

**Consumer Guide:**

# **What You Need to Know Before Filing Bankruptcy**



**Ray Bulaon**  
Attorney

**Consumer Guide:  
What You Need to Know  
Before Filing Bankruptcy**

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## Why I Wrote this Book

I wrote this book because, if you are like most people, this may be the first time in your life that you are facing a financial crisis. Maybe you just became unemployed, just had a business that failed, or just realized that you've maxed out your credit cards with no realistic way of paying back what you've borrowed. Maybe you're confused about what to do next, but one thing is for sure: you need to find a way to regain financial stability as soon as possible.

How you got to where you are doesn't even matter—what's important now is finding the best solution. You need answers to your questions about how you can get out of debt. There are so many questions going through your mind: “What about the welfare of my family?” “How will I get my life back on track?” “Is bankruptcy my only solution?”

Perhaps just hearing the word “bankruptcy” sends chills up your spine. I realize that there is still a stigma associated with filing bankruptcy, although the reality is that more than a million people in this country file bankruptcy every year. Understanding how the legal process works might help you decide

whether bankruptcy is really for you. As I discuss in this book, sometimes other alternatives that can help you avoid filing bankruptcy may be available.

Remaining calm can be difficult when things are chaotic, so the usual knee-jerk response is to panic. But as a bankruptcy attorney, let me encourage you by saying that even the worst problems rarely mean the end of the world. What may sometimes seem like a dead end may actually turn out to be a new path for a better life.

There is hope for you. That is why I wrote this book.

## **Disclaimer**

None of the information in this book is to be taken as legal advice. Although I am a lawyer, I am not your lawyer. Laws are complicated and although some people sometimes resort to self-help to handle their legal affairs, it may not be advisable for your situation to take matters in your own hands—unless you know exactly what is at stake and you are willing to accept the consequences of your actions. This book only provides general information about bankruptcy and the legal process. Each case is different and if you are unsure about any of the legal aspects of your situation, you should seek the advice of a competent bankruptcy attorney.

Fair enough?



## **Foreword: My Personal Story**

**I**f you are currently in debt and need to find a way out, I understand how you feel. About 20 years ago, my wife and I found ourselves unemployed at the same time. I was a first-year law student at the time, and I was trying to juggle school, work, and family responsibilities. My wife was pregnant with our first child, and with the realization of increased responsibilities, the pressure was building. With no paycheck and meager unemployment benefits to live on, there wasn't enough money to pay rent, put food on the table, and keep the lights on—let alone pay our credit card bills. I saw my wife in tears every time she had to pay the bills. For the first time in my life, I felt the pain and utter helplessness of being trapped in debt. I was emotionally devastated, feeling like a total loser.

I came to the realization that if you were simply living paycheck to paycheck (as most people are) with no savings whatsoever, you were literally one paycheck away from bankruptcy! We had zero savings in the bank and barely stayed afloat when we were working. And now with both of us unemployed at the same

time, we had an immediate financial emergency the first month we didn't get our paychecks. Long story short, we decided that we had no choice but to file Chapter 7 bankruptcy. Looking back, I realize that we didn't really owe very much at that time. We had less than \$20,000 in credit card debt. But at a time when we had no income but our unemployment checks, it was a choice between survival and paying the bill collectors. It was one of the most stressful times we ever experienced.

Let me ask you this question: What would you do if you didn't get a paycheck this month? How long will you be able to survive on your savings alone? Financial planners tell us that we need to have at least 3-6 months' worth of savings set aside as an emergency fund. The sad reality is that most people are already struggling just to make ends meet every month; they can't put away even a few dollars every month for the rainy days. And let me tell you one thing about the rainy days: whether you like it or not, rain could come at any time! It's not a matter of "if": it's simply a matter of when. It's important to have a financial emergency plan in place so you are not caught unprepared.

I became a bankruptcy attorney in 1997 and since then, I have helped thousands of individuals and small business owners get out of debt. Today, when worried prospective clients come to my office for advice regarding their debt problems, I can look them in the eye and honestly say: "I understand. I've been there myself. You'll get through this one."

# I

## **“Help, I’m Drowning in Debt!”**

**D**ebt has become a big problem in this country. With the economic downturn, consumers who have suffered from reduced income as a result of unemployment have continued to borrow just so they can cover their basic living expenses.

We are drowning in all types of debt—mortgage loans, credit cards, and automobile loans, to name a few. At the time of this writing, there is a major concern that the staggering amount of student loans (\$1 trillion) could be the next financial crisis. I read about a recent study that revealed that one of five families in this country now owes more on credit cards and other unsecured debt than they have in savings and other liquid assets. This statistic is alarming.

According to the Federal Reserve, credit card debt ranks as the third largest source of household indebtedness, next to mortgages and student loans. As of July 2012, total credit card debt has reached \$850.7 billion. The typical household has a substantial amount of credit card debt: Out of the estimated 46.7% of households that have credit card debt, the average amount owed is \$15,325.

When debt problems become unmanageable, a lot of people are confused about what to do, and they are often unaware of their available options. For the vast majority of people, debt problems stem from a series of events. Life is uncertain and there are events in life over which we have no control: unemployment, sickness, disability, death or divorce. These can often lead to serious debt problems. In other cases, people simply make bad financial decisions. Sometimes they've simply lost track of how much money they've borrowed and before they know it, they've accumulated more debt than they can afford to pay back in their lifetime.

Imagine being locked up in prison for not paying your debts. Today, this would be considered outrageous, of course. But did you know that as late as 1816, people were still being thrown in prison for not paying their bills? The prison environment was horrible and pitiful. Inmates weren't even provided enough food and basic living needs. Creditors simply seized everything that these prisoners had and sale proceeds were used to pay what was owed. In 1833, the practice was condemned as illegal and inhumane. Additionally, how could the prisoners work to pay off their debts if they were locked up?

Of course, today, we no longer have debtor's prison. But did you realize that a lot of people are still hopelessly trapped in debt, with no way out? This is what I see every day in my work as a bankruptcy attorney. A lot of people have built artificial prison walls around them. Just like the imprisoned debtors in the 1800s, these people have lost the freedom to live their lives the way they want to. They have been robbed of the joy

of living because of the stress and anguish caused by their debt problems. Debt problems can be contagious and often spill over into other areas of your life. They can affect your marriage, your family, your business, and your social life. They can also take a toll on your health and your emotional well-being.

# II

## **Bankruptcy Basics**

**B**ankruptcy is nothing more than a legal remedy to give you a fresh financial start. If you are doing your best to meet your financial obligations to creditors but simply can't, the law provides relief by way of discharging debts that you can no longer pay or by allowing you to reorganize your debts to make them more affordable. Declaring bankruptcy is often voluntary, although in some cases, creditors can force you or your company into bankruptcy.

Immediately upon the filing of a bankruptcy case, an “automatic stay” goes into effect, which forces creditors to stop all collection efforts against you and your property. Under the law, this is the debtor’s greatest and most powerful weapon against creditors. For most people struggling with debt problems, this gives them much needed “breathing room” so they can start sleeping a little bit better at night while all creditor actions are put on hold. A creditor can only continue collection action if it obtains court permission allowing the automatic stay to be lifted. The creditor files a motion (formal request), which the judge needs to review. The judge will hear both sides and decide whether the automatic stay should stay in place or be lifted.

There are different types of bankruptcy. In this book, I will address only the two types of bankruptcy that individuals and small business owners commonly file: Chapter 7 and Chapter 13. Other “chapters” are available under the Bankruptcy Code but they are beyond the scope of this book.

### **a) Chapter 7 (Dept Wipe Out)**

This is known as “straight bankruptcy.” The typical Chapter 7 case involves a debtor with few or no assets. Most debts are wiped out in Chapter 7. The most common debts wiped out in Chapter 7 are credit card debts, unsecured personal loans, medical bills, auto repo deficiencies, foreclosure deficiencies, and other forms of unsecured debt.

Upon filing, a trustee is appointed by court whose job is to sell non-exempt assets. Contrary to what some people think, however, most Chapter 7 cases are “no asset” cases. This means that what few assets the debtor has are either protected by law or too insignificant in value for the trustee to be interested in selling. For example, the law allows a certain exemption amount for equity in your home, your vehicle, bank accounts, personal property, etc. Most retirement plans are also protected. In my bankruptcy practice, almost 100% of our clients lose nothing and keep everything.

In a typical case, most (if not all) of your debts are wiped out in Chapter 7. This means that you are no longer liable to pay them. Some debts, however, are not dischargeable in Chapter 7 and you still need to pay them after your case is over. Generally but

with some exceptions, the following debts cannot be eliminated in Chapter 7: student loans, back child or spousal support, government fines and penalties, and most taxes.

There is a “means test” in Chapter 7 that determines your eligibility for relief if you are an individual with primarily consumer debts. Before filing your case, your lawyer will examine your income and expenses to determine if you can afford to repay a portion of your debts. If you can, you may need to file Chapter 13 instead.

### **b) Chapter 13 (Debt Reorganization)**

Chapter 13 helps you reorganize your debts under a court-supervised plan for 3-5 years. In Chapter 13, you don't need to worry about losing your property because the role of the trustee in this type of bankruptcy is NOT to sell non-exempt assets as in Chapter 7. Rather, Chapter 13 is about paying your creditors using your monthly disposable income as your basis for a monthly payment to your creditors. You propose a Chapter 13 repayment plan to the court, and once it is approved, the monthly payments are made to a Chapter 13 trustee, who in turn disburses payments to your creditors. Creditors have to file a “proof of claim” to show that the debt is valid. If there are grounds to object to the debt in question, you may file an objection and the judge will hear the matter and decide on whether the claim is to be paid by the trustee.

All types of debts are combined into one monthly payment and creditors may be fully or partially paid.



You can include credit card debt, personal loans, medical bills, student loans, taxes, back child or spousal support— you name it. If you are behind on your mortgage payments and are facing foreclosure, you can also include back mortgage payments in your plan. As a matter of fact, this is one of the most common reasons for filing a Chapter 13 instead of a Chapter 7. By including the delinquent mortgage payments in your bankruptcy, this cures the delinquency as you make your trustee payments every month. In Chapter 13, certain creditors take priority over others when it comes to getting paid, so they are first in line and thus are paid first by the trustee. Back mortgage payments are often paid first, along with taxes owed to the government, if such debts are also owed.

In order to be eligible for Chapter 13, you will need regular income with disposable income. Disposable income is what you have left over after you pay for your basic living expenses such as rent, food, and utilities. As of this writing, you can't owe more than \$1,081,400 in secured debt and \$360,475 in unsecured debt in order to file under Chapter 13. These amounts are often changed to conform to Consumer Price Index adjustments.

“Regular income” could be income from your job, pension, Social Security, or sometimes even unemployment benefits or contributions from family members.

If your income or expenses change while you are in Chapter 13, you may be able to ask the court to modify your plan. For example, if you incur additional living expenses that are reasonable and necessary, it may

be possible to add these to your monthly budget and thereby reduce the disposable income. This means that there is now less money available to make your Chapter 13 payment and you can petition the court to lower your payment accordingly. In some cases, unless there are other reasons to stay in Chapter 13, you may even be able to convert the case to Chapter 7 and discharge the remaining debt (assuming the debts are the type that can be discharged in bankruptcy, of course).

# III

## **If You Are Facing Foreclosure**

**N**othing is as sacred as our families, our beliefs, and our homes. To thousands of homeowners in danger of losing their homes, the nightmare of foreclosure has become the dark side of the American dream.

Only a few years ago, a lot of these homeowners who felt that they had been shut out of home ownership for a long time finally had the chance to fulfill the so-called “American dream” by purchasing their first home. A lot of homes were purchased with “zero or little down” with stated income and no asset verification. A lot of people also signed up for adjustable rate mortgages (ARMs) with temporary, low “negative amortization” or “interest-only” payments for a few years. Their loan brokers told them not to worry because in a few years, their homes would appreciate in value, and they would be able to refinance before the higher payments kicked in. Of course, the rest is history. The real estate market crashed and we were all shocked to witness a recession that almost looked like the Great Depression of the 1930s.

As I stated above, one of the most common reasons for filing a Chapter 13 is to stop foreclosure. If you are

behind on your mortgage payments, the arrearages can be included in the Chapter 13 plan in order to catch up. The foreclosure stops on the day that the bankruptcy case is filed and you can simply resume making your regular mortgage payments after filing. A lot of people who are in foreclosure are also behind on their property tax and HOA fees payments, and these can be included in the Chapter 13 as well.

If you have a “wholly unsecured” second mortgage (i.e., the second mortgage is not supported with equity in the property), you may be eligible for something called “lien stripping.” This means removing the second mortgage from your property and paying it as an unsecured debt through your Chapter 13 plan. In most cases, general unsecured creditors get paid either nothing or only a very small percentage of the debt owed in Chapter 13. So if the second mortgage is “stripped off,” this means that you can either eliminate or significantly reduce the underlying debt. Once you complete your Chapter 13 plan, the second mortgage holder releases the lien on your property. Lien stripping works best for people whose homes are “under water,” which is pretty common in the current real estate market. This helps struggling homeowners by making their mortgage payments more affordable.

In Chapter 7, any pending foreclosure is also halted due to the “automatic stay” in bankruptcy, although this may be only temporary. If you are delinquent on your mortgage, the creditor may seek automatic stay relief and still continue with the foreclosure process once it obtains court permission to do so. If there is substantial equity in the property, the judge may sometimes deny the creditor’s request to foreclose

while the bankruptcy case is pending. That means the lender will not be able to continue foreclosure until after your case is discharged. If you have equity in your property but owe back mortgage payments at the time of filing your bankruptcy, you should consult with a bankruptcy attorney who can explain this process to you in more detail.

Sometimes, non-bankruptcy options may be available either to save the property or surrender it to the lender with no further liability. You have to keep in mind that foreclosing on your property could be very expensive for the lender. In order to mitigate losses, your lender may be amenable to the following:

- **Repayment Plan:** This is a written agreement between you and the lender to help you make up missed payments. Generally, the agreement will require higher payments than your regular mortgage amount for a short period of time until your account is brought current.
- **Forbearance Agreement:** The lender may allow you a period of time during which you make either lower payments or no payments at all. Unless the loan term is extended, later payments will generally be higher than the regular mortgage amount until the loan is brought to “current” status again.
- **Refinance:** Unless you are seriously delinquent on the current mortgage, this may still be an option if you have equity in your property. Having no equity may not be an issue if you

are doing a refinance under one of the current government programs (see below).

- **Deed in Lieu of Foreclosure:** With the lender's cooperation, this allows you to simply deed your property back to the lender and avoid having a foreclosure on your credit report.
- **Short Sale:** Where the current market value of your home is less than the loan balance, the lender may agree to take less than the full amount as full satisfaction of your loan obligation if you can find a buyer for your property. Since the bank is forgiving part of the loan, note that this may result in "debt cancellation income" which is considered taxable income by the IRS. Some exceptions may apply under recent laws that were passed since the mortgage crisis began. For your protection, just be aware that this is an issue that often comes up when a creditor cancels a debt, so I suggest that you consult with a tax professional who can give you proper advice regarding the potential tax consequences of a short sale.
- **Loan Modification:** This has become a very popular option in the last several years and chances are that you know someone who may have been successful in getting a mortgage modified by a lender. A loan modification involves changing one or more terms of your existing mortgage. For example, the interest rate may be reduced. Your loan may be changed from an adjustable rate to a fixed

rate. The mortgage term may be extended. In some cases, the principal amount may even be reduced. It is not a refinance because the lender is not giving you a new loan. Rather, it is the same loan but the terms are simply being modified either to get you current and/or to make the payments more affordable. This means that if you are delinquent, the arrearages will be added to your mortgage balance. To be granted a loan modification, you must be able to prove a strong, justifiable reason and/or financial hardship.

### **Making Home Affordable Program (MHA):**

The Obama administration developed this program in order to help homeowners who are having difficulty making their mortgage payments due to financial hardship. For loans owned or guaranteed by Fannie Mae or Freddie Mac, servicer participation is required. For all others, participation is only voluntary on the part of the servicer. Call your lender to find out if you qualify for relief under any of the programs available. There are options for the unemployed. Refinancing may be possible even without equity in your property. There are options for those whose homes are worth less than what they owe. For more information, you can go to the MHA website at [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) to explore available options. The loan modification option under the MHA is called HAMP (Home Affordable Modification Program). If your lender tells you that they do not participate in this program, they may still offer you their own “in-house loan modification,” which is a HAMP “look-alike” although the terms may not be as

good as what you can obtain under HAMP. The general eligibility rules under HAMP are as follows: (a) The property in question must be your primary residence, (b) The existing mortgage amount must be equal to or less than \$729,750, (c) You must have a qualifying financial hardship, (d) The mortgage must have been taken out before January 1, 2009. Because of the fact that HAMP only covered properties used as a primary residence, this automatically disqualified people with rental properties who were also struggling with their mortgage payments. As of this writing, HAMP has been expanded by the government to include rental properties as well. Some of the eligibility rules have also been changed to help property owners previously excluded. Again, you can go to the MHA website above to get more information, as features and rules of the program are constantly changing.

### **Liability After Foreclosure**

If your property is lost in foreclosure, whether or not you have further legal liability to the lender (or lenders, if you have more than one mortgage) will depend on the laws of your state. For example, if your property is worth less than the outstanding mortgage or mortgages at the time of the sale, there may be a “deficiency” if the note is not paid in full. In some states, a homeowner may be legally liable for a deficiency balance even after the house is gone. Laws vary in each state and they can be complex, so it is in your best interest to consult with an attorney to find out where you stand after foreclosure. The point is this: don’t assume that you have no liability after foreclosure because that is not always the case.



## **When Foreclosure Is Inevitable**

OK, let's say that you've looked at all your options and you've done everything you can to save your home—but in the end you've come to the conclusion that you simply can't afford to keep it anymore. I feel your pain. I know that this may be the first time you've ever had to go through something like this in your life, but let me share with you my thoughts on this situation.

At this time, you may be feeling depressed, frustrated, or even angry. Listen to me. It's not the end of the world. Believe it or not, there is life after foreclosure, and things may not be as bad as you think. You may not see this now, but trust me—like most problems in life, this too will soon pass.

The fact is that most foreclosure victims eventually become homeowners again. You need to have a solid plan for the future, and now is a good time to start. The amount of effort you put in going forward will determine how long it will take for you to rebuild your finances, your credit, and your life.

If you have not found a new place to live, obviously that is the first thing you need to do. In looking for a house or apartment, do not be embarrassed to tell the landlord that you recently lost your house to foreclosure and that you are now starting over. These days, there are a lot of houses for rent and I am seeing that landlords have become somewhat more flexible when screening prospective tenants. If you have good personal references, stable employment, and the money for the first month's

rent and the required security deposit, you should have no problem finding the right place. Of course, not all landlords have the same criteria— so you should look around and see what’s out there for you.

If your household expenses have gone down significantly after foreclosure due to your reduced housing expenses, for the first time you may now be in a position to save money and plan for the future. This is the time to start an emergency fund. Make sure you have at least 3 months’ worth of living expenses put aside. Start putting together a financial plan for your retirement, perhaps a college plan for your children if you are raising a family. Make sure you have adequate life insurance to protect your loved ones. Open a savings account and start putting aside at least 10% of your income every month. If you do this consistently, in a few years, you can have enough money to use for a down payment on your next home.

I don’t know the circumstances that led to your foreclosure, but whatever they may have been, remember that they are no longer of any consequence—unless you allow them to be. So pick yourself up and quit blaming yourself or others for what has happened. The past is an undeniable and an unchangeable fact. But your future still holds unlimited opportunities. Do not allow your awareness of past failures or difficulties to adversely affect your current and future possibilities.

# IV

## **4 Big Lies You May Have Heard about Bankruptcy**

If you are in serious financial trouble, you need straight answers about bankruptcy. Sadly, a lot of people who need debt relief are not getting the kind of help that they need from our legal system. Laws are passed to help, not to hurt people. If you are in a situation where it's simply impossible for you to cope with your debt problems, the law offers a remedy. So why suffer needlessly? If you were physically sick and treatment was available, you wouldn't refuse it would you?

**FACT:** A majority of people in serious financial trouble don't seek the advice of an attorney until things have gotten really bad. I think the reason for this is that people are often given all kinds of misinformation by creditors, other so-called "financial professionals," or sometimes, even friends, co-workers, and family members who have no clue about how the legal process works. Creditors don't want you to know your legal rights—because they know that once you do, they may not get any more of your money.

A lot of people are scared even to find out what

bankruptcy relief can do for them. They have heard horror stories of losing everything they've worked hard for and never being able to get credit again. Perhaps you've heard some of these stories yourself. Let me tell you, however, that a lot of what you've heard about bankruptcy is plain nonsense!

Let me clear up some of the common lies you may have heard about bankruptcy:

**Lie No. 1: *"I will lose everything I own if I file bankruptcy."***

**Truth:** The purpose of filing bankruptcy is to give you a fresh financial start free from the burden of debt as well as to protect what you have. As I previously stated in this book, most property and other assets can be protected under the exemptions laws, so in most cases, you lose nothing but your debts.

**Lie No. 2: *"My life will never become 'normal' again after filing for bankruptcy."***

**Truth:** How do you define "normal"? If you consider having to live with creditor harassment, sleepless nights, and constant worrying about your finances more "normal" than filing bankruptcy to get out of debt, I can see your point. Otherwise, your concern about not having a "normal" life after bankruptcy doesn't make sense. Every year, more than 1 million people in the United States file for bankruptcy to get out of the shackles of crippling debt and start a new life.

**Lie No. 3: *"I will never be able to buy a house or car again if I file for bankruptcy."***

**Truth:** Hogwash. Ask any mortgage broker and he or she will tell you the truth. The reality is that if your

bankruptcy is at least 2 years old, most banks will still give you a loan to purchase a home if you meet all other credit requirements (i.e., good employment, salary, sufficient down payment, etc.) If buying a new or used car, having a bankruptcy on your record is not a problem provided that your case has been discharged. While it is true that you may have to pay high interest rates in the beginning, over time you will be able to rebuild your credit as you establish creditworthiness. Over time, credit card companies will also start sending you credit offers again. It is your responsibility to take care of your credit after bankruptcy and make sure that you don't make the same mistakes that you may have made the first time you filed for bankruptcy. I will talk more about rebuilding credit after bankruptcy in a later chapter.

**Lie No. 4: *“Filing for bankruptcy is embarrassing because everyone will know that I filed.”***

**Truth:** Wrong. Your creditors are notified by the court when you file. While bankruptcies are a matter of public record, no one will know about your bankruptcy unless he or she is deliberately trying to find information on you by searching court records. Co-signors are listed on the petition and are notified by the court just so they are given notice to protect their rights but other than these people, no one else but your creditors will receive a notice. Your employer is not notified unless your employer is also a creditor or is holding assets on your behalf.

These are only a few of mistaken notions about bankruptcy that may stop people from taking action to turn their situations around and to protect what they have. If you are not sure about any of the practical and/or legal aspects of your case, you should consult

with an experienced and knowledgeable lawyer who can address all your concerns and explain the advantages and disadvantages of bankruptcy filing. In a lot of cases, your erroneous beliefs may deprive you of the solution that you desperately need.



## **Does Filing Bankruptcy Make Sense for Your Situation?**

**S**ome of the questions I am often asked are: When does filing bankruptcy make sense? How much should I owe in order to file bankruptcy? My answer to these questions is always the same: Whether or not it is advisable or practical for you to file will depend on the unique facts of your situation, the types of debts you have, and your intended objective in filing. People come to our office for different reasons when exploring the bankruptcy alternative. Below are three of the most common:

**a) Credit Card Debts Are Out of Control and Bankruptcy Is the Only Way Out.** Lots of times, for whatever reason, credit card debts have gotten out of hand and the person sitting across my desk is severely distressed and confused, not knowing what to do. Credit cards can be handy, especially in emergencies. However, they can also be terribly misused. For example, some people use their credit cards as if they were spending their own money. If you have to borrow it, it is not yours. But credit cards create the illusion of having money and it's easier to say, "just charge it" instead of going to the bank to withdraw cash. It's the same reason why they use

casino chips in Vegas instead of real money— because betting with chips is much easier than plunking down real money on the tables. On the other hand, some people resort to using credit cards out of need because income is always short and they are simply trying to make ends meet. Since over 90% of the population lives paycheck to paycheck, any shortage in income can force most people to borrow just to make up for the shortfall. When appropriate, filing bankruptcy can provide immediate relief from the vicious cycle of borrowing so that you can get your finances back in order.

**b) To Stop Creditors from Taking or Attaching Assets.** When a creditor files a lawsuit and obtains a judgment against you, the next step in the collection process is the enforcement of the judgment. If you are employed, the creditor can obtain a wage garnishment order and have part of your wages turned over to the levying officer until the debt is fully satisfied. If you have a bank account, your account may be frozen and the money turned over to the creditor. If you are behind on your car or mortgage payments, the creditor may repossess or initiate foreclosure proceedings. I am often perplexed as to why a lot of people wait until the last minute to find out what they can do to legally protect themselves from all of the above. They know they have not been paying their bills. They are aware that creditors are actively trying to pursue collection. They know that their assets, property, and wages are at risk. For whatever reason, a lot of people simply bury their heads in the sand, pretending that their debt problems don't exist and that somehow, creditors will simply give up. Then one day, they are served a summons or a wage garnishment order at work and that's when they start to panic.



If you are facing foreclosure of your home, remember that time is of the essence and if you wait until the last minute to take action, you may find that you have very limited options. If keeping your home is important to you, consult with an attorney right away so that you know exactly where you are in the foreclosure timeline if your lender has already started formal foreclosure proceedings. If you are not that far behind on your payments and foreclosure has not begun, it may be possible to simply work out a repayment plan with your lender in order to catch up.

**c) Other Debts (Besides Credit Cards) Cannot Be Paid.** Of course, credit card debt is not the only type of debt that people have. Some people owe IRS and state taxes, medical bills, back child or spousal support, student loans, etc. Others have had a car repossessed or a house foreclosed on and the lender (sometimes a 2<sup>nd</sup> mortgage holder on a foreclosed home) is trying to collect a “deficiency balance.”

Not all debts can be eliminated in bankruptcy. With a few exceptions, generally, the following are the common debts that cannot be wiped out in a bankruptcy proceeding: student loans, back child or spousal support, government fines and penalties, and most taxes.

### **“Danger Signs” that You May Be Headed towards Financial Trouble**

A lot of people don’t realize how serious their debt problems are until things have gotten so bad that they can no longer ignore the reality of their financial situation. If you sense that you may be on the path

leading to debt trouble, here are some of the “danger signs” that you may want to pay close attention to before it’s too late. You can ignore these signs at your own risk. Early detection can help you prevent your financial problems from escalating. How many of these statements are true for your situation?

1. You are behind in paying your credit cards and other bills every month.
2. You can only afford to pay the minimum on your credit cards every month.
3. You are using credit card transfers or cash advances to pay other credit cards.
4. After you pay your credit card bill, you increase your balance by the same amount or more the following month.
5. Your credit cards are all maxed out.
6. Your checks are starting to bounce.
7. You are starting to use credit cards for basic living expenses that you can’t afford to pay cash for.
8. You have been sued by one or more creditors.
9. Bill collectors are calling you at home and/or at work.
10. You have very little or no savings.
11. You’ve completely lost track of how much you owe.

# VI

## Common Bankruptcy Mistakes to Avoid

**I**n my fourteen years of practicing bankruptcy law, I have seen several mistakes that people make when filing bankruptcy. A lot of these mistakes are avoidable if you seek the advice of a bankruptcy attorney early. This list is not exhaustive but contains the most common mistakes that I've seen. Here are some of the common pitfalls to avoid:

- **Over-Analyzing.** I can understand why people usually put off the decision to file bankruptcy. After all, it is often a big decision. However, over the years, I've also seen a lot of people who have consulted with different attorneys about their situation. Their case has been evaluated countless times with the same advice given by the attorney each time. But they still can't make up their mind about going forward. They get into the "paralysis of analysis" with a thousand "what if" questions on their minds. Every time you address their questions and concerns, they will always come up with more, and you just get to the point where it is never-ending and nothing ever gets done. In the

meantime, their financial situation is getting worse and worse by the day and they may be at a point where important legal rights may be lost. Please don't get me wrong here. I am not trying to diminish the fact that the decision to file bankruptcy is not to be taken lightly in any way. I am simply saying that once you have all the facts that you need and have had a chance to carefully weigh the pros and cons of filing, perhaps the only thing you have left to do is to take action so that you can change your financial situation for the better. There can be no progress without action.

- **Failure to Understand that Timing May Be Critical.** Waiting too long to file may give your creditors opportunity to seize your assets, foreclose on your home, or garnish your wages. For example, it is amazing to me why a lot of people wait to see an attorney until the day before their home is to be sold at a foreclosure sale! If you are facing foreclosure, the clock is ticking and if you wait too long until you are close to the sale date, you may regret to find out that it's too late to save your property. Also, keep in mind that when you see a bankruptcy attorney, you may be told that you are eligible for debt relief based on your financial situation at the time of the consultation. If your circumstances change (example: income goes up, expenses go down, or both), you may no longer be eligible. If you foresee changes in your situation, find out how these impact your case. Filing a case too early or too late may cause problems that you didn't anticipate.

- **Acquiring More Debts Prior to Filing.** Significant cash advances, balance transfers, and large purchases on credit prior to filing bankruptcy must be discussed with your attorney. Once you make the decision to file, you should stop using your credit cards. If you don't, your filing can be viewed as a "bad faith" filing by the court, which could result in a dismissal. Creditors can also object to the discharge of the debt based on fraud.
- **Borrowing or Withdrawing from Your Retirement Account to Pay Creditors.** I have seen people use money in their retirement plan such as an IRA or 401K to pay off unsecured debts prior to filing bankruptcy. First of all, I think people do this because they often erroneously believe that it makes sense to deplete their retirement plan to pay debts rather than lose it should they file bankruptcy. In bankruptcy, however, most retirement plans are exempt, so there may be no risk at all in losing your retirement money. Secondly, I personally believe that there is no need to sacrifice retirement money to pay debts that you can eliminate in bankruptcy if bankruptcy seems inevitable anyway. Early retirement plan withdrawals can also result in hefty tax penalties and liabilities, so this might just make your financial situation worse.
- **Transferring Assets to Others Before Filing.** If you transfer assets out of your name in anticipation of filing bankruptcy, you need to be aware that this may be considered a

“fraudulent conveyance” by the bankruptcy trustee. Giving away money, property, or other assets to family members will NOT protect whatever it is that you’re transferring. In fact, the bankruptcy trustee may even bring a court action against the transferee to reverse the transfer. A “fraudulent conveyance” may be viewed as an attempt to deceive your creditors and the court, and this may jeopardize your bankruptcy discharge.

- **Failure to List All Debts.** If you forget to list a creditor on your bankruptcy petition, this creditor may come back later after your case is over and claim that because they were not properly notified, then you still owe the debt. Make sure to list all debts in your bankruptcy, even if it’s a debt that you intend to pay back or even if you have a co-debtor or co-signor.
- **Paying “Insider” Creditors.** “Insider” creditors are often family, friends, business partners, and other creditors who have a close relationship with you, the debtor. Under the bankruptcy laws, creditors are to receive fair treatment during the bankruptcy process so that any “insider” payments may be considered a “preference.” If you pay an “insider” within one year prior to filing your bankruptcy case, the law says that the bankruptcy trustee can sue the payee to recover the payment you made. In some states, trustees may look back even further.

- **Failing to Disclose Everything to Your Lawyer.** You sign your bankruptcy papers under penalty of perjury. Some people conceal information from their lawyers, thinking that if they just kept their mouths shut about an asset or an account, no one will ever find out anyway. Warning: lying to court is a serious offense and you could be charged with perjury and fraud. If you lie, you can lose the asset that you're trying to hide, have your case dismissed, and— depending on the seriousness of the offense— even face criminal charges. Don't make your problems worse than they are. If you are not honest with your attorney, your attorney may withdraw from the case. Disclose everything to your attorney at all times so that he or she can protect your rights within the bounds of the law.
- **Ignoring Pending Lawsuits or Judgments.** By the time a person sees a bankruptcy attorney, lawsuits may have already been filed or judgments obtained. If a creditor obtains a judgment against you, that creditor may file a judgment lien against your home or other property you may own at the time. Remember that only filing bankruptcy can stop a pending lawsuit or a judgment from being enforced. But if a creditor has already filed a judgment lien against your home or other real property before your bankruptcy case is filed, filing a bankruptcy will NOT automatically remove the lien although the underlying debt may be discharged. There may be a way to remove the lien after your bankruptcy case is filed, but you

need to inform your attorney about it. Don't assume that your bankruptcy lawyer will check for filed judgment liens. You may need to obtain a report from a title company or check with the recorder's office to check for judgment liens filed against your property.

- **Hiring the Wrong Attorney for Your Case.** As I discuss later in this book, hiring the right attorney can mean the difference between failure and success in your bankruptcy case. Communication between yourself and your attorney is important. Your attorney should also understand your goals and share your objectives. More on this topic in Chapter 9 of this book.



# VII

## Are There Alternatives to Bankruptcy?

This book wouldn't be complete without mentioning that in some cases, there may be alternatives to filing bankruptcy. Since bankruptcy is often a last resort, you need to find out if the following are viable options for you to get out of the financial mess that you're in.

**a. Debt Payment Work Out:** If you don't owe a lot to your creditors, it may be possible to avoid bankruptcy by negotiating an affordable payment plan with them. Some creditors may be willing to temporarily reduce your monthly payments and waive late charges. Other creditors may offer to just close the account and have you pay the balance in installments at 0% interest.

**b. Using Savings or Selling Assets to Pay Off Debts:** Sometimes, it may be possible to sell assets you no longer need to raise cash needed to pay off your debts. The asset may be a second vehicle that you hardly drive, a timeshare, vacant land, or maybe some personal jewelry. Some people choose to cash out their retirement plan, such as an IRA or a 401K plan. Be careful when doing this, however, since this

may result in a tax liability that you can't afford. Be sure to consult with a tax professional who can advise you regarding the tax ramifications of liquidating a retirement plan. Once you know what those tax liabilities would be, then you can weigh them against the benefits of paying off your debts.

**c. Debt Settlement:** Of course, creditors would prefer receiving some payment than no payment at all. The older the debt is, the more open a creditor will be to the idea of a reduced settlement. If a creditor tells you that they don't settle at all, don't believe it! From experience, I've seen that almost 100% of all creditors I've dealt with over the years would settle for a reduced amount depending on the collection potential of the debt in question. You have to remember that in every state, there is a "statute of limitations," which is a fixed period of time in which a creditor must bring a court action to collect or otherwise lose the right to do so. If collection of the debt is done after the period has passed, you can raise this fact as a defense in court.

In our practice, we often settle debts for as low as 10-60% of the outstanding balance. Of course, percentages vary with each creditor and there are no guarantees as to what amount will be accepted. I am talking about unsecured debts like credit cards, personal loans, medical bills, auto repo deficiencies, etc. For credit cards, this kind of settlement is often possible once the debt has been "charged off," which is usually 180 days or longer after the debt has gone unpaid. The term "charge off" is often misunderstood. Many people erroneously believe that once a debt is "charged off," it automatically means that the debt has been cancelled. This is not true. What this actually means is that

the creditor has declared the debt as a loss, in which case it could either just write it off as a bad debt (and discontinue collection) or sell the account to a collection agency. The latter is what often happens. So now instead of the original creditor calling you to collect the debt, you are dealing with a professional debt collector. While this may not seem like an advantage to you, it may actually be to your benefit. Why? Because most of the time, these uncollectible accounts are purchased from the creditor for pennies on the dollar and the collection agency still stands to make a good profit even if they just settle with you for a fraction of the actual amount owed.

**Consumer Alert:** If you decide to settle your debts instead of filing bankruptcy, you must be aware of “debt settlement schemes” that are rampant today. I am talking about a lot of the debt settlement companies that advertise everywhere—on the internet, on TV, on the radio—you see them everywhere. The federal government has uncovered a significant number of abusive practices by some debt settlement companies. While there may be some legitimate companies out there, you need to proceed with caution before hiring a debt settlement company. Here are some of the things that you should watch out for:

- **The debt settlement company cannot help you if you get sued.** A lot of these companies tell you that once you hire them, they will deal with your creditors on your behalf and

that all you need to do is to refer all creditor calls to them. If you don't read the fine print in the agreement, you will miss the part that says that they are not attorneys and therefore cannot give you legal advice or provide legal representation if you were to be sued by a creditor. In other words, once a creditor files a lawsuit against you, you are on your own. Some companies mislead people by telling them that there's only a small likelihood of you being sued if you stopped paying your creditors. Others imply that they are staffed or affiliated with attorneys who can defend you in a lawsuit. If you get sued by a creditor, chances are that you will end up filing bankruptcy anyway in order to stop the lawsuit unless you can afford to pay the debt in full, plus possibly collection fees and costs.

- **Hiring a debt settlement company may come with a high price.** Before signing an agreement with a debt settlement company, make sure that you understand how much they are charging you in fees and how the fees are being paid. I have seen numerous cases where the debt settlement company has already been paid in full but not a single debt has been settled. By the time the consumer cancels the services for whatever reason (and a lot of people do cancel after several months or years of paying), hefty fees have been paid for no services rendered. They will then tell you to look at the agreement that you signed, which states that fees are considered "non-refundable." Also, be aware that debt cancellation income is

considered taxable by the IRS. So if a creditor forgives part of what you owe, the amount of savings can be considered taxable income. There is an “insolvency exception” under IRS rules that may help you avoid the tax. Consult with your tax advisor regarding potential tax consequences of debt settlement. I am not saying that the potential tax liability always negates the potential savings and benefits achieved by debt settlement, but this is definitely an issue to consider when weighing your debt relief options.

- **Penalties and interest continue to accumulate while your debts remain unpaid.** Once you default on your debt payments, penalties and interest charges will continue to pile up until your debts are settled. If you are unsuccessful in negotiating with creditors, you will certainly be worse off than when you started because obviously, your debt amounts will be significantly higher.
- **Most debt settlement programs fail.** According to the government, only about 10% of consumers who sign up with debt settlement companies are successful. Why such a low success rate? I think that there are several reasons. First of all, I think that a majority of people who hire debt settlement companies are not in a position to afford debt settlement to begin with. So they commit to pay a certain amount every month, but if you look at their monthly budgets, they clearly do not have the disposable income needed to

make the payments. In other words, perhaps these people would have been better off filing bankruptcy to get rid of their debts. Secondly, a lot of these debt settlement companies will put you on a lengthy 3-5 year program (to lure you into signing with low monthly payments), which makes you vulnerable to lawsuits filed by creditors who have not been paid during that time period. And as I stated above, once you get sued by a creditor, there's a good chance you will file bankruptcy and get out of the debt settlement program.

Please don't get me wrong. I have nothing against debt settlement and as a matter of fact, we have settled debts for a lot of our clients whenever bankruptcy was not a good option for them. For example, the client could have assets that may be at risk if he filed bankruptcy—or the client simply wants to avoid bankruptcy and negotiate with his or her creditors instead. I think that in these cases, we are able to do a much better job than a debt settlement company would, because as attorneys, we are able to monitor the client's situation during the negotiation process and properly advise him or her of legal options when necessary. We also make sure that the client fully understands the potential risks involved in debt settlement so that he or she can take those into consideration when weighing the pros and cons of such an alternative.

Stay away from debt settlement companies that promise you that you can pay your debts for “pennies on the dollar.” In debt settlement, most creditors do settle, but as I stated above, there are no guarantees as to how much they will accept.

# VIII

## **Credit After Bankruptcy**

**C**ontrary to what you may have heard, rebuilding credit after bankruptcy is easier than you might think. Bill collectors would often scare you by telling you that filing bankruptcy is the worst mistake that you could ever make and that you will have bad credit forever. But think about this for a minute. If you are already behind on your bills, facing foreclosure, have a judgment filed against you, etc., your credit has already been tarnished. All negative information stays on your credit report for 7 years from the date last reported, including Chapter 13 (Chapter 7 stays on your credit report for 10 years). Also, I see a lot of people with high credit scores but no one wants to give them any more credit. Why? Because they are overextended on debt and their debt-income ratio is too high. Also keep in mind that as long as your debts remain unpaid, creditors will continue to report you every month to the credit bureaus. Filing bankruptcy stops the reporting of negative information. The bankruptcy filing then supersedes all information previously reported.

The truth is that a lot of people who file bankruptcy can rebuild credit in as little as 2-4 years. Buying a

car is not a problem as long as your case has been discharged, although you can expect to pay high interest rates in the beginning. When it comes to buying a home, mortgage lenders will look at your date of discharge when considering your application. Before the mortgage crisis started a few years ago, there were lenders that would give you a loan one day out of bankruptcy as long as you were willing to pay a higher interest rate and down payment. This situation, of course, has changed. As of this writing, banks are no longer financing everyone like they used to just a few years ago. But you can still get a home loan from certain lenders once your bankruptcy reaches the 2-year mark. Four years after discharge, you should be able to qualify for conventional financing. Of course, you need to show that you've somewhat re-established your credit by paying your bills on time.

If you were left with no credit cards after you filed bankruptcy, one good way to start rebuilding credit is to apply for a secured Visa or MasterCard. This is the type of credit card that is "secured" with a deposit, which the bank holds in a savings account. The bank issues you a credit line equal to the amount of your deposit. I often tell my clients to obtain two or three of these cards after bankruptcy and to start paying on time. Don't go over 30% of the allowable credit limit every month. If you do this consistently for two years, you will start replacing "bad credit" with "good credit" and you will see your credit score improve. Once your credit score reaches 700 and your bankruptcy discharge is at least two years old, you should be able to apply for a regular unsecured credit card.

My point is this: if you've come to the conclusion that you have no other option to get out of debt besides filing



bankruptcy, you have to keep things in perspective. I know that you may be worried about the effect of bankruptcy on your credit, but you need to look at the bigger picture. If your credit has already been negatively impacted by collection actions and late payments, filing bankruptcy can only improve your credit in the long run. Bankruptcy is a beginning, not the end of the world.

# IX

## **How to Hire the Right Bankruptcy Lawyer**

**W**hile it may be tempting to file bankruptcy on your own to avoid having to pay an attorney, you need to be careful before making that decision, especially if you have property or assets that may be at risk. This would also be true if there are legal issues in your case that may be problematic once the case is filed. Keep in mind that bankruptcy laws are complex and nothing can be more frustrating than not having the right answers to all your questions when you need them. Lastly, should you decide to be your own attorney, remember that the court will hold you to the same standard as it would hold an attorney. In other words, ignorance of the law or legal procedures is not an excuse if you make mistakes.

The choice of a lawyer can be critical to the success of your case. Don't be afraid to ask questions. After all, this is your own life that may be at stake! Make sure that your lawyer will personally evaluate your case and not simply leave this responsibility to an assistant. You need a lawyer who will spend the time necessary to evaluate your case and give you an honest

opinion— good or bad. Your lawyer should be friendly to you, tough with creditors, and 100% ethical.

When hiring a bankruptcy lawyer, remember that not all lawyers are the same, because they all bring different levels of knowledge and experience to their clients. When your financial future hangs in the balance, you need the right attorney to help you make the right decisions at a very critical time. Buyer beware! Since the economic downturn, the bankruptcy market has been flooded with new attorneys offering their services. Don't hire an inexperienced bankruptcy attorney who doesn't have the proper knowledge to handle your case. It seems to me that the public often can't tell the difference between an experienced bankruptcy attorney and one who's only handled one or two cases. Trust me, you certainly don't want to be a "practice" client!

Also, don't just settle for the cheapest option, but take some time to see what kind of lawyer might be best for your situation. You may want to think twice before hiring a lawyer who charges half of what the other lawyers are charging. Think about it. An attorney has nothing to sell but his or her expertise, time, and services. The reality is that just like any business, a law office needs to receive enough compensation for the services it provides in order to stay in business. So when you see an ad that advertises \$499 to accept any bankruptcy case that walks in the door, don't assume that you're getting a bargain. As a smart consumer, the first questions you should be asking yourself are: What's the possible catch here? What is and isn't included in that fee? Unfortunately, there are some lawyers who run misleading ads stating a low price

for their services. These ads are nothing more than invitations to call, come in, or both. Once you do call or come in, they may tell you that this price doesn't apply to your situation because that price is only for X number of creditors— but since you have more than that, they will charge you X amount of dollars per creditor. It's sort of like those “bait and switch” car dealer ads where they're advertising the vehicle that you like for way less than regular price. When you come in, they will either tell you that the car has been sold or that your credit is not good enough to purchase that vehicle. But since you're already there, chances are you'll check out the other vehicles on the lot and this increases the chances of them selling you a car. Just like everything else in life, you often get what you pay for. I think you already know that. Here are some questions that I suggest you ask when interviewing a bankruptcy lawyer:

- How many bankruptcies have you handled?
- How many of those bankruptcy cases are consumer/personal vs. business filings?
- How accessible will you (or an attorney at your firm) be to answer legal questions during my bankruptcy filing?
- Who else at your firm will I be working with while my case is pending?
- How much of your practice is devoted to bankruptcy law?
- Why do you think bankruptcy is (or isn't) a good option for my situation?
- How much is your legal fee and what is or isn't included in that fee?
- Who will be my main contact for updates or questions regarding my case?

- In reviewing my case, do you see any potential problem issues that might come up after my case is filed?
- What are the possible negative consequences of filing bankruptcy in my situation?
- What is our time frame for getting my case filed?

These are some of the critical questions you should ask. If any of these questions are not answered to your satisfaction, perhaps you should look elsewhere. Since we all have different personalities, it is also a good idea to hire an attorney that you personally feel comfortable with. What were your first impressions about the attorney at the initial consultation? Did the attorney take the time to patiently listen, answer your questions, and address all other concerns you had about your situation? Did you feel that the attorney was easy to talk to, sympathetic, and understanding of your situation— not judgmental or condescending? Remember that once you hire this attorney, your case could be pending for several months or years (depending on what type of bankruptcy you are filing), so you could be dealing with this person for quite some time. If at the first consultation you sense that it may not be a good fit, trust your instincts before signing a retainer agreement.

# X

## **Nothing Happens Until You Take Action**

I hope you found this book beneficial in helping you understand the bankruptcy process and other debt relief options that may be available. If you are overwhelmed with debt problems, I know how you feel. Perhaps you're embarrassed, frustrated, paranoid, defensive, or even angry. You know you need to do something about your situation but simply don't know where to start and who to trust.

One thing about debt problems is that they don't solve themselves or go away. It's up to you to take action and find a solution. Filing bankruptcy can stop the creditors beating on your door...protect what you've worked hard for... give you time to breathe and think...reorganize your finances to make your debt payments more manageable...put more money in your pocket so that you don't feel like you're working hard for nothing. My hope is that the information contained in this book will move you to action in taking the first step towards regaining control of your life, your confidence, and most importantly, your peace of mind. How about a good night's sleep for a change?

There is a way to get your life back on track and find the freedom that you need— freedom from bill collectors hounding you day and night, freedom from worry over having your home foreclosed, your car repossessed, and worry over lawsuits, judgments and wage garnishments. But what happens from here on out is all up to you.

Save your financial life and get out of the debt trap!

## Why We Are Different

I am proud to say that we are different from other law firms. We don't just take every case that walks in the door. We also don't claim to handle every type of case in an endless list of different practice areas. We don't need to, and we don't want to.

We don't focus on high volumes like other "bankruptcy mills" whose main goal is to sign you up as a client as quickly as they can. At those firms, you become nothing but a number. You see a lot of these lawyers on huge billboards and bus stop benches advertising \$499 for ANY bankruptcy case they can get— but then you only get to speak with a paralegal (if you're lucky), NEVER with an attorney about your case. Although paralegals are an important part of our legal team, we have a real attorney assigned to handle your case to make sure that everything is done right and that your questions and concerns are addressed whenever you have them.

Since 2001, Ray Bulaon Law Offices, Inc. has represented thousands of clients throughout the counties of Los Angeles, Orange, San Bernardino, and Riverside in California. Our many competitors



can't match the quality of our service and our 12-year track record of delivering results. We rely a lot on referrals from satisfied clients and other attorneys. If we cannot accept your case, we will gladly refer you to someone we know who may be the right attorney for your situation. And once you become a client, we consider you to be a client even way after our services have been completed.

Sometimes, the best advice we can give you is that bankruptcy may not be right for your situation, because there are other possible solutions to your debt problems. But if no other options exist and bankruptcy seems to be the most effective way for you to get out of debt, we will make sure that we guide you every step of the way. We will keep you up to date on the progress of your case and promise to give you honest answers and a realistic assessment of your situation at all times. We will explain all fees and costs to you before we start working on your case. Together, as a team, we will decide on the best strategy for your financial recovery.

If you live anywhere in the counties of Los Angeles, Orange, San Bernardino, or Riverside in California and would like to know whether bankruptcy is the best solution for your situation, we would like to help you explore all your options and understand your legal rights. You can call our office at (818) 243-7745 for additional information.

Ray Bulaon  
Glendale, CA

## About the Author

**R**ay Bulaon has been helping individuals and small business owners in obtaining debt relief since 1997. After working for one of Southern California's largest consumer bankruptcy law firm, he started his own law practice in 2001. He limits his practice to consumer bankruptcy law, debt settlement, tax resolution, and credit restoration. He has also undergone training as a financial recovery counselor with the goal of helping people manage their finances.

### Ray Bulaon

- has helped thousands of clients get out of debt since 1997
- is a trained Financial Recovery Counselor (Financial Recovery Institute)
- is a Certified Credit Consultant (by Edward Jamison, nation's foremost credit attorney)
- is a Certified Tax Resolution Specialist (ASTPS-American Society of Tax Problem Solvers)
- has published numerous articles for consumers about bankruptcy, debt relief, and credit restoration.

Ray likes traveling and spending time with his wife of 23 years and their 3 children. He and his family are all active members of their church and enjoy helping in the ministry.

WA



*From What You Need to Know  
Before Filing Bankruptcy:*

**“How you got to where you are doesn’t even matter—what’s important now is finding the best solution. You need answers to your questions about how you can get out of debt... As a bankruptcy attorney, let me encourage you by saying that even the worst problems rarely mean the end of the world. What may sometimes seem like a dead end may actually turn out to be a new path for a better life.”** *—Attorney Ray Bulaon*

**Ray Bulaon’s compact and clearly organized book, designed to help Californians understand the ramifications of bankruptcy, guides readers through decisions such as whether to consult a lawyer, where to begin when they feel like they are drowning in debt, and how to approach issues of re-establishing credit.**

**Written in clear language, this book covers the emotional, financial, and legal aspects of bankruptcy, and answers questions like, “What is the difference between Chapter 7 and Chapter 13 bankruptcy?” and “How will bankruptcy affect me in the future?”**

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