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The Honorable Elizabeth Warren
United States Senate
Washington, D.C. 20510

Dear Senator Warren:

The National Consumer Law Center, on behalf of its low-income clients, writes to express its support for the “Consumer Bankruptcy Reform Act of 2022.” This bill will greatly improve our current bankruptcy system and give families burdened with debt a meaningful opportunity for a fresh start, which is all the more essential in the wake of the COVID-19 crisis.

Many consumers who would benefit from bankruptcy never file due to various barriers to access, including the cost of filing. The bill eliminates many of the needless and burdensome requirements imposed by the 2005 Bankruptcy Act, including the filing of unnecessary means-testing documentation, that have added substantial costs to every individual bankruptcy case. By allowing attorney’s fees to be paid in installments after filing, the many consumers who are unable to save up these fees in a lump-sum before filing will now be able to get bankruptcy relief. Another change reduces costs by eliminating the pre-bankruptcy credit counseling requirement. These changes will help ensure that families who need bankruptcy relief are not denied access simply because they cannot afford entry to the system.

Other consumers do not file bankruptcy because the current relief available is inadequate or has failed to address the debt problems families face today. This bill will restore some rights that were taken away in 2005 and provide new forms of relief that will help consumers struggling with debt. Several of the provisions in the bill will also help reduce the racial disparities that exist in the bankruptcy system. The significant changes would:

- Restore the ability to discharge student loan debt in bankruptcy;
- Clarify and improve opportunities to discharge certain fines, fees, costs, and surcharges imposed in the criminal justice system, which debt disproportionately affects people of color;

- Expand exemption rights to allow families filing bankruptcy in all states to protect and keep critical property such as their homes, cars, and tax refunds (including the Earned Income Tax Credit and Child Tax Credit);
- Allow home mortgage and car loans to be modified and treated like other secured debt;
- Create options for dealing with rental agreements that will help families avoid evictions;
- Give consumers a clear remedy for dealing with creditor violations of the bankruptcy discharge and for predatory collection practices related to bankruptcy.

We greatly appreciate the efforts of you and your staff to bring this legislation forward. We look forward to working with you on improving the bill as it proceeds through the legislative process.

Sincerely,

John Rao
Staff Attorney
National Consumer Law Center