

1st Course – Pre-Filing Credit Counseling (taken BEFORE filing bankruptcy)
(2nd Course Post -Filing Financial Management Instructions will be sent separately)

Step 1: Visit www.debtorcc.org and click on the **GREEN BOX**: “First Course – Register”. Follow the registration instructions to begin the counseling.

Step 2: Read each page and fill in the required information. Once you have completed a page, click “Submit” at the bottom of that page and then click “Next” at the top of the page. Continue this process until you have completed the counseling.

Step 3: Follow the instructions on the “You are NOT done...” page to request your Certificate of Counseling. The certificate will be emailed to the email address you provided during registration; a copy will also be sent to your attorney if you provided their email address.

IMPORTANT: By law, you must spend at least 1 hour on the 1st course. You will not receive your certificate until the timer reads zero and you have gone through all the course material.

Pre-Filing Bankruptcy Counseling

Your Start to a Fresh Financial Future

Phone: 1 (800) 610-3920 Email: support@debtorcc.org

www.DebtorCC.org

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Introduction

Welcome to online Budget and Credit Counseling offered by Debtorcc.org. The changes to the Bankruptcy Law in 2005 require that you receive budget and credit counseling prior to filing for bankruptcy. In addition to satisfying the requirements of the U.S. Bankruptcy Law, this course was developed by Debtorcc.org to help you understand your current financial position and identify options, which may be available to you.

For your convenience we have split this counseling into several parts. The first part will be an introduction into money management and the possible causes of financial difficulty. We will then transition into a detailed discussion of each possible cause. Then we will map out your monthly income and expenses, which will allow you to develop a budget. We will then review how you can reduce spending in various categories of expenses to improve your budget. Also, we will calculate your net worth and define its importance in your financial life. What's more, we will detail the possible options for dealing with your debt and review their pros and cons. Finally, we will provide you with valuable resources and tips on how to improve your credit score.

This counseling session was developed to be informative and helpful. By law, you must spend at least 60 minutes reviewing the materials. We have placed a timer at the top – you should be in no rush as you may only proceed once the time above reads zero (00:00). If you require additional clarification on any of the materials that you read during the counseling, please contact us. We are available to answer any questions or discuss any topic in further detail.

We understand that this may be a very difficult time for you. We are here to help you understand how to take control of your finances.

It's important that you read carefully and take notes if needed. To help you retain what you will learn during this course and to refresh your memory in the future, we will provide a copy of the course for you to download at the conclusion.

To put it plain and simple - you are taking this course because you owe more money than you have and you may be having difficulty making payments when they are due. At this point, we need to review what got you to this position? What are the factors that caused you to be in financial distress? It's important to review this now because it will help you avoid pitfalls in the future.

Let's get started!

Before You Begin

Be sure you have the following information available before you begin the counseling:

1. Your net monthly income – an estimated amount of the money you earn after all deductions for taxes, insurance, 401K, etc. is taken out. Please have a list of all possible sources of income (from employment, alimony, child support, government assistance, rental income, etc.)
2. Your estimated monthly expenses – an estimated amount of money you spend each month.
3. Your assets – value of the things you own.
4. Your debt – money you owe on the things you own.

We will go into a detailed discussion about each topic later in the counseling. To make the most of the counseling, please try to be as accurate as possible. The information that you enter will help our counselors assess your financial situation. We understand that you might not have all the information readily available. This is okay. Please try to provide an accurate estimate.

We value your privacy. The information that you provide will not be shared with anyone. It will strictly be used for providing you budget and credit counseling. If you decide to file for bankruptcy, the information that you enter during this course will not become part of your bankruptcy case.

1. Money Management

Regardless of how much or how little income you have, money management skills are necessary for avoiding financial crisis. Think about the times you read in a newspaper or magazine that a well-known celebrity had declared bankruptcy. How could people who make millions of dollars a year lose all their money, seemingly overnight? The answer is simple: they likely don't know how to manage what they have.

In order to manage money properly, it's important to ask yourself the following questions:

- What do I want my money to do for me?
- Where does most of my money go?
- Is there a wiser way to decide how I spend my money?
- Am I putting enough aside for financial goals and/or emergencies?

The idea of money management is quite simple. If you spend less money than you make, you will have money left over for savings. Although it's easier said than done, smart planning will help you achieve this goal.

Money Management – Tracking Income / Expenses

When deciding what you want money to do for you, think about what matters most to you. Think about your core values and your goals (short-terms and long-term).

Keep track of where your money goes. To do this, you will need to create a budget. We will show you how to do this a bit later in the course. When creating a budget, you are forced to follow your money and you will be conscious about how your purchases affect your budget. You will be surprised to see how quickly expenses can add up. You will also be able to highlight where you can save.

In creating a wiser method of spending your money, it's important to separate your wants from your needs. This is a way of prioritizing your purchases. Creating a simple chart and keeping it on your refrigerator can help you differentiate between your wants and needs. The following are things you may want: cable TV, vacation, new cell phone, etc. The following are things you will need: groceries, a place to live, electricity, etc.

Everyone has heard the phrase, "it's important to save for a rainy day". This is essential to properly managing your money. Setting up an emergency fund will help you avoid financial crisis. If you are living paycheck to paycheck, what will happen when an unexpected expense comes up? You need to be prepared. Although you may not have a lot to put aside, you can start small. You will be surprised to see how putting aside an extra \$20 from each paycheck will add up quickly.

Your Situation

Describe your situation and what got you into financial difficulty (circle all that apply):

1. Job Loss / Reduced Income
2. Death of a Family Member
3. Medical / Accident / Disability
4. Divorce / Child Support / Alimony
5. Credit Card Debt
6. Other

Your Situation

Have you previously filed for bankruptcy:

1. Yes
2. No

Assessment – Job Loss / Reduced Income

Most people rely on a regular paycheck to pay for living expenses. During these tough economic times, a lost job or reduced income is a reality for many. Whether you or your spouse has lost a job, lost the overtime that you were receiving or received a pay cut, you may be utilizing credit cards and other sources of debt to pay your expenses. This can lead to further financial difficulty.

It is important to maintain an emergency fund which will allow you to pay your expenses while you search for another job or alternate source of income. One spouse may have to work a second job until the other can re-obtain employment. Reassessing your monthly expenses will also allow you to determine where you can save money.

Coping with Job Loss/Reduced Income

When you lose your job or have reduced income, the first question to ask yourself is – how am I going to make ends meet? Most people will panic and start using credit to supplement the lost income.

Having less money than you were making before is definitely bad news. However, there are several ways to cope without digging yourself into a deeper hole.

We already discussed “saving for a rainy day”. If you had put money aside from each paycheck, you can use that money to keep you afloat until you find an alternate source of income. It’s important to put the emergency fund in a savings account or other interest bearing account that will be off-limits. If you find it difficult to set aside money from each paycheck for this purpose, think of it as a bill. You can even pay into your emergency fund on the same day you pay your bills. This way, you are not giving

yourself the option to skip those payments.

If you have trouble managing your own spending, open an account that deducts the money directly from your weekly paycheck. Your emergency fund will increase without you even having to think about it.

In the event of financial troubles due to sudden job loss, make sure you look into unemployment benefits; as long as you were released from your job due to circumstances beyond your control, you should easily qualify. In many states, unemployment benefits now come with access to a host of reemployment resources such as websites, workshops, and seminars. This can help you hunt for new jobs and brush up on vital skills, like resume writing.

Although taking a part time job or a job that pays less than you were making may bruise your ego, think of it as a temporary solution. This may help bridge the gap and provide more stability.

Medical Insurance & Other Options

It can be tempting to go without certain types of insurance when you are out of work, but remember which types of insurance are crucial. COBRA insurance options may help you maintain affordable coverage until you are able to secure benefits through your next job. If you cannot work because you were injured while on the job, you may be entitled to worker's compensation. Do not forget to look into federal programs like Medicaid and Social Security Disability.

Assessment – Death of Family Member

It is obviously very difficult to cope with the loss of a family member. Apart from causing emotion distress, it can cause financial difficulty. If the deceased family member was the primary earner in the household, the loss of income can be a direct cause of financial difficulty. Today, funeral expenses are very high. Coping with the loss of a family member and the obligation to finance their funeral can have a devastating impact on financial health.

Setting aside an emergency fund to compensate for unexpected events can help you avoid a similar situation in the future. If the deceased family member was the primary earner, you will need to find an alternate source of income. You may need to take up a second job to fill the void. Reducing your overall expenses can also help you reestablish your financial health.

Life Insurance

Life insurance forces you to consider the unpleasant reality of your own death or the death of a family member. As unsettling as it may be to think about, however, if you have family members and loved ones who depend on your support, a good life insurance plan is critical.

Think about what would happen to your loved ones if you passed away today. If they do not depend on your income for survival, you may not need life insurance at all. Also, if you have a vast amount saved, this alone may be enough to cover your family if you are no longer able to provide. As always, think long and hard about whether life insurance is necessary and if so, how much do you actually need?

If you were to die, how many years of income would you need to provide for your family? Perhaps you have an eight-year-old daughter, and you want to make sure she's covered until she turns 18. Maybe you would like to provide enough income for your spouse to be able to focus all of his or her attention on raising the children until they are old enough to move out. In those cases, you will need more expensive policies but if, say, you only need to provide long enough so that your spouse will not go broke while looking for a job to support the family, you can probably afford to purchase a small policy. Regardless of the policy size, you should think about the possibility of this happening to you or your family and plan accordingly.

Assessment – Medical / Accident / Disability

If you have medical issues or have been involved in an accident, you may not be able to work. The loss of income can result in financial difficulty.

You need to search for an alternate source of income. The presence of the Internet allows individuals to work from home. Explore these other options. Setting aside an emergency fund to compensate for unexpected events can also help you avoid a similar situation in the future.

Disability Insurance

Individual disability insurance is truly a basic concept. It is an insurance product designed to replace anywhere from 45-60% of your gross income on a tax-free basis should a sickness or illness prevent you from earning an income in your occupation. In other words, disability insurance means that you will be entitled to a monthly income during lengthy periods when sudden or reoccurring injury affects your ability to do your job. Your employer may offer disability benefits; check to see what your options are. If you are not already covered, you will need to purchase disability insurance independently.

Let's face it; most people may not think that they will need disability insurance. However, according to the American Council of Life Insurers, one third of all Americans between the ages 35 and 65 will become disabled for more than 90 days.

Assessment – Divorce / Child Support / Alimony

A divorce can take a huge emotional and financial toll on individuals. A divorce, especially one that is contested, can be very expensive. The legal fees may be more than you can afford to pay. You may lose part or all of your assets as part of the divorce judgment. If you are ordered to pay alimony or child support, you may not have enough money left after they are deducted from your paycheck. Whereas prior to your divorce your income was sufficient to meet your expenses, after the deductions for alimony and/or child support, this may not be true.

You may need to supplement the lost income by working a second job or finding an alternate source of income. Setting aside an emergency fund to compensate for unexpected events such as a divorce can help you avoid financial difficulty in the future.

Assessment – Credit Card Debt

Credit card companies want your business. If your household is like most in America, you've probably received multiple offers from various companies, proclaiming that you're "approved" for any number of credit cards.

Using a credit card means borrowing an amount of money that would otherwise have taken you time to acquire. In other words, rather than waiting six months until you've saved enough to buy a new car, you can buy the car on credit right away. Now you've got the car at your disposal, and you simply spend the next few months paying your credit card company back the money they lent you. Sounds easy enough—but if you don't go into this system with a certain amount of care or knowledge, it can backfire quickly.

When utilizing credit cards, it is important to track your spending and be sure that you can pay back how much you charge on the cards

Using Credit Cards Wisely

There are some people who believe that you should never have a credit card. However, the reality is that this world doesn't run on only cash. If it did, budgeting would be very simple.

There are 4 key steps to using credit cards wisely:

1. Use credit cards only for pre-planned, budgeted items – if you don't have a plan, don't use the credit card. Let's say that you have budgeted \$50 for personal care every month. You can charge \$50 worth of personal care every month. Do not exceed this amount.
2. Record your spending – if you can't keep track of your credit card spending, don't use the credit card. There are many tools available to help you track your usage of credit. Mint.com is a free option that will track your spending as you charge your card. This is recommended over a manual tracking system (paper or excel spreadsheet).

3. Pay your credit card balance in full at the end of each month – if you have a balance on your credit card that you carry over from month to month, stop using the credit card. Never carry a balance on a credit card. You will end up paying a very high interest. The **principal balance** on a credit card is the amount of money you originally borrowed from the lender. **Interest** is the price you pay for the right to borrow that money. Generally in the form of an **annual percentage rate**, interest grows-sometimes dangerously the longer you take to pay back the original loan.
4. To help avoid severe debt, limit the number of credit cards that you use - the more cards you have, the easier it is to lose track of your spending. Resist the many offers that come in the mail, as well as the in-store offers to save 15 percent on your purchase if you open a store credit same day. The 15 percent you might save will pale in the long run compared with what that card, piled on top of many, may “really” cost you and do to your credit rating.

2. Introduction to Budgeting

Over the next several pages we will ask you to input your income and expenses. This will allow us to set up a budget. A budget will help you take control of your finances by forcing you to save money that might otherwise been lost to frivolous spending. You will regulate the amount you spend each week on groceries and bills, as well as on the "fun" items like movies, toys, or outings for the family. A budget does NOT mean that there will be no more "fun" items; it simply ensures that there will be enough money for every major expense, with plenty left over for the future and emergencies. Essentially, a budget will keep you from spending beyond your means.

Setting Up a Budget

Before you set your budget, you must first record your sources for income. Be sure to include any sources outside your regular paycheck, such as freelance work.

If you run your own business, earn commission, or work as a contractor, you may find that your income varies greatly from month to month. Budgeting can be difficult on a fluctuating income, but with experience, you will learn how much income you can reasonably expect per pay period.

If your income does depend on commission, seasonal work, or other difficult-to-predict factors, it might be a good idea to prorate estimates of these varying factors into the coming months.

What is Prorating?

By prorating into months, you are converting non-monthly income, such as commission, into realistic, monthly amounts. For example, if you expect to receive an average of \$6,000 dollars a year due to bonuses, simply take that amount and divide by twelve. When planning your monthly budget, you can now factor in an additional \$500 per month. This is prorating.

Be Realistic

When assessing your income, do not think about what you would rather be earning, or what you could earn in the future. It is best to use past earnings to help reasonably determine what your current earnings will be. If last year, for example, you took in about \$10,000 in commission, it might be fair to assume you will take in a similar amount this year. Do not assume you might be taking in \$20,000 this year just because you are feeling ambitious. If you budget for that amount and never end up earning it, you will likely find yourself in a serious financial bind.

Fixed, Variable and Periodic Expenses

When planning your budget, it helps to separate expenses into three major categories: "Fixed", "Variable" and "Periodic"

Fixed expenses are those you can expect each month, like rent, student loans, and car payments. These generally do not increase or decrease greatly from one month to the next.

Variable expenses generally show up every month as well, but the amount of these expenses can change, sometimes drastically. Variable expenses may include utilities, groceries, dining out, and gifts for holidays. Consider your gas bill, for example; during the mild autumn months payments may be low, but when you start to crank up the heat in the dead of winter, you can expect your payment amounts to rise equally as fast.

Periodic expenses occur only a few times a year, and may fluctuate in amount. They may be completely unexpected, like hospital bills, home improvements, or car repair. They may be always looming in the distance, like property taxes. It is easy to forget periodic expenses because of their sporadic nature, but if you do not take a few moments to plan properly, these expenses can ruin your budget.

List Your Net Monthly Income

Now that we have determined what has led to your financial difficulty, we will review your income. This will help determine what options you have to manage your expenses and debt payments.

Please list your net monthly income below. Your net income is the amount you receive after all deductions are taken out for taxes, insurance, 401K, etc. In other words, it is the actual amount of money you bring home.

If you are unsure, please estimate the values to the best of your ability. This information will not be viewed or used by anyone other than 001 Debtorcc, Inc. If you decide to file bankruptcy, this information will not become part of your case.

If you are married, you must list the information for yourself and your spouse. Your information will be placed under the "Individual" column and your spouse's information should be placed under the "spouse" column.

Employment: this is income your primary job. If you are married, please input a field for yourself and your spouse.

Secondary Employment: this is income from your second job. If you are married, please input a field for yourself and your spouse.

Alimony: if you are divorced or separated and receiving alimony payments, please input the monthly amount you receive.

Child Support: if you are divorced or separated and receiving child support payments, please input the monthly amount you receive.

Rental Income: if you own property and are renting any portion to a tenant, please list the monthly rental income you receive from the tenant.

Other Income: if you have any other source of income, list the net amount you receive each month. If you are married, please input a field for yourself and your spouse.

	Individual	Spouse
Income from employment:		
Income from 2 nd employment:		
Alimony:		
Child Support:		
Government Assistance: (Social Security, Disability, Other)		
Rental Income:		
Other Income:		
Total Net Monthly Income (add all of the numbers here):		

List Your Monthly Expenses

Now that we have determined how much income you earn each month, we will review your expenses. This will help determine where your income is being spent each month. Tracking your current spending can help you understand and determine where you can save money every month.

Please list your monthly expenses on the following page. In other words, it the amount of money you spend each month. For certain expenses that you have only once per year, divide the number by 12 to get a monthly figure (for example, if you spend \$1000 for insurance for the entire year, you will input $\$1000/12 = \83.33)

If you are unsure, please estimate the values to the best of your ability. This information will not be viewed or used by anyone other than 001 Debtorcc, Inc. If you decide to file bankruptcy, this information will not become part of your case.

Housing	Individual	Spouse
Rent or Mortgage:		
Equity Loan / 2 nd Mortgage (including taxes, insurance, and association fees):		
Home Maintenance (lawn care, new rood, etc.):		
Utilities	Individual	Spouse
Electricity:		
Gas for home:		
Water / Sewer:		
Trash:		
Cell Phone:		
Home Phone:		
Internet:		
Transportation	Individual	Spouse
Gas for car(s):		
Car Maintenance (oil change, repairs, parking):		
Car Payment(s):		
Car Insurance:		
Public Transportation:		
Food	Individual	Spouse
Groceries:		
Dining Out (lunch, restaurants, etc.):		
Health	Individual	Spouse
Health Insurance:		
Co-Payments:		
Prescription Costs:		
Dental Insurance:		
Vision Insurance:		
Disability Insurance:		
Personal / Entertainment	Individual	Spouse
Personal (tobacco, alcohol, etc.):		
Beauty (barbershop, salon, etc.):		
Subscription (magazines, newspapers, memberships):		
Clothing:		
Entertainment (movies, vacation, rentals, hobbies):		
Miscellaneous Expenses	Individual	Spouse
Laundry / Dry Cleaning:		
Charity:		
Gifts:		
Child Care / Elder Care:		
Education Related Expenses:		
Child Support:		
Payment on other installment loans:		
Pet Expenses:		
Your Total Monthly Expenses Are: (Add up all the above numbers)		

Creating a Budget

Now that you have made a list of all your sources of income and all your expenses, it's important to determine whether you have a positive or negative amount of money left at the end of the month.

	Individual	Spouse
Your Total Monthly Income:		
Your Total Monthly Expenses:		
Your Monthly Disposable Income = (Total Monthly Income – Total Monthly Expenses):		

Whether you have a positive or negative net disposable income, it is important to constantly work on your budget. Track your expenses every month and determine where your money is being spent. When tracking your expenses, be realistic and honest with yourself. Do not underestimate any of your expenses. Make wise choices. If you have a negative net disposable income, rework your budget until the net disposable income is positive. Determine what is a necessity and where you can cut your expenses.

When working on improving your budget, you need to create a goal. Sample goals would be to:

1. Save money for an emergency fund; or
2. Save money for a vacation; or
3. Save money for retirement; or
4. Be able to pay down credit card debt; or
5. Prevent yourself from getting into financial difficulty

Regardless of your goal, you need to maintain a budget and adjust it each month according to your needs. Your goals need to fit into 3 categories:

You generally hope to accomplish short-term goals in one year or less. Medium-term goals typically take between two to four years. Short-term and medium-term goals may include taking a vacation, paying off student loans, or redoing your kitchen. Long-term goals are those that may take more than five years to achieve. These might involve buying a house, putting a child through college, or retiring comfortably. All three types of goals will motivate you to stick to your budget; you'll have a distinct feeling that you are working towards something, as well as a better understanding of how to achieve the things you want.

Avoid using your credit cards account for a negative net disposable income. Credit card companies charge a very high interest rate and this can drive you in further financial difficulty. In order to make sure your spending stays on track, review your budget regularly. After you've had your budget in place for one month, take a few minutes to compare the actual expenses with the estimates you set in the original budget. This will show where you estimated correctly, as well as identify any areas where improvement may be needed.

Budget Counseling

Let's take a closer look at your monthly living expenses. It's impossible to determine exactly how much you should spend in each budget category because no two families are alike, costs vary by region, spending varies according to income level and family size, and there are numerous other factors that can affect the amount you should spend.

It's important to note that excessive debt is partly a result of overspending in certain categories. By providing a guideline, you will get an idea of what percentage you are spending on the various categories compared to an average range determined by financial experts. This will provide an outline of where you can reduce spending. Remember, the numbers below are only recommendations.

To determine "Your Expenses" use the following formula (Expense / Total Monthly Income) x 100

Expenses	Recommended Range (%)	Your Expenses (%)
Housing:	25-35%	
Utilities:	5-10%	
Food:	5-15%	
Transportation:	2-7%	
Clothing:	5-10%	
Healthcare:	5-10%	
Entertainment:	5-10%	
Personal:	5-10%	
Savings:	5-10%	
Other:	5-10%	

3. Reducing Expenses

How to Reduce Expenses - Housing

Housing – The recommended housing range is 25-35%. Housing is considered a fixed expense. There are several ways to reduce the cost of housing:

1. If you are paying mortgage, you could consider refinancing to reduce your monthly payment.
2. Considering moving to a new apartment that requires less rent. Be sure to check your lease or consult an attorney before moving out of the apartment to avoid breaking your current lease agreement or being penalized with “early termination fees.”
3. Considering adding one or more roommates to reduce the cost of housing. There are many outlets available to find a roommate such as Craigslist.org.

By reducing the cost of housing, you will be taking control of the largest expense group.

How to Reduce Expenses – Utilities

To reduce the cost of utilities, you have to change your habits.

Heating & Cooling – if your thermostat has an away setting; be sure to set it on away when you leave the house. Many thermostats have an auto-program that will allow you to set the temperature to be increased or decreased automatically. Consider investing in a ceiling fan. This will dramatically reduce the cost of heating and cooling and circulate the air more efficiently.

Electricity – make it a habit to turn off the lights when you leave the room. You may have heard that it takes more energy to turn a light back on than to keep it on. This is false! Consider purchasing energy efficient light bulbs. There are many appliances and power adapters that use electricity even when not in use. Make it a habit to unplug these devices and power down computers when they are not being used.

Water – this one is quite simple; turn off the water when you are not using it. When brushing your teeth, be sure to turn off the faucet until you need to rinse. Learn to take quicker showers. Reduce the frequency at which you water your lawn. Repair any leaky toilets or faucets to preserve water and reduce your monthly bill.

Gas – Reducing the temperature of your shower slightly will put less of a burden on the water heater. If possible, use the microwave instead of the conventional oven. Making slight adjustments to your lifestyle will help you save money.

Cable – With the advent of the Internet, you can now watch all your favorite television shows online for free at websites such as Hulu.com. This will save you over \$100 every month. If you are not computer savvy or prefer to watch it the old-fashioned way, change

your plan to basic cable. To save money, you will have to evaluate your needs and wants. Cable should be placed in a “want” category. It is not essential to your survival.

Telephone/Cell Phone – With the prevalence of cell phones, many people have eliminated their home telephone. Most cell phones come with a standard long distance contract. It’s important to review your past monthly invoices to review your type and amount of usage. This will allow you to negotiate a plan that best suits your needs. If you do not use your cell phone frequently, consider a pay-as-you-go plan.

How to Reduce Expenses – Food

Big-ticket items are not the only ones that merit a little extra research. Think about the way you buy everyday items, such as groceries. When at the store, do you grab the first thing you see? Do you always buy your favorite products, regardless of price?

In order to shave a few dollars off of your grocery bill, try the following steps:

Consider the sales. When making your weekly grocery list, think about what you are planning to buy. How do you decide what you and your family will be eating all week? Most grocery stores send out circulars with coupons and weekly sales, and this should be taken into account when creating your shopping list. Perhaps you were planning on making a pork roast on Sunday, but now you see that your local grocery has an excellent deal on whole chicken this week. It’s not too late to change things up and serve roast chicken, instead. If you have still got your heart set on pork, consider a cheap cut, like pork shoulder. It’s usually reasonably priced, but delicious when prepared properly.

Do not be afraid of frozen items. Fresh vegetables can be expensive; also, they can end up going to waste if you do not eat them quickly enough. Frozen vegetables, on the other hand, are healthy, budget-friendly, and guaranteed to last.

Stock up. When you see sales on items that do not spoil, such as frozen vegetables or pasta, buy extra and keep them on hand. You will save much more than you would if you buy new items every week, at full price. Plus, you will have some great options on hand for those nights when you have no idea what to cook.

Do not pass the store brands by. Often, store brands are just as good as flashier name brands, and may cost up 27% less. Do a bit of research; check ingredient lists, and experiment with a few different types of products. You do not need to buy only store brands, but making the switch now and then will certainly save you money.

Eat before you shop. If you go to the store hungry, everything will look good to you, and you will be more likely to overbuy and overspend. Make sure to eat before you go to the store, and promise yourself to stick as closely to your grocery list as possible. As with any type of shopping, when you go in with a plan and stick to it, you are much less likely to overbuy.

How to Reduce Expenses - Transportation

Simply changing your driving habits can lead to significant savings. Consider the following options to reduce your transportation costs:

1. **Car Pool** – team up with co-workers and split the cost of gas. Consider the benefit of cutting the cost of your gas by 50% or more. This will surely help your budget.
2. **Have a Plan** – prior to shopping or running errands, write down exactly where you need to go. This will prevent you from driving to unnecessary places and wasting gas. Always have a plan before you get behind the wheel.
3. **Alternatives** – do not drive around for pleasure. Walk or bicycle to nearby places. In addition to providing exercise, these alternatives are budget friendly.
4. **Check your tire pressure**– having properly inflated tires provides better gas mileage.
5. **Public Transportation** – weigh the cost of using public transportation over your car. Having a car may not be a necessity if there is a less expensive option available.

How to Reduce Expenses – Clothing

This one should be quite simple. If you are in the habit of purchasing new clothes every week, you need to change that habit. Plan outfits from the clothes and accessories that you already own. Many people purchase new clothes and leave them in the closet for a long time. Dig deep into your closet, you may find clothes that you forgot about.

How to Reduce Expenses – Healthcare

An excellent way to save money is to reduce the amount you spend on healthcare. This doesn't mean that you have to eliminate health insurance or reduce the quality of care you receive. It's important to shop around for health insurance and find a plan that is both cost effective and consistent with your lifestyle.

For lower-income families, state assistance is often available. If you believe your household may qualify, contact your state government.

If you take medication regularly, speak to your doctor and pharmacist about the effectiveness of a generic instead of a name brand. Often times, the generic is just as good and will cost a fraction of the price of name brand medication.

How to Reduce Expenses – Personal / Entertainment

If you have any bad habits, now is the time to work on kicking these bad habits. Take the following statistics as an example:

- **Cigarettes** - A person who smokes a pack a day will spend about \$4000 per year on cigarettes. This is 10% of the average American income before taxes. If instead you take this money and put it into a savings account, you would have \$40,000 in 10 years assuming you do not earn any interest. If you put it in an interest bearing account, the amount will be much higher!
- **Alcohol** - The average American household spends about \$500 per year on liquor, beer, wine and mixed drinks.
- **Food away from home** – The average American household spends about \$3000 per year on eating at restaurants. If you limit the amount of money you spend on fast food and other restaurants, it will result in significant savings.

To reduce entertainment expenses, you need to find fun alternatives to activities that are expensive. For example, going to the park or beach is a fun and free alternative to going to the movies.

Review Your Budget

In order to make sure your spending stays on track, review your budget regularly. After you have had your budget in place for one month, take a few minutes to compare the actual expenses with the estimates you set in the original budget. This will show where you estimated correctly, as well as identify any areas where improvement may be needed.

Importance of Calculating your Net Worth

The total value of your assets (things that you own) minus the total value of your liabilities (the debt that you owe) is your net worth. It is important to calculate your net worth regularly (month to month, quarter to quarter or year to year) to track your progress. When calculating your net worth, be realistic with the numbers.

Please fill in the information below:

Assets	Individual	Spouse
Current Value of Home:		
Other Real Estate:		
Automobiles:		
Checking / Savings Account:		
Cash:		
Certificate of Deposits:		
Current Value of 401K (other retirement accounts):		
Other:		
Total Assets (Please add up all the Asset amounts):		

Liabilities		
Mortgage:		
Other Mortgage / Secured Debt:		
Auto Loans:		
Credit Card Debt:		
Student Loans:		
Total Liabilities: (Please add up all the Liability amounts)		
Your Net Worth (Please subtract your total assets from total liabilities):		

What is Net Worth?

We make it a habit to go to the doctor for a routine checkup. Even though we are not experiencing any problem, we go just to ensure that everything is fine. Similarly, you should do a routine checkup on your financial health. By calculating your net worth every month, you can keep track of your progress. Knowing your current financial situation will give you a better idea of future financial needs. Listing all your debt may also prove to be an eye-opening experience. Many people feel motivated to clear their debt after seeing it listed out.

Net worth is, quite simply, a calculation of what you actually own. It is the one number that tells you where you stand financially and what you are worth.

The higher the net worth the better off you are. However, there are no averages that you can compare your net worth to. Even comparing net worth of two individuals that are the same age may be misleading because of varying lifestyle choices.

By controlling your expenses and managing your budget, you will be able to add to your investments. This in turn will lead to an increased net worth. To do this, you will need to prioritize where your money is going.

4. Self Help Options

Now that we have analyzed the cause of your financial troubles, your monthly income and expenses, your budget and calculated your net worth, we will discuss what options you have to help you overcome financial difficulty.

The following are 4 options that are available. These are merely suggestions. You should consult an attorney prior to determining what option is best suitable for your situation.

1. Self-Help
2. Credit Counseling Agency
3. Debt Management Plan
4. Bankruptcy

Self Help – Develop a Budget

If you and/or your spouse have a source of income but have a negative net disposable income at the end of the month, you may want to adjust your budget and allocate more money to paying down debt. You have to reassess your expenses and determine where you can save money. Use the budget analysis that you have learned in this course to help you allocate more money to reducing your debt.

Self Help – Contacting Creditors

Some of your creditors may be willing to work with you. Contact the creditors and determine whether they will put you on a payment plan. If you are considering filing for a bankruptcy, you may want to mention this to the creditors when you contact them. Remember, the creditors may want to take something and be willing to work with you rather than receiving nothing if you file for bankruptcy. It is important to contact the creditors as soon as possible prior to the debt being turned over to a debt collector.

Self Help – Debt Collectors

The Fair Debt Collection Practices Act spells out what a debt collector can and cannot do. If you are receiving harassing calls, you should send a written request to the debt collector to stop any further contact. They must honor this written request.

Credit Counseling

If one of the self-help methods above does not work for your situation, you may want to contact a credit counseling agency. They provide their services on the internet, on the telephone and at local offices. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs.

The credit counseling organizations can help you develop a budget and provide you with information on how to manage your money and debt. Although a credit counseling agency may be “non-profit”, be sure to get a clear understanding of all the fees involved prior to working with them.

Debt Management Plan (DMP)

While working with a credit counseling agency or a debt management agency, the counselor may recommend that you enroll in a debt management plan (DMP). A DMP can help if you have too much debt or you are unable to repay the debt. Do not jump at the offer of entering into one of these plans. It is important to discuss all the options with your credit counselor. If creating a budget or one of the other self help options work for you, you may not need to enter into a DMP.

In a DMP, your counselor will create a payment schedule with you and your creditors. You must deposit money each month with the credit counseling organization, which uses your deposits to pay your unsecured debts (credit card bills, student loans, and medical bills, etc.). The benefit of a DMP may be lower interest rates, lower monthly payments and waived fees. A successful DMP requires you to make regular, timely payments, and could take 48 months or more to complete. It is important to discuss with your credit counselor the full terms of the DMP and how long it will take for you to complete the plan. You should also discuss the cost associated with the credit counseling agency to handle this DMP for you.

Bankruptcy

Prior to considering bankruptcy as an option, you should consult an attorney for legal advice. Bankruptcy may provide a fresh start and an opportunity to rebuild. There are 2 forms of consumer bankruptcies: chapter 7 and chapter 13.

A chapter 7 is also called a “liquidation bankruptcy” or a “straight” bankruptcy where most unsecured debts are discharged and you never have to repay them. The reason why a chapter 7 bankruptcy is called “liquidation” is because you have to give up your non-exempt assets. This property may be sold by the trustee administering your bankruptcy case and the proceeds used to pay your creditors. All states have exemptions and several states allow for federal exemptions which quantify the dollar value of property you can keep.

A chapter 13 is a reorganization bankruptcy where you must repay the debts (or a reduced amount) over a 3 to 5 year period. This includes you secured and unsecured debt. The bankruptcy code does not allow for a payment plan longer than 5 years. This type of bankruptcy appeals to individuals who want to repay their debt and may not qualify for a chapter 7 bankruptcy because of excess income or non-exempt assets. Please note: to qualify for a chapter 13 bankruptcy, you must have a positive net disposable income at the end of the month.

It is important to contact an attorney for legal advice on filing a chapter 7 or chapter 13.

Important Resources

Now that we have reviewed the options available to help you overcome financial difficulty, we have listed sources below that will help you through the process.

The United States Bankruptcy Court website provides further information about bankruptcy: <http://www.uscourts.gov/FederalCourts/Bankruptcy.aspx>

The main federal agency for handling consumer rights issues is The Federal Trade Commission, or FTC. The FTC's Bureau of Consumer Protection defends American consumers against injustice and fraud in the marketplace. According to the official FTC website, "The Bureau conducts investigations, sues companies and people who violate the law, develops rules to protect consumers, and educates consumers and businesses about their rights and responsibilities. The Bureau also collects complaints about consumer fraud and identity theft and makes them available to law enforcement agencies across the country."

The FTC website has a wide array of information available. If you have questions about anything from buying your first home to dealing with identity theft, you'll likely find the answers you need there, easily: <http://www.ftc.gov/bcp/index.shtml>

The Fair Credit Reporting Act guarantees you free access to your credit report from the three major, nationwide credit reporting bureaus, Equifax, Experian, and TransUnion. It's important to know that the Fair Credit Reporting Act also requires that you be informed any time your credit report is being used to your disadvantage. If this should happen, you have the right to dispute any information you believe to be inaccurate or misleading. <http://www.annualcreditreport.com> provides you one free credit report every 12 months. As per the FTC, annualCreditReport.com is the ONLY authorized source for the free annual credit report that's yours by law.

The Better Business Bureau, or BBB, is an unbiased go-between for consumers and companies, and it seeks to build trust between those two parties. Businesses that meet high standards of ethics and honest business practices are eligible for BBB Accreditation. If you feel that you, as a consumer, have been treated unfairly, the BBB can provide honest evaluation and guidance. Visit the www.bbb.org to find a location in your state.

What is a Credit Score?

Credit score is a 3-digit number that is generated using information from your credit report. It is primarily information that is obtained from one of the three major credit bureaus: Experian, TransUnion, and Equifax. Although there are several different methods of calculating the score, FICO (Fair Isaac Corporation) is the most popular.

This one number tells how creditworthy you are. Lenders use this score to determine the amount of risk they will bear by lending you money. It often will be the determining factor on whether you qualify for a loan and how much interest you will pay for the loan.

The FICO credit score ranges from 300-850. Averages usually change, but having a FICO score of 720 or more is good. The following factors are considered when calculating your credit score:

1. Payment History
2. Total Amounts Owed
3. Length of Credit History
4. New Credit
5. Type of Credit in Use

Importance of Credit Scores

Your credit score is very important because it will be the determining factor in a lot of different events in your life. If you are purchasing a house, the lender will review your credit score prior to providing a mortgage. If you are purchasing a car, your credit score will determine the interest you pay for the auto loan. Many employers are reviewing the credit score prior to hiring to get an indication of who would make a good employee.

Thankfully, there are ways to improve your credit score.

Improving your Credit Score

There are several ways you can improve your credit score:

1. As we have already discussed, payment history is a factor in calculating your credit score. Start making your payments on time. This is the single most important factor. This will slowly start to raise your credit score. If you find it difficult to remember, start using automatic payments.
2. Reduce the total amount of debt that you have. Make it a priority to stop borrowing and focus on paying down your existing debt.
3. Since the length of credit history is important, it sometimes makes sense to keep old accounts open.
4. Do not open credit card accounts that you are not going to use. Do not open too many credit card cards. Although it is tempting to receive 15% off when opening

a store card, resist the temptation, as opening a new credit card will have a negative impact on your credit score.

5. Check your credit report for errors. As we have already discussed, you are entitled to 1 free credit report every year. Review the report and dispute any errors you find on the report. The FTC (Federal Trade Commission) website has a sample letter and detailed information on how to correct any errors on your credit report. CreditKarma.com provides a free credit score service. Sign up is simple and it will provide valuable insight into your credit history, as well as help you identify any possible fraud that may be occurring on your account.

Conclusion

We hope that this budget and credit counseling course provided you with the necessary tools to make an informed decision. Regardless of what got you into financial distress, you have the power to turn things around with planning and simple changes. Be sure to calculate your budget every month and keep track of your progress. This will serve as your roadmap to a healthy financial future.

To take an interactive version of this course and/or receive your Certificate of Counseling for your Bankruptcy Filing, please visit: www.debtorcc.org and register for the First Course.

001 Debtorcc Inc. provides this course to any debtor student without regard to the debtor student's ability to pay the course fee. Please review the waiver requirements below and follow the step by step instructions. If students qualify, 001 Debtorcc Inc. will waive the course fee.

001 Debtorcc Inc. will waive the course fee if the current household income is less than 150% of the income of the official poverty line as identified by the United States Department of Health and Human Services applicable to a household of the same size. The following link contains a chart showing the 2014 Poverty Guidelines.

<http://aspe.hhs.gov/poverty/14poverty.cfm>) How to Apply for a Fee Waiver:

Download our Fee Waiver Request Form and submit a completed copy to feewaiver@debtorcc.org.

As part of this form, you will be required to supply the following information:

- 1. Your household size; AND
- 2. Your household income

Upon receipt of a fee waiver request, 001 Debtorcc Inc. will provide the debtor student with notice of fee waiver via EMAIL within 48 hours.

Please be patient, submitting your application numerous times will only delay the process.

End of Fee Waiver Information.

001 Debtorcc Inc. will charge a fee of \$9.95 per household taking the Internet Course. All the course material is presented online and is included in the above fee. This fee also includes any fees associated with generation of the certificate - we do NOT charge an extra fee for that service. This fee will be the same for all approved judicial districts. 001 Debtorcc, Inc is approved to issue certificates evidencing completion of a pre-bankruptcy credit counseling course in compliance with the Bankruptcy Code. Approval does not endorse or assure the quality of a Provider's services.

This course is available on the Internet 7 days a week, 24 hours a day, 365 days of the year.

Our normal business hours are Monday - Friday 9am to 9pm EST. A live counselor will be available during this time to answer any questions. For questions that arise outside normal business hours, a counselor from 001 Debtorcc, Inc. will answer the question before 12:00 p.m. EST the following business day.

We provide Free Spanish bilingual assistance with the course. Please call 1-800-610-3920 during our normal business hours of Monday - Friday 9am to 9pm EST for assistance in Spanish.

As per U.S. Trustee Guidelines, 001 Debtorcc Inc will only provide a certificate of completion once the debtor has completed the online portion of the course and speaks to a counselor. A counselor will be available during normal business hours of Monday - Friday 9am to 9pm EST.

Our certificates are generated immediately after you speak to a live counselor, Monday - Friday 9am to 9pm EST. The counselor will discuss: a. Analysis of current financial situation; b. Discussion of factors that caused such conditions; c. Assistance in developing a plan to respond to problems without incurring negative amortization of debt.

The educational background of all 001 Debtorcc Inc educators meets the requirements set forth by the Executive Office for United States Trustees (EOUST).

The counselors at 001 Debtorcc, Inc. that will be providing your bankruptcy credit counseling briefing are experienced and trained professionals that have received in-depth training in 001 Debtorcc, Inc's program. They are skilled at helping you understand the materials presented and help you apply the new skills in your life. Each counselor has experience in accounting, financial planning, credit counseling, or personal financial management.

The counselors at 001 Debtorcc, Inc. may answer general questions about bankruptcy but are prohibited from providing legal or tax advice. If you require legal or tax advice, please seek the assistance of an attorney or tax professional.

001 Debtorcc Inc policy prohibits it from paying or receiving referral fees for the referral of debtors.

The sole source of funding for 001 Debtorcc, Inc. comes from clients that take the credit counseling course.

001 Debtorcc Inc will NOT provide the certificate of completion to the Bankruptcy Court on your behalf. To ensure that you and your attorney receive the certificate of completion, it is your responsibility to ensure that the contact information provided for you and your attorney is correct. You are solely responsible for ensuring that you and your attorney receive the certificate of completion in a timely manner.

001 Debtorcc Inc might disclose debtor information to the United States Trustee in connection with the United States Trustee's oversight of 001 Debtorcc Inc, or during the investigation of complaints, during on-site visits, or during quality of service reviews.

No information gathered or the results of the Credit Counseling session will be disclosed to any Credit Reporting Agency. The completion of this credit counseling session will not negatively impact your credit rating. The possible impact of filing a bankruptcy on your credit rating should be discussed with your attorney or an outside source.

You have the opportunity to negotiate an alternative payment schedule or debt management plan (DMP) for your unsecured debt. 001 DebtorCC, Inc. does NOT provide this service. We may refer you to another approved agency that provides this service. You may incur additional fees in connection with a debt management plan.

The United States Trustee has reviewed only the instructional course provided by 001 Debtorcc Inc. The United States Trustee has neither reviewed nor approved any other services provided by 001 Debtorcc Inc to debtors.

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Section 8. Payment

You may pay for your order by using Credit, Debit or a Pre-Paid Card (Visa, MasterCard, American Express, Discover). The accepted methods of payment may change at 001 Debtorcc Inc's sole discretion. Your card will be authorized for the full amount of your purchase at the time of your order. This may cause an immediate reduction in your funds or increase in your credit line, even if your order is later canceled, as the credit and debit card issuing banks release authorizations at their discretion. Your credit or debit card is generally charged upon receipt of your order.

Section 9. Validating Order

After you place an order through the Debtorcc.org Website, we will check the information you gave us for validity. We may require additional verifications or information before accepting any order. We reserve the right to reject any order you place with us, and/or to limit quantities on any order, for any or no reason whatsoever. If we reject your order, we will generally attempt to notify you by using the contact information you gave to us with your order. .

Section 10. Order Acceptance/Confirmation

Your receipt of an electronic or other form of order confirmation does not signify our acceptance of your order, nor does it constitute confirmation of our offer to sell. We reserve the right at any time after receipt of your order to accept or decline your order for no or any reason whatsoever. You will not be charged if we reject an order, but we will process a refund if a charge has been made against you in error.

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By accessing, subscribing, downloading and/or otherwise using the Debtorcc.org, you (a) certify that you are at least 18 years of age, and that, if you are acting on the behalf of any person or entity, you are authorized to act

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Section 1 Submissions

All information, data, text, software, music, sound, photographs, graphics, video, messages or any other materials whatsoever (collectively, "User Content"), whether publicly posted or privately transmitted, are the sole responsibility of the person from which such User Content originated. This means that the User, and not 001 Debtorcc, is entirely responsible for all User Content that he or she uploads, posts, emails or otherwise transmits via the Web Site. No User shall transmit User Content or otherwise conduct or participate in any activities on the Web Site which, in the opinion of 001 DEBTORCC INC's counsel, are prohibited by law in applicable jurisdictions, including, without limitation, material or activities which (1) infringe any patent, trademark, copyright, trade secret or other proprietary right of any party (the "Rights"), unless User is the owner of the rights or has the express written permission of the owner to post or transmit such material to the Web Site; (2) infringe on any other intellectual property rights of others or on the privacy or publicity rights of others; (3) is obscene, defamatory, threatening, harassing, abusive, hateful, embarrassing or otherwise objectionable to another User or any other person or entity; (4) is sexually-explicit; (5) is an advertisement or solicitation of business or advocates an unsolicited or unrelated position or opinion; (6) represents any form of "chain letters" or pyramid scheme; (7) impersonates another person or entity; (8) intentionally or unintentionally violates any applicable local, state, national or international law while using or accessing the Web Site or the Materials; or (9) contains a virus, trojan, back door, logic bomb or any other form of malicious code. User hereby waives all copyright, moral rights and any other right to any User Content which he/she submits, and grants to 001 Debtorcc a royalty-free perpetual irrevocable non-exclusive right and license to use, reproduce, modify adapt, publish, translate perform, display and distribute such User Content, in whole or in part, worldwide and/or to incorporate it in other works in any form, media or technology now known or hereinafter developed for the full term of any copyright in such User Content, and to sublicense such rights through multiple tiers of sublicensees. User also hereby grant all other Users the right to copy, download and store his/her User Content for User's personal use.

001 Debtorcc does not control User Content. 001 Debtorcc has the right but not the obligation to monitor submissions by Users, and reserves the right to modify, move or remove any User Content at any time and for any reason in its sole discretion, as well as the right to terminate User access to the Website for any reason in its sole discretion including, without limitation, foul language, attempted commercial use of the Web Site, threats, discriminatory, racist or abusive language, or any behavior which is deemed objectionable by 001 DEBTORCC INC. Users are responsible for their own communications and are solely responsible for the consequences of posting any User Content. 001 Debtorcc does not screen communications in advance and is not responsible for screening or monitoring material posted by Users. If notified by a User about communications that allegedly do not conform to any term of this Agreement, 001 Debtorcc may investigate the allegation and determine in good faith and its sole discretion whether to remove or request the removal of the communication. 001 Debtorcc has no liability or responsibility to Users for performance or non-performance of such activities. 001 Debtorcc reserves the right, in its sole discretion, to restrict Users access to the Web Site for violating this Agreement or the law. 001 Debtorcc also reserves the right at all times to disclose any information as necessary to satisfy any applicable law, regulation, legal process or governmental request, or to edit, refuse to post or to remove any information or materials, in whole or in part, in 001 DEBTORCC INC's sole discretion.

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Section 2. Registration

To gain a greater level of access, User must be authorized by 001 Debtorcc Inc and then once authorized, the User will select a password, and be assigned a User ID. Each User is expressly prohibited from using another User's ID without such person's authorization. Failure to comply with the foregoing shall constitute a breach of this Agreement, which may result in immediate termination of that User's authorization. Each User shall be solely responsible for maintaining the confidentiality of their password.

Each User shall notify 001 Debtorcc Inc of any known or suspected unauthorized use(s) of his/her account, or any known or suspected breach of security, including loss, theft, or unauthorized disclosure of his/her confidential information.

Section 3. Communication

001 Debtorcc Inc reserves the right to send User's electronic mail for the purpose of informing Members of changes or additions to the Web Site, this Agreement and any other service provided by 001 Debtorcc Inc.

If you have any questions or concerns please contact us at support@debtorcc.org.