

Durbin, Warren, Nadler Introduce The Consumer Bankruptcy Reform Act Of 2020

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WASHINGTON – U.S. Senate Democratic Whip Dick Durbin (D-IL), along with Senator Elizabeth Warren (D-MA) and House Judiciary Committee Chairman Jerrold Nadler (D-NY), today introduced the *Consumer Bankruptcy Reform Act of 2020*, bicameral legislation to simplify and modernize the consumer bankruptcy system to make it easier for individuals and families forced into bankruptcy to get back on their feet.

“As we grapple with the economic consequences of the COVID-19 pandemic, American families will continue facing serious financial pressures,” said Durbin. “Whether it is finding ways to help families stay in their homes during bankruptcy, to restoring

dischargeability of student loans, to addressing racial and gender disparities in the bankruptcy system; we must end years of delay and finally make our bankruptcy system fairer by passing this legislation.”

The ongoing COVID-19 pandemic and economic crisis has left millions of Americans out of work, drowning in debt, and struggling under the weight of medical bills, student loans, mortgages, and car loans. Even before the pandemic hit, Americans were already hanging on by their fingernails. In the last 40 years, consumer credit skyrocketed as Americans, faced with stagnant wages, took on more debt to deal with the increasing costs of housing, education, medical care, and child care. For millions of households, a shock like a job loss or a family illness can send them tumbling over a financial cliff. Recent reports [warn](#) that a wave of bankruptcies is on the horizon.

The bankruptcy system is supposed to be a lifeline of last resort; instead, individuals and families forced into bankruptcy encounter a broken system that too often fails to provide them with the financial relief they seek and benefits big corporate creditors.

The *Consumer Bankruptcy Reform Act* will:

- Make it easier and less expensive for financially-strapped families and individuals to obtain financial relief by replacing the two separate consumer bankruptcy chapters with a single system available to all consumers, streamlining the filing process, and reducing filing fees.
- Ensure that filers can care for themselves and their families during the bankruptcy process by helping renters with back rent avoid eviction and continue to make payments, making student loan debt dischargeable in bankruptcy, and allowing people to protect their homes and cars during the bankruptcy process.
- Help address racial and gender disparities in the bankruptcy system by ending the special privilege that prevents people from discharging local government fines in bankruptcy; preventing individuals from obtaining relief from debts arising from civil rights violations; and exempting sources of income and assets traceable to alimony, child support income, the child tax credit, and the Earned Income Tax Credit (EITC).
- Close loopholes that allow the wealthy to exploit the bankruptcy system, including the “Millionaire’s Loophole” and “spendthrift clause loophole.”
- Crack down on predatory practices and hold corporate wrongdoers accountable by banning collection of debts that violate consumer protection laws, allowing lawsuits against creditors that attempt to collect previously discharged debt, and preventing creditors from pursuing consumers in mandatory arbitration.

Along with Durbin, Warren, and Nadler, the legislation is cosponsored by Senator Sheldon Whitehouse (D-RI) and U.S. Rep. David Cicilline (D-RI).

The *Consumer Bankruptcy Reform Act of 2020* has been endorsed by Action Center on Race & the Economy (ACRE); Alliance for Retired Americans; American Federation of State, County, and Municipal Employees (AFSCME); Americans for Financial Reform; Asian Pacific American Labor Alliance, AFL-CIO; Association of Young Americans (AYA); Consumer Federation of America; Demos; National Alliance for Partnerships in Equity; National Association of Consumer Advocates; National Association for Equal Opportunity in Higher Education (NAFEO); National Consumer Law Center (NCLC); National Indian Education Association (NIEA); Progressive Change Campaign Committee; Public Citizen; Service Employees International Union (SEIU); Social Security Works; UnidosUS; U.S. PIRG; and Young Invincibles.