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## A DEGREE IN BANKRUPTCY TWENTY-SOMETHINGS FIND THEMSELVES IN ROUGH FINANCIAL WATERS

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She was a typical college freshman -- 18 years old, full of promise and void of financial know-how. Today, she is like a growing number of recent college graduates -- bankrupt. "The credit card companies were everywhere on campus," says Kelly, 24, of Glens Falls, who did not want her last name used in this story. "I got my first credit card the first month, then I got a couple more cards. I charged my books, did some shopping. And before I knew it, I didn't have enough to make the minimum payments. I couldn't keep up with the late fees at all."

Kelly was bombarded with phone calls and letters demanding the \$15,000 she owed to creditors. A year after graduating -- with a degree in finance -- she struggled to find a job. Kelly gave up trying to make her \$200-a-month student loan payment, and her credit card debt piled up.

She looked into debt consolidation through a credit-counseling agency, but the monthly payment of \$400 was still beyond what she could afford. Finally, about a year ago, just when she found a good job as an account associate with a financial-service company in the Capital Region, and a fiance who shared her goal of buying a house, Kelly declared Chapter 7 bankruptcy.

Bankruptcy is a legal system designed to relieve honest consumers of overwhelming debt. Two types of personal bankruptcy are available to individuals. With a Chapter 7 bankruptcy, most debts are eliminated and some of the debtor's property may go to the creditors. With Chapter 13, the amount owed must fall within specific limits, and a debt-repayment schedule is established, lasting three to five years.

"I had to be realistic," says Kelly. She didn't want to involve her fiance in her troubled finances. "I also didn't want to totally ruin my credit down the road. A lawyer and I examined every bill I owed and decided bankruptcy was the only option."

About 110,000 people under age 25 came to the same conclusion last year, as did 550,000 people age 26 to 34 -- record numbers for both age groups, according to Elizabeth Warren, a Harvard Law School professor who specializes in bankruptcy law. "These young people have to overcome more financial hurdles right from the start than most people will incur in a lifetime," says Warren.

"Today's 20-somethings leave college with daunting student loan balances, huge credit card debt and scant financial literacy, and enter into a tight job market that offers little employment

stability," says Karen Gross, a professor at New York Law School and president of the nonprofit Coalition for Consumer Bankruptcy Debtor Education.

"I have seen a dramatic increase in people just out of college filing for bankruptcy -- usually overextended with credit cards," says Michael O'Connor, a partner with O'Connor O'Connor Bresee & First in Albany who has practiced bankruptcy law for 25 years. "There's a lending binge with credit-card companies; it's irresponsible distribution."

Attorney James Caher cuts to the chase. "Credit cards are evil things. Young people have been won over by advertising to accept credit cards and the lifestyle they promote. It's spend-spend, not save-save," says the expert on consumer bankruptcy during a telephone interview. Caher, based in Eugene, Ore., co-wrote "Personal Bankruptcy For Dummies" with his brother, John.

"The problem is most young people don't have sophisticated financial skills but they have real spending power," says John Caher, Albany bureau chief for The New York Law Journal and a former Times Union legal affairs reporter. "The credit-card companies target college students, and in our consumer society it's so easy to spend beyond one's means and hard to pay off credit card debt."

James Caher describes a young man in his 20s who arrived at his office recently to file for bankruptcy with a \$5 cup of coffee from a fancy coffee shop. "They come to me \$50,000 in debt and have nothing to show for it," he says. "They've bought recreational stuff and mall junk."

Bankruptcy can help a young person get a fresh start, says O'Connor, but unless spending habits are changed, they'll only end up in debt all over again. "Young people don't think of buying something with a credit card as borrowing money, but it is, and at a very high interest rate," says O'Connor. "There just doesn't seem to be the concern of a couple of generations ago about bad credit or having a lot of debt."

The Cahers also see a generation gap in attitudes. "My parents, who grew up during the Depression, finally bought a new car and owed some tiny amount on it. But they could not sleep at night. Soon, they sold several things to pay off the little car loan, because they had such discomfort about having any debt," says John Caher.

"I've seen decorated World War II veterans break down and cry with guilt and remorse because they needed to file for bankruptcy," says James Caher. "On the other hand, many young people don't know who they're in debt to, or by how much, or the effect it could have."

Bankruptcy was once spoken about in shameful, hushed tones. "Now, it's less of a big deal -- the stigma is fading. This generation is not afraid of debt and not afraid of bankruptcy," says Peter Bielagus, 26, an investment adviser, real estate broker and author of a finance guide for people under 30 titled "Getting Loaded."

"Young people are going to go to Mardi Gras whether they can afford it or not and worry about paying it off later. Plus, you're always rewarded for spending with increasing credit limits," says

Bielagus.

Attorney Gross, however, believes the stigma of financial trouble is still very real. "Bankruptcy is an overt act -- signaling failure in a society that rewards financial success," says Gross.

Kelly keenly felt the taboo. "It was definitely the main thing keeping me from bankruptcy for years. It's embarrassing. Even my Dad said, 'Oh no, this is going to be terrible.' But I didn't really have another choice," says Kelly.

O'Connor says that a young person who decides to file for bankruptcy is, at least, making a grown-up, responsible choice. "A focused act to create a solution," says O'Connor. "And they're most likely taking hard steps to solve the real underlying problems."

For Kelly, now married, bankruptcy was regrettable and necessary. But she discovered, too, that bankruptcy would not wreck her credit and financial status -- or her life -- forever.

"I have one secure credit card now that I put a little on and pay off completely each month," says Kelly, who makes her monthly student loan payment without fail, too. "For the first time in my life, I'm current on my bills. I don't know what I would've done without bankruptcy. There was no other solution for me."

"FACTS:GETTING OUT OF DEBT Online resources for the financially challenged:  
<http://www.debtoeducation.org>: Web site for the Coalition for Consumer Bankruptcy Debtor Education, a nonprofit consumer finance education center  
<http://www.fcsjax.org>: The Family Counseling Service, a United Way agency, offers low-cost financial management counseling and credit payment programs  
<http://www.cccscny.org>: Consumer Credit Counseling Service of Central New York. A place for those in debt to get balanced information, helpful suggestions and learn about available options  
<http://www.consumer counseling.org/index.html>: A national nonprofit educational and social-service organization offering financial counseling and information about issues  
<http://www.ncee.net>: The National Council on Economic Education is a nationwide network that promotes economic literacy for students of all ages  
<http://www.jumpstart.org>: A Web site designed for young people from the Jumpstart Coalition for Personal Financial Literacy to improve the personal financial know-how of young adults  
<http://www.GettingLoaded.net>: This Web site, like the book, aims to address personal finance needs and be a practical guide for the under-30 crowd. Author Peter Bielagus is happy to answer questions via e-mail.