

FOR IMMEDIATE RELEASE

More than 1 Million Americans to Declare Bankruptcy in 2010

Alpena, Michigan, March 8th, 2010—In 2010 over one million bankruptcies will be filed in the United States. According to a press release by the American Bankruptcy Institute, dated January 5th, 2010, U.S. consumer bankruptcies increased 32 percent nationwide in 2009, reaching 1,407,788 compared to the 1,064,927 filings in 2008.

“A combination of economic stress, including high debt loads, rising unemployment and unsustainable mortgage burdens left many consumers with little choice but to seek the financial relief of bankruptcy,” said ABI Executive Director Samuel J. Gerdano. “As these strains continue for U.S. households, we expect that consumer filings will rise still higher in 2010.”

The ABI is the largest non-disciplinary, nonpartisan organization dedicated to research and education on matters of bankruptcy.

As more consumers find themselves in situations where bankruptcy seems more and more appealing, financial experts continue to caution consumers away from filing bankruptcy, encouraging them to seek other solutions.

“Bankruptcy is not something I recommend any more than I would recommend divorce,” financial author, radio show host, and motivational speaker Dave Ramsey states on his website, www.daveramsey.com. “Are there times when good people see no way out and file bankruptcy? Yes, but I will still talk you out of bankruptcy if given the opportunity. Few people who have been through bankruptcy would report that it is a painless wiping-clean of the slate, after which you merrily trot off into your future to start fresh.”

Lori Bahnmueller, a writer for the Michigan Credit Union League also warns consumers away from bankruptcy. “Consider the following penalties of bankruptcy:

1. It costs money to go bankrupt. Attorney and filing fees can total hundreds of dollars.
2. Not all debts are dischargeable. For example, income taxes and most student loans are not dischargeable. Others include debts of more than \$500 for luxury goods and services, and cash advances of more than \$1,000 obtained shortly before filing.
3. Public knowledge of your personal finances. Bankruptcy proceedings, which reveal your personal finances, are public.
4. Credit bureaus can keep a bankruptcy on record for 10 years. This often makes further credit hard to get and more expensive. Plus, if a credit file is used for loan or life insurance applications of \$50,000 or more, or for a job application involving an annual salary of \$20,000 or more, time limits don't apply.
5. Bankruptcy can be very demoralizing. Most people feel better when they pay their bills.”

Ramsey concurs, stating, "Bankruptcy is also listed in the top-five life-altering negative events that we can go through, along with divorce, severe illness, disability, and loss of a loved one. I would never say that bankruptcy is as bad as losing a loved one, but it is life-altering and leaves deep wounds both to the psyche and the credit report."

Many consumers are facing the long-lasting repercussions of bankruptcy simply because they misused their credit cards. These bankruptcy filers used the credit made available to them in the form of convenient, plastic cards as added income to live beyond their means. Consumers who carry large amounts of debt often crumble under the weight when confronted with an unexpected job loss or medical expense.

"According to USA Today, the number one reason consumers file for bankruptcy is credit card debt, claiming a total of 63 percent of all filers.... Although job loss or high medical expenses combined account for more than 75 percent of consumer bankruptcy, plain credit misuse is also a major factor. For instance, if your debt load is high, and you do encounter a job loss or medical expense, your budget doesn't stand a chance," Bahmueller states.

Todd Ossenfort, better known as "The Credit Guy" who writes a column on CreditCards.com, advises, "The key to financial well being is to live within your means or in plain language, spend less than you earn. Credit cards make it too easy to supplement income for everything from emergency expenses... to eating out and other entertainment expenses." To those that are severely in debt, he says, "You just might be able to manage with a little help," and suggests that consumers overwhelmed with debt contact qualified credit counseling experts.

"You may qualify for a debt management plan, which may lower [your] monthly payment[s]... and give you enough breathing room to make other changes in your spending habits.... pre-bankruptcy filing credit counseling is a mandatory requirement for filing bankruptcy per the 2005 bankruptcy reform law... The fact is that all other options should be explored before seeking bankruptcy," Ossenfort says.

Consumers seeking debt-relief should beware that there are many debt-eliminations scams out there, and that the old adage of "if it sounds too good to be true, it probably is" continues to ring true.

Liz Pulliam Weston, writer for MSNMoney explains how one debt elimination scam works. "For a stiff fee—sometimes \$2,500 or more—you can get a certificate to take to your bank that supposedly eliminates your obligation to repay your mortgage, credit cards, or other debt. What the victims get, of course, is an entirely bogus document that starts them down the road to trashed credit, foreclosure, financial ruin, and possible federal fraud charges.... But, a single phone call to the Fed, one of their lenders, or a lawyer could have exposed the swindle for what it was.

Donald J. Mills, President and CEO of Alpena Area Credit Union, says, "Anyone who is searching for financial guidance should know that their credit union is a source that they can trust and the first place they should turn to. We may know about options you haven't even considered yet, like a home equity loan or debt consolidation loan. We will

at least be able to refer you to a reputable debt counselor, such as GreenPath Debt Solutions, a non-profit company that helps consumers overwhelmed with debt regain control of their lives with free debt counseling.”

“The community of Northeastern Michigan is faced with cutbacks, layoffs, and struggling economy, but there is help and there is hope. I encourage anyone who is struggling financially to think twice before filing bankruptcy. Talk to your credit union—there is help out there, and it just might be down the street from you,” Mr. Mills reiterates.

Alpena Alcona Area Credit Union serves members primarily in Alpena, Alcona, Montmorency, and Iosco counties with 8 locations—a main office located in Alpena, with branch offices in Ossineke, Lincoln, Atlanta, a Tiger Branch in Alcona Community Schools, Oscoda and Tawas offices, and an additional branch in Alpena. As of February 28th, 2010, Alpena Alcona Area Credit Union provides service to 26,904 members and has total assets equal to \$236,638,699.

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