

THE TERRY LAW FIRM
A Professional Services Corporation

Dear Client:

Now that the new bankruptcy law is in effect, bankruptcy requirements have changed for those who are considering filing. All debtors will have to get credit counseling before they can file a bankruptcy case, in addition a counseling class on budgeting and debt management must be taken before their debts can be eliminated or "discharged". Some filers with higher incomes won't be allowed to use Chapter 7, but will instead have to repay at least some of their debt under Chapter 13. Because the law imposes new requirements on lawyers, it will be tougher to find an attorney to represent you in a bankruptcy case.

Here are some of the most important changes.

Counseling Requirements

Before you can file for bankruptcy under Chapter 7 or Chapter 13, you must complete credit counseling with an agency approved by the United States Trustee's office. The purpose of this counseling is to give you an idea of whether you really need to file for bankruptcy or whether an informal repayment plan would get you back on your economic feet.

Counseling is required, but you are required only to participate, not to go along with any repayment plan the agency proposes. A certificate showing that you completed the counseling is required before you can file for bankruptcy.

Prior to the commencement of your bankruptcy case, you'll have to attend another counseling session on personal financial management. Upon completion of the second class you will be provided with another certificate of completion that must be filed with the Court prior to you getting a discharge of your debts.

Restricted Eligibility for Chapter 7

Under the old rules, most filers could choose the type of bankruptcy that seemed best for them -- and most chose

Chapter 7 over Chapter 13. The new law will prohibit some filers with higher incomes from using Chapter 7.

How High is Your Income and what is the Source?

Under the new rules, the first step in figuring out whether a Chapter 7 or a Chapter 13 is right for you is to measure your "current monthly income" against the median income for a family of your size in your state. Your "current monthly income" is not your income at the time you file, however: It is your average income over the last six months before you file. For many people, particularly those who are filing for bankruptcy because they recently lost a job, their "current monthly income" according to these rules will be much more than their current income by the time they file for bankruptcy. Certain sources of income such as federal social security or disability benefits are not considered income for the purposes of determining bankruptcy qualification.

Once we've calculated your income we will compare it to the median income for your state. If your income is less than or equal to the median, you are a likely candidate for Chapter 7. If it is more than the median, however, you must pass "the means test" -- another requirement of the new law -- in order to qualify for Chapter 7.

The Means Test

The purpose of the means test is to determine if you have enough disposable income, after subtracting certain allowed expenses and required debt payments, to make payments on a Chapter 13 plan.

To find out whether you pass the means test, we start with your "current monthly income," calculated as described above. From that amount, we subtract both of the following:

- Certain allowed expenses, in amounts set by the IRS. Generally, we cannot subtract what you actually spend for things like transportation, food, clothing, and so on; instead, we have to use the limits the IRS



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imposes, which may be lower than the cost of living in your area.

- Monthly payments you will have to make on secured and priority debts. Secured debts are those for which the creditor is entitled to seize property if you don't pay (such as a mortgage or car loan); priority debts are obligations that the law deems to be so important that they are entitled to jump to the head of the repayment line. Typical priority debts include child support, alimony, tax debts, and wages owed to employees.

If your total monthly disposable income after subtracting these amounts is less than \$100, you pass the means test, and will be allowed to file for Chapter 7. If your total remaining monthly disposable income is more than \$166.66, you have flunked the means test, and will be prohibited from using Chapter 7.

So what about those in the middle? They have to do some more math. If your remaining monthly disposable income is between \$100 and \$166.66, we must figure out whether what you have left over is enough to pay more than 25% of your unsecured, non-priority debts (such as credit card bills, student loans, medical bills, and so on) over a five-year period. If so, you flunk the means test, and Chapter 7 won't be available to you. If not, you pass the means test, and Chapter 7 remains an option.

When you are ready to proceed with your bankruptcy, we set an appointment with you. This will be your initial office visit. The initial office visit is intended to acquaint you with basic information about bankruptcy and to assess your current financial situation in order to determine your need and eligibility for the filing of a bankruptcy case. **There is a \$50.00 charge for this initial consultation.** It must be paid for at the initial visit. This office will not file your bankruptcy until the required documents, as listed below, are in our possession. The documentation is required to correctly assess your financial situation pursuant to the guide lines above. Please provide the following:

IDENTIFICATION. The new bankruptcy law requires that you provide proof that you are who you say you are. Please bring with you to the initial office visit an official photo ID (i.e., a driver's license) and your Social Security card.

PROOF OF INCOME. Proof of your average monthly gross income from all sources for the **last 6 months beginning with the first month before your scheduled office visit**, including tips, bonuses, commissions, child support, spousal support, support from someone paying or sharing your living expenses, rental income, unemployment compensation, social security, retirement, pension, interest, dividends, or income from any other source, such as social security payments received by any member of your household who is contributing to household expenses during the last 7 months. If you are filing with a spouse then you will need to provide this information for both you and your spouse. Papers regarding any bank interest income or dividend income received during the last seven months. Papers regarding any retirement benefits received during the last seven months. Papers regarding any rental income from any house or land received during the last seven months. A listing of money contributed to your living expenses by other members of your household including your spouse if he/she is not filing bankruptcy with you received during the last seven months.

DEDUCTIONS TO INCOME. The new bankruptcy law requires that you provide proof of any deductions from your income to include federal and state taxes, retirement plan contributions, retirement plan loan repayments, insurance, court-ordered payments, garnishments, and all other deductions whether voluntary or involuntary. If you have your own business, you must provide a complete listing of all of your monthly business expenses including a year-to-date or recent monthly Profit & Loss Statement for your business, if possible. Please bring with you to the initial office visit as much documentation as you have available for the **last seven months.**

BANKING RECORDS. Please provide monthly statements for the **last seven months** for the following:

- Statements for all of your bank, credit union and other similar accounts for the last seven months
- Papers regarding any bankruptcy which you filed during the last eight years
- A list of all of your address for the last three years
- Papers regarding any real property you now own or have owned within the last four years
- Papers regarding any mortgages and refinancing within the last four years
- Papers regarding any transfers of ownership within the last four years
- Papers regarding all other personal and real property (your home, vehicle, timeshares, stocks, etc)
- Papers regarding any felony conviction



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- Papers regarding any money or property received from a trust or probate estate
- Papers regarding any IRA or tuition programs
- Proof of insurance for your home or any vehicle for which you still owe money

FINANCIAL DOCUMENTS.

Tax Returns for the **last 4 years**. If have not filed any of these tax returns please begin that process as soon as possible, as we will not be able to file a bankruptcy until those tax returns are filed.

HOUSEHOLD EXPENSES. **For the last 7 months.**

- mortgages or rent
- utility services (electricity, gas, fuel oil, propane, water and sewage),
- telephone service, cable or satellite television service
- home maintenance
- food
- clothing, laundry and dry cleaning
- medical and dental expenses
- transportation and vehicle maintenance expenses
- recreation, clubs, entertainment
- charitable contributions
- insurance (homeowner or renter, life, health, auto)
- taxes on property
- alimony, maintenance, child support, etc.

CREDIT REPORT. A new Federal law makes you eligible to receive a free credit report annually from each of the three credit reporting agencies. Please request your free credit report online by visiting www.annualcreditreport.com. You may also request your free credit report by mail or by phone. Mail your request to Annual Credit Report Service, PO Box 105281, Atlanta, GA 30348-5281 or phone 1-877-322-8228 toll free. An Annual Credit Report Request Form is attached.

ACCOUNT STATEMENTS. The new bankruptcy law requires a listing of all of your debts including those for credit cards, medical bills, personal loans, auto loans, furniture loans, jewelry loans, lawsuits, etc. Please bring with you to the initial office visit as much documentation as you have available for the **last 90 days** on all such debts.

PROPERTY DOCUMENTS. The new bankruptcy law requires documentation of all contracts and security agreements including those for mortgages and leases, refinancing, transfers of ownership, time shares, stocks, car loans and leases, furniture rental and leases, jewelry loans, etc. Please bring with you to the initial office visit as much

documentation as you have available for the **last four years**. *As well as a current market analysis of your real property.

PROOF OF INSURANCE. The new bankruptcy law requires proof of insurance on all property secured by a lien including homeowners insurance, automobile insurance, etc. Please bring with you to the initial office visit as much documentation as you have available.

DOMESTIC SUPPORT OBLIGATIONS – If you are pay any child support, alimony, or support you need to bring all documents associated with such payments. You must provide some proof that you are current on these obligations and provide the name and address where those documents are required to be sent.

OTHER DOCUMENTS. The production of other documents as required by the new bankruptcy law includes those for any of the following:

- Bankruptcy you filed during the **last eight years**
- A list of all of your addresses for the **last three years**
- Documentation of any felony conviction
- Money or property received from a trust or probate
- Educational IRAs or tuition programs, etc.
- Losses
- Seizures, Repossessions, or trustee’s sales.
- Any type of law suit
- Auto Accidents
- Garnishments
- Change of Ownership of any item
- Closed Accounts i.e. Bank Accounts
- Any and all records for a business that you may be operating including but not limited to:
- P&L Statement / Asset Report/ Name of Accountant / Business License and Insurance
- Current Market Analysis of your real property.
- Vehicle registrations

If you do not have any of the above information available for the initial office visit then you may need to contact your employer, human resources officer, income tax preparer, bank or credit union, service providers or other sources to request this information.

Signed this _____ day of _____, 20____

Client Signature

Client Signature



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CLIENT INSTRUCTIONS

Pursuant to 11 U.S.C. Section 527(c)

DEFINITIONS

1. Replacement Value – Certain sections of the Bankruptcy Code will require you to determine the value of your personal and real property. We will provide you assistance with this calculation but we are required under law to provide a written explanation of this term. For personal, family and household purposes the replacement value is the value a retail merchant selling the item would charge considering the age and condition of the item. The code does not define the term retail merchant.

2. Example - Assume that you have a DVD player that is 3 years old. You have been using the DVD player regularly and it works. The replacement value for this item would be what a used store or flea market would *price* the item. In doing this calculation, you do not have to be precise, just reasonable. The Terry Law Firm will assist you with any inquires as to valuing your household items.

2. Current Monthly Income – Under certain sections of the Bankruptcy Code you will be required to calculate your Current Monthly Income. This is more than what you receive every time you get a pay check. This includes all income you have received over the last 6 months divided by 6. This means that if you lost your job last month your total income for that month would be almost zero. This calculation does not take into account many government benefits including social security. This income even includes income that is not taxable.

3. Calculations – If you file a Chapter 13 plan you will be required to submit a budget that calculates disposable income left over when you deduct your monthly expenses from you monthly income. These expenses do not include you payments on unsecured debts. An attorney will assist you with these calculations. If your Current Monthly Income is higher that the State Median Income for your household size you will be subject to a Means Test. This Means Test adds up your total expenses as defined by the Bankruptcy Code and other deductions including regular charitable donations (up to 15% of your income), school expenses, payments on 401(k)/IRA loans, and health insurance. If you are subject to this calculation an attorney will help you perform this task.

4. Creditor Matrix – If you file a Chapter 13 case, you will be required to prepare and submit a master mailing matrix in a format approved by the Court that includes the

names and addresses of all of your creditors. The matrix must be in three columns and in alphabetical order. You must also list any persons who have co-signed or guaranteed loans for you. In addition, the law requires that you list the following parties even in you owe them no money: the Internal Revenue Service, the State of Washington Department of Revenue, the City or County tax authority in your place of residence, the Office of the United States Attorney, and the Office of the Attorney General. All creditors have designated specific address for the receipt of notices of bankruptcy and in connection therewith you must use the address designated on 2 of the most recent statements received from each creditor within the 90 day period before the filing of your case. If you matrix is not filed in the proper format, you case may be subject to dismissal by the Court.

5. Exemptions – In order to protect your property you will need to claim applicable exemptions provided by State or Federal Law. The Terry Law Firm will assist and advise you on the proper exemptions to claim for your case.

CLIENT INSTRUCTIONS

Pursuant to 11 U.S.C. Section 527(c)

ACKNOWLEDGEMENT OF RECEIPT

I acknowledge that attorney Scott J. Terry has given to me and reviewed with me a copy of the Definitions as required by Bankruptcy Code Section 527(b).

Signed this, the ____ day of _____, 20____.

Client signature

Client signature

Attorney signature

IMPORTANT INFORMATION ABOUT BANKRUPTCY ASSISTANCE SERVICES FROM AN ATTORNEY OR BANKRUPTCY PETITION PREPARER



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-If you decide to seek bankruptcy relief, you should be advised that you can represent yourself in all matters connected with the bankruptcy.

-If you decide to seek bankruptcy relief, you should be advised that you can hire an attorney to represent you.

-If you decide to seek bankruptcy relief, you should be advised that in some areas you may hire a bankruptcy petition preparer who is not an attorney.

THE LAW REQUIRES AN ATTORNEY TO GIVE YOU A WRITTEN CONTRACT SPECIFYING WHAT THE ATTORNEY WILL DO FOR YOU AND HOW MUCH IT WILL COST. ASK TO SEE THIS CONTRACT BEFORE YOU HIRE AN ATTORNEY.

Although bankruptcy cases can be complex, many of the procedures and cases are routine. Before filing a bankruptcy case, you or your attorney should analyze your eligibility for different forms of debt relief available under the Bankruptcy Code and which form of relief is most beneficial to you. Be sure you understand the relief you can obtain and its limitations.

To file a bankruptcy case, documents called a Petition, Schedules, and Statement of Financial Affairs, as well as in some cases a Statement of Intention need to be prepared correctly and filed with the bankruptcy court. You will have to pay a filing fee to the bankruptcy court.

Once your case is filed, you will have to attend a first meeting of creditors where you will be questioned under oath by a court official called a "trustee". At this meeting you may also be questioned by your creditors.

If you chose to file a Chapter 7 case, you may be asked to reaffirm a debt. You may want help deciding whether to do so. A creditor is not permitted to coerce you into reaffirming your debts.

If you chose to file a Chapter 13 case in which you repay your creditors what you can afford over a 3 to 5 years, you may also want help with preparing your Chapter 13 plan and with the confirmation hearing on your plan which will be before a Federal Bankruptcy Judge.

If you select another type of relief under the Bankruptcy Code other than chapter 7 or chapter 13, you will want to find out what should be done from someone familiar with that type of relief.

Your bankruptcy case may also involve litigation. You are generally permitted to represent yourself in litigation in bankruptcy court. **BE AWARE-** Only an attorney can give you legal advice and can represent you in court.

ACKNOWLEDGEMENT OF RECEIPT

I acknowledge that attorney Scott J. Terry has given to me and reviewed with me a copy of the Definitions as required by Bankruptcy Code Section 527(b).

Signed this, the ____ day of _____, 20__.

Client signature

Client signature

Attorney signature

CLIENT INSTRUCTIONS

Pursuant to 11 U.S.C. Section 342(b)

Types of Bankruptcy

Chapter 7 – Liquidation

Chapter 7 is designed for debtors who are having financial difficulties and are not able to re-pay their debts.

If your current monthly income is above the State Median Income you will be required to perform a Means Test to determine if you are eligible for this type of bankruptcy relief. If you do not meet the requirements of the Means Test then you may be precluded from filing a Chapter 7 and have the option of converting to Chapter 13 or filing a Chapter 13.

Under Chapter 7 a Trustee takes possession of all your property. You may claim certain property as exempt under Washington State law. You can only exempt the value of property that is not subject to the liens of your creditors. The Trustee then liquidates the non-exempt property and uses the proceeds to pay off your creditors according to priorities of the Bankruptcy Code.

The purpose of filing a Chapter 7 is to obtain a discharge of your existing debts. If, however, you are found to have



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committed certain kinds of improper conduct described in the Bankruptcy Code, your discharge may be denied by the Court, and the purpose for which you filed the bankruptcy petition will be defeated.

Even if you receive a discharge, there are some debts that are not discharged under the law. Therefore, you may still be responsible for such debts as certain taxes and student loans, alimony and support payments, criminal restitution, and debts for death or personal injury caused by driving while intoxicated with alcohol or drugs.

Under certain circumstances you may be able to keep property that you have purchased subject to a valid security interest. Some of these options include what is called redemption and the renewal or reaffirmation of an existing pre-bankruptcy debt. Your attorney can explain the options that are available to you.

Chapter 13 – Repayment of All or Part of the Debts of an Individual with Regular Income

Chapter 13 is designed for individuals with a regular and stable source of income who are temporarily unable to pay their debts but who desire to use their best efforts and good faith to pay them in installments over a period of time subject to the protections afforded by the Chapter 13 rules. You are only eligible for Chapter 13 if your debts do not exceed certain dollar amounts set forth in the Bankruptcy Code.

Under Chapter 13 you must file a plan with the Court to repay your creditors all or part of the money that you owe them, using your future earnings or by the disposition and/or abandonment of certain collateral such as land and motor vehicles. You are protected from your creditors in most case upon the filing of your case but your plan must be approved by the Court before it can take effect.

Client's Initials

Client Initials

Under Chapter 13, unlike Chapter 7, you may keep all of your property, both exempt and non-exempt, as long as you continue to make payments under the plan.

After completion of payments under the plan, your debts are discharged except for any domestic support obligations, student loans, and certain taxes, among others.

Chapter 11 – Reorganization

Chapter 11 is designed primarily for the reorganization of businesses but is also available to consumer debtors. Its provisions are quite complicated, and any decision for an individual to file a Chapter 11 petition should be reviewed with an attorney. Most Chapter 11 cases are simply too expensive for the great majority of consumer debtors. Most individuals are aware of the high profile Chapter 11 cases that have been filed in recent years by many of the commercial airlines.

Chapter 12 – Family Farmer

Chapter 12 is designed to permit family farmers to repay their debts over a period of time from future earnings and is in many ways similar to a Chapter 13. The eligibility requirements are restrictive, limiting its use to those whose income arises primarily from a family owned farm.

Credit Counseling

Reputable credit counselors can advise you on managing your money and your debts. They may also be able to develop a plan to repay your debts. But, most credit counselors are not reputable and charge high fees and contributions that will cause you to fall deeper into debt. Furthermore, many misrepresent their non-profit status and/or their affiliations with religious or charitable organizations. The Terry Law Firm only recommends that a person seek the credit counseling services of a group that has been approved by the United States Trustee Department or the Bankruptcy Administrator.

Honesty is Required

A person who knowingly and fraudulently conceals assets or makes a false oath or statement under penalty of perjury in connection with a case under this the bankruptcy code shall be subject to fine, imprisonment, or both and all information supplied by a debtor in connection with a case under this title is subject to examination by the Attorney General.

ACKNOWLEDGEMENT OF RECEIPT

I acknowledge that attorney Scott J. Terry has given to me and reviewed with me the notice indicating of the Types of Bankruptcies as required by Bankruptcy Code Section 342 (b).



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Signed this, the ____ day of _____, 20__.

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Client signature

Attorney signature

The new bankruptcy RULES FOR FILING BANKRUPTCY

Notice required under 11 U.S.C. Section 527(a)

If you do not follow these rules you could be subject to Criminal Sanctions including JAIL and FINES. If you do not follow these rules your case will be dismissed and you may not be able to re file your case.

Rule #1 – The information you give to an attorney, a staff member of the law firm, the Bankruptcy Trustee, or the Bankruptcy Court that is provided with your petition and during the case must be complete, accurate, and truthful.

Rule #2 – Everything you own and every debt you owe must be completely and accurately disclosed in the documents filed to commence this case. Bankruptcy is not a “pick and choose” proceeding. You do not leave some debts in and leave some debts out. Everything must be included. You must value each item you own at the rate it would cost you to replace the item with one of the same condition, age, and usefulness.

Rule #3 – You will be required to complete a current monthly budget. This will be performed with your attorney. This budget will be based on your Current Monthly Income and your regular monthly expenses. This Current Monthly Income is more than just that paid to you by your employer and will include any income received in the past 6 months commencing with the first full month before your bankruptcy filing. This could include government assistance, social security, unemployment, or side jobs or any other sources. The regular expense should be as close as possible and should be based on a reasonable inquiry.

Rule #4 – The Bankruptcy Code requires you to perform certain tasks including filing certain documents with the Court. Your attorney will notify you of the need and time limits for performing these tasks. If you fail to meet these

deadlines your case will automatically be dismissed and you may be barred from re filing a case.

All of the information you provide will be subject to audit by the United States Department of Justice. If you fail to provide this information your case may be dismissed. If you act dishonestly you may be subject to criminal sanctions.

These rules are given as a warning and not as an attempt to scare you from filing bankruptcy. Bankruptcy is a right provided to you under Federal Law. These Rules are only given to prevent people from intentionally abusing this by cheating and being dishonest. This notice is required by law under the Bankruptcy Reform Act enacted by Congress under intense lobbying by the credit industry and should not intimidate you from filing bankruptcy. Over the last 15 years our office has assisted people with filing bankruptcy. During that period of time, our Office has observed that almost all of our clients are honest and hardworking people who due to circumstances beyond their control cannot repay their debts.

Client’s Initials

Client’s Initials

RULES FOR FILING BANKRUPTCY

Notice required under 11 U.S.C. Section 527(b)

ACKNOWLEDGEMENT OF RECEIPT

I acknowledge that attorney Scott J. Terry has given to me and reviewed with me a copy of the Rules for Filing Bankruptcy as required by Bankruptcy Code Section 527(b).

Signed this, the ____ day of _____, 20__.

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Attorney signature

law requires that you produce this information before an attorney can advise you about filing bankruptcy



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