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Number Of Bankruptcies Again On The Upswing In Vermont

By Christopher Roy

Express Staff Writer | April 2, 2009

Bankruptcy filings in Vermont are starting to increase after a two-year low. According to information provided by the Vermont Bankruptcy Court, 1,256 cases were filed in 2008. The highest rate in the last four years was in 2005 when 2,616 cases were filed. There were 623 cases in 2006 and 876 in 2007.

The spike in 2005 was caused by the public's perception that filing bankruptcy would become more difficult after the Bankruptcy Reform Act of 2005 became effective, according to **bankruptcy attorney James Palmisano of Montpelier**. As a consequence, hundreds of cases were filed in the months leading up to the change.

"The law had been discussed in Congress for years," said Palmisano. The purpose of the law was to create additional requirements to determine eligibility for bankruptcy. "It was a fairly controversial measure and it did get a lot of press."

The most difficult part of filing is for the attorney handling the case, he said, because more paperwork needs to be filed. Consumers wishing to file have to go through two credit counseling courses. The sessions, which last one hour each, can be done by telephone, over the Internet, or in person. The first course has to be taken

within six months prior to filing, the second has to be completed within 45 days after the bankruptcy hearing.

Most personal bankruptcy is either Chapter 7 or Chapter 13, said Palmisano. The chapter that's filed is determined after the applicant takes a Means Test. The Means Test is a formula that calculates the applicant's gross income for the last six months and compares it to the state median income of \$40,876 for a single person. The applicant's case will come under greater scrutiny if his or her income is higher than the median income, but they still might be able to file for Chapter 7.

Chapter 13 is generally referred to as debt consolidation, said Palmisano. This filing is typically for people who aren't eligible to file for Chapter 7 and have to pay back some of the debts in three to five years. Chapter 13 can also be used to pay overdue loans, like for a car or home, in five years.

Palmisano said the general economic downturn is why filings were up last year and those numbers are starting to continue through 2009. He said bankruptcy is generally associated with job loss, illness, or excessive credit card use.

"It's something that should be considered if the person is having financial difficulties," he said. "That's what it's there for."

Bankruptcy attorney Richard Scholes, also from Montpelier, blames the increase in bankruptcies on the economy. He said there are more foreclosures and a lot of people are losing their jobs.

"The basic reasons people are filing for bankruptcy is they are carrying a lot of debt on their credit cards or have cars or houses that they stretch to be able to afford," said Scholes. "Then something happens to them to push them over the edge."