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
U.S. PUBLIC INTEREST RESEARCH GROUP

August 23, 2002

The Honorable Thomas A. Daschle
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Trent Lott
Minority Leader
United States Senate
Washington, D.C. 20510

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

The Honorable Richard A. Gephardt
Minority Leader
United States House of Representatives
Washington, D.C. 20515

RE: DIVERSE ORGANIZATIONS URGE OPPOSTION TO HARSH, UNBALANCED BANKRUPTCY CONFERENCE REPORT

Dear Senator Daschle, Senator Lott, Representative Hastert and Representative Gephardt:

One of the first items of business Congress is likely to deal with in September—and one of the most important for working Americans—will be the bankruptcy conference report. **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. 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 diverse array of consumer, civil rights, community, labor, religious and women's groups below represent tens of millions of economically vulnerable Americans. We urge you to reject this harsh and one-sided conference report unless it is amended to address the following concerns:

? **Rising bankruptcies are driven by economic difficulties. The timing of this conference report 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. Long-term unemployment is higher than it has been in over eight years. The number of Americans without health insurance jumped by two million last year, the largest increase in nine years.

? **Corporate executives and affluent debtors would still receive favored treatment.** While tens of thousands of modest-income debtors could lose their homes under the conference report, affluent debtors in several states would be able to declare bankruptcy while keeping multimillion-dollar homes. The compromise reached by conferees fails to set a fixed cap on the value of a home that can be kept after bankruptcy, as the Senate bill would have done. Instead, it prevents only a handful of wrongdoers from keeping their mansions and actually expands this loophole to all 50 states. Moreover, the conference report would provide better treatment to corporate executives who may have driven their companies into ruin than to employees who have lost jobs, pensions, and retirement savings. Executives facing bankruptcy as a result of business debt, for example, would not be subject to the harsh means test that would apply to employees who have primarily consumer debts.

? **Modest-income debtors face harsh new barriers**. Contrast this millionaire's loophole to the provision of the conference report that presumes that a struggling family spending more than $42 a week on credit card purchases in the three months prior to a bankruptcy is guilty of fraud. Or the irrational means test that 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?) Or a provision that would not allow a bankruptcy judge to waive income requirements and allow a debtor to declare chapter 7 bankruptcy if the person is blameless for his or her financial problems, for instance, because of a medical emergency or a terrorist attack. (Victims of terrorism would not have to subject compensation payments to the means test, but would face the severe requirements of the means test for other income.) The conference report is riddled with these kind of harsh restrictions that would prevent those with legitimate financial difficulties from getting a fresh start in bankruptcy.

? **The child support problem is not fixed.** Today, child support is among the few obligations that cannot be discharged 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 support from former spouses who have declared bankruptcy. Supporters of the conference report claim that it "puts child support first" by requiring that child support be paid first when distributing the assets of Chapter 7 debtors. However, this provision is virtually meaningless; even today, with no means test, about 95 percent of Chapter 7 debtors have no assets to distribute in the bankruptcy proceeding. After bankruptcy, when bankruptcy priorities have no legal effect, many of these debtors would have to pay back more in credit card debt -- with interest and penalties -- leaving less money for child support.

- ? **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. In a reckless bid to increase their profits, these companies have increasingly extended credit to risky borrowers, such as college students without income. Credit card companies, for example, sent out an all-time high of five billion solicitations in 2001 to an increasingly debt-saturated population. 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 and to solicit riskier consumers.

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

For the sake of these vulnerable Americans and tens of thousands of others who would be harmed, the undersigned organizations urge you to reject the punitive bankruptcy restrictions in this conference report. 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.

Sincerely,

Nancy Zirkin, Director of Public Policy and Government Relations
American Association of University Women

Chuck Loveless, Director of Legislation
American Federation of State, County and Municipal Employees

Maude Hurd, National President
Association of Community Organizations for Reform Now (ACORN)

Allen Fishbein, General Counsel
Center for Community Change

Senator Howard M. Metzenbaum, (Ret.)
Chairman, Consumer Federation of America

Frank Torres, Legislative Counsel
Consumers Union

Eleanor Smeal, President
The Feminist Majority

Rich Michalski, Legislative and Political Director
International Association of Machinists and Aerospace Workers

Andy Abbott, Director of Legislation
International Brotherhood of Boilermakers

Michael Mathis, Director of Government Affairs
International Brotherhood of Teamsters

Allen Reuther, Legislative Director
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Wade Henderson, Executive Director
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The Rev. Russell O. Siler, Director
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Hilary O. Shelton, Director, Washington Bureau
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Joan Claybrook, President
Public Citizen

Laurie Young, Executive Director
OWL, The Voice of Midlife and Older Women

Rabbi David Saperstein, Director
Religious Action Center of Reform Judaism

David Beck, Policy Director
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William J. Klinefelter, Assistant to the President, Legislative and Political Director
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Gene Karpinski, Executive Director
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