

Bankruptcies Hit Record In U.S. in 2001

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Faced with slowing business and mounting debts, more Americans filed for bankruptcy last year than ever before, federal court records show.

Slightly more than 40,000 companies and 1.45 million people sought bankruptcy protection in 2001, up from 35,500 and 1.22 million the year before, according to data released yesterday by the Administrative Office of the U.S. Courts. Last year's figures broke the previous record set in 1998 by 3.4 percent.

Locally, bankruptcies didn't hit an all-time high, but experts say the worst may be yet to come as the full impact of the recession and World Trade Center attack is felt.

Nationally, bankruptcies jumped for several reasons. Early in the year, many people rushed to file when it appeared Congress would tighten the bankruptcy laws, said Craig Robins, an attorney in Westbury.

The faltering economy also played a major part. Workers lost their jobs and businesses closed; downsizings also affected surrounding businesses that catered to workers and customers, said Matthew Roseman, a bankruptcy attorney at Forchelli, Curto, Schwartz, Mineo, Carlino & Cohn in Mineola.

"Each closing impacts the landlords and surrounding stores," he said.

That's what hurt Ahmed, a merchant who declined to give his full name. He said he has been affected by a steep drop in traffic outside his candy store at the foot of the Queensboro Bridge in Long Island City. Though the store is still open, he opted to file for personal and business bankruptcy in December after sales fell by almost half. "A lot of people aren't there anymore," he said.

Part of the bankruptcy surge stems from easy credit being made available in the booming later half of the 1990s, said Kevin Harris, international economist with MCM, a consulting firm in Manhattan. That caused consumers to pile up debt and businesses to expand, and many of those are now suffering the pinch of the recession.

Once the credit dried up, bankruptcy lawyers found themselves busier. There were 25,500 bankruptcies last year in the bankruptcy district covering Nassau, Suffolk, Queens, Brooklyn and Staten Island, which is up 13 percent from 2000 but fewer than the more than 30,000 filed in 1998.

This year will probably be worse, as teetering businesses and consumers succumb, experts said.

"People who lost their job in the fall will begin to look at bankruptcy now as their savings dwindle and unemployment runs out," said Gary Fischhoff, an attorney in Garden City.



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