

March 3, 2005

EDITORIAL

Bankrupt Bankruptcy Bill

With their strengthened majority, Senate Republicans have high hopes of finally legislating more stringent demands on harried credit-card consumers who seek relief through personal bankruptcy. Proponents focus on tales of materialistic families of mall rats who max out their charge cards and fecklessly file for bankruptcy to start anew. The truth is far more complicated - particularly for low- and middle-income families driven to bankruptcy by catastrophic medical expenses. But the overhaul bill under debate, long sought by banks and credit card companies, would ratchet up the collection powers of an industry that blankets the nation daily with aggressive offers of consumer credit.

The bill would create a means test that compares a consumer's income and expenses, thereby changing the current law, which allows consumers to protect selected assets and escape the full repayment of their debts. Bankruptcy courts could require bigger repayment plans. While this might deal with outright schemers, it would only worsen a raft of real-life problems suffered by single mothers, the elderly and working families who suffer financial disasters because of emergency medical costs.

The Democrats' attempts to protect them were defeated yesterday. The same G.O.P.-led majority doomed another worthy amendment that would have exempted from the means test military personnel who fell into bankruptcy in their civilian lives after being called to fight in Iraq and Afghanistan.

Contrast that with the bill's gaping "millionaire's loophole," detailed by [Gretchen Morgenson of The Times](#). The bill spares this popular gimmick, which lets wealthy people file for bankruptcy yet still protect major resources in five states that cater to sheltering assets from creditors in special trusts.

Unamended, the bill is a gift to the credit industry and deserves defeat. It needs a fairer balance, including clearer credit information for consumers, who are barraged by credit card offers from companies that make little attempt to ensure that their targets can handle such debt. Consumers are voters, too. They can see the double standard of a crackdown on ordinary people by lawmakers who tolerate corporate bankruptcies that cost workers their jobs, pensions and health benefits.