

CONSUMERS LEAGUE OF NEW JERSEY

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Consumers League Opposes S.256 -- Bankruptcy "Reform" Hurts N.J. Consumers

S.256, the bankruptcy "reform" bill, is a bill "purchased" by a small special interest group- credit card banks which contribute to Congress and expect legislation in return.

S.256 imposes draconian measures more suited for the world of Charles Dickens. The debtors' actual expenses in the real world do not count: Instead "IRS guidelines" are used to determine what the debtor is allowed for expenses. In New Jersey, these IRS guidelines will be insufficient for our high living expenses. The debtors have to pay real N.J. expenses, high taxes, high rent and high mortgages, not some IRS average expense. S.256 allows most residents of Texas and Florida to keep a million dollar home, free from creditors, while New Jersey homeowners are limited to a federal exemption of only \$18,450. S.256 will mean more N.J. homeowners will lose their homes, instead of saving them from foreclosure.

The bill has a perverse "Catch 22." Debtors are discouraged from filing the regular Chapter 7 bankruptcy, and pushed toward Chapter 13 payment plans. But S.256 increases the amounts which must be paid in Chapter 13, hence many debtors will not be able to pay the required payment with their real monthly income. So these debtors will be dismissed from Chapter 13 as well as Chapter 7. This Catch 22 is intended by the banks.

Small loan companies will be allowed to threaten to seize the debtor's bed and couch, if the debtor does not pay small loans having nothing to do with furniture. Former Newark Congressman Peter Rodino, author of the current law, banned this loanshark trick in the 1978 Bankruptcy Code. S.256 brings it back.

S.256 requires poverty level debtors to go to mandatory credit counseling before bankruptcy, and a educational course during bankruptcy. These requirements are not intended to help consumers, but to place obstacles and "gotchas" in their path of exercising their federal rights. The credit counseling groups will be inundated, and bankrupts will have another hoop to jump through. S.256 has an unprecedented requirement for debtors to file their tax returns with the Trustee, and let any creditor in the world have a copy! This will make the debtors' Social Security number, his children's names and his banks public. We have had enough theft of identity and abuse of children. Congress should not make crime easier.

S.256 does nothing to fix the root causes of bankruptcy. The recent Harvard Law School-Medical School study found that *half* of bankrupts had medical debt problems. S.256 does nothing to curb credit card late fees, high interest rates, or the promiscuous credit card approvals which contribute to the problem. The Founding Fathers placed the Bankruptcy Power in the U.S. Constitution to forgive debts and to abolish debtors prisons. S.256 is a scheme intended to "imprison" debtors in Catch 22 rules which deny debtors relief.

– Neil Fogarty, for the Board of Directors of the Consumers League of New Jersey