

# Bankruptcy Court Explained

From financial crisis to a supported client decision

A practical coursebook with documented financial examples, completed court papers, changed-fact exercises and reasoned answers.

## PROGRAM FACULTY

Peter S. White II • Alexander Knipenberg • Eugene D. Toussaint

## PRESENTED IN PARTNERSHIP WITH



**LATINO LAWYERS ASSOCIATION  
OF QUEENS COUNTY**

PARTICIPANT REVIEW EDITION 2.0 • OCTOBER 10, 2026

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# About the course

Consumer debt, home preservation, and a workable fresh start.

This course develops the episode's discussion of consumer bankruptcy into a practical guide for attorneys evaluating debt relief, protecting assets, and helping homeowners make sustainable decisions. It concentrates on Chapters 7 and 13, with New York exemptions, Second Circuit decisions, and Eastern and Southern District practice where relevant.

Consequential law and official guidance were rechecked for this October 12, 2026 quality revision. The recording date has not been independently established. The book separates recorded shorthand from current law, including the Second Circuit's Soussis decisions and the current Bankruptcy Rules. Rivera and the other cases, source-style records, court papers, calculations and exercises are fictional editorial teaching additions; they are not faculty case accounts or adopted speaker statements.

**Proposed New York CLE credit: 1.5 Areas of Professional Practice, subject to approval of the final course.** This written review edition does not establish accreditation or attendance credit.

The intended reader is an attorney entering consumer-bankruptcy or homeowner-assistance work. Commercial Chapter 11 practice, detailed tax litigation, cross-border proceedings, and every district's local rules are outside the book's scope. Necessary exceptions are identified where they change the advice.

## What you will be able to do

1. Select a potentially suitable chapter by testing goals, eligibility, assets, income, and prior filings.
2. Prepare an initial filing calendar and distinguish ordinary, repeat-filing, and property-specific stay issues.
3. Identify reportable property and compare exemption choices using stated values and liens.
4. Calculate a Chapter 13 payment and test liquidation value, disposable income, fees, and feasibility.
5. Compare mortgage cure, modification, and permissible lien treatment; choose a supported claim-challenge procedure.
6. Evaluate student-loan and tax-discharge issues and deliver a supported client recommendation.

## A practical reading path

Chapters 1–4 establish the choice of relief, the filing, and the property at stake. Chapters 5–9 develop the repayment plan and the work needed to keep it viable. Chapters 10–11 address difficult debts, predatory proposals, and a completed client recommendation. Numbered citations link to the authorities at the back.

Attorneys with Swag × Latino Lawyers Association of Queens County. Participant review edition 2.0 • October 10, 2026. Quality revision Q1 • October 12, 2026. Legal sources rechecked October 12, 2026.

# Meet the faculty

Peter S. White II, Esq.



## **Director, NYC Mayor's Office of Deed Theft Prevention**

Peter S. White II is Director of New York City's Mayor's Office of Deed Theft Prevention. Appointed in April 2026, he leads a coordinated citywide effort to prevent deed fraud, support affected homeowners, and strengthen the response across public agencies.

He previously served as Supervising Attorney for Homeowner Assistance at Access Justice Brooklyn, representing homeowners facing foreclosure and deed theft. His experience includes community outreach, legal clinics, and continuing legal education on bankruptcy and homeownership preservation. He earned his bachelor's degree from Fordham University and his J.D. from St. John's University School of Law.

**Education:** Bachelor's degree, Fordham University; J.D., St. John's University School of Law

**Admission:** New York, 2015

**Current role:** Director, NYC Mayor's Office of Deed Theft Prevention; appointed April 24, 2026

**Prior role:** Supervising Attorney for Homeowner Assistance, Access Justice Brooklyn

**Experience:** Foreclosure defense, deed-theft prevention, homeowner clinics, and bankruptcy CLE

# Meet the faculty continued

Alexander Knipenberg, Esq.



**Deputy Program Director for Consumer and Economic Advocacy, Build Up Justice NYC**

Alexander Knipenberg is Deputy Program Director for Consumer and Economic Advocacy at Build Up Justice NYC, formerly Brooklyn Legal Services Corporation A. His work includes consumer bankruptcy and homeownership preservation, and he has taught continuing legal education on Chapter 7 and Chapter 13 bankruptcy.

He earned his J.D. from Hofstra University's Maurice A. Deane School of Law and his B.A. in Political Science and Sociology from the University of Toronto. Before joining the organization full time, he worked there as a Pro Bono Scholar and participated in Hofstra's Community and Economic Development Clinic. He is admitted in New York and the U.S. District Courts for the Eastern and Southern Districts of New York, and he is fluent in Russian.

**Education:** B.A., Political Science and Sociology, University of Toronto; J.D., Maurice A. Deane School of Law at Hofstra University

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# Meet the faculty continued

Eugene D. Toussaint, Esq.



**President, Attorneys With Swag Inc.; Staff Attorney, The Legal Aid Society**

Eugene D. Toussaint is President of Attorneys with Swag Inc. and a staff attorney in The Legal Aid Society's Criminal Defense Practice in Queens. As a public defender, he represents people facing criminal charges. He founded AWS to make legal knowledge accessible through its podcast, music, and community education programs, and serves as a host and showrunner.

He graduated from Mount Saint Vincent in 2010 after studying history and psychology and earned his J.D. from St. John's University School of Law in 2014. He was admitted to the New York bar in 2015. A Bronx native and first-generation college graduate, he developed his interest in public education and community organizing alongside his legal career.

**Education:** Mount Saint Vincent, 2010, history and psychology; J.D., St. John's University School of Law, 2014

**Admission:** New York, 2015

**Leadership and practice:** President, Attorneys With Swag Inc.; staff attorney, The Legal Aid Society, Queens Criminal Defense Practice; AWS host and showrunner

# 1. Choose relief around the client's goal

A filing is useful only if the available relief fits the problem and the client can carry out the strategy.

## 1.1 The first interview is a decision, not a form

Bankruptcy law is principally in **Title 11 of the United States Code**. Chapter 11 is one part of that title. The distinction matters because a consumer who needs a Chapter 13 repayment plan is not necessarily entering a corporate Chapter 11 reorganization. The episode's homeowner perspective begins with a concrete question: what must this client preserve, stop, or discharge?

Ask first about the next threatened event: a foreclosure sale, garnishment, repossession, utility termination, or lawsuit. Obtain the actual notice and docket. Then identify the desired end state. A client who wants to keep a home and cure arrears presents a different problem from someone who wants to surrender an unaffordable home and address personal liability. A temporary interruption of collection is not a sustainable outcome by itself.

The Rivera teaching case. Maya Rivera owns and occupies a Brooklyn home valued at \$500,000. Her sole mortgage claim is \$330,000: \$300,000 ongoing principal and \$30,000 of curable interest, escrow advances and charges without duplicate principal. Ordinary unsecured claims total \$42,000 after the documented payment correction. She returned to employment but a permanent October hours reduction affects current earnings. A foreclosure sale is approaching. She wants to retain the home. Section 1.5 supplies the complete fictional starting records; later sections distinguish the unfunded base case from supported variations.

The initial recommendation is to investigate Chapter 13 promptly, while comparing a workout and testing property, eligibility, and affordability. It is not yet a recommendation to file. Counsel still needs a supported valuation, an itemized payoff and arrears statement, income records, an exemption analysis, prior-case records, and the exact foreclosure posture. Chapter 7 might address unsecured personal liability but does not supply Chapter 13's installment cure of mortgage arrears. A negotiated modification may help, but a pending application should not be mistaken for a bankruptcy stay. [6] [22] [46]

## 1.2 Match the chapter to the available work

Chapter 7 generally administers nonexempt estate property for creditors and may provide an eligible individual a discharge. The discharge does not automatically remove valid liens. Chapter 13 permits an eligible individual with regular income to propose a court-confirmed plan. It can preserve property while curing defaults and paying the amounts the Code requires. The debtor must be able to fund the plan; a desire to keep every asset is not proof of feasibility. [1] [4] [21] [22]

For cases filed on or after April 1, 2025, the relevant Chapter 13 limits are **less than \$526,700 in noncontingent, liquidated unsecured debt and less than \$1,580,125 in noncontingent, liquidated secured debt**. Equality with a limit is not “less than.” Apply the statutory classification and petition-date facts; disputed debt is not automatically unliquidated. The temporary combined \$2.75 million limit discussed in older materials expired in June 2024.

[1] [2]

Chapter 7 means testing is a separate inquiry from Chapter 13 debt eligibility. For an individual with primarily consumer debts, section 707(b) addresses abuse, including a means-test presumption and, where applicable, bad faith or the totality of circumstances. Above-median income does not itself prohibit Chapter 7. Nor does falling below median establish immunity from every objection or other dismissal ground. The statutory income measure generally looks to the six calendar months before filing and contains exclusions; current earnings and actual ongoing expenses remain essential to advice and feasibility. [3] [48]

**Changed fact.** Rivera’s job ended permanently and no replacement or dependable contribution is available. Her old pay stubs may still affect the statutory lookback, but they do not establish the ability to make future payments. Investigate reliable income, a sustainable modification, sale, or surrender. Do not present an unfunded plan as a cure simply because the debt limits are satisfied.

### 1.3 Alternatives and the other chapters

A workout may preserve a favorable loan or avoid estate administration. Debt defenses, collection exemptions, and a negotiated sale may also matter. Compare actual terms, deadlines, fees, tax consequences, and exposure to renewed collection. Avoid blanket promises that bankruptcy will immediately improve a credit score, that every collection defendant needs to file, or that a lawyer can guarantee a creditor’s agreement.

The episode also locates other chapters. Chapter 11 can serve businesses and individuals and brings a different restructuring framework; it is not limited to corporations. Chapter 9 concerns qualifying municipalities, Chapter 12 qualifying family farmers or fishermen, and Chapter 15 recognition and assistance involving foreign insolvency proceedings. Their eligibility requirements and procedural demands are distinct. They are context for referral here, not alternative labels for a consumer Chapter 13 case. [1]

### 1.4 Prior filings: three separate questions

Obtain every prior petition date, disposition, discharge, dismissal order, and stay-relief order. Ask separately whether the person may file, whether the new case supplies a stay, and whether a new discharge is available. A prior case can affect one without answering all three.

For a new Chapter 7 discharge, section 727(a)(8) generally imposes an eight-year interval measured from the commencement of a prior Chapter 7 or 11 case in which a discharge was

granted. A prior Chapter 12 or 13 discharge invokes a different six-year provision with payment-based exceptions. For Chapter 13, section 1328(f) generally addresses a prior discharge in a case filed within four years under Chapters 7, 11, or 12, or within two years under Chapter 13. These are discharge provisions, not a universal statement that a person may file only once every eight years. Section 109(g), specific court orders, and repeat-filing stay rules require their own review. [1] [4] [5] [6]

Completed screen. A client received a Chapter 7 discharge in a case filed October 8, 2021 and seeks relief October 9, 2026. The earlier filing lies outside the ordinary four-year Chapter 13 discharge interval but within the ordinary eight-year Chapter 7 interval. Neither answer proves good faith, feasibility, an effective stay, or absence of another filing bar. Section 1.6 supplies the equality-at-the-limit and changed-prior-chapter examples. [1] [4] [5]

## 1.5 Rivera file R: establish the facts before choosing relief

The records throughout this book are fictional teaching exhibits. They contain enough information to perform the illustrated task; they are not a complete petition package, actual court filings, or statements by the faculty. Dates after the editorial review date describe a simulated future case. A displayed signature is an example, not an actual execution. Dollar figures are U.S. dollars unless stated otherwise.

**R1 — Interview and case history, October 8, 2026.** Maya Rivera, age 46, lives alone in the Brooklyn home she has owned and occupied since 2016. She has remained domiciled in New York throughout that period. Her goal is to retain the home, but she authorizes comparison with an orderly sale if keeping it requires an unsustainable budget. A simulated foreclosure notice sets a November 19 sale. Her only earlier bankruptcy was a Chapter 13 filed October 3, 2025, confirmed December 16, 2025, and dismissed March 9, 2026 after missed payments following job loss. The dismissal was involuntary; it contains no refiling injunction. No discharge was entered. The docket has no creditor stay-relief motion or in rem order. The current title search also finds no recorded section 362(d)(4) order. Those are document findings, not conclusions drawn solely from Rivera's recollection.

**R2 — Loan and claim reconciliation.** The current mortgage account identifies Harbor Residential Lending LLC, a fictional nonbank owner and servicer, as holding the only lien. Its teaching payoff separates \$300,000 of remaining principal from \$30,000 of unpaid interest, escrow advances, and contractually recoverable charges; the arrears contain no duplicate principal. The ongoing principal amortizes at 3% over 300 remaining months: \$1,422.63 monthly principal and interest, plus \$500 escrow. For the base example, counsel's contract and applicable-law review finds no additional interest payable on the cure. The \$30,000 is cured once, through the plan. Ordinary unsecured claims total \$42,000 after the payment correction in Chapter 8: Orion Receivables LLC \$8,600; Hudson Medical Services \$13,400; Metro Retail Credit LLC \$10,000; Cedar Personal Lending LLC \$10,000. These are separate fictional entities, not real creditors.

**R3 — Earnings and current budget.** Rivera returned to work on April 1. Gross wages were \$7,800 in each of April through September. An employer letter dated September 28 permanently reduces her scheduled hours effective October 1: gross monthly pay is now \$6,800, without dependable overtime. A reconciled tax projection uses \$1,400 monthly taxes, with no anticipated refund; employee health-insurance premiums are \$375. Current take-home income is therefore \$5,025. No support income, business income, pension, retirement deduction, or other household contribution exists in the base file. The itemized current living budget in Chapter 5 totals \$4,225. The \$800 difference is money available for a plan, not the statutory disposable-income result.

**R4 — Counseling and authorization.** The simulated approved-agency briefing occurred October 6. Rivera reviews and authorizes her petition and schedules after counsel resolves the discrepancies below. Neither an unsigned petition nor a promise to obtain counseling after an emergency filing substitutes for compliance. The proposed filing date is Friday, October 9, 2026. No automatic stay is represented as existing before the actual filing. [1]

**Completed recommendation at intake.** Chapter 13 supplies a possible arrears cure, but the verified \$800 budget will not fund the base plan developed in Chapter 5. Chapter 7 would expose nonexempt assets and would not itself produce an installment mortgage cure. A workout remains a parallel option, subject to actual written terms and sale protection. Thus counsel's next decision is whether an evidenced funding change or acceptable modification can close the deficit before pursuing a sustainable Chapter 13 strategy. Do not describe eligibility as a promise of confirmation.

## 1.6 Two independent eligibility screens

**Debt-limit exercise.** A separate client has \$526,699 of noncontingent, liquidated unsecured debt and \$1,580,124 of similarly classified secured debt at filing. Each amount is below its corresponding current limit by \$1. Add a \$1 liquidated unsecured obligation: \$526,700 equals the limit and fails that part of section 109(e). Calling the dollar “disputed” does not necessarily change whether it is liquidated. This is an eligibility calculation; it does not decide whether Chapter 7 is abusive or whether a Chapter 13 plan is feasible. [1] [2]

**Prior-discharge exercise.** For a proposed October 9, 2026 filing, an earlier Chapter 7 case commenced October 8, 2021 and ended in a discharge. The ordinary eight-year Chapter 7 interval has not elapsed; the four-year Chapter 13 interval has. Change the earlier case to a Chapter 13 filed October 10, 2024 with a discharge: October 9, 2026 remains within the two-year Chapter 13 interval. In each version, check a distinct section 109(g) bar, an actual court injunction, good faith, and the stay rules. For Rivera, the March 9 dismissal is more than 180 days before October 9, and the disclosed order contains no refiling prohibition; the previous failed confirmed plan nevertheless matters to the repeat-stay presumption. [1] [4] [5] [6]

## 2. File with a calendar and a stay strategy

Emergency relief depends on eligibility, complete follow-through, and the correct response to prior cases.

### 2.1 What must be ready before the petition

An emergency does not erase the duty to investigate. Verify identity, venue, previous filings, the debtor's signature and authorization, the threatened action, and any recorded property-specific stay order. Determine which petition documents, creditor information, and fee arrangements the court requires to commence the case. Use the current official forms and the selected court's filing instructions.

Most individual debtors must receive the approved credit-counseling briefing during the 180 days before filing. Section 109(h) contains specific exceptions and a narrowly conditioned exigent-circumstances route. A sale tomorrow is not by itself an exemption. Distinguish prepetition counseling from the later financial-management requirement associated with discharge. [1] [4] [5]

### 2.2 The opening calendar: requirements and actual dates

The table identifies the independent filing and payment triggers. Section 2.5 completes the calendar for an October 9, 2026 filing, including actual dates, weekend handling and closure evidence. A later deadline under one provision does not extend an earlier one. Read any applicable exception or actual court order. [7] [8] [9] [10] [53]

| Trigger or period                      | Required response                                                                                                                                                                                             |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Before filing                          | Confirm counseling eligibility, venue, authority to file, creditor information, prior-case effects, and the facts supporting relief.                                                                          |
| Petition / order for relief            | File the required commencement papers. Record the case number and notify affected collection actors through appropriate procedures.                                                                           |
| Within 14 days after the petition      | File the schedules and statements governed by Rule 1007(c) if not filed with the petition. File the Chapter 13 plan within Rule 3015(b)'s period unless the court extends for cause.                          |
| 30 days: earlier statutory trigger     | Begin section 1326(a) payments within 30 days after filing the plan or the order for relief, whichever is earlier, unless otherwise ordered. Evaluate required direct adequate-protection and lease payments. |
| Section 521(i): 45-day document period | Assess automatic dismissal for specified section 521(a)(1) information, exceptions, and timely relief. This does not extend the 14-day deadline.                                                              |

**Changed fact.** The plan is filed on day 14. The initial payment does not ordinarily wait until day 44: the order for relief occurred at filing, so the earlier statutory trigger controls. This is why “30 days after the plan” is incomplete advice. [10]

## 2.3 What the stay does—and what relief requires

Section 362(a) stays specified acts, including many efforts to continue prepetition litigation, collect prepetition claims, or enforce liens against covered property. The scope is statutory. Exceptions include specified criminal proceedings and domestic-support matters. A debt’s possible nondischargeability does not by itself mean every collection act is outside the stay. Read the relevant exception rather than assuming a single rule for all debts. [6]

A creditor may seek relief from the stay, including for cause such as inadequate protection, or under the statutory no-equity/not-necessary-to-reorganization test. Counsel defending a home should therefore be ready with payment history, valuation, insurance, a feasible plan, and the reason continued protection serves an effective reorganization. A filing alone does not prove those facts.

**Supported violation response.** If a collector continues a covered garnishment after learning of the filing, preserve the order, transaction dates, notices establishing knowledge, communications, amounts taken, and resulting losses. Request cessation and appropriate restoration, then evaluate court relief. Section 362(k) permits an injured individual to recover actual damages, including costs and attorney’s fees, for a willful violation, with punitive damages in appropriate circumstances. The existence of a filing does not establish knowledge, injury, willfulness, or a particular damages award. [6]

## 2.4 Repeat filings and property-specific orders

The episode correctly warns that serial filings can undermine protection, but the number and timing of prior dismissed cases matter. Under section 362(c)(3), one qualifying case pending within the preceding year and dismissed generally triggers a 30-day termination rule in the later case. A timely motion, hearing completed before the period expires, and the required good-faith showing are critical. A statutory presumption of bad faith, when triggered, requires clear and convincing evidence to rebut. Courts differ over the scope of the termination language; do not assure a homeowner that estate property remains protected without controlling-law analysis. [6]

Where two or more qualifying cases were pending within the preceding year and dismissed, section 362(c)(4) generally prevents the stay from taking effect. A party in interest may seek an order imposing it through the prescribed motion within 30 days, supported by the required showing. This is a request to impose protection, not merely to extend an existing ordinary stay. Statutory exceptions must be checked in both routes.

Section 362(d)(4) addresses a different problem: a scheme to delay, hinder, or defraud creditors involving a transfer of property interests or multiple bankruptcy filings affecting real property. A properly recorded order can bind the property in later cases for two years,

subject to statutory relief for changed circumstances or good cause. Search the property and bankruptcy records; asking only whether this client previously filed will miss an order arising from someone else's case. [6]

Rivera's prior confirmed Chapter 13 case was dismissed March 9, 2026 after job loss and missed plan payments. The docket triggers a section 362(c)(3) analysis and the applicable bad-faith presumption; new employment alone does not prove a workable replacement plan. Sections 2.6–2.7 supply the completed motion, declaration, exhibits, proposed order and service sequence for the separately supported \$300-contribution variation. The base \$800 budget must not be described as funded. A second qualifying prior dismissal or a recorded in rem order changes the request. [6]

## 2.5 Dated calendar C: the filing does not finish the job

This calendar assumes the voluntary Chapter 13 petition is actually filed October 9, 2026; no contrary order or applicable exception changes the stated requirements. Rule 9006 counts intermediate weekends and holidays. It ordinarily moves a deadline falling on a weekend or legal holiday to the next business day. Do not use that general rule as a reason to schedule a section 362(c)(3) hearing after the literal 30-day period. The simulation deliberately completes the hearing earlier. Verify the docket's actual dates and assigned judge's procedures. [7] [8] [9] [10] [52] [53]

| Event                                                     | Computation and scheduled action                                                                        | Evidence that closes the task                                                                             |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Petition and creditor list                                | October 9; counseling already completed October 6                                                       | Filed petition, signatures, certificate, creditor matrix and receipt                                      |
| Schedules, financial statements and required income forms | 14 days after October 9 = Friday, October 23                                                            | Filed complete forms and documented debtor review; seek any permissible extension before its own deadline |
| Chapter 13 plan                                           | With petition or within 14 days: October 23 here                                                        | Filed plan and service; local form and nonstandard-provision requirements checked                         |
| Repeat-stay request                                       | Serve October 13; file October 14 under the local sequence; simulated court-approved hearing November 4 | Notice, motion, declaration, exhibits, full service, hearing actually concluded, entered order            |

| Event                                   | Computation and scheduled action                                                                                                        | Evidence that closes the task                                                                                  |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Initial plan payment                    | 30 days after the earlier filing/order-for-relief trigger gives Sunday, November 8; ordinary Rule 9006 computation points to November 9 | Internal target November 6, with cleared payment evidence; do not rely on a last-day transfer                  |
| Section 521 information backstop        | 45 days ends November 23; section 521(i) can produce automatic dismissal effective day 46, November 24, subject to its provisions       | Required information timely filed; any permitted relief actually obtained, not merely requested after the fact |
| Ordinary nongovernmental claim deadline | 70 days after order for relief = December 18                                                                                            | Court notice, claims register and applicable exception review                                                  |
| General governmental claim period       | 180 days = April 7, 2027                                                                                                                | Actual governmental-claim rule and court notice; tax-specific exceptions separately checked                    |

The section 521 backstop is not an extension of the 14-day filing deadline. The November 6 payment target is a prudent operational date, not a new statutory rule. Filing the plan on October 23 does not move the first-payment trigger to November 22. The section 341 meeting and confirmation hearing must be taken from the issued notice; they are not dates counsel can invent from this table. [7] [9] [10] [35]

## 2.6 Completed extension packet S: use only the funded variation

**Why the variation matters.** The base \$800 budget cannot support the plan. Packet S adds a disclosed, independently documented fact: on October 12, Rivera’s sibling Ari commits \$300 monthly for 60 months, starting in October. Ari’s verified monthly net income is \$4,200; itemized expenses are \$3,000, leaving \$1,200 before this contribution. Ari’s first \$300 transfer has cleared. This leaves \$900 in Ari’s budget and raises Rivera’s available plan cash to \$1,100. Chapter 5 tests the contribution in projected income as well as cash. If that evidence is absent or unreliable, the declaration and requested finding below are not true and must not be used. A promise that a relative might help is insufficient.

**S1 — Notice and motion, teaching extract.** United States Bankruptcy Court, Eastern District of New York. In re Maya Rivera, Chapter 13, case number SIM-RIVERA-26 (simulation only). Debtor’s motion to continue the automatic stay under 11 U.S.C. §362(c)(3)(B).

To all creditors, the Chapter 13 trustee, the United States trustee, and other parties in interest: the debtor requests a hearing on November 4, 2026 at 10:00 a.m., on the assumed assigned judge’s calendar and by the method specified in the simulated hearing notice.

Opposition must be received by October 28; reply by October 30, unless the court orders otherwise. These dates are teaching assumptions reflecting the local periods, not an actual hearing reservation. The requested relief is continuation of the automatic stay as to all creditors beyond the 30-day period following the October 9 filing, subject to the Code and the order below. No discharge, claim allowance, lien avoidance, or confirmation is requested in this motion.

Rivera moves on her declaration and Exhibits S-A through S-D. Her only prior case within the preceding year was dismissed March 9 after default under a confirmed plan. She therefore addresses the presumption under section 362(c)(3)(C)(i)(II)(cc), rather than asserting that one prior case cannot trigger it. The former job loss, new employment, permanent October hours reduction, current budget, contribution capacity, and first funded payment are disclosed together. She requests a finding, on clear and convincing evidence, that the later filing is in good faith as to the creditors to be stayed and can result in a fully performed plan. The evidence is offered for that finding; counsel cannot make the court's finding by labeling the motion "good faith." [6]

The chapter's comparison shows a required gross teaching payment of \$988.54 against \$1,100 available in this variation, with an approximately \$111.46 monthly margin. The motion does not conceal the base-case deficit or guarantee future performance. It identifies the home, mortgage terms, current insurance, and approaching November 19 sale; it proposes maintaining the \$1,922.63 ongoing mortgage payment outside the plan and paying the \$30,000 cure within it. All creditors receive notice. Counsel requests completion of the evidentiary hearing before November 8 and prompt entry of an order. If the calendar cannot accommodate that, counsel must timely seek expedited treatment with the showing required by the assigned court; merely filing this motion does not extend the stay. [6] [52]

**S2 — Rivera declaration.** I, Maya Rivera, state from personal knowledge: I lost my former job in January 2026 and missed the payments that led to dismissal on March 9. Exhibit S-A accurately summarizes my prior docket and attaches the simulated dismissal and confirmation entries. I began my new employment April 1. My employer reduced my hours October 1; the attached letter and pay records show \$6,800 current monthly gross wages, not the earlier \$7,800. I have reviewed the \$5,025 net-income and \$4,225 living-expense schedule in Exhibit S-B and can explain each expense. I have no undisclosed anticipated overtime or other household income.

My sibling Ari has committed the \$300 monthly contribution shown in Exhibit S-C. I received the first transfer on October 12. I understand that this support must be disclosed and that my ability to pay must be revisited if it stops. Exhibit S-D identifies the mortgage, insurance and foreclosure notice. I seek to keep and pay for my home, not to obtain successive delays without a workable plan. I will make the proposed \$988.54 payment, maintain the ongoing mortgage and insurance, report material changes, and attend the hearing. I have disclosed the foreign land interest, collectible cards, injury claim and joint account described in Chapter 3; I have not transferred them to avoid creditors. I declare

under penalty of perjury that the foregoing is true and correct. Executed October 12, 2026.  
/s/ Maya Rivera — simulated execution only. [54]

**S3 — Attached factual exhibits.** S-A: October 3, 2025 petition; December 16 confirmation; March 9, 2026 dismissal for missed confirmed-plan payments; no discharge, creditor stay-relief motion, refiling injunction, or recorded in rem order found. S-B: six \$7,800 gross monthly wage totals, September 28 employer letter reducing current pay to \$6,800, tax and insurance deductions, and the complete current budget and plan calculation printed in Chapter 5. S-C: Ari’s signed teaching declaration committing \$300 per month through September 2031, income \$4,200, expenses \$3,000, and October 12 transfer receipt for \$300; support is voluntary and its continued reliability must be monitored. S-D: \$500,000 appraisal, \$330,000 reconciled mortgage claim, \$1,922.63 ongoing payment, \$30,000 separate cure, insurance in force, and November 19 sale notice. These summarized exhibits supply the facts used in the simulation; a real application must attach the authentic underlying documents and comply with redaction requirements.

**S4 — Proposed operative order.** After notice to all creditors and parties in interest and a hearing concluded November 4, 2026, the court finds, on the evidence received, that the debtor has rebutted the applicable presumption by clear and convincing evidence and that the filing is in good faith as to the creditors to be stayed. It is ORDERED that the stay under 11 U.S.C. §362(a) is continued under §362(c)(3)(B) as to all creditors beyond the period ending on the 30th day after October 9, 2026, until it terminates under applicable law or further order. The debtor shall maintain the current mortgage and insurance obligations and timely commence plan payments as required by the Code and applicable orders. This order does not confirm a plan, adjudicate a claim or lien, cure a filing defect, or preclude a properly supported request for stay relief. Proposed for judicial consideration; no judicial signature or entry is represented.

## 2.7 Service is part of the work product

**S5 — Simulated service record, October 13.** The server places the notice, motion, declaration, exhibits and proposed order in properly addressed first-class mail with postage prepaid to each of the five fictional creditors at its verified current address: Harbor Residential Lending LLC, attention Managing Agent; Orion Receivables LLC, attention Managing Agent; Hudson Medical Services, attention Managing Agent; Metro Retail Credit LLC, attention Managing Agent; Cedar Personal Lending LLC, attention Managing Agent. The simulation assumes each is a domestic entity and none is an insured depository institution or governmental unit. The same complete packet is mailed to the debtor, debtor’s counsel, the assigned Chapter 13 trustee and the United States trustee at their current docket-designated addresses. The exercise’s address sheet uses “SIMULATION — NO MAILING ADDRESS” for each recipient; it is deliberately not a real service list. All real names, addresses, agent designations and service methods must be populated from the actual docket before use.

**Completed certificate wording.** “I served the documents identified above on October 13, 2026 by depositing complete copies in first-class United States mail, postage prepaid, addressed to every recipient on the attached verified service list. I compared that list with the creditor matrix and requests for notice on the docket that day. I declare under penalty of perjury that this account is true and correct. /s/ Sample Process Server, October 13, 2026.” This is an illustrated certificate, not evidence that anyone has been served. The packet is filed October 14 under the assumed local sequence; counsel notifies chambers within the local three-day period and retains service proof. October 13 to November 4 supplies 22 days, exceeding the local 14-day motion period plus three days for first-class mail. The first hearing on this stay request may be evidentiary: bring witnesses and admissible documents. [52] [53] [54] [55]

**Changed service fact.** If Harbor is instead an insured depository institution and no exception applies, ordinary mail merely to “customer service” is insufficient. Rule 7004(h) requires certified mail addressed to an officer; appearance by counsel and the other enumerated exceptions must be checked. A notice-of-electronic-filing receipt does not by itself replace service required by Rule 7004. If a federal agency is an affected creditor, analyze the additional United States and agency service requirements. [55]

**Changed repeat-filing fact.** Discovery of a second qualifying case pending and dismissed in the previous year moves the request to section 362(c)(4). There is no automatic stay on October 9 under that rule; a motion within 30 days seeks to impose it, effective upon the order’s entry. Change the title, requested relief, declaration, presumption analysis and proposed order; do not tell the sale referee protection exists merely because this motion was filed. A recorded in rem order entered December 1, 2025 may separately bind a later filing within two years. Request relief from that order on supported changed circumstances or good cause; changing the debtor’s name does not remove the property-specific order. [6]

## 2.8 Garnishment response V: prove knowledge and loss

In a separate ordinary-stay case, an October 9 petition is followed by an October 10 written notice to the collector and employer. A delivery receipt and collector’s October 12 acknowledgment establish receipt. Payroll nevertheless remits \$240 on October 16; bank records show a resulting \$35 overdraft fee. A completed first response states: “Please halt the covered prepetition garnishment immediately, identify any additional deductions after October 9, and restore the \$240 remitted October 16. The enclosed filing notice, acknowledgment, pay statement and bank charge identify the conduct and loss. Please confirm the hold and remittance correction today.” The supporting loss schedule lists \$240 withheld, \$35 documented bank loss, and separately documented reasonable legal work; no invented punitive multiplier is added. Counsel evaluates section 362(k) relief if the matter is not corrected. If the collector did not learn of the filing until October 20, the proof of willfulness for October 16 changes; filing alone does not prove knowledge. Check the actual stay, applicable exception, actor and conduct before using this response. [6]

## 3. Build a truthful, verifiable financial record

The schedules, trustee examination, and plan must describe the same financial reality.

### 3.1 Property means more than the assets a client remembers

Section 541 broadly brings the debtor's legal and equitable interests at commencement into the estate, wherever located, subject to statutory exclusions and qualifications. An account overseas, an ownership interest in a family business, a tax refund, and an unliquidated lawsuit may matter even if the client cannot immediately spend the money. Chapter 13 also reaches specified later-acquired property and earnings under section 1306. [11] [12]

Ask who owns each interest, how title is held, what it is worth, what encumbers it, and what documents establish the answers. Marriage alone does not make every asset of the nonfiling spouse estate property. Joint ownership, the debtor's actual interest, state property law, and possible administration of jointly owned property need careful analysis. Do not transfer the client's interest to a relative to make the schedule appear empty; prepetition transfers and payments require disclosure and may be subject to recovery under applicable avoidance law.

Initial intake entries. Rivera initially reports “no other assets” until asked about specific categories. The following interview log identifies the questions that must be resolved. Section 3.4 supplies the completed ownership, valuation, exemption and transfer reconciliation used in the worked plan. This initial document-request list is not itself the completed financial record.

| Reported fact                             | Correct intake treatment                                                                                                                                                              |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A small inherited share of land abroad    | List the debtor's interest and obtain title, inheritance papers, ownership share, valuation evidence, and encumbrances. Do not omit it because it is outside the United States.       |
| A pending injury claim with no settlement | Identify the event date, claim, lawyer, expected recovery range, fees and liens; analyze estate ownership and applicable exemptions. Uncertain value is not absence of an asset.      |
| A joint account used by a parent          | Obtain statements and trace ownership and contributions. Describe the asserted beneficial ownership; do not silently treat the entire balance as either the debtor's or the parent's. |
| Payments to a sibling before filing       | Record dates, amounts, source, purpose and relationship; preserve the transfer history for the appropriate disclosure and avoidance analysis.                                         |

### 3.2 Reconcile documents before asking for signatures

Use bank records, pay statements, tax returns, mortgage and loan histories, deeds, judgments, account statements, and claim documents to test the interview. Ask follow-up questions about deposits, missing accounts, unexplained payments, and differences between tax income and current wages. A credit report is a lead, not a complete list of debts or assets. Language access should allow the debtor to understand the forms and the questions; arrange a qualified interpreter through the appropriate process rather than relying on uncertain translation.

The transcript's example involving "lakhs" illustrates a verification problem. One lakh means 100,000 units, not a dollar amount. Record the actual currency and valuation date, verify any necessary exchange rate for that date, and retain the underlying statement. No fixed dollar conversion can safely be imported from a conversational estimate.

The debtor must examine the completed forms, correct errors, and understand the declarations. Rule 1009 generally permits amendment before closure, subject to its terms and notice requirements. Prompt correction is important, but amendment does not retroactively make a false oath harmless. Section 727 addresses concealment, false oaths, and other grounds that can prevent a Chapter 7 discharge. The sound practice is full, accurate disclosure and immediate investigation of discrepancies. [9] [14] [4]

### 3.3 Know who does what at the meeting

The section 341 meeting is an examination of the debtor under oath. The debtor must appear and submit to examination as section 343 requires; the bankruptcy judge does not preside at or attend that meeting. The trustee reviews the financial record and administers the case in the trustee's statutory role. The trustee is not the debtor's lawyer. Creditors may participate, and a separate contested matter or adversary proceeding may still require judicial action. [13]

Prepare the debtor to identify the forms reviewed, explain corrections, describe assets and transfers, and answer truthfully without guessing. Bring or provide the identification and financial records required by the trustee's instructions. If a question reveals a missing account, pause to establish accurate facts and correct the record. Preparation should improve comprehension, not supply rehearsed false answers.

**Practice distinction.** The Chapter 7 trustee's administration may involve collecting and selling nonexempt property; section 326 sets limits on compensation tied to qualifying disbursements, subject to allowance rules. A standing Chapter 13 trustee's percentage system follows a different statute. Neither model means that every debtor loses every asset or that the trustee may keep an arbitrary portion of each debt. Chapters 4–5 show why the distinction affects advice. [47] [23]

### 3.4 Completed asset reconciliation R5–R9

The following entries resolve the initial questions from section 3.1. They are supplied facts for the teaching case, including assumptions that real counsel must prove. An exemption is disclosed and claimed; it is not a reason to omit the property. Values used here remain subject to the effective-date liquidation inquiry at confirmation. [9] [11] [14] [21]

| Record                 | Source facts and completed schedule treatment                                                                                                                                     | Consequence for the teaching calculation                                                                                                                                                                    |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R5: Brooklyn residence | Sole title since 2016; dated appraisal \$500,000; reconciled lien \$330,000; no other liens                                                                                       | Disclose full interest; \$170,000 equity before costs; claim eligible NY homestead                                                                                                                          |
| R6: foreign land       | Inherited 25% undivided interest; local lawyer's title report; independent valuation of Rivera's fractional interest \$20,000 in USD, after co-ownership/marketability effects    | Disclose the fractional interest and location, not an invented \$80,000 wholly owned asset; \$1,000 realizable sale/collection costs gives \$19,000 net                                                     |
| R7: other property     | Paid-off car \$3,000; ordinary household furnishings \$1,500; investment collectible cards \$6,000; no debtor-owned cash or other account balance on the teaching filing snapshot | Vehicle and necessary furnishings claimed under applicable NY categories; cards treated as nonexempt investment property; document rather than assume their household exemption                             |
| R8: injury claim       | Prepetition physical-injury claim; supported prospective settlement \$17,000; valid contingent fee \$6,000 and costs \$1,000; net \$10,000; no medical lien                       | Disclose claim and net valuation; this example stipulates qualifying bodily-injury compensation, excluding pain-and-suffering or actual pecuniary-loss components, within the \$10,250 adjusted NY category |
| R9: joint account      | \$3,000 balance; all deposits traced to parent's funds; convenience-signatory documents and state-law ownership review establish no beneficial interest for Rivera                | Disclose legal/signatory interest and supporting tracing; assume no distributable beneficial value under section 541(d), not "joint accounts never count"                                                   |

**Transfer inquiry.** A \$1,000 September 15 payment to Ari appears on the bank history and is disclosed. A contemporaneous home-repair invoice shows Ari paid a contractor \$1,000 on Rivera's behalf that day; matching communications show an intended immediate exchange, not payment of an old family loan. The teaching liquidation assumes no net avoidance

recovery after review of applicable defenses and costs. The relationship alone neither proves nor defeats recovery. Change the source record to repayment of a six-month-old loan: the antecedent debt and insider timing require a different preference analysis, with insolvency, comparative recovery, defenses and collectability tested. The disclosure does not disappear because counsel expects a defense. [56]

**Two critical qualifications.** A converted dollar estimate is not an exchange-rate authority: R6 expressly supplies a dated USD valuation of the actual fractional interest, so no unsourced currency conversion is being performed. For R8, a settlement label alone does not establish the statutory exemption. If the recovery is actually compensation excluded from the bodily-injury category and no other exemption applies, some or all of the \$10,000 may become available in liquidation. Resolve allocation, fees, liens and the applicable exemption before advising the client that the recovery is protected. [11] [17] [57]

### 3.5 Section 341 preparation and correction record

**Completed preparation note.** Counsel compares R1–R9 with the petition, schedules and statement of financial affairs. The initial omission of the foreign interest is corrected before signing; the parent account and injury claim are disclosed with their qualifications; the payment to Ari is not hidden in ordinary living expenses. Rivera explains in her own words why the title report, net injury recovery and current earnings differ from the original interview. Counsel arranges the required identification and meeting-access procedures and asks whether an interpreter is needed. At the meeting the debtor answers under oath. The case trustee examines and administers; creditors may examine within the rules; the bankruptcy judge does not preside at the section 341 meeting. A clinic lawyer's presence does not change who must testify or expand an agreed limited engagement. [13]

**Changed discovery.** After filing, a previously omitted \$2,000 account is found. The completed response is to obtain its filing-date statement and ownership/source records, prepare the appropriate amended schedule and exemption analysis, give required notice, tell the trustee, and reassess the plan. It is not to wait until someone asks. Rule 1009 permits specified amendments before closing subject to its terms; amendment does not erase a false prior oath, guarantee an exemption, or excuse turnover duties. [9] [14]

## 4. Protect value through a supported exemption choice

Disclose the property first; then establish which interest and amount the law protects.

### 4.1 Choose an eligible system as a whole

New York permits eligible debtors to elect the federal bankruptcy exemptions or the applicable New York system. This is not permission to take the best item from each list. Section 522's domicile rules must be analyzed first: the ordinary state-law inquiry uses 730 days, with a specified earlier 180-day lookback when domicile was not in one state throughout that period and a federal fallback where the rule would leave the debtor ineligible for exemptions. Recent moves require dates and legal analysis, not an address-based guess. [15] [16]

A homestead exemption protects a qualifying interest up to the applicable amount; it does not cancel the mortgage or create equity. Determine ownership, occupancy, value, valid liens, and the relevant exemption law. Other limitations, including recently acquired homestead interests and specified misconduct, can matter under section 522. Obtain the facts before promising the maximum statutory protection. [15] [18]

### 4.2 Use the current amounts, with their dates

The following selected amounts apply as of this edition's check date. They are not a complete exemption schedule. The New York figures reflect the April 1, 2024 adjustment; federal figures reflect the April 1, 2025 adjustment. Confirm the applicable petition-date amounts in actual practice. [2] [17]

| Selected exemption                                                       | Current amount / qualification                                    |
|--------------------------------------------------------------------------|-------------------------------------------------------------------|
| New York homestead: NYC, Nassau, Suffolk, Rockland, Westchester, Putnam  | \$204,825 for the qualifying interest of an eligible debtor.      |
| New York homestead: Dutchess, Albany, Columbia, Orange, Saratoga, Ulster | \$170,700.                                                        |
| New York homestead: remaining counties                                   | \$102,400.                                                        |
| New York motor vehicle                                                   | \$5,500; \$13,625 for the qualifying disability-equipped vehicle. |
| Federal homestead, section 522(d)(1)                                     | \$31,575.                                                         |

| Selected exemption                       | Current amount / qualification                                     |
|------------------------------------------|--------------------------------------------------------------------|
| Federal motor vehicle, section 522(d)(2) | \$5,025.                                                           |
| Federal wildcard, section 522(d)(5)      | \$1,675 plus up to \$15,800 of unused federal homestead exemption. |

### 4.3 Calculate the interest before comparing systems

**Rivera's home.** Assume sole ownership, qualifying Brooklyn occupancy, eligibility for the New York election, no special federal homestead cap, a supported \$500,000 value, and \$330,000 in valid secured claims. Gross equity is \$170,000: \$500,000 minus \$330,000. The \$204,825 New York homestead amount could cover that equity. The federal homestead amount alone would leave \$138,425 before any other proper adjustments. The choice must still account for every asset and applicable exemption; this is a comparison of the home, not a completed estate liquidation analysis. [15] [17] [18]

Changed value. At \$560,000, bare equity would be \$230,000, leaving \$25,175 above the assumed homestead before costs. That is not yet a distribution available to unsecured creditors. Section 4.6 applies actual teaching sale and administration costs: at \$560,000 there is no positive home-sale residual in this model; at \$580,000 the supported liquidation distribution changes. A defensible valuation and costs are both necessary. [21]

**The renter comparison.** Assume a different debtor has no homestead interest, a \$9,000 unencumbered car, and \$10,000 in otherwise nonexempt cash, and is eligible for the federal election. Apply the \$5,025 vehicle exemption, leaving \$3,975 in vehicle value. A fully available \$17,475 wildcard can cover that \$3,975 plus the \$10,000 cash, leaving \$3,500 unused. This explains why the much larger New York homestead allowance does not make the New York election best for every debtor. Check any other assets and restrictions before choosing. [2] [15]

### 4.4 Discharge does not end estate administration

An individual Chapter 7 discharge addresses personal liability for dischargeable debt. It does not necessarily mean the trustee has finished administering a disclosed lawsuit or another asset. Properly scheduled property that remains unadministered may be abandoned at closure under section 554(c), unless the court orders otherwise; property not abandoned or administered remains estate property under section 554(d). Leaving a lawsuit off the schedules can therefore create a problem long after the discharge. [19] [46]

Certain interests acquired or becoming payable through an inheritance, property settlement or life-insurance benefit within 180 days after filing fall within section 541(a)(5). For inheritance, the legally relevant entitlement can arise before the debtor receives cash.

Chapter 13's additional estate provision requires a different analysis and may capture property acquired later than the Chapter 7 180-day window. Do not tell a Chapter 13 client that day 181 automatically makes an inheritance irrelevant. [11] [12]

**Completed distinction.** A Chapter 7 debtor receives a discharge while a prepetition injury claim is still being pursued by the estate. The discharge is not permission to spend a later settlement. Consult the trustee and the exemption/administration record. Rule 4004's ordinary Chapter 7 objection deadline runs 60 days after the first date set for the creditors' meeting, subject to its provisions; it is not a promise of discharge 45 days after filing. [20]

#### 4.5 Election memorandum E: protect the interest, then test liquidation

**Completed base-case election.** R1 establishes New York domicile for more than 730 days and ownership/occupancy since 2016. Counsel checks the federal eligibility, acquisition and limitation provisions rather than automatically applying today's address. The New York election protects the \$170,000 home equity within the \$204,825 applicable county amount; a federal homestead of \$31,575 would leave \$138,425 before costs and other adjustments. The election therefore uses the eligible New York system as a whole. It does not combine the New York homestead with the federal wildcard. The car and ordinary necessary furnishings fall within their applicable state categories and limits on the stipulated facts; the qualifying \$10,000 net bodily-injury recovery is separately analyzed. The investment cards and foreign land interest remain exposed. This is a property-by-property election memo, not a statement that all of Rivera's property is exempt. [15] [16] [17] [18] [57]

**Actual liquidation bridge.** Nonexempt land \$20,000 plus cards \$6,000 equals \$26,000. Deduct the \$1,000 realization cost supported by R6: \$25,000. A fictional administration estimate separately identifies a court-allowable Chapter 7 trustee fee of \$2,500, necessary professional expenses of \$4,250, and other administration of \$250: \$7,000 total. Assume no priority debt, additional avoidance recovery, or realization tax after basis and transaction review. The estimated distribution to the \$42,000 ordinary unsecured claims is therefore  $\$25,000 - \$7,000 = \$18,000$ , allocated pro rata. These expense estimates require justification and allowance in an actual case; they are neither statutory flat fees nor quotations from a real trustee. Chapter 5 supplies the effective-date present-value comparison. [21] [47]

**Fee-cap cross-check.** For a separate Chapter 7 example with \$100,000 of qualifying disbursements under section 326(a), the percentage ceiling is  $\$5,000 \times 25\% + \$45,000 \times 10\% + \$50,000 \times 5\% = \$8,250$ . That is a ceiling, not automatic compensation. The statutory base and approval requirements matter; money paid to the debtor is excluded from that base. Do not substitute a flat Chapter 13 percentage for this calculation. [47]

## 4.6 Changed valuation: when the answer changes—and when it does not

**Home worth \$560,000.** A bare equity calculation is  $\$560,000 - \$330,000 = \$230,000$ , or \$25,175 above the homestead. But a documented 6% sale cost is \$33,600. After lien, costs and homestead, the arithmetic is  $\$560,000 - \$330,000 - \$33,600 - \$204,825 = -\$8,425$ . There is no positive residual for this liquidation model; a trustee would need another supported basis to sell for an unsecured benefit. The \$18,000 non-home distribution does not automatically rise by \$25,175. Do not deduct a negative residual from the separate assets.

**Home worth \$580,000.** At the same supported 6% cost, \$34,800 is deducted;  $\$580,000 - \$330,000 - \$34,800 - \$204,825 = \$10,375$  remains. The updated administration quote, reflecting a home sale and secured disbursements, is \$8,000 trustee compensation, \$4,250 professionals and \$250 other expenses, or \$12,500. Together with the other \$25,000 net realizations, the revised distribution is  $\$10,375 + \$25,000 - \$12,500 = \$22,875$ . This is a changed factual cost estimate, not a law that fees rise to \$8,000 whenever a house is sold. The amount to each unsecured claimant, the date of valuation, taxes, costs and the actual likely liquidation path must be supported. Chapter 5 recomputes the payment rather than simply adding the appraisal increase to a plan. [21]

**Different client: renter using federal exemptions.** The earlier \$9,000 car/\$10,000 cash example leaves \$3,975 of car value above the \$5,025 vehicle exemption. With no homestead used, the \$1,675 wildcard plus \$15,800 unused-homestead component supplies \$17,475. Apply \$3,975 to the car and \$10,000 to cash: \$13,975 used, \$3,500 left. Change cash to \$15,000: \$18,975 would be needed, exceeding the available wildcard by \$1,500. That excess must be addressed; a state homestead cannot be imported to cure it. [2] [15]

## 4.7 Discharge, abandonment and a later inheritance

In a separate Chapter 7 simulation filed October 9, a parent dies December 1 and the debtor becomes entitled to a \$12,000 inheritance. Entitlement falls within the 180-day period even if distribution arrives after discharge. Counsel reports it and evaluates estate administration and exemptions; a discharge order is not permission to conceal it. For a Chapter 13 debtor, section 1306 can reach later-acquired property beyond that Chapter 7 window, with plan and vesting issues requiring review. A January discharge and an April estate closing are different events. Scheduled property can be abandoned at closing under section 554(c), subject to an order; an undisclosed asset ordinarily remains estate property under section 554(d). Thus “the case is over” must be tested against the docket, asset disclosure, abandonment and the kind of relief actually entered. [11] [12] [19] [20]

## 5. Build a plan that satisfies every test

A percentage offered to unsecured creditors is a result of the legal and financial analysis, not the starting rule.

### 5.1 Three tests that do different work

The **liquidation test** requires the value distributed on each allowed unsecured claim under the plan to be at least what that claim would receive in a Chapter 7 liquidation. The study must account for property, valid liens, exemptions, appropriate administration costs, priorities, and the distribution rules. Home equity by itself is not the answer. Section 1325(a)(4) also requires the relevant value comparison as of the plan's effective date. [21]

The **projected disposable-income test** operates under section 1325(b) when the trustee or a holder of an allowed unsecured claim objects and the plan does not provide the required full payment alternative. Apply the statute's income and expense rules and applicable commitment period. The period is generally three years for a below-median debtor and five years for an above-median debtor, with statutory qualifications; a shorter period requires full payment of allowed unsecured claims under subsection (b)(4). Below-median status does not itself guarantee that any three-year proposal will be confirmed. [21]

The **feasibility test** asks whether the debtor will be able to make the payments and comply with the plan. Good faith, required secured and priority treatment, filing obligations, and the other confirmation conditions remain separate. A plan that passes liquidation value but depends on nonexistent overtime fails a different test. The debt balance, actual claims, valid expenses, and payment period must be consistent across the schedules and plan. [21] [22]

### 5.2 Rivera: the controlling calculation

The completed source file in sections 5.5–5.8 derives the \$18,000 liquidation distribution from assets and administration costs, the historical income from six months of pay, the known October reduction from an employer letter, and the \$800 cash budget from itemized current expenses. It uses the current official form and filing-date tables. The following summary identifies the resulting plan under the expressly stated rate, fee and distribution-timing assumptions; it must be read with the calculations and limitations below.

| Component                                  | Amount and source                |
|--------------------------------------------|----------------------------------|
| Liquidation distribution at effective date | \$18,000, derived in section 4.5 |

| Component                                       | Amount and source                                                                   |
|-------------------------------------------------|-------------------------------------------------------------------------------------|
| Historical / projected income                   | Form-based calculation and known wage reduction; no positive base-case income floor |
| Mortgage cure and allowed attorney compensation | \$30,000 + \$3,000                                                                  |
| Ordinary unsecured nominal distribution         | \$20,381.16 in the completed 60-month schedule                                      |
| Total net distributions                         | \$53,381.16                                                                         |
| Gross receipts at stipulated 10% actual fee     | \$59,312.40; fee \$5,931.24                                                         |
| Monthly gross plan payment                      | \$988.54; stipulated 5% present-value rate and timing explained in section 5.7      |

The cents-level distribution in section 5.7 pays \$20,381.16 nominally to ordinary unsecured creditors, approximately 48.53% of \$42,000, while supplying approximately \$18,000.23 of effective-date value at the stipulated 5% rate. The \$988.54 gross plan payment is additional to ongoing mortgage and living obligations already included in the cash budget. The \$30,000 cure is inside the plan and is not counted twice. The actual court-approved rate, timing, claims and fee conventions must be used in a real case. [10] [21] [23]

Feasibility result. The base \$800 capacity is \$188.54 below the \$988.54 teaching payment. At \$800, only \$170 monthly remains for ordinary unsecured creditors after the stipulated fee, cure and attorney distributions; its present value is approximately \$9,008.42, below \$18,000. The base case therefore does not fund the selected plan. Sections 5.6 and 5.8 separately show why the income calculation and contribution cannot be replaced by an assumed flat \$400 figure. [21]

A verified recurring contribution, a lawful expense adjustment, changed treatment agreed with a creditor, or another supported restructuring may change the result. Merely increasing the promise in the plan does not increase income. Do not lower a legally required distribution to make the arithmetic fit.

### 5.3 Correct the fee and percentage shortcuts

The episode uses examples in which a monthly payment is compared with total debt. Keep gross plan receipts separate from net creditor distributions. At \$500 per month for 60 months, gross receipts equal \$30,000. Against \$42,000 in claims, that is 71.43% before fees or

other distributions. At an assumed 10% percentage with no other costs, \$27,000 remains, or 64.29%. Neither result is 60% or 75%.

Likewise, if creditors must receive \$100,000 and an assumed 10% trustee percentage is taken from receipts, \$110,000 is insufficient: it leaves \$99,000. The gross-up is  $\$100,000 \div 0.90$ , or approximately \$111,111.11. The statutory percentage ceiling is not a representation that every trustee always charges 10%. Use the actual applicable percentage and the local treatment of payments in the real plan. [23]

## 5.4 A material update: fees when no plan is confirmed

The episode discusses a trustee retaining a percentage of preconfirmation payments even though no plan is confirmed. The Second Circuit's **In re Soussis**, 136 F.4th 415 (2025) changes that advice within this circuit. In that case, the standing trustee retained a percentage from payments returned following dismissal before confirmation. Reading 28 U.S.C. §586 together with section 1326(a)(2), the court held that the percentage fee could not be retained when the Chapter 13 plan was not confirmed. [24]

The teaching consequence is specific: distinguish collecting and holding funds before confirmation from the right to keep a percentage after a failed confirmation. Section 1326(a)(2)'s authorized deductions and distributions still matter, including allowed section 503(b) claims and the statute's treatment of qualifying payments. Do not promise that every dollar in every dismissed case must be returned without deduction, or apply a preconfirmation holding to a confirmed plan's later dismissal without further analysis. [10] [24]

Application. Separate the prohibited no-confirmation percentage from a valid section 503(b) allowance or other authorized payment. Section 5.9 supplies a completed \$5,000 receipts/\$750 allowance/\$500 disputed-percentage ledger, a correction request and the limited effect of the 2026 interest decision. The earlier confirmed Rivera case is not used as though it had never been confirmed. [10] [24] [62]

## 5.5 Calculation file P: start with records, not a desired payment

The completed file uses R1–R9. It assumes \$42,000 allowed ordinary unsecured principal after the Chapter 8 correction; no priority claim; \$30,000 nonoverlapping mortgage cure without additional cure interest on the supplied contract/legal review; \$3,000 of allowed attorney compensation paid through the plan; and no additional unpaid filing charge. These figures must be replaced if the actual claims, allowances or order differ. The \$18,000 liquidation distribution was derived in section 4.5. A five-year term is used because the applicable income screen is above median; this is not a rule that every Chapter 13 lasts five years. [21] [22]

**P1 — Historical income and commitment period.** April \$7,800 + May \$7,800 + June \$7,800 + July \$7,800 + August \$7,800 + September \$7,800 = \$46,800. Divide by six: current monthly income for this teaching lookback is \$7,800; annualize to \$93,600. The U.S. Trustee table

applicable to an October 9, 2026 filing lists New York one-person median income of \$73,272. Rivera is above that amount. The October reduction does not rewrite the six-month history or automatically shorten the commitment period; it becomes a documented projection issue. No statutory exclusion or qualified deduction has been assumed silently. [21] [48] [58]

**P2 — Current cash budget.** Gross current earnings \$6,800 minus \$1,400 reconciled income/payroll taxes minus \$375 employee health premium = \$5,025 take-home income. The following are actual teaching budget amounts, supported by the fictional mortgage statement, recent bills, spending history and annual repair estimate. They are not all amounts taken from the means-test tables.

| Current expense                                                           | Monthly amount | Source and treatment                                                                 |
|---------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------|
| Mortgage principal and interest                                           | \$1,422.63     | R2; current loan, excluding the separate arrears cure                                |
| Property taxes and insurance escrow                                       | \$500.00       | Current servicing escrow analysis; not included in the income-tax line               |
| Food, clothing, household supplies, personal care and miscellaneous needs | \$867.00       | Itemized recent spending schedule; no second allowance elsewhere in this cash budget |
| Out-of-pocket health expense                                              | \$90.00        | Medication and visit history; premium was already deducted from wages                |
| Paid-off car operation                                                    | \$417.00       | Fuel, insurance, maintenance, registration and related costs; no car loan payment    |
| Utilities and basic telephone/internet                                    | \$500.00       | Current bills and seasonal average                                                   |
| Necessary home maintenance reserve                                        | \$428.37       | Supported annual estimate \$5,140.44 divided by 12; reasonableness subject to review |
| Total living expenses                                                     | \$4,225.00     | Includes the ongoing mortgage; excludes the Chapter 13 payment                       |
| Available from \$5,025 take-home                                          | \$800.00       | Actual cash available; no base-case family contribution                              |

An unrealistically low repair or medical line would create a paper surplus while leaving the client unable to perform. Conversely, an excessive reserve is not immunized by calling it necessary. Counsel tests the supporting facts and updates the entire budget. The simulation assumes the stated expenses are supported; the next sections separately apply the statutory income calculation.

## 5.6 P3: follow the current official form and applicable tables

Use Official Form 122C-2, April 2025 revision, with the U.S. Trustee's July 15, 2026 data set for this filing date. The July portal preserves the April median-income figures but updates expense standards and administrative multipliers. An earlier April expense printout is not the controlling data set for this October example. The national/local bankruptcy-form instructions are not interchangeable with a generic IRS collection rule requiring the lesser of actual cost and a standard. [58] [59]

| Form entry or grouped entries            | Completed monthly amount | Explanation                                                                                     |
|------------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------|
| Line 6, one-person national allowance    | \$867.00                 | Food \$496, housekeeping \$44, apparel \$98, personal care \$54, miscellaneous \$175            |
| Line 7, health under age 65              | \$90.00                  | One eligible household member; no additional excess expense here                                |
| Line 8, Kings County nonmortgage housing | \$804.00                 | Applicable one-person local standard                                                            |
| Line 9, mortgage/rent net allowance      | \$629.37                 | \$2,552 standard minus \$1,922.63 average contractual mortgage including escrow                 |
| Line 12, one-car operation               | \$417.00                 | New York metropolitan statistical area includes Kings County                                    |
| Vehicle ownership deduction              | \$0.00                   | Car paid off; no loan or lease expense, as Ransom explains                                      |
| Line 16, taxes                           | \$1,400.00               | Current supported tax expense, after anticipated-refund reconciliation; excludes property taxes |

| Form entry or grouped entries                 | Completed monthly amount | Explanation                                                                                                                                                             |
|-----------------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Line 25, health insurance                     | \$375.00                 | Premium paid through payroll; deducted once from gross statutory income                                                                                                 |
| Line 33, average secured payments             | \$1,922.63               | Mortgage and required escrow; paired with the line 9 subtraction to prevent duplication                                                                                 |
| Line 34, cure of necessary secured property   | \$500.00                 | \$30,000 arrears divided by 60; no extra cure interest on the assumed facts                                                                                             |
| Other applicable expense entries              | \$0.00                   | No additional car ownership, public transit, compulsory deduction, support order, childcare, special expense, priority debt, retirement or qualified adjustment claimed |
| Total before line 36 administrative allowance | \$7,005.00               | Sum of the amounts above                                                                                                                                                |

**The two percentages.** Line 36 uses the published Eastern District administrative-expense multiplier of **9.0%** times projected plan payment P. That table multiplier is not a finding that the assigned standing trustee's actual percentage is 9%. For teaching, actual plan receipts below are charged a separately stipulated **10%** trustee percentage, the statutory ceiling relevant to this ordinary Chapter 13 example. Verify the actual rate and its base in practice. Combining the percentages would produce an erroneous deduction or distribution. [23] [58] [59]

For P = \$988.54, line 36 is \$88.9686 before form rounding. Total deductions are \$7,093.9686; historical disposable income is \$7,800 – \$7,093.9686 = **\$706.0314**. A calculation stopping here would miss the permanent \$1,000 gross monthly reduction established by the employer letter. Form line 46 records the change to the wage entry effective October 1. The documented projected result becomes **–\$293.9686**; there is no positive income floor on these assumptions. A negative number is not a credit against liquidation or secured obligations. Rounded form entries will differ by cents; the controlling conclusion does not. [59] [60]

**Why Lanning changes this result.** *Hamilton v. Lanning*, 560 U.S. 505, 519–524 (2010), permits a court to account for changes in income or expenses known or virtually certain at confirmation. Begin with the prescribed historical calculation; then identify the evidence for the exceptional adjustment. Here the letter and new wage terms establish the reduction,

unlike an unsupported prediction that overtime might decline. If the reduction is reversed before confirmation, the projection must be revised. *Ransom v. FIA Card Services*, 562 U.S. 61, 69–80 (2011), separately explains why a paid-off car does not generate the ownership-cost deduction simply because a table contains one. The operating allowance remains a distinct item. [60] [61]

## 5.7 P4: liquidation is an effective-date value test

Section 1325(a)(4) compares the value, as of the plan's effective date, of distributions on each allowed unsecured claim with what that claim would receive in Chapter 7 liquidation. A nominal \$18,000 paid years later is not automatically worth \$18,000 at the effective date. For this exercise only, use a **stipulated 5% annual discount rate**, monthly compounding, 60 equal end-of-month unsecured payments, and unchanged assets/claims at the effective date. Five percent is a teaching input, not a statutory rate or a statement of the rate a particular judge will approve. The plan must also satisfy every other confirmation requirement. [21]

Monthly rate  $i = 0.05 \div 12$ . The 60-month present-value factor is  $[1 - (1 + i)^{-60}] \div i =$  **52.99070632**. Required monthly unsecured distribution =  $\$18,000 \div 52.99070632 =$  **\$339.68220559**. Add \$500 monthly mortgage cure and \$50 monthly allowed attorney compensation: \$889.68220559 must reach those recipients. At a stipulated 10% fee on receipts, gross  $P = \$889.68220559 \div 0.90 =$  **\$988.53578399**, rounded upward to **\$988.54**. Multiplying net need by 1.10 would underfund it. This calculation assumes allowed administrative payments concurrent with creditor payments and no distribution delay; actual orders, frontloading or delayed distributions require a new schedule. [10] [21] [23]

**P5 — Completed cents-level schedule.** Months 1–59 each receive \$988.54: trustee \$98.85, mortgage cure \$500.00, allowed attorney compensation \$50.00, ordinary unsecured creditors \$339.69. Month 60 receives \$988.54: trustee \$99.09, cure \$500.00, attorney \$50.00, unsecured \$339.45. The last adjustment makes total trustee fees exactly 10% of aggregate receipts. Aggregate receipts are **\$59,312.40**; trustee **\$5,931.24**; cure **\$30,000**; attorney **\$3,000**; unsecured **\$20,381.16**. The cash columns balance. At the stipulated rate and timing, the unsecured stream has present value approximately **\$18,000.23**, clearing the \$18,000 floor. Individual allocations require cents reconciliation across the actual claims.

For Orion's allowed \$8,600 claim, the pro rata Chapter 7 benchmark is  $\$18,000 \times \$8,600 \div \$42,000 = \$3,685.71$  rounded. Its proportional plan present value is about \$3,685.76 before claim-level rounding. This demonstrates why the statute is not merely a test of aggregate dollars with arbitrary preferences among unsecured creditors. The nominal ordinary-unsecured recovery in this illustration is approximately 48.53% of allowed principal; it is not the percentage of Rivera's gross plan deposits. Rounding and final distributions must preserve each claim's required treatment. [21]

**P6 — Feasibility result.** Base-case capacity \$800 minus required payment \$988.54 = **-\$188.54 each month**. At \$800, monthly net after a 10% fee is \$720; after \$500 cure and \$50 attorney compensation, only \$170 remains for ordinary unsecured creditors. Its 60-month present value is about **\$9,008.42**, far below \$18,000. The base proposal fails both the illustrated liquidation requirement and feasibility for the larger payment. No promise to “pay as much as possible” repairs those findings.

## 5.8 Changed contribution and valuation: recompute both sides

**Contribution of \$300.** In Packet S, cash capacity rises to \$1,100. Treat the known future contribution as an income change rather than silently excluding it. Projected disposable income becomes  $\$706.0314 - \$1,000 + \$300 = \textbf{\$6.0314 per month}$ , about \$361.88 over 60 months. Even treating that entire positive amount as required for ordinary unsecured distributions, it is far below the scheduled \$20,381.16, so the liquidation distribution continues to control on these facts. The proposed payment leaves approximately **\$111.46** cash margin. The support evidence and expense reasonableness still matter; the arithmetic does not compel confirmation. [21] [60]

**Home valued at \$580,000.** Substitute Chapter 4’s supported \$22,875 liquidation distribution. Required monthly unsecured payment is  $\$431.67946961$ . Gross P =  $(\$500 + \$50 + \$431.67946961) \div 0.90 = \$1,090.75496623$ , rounded upward to **\$1,090.76**. With the \$300 contribution, current capacity is \$1,100, leaving **\$9.24**. The income calculation at the larger administrative allowance remains nonpositive after the wage reduction and contribution. The plan is arithmetically possible but fragile: an ordinary \$25 monthly cost increase defeats the margin. Counsel should not equate a positive number with a dependable five-year plan. Without the contribution, the shortfall is \$290.76. If actual sale costs or claims differ, rerun the liquidation calculation first.

**A different rate or distribution date.** At a zero discount rate, a purely nominal \$18,000 over 60 months would require \$300 monthly to unsecured creditors; gross receipts for this simplified allocation would be \$944.45 after upward rounding. That is not the selected 5% solution. Conversely, delaying unsecured distributions while fees are paid first raises the payment needed to preserve effective-date value. Use the actual schedule rather than announcing that dividing by 60 always satisfies the Code.

## 5.9 Refund file F: apply Soussis to an actual ledger

This is a separate failed-confirmation simulation, not Rivera’s confirmed prior case. Five \$1,000 deposits total \$5,000. The docket shows no confirmed plan. A valid order allows \$750 under section 503(b); there are no other qualifying disbursements or deductions. The refund ledger lists \$5,000 receipts – \$750 authorized expense – \$500 standing-trustee percentage = **\$3,750 returned**. Under the controlling preconfirmation holding, the percentage cannot be retained merely because it was collected. The corrected refund is **\$4,250**, so **\$500 remains due**. [10] [24]

**Completed correction request.** “Re: teaching case SIM-F, preconfirmation refund. The attached five receipts total \$5,000; the docket and dismissal order show that no plan was confirmed. The \$750 allowed administrative claim is not disputed. Your final ledger retains an additional \$500 as a percentage fee and returns \$3,750. Under *In re Soussis*, 136 F.4th 415, 442–443 (2d Cir. 2025), please correct that percentage deduction, provide the revised accounting and return the remaining \$500. The expected refund after the allowed \$750 charge is \$4,250. If another authorized deduction is asserted, please identify its statutory basis, amount and supporting order so it can be evaluated.” Attach receipts F1–F5, confirmation-history docket F6, \$750 allowance order F7 and refund statement F8; retain the response and seek appropriate judicial relief if unresolved.

The May 27, 2026 *Soussis* summary order addressed costs and prejudgment interest after the earlier fee ruling. It remanded the interest question against the standing trustee for discretionary consideration; it did not award automatic interest at New York’s 9% rate. It is a nonprecedential summary order. Do not add a guaranteed interest amount to this request, and do not extend the 2025 no-confirmation holding to every postconfirmation dismissal.

[62]

## 6. Separate personal liability from lien treatment

The property, collateral, timing, and chapter determine whether a debt can be reduced or restructured.

### 6.1 The principal-residence exception changes the answer

Section 506 generally divides an allowed claim into secured and unsecured portions according to the creditor's interest in collateral, but Chapter 13's anti-modification rule protects qualifying rights secured only by the debtor's principal residence. **Nobelman v. American Savings Bank, 508 U.S. 324 (1993)** rejected the attempted use of valuation to reduce the protected lender's rights to only the collateral-supported portion. Reading section 506 alone is therefore insufficient. [25] [22] [26]

**Partially secured junior mortgage.** Assume a principal residence is worth \$500,000, a senior mortgage is \$400,000, and a second mortgage is \$200,000. There is \$100,000 of value supporting the second mortgage. If the second creditor's rights fall within section 1322(b) (2)'s protection, the debtor cannot simply strip \$100,000 of its debt as unsecured. The episode's shorthand suggesting that a home mortgage can always be cut to value must be qualified.

**Wholly unsecured junior mortgage.** Change the home value to \$400,000 and the senior debt to \$410,000. No value supports the second mortgage. In **In re Pond, 252 F.3d 122 (2d Cir. 2001)**, the Second Circuit distinguished this situation from *Nobelman* and permitted modification of a wholly unsecured junior residential lien in Chapter 13. Counsel still needs a supported valuation, correct service and procedure, the appropriate order, and compliance with the plan and discharge consequences. This is not an automatic lien cancellation on filing or a rule to import wholesale into Chapter 7. [27] [29]

The factual margin is consequential. A credible appraisal raising value above the senior debt can change the classification and defeat reliance on *Pond*. Identify all senior liens, valuation evidence, collateral descriptions, and the relevant procedural date before promising to eliminate a junior lien.

### 6.2 The car example needs a 910-day inquiry

For an ordinary eligible bifurcation, a \$45,000 claim against a car worth \$20,000 would produce a \$20,000 secured portion and a \$25,000 unsecured portion. The arithmetic difference is \$25,000, not \$35,000. But section 1325(a)'s hanging paragraph limits the use of section 506 for specified purchase-money claims, including debt incurred within 910 days before filing secured by a motor vehicle acquired for the debtor's personal use. A vehicle bought two years ago is ordinarily inside that period. [21] [25]

Determine when the debt was incurred, the purchase-money character, the vehicle's use, the transaction documents, and controlling treatment of complications such as refinanced or rolled-in obligations. "The truck depreciated" does not resolve those questions. If the

statutory protection applies, the debtor cannot use the simple \$20,000/\$25,000 split merely because current value is lower than the balance.

**Changed fact.** Assume a qualifying personal vehicle was purchased more than 910 days before filing, no other anti-bifurcation provision applies, the claim is \$45,000, and supported value is \$20,000. A proposed secured distribution must account for the relevant present-value requirement, not just \$20,000 divided by the number of months. The plurality in **Till v. SCS Credit Corp.**, 541 U.S. 465 (2004) used a prime-rate-plus-risk approach to the Chapter 13 interest question. A negotiated or court-determined rate and proper claim treatment still must be incorporated. [28]

### 6.3 Rental property: legal flexibility can exceed affordability

Assume a rental property does not qualify as the debtor's principal residence or otherwise receive anti-modification protection. A \$300,000 allowed claim against \$175,000 in value may present a \$175,000 secured portion and \$125,000 unsecured portion, subject to the applicable valuation and treatment rules. Paying the secured principal over 60 months alone requires \$2,916.67 per month before interest, fees, and any unsecured distribution. A theoretically available modification can be financially impossible. [21] [22] [25]

Document rental receipts, vacancies, taxes, insurance, repairs, senior claims, and realistic net income. If the property produces \$1,500 per month before expenses, that figure does not fund a nearly \$3,000 secured payment. Evaluate sale, surrender, consensual terms, or another permissible strategy instead of treating valuation as a cure for an unaffordable asset.

The episode's taxi-medallion example similarly requires current valuation and a collateral-specific inquiry. A business license or medallion is not a personal-use motor vehicle merely because it is used in transportation. Determine ownership, transfer restrictions, secured claims, and the legally available treatment; a former purchase price does not establish current value. [25]

A discharge of personal liability is distinct from lien elimination. If an eligible debtor surrenders collateral and receives a discharge covering the personal obligation, that can affect a lender's ability to collect a deficiency from the debtor. The valid lien and the lender's rights against the collateral require separate treatment. Do not tell a client that discharge supplies free ownership of a financed car or home. [46]

### 6.4 Lien-treatment decision record L

**L1 — Competing home appraisals.** A junior lender claims \$200,000, secured only by the debtor's principal residence; the senior lien is \$410,000. Appraisal A values the home at \$400,000: no value supports the junior lien, so Pond's Chapter 13 analysis is available. Appraisal B values it at \$420,000: \$10,000 supports the junior claim, bringing Nobelman's protection into the analysis. The decisive fact is not that the junior lender is "mostly unsecured." Counsel retains both reports, comparable-sales data, lien balances, valuation date and the requested legal treatment. A contested valuation cannot be decided by

selecting the lower appraisal without explanation. Required service, a binding determination and plan/discharge conditions remain necessary. [22] [25] [26] [27] [29]

**Completed advice.** “On the \$400,000 valuation, we can pursue treatment of the junior lien as wholly unsecured in Chapter 13, subject to proof and the court’s order. If the court accepts \$420,000, the assumed principal-residence protection changes that result. We cannot promise cancellation now. We need a defensible appraisal and a properly served request before building a plan on the lower figure.” A separate Chapter 7 filing is not presented as the same lien-removal route.

## 6.5 L2: the car payment includes time value

These car examples concern a different debtor and do not add a car debt to Rivera’s paid-off vehicle. Purchase-money status, personal use and dates are assumed proven by the contract and delivery records. A \$45,000 claim with a \$20,000 vehicle value incurred **400 days** before filing falls within the 910-day provision on these facts. The debtor cannot simply bifurcate it because the car depreciated. Change the acquisition/debt date to **1,000 days** before filing, with no other applicable anti-bifurcation rule: the \$20,000 secured/\$25,000 unsecured split is available for analysis. [21] [25]

At an expressly hypothetical 8% annual rate, paid monthly for 60 months, the formula in Chapter 7 yields **\$405.53** per month on \$20,000 secured principal, before trustee fees or other plan obligations. Principal alone divided by 60 is \$333.33 and does not supply that present value. The same assumed rate/term on the full \$45,000 produces **\$912.44** per month. Both examples still require the applicable secured-claim conditions, including lien retention and an appropriate equal-payment structure. The 8% rate is an input for calculation, not today’s prime rate or an automatic Till rate. Till’s plurality analysis requires attention to the starting rate and risk evidence; counsel must establish or negotiate the appropriate rate. [21] [28]

**Changed affordability.** If available cash for the entire plan is \$700, even the \$912.44 secured payment is impossible before other costs. At \$405.53, there may be room, but the \$25,000 unsecured portion must join the correct unsecured pool and may affect the required distribution; it cannot vanish from the calculation. Refinancing, surrender or other lawful alternatives require their own supported analysis.

## 6.6 L3: a rental’s value reduction does not create rent

For the separate \$300,000 claim/\$175,000 rental example, assume lawful bifurcation, a permitted 60-month repayment and the same hypothetical 8% annual rate. The secured payment is **\$3,548.37 monthly**, compared with \$2,916.67 of principal alone. Gross rent is only \$1,500. If supported taxes/insurance are \$400 and repairs/vacancy allowance \$200, net property income is **\$900**, leaving a **\$2,648.37** monthly deficit before trustee fees and the \$125,000 unsecured portion. The completed recommendation rejects a proposal funded solely by this rent. It evaluates a sale, surrender, documented outside funding or a consensual longer term; it does not describe judicial flexibility as an income source. [21] [22] [25] [28]

# 7. Compare mortgage cure and modification

A lower monthly payment, a lower interest rate, and a better total result are different propositions.

## 7.1 Cure preserves a bargain only if the budget supports it

Section 1322(b)(5) can permit cure of a default within a reasonable time and maintenance of payments on qualifying long-term debt. The principal-residence anti-modification rule does not itself eliminate that cure mechanism. Determine the allowed arrears and the applicable cure requirements, including section 1322(e), instead of assuming that every arrearage grows at a generic statutory rate or that all interest vanishes in bankruptcy. [22]

Return to Rivera. For this comparison only, assume the ongoing mortgage principal is \$300,000 at a fixed 3% annual rate with 25 years remaining. The \$30,000 in arrears is separately determined and does not overlap that balance. Principal and interest are approximately \$1,422.63 per month. Amortizing the \$30,000 cure over 60 months at the assumed 10% trustee percentage requires \$555.56 in gross monthly plan receipts, before the rest of the plan. Taxes and insurance are excluded from both quoted mortgage payments and must be budgeted separately.

The mortgage cure component alone is approximately \$1,978.19 before escrow: \$1,422.63 ongoing principal and interest plus \$555.56 gross cure receipts. The complete Chapter 13 plan is different. Adding the full \$988.54 plan payment yields \$2,411.17 before escrow, or \$2,911.17 with the supplied \$500 escrow. The arrears component is already inside the full plan payment. Sections 7.4–7.5 compare complete offers and recalculate all three tests.

## 7.2 Capitalization and a new term can change the economics

Assume an alternative offer capitalizes the full \$30,000 into \$330,000, changes the fixed rate to 6.5%, and amortizes over 30 years, with no balloon, fees, or separate deferred balance. Its principal-and-interest payment is approximately \$2,085.82. That is higher than the assumed ongoing loan payment and also higher than the simplified ongoing-payment-plus-cure component above. A modification label alone does not make the offer cheaper.

| Assumed option                          | What the comparison reveals                                                                                                                        |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Existing \$300,000 loan: 3%, 25 years   | Approximately \$1,422.63 monthly principal and interest; approximately \$426,790 in remaining scheduled payments before the separate arrears cure. |
| Modification: \$330,000, 6.5%, 30 years | Approximately \$2,085.82 monthly principal and interest; approximately \$750,897 in scheduled payments.                                            |

| Assumed option | What the comparison reveals                                                                                                                                                                                     |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Decision       | Check affordability now, the five-year cure burden, the longer debt term, total payment exposure, and the treatment of other debts. Neither illustration includes taxes, insurance, new fees or future changes. |

The amortization formula used is  $\text{principal} \times \text{monthly rate} \div [1 - (1 + \text{monthly rate})^{\text{minus the number of payments}}]$ . Totals use unrounded payments; figures displayed here are rounded. An actual offer may instead preserve the old rate, defer principal, extend the term to 40 years, add a balloon, or change escrow. Read every term. Compare like components and identify amounts excluded from a quoted payment.

Changed offer. Sections 7.4–7.5 change the complete offer to \$330,000 at 3% over 30 years, with the stated escrow and no balloon or extra fees. They remove the cure, rerun the official-form deductions and projected income, preserve the liquidation requirement, and test actual cash. Merely subtracting \$555.56 would not perform those steps. [21]

### 7.3 Use the correct court’s loss-mitigation procedure

The Eastern District publishes a loss-mitigation program under General Order 744. Confirm availability with the assigned judge’s current procedures before filing; the general program page does not establish current judicial assignments. The Southern District publishes its own program procedures and forms. Participation, documents, notice, conferences, and approval must follow the assigned court and judge’s rules. The recording’s district comparisons are practice observations, not a substitute for those instructions. [30] [31]

Venue must be proper under 28 U.S.C. §1408; preference for a particular program or judge does not establish venue. Entry into loss mitigation creates a structured opportunity to negotiate, not a guaranteed modification or automatic excuse to stop all required payments. Continue to comply with the operative orders while seeking any needed change. [32]

The work sequence is completed in section 7.6: the source documents, delivery log, missing-document response, complete offer comparison, client decision and required approval are identified. Any real proposal must also follow the operative loss-mitigation order’s payment and exchange requirements. Do not discuss dismissal as though an unexecuted or trial offer were an effective permanent modification. [30] [31]

### 7.4 Mortgage decision file M: compare the complete offers

**M1 — Existing bargain.** The supplied loan record has \$300,000 principal, fixed 3%, 300 remaining payments, \$500 current monthly escrow, and the separate \$30,000 cure. Unrounded principal-and-interest payment is \$1,422.63394157; scheduled principal and interest over 300 months is approximately \$426,790.18. The Chapter 13 teaching payment is \$988.54, already containing the arrears cure, administration and unsecured distribution.

Current mortgage plus full plan is therefore  $\$1,922.63 + \$988.54 = \$2,911.17$ , before the other living expenses. The base budget remains \$188.54 short; the funded variation has \$111.46 margin.

**M2 — Unfavorable new terms.** A complete hypothetical offer capitalizes the \$30,000 into \$330,000 principal, charges fixed 6.5% over 360 months, contains no balloon or additional fee, and retains \$500 escrow. Principal and interest become \$2,085.82; current mortgage including escrow becomes **\$2,585.82**. Lifetime principal and interest are approximately **\$750,896.81**. Capitalization removes the separate cure only if the agreement is binding, effective and properly reflected in claim/plan treatment. It does not eliminate unsecured claims or liquidation value. Compared with the original current principal-and-interest payment, it consumes another **\$663.19** monthly, reducing the base plan capacity from \$800 to **\$136.81**.

**M3 — A material changed offer.** Keep the \$330,000 capitalization and 360 months, but change the fixed rate to 3%, with no balloon, extra fee or deferred balance and the same \$500 escrow. Principal and interest are **\$1,391.29**, mortgage with escrow **\$1,891.29**, and lifetime principal and interest approximately **\$500,865.59**. The longer term makes lifetime cost higher than merely preserving the old \$300,000 amortization; the comparison must also include how the separate old arrears are paid. It is the complete combination of payment, term, capitalization and other debt treatment that determines suitability.

## 7.5 M4: remove the cure, then rerun the plan

For either effective capitalization offer, this teaching variant removes the \$30,000 separate cure, preserves the \$18,000 liquidation benchmark because the aggregate secured claim remains \$330,000, and leaves \$3,000 allowed attorney compensation and \$42,000 ordinary unsecured claims. Under M3, the ongoing payment including escrow remains below the \$2,552 means-test housing figure; the line 9/line 33 combination therefore still totals \$2,552. Removing line 34's \$500 cure deduction changes total means-test deductions before administration from \$7,005 to **\$6,505**. Under M2, however, the \$2,585.82 contractual payment including escrow exceeds \$2,552 by \$33.82: line 9 becomes zero and the secured-payment deduction produces **\$6,538.82** total before administration. Do not overlook escrow or deduct the old cure again. [21] [59]

At the stipulated 5% liquidation discount rate, monthly net ordinary unsecured need remains \$339.68220559. With \$50 monthly attorney compensation and 10% actual trustee fee, gross P =  $(\$339.68220559 + \$50) \div 0.90 = \$432.98022844$ , rounded upward to **\$432.99**. Line 36's separate 9% allowance is about \$38.97. Under M3, after the known wage reduction, projected income is  $\$7,800 - \$6,505 - \$38.9691 - \$1,000 = \mathbf{\$256.0309 \text{ monthly}}$ , or about **\$15,361.85 over 60 months**. Under M2 it is \$33.82 less, **\$222.2109 monthly**. Even treating the entire positive result as required for ordinary unsecured creditors, each is below the roughly \$20,381 nominal distribution needed for the stipulated liquidation present value. Thus the liquidation test still controls these examples. All other confirmation requirements remain open to their own proof.

Under M2, available cash \$136.81 minus \$432.99 gives **-\$296.18**: the 6.5% offer fails this base-case budget even after removing the cure. Under M3, the old \$1,422.63 principal-and-interest expense falls to \$1,391.29, so plan capacity increases by \$31.34 to **\$831.34**. Subtract \$432.99: **\$398.35** remains. The 3% offer materially improves monthly feasibility without depending on Ari's contribution. Obtain the actual signed terms, approval and effective date; a verbal quote or trial offer is not the completed permanent modification assumed here.

## 7.6 Completed loss-mitigation action record

**Venue and entry.** Rivera's Brooklyn domicile and residence support the Eastern District venue analysis under 28 U.S.C. §1408; a preference for a Southern District judge does not. For the simulation, the case is assigned to an Eastern District judge participating in the current program. Counsel uses the court's published General Order 744, indicates the intended loss mitigation in the Chapter 13 plan, and separately files a debtor-signed request for Harbor. The request is served at the required street address or through the applicable filed notice/proof-of-claim information, with certificate of service. The program provides a 14-day creditor objection period. Entry still requires a court order. [30] [32]

**Completed document log.** October 16: counsel assembles R2 loan/arrears history, R3 current income, current budget, tax records, insurance, hardship explanation and authorization to communicate. October 19: secure transmission to the designated loan reviewer produces confirmation LM-1; the retained index lists each document and date. October 23: the reviewer requests an updated wage statement, supplied October 26 with confirmation LM-2. October 28: counsel identifies that the proposed M2 quote capitalizes the same \$30,000 already listed as plan cure and flags the duplication before accepting anything. November 2: client comparison records the M2 deficit and M3 margin above. These are assumed events for teaching, not representations that communications occurred.

**Order-driven follow-through.** Counsel records the actual loss-mitigation order's contact, exchange, conference and payment deadlines; maintains required payments; documents the authorized decision-maker's response; and seeks clarification or court action if ordered participation fails. If M3 is accepted, counsel obtains the required bankruptcy approval, verifies the executed effective terms, updates the claim and plan consistently, and confirms the first new payment. Dismissal is not used as a shortcut before the agreement is effective or without reviewing the remaining debts and loss of bankruptcy protection. A negotiating process does not force the lender to accept the borrower's preferred rate. [30] [31]

**District variation.** The Southern District publishes its own procedures, request forms, affidavits and approval orders, including a White Plains order variation. Counsel in a properly venued Southern District case follows that district's current forms and assigned judge's instructions rather than copying Eastern District deadlines. The historical dates printed on a currently linked procedure do not make it a new 2026 rule; check the court's current page and subsequent orders each time. [31]

## 8. Challenge claims with evidence and the right procedure

A missing document, an incorrect balance, and an invalid lien are different litigation problems.

### 8.1 Start with the statutory ground and the actual claim

A filed proof of claim is deemed allowed unless objected to, subject to section 502. A proof meeting Rule 3001's requirements carries the rule's evidentiary effect. Identify the asserted creditor, account, basis, classification, amount, interest, fees, collateral, and assignment history. Compare them with the debtor's records and the applicable nonbankruptcy law. The legal question may be ownership, enforceability, duplicate payment, limitations, valuation, or an unsupported charge. [33] [34]

For an open-end or revolving consumer-credit agreement covered by current Rule 3001(c) (4), specified account information matters, and a party in interest may request the writing under (c)(4)(B), with a 30-day response period. Older references to (c)(3) reflect the former numbering. Absence of an original signed note does not automatically disallow an entire credit-card claim; identify the required information, evidentiary treatment, appropriate remedies and a substantive section 502(b) ground. [33] [34]

**The assignment problem.** Rivera recognizes an old card account but not the debt buyer named on a \$9,600 proof of claim. Her records show \$7,800 before sale and a later \$1,000 payment. Counsel should reconcile the balance, payment application, interest and fees, and the claimant's asserted ownership. A supported objection identifies why a claimed amount is not owing or enforceable and attaches or seeks the relevant evidence. "I never borrowed from this debt buyer" alone does not resolve an assignment.

### 8.2 Calendar the claim and the objection separately

For the ordinary voluntary Chapter 7, 12, or 13 case covered by Rule 3002(c), the general nongovernmental proof-of-claim period is 70 days after the order for relief, with specified exceptions. Governmental claims generally have a different 180-day period, subject to the rule's additional provisions. Read the actual notice and the applicable exception. A secured lien is not void merely because a proof of claim was not filed; payment through the case and lien survival are distinct questions. [35]

Rule 3007 requires the notice and objection to be filed and served at least 30 days before the scheduled hearing or a deadline for the claim holder to request a hearing. That is not a rule measured to just any opposition deadline. Use the latest proof-of-claim notice designation and the additional United States or insured-depository-institution service requirements where applicable. [36] [55]

Completed objection packet. Sections 8.4–8.6 reconcile claim 4 from \$7,800 plus \$1,800 supported charges, less a proved \$1,000 payment, to \$8,600. They supply the operative objection, declaration, evidence, requested order, notice/service sequence and materially different ownership and dischargeability disputes. The substantive ground is the unenforceability of an amount already paid under section 502(b)(1), not a presumption that every assignment is invalid. [33] [34] [36]

### 8.3 Decide whether an adversary proceeding is required

Rule 7001 identifies disputes requiring an adversary proceeding, including many requests to determine dischargeability or the validity, priority, or extent of a lien, subject to stated exceptions. A routine objection to a claim's amount is not automatically an adversary case. Conversely, putting a request that requires an adversary proceeding into an ordinary claim objection does not supply the required process. Rule 3012 provides specific routes for determining secured amounts, including conditions for use of a Chapter 13 plan and service. Read the requested relief against the current rules. [29] [37]

The episode's discussion of legal clinics highlights another boundary. A consultation, help with a particular form, and full representation are different engagements. Identify who is responsible for the petition, deadlines, trustee meeting, claim objections, and any adversary case. Provide the client a clear description of what the lawyer has undertaken and what remains to be arranged. A person who receives limited advice should not leave believing that someone else has assumed every court deadline.

**Changed claim.** The creditor alleges that the debt arose from fraud and seeks a nondischargeability judgment. That is not resolved simply by confirming a smaller balance or promising payment in a plan. Identify the particular section 523 ground, the required adversary procedure, and any applicable complaint deadline. The claim-allowance task and dischargeability task may both remain necessary. [37] [39]

### 8.4 Claim file O: turn the balance issue into evidence

**O1 — Proof of claim 4.** In the Rivera simulation, Orion Receivables LLC files an ordinary unsecured proof of claim on October 19, 2026 for \$9,600 on account ending 4412. Its claim identifies Harbor Card Services as the seller and original account creditor, identifies the required last-transaction, payment and charge-off dates, and designates its Claims Department to receive notices. Orion is a fictional nonbank entity. A written request sent October 20 under current Rule 3001(c)(4)(B) seeks the agreement; the response is due within 30 days after the request is sent. Orion voluntarily supplies the agreement and account history October 22. The restyled current provision is (c)(4), even though older discussions refer to (c)(3). [34]

**O2 — Reconciled history.** The supplied documents establish \$7,800 balance before transfer, followed by \$1,800 of itemized, contractually authorized and legally enforceable interest

and charges through September 19. That produces \$9,600. Rivera's September 20 bank record shows a \$1,000 payment to Orion, and Orion's own receipt acknowledges it. There is no reversal or later charge. The correct petition-date balance is therefore **\$7,800 + \$1,800 – \$1,000 = \$8,600**. The teaching ownership documents establish Orion's acquisition of this account, so the completed objection does not invent a standing defect. If the \$1,800 cannot actually be supported, it needs its own objection ground and amount rather than automatic acceptance.

**Exhibit schedule.** O-A is the filed claim identifying claim 4 and \$9,600; O-B is the agreement and itemized account history supporting \$7,800 plus \$1,800; O-C is the September 20 bank debit and Orion payment receipt for \$1,000; O-D is the assignment schedule identifying account ending 4412 and Orion's notice designation. Personal identifiers are redacted; the complete original records are retained for evidentiary use. The four entries and their stated contents are the supplied evidence for this simulation.

## 8.5 Completed objection, declaration and proposed order

**O3 — Debtor's objection to claim 4, amount already paid.** United States Bankruptcy Court, Eastern District of New York; In re Maya Rivera, Chapter 13, SIM-RIVERA-26. Debtor objects under 11 U.S.C. §502(b)(1) to \$1,000 of Orion Receivables LLC's \$9,600 claim and requests allowance of claim 4 in **\$8,600 as an ordinary unsecured claim**. The objection concerns the unpaid balance, not lien avoidance, damages, dischargeability or the validity of another claim. [33] [36]

The creditor's history supports a \$9,600 balance before the September 20 payment. Exhibits O-B and O-C show that the same account received a \$1,000 payment before the October 9 petition. Orion's claim omits that credit, and the supplied history shows no later enforceable offsetting charge. The agreement obligates Rivera to pay the remaining account balance; the paid \$1,000 is no longer enforceable under that agreement. The requested reduction therefore rests on a substantive section 502(b)(1) ground, supported by the creditor's own receipt and the debtor's bank record. It is not based on the absence of an original signed note from an open-end credit claim. Debtor requests entry of the proposed order after the required notice and opportunity to respond.

**O4 — Supporting declaration.** "I, Maya Rivera, recognize the account ending 4412 identified in claim 4. On September 20, 2026 I paid Orion Receivables LLC \$1,000 on that account. The bank debit and payment receipt in Exhibit O-C are accurate copies of my records. I did not reverse that payment or receive a refund. I reviewed the history in O-B with counsel and identified the missing credit. I declare under penalty of perjury that these factual statements are true and correct. Executed October 26, 2026. /s/ Maya Rivera — teaching execution only." Counsel separately supports the source and authentication of material not within the debtor's personal knowledge; attaching a document does not automatically establish admissibility. [54]

**O5 — Proposed order.** “Upon the debtor’s objection to claim 4, the supporting record, proper notice and service, and the opportunity to be heard, it is ORDERED that the objection is sustained to the extent of the \$1,000 prepetition payment omitted from the claim. Claim 4 of Orion Receivables LLC is allowed in the amount of \$8,600 as an ordinary unsecured claim; the remaining \$1,000 asserted in that claim is disallowed. This order does not adjudicate any separate demand for affirmative relief or dischargeability.” Proposed only; no court adoption is represented.

## 8.6 Notice, service and the changed dispute

**O6 — Completed notice terms.** The teaching court assigns December 1, 2026 at 10:00 a.m. for the objection. The October 26 notice, substantially conforming to Form 420B, identifies Orion, claim 4, the proposed \$1,000 reduction, the December 1 hearing, the court-approved hearing method/location, and November 24 as the assumed local opposition-receipt deadline. It explains that Orion should respond if it disagrees and that the court may determine the objection without its participation if no response is made. The notice and complete objection are served October 26, **36 days before the hearing**. Rule 3007’s minimum is measured to the hearing or a deadline to request a hearing, not merely to any response deadline chosen by counsel. [36] [52]

**O7 — Service completion record.** Mail the complete notice and objection to the person Orion most recently designated for notices on its latest claim, at that claim’s stated address; the debtor and trustee also receive the packet. In this simulation the designation remains Orion Claims Department and no Rule 3005 filer exists. Counsel retains the latest claim, dated address check and mailing declaration, files the papers in the required local sequence, and updates the hearing calendar. Actual service addresses, hearing assignments and the filed certificate must come from the real record before this teaching text is adapted. If Orion were an insured depository institution, add Rule 7004(h) service; if the claimant were a federal agency, add the required United States/agency service. Sending only an informal email to the debt collector is not this completed procedural sequence. [36] [55]

**Changed ownership fact.** Suppose O-D instead identifies a different account and Orion cannot connect the debtor’s account to its purchase. The \$1,000 payment issue remains, but the ownership question is not proved either way. Counsel requests the missing chain/account evidence, evaluates the applicable burden and evidentiary effect, and frames a supported ownership/enforceability objection if warranted. A statement that the debtor never contracted directly with Orion does not defeat a valid assignment. Nor may a lawyer knowingly use the completed \$8,600 allowance request if the actual proof supports a different amount.

**Changed remedy.** If the debtor seeks damages from Orion or a determination of a lien’s validity, screen Rule 7001 and its exceptions; an ordinary amount objection is not a substitute for an adversary complaint where required. If a creditor alleges fraud under section 523(a)(2), identify the dischargeability claim and Rule 4007 deadline separately.

With a first section 341 meeting date set for November 10, 2026, 60 days ends Saturday, January 9, 2027; ordinary Rule 9006 computation moves the filing deadline to Monday, January 11. A later continuance of the meeting does not restart that clock. A motion to extend must be filed before the applicable period expires. This is a different deadline from the 70-day proof-of-claim period and the objection hearing. [35] [37] [39] [53] [64]

**Engagement entry.** “Full representation in the Chapter 13 main case includes the petition, schedules, section 341 preparation and attendance, plan, stay motion and the identified balance objection. A separate fraud-dischargeability adversary proceeding requires a separate agreed scope and competent representation; until that is arranged, counsel remains responsible for clearly communicating the identified deadline and taking the protective steps required by the existing engagement and professional obligations.” A clinic visit is not assumed to create this full engagement. The client should receive an unambiguous allocation, with referral and deadline arrangements actually made rather than an unexplained disclaimer.

# 9. Keep the plan viable through completion

Confirmation starts a period of performance; it does not freeze the client's financial life.

## 9.1 Changed income requires analysis, not silence

A confirmed plan operates within the Code, its terms, and the confirmation order. Under section 1329, the debtor, trustee, or holder of an allowed unsecured claim may request specified modifications before completion of payments. The statute addresses changes in payments, time, and distributions within its limits. It is not a license to begin a new five-year period whenever money becomes tight. [38]

Ask the client to report a lost job, material raise, inheritance, lawsuit recovery, sale, or other significant change promptly. Review the applicable reporting requirements. Section 521(f) provides for specified tax returns and Chapter 13 income-and-expenditure information upon a qualifying request; local requirements and orders can add practical obligations. The duty is not accurately summarized as “only debtors paying less than 100% have to disclose income.” [9]

A postconfirmation income loss requires updated pay and expense records, a deficit calculation, review of the operative order, and a supported proposal within the legally available remaining period. Section 9.4 computes a temporary and a permanent deficit and distinguishes modification, hardship discharge, conversion and dismissal. An informal payment reduction does not amend the plan or eliminate a liquidation requirement. [21] [38]

**Changed fact.** A permanent raise creates additional capacity. The client should not hide it on the theory that the original payment was a final negotiated settlement. Evaluate the order and statutory modification process, including whether the trustee or an unsecured claimant seeks a change. The legal effect depends on the circumstances and governing law; disclosure and a supported response come before a promise that the payment can never increase.

## 9.2 Early payoff and hardship are separate routes

A debtor who can pay the remaining scheduled installments early should obtain a current payoff analysis before sending a lump sum and assuming completion. The plan's terms, commitment-period issues, allowed claims, interest requirements, and proposed modification may matter. “Paid the number written on page one” is not a universal test for discharge. Confirm that the necessary full-payment or other legal conditions are satisfied. [21] [38]

Section 1328(b) allows a hardship discharge only under specified conditions, including circumstances for which the debtor should not justly be held accountable, the required

liquidation comparison, and impracticability of modification. Its exceptions differ from the ordinary completion discharge. It is not an automatic substitute whenever a debtor misses payments. Compare modification, conversion, dismissal, and hardship relief using the client's current facts. [5] [49]

### 9.3 Completion, dismissal, and conversion have different effects

For a completion discharge, verify plan performance and the other statutory conditions, including applicable domestic-support certifications and financial-management requirements. Some obligations remain excepted from discharge. Long-term debt treated under section 1322(b)(5), for example, is not erased merely because the cure plan finishes. Obtain the final orders and explain precisely what the client must keep paying. [5] [22]

Material default and other grounds can lead to conversion or dismissal under section 1307. Conversion requires eligibility for the receiving chapter and a fresh analysis of property and consequences. Dismissal ends the case without the contemplated completion discharge and may affect protection in a later filing. Neither should be treated as a clerical closeout. [49] [6]

**Completed closing explanation.** “The plan cured the identified arrears and completed the required distributions. The discharge order controls the personal debts that are discharged. Your ongoing mortgage continues under its terms. Keep the final plan, payment history, claim orders, mortgage-status determination described in section 9.5, discharge, and lender statements. If a creditor later seeks a discharged personal obligation, we will compare the demand with the order and section 524; a valid surviving lien requires a different analysis.” This is a model explanation, not a representation that Rivera has completed a case. [46]

### 9.4 Performance file K: decide before default becomes a crisis

**K1 — Temporary deficit.** In the funded Rivera variation, ordinary capacity is \$1,100 and the teaching payment \$988.54. A verified two-month medical interruption reduces available cash by \$250 to \$850. The monthly deficit is **\$138.54**, or **\$277.08** over two months. Counsel obtains the medical/work dates, updated budget, payment ledger and confirmation order; identifies whether a temporary adjustment can lawfully be proposed; and asks for the necessary relief through the actual case process. The client is not instructed simply to pay \$850 and treat the order as amended. If a permissible proposal recovers \$277.08 over 12 later months, the arithmetic increment is \$23.09, but that proposal still needs legal, timing and feasibility review and approval. [38]

**K2 — Permanent change.** Change the loss to a permanent \$400 reduction. Available cash falls to \$700; the recurring shortfall is \$288.54. Without a supported offset, counsel evaluates modification within the remaining permitted term, a sustainable mortgage agreement, asset sale, conversion if eligible and advantageous, or dismissal with its consequences. A new five-year clock is not assumed. Before recommending conversion, refresh asset and

exemption exposure and the consequences of the conversion facts; before recommending dismissal, explain the loss of stay protection and the continued debts. [38] [49]

**K3 — Hardship-discharge screen.** Assume a separate debtor cannot continue because of a disabling event for which the debtor should not justly be held accountable. That may support one statutory element, but it does not satisfy all three. If the effective-date value of distributions actually made to unsecured creditors is only \$8,000 against a \$12,000 hypothetical Chapter 7 distribution, section 1328(b)(2) is not met. If actual distributions instead satisfy that benchmark, counsel must still show that modification is not practicable and analyze the narrower discharge exceptions under section 1328(c). A medical diagnosis alone is not an automatic early discharge. [5]

**K4 — Completion letter.** “We have reconciled the trustee ledger, required plan distributions and applicable direct-payment obligations against the confirmation order. Before we describe the mortgage as current, we will complete the reconciliation and applicable notice procedures in section 9.5 and resolve any disputed account status. The final-payment entry is not itself the discharge order. We must also confirm the required financial-management evidence, any domestic-support certification, and other applicable discharge conditions. We will provide the entered discharge and explain which obligations and liens remain, then monitor any remaining administration and closing. Do not stop a surviving long-term mortgage payment merely because the plan deposits are finished.” This is the completed message for the stated compliant branch, not a certification that an actual case has been audited. [5] [7] [46] [65]

## 9.5 Mortgage file K5: establish the account status before closing

Rule 3002.1, amended effective December 1, 2025, applies to a Chapter 13 claim secured by the debtor’s principal residence when the plan provides for the trustee or debtor to pay the debt. Direct mortgage payments do not remove the claim from the rule. Unless the court orders otherwise, its requirements cease when an order terminating or annulling the residence’s automatic stay becomes effective. The following is a current-law teaching supplement, not additional instruction attributed to the recording. [65]

During the case, reconcile the lender’s transaction history, escrow analyses, payment-change notices and charges with the debtor’s bank records and trustee ledger. A payment-change notice ordinarily must be filed and served at least 21 days before the changed payment is due. A late increase takes effect on the first payment due date at least 21 days after filing and service; a late decrease takes effect on its actual due date. Separate rules address home-equity lines of credit. Postpetition fees, expenses and charges asserted against the debtor or residence require an itemized notice within 180 days after they are incurred. A motion to determine whether those charges are payable ordinarily must be filed within one year after service of that notice, unless the court orders a shorter period. [65]

A discrepancy need not wait until the last plan payment. Before the trustee files the end-of-case notice, the debtor or trustee may use Form 410C13-M1 to seek a mortgage-status determination. The claim holder must respond on Form 410C13-M1R within 28 days after service if it disagrees with the stated facts. The court decides the disputed status after notice and a hearing; when the holder agrees or does not respond, the court may enter an appropriate order on the stated facts. Silence is not a self-executing order. [65]

K5-A — Completed account comparison. Apply the current rule to a successful end-stage variation of the original Rivera cure plan; a real case reaching completion later requires a fresh rules check. Assume no modification, payment changes, added charges or unpaid installments. The trustee's mortgage-cure ledger shows  $60 \times \$500 = \$30,000$ , equal to the allowed cure amount. Rivera's bank records show 60 direct installments of \$1,922.63, totaling \$115,357.80. The lender's history credits those same installments to principal, interest and escrow and reports no postpetition shortage. The trustee paid none of those ongoing installments. The completed comparison therefore records prepetition cure paid \$30,000; ongoing amounts paid directly \$115,357.80; identified unpaid cure \$0; identified unpaid postpetition amounts \$0. Remaining loan principal continues under the mortgage; these payments do not pay off the loan.

K5-B — Completed notice and order sequence. Day 0 is the day Rivera completes all payments due to the trustee under the plan. In this simulation, the trustee files and serves Form 410C13-N on Day 20, within the rule's 45-day period. The notice reports the \$30,000 cure disbursement and \$0 in ongoing payments disbursed by the trustee, with Rivera's direct payments separately reconciled. It is served on the claim holder, Rivera and counsel. The holder files Form 410C13-NR on Day 35, within 28 days after service, agreeing that the defaults are cured and all required postpetition amounts are current as of the notice date. Counsel files and serves Rivera's Form 410C13-M2 motion on Day 50, within 45 days after that response, on the holder and trustee. The holder's Day 60 Form 410C13-M2R agrees. After the required process, an entered court order—not the ledger alone—establishes the account status. These are completed simulated steps; no actual filing, service or court ruling is represented. [65]

K5-C — Operative order requested on that record. "The debtor has cured the \$30,000 prepetition default and paid all required postpetition amounts on the mortgage claim through the account-status date identified in the trustee's notice. No unpaid cure or postpetition amount is established through that date. This determination does not discharge, satisfy or release the remaining long-term mortgage debt or lien, and ongoing payments remain due under the loan's terms." Counsel matches the requested date and scope to the evidence and retains the entered order with the closing letter. The current rule also permits a motion within 45 days after service of the trustee's notice if the holder files no response. A disputed motion requires determination after notice and a hearing. Compute actual deadlines under Rule 9006, including applicable service, weekend and holiday rules, rather than copying the illustrative day numbers. [53] [65]

Changed fact and reasoned response. Replace the agreeing lender response with a demand for \$480: six retroactive monthly increases of \$80, first noticed by filing and service on Day 35. Assume no earlier notice, no other basis for the \$480, and unchanged regular due dates on Day 45 and Day 75. Counsel's completed position is that Rule 3002.1(b)(3)(A) does not make the increased installment effective retroactively. Day 45 is only ten days after notice; Day 75 is the first due date at least 21 days later. The prospective payment becomes \$2,002.63 on Day 75, subject to any timely challenge to the validity of the increase. Counsel supplies the notice, service record, escrow analysis and payment history, disputes the six retroactive increments in the status motion, and requests a determination that they do not create a pre-Day-35 default on these facts. Counsel does not send the unqualified "all current" closing letter while the dispute remains unresolved. If instead bank records show an actually missed regular installment, the late-notice argument does not erase that different debt. [65]

Close K5 only when the notice, holder's response, any contested amounts and the resulting order are reconciled with the client's ongoing payment instructions. Calendar the holder's mandatory 28-day response to the trustee's notice and the separate 45-day period for a final-cure motion; a response disagreeing with a debtor's status motion has its own 28-day period. Failure to provide required information can support appropriate court-ordered relief under Rule 3002.1(h), but is not an automatic mortgage cancellation. [65]

# 10. Analyze student loans and taxes separately

A general bankruptcy discharge does not answer every debt-specific question.

## 10.1 Classify the education debt before applying hardship

Section 523(a)(8) covers specified educational obligations, including qualifying government or nonprofit-related loans and qualified education loans within its terms. Some private loans can fall within the exception; “private” does not mean automatically dischargeable. Conversely, every loan spent on education does not automatically fit every statutory category. Obtain the note, lender and guarantor information, disbursement history, school and program information, and the facts needed to classify the obligation. [39]

In **Homaidan v. Sallie Mae, Inc.**, 3 F.4th 595 (2d Cir. 2021), the Second Circuit rejected treating the private loans at issue as an “educational benefit” within section 523(a)(8)(A)(ii). That holding does not erase the separate categories in subsections (A)(i) and (B). A useful intake identifies which statutory route the creditor actually invokes and whether its conditions are met. [42]

For covered debt in this circuit, **Brunner v. New York State Higher Education Services Corp.**, 831 F.2d 395 (2d Cir. 1987) asks whether repayment prevents a minimal standard of living for the debtor and dependents, whether additional circumstances show that condition is likely to persist for a significant portion of the repayment period, and whether the debtor made good-faith repayment efforts. Brunner affirmed denial on the record before it, including the lack of demonstrated persistent circumstances and the premature relief request. It does not require every applicant to be blind, completely unemployable, or living in extreme destitution. [40]

## 10.2 Develop evidence for each part of the test

The teaching client, Jordan Ellis, has \$1,850 current take-home income and \$1,900 supported necessary expenses for Jordan and a dependent. A chronic condition restricts earning capacity. Sections 10.5–10.6 supply the loan classification, itemized budget, functional/vocational evidence, repayment record, completed attestation narrative and separate analysis of each Brunner element. A \$50 deficit alone is not the complete undue-hardship case. [39] [40]

**Changed fact.** A documented job offer would materially increase income after necessary work-related expenses. Counsel must evaluate that evidence when addressing likely persistence; the current deficit alone may no longer support the same prediction. Conversely, lack of past payments during sustained poverty does not automatically

establish bad faith. Explain what the debtor could do, what the debtor attempted, and why the record satisfies or fails the governing test. [40]

The Department of Justice publishes an attestation-based process for federal student-loan bankruptcy litigation, coordinated with the Department of Education. Its guidance addresses present ability, likely future circumstances, and good faith, and can facilitate a supported government recommendation or stipulation. The current official page links the guidance and the May 2025 attestation form. This is an administrative litigation process, not a statutory repeal of undue hardship, a command binding the court, or a promise covering every private lender. The debtor retains the burden in the adversary proceeding. [41]

Identify the proper defendant and loan type, use the current attestation and local procedure where applicable, support the responses with reliable records, and request the appropriate judicial determination. A dischargeability action is generally an adversary proceeding under Rule 7001. A bankruptcy petition and a check box alone do not litigate a covered student loan's undue hardship. [37] [39]

### 10.3 The tax screen is more than “three years old”

For income taxes, the familiar **three-year, two-year, and 240-day** screen is a starting framework drawn from sections 507(a)(8) and 523(a)(1), not a complete discharge opinion. The three-year inquiry concerns when the return was last due, including extensions. The two-year rule concerns qualifying late returns filed within two years before the petition. The 240-day inquiry concerns assessment, with statutory additions or suspensions. Taxes still assessable, fraudulent returns, willful evasion, and other provisions can change the answer. [39] [43]

Obtain account transcripts, actual returns, extension records, assessment dates, prior bankruptcy histories, offers in compromise, collection proceedings, and lien records. A late document may also fail the applicable legal definition of a return; filing it more than two years before bankruptcy is not a universal cure. Distinguish ordinary income tax from trust-fund or other priority taxes. Taxes required to be collected or withheld and for which the debtor is liable do not simply become dischargeable because three years pass. [39] [43]

### 10.4 A completed date screen and two material changes

Assume a petition on **October 9, 2026**. For the first hypothetical income-tax debt, assume a return last due April 18, 2022, no extension, a timely qualifying return filed April 10, 2022, assessment on May 16, 2022, no later assessment, no tolling or suspension, no fraud or willful evasion, and no surviving tax lien. The due date is more than three years before filing; there is no late-return filing within the two-year period; the assumed assessment is more than 240 days before filing. The debt passes these three screening questions on the stated facts. That is a reason to complete the debt-specific analysis, not a declaration that every tax obligation of the client is discharged. [39] [43]

**Extended return.** For a different tax year, assume the return's last due date after a valid extension was October 16, 2023. The October 9, 2026 petition comes before the third anniversary. The three-year screen fails even if the taxpayer says the tax year is "old." The extension date matters more than the year printed at the top of the return.

**Recent assessment or late filing.** An otherwise old income-tax period assessed in August 2026 creates a 240-day issue. A required return first filed in 2025 creates a two-year issue for the same October 2026 petition, in addition to the legal definition-of-return question. Investigate the actual records and suspensions before recommending a different filing date. Moving the petition can affect other creditors, exemptions, and the stay strategy.

Priority tax claims generally require full deferred payment under section 1322(a)(2) unless the holder agrees to different treatment. Chapter 13's completion and hardship discharges have their own exceptions. A personal discharge also does not necessarily eliminate a valid tax lien. The client needs three answers: what must be paid through the plan, what personal liability may remain, and what property remains subject to enforcement. [22] [5] [39] [43]

## 10.5 Student-loan file J: facts before a hardship conclusion

This independent fictional file concerns Jordan Ellis, age 52, a former nursing assistant with one dependent child, age 15. It does not add a loan or dependent to Rivera's case. The supplied federal loan records identify a \$35,000 Direct Loan obligation covered by section 523(a)(8)(A)(i); the current servicing record lists a \$320 scheduled monthly payment. Counsel reconciles the loan identity and education history with the information supplied through the litigation process. For a private loan, Homaidan's treatment of section 523(a)(8)(A)(ii) would not eliminate the separate need to test (A)(i) and the qualified-education-loan category in (B). A "private" label is not the complete classification. [39] [42]

**J1 — Current income and needs.** Four consecutive pay statements and the employer record establish current gross monthly wages \$2,000 from accommodated part-time work, less \$150 taxes, yielding \$1,850. There is no other household income on the supplied record. Necessary monthly expenses are rent \$700, utilities/telephone \$200, food \$400, clothing \$80, household/personal needs \$75, transportation \$180, unreimbursed health expenses \$150, child-related necessities \$100, and renter insurance \$15: **\$1,900 total**. Before any student-loan payment, the budget is **\$50 short**. Bank statements and the bills support the amounts; counsel checks omitted assistance and avoided basic needs rather than presuming the list is complete. These are actual teaching expense figures, not an assertion that a particular agency allowance conclusively defines a minimal standard of living.

**J2 — Persistence evidence.** A treating clinician's current report describes chronic lifting and standing restrictions, the tasks they prevent, treatment history, and the expected duration of functional limitations. It explains why a return to full-time bedside nursing-assistant work is not expected during a substantial portion of the repayment period; it does not merely name a diagnosis. An employment counselor's record identifies six recent

applications for less physical positions and the responses, with no offer at present. Jordan has not completed the nursing degree and supplies the transcript and vocational consequences. Counsel tests whether other reasonably available work, training, household resources or an impending change undermines the claimed persistence. The client's own prediction is not substituted for the functional and employment evidence.

**J3 — Good-faith evidence.** The reconciled loan ledger shows 36 payments of \$50, totaling **\$1,800**, during periods of available income. Servicer records show two requested and approved hardship deferment/forbearance periods totaling 12 months, four documented contacts about repayment options, and a submitted income-based-payment inquiry with the response retained. Counsel describes the actual available options and current loan status after verification; this example does not promise eligibility for any named repayment program. Job-search records and the modest budget support efforts to earn and limit expenses. Lack of a large payment history is not treated as automatically defeating good faith; the reason and supporting conduct must be evaluated. [40] [41]

## 10.6 Completed attestation narrative and reasoned assessment

The DOJ page currently links the May 2025 attestation. Its instructions direct submission to the assigned Assistant United States Attorney, and say not to file it with the court unless directed by the court or an attorney. The attestation supports the government's evaluation; an adversary proceeding and judicial determination remain distinct. The following completed narrative answers the material factual categories for this exercise. It supplements, rather than impersonates, a fully executed official form. [41] [63]

**J4 — Model narrative.** "I am Jordan Ellis, age 52, and my household consists of me and my 15-year-old child. I reviewed the supplied Department of Education loan and school-history information and agree that it identifies the \$35,000 Direct Loan obligation described in J. My current scheduled payment is \$320. My present accommodated part-time work produces \$2,000 gross monthly income; the attached four pay statements show \$150 monthly tax deductions. My child has no income, and the disclosed household receives no other income on these facts.

"My necessary living expenses total \$1,900 as itemized in J1 and supported by the attached rent statement, bills, bank history and medical-expense records. I cannot meet those expenses and a \$320 loan payment from \$1,850 take-home income. The functional restrictions and employment evidence in J2 explain why I do not expect materially greater earnings over a significant portion of the repayment period. I will update this statement if a job offer, benefit or other material resource changes that evidence.

"I paid \$1,800 through 36 \$50 payments when able. J3 identifies the two hardship accommodations totaling 12 months, four repayment-option contacts, and my inquiry and response concerning income-based payments. I continue to seek suitable work. My assets are a \$2,000 paid-off vehicle, \$1,000 ordinary household goods and \$200 in an account; I own

no real estate, retirement account or business interest on these supplied facts. I declare under penalty of perjury that these statements and the identified supporting records are accurate. /s/ Jordan Ellis — simulated execution only.” A real signer must examine every official-form answer, not simply attach this narrative or use a fabricated document.

**J5 — Attorney assessment.** First, the present supported budget is already \$50 negative, so the requested loan payment would further impair basic needs. Second, the medical restrictions, incomplete training and unsuccessful realistic job search provide evidence of persistence; the analysis must explain their expected duration and test contrary employment evidence. Third, the payment/servicer history and efforts to earn and reduce expenses support good faith. Taken together, these facts justify developing an undue-hardship claim and a supported request under the government’s process. They do not guarantee a discharge or replace Brunner’s three distinct elements. The court decides the legal result. [39] [40] [41]

**Changed fact with a different result.** A written, medically compatible job offer now provides **\$700 additional monthly take-home income**, starting November 1, with **\$150 new necessary transportation/childcare costs**. Net household income becomes \$2,550; necessary expenses \$2,050; the \$500 surplus can cover the stated \$320 payment with \$180 left. That materially weakens the present-inability and persistence showings, assuming the job and budget are dependable. Update the attestation, reassess the claim and repayment options, and disclose the change through counsel. If the offer is only a speculative interview, do not treat it as established income; if medical evidence shows it cannot be sustained, develop that evidence. Good faith is not retroactively erased simply because circumstances improve.

**Keep the agency expense analysis distinct.** These figures demonstrate the actual budget and the factual narrative; they do not silently substitute for the Department’s expense evaluation. The guidance generally allows the full National Standards amount when reported spending is lower, while Local Standards ordinarily use actual expenses up to the applicable limit, with explained additional needs considered. It also addresses needs the debtor has been unable to meet. Reconcile gross income, payroll deductions and expenses without deducting taxes twice. The improved \$500 cash result therefore requires a fresh standards-and-needs review; by itself it does not establish that the government must oppose discharge or that the court must deny it. A supported compatible job remains material evidence about future earning capacity. [41] [63]

## 10.7 Tax file T: three clocks and the events that stop them

These are separate federal income-tax examples for an assumed October 9, 2026 Chapter 7 filing. They do not add priority taxes to Rivera’s no-priority-debt plan model. The file includes the return, acceptance record, valid extension if any, account transcript, assessment entries, collection/offer history, earlier bankruptcy dockets and lien search.

The numerical screen alone does not establish dischargeability. Check the kind of tax, statutory return definition, fraud/evasion, tolling, assessability and liens. [39] [43]

| Teaching tax record                                                                                                         | Completed timing analysis                                                                                                                                | Provisional conclusion                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| T1: 2021 income tax; return last due April 18, 2022; no extension; timely filed April 10, 2022; assessed May 16, 2022       | Last-due date is 1,635 days before filing; actual filing 1,643 days; assessment 1,607 days. Each ordinary three-year/two-year/240-day screen is exceeded | Assuming no tolling, fraud/evasion, later assessable amount or lien, age alone does not bar discharge; complete the remaining statutory review                      |
| T2: change to 2022 income tax with valid extension making return last due October 16, 2023; timely filed September 30, 2023 | Three years before the petition is October 9, 2023. October 16 is seven days later                                                                       | The three-year priority timing rule remains implicated; the earlier actual filing does not cancel the extension's last-due date                                     |
| T3: keep T1 due/filed dates but add an August 10, 2026 assessment of the debt at issue                                      | Only 60 days precede October 9                                                                                                                           | The 240-day test is not met for that assessment; do not rely solely on the old tax year                                                                             |
| T4: keep old due date but change actual late filing to January 15, 2025                                                     | Only 632 days, less than two years, precede the petition                                                                                                 | Section 523(a) (1) (B) presents a bar; waiting until a return is over two years old would still require analysis of what qualifies as a return and other exceptions |

**T5 — Tolling changes an otherwise older assessment.** A separate tax was assessed November 1, 2025, **342 days** before the petition. On a supplied account history, a qualifying offer in compromise was pending May 1 through July 31, 2026, treated in this exercise as **92 days**, plus the statute's 30-day addition. Excluding 122 days leaves **220 counted days**, below 240. Without the offer event, the 342-day assessment would pass the simple 240-day screen; with it, the answer changes. Actual start/end inclusions, multiple events, prior stays, confirmed plans and other statutory suspensions must be recomputed from the record. Do not attach this 122-day adjustment to T1 unless T1 actually has that event. [43]

**Completed advice.** “Your tax year alone is not enough to predict discharge. T1 appears old enough under the ordinary date screens on the supplied no-tolling record. T2, T3 and T4 each change a distinct result. T5 shows why we must obtain the collection history. We also need to confirm whether an enforceable tax lien survives against property, whether a return qualifies under the governing law, and whether fraud, evasion or a different tax category applies. A trust-fund withholding tax is not converted into ordinary dischargeable income tax by age.” A valid lien and personal liability require separate advice. [39] [43] [46]

# 11. Protect the client and complete the recommendation

Sound advice connects the legal analysis, the client's resources, and the next concrete action.

## 11.1 Recognize a dangerous rescue proposal

The episode describes people selling desperate homeowners repeated filings, document preparation, or title transfers without a sustainable solution. Ask for the proposed agreement, fee schedule, promised result, deed documents, and identities of everyone involved. A statement that “bankruptcy will stop it” is incomplete if the promoter has ignored prior dismissals, an in rem order, counseling, or the ability to complete a case.

Section 110 regulates bankruptcy petition preparers, including identification, signatures, fees, and restrictions on providing legal advice. A preparer is not authorized to act as the client's lawyer merely by helping type forms. New York Real Property Law section 265-b addresses covered distressed-property consultants and includes restrictions concerning advance compensation and acquiring an interest in the property, with statutory definitions and exceptions that must be read. The recording's broad suggestion that only attorneys can ever charge for assistance should not replace the actual law. [44] [45]

**Completed evaluation.** A promoter demands an upfront fee, recommends omitting an overseas asset, guarantees a five-year stop to foreclosure, and asks Rivera to transfer a share of the deed to a newly formed entity. Counsel should identify the false disclosure instruction, unsupported guarantee, title consequences, and potential statutory violations. Preserve the documents and payment records, obtain the foreclosure and title history, and determine whether urgent court relief or other authorized action is needed. Do not implement the transfer while assuming a future bankruptcy can undo it.

## 11.2 Distinguish a legitimate sale from an equity transfer

A short sale generally involves a negotiated sale for less than the secured payoff, requiring agreement about lien release and the treatment of any deficiency. A deed in lieu transfers the property to the lender under negotiated terms. Neither label establishes that the debtor has no remaining liability, no tax issue, or no valuable equity. Obtain written terms and independently explain the net proceeds and consequences.

**Equity example.** If a home is worth \$800,000 and the secured payoff is \$500,000, the starting equity is \$300,000 before sale costs and other valid claims. A promise of \$40,000 for transferring the deed cannot be evaluated by comparing that cash with zero. Establish market value, all liens and transaction costs, the client's ownership interest, and what rights the transfer gives away. An ordinary properly advised sale may be a rational alternative to an infeasible plan; an opaque transfer of valuable equity is a different proposition.

### 11.3 Rivera: a completed provisional recommendation

The completed Rivera file now supports a conditional decision. The base-case home equity is protected under the stated New York election, but other assets produce an \$18,000 liquidation distribution. After the documented wage change, the base income calculation creates no positive floor; effective-date liquidation value drives the illustrated \$988.54 payment. The actual budget supplies \$800, leaving a \$188.54 deficit. Sections 11.5–11.6 provide the completed client letter and action ledger. [21]

Recommendation to the client. “Chapter 13 may permit a home-preserving cure, but your current budget does not fund the calculated plan. We need a dependable change and a complete recalculation before relying on it. Protected home equity does not itself supply the monthly payments. The full advice below distinguishes the base case, documented support, new valuation and complete mortgage offers.”

“Your earlier dismissal also affects the stay. We must obtain the prior orders and, if the one-prior-case rule applies, seek the extension with the required hearing completed on time. Current earnings and a corrected budget will be central to that request. If there were two qualifying dismissals or a recorded property-specific order, the required relief changes. Filing a new petition without addressing those facts is not enough.”

“The proposed 6.5% modification in our example increases principal and interest to approximately \$2,085.82 and extends the remaining term. It does not solve the budget simply because it moves arrears into principal. We should compare any actual offer with cure, fees, escrow, remaining debts, total cost, and your longer-term plans. If keeping the home cannot be funded, we should compare a properly advised sale or surrender rather than promise a plan that is likely to fail.”

This recommendation does not assume that a relative will contribute, an appraisal will stay favorable, or a lender will accept new terms. It identifies the missing facts and explains why they control the decision.

### 11.4 Turn the recommendation into assigned work

| Next task                                               | Evidence and decision it supports                                                                 |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Confirm the foreclosure posture and all prior orders    | Establish the real deadline, available stay, and any extension, imposition, or in rem issue.      |
| Reconcile the mortgage, title, valuation and exemptions | Confirm ownership, protected equity, arrears, lien treatment, and potential liquidation exposure. |
| Verify the complete household and asset record          | Support truthful schedules, the liquidation study, income analysis, and an accurate budget.       |

| Next task                                              | Evidence and decision it supports                                                                                      |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Document a proposed contribution or revised loan offer | Determine whether a dependable change closes the monthly shortfall and whether the plan must be recalculated.          |
| Compare alternatives with the client                   | Record the client's informed goal and the consequences of cure, modification, sale, surrender, or a different chapter. |

Changed fact: documented \$300 support. Available cash becomes \$1,100, and the base teaching payment leaves \$111.46. Section 5.8 includes the support in projected income as well as cash and shows that the liquidation requirement still controls on these facts. The support evidence, ordinary expenses, contingencies and reliability remain essential; the number alone does not establish confirmation. [21] [60]

Changed appraisal. Section 4.6 demonstrates why \$560,000 of value produces no positive home-sale residual after the supplied costs, while \$580,000 produces a \$22,875 liquidation distribution on the revised expense estimate. Section 5.8 raises the plan payment to \$1,090.76, leaving only \$9.24 even with \$300 support. Advice must follow the complete valuation, cost and cash record.

## 11.5 Completed decision letter D: preserve the client's choices

**To Maya Rivera — teaching advice dated October 12, 2026.** Your goal is to keep your home without promising payments you cannot make. We have reconciled your \$500,000 valuation, \$330,000 mortgage claim, \$42,000 ordinary unsecured claims, other assets and current income. The present living budget leaves \$800 monthly. Under the expressly stated Chapter 5 rate, fee, timing and expense assumptions, the complete plan needs \$988.54. The resulting \$188.54 deficit means the base plan is not a sustainable recommendation.

Your sibling's documented \$300 monthly support changes available cash to \$1,100. We also counted it in projected income; it is not hidden money outside the analysis. The resulting \$111.46 margin supports pursuing the funded variation, subject to the court's findings, reliable continued support and updated costs. Because your prior confirmed case failed and was dismissed March 9, we must obtain the required repeat-stay relief on time. Filing alone does not establish continued protection after the applicable period. The motion must disclose your permanent October wage reduction along with the new support.

The existing 3% mortgage is valuable, but preserving its rate does not by itself make the whole plan affordable. The proposed 6.5% capitalization offer fails the base budget even after removing the separate cure. A complete 3%/30-year capitalization offer on the stated terms would improve the monthly margin to about \$398.35 without family support, but its longer-term cost and actual enforceability must be understood before acceptance. We will not count the arrears both in the new principal and again in the plan.

If a supported appraisal rises to \$580,000 with the stated sale and administration costs, the proposed payment rises to \$1,090.76; even with the family support the remaining \$9.24 is

too fragile to call a comfortable plan. An orderly sale or another sustainable agreement may better protect your equity than repeated failed filings. Chapter 7 would expose the nonexempt interests identified in the election memo and would not itself arrange the installment home cure you seek. You authorize us to pursue the documented funded stay strategy and acceptable modification discussions while continuing the feasibility review; you have not authorized signing away your deed or accepting any quoted modification without review.

Report income, expense, asset, lawsuit and family-support changes promptly. Review every filed statement and attend the required proceedings. We will explain the actual court orders and payment schedule, including what remains after discharge. These are simulated instructions for the documented branch, not a representation that a real client has retained counsel or a court has approved a plan.

## 11.6 D2: action ledger with closure evidence

| Owner and timing                        | Action in the Rivera file                                                                       | What completion looks like                                                                                      |
|-----------------------------------------|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Counsel, before relying on protection   | Reconcile previous docket, current filing and property orders; reserve appropriate stay hearing | S-A, current filing receipt, title search, actual hearing notice and entered order; motion alone is not closure |
| Rivera and counsel, before signing      | Review all R1-R9 assets, claims, current income and disclosures                                 | Corrected schedules, documented debtor review, necessary amendments and notice                                  |
| Counsel and Ari, October 12 variation   | Verify capacity and \$300 support, and include it in both cash and income analysis              | S-C evidence and revised P3/P6; flag interruption immediately                                                   |
| Counsel, by the actual filing deadlines | Complete plan and financial forms and required service                                          | Filed documents and proof of service; no unfiled draft marked complete                                          |
| Rivera, internal November 6 target      | Make proposed initial plan payment and current mortgage payment                                 | Cleared receipts and ledger reconciliation; investigate any discrepancy                                         |
| Counsel, October–December claim work    | Obtain O-A-O-D, serve O3–O6, address response and hearing                                       | Entered amount order or supported resolution; update total allowed claims to the actual result                  |

| Owner and timing                                        | Action in the Rivera file                                                  | What completion looks like                                                                                |
|---------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Counsel and loan reviewer, order deadlines              | Track documents and complete offer comparison                              | LM confirmations, written terms, client decision, approval and effective agreement before plan adjustment |
| Counsel, before confirmation and after material changes | Refresh values, expenses, tax/priority claims, support and distributions   | Updated liquidation, projected-income and cash tests; each claim and timing requirement reconciled        |
| Counsel and Rivera, performance/closing                 | Monitor payments, changes, course/support requirements and surviving debts | Actual discharge/order/closing evidence and a client explanation of what each means                       |

## 11.7 Rescue proposal RISK: compare net equity and retained obligations

In a separate homeowner file, supported sale value is \$800,000 and secured debt \$500,000. A rescuer offers \$40,000 for the deed while promising that the owner can buy back later. Bare equity is \$300,000. With a supported 6% sale cost (\$48,000) and \$2,000 other closing expense, an ordinary-sale comparison yields **\$250,000** before any other taxes, liens or adjustments. The \$40,000 deed offer is **\$210,000 below that illustrated net**, and may leave personal debt, occupancy and repurchase risk unresolved. A lower cash offer is not made fair merely by calling it “bankruptcy help.”

**Completed client response.** “Do not sign the deed or power of attorney on the strength of this promise. We need the actual purchase, mortgage-release, occupancy and buyback documents, independent valuation and title information. On the supported figures, the cash offer gives up substantial apparent value. We will compare a legitimate sale or workout and the applicable homeowner-protection rules before you decide.” Counsel tests New York’s Home Equity Theft Prevention Act coverage, definitions, exceptions, contract/cancellation and transaction requirements; the statute is not assumed to apply identically to every sale. A genuine short sale, where sale proceeds cannot satisfy the debt, requires specific lender terms and deficiency/tax advice; it is not the same economics as this positive-equity transfer. [45]

Section 110 regulates bankruptcy petition preparers and does not authorize nonlawyers to practice law. A preparer’s fee, disclosure and conduct must be tested under the statute and other applicable law; counsel should not repeat the inaccurate shortcut that every nonlawyer may charge nothing for any assistance. A promised guaranteed discharge, concealment instruction or scheme to transfer the house for repeat filings warrants immediate scrutiny of the actual documents and conduct. [44]

## 11.8 Independent exercise U: make the decision before reading the answer

**New file.** Noel, an eligible below-median Chapter 13 debtor, seeks to retain nonexempt investment property and has no mortgage cure, secured plan distribution or priority debt. A supported liquidation schedule gives \$12,000 realizable assets minus \$3,000 allowed administration = **\$9,000** for ordinary unsecured creditors. Allowed ordinary unsecured principal totals \$20,000. Allowed attorney compensation paid through the plan is \$1,500. The appropriate term for this exercise is 36 months. Stipulate a 5% annual liquidation discount rate, monthly end-of-month distributions, 8% actual trustee fee on receipts, and concurrent attorney payments. A separately completed income analysis gives a \$180 monthly projected-income requirement for ordinary unsecured creditors. Current net income is \$2,850 and necessary living expense \$2,500, leaving \$350. All stipulated inputs are supported for this task; no exemption or rate is to be invented.

Determine the controlling distribution, calculate the gross payment with time value and fee, compare it with available cash, and write a two-sentence recommendation. Then change the liquidation record: an omitted nonexempt asset produces another \$3,000 net after its additional costs. A new reliable household contribution is \$100 per month; the updated projected-income result is \$280. Decide whether the contribution cures the changed situation. Finally, a debt buyer claims \$2,400 although its own receipt proves a \$400 prepetition payment omitted from the claim. Identify the requested allowed amount, substantive ground, evidence and procedural notice. Do not call a blank worksheet the completed answer.

## 11.9 Reasoned answer to exercise U

The 36-month present-value factor at 5% annually is approximately **33.36570128**. The base \$9,000 liquidation benchmark requires approximately **\$269.73807394 monthly** to ordinary unsecured creditors, about \$9,710.57 nominally over 36 months. The income requirement is  $\$180 \times 36 = \$6,480$ , so liquidation controls on the supplied facts. Add attorney compensation  $\$1,500 \div 36 = \$41.66666667$  monthly; divide the net need by 0.92. Gross payment is approximately **\$338.48341371**, rounded upward to **\$338.49**. Current cash \$350 leaves **\$11.51**. Exact cents allocation, timing and per-claim value still require a final schedule.

**Recommendation.** “The supplied plan can meet the calculated requirements at \$338.49, but its \$11.51 monthly margin is fragile. Before relying on it, verify the expense and distribution assumptions and discuss a more resilient funding source or lawful alternative.” A calculation that returns \$311.40 by omitting the fee or uses only \$250 of nominal unsecured principal per month has not completed the task.

With the omitted asset, liquidation rises to **\$12,000**. Required monthly unsecured distribution is approximately **\$359.65076526**. Add \$41.66666667 and divide by 0.92: approximately **\$436.21459992**, rounded upward to **\$436.22**. The new income floor is  $\$280 \times 36 = \$10,080$ , still below the approximately \$12,947.43 nominal unsecured distribution. Available cash is \$450 after the \$100 contribution; margin is **\$13.78**. It closes the arithmetic gap but still leaves a narrow budget. The omitted asset must be disclosed and the supporting documents amended; accepting support is not a substitute for correcting the record.

The claim objection seeks **\$2,000** allowed principal, supported by the \$2,400 claim/history and \$400 receipt, under section 502(b)(1) because the paid amount is no longer enforceable. Use the latest claim’s notice designation, required additional service where applicable, and Rule 3007’s minimum notice to the hearing or hearing-request deadline. If ownership or charges are also disputed, investigate and state those grounds separately. No adversary complaint is required merely because this is a supported balance correction; any additional relief must be screened under Rule 7001. [21] [33] [36] [37]

# Selected authorities

Primary law, official practice guidance, and faculty sources supporting this edition. Checked October 12, 2026. Case links lead to opinion reproductions; guidance is identified separately.

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2. [Adjustment of Certain Dollar Amounts, 90 Fed. Reg. 8941 \(Feb. 4, 2025\), effective Apr. 1, 2025.](#)
3. [11 U.S.C. §707 — Dismissal and consumer-abuse screening.](#)
4. [11 U.S.C. §727 — Discharge.](#)
5. [11 U.S.C. §1328 — Chapter 13 discharge.](#)
6. [11 U.S.C. §362 — Automatic stay.](#)
7. [Fed. R. Bankr. P. 1007.](#)
8. [Fed. R. Bankr. P. 3015.](#)
9. [11 U.S.C. §521 — Debtor duties.](#)
10. [11 U.S.C. §1326 — Payments.](#)
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13. [11 U.S.C. §341 — Meeting of creditors. 11 U.S.C. §343 — Examination of the debtor.](#)
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15. [11 U.S.C. §522 — Exemptions.](#)
16. [N.Y. Debtor and Creditor Law §285.](#)
17. [New York Department of Financial Services, Exemption from Judgments, adjustments effective Apr. 1, 2024. N.Y. Debtor and Creditor Law §282 — Exempt property.](#)
18. [N.Y. C.P.L.R. 5206\(a\).](#)
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20. [Fed. R. Bankr. P. 4004.](#)
21. [11 U.S.C. §1325 — Confirmation of plan.](#)
22. [11 U.S.C. §1322 — Contents of plan.](#)
23. [28 U.S.C. §586 — U.S. trustees and standing-trustee fees.](#)
24. [In re Soussis, 136 F.4th 415 \(2d Cir. 2025\).](#)
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28. [Till v. SCS Credit Corp., 541 U.S. 465, 478–80 \(2004\) \(plurality\).](#)
29. [Fed. R. Bankr. P. 3012.](#)
30. [U.S. Bankruptcy Court, E.D.N.Y., Loss Mitigation; General Order 744 and linked procedures. General Order 744 — Loss Mitigation Program Procedures.](#)

31. [U.S. Bankruptcy Court, S.D.N.Y., Loss Mitigation Program and Procedures. S.D.N.Y. Loss Mitigation Program Procedures.](#)
32. [28 U.S.C. §1408 — Venue.](#)
33. [11 U.S.C. §502 — Allowance of claims.](#)
34. Federal Rule of Bankruptcy Procedure 3001, particularly (c)(4) for current open-end/revolving consumer-credit claims; restyled rule effective December 1, 2024. Supporting information and evidentiary effect. [Federal Rule of Bankruptcy Procedure 3001 — full text](#)
35. [Fed. R. Bankr. P. 3002.](#)
36. [Fed. R. Bankr. P. 3007.](#)
37. [Fed. R. Bankr. P. 7001.](#)
38. [11 U.S.C. §1329 — Modification after confirmation.](#)
39. [11 U.S.C. §523 — Exceptions to discharge.](#)
40. [Brunner v. N.Y. State Higher Education Services Corp., 831 F.2d 395, 396–97 \(2d Cir. 1987\).](#)
41. [U.S. Department of Justice, Student Loan Guidance; guidance Nov. 2022, current resource page updated Mar. 17, 2026. DOJ guidance on student-loan bankruptcy litigation.](#)
42. [Homaïdan v. Sallie Mae, Inc., 3 F.4th 595, 599–604 \(2d Cir. 2021\).](#)
43. [11 U.S.C. §507 — Priorities.](#)
44. [11 U.S.C. §110 — Bankruptcy petition preparers.](#)
45. New York Real Property Law §§ 265-a and 265-b. Covered home-equity purchases and distressed-property consulting contracts; definitions, exceptions and transaction protections must be applied separately. [N.Y. Real Property Law §265-a — Home equity theft prevention](#) · [N.Y. Real Property Law §265-b — Distressed property consulting contracts](#)
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53. Federal Rule of Bankruptcy Procedure 9006. Day computation, weekend/holiday treatment, service and extensions; specific statutory limitations remain relevant. [Federal Rule of Bankruptcy Procedure 9006 — full text](#)
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55. Federal Rules of Bankruptcy Procedure 7004 and 9014. Service in adversary proceedings and contested matters; insured-depository-institution requirements, exceptions and

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56. 11 U.S.C. §§ 547 and 548. Preference elements, defenses, insider timing and fraudulent-transfer inquiry; a disclosed transfer is not automatically avoidable. [11 U.S.C. §547 — Preferences](#) · [11 U.S.C. §548 — Fraudulent transfers](#)

57. New York Debtor and Creditor Law §§ 282–283 and CPLR 5205. Applicable property categories, bodily-injury limitations and aggregate/alternative cash rules. Read statutory figures with DFS current adjustment table at reference 17. [N.Y. Debtor and Creditor Law §282](#) · [N.Y. Debtor and Creditor Law §283](#) · [N.Y. CPLR 5205 — Exempt personal property](#)

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60. *Hamilton v. Lanning*, 560 U.S. 505, 519–524 (2010). Known or virtually certain income/expense changes and projected disposable income. [Hamilton v. Lanning — opinion](#)

61. *Ransom v. FIA Card Services, N.A.*, 562 U.S. 61, 69–80 (2011). Vehicle-ownership allowance where no loan or lease expense exists; distinguish operating costs. [Ransom v. FIA Card Services — opinion](#)

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