1. Scenario: **Mark & Marilyn Married file a joint petition for Chapter 7 bankruptcy in Georgia, a case for which they were eligible under the “median income” and “means” tests. The Marrieds have lived in GA for more than 10 years. The Marrieds jointly own a house valued at $156,000 on which there is a $140,000 first mortgage balance owed. The Marrieds want to keep their house and are willing to continue making the mortgage payments**.
   1. **Question:** *What action should the Marrieds take regarding the first mortgage on their house in order to keep the house?*
      1. Avoid the lien and claim it as exempt.
      2. Redeem the mortgage.
      3. Reaffirm the mortgage.
      4. Surrender the asset.
   2. If they take the action you listed in previous question, are they within exempt property limits in Georgia to keep the house?
      1. Yes
      2. No
2. Scenario: **The Marrieds also jointly own a single car, which they are financing through GMAC. The balance owed is $8,500, and the car is collateral** **for the payment of that debt. The Marrieds want to keep the car, which has fair market value of $12,000.**
   1. **Question:** *What action should the Marrieds take in their bankruptcy case regarding the outstanding balance due on the car?*
      1. Avoid the lien and claim it as exempt
      2. Redeem the car loan.
      3. Reaffirm the car loan.
      4. Surrender the asset.
   2. **Question**: *How much, if any, must the Marrieds pay on the car loan in order to take the action you listed in previous question?*
      1. $0
      2. $4,200
      3. $8,500
      4. $1,000
      5. None of the above.
   3. **Question:** *Once they take the action from prior question, may they use the exempt property allowance in Georgia to keep their car (considering all exemptions allowed by Georgia law)?*
      1. Yes
      2. No
   4. **Question***: The Marrieds owe $8.500 on a bill consolidation loan, which is secured by collateral in their ordinary household furniture, their everyday clothes and their wedding rings. What action should the Marrieds take in their bankruptcy case regarding a bill consolidation loan secured by these items? The “garage sale” value of their household goods is less than $5,000, but the “replacement” value is $10,000.* 
      1. Avoid the lien and claim the household goods as exempt.
      2. Redeem the bill consolidation loan.
      3. Reaffirm the bill consolidation loan.
      4. Surrender their household goods.
   5. **Question**: *How much, if any, must the Marrieds pay on the bill consolidation loan in order to take the action in the previous question?*
      1. $0
      2. $5,000
      3. $8,500
      4. None of the above
   6. **Question**: *If they take the action from question (up two questions) may they use the exempt property allowances in Georgia to keep their household goods (considering all exemptions allowed by the law)?*
      1. Yes
      2. No
3. Scenario**: Eddie Entrepreneur operates a book shop as a sole proprietor (unincorporated business). Eddie’s business has not been doing well, and he is now unable to pay his business debts as they come due.**
   1. **Question***: Eddie would like to “go out of business” without filing either personal or business bankruptcy. Eddie wants to get as much cash as possible out of his business so that he can pay most of the business debts and avoid bankruptcy. Unfortunately, Eddie’s state repealed Article 6 of the UCC and did not adopt Revised Article 6. What option appears most advantageous for Eddie?*
      1. Chapter 11 corporate reorganization
      2. A bulk sale
      3. An assignment for the benefit of creditors
      4. Consumer Credit Counseling
   2. **Question**: *Assume instead that Eddie decides to file bankruptcy. He wants to file a case that would include both is personal (consumer) debt and his business debt (the book shop). Eddie wants to reduce and restructure his debt, and stay in business. The total debt is less than $2 million. What type of bankruptcy would Eddie file to produce this result?*
      1. Chapter 7
      2. Chapter 11’s “Small Business Debtor” bankruptcy
      3. Chapter 13
      4. Chapter 11’s regular corporate reorganization

**The following applies to the next four questions:**

1. **Which of the following contracts and leases to which Eddie is a party would be considered executory contracts or unexpired leases for purposes of bankruptcy law?**
   1. *Eddie’s lease of Toyota Camry, with two years left on the lease.*
      1. This is an executor contract.
      2. This is an unexpired lease.
      3. Neither of the above.
   2. *Eddie’s agreement with Greenlawn for landscaping services at Eddie’s place of business, with seven months left on the agreement.*
      1. This is an executory contract.
      2. This is an unexpired lease.
      3. Neither of the above.
   3. *Eddie’s agreement for the painting of a portrait by Sarah Starving Artist. Sarah has completed the painting but Eddie has not yet paid her for it.*
      1. This is an executory contract.
      2. This is an unexpired lease.
      3. Neither of the above.
   4. **Question**: *Eddie’s landlord obtained a judgment of eviction against him just prior to the filing of his bankruptcy case. Will the automatic stay of bankruptcy prevent the landlord from moving forward to evict Eddie from the premises?*
      1. Yes, because the automatic stay stops all creditor collection activities.
      2. No, because the landlord already had a judgment of eviction before Eddie filed bankruptcy.
2. Scenario**: Bertha Buyer, a Georgia resident, consulted a bankruptcy attorney on Monday (2013) and decided to file bankruptcy. The next day while she was thinking about whether she wanted to file Chapter 7 or Chapter 13, she stopped by Lord & Taylor and bought several Albert Nippon designer dresses from the Winter collection in Paris. There were on sale and cost a total of $1499.99, which Bertha thought was a great deal. She charged the sale on her Lord & Taylor charge card.**

**That afternoon she called and decided to file bankruptcy and “wash her debts away, for a “fresh start” financially. Bertha makes substantially more than the “median” income in GA, and has sufficient “means” to pay $12,000 on her unsecured debts over the next five years. Before consulting an attorney, Bertha went to the bank and used the remaining credit line on her VISA card to get a $1,000 cash advance “for my rainy day fund.” Bertha schedules a meeting with your firm to discuss bankruptcy relief, and you are assigned to meet with her regarding her financial situation.**

* 1. **Question**: *Will Bertha be able to discharge the $1,499.99 she charged on her Lord and Taylor charge card?*
     1. Yes
     2. No
  2. **Question**: *Why?*
     1. It is a fraudulent conveyance of property.
     2. It’s a preferential transfer of property.
     3. It’s a pre-filing spending binge of > $600 within 90 days of a bankruptcy filing
     4. It involves “luxury goods.”
     5. Both items number iii & number iv
  3. **Question**: *Is Bertha eligible for Chapter 7 bankruptcy relief?*
     1. Yes
     2. No
  4. **Question**: *Why or why not?*
     1. She makes more than the “median” income in GA.
     2. She has the “means’ to substantially ay something on her debts.
     3. Both items number i & number ii
     4. She wants to “liquidate” and avoid making payments to creditors
  5. **Question**: *Bertha has $150,000 of “secured debt, and $250,000 of “unsecured” debt. She works fll-time as a sales rep, and is paid on a commission basis. Based on these facts, is Bertha eligible to file a Chapter 13 case?*
     1. Yes, because she has “regular income”, as long as she can show the commissions are paid “regularly.”
     2. No, because she is paid on commission basis.
     3. Yes, because her debts are within the limits for a Chapter 13 case.
     4. Both items number i & number iii

1. Scenario: **Bertha’s bankruptcy schedules list a number of debts, including the following:**
   1. **$850 to Stereo City for a stereo Bertha bough on credit a year ago—when Bertha defaulted on the stereo payments, Stereo City repossessed it—it was sold by Stereo City two months before Bertha’s bankruptcy filing but its sale resulted in a $350 deficiency balance.**
   2. **$5,900 bill consolidation loan from Fierce Finance Co. secured by Bertha’s ruby and rhinestone tiara, valued at $5,000, awarded to her some years ago as the “Rhubarb Queen” of North Georgia.**
   3. **$12,800 balance on a student loan from college, where Bertha obtained her undergraduate degree.**
   4. **$2,100 in federal income taxes owed on her 2004 tax return, which she filed on time.**
   5. **$12,250 balance on a car financed by Ford Motor Credit, for which Ford Motor Credit has the title—the car’s fair market value is $15,500.**
   6. **$7, 500 owed to Uncle Ned for an unsecured vacation loan (signature loan), made six months before Bertha filed bankruptcy.** 
      1. **Question**: *As of the time of Bertha’s bankruptcy filing, which of the debts listed above are “secured” debts? List the secured debts.*
         1. a & b
         2. a & e
         3. a, b & e
         4. c & d
         5. None of the above.
      2. **Question**: *Will the debt to Stereo City become a “nondischargeable” debt after Bertha obtains a discharge (if the debt is not paid through bankruptcy court)?*
         1. Yes
         2. No
      3. **Question**: *Will the debt to college become a “nondischargeable” debt after Bertha obtains a discharge (if the debt is not paid through bankruptcy court)?*
         1. Yes
         2. No
      4. **Questions**: *Why?*
         1. Student loans are dischargeable debts.
         2. Student loans are nondischargeable debts.
         3. Student loans are priority debts.
         4. Student loans are secured debts.
      5. **Question**: *Will the debt to the IRS become a “nondischargeable” debt after Bertha obtains a discharge (if the debt is not paid through bankruptcy court)?*
         1. Yes
         2. No
      6. **Question**: *May Bertha simply “pay off” Uncle Ned on the vacation loan debt prior to filing bankruptcy, so that she won’t have to “go bankrupt” on Uncle Ned?*
         1. No, because that would be a “preferential” transfer and the trustee would try to “avoid” the payment.
         2. Yes, because a debtor is always entitled to pay her debts as she sees fit prior to filing bankruptcy.
         3. Only up to $600, as any amount above that would be an “avoidable” preferential transfer.
         4. Only if she didn’t have an enjoyable time on the vacation she took with that money.
      7. **Question**: *What is Bertha’s option regarding the debt to Fierce Finance that is secured y her tira, assuming that she does not want to lose the tiara?*
         1. Reaffirm the loan.
         2. Redeem the loan.
         3. Avoid the lien.
         4. Surrender the collateral.
      8. **Question***: What is Bertha’s option regarding the debt to Ford Motor Credit that is secured by her car title, assuming that she does not want to lose her car?*
         1. Reaffirm the loan.
         2. Redeem the loan.
         3. Avoid the lien.
         4. Surrender the collateral.
2. Scenario: **Don Trodden files Chapter 7 bankruptcy in Georgia, having met the “median” and “means” test for Chapter 7 relief. His bankruptcy schedules indicate that he owns the following items of property. Assurme that this is all the property that Don owns**.
   * Burial plot, paid in full, worth $6,000;
   * Company sponsored pension plan, under which both he and his employer contribute 5% of his salary, and which has accumulated $142,000
   * DooDah, a stray domestic bred cat Don adopted last year from the Human Society;
   * Prescription contact lenses and glasses, worth $900;
   * Ford car, resale value $18,500, with a $15,500 balance owed on the car loan;
   * Household goods, resale value $4,000, replacement value $15,000.
3. **Question**: *May Don claim the car as exempt property?*
   * + 1. Yes
       2. No
4. **Question**: *May Don claim DooDah as exempt property?*
5. Yes
6. No
7. **Question**: *May Don claim the burial plot as exempt property?*
8. Yes
9. No
10. **Question**: *May Don claim the pension plan as exempt property?*
    1. Yes
    2. No
11. **Question**: *May Don claim the contact lenses and glasses as exempt property?*
    1. Yes
    2. No
12. Scenario: **After application of the exemptions claimed on Don’s schedule “C”, and after payment of ALL administrative expenses, including the trustee’s fee, there is $20,000 in Don’s Chapter 7 bankruptcy estate. For each of the following, indicate whether ALL, SOME, or NONE of the claim will be paid.**
    1. **Question**: *$185 claimed by the Blue County, Georgia for an Outstanding traffic ticket issued to Don.*
       1. All will be paid.
       2. Some will be paid.
       3. None will be paid.
    2. **Question**: *$13,600 claimed by Mercy Hospital based on its judgment against Don,recorded on the general execution docket two months before Don filed bankruptcy.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
    3. **Question**: *$6,800 in federal income taxes claimed by the IRS based on Don’s tax returns for the last two years.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
    4. **Question**: *$2,750 claimed by MasterCard for charges Don made on his MasterCard account before it was repossessed three months before Don filed bankruptcy.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
    5. **Question**: *$500 claimed as a refund of a security deposit paid by Tina Tenant, who rented the upstairs apartment in Don’s house.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
    6. **Question:** *$14,500 claimed by Don’s ex-wife as past-due child support payments for the care of their daughter, Venus.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
    7. **Question**: *$12,600 claimed by Internet University, as the balance due on Don’s student loan for obtaining his Master’s degree online.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
    8. **Question**: *$150 claimed by Ima Petdoc, for veterinary services rendered to Don’s cat, Cleo.*
       1. All will be paid
       2. Some will be paid.
       3. None will be paid.
13. Scenario: **Paul and Paula Poorbutproud have fallen behind on their financial obligations due to uninsured medical costs and Paula’s job loss. The Poorbutprouds have the following debts:**
    1. **Home mortgage of $165,000 (on a home recently appraised for $235,000);**
    2. **Sport utility vehicle loan balance of $9,700 (on an SUV with a resale value of $27,500;**
    3. **Paul’s student loan debt of $20,500**
    4. **Paula’s student loan debt of $12,500, co-signed by her father;**
    5. **Medical bills of $62,500;**
    6. **Federal income taxes of $1,000 due on this year’s tax return;**
    7. **Credit card debt of $13,500.**

**Paula is currently unemployed and has no prospects for employment in the near future. Paul is employed full-time as a computer help desk technician and earns $63,000 annually. As a couple Paul and Paula’s total household income exceeds that for the “median” two-person family in Georgia. Paul’s net take-home pay is about $3,600 per month. Their monthly living expense, including the mortgage and car payment but not including other debts, are about $3,000 per month. The Poorbutprouds plan to file a Chapter 13 case in Georgia, and pay $600 per month into the Plan for 5 years. (They would pay their house and car payments “outside” the Plan.)**

**i. Question:** *Would filing Chapter 13 allow the Poobutprouds to keep their hous assuming they take the proper action regarding the home mortgage?)*

**a) Yes**

**b) No**

**ii. Question:** *Would filing Chapter 13 allow the Poorbutprouds to keep their car (assuming they take the proper action regarding the car loan)?*

**a) Yes**

**b) No**

**iii. Question***: Would filing Chapter 13 protect Paula’s dad as a co-signer on her student loan debt?*

**a) Yes**

**b) No**