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BANKRUPTCY LAWS ABOUT TO GET TIGHT: Debtor rush packs court Hundreds file before deadline

MIKE TIERNEY

George Pinkard and Lou Harwell are both in the business of beautifying. For Pinkard, it's women's feet. For Harwell, it's people's homes.

Each man's personal finances make a not-so-pretty sight. So the shoe salesman from Hapeville and the renovator from Duluth both applied for bankruptcy a week ago..

There is no shortage of fellow filers to commiserate. Enough Georgians have entered U.S. Bankruptcy Court in the state's Northern District this year to fill half the Georgia Dome, an increase of more than 8 percent over 2004.

The catalyst: a new federal law that raises the standards -- not to mention the fees -- for qualifying for Chapter 7, the most common class of bankruptcy. It kicks in Monday.

"The rush turned into a stampede," said bankruptcy attorney Howard **Rothbloom** of Marietta. Like many peers, he began turning down some cases this week because of the looming deadline.

Attorney Richard Thompson of Atlanta advised patience to some applicants whose situations would be unaltered by the revised rules. To little avail.

"You can't convince them of that," said Thompson, partner with Clark & Washington, with 12 metrowide offices. The firm, beefed up with the largest staff ever in anticipation of the barrage, filed 297 cases last week and expects to exceed 300 this week -- nearly triple the normal pace.

"Their mind set is, 'I'm afraid to wait. I've got it in my head to do it now.' "

In Chapter 7, the debtor's assets are liquidated, aside from exempt items such as cars and various home furnishings. Most debts are erased.

An alternative is Chapter 13. The filer can keep possessions but must pay off a designated portion of bills within three to five years.

Reservations about new law

The banking and credit card industry, claiming that the debt-ridden too often lean on Chapter 7 as an easy way out, lobbied Congress to pass legislation intended to detour them toward Chapter 13.

Thompson is not a fan. The law, he said, "was very poorly written. It won't accomplish what [supporters] want it to."

Rothbloom's prediction: "We'll be dealing with a law of unintended consequences."

Pinkard will leave the speculation to others. He merely wanted "to get all of these [debts] in one lump sum and say goodbye to them."

Pinkard has sold footwear to songstresses Gladys Knight, Jill Scott and Patti LaBelle. After hours, he runs a small fashion design business, sews and attends Bible classes. None of those endeavors, he said, contributed to his predicament.

Ignorance gets the blame. Pinkard, 39, said he learned zilch about managing money while growing up in Opelika, Ala. He was not exposed early to credit cards and, after resettling in metro Atlanta, rang up an excess of unpaid bills.

"The value of [saving] was not instilled in us," he said. "Now that I'm getting older, I have a better understanding of it."

Harwell, 59, is more blunt in his self-assessment. "I'm lousy when it comes to money," he confessed.

Harwell was running his own renovation outfit in 2001 when the recession forced many customers to cancel their contracts. Compounded by debt from equipment purchased, the business crumbled a year later, and health problems drove him deeper into a hole.

"I went from a nice living to rolling pennies to buy hotdogs," he said.

Worse, he equated credit cards carrying a \$10,000 limit with having ten grand in his wallet. "It got to a point where I was robbing Peter to pay Paul," he said.

The decision to file was agonizing, and he appreciates the new law for moving him off the fence.

"I should have done it a long time ago," said Harwell, who is back at work with another company. "I'm very attuned to what I spend now." Hotdogs have been replaced by an occasional restaurant meal, but he might skip a movie to pay for it.

Bankruptcy attorneys are concerned that once the new law kicks in, would-be filers will be deterred by higher legal fees. The law insists on more thorough verification of debts and assets, which could require lawyers to spend more time on each filing.

"It will be much, much more expensive," said **Rothbloom**, who on Wednesday got a much-anticipated software update to handle the workload that will keep him busy through the weekend.

Electronic filing -- if you hurry

Friday was the last day to file in person, generating a wait of up to two hours at the federal courthouse in downtown Atlanta. But lawyers who file electronically can submit clients' bankruptcy petitions until 11:59 p.m. Sunday.

Rothbloom still was getting calls from want-to-be clients on Friday afternoon, but he suspects business will dry up next week. "Right now," he said, "it's the storm before the calm."

Rothbloom finds fault with the law because it has rushed some of the debt-burdened into hasty choices.

He usually conducts up to three meetings with clients, sometimes stretched out over several months, and some elect not to file. "They haven't had the luxury of time now," he said.

Jay Kuczma of Powder Springs, a bankruptcy veteran, foresees a welcome result from the incoming law.

"Maybe it will make it apparent to people that you have to be more responsible," said the retired Navy man.

Kuczma, 51, has filed twice, the last time in 2002 after neck injuries suffered on a roller coaster cost him a mid-level manager job.

"Some people are not disciplined enough at managing their finances, and I'm one of them," admitted Kuczma, who has worked lately as a courier. "Things you'd like to have become things you've got to have."

Exhibit A: a home entertainment center and a library-sized collection of DVDs that he now admits was worth passing up.

Kuczma, married with two grown children, expects to emerge from bankruptcy this year.

"We can't live like king and queen," he said, "but we never should have."

Staff writer Patti Bond contributed to this article.

Photo

KEITH HADLEY / Staff

George Pinkard and co-worker Keanne Ambush try out products at the shoe store where they're employed. Pinkard is one of the people who decided to go ahead and file for bankruptcy on Friday, while the laws were relatively lenient

Photo

MIKKI K. HARRIS / Staff

Barbara Begovich, who was filing papers for an attorney, rests outside the Richard B. Russell Federal Building on Friday after waiting in line five hours.

Graphic

A TOUGHER LINE ON BANKRUPTCY

Highlights of the new bankruptcy law that goes into effect Monday:

- Judges will use a standardized means test to assess the ability of filers to repay debts. Health care costs and military status will be weighed.
- People with low incomes would continue to file under Chapter 7, which allows a judge to erase debts after some assets are forfeited.
- Some debts, including student loans, child support, alimony and some luxury purchases, can't be wiped out.
- People who make more than their state's median income level and who can afford at least \$100 a month for five years must repay debts under a Chapter 13 plan.
- Homestead exemption will be restricted to \$125,000 for residences held less than three years and four months. Florida, Texas, Iowa, Kansas and South Dakota currently allow unlimited exemptions.

Sources: Congressional; Quarterly, Associated Press

Graphic

AN UNSETTLING SURGE

Chapter 7 bankruptcy filings in Northern District of Georgia

September 2003:...1,919

September 2005:...3,662

91% increase

Graphic

MORE ON THE ROPES

Total bankruptcy filings in the Northern District of Georgia

September 2004:...3,646

September 2005:...5,521

51% increase

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