

NEWS RELEASE

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**AS THE ECONOMY STUMBLES, DIVERSE GROUPS URGE HOUSE LEADERS TO
REJECT UNBALANCED BANKRUPTCY LEGISLATION**

--Bill Would Make It Harder For Families Hit By Financial Misfortune To Get Back On Track--

Washington, D.C. — As a House subcommittee held hearings today on bankruptcy legislation, a broad array of public interest and labor organizations called on House leaders to reject the bill (H.R. 975) because it would erect harsh new barriers to personal bankruptcy. The bill is very similar to last year's bankruptcy conference report, which was agreed to by House and Senate negotiators but did not pass either body.

In a March 3rd letter, groups and coalitions representing more than 225 public interest and labor organizations urged House Speaker Dennis Hastert, Minority Leader Nancy Pelosi, Judiciary Chair James Sensenbrenner and Judiciary Ranking Member John Conyers to reject the bill unless substantial changes were made. Among the many organizations signing the letter were the AFL-CIO, Consumer Federation of America, National Council of Women's Organizations, National Women's Law Center, Leadership Conference of Civil Rights and NAACP.

“At a time when many Americans have been harmed by a very shaky economy, and a massive wave of corporate scandals, moving forward mechanically with last year's conference report would be a mistake,” the groups said. “Rising bankruptcies are driven by economic difficulties. The timing of this bill could not be worse.” The groups expressed particular concern about the especially harsh impact the bill would have on women, minorities, the unemployed and older Americans. The letter raised several specific concerns with the bill:

- **Imposes a rigid means test.** The bill sets up an inflexible formula to determine if a debtor can wipe away most of his or her debts in Chapter 7 bankruptcy. A debtor whose Chapter 7 case is challenged due to the assumptions will have to litigate the issue, an expense many debtors cannot afford. A bankruptcy judge would not be able to waive the means test even if a debtor has experienced circumstances beyond his or her control, such as a medical emergency.
- **Endangers child support.** Despite extravagant claims to the contrary, the bill *still* threatens the welfare of children. The bill allows more non-child support debts to survive bankruptcy (such as auto and credit card loans), thus forcing custodial parents to fight with creditors for the debtor's limited income.
- **Allows millionaires to continue to shelter their assets in mansions.** The bill will still permit some rich debtors in five states to declare bankruptcy and keep homes of unlimited value.

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- **Expands opportunities for creditor motions.** Creditors will be able to threaten debtors with costly litigation. Those debtors who cannot afford to defend themselves in court will be coerced into giving up their legal rights.
- **Makes Chapter 13 plans to save homes and cars far more difficult.** Numerous provisions in the bill, such as requiring five-year instead of three-year repayment plans for many debtors, will increase the failure rate in Chapter 13. Two-thirds of those who enter Chapter 13 plans (and attempt to repay much of what they owe) already fail to successfully complete them.
- **Increases the likelihood that debtors will be evicted — even those who have caught up on back-rent.** It will be easier for residential landlords to evict a tenant who is in bankruptcy.
- **Does nothing to curb reckless lending by credit card companies and other creditors. Reckless and predatory lending would go unchecked and could increase.** By making it harder for debtors to wipe away some debts, the bill reduces the financial risk for lenders and encourages them to lower their credit standards even more.

“This unbalanced bill would have a particularly destructive effect on working Americans who most need the bankruptcy safety net when misfortune strikes,” the groups said. “These include women, who represent the single largest group in bankruptcy; African American and Latino homeowners, who are 500 percent more likely than white homeowners to find themselves in bankruptcy; laid-off workers, whose numbers are rising; and older Americans, who are now the fastest growing age group in bankruptcy.”

“Our organizations do not oppose legislation targeted at bankruptcy abuse, whether by individuals or corporations, but this bill would harm families who are responsibly using the bankruptcy system,” the letter said.

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The letter to House leaders was sent by the following groups and coalitions: AFL-CIO, American Association of University Women, American Federation of State, County and Municipal Employees, American Friends Service Committee, Americans for Democratic Action, Association of Community Organizations for Reform Now (ACORN), Business and Professional Women/ USA, Center for Community Change, Children’s Foundation, Church Women United, Commission on Social Action of Reform Judaism, Consumer Federation of America, Consumers Union, International Brotherhood of Boilermakers, International Union, UAW, Leadership Conference on Civil Rights, Lutheran Office for Governmental Affairs, ELCA, NAACP, The National Advocacy Center of the Sisters of the Good Shepard, National Community Reinvestment Coalition, National Consumer Law Center, National Council of Jewish Women, National Council of Women’s Organizations, National Organization for Women, National Women’s Law Center, Neighborhood Assistance Corporation of America, Network, A National Catholic Social Justice Lobby, NOW Legal Defense and Education Fund, Owl, the Voice of Midlife and Older Women, Public Justice Center, Transport Workers Union, Union of Needletrade Industrial And Textile Employees, UNITE, United Steelworkers of America, U.S. Public Interest Research Group.

For the letter: http://www.consumerfed.org/bankruptcy_houseleaders.pdf.