

Bankruptcy filings hit fever pitch

*'Most we've ever seen'
at court due to new law*

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Delphi Corp. isn't the only one filing for bankruptcy these days.

Thousands of area residents are scrambling to get their paperwork done before new bankruptcy laws take effect at 12:01 a.m. Monday that will make it harder to get out of debt.

"We're just sitting here with our mouths open," a shell-shocked-looking JoAnn Walker, deputy in charge at the clerk's office of U.S. Bankruptcy Court in Buffalo, said earlier this week.

Walker and weary co-workers have toiled nights and weekends for the last few weeks, cramming like college students during exam week, to try to keep up with the overwhelming deluge of paperwork that the Monday deadline has created.

"It's the most we've ever seen," she said.

The sheer volume has not only the clerk's office staff, but judges, lawyers and trustees alike shaking their heads and laughing nervously.

Between Oct. 1 and 5 p.m. Thursday, for instance, 2,584 new bankruptcy cases have been filed to the Buffalo offices of U.S. Bankruptcy Court, Western District of New York, according to Bankruptcy Judge Carl L. Bucki.

During the same period last year, he

said, there were 153.

"And that was a relatively heavy month last year," said Bucki, who is anticipating a steady, busy schedule until at least the end of this year.

The phenomenon has struck across the country, with at least 20,000 new cases being filed every day over the last couple of weeks, according to statistics compiled by California-based Lundquist Consulting Inc.

In April, President Bush signed legislation that tightens requirements for filing for bankruptcy, making it much more difficult and complicated, especially for people who want to file for what's known as Chapter 7 bankruptcy — which allows debtors to have their unsecured loans,



Derek Gee/Buffalo News

Lawyer Thomas P. Feron is surrounded by bankruptcy paperwork in the downtown offices of Jeffrey Freedman Attorneys at Law, which stopped taking cases in mid-September because of high volume.

Middle-income people are expected to be hit the hardest by stricter law

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particularly from credit cards, wiped clean.

The new laws are designed to steer debtors to seeking Chapter 13 bankruptcy instead, requiring them to pay back at least some of the loaned money.

The changes also tack on additional paperwork and new requirements for debtors to undergo credit counseling and education and lengthen the amount of time that can lapse before a debtor can reapply for bankruptcy protection.

A small uptick in the number of bankruptcy cases filed was noticed around the time the new rules were announced. But the massive wave of new cases did not hit until about September. At the federal courthouse in Buffalo, 2,503 cases were logged last month. Bucki called that a staggering number, considering that since 1978 — when bankruptcy laws were last overhauled — the number of monthly filings has rarely exceeded 1,000.

One small silver lining for the bogged-down bankruptcy community is that the vast majority of the cases are being filed electronically.

"If we had to do it manually,

"I wanted to do something. I thought I'd better clean up. . . . My conscience bothers me that I can't repay this stuff."

Bankruptcy filer, on inability to make payments on his car loan and credit cards

. . . we could not do it," Walker said. "We could not process this much paper."

But this also means that cases can be filed up to midnight and the clerk's office will have to be staffed until then to handle any glitches in the computer system.

Bankruptcy attorney Jeffrey Freedman said he had to stop taking new cases midway through September so his staff could keep up with the crushing workload.

"Oh, yeah, people are working tons of overtime," said Freedman, who has been providing catered lunches and even dinners to his employees at his 15 offices to keep morale and enthusiasm from disintegrating.

Bill Lawson, another bankruptcy lawyer who also serves as a trustee, said he has encouraged several clients to file now rather than after the Monday deadline because of the more convoluted paperwork and the higher fees.

"They would have went [into

bankruptcy] eventually," he said, "but it was precipitated by the fact of the new law."

The changes to Chapter 7, which make up the bulk of the new cases entered over the last six weeks, will be especially tough on middle-income people. Those who earn less than the median income (which in New York State is \$39,463 for a single person, \$48,496 for a family of two; \$57,430 for three, etc.) will remain eligible for the more forgiving protection, Freedman and other lawyers explained.

Among the last-minute filers this week was an 81-year-old Buffalo man who asked that his name not be used because he has many friends in the community. After undergoing debilitating surgery last year and unable to continue doing his freelance research work, the man found himself no longer able to make payments on his car loan and credit cards.

"My only income is Social Security, so it probably wouldn't have affected me one way or the other," the man said after filing for Chapter 7 on Tuesday. "But I wanted to do something. I thought I'd better clean up. . . . My conscience bothers me that I can't repay this stuff."

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