

**STATEMENT OF
BRAD BOTES
EXECUTIVE DIRECTOR,
NATIONAL ASSOCIATION OF CONSUMER BANKRUPTCY ATTORNEYS**

GOOD AFTERNOON.

MY NAME IS BRAD BOTES ... I AM THE EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF CONSUMER BANKRUPTCY ATTORNEYS ... "NACBA," FOR SHORT ...

WE ARE HERE TO TODAY TO RELEASE THE FIRST ANALYSIS TO INVOLVE TENS OF THOUSANDS OF U.S. CONSUMERS WHO HAVE SOUGHT PROTECTION SINCE A NEW FEDERAL BANKRUPTCY LAW WENT INTO EFFECT LAST OCTOBER.

I AM HERE TO OUTLINE THE KEY FINDINGS OF WHAT WE FOUND ...

THE REPORT BY THE NATIONAL ASSOCIATION OF CONSUMER BANKRUPTCY ATTORNEYS LOOKS AT WHAT HAPPENED WITH 61,355 CONSUMERS SEEN SO FAR BY CREDIT COUNSELING FIRMS – WHICH ARE THE REQUIRED FIRST STOP UNDER THE NEW BANKRUPTCY LAW.

OUR ANALYSIS FIND OUT THAT NEARLY ALL ... 97 PERCENT ... OF THE CONSUMERS ARE UNABLE TO REPAY ANY DEBTS ... AND THAT IS NOT OUR ESTIMATE ... THAT IS THE ESTIMATE OF THE INDEPENDENT CREDIT COUNSELING FIRMS ...

THE NACBA STUDY ALSO FOUND THAT FOUR OUT OF FIVE WOULD-BE FILERS ... 79 PERCENT ... WERE FORCED INTO DIRE FINANCIAL STRAITS BY CIRCUMSTANCES BEYOND THEIR CONTROL, SUCH AS THE LOSS OF A JOB, CATASTROPHIC MEDICAL EXPENSES AND THE DEATH OF A SPOUSE.

AND CREDIT COUNSELING ORGANIZATIONS TELL US THAT IS A CONSERVATIVE ESTIMATE ... WITH MANY OF THE PEOPLE IN THE BALANCE TRAPPED OVER TIME BY RISING CREDIT CARD FEES AND OTHER CHARGES.

SO ... WHAT DOES ALL THIS MEAN?

IT MEANS THAT CONGRESS GOT BANKRUPTCY REFORM WRONG ... DEAD WRONG ... AS WRONG AS THEY COULD GET IT.

AS YOU MAY KNOW ... PROPONENTS OF THE BANKRUPTCY LAW CHANGES CLAIMED THAT THE THEY WOULD ZERO IN ON THE ALLEGED LEGIONS OF – QUOTE -- ‘DEADBEATS’ – UNQUOTE -- WHO SUPPOSEDLY WERE CRIPPLING THE U.S. ECONOMY WITH – QUOTE -- ‘BILLIONS OF DOLLARS IN LOSSES ASSOCIATED WITH PROFLIGATE AND ABUSIVE BANKRUPTCY FILINGS’ – UNQUOTE.

IN OTHER WORDS ...

IF CONGRESS HAD GOTTEN IT RIGHT ... WE WOULD SEE A THIRD OR HALF OF POTENTIAL BANKRUPTCY FILERS BEING COMPELLED TO MAKE PAYMENTS UNDER A CREDIT COUNSELING DEBT MANAGEMENT PLAN ... INSTEAD, ONLY ABOUT ONE OUT OF 33 CAN PAY BACK ANYTHING.

IF CONGRESS HAD GOTTEN BANKRUPTCY REFORM RIGHT THE CHANGES THEY MADE WOULD BE EXPOSING MOST WOULD-BE FILERS AS “DEADBEATS” – INSTEAD, CREDIT CARD COUNSELING ORGANIZATIONS ARE FINDING THAT THE VAST MAJORITY OF PEOPLE WERE PUSHED TO THE BRINK OF FINANCIAL COLLAPSE BY CIRCUMSTANCES OVER WHICH THEY HAD NO CONTROL.

AND THE REALLY SAD PART OF ALL THIS IS THAT CONGRESS KNEW ... OR SHOULD HAVE KNOWN ... THAT THIS IS WHAT WOULD HAPPEN. THEY WERE TOLD THAT ALMOST NO WOULD-BE FILERS CAN PAY ... THAT ABUSE OF THE PROCESS IS THE RARE EXCEPTION, NOT THE RULE ... AND THAT VERY FEW PEOPLE END UP IN BANKRUPTCY AS A RESULT OF A LACK OF FINANCIAL RESPONSIBILITY ...

BASED ON THE DATA WE NOW HAVE IN HAND ... WE CAN SAY AUTHORITATIVELY THAT THE FEDERAL BANKRUPTCY LAW

CHANGES THAT WENT INTO EFFECT ON OCTOBER 17, 2005 ARE DOING NO MEASURABLE GOOD WHATSOEVER.

THEY HAVE DONE NOTHING MORE THAN PUT NEW HURDLES IN THE PATH OF PEOPLE WHO ARE ALREADY FLAT ON THEIR BACK DUE TO FINANCIAL CRISES OVER WHICH THEY HAVE NO CONTROL, SUCH AS THE LOSS OF A JOB, CATASTROPHIC HEALTH CARE BILLS, AND SO ON.

I HAVE BEEN ASKED WHY BANKRUPTCY FILINGS ARE DOWN RIGHT NOW ... AND MY RESPONSE IS SIMPLE: BANKRUPTCY FILINGS ARE OFF BECAUSE MANY AMERICANS MISTAKENLY BELIEVE THAT THE COURTHOUSE DOORS ARE BARRED TO THEM.

AND I WANT TO CLEAR UP ANY SUCH CONFUSION TODAY ...

EVEN THOUGH THE PROCESS IS NOW MORE CUMBERSOME, TIME CONSUMING AND EXPENSIVE THAN BEFORE, CONSUMERS WHO NEED HELP SHOULD STILL SEEK OUT A BANKRUPTCY ATTORNEY TO EXPLORE THEIR OPTIONS AND FIGURE OUT HOW TO NAVIGATE THIS TRICKIER AND MORE CONFUSING PROCESS.

LET ME TOUCH ON A COUPLE OF KEY POINTS ABOUT THE NACBA DATA BEING RELEASED TODAY ...

THE STUDY IS ENTITLED *“BANKRUPTCY REFORM’S IMPACT: WHERE ARE ALL THE DEADBEATS?”* ...

THE ANALYSIS IS BASED ON DATA PROVIDED BY A CROSS-SECTION OF SIX LARGE AND SMALL CREDIT COUNSELING FIRMS THAT HAVE BEEN AUTHORIZED BY THE U.S. JUSTICE DEPARTMENT'S EXECUTIVE OFFICE FOR U.S. TRUSTEES TO PROVIDE BANKRUPTCY SCREENING.

THE CREDIT COUNSELING FIRMS RESPONDING TO THE NACBA SURVEY WERE: MONEY MANAGEMENT INTERNATIONAL IN HOUSTON, TEXAS ... GREENPATH INC. IN FARMINGTON HILLS, MICHIGAN ... SPRINGBOARD NONPROFIT CONSUMER CREDIT MANAGEMENT OF RIVERSIDE, CALIFORNIA ... HUMMINGBIRD IN RALEIGH, NORTH CAROLINA ... INSTITUTE FOR FINANCIAL LITERACY IN PORTLAND, MAINE ... AND BYDESIGN FINANCIAL SOLUTIONS IN LOS ANGELES.

CREDIT COUNSELING FIRMS RANGED IN SIZE FROM SMALL ... WITH 100 CONSUMERS SEEN ... TO QUITE LARGE (WITH NEARLY 23,000 CONSUMERS SEEN).

THE END DATE FOR THE CONSUMER-BASED INFORMATION PROVIDED BY THE CREDIT COUNSELING FIRMS RANGED FROM JANUARY 31, 2006 TO THE FIRST TWO WEEKS OF FEBRUARY 2006.

THE HIGH-END ESTIMATE OF CONSUMERS BEING ABLE TO MAKE REPAYMENTS UNDER A CREDIT COUNSELING DEBT MANAGEMENT

PLAN WAS 5 PERCENT ... WITH THE LOW BEING IN THE 1-2 PERCENT RANGE.

YOU NEED TO READ THE REPORT FOR YOURSELF AND I ENCOURAGE YOU TO GO ONLINE TO THE NACBA WEB SITE AND DO SO ...

FINALLY ... I WANT TO POINT OUT THAT THE NACBA REPORT CONTRASTS THE PRE-PASSAGE COMMENTS OF OPPONENTS OF THE LEGISLATION, WHO WARNED THAT THE BANKRUPTCY LAW CHANGES WOULD NOT WORK, AND PROPONENTS WHO ARGUED THAT THE NEW HURDLES IN THE LAW WOULD SLOW DOWN OR STOP ABUSERS OF THE BANKRUPTCY SYSTEM.

FOR EXAMPLE, THE REPORT QUOTES HOUSE JUDICIARY COMMITTEE CHAIRMAN F. JAMES SENSENBRENNER, JR. (R-WIS.) AS PREDICTING THE BILL WOULD STOP – QUOTE – ‘BILLIONS OF DOLLARS IN LOSSES ASSOCIATED WITH PROFLIGATE AND ABUSIVE BANKRUPTCY FILINGS.’ – UNQUOTE - SENATOR CHARLES GRASSLEY (R-IOWA) SAID THE BANKRUPTCY CHANGES WOULD CLEAN UP – QUOTE - “A CONVENIENT FINANCIAL PLANNING TOOL WHERE DEADBEATS CAN GET OUT OF PAYING THEIR DEBT SCOTT-FREE ...” - UNQUOTE.

AS WE NOW KNEW AND AS CONGRESS WAS WARNED BEFORE THE LAW WAS PASSED ... THESE ELECTED OFFICIALS COULD NOT

**HAVE FLUBBED BANKRUPTCY REFORM MORE IF THEY HAD
DELIBERATELY SET OUT TO DO SO.**

THANK YOU. THAT CONCLUDES MY OPENING REMARKS.