

What you should know about your Chapter 13 Case



Office of the Chapter 13 Trustee Thomas W. McDonald, Jr.

PAYMENTS

Thomas W. McDonald, Jr.
Chapter 13 Trustee
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LETTERS & INQUIRIES

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Place Name & Case Number
Label Here

Place Attorney Label Here

OFFICE OF THE CHAPTER 13 STANDING TRUSTEE
UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT, NORTHERN DIVISION OF MICHIGAN


Dear Chapter 13 Participant:

You have taken a brave step in filing Chapter 13. In order to complete your plan successfully, it is going to take a great deal of hard work. I recommend you read this Handbook carefully. Acquainting yourself with your rights and obligations will help you in understanding the Chapter 13 process and will increase your chances of success.

The law is giving you a chance to gain control of your finances. Please stay involved in the Chapter 13 process. Remember to work with your attorney and keep them advised of events in your life.

Call us if you need extra copies of this Handbook—there is no charge!

Best Wishes,



Thomas W. McDonald, Jr.
Chapter 13 Standing Trustee

REMEMBER THIS...

1.

Start Making Plan Payments Immediately!

Payments should commence with the first income you receive after filing your plan, but no later than 30 days after your petition is filed.

2.

Send NO Money to the Trustee's Office!

We do not accept payments in the Trustee's Office. Do not bring or mail payments to our office. All payments must be mailed to our bank lockbox.

Be sure to write your case number on your check or money order, as well as your name, before mailing any payment to the Trustee's bank lockbox.

3.

Keep in Touch with Your Attorney!

The Trustee's Office does not give legal advice.

You must call your attorney if you feel any changes are needed to your plan.

This and other types of legal advice can only be provided by your attorney.

Key to Understanding the Informational Chapter 13 Website

www.13network.com

To review current information on your Case, go to the 13 Network site (this site has a 24 hour lag to actual postings).

To get to your case, go to www.13network.com:

- ~ Scroll down, find Michigan, and click on 'Thomas W. McDonald (Saginaw)'
- ~ Click on 'Chapter 13 Inquiry'
- ~ The User ID: should be your case number (no dashes)
- ~ The Password: social security number (no dashes)
- ~ Click 'Submit'

The first page is the "Profile" page. This page gives you general information about your case such as attorney of record, date case was filed, hearing dates, unsecured distributions, etc.

The second page is the "Parties" page. This page lists all names and addresses associated with the case including debtor, attorney, employers and creditors.

The third page is the "Pay Schedules" page. This page shows the plan payment schedule during the life of your case and how the payments are being made. (i.e. employer deductions, etc.)

The fourth page is the "Payees" page. This page lists all the creditors to be paid through your plan including the claim amounts, total paid and balance due to each creditor.

The fifth page is the "Financials" page. Under the Financial Summary you will see six options. If you would like to view the payments the Trustee has received from you, click "Receipts". To view the disbursements to your creditors, click "Disbursements". You may choose to see all payments paid to your creditors or you may click on the drop down arrow next to "Select Payee Name" and choose from a list of specific creditors to see only one creditor's disbursement history. You can click the print option at any time (to the right of the screen).

If you would like to know the approximate payoff calculation of your plan, go to the "Profile" page. At the right of the page you will see "Case Option:" in green, click the drop down and choose "Case Payout". Click "Go". Here you will see an approximate payoff calculation (Base Balance), approximate months remaining in the plan (Months to Base), dividend to the unsecured creditors and total you have paid to the plan.

Important Information about Your Chapter 13 Case

INTRODUCTION: Chapter 13 is one method under the Bankruptcy Code to get protection from your creditors, providing that you pay them back as much as you are able to. It allows you to keep most or all of your property during the time you are paying creditors back. It also may let you modify some contract payments, interest rates and lengths of obligation. Creditors can take action against you only with court supervision. Chapter 13 has gained widespread acceptance across the country as an attractive alternative to a "straight bankruptcy" (under Chapter 7 of the Bankruptcy Code).

YOUR CASE NUMBER: When your Chapter 13 petition was filed, the Bankruptcy Court gave the case a number. This number is very important.



You will need your case number whenever you call or write to the Trustee's Office and whenever you make a payment to the Trustee.

YOUR ATTORNEY: Under the rules of the Bankruptcy Court, your attorney must continue to represent you for as long as your case is active or until the Judge permits your attorney to withdraw from your case. If you ever have a legal question (concerning your case, a creditor, your rights or your options) ask your attorney first. You should reach a clear agreement with your attorney about the fee. In many cases, your attorney will be paid their legal fee through your Chapter 13 plan.

Be sure that you and your attorney have fully discussed whether additional legal services during your plan will cost you more money or whether the initial fee will cover all legal services.

Remember that all legal fees must be reviewed and approved by the Bankruptcy Judge. You may change attorneys during the life of your plan, but please let the Trustee know the name and address of your new attorney.

YOUR NAME & ADDRESS: The Trustee must have your current name and mailing address for as long as you are in Chapter 13. All notices, letters, checks, etc. will be mailed to the address which you put on your petition unless you or your attorney tell us to send them somewhere else. Any changes in name, address or employment must be reported to the Trustee's Office immediately.

If you ever move or change your mailing address, you must inform your attorney and the Trustee of your new address. You must also notify the Trustee of any name changes.

YOUR TRUSTEE AND HOW TO CONTACT HIS OFFICE: Thomas W. McDonald, Jr. has been the Chapter 13 Trustee in the Northern Division of the Eastern District of Michigan for over 20 years. Mr. McDonald's professional staff are at your disposal for answering any procedural questions concerning your plan. You can reach the office at (989) 792-6766 between the hours of 8:00 a.m. to 5:00 p.m. Monday through Friday. You will not need to talk to the Trustee personally. The staff understands the policies and guidelines in Chapter 13 and is well qualified to discuss any problems or questions that may arise. However, the Trustee's staff cannot give legal advice.

You should direct all legal questions to your attorney.

PLAN LENGTH: Upon entering a Chapter 13 plan, it is difficult to determine the exact duration of your plan. It is very rare for a plan to last the exact number of months in the original projection. A creditor may file a claim for a larger than anticipated amount, interest rates may change, a forgotten creditor may need to be added or there could be additional attorney fees, any of which could add to the length of your plan.

PLAN LENGTH continued...

Although the length of your plan is influenced by many factors that may change during the course of your plan, no plan is allowed to exceed sixty (60) months. If this situation occurs, the Trustee may file a Motion to Dismiss. Both you and your attorney will receive a copy of that Motion. Failure to respond to that Motion will result in the dismissal of your case.

READ YOUR MAIL

Open any mail you receive from the Trustee's Office on the day that you receive it

BUSINESS CHAPTER 13: Debtors who file as small businesses are subject to the same requirements, restraints, and jurisdiction as debtors filing as individuals. Since self-employed persons have no employer, it is necessary for them to make payments directly to the Trustee's Office in the form of ACH (electronic bank transfer), a cashier's check, personal check or money order.

Small business persons are required to file quarterly reports and summaries of their business operations with the Trustee and the Court.

PAYMENTS: There are three forms of payments accepted: employer deduction, ACH (automatic electronic withdrawal from bank account) and direct payment (cashier's check, personal check or money order).

PAYROLL DEDUCTION ORDERS: The most common method of payment and the method usually requested by the Trustee's Office. A Payroll Deduction is simply a way to more easily fund your plan. Your employer will be sent paperwork, including a Court Order to begin the process. *See example page 42* This order tells your employer to deduct your plan payment from your paycheck and send it to the Chapter 13 Trustee. This order prohibits your employer from honoring any garnishments while you are under Chapter 13, including back taxes. The only exceptions are ongoing child support, domestic support orders and other special circumstances provided in the order. *It is important that both you and your employer understand that a payroll deduction order is NOT a garnishment.* A garnishment or attachment can only come from someone to whom you owe money. You do not owe the Court or the Trustee any money. You voluntarily filed and gave the Court exclusive jurisdiction over your future pay while you are under Chapter 13. The Trustee is just carrying out their duty to administer the plan.

It may be helpful if you speak to someone in your payroll department to make sure they understand that:

- This court order stops garnishments
- This deduction should not be listed as a garnishment or Friend of Court payment

Most employers understand that you are making a serious effort to repay your debts, and think more highly of an employee who seeks to repay his debts than of one who avoids repaying his debts. **If your employer does not honor a wage attachment, tell your attorney so that appropriate action can be taken.** If your employer has any questions, he or she may call our office for an explanation.

Note: It may take several weeks for your payroll deduction to become effective. In the meantime, be sure to make your regular payments directly to the Trustee. The Judge's willingness to approve your plan will depend on the good faith effort you demonstrate by your payment record prior to the confirmation hearing. If your employer fails to make a payroll deduction, you must tell your attorney that the deduction was not made and you must send the needed plan payment to the Trustee by personal check, money order, or cashier's check.

If there is a problem with the employer because of filing Chapter 13: Occasionally, we find situations in which a credit union or company representative exerts a form of pressure on an employee who owes them money to the extent that the employee feels his/her job may be in jeopardy due to the filing of a Chapter 13 Plan. Such tactics are illegal in that they are an attempt to

PAYMENTS ~ PAYROLL DEDUCTION ORDERS continued...

obtain creditor preference. Any such actions need to be immediately reported to your attorney. Most employers have been very cooperative in assisting with payroll deductions for employees involved in Chapter 13.

If jobs are changed: If you change jobs you should **immediately** notify your attorney and the Trustee's Office. This notification is important. A new pay order must be prepared for your employer. Remember, if there is a delay between the time the payments through your old employer cease and payments through your new employer begin, **you** are responsible for making direct payments to the Trustee's lockbox.

Calculating amount of deductions: The following table can be used to calculate the amount of monies that will be deducted from your pay. It is important to note that **deductions will always be taken in equal installments from EACH PAYCHECK, never in one lump sum.**

~ If you are paid Bi-Weekly: Multiply the amount of your monthly payment times 12 months per year. Then divide the total by 26 payments per year. This will equal your bi-weekly payment.

FOR EXAMPLE: If your monthly payment is \$800.00, multiply that payment times 12 months ($\$800.00 \times 12 = \9600.00) and then divide the total amount by 26 payments per year ($\$9600.00 \div 26 = \369.23). Your bi-weekly payments are \$369.23.

~ If you are paid Semi-Monthly: Multiply the amount of your monthly payment times 12 months per year. Then divide the total by 24 payments per year. This will equal your semi-monthly payment.

FOR EXAMPLE: If your monthly payment is \$800.00, multiply that payment times 12 months ($\$800.00 \times 12 = \9600.00) and then divide the total amount by 24 payments per year ($\$9600.00 \div 24 = \400.00). Your semi-monthly payments are \$400.00.

~ If you are paid Weekly: Multiply the amount of your monthly payments times 12 months per year. Then divide the total by 52 pay periods. This will equal your weekly payment.

FOR EXAMPLE: If your monthly payment is \$800.00, multiply that payment times 12 months ($\$800.00 \times 12 = \9600.00) and then divide the total amount by 52 payments per year ($\$9600.00 \div 52 = \184.61). Your weekly payments are \$184.61.

2. ACH PAYMENTS: In some cases the Chapter 13 plan payments can automatically be deducted directly from your bank account. To start automatic ACH payments you must sign a permission form, attach a voided check showing your bank account information, and choose from the options given to deduct money from your account. Automatic ACH payments can be stopped at anytime if you submit your request in writing. *All ACH contact should be done with the Trustee's Office, not the Memphis PO Box.* The automatic ACH permission form is available either from your attorney or the Chapter 13 Trustee's Office and should be returned to the Saginaw Office. *See example page 44*

3. DIRECT PAYMENTS: If you are unable to do payment through payroll deduction or ACH the Court may allow you to send in your payments on your own. It is your responsibility to get your payment in to the payment address by your scheduled payment date.

Payments must be in the form of a Money Order,
Cashier's Check or Personal Check



Please make all payments
Payable to Chapter 13 Trustee:
Thomas W. McDonald, Jr.
Chapter 13 Trustee
P.O. Box 613286
Memphis, TN 38101-3286

This is a special lockbox address for payments only. Payments sent to any other address will result in serious delays. *This address is for payments only*, any correspondence sent to this address may not reach the intended recipient in a timely manner.

Each payment must include:
• your NAME • your ADDRESS • your Chapter 13 CASE NUMBER
Do not mail cash or bring payments directly to the Trustee's Office.

OBLIGATION TO PAY: Even though the Court will usually order your employer to deduct plan payments and send them to the Trustee, **you must remember that you have the obligation to make sure payments are made.** The law requires that your payments start *no later than 30 days* after your petition is filed. The Trustee's Office expects you to begin making payments if the payroll deduction is delayed. The sooner you start making payments, the greater chance you have of successfully completing your plan. The Trustee does not have the capability to use payment coupon books or to send monthly statements. Therefore, you must keep your own record of payments.

It is a good idea for you to keep your pay stubs to prove that the payroll deductions have taken place, or copies of money orders to show you made the payment.

This way, if there is ever any discrepancy in your payment history, you will have complete records showing the deductions that were made. Bring all pay stubs and copies of cancelled checks or money order receipts to court hearings. Please remember, *if you ever receive a regular paycheck in which the Trustee's payment was not withheld, you should immediately mail the payment yourself.* It is your responsibility to pay the plan payments, even when you are not working. If you become unemployed, you can amend your plan or take other necessary action. Talk to your attorney about your options.

ADJUSTMENTS OF PAYMENTS: It is extremely important for you to let your attorney know if something interrupts your pay and makes it impossible for you to make payments to the Trustee. In some cases, adjustments may be made on payments to prevent undue hardship. Whether or not you will be able to adjust your plan payments will depend on how long your plan has been running and on the kinds of creditors you have.

If you require a permanent payment adjustment, please contact your attorney to review and revise your plan.

If a payment is missed: The plan will not work if payments are not received. If you have an interruption in employment, please contact the Trustee's Office immediately. Keeping the Trustee informed can possibly avoid the filing of a motion to dismiss your case.

If you are laid off, on strike or on sick leave: Payments are still due, even if you are on vacation, sick, on strike or laid off. Please contact the Trustee's Office immediately and make arrangements to pay something directly until you return to work, even if it is not a full payment. Remember to keep records of the payments made and upon your return to work, remit direct payments in addition to your regular payments to cure the default.

If a bonus check is received and a deduction has been taken for Chapter 13: Read your plan and payment order. If the money was supposed to go to you, notify the Trustee's Office immediately so that the funds may be returned to you. PLEASE NOTE: If your payments are delinquent at the time we receive the payment, you should contact your attorney to discuss your options.

FAILURE TO PAY: If the Trustee's Office fails to receive payments on your Chapter 13 plan, either the Trustee or a creditor may seek to have your case dismissed. If something happens to your job, you become disabled, you get laid off or you are otherwise made incapable of continuing your current payments, consult your attorney at once. Your attorney should be able to counsel you on the best way to protect yourself during such time. The Trustee's role as administrator of Chapter 13 cases requires them to protect the interests of both debtors and creditors alike. Thus,

Whenever you are substantially behind in payments under the plan, the Trustee will review the case for dismissal.

When the Trustee seeks to have your case dismissed, you will be advised in writing. You should then contact your attorney immediately to discuss your options.

Your plan requires you to send your Chapter 13 payments to the Trustee no matter what happens to your job, unless the Judge allows you to stop or reduce payments.

"BOUNCED" CHECKS: A creditor may hold a check which you wrote that was not honored by your bank. This is called an NSF check for "Non Sufficient Funds". Because the bank did not honor the check, the creditor remains unpaid. After you have filed a Chapter 13, the creditor has two options for obtaining the money you owe.

The holder of the "bounced" check may join the plan as a creditor or prosecute the transaction as a crime, but they may not do both.

The creditor must file a claim to collect money through the Chapter 13. However, writing a bad check is a criminal offense and the creditor may decide to prosecute.

* The automatic Restraining Order in your Chapter 13 case does not stop criminal prosecution, domestic support obligation proceeding, or certain eviction proceedings.

If the creditor did decide to prosecute, the debt would become a fine and you would handle the fine directly, outside of Chapter 13.

DISMISSAL: A case may be dismissed either voluntarily, meaning that you decide to stop your participation in the plan, or involuntarily, meaning the Court has terminated your plan, usually because of failure to maintain timely payments. You have the right to exercise a voluntary dismissal at any time by notifying your attorney.

Fixed and timely Chapter 13 plan payments are a requirement of the Court and it is your responsibility to maintain those payments. A deficiency in plan payments could result in the involuntary dismissal of your case. Either the Trustee or a creditor may file a Motion to Dismiss with the Court and you and your attorney will be notified of the action.

If your income is reduced, hindering your ability to continue in the plan, **contact your attorney immediately.** He or she may be able to modify your plan to lower your payments. The Trustee's Office has no authority to let you miss a payment or to allow you to pay less than the required amount. Only the Court can do so in response to a motion filed by your attorney. If your attorney files such a motion, do not change or stop payments until you receive a signed order from the Court allowing you to do so. Be aware that this could take up to 30 days.

DISMISSAL continued...

In the event of a dismissal, either voluntary or involuntary, **all creditor stays will be lifted and creditors can resume recovery procedures** on accounts and may add any interest and penalties that were waived under your Chapter 13 plan.

IT IS IMPORTANT FOR YOU TO IMMEDIATELY OPEN ANY MAIL YOU RECEIVE FROM YOUR ATTORNEY, THE COURT, OR THE TRUSTEE'S OFFICE.

PAYING MORE THAN REQUIRED: If your plan requires you to repay creditors 100%, paying the Trustee more than what your plan requires you to pay may decrease the amount of time it will take your plan to complete. Paying a little extra may reduce administrative expenses for the Trustee and cause the payroll deduction to stop a little sooner. There are several ways to pay more than is required into your plan.

If you ever wish to increase your plan payments, contact your attorney. If you wish to make a single extra payment, you may do so by sending a money order, personal check, or cashier's check to the payment address.

If you wish to complete your plan payments before the confirmed length of your plan has run, you must contact your attorney. PLEASE NOTE the minimum plan term is 36 months and the maximum is 60 months.

CONTACT BY CREDITORS: The creditors that you listed on your Chapter 13 petition may be under an automatic Restraining Order, also called the "automatic stay". The automatic stay prohibits your creditors from contacting you or your employer.

If you get notices in the mail from your creditors, send them to your attorney.

Late notices from creditors need not cause you any great concern. If you receive a more personal, direct contact from a creditor however, (such as a telephone call, a personal letter, a summons or a visit in person) you should not discuss the debt but immediately tell them that you are under Chapter 13, give them your case number, the name of your attorney and get their name.

You should not discuss the payment of any debts with creditors in any manner. Be sure to tell your attorney the name of the person who contacted you, so that they can follow up on the contact.

By the same token, *you should not contact your creditors regarding payment of debt.*

BALANCE DUE CREDITORS: Payments to the Trustee are used to pay your attorney, Trustee fees and your creditors. Trustee disbursements are sent out the first of each month. Creditors fall into three basic categories: secured, priority and unsecured. Generally, the Trustee makes monthly payments to the secured and priority creditors first. After these creditors are paid in full, your payments are then divided among unsecured creditors. Unsecured creditors may not receive payments for many months or even years.

As noted, your creditors cannot deal directly with you. Likewise, you cannot deal directly with them regarding payment of their debt. You cannot favor one creditor over another or make payments "on the side". All creditors scheduled in your plan must be paid through the plan, under the terms of the law and not because of personal preference.

If you have an immediate reason to know how much money you still owe to one creditor or to all creditors at any time during your plan, you may request in writing from the Trustee's Office a copy of the accounting of your case or check your case on the internet. (See inside the front cover of this

handbook) However, the Trustee automatically mails you and your attorney a copy of your case report twice a year. (See the section titled "Six Month Report of Plan Activity" on page 15)

CLAIMS OF CREDITORS: The creditors which you list on your Chapter 13 petition are given an opportunity to file a claim for payment. They are allowed 90 days from the Meeting of Creditors to file their claim and governmental units are allowed 180 days from your petition filing date.

After you have been under Chapter 13 for about seven months the Trustee's Office will send you a complete list of every creditor who has filed a claim in your case and the amount of money they claim to be owed. This list is called a Claims Register. You should read and examine this list of creditors very carefully.

If a creditor is listed incorrectly or any amount claimed seems incorrect, you should contact your attorney at once. Unless your attorney objects to a claim, we will pay the amount the creditor requests rather than the amount listed on your petition.

If there is a creditor you want paid through your plan and that creditor has not filed a claim, contact your attorney promptly about filing a claim for the creditor. Remember that this includes all relatives and friends to whom you owe money.

If a creditor does not file a claim within the time allowed, but you want that creditor paid in your Chapter 13 case, you need to have your attorney file a claim for that creditor.

CLAIM TYPES: There are four basic types: 1) administrative, 2) secured, 3) priority, 4) unsecured.

Generally, we pay domestic support order claims, alimony, and child support administrative costs first, then the Trustee's fee and any attorney fees to be paid through the plan. Next, we pay all creditors with liens on your property (secured claims). Then we pay any taxes that you owe (priority claims) and all remaining creditors (unsecured claims).

Confirmed plans often require that the Trustee begin paying priority and unsecured creditors only after administrative and secured claims are paid. For this reason, it could be several months before the first payment is made on priority and unsecured claims.

You may decide, however, that you want priority and/or unsecured creditors to also receive payments simultaneously with secured creditors. If you choose this option, please discuss it with your attorney.

Remember: secured claims may accumulate interest under Chapter 13, but unsecured creditors are not allowed to accrue interest after the date when you filed your petition (except for unusual circumstances). Thus, it often is more advantageous for you to pay off the debts accumulating interest first, rather than paying creditors that do not accrue interest.

LATE/UNFILED CLAIMS: As noted above, most creditors generally have 90 days from initial 341 date (governmental units have 180 days from date of filing for Chapter 13) to file a claim. Creditors might not be entitled to payment if they file their claim after that date or do not file a claim at all.

If you complete your plan, most claims (except non-dischargeable claims such as some taxes, student loans or domestic support) that are late or not filed will be discharged upon the completion of your plan. However, speak with your attorney if you have questions regarding certain unfiled or late claims.

CREDITORS NOT LISTED: Not listing all Creditors when you file for Chapter 13 can cause a lot of problems. There are two kinds of creditors who are absent from the original list: 1) those creditors

CREDITORS NOT LISTED continued...

whom you owed money before filing but forgot to list in your petition (*unlisted creditors*), and 2) those creditors who lent you money after you filed (*post-petition creditors*).

If you discover an *unlisted creditor* after filing, you must let your attorney know the details of the debt immediately.

Your attorney can include this *unlisted creditor* in your plan to protect you from collection procedures. Time is very important in terms of protecting you, so **do not delay** if you discover one.

Post-petition creditors are rare because you are not allowed to accumulate a debt over \$1,500 while under Chapter 13 unless you have gotten Court permission to do so. Contact your attorney if you have a need to borrow money over \$1,500 — see provisions below. Occasionally unusual or emergency situations may arise.

Post-petition debts should be brought to the attention of your attorney so that a review of your plan can be made.

If extra debts are added to your original plan, the Trustee may request that your plan payments be adjusted to handle the addition.

CREDIT CARDS AND POST-PETITION DEBTS: Once your plan is confirmed, you are prohibited from incurring over \$1,500 of debt without court authority.

This means that you cannot: charge anything that costs more than \$1,500, run up a bill over \$1,500, sign an installment note for over \$1,500 or use a credit card over \$1,500.

If you ever feel that it is important for you to buy something in installments that costs more than \$1,500 you must obtain the Judge's permission to do so.

The Judge will generally grant you permission if: you are paying regularly into your plan, there is a good reason to incur the debt, and your ability to make plan payments is not threatened by the additional debt. **Remember: you must first contact your attorney if you need to incur additional debts.** Your attorney will need to file a request with the court requesting the court to allow you to incur the debt.

OBTAINING CREDIT WITHOUT PERMISSION: Obtaining credit without permission of the Court is a violation of the Court's rules and is, therefore, subject to reversal by the Court.

Any credit purchase you make without the approval of the Court might be illegal. The goods may have to be returned to the original owner and you probably would lose any payment you made on the purchase.

You would also place your plan in serious jeopardy if you obtained credit without approval and your case may even be dismissed.

CO-SIGNERS AND CO-MAKERS: A co-signer, co-maker or guarantor on any of your consumer debts is generally protected from contact by the creditor as long as you remain under Chapter 13. This automatic protection applies only in Chapter 13 cases. If the co-signer, co-maker, or guarantor has given collateral for the loan, the creditor must request a hearing before the Judge in order to reclaim the property. However, *this co-debtor protection will only protect co-signers, co-makers, and guarantors for the amount of debt which your plan proposes to pay.*

If your plan is not scheduled to pay the creditor in full, the creditor may obtain permission to collect the percentage of the debt that your plan is not going to pay from the co-debtor.

SELLING PROPERTY: You cannot dispose of any of your property, including land, without Court approval while you are under Chapter 13. If the Court allows you to sell any of your property for a profit, the Court will decide where the profit will go. Some or all of it may have to be applied to your Chapter 13 debts. See your attorney for exact details.

If you sell your property without permission from the Judge, the transaction may be revoked and your case could be dismissed. This includes re-financing your home or other property.

CREDIT RATING: Your credit rating during and after completion of Chapter 13 will be, as it always has been, the personal opinion of any credit grantor who looks at your record. A credit rating is not a rank or a number; it is a record of all your past credit performances. This record is made available to credit grantors who make up their own minds, using their own standards, whether or not they will grant credit to you. Lawsuits, collections, attachments or garnishments, straight bankruptcies (Chapter 7) and Chapter 13 bankruptcies are all indications of credit problems. However, after a number of years of operations and a number of successfully paid-in-full Chapter 13 cases, we find that many credit grantors look with respect upon those who have paid their debts in full under the Chapter 13 plan. Of course, any credit record that has been blemished by a problem must be gradually rebuilt. The Trustee does not provide any information to the credit reporting agencies before or after your Chapter 13.

INCOME TAX INFORMATION: The Trustee's Office is not in a position to advise you on how to file your income tax return, or the amount of interest paid to creditors. We will, upon written request, provide you with a copy of a report which will include the names of creditors that received money, or you can check your case on the internet. (See inside the front cover of this handbook for instruction) We will automatically send you reports twice each year, but you may wish to know if any additional creditors were paid during the latter part of the year. Normally creditors to whom we paid interest will send you a statement of how much interest was paid to them on your behalf. **Unfortunately, the expenses of your Chapter 13 plan are not deductible for Federal Income Tax purposes.**

IRS AND INCOME TAX RETURNS AND REFUNDS: A different office of the Internal Revenue Service, called Insolvency Special Procedures Section, processes Federal tax returns filed by Chapter 13 debtors. The IRS does this to help them avoid accidentally issuing notices in violation of the automatic restraining order. However, it often results in tax refunds being delayed. To be certain that you receive any refund in a timely manner, you should file your tax returns each year as early as you possibly can. If you owe any taxes for prior years, the refund may be kept by the IRS. If this happens, discuss it with your attorney immediately.

Pursuant to 11 U.S.C. Section 521 (f)(4)(B) you MUST submit to the Trustee's Office a copy of your Federal and State Tax Returns every year you are in the Chapter 13 Plan. The copies must show your adjusted gross income and the amount of refund to be received or amount owed.

Be sure to retain originals and send a copy to the Saginaw office — the copy you send to the Trustee's Office will be destroyed and not returned.

Also, your plan might include paying tax refunds into your plan. Ask your attorney for which tax years you are to pay your refunds into your plan. If the IRS keeps your refund to apply to other taxes you owe, or another creditor (for example, Friend of the Court), you may still be responsible for paying the refund amount to the Trustee — contact your attorney!

If your plan includes all or a portion of your tax refunds to be paid to the Trustee, and if you receive your refund directly from the IRS or State Government, you are responsible for making the refund payment to the Trustee yourself. Failure to do so could result in the Trustee filing a motion to dismiss your case with the court.

IRS AND INCOME TAX RETURNS AND REFUNDS continued...

Send the amount you are obligated to pay into your plan in a personal check, cashier's check or money order to the **Trustee's Office, Thomas W. McDonald, Jr., U.S. Bankruptcy Trustee, 3144 Davenport Avenue, Saginaw, MI 48602**. Include your name and case number and clearly mark the tax year the amount covers ("20__ income tax refund"). If you are not sure regarding your tax refund obligation, contact your attorney.

Any post-petition taxes owed to the IRS must be paid directly. Failure to do so could lead to the dismissal of your case.

*** SIX MONTH REPORT OF PLAN ACTIVITY:** Every April and October you will receive from the Trustee a Six-Month Report of Receipts and Disbursements, which includes all the financial activity on your case during the previous six months. This report will summarize all payments the Trustee has received from you, as well as all payments the Trustee has made to creditors on your behalf. If you have any questions regarding this report, please contact your attorney. *See example page 59*

*** You can review your case anytime on the internet at www.l3network.com.
(See inside the front cover of this handbook for instruction)**

DISCHARGE: The Trustee compiles a monthly list of cases that appear ready for discharge (i.e. all plan terms have been successfully completed). A review of the Court's records is performed to ensure that the Trustee has paid all claims filed by creditors. If you are required to pay a domestic support obligation, you must certify that all amounts due have been paid before you can receive a discharge order.

When it appears that your case is completed, the Trustee's Office will send a "Notice of Plan Completion" to you, your attorney, your creditors, and the Court. The Court, *not the Trustee's Office*, will issue a Discharge Order approximately 30 days after receiving the "Notice of Plan completion". The discharge means that your case has been closed because it has been completed and all creditors have been paid according to the "Order Confirming Plan". The discharge also may act as an injunction against your creditors, prohibiting them from taking unauthorized action against you after your case has ended. After all creditor disbursement checks have cleared the Trustee Office's bank, a "Trustee Final Report" will be issued, listing the amount paid to each creditor. These are very important documents that you should keep in a safe place indefinitely.

Before you can receive a discharge order you must complete an instructional course concerning personal financial management approved by the United States Trustee. Please contact your attorney for information on how to enroll for this course.

Please consult your attorney to be sure that all requirements have been satisfied to receive your discharge order.

REQUEST FOR DISMISSAL BY YOU: Federal bankruptcy law allows you to request that your Chapter 13 case be dismissed at any time. No one can force you to remain under a Chapter 13 plan.

If you desire to dismiss your case, contact your attorney. Understand, however, that a dismissal will reactivate all: unpaid or disputed debts, interest, finance charges, late filed charges which the Court did not recognize and debts to creditors who did not file their claims, and if you re-file you may not have the benefit of the automatic stay.

You will be forced to deal with these creditors on their own terms, not yours or the Court's. **The request for dismissal of your plan must be in writing.** We urge you to give careful consideration to such a decision, and discuss it with your attorney.

REQUEST FOR DISMISSAL BY YOU continued...

If you voluntarily dismiss your case after a Motion for Relief from the Automatic Stay has been filed by a creditor, you may be barred from filing another Chapter 13 case for 180 days.

CONTACT BY CREDITOR AFTER COMPLETION OF A CHAPTER 13: When a creditor has had their claim paid by Chapter 13, they may send the paid-in-full statement to you. If the creditor fails to do this, it is not necessarily a problem; the official Court records show that your plan is completely paid and would overrule most claims the creditor might make for additional money. If you receive any request for additional money after your plan is completed, contact your attorney!

ONE FINAL WORD: Complying with a Chapter 13 plan is not easy. You may have to make a substantial sacrifice to meet the obligations of your plan and to live within your Chapter 13 budget. Success is not impossible, however. Many families have already successfully completed their Chapter 13 plans. They have the satisfaction of knowing that they have resolved their debt problems without filing straight bankruptcy and that they have paid most, if not all, of their obligations to their creditors. Good Luck!