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**AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES**  
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**AMERICANS FOR DEMOCRATIC ACTION**  
**ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW (ACORN)**  
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**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**  
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**PUBLIC JUSTICE CENTER**  
**TRANSPORT WORKERS UNION**  
**UNION OF NEEDLETRADE INDUSTRIAL AND TEXTILE EMPLOYEES, UNITE**  
**UNITED STEELWORKERS OF AMERICA**  
**U.S. PUBLIC INTEREST RESEARCH GROUP**

March 3, 2003

The Honorable J. Dennis Hastert  
Speaker  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
United States House of Representatives  
Washington, D.C. 20515

The Honorable James Sensenbrenner, Jr.  
Chair, Judiciary Committee  
United States House of Representatives  
Washington, D.C. 20515

The Honorable John Conyers, Jr.  
Ranking Member, Judiciary Committee  
United States House of Representatives  
Washington, D.C. 20515

Dear Representatives Hastert, Pelosi, Sensenbrenner and Conyers:

With the scheduling of a Judiciary subcommittee hearing tomorrow, the House has begun consideration of bankruptcy legislation for the fourth Congress in a row. Chairman Sensenbrenner has introduced legislation (H.R. 975) that is very similar to the 2002 bankruptcy conference report.

**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 diverse organizations below—representing millions of vulnerable consumers--urge the House to make a fresh start on the bankruptcy issue and to reject legislation that would make it harder for the millions of families hit by financial misfortune to get back on track.**

**Rising bankruptcies are driven by economic difficulties. The timing of this bill couldn't be worse.** Ninety percent of all bankruptcies are triggered by the loss of a job, high medical bills or divorce. The recession, the terrorist attacks and ongoing corporate scandals have taken their toll on many families. Unemployment is higher than it has been in over eight years. More than two million people have lost their state unemployment benefits. The number of Americans without health insurance jumped to more than 41 million in 2001 and has been climbing since.

This unbalanced bill would have a particularly destructive effect on working Americans who most need the bankruptcy safety net when misfortune strikes: 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.

There are several specific problems with the bill:

- ❑ **Imposes a rigid means test.** The bill sets up an inflexible formula to determine if an individual debtor is eligible to wipe away most of his or her debts in Chapter 7 bankruptcy. A debtor whose Chapter 7 case is challenged due to these assumptions will have to litigate the issue, an expense many debtors cannot afford. A bankruptcy judge would not be allowed to waive the means test even if the debtor is seeking bankruptcy relief because of some terrible circumstance beyond his or her control, like a medical emergency.
- ❑ **Endangers child support.** Despite extravagant claims to the contrary, the bill still threatens the welfare of children. If the parent who owes child support is the debtor, the bill will divert more money to other creditors (such as auto lenders and credit card companies) and allow more non-child support debts to survive bankruptcy. After the bankruptcy is over, the custodial parent will have to fight with creditors for the debtor's limited income.
- ❑ **Allows millionaires to continue to shelter their assets in mansions.** The bill will still allow some rich debtors in five states (those who have not been found to have committed certain types of wrongdoing, or those who have owned their home in the state longer than 40 months) to declare bankruptcy and keep homes of unlimited value.
- ❑ **Expands opportunities for creditor motions.** Creditors will be able to threaten debtors with new costly litigation and make it more likely that 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.** Contrary to the supposed aim of encouraging more Chapter 13 payment plans, numerous provisions in the bill will make Chapter 13 much harder and less attractive. For many debtors, the bill will require five year plans (up from three years), assuring that the failure rate will be even higher than the current two-thirds who can't complete plans because of unexpected income or job loss.

- ❑ **Increases the likelihood that debtors will be evicted--even those who have caught up on back-rent.** The bill makes it 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.** Abusive lending by creditors often contributes to bankruptcy. Moreover, by making it harder for debt-choked consumers to wipe away some debts when calamity hits, the bill would reduce the financial risk for lenders and encourage them to lower their credit standards even more and to solicit riskier consumers.

For the sake of the vulnerable Americans who would be harmed, the undersigned organizations urge you to reject the punitive bankruptcy restrictions in this bill. 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. For more information, please contact Travis Plunkett at the Consumer Federation of America at 202-387-6121.

Sincerely,

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 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