

More bankrupt consumers liquidating assets

By **Meredith Jordan**
STAFF WRITER

More North Georgians filed for bankruptcy in 2003 than the year before, and more than half of them abandoned all hope of paying off their debts.

According to year-end numbers just released by the **U.S. Bankruptcy Court for the Northern District of Georgia**, 24,292 bankruptcies — or 52 percent of all bankruptcies filed in 2003 — were filed under Chapter 7, meaning the filers are liquidating their assets. That's up from 48 percent in 2002.

In 2003, about 47 percent of North Georgia consumers filed Chapter 13, meaning they hope to "reorganize" and pay off their debts using future earnings.

The shift to Chapter 7 away from Chapter 13 "speaks to the lack of quality jobs in the current recovery," said Rajeev Dhawan, director of the economic forecasting center at **Georgia State University's** Robinson College of Business.

"It means that the number of people who do not see any future prospects has increased," Dhawan said.

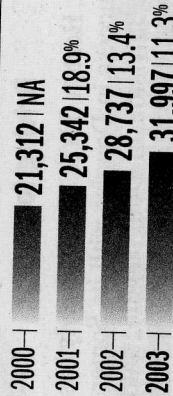
There's even more bad news for the Northern District, which includes Atlanta, Gainesville, Newnan and Rome. In all, some 46,748 people and companies filed for bankruptcy under all three chapters in 2003. That's up from 42,434 petitions filed in 2002, a 10.2 percent increase.

Some 24,292 people and businesses filed under Chapter 7 in 2003. That's up 20.5 percent from 20,156 in 2002.

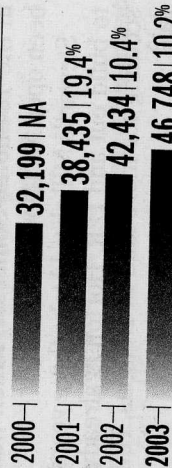
Bankruptcies mount

Bankruptcy filings increased again in 2003.

METRO ATLANTA BANKRUPTCIES AND PERCENT CHANGES



NORTH GEORGIA* BANKRUPTCIES AND PERCENT CHANGES



NA - Not available or not applicable

* Includes the area of North Georgia encompassed by metro Atlanta, Gainesville, Rome and Newnan.

Source: U.S. Bankruptcy Court, Northern District of Georgia

The trend is even more significant going back to 2000. Chapter 7 filings have risen 90.4 percent since 2000, when 12,758 were filed. That compares with a 45.2 percent increase in overall bankruptcies during the same period.

Chapter 7s made up less than 40 percent of filings in 2000, while Chapter 13 made up nearly 60 percent that year.

In Chapter 7, debtors don't have to pay a penny back, said Todd Mark, a spokesman for **Consumer Credit Counseling Service of Greater Atlanta & Palm Beach County/Treasure Coast**.

their house, car or other assets. A U.S. Trustee helping to manage the case can decide to sell assets to pay off creditors if those assets aren't considered reasonable.

A Chapter 7 bankruptcy filing remains on your record for 10 years, while a Chapter 13 stays seven years, Mark said.

"In order to file a Chapter 13, you have to be employed with regular income," said Jonathan Ginsberg, a consumer bankruptcy lawyer who has practiced in Atlanta for the last 17 years.

Ginsberg said he also thought the nuance of each chapter was playing a role in the increase in Chapter 7 filings. Bankruptcy officials, such as judges and trustees, "have tended to ask more of debtors in [Chapter] 13s, thus making them harder to work," he said.

Ginsberg gave the example of someone filing for bankruptcy with a 401(k) loan. "If you want to repay it, you have to pay all unsecured [creditors] at 100 percent in a Chapter 13 — not practical for most. However, in a Chapter 7, you simply reaffirm the debt and wipe out everything else."

Ginsberg also noted the 2000 plunge of the stock market. He has seen people who built lifestyles around "\$100,000-plus incomes who are now working at Rich's, selling shoes."

Dhawan said it all gets back to jobs. Although the number of jobs have increased in the past year, they are low-

"The new numbers reflect that the quality of the job growth in the metro area is not as good as it used to be in the early 1990s," he said. "Our indicators show they may have improved on the job-creation number side, but ... the quality of those jobs is not up to par."

Emory Clark, a partner at Atlanta law firm **Clark & Washington**, said a lot of his customers simply don't make a living wage or enough money to pay normal bills.

Clark's firm files about 5,000 bankruptcy petitions for clients each year. "Our clients are all hard-working people," he said, noting the exceptions were retired or physically challenged. "They keep the telephone lines up, they build the roads and bridges, they're the cashiers at Wal-Mart, the cooks at Waffle House. The fact of the matter is that they aren't making very much on a relative basis."

"Wages have not gone up proportionally with the actual expenses of what a real family pays," he continued, noting the hike in certain costs paid by nearly all consumers, such as gasoline to run automobiles and natural gas to heat homes.

The minimum wage is \$5.15 per hour, but even \$10 an hour isn't enough to pay bills, Clark said. A full-time job that pays \$10 an hour translates to \$20,800 per year, he said. "That just isn't enough."