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Bankruptcy Bill

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The U.S. Senate on March 10 approved and sent to the House the so-called “Bankruptcy Reform” bill, legislation reducing the options for lower and middle-income people seeking relief from debts through bankruptcy. The bill is strongly supported by banks and credit card companies and President Bush has said he is eager to sign it.

Quote: “It would establish a new income-based test for measuring a debtor’s ability to repay debts; require people in bankruptcy to pay for credit card counseling; stiffen some legal requirements for debtors in bankruptcy proceedings while easing some for creditors; and enable credit card issuers, retailers and other consumer tenders to recover more of what is owed them.” (Associated Press, March 9, 2005)

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Most – but not all – Democratic senators opposed the legislation, adopted 74-25. Ohio Sens. George Voinovich and Michael DeWine voted with the majority to approve.

Quote: “Opponents say it would fall hard on low-income working people, single mothers, minorities and the elderly, and it would remove a safety net for those who have lost their jobs or face mounting medical bills.” (Associated Press, March 9, 2005)

Quote: “The bill is payback to the big banks and highly profitable credit card companies, which funneled $100 million to candidates and parties over the past eight years – two thirds of it to Republicans.” (The Nation, March 21, 2005)

In the Senate, Republicans rejected a number of amendments designed to soften the blow. These included amendments to:

- Ease the impact of the legislation on people facing huge debts they cannot pay down, including single parents, the unemployed and the ill.
- Restrict the ability of Wall Street brokerage houses to work for companies both before and after those companies file for ***bankruptcy***.
- Soften the bill's impact on single parents and other groups, and to restrict credit industry practices that lawmakers said hurt the poor.

Quote: “The bill’s sponsors avoid mentioning how credit card promoters lure the uncreditworthy ; how joblessness, stagnant wages and lack of health insurance force the poor to use plastic to buy basic necessities; and how the bill leaves crooked companies like Enron free to declare bankruptcy and protect themselves from claims by employees who lost their pensions.” (The Nation, March 21, 2005).

Critics said the bill would remove a safety net for those who have lost their jobs or face big medical bills. "It will have a real impact on real people all over this country," said Sen. Russ Feingold, D-Wis.

Between 30,000 and 210,000 people annually -- from 3.5 percent to 20 percent of those who currently dissolve their debts in *bankruptcy* -- would be disqualified under the bill, according to American *Bankruptcy* Institute estimates.

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