

## Consumer Bankruptcy Reform Act of 2020

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### PRACTICE AREAS

- Consumer Bankruptcy

### An McV Consumer Bankruptcy Alert

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On December 9, 2020, Senator Elizabeth Warren introduced a bill titled Consumer Bankruptcy Reform Act of 2020 ("the Act") to substantially amend the consumer provisions of the Bankruptcy Code.

The Act's purpose is to help individuals and families to regain financial stability by streamlining the process and lowering the costs of filing for bankruptcy. The Act specifically states that its provisions shall be interpreted liberally in favor of consumer debtors.

The following are the most significant changes to the Bankruptcy Code proposed by the Act:

- Instead of chapter 7 or chapter 13, the Act creates a new chapter 10 exclusively for consumer bankruptcy proceedings.
- Debtor will have the option of filing one, or multiple plans, to address specific claims. For example, a debtor can file a repayment plan for only unsecured claims or a repayment plan for secured mortgage arrears.
- Allow for the modification of mortgages, including debtor's principal residence.
- Allow for the discharge of student loans debt on equal terms with other types of debt.
- Discharge may be obtained without filing a plan.
- Credit Counseling and Financial Management courses are eliminated.
- Creation of a Bureau of Consumer Financial Protection and the designation of a Consumer Bankruptcy Ombudsman to assist individual debtors in bankruptcy seeking to resolve complaints related to their bankruptcy cases.
- The 341 meeting of creditors will be allowed by remote appearances and should be scheduled at such times to avoid conflict with debtor's employment.

The Act still needs to be reintroduced in the current new Congress. We will continue monitoring its progress and keeping you informed.

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