



Monday is day of reckoning for those seeking debt relief

CNHI News Service

— Transcript Business Editor

Monday is a day those deeply in debt have been dreading.

Tomorrow, the most sweeping revision of the U.S. Bankruptcy code in 25 years goes into effect, eliminating the possibility of filing Chapter 7 bankruptcy for thousands of Americans.

Chapter 7 bankruptcies effectively discharge all debt, giving the bankruptcy filer a fresh start. The Bankruptcy Abuse and Consumer Act of 2005, signed into law in April, establishes an income test for determining whether debts can be canceled in exchange for forfeiting certain assets or if they must be repaid under a court-ordered plan.

Oklahomans with income above the state's median income, will be forced into Chapter 13 bankruptcy proceedings if it is shown they can repay a minimum of \$6,000 over five years. The median income in Oklahoma is \$31,375 a year for an individual, \$41,058 for a married couple and \$49,881 for a family of four. For larger families, \$6,300 a year is added for each additional individual.

An important new requirement for people seeking bankruptcy protection is mandatory credit counseling to be completed within 180 days of filing for bankruptcy.

"We've been working on our counseling program since the law was passed in April," said Jennifer Delcamp, vice president and certified counselor with Consumer Credit Counseling Service of Central Oklahoma.

The new bankruptcy provisions are expected to increase CCCS caseload by 132 percent, Delcamp said. "We'll offer classes all over the state and via Webcast. We're hiring seven more staff and fast-tracking their training to become certified credit counselors."

Since April, Oklahomans have stampeded the state's three federal bankruptcy courts in record numbers to beat the new law's enactment. Through September, 13,426 have filed for bankruptcy in the Western District federal bankruptcy court in Oklahoma City, 6,496 in the northern district and 4,045 in the eastern district. For Oct. 3-5, the first three working days of the month, 626 bankruptcy petitions were filed in the the Western District federal court alone.

Credit counseling will take a different form under the revised law, Delcamp said. "There's a pre-filing briefing when we go over budgeting, bankruptcy and the alternatives in an informal way with clients. We have a unique relationship with attorneys. These clients may need to file bankruptcy."

Under the pre-discharge phase of bankruptcy, the client undergoes a two hour credit counseling class, either in person or online. "The law ensures people make better choices next time," Delcamp said. The classes involve instruction on budgeting, saving for emergency expenses and modifying spending habits. Credit card debt and medical expenses are by far the most common causes of bankruptcy in Oklahoma, she said.

The rewrite of the bankruptcy code resulted from an eight year campaign by banks, retailers and credit card companies. Financial services companies and other proponents of the changes have maintained the bankruptcy process has been abused by gamblers, compulsive shoppers and multimillionaire who buy mansions in states with liberal homestead exemptions to shelter assets from creditors.

Opponents have said the new law will fall especially hard on low income working people, single mothers, minorities and the elderly, and will remove a safety net for those who have lost their jobs or face mounting medical bills. But the median income guidelines in the new provisions appear to protect

such individuals. Those with income below the state's median will still be permitted to file for Chapter 7 bankruptcy.

"I don't think the new law will negatively affect large parts of the population," Delcamp said, "just those with higher income who won't be allowed Chapter 7 bankruptcy." The new law also restricts the frequency of Chapter 7 filings to every eight years instead of the previous six.

Other provisions of the revised code:

Priority is given to a spouse's claims for child support among creditors' claims on a debtor in bankruptc

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