CARES Act Temporarily Amends Bankruptcy Code

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PRACTICE AREAS

- Bankruptcy & Debt Restructuring
- Consumer Bankruptcy
- PROMESA Task Force

April 8, 2020

The Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**"), enacted on March 27, 2020, provides for a much-needed economic relief to many, **and also temporarily modifies certain consumer provisions of the Bankruptcy Code** during the pendency of only one (1) year after its enactment.

The following are the key modifications to the Bankruptcy Code that you should be aware of:

Modified provisions for Chapter 7 and Chapter 13 debtors:

- The stimulus payments from the CARES Act are specifically excluded from being considered 'current monthly income' and 'disposable income' for bankruptcy purposes.
- A Chapter 13 debtor with a confirmed plan before March 27, 2020, and directly or indirectly affected by the pandemic, may file a modified plan under section 1329 to extend the Chapter 13 payments for up to seven (7) years, instead of five (5) years.

Modified provisions for Chapter 11 small business debtors:

- The debt limit to be eligible to be considered a small business debtor under Subchapter V was increased to $7.5 million in aggregate debt.