Island families facing fiscal blackhole

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STATEN ISLAND, N.Y. -- Their credit cards maxed out, their home mortgages steep and job prospects dim, Staten Islanders are resorting to bankruptcy in ever-increasing numbers to wipe out their debts and attempt to make a fresh financial start.

For the 12-month period ending Sept. 30, 1,435 Staten Island residents and 38 borough businesses filed for bankruptcy, according to online records of the U.S. Bankruptcy Court for the Eastern District of New York in Brooklyn.

That figure represents a staggering 67 percent spike from just two years ago when there were 884 total bankruptcy filings (871 for residents) in the borough for calendar year 2008.

There were 1,327 total bankruptcy filings for calendar year 2009.

And with a stagnant economy that shows slight signs of energizing, experts expect bankruptcy filings to jump even higher.

"I think we're just opening the floodgates," said Paul Hollender, of the Bloomfield-based firm of Corash & Hollender, which specializes in working with financially strapped clients.

Jonathan Peters, professor of finance at the College of Staten Island in Willowbrook agrees.

He said the national unemployment rate has remained above 9 percent for the past 19 months -- up from about 5 percent two years ago -- while the total number of jobs has stayed flat for the decade. The unemployment rate is slightly lower on Staten Island, where, as of August, it was 8.4 percent.

The country has lost 8 million jobs in the latest recession, said Peters. He figures those and another 7 million are needed to account for unemployed workers, new entrants to the work force, such as students graduating college and newly arrived immigrants.

That means the country's short 15 million jobs compared to percentage of the population employed in 2001, he said. And more workers are joining the ranks of the unemployed every day.

Peters said manufacturing jobs need to be created and the financial and technology industries, buffeted by big job losses and intense competition from abroad must retool. Workers must also learn new job skills.

"The distress gets more intense the longer it goes," he said. "When you have this long of a recession, people run out of resources." said Peters. "I think there's still more bad news ahead."

Kevin B. Zazzera, a New Dorp-based bankruptcy lawyer, said he doesn't foresee a turnaround for two or three years.

Besides job creation, the housing market which boomed, then busted, this decade must right itself. Banks, he said, must also diligently extend loan modifications to struggling homeowners under the federal Home Affordable Modification Program.

"The bottom falling out of the real estate market is a huge reason for the [increase in] bankruptcy filings on Staten Island," said Zazzera. "People bought houses that were overpriced. They put all their cash toward keeping their house and put everything else on credit. They're buying basic necessities on credit cards, and they're paying high credit-card rates."

Interest rates in some cases as steep as 30 percent, which accrue, along with fees and penalties.

As a result, the average homeowner comes to him with $80,000 to $120,000 in credit-card debt, said Zazzera. Two out of every three dollars owed goes toward interest or penalties, he said.

Hollender, the Bloomfield lawyer takes issue with credit-card companies.

He contends they're "completely unresponsive" to foundering cardholders' pleas to restructure their debt.

"Most people that come to me are honest middle-class people who always paid their bills," said Hollender. "[But] these penalties and fees accrue" and they get in trouble.

Yet experts acknowledge that many people spend more than they earn. That imbalance really hits home when one or both spouses loses their job.

"People need to live within their means," said Zazzera. "You can't buy a house you can't afford. People buy nicer cars than they can afford. People don't budget, for the most part."

Peters, the finance professor said Islanders must "strategize" their resource use.

"Can you live with less?" is a question every borough resident should ask themselves, he said.

Hollender said spending can't be based on future income projections, especially overtime estimates. Because the raises and overtime may not materialize. Even worse, workers might one day find themselves on the unemployment line.

With the next few financial years so murky, Hollender foresees a blast from the past: The return of the cash layaway plan.

"In the future, I think we're going to see people using a lot less credit than now," he said. "You have to ask if you need it [before purchasing something]. You have to control what you're spending."