

## Counties' Individual Bankruptcy Filing Rates Still Among Highest in South Carolina

In January 2002, the Santee-Lynches Regional Council of Governments published a Monograph on the Individual Bankruptcy Rates for the Region. This Monograph updates that document.

Each year a growing number of individuals file for bankruptcy nation-wide. The national individual bankruptcy filing rate increased ten percent (10%) between 1998 and 2003 to its current rate of 5.58 per 1,000 population. While South Carolina's rate (3.88 per 1,000 population) remained lower than the national average, its rate rose thirty-four percent (34%) over this same six-year period.

Bankruptcy is the legal proceeding that relieves an individual of the legal responsibility of paying his/her debts or provides protection from creditors while they attempt to repay their debts. This Monograph deals only with the two most common types of individual bankruptcy:

Chapter 7. Debt is discharged (wiped out). Court trustee liquidates all nonexempt property, and distributes to creditors.

Chapter 13. Debt is reorganized, Debtor gives Court trustee an agreed upon monthly payment and he distributes to creditors.

Regardless of the type of bankruptcy action, the declaration of bankruptcy remains on the debtor's credit rating for seven years.

The national economic downturn of the last two years has significantly affected the economic condition of the Santee-Lynches Region. While many portions of the State and nation are currently in a fairly healthy recovery cycle, this Region is still experiencing slow economic growth. During recessions or other periods of economic upheaval, bankruptcies usually increase and this was the case in the counties that make up the Santee-Lynches Region during the first two years of this century.

The smaller and more rural counties of Lee and Clarendon experienced a marked increase in bankruptcies during the economic downturn. This was attributable to the soft economy and the number of plant closings and layoffs in and around these counties. With the recovery cycle underway, these two counties are showing signs of lowering their individual bankruptcy rates. The two larger and more industrialized counties of Kershaw and Sumter have a history of higher bankruptcies than the State norm. In 2003, the year the national economy began to recover, the two counties with the most manufacturing industries in the Region saw an increase in the personal

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bankruptcy filing rate. This is in some degree the result of the manufacturing sector not recovering at the same rate as other sectors of the economy.

Each of the forty-six counties in South Carolina has its own individual bankruptcy filing rate, as determined by the Administrative Office of U.S. Courts. For 2003, the four counties that comprise the Santee-Lynches Region have some of the highest individual bankruptcy filing rates in the State.

2003 S.C. County Individual Bankruptcy Filing Rate							
The individual filing rate is the number of filings per 1000 population.							
<u>Top Counties</u>				<u>Bottom Counties</u>			
2003 Rank	2002 Rank	County	2003 Rate	2003 Rank	2002 Rank	County	2003 Rate
1	3	Sumter	7.10	46	36	Marion	1.97
2	4	Fairfield	6.77	45	42	Abbeville	2.07
3	9	Kershaw	5.76	44	39	McCormick	2.17
4	2	Clarendon	5.50	43	40	Dillon	2.33
5	14	Orangeburg	5.39	42	45	Georgetown	2.53
6	15	Calhoun	5.18	41	46	Allendale	2.57
7	5	Newberry	4.99	40	43	York	2.73
8	13	Richland	4.85	39	44	Oconee	2.81
9	8	Colleton	4.74	38	30	Greenwood	2.88
10	11	Lexington	4.72	37	34	Barnwell	2.89
11	12	Aiken	4.45	36	37	Charleston	2.89
12	1	Lee	4.36	35	41	Lancaster	2.92

Source: Administrative Office of the U.S. Courts

Note: South Carolina's Individual Bankruptcy Filing Rate for 2003 = 3.88

This Region-wide condition is troubling, especially when percentages are converted to the number of people who file bankruptcy in the four counties. To determine the number of Santee-Lynches residents who filed for bankruptcy in a given year, the 2002 population estimates from the U.S. Census Bureau and 2002's filing rates are used. In that year, 15,612 South Carolinians filed either Chapter 7 or 13 bankruptcies. This is almost 4,000 more filers than in 2001. Santee-Lynches residents accounted for 1,284 of the 2002 State-wide filings. This means that for every 100 individual bankruptcies filed in the State in 2002, eight were filed by residents of this Region.

The previous paragraph is based on the estimated State and Region's total population, to include children. Of course children can not file for bankruptcy; therefore, individual bankruptcy filing rates at all levels (national, state and county) are actually greater than the rate shown.

South Carolina's average individual bankruptcy filing rate is low when compared to that of the United States as a whole. South Carolina ranked forty-sixth in bankruptcy filings in the Nation. In South Carolina, there is no correlation between rural areas and a high bankruptcy filing rate. In this

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State, the high levels of bankruptcies appear to be more a factor of geography. The largest percentage of bankruptcy filings in South Carolina takes place in the Midlands area of the State which includes the Santee-Lynches Region. (See Attachment #1) All of the Region's counties exceed the South Carolina average filing rate and the two largest counties (Sumter & Kershaw) exceed the average national rate.

The increase of bankruptcies nation-wide is in large part due to the continuing trend of easier access to credit. The barrage of credit offers in the mail, over the internet, and by telemarketers facilitates consumers' ability to overspend. In addition, predatory lenders prey on the financially unsophisticated – the very group most susceptible to spending beyond their means. Neither of these factors, however, removes the ultimate responsibility of the debtor for irresponsible spending.

Finally, during periods of economic slowdown or a hesitant recovery as is currently being experienced in the Region, bankruptcy rates always rise. As can be seen from the following chart, each of the Region's counties arrived at their high bankruptcy rates at a differing rate of increase. The rate of increase in bankruptcy filings in this Region should be an area of concern. The graphics in Attachment #2 show the differing trends of bankruptcies for each of the Region's counties.

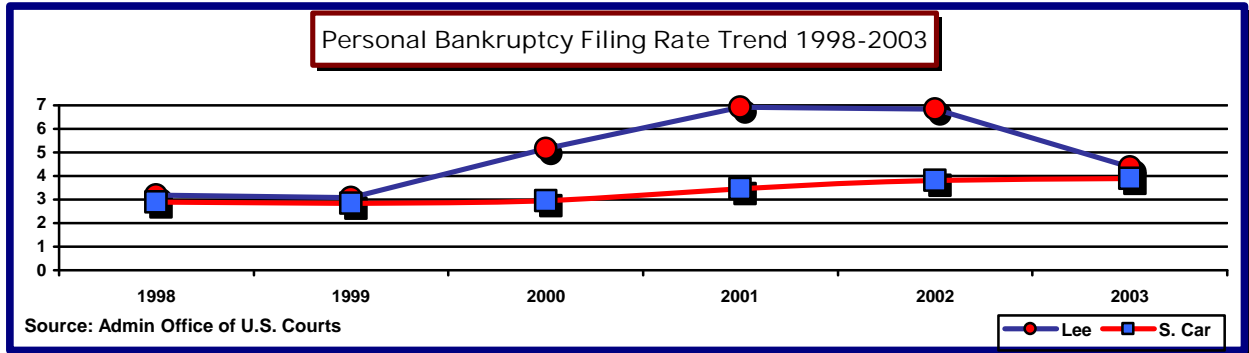
### PERSONAL BANKRUPTCY FILINGS – PERCENT INCREASE 1998 - 2003

Lee Co.	Clarendon Co.	Kershaw Co.	Sumter Co.	S. Carolina	U.S.A.
37%	109%	58%	32%	34%	10%

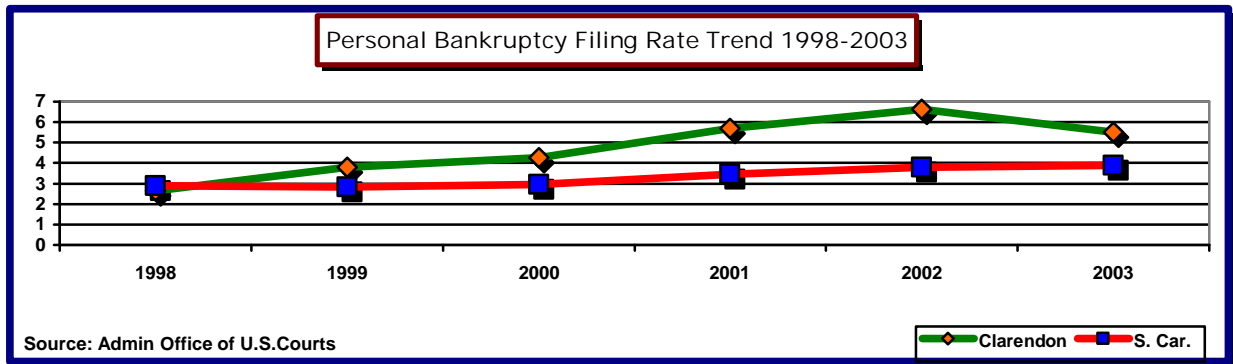
Source: Administrative Office of the U.S. Courts

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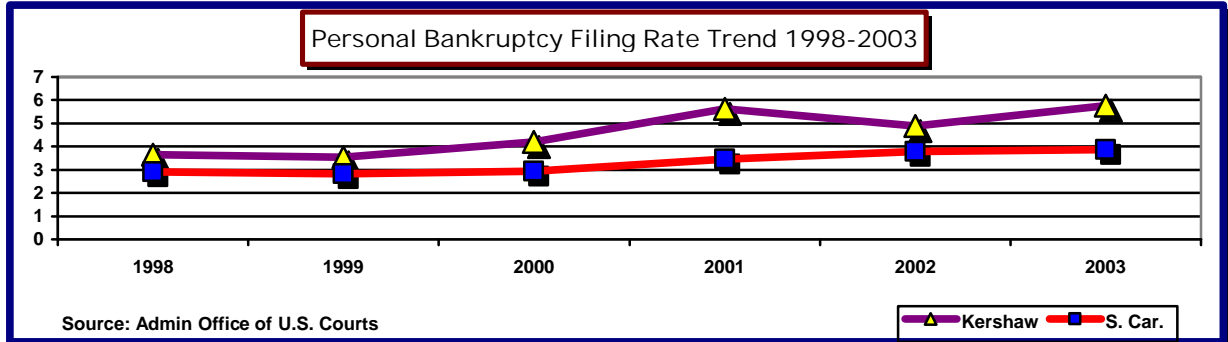
## LEE COUNTY



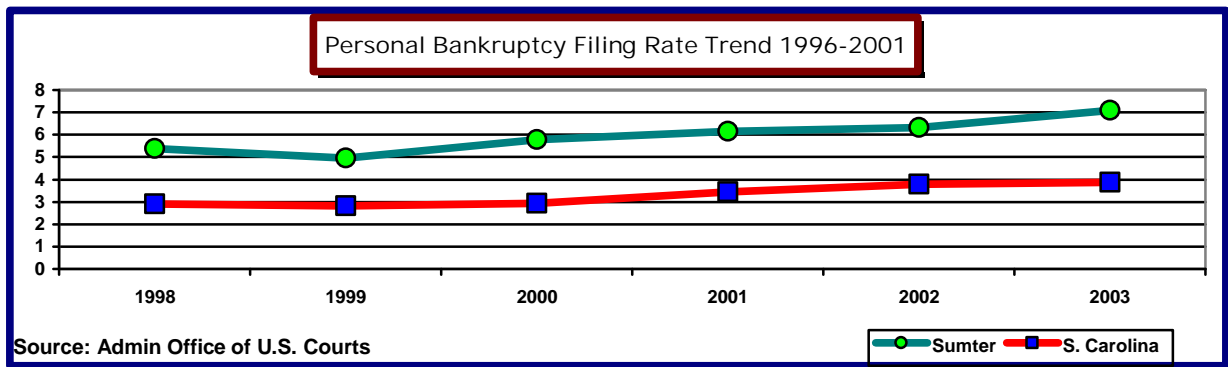
## CLARENDON COUNTY



## KERSHAW COUNTY



## SUMTER COUNTY



## ATTACHMENT 2