



PRESS RELEASE

For Immediate Release

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The CLLA Supports Extension of the \$7,500,000 Subchapter V Debt Limit

Rolling Meadows, Illinois, March 11, 2021 – Throughout its 126 years of existence, the Commercial Law League of America has consistently promoted and supported the fair, equitable, and efficient administration of collection and bankruptcy laws for all parties-in-interest. The Bankruptcy Code was recently amended to include a new subchapter of chapter 11, through the Small Business Reorganization Act (“SBRA”), referred to as Subchapter V. The SBRA, which became effective on February 19, 2020, provides small businesses with a more streamline process of proposing and confirming a plan of reorganization, as opposed to the more complex and expensive traditional chapter 11 process. Under the original SBRA, Small Business Debtors with less than \$2,725,625 of debt were eligible to file under Subchapter V, however, in response to economic circumstances caused by COVID-19, under the CARES Act enacted on March 27, 2020, the debt limit was increased to \$7,500,000 for a period of one year, which will sunset on March 27, 2021.

On February 25, 2021, Senators Richard Durbin (D-IL) and Chuck Grassley (R-IA) introduced S.473, the *COVID–19 Bankruptcy Relief Extension Act of 2021*, which proposes to extend the Subchapter V \$7,500,000 debt limit for an additional year through March 27, 2022. Since its enactment through February 18, 2021, 1,643 Small Business Debtors have filed under Subchapter V¹. The CLLA believes that the advantages of Subchapter V are beneficial to both debtors and creditors and provide for a fair, equitable and efficient administration of small business bankruptcy cases. The CLLA further believes that the increased debt limit has provided many more small businesses the opportunity to file under Subchapter V than had the debt limit not been increased, and therefore, supports the legislation introduced by Senators Durbin and Grassley.

The CLLA would go further to say that an increase of the debt limit to \$10,000,000 would fill an even bigger void for small businesses seeking to file under Subchapter V whose debt falls between \$7,500,000 and \$10,000,000. The debt limit for family farmers under chapter 12 bankruptcies was recently raised from \$4,411,400 to \$10,000,000. The reorganization process in Subchapter V is similar to that of chapter 12 and a similar increase in the debt limit should be favored with equal support.

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About the CLLA

Since 1895, the not-for-profit Commercial Law League of America has connected experienced attorneys with credit grantors, lending institutions and other commercial credit, bankruptcy and general finance

¹ According to Bloomberg Law Analysis, *Analysis: Four Statistical Snapshots of Subchapter V’s 1st Year*



industry members through networking, education, legislative advocacy and specialized legal services. The association's members include attorneys, collection agencies, judges, accountants, trustees, turnaround managers and other credit and finance experts. For more information on the CLLA, please visit www.CLLA.org.

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