

# **BANKRUPTCY <sup>UP</sup>DATE**

## **March 30, 2020**

If someone else would like to receive these <sup>UP</sup>dates, please send an e-mail to [Mary\\_Frederickson@sdb.uscourts.gov](mailto:Mary_Frederickson@sdb.uscourts.gov).

### **CARES Act**

The recently enacted federal CARES Act - Congress's relief measure related to the COVID-19 pandemic - includes several bankruptcy law provisions, which will sunset one year after the legislation was enacted:

The Small Business Reorganization Act of 2019 was amended to increase the eligibility threshold for businesses filing under new chapter 11 subchapter V from \$2,725,625 to \$7,500,000 of debt.

For chapter 7 and 13 cases, the definition of "income" was amended to exclude coronavirus-related payments received from the federal government. Similarly, for a chapter 13 plan the calculation of disposable income will not include coronavirus-related payments.

The CARES Act permits current chapter 13 debtors to seek modification of their plan if they are experiencing a material financial hardship due to the pandemic, including extending their payments for up to seven years after their initial plan payment was due.

Though no bankruptcy code-related changes were made regarding student loans, one section of the COVID-19 legislative

package requires the Secretary of Education to defer student loan payments on all federally owned loans, including principal and interest, for six months, through September 30, 2020, without penalty to the borrower. The American Bankruptcy Institute estimates this will affect over 95% of student loan borrowers.

## **Court Remains Open for Business**

Although a majority of Chambers and Clerk's office staff are now working from home, the Court remains open for business at this time. We will let you know if the growing pandemic necessitates a change in the Court's operations.

## **Link**

[Previous Bankruptcy <sup>UP</sup>dates](#)

As always, should you have questions regarding this <sup>UP</sup>date or anything else concerning your dealings with the Court or the Clerk's office, please let us know.