

NATIONAL BANKRUPTCY CONFERENCE

*A Voluntary Organization Composed of Persons Interested in the
Improvement of the Bankruptcy Code and Its Administration*

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Letters to the Editor
The New York Times
620 Eighth Avenue
New York, NY 10018

Dear Editor:

Paul Krugman sounds a timely alarm, advocating help for borrowers holding unaffordable mortgages on overvalued homes. ("Workouts, Not Bailouts," August 17) His suggestion that a federal agency buy mortgages and renegotiate with borrowers, admittedly, "would need . . . work."


Here's a simpler, proven solution: renegotiation in bankruptcy.

Chapter 13 of the Bankruptcy Code permits renegotiation of nearly all debts but home mortgages. The National Bankruptcy Conference recently recommended corrective legislation.

This solution resolved the 1980's farm crisis, when foreclosures drove family farmers off farms, crushing values. Then, Congress enacted chapter 12, under which farmers wrote down mortgages to market value, and paid them off (more slowly) with market rate interest. Families kept their farms, lenders received full collateral value with interest, and farm values survived.

This approach requires no new agencies, programs or personnel, and promises prompt, targeted relief.

Sincerely,



Donald S. Bernstein, Chair,
National Bankruptcy Conference, a voluntary organization
of leading lawyers, law professors and judges that advises
Congress on bankruptcy legislation

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