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- **More families than ever are filing for bankruptcy relief, both in absolute numbers and on a per capita basis. More than 1.5 million nonbusiness bankruptcy petitions were filed in the twelve months ending on September 30, 2002. This compares with total nonbusiness filings of a little more than 257,000 for 1980. (See Statistics on the ABI web site, [www.abiworld.org](http://www.abiworld.org))**
- **Bankruptcy filings can be attributed to a number of sources, but the early principal reasons for filings – divorce, medical expenses and incapacity – have been overshadowed by the extraordinary debt load assumed by most consumer debtors.**
- **More and more often, trustees are seeing older debtors and younger debtors, saddled with enormous debts that are beyond their capacity to handle. Younger debtors often have large student loans that are payable when they are first starting out to accumulate income. Older couples have burdened their homes with multiple mortgages that are difficult to handle when income tends to decline.**
- **More middle class families are resorting to bankruptcy relief. Trustees are seeing that collar colors of the debtors are more white than blue, and in chapter 13, the old idea of “wage earner plan” has given way to family debt rehabilitation.**
- **Chapter selection has remained static over the past 20 years, with about one third of the debtors filing for relief file under chapter 13. The rest file under chapter 7.**
- **There is a desperate need for increased consumer financial education, both as part of a regular high school curriculum and as adult education. Trustees are reporting a large and increasing number of families that do not know to handle money, debt and resources. Many chapter 13 trustees have offered educational programs for families filing for chapter 13 relief, all of which report a strong positive response from the debtor and creditor community.**
- **There is a trend towards unsecured consumer borrowing (although secured borrowing, such as auto financing and mortgage lending are growing). There is little incentive in the current law for debtors in financial trouble to repay this unsecured debt. Debtors with substantial secured debt will be more likely to file for chapter 13 relief.**

- **Junior mortgages (debt consolidation loans) are transforming some unsecured debts into secured debts where nonpayment will threaten a family's home. No one is teaching that you cannot borrow your way out of debt**
- **There is a marked increase in what I call tertiary lending, where pawn financing, rent-to-own and payday loans are used by an increasing number of families to deal with cash flow issues.**
- **There is a real difference in the use of chapter 13 in the southeast than in the rest of the country. The proportion of cases filed under chapter 13 in Tennessee, Georgia, North Carolina, and Alabama is very high. This appears to reflect a use of chapter 13 as a means to repay debt than as a means to avoid paying debt. It appears that chapter 13 is often used as an alternative to credit counseling as opposed to an alternative to chapter 7 relief.**