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## **The CARES Act and Changes to the Bankruptcy Code**

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On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law. The CARES Act is aimed at providing relief to small businesses and consumers impacted by the COVID-19 pandemic. The CARES Act contains several provisions that are related to bankruptcy and will be discussed below.

- The Small Business Reorganization Act (SBRA), which became effective in February 2020, gave businesses with debts under a set threshold a new option of reorganizing under what is known as Subchapter 5. This Act gave businesses a less expensive option than Chapter 11 for reorganization. The debt limit under the SBRA has been increased by the CARES Act from \$2,725,625 to \$7,500,000. This applies to cases filed after March 27, 2020 and is applicable for one year. After a year the debt limit will return to \$2,725,625.
- The CARES Act provides help for student loan borrowers. The Secretary of Education is required to suspend all student loan payments and interest until September 30, 2020. This applies only to loans held by the Department of Education. Involuntary collection related to these loans is also suspended during this time.
- The CARES Act excludes federal payments to individuals related to the COVID-19 pandemic from counting as “current monthly income” for purposes of filing bankruptcy as well as from the calculation of “disposable income” in Chapter 13 cases.
- The CARES Act additionally allows Chapter 13 debtors who are affected by the COVID-19 pandemic to modify their plans to extend payments under the plan for up to seven years after the initial plan payment was due. This only applies to cases that were confirmed prior to the CARES Act effective date.

All of these provisions sunset after one year and will be removed from the Bankruptcy Code unless further changes are made. This is a challenging time for all involved and if you have any questions or concerns please do not hesitate to reach out to us.