

Pre-filing Counseling and Education

Welcome to Consumer Credit Counseling Service of San Francisco's pre-filing education and counseling program. This program will cover how bankruptcy works, debt repayment options, credit and credit reports, money management, and saving for the future.

Registering for and completing the corresponding test will allow you to move on to the next step: one-on-one bankruptcy counseling. Completing this program and counseling session will qualify you for a certificate indicating you've completed an approved counseling and education program. This certificate will be required if you choose to go forward with filing bankruptcy.

Most people filing for bankruptcy do so with the assistance of an attorney. The information provided through this education and counseling program is not legal advice and not intended to take the place of guidance and advice from an attorney.



Consumer Credit Counseling Service of San Francisco
595 Market Street, 15th Floor, San Francisco, CA 94105
800.777.7526 • www.cccssf.org

Chapter 1: What Is Bankruptcy?

Bankruptcy is a process under federal law designed to help consumers and businesses resolve debt problems. Most people who file for bankruptcy do so with the assistance of a legal professional.

The two common types of consumer bankruptcy are Chapter 7 and Chapter 13.

Chapter 7

In a Chapter 7 bankruptcy, certain non-exempt assets may be liquidated to pay off as much of the debt as possible and the remaining debt will be discharged. Non-exempt property is assets or belongings that are not considered protected under bankruptcy law. Consumers must provide detailed financial information when filing bankruptcy so the court can determine which assets may be sold.

Generally, not every type of debt can be discharged in a Chapter 7 bankruptcy, however many unsecured debts may be dischargeable.

Filing a Chapter 7 bankruptcy stops efforts by creditors to collect on debts. To file for Chapter 7 bankruptcy you must first complete a personal finance education and counseling program, and a means test. A means test determines whether you have enough money to repay at least a portion of what you owe and can impact whether bankruptcy is a viable option for you.

This type of bankruptcy will be reflected on a credit report for ten years.

Chapter 13

A Chapter 13 bankruptcy is a court-approved plan for repayment of some or all of the outstanding debt. Typically the repayment plan lasts 36 to 60 months. As they are repaying at least a portion of what they owe, filers may keep their assets. Many different types of debts may be included in a Chapter 13 bankruptcy.

Filing a Chapter 13 bankruptcy stops efforts by creditors to collect on debts. The filer will provide details of his financial situation and the bankruptcy court will determine the details of the payment plan, such as the percentage of debt to be repaid and the monthly payment amount.

This type of bankruptcy will typically be reflected on a credit report for seven years.

Chapter 2: Debt Repayment Options

Debt Management Plan

A Debt Management Plan (DMP) can be an ideal way to pay unsecured debts. These plans require participants to suspend the use of their credit lines and make one monthly payment to CCCS, which in turn pays the creditors.

DMPs are beneficial because:

- Many creditors reduce or eliminate interest rates and penalty fees so the maximum amount of money goes toward the principal.
- Payments remain consistent- as each debt is paid off, the remaining creditors are paid more, speeding the payoff process.
- The single monthly payment makes money management easy.
- DMPs usually will stop collection calls and activity.

Many people express concern about the impact of the DMP on their credit score. The DMP does not negatively impact a credit score. It's not one of the factors used in computing a credit score. Consistent payments over time, through a Debt Management Plan, may in fact improve your credit score.

To establish a DMP, make an appointment to meet with a credit counselor. The counselor will conduct a thorough financial analysis. After examining your assets, income, spending habits, and debt, your counselor will discuss your options and provide an action plan of the steps you need to take to achieve your goals. To meet with a counselor, give us a call at 800-777-7526. A counselor will follow up with you to examine all of your options.

Hardship Plans

If you know you won't be able to meet your financial obligations, contact your creditors immediately. You may be eligible for a hardship program that will keep your account in good standing. If you cannot make a full (or even partial) payment now, but an end is in sight, you may be able set up plan where payments, interest, and fees are reduced or suspended for a specific amount of time. Though it can be very tempting to offer more than you can realistically afford, and in a time frame you probably can't meet, don't do it. If you can't make the payments you agree on, you may not get another chance for a break.

To arrange a hardship plan:

- Complete a personal budget so you know what you can afford to pay (for guidance on completing a budget, go to Chapter 3: Money Management)
- Arrange the hardship plan by mail
- Write a short explanation of your situation (View sample hardship letter on page 4.)
- Make your offer specific:
 - How much (if any) you can send
 - Proposed date the hardship plan will end
 - Any other considerations you are requesting (suspension of interest and fees, etc.)

- Include supporting documentation
- Send a “good faith” payment, if possible
- Send all correspondence via certified mail, return receipt requested
- Keep copies of all correspondence and documentation

Settlements

For older debts, you may be able to arrange a settlement: an agreement where you would pay off the debt for less than what you actually owe. If the debt is old, the creditor may accept very little to consider it paid. You probably won’t get such a deal with younger debts, but offer what you can, and if it is reasonable they may accept it.

To arrange a settlement:

- Make your offer and be prepared to negotiate
- Communicate with the highest-ranking employee possible
- Confirm the settlement in writing
- Never send a post-dated check
- Send all correspondence via certified mail, return receipt requested
- Keep copies of all correspondence and documentation

Sample Hardship Letter to a Creditor

October 16, 2005

ABC Credit Company
1234 Main Street
Anywhere, USA 54321

Dear Creditor:

Due to a layoff, I am temporarily unemployed and, as a result, am experiencing financial difficulties. I have analyzed my current situation with the help of Consumer Credit Counseling Service of San Francisco (if applicable).

After making a strict budget for my expenses, I find it necessary that I ask each creditor to accept a reduced payment for the next three months. By then, I expect to be back at work full-time.

I would appreciate your cooperation in making this payment plan work. In place of the regular payment of \$80, I request that you accept payments of \$30 per month during this emergency. I will pay before the 30th of the month.

You can be sure that I will resume normal payments as soon as possible. Thank you for your consideration. If there are any changes in my situation, I will notify you of them as soon as possible.

Sincerely,
Your Name
Your Address
Account number

Give Property Back

If you have secured debts, such as a vehicle or a home, or some financed jewelry or appliances, you do have the option giving the property back. This may result in a deficiency balance- the difference between the value of the item and the balance of the loan – that would remain your responsibility to pay.

Chapter 3: Money Management

The cornerstone of money management is a well-designed personal finance plan, as it will allow you to reach your goals and achieve financial independence – without having to sacrifice all of life’s pleasures.

Set Goals

Goals are key to all budgets. An achievable goal should be:

- Specific – Know what you want, how much it will cost, and the date you want it.
- Measurable – Break the price down into amounts that you can regularly deposit so you can track progress.
- Realistic – Don’t set yourself up to fail with too large a goal or too short a time frame.

Distribute your goals into time-frame categories:

- Short-term goals – Twelve months or fewer
- Mid-range goals – One to five years
- Long-term goals – Five years or more

Many people will have more than one goal for each category and may not have enough money to save for all goals equally. Prioritize your goals and save for them accordingly.

Financial Goals Form

	Target Date	Total Needed	Current Savings	Additional Savings Needed	Pay Periods Until Target Date	Savings Needed Per Pay Period	Savings Needed Per Month
Short Range Goals							
Mid Range Goals							
Long Range Goals							

Track Expenses

Very few people have a good estimate on how much they really spend each month. To know, track your spending:

- Carry a small notebook with you and record the date, item, and cost of every purchase you make.
- Keep receipts from each purchase and tally them up at the end of the day.
- Use checks or debit cards. With a check you have your checkbook register to keep track, with debit cards you'll have either a written or online statement.
- Use an expense-tracking software.

(Complete the Weekly and Monthly Expense Tracking Forms on pages 7–8)

Weekly Expense Tracking Form

Item	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Expenses	Weekly Budget	Over / Under
Groceries										
Restaurants										
Laundry/Dry Cleaning										
Medical/Dental										
Auto/Gas/Parking										
Other Transportation										
Child Care										
Personal Care										
Clothing										
Bank Fees/Postage										
Entertainment										
Books/Music/Video										
Cigarettes/Alcohol										
Gifts/Cards										
Home/Garden										
Church/Charity Contributions										
Other										
Other										
Other										
Weekly Totals										

Monthly Expense Tracking Form

Item	Week 1	Week 2	Week 3	Week 4	Week 5	Total Expenses	Monthly Budget	Over / Under
Savings								
Groceries								
Restaurants								
Laundry/Dry Cleaning								
Medical/Dental								
Auto/Gas/Parking								
Other Transportation								
Child Care								
Personal Care								
Clothing								
Bank Fees/Postage								
Entertainment								
Books/Music/Video								
Cigarettes/Alcohol								
Gifts/Cards								
Home/Garden								
Church/Charity Contributions								
Other								
Other								
Other								
Monthly Totals								

Construct a Budget

A budget is a spending and savings plan. Your personal budget should include your income, expenses, and an action item list.

Income

The primary rule of sound financial management is expenses should never exceed income. It is important to not overestimate your income – it's better to have money left over than be caught not being able to meet your financial obligations:

- Include overtime income only if you are absolutely sure that it will continue
- Include bonuses only if they are guaranteed.
- If you are self-employed, or your income fluctuates because of commissions or seasonal variables, use the previous year's income as a base and estimate whether you think you will be earning more or less.

Monthly Income Form

Source	Gross	Net
Job		
Spouse's job		
Part-time job		
Rental/room & board received		
Commissions/bonuses		
Tax refunds		
Investment income		
Government benefits		
Unemployment insurance		
Child support/alimony		
Support from family/friends		
Other		
Total		

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Expenses

When reviewing and planning for expenses, compare what you've been spending- using the tracking forms- with what you plan to spend going forward.

- List your expenses
- Subtract the sum from your current income.
- Add in your goals- these are now an expense, so pay yourself like you would any other important bill.
- Adjust your budget- keep in mind that budgeting is not necessarily about reducing expenses – it can be about rearranging them too.

(Complete the Essential Expenses, Discretionary Expenses, and Unsecured Debt Forms on pages 10-11)

Essential Expenses

Household expenses are categorized into essential and discretionary. Since many expenses are variable, such as utilities and groceries, it is important to average these expenses. Other expenses are periodic (such as insurance or vehicle registration). Again, calculate the annual amount and divide by 12.

Category	Expense	Average Per Month	Goal Per Month
HOUSING	Rent/Mortgage		
	2nd Mortgage/Equity Line		
	Homeowner's/Renter's Insurance		
	Condo Fees/HOA Dues		
	Home Maintenance		
	Gas/Electric		
	Water/Sewer/Garbage		
	Telephone		
FOOD	Groceries/Household Items		
	At Work/School		
INSURANCE (Exclude payroll deducted amounts)	Health/Dental/Vision		
	Life/Disability		
MEDICAL CARE (Exclude payroll deducted amounts)	Doctor/Chiropractor		
	Optometrist/Lenses		
	Dentist/Orthodontist		
	Prescriptions		
TRANSPORTATION (Exclude payroll deducted amounts)	Car Payment #1		
	Car Payment #2		
	Auto Insurance		
	Registration		
	Gasoline/Oil		
	Maintenance/Repairs		
	Public Transportation/Tolls/Parking		
CHILD CARE (Exclude payroll deducted amounts)	Daycare		
	Child Support/Alimony		
MISCELLANEOUS	Banking Fees		
	Laundry		
	Union Dues		
	Other		
INCOME TAXES	Prior Year		
	Estimated Tax Payments (Self-Employed)		
SAVINGS	Emergency		
	Goals		
TOTALS			

Discretionary Expense

Category	Expense	Average Per Month	Goal Per Month
PERSONAL	Beauty/Barber		
	Clothing/Jewelry		
	Cosmetics/Manicure		
ENTERTAINMENT	Cable/Satellite		
	Movies/Concerts/Theater		
	Books/Magazines		
	CD/Tapes/Videos/DVD		
	Dining Out		
	Sports/Hobbies		
	Vacation/Travel		
MISCELLANEOUS	Internet Service		
	Pet Care		
	Gifts for Holidays/Birthdays		
	Cell Phone/Pager		
	Postage		
	Cigarettes/Alcohol		
	Contributions to Church/Charity		
	Other		
TOTALS			

Unsecured Debt

List all debts (except auto loans and mortgages) along with the name of the creditor, interest rate, total balance owing and the required minimum payment. This includes credit and charge cards, installment loans, personal loans and outstanding medical bills.

Creditor Name	Interest Rate	Monthly Payment	Balance
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

Action Item List

The next step is to take action. If you determine that decreasing spending will help you achieve your goals, act now to make that a reality.

If you found that your income is insufficient to pay for the expenses you consider important, consider ways to increase it:

- Work longer hours
- Acquire part time work
- Ask for a raise
- Pursue a better paying job
- Consider selling assets

Chapter 4: Credit and Credit Reports

When used wisely, credit can be a helpful financial tool. It provides convenience, consumer protection, and sometimes rewards for usage. However, despite all the advantages, there are problems associated with credit use. In particular, credit can be expensive and the convenience can lead to overspending.

How Much Debt Is OK?

Because living within your means is the primary rule of successfully managing your money, it is best pay your balances in full each month. If you find that more than 15 percent of your net (take home) income is committed to making unsecured debt payments each month, revisit your budget to make positive changes.

Shopping For Credit

Not all credit cards are created equal. When shopping for an unsecured credit card, look for:

- Low or no annual fee
- Low interest rate
- Long grace period
- Reasonable credit limit

Establishing (Or Reestablishing) Credit

If you have never had a credit card, or have a damaged credit history, you may find that the cards with the best features are unavailable to you. A good way to start – or start again – is with a secured credit card.

Secured credit cards work just like regular credit cards, except that you must leave a deposit with the issuing financial institution as collateral. If you default on your payments, the financial institution takes the money owed out of your deposit. The interest rate and annual fees are often a bit higher than on a regular card. Look for one that does not charge an application fee, and confirm with the issuer that they will report your payment performance to at least one of the three major credit reporting bureaus.

Credit Bureaus

In the United States there are three major credit bureaus, Experian, TransUnion, and Equifax. These companies acquire and maintain credit files on almost every US adult.

Check your report

It is a good idea to review your credit report from time to time. This is particularly important before seeking a rental, making a career change, or applying for credit for a large purchase.

You may receive a free copy of your credit report once a year. The three credit bureaus have established one central website, telephone number, and mailing address to use for ordering your report:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281
www.annualcreditreport.com
(877) 322-8228

What is on the report

Because the three credit bureaus are separate, private companies, the information contained on each report may be slightly different. All, however, are divided into the same sections:

- **Identification** – Most credit reports begin with your personal data, such as your name and any former names or aliases. It also lists your address and former addresses, employment history, changes in marital status, date of birth, and your social security number.
- **Public records** – The public records section reflects all lawsuits to which you are a party, as well as any liens or legal claims on your property. Any type of activity that is recorded with the county will be reflected here, including bankruptcies, judgments, foreclosures, and court-ordered child support collections.
- **Trade lines** – The bulk of a credit report provides detailed information about your credit history:
 - The names of your creditors and their partial account numbers
 - The dates of last payment activity
 - The date you opened each account
 - Your payment history
 - Each account's current balance
 - Whether accounts are held jointly, or individually
 - Whether accounts are open, closed, or in collections
 - The credit limit for each account
- **Inquiries** – The final section of your report is a list of anyone who has accessed it in the past two years.

How long information may remain on a credit report

Positive information will remain on a credit report indefinitely, which is good because it proves credit worthiness. Most negative information on a credit report can remain for a maximum of seven years from the time it was first reported:

- Lawsuits
- Judgments
- Liens
- Foreclosures
- Chapter 13 bankruptcy (from the filing date)
- Late payments
- Charged-off accounts (from the date the account was written off by the original creditor and sent to the collection agency)

Some information may stay on longer or even indefinitely (if it is not repaid):

- Chapter 7 bankruptcy – ten years
- Child support arrears – until paid
- Student loan debt – until paid

Credit Scores

A credit score is a risk assessment based on the information available in your credit report. If you are in the market for a home, loan, or credit card a high credit score is important, as lenders will look to it to assess their risk in lending you money. Even potential landlords may look at your credit score to help them determine their risk in renting to you.

A common scoring model is one developed by Fair, Isaac and Company- a FICO score. There are many categories of credit information used to determine your FICO score, though some are much more significant in their impact than others. In order of importance, they are:

- Payment history
- Amounts owed
- Length of credit history
- New credit
- Types of credit in use

If your score isn't where you want it to be, you can take steps to improve it:

- Obtain copies of your credit report to check for and correct errors.
- Pay down your debt.
- Pay on time, every time.
- Avoid aggressively transferring balances to new cards.
- Keep your credit card balances well under the maximum available limit.
- Only apply for the credit you need and close cards you don't use.
- Repay old accounts

Recent information matters most – so the faster you do all the right things, the faster you can repair damage. And avoid “credit repair clinics,” as they can't do anything you can't do for yourself for free.

Chapter 5: Establishing Savings

Part of every healthy financial picture is an emergency savings account. Having money available will prevent you from turning to your credit cards or other expensive loans in times of financial crisis. A good rule of thumb is to have three to six times the amount of your essential living expenses readily available.

Repay Debt While Saving For Other Goals

Saving for retirement while repaying debt is highly recommended. Such employer sponsored retirement plans as 401(k) and 403(b) plans have many advantages that can help you maximize your dollars, both in the present and the future:

- Contributions reduce your taxable income.
- Pretax dollars earn interest.
- Many employers match contributions up to a certain percentage, so you lose free money if you don't take advantage of the plan.

Repaying debt while saving for other goals also makes sound financial sense:

- You won't have to rely on credit cards for unexpected expenses.
- You get a jump-start on establishing healthy money management habits.

Take Action

Saving money doesn't happen without taking action. There are many painless and surefire ways to begin a savings routine:

- Begin with whatever you can afford, even if it's only a few dollars.
- Set up an automatic transfer from your checking to your savings accounts, or use payroll deductions right from your paycheck. What you don't see you don't miss.
- Save all or a portion of each raise you receive.
- Deposit bonuses, income tax refunds, and monetary gifts from birthdays, holidays, or other special occasions into savings.
- Put yourself on a short-term basics-only program. Commit to buying only what you absolutely need and put the difference into savings.
- Save all of your loose change. A quarter here and a dime there add up fast.
- Once you've paid off your car or other installment loan, put the same amount in savings.

Once you have a savings plan in place, monitor it regularly. Watching your nest egg grow is motivating. Take pride in what you have achieved. And don't panic or give up if you experience a setback – readjust your budget and try to make it up next month or in future installments.

The Next Step

Once you've completed the bankruptcy education program and exam, it's time to move on to the next step – a counseling session.

Your session will be conducted over the phone and will take about an hour. If you live in the San Francisco Bay Area, you may also choose to have a counseling session in person. During the session your counselor will review your income, expenses, debts, and financial goals and work with you to develop a plan of action to achieve your goals. Your counselor can discuss bankruptcy with you during your session, but is not a lawyer and will not give legal advice.

After the session, you will be provided a certificate of completion. This certificate will be required if you choose to go forward with filing bankruptcy.

To take the next step, call 800-777-7526 to schedule your pre-filing counseling session over the phone.

Exam

1. In Chapter 7 bankruptcy, some of your property may be liquidated to pay off as much debt as possible and the remaining debt will be discharged. True False
2. In Chapter 7 bankruptcy, all types of debts may be discharged. True False
3. In Chapter 7 bankruptcy, filers determine which assets will be sold. True False
4. A Chapter 13 bankruptcy is a court-approved debt repayment plan that typically lasts 36 to 60 months. True False
5. A Debt Management Plan is an ideal debt repayment option because many creditors reduce interest rates so more money goes toward paying off your debt. True False
6. It is best to arrange a hardship plan over the telephone. True False
7. Settlements are most often accepted for older debts. True False
8. The primary rule of sound financial management is that expenses should never exceed income. True False
9. Financial goals should be specific, measurable, and realistic. True False
10. A good method of tracking expenses is to keep receipts from each purchase and tally them up at the end of the day. True False
11. When developing a budget, it is best to be optimistic about your income and include all potential bonuses and overtime hours. True False
12. A recommended way to reestablish credit is with a secured credit card. True False
13. Most negative information on a credit report can remain for a maximum of seven years from the time it was reported. True False
14. Credit scores factor in such information as credit history, judgments, and account balances. True False
15. Credit reports are generally divided into four sections: identification, public record, trade lines, and inquiries. True False
16. Though the three major credit bureaus are separate and private companies, the information contained on each report will be identical. True False
17. On a credit report, older information weighs more heavily than recent information. True False
18. Ideally, an emergency savings account should consist of three to six times the amount of your essential living expenses. True False
19. Saving for retirement and emergencies should only happen after consumer debt is repaid in full. True False
20. A recommended way to save money effectively is to set up an automatic transfer from your checking to your savings account. True False

Supplemental Counseling Agreement for Pre-Filing Counseling

Consumer Credit Counseling Service of San Francisco has over 40 years of experience in helping people with financial problems. We will conduct a budget analysis that will examine your financial situation, discuss the factors that may be the cause of your problems, and explore your options for developing a reasonable plan for dealing with them.

We will provide you with information about bankruptcy, including the process and possible consequences. We will also discuss alternatives to bankruptcy. At the conclusion of this session, you will be provided with a certificate that you will need should you decide to file for bankruptcy. The certificate is valid for up to 180 days after the counseling session is completed.

While our counselors have expertise in helping those with financial problems, we cannot provide you with legal advice. This session is designed to provide you with information and alternatives; it is not intended to take the place of a consultation with an attorney to explore your legal rights and options.

In order to assist you, it is essential that you provide us with information that is as accurate and complete as possible. For that reason, we may ask you to authorize us to access your credit history. All information concerning your financial condition and status is strictly confidential. Such information may include, but is not limited to: income, debts, credit accounts, earnings, assets, and employment data. We will not disclose any such information that you provide orally or in writing to anyone, except as authorized by you in writing or as required by law. We may compile data and aggregate information that you give us, but this information will not be disclosed in any manner that would personally identify you. CCCS of San Francisco will not disclose or provide any information about this session to a credit reporting agency, so there will be no impact on your credit report or score for obtaining credit counseling. If you should decide to enter into a Debt Management Plan (“DMP”) you will be provided with separate agreement and disclosure forms. Participation in a DMP may affect your credit report and credit score, and could have a negative impact on a credit worthiness decision by a potential creditor, landlord or employer in the future.

The fee for pre-filing counseling is \$50 per individual (or per couple, if counseled together). Payment is due at the time of the counseling session, and can be made via money order or cashier’s check, or we can electronically debit your checking account (please have a check available to provide us the account and routing information). As required by the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA), we provide free bankruptcy counseling to consumers who are truly unable to pay. We have established criteria for determining if consumers qualify for free services, including their income and current financial situation. At the time of the counseling session, we will gather data necessary to determine if the consumer meets the criteria for free services.

CCCS of San Francisco is a member of the National Foundation for Credit Counseling (“NFCC”) The NFCC has high standards for quality credit counseling and financial education, and we comply with those standards. All of our counselors have been trained and certified in accordance with the NFCC standards.

CCCS of San Francisco is accredited by the Council on Accreditation (“COA”) – an independent third-party organization that reviews and monitors entities that provide social services.

CCCS of San Francisco is a non-profit agency. We are organized and operate in accordance with Section 501(c)(3) of the Internal Revenue Code.

CCCS of San Francisco primarily receives funding in the form of grants and contributions. A significant portion of funding comes from voluntary contributions from creditors who participate in DMPs. Since creditors have a financial interest in having debts repaid, most are willing to make a contribution to help fund the overall services of this agency. These contributions are usually calculated as a percentage of payments that are made through a DMP.

I have read and understand the disclosures made above.

Signature _____ Printed Name _____ Date _____