

## State Department Federal Credit Union Topics of Interest

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### The New Bankruptcy Law

The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 was signed into law on April 20, 2005. This legislation contains the most significant changes to federal bankruptcy law since the enactment of the Bankruptcy Code in 1978. There are three components.

**Reaffirmation.** Voluntary reaffirming debt is a promise to repay the debt, instead of discharging it in bankruptcy. By reaffirming, members preserve access to lowcost financial services and avoid paying interest rates of 25% or more from other lenders.

**Means Test.** The new law requires that some debtors repay at least a portion of their debts based on what they can afford. A “means test” is conducted to see if a debtor qualifies to file for Chapter 7 bankruptcy, which erases almost all unsecured debts. Or instead, file Chapter 13 bankruptcy, in which the debtor repays some or all debt under a repayment plan that lasts from three to five years.

**Financial Counseling.** The Bankruptcy Law now puts new responsibilities and rights on people looking to file bankruptcy. It recognizes that people need information and assistance and hope that debtors will learn through counseling that bankruptcy is usually a last resort – and gain a better handle on debt and credit management.

State Department Federal Credit Union has a long history of working with members who are straining under a heavy debt load and are thinking of bankruptcy.

Our BALANCE program, offers members free, unbiased information and assistance. To take advantage of our budget counseling program, simply call **1-888-456-2227**. Counselors are available Monday through Thursday, 5:00 a.m. to 8:00 p.m. (PST), Friday, 5:00 a.m. to 5:00 p.m. and Saturday, 8:00 a.m. to 5:00 p.m.