



NOTICES AND DISLOCURES PURSUANT TO 11 U.S.C. § 527

Information and Disclosures Pursuant to 11 U.S.C. § 342(b)

Types of Bankruptcy

1. 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 Texas 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 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 prebankruptcy debt. Your attorney can explain the options that are available to you.

2. 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 cases upon the filing of your case but your plan must be approved by the Court before it can take effect.

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.

3. 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. Payne & Associates, PLLC does not represent clients in Chapter 11 cases.

4. Chapter 12 – Family Farmer

Chapter 12 is designed to permit family farmers and fishermen 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 who whose income arises primarily from a family owned farms or fisheries. Payne & Associates, PLLC does not represent clients in Chapter 12 cases.

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. Payne & Associates, PLLC 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.

Information and Disclosures Pursuant to 11 U.S.C. Section § 527(a)

The following information is being provided to you 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.

1. All information that you are required to provide with a petition and thereafter during a bankruptcy case is required to be complete, accurate, and truthful.
2. All of your assets and all liabilities are required to be completely and accurately disclosed in the documents filed to commence a bankruptcy case. You are not to leave some debts in and leave some debts out – everything must be included. The replacement value of each asset must also be stated in those documents where requested after reasonable inquiry to establish such value.

3. You must complete a budget 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.

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.

Information and Disclosures Pursuant to 11 U.S.C. § 527(b)

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

If you decide to seek bankruptcy relief, you can represent yourself, you can hire an attorney to represent you, or you can get help in some localities from a bankruptcy petition preparer who is not an attorney. THE LAW REQUIRES AN ATTORNEY OR BANKRUPTCY PETITION PREPARER TO GIVE YOU A WRITTEN CONTRACT SPECIFYING WHAT THE ATTORNEY OR BANKRUPTCY PETITION PREPARER WILL DO FOR YOU AND HOW MUCH IT WILL COST. Ask to see the contract before you hire anyone. Payne & Associates, PLLC has attached our Chapter 7 and Chapter 13 contracts for services and accompanying addendums to this information.

The following information helps you understand what must be done in a routine bankruptcy case to help you evaluate how much service you need. Although bankruptcy can be complex, many cases are routine.

Before filing a bankruptcy case, either 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 likely to be beneficial for 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, and 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 starts, you will have to attend the required first meeting of creditors where you may be questioned by a court official called a 'trustee' and by creditors.

If you choose to file a chapter 7 case, you may be asked by a creditor 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 choose to file a chapter 13 case in which you repay your creditors what you can afford over 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 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, but only attorneys, not bankruptcy petition preparers, can give you legal advice.

Information and Disclosures Pursuant to 11 U.S.C. § 527(c)

The following information is being provided to you so you understand how and what type of information you will be required to provide for your bankruptcy case.

1. Assets and Income

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."

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 could be almost zero. This income even includes income that is not taxable. This calculation does not take into account many government benefits including social security.

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 your monthly income. These expenses do not include your payments on unsecured debts. Payne & Associates, PLLC will assist you with these calculations. If your Current Monthly Income is higher than 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, Payne & Associates, PLLC will help you perform this task.

2. List of Creditors

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 Internal Revenue Service even if you do not owe them money. All creditors have designated a 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 your matrix is not filed in the proper format, your case may be subject to dismissal by the Court. Payne & Associates, PLLC will assist you in preparing this matrix.

3. Property Exemptions

In order to protect your property you will need to claim applicable exemptions provided by State or Federal Law. Payne & Associates, PLLC will assist and advise you on the proper exemptions to claim for your case.