

Small Business Reorganization Act of 2019 Goes into Effect

Client Alert

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By: [Nancy Isaacson](#)

Today, February 19, 2020, the Small Business Reorganization Act of 2019 (SBRA) becomes effective. Signed into law on August 23, 2019, this new subchapter to Chapter 11 reorganization is available to address problems encountered by small business debtors in reorganization under the provisions of the United States Bankruptcy Code.

SBRA is intended to facilitate the reorganization of a small business, with the goal of making small business bankruptcy proceedings more efficient and economical. The key components of SBRA are as follows:

- To qualify, there is a \$2,725,625 debt cap which excludes contingent and unliquidated debt;
- One-half or more of the debt must have arisen from a business;
- A trustee is appointed to mediate a resolution between the creditors and the debtor;
- No creditor's committee is appointed unless otherwise ordered by the court; and,
- Loans secured by a debtor's principal residence may be modified under a plan of reorganization.

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