

MEMORANDUM

To: *NAFCU's Bankruptcy Guide for Credit Unions* Customers
From: Sheshunoff Information Services
Subject: Highlights

Bankruptcies are climbing again! The year-over-year bankruptcy filings are up almost 30 percent, and they continue to climb! Mortgage fraud and financial scams are serious concerns, even in bankruptcy proceedings.

The enclosed new materials provide you with the latest information on protecting your credit union against bankruptcy-related losses. This edition of *NAFCU's Bankruptcy Guide for Credit Unions* covers:

- **Fighting Bankruptcy Fraud Losses.** Most debtors in bankruptcy follow the rules and disclose all of their assets, but there are still some that would not disclose their real names unless they were forced. We take a look at ways to identify bankruptcy fraud and protect the credit union from unnecessary losses. (See the section on Bankruptcy Fraud in Chapter 3.)
- **Mortgage Fraud on the Rise!** With many local real estate markets in serious decline, it's only natural that the bad guys are looking for ways to cash in. Enter one of the fastest rising consumer crimes: mortgage fraud. We examine ways to identify this high-dollar crime and fight it within the bankruptcy process. (See the section on Mortgage Fraud in Chapter 3.)
- **Foreclosure Rescue Scams.** As if there were not enough problems facing your delinquent real estate borrowers, now a new breed of crooks is trying to take advantage of desperate homeowners. See the discussion of the risks to your credit union from foreclosure rescue scams in Chapter 3.
- **Trends in Bankruptcy.** Have you noticed the increase in bankruptcy filings? We thought so! The year-over-year bankruptcy filings are up almost 30 percent, and they continue to climb! We provide recent bankruptcy statistics from the Administrative Offices of the U.S. Courts. (See the section on Trends in Bankruptcy in Chapter 1 and Appendix A.)
- **Foreclosure and the Automatic Stay.** One of the hidden treasures of Bankruptcy Reform was the addition of a special provision that allows for a two-year relief from stay when the debtor acts to "delay, hinder or defraud" the creditor. We take a closer look at this new weapon in Chapter 2. (See Automatic Stay and Real Estate in Chapter 2.)
- **Post-Surrender Deficiency Claims.** More federal courts are deciding the question of surrendering cars in full satisfaction of deficiency claims. You may be surprised by the trend. (See Post-Surrender Deficiency Claims in Chapter 6.)
- **Concealment, Bust Outs, and Red Flags.** We have added additional material on some of the most common bankruptcy fraud schemes and provided a checklist of common fraud indicators. (See the section on Bankruptcy Fraud in Chapter 3.)
- **Protect Your Interests by Attending the 341 Hearing.** Don't forget about the importance of attending a 341 hearing if you suspect fraud or want to cut a deal with the debtor's attorney. It's the only time all the major players will be in the same place at the same time. We review the details of attending the Meeting of Creditors in Chapter 3.