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Young readers

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Grocery shopping

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YOUNGSTOWN Bankruptcy business is up

Mon, Aug 13, 2001

Filings are already more than 1,060 ahead of last year's pace in Youngstown.

By BOB JACKSON

VINDICATOR COURTHOUSE REPORTER

YOUNGSTOWN -- Business is booming on the second floor of the Thomas D. Lambros Courthouse and Federal Building, but that's not necessarily a good thing.

That's the headquarters for U.S. Bankruptcy Court, where bankruptcy filings are far ahead of last year's pace.

"Overall, business is way up, unfortunately," said Judge William Bodoh.

According to the clerk's office at the bankruptcy court, 3,340 bankruptcy petitions were filed as of Tuesday, compared to 2,273 at the same time last year. A breakdown of consumer filings versus business filings was not available.

Clerks expect the numbers to keep rising, possibly to an all-time high by the end of the year.

The Youngstown court accepts bankruptcy filings from people and businesses in Mahoning, Columbiana, Trumbull and Ashtabula counties.

Economic hard times in the Mahoning Valley is one reason for the glut of cases, said Atty. Bruce Epstein, who specializes in bankruptcies.

The shutdown of major employers like CSC Ltd., the long nurses' strike at Forum Health and similar employment woes no doubt forced many families to file.

And Judge Bodoh said there have been a large number of corporate Chapter 11 bankruptcies filed at his court this year, which also contributed to the increase.

Reform bill: But the primary factor believed to be driving more and more people to bankruptcy court is uncertainty over a bankruptcy reform bill pending in Washington, D.C.

If it's passed, the bill is expected to make it tougher for average consumers to seek bankruptcy protection. Many people are opting to file now to beat the more stringent regulations.

"I have been amazed at how many people are aware of these changes and are concerned about them," said Atty. Jeffrey D. Adler, another

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bankruptcy attorney. "The increase is directly attributable to that."

There are two versions of the bankruptcy reform bill hanging fire in Washington -- one passed by the House and the other by the Senate. A committee of delegates from both sides is to begin meeting next month to come up with mutually acceptable legislation.

"I hope it doesn't impose an intolerable administrative burden on the court system, to no benefit of society," Judge Bodoh said. "Our staff is already strained, virtually to the limit."

As it stands now, either version of the bill would be devastating for consumers, Epstein said.

The major concern among consumers is that once the new law goes into effect, it will be much more difficult to file for Chapter 7 bankruptcy, which allows consumers to erase most debts and start afresh.

"A lot of people think they won't be able to file [Chapter 7], and for most of them that's going to be the case," Adler said. Instead, they'll be forced into Chapter 13, which puts them on a payment plan for all or part of their debt.

Means test: He said bankruptcies would be harder to file because the new law will impose a "means test" for people whose income is above the national median, which is about \$54,000 for a family of four.

If the court determines that people in that category can pay either 25 percent of their credit-card debt, or up to \$250 a month for five years, they will not be eligible for Chapter 7.

It could also put a cap on the amount of money families can spend for groceries each month, freeing up as much money as possible to go toward the debt.

Debtors will be required to get consumer credit counseling before they are allowed to file for bankruptcy, Adler said.

"The bottom line is that it's a bad law that Congress passed because they were lobbied," Adler said.

Adler and Judge Bodoh said credit-card companies have spent millions of dollars to push the proposed reform and are among those expected to benefit once it's passed, along with banks and auto lenders.

"This bankruptcy bill looks very much like a public Christmas tree, available for anyone to come along and hang their ornament on it," Judge Bodoh said. "That's not a good way to develop public policy."

He said Congress should focus on creating a bill that is as good for consumers as it is for business, instead of coming up with something so one-sided.

It's unclear when the new bill will be passed, or what its final content will be, but Epstein said consumers shouldn't wait to find out.

"If it's appropriate for them to file a bankruptcy, they will almost certainly get more benefit now than they will under the House and Senate versions," he said.

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