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Recession-Proof? Debt and Contract Lawyers Are Weathering the Coronavirus Storm Better Than Others

The coronavirus pandemic has drastically impacted lawyer income, but not every practice area is hurting the same. Debt counsel and contract attorneys seem to be the best off, compared to other practice areas.

By Angela Morris | May 26, 2020



(Photo: Andrey_Popov/Shutterstock.com)

There's a lot of talk among attorneys about an expected flood of business bankruptcy filings resulting from the COVID-19 economic slowdown.

But Howard Rubin, a Texas commercial bankruptcy attorney, hasn't seen it yet, even though he noted this could change by July.

But Rubin, shareholder in Kessler & Collins in Dallas, said that debt attorneys who do bankruptcies have seen little impact to their current case load, which means their incomes haven't suffered as much as other lawyers during the COVID-19 economic shock.

As an attorney who handles debt matters, Rubin is one of a select group of U.S. lawyers who seem to be weathering the COVID-19 economic disruptions better than others, according to a new survey of attorneys nationwide.

ALM Media, which publishes Law.com, conducted a survey of attorneys nationwide between April 1 to 23 to ask how the coronavirus outbreak has impacted their income or revenue, how their new case filings have changed, and what's been happening with new clients seeking representation. The 292 lawyers who took the survey came from California, Connecticut, Florida, Georgia, Texas, New York, Pennsylvania and other states.

Aside from debt counsel, contract attorneys also seem to be the best off, compared to other practice areas.

Fee Structure

As for consumer and commercial debt attorneys, 47% of the 17 respondents said their income has stayed the same, while 41% reported a decrease and 6% said they had seen increased income. Two-thirds of those who did lose money quantified the loss at less than 20% of earnings.

View the results:

Graphic: David Palmer/ALM

They expected for earnings to improve in the future: 35% were expecting an increase in future income, while 35% expected a decrease, and 29% did not know what to expect.

Rubin, the Dallas lawyer, said that the reason why his current cases continued advancing is that bankruptcy courts were already accustomed to conducting business through remote telephone or video hearings. Bankruptcy counsel customarily communicated through email. This allowed courts and lawyers to quickly get up to speed during the COVID work-from-home environment.

"We're kind of used to this," Rubin said. "They have delayed things—just a little bit. They have slowed down hearings."

These debt attorneys have an income stream that's somewhat protected. For example, lawyers in individuals' bankruptcies get a small retainer from the client, and then their paychecks start coming from the payout under the person's reorganization plan.

"They are getting checks from the Chapter 13 trustee," explained Rubin. "Payment of attorneys is an administrative expense, and they get paid like any administrator of the claim. So that's probably why they are not feeling it as much."

Rubin noted that for now, businesses might be getting rent relief or deferrals from their landlords. But when it ends, he expects more bankruptcies to occur.

"For purposes of attorneys who do business with consumer and business debt, I think we are very early in the cycle," he said.

Contract Lawyers

Among 25 contract attorneys who responded, 48% said their income had stayed the same, while 40% reported a decrease and 4% reported an increase. When looking only at those who said their earnings had dropped, more than half of the nine surveyed contract lawyers reported they had lost less than 20% of their income. It was most common for them to lose 11-20% of their earnings.

More new clients have been calling New York business litigator Peter Glennon as the coronavirus pandemic continues pushing businesses to the breaking point.

In some ways, business partners are like married couples—when financial stress hits their partnership, it can amplify any existing disputes, noted Glennon, the president and litigation attorney of Glennon Law Firm in Rochester, New York.

“If you are already stressed and financially stressed, and then COVID hits you, what will it do? Bring you closer together, or drive you further apart?” said Glennon. “There’s definitely been a few more calls because of this.”

View the results:

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