



Follow Along Document

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Introduction

Disclaimer: Complete Credit Counseling, Inc. is not authorized to give you legal advice. No information in our credit counseling materials should be construed as legal advice. All questions concerning whether or not to file for bankruptcy should be discussed with a qualified bankruptcy attorney.

Under the Bankruptcy Law, you have the option of filing Pro Se. This means you represent yourself in your bankruptcy and fill out the paperwork yourself, without an attorney. However, most bankruptcy professionals do not recommend attempting this. The law is extremely complicated and difficult to understand. On top of that, every case is different, and yours might not necessarily be an “easy case”.

If you do not yet have an attorney but are in need of a recommendation, we recommend that you visit: NACBA to find an attorney nearest you.

NACBA stands for the National Association of Consumer Bankruptcy Attorneys, and members of that organization generally dedicate a substantial amount of their practice to doing just consumer bankruptcy work. Speaking generally, an attorney who specializes in bankruptcy tends to know that area of the law much better than an attorney who might only file a few bankruptcies a year.

Under the new Bankruptcy Law, you are required to complete a 60-90 minute credit counseling session within 180 days of filing. That is the course that you are taking now.

Many of our clients are Pro Se debtors who are representing themselves, but many of our clients were referred to us by their attorneys.

Your attorney may have gone over your particular situation with you in their office already. Perhaps they explained why credit counseling will not work for you in great detail and already told you about the phone-book-sized amount of paperwork you need to assemble and get to their office so that they can file your bankruptcy.

Many debtors, therefore, believe that this mandatory credit counseling exercise is pointless. After all, your bankruptcy attorney may have already told you credit counseling is not going to work for you. For example, if you were sued on a debt, received a judgment against you, and your wages are being garnished, no amount of credit counseling in the world is going to save you from that garnishment. If you cannot afford to pay off the judgment, bankruptcy might be your only option to stop the garnishment.

We hope instead you will take a more positive view of this mandatory course, and see it as a chance to explore the options that are available for you. At the very least, it might shed some light on the bankruptcy process and alternatives to bankruptcy that might provide you with some questions to ask your attorney for further guidance about.

2 Reason for Seeking Credit Counseling

Now, because every client is different, the first step of the process is to get an idea of why you have fallen into debt. Which of the following reasons best applies to you? (Please select one or more of the following):

- Garnishment
- Foreclosure
- Repossession
- Lawsuit
- Illness / Disability
- Divorce
- Job Loss
- Credit Card Debt
- Gambling Debt
- Other

1.1 Garnishment:

You mentioned earlier that a Garnishment is one of the reasons you are seeking counseling.

Q. Has the garnishment already started?

- Yes, the garnishment has already started.
- No, the garnishment has not yet started.

1.2 Foreclosure:

You mentioned earlier that a Foreclosure is one of the reasons you are seeking counseling.

Q. Has the foreclosure already occurred?

- Yes, the foreclosure has already occurred.
- No, the foreclosure has not yet occurred.

Q. Do you plan on keeping the property?

- I am going to let the property go.
- I am planning to keep the property.

The sale date is/...../..... Leave blank if you are not sure when the sale date is

1.3 Lawsuit:

You mentioned earlier that a Lawsuit is one of the reasons you are seeking counseling.

Q. What creditor is suing you?

.....

separate more than one creditor with a comma

Q. What amount are you being sued for?

.....

Q. What is the reason for the lawsuit?

.....

3 Reason for Seeking Credit Counseling Explained

1.4 Garnishment:

Garnishment is when a creditor seizes wages paid by your employer to satisfy a debt that you owe. Credit counseling cannot really help stop a garnishment. If you are being garnished, bankruptcy can help stop that garnishment.

1.5 Foreclosure:

A foreclosure is a process of taking back a piece of the mortgaged property as a result of someone's failing to keep current with the mortgage payments. Credit counseling cannot stop a foreclosure. A bankruptcy, specifically a special type of bankruptcy called a Chapter 13 can. See a bankruptcy attorney immediately if your property is in danger of foreclosure. The bankruptcy generally must be filed BEFORE the sale date to stop the foreclosure.

1.6 Repossession:

A repossession occurs when a creditor seizes collateral (such as a vehicle) which is securing a loan. Bankruptcy can help stop certain types of repossessions, but the timing is very important. If you have just had a vehicle repossessed, for example, you should see a bankruptcy attorney immediately for further instructions.

1.7 Lawsuit:

Lawsuits are initiated by creditors who want to recover debts owed to them by the debtor. If you have been sued, it is very important to keep all of the paperwork you receive so that your bankruptcy attorney can make copies of it and can analyze it. Credit counseling cannot stop lawsuits. Filing bankruptcy can stop those lawsuits.

1.8 Illness / Disability:

Illness and Disability are some of the most prevalent reasons that people are forced into filing bankruptcy. Often lack of medical insurance and an unexpected medical issue lead to a recipe for disaster. You should not feel alone, if the debt is significant, bankruptcy may allow a way to wipe the slate clean.

1.9 Divorce:

Divorce is another leading cause of bankruptcy. The divorce judge splits up not only the assets, but the liabilities as well. For example, even if the husband was the one responsible for racking up all of the debt, the wife may be stuck being responsible for half the debt (and vice-versa). Divorce has special implications if you file bankruptcy, these implications should be discussed with a qualified bankruptcy attorney. Make sure you mention to them if you are recently divorced, or if you are planning on getting a divorce. While being stuck with debt that may not be yours might not be pleasant, bankruptcy can provide a fresh start.

1.10 Job Loss:

If you lose your job, and you have significant debt, get in to see a bankruptcy attorney. Credit counseling requires that you have a steady income to maintain a repayment plan, something that just is not possible if you have lost your job.

1.11 Credit Card Debt:

Do not be ashamed of being honest with a bankruptcy attorney or credit counselor regarding the true amount of your credit card debt. They will work hard to help you. Often, if the amount seems staggering, clients are embarrassed to divulge the number. Help your attorney or credit counselor help you by being honest. It often helps to create a list of all of the people you owe, and next to their name put the amount, and then total it all at the end. That debt list will be an invaluable tool that can help your attorney or credit counselor get an accurate idea of your debt picture.

1.12 Gambling Debt:

If you have gambling debt, you may need more than just financial help. Gambling Debt is often a sign of an underlying addiction. Overcoming a gambling addiction or problem is never easy. But recovery is possible if you stick with treatment and seek support. When you are ready, for advice or a treatment referral, call the National Council on Problem Gambling's confidential hotline at 1-800-522-4700.

1.13 Other:

If you have one or more reasons for seeking advice from a credit counselor that were not listed, please remember those reasons so when you chat with the credit counselor at the end of this session you can let them know.

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Debt Structure

Fill out the form on this page carefully and take your time. Make sure you double-check the information you submit before proceeding. If any of the information is incorrect, you will be required by a counselor to go back and correct it, and this may cause your counseling session to take much longer. The budget will not be saved until you click "Continue the Counseling Session" at the bottom of the page.

Please enter only whole numbers (do not include cents or decimals).

Household Size

.....

Example: Father, Mother, and 2 Children all living together would be a Household of 4

Total Estimated Credit Card Debt

.....

Total Estimated Medical Debt

.....

Total Estimated Unsecured Loan Debt

.....

Total Estimated Tax Debt

.....

Total Estimated Student Loan Debt

.....

Total Estimated Car Loan Debt

.....

Total Estimated 1st Mortgage Debt

.....

Total Estimated 2nd Mortgage Debt

.....

5

Budget

Fill out the form on this page carefully and take your time. Make sure you double-check the information you submit before proceeding. If any of the information is incorrect, you will be required by a counselor to go back and correct it, and this may cause your counseling session to take much longer. The budget will not be saved until you click "Continue the Counseling Session" at the bottom of the page.

Please enter only whole numbers (do not include cents or decimals).

Please Enter Yearly Income

Your yearly take home pay after deducting all taxes (federal, state, local) and social security.

\$.....

You can also include spouse's net income / take home pay, if available.

\$.....

Please Enter Average Monthly Expenses

Housing

- Mortgage or Rent \$
- Condo \$
- Maintenance \$
- Property Taxes \$
- Insurance \$
- Furniture and appliances \$

Entertainment

- Restaurant Meals \$
- Gifts \$
- Newspapers and Magazines \$
- Movies and Concerts \$
- Vacations \$
- Hobbies \$

Health

- Doctor(s) \$
- Dentist(s) \$
- Medications \$
- Insurance \$

Personal

- Clothing \$
- Haircuts \$
- Pets \$
- Childcare \$
- Books and Supplies \$
- Allowances \$

Utilities

- Gas \$
- Electricity \$
- Water \$
- Garbage \$
- Sewer \$
- Telephone \$
- Cell Phone \$
- Cable Television \$
- Internet \$

Transportation

- Automobile lease \$
- Licensing \$
- Insurance \$
- Maintenance \$
- Gasoline \$
- Public Transportation \$
- Parking / Tolls \$

Food

- Groceries \$

Loans and Credit Cards

- Student Loan \$
- Gas Card \$
- Department store card \$
- Credit Card 1 \$
- Credit Card 2 \$

- Donations \$
- Membership Dues \$
- Laundry/Dry Cleaning \$
- Other \$
- Child support \$

- Credit Card 3 \$
- Credit Card 4 \$
- Credit Card 5 \$
- Credit Card 6 \$
- Credit Card 7 \$
- Other \$

Savings / Investment

- Savings accounts \$
- 401(k) \$
- Stocks \$
- Bonds \$
- Mutual Funds \$

Education

- Tuition/School fees \$
- Books and Supplies \$
- School activities \$

<p>Your Total Monthly Net Income</p> <p>\$.....</p>	<p>Your Total Monthly Expenses</p> <p>\$.....</p>	<p>Amount you can Save per Month</p> <p>\$.....</p>
---	---	---

You should try to save at least 20% of your Monthly Net Income, if possible.

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Budget Analysis

Annual Income and Monthly Expenditures by Category

Household of people. Annual Income: \$

Category	Amount	Normal	Client	Subcategory	Amount
Housing		25%-35%			
Health		5%-15%			
Education		2%-5%			
Utilities		5%-10%			
Transportation		10%-15%			
Entertainment		5%-10%			
Personal		7%-17%			
Loans and Credit Cards		5%-10%			
Savings / Investment		5%-15%			
Food		5%-15%			

7

Debt -To-Income-Ratio

Fill out the form on this page carefully and take your time. Make sure you double-check the information you submit before proceeding. If any of the information is incorrect, you will be required by a counselor to go back and correct it, and this may cause your counseling session to take much longer. The budget will not be saved until you click “Continue the Counseling Session” at the bottom of the page.

Please enter only whole numbers (do not include cents or decimals).

The Debt-to-Income Ratio tells you how much debt you carry in relation to your income. You want to keep your debt-to-income ratio to less than 36%. Anything above 36% is generally an unhealthy score.

Add up all of **your** recurring monthly debt. Your recurring monthly debt includes your mortgage (principal, interest, taxes and insurance) or rent, home equity loan payments, car loans, student loans, your minimum monthly payments on any credit card debt, and any other loans that you might have.

Gross income is the total amount of money you make, before all deductions and taxes.

Gross Monthly Income	Recurring Monthly Debt	Debt-to-Income Ratio
\$.....	\$.....	\$.....

Even if you are making a lot of money, a high debt-to-income ratio signals that you are overextending yourself. If your debt-to-income ratio is above 36%, you may want to consider your options, which may include bankruptcy.

Try to keep your debt-to-income ratio to less than 36%. Anything above 36% is generally an unhealthy score.

8 Alternatives to Bankruptcy

The purpose of learning about alternatives to bankruptcy is just to make you aware of some of the options that are out there. Bankruptcy is not a good solution for every individual. Always talk to an attorney about any alternatives to bankruptcy. They will be able to best advise you about your options.

Doing Nothing (Judgment-Proof)

There is an old saying, “You can’t get blood from a stone”. What this means in the context of

bankruptcy is, creditors cannot come after you if you have no collectible assets. They can sue you until the cows come home, but they are never going to be able to collect anything from you. The perfect example of someone who is judgment-proof is the elderly lady who lives in the senior apartment complex. She rents where she lives so she owns no real estate, she does not have a car, her sole source of income is social security, and she has no assets to speak of other than a few modest personal belongings.

The elderly lady in the above scenario is said to be “judgment-proof”. If you are judgment-proof, you might decide that you do not need to file bankruptcy. Of course, if your situation changes and you come into money, say you get a better job, or you receive an inheritance, all of a sudden you will not be judgment-proof any longer. Also, just because you are judgment-proof, that does not mean the phone calls from creditors will stop. Many judgment-proof individuals decide it is in their best interest to file bankruptcy anyway. They appreciate the peace of mind and calmness that comes from having a true fresh start.

You should seek a good bankruptcy attorney to advise you if you believe you might be judgment-proof. Most bankruptcy attorneys provide a free initial consultation and only charge you if you end up filing. So if you think you may be judgment-proof, do not avoid going to see an attorney just because you think it might cost you money. Call ahead and ask, because the appointment and the advice will likely be offered for free.

Negotiation/Consumer Workout

Ideally, you would contact your creditor and tell them in advance if you were ever going to be late on a payment. Your creditor has an interest in helping you. It is in their interest to be paid, so often they are willing to work around short-term problems with you. Every creditor has their own internal procedures, and some may not be willing to work with consumers or negotiate at all. It is often worth a simple phone call to find out.

Some creditors are willing to negotiate with consumers on past-due bills, and may allow you to settle the debt for a fraction of what you owe. If your debt has already been sold to a 3rd party debt collection agency, you may have to negotiate with the debt collection agency instead.

This option tends to work best for consumers with a small number of debts to clearly identifiable parties that they can call and negotiate with. It is a time-consuming endeavor, and one that requires patience.

Debt Consolidation Loan

This is generally not a great option, but if you have a decent credit rating, you may be able to take out a loan and then pay off all of your debt that way. If you are a homeowner, you might be able to take out a home equity loan. However, taking out a loan to pay off debt is “Robbing Peter to pay Paul”, as the saying goes, and it often actually increases the amount you owe. An advantage to paying it all off at once is you are stopping the late charges, interest, and other fees from running. However, you are often trading your unsecured debt for secured debt, which is generally not a great financial move.

Credit Counseling - Debt Management Plans

Some credit counseling organizations offer debt management plans. The credit counseling organization contacts all of the debtor’s creditors, and creates a custom-tailored debt management plan that allows the debtor to consolidate their debt into a series of scheduled payments. The credit counseling organization takes a fee out of that payment for managing the plan, and the rest is split up among the various creditors. Debt management plans typically last anywhere from 3 to 5 years.

These programs are only successful if you continue to have income. If you have lost your job or your source of income, you would not be able to make the monthly payments. (Complete Credit Counseling, Inc., which provides the course you are taking now, does not offer debt management plans, but many other credit counseling agencies do).

One recommendation is to check out [Greenpath](#). They have been around for over 50 years, are a nonprofit, and have proven themselves as pretty reliable.

Debt Settlement

Debt settlement companies allow you to pay a reduced portion of what you owe. However, they often want you to pay the whole amount at once, which may mean borrowing money or selling assets to come up with the full amount. However, if you do not pay the full reduced amount, creditors will continue to come after you. Also, you will probably have to pay taxes on the amount forgiven.

Debt Settlement companies often charge a hefty sum to negotiate a reduced debt, which is really something with enough persistence you could really do on your own.

Predatory Practices

Attorney General offices are closing down many businesses that promise to settle your debt for less than you owe. Make sure that you contact an attorney and discuss fully with them any alternative you might consider to bankruptcy, and then try to get from them a suggestion as to who to go to. A good bankruptcy attorney should be aware of all of the alternatives to bankruptcy and good advisers you can contact in your area to help you out.

The worst possible thing you can do is choose an unscrupulous company and fall deeper into debt.

If their offer seems too good to be true, it probably is. Make sure you do research on any debt management or any debt consolidation company if you are interested in using one. Make sure they are reputable, have been in business a long time, and have a good track record and a history of satisfied clients.

9 Consumer Friendly Laws

If you are considering filing bankruptcy, it is likely that your phone has already been inundated with calls from creditors who will stop at nothing to make sure they are paid. They may be rude, or even threatening to you over the phone. The Fair Debt Collection Practices Act was passed in 1977 to protect consumers from harassment and other abuses inflicted by debt collectors. In the following lesson we will learn about several different types of laws, but pay close attention to the Fair Debt Collection Practices Act, because it may help you whether you decide to file bankruptcy or not.

Fair Debt Collection Practices Act (FDCPA)

The first thing to keep in mind is that the FDCPA does not apply to the original creditor. They have a lot more leeway to call you excessively or do other things to convince you to pay. Once that debt is sold off to another third-party debt collector though, the FDCPA applies to that third-party. [Here](#) is a list of 15 things debt collectors cannot do under the FDCPA. The important thing is to document everything. You want to keep detailed records as to when the call took place and what was said. You may even want to tape-record the conversation (provided doing so is legal in your jurisdiction).

One of the interesting things the FDCPA lets you do is to tell the creditor to stop contacting you in regards to the debt. It stops their phone calls, period. This has to be done in writing, so you will have to send a letter. Once they receive this letter, they are prohibited from contacting you further. However, keep in mind that this only works for the debt collector that you send the letter to.

For example, lets say you owe \$10,000 on your Visa Card. Visa turns around and sells the debt to Joe Smoe Collection Company, and you write a letter to Joe Smoe telling them to cease communication. They will cease communication, but if Joe Smoe turns around and sells the debt to Persistent Collections, Persistent Collections will not be prohibited from contacting you. For an example of one of these letters that you can use yourself, go [here](#).

Debtors are fighting back against slimy collection company practices, by recovering money from these companies when they violate the FDCPA. We strongly recommend that if you believe a collection agency has violated the FDCPA that you talk to an attorney who can discuss your rights. Not all bankruptcy attorneys have experience with the FDCPA as it is a pretty specialized area of the law, but they may offer a good recommendation as to who you could talk to.

Although we do not recommend going at it alone, it is possible to take the debt collectors to court yourself. [Debtorboards](#) is a message forum full of information submitted by other debtors on how to sue under the FDCPA and win.

You can read the full text of the FDCPA [here](#).

Truth in Lending Act

The Truth in Lending Act requires credit card issuers inform consumers about the APR (Annual Percentage Rate), the method of finance charges, and all other terms and conditions. It helps consumers shop around for the best places to get credit.

If you are shopping around for a new Credit Card, we highly recommend that you check out a credit card comparison tool on a site like [NerdWallet](#). While you may not have any use for it currently, it may be a helpful resource for you in the future as you take steps to rebuild your credit.

You can read the full text of the Truth in Lending Act [here](#).

Fair Credit Billing Act

The Fair Credit Billing Act gives the consumer 60 days to dispute any bill that they receive. The consumer must do this in writing and it must be sent to the customer service department of the creditor. The consumer should be careful to include their account number, their name, and an explanation of why they feel the bill is incorrect. Any supporting documentation which may helpful should be included, and a copy of everything sent in should be retained for your records.

The creditor then has 30 days in which to respond, and the creditor cannot report any delinquency to a credit reporting agency until the matter is settled. The creditor can continue to add finance charges to the principle balance, however. The law also allows consumers to dispute the charge for defective goods or services bought with a credit card.

You can read the full text of the Fair Billing Act [here](#).

Equal Credit Opportunity Act (ECOA)

The Equal Credit Opportunity Act (ECOA), just as it sounds provides protections to make sure that consumers have an equal opportunity to get credit, and it also dictates what factors lenders can look at when deciding whether to extend credit. For example, lenders can look at things like the amount of debt you have, your income and expenses, and your credit history, but they cannot, however, deny credit based on religion, race, sex, job rating, marital status, pregnancy, alimony or child support, age, or spousal income. Various states also prohibit discrimination based on sexual orientation or mental and physical disability.

You can read the full text of the Equal Credit Opportunity Act [here](#).

Fair Credit Reporting Act

The Fair Credit Reporting Act prohibits anyone (it could result in fines or imprisonment) from looking at your credit report for any reason other than the following:

<ul style="list-style-type: none">• Application for business or government licenses	<ul style="list-style-type: none">• Court subpoena from a federal grand jury
	<ul style="list-style-type: none">• Employment
<ul style="list-style-type: none">• Credit or insurance	<ul style="list-style-type: none">• Child support requirements

Within 60 days of denied credit, insurance, employment, or housing, the consumer can request a free copy of their report. By law, the consumer is entitled to dispute and correct their credit report under this act.

Servicemembers Civil Relief Act (SCRA)

The SCRA provides protections for active military personnel from foreclosures, evictions, lawsuits, and debt collection. It may also allow lowering of interest rates on certain debts.

The important thing to remember is if you are in the military and you are filing bankruptcy, it is important to mention this fact to your bankruptcy attorney. They can explain your rights and increased options under this law.

Uniformed Services Employment and Reemployment Rights Act (USERRA)

This act applies to all employers and protects the jobs and benefits of active duty military personnel for upto 5 years. It basically allows those personnel to return to their place of employment as if they had never left, with the same status and right to be treated the same as if they had never left. The U.S. Department of Labor is responsible for handling any employer violations of this act. They can be reached at: (518) 457-7465.

10 Rebuilding Credit After Bankruptcy

Rebuilding credit after your bankruptcy is far from impossible. In recent years, over one million people have been filing bankruptcy every year. There are so many people filing that bankruptcy does not have the stigma that it once had. Filing bankruptcy is also something that should not leave you feeling ashamed.

You may not even know it, but it may surprise you to know that many important people such as Henry Ford, Donald Trump, Walt Disney, Abraham Lincoln, and many others have filed bankruptcy. Just like they were, you too are entitled to a fresh start.

How to Rebuild Your Credit

Good credit does not “fall from the sky”. You need to earn it. With some effort, most people who have filed bankruptcy are able to get a new loan within one year after their bankruptcy, and they can expect a somewhat normal credit rating in 3 years or so.

If you had problems with credit card debt in the past, you will want to first of all set up a debit card and use that as your primary method of payment. However, you can set up a little credit card after your bankruptcy is over, to help rebuild your credit. Use the credit card just for something small, like gas purchases. Fill up the tank of your vehicle, put it on the card, and pay the entire balance off on time or early, and that will really help you rebuild credit. You can slowly start to put other small purchases on the card, maybe if you go out to dinner you could put that on there, but use your debit card for most transactions so you do not have to rely so heavily on credit. You do not want to be racking up a high balance on a card after bankruptcy, because whatever card you get approved for will likely have much higher interest rates and worse terms than one you had before your bankruptcy. So you really want to make sure you are paying off the card in full every month, on time or early, to prevent carrying a balance and getting sacked with high interest.

Some bankruptcy attorneys facilitate this process by allowing you to keep a card through your bankruptcy. Generally, this is really only an option if the balance on the card is extremely low. Doing this avoids the problem of having to apply for a credit card with worse terms after bankruptcy. Ask your bankruptcy attorney about this if you have a card you might want to keep and the balance of the card is under \$500 or some other manageable number.

If you are turned down for a regular card after bankruptcy (this is common), you may have to get a secured credit card. A secured credit card requires you to attach a savings account as security for the card. Secured credit card's payment history is not always sent to the credit bureaus though, and you want to make sure that it is, otherwise it will not be helping you rebuild your credit. So make sure you contact the bank and ask them if the card's history will be reported to the credit bureaus. Also make sure you read the offers and pay close attention to the fees these cards charge.

Another great tip is to open a savings account, save \$1,000 or so, and then take out a \$1,000 bank loan using the \$1,000 in your savings account as collateral. Do not touch the \$1,000 in your savings account, and pay back the \$1,000 loan using new funds. It will give you practice paying off a loan, and you will be generating a positive credit history of on time payments.

Pay all of your utility bills and other bills on time or early. Also try to save at least 25% of your paycheck. Do not use any payday loans, or any of those Cash-Now places. Their high-interest rates make them a rip-off. The biggest thing to remember is to be showing a good history of making payments, and to be making those payments on time or early. You do this, and your credit score will go up.