

# President Bush signs new Bankruptcy reform bill into law

April 20th , 2005...President Bush signed the new bankruptcy law. In effect as of October 17th, 2005, this is the biggest overhaul of bankruptcy laws in over 25 years.

## New Bankruptcy Law Reform Summary

The following is just a partial list of the Bankruptcy Law changes.

### Means Test

In order to successfully file a Chapter 7 bankruptcy, you must pass a two-part means test. 1. In the first part of the means test, your income is compared to your state's median income. If your income falls below the state median, your Chapter 7 filing will likely be successful. If your income does not fall below the state median, your income will then be factored into a formula. 2. In the second part of the test, your income (minus various living expenses, like food and rent) is factored into a formula.

The purpose of this formula is to determine your ability to pay off your debts. If the formula finds that you can afford your debt payments, then you will be denied Chapter 7. However, you may still be able to file for Chapter 13.

### Changes to Chapter 7 Eligibility

The reform act extended the waiting period between Chapter 7's from 6 to 8 years.

### Changes to Chapter 13 Filings

If you decide to file for Chapter 13 and your income is above your state's median income, then you must pay off your debts through a five-year plan. The Court will force you to use the IRS standards for expenses in determining your ability to pay.

The act also places limits on the kinds of debts that you can relieve yourself from with Chapter 13.

## **Credit Counseling and Debtor Education**

You must attend a credit counseling session six months before filing. After filing, the government will only relieve debts after you have paid for and completed a personal financial management class.

more on [Credit Counselling and Debtor Education...](#)

## **Summary**

If you are in debt, give Amicus Curia a call at **(360)427-3599** and find out more about your options.

## **Sources:**

CNN Money  
American Bankruptcy Institute