



More Than One Way Out

Personal Bankruptcy, Consequences and Alternatives



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

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**No portion of this text is in any way intended as legal advice.
Readers are strongly advised to consult an attorney regarding specific
bankruptcy issues and questions.**

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CHAPTER ONE

Overview

Introduction

Welcome. Since 2000, approximately 1.5 million Americans have filed for *bankruptcy* each year as a way to get a fresh start with their personal finances and get relief from *creditors* who are seeking repayment of past-due loans¹. If you are reading this book, you may be considering becoming a part of that group. This book is intended to serve as a guide for you and others like you who are facing difficult financial challenges and who are considering personal bankruptcy as a possible solution.

The most important fact you should understand as we begin is this: you are not alone. And you may be surprised to learn that there is no “typical” filer. A study done in 1998, for example, found that individuals who file for *Chapter 7 bankruptcy* are married, divorced, or single. They are male or female in roughly the same proportion as within the U.S. population. The vast majority of those who file are employed. However, all of these groups share a significant common trait—the one which distinguishes them from the general population. In virtually all categories, people who file for bankruptcy have an average level of *unsecured debt* which exceeds their average annual income². This means they have a debt-to-income ratio—a comparison of their monthly debt payments to their monthly income—which far exceeds their ability to make their monthly payments.

The specific reasons for bankruptcy vary widely. Unexpected unemployment or large medical expenses that aren’t covered by insurance can stretch household budgets beyond capacity and drive people into bankruptcy—particularly when they lack an emergency fund or nest egg to fall back on. Other people simply spend beyond their means or run up large credit card bills that they cannot repay. A few years ago, a Gallup poll showed that 63 percent of individuals in bankruptcy said their problems were due to credit card bills and 50 percent cited unemployment or a cut in pay (multiple responses were allowed) as the reason for their debt. Another 37 percent said they had mismanaged their finances, while 25 percent pointed to medical bills, and 13 percent said a marital breakup had strained their finances to the breaking point.³ You may recognize yourself in one of these categories. Or, your circumstances may be entirely different.

Whatever the reason for your difficulties, you are about to make critical decisions concerning your financial future. Bankruptcy is one option. It offers benefits, but it also carries significant consequences. It may be a good choice for you, or there may be better alternatives. It is important to understand the advantages and disadvantages of the various options before deciding what to do. This book is designed to help you understand the basic facts about bankruptcy and also some of the alternatives, so that you have the information you need to make the right choice for your situation.

¹ www.uscourts.gov, Calendar year bankruptcy statistics

² www.usdoj.gov, Bankruptcy By The Numbers 1999, EOUST publication, ed. Ed Flynn and Gordon Bermant

³ Regulation: The Cato Review of Business & Government 1997, Volume 20, No. 4; “Ballooning Bankruptcies” by Vern McKinley, www.cato.org/pubs/regulation/reg20n4f.html

CHAPTER TWO

Bankruptcy Overview

In order to help you better understand the bankruptcy process, this Chapter will provide you with an overview of bankruptcy, including brief descriptions of the most common types of bankruptcy cases filed by an individual.

What is Bankruptcy?

Bankruptcy is a legal proceeding filed in the United States Bankruptcy Court that permits you to obtain a discharge of your obligation to pay certain debts. The bankruptcy laws are intended to allow an honest but unfortunate debtor an opportunity to get a “fresh start.”

Brief Historical Context

The United States Constitution provides in Article One, Section Eight that “Congress shall have the power...to establish...uniform laws on the subject of bankruptcies throughout the United States.” Thus, the United States Congress has the power to adopt bankruptcy laws that have nationwide application. The current bankruptcy laws are known as “The Bankruptcy Code,” which is found in Title 11 of the United States Code. The Bankruptcy Code was adopted by the Congress in the Bankruptcy Reform Act of 1978. That Act updated the first permanent bankruptcy law adopted by Congress, which was known as the Bankruptcy Act of 1898. Prior to 1898, Congress enacted bankruptcy legislation in response to national financial crises, but those laws only remained in effect for limited periods of time.

What is a Chapter 7 Bankruptcy Case?

A Chapter 7 bankruptcy case is one in which the *bankruptcy petition* is filed under Chapter 7 of the Bankruptcy Code. Under Chapter 7, a Trustee is appointed to sell or liquidate any of the debtor’s “*non-exempt*” assets or property in order to raise cash to make payments to creditors. As explained in the next chapter of this book, an “*exempt*” asset is property of the debtor that the law specifically allows the debtor to keep. A Chapter 7 case is sometimes referred to as a “straight bankruptcy” or a “liquidation case.”

Chapter 7 bankruptcies have been the most common form of individual bankruptcy in recent times. According to the Administrative Office of the United States Courts, about 71.5 percent of the 1,563,145 cases filed by individuals who sought personal bankruptcy protection in 2004 were filed under Chapter 7.⁴ The vast majority of those cases were “no-asset cases” in which the Trustee determined that there were no non-exempt assets that must be liquidated to pay creditors.

A Chapter 7 debtor who cooperates with the Trustee and complies with all of the provisions of the Bankruptcy Code receives a discharge. A discharge is a Bankruptcy Court order that releases the individual from the legal obligation to pay debts. Certain debts, such as child support and some taxes, are not covered by the discharge and are known as “non-dischargeable debts.”

⁴ www.uscourts.gov; United States Bankruptcy Court statistics for calendar year ending December 31, 2004.

If you are in default on a loan that is secured by *collateral*, such as a home mortgage, the creditor can foreclose on the loan and sell the collateral even after you receive a discharge unless you specifically agree to remain legally liable for that loan under the original or modified payment terms. This is known as a “*reaffirmation agreement*.”

What is a Chapter 13 Bankruptcy Case?

In a Chapter 13 case, an individual with regular income repays all or a portion of his or her debts over a three-to-five-year period through a monthly payment plan approved by the Bankruptcy Court. For that reason, a Chapter 13 case is sometimes referred to as a “wage-earner plan.” The Chapter 13 Trustee does not take possession of non-exempt assets but supervises the case and administers the payments to creditors under the Chapter 13 plan.

A Chapter 13 debtor who completes all payments provided for in the approved Chapter 13 plan receives a discharge. Under certain circumstances, a discharge also may be granted to Chapter 13 debtors who do not complete the payments under their plan because of circumstances beyond their control. A Chapter 13 discharge may allow the discharge of certain debts that may not be discharged in Chapter 7, which may make Chapter 13 more attractive to you, depending upon your unique circumstances. If the payment plan is not successful, it may be possible to convert the case and obtain a discharge under Chapter 7.

Recent Changes

In April 2005, President Bush signed the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.⁵ The changes made by that Act generally apply to bankruptcy cases filed on or after October 17, 2005. These were the most sweeping changes made to bankruptcy law since 1978, particularly for cases filed by individual debtors with consumer debts.

One of the most significant changes was adoption of a “means test” for an individual debtor to qualify for relief under Chapter 7. Depending upon your “means” (that is, your income and expenses relative to local and national benchmarks as explained in greater detail in Chapter 3), you may not be eligible to file a Chapter 7 case, but you could still choose to file for a Chapter 13 payment plan.

Other significant recent changes include:

- A mandatory requirement that debtors receive a briefing from an approved nonprofit budget and credit counseling agency before filing a Chapter 7 or Chapter 13 bankruptcy case;
- A mandatory requirement that debtors complete a second approved course in personal financial management before receiving a discharge; and
- A restriction that you may only file for Chapter 7 bankruptcy once every eight years. Previously, a debtor could file for Chapter 7 bankruptcy once every six years.

Frequently Asked Questions

How much does a Chapter 7 bankruptcy cost?

The fee paid to the United States Bankruptcy Court for filing a Chapter 7 bankruptcy case is \$274. If you are represented by an attorney, you will have to pay an additional fee for legal services. The fees charged by attorneys are not uniform and vary from place to place and from attorney to attorney.

How much does a Chapter 13 bankruptcy cost?

The fee paid to the United States Bankruptcy Court for filing a Chapter 13 case is \$189. If you are represented by an attorney, you will have to pay an additional fee for his or her legal services. The fees charged by attorneys in Chapter 13 cases are also not uniform and vary from place to place and attorney to attorney, but they are generally higher than those charged for Chapter 7 cases.

⁵ Public Law No. 109-8, 119 Stat. 23 (April 20, 2005).

CHAPTER THREE

Chapter 7 Bankruptcy – The Basics

This chapter will provide you with a summary of basic procedural and other aspects of a Chapter 7 bankruptcy case, which is the most common form of personal bankruptcy. In recent years, Chapter 7 has accounted for about 70 percent of filings.

Filing a Chapter 7 Case

You commence a Chapter 7 bankruptcy by filing a Chapter 7 bankruptcy petition with the Clerk of the United States Bankruptcy Court. The petition must be accompanied by a filing fee of \$274. Depending upon your financial circumstances, you may be able to apply for and obtain a Court order that either permits you to pay the filing fee in installments or waives payment of the filing fee.⁶

At the time you file a Chapter 7 petition (or at least shortly thereafter), you must also file a Statement of Financial Affairs and a set of Schedules. You must submit the Statement of Financial Affairs and Schedules under oath (that is, under the penalty of perjury) and make a full and accurate disclosure of your financial circumstances, including a complete list of all your assets and debts and a schedule of all of your current income and current expenditures.⁷ In addition, you must file copies of all payment documents (such as payroll vouchers or stubs) or other evidence of payment you received from any employer during the 60 days before your bankruptcy petition was filed.

Your bankruptcy petition, Statement of Financial Affairs and Schedules, and other papers, applications and pleadings filed with the Court are a matter of public record and are available for review by your creditors and anyone else at the Clerk's office or (in most Courts) over the Internet.

Eligibility: General

Subject to the “means test” established by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005⁸, if you reside in or have a domicile, place of business or property in the United States, you are permitted to file a Chapter 7 bankruptcy petition.

There are rules that determine “venue,” meaning in which bankruptcy court district you may file the petition. Most individuals must file their Chapter 7 petition where they currently live, or where they lived for the most number of days during the 180-day period immediately before filing the petition. Before filing a Chapter 7 bankruptcy case, you must receive a briefing from an approved nonprofit budget and credit counseling agency. Under limited circumstances, you may be able to complete the briefing requirement after filing your petition (see Chapter Nine of this book).

⁶ If you are unable to pay the \$274 filing fee at the time of filing your bankruptcy petition, you may be able to apply for and obtain an order permitting you to pay the fee in up to four installments. An Order Approving Payment of Filing Fee in Installments generally contains a provision that prohibits you from making any other payment or transfer to an attorney or other person for services in connection with the case until the filing fee is paid in full.

If you are unable to pay the \$274 filing fee in installments, and your income is less than 150 percent of the official poverty line applicable to your family size, you may be able to apply for and obtain an Order waiving payment of the filing fee. Such an Order generally contains a provision that provides that the waiver may be revoked at a later time if administration of the bankruptcy case demonstrates that the waiver was unwarranted.

⁷ Under the federal laws concerning bankruptcy crimes, the penalty for an individual who makes a false statement under oath or conceals property may include a fine of up to \$250,000 or imprisonment for up to five years, or both.

⁸ Public Law No. 109-8, 119 Stat. 23 (April 20, 2005).

CHAPTER FOUR

Chapter 13 Bankruptcy – The Basics

This Chapter will provide you with an overview of basic procedural and other aspects of a Chapter 13 bankruptcy case, which may be the only type of bankruptcy case you are eligible to file under the “means test” in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005.

Filing a Chapter 13 Case

A Chapter 13 bankruptcy is commenced when you file a Chapter 13 bankruptcy petition with the Clerk of the United States Bankruptcy Court. Your petition must be accompanied by a filing fee of \$189. Depending upon your financial circumstances, you may be able to apply for and obtain a Court order that either permits you to pay the filing fee in installments or waives payment entirely.¹³

At the time you file a Chapter 13 petition (or at the latest shortly thereafter), you must also file a Statement of Financial Affairs and a set of Schedules. You must submit the Statement of Financial Affairs and Schedules under oath (that is, under the penalty of perjury) and make a full and accurate disclosure of your financial circumstances, including a complete

list of all your assets and debts and a schedule of all your current income and current expenditures.¹⁴ In addition, you must file copies of all payment documents (such as payroll vouchers or stubs) or other evidence of income you received from any employer during the 60 days before you filed your bankruptcy petition.

At the time you file your Chapter 13 petition (or shortly thereafter), you also must file a Chapter 13 Repayment Plan. As described in greater detail below, a Chapter 13 Plan is your proposal for repayment of your creditors, in whole or in part. The first payment under your Chapter 13 Plan must be made to the Chapter 13 Trustee within 30 days of when you file your case.

Your bankruptcy petition, Statement of Financial Affairs and Schedules, Chapter 13 Plan and other papers, applications and pleadings filed with the Court are a matter of public record and are available for review by your creditors and anyone else at the Clerk’s office or (in most Courts) over the Internet.

⁶ If you are unable to pay the \$189 filing fee at the time of filing your bankruptcy petition, you may be able to apply for and obtain an order permitting you to pay the fee in up to four installments. An Order Approving Payment of Filing Fee in Installments generally contains a provision that prohibits you from making any other payment or transfer to an attorney or other person for services in connection with the case until the filing fee is paid in full.

If you are unable to pay the \$189 filing fee in installments and your income is less than 150 percent of the official poverty line applicable to your family size, you may be able to apply for and obtain an Order waiving payment of the filing fee. Such an Order generally contains a provision that provides that the waiver may be revoked at a later time if administration of the bankruptcy case demonstrates that the waiver was unwarranted.

¹⁴ Under the federal laws concerning bankruptcy crimes, the penalty for an individual who makes a false statement under oath or conceals property may include a fine of up to \$250,000 or imprisonment for up to five years, or both.

CHAPTER FIVE

Consequences of Bankruptcy

Bankruptcy is Not a Free Ride.

Make no mistake about it—filing for bankruptcy is serious business. Bankruptcy is designed to give you a fresh start. It can erase some debts, prevent your creditors from taking collection action and even halt foreclosures or repossessions on some secured loans long enough for you to re-organize your affairs and resume making payments.

But bankruptcy is not a free ride. As discussed in the previous chapters, depending on your personal situation and the laws of your state, you may have to liquidate some of your property and assets. A bankruptcy filing will become part of your credit report for 10 years and will make it more difficult and more expensive to obtain new credit. It may be more difficult to rent an apartment, buy or rent a car, or even buy insurance, because you will be considered a higher risk in any transaction that involves credit or requires you to make a regular series of future payments. There is a good chance that your credit cards will be cancelled if you file for bankruptcy, which may complicate otherwise routine transactions that require a credit card for a deposit or as a form of security. And, because bankruptcy is a matter of public record, you have to consider whether it might carry a stigma in your community or interfere with employment prospects in your chosen field.

What Bankruptcy Could Cost

The impact of bankruptcy will vary with individual circumstances, and the consequences will be greater for some than for others. Following is a brief discussion of some of the possible costs of bankruptcy. Remember, however, this discussion is just an overview. You should discuss your specific circumstances in detail with a bankruptcy attorney who is familiar with your situation and the laws in your state.

Loss of Property.

Filing for bankruptcy may cause you to lose some of your property. In a Chapter 7 bankruptcy, you will have to turn over non-exempt assets to a court-appointed Bankruptcy Trustee who will sell them to help repay your creditors. Items such as clothing, household goods, and tools of your trade are typically exempt from liquidation, but the specific laws vary depending on your state of residence. Depending on its value and the laws in your state, you may be able to keep your car. Similarly, the law in your state may limit how many of any particular item you can keep. It may, for example, limit you to one VCR or one television set.

To protect assets, individuals who file for bankruptcy may opt to file under Chapter 13, which ordinarily does not require liquidation of assets.

CHAPTER SIX

Alternatives to Bankruptcy

After reading about some of the possible consequences of bankruptcy, you may be wondering whether you have other reasonable options. Answering that question involves some work.

To decide whether filing for bankruptcy is the right course of action for you or your family, you will first have to analyze your monthly budget to get a clear picture of your current financial situation. Then you should look at your budget to see how your personal finances will change if you decide to file for bankruptcy. You should do this analysis first with your credit counselor and then with your attorney.

Having done this budget analysis, you, your credit counselor and your attorney can then explore other options and determine how they compare to bankruptcy. After looking at your budget, you may find that one of these other options will enable you to pay off your debts without filing for bankruptcy. You should weigh the alternatives carefully and consider the advantages and disadvantages of each before settling on a course of action.

Self-administered Plans and Budgets

The first option to consider is a self-administered repayment plan. Under this plan, you work with your credit counselor to design a disciplined program for repaying your debt. For this approach to work, you must develop a new budget and learn to live by it. As explained in the exercises in the following chapter, creating a budget requires you to determine your exact monthly income and to track every

one of your expenses. Also, you must commit to a balanced “expense-to-income” life-style—you can’t spend more than you make. To avoid adding to your debt, you must also suspend your use of credit for the immediate future.

Once you and your credit counselor create a family budget, you fix the monthly amount to be used for debt repayment and divide those funds so that each creditor receives at least the minimum payment due each month. You must then stick to this plan without exception. Ideally, you could pay more than the minimum to one or more of your creditors. Under one common strategy, often referred to as the “Power Payment” method, you focus on paying off the lowest balance debt first by applying any extra cash available to that debt. Once that debt is paid in full, you reallocate the money from that payment and apply it to the next smallest or lowest interest debt.

A Debt Management Plan

Another possible alternative to bankruptcy is a Debt Management Plan (“DMP”) administered by an accredited credit counseling agency. Under a DMP, your credit counseling agency works with your creditors to design an acceptable repayment plan. With the assurance that they will receive full repayment of what you owe, the creditors may accept smaller payments, stop applying new interest charges to your account, eliminate late fees or make other adjustments to the loans.

CHAPTER SEVEN

My Current Budget: How Did I Get Here?

Developing Sound Budgeting Skills

NOTE: If you decide to file for bankruptcy, you must receive a budget and credit counseling briefing from an approved agency. During that briefing, your credit counselor will ask you for budget information that you may need to track in the future or that you may not know today. Your counselor will work with you to help you make your best estimate during the briefing. In the weeks ahead, following the instructions below will help you accurately reflect your financial situation and enable you to make informed decisions about your personal finances.

First, let's take a look at the five basic budgeting skills we want you to develop and use. We also ask you to commit to improve these essential skills and to practice them for the rest of your life. Take a few moments to answer the following questions. A "yes" answer is a sound budgeting skill you've already developed. A "no" represents a skill you need to develop to achieve your goals. If you check "no" in any box, resolve here and now to develop that skill. At the end of the next chapter, you will be able to write a specific plan based on these skills which will help you achieve your goals—a plan called a workable budget.

1. **Do I have a written budget that addresses my income and spending?**
 YES NO (I **will** create a written budget by _____ and live by it!)
2. **Have I stopped adding to my debts and developed a plan to pay them off?**
 YES NO (I **will** stop adding to my debts and create a plan to pay them off!)
3. **Do I save for periodic expenses such as car insurance, car repairs, vacations, and gifts?**
 YES NO (I **will** save money for periodic expenses and pay cash!)
4. **Have I set up an emergency savings plan to cover my living expenses for 3-6 months if I become unemployed?**
 YES NO (I **will** save money for emergencies to cover 3-6 months of living expenses!)
5. **Have I created a plan to save for my retirement and major expenses?**
 YES NO (I **will** save for my retirement and major expenses!)

Assets

Assets	Value
Cash and checking equivalents	
Checking #1	
Checking #2	
Savings #1	
Savings #2	
Certificates of Deposit	
Other	
Investments (non-retirement)	
Mutual Funds (total)	
Stocks (total)	
Bonds (total)	
Savings Bonds (total)	
Retirement Funds	
IRAs (total)	
401(k) (total)	
403(b) (total)SEP/SIMPLE (total)	
Company Retirement Plans (vested)	
Real Property	
Home (current market value)	
Auto #1 (current market value)	
Auto #2 (current market value)	
Motorcycle	
RV/Plane/ATC	
Other	
Household Goods	
Furniture	
Jewelry	
Computers	
Home Entertainment Center	
Tools	
Valuable Collections	
Total Assets	

Liabilities

Liabilities	Amount Owed
Long-Term Leans	
Mortgage Amount	
Second Mortgage	
Home Equity Line of Credit	
Student Loan #1	
Student Loan #2	
Consolidation Loan	
Other Bank Loans	
Auto Loan #1	
Auto Loan #2	
Credit Cards	
MasterCard #1	
MasterCard #2	
Discover Card #1	
Discover Card #2	
Visa #1	
Visa #2	
American Express	
Dept. Store #1	
Dept. Store #2	
Dept. Store #3	
Taxes Owed	
Income	
Property	
Tax Liens	
Misc. Other Debts	
Relatives	
Friends	
Medical Bills	
Checking Account Overdraft Balances	
Payday Loans	
Total Liabilities	
Calculate Your Net Worth	
Total Assets	
Minus Total Liabilities	
Equals Your Net Worth	

Net Monthly Income

Monthly Income Source	Current Monthly Income	Necessary Changes	Planned Net Income
Net Income #1 (income less taxes, Social Security, Medicare)			
Net Income #2 (income less taxes, Social Security, Medicare)			
Net Income #3 (income less taxes, Social Security, Medicare)			
Child Support Received			
Spousal Support Received			
Military Retirement			
Other Retirement			
Social Security Received (after taxes)			
Other Income (list source)			
Take Home Income			

CHAPTER EIGHT

My New Budget: Developing a Plan That Works

Now that you have calculated your current income and expenses, you're ready to build a new, smarter budget that puts you in control of your finances and will help you achieve your personal financial goals. This chapter helps you through that process by asking you to set goals and look for ways to increase income and cut expenses. It also provides you with financial tips and important "rules to live by."

What Are Your Goals?

Before you begin to build a budget that works, spend some time figuring out what your vision of financial security is and how you intend to achieve it. In other words, set some goals for yourself. People who have set, written goals are more successful than those who do not have set goals. This is true regardless of your education and background. That's because when you establish well thought-out goals—goals that truly mean a great deal to you and your family—you'll be better able to overcome obstacles along the way.

Some experts divide goals into short-, medium-, and long-term. A short-term goal can be reached within six months to one year. It could be something like: I will save enough money to use cash to pay for a vacation to the beach in seven months. A medium-

term goal is something to aim for in one-to-five years. A long-term goal, like saving for a child's education or planning to retire at age 60, is five or more years in the future.

Your goals should be very specific and should help you visualize success. If you want to live in a house that's paid for, state where that house is, what it looks like, and how much it costs in today's dollars. Having a clear picture of where you want to go is the first step.

The following categories will help you think of goals that are important to you. You need not have a goal listed under each category.

- **Developing good financial habits:** Pick one or two ways you can improve your financial well-being.
- **Savings:** What are your short- and long-term savings goals?
- **Housing:** Where do you want to live?
- **Transportation:** What kinds of transportation would you like to have?
- **Vacation:** How much do you want to travel?
- **Retirement:** When do you want to retire and how much money will you need?

CHAPTER NINE

Certificates

What is the Budget and Credit Counseling Certificate?

Upon completion of the budget and credit counseling briefing based on this book, you will receive a Certificate indicating that you received a budget and credit counseling briefing from an approved, nonprofit budget and credit counseling agency. The original Budget and Credit Counseling Certificate is an important legal document that you will need if you decide to file for bankruptcy.

Why do I Need a Budget and Credit Counseling Certificate?

Under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, you may not file for bankruptcy under Chapter 7 or Chapter 13 unless you have received a briefing from an approved budget and credit counseling agency within the 180-day period prior to filing. This is a pre-filing requirement. The Budget and Credit Counseling Certificate is your proof that you have received the briefing, and you will need to file the Certificate with your bankruptcy petition. If you decide to file for bankruptcy more than 180 days after you receive the Certificate, it will be necessary for you to receive another briefing and a new Certificate.

Are There Any Exceptions to the Budget and Credit Counseling Requirement?

In very limited “exigent” circumstances, the Bankruptcy Court may waive the requirement that you receive a budget and credit counseling briefing before filing for bankruptcy. In that event, you must file a certificate stating (1) the nature of the exigent circumstances, and (2) that you requested a briefing from an approved agency and could not receive one within five days of the request. Even if this exemption is obtained, you still must receive the briefing within 30 days after the case is filed (or 45 days, if the Court grants a 15-day extension) and then file the Certificate with the Court.

What is the Personal Financial Management Course Certificate?

Under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, you cannot receive a discharge in a Chapter 7 or Chapter 13 bankruptcy case unless you complete an approved instructional course on personal financial management. This is a pre-discharge requirement, meaning that, if you decide to file for bankruptcy, you must complete the course and receive a Certificate in order to receive a discharge. Upon completion of the separate course provided by an approved provider of personal financial management instruction, you will be issued a Certificate indicating that you have completed the approved course.