

How to Use This Manual

A credit union is a unique financial institution that has a twofold purpose:

- To provide services to its membership, including individuals in the field of membership who are unable to get credit elsewhere
- To make enough money each year to cover all operating expenses and expand its services to its members from year to year

On occasion, these two purposes can conflict. The first consideration — helping the member — is primarily the domain of the loan department. The loan department determines the risk the credit union will accept in making loans to members. It views these risks in the overall context of providing services to its members.

The second objective — making enough money to prosper — is affected directly by reducing delinquency to the lowest possible percentage of outstanding loans. This means avoiding unacceptable risks, identifying problem loans in early stages of delinquency, working with members to repay their debts, and protecting the credit union's interests should the delinquency result in a member bankruptcy.

NAFCU's Bankruptcy Guide for Credit Unions provides the information and materials your credit union needs:

- To help prevent bankruptcies from occurring
- To follow through on bankruptcy cases filed by members
- To help reduce your losses associated with bankruptcy filings and aggressively pursue the interests of your other members

The manual explains all of the legal issues and procedures involved in a bankruptcy proceeding to help you understand the actions your credit union needs to take when a member files for bankruptcy. It explains each of the bankruptcy chapters that credit union members are likely to file under and tells you what your credit union needs to do under each bankruptcy chapter. It provides checklists of actions that you should take, discusses actions you must not take, provides all of the bankruptcy forms with explanations, provides statutory cites, and provides sample letters

and documents. It also discusses relevant case law to help you keep current on how the courts are interpreting legal issues related to bankruptcy filings. Full coverage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (Bankruptcy Reform Act) is included throughout.

This manual can be used as a reference guide to answer questions and also as a hands-on guide for protecting your credit union's interests when it becomes involved in a bankruptcy proceeding. The manual is organized into the following sections, each dealing with a different aspect of the bankruptcy process.

Chapter 1 — Overview. Provides an overview of bankruptcy issues to help you understand the process as a whole.

Chapter 2 — The Automatic Stay. Focuses on one of the most important aspects in a bankruptcy proceeding, the automatic stay.

Chapter 3 — Discharge of Debts. Focuses on another important aspect of a bankruptcy proceeding, the discharge.

Chapter 4 — Creditor Issues. Presents all of the important actions that credit unions should consider taking when making loans to members and the important actions you should take when you are a party to a bankruptcy proceeding. It defines important terms and explains the process credit unions must go through in a bankruptcy proceeding. It also helps you evaluate what the best course of action is for each bankruptcy proceeding.

Chapter 5 — Bankruptcy Filed Under Chapter 7. Explains the unique issues that credit unions face when a member files for bankruptcy under Chapter 7.

Chapter 6 — Bankruptcy Filed Under Chapter 13. Explains the unique issues that credit unions face when a member files for bankruptcy under Chapter 13.

Chapter 7 — The Official Forms. Provides an explanation of each of the bankruptcy forms that must be filed and includes a copy of each of the forms. The information in this chapter will help you complete bankruptcy forms accurately and file them with the court in a timely manner.

Chapter 8 — Chapter 12 Bankruptcy. Explains debt relief available to family farmers and fishermen.

Glossary. The glossary defines legal and technical terms that relate to bankruptcy and collections.

Appendixes. Statistical information from governmental sources on the number of bankruptcy filings is provided. This information will be updated periodically to provide you with current information on the rise or fall in consumer bankruptcies.