

## S.C. bankruptcies soar

18 percent increase in 2007 filings partly blamed on real estate woes

By Peter Hull  
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Bankruptcy filings across South Carolina jumped by almost 18 percent in 2007 as worsening real estate and mortgage markets put more households under greater financial pressure.

While the total number of filings, 7,176, was about half those in 2004 and 2005 — just before far-reaching reforms made it more difficult for debtors to seek protection from creditors — there still were 1,092 more filings last year than in 2006, according to a Post and Courier analysis.

The data include filings for corporate and personal bankruptcies.

Bankruptcy attorneys and credit experts said Monday that they expect to see the numbers rise this year.

Medical bills, divorces and loss of employment remain the most common factors in personal bankruptcies, but the slowing real estate market was blamed for some of the jump in 2007. Amateur real estate investors who bought multiple homes or took on larger mortgages with lower "teaser" rates found those properties were harder to sell in a slowdown, forcing more and more cash-strapped owners into foreclosure.

### By the numbers

Federal bankruptcy reforms that went into effect in 2005 made it more difficult for individuals to file for bankruptcy.

Year Total S.C. filings

2004 15,379

2005 15,484

2006 6,084

2007 7,176\*

\* Estimated

"We're just getting started," said Michael Drose of the Drose Law Firm in North Charleston.

Drose said too many people bought homes they could not afford once adjustable-rate mortgages kicked in, resulting in higher payments. Others used equity in homes like a piggy bank, each time increasing the size of their mortgages and monthly payments.

Nationwide, personal bankruptcy filings jumped 40 percent in 2007, following a sharp decline the previous year.

South Carolina's double-digit increase last year was not unexpected, and 2008 likely will paint the clearest picture yet as the mortgage mess continues to unravel, said Kevin Campbell, a Mount Pleasant-based attorney who also serves as a bankruptcy court trustee.

Campbell estimated that "we'll be up to or very close to 12,000" filings this year in South Carolina.

Across the country, more than 800,000 personal bankruptcy cases were filed in 2007, according to data collected by the National Bankruptcy Research Center and published by the Alexandria, Va.-based American Bankruptcy Institute. That compared with more than 573,000 in 2006, which was the lowest level since 1998.

Personal bankruptcy filings for most of this decade were much higher — around 1.5 million annually for the nation. But after an eight-year campaign by banks, retailers and credit card companies, Congress in 2005 passed the biggest changes in U.S. bankruptcy laws in a quarter-century.

Personal filings soared to more than 2 million in 2005, with more than 600,000 filed in October, the month the changes went into effect. In 2004 and 2005, total filings across the Palmetto State were 15,379 and 15,484, respectively, according to U.S. Bankruptcy Court data for South Carolina.

But the federal reforms have caused the number to fall off sharply.

The mortgage-related personal finance woes aren't limited to people with subprime loans, which carry higher interest rates and typically are targeted at home buyers with less-than-stellar credit records.

Michaele Pena, director of Consumer Credit Counseling Service in North Charleston, a division of Family Services Inc., said that over the past year she has seen an increasing number of people with good credit and traditional home loans getting into financial trouble.

Last year, Pena said, about 60 people a month attended her group's debt-counseling sessions, which are required under the 2005 bankruptcy reforms. She has noticed that more people are using credit cards and cash advances to pay household bills because rising mortgage payments are eating up their incomes.

"They're just mainstream folks in over their heads," she said.

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