

Hard times cited in bankruptcy increase

By A.L. MAY

Chief Capital Correspondent

A federal bankruptcy judge told a legislative committee that hard times, not a new federal bankruptcy code, was the cause of increased bankruptcy cases in the state.

The Senate Small Business Committee is considering a bill by Sen. William A. Creech, D-Wake, that would deny North Carolinians what opponents call liberal federal exemptions of property shielded from creditors under the new bankruptcy code.

A major proponent of the proposal is the banking industry, which has blamed the recent increases in the number of bankruptcies on the new code.

Judge Thomas M. Moore, U.S. bankruptcy judge for the Eastern District of North Carolina, said that bankruptcy cases in the region increased 125 percent from the number in 1977-78 before the new code.

However, the judge said that bankruptcy cases increased by 192 percent over a similar period during the 1973-75 recession, when there was no change in the code.

"I think that it is principally our current economic conditions causing this," said Moore, a 20-year veteran of the bankruptcy bench.

The federal exemptions provide 11 categories of protected property. Among them are \$7,500 per person for personal or real property, \$1,200 for a car, and \$200 per item in household goods.

Moore said other reasons for the increase in bankruptcy were increased public awareness of bankruptcy as a way out of debt and the advertising by lawyers who practice bankruptcy law.

Moore noted that most criticism of the new federal code was that it allowed protection of household goods and other personal items.

"As a practical matter, these so-called elaborate exemptions people complain about don't have the actual impact people think they do," Moore said.

By the time most people reach the stage of going bankrupt, Moore said most of their belongings already were tied up with liens and mortgages. Even if the property is exempted in the bankruptcy, he said the creditor eventually would get the property when the

debtor could no longer meet payments.

"We didn't sell household good then (before the new code) and we don't now," said Moore.

Under the 1979 federal act, states can opt out of the federal bankruptcy provisions and substitute their own.

However, North Carolina's exemptions date to the 19th century and most on both sides of the issue generally agree they are unrealistically conservative.

The N.C. Bar Association has proposed a new set of exemptions that generally fall between

the federal exemptions and old state exemptions.

The Bar's proposed state exemptions provide eight categories of protection, with the chief difference from the federal exemptions being deletion of the \$200 per household item. The Bar exemption, however, would protect all of the residence, instead of the \$7,500 in equity under the federal code.

The old state exemptions only protect \$1,000 in equity in the home, \$500 in personal property and life insurance proceeds.

Panel rejects insurance idea

By W.A. WERONKA JR.

The Associated Press

A panel of legislators and state officials rejected state Treasurer Harlan Boyles' recommendation Friday to open state employees' medical insurance to bids and instead recommended avoiding increasing costs by cutting benefits.

The board of trustees of the Teachers and State Employees Retirement System met in special

Cross and Blue Shield would take effect Oct. 1.

Officials of Blue Cross and Blue Shield outlined for the board the reasons for the increase and a number of optional programs that the board could consider as alternatives to keep the increase down.

After that, Boyles, board chairman, noted that under the current contract with the insurance company, the board

percent increase themselves, Boyles said, notice would have to be given by April 1 so the contract could be terminated by Oct. 1.

Boyles said nothing would be lost because the board could renew the contract with Blue Cross and Blue Shield if it wanted to.

The 31 percent increase would cost the state about \$44 million during the 1981-1983 biennium. During 1981-83, the

Boyles' recommendation and backed a move by state Rep. Tom Ellis, D-Henderson, and state Sen. Harold Hardison, D-Lenoir, both members of the board. They recommended having the board's advisory health committee analyze Blue Cross and Blue Shield's optional programs to look for a program that would stay within the current appropriation.

Members of the committee said they could

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