

Bankruptcy filings down, but why?

FILERS WILL BE SERVED IN THE ORDER THEY ARRIVED



BLADE ILLUSTRATION/JEFF BASTING

A year after reforms, higher fees and income test cited as causes for drop in cases

By JON CHAVEZ
BLADE BUSINESS WRITER

Tuesday marks a year since sweeping changes to the nation's bankruptcy law took effect and prompted a stampede by tens of thousands of debt-laden Americans to seek Chapter 7 relief in the preceding months.

It's unclear, however, whether the reforms have worked.

The changes have stemmed the flood of new cases, but why the floodgates closed, whether they will reopen, and whether they will curb credit abuse as intended is debatable.

Filings for the 21 northwest Ohio counties are down 76 percent this year from last, paced at levels of 10 years ago. Nationally, new cases so far this year are down 71 percent to 421,000 compared to last year.

But one key stumbling block seems to be whether people realize they are eligible to file.

Auto repairman Andrew McSherry, of Wakeman, Ohio

in Huron County, tried to file bankruptcy in February. He said his attorney seemed unsure if it was possible.

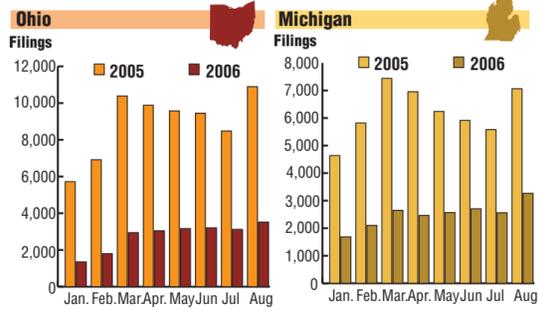
"He didn't think I could even do a Chapter 7, so he sent me to someone else," he said. He filed for Chapter 7 on March 10, listing \$144,000 in assets and \$188,000 in liabilities.

Some debt-consolidating companies, advertising for business, indicate that many people no longer qualify to file bankruptcy. But Ryan Gerace, managing attorney at Rausser and Associates, which handles about 10 percent of the filings in the Toledo court, said those messages are misleading.

"These ads tell you that you likely will not be able to file bankruptcy," he explained. "Anybody can still file and there is relief for bankruptcy. It just might not be the relief you want."

The reforms last year made it tougher and more expensive to file for bankruptcy, in which people can get some or all of

NEW FILINGS



Source: U.S. Bankruptcy Court

THE BLADE

their debts forgiven.

Included in the changes were higher filing fees and an income test that prevents people with incomes higher than a set state limit to file for Chapter 7 liquidation; instead, they could file for Chapter 13, which is a repayment program. In Ohio, that threshold is \$36,109. In Michi-

gan, it's \$40,504.

"Typically, people are still being discharged from \$50,000, \$100,000 worth of debt," said John Graham, a trustee for the U.S. Bankruptcy Court in Toledo, which covers northwest Ohio. "If people need to file for bankruptcy...we still have that." However, Jeffrey Morris, a

bankruptcy law professor at the University of Dayton, said the changes pose a new set of barriers to discourage filing.

The reforms also said filers had to first take credit counseling before filing and a money-management course afterward, with each costing \$30 to \$80. Filing fees rose for Chapter 7 cases, and bankruptcy attorney fees jumped because the law requires attorneys to verify the debtor's financial information, with penalties to the lawyer if the information is false.

Pushed by the credit card industry and retailers, the changes were to make harder to file and reduce what some perceived as large-scale credit abuse. Critics at the time said that rather than narrowly targeting those who abuse bankruptcy, the law's main effect would be to punish those suffering from a crisis, such as a major illness, job loss, or divorce.

The changes spurred a rush of new cases before the law took

effect. In northwest Ohio, there were 7,745 cases filed in the six weeks before the law took effect last October, or nearly as many as one of the top five filing years locally. The same surge occurred nationally.

"What the law has really achieved is it has made bankruptcy more complicated, more expensive, and more cumbersome for everybody," said Maureen Thompson, a lobbyist for the National Association of Consumer Bankruptcy Attorneys.

The organization recently surveyed 700 bankruptcy attorneys nationwide and found 53 percent said about the same number of people are filing Chapter 13 this year as last year. It had not risen, despite the income test that seemingly would direct more people into that program.

But nearly all said the added preparation and paperwork before filing has not changed who gets relief and who doesn't.

Mr. McSherry, the Huron
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Sleepy Monclova awakened by loud development boom

By MARY-BETH
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BLADE BUSINESS WRITER

Developer Duane Ankney can still remember his first impression of Monclova Township more than a decade ago.

"It was bean fields," said the former president of Cavaleer Corp., which bought up those fields to develop The Quarry, the first major-sized subdivision in the once sleepy, suburban Toledo township.

Today, Mr. Ankney, now president of Watermark Ltd., is one of at least half a dozen developers who are building in the western Lucas County community, whose population has climbed 25 percent in five years, to 8,500 last year.

There were 2,200 permits for houses pulled from 1999 through last year, and another 129 have been pulled so far this year. From the start of the year through September, developers have filed plans for eight plats in new or expanded subdivisions that will add another 242 homes.

"The growth was predictable because this was the part of the Toledo area that had the most land available for developments," Mr. Ankney said.

Land sold today is priced eight to 10 times the \$3,000 to \$4,000 an acre it sold for in the early 1990s, he said.

Homes in the township retain their value, according to the Lucas County auditor's office. It found the median price in 138 sales was \$269,000, up 12 percent from the previous year.

The rapid growth prompted the creation of three township committees to update its land-use plan. Professionals are preparing bids to put the committees' suggestions into effect.

"We want to exercise good judgement on how the township grows," said Brian Craig, chairman of the township board and an attorney who has lived in Monclova since 1988.

He has mixed feelings about the growth, which includes such commercial projects as the Briarfield office park.

"It's a transition," he explained. "I like the old pastoral setting where there was less traffic and less congestion. On my road, the traffic has increased seven times."

"On the other hand, with the increased growth comes more services, so I don't have to drive out of the township to get them anymore."

Dave Krewson said Maumee was the first choice when he and his wife decided to move from their south Toledo neighborhood to be near their grandchildren. But they soon expanded the search for the perfect lot.

"We looked all over the place...until we found this lot on a huge pond," said Mr. Krewson, of the location in the Fallen Timbers Fairways subdivision, near the intersection of Stitt Road and Waterville-Monclova roads.

The township's sprawling nature took some getting used to, but he enjoys the lifestyle, he said.

Developer Jim Moline said interest is high in his subdivision, Villas at Deer Valley, which features zero-lot line villas priced at \$300,000 to \$600,000 and aimed mostly at empty nesters. The development is off of Coder Road, just south of Maumee-Western Road.

"The biggest problem I've had is... waiting for people who have to get rid of their homes before they can build," he said.

But despite the overall slowdown in building in metro To-

ledo, Mr. Moline said he likes the Monclova Township area.

"What I like about out here is that it's still close to town, and the tax structure is just unbelievable," he said. The Lucas County treasurer's office shows homeowners in the township pay substantially less in property taxes than such popular

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THE BLADE/DAVE ZAPOTOSKY

A worker nails roof beams on a new Monclova Township home. Developers are planning eight new plats and 242 homes there.

NEW SINGLE-FAMILY DEVELOPMENTS IN THE TOLEDO AREA



As a service to prospective new-home buyers, The Blade publishes updates of residential plats in the Toledo area every six months and provides the general location, name, price of homes, developer, and number of lots of each project.

TOLEDO			VILLAGE OF SWANTON		
1. The Village at Laurel Hill	\$235,500-\$265,000	DelHill LLC, 10 lots	7. Silverbuck	\$200,000-\$300,000	Silverbuck LLC, 28 lots
2. Ironwood-4	\$180,000-\$220,000	West Valley Dev., 58 lots	8. Villas at Silverbuck	\$185,900-\$260,000	Silverbuck LLC, 10 lots
ROSSFORD			MONCLOVA TOWNSHIP		
3. The Sanctuary-7	\$500,000-\$1,500,000	Retreat Associates, 40 lots	9. Waterside-16	\$159,900-\$204,900	Watermark Ltd., 20 lots
4. Eckel Trace-2	\$220,000-\$250,000	West Valley Dev., 32 lots	10. Crimson Hollow-4	\$275,000-\$500,000	Crimson Dev. Co., 37 lots
WATERVILLE TOWNSHIP			11. Ridge at Wrenwood-2	\$500,000-\$1,000,000	Wrenwood Holding Co., 17 lots
5. Coventry Glen	\$230,000-\$275,000	Hafler Crafted Homes, 34 lots	12. Villas of Deer Valley-3	\$300,000-\$600,000	James E. Moline Inc., 46 lots
VILLAGE OF WHITEHOUSE			13. Deer Valley-3	\$300,000-\$500,000	Decker Homes, 19 lots
6. Whitehouse Valley-2	\$195,000-\$215,000	Sloan Dev., 26 lots	14. Timber Valley	\$350,000+	Timber Valley Partners, 37 lots
			SYLVANIA TOWNSHIP		
			15. Carrie Woods	\$350,000+	Hallmark Development Co., 17 lots
			16. Walnut Springs	\$195,000-\$350,000	MillStream Dev., 35 lots

SOURCE: Lucas and Wood County recorders' offices

BLADE CHART

Banks make it easier for customers to switch

WALL STREET JOURNAL

After 53 years, Don Neville has a new bank.

The retired consumer-relations manager stayed with KeyCorp's KeyBank for decades because it was too much trouble to switch banks. His monthly utility, telephone and insurance bills were automatically paid from his account, and his Social Security and pension checks were directly deposited there. "To change all that would be a pain in the neck and time-consuming," said the 76-year-old resident of Ballston Spa, N.Y.

Then along came Citizens Bank — a unit of Citizens Financial Group Inc., owned by Royal Bank of Scotland Group PLC — brandishing a higher rate, more convenient branch locations, and an offer to handle all the paperwork for him.

As direct deposit and automatic payments have made switching banks harder in recent years, banks are increasingly dangling hand-holding services to get clients like Mr. Neville to defect.

Firms such as Citizens Bank, National City Corp., and Commerce Bancorp Inc. are offering to contact companies and employers on customers' behalf to help change their direct deposits, automatic payments and on-line bill payments from their old account to their new account. Earlier this year, J.P. Morgan Chase & Co. began having its staff walk customers through the switching process in its branches. Previously, customers had to download forms online.

These moves come as the percentage of customers who leave their bank every year — a figure which has typically aver

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