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## **Erasing Debts in Bankruptcy to Get Harder**

**by Rob Hotakainen**

WASHINGTON -- Thousands of Americans will be prevented from erasing their debts under a bankruptcy bill approved by Congress on Thursday.

The House vote was 302-126; it passed the Senate last month. President Bush said he would sign the bill, the largest overhaul of the nation's bankruptcy laws since 1978.

Its supporters said the bill will help all consumers, who now pay a "hidden tax" of about \$400 a year on the price of goods and credit because of abuses.

"The only winner in the current bankruptcy system are those who game the system for personal gain," said Rep. James Sensenbrenner, R-Wis., chairman of the House Judiciary Committee.

Opponents said that the bill will do nothing to prevent lenders from charging exorbitant fees and that it will hurt people who file bankruptcy only because they've lost jobs or fallen ill.

"This bill is great for credit card companies and banking industries, but bad for everyone else," said Rep. Jim Oberstar, D-Minn. "In fact, it hurts those who most need the second chance offered by bankruptcy."

The overhaul is intended to make it more difficult for consumers to file for bankruptcy under Chapter 7, which allows debtors to erase their debts after they sell some of their assets. It will set up a new "means test" that will send more debtors into Chapter 13, forcing them into court-ordered payment plans. People with incomes above a state's median income who could pay at least \$6,000 over five years would be expected to make payments.

Last year, nearly 1.6 million Americans filed for bankruptcy, including 17,076 in Minnesota. The new law could affect between 30,000 and 210,000 bankruptcy filers a year, according to the American Bankruptcy Institute.

## How Did Your Representative Vote?

**Roll Call 108:** To increase profits for credit card companies and banking industries.

Yea 302/Nay 126/Not Voting 7

### Opposition Party?

#### The 73 Democrats Who Sold Out Consumers

*Robert Andrews (NJ-1st)*

*Joe Baca (CA-43rd)*

*Brian Baird (WA-3rd)*

***Melissa Bean (IL-8th)***

*Marion Berry (AR-1st)*

*Sanford Bishop (GA-2nd)*

*Dan Boren (OK-2nd)*

*Leonard Boswell (IA-3rd)*

*Rick Boucher (VA-9th)*

*Allen Boyd (FL-2nd)*

*Dennis Cardoza (CA-18th)*

*Ed Case (HI-2nd)*

*Ben Chandler (KY-6th)*

*Emanuel Cleaver (MO-5th)*

*Jim Cooper (TN-5th)*

*Jim Costa (CA-20th)*

*Bud Cramer (AL-5th)*

*Joseph Crowley (NY-7th)*

*Henry Cuellar (TX-28th)*

*Artur Davis (AL-7th)*

*Jim Davis (FL-11th)*

*Lincoln Davis (TN-4th)*

*Chet Edwards (TX-17th)*

*Bob Etheridge (NC-2nd)*

*Harold Ford (TN-9th)*

*Charlie Gonzalez (TX-20th)*

*Bart Gordon (TN-6th)*

*Al Green (TX-9th)*

*Jane Harman (CA-36th)*

*Stephanie Herseth (SD-At-Large)*

*Brian Higgins (NY-27th)*

*Ruben Hinojosa (TX-15th)*

*Tim Holden (PA-17th)*

*Darlene Hooley (OR-5th)*

*Steny Hoyer (MD-5th)*

*Steve Israel (NY-2nd)*

*William Jefferson (LA-2nd)*

*Ron Kind (WI-3rd)*

*Rick Larsen (WA-2nd)*

*Jim Matheson (UT-2nd)*

*Carolyn McCarthy (NY-4th)*

*Mike McIntyre (NC-7th)*

*Kendrick Meek (FL-17th)*

*Gregory Meeks (NY-6th)*

*Charlie Melancon (LA-3rd)*

*Bob Menendez (NJ-13th)*

*Mike Michaud (ME-2nd)*

*Alan Mollohan (WV-1st)*

*Dennis Moore (KS-3rd)*

*Jim Moran (VA-8th)*

*John Murtha (PA-12th)*

*Solomon Ortiz (TX-27th)*

*Ed Pastor (AZ-4th)*

*Collin Peterson (MN-7th)*

*Earl Pomeroy (ND-At-Large)*

*David Price (NC-4th)*

*Nick Rahall (WV-3rd)*

*Silvestre Reyes (TX-16th)*

*Mike Ross (AR-4th)*

*Steven Rothman (NJ-9th)*

*Dutch Ruppersberger (MD-2nd)*

*John Salazar (CO-3rd)*

*Allyson Schwartz (PA-13th)*

*David Scott (GA-13th)*

*Ike Skelton (MO-4th)*

*John Spratt (SC-5th)*

*Ted Strickland (OH-6th)*

*John Tanner (TN-8th)*

*Ellen Tauscher (CA-10th)*

*Gene Taylor (MS-4th)*

*Mike Thompson (CA-1st)*

*David Wu (OR-1st)*

*Albert Wynn (MD-4th)*

'New Democrats': 142 House Democrats received an average campaign contribution of \$7,884 from the credit card industry in the 2004 election cycle.

See: <http://www.opensecrets.org/industries/summary.asp?Ind=F06>

**Republican leaders were jubilant after eight years of failed attempts to change the law. It's expected to take effect six months after its enactment.**

### **Lobbying effective**

House Speaker Dennis Hastert, R-Ill., said Congress sent "a firm and resounding message" that the federal bankruptcy system "will no longer be a shelter for abuse." And Rep. Phil Gingrey, R-Ga., said the new law will change America's "when-in-doubt-bail-out" system of dealing with debts.

Opponents of the bill said it passed only after lobbyists for the financial services industry spent \$40 million. "Let's not kid ourselves: **This bill was written for and by the credit-card industry," said Rep. William Delahunt, D-Mass. "It's got nothing to do with the consumer."**

Rep. David Obey, D-Wis., said the means test will take power away from judges, who already have the discretion to deny bankruptcy protection if they believe the law is being abused. He said too many families are "just one medical bill or pink slip away" from financial disaster.

"If Congress is going to strip away protections for families who have lost their health insurance, then Congress has the responsibility to get off its duff and make sure every American has access to health care," he said.

Critics cited a study done by Harvard University in February which found that half of all personal bankruptcies are the result of medical bills.

House Minority Leader Nancy Pelosi, D-Calif., called the bill "mean and harsh" and predicted that many of the court-ordered payment plans will fail because people will lack the money.

Oberstar and Democratic Reps. Martin Sabo and Betty McCollum voted against the bill. Democratic Rep. Collin Peterson joined Republican Reps. Gil Gutknecht, Mark Kennedy, John Kline and Jim Ramstad in voting for it.

### **Wellstone issue**

Sabo said the bill gave too little consideration to military families, especially reservists, whose incomes can change dramatically when they report for active duty. "Our country does have a problem with bankruptcy, but this bill will do little to fix it," he said.

In previous years, bankruptcy bills had passed both the House and Senate, only to stall as members tried to negotiate differences in conference committee. The late Sen. Paul Wellstone, D-Minn., often earned praise from consumer advocates for single-handedly holding up the legislation, using procedural tactics.

This time, Republican leaders changed their strategy, preventing opponents from offering amendments and forcing the House to pass [the same bill that cleared the Senate on a 74-25 vote](#). As a result, there will be no conference committee and the legislation can go directly to the White House.

Bush said the bill will make the bankruptcy system "stronger and better," allowing more Americans to have greater access to credit.

Democrats accused Republican leaders of trying to stifle debate. At one point, they moved to adjourn, but their motion failed.

Opponents were left frustrated. "There is less and less democracy in this House," said Rep. Louise Slaughter, D-N.Y.

### **Others in pipeline**

The bankruptcy bill is the second of half a dozen proposed changes to the legal system. A bill imposing new restrictions on class action lawsuits became law in February. Others are a trust fund to pay victims of asbestos poisoning, caps on medical malpractice awards, and new limits on liability for gun manufacturers.

*Washington Bureau correspondent Paul Sand contributed to this report.*

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