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DIVERSE GROUPS CALL ON DASCHLE, HASTERT NOT TO RESTRICT PERSONAL BANKRUPTCY AT A TIME OF ECONOMIC UNCERTAINTY AND CORPORATE SCANDALS

Washington, DC -- At a time when a shaky economy and corporate scandals have left many families vulnerable to bankruptcy, a broad and prominent array of public interest and labor organizations have called on Congressional leaders not to act on a pending proposal that would erect new barriers to personal bankruptcy. Right now, Congress is scheduled to consider the bankruptcy conference report (H.R. 333) in September.

In an August 23rd letter, representatives of twenty-eight leading consumer, civil rights, community, labor, religious and women's groups urged Senators Thomas Daschle and Trent Lott, and Representatives Dennis Hastert and Richard Gephardt to reject the conference report unless substantial changes were made.

"At a time when the recent wave of corporate scandals has shaken the economy, led to massive layoffs and ravaged pension and 401(k) plans, passage of this conference report would make it harder for families hit by financial misfortune to get back on track," the groups said. "It would benefit the very profitable credit card industry—which includes some companies now under investigation for helping corporate wrongdoers break the law—at the expense of the modest income families who represent the great majority of those who declare bankruptcy."

The letter raised several specific concerns with the bankruptcy conference report:

- **The timing of the conference report couldn't be worse. Rising bankruptcies are driven by economic difficulties**. The recession, the terrorist attacks and ongoing corporate scandals have led to high unemployment and an increase in the number of Americans without health insurance. This is a very bad time to place severe new restrictions on personal bankruptcy.
- **Modest income debtors face harsh new barriers.** The conference report is riddled with severe restrictions that would prevent those with legitimate financial difficulties from getting a fresh financial start in bankruptcy. For example, the conference report presumes that a struggling family that spends more than $42 a week on credit card purchases before declaring bankruptcy is guilty of fraud. The "means test" in the conference report—which would determine who is eligible for chapter 7 bankruptcy--would label a family's spending on mass transit to be excessive if they also own a car. (What if one parent commutes by train and the other by car?) Bankruptcy judges would not be permitted to waive the means test's rigid requirements and allow a debtor to declare bankruptcy even if the person is blameless for his or her financial problems, for instance, because of a medical emergency or terrorist attack.

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- **Corporate executives and affluent debtors would receive favored treatment in bankruptcy**. The conference report would still allow many affluent debtors to declare bankruptcy and keep multi-million dollar homes. Executives facing bankruptcy as a result of business debt would not be subject to the harsh means test that would make it harder for employees with primarily consumer debts to declare bankruptcy.
- **The payment of child support and alimony would be endangered**. Today, child support is among the few obligations that cannot be wiped away in bankruptcy. By allowing more credit card and other debts to also survive the bankruptcy process, the conference report puts banks in competition with parents trying to collect child support from former spouses who have declared bankruptcy. The conference report's provision that would require child support to be paid first when distributing the assets of chapter 7 debtors is virtually meaningless. About 95 percent of chapter 7 debtors have no assets to distribute in the bankruptcy proceeding.
- **Reckless and predatory lending would go unchecked and could increase**. The conference report does nothing to curb abusive lending by creditors, whose practices often contribute to bankruptcy. Moreover, by making it harder for debt-choked consumers to wipe away some debts when calamity hits, the conference report would encourage lenders to lower their credit standards even more.

"This unbalanced conference report 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 have risen sharply in the last year, and older Americans, who are now the fastest growing group in bankruptcy."

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

The letter to Congressional leaders was sent by the following groups and individuals: American Association of University Women; American Federation of State, County and Municipal Employees; Association of Community Organizations for Reform Now (ACORN); Center for Community Change; Consumer Federation of America; Consumers Union; the Feminist Majority; International Association of Machinists and Aerospace Workers; International Brotherhood of Boilermakers; International Brotherhood of Teamsters; International Union, UAW; Leadership Conference on Civil Rights; Lutheran Office For Governmental Affairs, ELCA; NAACP; Ralph Nader; National Consumer Law Center; National Organization for Women; NOW Legal Defense and Education Fund; National Partnership for Women And Families; National Women's Law Center; Neighborhood Assistance Corporation of America; Public Citizen; OWL, the Voice Of Midlife and Older Women; Religious Action Center of Reform Judaism; Self-Help Credit Union; Transport Workers Union; United Steelworkers of America, and U.S Public Interest Research Group.

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For the group letter: http://www.consumerfed.org/bankruptcy_leaders.pdf.
For information on bankruptcy legislation and women: http://www.nwlc.org/pdf/BankruptcyBillHarmfulToWomen.pdf.