
IMPORTANT INFORMATION ABOUT YOUR BANKRUPTCY CASE

First, thank you for choosing the Law Office of Erin Bradley McAleer to help free you from the stress and worry of financial difficulties. We appreciate the opportunity.

Following is some additional information you need to know about your case and how to make things go smoothly so that you get your discharge with no problems. The most important thing to remember is that you are signing your petition under penalty of perjury. That means all the information you provide us must be true and accurate when your petition is filed.

1. REAFFIRMATION AGREEMENTS:

A reaffirmation agreement is normally received when you have secured property. Something is secured when you get a loan for it and the lender has the right to repossess it if you don't pay.

Sometimes, the loan agreement will say that if you declare bankruptcy you are in "default" and the lender has the right to take the property even if you are current on your payments. In that case, signing a reaffirmation agreement may be the only thing protecting you from having to return the property.

However, if you DO sign the agreement, be aware that you are basically taking the item away from the protection of the bankruptcy court. That means if you don't pay, the lender can repossess the item AND sue you for any balance on the loan. Also, any agreement you sign must be filed with the court no more than 60 days from the date of your hearing - it's actually preferable to have it filed within 45 days. In short, if you are going to sign and file a reaffirmation agreement, don't delay.

Even if you sign the agreement, you can still change your mind. You must notify the lender in writing that you are not going to go through with the reaffirmation. That notice must be received by the creditor no later than 60 days after the agreement is filed with the court.

To sum up, when you receive a reaffirmation agreement from a lender, you have 5 options:

- a. Call us to review the agreement and give you our opinion. The fee for this (\$100) is not included in the fee for filing your bankruptcy.
- b. Ask the court to approve it. Please be aware that getting the judge to approve it is very rare since most lenders do not come after the property if you continue to pay. If you choose this option, contact us for procedure details.
- c. Keep paying like usual. This is when you keep making the payments but don't sign the agreement. If the lender DOES choose to repossess it because you filed bankruptcy, you will not be liable for any loan balance.
- d. Keep the item and stop paying. This won't work for houses and cars, but might for small items like computers, electronics, and jewelry. Because you filed bankruptcy the most the creditor can get is the item itself. It can't sue you for the balance of the debt.
- e. Return the property to the lender.

2. **BANK ACCOUNT STATEMENTS:**

The law requires that the bankruptcy trustee have current copies of ALL your financial account statements at least 1 week before your hearing. This means all checking, savings, money market, retirement, etc. accounts. Those statements must include the balance in the account as of the date of filing. In practical terms, this means that you will need to contact all of the places you have an account and get statements showing the following:

- A. Your name
- B. Name of bank, credit union, pension/retirement administrator, etc.
- C. Account number
- D. All activity for the past 30 days from the date of the statement - including the date of filing your bankruptcy.

We recommend you request this the day after your case is filed so that there is plenty of time to get the statements to the trustee. Please note that if the document you obtain does not show all 4 of the above, it will be rejected and your case could be dismissed.

Additionally, the day we file your case, you must call us with the actual balance in all accounts. You can go online or call your bank or get an ATM balance inquiry. Do not subtract checks or other payments that have not cleared. The important thing is that the figure you give us and the amount on your petition match. For that reason, by signing this document, you are giving us permission to update your bank balances (or any other information) on your petition to match what you tell us.

3. **341 HEARING:**

You will need to attend the "341 hearing" which will be set for about 30 days after your case is filed. Not attending will often result in a dismissal of your case, so it is critical that you be there. Sometimes, the court will just continue your hearing for another date, but please be aware that if that happens you will need to pay us an additional \$250.00 for the second hearing.

The hearing itself is pretty straightforward. You will spend most of your time waiting for your name to be called. An attorney will be with you for moral support and to answer any questions you might have. The questions you will be asked are going to be very similar to these:

Do you swear to tell the truth under penalty of perjury?

What is your name and address?

Did you have a chance to read all of your bankruptcy documents before they were filed with the court?

Were they true and accurate when you signed them?

Are they still true and accurate today? Do you have any errors to correct?

Have your financial circumstances changed since the date of filing (new job, moved, etc.)

Did you list all your assets and your debts?

Have you ever filed bankruptcy before? If so, when and what chapter?

Did you have a chance to read the handout from the US Trustee? Have you read everything your lawyer gave you to read?

Did you live in Washington the entire 2 years before you filed your case? If not, where did you live and when did you move?

Does anybody owe you any money?

Could you sue anyone for any injury or damage that you think you might be owed?

Do you think it's likely you will inherit money or property in the near future?

In the year or 2 before you filed, did you give away, sell, or otherwise transfer anything worth over \$1000?

Have you made payments or owed money on house or land in the last 3 years?

4. **FINANCIAL MANAGEMENT CLASS:**

The law requires that you take another online class (same place you took the "credit counseling") within 60 days after your hearing in order to get your discharge. It normally costs the same as the first one and is quite similar.

Please note that if you don't do it, your case will be closed without a discharge; which will leave you vulnerable to the creditors you were trying to get free of in the first place! Your only option at that point will be to reopen your bankruptcy case so that you can take the class and file the certificate with the court. And that's not cheap. A good time to do it is the day after your hearing - while your bankruptcy is still fresh in your mind.

5. **EMAIL/TEXT MESSAGES:**

Email and texting are very efficient ways to communicate. We prefer to use these sorts of communication because 1) there's a record 2) it's fast and 3) you don't have to be in a particular physical location to receive messages. However, there can be glitches and things beyond your or our control can happen. By signing this document, you agree that you will not hold us responsible for messages we send that do not get delivered to you because there are technical problems beyond our control. That includes things like cell phone carrier glitches, our emails getting sent to your spam box, etc. You also agree to notify us immediately should your email address or phone number for texting change or your service be discontinued.

6. **DOCUMENTS YOU PROVIDE TO US:**

Remember, again, that you are signing your bankruptcy petition under penalty of perjury. That also applies to any documents such as pay stubs, CMAs, tax returns, etc. They must be genuine and unaltered from their originals. If they are not, and the court finds out, not only will your case be dismissed, there can be criminal sanctions as well. Fortunately, people who file bankruptcy are most often honest and hard working - they have just fallen on hard times for reasons beyond their control. We're not expecting that this will be a problem, but we need to make sure you understand this all the same.

7. **BANKRUPTCY EFFECT ON REAL ESTATE:**

When you buy a house, there are usually two documents that are part of the transaction: a promissory note (your personal promise to pay) and the mortgage/Deed of Trust (which grants the lender a lien on your house until you pay the debt). Both a mortgage and Deed of Trust give the lender the right to foreclose on your house if you don't pay.

In bankruptcy, if you are returning the house to the lender, your personal obligation on the note is discharged, but the lien on the house by the lender still remains until some other arrangement is made to remove the house from your ownership. Also, until the title to the property is actually transferred (a new deed is issued and recorded), you still have an ownership interest in the property.

That means that, after bankruptcy, you are still responsible for the following until the title to the house changes:

- A. HOA dues/assessments incurred after your bankruptcy case is filed
- B. Utilities after the date of filing (you might consider turning them off)
- C. Maintenance that the city, county, or HOA requires
- D. Notifying the lender when you move so it can insure the property

If you are keeping the property, then you should continue to make the payments, maintain the property, pay HOA dues, etc. just like always.

8. CMA FOR REAL ESTATE:

If you own real estate, you will need to provide us with a written CMA (comparative market analysis) from a realtor in the area where the property is located. A CMA is not a formal appraisal. It is a “quick sale” (90 days) market value of your property at the time your case is filed and should be dated no earlier than 30 days before your case is filed.

Normally, the realtor will use a database of local sales and also do a drive-by in order to generate the report. When you order this report, tell the realtor that you want them to consider the value of the property if s/he had to sell it within 90 days. There may be a fee associated with the report (typical is \$35-\$50) so be sure to ask the person ahead of time. When the report is ready, it should be emailed to our office.

9. FILLING OUT THE WORKSHEETS:

Whether you are going to fill out the worksheets online or on paper, here’s some things to keep in mind as you fill them out. When valuing your property, bankruptcy is not the same as insurance. Generally, bankruptcy is a “quick sale” price.

- A. **HOUSEHOLD GOODS:** If you had to sell everything in the house at a garage sale tomorrow, how much do you think you would get in total? That’s the amount you should put under household goods. In our experience, the average family of 4 has between \$2500-\$3500 worth of items. A single person has about \$1000. This is assuming the items are used and in decent, but not perfect, shape.
- B. **CLOTHING:** This will vary depending on your occupation. One adult has about \$300 in “everyday” clothing on the average. If you have a job that requires you dress up more or need to buy things such as work boots, then the amount could be as much as \$600.
- C. **FURS, JEWELRY, FIREARMS:** Go to a pawnshop and see what they would give you for the item. Then double that for the bankruptcy. If you can find an identical (or very close) item on eBay under the “sold” section or on Craigslist, you can use that.

D. VEHICLE AND RVS: Cars and motorcycles can be valued at www.kbb.com. Use the private party value. Motorcycles will give you the retail and wholesale, so split the difference. www.nadaguides.com has a site for valuing RVs and boats.

We know this is a lot of information to get through and we appreciate your patience. Please sign where indicated below.

Dated this _____ day of _____ 2014.

Client

Client