



New Bankruptcy Law and New Requirements

If you have already established your debt management program and are making your monthly payments according to schedule, give yourself a pat on the back. You are on the road to recovery. Your choice to make the sacrifice necessary to repay your debts was a much better choice than a bankruptcy alternative.

If you are struggling to make that monthly payment, keep up the fight. Your consumer credit counselor understands how difficult it can be and is there to offer encouragement and help every step of the way.

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Changes to Personal Bankruptcy Law

SO YOU KNOW!

The following changes are not intended to be inclusive but to describe some of the more significant changes consumers should understand before considering bankruptcy under the new law.

1. Means Test

If the debtor's income, less allowable living expense amounts determined by the IRS, is greater than indicated on the means test for his or her state, the debtor will be required to fulfill a five-year Chapter 13 repayment plan instead of being able to file for Chapter 7. This can only be overruled if the individual can show "special circumstances that justify additional expenses or adjustments of current monthly income."

2. Duration

If the Chapter 13 debtor's income is greater than the means test for his or her state, the repayment plan must be for five years. On the anniversary date of the repayment plan, the debtor must file a new statement of income and expenses.

3. Mandatory Credit Counseling

Individuals cannot qualify for bankruptcy unless, within 180 days of filing, they receive credit counseling from a nonprofit, approved agency. This counseling must include a budget analysis. The individual must then file a certificate from the credit counseling agency certifying the services have been provided and showing any debt repayment plan that was developed.

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There are three things you should be sure you do every month:

- Make your full scheduled payment and make it on time.
- Check your monthly statements from your creditors to make sure they are showing your payment was received.
- Contact your credit counselor right away if you will be unable to make your scheduled payment.

When the going gets tough and you feel tempted to consider bankruptcy, there is a new law you should be

aware of. The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 was passed by Congress and signed by President George W. Bush on April 20, 2005, and took effect on October 17, 2005. It is one of the most comprehensive overhauls of the Bankruptcy Code in more than 25 years, particularly as it applies to consumer bankruptcy reform.

The United States Trustee Program, under the Department of Justice, was instituted to help protect the integrity of America's bankruptcy system. The new

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The Average Household Living Expenses

Standard living expenses determined by the IRS according to monthly income level. It is used to help determine the amount an individual should have left for monthly debt payments. You might find this table helpful in determining how well you are doing at living within your means compared to other American households.

One-Person Monthly Income

Income Level	1	2	3	4	5	6	7	8
Food	\$175	\$203	\$232	\$257	\$292	\$333	\$373	\$483
Housekeeping supplies	\$18	\$24	\$30	\$31	\$32	\$33	\$34	\$49
Apparel and services	\$47	\$48	\$62	\$68	\$89	\$104	\$140	\$217
Personal care products	\$17	\$24	\$27	\$32	\$33	\$41	\$46	\$57
Miscellaneous	\$110	\$110	\$110	\$110	\$110	\$110	\$110	\$110
Total:	\$367	\$409	\$461	\$498	\$556	\$621	\$703	\$916

Two-Person Monthly Income

Income Level	1	2	3	4	5	6	7	8
Food	\$305	\$306	\$322	\$368	\$418	\$460	\$514	\$723
Housekeeping supplies	\$27	\$33	\$42	\$43	\$50	\$51	\$55	\$85
Apparel and services	\$83	\$91	\$92	\$93	\$98	\$126	\$141	\$277
Personal care products	\$25	\$27	\$33	\$37	\$40	\$50	\$56	\$83
Miscellaneous	\$138	\$138	\$138	\$138	\$138	\$138	\$138	\$138
Total:	\$578	\$595	\$627	\$679	\$744	\$825	\$904	\$1,306

Four-Person Monthly Income

Income Level	1	2	3	4	5	6	7	8
Food	\$433	\$463	\$501	\$502	\$558	\$574	\$685	\$868
Housekeeping supplies	\$42	\$43	\$44	\$46	\$52	\$53	\$66	\$94
Apparel and services	\$144	\$145	\$151	\$152	\$190	\$191	\$201	\$302
Personal care products	\$44	\$46	\$47	\$48	\$49	\$52	\$58	\$89
Miscellaneous	\$193	\$193	\$193	\$193	\$193	\$193	\$193	\$193
Total:	\$856	\$890	\$936	\$941	\$1,042	\$1,063	\$1,203	\$1,546

Income Levels per Month

1. Less than \$833
2. \$833 to \$1,249
3. \$1,250 to \$1,666
4. \$1,667 to \$2,499
5. \$2,500 to \$3,333
6. \$3,334 to \$4,166
7. \$4,167 to \$5,833
8. \$5,834 and over

(This information will be updated in August/September 2006, shortly after the Census Bureau update.)

Average Annual Income by State

The average household income standards used in determining a consumer's ability to repay debts under the new bankruptcy law. Individuals earning above this amount are determined to be capable of repaying their debts. If you are making below this amount and you are repaying your debts, you should feel very good about yourself.

	1 earner	2 people	3 people	4 people		1 earner	2 people	3 people	4 people
Alabama	\$33,873	\$41,103	\$50,617	\$56,180	Nebraska	\$37,084	\$47,085	\$56,087	\$62,012
Alaska	\$45,191	\$62,013	\$70,450	\$78,958	Nevada	\$38,506	\$52,095	\$53,396	\$54,538
Arizona	\$36,856	\$48,003	\$53,089	\$60,160	New Hamp.	\$52,120	\$59,743	\$70,677	\$84,918
Arkansas	\$29,930	\$38,438	\$42,629	\$51,478	New Jersey	\$54,273	\$60,532	\$78,028	\$91,398
California	\$43,436	\$55,320	\$61,655	\$70,626	New Mexico	\$31,652	\$41,228	\$42,824	\$48,858
Colorado	\$41,401	\$56,024	\$60,550	\$68,924	New York	\$40,801	\$50,136	\$59,377	\$69,854
Connecticut	\$54,311	\$63,455	\$79,100	\$91,269	Nth Carolina	\$33,510	\$43,532	\$50,874	\$56,985
Delaware	\$40,264	\$53,716	\$63,593	\$74,444	Nth Dakota	\$33,880	\$47,374	\$55,396	\$60,274
D. C.	\$39,649	\$64,274	\$64,274	\$64,274	Ohio	\$37,333	\$46,250	\$57,268	\$65,126
Florida	\$37,099	\$46,351	\$51,294	\$61,825	Oklahoma	\$32,439	\$42,450	\$49,320	\$51,572
Georgia	\$35,562	\$47,327	\$51,545	\$60,028	Oregon	\$37,530	\$48,676	\$54,633	\$61,209
Hawaii	\$47,056	\$56,383	\$66,742	\$78,354	Pennsylvania	\$40,251	\$45,865	\$60,986	\$68,826
Idaho	\$33,634	\$44,447	\$48,891	\$57,809	Rhode Island	\$41,835	\$53,074	\$59,932	\$71,369
Illinois	\$43,012	\$53,320	\$64,286	\$72,742	Sth Carolina	\$33,476	\$44,730	\$50,203	\$61,718
Indiana	\$36,572	\$48,183	\$52,526	\$65,421	Sth Dakota	\$33,171	\$43,438	\$53,430	\$61,495
Iowa	\$36,518	\$48,095	\$55,933	\$64,051	Tennessee	\$34,151	\$42,874	\$50,679	\$57,802
Kansas	\$37,795	\$50,258	\$56,386	\$61,515	Texas	\$34,408	\$48,029	\$50,408	\$58,153
Kentucky	\$33,263	\$39,218	\$47,955	\$56,866	Utah	\$42,496	\$46,912	\$52,955	\$59,879
Louisiana	\$31,685	\$39,306	\$47,282	\$53,145	Vermont	\$38,562	\$51,181	\$61,268	\$68,065
Maine	\$37,765	\$47,911	\$54,209	\$66,255	Virginia	\$43,195	\$56,455	\$63,177	\$74,387
Maryland	\$48,205	\$60,541	\$72,417	\$88,454	Washington	\$43,891	\$54,044	\$59,732	\$73,259
Mass.	\$48,775	\$57,165	\$73,837	\$88,044	West Virginia	\$33,704	\$36,376	\$47,176	\$53,551
Michigan	\$41,877	\$49,052	\$62,480	\$70,887	Wisconsin	\$39,157	\$49,918	\$60,106	\$70,170
Minnesota	\$42,028	\$56,449	\$67,049	\$75,990	Wyoming	\$39,824	\$52,684	\$53,950	\$64,116
Mississippi	\$29,247	\$36,940	\$39,075	\$51,584					
Missouri	\$36,696	\$46,144	\$51,617	\$64,376					
Montana	\$31,640	\$43,407	\$46,248	\$52,384					

Add \$6,300 for each individual in excess of 4.

*U.S. Trustee Program/Department of Justice

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law assigns the Trustee Program with new responsibilities, including:

- Applying a new income standard for deciding whether an individual qualifies for a chapter 7 or chapter 13 bankruptcy
- Conducting audits to ascertain the accuracy of an individual's chapter 7 bankruptcy documents
- Certifying credit counseling organizations to provide an individual with counseling before bankruptcy can be filed
- Certifying credit counseling organizations to provide financial education to the individual before his or her debts can be discharged

As you can see, this new law requires individuals to complete steps you have already taken—seek the help of a credit counselor, establish whether or not there is enough

income to support a payment program, and accept financial education to prevent future bankruptcy filings.

A bankruptcy should always be considered as the last resort for resolving financial problems because the long-term results of a bankruptcy exceed any other solution. Your credit report will show a bankruptcy for ten years and make it very difficult to do many of the things you would like to do.

It is, however, a legal procedure that can be used when individuals find themselves under extreme circumstances they can no longer survive. Ask your FFEF credit counselor about the options that may still be available to you before taking this legal action.

The income charts shown here expand on some facts about the new law that you might find helpful in determining your plan of action for continuing to improve your financial health. ■

Cambios a la Ley de Bancarrota Personal

(Continúa de la página 1)

servicios que se han proporcionado y muestre el plan de reembolso de deuda que se desarrolló.

4. Educación financiera obligatoria

El deudor deberá completar un curso educativo aprobado, acerca del manejo de las finanzas personales, antes de que cualquier deuda pueda absolverse. Si el deudor no consigue esta educación, la absolución de la deuda puede negarse.

5. Automóviles

Los planes en el capítulo 13 permiten a un acreedor asegurado retener el cargo deudor en título de propiedad (Line) sobre el automóvil, hasta que la deuda se pague por completo, si es que el vehículo se compró dentro de 910 días antes de haber archivado la declaración.

6. Deudas a ser absueltas

Deudas que ascienden a más de \$500 y que se deben a un sólo acreedor por motivo de compra o adquisición de artículos de lujo y que fueron adquiridos 90 días antes de haber archivado la declaración, se asume que no podrán ser absueltos. Adelantos de dinero adquiridos en efectivo de \$750 o más, dentro de 70 días antes de haber archivado la declaración, de igual manera se asume que no podrán ser absueltos.

7. Tiempo entre declaraciones de Capítulo 7

Deudores que hayan archivado capítulo 7, no podrán recibir una segunda absolución de deuda, si una absolución se concedió en el transcurso de ocho años atrás o menos de la nueva declaración. (Anteriormente eran seis años.)

8. Archivar la documentación requerida

La nueva ley exige a los individuos someter varios documentos, entre ellos, la verificación de que califica para la declaración de bancarrota. Si dichos documentos no se someten dentro del tiempo estipulado, la declaración será nula. Los documentos a ser archivados incluyen:



- Lista de acreedores
- Un listado de bienes y obligaciones
- Declaración de ingresos y gastos
- Certificado de consejería de crédito
- Evidencia de todo pago por parte del empleador de los últimos 60 días antes de archivar
 - Evidencia del ingreso neto mensual y cualquier anticipación de aumento en el ingreso
- Declaración de impuestos del año más reciente en que se hizo la declaración y años anteriores, tal como sea requerido
- Identificación con fotografía

9. Investigación del abogado

El abogado contratado por el deudor, deberá hacer su propia investigación para verificar que la información proporcionada por el deudor es correcta. La firma del abogado en la petición, indica que dicha investigación fue efectuada.

10. Préstamos estudiantiles

La no-absolución de préstamos estudiantiles ahora se extiende para incluir a prestamistas lucrativos y no-gubernamentales.

Para más información sobre la nueva ley de bancarrota, visite www.ftc.gov o concerte una cita con su consejero de credito llamando al número gratuito (877) 789-4174 o visite www.ffef.org. ■

Family Financial Education Foundation

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