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# Senate Passes New Bankruptcy Legislation

WASHINGTON, Mar. 11, 2005

(AP) The Senate passed legislation Thursday making it easier for banks, retailers, credit card companies and other creditors to recoup some money they're owed by many of the 1.5 million people who file for bankruptcy every year.

Eighteen Democrats and the Senate's lone independent joined Republicans in approving the bill on a 74-25 vote. It goes to the House next month and onto President Bush, who made it a priority after the GOP increased its majorities in the election last fall.

"I applaud the strong bipartisan vote in the Senate to curb abuses of the bankruptcy system," Bush said in a statement. "Reforming the system with this common sense approach, more Americans \_ especially lower-income Americans \_ will have greater access to credit."

Lenders had been pushing the legislation for eight years. They argued too many people with ability to repay at least a portion of the money they owe were walking away from all their debts under current law.

"Those who can pay their bills should pay their bills. That's the American way," said Sen. Orrin Hatch, R-Utah.

Democrats had succeeded in blocking the legislation year after year. They argued the changes advocated by Republicans would keep people who are overwhelmed by medical costs or loss of a job hopelessly in debt the rest of their lives.

"It will have a real impact on real people all over this country," said Sen. Russ Feingold, D-Wis.

Over the past two weeks, Republicans knocked down Democratic attempts to ease the impact of the legislation on people facing huge debts they cannot pay, including single parents, the unemployed and the ill.

Wall Street investment bankers won a provision that will enable the same firm to work for a company both before and after it files for bankruptcy. Securities and Exchange Commission Chairman William Donaldson opposed the



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measure; he said it would further undermine investor confidence already shaken by the Enron, WorldCom and other corporate scandals.

Supporters of the bill said bankruptcy often was the last refuge of gamblers, impulsive shoppers, divorced or separated fathers avoiding child support, and multimillionaires \_ often celebrities \_ who buy mansions in states with liberal homestead exemptions to shelter assets from creditors.

Each year, somewhere between 30,000 and 210,000 people \_ from 3.5 percent to 20 percent of those who currently dissolve their debts in bankruptcy \_ would be disqualified from doing so under the legislation, according to American Bankruptcy Institute estimates. The institute is a group of bankruptcy judges, lawyers and other experts.

The legislation would set up an income-based test for measuring a debtor's ability to repay debts. It would require people in bankruptcy to pay for credit counseling and stiffen some legal requirements for debtors in the bankruptcy process.

Under the new income test, those with insufficient assets or income could still file a Chapter 7 bankruptcy, which if approved by a judge, erases debts entirely after certain assets are forfeited. But those with income above the state's median income who can pay at least \$6,000 over five years \_ \$100 a month \_ would be forced into Chapter 13, where a judge would then order a repayment plan.

About 70 percent of the people who file for bankruptcy now do so under Chapter 7, while the other 30 percent or so fall under Chapter 13, according to the American Bankruptcy Institute.

Most of the Chapter 7 filers "don't have the income to fund a (repayment) plan that won't fail," said Samuel Gerdano, the group's executive director.

Under current law, a bankruptcy judge determines under which chapter of the bankruptcy code a person falls.

The bill is the second piece of pro-business legislation that Congress is acting quickly on this year. Last month it sent him a bill placing most large multistate class action lawsuits under federal court jurisdiction, making it more difficult for plaintiffs to join together and win multimillion-dollar judgments in state courts. \_\_\_

On the Net:

Information on the bill, S. 256: <http://thomas.loc.gov/>

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