



AMERICAN  
BANKRUPTCY  
INSTITUTE

# 2018 Hon. Steven W. Rhodes Consumer Bankruptcy Conference

## Nonbankruptcy Alternatives for Dealing with Consumer Debt

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## Alternatives to Filing Bankruptcy

Michael S. Szuba  
Szuba & Associates, PLLC

- I. Overview
- II. Handling a File Outside of Bankruptcy
- III. Hardship or Fraud Affidavit
- IV. Agreement to Delay Collection

### I. Overview

Filing bankruptcy may negatively impact a person's life in several ways. Though bankruptcy may be the best course of action for some debtors, for others who may have fewer creditors and are looking to avoid bankruptcy, there are other alternatives. This outline is primarily intended to give examples of ways to avoid bankruptcy and instead negotiate with creditor's attorneys at the litigation stage.

### II. Handling a File Outside of Bankruptcy

The first thing you can do if it looks like a debtor may be able to avoid bankruptcy is to contact their creditors or creditors' attorneys. If the debts are small and/or there are only a small number of creditors, it is possible that rather than filing for bankruptcy, a debtor can negotiate debts with a lump sum settlement payment or a payment plan to pay the debt over time. A phone call is an easy way to make contact with the creditor to determine what stage of proceedings the file is in and will help to determine the best course of action on the account.

#### Call the Creditor/Creditor's attorney before a lawsuit has been initiated

A debtor may benefit from making contact with a creditor before the file has been placed with an attorney's office. At this stage, the creditor may be more willing to work with him/her as additional court costs and attorney fees have not accrued at this point.

If an account has already been sent to an attorney's office and your client has received a demand letter, most of these costs can still be avoided and it is

beneficial to try to work out a resolution sooner than later to avoid costs. You may be able to negotiate a lump sum settlement or payment plan without further interest accruing.

#### Stipulation and Order of Dismissal with Payment Plan

If a lawsuit has already been initiated, one way to avoid a debtor having a judgment on their record is by entering into a Stipulation and Order of Dismissal with Payment Plan. This can be filed after a debtor is served with a summons and complaint if a judgment hasn't already been entered. This way, a debtor can make payments on an account at a mutually agreeable payment schedule, while at the same time avoiding judgment, which will help with their credit and avoid them having to disclose that a judgment has been entered against them. Also, in many cases, the stipulation allows the debtor to avoid having to pay interest on the account, so the balance will not continue to grow. Most courts will accept these conditional dismissals.

See attached Exhibit A for an example of a Stipulation and Order of Dismissal with Payment Plan. This example shows how an agreement can be made for payments on a reduced balance. These orders can also be used for payments on the full amount when reducing the balance is not an option.

#### Consent Judgments

Some creditors will not agree to a conditional dismissal, and instead will want a consent judgment to finalize an agreement. Some provisions that may be helpful in a consent judgment would be an agreement to not file bank garnishments, tax garnishments or any other collection actions as long as payments are timely made. The agreement itself will protect wages from being garnished if it provides a payment order within the terms. Some creditors may also agree to not have the judgment accrue judgment interest if payments are made timely. Some example language that can be used on a consent judgment:

Plaintiff agrees to accept payments of \$100.00 by October 10, 2018, then \$100.00 by the 10<sup>th</sup> of each month thereafter until paid in full. If payments are not made as agreed, Plaintiff may file an affidavit of non-compliance and this payment order will be set aside. If payments are made as agreed, interest will not accrue on this judgment and Plaintiff will not file any bank or tax garnishments or pursue any further collection.

Installment payment orders

If a judgment has already been entered, and an active periodic garnishment is in place on the debtor's wages, he/she can request that an order for installment payment is entered pursuant to MCR 3.101(n), MCL 600.6201. This will suspend the periodic/wage garnishment and allow the debtor to make payments on a debt.

The quickest way to accomplish this is by agreeing to a payment arrangement with the creditor's attorney and filing a stipulated order for installment payments. This will suspend the garnishment as of the date the order is entered by the court. All withheld funds up to the date the order is entered are typically released to the creditor/attorney and applied to the debtor's account. When filing a stipulated order for installment payments, make sure the garnishee information is correct in the caption. Also, make sure that box 5 is checked off so that the garnishment stops. Once entered, the debtor should fax or take the order directly to his/her employer so that garnishments stop immediately. Most district courts will also mail a copy of the entered order for installment payments to the employer/garnishee.

You may also file a motion for installment payments. When filing a motion, the creditor is given an opportunity to object to the amount. If objections are made, the court normally schedules a hearing, and then determines whether to allow an installment order and the amount and frequency of payments. If objections are not made by the creditor, an order for installment payments normally (but not always) is entered by the court for the amount requested after 14 days.

See exhibit B, SCAO forms for a Motion for Installment Payments and an Order for Installment Payments.

III. Hardship or Fraud Affidavit

Hardship

Some debtors are not able to offer any payments to resolve a debt. High medical bills, loss of employment, etc. might lead them to be unable to afford even small payments. Some creditors may be willing to close out a file as a hardship rather than putting additional costs and resources towards pursuing collection on

someone who is uncollectable. Before filing bankruptcy, inform creditors of the debtor's financial situation and inquire whether they might accept a hardship affidavit to lower or eliminate the debt owed.

Common information to provide in a hardship affidavit is:

- Medical expenses
- Monthly mortgage or rent amount
- Home value
- Amount owed on home (if owned)
- Automobile status (including amount owed on automobile and make and model year)
- Type of hardship/description of hardship
- Whether hardship is permanent or temporary
- Employment status
- Amount of money in checking account
- Amount of money in savings account
- Utilities expenses
- Other expenses

Common items that may be requested along with a hardship affidavit are:

- Pay stubs
- Tax returns
- Medical documentation of hardship (better to keep this brief, such as a statement from a physician stating that the debtor is unable to work indefinitely rather than a complete medical history)

### Fraud

Another kind of affidavit that a creditor might require to close out a file is a fraud affidavit. If a debtor disputes a debt due to fraud, rather than filing bankruptcy as a means to avoid the debt, he/she can first try to work with the creditor and put together a fraud affidavit. This resource should only be used if the debtor truly believes that the debt is fraudulent. Some creditors will be willing to accept this rather than pursue collection on the debt. See attached Exhibit C-FTC Affidavit. Some creditors may also require a police report to be completed and filed when fraudulent action is claimed on an account.

#### **IV. Agreement to Delay Collection**

Bankruptcy will ultimately be the best option for some people. However, they might need to save their money for the filing fee or not be able to file right away for some other reason. In this situation, some creditors may agree to enter into consent judgments with terms to not collect for a certain period of time (usually between 30 and 90 days). This way, the creditor and their attorneys don't waste time with litigation, and your potential client has more time to get whatever you need from him/her to file their bankruptcy paperwork. This approach avoids the time and expenses of litigating a file, including possible discovery, motions for summary disposition or a trial.

STATE OF MICHIGAN  
IN THE 35th JUDICIAL DISTRICT COURT

ABC CREDIT, LLC,

Plaintiff,

Case No.

Hon.

v.

JOE DEBTOR,

Defendant,

JANE ATTORNEY (PXXXXX)  
Attorney for Plaintiff  
123 Polk Street  
Plymouth, MI 48170  
(734) 555-5555

JOE ATTORNEY (PXXXXX)  
Attorney for Defendant  
321 Pierce Avenue  
Troy, MI 48084  
(248) 555-5555

**STIPULATION AND ORDER OF DISMISSAL**  
**WITH PAYMENT PLAN**

At a session of said Court held in  
City of Plymouth, County of Wayne,  
State of Michigan on \_\_\_\_\_, 2018

PRESENT: Hon. \_\_\_\_\_  
**DISTRICT COURT JUDGE**

WHEREFORE, the parties by and through their respective counsel, have consented to the entry of an Order under the following terms and conditions:

Therefore, **IT IS HEREBY ORDERED:**

1. That this matter is dismissed without prejudice.

**AMERICAN BANKRUPTCY INSTITUTE**

2. That the Plaintiff, ABC Credit, LLC agrees to accept \$5,000.00 from the Defendant, Joe Debtor (ADefendant@) under the following terms and conditions to resolve this matter and all claims raised or which could have been raised herein.

3. That the Defendant shall pay the \$5,000.00 by paying \$100.00 by October 10, 2018, then \$100.00 by the 10<sup>th</sup> of each month thereafter until the \$5,000.00 is paid in full. The payments must be made payable to ABC Credit, LLC and mailed/delivered to Jane Attorney at 123 Polk Street, Plymouth, MI 48170. No interest will accrue if payments are timely made.

4. Further, if the Defendant defaults under the terms and conditions of this Order or fails to make the payments when due, Plaintiff ABC Credit, LLC shall be entitled to file an Affidavit of Default with this Court, and this Court shall set aside the payment plan and reinstate this case to enter a Default Judgment in favor of ABC Credit, LLC against the Defendant for \$6,906.77 [\$6,687.99 amount sought in complaint + \$143.78 court costs + \$75.00 statutory attorney fees] less any payments made by the Defendant for which credit will be given.

5. This order resolves the last pending claim and closes this case.

\_\_\_\_\_  
DISTRICT COURT JUDGE

DATED: \_\_\_\_\_

Approval of form and content and consent for entry:

\_\_\_\_\_  
JANE ATTORNEY (PXXXXX)  
Attorney for Plaintiff

\_\_\_\_\_  
JOE ATTORNEY (PXXXXX)  
Attorney for Defendant



# 2018 HON. STEVEN W. RHODES CONSUMER BANKRUPTCY CONFERENCE

Approved, SCAO

Original - Court  
1st copy - Plaintiff  
2nd copy - Defendant

STATE OF MICHIGAN JUDICIAL DISTRICT JUDICIAL CIRCUIT	MOTION AND AFFIDAVIT FOR INSTALLMENT PAYMENTS/TO AMEND ORDER FOR INSTALLMENT PAYMENTS	CASE NO.
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Court address \_\_\_\_\_ Court telephone no. \_\_\_\_\_

Plaintiff's name (judgment creditor), address, and telephone no.

v

Defendant's name (judgment debtor), address, and telephone no.

Plaintiff's attorney, bar no., address, and telephone no.

See instructions on reverse side

Date of judgment: \_\_\_\_\_

Amount of judgment (including costs): \$ \_\_\_\_\_

Approximate balance due on judgment: \$ \_\_\_\_\_

1. A judgment was entered against me in this case as stated above. I submit the following information:  
2. My average income is about \$ \_\_\_\_\_ every ☐ week. ☐ two weeks. ☐ month.  
☐ I am employed and the name and address of my employer is \_\_\_\_\_.

- ☐ I am not employed. ☐ I am receiving unemployment benefits.  
☐ I have a vehicle: Year: \_\_\_\_\_ Make: \_\_\_\_\_ Model: \_\_\_\_\_ Amount Owed: \$ \_\_\_\_\_  
The total amount in all my bank accounts is \$ \_\_\_\_\_.

Write down any other assets and how much they are worth. If you need more space, attach a separate sheet.

I pay \$ \_\_\_\_\_ in rent/mortgage every month. I pay \$ \_\_\_\_\_ in utilities (water, electricity, gas) every month.  
I pay \$ \_\_\_\_\_ for court-ordered child support. I pay \$ \_\_\_\_\_ for court-ordered \_\_\_\_\_.

Write down any other obligations and how much you pay. If you need more space, attach a separate sheet.

3. ☐ a. I ask this court for an order allowing installment payments of the judgment in the amount of \$ \_\_\_\_\_ every ☐ week ☐ two weeks ☐ month starting \_\_\_\_\_, and that no garnishment for wages/personal work and labor issue on this judgment as long as payment is made. **OR**  
☐ b. I have an order for installment payments, but my circumstances have changed and I ask this court for an amended order in the amount of \$ \_\_\_\_\_ every ☐ week ☐ two weeks ☐ month starting \_\_\_\_\_ until paid in full or until further order of the court.  
☐ 4. A writ of garnishment for periodic payments was issued on \_\_\_\_\_. I ask that it be suspended.  
5. This affidavit is made on my personal knowledge and, if sworn as a witness, I can testify competently to the facts in this motion and affidavit.

Defendant's signature \_\_\_\_\_

Subscribed and sworn to me on \_\_\_\_\_, \_\_\_\_\_ County, Michigan.  
Date

My commission expires: \_\_\_\_\_ Signature: \_\_\_\_\_  
Date Notary public/Deputy court clerk

Notary public, State of Michigan, County of \_\_\_\_\_

## CERTIFICATE OF MAILING

I certify that on this date I served a copy of this motion on the parties or their attorneys by first-class mail to their last-known addresses as defined in MCR 2.107(C)(3).

Date \_\_\_\_\_

Defendant's signature/District court clerk \_\_\_\_\_

**NOTICE TO PLAINTIFF:** If you do not file objections to the motion with the court and serve them on the defendant within 14 days from the mailing of this motion, the motion will be granted without further hearing. If you file timely objections, the court will decide the motion based on the papers filed or will notify the parties that a hearing will be required.

MCL 600.6201 *et seq.*, MCR 2.119(B)(1)(c), MCR 3.101(N), MCR 3.104

MC 15 (8/12) MOTION AND AFFIDAVIT FOR INSTALLMENT PAYMENTS/TO AMEND ORDER FOR INSTALLMENT PAYMENTS

# AMERICAN BANKRUPTCY INSTITUTE

## Instructions for Filing and Serving a Motion and Affidavit for Installment Payments/to Amend Order for Installment Payments (Form MC 15)

Use this form if you want to ask the court to allow you to make payments instead of having your wages garnished.

**NOTE:** Even if an installment payment order is entered, the plaintiff can still garnish your bank accounts, take your state income tax refund, and seize your property.

### 1. How do I file a Motion?

You file a motion by completing the form and filing it with the same court that signed the judgment. There is a \$20 motion fee for filing a motion for installment payments.

### 2. Fill out the Motion form.

Write in the court number, case number, the court address and telephone number, and the names, addresses, and telephone numbers of the plaintiff and the defendant exactly as they are on the judgment.

Write in the date the judgment was entered and the amount of the judgment. Get this information from your copy of the judgment, not from a writ of garnishment or other paper. Write in the balance now due on your judgment. It doesn't need to be exact but should be close.

Write in all the requested information in item 2. Include any information about other money judgments or orders.

Write in the amount you can afford to make on your judgment in item 3. Check how often you can make that payment and write in the date you want to start making these payments. **Make sure you will be able to pay this amount every time.**

If a writ of garnishment for periodic payments (form MC 12) was already issued, check the box in item 4 and write in the date the garnishment was issued (see the lower left-hand corner of the writ of garnishment).

You must sign your name in front of a notary public or the clerk of the court. Be sure to take your driver's license or other identification with you. You can find a notary public at most banks.

### 3. Make three copies of the completed motion form and any attachments.

### 4. File the Motion with the court.

File all three copies of your motion with the court in person or by first-class mail. If you mail your motion to the court, include a postage-paid and self-addressed envelope with your motion so that the court can return copies.

### 5. Serve the Motion.

If your case is in the district court, the court will serve the motion and will return one copy to you.

If your case is in the circuit court, when you get the two remaining copies of the motion, serve a copy on the plaintiff by first-class mail. If the plaintiff has an attorney, serve the motion on the attorney instead of the plaintiff. Complete the Certificate of Mailing on the bottom of your copy of the form. Make a copy of this and file it with the court. You can do this either in person or by first-class mail. Keep a copy for yourself.

### 6. What happens next?

If the judge signs an installment payment order, you must send a copy to the plaintiff. If a periodic writ of garnishment was already issued, send a copy of the order to the garnishee (the name and address is on the writ of garnishment). Otherwise, the garnishee will withhold your money.

### 7. Make installment payments.

You must make installment payments on time as ordered until the judgment is paid in full. If you stop making payments, are late making payments, or pay less than the amount ordered, the plaintiff can file a motion with the court to set aside (stop) the order for installment payments. If the order for installment payments is set aside, the plaintiff can get a periodic writ of garnishment to have your wages garnished.

# 2018 HON. STEVEN W. RHODES CONSUMER BANKRUPTCY CONFERENCE

Approved, SCAO

Original - Court  
1st copy - Plaintiff

2nd copy - Defendant  
3rd copy - Garnishee

<b>STATE OF MICHIGAN</b> <b>JUDICIAL DISTRICT</b> <b>JUDICIAL CIRCUIT</b>	<b>ORDER REGARDING</b> <b>INSTALLMENT PAYMENTS</b> <input type="checkbox"/> <b>AMENDED</b>	<b>CASE NO.</b>
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Court address

Court telephone no.

Plaintiff's name (judgment creditor), address, and telephone no.   	v	Defendant's name (judgment debtor), address, and telephone no.   
Plaintiff's attorney, bar no., address, and telephone no.   		Garnishee's name, address, and telephone no.   

Date of judgment: \_\_\_\_\_ Amount of judgment (including costs): \$ \_\_\_\_\_

1. The defendant filed a motion for installment payments with this court on \_\_\_\_\_ .  
Date

☐ 2. The court entered a writ of garnishment for periodic payments on \_\_\_\_\_ .  
Date

**IT IS ORDERED:**

☐ 3. The motion for installment payments is denied for the reasons stated on the record or for the following reasons:

☐ 4. The defendant shall pay the judgment in installments as follows:

\$ \_\_\_\_\_ every ☐ week ☐ two weeks ☐ month starting \_\_\_\_\_ .

No writ of garnishment on this judgment shall issue for wages/personal work and labor until further order of the court.

☐ 5. The writ for periodic payments issued on \_\_\_\_\_ is suspended and the garnishee is ordered to  
Date  
discontinue withholding amounts under the writ unless otherwise ordered by the court. Any funds deposited with the court or held by the garnishee before the date of this order shall be paid and mailed to the plaintiff/plaintiff's attorney.

6. **FURTHER ORDERS:** If the defendant fails to make the above payments, the plaintiff may file a motion to set this order aside. Copies of the motion must be served by first-class mail to the defendant's last-known address. An order setting aside the installment payments will be entered 14 days from the date of mailing of the motion to set aside installment payments unless the defendant, within that time, requests a hearing.

\_\_\_\_\_  
Date Judge Bar no.

**Instructions to Defendant:** Do not serve the order on the garnishee if the motion for installment payments is denied.

**CERTIFICATE OF MAILING**

I certify that on this date I served a copy of this order on the parties or their attorneys by first-class mail addressed to their last-known addresses as defined by MCR 2.107(C)(3).

\_\_\_\_\_  
Date Signature



*A voluntary form for filing a report with law enforcement, and disputes with credit reporting agencies and creditors about identity theft-related problems. Visit [ftc.gov/idtheft](http://ftc.gov/idtheft) to use a secure online version that you can print for your records.*

1. Place a fraud alert on your credit reports, and review the reports for signs of fraud.
2. Close the accounts that you know, or believe, have been tampered with or opened fraudulently.

## Now

- Leave (3) blank until you provide this form to someone with a legitimate business need, like when you are filing your report at the police station or sending the form to a credit reporting agency to correct your credit report.

Skip (8) - (10)  
if your  
information  
has not  
changed since  
the fraud.

H-1

Victim's Name \_\_\_\_\_ Phone number (\_\_\_\_) \_\_\_\_\_ Page 2

### About You (the victim) (Continued)

#### Declarations

- (11) I ☐ did OR ☐ did not authorize anyone to use my name or personal information to obtain money, credit, loans, goods, or services — or for any other purpose — as described in this report.
- (12) I ☐ did OR ☐ did not receive any money, goods, services, or other benefit as a result of the events described in this report.
- (13) I ☐ am OR ☐ am not willing to work with law enforcement if charges are brought against the person(s) who committed the fraud.

### About the Fraud

- (14) I believe the following person used my information or identification documents to open new accounts, use my existing accounts, or commit other fraud.

Name: \_\_\_\_\_  
First Middle Last Suffix

Address: \_\_\_\_\_  
Number & Street Name Apartment, Suite, etc.

\_\_\_\_\_  
City State Zip Code Country

Phone Numbers: (\_\_\_\_) \_\_\_\_\_ (\_\_\_\_) \_\_\_\_\_

Additional information about this person: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(14):  
 Enter what you know about anyone you believe was involved (even if you don't have complete information).

Victim's Name \_\_\_\_\_ Phone number (\_\_\_\_) \_\_\_\_\_ Page 3

- (15) Additional information about the crime (for example, how the identity thief gained access to your information or which documents or information were used):

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(14) and (15):  
Attach  
additional  
sheets as  
needed.

### Documentation

- (16) I can verify my identity with these documents:

- ☐ A valid government-issued photo identification card (for example, my driver's license, state-issued ID card, or my passport).

*If you are under 16 and don't have a photo-ID, a copy of your birth certificate or a copy of your official school record showing your enrollment and legal address is acceptable.*

- ☐ Proof of residency during the time the disputed charges occurred, the loan was made, or the other event took place (for example, a copy of a rental/lease agreement in my name, a utility bill, or an insurance bill).

(16): Reminder:  
Attach copies  
of your identity  
documents  
when sending  
this form to  
creditors  
and credit  
reporting  
agencies.

### About the Information or Accounts

- (17) The following personal information (like my name, address, Social Security number, or date of birth) in my credit report is inaccurate as a result of this identity theft:

(A) \_\_\_\_\_

(B) \_\_\_\_\_

(C) \_\_\_\_\_

- (18) Credit inquiries from these companies appear on my credit report as a result of this identity theft:

Company Name: \_\_\_\_\_

Company Name: \_\_\_\_\_

Company Name: \_\_\_\_\_

Victim's Name \_\_\_\_\_ Phone number (\_\_\_\_) \_\_\_\_\_ Page 4

(19) Below are details about the different frauds committed using my personal information.

Name of Institution                      Contact Person                      Phone                      Extension			
Account Number                      Routing Number                      Affected Check Number(s)			
Account Type: <input type="checkbox"/> Credit <input type="checkbox"/> Bank <input type="checkbox"/> Phone/Utilities <input type="checkbox"/> Loan <input type="checkbox"/> Government Benefits <input type="checkbox"/> Internet or Email <input type="checkbox"/> Other			
Select ONE: <input type="checkbox"/> This account was opened fraudulently. <input type="checkbox"/> This was an existing account that someone tampered with.			
Date Opened or Misused (mm/yyyy)                      Date Discovered (mm/yyyy)                      Total Amount Obtained (\$)			

Name of Institution                      Contact Person                      Phone                      Extension			
Account Number                      Routing Number                      Affected Check Number(s)			
Account Type: <input type="checkbox"/> Credit <input type="checkbox"/> Bank <input type="checkbox"/> Phone/Utilities <input type="checkbox"/> Loan <input type="checkbox"/> Government Benefits <input type="checkbox"/> Internet or Email <input type="checkbox"/> Other			
Select ONE: <input type="checkbox"/> This account was opened fraudulently. <input type="checkbox"/> This was an existing account that someone tampered with.			
Date Opened or Misused (mm/yyyy)                      Date Discovered (mm/yyyy)                      Total Amount Obtained (\$)			

Name of Institution                      Contact Person                      Phone                      Extension			
Account Number                      Routing Number                      Affected Check Number(s)			
Account Type: <input type="checkbox"/> Credit <input type="checkbox"/> Bank <input type="checkbox"/> Phone/Utilities <input type="checkbox"/> Loan <input type="checkbox"/> Government Benefits <input type="checkbox"/> Internet or Email <input type="checkbox"/> Other			
Select ONE: <input type="checkbox"/> This account was opened fraudulently. <input type="checkbox"/> This was an existing account that someone tampered with.			
Date Opened or Misused (mm/yyyy)                      Date Discovered (mm/yyyy)                      Total Amount Obtained (\$)			

(19):  
If there were more than three frauds, copy this page blank, and attach as many additional copies as necessary.

Enter any applicable information that you have, even if it is incomplete or an estimate.

If the thief committed two types of fraud at one company, list the company twice, giving the information about the two frauds separately.

*Contact Person:*  
Someone you dealt with, whom an investigator can call about this fraud.

*Account Number:*  
The number of the credit or debit card, bank account, loan, or other account that was misused.

*Dates:* Indicate when the thief began to misuse your information and when you discovered the problem.

*Amount Obtained:*  
For instance, the total amount purchased with the card or withdrawn from the account.

Victim's Name \_\_\_\_\_ Phone number (\_\_\_\_) \_\_\_\_\_ Page 5

## Your Law Enforcement Report

(20) One way to get a credit reporting agency to quickly block identity theft-related information from appearing on your credit report is to submit a detailed law enforcement report ("Identity Theft Report"). You can obtain an Identity Theft Report by taking this form to your local law enforcement office, along with your supporting documentation. Ask an officer to witness your signature and complete the rest of the information in this section. It's important to get your report number, whether or not you are able to file in person or get a copy of the official law enforcement report. Attach a copy of any confirmation letter or official law enforcement report you receive when sending this form to credit reporting agencies.

Select ONE:

- ☐ I have not filed a law enforcement report.
- ☐ I was unable to file any law enforcement report.
- ☐ I filed an automated report with the law enforcement agency listed below.
- ☐ I filed my report in person with the law enforcement officer and agency listed below.

\_\_\_\_\_  
Law Enforcement Department

\_\_\_\_\_  
State

\_\_\_\_\_  
Report Number

\_\_\_\_\_  
Filing Date (mm/dd/yyyy)

\_\_\_\_\_  
Officer's Name (please print)

\_\_\_\_\_  
Officer's Signature

\_\_\_\_\_  
Badge Number

(\_\_\_\_) \_\_\_\_\_  
Phone Number

Did the victim receive a copy of the report from the law enforcement officer? ☐ Yes OR ☐ No

Victim's FTC complaint number (if available): \_\_\_\_\_

(20):  
Check "I have not..." if you have not yet filed a report with law enforcement or you have chosen not to. Check "I was unable..." if you tried to file a report but law enforcement refused to take it.

*Automated report:*  
A law enforcement report filed through an automated system, for example, by telephone, mail, or the Internet, instead of a face-to-face interview with a law enforcement officer.



Victim's Name \_\_\_\_\_ Phone number (\_\_\_\_) \_\_\_\_\_ Page 6

### Signature

As applicable, sign and date *IN THE PRESENCE OF* a law enforcement officer, a notary, or a witness.

- (21) I certify that, to the best of my knowledge and belief, all of the information on and attached to this complaint is true, correct, and complete and made in good faith. I understand that this complaint or the information it contains may be made available to federal, state, and/or local law enforcement agencies for such action within their jurisdiction as they deem appropriate. I understand that knowingly making any false or fraudulent statement or representation to the government may violate federal, state, or local criminal statutes, and may result in a fine, imprisonment, or both.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date Signed (mm/dd/yyyy)

### Your Affidavit

- (22) If you do not choose to file a report with law enforcement, you may use this form as an Identity Theft Affidavit to prove to each of the companies where the thief misused your information that you are not responsible for the fraud. While many companies accept this affidavit, others require that you submit different forms. Check with each company to see if it accepts this form. You should also check to see if it requires notarization. If so, sign in the presence of a notary. If it does not, please have one witness (non-relative) sign that you completed and signed this Affidavit.

\_\_\_\_\_  
Notary

**Witness:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

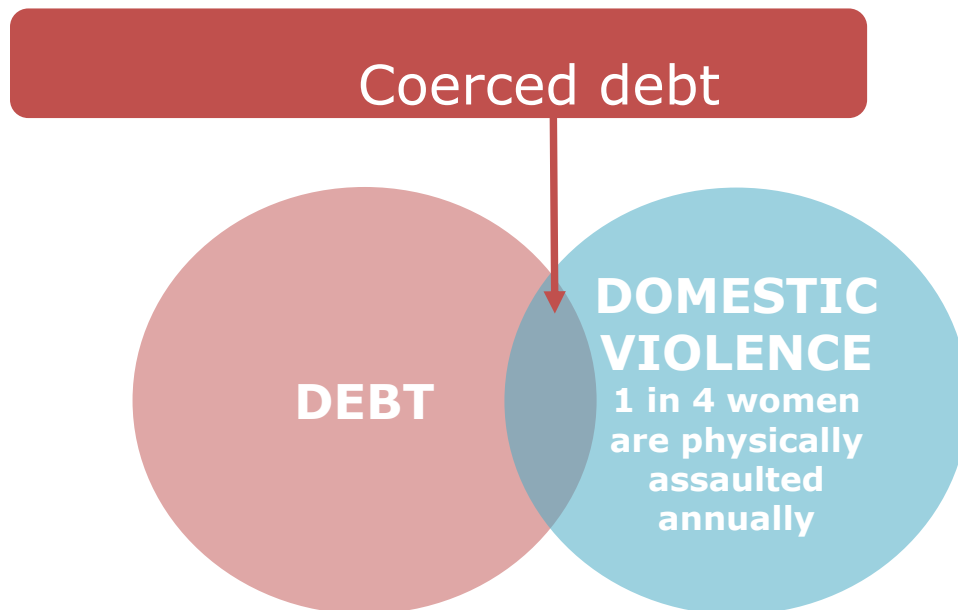
\_\_\_\_\_  
Date

\_\_\_\_\_  
Telephone Number

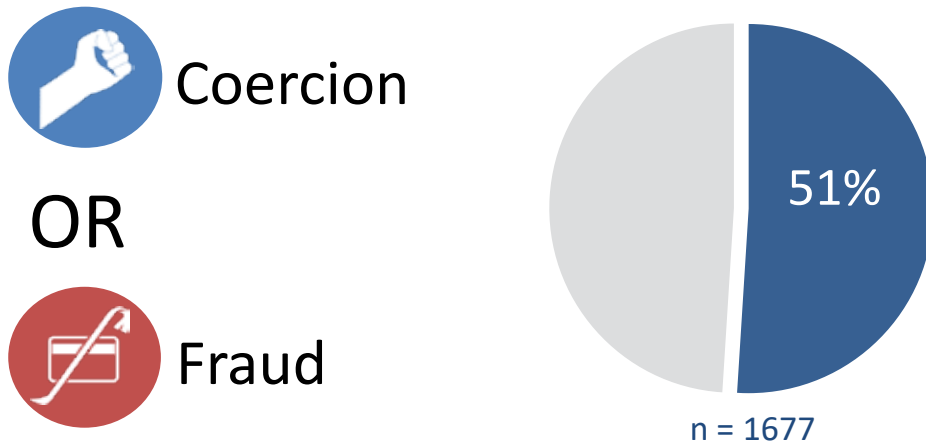
## Coerced and Fraudulent DV Debt What it is and what you need to know.

- A type of debt – which researchers have labeled “coerced debt” – can emerge from abusive relationships
- Occurs when the abuser in a violent relationship obtains credit in the victim’s name via fraud or duress
- Enabled by the tremendous growth of consumer credit in recent decades and by the corresponding depersonalization of the credit system

*Adrienne Adams, Angela Littwin, and McKenzie Javorka, The frequency, nature, and effects of coerced debt among a national sample of women seeking help for domestic violence, forthcoming VIOLENCE AGAINST WOMEN.*



## Victims who reported fraud or coercion



*Adams, Littwin, & Javorka (forthcoming)*

43% of women who felt pressured  
to incur debt feared the  
consequences of saying no.

## Coercive Control

Includes:

- Monitoring victims' time
- Preventing them from accessing medical care
- Keeping them from family or friends
- Restricting car use
- Forbidding them from leaving the house
- Preventing them from working, and
- Preventing the victim from having any access to or information about the family's finances

## Fraudulent Debt

- 22% of respondents report having debt in their name incurred by a partner (discovered).
- Fraud discovered primarily by bills or through contact from debt collectors
- Other ways debt discovered
  - Reviewing credit report
  - Applying for a new loan
  - Economic loss – like garnishment or repo
  - Divorce – access CBR

## Damaging Credit Transactions

- Batterers may engage in an array of damaging credit transactions, including:
  - fraudulently taking out credit cards in victims' names
  - forcing victims to incur debt for the abuser – ranging from student loan debt to credit cards to mortgages
- Can result in hundreds or thousands of dollars of debt which stays with the victim:
  - Court assigned debt does not affect contractual liability.
  - Traditional contract defenses – fraud and duress – are ineffective.
  - Existence of the debt becomes a major obstacle to escaping abusive relationships

## Damaging Credit Reports

- Credit report problems: women with coerced debt were 6x more likely to have their credit damaged by an abusive partner
- Victim's credit reports/scores suffer:
  - Victims may not discover or be able to stop the credit abuse until they attempt to leave the relationship
  - Employers, landlords and utility companies now all make extensive use of credit reports and scores
  - Poor credit can make it impossible to establish a new household away from the abuser

## Effects of Coerced Debt

- Financial dependence: Callers were asked: *Have you ever stayed longer than you wanted in a relationship with someone who was controlling because of concerns about financially supporting yourself or your children?* 75% said yes.
- Financial Hardship

## Bankruptcy Complications

- Eligibility – debt limits, means test, discharge
- Undue Hardship - coercion is not a defense
- Effects on non-filing (abused) spouse – spiteful surrender

## What can Creditors Do?

- Be aware of the existence and extent of coerced debt – establish procedures
  - If a victim reports that the debt was coerced, consider trying to collect from the abuser first
  - Victims of coerced debt often have poor credit – even if they can afford payments - Work with victims
  - Consider forgiveness
  - Consider not reporting or deleting coerced debt

## How the CFPB (BCFP) has influenced creditor/debtor relations

***Standing up for you - We hold companies accountable for illegal practices***

- **\$12.4 billion in relief** to consumers from our enforcement actions
- **31 million+ consumers** will receive relief because of our actions

(as of 6-4-18)

## Regulating Creditors

<https://www.consumerfinance.gov/policy-compliance/enforcement/actions/>

Rulemaking

Consent Orders

Supervision

Examination

Enforcement

Complaint Database

Bulletins

White Papers

Amicus participation



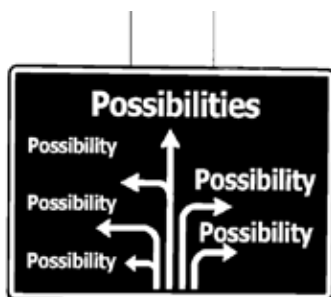


## NON-BANKRUPTCY ALTERNATIVES AND DEALING WITH MORTGAGE LOANS

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gosipyants@thavgross.com

Bankruptcy practitioners understand that not everyone that comes into our office should file a bankruptcy. It's a tough impulse for a bankruptcy attorney to suggest to a potential client that bankruptcy might not be a good option for them. Hard as it may be, attorneys shouldn't force a potential client towards a bankruptcy when a less burdensome alternative is available. The client should be provided with reasonable options and be permitted to make the ultimate decision on a course of action to employ.

When dealing with people's home loans, non-bankruptcy alternatives exist to aid those who otherwise feel completely lost and are ready to throw themselves into a convoluted bankruptcy process. Some of these alternatives include loan modifications and short sales.





## LOAN MODIFICATION

WHAT IS IT?

Generally, if a client is in arrears on mortgage payments, the lender will send the borrower a written notice describing the programs it has to help avoid foreclosure.<sup>1</sup> Loan modification is the primary option offered to debtors. A loan modification is an agreed upon change in the terms of the mortgage loan. Considered a type of loss mitigation, it can be effectuated in different forms. If the client's primary issue is mortgage payment delinquency, and a foreclosure has not been scheduled, a loan modification can be a better alternative to a Chapter 13 bankruptcy. Remember, a bankruptcy can be overly burdensome and stressful for a client. For instance, it might involve turning over tax refunds or surrendering vehicles, if the payment is not at acceptable level. Moreover, the added anxiety of court hearings and creditor meetings may present the bankruptcy as a less desirable choice compared to a loan modification.

### Types of Loan Modifications (Can be a combination of all three)

- **Re-amortization of the loan** – If a client is behind on the mortgage loan, the lender may agree to place the accumulated arrearage to the end of the mortgage in order to assist the client in getting current with the loan. In other words, the loan modification adds the amount the client is behind on to the balance of the mortgage. The lender would then re-amortize the loan using the new higher mortgage balance. This option

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<sup>1</sup> <https://www.consumerfinance.gov/ask-cfpb/does-my-mortgage-servicer-have-to-help-me-avoid-foreclosure-en-1803/>

would get the client current with the loan and possibly make the payments affordable as the terms may be extended to a new 360-month period.

- **Principal Reduction** - Although less common, this type of modification can involve principal reduction and/or principal deferment. This would allow the monthly payments to be reduced, making the loan payments reasonable. Usually, the loan must be at least 90 days delinquent, unpaid principal balance must be \$250,000 or less, the home must be owner occupied, and loan to value of home exceed 115%.<sup>2</sup>
- **Fixed and/or reducing interest rates** – Mortgage lenders can agree to reduce the interest rates on the loan, sometimes the reductions are for a period of time in order to allow the payments to be affordable. Often, the modification converts an adjustable rate mortgage to a fixed rate mortgage, which can avoid making the payments unaffordable in the future.
- **Extending Terms** - a loan modification can extend the term of the loan which, once again, can allow a reduction of monthly home payments, but will include higher interest costs.

At the end of the day, the loan modification would most likely restore clients' loan to "current" status, which is the ultimate goal.

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<sup>2</sup> <https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Announces-PRM-Program-and-Further-Enhancements-to-NPL-Sales-Reqts.aspx>

## APPLICATION PROCESS

The first step is to contact the lender to find out the procedure they employ to evaluate a loan modification request. While the method is similar with many creditors, each have their unique forms and document requirements. At this point, they will not discuss your client's account specifically until they receive an authorization from your client to discuss the mortgage file with a third party.

- Find the fax or email information from the lender where an authorization needs to be sent and follow their instructions. (see a sample authorization form included in the Appendix)
- Two to three days after the authorization has been sent to the lender, contact the loss mitigation department and discuss the documents required to assess a loan modification request.



*Often, the necessary homeowner assistance documents can be downloaded on the lender's website*

- After obtaining the required forms (generally called Request for Mortgage Assistance (RMA) forms), review the directions and complete the information with your client.



*Check that all forms have been signed where required and that the loan number is listed on **ALL** pages.*

- Keep copies of all the forms for your records.



Loan modification requests is a document intensive process. Review the document checklist provided by the lender. Obtain the information from your client. Analyze the documents to make sure they support the data disclosed to the lender in the "RMA" forms. Do not forget to include the client's loan number on every page of every document provided to the lender.

Typical documents requested are:

- Three most recent banking account statements including ALL pages, even if they are blank.
- Sixty days of consecutive paystubs that should include year-to-date earnings.
- Benefit award letters to support Social Security, retirement, disability, unemployment, adoption assistance.



*The bank statements provided to the mortgage company must reflect the deposits of these benefits*

- If rental income is received, you should provide the client's lease agreements



*The bank statements provided to the mortgage company must reflect the deposits of the rental payments*

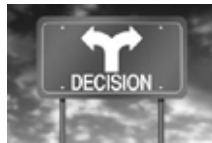
- Hardship letter to demonstrate the reason for the client's hardship. It is advisable to assist the client with the draft of this letter. It should concentrate on the reason for payment delinquency and whether the hardship will impede the client to make the payments at the same level in the future.




*Included in the Form section is a general guideline of what the hardship letter would involve*

Send the loss mitigation packet, including the forms and the supporting documents to the mortgage company to the address provided by the lender. Follow up two days later to make sure that all forms have been received.

It may take up to several weeks for the lender to process the request for mortgage assistance forms and the supporting documents. Follow up weekly to make sure the lender is processing the information in a timely manner and to inquire whether additional documents are needed. The key is to keep thorough notes on every conversation and communication with the lender. Typically, lenders assign an account manager (single point of contact) to guide the application through the many stages of the application review.



## **RESPONSE**

 You and/or your client will receive a response, normally a letter (could be a phone call) approving the modification request. The approvals will have conditions that have to be met in order for a permanent loan modification to be approved.

- **Trial loan modification** – typically the lender approves a temporary (commonly 3 months) modification where the client must make three consecutive monthly payments at the modified amount. It gives the lender a first-hand look at the client's ability to afford the modified payment. If all three payments are timely made, the lender will send out the terms of the permanent modification. Failing to make the necessary number of payments during the trial period may cause the lender to cancel the modification.

- **Permanent Modification** – new mortgage agreement will contain the detail of the new interest rate, and whether it will increase at some point in the future. Additionally, it will also include the new loan term and whether any portion of the principal was forgiven and if a balloon payment will be due in the future. Explain the new terms to your client and if acceptable, sign (notarize) and return within the required time limit



It is common for the first loan modification application to be denied. The typical reasons for denials include:

- The documents the lender requested were not provided
- The lender believes that the current loan terms are affordable for your client.
- The client's income is not sufficient to afford any type of modification.
- The reason for the hardship is not satisfactory, or supported by documents.

Fix any errors or supplement the documents and reapply as soon as possible. The denial can be reversed if the issue is addressed quickly.



## **APPEAL OF DENIAL**

- Obtain the denial in writing.
- Review the lender's procedure of how to appeal. There might be a specific address or fax number an appeal must be sent to. The lender will direct you where to send a letter of appeal and supporting documents.
- If the denial is based on a change of your client's finances, explain the issue in a letter and provide supporting documents in support of your appeal.
- If the denial is based on the miscalculated income or expenses, show that an error was made on the initial application and specify the accurate expenses or income.

# SHORT SALE

## WHAT IS IT?

If the client is unable to afford the mortgage loan and owes the lender more than the home is worth, then selling the property through a short sale is a realistic possibility. Simply put, short sale is a purchase of the property for less than is owed on the property. This type of sale is generally less burdensome than foreclosure or a bankruptcy. Allowing the client to move on from the debt through a sale versus bankruptcy gives the client a better way to deal with a stressful event.

In order to execute a short sale, the property must be marketed, a ready, willing and able buyer must be found, and the purchase contract, contingent upon the lender's acceptance, must be presented to the lender. The seller (client) will not be entitled to any proceeds from the sale, but the end result may be that the client's obligation to the lender will be satisfied and the client can avoid the stress of a bankruptcy. Important to note that the short sale must be an arms-length transaction. No sales to family members.

## SHORT SALE PROCESS

### Listing the property

- It is recommended that you enlist the services of a realtor who is experienced with short sales. Obviously, the hiring of the realtor is your client's decision.
- Obtain an authorization from your client to allow communication between the realtor and your office.



*A sample authorization form is included with this material*



- Remember your obligation is to your client not the realtor. Review the realtor's listing agreement prior to your client signing the contract.



*Require that any listing agreement includes language that "The sellers obligation to close is expressly contingent upon obtaining a release from the lender of any claim of deficiency."*

#### **Purchase contract**

- When an offer is made on the property, it's the client's decision on whether to accept it and enter into a purchase contract.
- If the offer is accepted, the realtor can draft the purchase contract and **MUST** include language that the "Seller's Obligation to close upon the sale of the property is expressly conditioned upon Seller being released from any further obligating on the Mortgage Note."

#### **Mortgage Assistance Forms and Supporting Documents**

- Generally, lenders request the same forms for a short sale process as they do for the loan modification process. (RMA forms)
- Financial documents in support of the Mortgage Assistance forms must be obtained, i.e. paystubs, tax returns, bank statements, hardship letter.
- Preliminary Settlement Statement should be generated by the realtor. Settlement statement is a standard form which itemizes the dollar amounts that will be distributed from the sale of the property.

#### **Presenting the Purchase Contract and Request Mortgage Assistance to the lender**

- An authorization to communicate, or Power of Attorney given by your client is sent to the lender so the attorney can negotiate a short sale directly with the lender
- The Request for Mortgage assistance form, supporting financial forms, hardship letter, listing agreement, purchase agreement, and a preliminary settlement statement are sent to the lender. (Keep copies of all documents)
- Additionally, the pre-approval for financing from the buyer of the property is presented to the lender. (This information can be provided by the buyer's agent)

**Valuation of Property**

- Appraisal will be ordered by the lender.
- Advise your client that to go forward with the short sale, they must agree to allow the appraisal on their property.
- Reports by the appraiser are generally sent to the lender within 2 to 3 weeks.

**Negotiations**

- After all the documents have been received by the lender, a negotiator is assigned.
- It is vital to check in with the negotiator at least once or twice a week, in order to make sure the process is moving along smoothly.
- If the appraisal value is higher than the offer, the negotiator might assert a minimum amount the lender will accept for a short sale. (The buyer might have to increase their offer or the seller will have to bring some funds to closing)
- The bank will request and "arm's-length" affidavit from all parties prior to closing.

**Approval**

- The bank will issue a short sale approval letter with the directions for closing.
- Insist that the approval letter includes language that upon the lender receiving the funds, they would release the lien and waive the deficiency balance on the loan.



**LIMITED DURABLE POWER OF ATTORNEY**

I, \_\_\_\_\_, do hereby appoint **Attorneys** \_\_\_\_\_, as my agent and attorney-in-fact for the purpose of conducting all transactions and taking any actions that I might take, including, but not limited to, discussing and obtaining information concerning any accounts, making payments on any accounts, negotiating the terms of any accounts, etc. and doing anything with respect to any accounts that I would be able to do.

Limitation: This Power of Attorney is limited to addressing matters relating to debt obligations, including but not limited to credit card debt or mortgage note indebtedness on real property.

This Power of Attorney will continue in force and effect until such time as my written revocation of this Power of Attorney or written instructions from my attorney-in-fact to stop honoring the signature of my attorney-in-fact is received or December 31, 20\_\_\_\_.

This Power of Attorney shall not be affected by my disability or incapacity.

\_\_\_\_\_  
Date

SS# Last 4 Digits: \_\_\_\_\_

STATE OF MICHIGAN    )  
  )SS  
OAKLAND COUNTY        )

This instrument was acknowledged before me in Oakland County, Michigan on the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, by

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_, Notary Public  
Oakland County, Michigan  
Acting in Oakland County, Michigan  
Commission Expires: \_\_\_\_\_

**AMERICAN BANKRUPTCY INSTITUTE**

**AUTHORIZATION TO COMMUNICATE, DISCLOSE AND PROVIDE  
INFORMATION TO BORROWER'S ATTORNEY**

September 13, 2018

Borrower(s): John Doe

Loan No.: 093850419

To: Realtor

Property Address: 23 Elm Street, Southfield, MI 48076

Please forward a copy of all documents to Attorney at the following Address:

***Garik Osipyants***

30150 Telegraph Road, Ste. 444

Bingham Farms, MI 48025

I/We the undersigned hereby authorize you to release information regarding the above-referenced loan to our attorneys, and to communicate with any members of Law Firm with respect to the status and any negotiations or other matters pertaining to such loan, a modification of such loan or anything otherwise connected to such matter. In addition, I/We authorize you to release to the aforementioned any assumption package/short-sale package and payoff statements requested. This form may be duplicated in blank and or sent via email or facsimile transmission. This authorization is a continuation authorization for such persons to receive information about my loan, including duplicates of any notices sent to me regarding my loan.

\_\_\_\_\_ DOB: \_\_\_\_\_

John Doe, Borrower

LAST 4 SSN: \_\_\_\_\_

Borrower Phone Number: \_\_\_\_\_

**Hardship Letter Outline**

Name(s): \_\_\_\_\_

Mortgage Lender: \_\_\_\_\_

What happened to put you in the position you are in that has made it difficult to make your mortgage payment?

Why is it necessary to short-sell the home or to receive a loan modification?

What do you want the mortgage company to do for you?

**Hardship Letter Example**

To Whom It May Concern:

As you are aware, I am currently months behind on my mortgage payments. While I am behind on my payments, I have a strong desire to keep our home. Therefore, I am writing this letter to request your assistance with helping us work through a loan modification.

Under my current circumstances, I am having a difficult time meeting my mortgage obligations. In the last 16 months have found me in difficult times. I was let go during a round of layoffs 8 months ago. Despite my efforts, I was not able to find additional employment until last month. Additionally, my wife suffered complications from a car accident she was in 7 months ago which left us with substantial medical and insurance bills.

We used the unemployment benefits and our savings to pay our mortgage for the first 3 months but quickly found ourselves unable to make our payments and have fallen further and further behind. While we cannot immediately pay what we owe you, we do intent to pay the full amount. However, we will need your assistance to develop a plan to help us achieve this.

We believe that we are through the worst of these difficult times as I am now fully employed and we only have 2 payments left on our medical bills. We would appreciate your help in working out a reduction of the amount we owe the bank so we can keep our home.

We appreciate your time and willingness to help us.

Sincerely,

John and Jane Doe



Erika D. Hart  
700 E. Maple Road, Second Floor  
Birmingham, MI 48009  
(248) 644-0950 - ehart@tauntlaw.com

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## Non-Bankruptcy Alternatives

### Negotiations with the Small Business Administration and Internal Revenue Service

#### A. Small Business Administration (SBA) Loan Workouts

- a. SBA Loan Definition. An SBA loan is a loan from a bank lender that is backed by the federal government under one of several SBA loan programs.
- b. SBA Maximum Exposure. SBA's maximum exposure is \$3.75 million (loan maximum is \$5 million).
  - i. Maximum maturities
    - 25 years for real estate
    - 10 years for equipment
    - 10 years for working capital or inventory loan
  - ii. Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums
- c. Other SBA Loan Requirements.
  - i. Must fall within SBA size standards to qualify as a small business as listed in the SBA Table of Small Business Size Standards.
  - ii. Size maximums are based upon either the average annual receipts or the average employment numbers depending upon the industry
  - iii. Must be a for-profit business
  - iv. Must do business in the U.S.

- v. Business owner must have invested equity in time and money
- vi. Business must have exhausted other financing options
- d. Most Popular SBA Loan. The SBA 7(a) Loan is the most popular SBA Loan and has various sub-types:
  - i. Standard 7(a); 7(a) Small Loan; SBA Express; Export Express; Export Working Capital; International Trade; Preferred Lenders; Veterans Advantage; and CAPLines
- e. SBA Guaranty to Lender. The SBA provides a guaranty of recovery to the bank. The guaranty percentage varies depending on the loan type, amount, and term. For example, the SBA provides a 75% guaranty on 7(a) Loans. This means that the SBA will pay to the bank 75% of the deficiency owed to the bank when collection is “complete”.
- f. SBA Guaranty Does Not Protect Borrower or Guarantor! The guaranty does not protect the borrower or the personal guarantor of the SBA loan. There is no reduction in the borrower or personal guarantor’s liability or exposure based upon payment by the SBA to a bank for the guaranty. The SBA is simply subrogated to the bank’s rights to collect from the borrower or guarantor for the deficiency.
- g. Purpose of SBA Loans. Per the SBA: “The SBA works with lenders to provide loans to small businesses. The agency doesn’t lend money directly to small business owners. Instead, it sets guidelines for loans made by its partnering lenders, community development organizations, and micro-lending institutions. The SBA reduces risk for lenders and makes it easier for them to access capital. That makes it easier for small businesses to get loans.”
- h. SBA Loans: Easy to Get In, Hard to Get Out?
  - i. Lenders act to protect their SBA guaranty. There are many SBA loans in default and lenders need to ensure the SBA will fund their guaranty.
  - ii. In 2017, the SBA charged off \$690 million on 7a loan deficiencies (including principal and interest)

- iii. SBA Lender Handbook – A Lender Handbook was created by the SBA for each loan type. Each handbook is approximately 200 pages. Below are links to several of the handbooks:

SBA loans general - [https://www.sba.gov/sites/default/files/files/sop\\_50\\_51\\_03\\_0.pdf](https://www.sba.gov/sites/default/files/files/sop_50_51_03_0.pdf)

SBA 504's [https://www.sba.gov/sites/default/files/files/SOP\\_50\\_55\\_9-4-13\\_1.pdf](https://www.sba.gov/sites/default/files/files/SOP_50_55_9-4-13_1.pdf)

SBA 7a's [https://www.sba.gov/sites/default/files/files/SOP\\_50\\_57\\_2\\_1.pdf](https://www.sba.gov/sites/default/files/files/SOP_50_57_2_1.pdf)

- iv. Overview of SBA process from Lender perspective:
  - 1. Lender is to provide a request for guaranty reimbursement at the end of the collection process.
  - 2. Approval for legal fee reimbursement needed from the SBA for Lender's counsel.
  - 3. There is no meaningful SBA participation throughout Lender collection process.
  - 4. Impact: The Lender is cautious about protecting its guaranty and to avoid criticism, usually more aggressive and less willing to negotiate.

- i. Negotiations on behalf of the Personal Guarantor.

- i. *Timing.* The SBA is unlikely to begin negotiations with a personal guarantor until all of the assets of the business borrower have been liquidated and the deficiency is clear.
  - ii. *Direct v. Indirect Negotiations.* Depending on the timing, negotiations may be direct with the SBA or indirect through the original Lender.
  - iii. *Direct Negotiations.* Direct negotiations are likely to take place after all of the assets of the business borrower have been liquidated, the Lender has obtained a judgment against the Debtor/personal guarantor and has not been successful in collection. The SBA has satisfied its guaranty obligations to the



Lender and now has direct rights to proceed against the Debtor/personal guarantor.

- iv. *Indirect Negotiations.* Negotiations with the SBA are indirect when the guaranty to the Lender has not yet been paid and the Lender is still involved as the creditor but acts as an intermediary to the SBA.
- v. *Offer in Compromise.* An “offer in compromise” is the process by which a proposal is made to the SBA to settle the deficiency owed by the personal guarantor.
- vi. *Documentation Required for Offer in Compromise.* There are specific documents required by the SBA in order to consider an Offer in Compromise:

- 1. Personal Financial Statement (Form 770)

- a. **Practice Pointer.** The Personal Financial Statement is similar to bankruptcy schedules and is signed under oath. The Personal Financial Statement should be as accurate as possible, particularly if a bankruptcy may be necessary if settlement is not achieved. The Personal Financial Statement can be used as evidence if assets are not disclosed on a Debtor's subsequent schedules.
- b. **Practice Pointer.** Counsel should confirm that the information is accurate through all of the normal processes for verification that are used in a bankruptcy proceeding (i.e. review of deeds, mortgages, balance statements, SEV, vehicle titles, 401k statements, etc.). The SBA can and often does a public records search.
- c. **Practice Pointer.** The guarantor likely provided a personal financial statement to the Lender as part of the loan origination process. If possible, obtain a copy from the client and compare the updated

personal financial statement with the old one. The Lender will most certainly do this and question any differences.

2. Offer in Compromise. The actual Offer in Compromise form is filled out with a proposal for payment by the Personal Guarantor. A copy of the form is provided in the materials.

- a. **Practice Pointers**. The Offer in Compromise form must be complete and the proposal should make sense in light of the guarantor's assets. If the Debtor does not have any liquid assets, a lump sum proposal may not make sense. If the Debtor has no income, payments over time may not make sense. Lender concurrence is required and the Lender may reject any proposal that they believe not feasible. In this sense, the Offer in Compromise is not unlike a Chapter 13 plan, proposing an actual procedure for resolution.

3. Tax returns. The SBA will require current tax returns and that all tax returns have been filed. Again, similar to the bankruptcy process. Two years of returns and current paystubs are often sufficient.

4. Bank statements. The SBA will require a few months of bank statements for all accounts.

*vii. Offer in Compromise Nuances to Consider.*

1. The SBA is often not informed about state specific exemptions. For property owned as entireties, or other protected assets (life insurance, entireties stock accounts, etc), you may want to include an explanation or a statutory citation.
2. The wait for a response from the SBA is long and there is no way to find out where they are in the process.

3. The SBA will not counter. The SBA will either accept or reject the proposal. If the negotiations are direct, sometimes an SBA representative will provide “guidance” about what is needed. If the negotiations are indirect, sometimes the lender is provided with details on the rejected offer and will share. Sometimes the lender receives nothing more than a rejection.

*viii. Unique Twists on Collection by the SBA.*

1. Statute of Limitations. In May 2008, The Food, Conservation and Energy Act of 2008 was passed which included a provision to allow the SBA to continue to collect through Treasury Offset and Administrative Wage Garnishment beyond the previous 6 year SOL.
2. Practically, is this likely? There has been some backlash to the extension of the statute of limitations and the SSA Administration said it would stop at 10 years old.
3. **Be Careful. Voluntary Payments Toll Statute of Limitations**
4. Treasury Offset. The SBA does not need to obtain a judgment against a borrower or guarantor to offset against the borrower or guarantor’s tax refund.
5. Social Security Offset. A federal statute, 31 U.S.C. §3716, allows the SBA to offset against Social Security without a judgment with a maximum of 15% of Social Security and a monthly cap from social security at \$750/mo.
6. Actual client example. 72 year old business owner, companies have ceased operating, total deficiency to SBA is \$2 million, has assets/issues that prevent a bankruptcy filing. The default occurred in 2014 and the monthly offset against his social security is \$375/mo, plus his tax refunds annually.

Is it worth trying to settle? Is the SBA really going to come after him at this point?

- j. *Cumbersome, Timely & Expensive.* Is it worth going through the SBA Offer in Compromise process? Or should your client just file a Chapter 7 or Chapter 13 and have finality. Of course, it depends on your client's circumstances and the involvement of the Lender. If the Lender is being aggressive, you may have no choice but to file before you can negotiate. It may be a waste of time/legal fees to try to negotiate if the guarantor has substantial other debts and a bankruptcy is necessary.

## B. Internal Revenue Service Workouts

### a. Always Ask: Are the taxes dischargeable?

- b. Power of Attorney – Form 2848 – As counsel, you must always have a current power of attorney on file with the IRS in order to receive any information. The Power of Attorney is a critical document for communication with IRS and must be your first step with your client.

- i. *Authority.* Your authority to receive information from the IRS is limited to the tax type and year reflected on the Power of Attorney. For example, if your client owes 941 taxes for the first quarter of 2017, the Power of Attorney needs to say “941 taxes, 1Q 2017”, it cannot generically say “941 taxes, 2017” and each quarter needs to be list separately. The IRS representative will not tell you what tax period or tax type is at issue.
- ii. *Identifying Period/Type of Taxes.* Notices received by your client from the IRS should include the tax types and periods.
- iii. *Sending Power of Attorney to IRS.* You can and should fax the signed Power of Attorney to the general fax number for Power of Attorneys (provided in the POA instructions) but then you need to wait a week for processing, and they still may not get it. In addition to the regular fax line, call the IRS, tell them you have the Power of Attorney in hand, and fax it directly to the representative you are

talking to while you are on the phone with them. They will usually wait for you to do this.

c. Obtain a Centralized Authorization File (CAF) Number.

- i. A CAF number is a nine-digit number assigned to you by the IRS the first time you file a Form 2848 (Power of Attorney) or a Form 8821 (Tax Information Authorization). The CAF number is used by the IRS to track your requests for client information, such as transcripts.

d. Negotiating with the IRS Agent.

- i. Write down the Agent's ID number.
- ii. Keep detailed notes of expectations or any deadlines that are set and follow up. Doing nothing when a deadline has been set is never a good idea.
- iii. Expect long wait times – calls to the IRS typically take 1-2 hours before an agent is available.

e. Offer in Compromise.

- i. An offer in compromise with the IRS allows a debtor to settle a tax debt for less than the full amount owed. It may be a legitimate option if the debtor can't pay the full tax liability, or doing so creates a financial hardship. The IRS considers:
  - Ability to pay;
  - Income;
  - Expenses; and
  - Asset equity.
- ii. The amount offered represents the most the IRS can expect to collect within a reasonable period of time. The IRS will consider:
  - 1. Lump sum payment
  - 2. Payments over time
- iii. All tax returns must be current
- iv. All payments under any prior payment agreement with the IRS must be current

- f. Offer in Compromise Forms<sup>1</sup>. Just like the SBA, the IRS uses specific forms to review the debtor's financial circumstances and proposal.
  - i. *Offer in Compromise-IRS 656*. Used by tax professionals (as opposed to the tax payer). The proposal should make sense in light of the debtor's personal circumstances, whether payment would come from monthly wages (payments over time) or through a lump sum. If a lump sum is offered, the source of the funds should be identified (borrow money from family, liquidate IRA, sell real estate, etc).
  - ii. *Personal Financial Information-IRS 433-A*. The personal financial statement for the IRS should be accurate and counsel should confirm its accuracy. The IRS may perform a public search to confirm whether all assets are disclosed.
- g. Miscellaneous IRS Issues of Note.
  - i. 941 Tax liability. If your client has 941 liability relating to a current or prior business, the liability can be split by the IRS into the trust fund and non-trust fund portion. A full analysis of this issue is outside of the scope of this seminar, but, in short, the trust fund taxes are the portion of payroll taxes that are withheld *in trust* from the employee's paycheck and then to be paid by the employer to the IRS on behalf of the employee. The employer portion of payroll taxes is a distinct obligation of the employer/company. Persons in control of the company have personal liability for the trust fund portion of the payroll taxes. If the individual "person in control" wants to pay the taxes from personal funds (not business funds), the individual can do so and direct the funds to the trust fund portion, thus reducing their personal liability. The company does not have the ability to direct application of payments between the

---

<sup>1</sup> There are different Offer in Compromise and Personal Financial Information forms depending on the type of taxpayer (individual or corporate) and type of submission (from the taxpayer directly or from a tax professional).

trust fund and non-trust fund liabilities as the company has liability for both.

- ii. Uncollectible Status. Under certain circumstances the IRS will determine that the debtor has hardships that make payment impossible or unlikely and will code it “uncollectible status”.
  - 1. Debtor has so little assets or income that collections are not worthwhile for the IRS.
  - 2. **Pros.** Collection efforts - mostly in the form of levies (wage and account) – cease.
  - 3. **Cons.** Interest and penalties continue to accrue and the IRS can reevaluate at a future date. The IRS receives tax returns, after all, and can see if the situation has changed.

**C. Candidates for Offer in Compromise.**

- a. SBA Offer in Compromise Candidates. Clients who may benefit from the Offer in Compromise process include:
  - i. Clients with assets which cannot be protected in a bankruptcy filing
  - ii. Clients who don't qualify for Chapter 13 due to the amount owed to the SBA
  - iii. Clients without other substantial debt
  - iv. Clients with resources to fund a lump sum resolution or a short payment plan.
- b. IRS Offer in Compromise Candidates. Clients who are good candidates for an Offer in Compromise with the IRS include:
  - i. Clients with assets which cannot be protected in a bankruptcy filing
  - ii. Clients with resources to fund a lump sum resolution or a short payment plan
  - iii. Clients who have filed bankruptcy but have non-dischargeable tax debts and their financial situation allows a lump sum payment

**D. Ethical Issues in the Offer in Compromise Process**

- a. Getting paid when your client has little resources
- b. Substantial wait times to speak with IRS – should the client be billed? Are you doing something else while you wait?



# 2018 HON. STEVEN W. RHODES CONSUMER BANKRUPTCY CONFERENCE

OMB NO: 3245-0012  
Expiration Date: 01/31/2018



## U.S. Small Business Administration FINANCIAL STATEMENT OF DEBTOR

(INSERT THE WORD "NONE" WHERE APPLICABLE TO ANY OF THE FOLLOWING ITEMS)

1. NAME		SBA LOAN NUMBER		2. DATE OF BIRTH (Month, Day and Year)																	
3. ADDRESS (Include ZIP Code)				4. PHONE NO.																	
				5. SOCIAL SEC. NO.																	
6. OCCUPATION				7. HOW LONG IN PRESENT EMPLOYMENT?																	
8. EMPLOYER'S NAME			ADDRESS (Include ZIP Code)		PHONE NUMBER																
9. MONTHLY INCOME:		10. OTHER EMPLOYERS WITHIN LAST 3 YEARS																			
		Salary or wages \$ _____		Name Address Dates of Employment																	
		Commissions \$ _____																			
		Other (state source) \$ _____																			
		Total \$ _____																			
11. NAME OF SPOUSE		SOCIAL SEC. NO.		12. DATE OF BIRTH (Month, Day and Year)																	
13. OCCUPATION				14. HOW LONG IN PRESENT EMPLOYMENT?																	
15. SPOUSE'S EMPLOYER (Name)			ADDRESS (Include ZIP Code)		PHONE NUMBER																
16. MONTHLY INCOME OF SPOUSE:		17. OTHER EMPLOYERS WITHIN LAST 3 YEARS (Of Spouse)																			
		Salary or wages \$ _____		Name Address Dates of Employment																	
		Commissions \$ _____																			
		Other (state source) \$ _____																			
		Total \$ _____																			
18. OTHER DEPENDENTS: _____ NUMBER				23. FIXED MONTHLY EXPENSES: (TO NEAREST DOLLAR)																	
				Rent or House Payment \$ _____																	
				Utilities \$ _____																	
				Food \$ _____																	
				Interest \$ _____																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Name</th> <th style="width: 30%;">Relationship</th> <th style="width: 40%;">Age</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>		Name	Relationship	Age																Insurance \$ _____	
		Name	Relationship	Age																	
19. TOTAL MONTHLY INCOME OF DEPENDENTS (Except Spouse) \$ _____ 20. FOR WHAT PERIOD DID YOU LAST FILE A FEDERAL INCOME TAX RETURN? 21. WHERE WAS TAX RETURN FILED?		Debt Repayments:																			
		Household furnishings \$ _____																			
		Personal Loans \$ _____																			
		Automobile \$ _____																			
		Doctors and Dentist \$ _____																			
22. AMOUNT OF GROSS INCOME REPORTED \$ _____		Other (Specify) \$ _____																			
				TOTAL FIXED MONTHLY EXPENSES \$ _____																	

NOTE: USE ADDITIONAL SHEETS WHERE SPACE ON THIS FORM IS INSUFFICIENT

PAGE 1

SBA Form 770 (12-14) REF SOP 50-57 Previous Editions Obsolete

# AMERICAN BANKRUPTCY INSTITUTE

24. ASSETS AND LIABILITIES (SHOW AMOUNTS TO THE NEAREST DOLLAR)					
ASSETS: (Fair Market Value)			LIABILITIES		
Cash	\$		Bills owed (grocery, doctor, lawyer, etc.)	\$	
Checking Accounts: (Show location)			Installment debt (car, furniture, clothing, etc.)	\$	
	\$		Taxes Owed:		
	\$		Income	\$	
Savings Accounts: (Show location)			Other (itemize)	\$	
	\$			\$	
	\$		Loans payable (to banks, finance companies, etc.)		
Cash Surrender Value of Life Insurance	\$			\$	
Motor Vehicles:				\$	
Make	Year	License No.	Judgments you owe (Held by whom?)		
				\$	
				\$	
Debts owed to you: (Name of debtor)			Small Business Administration	\$	
	\$		Loans of Life Insurance	\$	
	\$		Mortgages of Real Estate		
Stocks, bonds, and other securities:				\$	
	\$			\$	
	\$			\$	
Household furniture and goods	\$		Margin Payable on Securities	\$	
Items Used in Trade or Business	\$		Other Debts (Itemize)		
Other Personal Property (Itemize)				\$	
	\$			\$	
	\$			\$	
Real Estate (Itemize)				\$	
	\$			\$	
	\$				
Other Assets (Itemize)			Total Liabilities	\$	
	\$		Net Worth	\$	
	\$				
TOTAL ASSETS:	\$		CONTINGENT LIABILITIES	\$	

25. LOANS PAYABLE					
Owed To:	Date of Loan	Original Amount	Present Balance	Terms of Repayments	How Secured?
		\$	\$	\$	
		\$	\$	\$	
		\$	\$	\$	

26. REAL ESTATE OWNED (Free & Clear): Address		How Owned (Jointly, individually, etc.)	Present Market Value
			\$
			\$

NOTE: USE ADDITIONAL SHEETS WHERE SPACE ON THIS FORM IS INSUFFICIENT

PAGE 2

# 2018 HON. STEVEN W. RHODES CONSUMER BANKRUPTCY CONFERENCE

27. REAL ESTATE BEING PURCHASED ON CONTRACT OR MORTGAGE (Address)	Date Acquired	Balance Owed: \$	
	Name of Seller or Mortgagor		
	Purchase Price \$	Date Next Cash Payment Due	
	Present Market Value \$	Amount of Next Cash Payment \$	

28. LIFE INSURANCE POLICIES: Company	Face Amount	Cash Surrender Value	Outstanding Loans
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$

29. LIST ALL REAL AND PERSONAL PROPERTY OWNED BY SPOUSE AND DEPENDENTS VALUED IN EXCESS OF \$500:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

30. LIST ALL TRANSFERS OF PEROPERTY, INCLUDING CASH (BY LOAN, GIFT, SALE, ETC.), THAT YOU HAVE MADE WITHIN THE LAST THREE YEARS. (LIST ONLY TRANSFERS OF \$500 OR OVER.)

Property Transferred	To Whom	Date	Amount
			\$
			\$
			\$

31. ARE YOU A CO-MAKER, GUARANTOR, OR A PARTY IN ANY LAW SUIT OR CLAIM NOW PENDING?  
☐ YES    ☐ NO    IF YES, GIVE DETAILS

32. ARE YOU A TRUSTEE, EXECUTOR, OR ADMINISTRATOR?    ☐ YES    ☐ NO    IF YES, GIVE DETAILS

33. ARE YOU A BENEFICIARY UNDER A PENDING, OR POSSIBLE, INHERITANCE OR TRUST, PENDING OR ESTABLISHED?    ☐ YES    ☐ NO  
 IF YES, GIVE DETAILS

34. WHEN DO YOU BELIEVE THAT YOU CAN START MAKING PAYMENTS ON YOUR SBA DEBT?	35. HOW MUCH DO YOU BELIEVE THAT YOU CAN PAY SBA ON A MONTHLY OR PERIODIC BASIS?
--	--

Under the provisions of the Privacy Act, loan applicants are not required to give their social security number. The Small Business Administration, however, uses the social security number to distinguish between people with a similar or the same name. Failure to provide this number may not affect any right, benefit or privilege to which an individual is entitled by law but having the number makes it easier for SBA to more accurately identify to whom adverse credit information applies and to keep accurate loan records.

Any Person concerned with the collection of this information, its voluntariness, disclosure or routine use under the Privacy Act may contact the Freedom of Information/Privacy Acts Office, Small Business Administration, 409 3<sup>rd</sup> St., S.W., Washington, D.C. 20416.

**By signing below, I certify that all statements made in this form, and all information provided with this form, are true and correct, I understand that SBA and my lender are relying on this information, and that false statements can lead to criminal prosecution under 18 U.S.C. 1001 and other laws, with fines of up to \$500,000 and imprisonment up to 10 years, and civil fraud damages of three times the government's loss.**

SIGNATURE	DATE
-----------	------

NOTE: USE ADDITIONAL SHEETS WHERE SPACE ON THIS FORM IS INSUFFICIENT

PAGE 3

SBA Form 770 (12-14) REF SOP 50-57 Previous Editions Obsolete

## AMERICAN BANKRUPTCY INSTITUTE

**Purpose:** The primary purpose for collecting this information is to evaluate the debtor's financial capacity to repay the debt owed to the Agency and determine to what extent the Agency may compromise the debt, maximize recovery, and protect the interests of the Agency. Providing the requested information is voluntary. However, if the information is not provided, SBA has the right to pursue immediate and full payment of the debt. Routine uses of this information are established in SBA's Privacy Act System of Record, SBA 21, Loan System published on April 1, 2009, at 74FR 14890, as amended on October 9, 2012 at 77 FR 61467 and on March 16, 2012 at 77 FR 15830.


**Instruction:** Forms are to be completed and signed by the obligor and then submitted to the lender. Lenders are to submit the original copy (or scanned copy of the original) to the SBA servicing center handling the account. Retain a copy for your files. The servicing centers are the National Guaranty Purchase Center located at 1145 Herndon Parkway, Herndon, VA 20170, fax: 202-481-4674, email: [SBApurchase@sba.gov](mailto:SBApurchase@sba.gov); the SBA Commercial Loan Service Center East located at 2120 Riverfront Drive, Suite 100, Little Rock, AR 72202, fax: 202-292-3878, email: [LRSC.expresspurchase@sba.gov](mailto:LRSC.expresspurchase@sba.gov); and the SBA Commercial Loan Servicing Center West located at 801 R Street, Suite 101, Fresno, CA 93721, fax: 202-481-0663, email: [FSC.purchasing@sba.gov](mailto:FSC.purchasing@sba.gov).

**PLEASE NOTE:** The estimated burden for completing this form is 1 hour per response. You are not required to respond to any collection of information unless it displays a currently valid OMB approval number. Commitments on the burden should be sent to U.S. Small Business Administration, Chief, AIB, 409 3<sup>rd</sup> St., S.W., Washington D. C. 20416 and Desk Officer for the Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, DC 20503. OMB Approval (3245-0012). **PLEASE DO NOT SEND FORMS TO OMB.**

NOTE: USE ADDITIONAL SHEETS WHERE SPACE ON THIS FORM IS INSUFFICIENT

PAGE 4

SBA Form 770 (12-14) REF SOP 50-57 Previous Editions Obsolete

			U.S. SMALL BUSINESS ADMINISTRATION <b>OFFER IN COMPROMISE</b>		
NAME AND ADDRESS OF OBLIGORS ( <i>proponents</i> )			NAME AND ADDRESS OF BORROWER		
SOCIAL SECURITY NUMBER(S)		LOAN NUMBER		LOAN BALANCE	
SEE INSTRUCTIONS ON BACK OF THIS FORM BEFORE COMPLETING					
1. This offer is submitted by the undersigned to compromise a claim of the Small Business Administration resulting from a loan to the above borrower which is now fully due and payable and for which I (we) am alleged to be liable.					
2. In full settlement thereof I (we) hereby make the following offer:					
3. The following facts and reasons are submitted as grounds for acceptance of this offer:					
4. It is understood that this offer will be considered and acted upon in due course and that it does not afford relief from the obligation sought to be compromised unless and until it is accepted in writing by The Small Business Administration and there has been full compliance with the terms of the offer.					
With knowledge of the penalties for false statements provided by 18 United States Code 1001 ( <i>\$10,000 fine and/or five years imprisonment</i> ) and with knowledge that this proposal is submitted to affect action by the Government; I (we) declare that I (we) have examined this offer, including accompanying schedules and statements, and to the best of my (our) knowledge and belief, it is true, correct and complete.					
SIGNATURE OF PROPONENTS ( <i>Person(s) making the offer</i> )					
SIGNATURE			DATE		
SIGNATURE			DATE		

SBA Form 1150 (11-77) REF: SOP 5051

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# AMERICAN BANKRUPTCY INSTITUTE

## COMPROMISE OFFERS BASIC CHECKLIST

### Instructions for Presenting Offer:

The offer made in item 2 should be clear and concise. Dollar amounts be given first followed by an indication of any concessions anticipated from the Agency (release of lien, etc.). Lump sum payment is the preferred method of concluding a compromise settlement. Special requirements may apply to installment payment settlements (i.e., confess-judgment note, etc.).

Provide in Item 3, the basic reasons as to why a compromise settlement is necessary.

Form Provide, as an attachment hereto, a reasonably current, complete, sworn statement of income and expenses on SBA Form 770, "Financial Statement of Debtor. All transfers and/or acquisitions of real property and major items of personal property since the date the debt to SBA was created must be itemized. Show names and addresses of transferees, relationship to obligor (if any) and the type, amount and disposition of any consideration received.

In case referred by the Department of Justice, a copy of DOJ Form DJ-35, "Financial Statement of Debtor" may be utilized instead of the aforesaid SBA Form 770. In such cases, a statement of any beneficiary status under a pending inheritance or an established trust should be included as an attachment thereto.

### Elements of a Workable Compromise Offer:

1. Amount offered bears a reasonable relationship to the net amount recoverable through enforced collection.
2. No fraud or misrepresentation.
3. Full disclosure of financial capacity of obligor(s) has been made (SBA Form 770, etc.).
4. Borrower has ceased operations and all business collateral (assets) has been liquidated.
5. Participating bank, if any, concurs in the action.
6. Valuations provided for realty mortgaged to SBA or subject to judgment by SBA are supported.
7. Source of funds for payment of the offer clearly identified.

The items identified above are for general information and are provided primarily to assist in the proper development of a compromise package. While most cases can be decided using this "generally applicable" information, the Agency is not limited to these factors in any given matter.

# 2018 HON. STEVEN W. RHODES CONSUMER BANKRUPTCY CONFERENCE

Form **2848**  
(Rev. January 2018)  
Department of the Treasury  
Internal Revenue Service

## Power of Attorney and Declaration of Representative

► Go to [www.irs.gov/Form2848](http://www.irs.gov/Form2848) for instructions and the latest information.

OMB No. 1545-0150

### For IRS Use Only

Received by:

Name \_\_\_\_\_

Telephone \_\_\_\_\_

Function \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

### Part I Power of Attorney

**Caution:** A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

#### 1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address	Taxpayer identification number(s)	
	Daytime telephone number	Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

#### 2 Representative(s) must sign and date this form on page 2, Part II.

Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
Check if to be sent copies of notices and communications <input type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
Check if to be sent copies of notices and communications <input type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
(Note: IRS sends notices and communications to only two representatives.)	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
(Note: IRS sends notices and communications to only two representatives.)	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer before the Internal Revenue Service and perform the following acts:

- 3 Acts authorized (you are required to complete this line 3).** With the exception of the acts described in line 5b, I authorize my representative(s) to receive and inspect my confidential tax information and to perform acts that I can perform with respect to the tax matters described below. For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents (see instructions for line 5a for authorizing a representative to sign a return).

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, Sec. 5000A Shared Responsibility Payment, Sec. 4980H Shared Responsibility Payment, etc.) (see instructions)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions)

- 4 Specific use not recorded on Centralized Authorization File (CAF).** If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for **Line 4. Specific Use Not Recorded on CAF** . . . . . ☐

- 5a Additional acts authorized.** In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information): ☐ Access my IRS records via an Intermediate Service Provider;  
☐ Authorize disclosure to third parties; ☐ Substitute or add representative(s); ☐ Sign a return; \_\_\_\_\_

☐ Other acts authorized: \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Cat. No. 11980J

Form **2848** (Rev. 1-2018)

# AMERICAN BANKRUPTCY INSTITUTE

Form 2848 (Rev. 1-2018)

Page **2**

- b Specific acts not authorized.** My representative(s) is (are) not authorized to endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the representative(s) or any firm or other entity with whom the representative(s) is (are) associated) issued by the government in respect of a federal tax liability.

List any other specific deletions to the acts otherwise authorized in this power of attorney (see instructions for line 5b): \_\_\_\_\_

- 6 Retention/revocation of prior power(s) of attorney.** The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this document. If you **do not** want to revoke a prior power of attorney, check here ▶ ☐

**YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

- 7 Signature of taxpayer.** If a tax matter concerns a year in which a joint return was filed, each spouse must file a separate power of attorney even if they are appointing the same representative(s). If signed by a corporate officer, partner, guardian, tax matters partner, partnership representative, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the legal authority to execute this form on behalf of the taxpayer.

**▶ IF NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THIS POWER OF ATTORNEY TO THE TAXPAYER.**

\_\_\_\_\_  
Signature Date Title (if applicable)

\_\_\_\_\_  
Print Name Print name of taxpayer from line 1 if other than individual

## **Part II Declaration of Representative**

Under penalties of perjury, by my signature below I declare that:

- I am not currently suspended or disbarred from practice, or ineligible for practice, before the Internal Revenue Service;
- I am subject to regulations contained in Circular 230 (31 CFR, Subtitle A, Part 10), as amended, governing practice before the Internal Revenue Service;
- I am authorized to represent the taxpayer identified in Part I for the matter(s) specified there; and
- I am one of the following:
  - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
  - b Certified Public Accountant—a holder of an active license to practice as a certified public accountant in the jurisdiction shown below.
  - c Enrolled Agent—enrolled as an agent by the Internal Revenue Service per the requirements of Circular 230.
  - d Officer—a bona fide officer of the taxpayer organization.
  - e Full-Time Employee—a full-time employee of the taxpayer.
  - f Family Member—a member of the taxpayer's immediate family (spouse, parent, child, grandparent, grandchild, step-parent, step-child, brother, or sister).
  - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
  - h Unenrolled Return Preparer—Authority to practice before the IRS is limited. An unenrolled return preparer may represent, provided the preparer (1) prepared and signed the return or claim for refund (or prepared if there is no signature space on the form); (2) was eligible to sign the return or claim for refund; (3) has a valid PTIN; and (4) possesses the required Annual Filing Season Program Record of Completion(s). **See Special Rules and Requirements for Unenrolled Return Preparers in the instructions for additional information.**
  - k Qualifying Student—receives permission to represent taxpayers before the IRS by virtue of his/her status as a law, business, or accounting student working in an LITC or STCP. See instructions for Part II for additional information and requirements.
  - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

**▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THE POWER OF ATTORNEY. REPRESENTATIVES MUST SIGN IN THE ORDER LISTED IN PART I, LINE 2.**

**Note:** For designations d-f, enter your title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column.

Designation— Insert above letter (a–r).	Licensing jurisdiction (State) or other licensing authority (if applicable).	Bar, license, certification, registration, or enrollment number (if applicable).	Signature	Date

Form **2848** (Rev. 1-2018)



<b>Form 656</b> (Rev. March 2017)	Department of the Treasury — Internal Revenue Service <h2 style="margin: 0;">Offer in Compromise</h2>	
<b>To: Commissioner of Internal Revenue Service</b>		<b>IRS Received Date</b>  <div style="border: 1px solid black; height: 40px; margin-top: 5px;"></div>
<p>In the following agreement, the pronoun "we" may be assumed in place of "I" when there are joint liabilities and both parties are signing this agreement.</p> <p>I submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law for the tax type and period(s) marked in Section 2 or Section 3 below.</p>		
<p><b>Did you use the Pre-Qualifier tool located on our website at <a href="http://irs.treasury.gov/oic_pre_qualifier/">http://irs.treasury.gov/oic_pre_qualifier/</a> prior to filling out this form?</b></p> <p> <input type="checkbox"/> Yes    <input type="checkbox"/> No         </p>		
<p><b>Note: The use of the Pre-Qualifier tool is not mandatory before sending in your offer. However, it is recommended.</b></p>		
<p>Include the \$186 application fee and initial payment (<i>personal check, cashier's check, or money order</i>) with your Form 656. You must also include the completed Form 433-A (OIC) and/or 433-B (OIC) and supporting documentation. You should fill out either Section 1 or Section 2, but not both, depending on the tax debt you are offering to compromise.</p>		
<b>Section 1 Individual Information (Form 1040 filers)</b>		
<p>If you are a 1040 filer, an individual with personal liability for Excise tax, individual responsible for Trust Fund Recovery Penalty, self-employed individual, individual personally responsible for partnership liabilities, and/or an individual who operates as a single member LLC or a disregarded entity taxed as a sole proprietorship you should fill out Section 1. You must also include all required documentation including the Form 433-A (OIC), the \$186 application fee, and initial payment.</p>		
Your First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
Your Physical Home Address ( <i>Street, City, State, ZIP Code</i> )		
Your Home Mailing Address ( <i>if different from above or Post Office Box number</i> )		
Is this a new address? <span style="float: right;"><input type="checkbox"/> Yes    <input type="checkbox"/> No</span>		
If yes, would you like us to update our records to this address? <span style="float: right;"><input type="checkbox"/> Yes    <input type="checkbox"/> No</span>		
Employer Identification Number -		
<b>Individual Tax Periods</b>		
<b>If Your Offer is for Individual Tax Debt Only</b>		
<input type="checkbox"/> 1040 Income Tax-Year(s) _____		
<input type="checkbox"/> Trust Fund Recovery Penalty as a responsible person of ( <i>enter business name</i> ) _____ for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending _____		
<input type="checkbox"/> 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____		
<input type="checkbox"/> 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____		
<input type="checkbox"/> Other Federal Tax(es) [specify type(s) and period(s)] _____		
<p><b>Note:</b> If you need more space, use attachment and title it "Attachment to Form 656 dated _____. " Make sure to sign and date the attachment.</p>		

**Low-Income Certification (Individuals and Sole Proprietors Only)**

Do you qualify for Low-Income Certification? You qualify if your gross monthly household income is less than or equal to the amount shown in the chart below based on your family size and where you live. If you qualify, you are not required to submit any payments during the consideration of your offer. If your business is other than a sole proprietor or disregarded single member LLC taxed as a sole proprietor and you owe employment taxes after January 1, 2009, you cannot qualify for the waiver. IRS will determine whether the household income (at the time of the offer submission or at the time the offer is processed, whichever is lower) and family size support the decision not to pay the application fee.

☐ Check this box if your household's gross monthly income is equal to or less than the monthly income shown in the table below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,513	\$2,888	\$3,138
2	\$3,383	\$3,890	\$4,227
3	\$4,254	\$4,892	\$5,317
4	\$5,125	\$5,894	\$6,406
5	\$5,996	\$6,896	\$7,496
6	\$6,867	\$7,898	\$8,585
7	\$7,738	\$8,900	\$9,675
8	\$8,608	\$9,902	\$10,765
For each additional person, add	\$871	\$1,002	\$1,090

**Section 2 Business Information (Form 1120, 1065, etc., filers)**

If your business is a Corporation, Partnership, LLC, or LLP and you want to compromise those tax debts, you must complete this section. You must also include all required documentation including the Form 433-B (OIC), and a separate \$186 application fee, and initial payment.

Business Name

Business Physical Address (Street, City, State, ZIP Code)

Business Mailing Address (Street, City, State, ZIP Code)

Employer Identification Number (EIN)	Name and Title of Primary Contact	Telephone Number
-		( ) -

**Business Tax Periods****If Your Offer is for Business Tax Debt Only**

- ☐ 1120 Income Tax-Year(s) \_\_\_\_\_
- ☐ 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) \_\_\_\_\_
- ☐ 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) \_\_\_\_\_
- ☐ Other Federal Tax(es) [specify type(s) and period(s)] \_\_\_\_\_

**Note:** If you need more space, use attachment and title it "Attachment to Form 656 dated \_\_\_\_\_." Make sure to sign and date the attachment.

**Section 3 Reason for Offer**

- ☐ **Doubt as to Collectibility** - I do not have enough in assets and income to pay the full amount.
- ☐ **Exceptional Circumstances (Effective Tax Administration)** - I owe this amount and have enough assets to pay the full amount, but due to my exceptional circumstances, requiring full payment would cause an economic hardship or would be unfair and inequitable. I am submitting a written narrative explaining my circumstances.

**Explanation of Circumstances (Add additional pages, if needed)** – The IRS understands that there are unplanned events or special circumstances, such as serious illness, where paying the full amount or the minimum offer amount might impair your ability to provide for yourself and your family. If this is the case and you can provide documentation to prove your situation, then your offer may be accepted despite your financial profile. Describe your situation below and attach appropriate documents to this offer application.

**Section 4 Payment Terms**

Check one of the payment options below to indicate how long it will take you to pay your offer in full. You must offer more than \$0. The offer amount should be in whole dollars only.

**Lump Sum Cash**

☐ Check here if you will pay your offer in 5 or fewer payments within 5 or fewer months from the date of acceptance:

Enclose a check for 20% of the offer amount (waived if you are an individual or sole proprietor and met the requirements for Low Income Certification) and fill in the amount(s) of your future payment(s).

<b>Total Offer Amount</b>	-	<b>20% Initial Payment</b>	=	<b>Remaining Balance</b>
\$	-	\$	=	\$
You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.				
Amount of payment	\$	payable within	1	Month after acceptance
Amount of payment	\$	payable within	2	Months after acceptance
Amount of payment	\$	payable within	3	Months after acceptance
Amount of payment	\$	payable within	4	Months after acceptance
Amount of payment	\$	payable within	5	Months after acceptance

**Periodic Payment**

☐ Check here if you will pay your offer in full in 6 to 24 months.

Enter the amount of your offer \$ \_\_\_\_\_

**Note: The total amount must equal all of the proposed payments including the first and last payments.**

Enclose a check for the first month's payment.

\$ \_\_\_\_\_ is included with this offer then \$ \_\_\_\_\_ will be sent in on the \_\_\_\_\_ day of each month thereafter

for a total of \_\_\_\_\_ months with a final payment of \$ \_\_\_\_\_ to be paid on the \_\_\_\_\_ day of the \_\_\_\_\_ month.

**Note: The total months may not exceed a total of 24 months, including the first payment. Your first payment is considered to be month 1; therefore, the remainder of the payments must be made within 23 months for a total of 24.**

**You must continue to make these monthly payments while the IRS is considering the offer (waived if you met the requirements for Low Income Certification). Failure to make regular monthly payments will cause your offer to be returned with no appeal rights.**

**IRS Use Only**

☐ Attached is an addendum dated (insert date) \_\_\_\_\_ setting forth the amended offer amount and payment terms.

**Section 5 Designation of Payment, Electronic Federal Transfer Payment System (EFTPS), and Deposit****Designation of Payment**

If you want your payment to be applied to a specific tax year and a specific tax debt, such as a Trust Fund Recovery Penalty, please tell us the tax year/quarter \_\_\_\_\_. If you do not designate a preference, we will apply any money you send to the government's best interest. If you want to designate any payments not included with this offer, you must designate a preference for each payment at the time the payment is made. However, you cannot designate the \$186 application fee or any payment after the IRS accepts the offer.

**Note: Payments submitted with your offer cannot be designated as estimated tax payments for a current or past tax year.**

**Electronic Federal Transfer Payment System (EFTPS)**

Did you make your payment through the [Electronic Federal Tax Payment System \(EFTPS\)](#)?

☐ Yes ☐ No

If yes, provide the amount of your payment(s) \$ \_\_\_\_\_, the date paid \_\_\_\_\_, and the 15 digit Electronic Funds Transfer (EFT) Number \_\_\_\_\_.

**Note: Any initial payments paid through the EFTPS system must be made the same date your offer is mailed.**

**Deposit**

If you are paying **more than** the initial payment with your offer and you want any part of that payment treated as a deposit, check the box below and insert the amount.

☐ My payment of \$ \_\_\_\_\_ includes the \$186 application fee and \$ \_\_\_\_\_ for my first month's payment. I am requesting the additional amount of \$ \_\_\_\_\_ be held as a deposit.

If your offer is rejected, returned, or withdrawn please check one of the boxes below and let us know what you would like us to do with your deposit.

☐ Return it to you (Initial here \_\_\_\_\_) ☐ Apply it to your tax debt (Initial here \_\_\_\_\_)

**CAUTION: Do NOT designate the amounts sent in with your offer to cover the initial payment and application fee as "deposits." Doing so will result in the return of your offer with no right to appeal.**

**Section 6 Source of Funds, Making Your Payment, Filing Requirements, and Tax Payment Requirements****Source of Funds**

Tell us where you will obtain the funds to pay your offer. You may consider borrowing from friends and/or family, taking out a loan, or selling assets.

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**Making Your Payment**

Include separate checks for the payment and application fee.

Make checks payable to the "United States Treasury" and attach to the front of your Form 656, Offer in Compromise. All payments must be in U.S. dollars. **Do not send cash.** Send a separate application fee with each offer; do not combine it with any other tax payments, as this may delay processing of your offer. You may also make payments through the [Electronic Federal Tax Payment System \(EFTPS\)](#). Your offer will be returned to you if the application fee and the required payment are not included, or if your check is returned for insufficient funds.

**Filing Requirements**

☐ I have filed all required tax returns.

☐ I was not required to file a tax return for the following years: \_\_\_\_\_

**Note: Do not include original tax returns with your offer. You must either electronically file your tax return or mail it to the appropriate IRS processing office before sending in your offer.**

**Tax Payment Requirements (check all that apply)**

☐ I have made all required estimated tax payments for the current tax year.

☐ I am not required to make any estimated tax payments for the current tax year.

☐ I have made all required federal tax deposits for the current quarter.

☐ I am not required to make any federal tax deposits for the current quarter.

**Section 7 Offer Terms**

By submitting this offer, I have read, understand and agree to the following terms and conditions:

**Terms, Conditions, and Legal Agreement****IRS will keep my payments, fees, and some refunds.**

a) I request that the IRS accept the offer amount listed in this offer application as payment of my outstanding tax debt (including interest, penalties, and any additional amounts required by law) as of the date listed on this form. I authorize the IRS to amend Section 1 and/or Section 2 if I failed to list any of my assessed tax debt or tax debt assessed before acceptance of my offer. I also authorize the IRS to amend Section 1 and/or Section 2 by removing any tax years on which there is currently no outstanding liability. I understand that my offer will be accepted, by law, unless IRS notifies me otherwise, in writing, within 24 months of the date my offer was received by IRS. I also understand that if any tax debt that is included in the offer is in dispute in any judicial proceeding it/ they will not be included in determining the expiration of the 24-month period.

b) I voluntarily submit the payments made on this offer and understand that they will not be returned even if I withdraw the offer or the IRS rejects or returns the offer. Unless I designate how to apply each required payment in Section 5, the IRS will apply my payment in the best interest of the government, choosing which tax years and tax debts to pay off. The IRS will also keep my application fee unless the offer is not accepted for processing.

c) The IRS will keep any refund, including interest, that I might be due for tax periods extending through the calendar year in which the IRS accepts my offer. I cannot designate that the refund be applied to estimated tax payments for the following year or the accepted offer amount. If I receive a refund after I submit this offer for any tax period extending through the calendar year in which the IRS accepts my offer, I will return the refund within 30 days of notification. The refund offset does not apply to offers accepted under the provisions of Effective Tax Administration or Doubt as to Collectibility with special circumstances based on public policy/equity considerations.

d) I understand that the amount I am offering may not include part or all of an expected or current tax refund, money already paid, funds attached by any collection action, or anticipated benefits from a capital or net operating loss.

e) The IRS will keep any monies it has collected prior to this offer. Under section § 6331(a) the IRS may levy up to the time that the IRS official signs and acknowledges my offer as pending, which is accepted for processing and the IRS may keep any proceeds arising from such a levy. No levy will be issued on individual shared responsibility payments. However, if the IRS served a continuous levy on wages, salary, or certain federal payments under sections 6331(e) or (h), then the IRS could choose to either retain or release the levy.

f) The IRS will keep any payments that I make related to this offer. I agree that any funds submitted with this offer will be treated as a payment unless I checked the box to treat any amount more than the required initial payment as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. I also agree that any funds submitted with periodic payments made after the submission of this offer and prior to the acceptance, rejection, or return of this offer will be treated as payments, unless I identify the amount more than the required payment as a deposit on the check submitted with the corresponding periodic payment. A deposit will be returned if the offer is rejected, returned, or withdrawn. I understand that the IRS will not pay interest on any deposit.

g) If my offer is accepted and my final payment is more than the agreed amount by \$50 or less, the IRS will not return the difference, but will apply the entire payment to my tax debt. If my final payment exceeds the agreed amount by more than \$50, the IRS will return the excess payment to me.

**Section 7 (Continued)****Offer Terms****Pending status of an offer and right to appeal**

h) Once an authorized IRS official signs this form, my offer is considered pending as of that signature date and it remains pending until the IRS accepts, rejects, returns, or I withdraw my offer. An offer is also considered pending for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office. An offer will be considered withdrawn when the IRS receives my written notification of withdrawal by personal delivery or certified mail or when I inform the IRS of my withdrawal by other means and the IRS acknowledges in writing my intent to withdraw the offer.

i) I waive the right to an Appeals hearing if I do not request a hearing in writing within 30 days of the date the IRS notifies me of the decision to reject the offer.

**I must comply with my future tax obligations and understand I remain liable for the full amount of my tax debt until all terms and conditions of this offer have been met.**

j) I will comply with all provisions of the internal revenue laws, including requirements to timely file tax returns and timely pay taxes for the five year period beginning with the date of acceptance of this offer and ending through the fifth year, including any extensions to file and pay. I agree to promptly pay any liabilities assessed after acceptance of this offer for tax years ending prior to acceptance of this offer that were not otherwise identified in Section 1 or Section 2 of this agreement. I also understand that during the five year period I cannot request an installment agreement for unpaid taxes incurred before or after the accepted offer. If this is an offer being submitted for joint tax debt, and one of us does not comply with future obligations, only the non-compliant taxpayer will be in default of this agreement. An accepted offer will not be defaulted solely due to the assessment of an individual shared responsibility payment. I also understand that during the five year period I cannot request an installment agreement for unpaid taxes incurred before or after the accepted offer.

k) I agree that I will remain liable for the full amount of the tax liability, accrued penalties and interest, until I have met all of the terms and conditions of this offer. Penalty and interest will continue to accrue until all payment terms of the offer have been met. If I file for bankruptcy before the terms and conditions of the offer are met, I agree that the IRS may file a claim for the full amount of the tax liability, accrued penalties and interest, and that any claim the IRS files in the bankruptcy proceeding will be a tax claim.

l) Once the IRS accepts my offer in writing, I have no right to challenge the tax debt(s) in court or by filing a refund claim or refund suit for any liability or period listed in Section 1 or Section 2, even if I default the terms of the accepted offer.

**I understand what will happen if I fail to meet the terms of my offer (e.g., default).**

m) If I fail to meet any of the terms of this offer, the IRS may revoke the certificate of release of federal tax lien and file a new notice of federal tax lien; levy or sue me to collect any amount ranging from one or more missed payments to the original amount of the tax debt (less payments made) plus penalties and interest that have accrued from the time the underlying tax liability arose. The IRS will continue to add interest, as required by section § 6601 of the Internal Revenue Code, on the amount the IRS determines is due after default. Shared responsibility payments are excluded from levy.

**I agree to waive time limits provided by law.**

n) To have my offer considered, I agree to the extension of the time limit provided by law to assess my tax debt (statutory period of assessment). I agree that the date by which the IRS must assess my tax debt will now be the date by which my debt must currently be assessed plus the period of time my offer is pending plus one additional year if the IRS rejects, returns, or terminates my offer or I withdraw it. (Paragraph (h) of this section defines pending and withdrawal.) I understand that I have the right not to waive the statutory period of assessment or to limit the waiver to a certain length or certain periods or issues. I understand, however, that the IRS may not consider my offer if I refuse to waive the statutory period of assessment or if I provide only a limited waiver. I also understand that the statutory period for collecting my tax debt will be suspended during the time my offer is pending with the IRS, for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office.

**I understand the IRS may file a Notice of Federal Tax Lien on my property.**

o) The IRS may file a Notice of Federal Tax Lien during consideration of the offer. The IRS may file a Notice of Federal Tax Lien to protect the Government's interest on offers that will be paid over time. This tax lien will be released 30 days after the payment terms have been satisfied and the payment has been verified. If the offer is accepted, the tax lien will be released within 30 days of when the payment terms have been satisfied and the payment has been verified. The time it takes to transfer funds to the IRS from commercial institutions varies based on the form of payment. The IRS will not file a Notice of Federal Tax Lien on any individual shared responsibility debt.

**Correction Agreement**

p) I authorize IRS, to correct any typographical or clerical errors or make minor modifications to my/our Form 656 that I signed in connection to this offer.

**I authorize the IRS to contact relevant third parties in order to process my offer.**

q) By authorizing the IRS to contact third parties, I understand that I will not be notified of which third parties the IRS contacts as part of the offer application process, including tax periods that have not been assessed, as stated in §7602 (c) of the Internal Revenue Code. In addition, I authorize the IRS to request a consumer report on me from a credit bureau.

**I am submitting an offer as an individual for a joint liability.**

r) I understand if the liability sought to be compromised is the joint and individual liability of myself and my co-obligor(s) and I am submitting this offer to compromise my individual liability only, then if this offer is accepted, it does not release or discharge my co-obligor(s) from liability. The United States still reserves all rights of collection against the co-obligor(s).

**Shared Responsibility Payment (SRP)**

s) If your offer includes any shared responsibility payment (SRP) amount that you owe for not having minimum essential health coverage for you and, if applicable, your dependents per Internal Revenue Code Section 5000A - Individual shared responsibility payment, it is not subject to penalties, except applicable bad check penalty, or to lien and levy enforcement actions. However, interest will continue to accrue until you pay the total SRP balance due. We may apply your federal tax refunds to the SRP amount that you owe until it is paid in full.

**IRS Use Only.** I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 7(n).

Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)
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### Section 8 Signatures

Under penalties of perjury, I declare that I have examined this offer, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

 <b>Signature of Taxpayer/Corporation Name</b>	Phone Number	Today's Date (mm/dd/yyyy)
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☐ By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

 <b>Signature of Spouse/Authorized Corporate Officer</b>	Phone Number	Today's Date (mm/dd/yyyy)
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☐ By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

### Section 9 Paid Preparer Use Only

Signature of Preparer	Phone Number	Today's Date (mm/dd/yyyy)
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☐ By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Name of Paid Preparer	Preparer's CAF no. or PTIN
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Firm's Name (or yours if self-employed), Address, and ZIP Code

**If you would like to have someone represent you during the offer investigation, include a valid, signed [Form 2848](#) or [8821](#) with this application or a copy of a previously filed form. You should also include the current tax year.**

#### Privacy Act Statement

We ask for the information on this form to carry out the internal revenue laws of the United States. Our authority to request this information is section § 7801 of the Internal Revenue Code.

Our purpose for requesting the information is to determine if it is in the best interests of the IRS to accept an offer. You are not required to make an offer; however, if you choose to do so, you must provide all of the taxpayer information requested. Failure to provide all of the information may prevent us from processing your request.

If you are a paid preparer and you prepared the Form 656 for the taxpayer submitting an offer, we request that you complete and sign Section 9 on Form 656, and provide identifying information. Providing this information is voluntary. This information will be used to administer and enforce the internal revenue laws of the United States and may be used to regulate practice before the Internal Revenue Service for those persons subject to Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service. Information on this form may be disclosed to the Department of Justice for civil and criminal litigation.

We may also disclose this information to cities, states and the District of Columbia for use in administering their tax laws and to combat terrorism.

Providing false or fraudulent information on this form may subject you to criminal prosecution and penalties.

Form **433-A**

(Rev. December 2012)

Department of the Treasury  
Internal Revenue Service**Collection Information Statement for Wage  
Earners and Self-Employed Individuals****Wage Earners** Complete Sections 1, 2, 3, 4, and 5 including the signature line on page 4. *Answer all questions or write N/A if the question is not applicable.***Self-Employed Individuals** Complete Sections 1, 3, 4, 5, 6 and 7 and the signature line on page 4. *Answer all questions or write N/A if the question is not applicable.***For Additional Information**, refer to Publication 1854, "How To Prepare a Collection Information Statement."**Include attachments if additional space is needed to respond completely to any question.**

Name on Internal Revenue Service (IRS) Account	Social Security Number SSN on IRS Account	Employer Identification Number EIN
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**Section 1: Personal Information**

<b>1a</b> Full Name of Taxpayer and Spouse (if applicable)		<b>1c</b> Home Phone ( )	<b>1d</b> Cell Phone ( )
<b>1b</b> Address (Street, City, State, ZIP code) (County of Residence)		<b>1e</b> Business Phone ( )	<b>1f</b> Business Cell Phone ( )
		<b>2b</b> Name, Age, and Relationship of dependent(s)	
<b>2a</b> Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (Single, Divorced, Widowed)			
	Social Security No. (SSN)	Date of Birth (mmddyyyy)	Driver's License Number and State
<b>3a</b> Taxpayer			
<b>3b</b> Spouse			

**Section 2: Employment Information for Wage Earners***If you or your spouse have self-employment income instead of, or in addition to wage income, complete Business Information in Sections 6 and 7.*

Taxpayer		Spouse	
<b>4a</b> Taxpayer's Employer Name		<b>5a</b> Spouse's Employer Name	
<b>4b</b> Address (Street, City, State, and ZIP code)		<b>5b</b> Address (Street, City, State, and ZIP code)	
<b>4c</b> Work Telephone Number ( )	<b>4d</b> Does employer allow contact at work <input type="checkbox"/> Yes <input type="checkbox"/> No	<b>5c</b> Work Telephone Number ( )	<b>5d</b> Does employer allow contact at work <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>4e</b> How long with this employer (years)   (months)	<b>4f</b> Occupation	<b>5e</b> How long with this employer (years)   (months)	<b>5f</b> Occupation
<b>4g</b> Number of withholding allowances claimed on Form W-4	<b>4h</b> Pay Period: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Other	<b>5g</b> Number of withholding allowances claimed on Form W-4	<b>5h</b> Pay Period: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Other

**Section 3: Other Financial Information (Attach copies of applicable documentation)**

<b>6 Are you a party to a lawsuit (If yes, answer the following)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
<input type="checkbox"/> Plaintiff <input type="checkbox"/> Defendant	Location of Filing	Represented by	Docket/Case No.
Amount of Suit \$	Possible Completion Date (mmddyyyy)	Subject of Suit	
<b>7 Have you ever filed bankruptcy (If yes, answer the following)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
Date Filed (mmddyyyy)	Date Dismissed (mmddyyyy)	Date Discharged (mmddyyyy)	Petition No.   Location Filed
<b>8 In the past 10 years, have you lived outside of the U.S for 6 months or longer (If yes, answer the following)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
Dates lived abroad: from (mmddyyyy)		To (mmddyyyy)	
<b>9a Are you the beneficiary of a trust, estate, or life insurance policy (If yes, answer the following)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
Place where recorded:		EIN:	
Name of the trust, estate, or policy		Anticipated amount to be received \$	When will the amount be received
<b>9b Are you a trustee, fiduciary, or contributor of a trust</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
Name of the trust:		EIN:	
<b>10 Do you have a safe deposit box (business or personal) (If yes, answer the following)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
Location (Name, address and box number(s))		Contents	Value \$
<b>11 In the past 10 years, have you transferred any assets for less than their full value (If yes, answer the following)</b> <input type="checkbox"/> Yes <input type="checkbox"/> No			
List Asset(s)	Value at Time of Transfer \$	Date Transferred (mmddyyyy)	To Whom or Where was it Transferred

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Cat. No. 20312N

Form **433-A** (Rev.12-2012)

# AMERICAN BANKRUPTCY INSTITUTE

Form 433-A (Rev. 12-2012)

Page **2**

## Section 4: Personal Asset Information for All Individuals

**12 CASH ON HAND** Include cash that is not in a bank **Total Cash on Hand** \$

**PERSONAL BANK ACCOUNTS** Include all checking, online and mobile (e.g., PayPal) accounts, money market accounts, savings accounts, and stored value cards (e.g., payroll cards, government benefit cards, etc.).

Type of Account	Full Name & Address (Street, City, State, ZIP code) of Bank, Savings & Loan, Credit Union, or Financial Institution	Account Number	Account Balance As of _____ mmddyyyy
<b>13a</b>			\$
<b>13b</b>			\$
<b>13c</b>			\$
<b>13d Total Cash</b> (Add lines 13a through 13c, and amounts from any attachments)			\$

**INVESTMENTS** Include stocks, bonds, mutual funds, stock options, certificates of deposit, and retirement assets such as IRAs, Keogh, and 401(k) plans. Include all corporations, partnerships, limited liability companies, or other business entities in which you are an officer, director, owner, member, or otherwise have a financial interest.

Type of Investment or Financial Interest	Full Name & Address (Street, City, State, ZIP code) of Company	Current Value	Loan Balance (if applicable) As of _____ mmddyyyy	Equity Value minus Loan
<b>14a</b>				
	Phone	\$	\$	\$
<b>14b</b>				
	Phone	\$	\$	\$
<b>14c</b>				
	Phone	\$	\$	\$
<b>14d Total Equity</b> (Add lines 14a through 14c and amounts from any attachments)				\$

**AVAILABLE CREDIT** Include all lines of credit and bank issued credit cards.  
Full Name & Address (Street, City, State, ZIP code) of Credit Institution

	Credit Limit	Amount Owed As of _____ mmddyyyy	Available Credit As of _____ mmddyyyy
<b>15a</b>			
Acct. No	\$	\$	\$
<b>15b</b>			
Acct. No	\$	\$	\$
<b>15c Total Available Credit</b> (Add lines 15a, 15b and amounts from any attachments)			\$

**16a LIFE INSURANCE** Do you own or have any interest in any life insurance policies with cash value (Term Life insurance does not have a cash value)  
☐ **Yes**    ☐ **No**    If yes, complete blocks 16b through 16f for each policy.

<b>16b</b> Name and Address of Insurance Company(ies):			
<b>16c</b> Policy Number(s)			
<b>16d</b> Owner of Policy			
<b>16e</b> Current Cash Value	\$	\$	\$
<b>16f</b> Outstanding Loan Balance	\$	\$	\$

**16g Total Available Cash** (Subtract amounts on line 16f from line 16e and include amounts from any attachments) \$

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## REAL PROPERTY Include all real property owned or being purchased

	Purchase Date (mmddyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmddyyyy)	Equity FMV Minus Loan
<b>17a</b> Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County		Lender/Contract Holder Name, Address (Street, City, State, ZIP code), and Phone				
		Phone				
<b>17b</b> Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County		Lender/Contract Holder Name, Address (Street, City, State, ZIP code), and Phone				
		Phone				
<b>17c Total Equity</b> (Add lines 17a, 17b and amounts from any attachments)						\$

## PERSONAL VEHICLES LEASED AND PURCHASED Include boats, RVs, motorcycles, all-terrain and off-road vehicles, trailers, etc.

Description (Year, Mileage, Make/Model, Tag Number, Vehicle Identification Number)	Purchase/ Lease Date (mmddyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmddyyyy)	Equity FMV Minus Loan
<b>18a</b> Year	Make/Model		\$	\$		\$
Mileage	License/Tag Number	Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone				
Vehicle Identification Number		Phone				
<b>18b</b> Year	Make/Model		\$	\$		\$
Mileage	License/Tag Number	Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone				
Vehicle Identification Number		Phone				
<b>18c Total Equity</b> (Add lines 18a, 18b and amounts from any attachments)						\$

## PERSONAL ASSETS Include all furniture, personal effects, artwork, jewelry, collections (coins, guns, etc.), antiques or other assets. Include intangible assets such as licenses, domain names, patents, copyrights, mining claims, etc.

	Purchase/ Lease Date (mmddyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmddyyyy)	Equity FMV Minus Loan
<b>19a</b> Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County		Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone				
		Phone				
<b>19b</b> Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County		Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone				
		Phone				
<b>19c Total Equity</b> (Add lines 19a, 19b and amounts from any attachments)						\$

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**If you are self-employed, sections 6 and 7 must be completed before continuing.**

## Section 5: Monthly Income and Expenses

Monthly Income/Expense Statement (For additional information, refer to Publication 1854.)

Total Income		Total Living Expenses		IRS USE ONLY
Source	Gross Monthly	Expense Items <sup>6</sup>	Actual Monthly	Allowable Expenses
<b>20</b> Wages (Taxpayer) <sup>1</sup>	\$	<b>35</b> Food, Clothing and Misc. <sup>7</sup>	\$	
<b>21</b> Wages (Spouse) <sup>1</sup>	\$	<b>36</b> Housing and Utilities <sup>8</sup>	\$	
<b>22</b> Interest - Dividends	\$	<b>37</b> Vehicle Ownership Costs <sup>9</sup>	\$	
<b>23</b> Net Business Income <sup>2</sup>	\$	<b>38</b> Vehicle Operating Costs <sup>10</sup>	\$	
<b>24</b> Net Rental Income <sup>3</sup>	\$	<b>39</b> Public Transportation <sup>11</sup>	\$	
<b>25</b> Distributions (K-1, IRA, etc.) <sup>4</sup>	\$	<b>40</b> Health Insurance	\$	
<b>26</b> Pension (Taxpayer)	\$	<b>41</b> Out of Pocket Health Care Costs <sup>12</sup>	\$	
<b>27</b> Pension (Spouse)	\$	<b>42</b> Court Ordered Payments	\$	
<b>28</b> Social Security (Taxpayer)	\$	<b>43</b> Child/Dependent Care	\$	
<b>29</b> Social Security (Spouse)	\$	<b>44</b> Life Insurance	\$	
<b>30</b> Child Support	\$	<b>45</b> Current year taxes (Income/FICA) <sup>13</sup>	\$	
<b>31</b> Alimony	\$	<b>46</b> Secured Debts (Attach list)	\$	
Other Income (Specify below) <sup>5</sup>		<b>47</b> Delinquent State or Local Taxes	\$	
<b>32</b>	\$	<b>48</b> Other Expenses (Attach list)	\$	
<b>33</b>	\$	<b>49</b> Total Living Expenses (add lines 35-48)	\$	
<b>34</b> Total Income (add lines 20-33)	\$	<b>50</b> Net difference (Line 34 minus 49)	\$	

**1 Wages, salaries, pensions, and social security:** Enter gross monthly wages and/or salaries. Do not deduct tax withholding or allotments taken out of pay, such as insurance payments, credit union deductions, car payments, etc. To calculate the gross monthly wages and/or salaries:

*If paid weekly* - multiply weekly gross wages by 4.3. Example: \$425.89 x 4.3 = \$1,831.33

*If paid biweekly (every 2 weeks)* - multiply biweekly gross wages by 2.17. Example: \$972.45 x 2.17 = \$2,110.22

*If paid semimonthly (twice each month)* - multiply semimonthly gross wages by 2. Example: \$856.23 x 2 = \$1,712.46

**2 Net Income from Business:** Enter monthly net business income. This is the amount earned after ordinary and necessary monthly business expenses are paid. **This figure is the amount from page 6, line 89.** If the net business income is a loss, enter "0". Do not enter a negative number. If this amount is more or less than previous years, attach an explanation.

**3 Net Rental Income:** Enter monthly net rental income. This is the amount earned after ordinary and necessary monthly rental expenses are paid. Do not include deductions for depreciation or depletion. If the net rental income is a loss, enter "0." Do not enter a negative number.

**4 Distributions:** Enter the total distributions from partnerships and subchapter S corporations reported on Schedule K-1, and from limited liability companies reported on Form 1040, Schedule C, D or E. Enter total distributions from IRAs if not included under pension income.

**5 Other Income:** Include agricultural subsidies, unemployment compensation, gambling income, oil credits, rent subsidies, etc.

**6 Expenses not generally allowed:** We generally do not allow tuition for private schools, public or private college expenses, charitable contributions, voluntary retirement contributions or payments on unsecured debts. However, we may allow the expenses if proven that they are necessary for the health and welfare of the individual or family or the production of income. See Publication 1854 for exceptions.

**7 Food, Clothing and Miscellaneous:** Total of food, clothing, housekeeping supplies, and personal care products for one month. The miscellaneous allowance is for expenses incurred that are not included in any other allowable living expense items. Examples are credit card payments, bank fees and charges, reading material, and school supplies.

**8 Housing and Utilities:** For principal residence: Total of rent or mortgage payment. Add the average monthly expenses for the following: property taxes, homeowner's or renter's insurance, maintenance, dues, fees, and utilities. Utilities include gas, electricity, water, fuel, oil, other fuels, trash collection, telephone, cell phone, cable television and internet services.

**9 Vehicle Ownership Costs:** Total of monthly lease or purchase/loan payments.

**10 Vehicle Operating Costs:** Total of maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, and tolls for one month.

**11 Public Transportation:** Total of monthly fares for mass transit (e.g., bus, train, ferry, taxi, etc.)

**12 Out of Pocket Health Care Costs:** Monthly total of medical services, prescription drugs and medical supplies (e.g., eyeglasses, hearing aids, etc.)

**13 Current Year Taxes:** Include state and Federal taxes withheld from salary or wages, or paid as estimated taxes.

**Certification:** Under penalties of perjury, I declare that to the best of my knowledge and belief this statement of assets, liabilities, and other information is true, correct, and complete.

Taxpayer's Signature	Spouse's signature	Date
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After we review the completed Form 433-A, you may be asked to provide verification for the assets, encumbrances, income and expenses reported. Documentation may include previously filed income tax returns, pay statements, self-employment records, bank and investment statements, loan statements, bills or statements for recurring expenses, etc.

IRS USE ONLY (Notes)

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**Sections 6 and 7 must be completed only if you are SELF-EMPLOYED.**

## Section 6: Business Information

**51** Is the business a sole proprietorship (filing Schedule C) ☐ **Yes**, Continue with Sections 6 and 7. ☐ **No**, Complete Form 433-B.  
All other business entities, including limited liability companies, partnerships or corporations, must complete Form 433-B.

**52** Business Name & Address (if different than 1b)

<b>53</b> Employer Identification Number	<b>54</b> Type of Business	<b>55</b> Is the business a Federal Contractor <input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>
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<b>56</b> Business Website (web address)	<b>57</b> Total Number of Employees	<b>58</b> Average Gross Monthly Payroll
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<b>59</b> Frequency of Tax Deposits	<b>60</b> Does the business engage in e-Commerce (Internet sales) If yes, complete lines 61a and 61b <input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b>
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<b>PAYMENT PROCESSOR</b> (e.g., PayPal, Authorize.net, Google Checkout, etc.) Name & Address (Street, City, State, ZIP code)	Payment Processor Account Number
--	----------------------------------

**61a**

**61b**

### CREDIT CARDS ACCEPTED BY THE BUSINESS

Credit Card	Merchant Account Number	Issuing Bank Name & Address (Street, City, State, ZIP code)
<b>62a</b>		
<b>62b</b>		
<b>62c</b>		

**63 BUSINESS CASH ON HAND** Include cash that is not in a bank. **Total Cash on Hand** \$

**BUSINESS BANK ACCOUNTS** Include checking accounts, online and mobile (e.g., PayPal) accounts, money market accounts, savings accounts, and stored value cards (e.g., payroll cards, government benefit cards, etc.). Report Personal Accounts in Section 4.

Type of Account	Full name & Address (Street, City, State, ZIP code) of Bank, Savings & Loan, Credit Union or Financial Institution.	Account Number	Account Balance As of <u>          </u> mmddyyyy
<b>64a</b>			\$
<b>64b</b>			\$
<b>64c Total Cash in Banks</b> (Add lines 64a, 64b and amounts from any attachments)			\$

**ACCOUNTS/NOTES RECEIVABLE** Include e-payment accounts receivable and factoring companies, and any bartering or online auction accounts. (List all contracts separately, including contracts awarded, but not started.) **Include Federal, state and local government grants and contracts.**

Accounts/Notes Receivable & Address (Street, City, State, ZIP code)	Status (e.g., age, factored, other)	Date Due (mmddyyyy)	Invoice Number or Government Grant or Contract Number	Amount Due
<b>65a</b>				\$
<b>65b</b>				\$
<b>65c</b>				\$
<b>65d</b>				\$
<b>65e</b>				\$
<b>65f Total Outstanding Balance</b> (Add lines 65a through 65e and amounts from any attachments)				\$

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**BUSINESS ASSETS** Include all tools, books, machinery, equipment, inventory or other assets used in trade or business. Include a list and show the value of all intangible assets such as licenses, patents, domain names, copyrights, trademarks, mining claims, etc.

	Purchase/ Lease Date (mmddyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmddyyyy)	Equity FMV Minus Loan
<b>66a</b> Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and Country			Lender/Lessor/Landlord Name, Address (Street, City, State, ZIP code), and Phone			
			Phone			
<b>66b</b> Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and Country			Lender/Lessor/Landlord Name, Address (Street, City, State, ZIP code), and Phone			
			Phone			
<b>66c Total Equity</b> (Add lines 66a, 66b and amounts from any attachments)						\$

## Section 7 should be completed only if you are SELF-EMPLOYED

### Section 7: Sole Proprietorship Information (lines 67 through 87 should reconcile with business Profit and Loss Statement)

Accounting Method Used: ☐ Cash ☐ Accrual

Use the prior 3, 6, 9 or 12 month period to determine your typical business income and expenses.

**Income and Expenses during the period** (mmddyyyy)

to (mmddyyyy)

Provide a breakdown below of your average monthly income and expenses, based on the period of time used above.

Total Monthly Business Income		Total Monthly Business Expenses (Use attachments as needed)	
Source	Gross Monthly	Expense Items	Actual Monthly
<b>67</b> Gross Receipts	\$	<b>77</b> Materials Purchased <sup>1</sup>	\$
<b>68</b> Gross Rental Income	\$	<b>78</b> Inventory Purchased <sup>2</sup>	\$
<b>69</b> Interest	\$	<b>79</b> Gross Wages & Salaries	\$
<b>70</b> Dividends	\$	<b>80</b> Rent	\$
<b>71</b> Cash Receipts not included in lines 67-70	\$	<b>81</b> Supplies <sup>3</sup>	\$
Other Income (Specify below)		<b>82</b> Utilities/Telephone <sup>4</sup>	\$
<b>72</b>	\$	<b>83</b> Vehicle Gasoline/Oil	\$
<b>73</b>	\$	<b>84</b> Repairs & Maintenance	\$
<b>74</b>	\$	<b>85</b> Insurance	\$
<b>75</b>	\$	<b>86</b> Current Taxes <sup>5</sup>	\$
<b>76 Total Income</b> (Add lines 67 through 75)	\$	<b>87</b> Other Expenses, including installment payments (Specify)	\$
		<b>88 Total Expenses</b> (Add lines 77 through 87)	\$
		<b>89 Net Business Income</b> (Line 76 minus 88) <sup>6</sup>	\$

Enter the monthly net income amount from line 89 on line 23, section 5. If line 89 is a loss, enter "0" on line 23, section 5.  
Self-employed taxpayers must return to page 4 to sign the certification.

**1 Materials Purchased:** Materials are items directly related to the production of a product or service.

**2 Inventory Purchased:** Goods bought for resale.

**3 Supplies:** Supplies are items used in the business that are consumed or used up within one year. This could be the cost of books, office supplies, professional equipment, etc.

**4 Utilities/Telephone:** Utilities include gas, electricity, water, oil, other fuels, trash collection, telephone, cell phone and business internet.

**5 Current Taxes:** Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes.

**6 Net Business Income:** Net profit from Form 1040, Schedule C may be used if duplicated deductions are eliminated (e.g., expenses for business use of home already included in housing and utility expenses on page 4). Deductions for depreciation and depletion on Schedule C are not cash expenses and must be added back to the net income figure. In addition, interest cannot be deducted if it is already included in any other installment payments allowed.

**IRS USE ONLY** (Notes)

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