

## ECONOMICS REPORT

# Declaring Personal Bankruptcy Will Become Harder in the U.S.

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I'm Gwen Outen with the VOA Special English Economics Report.

Bankruptcy is a legal process for people and businesses that are in debt. It is designed to help them get a new start. It is also designed to help their creditors get paid at least some of what they are owed.

In the United States, the credit industry says bankruptcy laws have made it too easy for people to escape their debts. On April twentieth, President Bush signed a bill passed by Congress to make changes in those laws. The new law is called the Bankruptcy Abuse Prevention and Consumer Protection Act of two thousand five.

The president stated: "Bankruptcy should be a last choice. If someone does not pay his or her debts, the rest of society ends up paying them."

Last year, there were almost one million six hundred thousand requests for personal bankruptcy protection. The number has grown since the last big changes in the bankruptcy laws in nineteen seventy-eight.

Two kinds of bankruptcy are most common for individuals. These are called chapter seven and chapter thirteen. They are named after the parts of the United States Code that define them.

Chapter thirteen bankruptcy requires people to have a plan to repay their creditors. They make payments for three to five years until most of their debt is paid off.

In chapter seven bankruptcy, people must give up some of their property. The property is then sold to pay their creditors. But the people are able to keep the money they earn after they bring their bankruptcy case. Under chapter seven they are also able to keep most of the property they buy after that time.

The new law will make it more difficult for people to declare chapter seven bankruptcy. Those with above-average earnings in their state may have to file under chapter thirteen instead.

The law also requires all people to get professional credit advice before they seek bankruptcy protection. And it puts limits on property that can be protected from creditors.

Critics say the new law will hurt people whose financial troubles were caused by situations like a job loss or high medical costs. Critics also say bankruptcy will become more costly for average people.

Most of the changes will go into effect in October.

This VOA Special English Economics Report was written by Mario Ritter. Our reports are all on the Internet at [voaspecialenglish.com](http://voaspecialenglish.com). I'm Gwen Outen.