

Update on New Bankruptcy Law Changes

Over the course of the past 7 years powerful credit card companies and financial institutions have successfully lobbied Congress to make changes to current legislation. Congress had been close to passing a new bankruptcy law in each of the last two years, only to be held up by the controversial Schumer Amendment. The Schumer Amendment, sponsored by Senator Charles Schumer D-NY, would deny a discharge for government fines imposed on those arrested for abortion clinic violence.

In late January 2004, the U.S. House of Representatives voted to combine a non-controversial Senate passed bill (S. 1920) providing bankruptcy protection to family farmers under Chapter 12 of the U.S. Bankruptcy Code, first with H.R. 975, the bankruptcy abuse reform bill that has passed in the House in 2003 without the Schumer amendment, and then in 2002 with the Schumer Amendment.

Though the Schumer Amendment was also absent on the bankruptcy law, political pressure on Democrats to pass the bankruptcy law to assist farmers may have been too great.

On April 20th, 2005 the new bankruptcy reform act was signed into law by President Bush. This law went into effect on October 17th, 2005.

The [new bankruptcy law](#) requires more from debtors, including pre-filing consultations with an approved consumer credit counseling service in an attempt to force consumers to pay their debts outside of bankruptcy. Additionally, in order to file bankruptcy, a debtor needs certification from that credit counseling agency.

An income-based "means-test" determines which debtors may have the ability to pay back some of their debts. Those who do not pass the means test would be forced into a Chapter 13.

In addition, the reform act requires the following: more documentation from the debtor; repeated filings will be discouraged; the waiting period between Chapter 7 filings has been extended from 6 to 8 years; and a debtor's final discharge is now subject to completing a course in financial management.

Read through some [common questions](#) regarding filing.