



STATEMENT OF BLAKE HOGAN, PRESIDENT OF AMERICAN INFOSOURCE

"Chapter 7 Bankruptcy Trustee Responsibilities and
Remuneration" July 27, 2011 Commercial and Administrative
Law Subcommittee of the House Judiciary Committee

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Mr. Chairman and Ranking Member Cohen, my name is Blake Hogan and I am the President and Founder of American InfoSource, the market leader in providing bankruptcy-specific filing and information services to participants in the bankruptcy system. We are based in Houston, Texas with operations in Oklahoma City, Oklahoma. American InfoSource provides bankruptcy account management services and performs many bankruptcy case functions for eight of the largest financial institutions in the country, as well as healthcare institutions, retailers, utility and telecom companies.

I would like to explain a little about myself and my company so that the Subcommittee can understand the views I have on the topic of trustee compensation. In 1995, I built the first direct connection to the bankruptcy courts, creating the first comprehensive bankruptcy database of its kind. The business was sold to First Data Corporation in 1996 and the original organization has since been sold to another company. My current company, launched in 2000, has successfully automated bankruptcy procedures from notification through payment processing in a safe, reliable and cost-effective manner. Today, American InfoSource is the leading filer of bankruptcy claims and according to the Administrative Office of the U.S. Courts; we are the largest commercial purchaser of bankruptcy data. As a consequence, we have amassed a great deal of data about the actual function of the consumer bankruptcy system as it exists in practice.

I am pleased to provide my perspective to the Subcommittee on the important issue of Chapter 7 trustee compensation. As I have noted and want to reiterate, I provide services to lenders and trustees. American InfoSource is not a lender, creditor, borrower or debtor. The perspective I bring to this issue is based on sound data collection and an analysis of the facts.

First, let me start by saying, I personally support an increase in the no asset fee for Chapter 7 trustees. Thanks in large measure to the hard work of many talented Chapter 7 trustees, our consumer bankruptcy system works as well as it does. It is only fair to ensure that this work is compensated according to its value. A fee that was set in 1994 has not increased since that time and should surely be reexamined. I am confident that the fee set in 1994 has eroded in value over time. After all, prices for other goods and services have increased since 1994 and I believe the same would be true for the Chapter 7 no asset fee.

Chapter 7 Case Analysis (2006-2010)

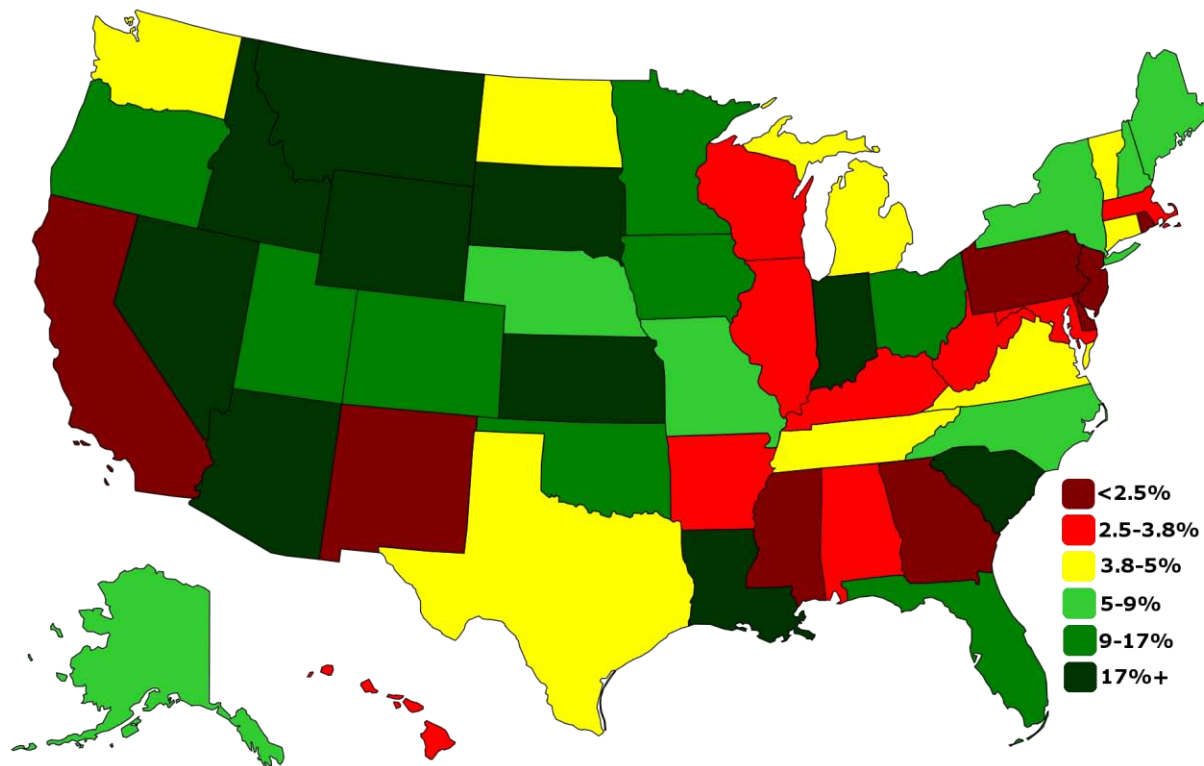
Filing Year	Total Ch7 Cases	Asset Cases	% of Total	No Asset Cases	% of Total
2006	360,464	30,529	8.47%	329,935	91.53%
2007	533,446	46,619	8.74%	486,827	91.26%
2008	761,276	64,242	8.44%	697,034	91.56%
2009	1,058,065	82,134	7.76%	975,931	92.24%
2010	1,129,124	86,461	7.66%	1,042,663	92.34%

**Data derived solely from information obtained from the Federal Bankruptcy Court System.*

Let me take just a moment to touch on the wide spectrum of duties Chapter 7 Trustees perform. Under section 704 of the Code, trustees must conduct a meeting of creditors, investigate the financial affairs of the debtor, collect the assets of the estate if any, liquidate the assets, report to the court and the US Trustee Program on all cases at least once annually, review claims, distribute assets, object to the debtors discharge if warranted and file a final report. In addition, since the passage of BAPCPA, trustee also must notify child support claimants and perform additional responsibilities in relation to various pension plans and health care bankruptcies. Much of this additional work and much of the work such as objecting to the debtors discharge is often performed by the trustee without ANY compensation to the trustee other than the \$65.00 statutory fee.

I am aware that there have been prior proposals to increase compensation to Chapter 7 trustees in “no asset” cases by increasing commissions paid in assets cases under Section 326 of the Bankruptcy Code. Based on the data I have reviewed, such proposals would not work and would merely reduce dividends paid to creditors in Chapter 7 cases. As a prior President of the National Association of Bankruptcy Trustees noted in 2008 testimony before this Subcommittee, “Chapter 7 cases with significant assets are rare, and mostly in large metropolitan areas. This is why the lack of decent compensation in no asset cases is particularly difficult for Trustees in small or rural areas.” Following this logic, increasing amounts paid in asset cases to these trustees who live and work in the cosmopolitan areas referenced in this testimony will do nothing to help trustees in other areas of the country.

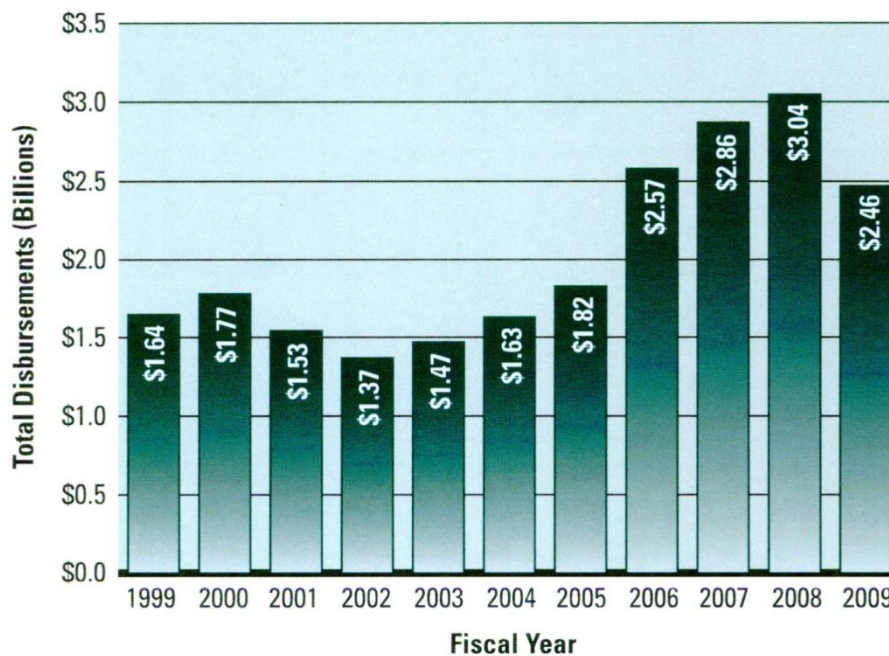
2010: Chapter 7A Cases as Percent of 7s



**Data derived solely from information obtained from the Federal Bankruptcy Court System.*

Finally, I would like to address the question of whether increasing commissions under Section 326 would actually incentive greater collections for creditors. While there may be anecdotal evidence to support this theory, there is no statistically significant data which supports this premise. I believe, based on our experience and data that creditors would in effect pay more for the same services if commission amounts under Section 326 were increased.

Chapter 7 Cases – Total Disbursements: Fiscal Years 1999-2009



Source: Executive Office for U.S. Trustees

In sum, Mr. Chairman, it may be advisable for Congress to increase compensation in “no asset” Chapter 7 cases. I also believe this should be done by increasing the statutory “no asset” fee. Proposals to “make up” for a below market “no asset” fee by increasing commissions in Chapter 7 asset cases would aid only a select few trustees and would likely impose costs on creditors, in the form of reduced dividends, without collateral benefits to creditors. We appreciate the opportunity to share our views and I look forward to any questions that you may have.