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National bankruptcy boutique folds as economy continues to improve
By Joshua Sebold

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In the latest sign of bad times for practice areas that run countercyclically to the health of the economy, 200-attorney national mortgage boutique Butler & Hosch PA dissolved suddenly, evaporating 11 offices and eliminating 700 jobs.

The Florida-based firm engaged in a frantic effort to save itself as the economy recovered, attempting to expand its business by acquiring the assets of defunct competitors over the last few years. The firm grabbed pieces from a variety of distressed entities in the mortgage industry, including trustee companies and law firms.

Ultimately, the firm wasn't able to get a return on those assets quickly enough and found itself unable to make payroll. Employees were notified at 5 p.m. Thursday that the firm was insolvent.

Roy S. Kobert, a shareholder with GrayRobinson PA who is representing Butler & Hosch in Florida's state court equivalent of a Chapter 7 proceeding, said the firm had active files for clients in California such as Wells Fargo & Co. and UBS Financial Services Inc.

Butler & Hosch CEO and managing partner Robert H. Hosch Jr. wrote in an email to employees that the rash of acquisitions left the firm handling between 50,000 and 60,000 foreclosure files, connecting the firm to roughly 90 percent of the foreclosure industry in the country.

"Unfortunately, BH grew too fast and could not merge processes from the acquired entities quickly enough to meet our economic forecasts which resulted in short term cash crunches and our [in]ability to attract new capital in the interim," he wrote.

The downturn created opportunities for bankruptcy and mortgage practices but Butler & Hosch's demise illustrates the difficult balance of the practice, especially as the economy improves.

Kobert, a bankruptcy specialist, said Butler & Hosch's predicament should give pause to anyone with a countercyclical practice, which run inversely to the success of the broader economy.

"Now is the time for all of us to retrench and examine our core businesses and the way we deliver legal services to the financial industry," he said. "Those that can do it efficiently will survive, the others will either be acquired, merge or fail."

Bankruptcy filings fell for the fourth straight year in 2014, dropping by 12.6 percent across the country and 24 percent in California, according to the Administrative Office of the U.S. Courts. The slide has left bankruptcy filings at the lowest level in seven years.

Sixty-year-old Los Angeles firm Stutman Treister & Glatt shut down last year amid the plummeting market for bankruptcy services.

Though Butler & Hosch did business in California, it didn't have any offices west of Texas. LPS Default Title & Closing, based in Irvine, is the second largest creditor for the defunct firm's estate, with $2.3 million on the line.

After growing organically since its founding in 1972, Butler & Hosch began gathering the pieces of various defunct entities in the mortgage business in 2013.

First the firm acquired Cal-Western Reconveyance LLC, a subsidiary of bankrupt Prommis Solutions, which provided non-judicial foreclosure services to the mortgage industry.

The firm added Seattle, Washington-based Regional Trustee Services Corp. in 2014 and purchased assets from Atlanta-based firm Morris Schneider Wittstadt in January, bringing over a compliance team of attorneys and other professionals familiar with the business.

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