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Vermont Bankruptcies Up 44 Percent

By Bruce Edwards

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Bankruptcies in Vermont are piling up at a rapid pace coinciding with an economy that continues to head south with no bottom in sight. Bankruptcies have soared 44 percent so far this year with 1,112 filings compared to 773 for the comparable period last year through Nov. 14, according to the U.S. Bankruptcy Court in Rutland.

Chapter 7 cases account for most of the increase with 822 filings compared to 555 a year ago.

Michelle Kainen, a bankruptcy lawyer in White River Junction, said the surge in bankruptcies reflects the financial dead end many families have reached.

"They haven't been able to live for some time and they've been supplementing, some of them, their budgets with credit cards," Kainen said, "and then it reaches a point where it can't happen anymore."

She said many who file bankruptcy are in foreclosure. Unfortunately she said the law bars bankruptcy judges from altering the mortgage terms on primary homes.

Kainen said the law does allow the bankruptcy court to modify mortgage terms on rental properties, second homes, time shares or commercial property but not on a home. "I mean it's just backwards," she said.

While Congress bailed out Wall Street to the tune of \$700 billion, Kainen said her clients want to know one thing: "I'm in trouble too just like all these other banks, no one's bailing me out," she said.

Montpelier lawyer James Palmisano said many of his clients can't make their mortgage payments because they're saddled with adjustable rate mortgages and higher energy costs. Like Kainen, he's seeing a lot of credit card debt as people max out their plastic "to keep the home going."

Vermont has also seen an increase in

Chapter 13 filings, which allows an individual to reorganize their debts. Those cases jumped to 285 cases from 215 cases a year earlier.

Two Chapter 11 bankruptcies have been filed so far this year. There were no Chapter 11 cases filed in 2007.

Three Chapter 12, or family farm bankruptcies, have been filed so far compared to three in all of last year.

Nationwide, consumer bankruptcy filings increased 40 percent in October from the same period a year ago, according to the American Bankruptcy Institute, citing data from the National Bankruptcy Research Center.

The overall October filing total of 106,266 represented a 20 percent increase from September and was the first time that bankruptcies topped 100,000 since the new bankruptcy law took effect in October 2005.

Through October, the 880,076 filings surpassed the total of 822,590 for all of last year.

"October's sharp spike in new consumer bankruptcies confirms the severe financial stress on household budgets caused by high debts, flat incomes, and declining home values," ABI Executive Director Samuel Gerdano said in a statement. "We expect the 2008 numbers to be the highest since the new bankruptcy law went into effect in 2005."

The bankruptcy reform law that took effect three years ago was structured to make it more difficult for debt-strapped consumers to file bankruptcy. But Palmisano said the flood of filings just proves the bankruptcy courts are open for business.

"What you end up finding is that despite the fact the law may have driven up the cost of filing bankruptcy and may have created more paperwork, when people get into enough trouble eventually they'll find a way to get the help that they need," he said.

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