

Bankruptcy filers rush to beat deadline

By Sandra Block
USA TODAY

Consumers across the country are racing to file for Chapter 7 bankruptcy before Monday, when a law that places new restrictions on bankruptcy filings takes effect.

A record 102,863 Americans filed for personal bankruptcy last week, vs. an average of

Personal finance

30,000 filings a week during the past four years, according to Lundquist Consulting, which tracks bankruptcy statistics. This week is on track for another record, with an estimated 100,000 filings during the first three days, Lundquist reported.

Through Saturday, more than 1.4 million Americans had filed for personal bankruptcy in 2005, up 19.4% from the same period in 2004, Lundquist reported.

The law, which President Bush signed in April, will make it more difficult for individ-

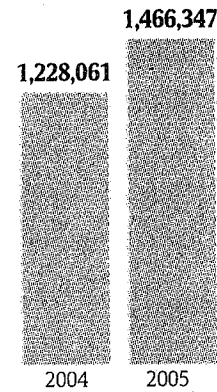
uals to file for Chapter 7 bankruptcy, which eliminates most debts. Individuals whose income exceeds their state's median may be required to file under Chapter 13, which requires debtors to repay their creditors under a schedule established by the courts. Consumers who are still eligible for Chapter 7 will be required to undergo credit counseling and will pay more to file.

Some bankruptcy attorneys have stopped taking new clients so they can get through their existing caseload. Attorney Jeffrey Freedman says his firm, which has 15 offices in western New York, stopped taking cases two weeks ago. The firm has filed more than 700 bankruptcy cases in the past three weeks, he says. Ordinarily, the firm handles about 150 bankruptcies a month. "The phone is ringing off the hook," Freedman says.

Nora Raum, a bankruptcy attorney in Arlington, Va., has stopped accepting new clients so she can handle her existing caseload,

Uptick in filings

Bankruptcy filings for the year through Oct. 8:



Source: National Bankruptcy Research Center

By Joni Alexander, USA TODAY

but she still gets four or five calls a day. "I don't have anyone to refer them to," she says. "People I know have stopped taking new clients."

In Texas, attorneys who are still accepting new cases are double-booking clients and staying open through the weekend, says John Ventura, a southern Texas attorney and author of *The Bankruptcy Kit*. Cases can be filed electronically, so some attorneys will continue to file right up until Sunday night, he says.

Attorneys expect a sharp slowdown once the law takes effect. But over the long term, the law probably won't lead to a significant reduction in bankruptcy filings, Ventura says.

"The amount of debt people are carrying makes them live on the edge," he says. Starting Monday, "They will get less benefit from filing for bankruptcy, but the expectation from most attorneys is that they're going to continue to file in high numbers."