



**CONSUMER CREDIT  
COUNSELING SERVICE**  
*of* **BUFFALO, INC.**

Consumer Credit Counseling Service of Buffalo Presents:

# The Road to Financial Stability

## **CCCS of Buffalo contact information:**

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## The Facts

<b>About us</b>	Founded in 1965, CCCS of Buffalo, Inc. provides knowledge and programs to help individuals and households in Western New York achieve financial self-sufficiency by being better able to control, organize and manage their personal finances.	
<b>What we want you to know after leaving your appointment</b>	<ul style="list-style-type: none"> <li>✓ How to put together and use a spending plan/budget</li> <li>✓ Practical options for handling the debt and the benefits and drawbacks of each</li> <li>✓ Resources for helping you achieve your goals</li> </ul>	
<b>What people say about us</b>	<p>“Counselor exceeded my expectations. I feel empowered to tackle my debt.”</p> <p>“Counselor was very kind and supportive. She made me feel much better about our situation. I am very glad I called!”</p> <p>“My session was informative and helpful. My counselor was easy to interact with.”</p> <p>“Thank you for fact based advice.”</p>	
<b>Services we offer and fees</b>	Financial Counseling (\$25) Bankruptcy Counseling (\$50 per filer) Reverse Mortgage Counseling (\$125) Small Business Coaching (\$99)	Financial Education Workshops (Free) Credit Report Reviews (\$35 per person) Financial Coaching (\$50) Financial Counseling Online (Free)
	<p>**Services are offered without regard to ability to pay and services will not be withheld because of inability to pay. A fee waiver may be obtained in cases of specific hardship based upon income and must be verified by presentment of pay stubs and/or other proof of income.</p>	
<b>Creditor Repayment Plan</b>	<p>One option that your counselor may recommend is our <u>Creditor Repayment Plan</u>. The CRP is a payment plan that would allow you to make one monthly payment to our Agency, which would then be disbursed amongst your creditors. Once accepted on a CRP, your accounts will be closed and you may be granted lower interest rates and minimum monthly payment amounts depending on what creditors you have. This is <b>not a loan</b> as with debt consolidation.</p>	
<b>Creditor Repayment Plan Fees</b>	<p>CCCS is a non-profit agency. Our low fees cover operation cost and counselors are non-commission based. The fees associated with a CRP are a onetime set up fee of \$30 and \$20 per month to service your account.</p>	

### **Example of What A Creditor Repayment Plan could do for you:**

	<u>Balance</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Length of Repayment</u>	<u>Total Amount Paid to Creditor</u>
<b>Paying on own</b>	\$10,000	24%	\$300	492 months (41 years)	\$35,057
<b>Creditor Repayment Plan</b>	\$10,000	7.4%	\$200	60 months (5 years)	\$11,966
<b>Savings</b>		<b>16.6%</b>	<b>\$100</b>	<b>432 months (36 years)</b>	<b>\$23,091</b>

**\*\*Estimates are based on the average creditor’s policies and may vary on an individual account basis.**

# Bankruptcy Information

Whether to file for bankruptcy can be a difficult decision. More and more people are filing for bankruptcy because of the poor job market. There's no magic formula for deciding when bankruptcy is the right choice. In 2009, 1.5 million people in the US filed Bankruptcy.

Bankruptcy is the legal proceeding 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." Filing bankruptcy immediately stops all of your creditors from seeking to collect debts from you, at least until your debts are sorted out according to the law.

When should an individual consider bankruptcy? -Bankruptcy is a very personal decision. Deciding to file bankruptcy is influenced by an individual's personal culture and up-bringing. However, personal beliefs, attitudes and feelings can get in the way of making an informed and rational decision about bankruptcy.

An individual should consider bankruptcy seriously and should be aware of the benefits and drawbacks of filing bankruptcy before doing so. An individual might want to consider bankruptcy if several of the following apply :

- ✓ Your wages have been garnished or your bank account has been attached
- ✓ You do not have enough money for essential budget items, such as food, gas or medication
- ✓ You are behind on your mortgage or car loan
- ✓ You've had property repossessed
- ✓ You have high medical bills not covered by insurance
- ✓ You have few assets and little or no savings

## Chapter 7:

Chapter 7 is commonly referred to as "straight bankruptcy" or a "liquidation case". It is the most common form of individual bankruptcy; it accounts for two-thirds of all personal bankruptcy.

The vast majority of Chapter 7 cases are "no-asset cases". A Trustee is appointed to sell or liquidate the debtor's "*non-exempt*" assets or property in order to raise cash to make payments to creditors. An "*exempt*" asset is property of the debtor that the law specifically allows the debtor to keep.

- Exempt Property from seizure could include a car, a primary residence, furniture, household goods, clothing, jewelry, electronic equipment, liquid assets, tools and computers-all up to a certain value.
- Non- Exempt Property usually are luxury items such as RVs, motorcycles, vacation homes, income property, expensive jewelry, liquid cash over a certain amount, etc. These items can be seized and sold by the trustee to repay the creditors.
- Non-Dischargeable Debts- child support, taxes, alimony, criminal offence fees, student loans or charges to pay off these or made close to filing.

You may **reaffirm** your car loan, mortgage loan or any other loan as long as it can be determined by the trustee that that it does not cause a hardship. You must get current and stay current on the payments.

If you have a joint debt, with a non-filing spouse or a co-signer the other person will become fully liable for the debt.

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 the pay debts.

## Chapter 13:

A Chapter 13 bankruptcy is also called a “wage earners plan”. It enables individuals with regular income to develop a plan to repay all or part of their debts over three to five years. If it can be shown through the means test that you are able to pay back some or all of your debt your attorney will assist you in preparing a repayment plan.

- The 1st payment must be made within 30 days of filing
- A Chapter 13 debtor who completes all payments 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
- If the payment plan is not successful, it may be possible to convert the case and obtain a discharge under Chapter 7.

**In 2005 there were several changes to the Bankruptcy Code, the major changes include:**

- ✓ **Means Test:** examination of your finances including your debts, income and assets. The means test is something your attorney will perform. If it can be shown that you can pay back some or all of your debt then you will be filing a chapter 13 bankruptcy. Online version of the means test: [www.legalconsumer.com/bankruptcy/means-test](http://www.legalconsumer.com/bankruptcy/means-test)
- ✓ **Budget and Credit Education:** There is a pre-file course that reviews your options and budgeting and then there is a pre-discharge course which you will complete after your attorney files. At the end of each session you will receive a certificate which you will need to forward on to your attorney.
  - CCCS of Buffalo is approved to provide certificates for bankruptcy. The course can be completed face to face, over the telephone or online. Call (716)-712-2060 or visit [www.ccsbuffalo.org](http://www.ccsbuffalo.org).
- ✓ **Limits:** Chapter 7 Bankruptcy can only be filed once every 8 years, rather than every 6 years.

**Possible Consequences of Bankruptcy:** Depending on your personal situation and the laws of your state,

- You may have to liquidate some of your property and assets
- Chapter 7 Bankruptcy is reflected on your credit report for 10 years and will make it more difficult and more expensive to obtain new credit ; a Chapter 13 will continue to be listed for 7 years from the date of completion (for 10 years if you don't complete the plan)
- 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
- 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 interfere with employment prospects in your chosen field.

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."

## Alternative Debt Solutions

### **Power Payment Method**

A self-administered, systematic way to pay down debt by paying all minimum payments but paying the most possible on the highest interest account, once this account is paid off, that payment gets applied to the next highest interest account and so on and so forth until the debt is paid off in full (snowball effect). Must have additional funds leftover after paying all living expenses and debt minimum payments in order for this to be effective.

### **Creditor Repayment Plan (CRP)**

A structured repayment plan set up and administered by a designated third party Agency. Monthly deposits are made to the Agency, and the funds are then disbursed out to the creditors. Serves a dual role of helping a consumer get their debts paid while the creditors receive the money owed. Must be able to afford all living expenses and the minimum payment required by the Agency.

### **Consolidation Loan**

An unsecured loan extended by a bank or credit union that is used to pay off all outstanding credit card debt. Must have a good credit score and minimal debt to qualify (\$10,000 or less). Be wary of finance companies, they often charge high interest rates.

\*\*It is not advised that you take a loan from your retirement to pay off credit card debt due to the penalties that are imposed.

### **Home Equity Loan**

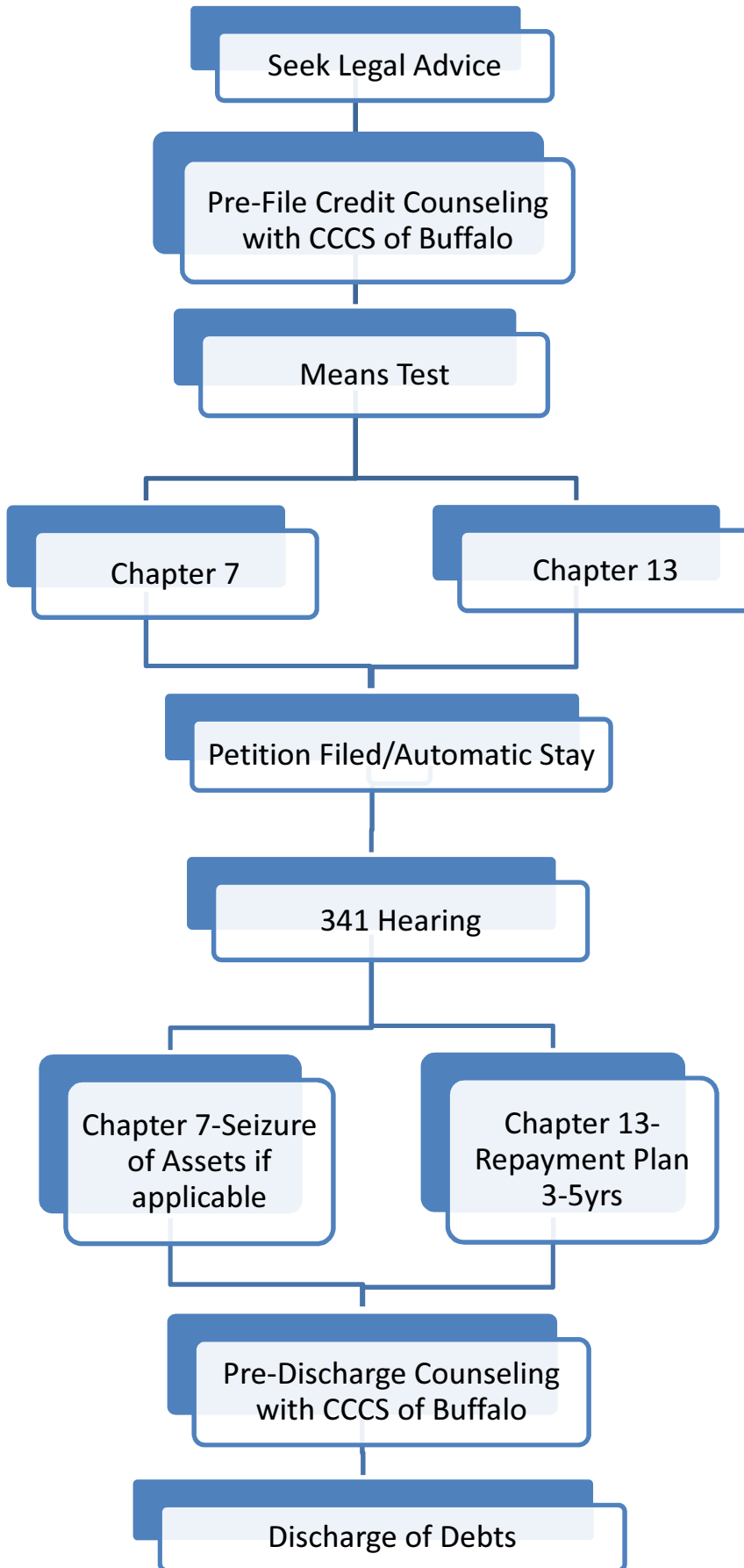
A secured loan that is used to pay off all outstanding credit card debt. Must be careful of rolling your unsecured credit card debt in to the secured debt of your home. If you default on the payment to your mortgage company, you may be in danger of losing your home, and lose your ability to discharge the credit card debt through a Chapter 7 bankruptcy.

\*\*Reverse Mortgage(HECM)- An arrangement for those individuals 62 and older in which a homeowner borrows equity in his/her home and receives regular monthly payments or a lump sum amount (tax-free) from the lender.

### **Negotiated Debt Settlement**

Negotiating with creditors to settle debts for less than the full balance owed. Must fall delinquent on debts before creditors are willing to settle for less than you owe. If debts are delinquent for a long period of time creditors may try to get a judgment for the full amount of debt and garnish wages/seize funds from bank accounts. When negotiating settlements, creditors will want the settled amount immediately.

\*\*Be wary of Debt Settlement Companies-they are, often for-profit and charge exorbitant fees for a process you can administer on your own. Many of these companies are scams.



**Seek Legal Advice-** General advice about your bankruptcy options. If the attorney determines you are eligible you complete the Credit Counseling.

**Pre-File Counseling-** The course you are completing today. You will receive a certificate of completion which is good for 6 months. If your certificate expires, you must retake course.

**Means Test-** A thorough examination of your income, assets and debts by your attorney. Requires you to gather your financial information for review. The results determine which chapter of bankruptcy you will be filing.

**Chapter 7-** Allows the elimination of your debt. If you own property worth above the equity exemptions, it may be seized and liquidated-your attorney will let you know if you would lose any property.

**Chapter 13-** Involves a monthly payment being made for 3-5 yrs to pay back all or a portion of your debt. No property is seized.

**Petition Filed/Automatic Stay-**The filing of your case with the bankruptcy court. An automatic stay requires that creditors stop contacting you and stop any collection efforts. If you do receive creditor communication you will want to let your attorney know.

**341 Hearing-**The court date you must attend for your bankruptcy. You will be asked some questions under oath; your attorney will be with you on this date, it is important to answer honestly. Creditors can show up to this hearing however they typically don't. Usually lasts 10 minutes.

**Chapter 7-**If you have non-exempt property, it will be seized and sold after your court date to pay off a portion of your debt.

**Chapter 13-**First payment is due within 30 days of filing.

**Pre-Discharge Counseling-**Contact CCCS of Buffalo to complete your last Counseling course- can be completed before your court date however it **must** be completed within 45 days after your court date. Call 716-712-2060!

**Discharge of Debts-**Debts are legally discharged after 60 days, or after repayment period if filing chapter 13.

**Your Certificate for today is valid for 180 days (6 months). If the petition has not been filed on the 180<sup>th</sup> day you will need to retake the course.**

# Frequently Asked Questions

What will happen to my home and car if I file bankruptcy in New York?	In most cases you will not lose your home or car during your bankruptcy case as long as your equity in the property is fully exempt. Even if your property is not fully exempt, you will be able to keep it, if you pay its non-exempt value to creditors in chapter 13.
Are utility services affected?	Public utilities, such as the electric company, cannot refuse or cut off service because you have filed for bankruptcy. However, the utility can require a deposit for future service and you do have to pay bills which arise after bankruptcy is filed.
What is an automatic stay?	An automatic stay stops creditors from taking any action to collect on your debts and place judgments against any property you own or garnish your wages.
I'm married, can I file by myself?	Yes, but your spouse will still be liable for any joint debts. If you file together you will be able to double your exemptions. In some cases where only one spouse has debts, or one spouse has debts that are not dischargeable then it might be advisable to have only one spouse file. If the spouses have joint debts, the fact that one spouse discharged the debt may show on the other spouses credit report.
Can I be fired for declaring bankruptcy?	The Bankruptcy Code generally prohibits termination of employment or discrimination with respect to employment solely because an individual (1) has filed a bankruptcy case, (2) has been insolvent before the case was filed, or (3) has not paid a discharged debt.
How do I rebuild my credit?	Bankruptcy will definitely hurt your credit rating, but maybe not as much as you think. In fact, once you've gotten through it, you may find that you are more attractive to some lenders than you are now. This is partly because you will no longer be burdened by debt and partly because the law prohibits you from filing for another bankruptcy right away. As a result, if you can show that you've learned to handle your finances responsibly, you should be able to get credit again within a year or two of completing a bankruptcy. However, even while it's still on your report, the negative impact of the bankruptcy will gradually diminish because credit scoring gives the most weight to recent events. Note that bankruptcy will not erase a history of late payments from your credit report.
Will I have to go to court?	In most bankruptcy cases, you only have to go to a proceeding called the "meeting of creditors" to meet with the bankruptcy trustee and any creditor who chooses to come. Most of the time, this meeting will be a short and simple procedure.

## **Important Resource Information**

CCCS of Buffalo	We provide our community with the best strategies to master their credit.	<a href="http://www.cccsbuffalo.org">www.cccsbuffalo.org</a> 716-712-2060 or 1-800-926-9685
Western New York 2-1-1	Organization that provides information on health and human service programs available in Western New York.	<a href="http://www.211wny.org">www.211wny.org</a> 211 or 1-888-696-9211
Annual Credit Report	The official government program to help consumers obtain their free credit report, once every 12 months from each of the credit reporting companies.	<a href="http://www.AnnualCreditReport.com">www.AnnualCreditReport.com</a> 1-877-322-8228
National Do Not Call Registry	You can register your home or cellular phone for free to stop receiving telemarketing calls.	<a href="http://www.DoNotCall.gov">www.DoNotCall.gov</a> 1-888-382-1222
Opt Out Prescreen	The official way to stop receiving pre-approved credit card and insurance offers.	<a href="http://www.OptOutPrescreen.com">www.OptOutPrescreen.com</a> 1-888-567-8688
Erie County Bar Association	They offer help to the public in locating an attorney that best suits their needs inside of Erie county	1-716-852-3100
New York State Bar Association	They offer help to the public in locating an attorney that best suits their needs outside of Erie county.	1-800-342-3661
Better Business Bureau	The BBB gathers and reports information on businesses' reliability.	<a href="http://www.upstateny.bbb.org">www.upstateny.bbb.org</a> <a href="http://www.bbb.org">www.bbb.org</a> 716-881-5222
Chex Systems Consumer Assistance	Information on mishandled checking and savings accounts to a central location.	<a href="http://www.chexhelp.com">www.chexhelp.com</a> 1-800-428-9623
Bankrate	Website that provides free rate information on more than 300 financial products, including savings and checking accounts.	<a href="http://www.Bankrate.com">www.Bankrate.com</a>
New York State Benefits	Find out about many health and human service programs and how to apply for them	<a href="http://www.mybenefits.ny.gov">www.mybenefits.ny.gov</a> 1-800-342-3009
Student Loan Borrower Assistance	Offers information for people who already have student loans and want to more about their rights and options	<a href="http://www.studentloanborrowerassistance.org">www.studentloanborrowerassistance.org</a> 1-617-482-0850