

# Big jump in local bankruptcy filings

■ **LI showed** increase of 44.9 percent in February

■ **New law** allows holding onto more personal assets

BY TED PHILLIPS

ted.phillips@newsday.com

A new state bankruptcy law may have helped push up personal bankruptcy filings on Long Island by 44.9 percent in February.

Chapter 7 bankruptcy filings at the U.S. Bankruptcy Court in Central Islip rose to 613 from 423 in January, while Chapter 13 filings increased more modestly to 78 from 59. Some of that increase may be due to seasonal and economic factors — nationally, personal bankruptcy filings increased by 11 percent, according to the American Bankruptcy Institute — but a law that took effect on Jan. 22 may have made bankruptcy more attractive for financially distressed individuals.

Former Gov. David A. Paterson signed the measure into law at the end of December that allows filers to hold onto more of their private property in Chapter 7 “liquidation” bankruptcies.

“February was one of our busiest months in quite some time,” said Woodbury-based bankruptcy attorney Craig Robins. “Many consumers who would not have considered Chapter 7 before because they would have needed to forfeit some of their assets instead can now file for Chapter 7 relief, effectively eliminate all of

their debts and also keep all of their possessions.”

Some clients, whose bankruptcy petitions had been prepared before the law took effect, waited to file under the new law, Robins said. In other cases, he said, his law office reached out to clients who had not been good candidates for bankruptcy under the old rules but could fare better now.

The new rules increase the dollar amount of exemptions filers can take. Perhaps most significantly, the homestead exemption — the amount of home equity protected from liquidation — was raised to \$150,000 per individual from \$50,000, meaning a couple could exempt \$300,000 of home equity.

“Now at this point they don’t have to give up their home because more equity is allowed,” said Milton Luna, a financial counselor at the Jericho branch of Greenpath Debt Solutions, a nonprofit debt-counseling organization. Luna attributed some of the uptick in bankruptcies to the loss of seasonal jobs after the holidays.

“A lot more of reality hits after Christmastime,” he said. “They do get their bills after Christmas.”

Melville bankruptcy attorney Ronald Weiss said he noticed an increase in people seeking bankruptcy protection in February but questioned whether it was because of the new law.

“It allows us to file cases that in the past we wouldn’t even think about, but I don’t think it’s the reason,” he said. “Most clients are totally unaware of it.”

## A YEAR’S FILINGS

Bankruptcy filings recorded in U.S. Bankruptcy Court, Eastern District, New York:

Month	Filings
Feb.	617
March	1,040
April	994
May	875
June	967
July	863
Aug.	854
Sept.	901
Oct.	881
Nov.	703
Dec.	634
Jan. 2011	491
Feb.	694

Overall, the trend in bankruptcy filings has been downward as credit tightened, but surprisingly the improving economy can spur bankruptcy filings, according to Jean Braucher, resident scholar at the American Bankruptcy Institute.

“If people are out of work, they can run up a lot of debt, and then if they get back to work, they look at all that debt and realize there’s no way to catch up,” Braucher said. “They may have enough to live on, but they don’t have enough to pay for this past debt.”

Total bankruptcy filings on Long Island, including corporate Chapter 11 bankruptcies, rose to 694 in February from 491 in January, according to court statistics. That’s up from 617 in February 2010.



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