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## Bankruptcy cases drop as new law takes effect

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Where did all the bankruptcy filers go?

Now that stricter bankruptcy laws are in effect, the number of filers has plummeted in recent months after hitting all-time highs last year.

People rushed to the courts last fall to seek bankruptcy protection before congressional reforms made it much harder to liquidate their debts by filing for Chapter 7. Nationwide, such filings soared 46 percent to 1.6 million last year.

In this area, Chapter 7 filings soared 54 percent in 2005 to 33,189, according to the U.S. Bankruptcy Court for the Eastern District of New York, which covers Long Island, Brooklyn, Queens and Staten Island.

Since then, however, the courthouse halls have been virtually empty. Between Oct. 17, when the new law took effect, and Wednesday, the number of filers has plunged to 1,200, down nearly 88 percent from the same period a year ago, though the flow has picked up a bit in recent weeks.

"The numbers tell it all," said Bill Milkman, administrative analyst for the Eastern District. "Filings are way down. After the law changed, cases trickled in. Now it's starting to go up."

Although national figures have not yet been released, bankruptcy experts say filings have dropped all over the country. This is partly because those in financial distress raced to get their petitions in under the previous law, leaving fewer people to file in recent months. Additionally, the reform,

which was backed by credit card and financial companies, made it more difficult and more expensive to seek bankruptcy protection. The law seeks to force more people into Chapter 13, which requires them to pay back at least part of their debts, rather than into Chapter 7, under which most debts are erased.

These changes have led some people to think they can no longer qualify for bankruptcy, which is contributing to the drop in filings, experts said.

"A lot of consumers are under the false impression that the new bankruptcy law is so difficult that they can't get bankruptcy relief anymore," said Craig Robins, a bankruptcy attorney in Westbury. "That's simply not true."

Robins, in fact, submitted one of the first Chapter 7 petitions in the Eastern District under the new rules. The filers, James and Karen Cannava of Levittown, knew the law had changed but didn't pay much attention to it because they didn't plan "to go that route," said Karen Cannava.

The couple, who have three children, ran into financial trouble a few years ago after James Cannava got into a major car accident that forced him to give up his landscaping job. After a subsequent business venture failed, the Cannavas were forced to seek bankruptcy protection.

"It is an option," said Karen Cannava, a homemaker who plans to return to work in September. "There's a lot of paperwork, but it's still an option."

Filers have to pay close attention to required paperwork, as

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— Craig Robins, bankruptcy attorney, Westbury

well as to deadlines, or their petitions could be dismissed, said Maureen Thompson, legislative adviser for the National Association of Consumer Bankruptcy Attorneys. For instance, they must get a certificate to show that they have gone through credit counseling before they submit their petition.

With filing and attorney fees going up, more people are trying to navigate the bankruptcy system on their own. In the Eastern District, 46 percent of filers don't have lawyers, up from 22 percent before the law took effect, said Karen Gross, president of the Coalition for Consumer Bankruptcy Debtor Education. This is a dangerous trend, she said, especially now that the rules are even more complex.

"You can be jeopardizing your ability to get the benefit of bankruptcy," said Gross, also a professor at New York Law School.



NEWSDAY PHOTO / MICHAEL E. ACH

Bankruptcy attorney Craig Robins is buried in files on some of his clients. The flow of filings has picked up recently after dropping when the new law took effect Oct. 17.