mr. Reich added. "But I see businesses shifting more towards reorganization."