

How to Use This Manual

A financial institution has two primary purposes:

- To provide service to its customers
- To make a profit for shareholders and to fund growth for the institution

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

The second objective — making enough profit 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 customers to repay their debts, and protecting the institution's interests should the delinquency result in a customer bankruptcy.

Practical Guide to Bankruptcy: Protecting the Bank Against Bankruptcy-Related Losses provides the information and materials your financial institution needs:

- To help prevent bankruptcies from occurring
- To follow through on bankruptcy cases filed by customers
- To help reduce your losses associated with bankruptcy filings and aggressively pursue the institution's interests

The manual explains all of the legal issues and procedures involved in a bankruptcy proceeding to help you understand the actions your institution needs to take when a customer files for bankruptcy. It explains each of the bankruptcy chapters that customers are likely to file under and tells you what your institution 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 financial institution’s interests when it becomes involved in a bankruptcy proceeding. The manual is organized into nine 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 financial institutions should consider taking when making loans to customers and the important actions you should take when you are a party to a bankruptcy proceeding. It defines important terms and explains the process financial institutions 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 financial institutions face when a customer files for bankruptcy under Chapter 7.

Chapter 6 — Bankruptcy Filed Under Chapter 13. Explains the unique issues that financial institutions face when a customer 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.

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.

In addition, the CD for *Practical Guide to Bankruptcy: Protecting the Bank Against Bankruptcy-Related Losses* contains the entire manual to provide you with quick reference information and the capability to customize the many sample forms and letters contained in the manual.