



NATIONAL ASSOCIATION OF CONSUMER BANKRUPTCY ATTORNEYS

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NACBA Applauds Enactment of North Carolina Law Expanding Bankruptcy Protection for 529 College Savings Plans and ABLA Accounts

Washington, D.C. – The National Association of Consumer Bankruptcy Attorneys (NACBA) commends Governor Josh Stein and the North Carolina General Assembly for the enactment of Session Law 2025-46, a landmark bill that significantly expands the protection of education and disability savings accounts in bankruptcy.

Signed into law on July 1, 2025, the legislation exempts funds held in qualified 529 education savings accounts and 529A ABLA accounts from creditor claims and bankruptcy estates when used for permitted purposes. These protections apply regardless of whether the funds are retained in the accounts or withdrawn to pay qualifying expenses. This represents a substantial improvement over the state’s prior exemption structure, which capped protections at \$25,000 and left families exposed to potential asset loss during financial distress.

“NACBA is proud to have supported this critical consumer protection measure,” said NACBA Legislative Co-Chair, Edward Boltz. “North Carolina families who prioritize saving for their children’s education or for individuals with disabilities should not be punished in bankruptcy for doing the right thing. This law ensures those hard-earned funds are shielded from creditors, providing dignity and opportunity for generations to come.”

The new exemption, codified at N.C. Gen. Stat. § 1C-1601.5, is effective for all cases filed on or after September 1, 2025. It brings North Carolina in line with a growing number of states that fully protect these tax-advantaged accounts.

NACBA expresses its sincere gratitude to the bill’s primary sponsors of the original legislation (S.B. 101) Senator Dana Jones and former Senator Paul Newton and to the other legislative champions who co-sponsored this important reform including Majority Leader

Michael Lee and Senator Amy Galey. Their leadership affirms that protecting vulnerable families is not a partisan issue.

This legislative achievement reflects the momentum of a broader effort in North Carolina to update outdated exemptions. NACBA and its members collaborated with stakeholders in the North Carolina Bar Association (NCBA) Bankruptcy Section, whose recent survey showed overwhelming support for modernizing outdated exemption laws. For example, nearly 90% of respondents favored increasing protections for college savings plans—an endorsement that strongly informed NACBA’s advocacy on this issue.

The enactment of this targeted exemption reform also highlights the broader need to revisit and modernize North Carolina’s entire exemption framework. The state’s homestead exemption, last adjusted in 2009, now protects less than 10% of the median single-family home value—down from 22% at the time of its last increase. Similarly, exemptions for vehicles, household goods, and tools of the trade have failed to keep pace with inflation and the realities of modern living. NACBA urges the General Assembly to consider comprehensive updates that reflect current economic conditions and ensure that bankruptcy continues to provide a true fresh start for working families and small business owners across North Carolina.

“This is hopefully just the beginning,” said North Carolina bankruptcy attorney Hector Quesada. “With this success, we hope to build momentum toward comprehensive exemption reform in North Carolina—ensuring that protections in bankruptcy for consumers’ homes, vehicles, and other property necessary for a fresh start reflect today’s economic realities, not those of two decades ago.”

For more information about NACBA’s advocacy efforts and upcoming exemption reform initiatives, please visit www.nacba.org.

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