

was confirmed, is current, and he has reestablished credit and been given greatly increased responsibility in his job.

5. Electrical estimator, age 32, married with child, who owed \$1500 falling due at about \$150 monthly, which he could not meet. His plan proposed initial payments of \$40 a month, which the Referee of the Maryland District ultimately would not approve. However the delay between the plan's filing and denial permitted debtor to improve his situation to a point where he can now himself satisfy his creditors.

6. Government employee, messenger, age 30, married, with three children; debts about \$1500. His plan proposed payments of \$31 monthly, but failed after several months and was dismissed by the Court, with a small distribution made to creditors.

At this point I wish to give credit to the enlightened approach of the Honorable John A. Bresnahan, the Referee in Washington, D.C., and to Roger M. Whelan, the standing trustee, in interpreting the legislative intent of Chapter XIII as being one of getting moneys from the debtor to the creditor as quickly and efficiently as possible, and then encouraging the debtor to bring problems arising during the period of the plan promptly and candidly to the attention of the Court.

The committee may wonder what might happen if there should be a sudden growth or rapid increase in the number of filings of such petitions. One jurisdiction confronted with this problem, the Southern District of Ohio (which includes Cincinnati), had over 2000 active plans, receiving between 20 to 25 new filings a week and was disbursing to creditors about \$70,000 per month in 1964. It was realized that manual bookkeeping was no longer satisfactory, and some mechanization appeared to be called for. A changeover to data processing was made and felt by the trustee to be the answer to his problems in trying to keep efficient and accurate records of his operation and incidentally, permitted a 20% reduction in the total figure for trustee's fee and handling costs in that district.¹ Kansas City, Kansas, is another jurisdiction that has successfully dealt with the challenge of a great rise in filings due to community and local bar acceptance of the Chapter XIII remedy, by turning to automatic data processing. In 1965, 1,362 cases were closed in Kansas District Court, according to its standing trustee, with almost \$2,000,000 paid to creditors.²

Although discussions appear from time to time,³ I feel that not enough members of the bar or the community are aware of the remedies available for debtors' relief under the provisions of Chapter XIII. Particularly where the debtor's separation is aggravated by dishonored checks outstanding, or high interest small loans in default, does Chapter XIII afford remedies not available to the debtor acting on his own or through a representative. Based on the average cost to an average debtor of about 1/6 of his indebtedness, it must be borne in mind that also in the average case, this would be largely offset by the lapse of interest falling due after the filing date.

Therefore from both the point of view of effecting cooperation by creditors and economy to the debtor, Chapter XIII proceedings have much to recommend them.

Mr. SISK. Do we have Mr. B. H. Feldman in the room representing the Budget Counselors, Inc.?

Without objection, the statement of Mr. Feldman on behalf of Budget Counselors, Inc., will be made a part of the record.

(The statement follows:)

¹ Article, "A Wage Earner's Plan That Works," by William R. Schumacher, (trustee in Southern District of Ohio), p. 64, Vol. 19, No. 2, Spring 1965, Quarterly Report, Personal Finance Law.

² Article by Claude L. Rice, *ibid.*, page 69, Vol. 20, No. 2, Spring 1966. This article, by the standing trustee in the Kansas City District, contains a statistical breakdown of how plans closed during 1965 progressed after filing, showing 610 completed, average period 47 months, creditors 99-100% paid; 564 dismissed before completion average period 31 months, with creditors 20-52% paid off (depending on their class); 188 converted into bankruptcy adjudications, an average of 25 months after filing, with creditors receiving 47-73% of claimed amount. A total of almost \$2,000,000 was disbursed to creditors, or about \$1,500 average per case, with about \$275 paid additionally by the average debtor for his attorney's fee, Court costs, trustee's fees and costs, constituting an average of one-sixth of his total payment.

³ See Quarterly Report, Personal Finance Law, 115 Broadway, New York, N.Y., which keeps abreast of developments in this field, including recent legislative proposals, and court opinions. See also: "Relief for the Wage Earning Debtor: Chapter XIII or Private Debt Adjustment?", Northwestern University Law Review, Vol. 55, July-August, 1960, No. 3.; U.S. Supreme Court opinion in *Perry v. Commerce Loan Co.*, 15 L. Ed. 827 (1965).