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Statement on Signing the Bankruptcy Reform Act of 1994

October 22, 1994

The ''Bankruptcy Reform Act of 1994,'' H.R. 5116, stands out as a significant achievement of the 103rd Congress, and I am pleased today to sign this measure into law. Breaking through years of gridlock that prevented the enactment of meaningful bankruptcy reform legislation, the chief sponsors of this measure worked tirelessly on a bipartisan basis with the Justice Department and other agencies of this Administration to pass this bill. Senator Howell Heflin, Chairman of the Senate Judiciary Subcommittee on Courts and Administrative Practice, Senator Charles Grassley, Ranking Member of that Subcommittee, House Judiciary Committee Chairman Jack Brooks, Congressman Hamilton Fish, Jr., Ranking Member of that Committee, Congressman Mike Synar, and their respective staffs are to be commended for their efforts.

This is the most broad-based bankruptcy reform measure to be signed into law in 16 years. Bankruptcy plays a pivotal role in the dynamic American economy and is a critical element of our civil justice system. The Act will update the bankruptcy system so that it may better serve the needs of debtors and creditors, from individuals and small business owners to large corporations and financial institutions. The role of government agencies in bankruptcy proceedings will also be clarified, assuring enhanced collection of debts owed to the public treasury.

Of particular significance are the provisions of this Act directed at accelerating the reorganization process for small businesses. The current version of chapter 11, which embodies a single set of procedures for all types of reorganizations, has proven to be particularly burdensome and time consuming to both small business debtors and creditors, resulting in unnecessary costs and delays. The Act will create a simplified ''fast-track'' system for businesses with debts totaling less than $2 million, meaning far quicker and less costly disposition of approximately 70 percent of the business reorganizations handled by the bankruptcy system. This is precisely the kind of reform that will restore public faith in the ability of our courts to perform in a timely and cost-effective manner.

This Act also expands the use of ''consumer reorganizations,'' allowing individuals with debts up to $1 million to file for bankruptcy under chapter 13. This provision provides an alternative to the harsher process of liquidation while maintaining safeguards against fraud and abuse.

I am also pleased to note the enactment of new bankruptcy fraud measures. Creation of a criminal bankruptcy fraud offense will enhance the integrity of the bankruptcy process and give prosecutors new tools to use against those who would abuse the system.

Finally, and perhaps of the greatest, long-range importance, is the creation of a National Bankruptcy Review Commission to study and report on the issues and problems relating to bankruptcy. Beyond the numerous specific deficiencies in the Bankruptcy Code, it is also time to look at critical policy issues concerning the bankruptcy system. These issues include the relationship of the bankruptcy system to the health of the economy in general and of individual communities, the interaction between bankruptcy law and other legal disciplines, and encouraging the use of alternatives to litigation. I look forward to the expeditious appointment of members of the Commission, drawn from diverse backgrounds of legal, academic, business, and practical experience.

William J. Clinton

The White House,
October 22, 1994.

NOTE: H.R. 5116, approved October 22, was assigned Public Law No. 103–394. This statement was released by the Office of the Press on October 24.

Interview With Chuck Meyer of WWWE Radio in Cleveland, Ohio

October 24, 1994

Mr. Meyer. President Clinton, good morning and welcome to Cleveland. President Clinton, can you hear me?

The President. I can. Can you hear me?