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Cards Reduce but Bankruptcies Rise

The recession has radically changed the spending habits of Americans.

Not only are people trying to be more prudent in spending, but they have also been more cautious in spending on credit. This is reflected in a significant 26% drop in new credit card applications over the last 3 years in the country according to the credit review bureau, Experian. “This implies that many Americans consumers are relying less on cards and potentially trying to pay down debt,” explained Michele Raneri, Senior Director of Analytics in Experian.

According to the same Experian report, New Yorkers carry the most cards on average - 3.77 cards per person - more than any other part of the country. Since the inception of the Credit Card Accountability, Responsibility and Disclosure Act, many consumers have found it easier to manage their credit card debts because this Act contains provisions that make it easier to reduce your credit card balance. But despite the drop in the issuance of new credit cards, statistics show that the number of American cardholders who opted for bankruptcy to clear their credit card debts has risen. The latest National Bankruptcy Research Center (NBRC) report shows that 139,000 cardholders applied for bankruptcy protection in July, compared to 127,000 in June. In addition, a vast majority of

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these (75%) were applications for Chapter 7 bankruptcy which allows for consumers to completely discharge their debts through liquidation. This type of bankruptcy is usually undertaken when credit card debts become too high for the consumers repay. The other 25% of the bankruptcy filings come under Chapter 13 of the bankruptcy code that provides for a court-appointed trustee to oversee a payment plan for the debtor to clear the debts on a more affordable basis. The NBRC report shows that the states where more than 90% of the bankruptcies are filed under Chapter 7 are Iowa, New Mexico, West Virginia and South Dakota.

In a separate report by the American Bankruptcy Institute (ABI), postulations show that the number of bankruptcies in the US could reach 1.6 million by the end of this year if the current pace of bankruptcy filings continue.

If you are struggling to pay off your credit card debts (or other debts), bankruptcy is a viable option. Many have found bankruptcy to have given them a new start financially and you can discover that, too. Call us at (813) 200-4133 for a free consultation or visit <http://tampabankruptcy.pro>.