



## December 2019 Newsletter - Happy Holidays!

### How to Rebuild Credit After a Bankruptcy

Source: [720CreditScore.com](http://720CreditScore.com)

Our law firm provides our bankruptcy clients with a credit rebuilding course designed especially for people that have filed bankruptcy, called "7 Steps to a 720 Score," by Phillip Tirone. You can read about it at [720creditscore.com](http://720creditscore.com).

If you follow the steps in the course, you can rebuild a 720 or higher credit score after bankruptcy within as little as 1 to 2 years. The course consists of a series of short videos that explain to you exactly how to recover your good credit after bankruptcy. It also includes "call-in" days every two weeks, during which you can call in and ask questions about your credit from Mr. Tirone, and listen to other people's questions and answers. It's an excellent resource for you.

This course costs as much as \$1000 if you purchased it on the website, but as a client of ours, we license the course for all of our clients at no charge. Interested? Send an email to [ashley@jthomasblack.com](mailto:ashley@jthomasblack.com) and she will add you to the list. Then check your email and you should receive an introductory email from [720creditscore.com](http://720creditscore.com) within 1 week (if you don't, check your spam folder). Having great credit can save you thousands of dollars when you use credit to purchase a home or a vehicle.

Contrary to popular belief, rebuilding your credit score after a bankruptcy is not impossible. In fact, in some ways, it is easier to rebuild your credit score if you declare bankruptcy. The truth is: Sometimes your credit score will be better off in the long run. And here's why... (See **Credit score next page**)

#### ATTENTION: THIS IS OUR FINAL MAILED NEWSLETTER!

We will continue to produce this newsletter and it will be available by email upon request. All of our newsletters are also available on [jthomasblack.com](http://jthomasblack.com), by clicking "resources," then "articles" and then select the category "client newsletters." We are sorry but the mailed newsletter is a victim of its own success— we send out almost 7,000 monthly and the cost has become prohibitive! We hope you have enjoyed it. If you have, let us know and we'll put you on the email list.



#### Quotes:

"Peace on earth will come to stay, when we live Christmas every day." – Helen Steiner Rice

"For it is in giving that we receive." – Francis of Assisi

"Once again, we come to the Holiday Season, a deeply religious time that each of us observes, in his own way, by going to the mall of his choice." – Dave Barry

*Our law firm is a federally designated Debt Relief Agency under the United States Bankruptcy Laws. We help people find answers to their debt problems, including when necessary, helping them file bankruptcy under the United States Bankruptcy Code.*



## Some private student loans held to be dischargeable in bankruptcy by 5th Circuit Court of Appeals

*Source: National Consumer Law Center*

Here in the federal “Fifth Circuit” (the states of Texas, Louisiana and Mississippi) consumers filing bankruptcy and their attorneys can no longer assume that all of a debtor’s private student loans are not discharged or cancelled in bankruptcy. In other words, if you have private

student loans (only 8% of student loans are private student loans, most student loans are federal loans), they may be able to be discharged in bankruptcy.

Although most federal student loans are nondischargeable, a recent line of cases has found that certain private student loans can be discharged or cancelled in bankruptcy. The Fifth Circuit, the first court of appeals to rule on the issues raised in these cases, has sided with the debtors in an important recent case.

In the recent court case of *In re Crocker*, 941 F.3d 206 (5th Cir. 2019), the two named plaintiffs argued that their student loans (one obtained to pay for tuition and expenses to attend a technical school and the other for a bar examination preparation course) were discharged under section 523(a)(8) of the Bankruptcy Code. Navient conceded that subsection 523(a)(8)(A)(i) did not apply to the loans, which generally protects from discharge loans made or insured by a governmental unit or a nonprofit institution.

Navient also did not take advantage of the exception to discharge added in 2005 as subsection (B) for private student loans, no doubt because it could not prove that the loans were “qualified education loans” under the Internal Revenue Code. IRS Code § 221(d)(1) defines qualified education loans as indebtedness incurred solely to pay qualified higher education expenses and as not including expenses for any other purpose.

This left Navient (see **Private student loans next page**)

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### (Credit from previous page)

If you are struggling with your finances and your credit score, and you do not see an immediate light at the end of the tunnel, you will probably continue to struggle for a few more years. As you fight to stay afloat, you will probably miss a few payments here and there. And your credit score will suffer. In two years, it will be exactly where it is now. It might even be worse. And as you continue struggling to keep your head above water, your score might sink deeper and deeper.

But if you declare bankruptcy today, and then start the process of rebuilding your credit score after bankruptcy, in two years, you could have a great credit score! We certainly aren’t telling you to declare bankruptcy. That’s a big decision that you should make with the help of your bankruptcy attorney. And we also want to point out that declaring bankruptcy will cause your score to drop, so we certainly don’t want to act cavalier about declaring bankruptcy. Our point is that you can rebuild your credit score, sometimes in twelve months, and almost always in two years. The key to rebuilding credit after a bankruptcy is to take two critical steps.

1. First, you will need to open new lines of credit.
2. Second, you will need to pay your bills on time.

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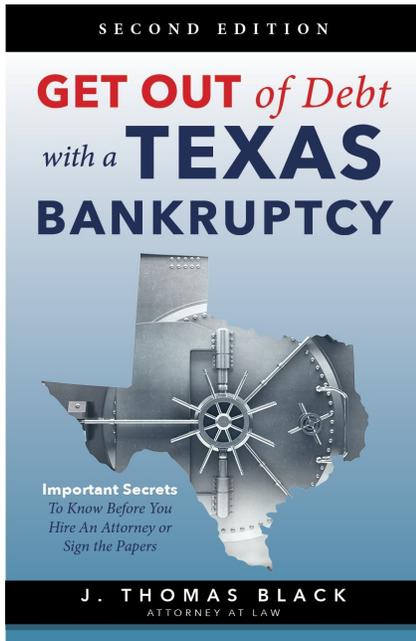
**Opening New Lines of Credit**—A lot of people think that they should wipe their hands clean of credit after a bankruptcy. They think that if they stop using credit entirely, their scores will rebound. But the truth of the matter is that the credit bureaus consider no credit to be just as bad as poor credit. If you don’t give the credit-scoring bureaus new information about your spending behaviors, they will think: “Better safe than sorry,” and your score will not improve.

**Paying Your Bills on Time and in Full**— If you have been through a bankruptcy, never make a late payment. Not once. You cannot pay one minute past the deadline. The credit-scoring models consider you an extremely risky borrower, so any indication that you are slipping into old patterns will not bode well for your credit score. You must pay on time and in full each month because even if your score increases, it is on thin ice. If you cannot pay your credit cards in full, you must never exceed a balance that is more than 30 percent of your limit. Your balance-to-limit ratio is a big part of the formula used to calculate a credit score. This means that you must make a budget and stick to it. You cannot splurge on a latte “just this once.” You cannot make the minimum payment as your credit card balances creep up. Not even once. ■

# When to get involved in conflicts between staffers

You can find lots of advice on the internet about how to help employees settle a disagreement. But before taking any action, you have to decide whether jumping into the fray is a good idea. You don't want to involve yourself in every workplace squabble. First ask yourself these questions:

- **How important is the issue?** If the conflict is trivial or doesn't affect your department or organization, you should probably steer clear.
- **How important is the relationship?** If the disa-



Are you or someone you care about in serious debt? Are you facing creditor harassment, a lawsuit, a judgment, or wage or bank garnishment? If you qualify, filing bankruptcy can eliminate your responsibility to pay most debts. The U.S. Congress passed these laws for consumer protection from the big banks and mortgage companies. If you need help, call our office at 713-772-8037 or go online to arrange an appointment or request our free Special Report.

greement threatens to create a serious breach between employees who need to work closely together, you may have to intervene in order to preserve harmony on your team.

- **What would happen if you did nothing?** Some conflicts fade or burn out quickly, unless something exacerbates them. If the situation doesn't seem to pose any serious threat, you're probably safe sitting it out.
- **What do you want to happen?** If you believe a certain outcome is desirable, think about how

you might bring it about—or how you can avoid the problems of a negative outcome. If you have no preference, you might be wise not to interfere. ■

(**Private student loans from previous page**) with the sole argument that the loans were nondischargeable under subsection (A)(ii). Added to the Code in 1990, this subsection applies to “an obligation to repay funds received as an educational benefit, scholarship, or stipend.” This language generally applies to certain grants that would not need to be repaid unless the recipient fails to meet specified conditions, such as a requirement that a student practice a profession or trade in a geographic area or serve a designated population.

Like a number of other courts in recent opinions, the Fifth Circuit also found that if subsection (A)(ii) applied so broadly as to encompass loans as well, this would render subsections (A)(i) and (B) superfluous. The 2005 amendment creating subsection (B), applicable to private loans, came well after the 1990 amendments that added the language now appearing in subsection (A)(ii). Congress would not have needed to add subsection (B) if subsection (A)(ii) already included all loans of any type. Based on this construction of the statute, the court held that the student loans were dischargeable.

Does this mean that your private student loans can be discharged in bankruptcy? Depends. If your loans were made or guaranteed by a non-profit institution (some are), they would not be discharged. Likewise if they were incurred solely to fund qualified education expenses. If you have private student loans that you think were or could be discharged in bankruptcy, send an email to Mr. Black. ■

## *Thank You For Your Referrals!*

We accept referred cases in the following areas-

**Chapters 7 & 13 Bankruptcy.**

**I.R.S. Settlements and Payment Plans.**

### **ARE YOU IN CHAPTER 13 WITH OUR OFFICE NOW?**

PLEASE always keep the law office updated with your current address, telephone numbers, and email address. We may need to reach you quickly. You can check on the status of your Trustee payments, how much you still owe on your case, etc., by going to [www.ndc.org](http://www.ndc.org) to set up your user ID and password.

Are your chapter 13 plan payment too high? Lose job or overtime? It may be possible to surrender property or if your situation has changed to lower your payments. If this is your situation, contact our office for an appointment to prepare a Motion to Modify.

J. Thomas Black was licensed as an attorney in Texas by the Texas Supreme Court in May, 1982. Mr. Black is Board Certified in Consumer Bankruptcy Law by the Texas Board of Legal Specialization.



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## A Little Humor – The “treatment plan” edition...

After reviewing the lab work of a patient who’d just finished an annual exam, the doctor said, “I’m having the nurse write out these instructions for you, but I will tell them to you now.

“First thing every morning, I want you take one of these red pills with a full glass of water,” the doctor said as he handed the patient a bottle of pills.

“A half-hour before lunch, you must take this blue pill with a full glass of water,” the doctor said, holding another bottle of pills that he shook before handing them to the patient.

“Now listen carefully, so you don’t get confused,” the doctor said as he reached into his lab coat pocket and pulled out another bottle of meds. “After lunch, you are to take one purple pill with a full glass of water. Did you get that?”

“Yes,” the patient replied. “Blue before lunch, purple afterward, and red first thing in the morning.”

“And a full glass of water with each dose,” the doctor said. He retrieved yet another bottle of pills from his pocket. “Take one green pill every evening, after dinner, with . . .?”

“A full glass of water,” the patient replied and then asked, “Hey, doc, what’s wrong with me?”

“From what I can tell, you’re in pretty decent health,” the doctor replied. “But you’re not drinking enough water.”