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Rushing to go broke

Thousands of last-minute filings add to rolls of bankrupt

By Sarah K. Winn

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Beckley lawyer Jason Grubb got a phone call Thursday about 11 p.m. seeking help. A high school friend needed to file for bankruptcy before new federal bankruptcy laws kick in on Monday.

Grubb met his friend Friday at 4 a.m. on the road between Welch and

Pineville, to pick up the paperwork.

"I slept a little over an hour last night," Grubb said. "Everyone wanted to wait till the last minute."

On Monday, the Bankruptcy Abuse Prevention and Consumer Protection Act goes into effect. People filing for bankruptcy have new, more stringent requirements, especially if filing for Chapter 7, which erases all debt after certain assets are given up.

With the new laws, more paperwork will be required, including tax returns and paycheck stubs. Also, filers must pay for two sessions of credit counseling within six months.

People had until 5 p.m. Friday to submit paperwork under the old laws, said Teresa Deppner, clerk of courts at the federal bankruptcy court in Charleston, where they've been working hard to keep up.

In September, 1,435 people filed for bankruptcy in the Charleston court — a record, Deppner said.

Just about that many have filed over the past two days, she said. On Thursday, 657 people filed. At just before 8 p.m. Friday, her staff had 991 new filings.

So far for October, Deppner has seen

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slightly less than 3,200 filings — and "they are still coming."

"It's been steady all day," she said. "I am very proud of our staff. They have been very diligent."

Staff members stayed until 8 p.m. Thursday and worked last weekend, Deppner said. They were working late again Friday night.

This dramatic influx means more hearings for the court, U.S. Bankruptcy Judge

Ronald Pearson said.

Normally, the court hears bankruptcy motions on Wednesdays, he said. Now, he expects at least one additional motion day a week for three or four months.

The new federal laws not only affect those filing, but their lawyers.

Bill Pepper, a bankruptcy lawyer in Charleston, said his firm switched to paper filings this week to keep up with the demand. His firm normally submits all of its filings electronically, but the computer system has been slowed because of the dramatic increase, he said.

Normally, Pepper's firm sees 500 to 600 bankruptcy cases each year. In the past

six weeks, his office has handled 700 to 800 cases and has turned down another 100, he said.

To make amends, his firm will offer those they couldn't help a discounted rate if they choose to file under the new laws, he said. They also will provide phones and computers so people can complete their mandatory credit counseling, he said.

Under the new laws, lawyers will face fines if filings aren't done correctly, Pepper said. And protection will not come cheap. He expects malpractice insurance rates to increase 20 percent.

He expects clients' rates to double or even triple, he said — and clients also will

spend more time in a lawyer's office, he said.

"What used to take a half an hour visit will now take two to three hours," he said.

For smaller firms and lawyers, Pepper said, the increase in prices and time is just too much to handle.

Grubb, who also does criminal defense and basic civil litigation, agreed.

"I used to file four or five a month," he said as he left bankruptcy court just after 5 p.m. Friday. "I am done with bankruptcies. Not anymore."

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