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Self-filing for bankruptcy can cost you

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The new bankruptcy rules have made it tougher to file -- and tougher to find a lawyer who can help. Alisa Roth reports.

TESS VIGELAND: Almost two years ago, Congress passed a law making it tougher for people to file for bankruptcy and have all their debt wiped out. Now you have to get credit counseling first, and depending on your income level, you may have to pay some of that debt back.

The law also made things more complicated for bankruptcy lawyers, and that made it more expensive to hire one of them. So more and more bankruptcy filers are choosing to go it alone. As Marketplace's Alisa Roth tells us, that choice often creates its own problems.

ALISA ROTH: The average cost of an uncomplicated bankruptcy filing today is \$1,500. It used to be half that. The new bankruptcy law made it harder to file for bankruptcy. But it didn't change the basic reasons people file: loss of job, illness, divorce.

That's what happened to Kashina Strachen. She says her credit rating was excellent -- until she and her husband split up. And then, suddenly life was very expensive.

KASHINA STRACHEN: My daughter's daycare is 600. Then my rent was 635. I have, where I lived I needed a car to get back and forth, I have car insurance . . . so it's just an accumulation. And it's almost like a wave has come in and you can't stop it.

It got to the point, she says, where the minimum payments on her credit card were half her monthly income. She could barely afford groceries.

STRACHEN: I don't have money to get a lawyer.

So, like lots of New Yorkers, she tried to file pro se -- that is, for herself. She went to a storefront office for help. For \$200, a clerk there filled out the paperwork . . . wrong.

The decision could've gotten her in a lot of trouble. Since the new law penalizes people who refile for bankruptcy after their petitions are denied a first time. And with all the provisions of the new law, it's easy to get denied. Joseph Hurley is a clerk at the U.S. bankruptcy court in Brooklyn. He says in the first few months after the new law went into effect, 1 in 3 people filing for personal bankruptcy were filing pro se.

JOSEPH HURLEY: People were showing up at our counter without attorneys, who were very unfamiliar, those pro se filers, with the bankruptcy requirements. As a result, the judges felt that there were so many things that could overwhelm the debtor that they were not in an equal playing field.

So Hurley's court hired a full-time clerk, Mary Fox. Her job is to deal with people who file for themselves. She can tell clients what they need to do to file correctly, but she's not allowed to give legal advice. A lot of times, she just helps people figure out what free or low-cost legal services they qualify for.

Or convince them to hire an attorney, even if they have to borrow more money to pay for it.

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MARY FOX: People will pay thousands of dollars for root canal, but they seriously question whether they should hire an attorney for important, life-altering decisions.

She talks to her clients and looks at their paperwork to get a sense of how complicated the case is. Does the client have major assets that need protecting, for example.

FOX: If I have time, if there's not a wait outside, I will literally just take all of the forms and go page by page and say, "Look, this is what they're asking for." I don't tell them what to put in the box, I can't tell them what to put in the box. But I like to think they have a better understanding after they walk away.

And a few filers, she says, have really done their homework and are pretty qualified to represent themselves. Or, they have no assets to protect, so they don't need to file for bankruptcy at all.

There might be more jobs like hers in the future. Fox's job at the U.S. Bankruptcy Court in Brooklyn is a pilot position that may be replicated in cities such as Los Angeles and San Francisco.

In Brooklyn, I'm Alisa Roth for Marketplace Money

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