



**United States Department of Justice
Executive Office for United States Trustees**

**United States Trustee Program
Annual Report of Significant Accomplishments
Fiscal Year 2016**

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Message from the Director

As the Director of the United States Trustee Program (USTP or Program), it is my pleasure to present our Fiscal Year 2016 Annual Report. This report provides insights into the work of the Program during the past year and highlights some of our most significant accomplishments.

With a guiding principle of protecting American citizens from financial fraud and abuse, Fiscal Year 2016 marked another banner year for the Program. Through prudent administration and aggressive enforcement action to combat improper actions by debtors, creditors, and professionals alike, we continued to advance the integrity and efficiency of the bankruptcy system. Importantly, we launched new initiatives to address emerging legal and enforcement issues, while at the same time increasing our internal operating efficiency through the adoption of innovative work flows and resource allocation methods.

Among the Program's notable accomplishments in Fiscal Year 2016 was the launch of an initiative to address poor performance and misconduct by consumer debtors' attorneys whose behavior harms not only their clients, but creditors as well, and wastes judicial time and resources. In addition, further strides were made in addressing creditor violations, including entering into a settlement with a major mortgage servicer to remedy the servicer's failure to provide debtors with notice, accurate account statements, and other legal rights. The agreement and a later supplement required the servicer to provide more than \$85 million in refunds and credits to customers in bankruptcy. The USTP also was instrumental in a joint state and federal action involving the Justice Department, state Attorneys General, and other agencies against another major financial institution for violations relating to mortgage servicing, including for borrowers in bankruptcy.

In the arena of business reorganizations, the Program continued to fulfill its duty to ensure that all participants play by the rules as written by Congress. This includes taking actions to ensure that bankruptcy lawyers do not overcharge the bankruptcy estate, debtor-company management does not pay itself unjustified bonuses, insiders do not reach deals favoring some creditors over others in violation of statutory priorities, and creditors receive adequate information before voting on plans of reorganization.

I am proud of the many accomplishments of the USTP, and it is my distinct honor to lead such a dedicated corps of professionals who work in headquarters and our 92 field offices located across the country. I invite you to read further to learn more about the fine work of the Program in Fiscal Year 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Clifford J. White III". The signature is stylized and includes a horizontal line at the end.

Clifford J. White III, Director

USTP's Role in the Bankruptcy System

Mission and Responsibilities

The mission of the United States Trustee Program is to promote the integrity and efficiency of the bankruptcy system for the benefit of all stakeholders—debtors, creditors, and the public.

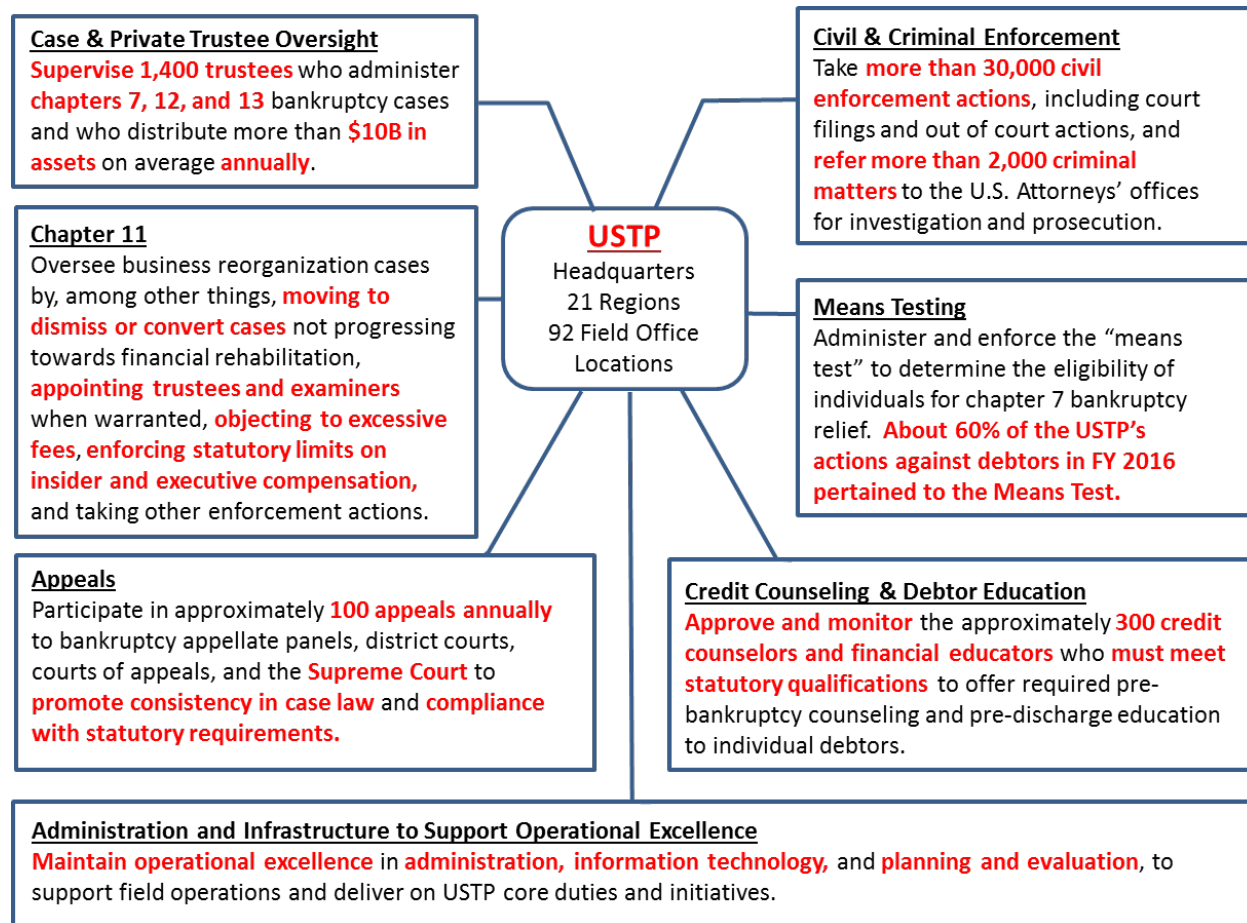
The Program oversees the administration of about 1.7 million ongoing bankruptcy cases in 88 federal judicial districts. More than two-thirds of all cases pending in the federal judicial system are bankruptcy cases. The USTP has standing to participate in every individual and business bankruptcy case filed in those districts.

To ensure the integrity of the bankruptcy system, the Program carries out a broad range of administrative, regulatory, and enforcement activities that are critical to the proper functioning of the bankruptcy system:

- The USTP employs an array of civil enforcement tools to detect and pursue fraud and abuse by debtors, creditors, attorneys, bankruptcy petition preparers, and others.
- The Program oversees chapter 11 reorganization cases to ensure that parties comply with the Bankruptcy Code and Bankruptcy Rules.
- The USTP refers suspected bankruptcy-related crimes to the United States Attorneys and assists in criminal investigations and prosecutions.
- The Program appoints and supervises the private trustees who administer cases filed under chapters 7, 12, and 13.
- The Program approves and oversees pre-bankruptcy credit counseling agencies and post-bankruptcy debtor education providers.
- The USTP identifies and raises issues for review on appeal so the bankruptcy laws are shaped, interpreted, and applied consistently across the country.

Figure 1. Core Duties of the U.S. Trustee Program

USTP activities are extensive, covering statutory requirements as well as initiatives in support of the Program’s mission.



Source: Executive Office for U.S. Trustees

Case Filings

A bankruptcy case is a proceeding brought under federal law to discharge or reorganize the financial obligations of an individual or an entity. The federal Bankruptcy Code appears in title 11 of the United States Code. Most bankruptcy cases are filed under chapter 7, 11, 12, or 13.

- Chapter 7 bankruptcy is a liquidation proceeding available to individual consumers and businesses. The assets of a debtor that are not exempt from the reach of creditors are collected and reduced to money, and the proceeds are distributed to creditors in accordance with a priority scheme established by the Bankruptcy Code. A consumer debtor receives a release from debt, except for certain debts that the statute excludes from discharge.

- Chapter 11 provides a procedure by which a business can reorganize debts while continuing to operate. The vast majority of chapter 11 cases are filed by businesses, although individuals also may file under chapter 11. The debtor, often with participation from creditors, creates a plan of reorganization to repay debts, in full or in part.
- Chapter 12 allows family farmers or family fishermen to reorganize their debts and remain in possession of their property. The debtor continues operating under a repayment plan that must be completed within three to five years.
- Chapter 13 is used by individual consumers to reorganize their financial affairs under a repayment plan that must be completed within three to five years. To be eligible for chapter 13 relief, a consumer must have regular income and may not have more than a specified amount of debt.

The USTP has jurisdiction in all judicial districts except those in Alabama and North Carolina. In those districts, bankruptcy court officials called Bankruptcy Administrators perform a similar function.

In FY 2016, 764,214 bankruptcy cases were filed in the judicial districts covered by the Program. After more than doubling from FY 2007 to FY 2010, bankruptcy filings have been decreasing since FY 2011. The rate of decline in filings lessened considerably in FY 2016 and this turnaround is expected to continue in ensuing fiscal years.

Figure 2. Bankruptcy Filings by Chapter, FY 2016

Bankruptcy Chapter	Filings in USTP Districts
All Chapters	764,214
Chapter 7	482,693
Chapter 11	7,251
Chapter 12	448
Chapter 13	273,667
Other Chapters*	155

Source: Administrative Office of the U.S. Courts

*Other chapters include chapters 9 (municipalities) and 15 (cross-border).

Civil Enforcement and Means Testing

One of the USTP’s core functions is to combat bankruptcy fraud and abuse. The majority of the Program’s actions address abuse by debtors who attempt to conceal assets, evade the repayment of debts when they have disposable income available to pay them, or commit other violations. Similarly, the USTP combats fraud and abuse committed by attorneys, bankruptcy petition preparers, creditors, and others against consumer debtors by pursuing a variety of remedies, including disgorgement of fees, fines, and injunctive relief.

In FY 2016, the Program took more than 31,000 civil enforcement actions, including court filings and out of court actions, with a potential monetary impact of \$965 million in debts not discharged and other relief. Between FY 2003—when the USTP began tracking results—and the end of FY 2016, the Program has taken more than 717,000 actions, with a potential monetary impact in excess of \$17.3 billion.

Figure 3. Civil Enforcement Activity in Consumer Cases, FY 2016

Type of Activity	Actions	Inquiries	Action Success Rate	Financial Impact (1,000s)
Enforcement Activity Against Debtors				
§ 707(a) Dismissal for Cause	1,738	1,416	98.5%	\$87,391
§ 707(b) Dismissal for Abuse	1,417	9,396	98.5%	\$183,277
§ 727 Denial of Discharge	1,004	1,905	98.7%	\$536,466
§ 1328(f) Denial of Discharge	172	283	100.0%	\$16,445
§ 1307(c) Dismissal or Conversion	136	72	93.8%	N/A
Consumer Protection Activity				
§ 110 Bankruptcy Petition Preparers	314	474	100.0%	\$1,433
§ 526 Debt Relief Agencies	36	79	96.4%	\$157
§ 329 Attorney Fee Disgorgement	528	1,272	97.3%	\$3,677
Other Attorney Misconduct	66	279	91.4%	\$351
Abusive Conduct by Creditors	85	1,271	100.0%	\$102,961

Source: Executive Office for U.S. Trustees

Means Testing and Debtor Violations

One of the major responsibilities of the USTP is to administer and enforce the “means test,” which was enacted as part of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. The primary purpose of the means test is to help determine the eligibility of individuals for chapter 7 bankruptcy relief. Under the means test, all individual debtors with primarily consumer debt and income above their state median income are subject to a statutorily prescribed formula, based partially on allowable expense standards issued by the Internal Revenue Service (IRS) for its use in tax collection, to determine disposable income. In FY 2016,

a case with disposable income above \$214.17 per month would be presumed abusive and subject to dismissal.

The effectiveness of the means test largely depends on the USTP to identify cases that are presumed abusive under the statutory formula and to file actions to dismiss those cases when appropriate. The USTP is required by law to file with the court either a motion to dismiss a presumed abusive case or a statement explaining the reasons for declining to file such a motion—that is, special circumstances that justify an adjustment to the current monthly income calculation. Common reasons to decline to seek dismissal of a case that is presumed abusive include recent job loss or continuing medical debt.

In FY 2016, the USTP declined to file a motion to dismiss in about 63 percent of presumed abusive cases. The percentage of declinations has grown from less than 35 percent in FY 2006 to more than 60 percent in recent years. This suggests that the objective criteria of the means test are now well-established and that most debtors' attorneys file presumed abusive cases only if the cases satisfy statutory exceptions.

The Program's Orlando office obtained the dismissal of a debtor's chapter 7 case after the Bankruptcy Court for the Middle District of Florida found that her monthly expenses were excessive and her filing was an abuse of the bankruptcy system. The debtor listed monthly expenses that were more than three times the applicable IRS Standards, including over \$1,700 for food, housekeeping, and personal care. She also claimed \$1,450 in monthly expenses for country club membership, vacations, and recreation.

As a result of the USTP's prudent exercise of its enforcement responsibilities, the means test is meeting its statutory objective of denying chapter 7 relief to debtors with ability to pay without creating unnecessarily harsh results.

Even if a case is not presumed abusive under the means test, the Bankruptcy Code permits the USTP to seek dismissal for bad faith or the totality of the circumstances. For example, the case of a debtor who retains luxury items, incurs debt shortly before filing bankruptcy, or fails to disclose information required by the Bankruptcy Code and Bankruptcy Rules may be subject to dismissal on motion of the U.S. Trustee.

In addition to or instead of seeking case dismissal, the U.S. Trustee may file a complaint to deny or revoke a bankruptcy discharge if the debtor engaged in improper conduct such as transferring, concealing, or destroying property to hinder or defraud a creditor or the trustee; knowingly and fraudulently making a false oath; refusing to obey a court order; or failing to keep or preserve financial records. The debtor may voluntarily waive discharge under the same statutory provision.

After a two-day trial on a complaint to deny discharge filed by the USTP's Lexington office, the Bankruptcy Court for the Eastern District of Kentucky denied a debtor's chapter 7 discharge of \$6.3 million in unsecured debt. The debtor did not disclose his transfer of five vehicles valued at \$60,000 to a family member shortly before he filed bankruptcy, his interest in real estate, and his ownership of basketball tickets worth more than \$10,000. He also failed to explain how his net worth declined from over \$7 million two years before he filed bankruptcy to negative \$6.5 million as stated in his bankruptcy documents.

Consumer Protection

The USTP takes a balanced approach in its civil enforcement actions against fraud and abuse in the bankruptcy system. Most of the Program's actions address debtor violations, but a significant number focus on remedying wrongdoing by attorneys, non-attorney bankruptcy petition preparers, creditors, and others who attempt to exploit debtors.

Professional Misconduct

The USTP has a long history of rigorous enforcement of the Bankruptcy Code and Bankruptcy Rules against attorneys and others who fail to perform their duties to their consumer clients. Some attorneys fail to carry out their basic obligations to their clients by, for example, not meeting with their client, not attending court proceedings, and engaging in other unprofessional behavior. This professional misconduct not only harms the debtor who receives substandard representation, but also burdens the creditors and the courts by causing unnecessary delay in the bankruptcy case.

Under the Bankruptcy Code, this conduct may be sanctionable and debtors may receive refunds of attorneys' fees they paid. In FY 2016, the Program increased the number of formal actions taken under 11 U.S.C. §§ 329 and 526 by more than 30 percent combined, in addition to using other statutory tools to combat this abuse. Section 329 governs debtors' transactions with their attorneys and section 526 limits the conduct of debt relief agencies.

A national law firm, its managing member, and local attorneys called “Class B” members were barred from practicing in the Western District of Virginia and ultimately ordered to pay more than \$22,000 in sanctions, civil fines, and disgorged fees after the USTP’s Roanoke office filed a motion to review the firm’s fees and, subsequently, a motion for contempt. The law firm advertised on the Internet as a national entity. When a client engaged the firm, non-lawyer staff generated the bankruptcy documents for filing and the firm solicited a local lawyer to become a Class B member, file the case, and attend the section 341 meeting of creditors—where the debtor must answer questions under oath—for a small fixed fee. The bankruptcy court found that the Class B agreements were sham transactions designed to skirt the disclosure obligations in the Bankruptcy Code and Bankruptcy Rules, and that the law firm’s use of non-licensed legal personnel to prepare documents amounted to the unauthorized practice of law. Because the firm, the managing member, and the Class B member failed to comply with the initial court order, the U.S. Trustee obtained an order finding them in contempt, doubling the monetary sanctions, requiring additional fees to be disgorged, imposing additional financial penalties, and reaffirming the ban on filing or participating in cases in the district.

The Program filed over 900 court actions in FY 2016 against professionals and non-attorney bankruptcy petition preparers who failed to provide services in accordance with law. Most recently, the USTP has conducted investigations into allegations of improper practices by consumer bankruptcy attorneys that operate nationally and solicit clients through the Internet.

Although attorneys and non-attorney bankruptcy petition preparers generally do not work together, sometimes they coordinate their efforts to engage in schemes to harm consumers. Ruling in a matter litigated by the Program’s Tyler office, the Bankruptcy Court for the Eastern District of Texas sanctioned both a law firm and a bankruptcy petition preparer for violating the Bankruptcy Code and engaging in a mortgage foreclosure rescue scheme. Typically, rescue scheme operators take advantage of the fact that foreclosure proceedings are temporarily halted by a bankruptcy filing; they fail to explain, however, that this “automatic stay” is not permanent. In this case, the law firm advertised to a homeowner that seeking a loan modification could help stop an impending foreclosure. After taking the homeowner’s money, the law firm immediately advised her to file bankruptcy and directed the petition preparer to prepare a “bare bones” bankruptcy filing—a filing without all of the required financial information—in the homeowner’s name. An investigation by the USTP’s offices in Tyler, Atlanta, and Houston revealed that the petition preparer completed more than 200 bankruptcy filings at the law firm’s direction, with most of the cases dismissed for failure to file adequate financial information. The court found that the law firm failed to supervise its employees properly and concealed its involvement in the bankruptcy cases by using the petition preparer to prepare filings. The court barred the law firm and the petition preparer from practicing in the Eastern District of Texas; ordered the law firm to pay the homeowner \$9,000 in statutory damages, fees, and expenses; and fined the petition preparer \$3,350.

Creditor Violations

In many creditor abuse cases there are multiple victims, including debtors and other creditors whose distributions are diminished by overpayments to the violating creditor. Such activity is also an affront to the integrity of the bankruptcy system.

Abusive conduct by creditors encompasses a range of violations committed by both secured and unsecured creditors, including robo-signing documents, billing debtors for amounts not owed, violating the bankruptcy discharge injunction, failing to protect debtors' personally identifiable information, and other non-compliance with the Bankruptcy Code and Rules.

The USTP continues to monitor mortgage servicers' claims in bankruptcy cases for fraud and abuse issues. Following a multi-year effort in which the USTP entered into six national settlements addressing mortgage servicing misconduct, industry compliance and self-reporting has improved. In FY 2015 and FY 2016, the USTP identified violations and obtained settlements resulting in a total of more than \$130 million in consumer relief from two major mortgage servicers, JPMorgan Chase Bank, N.A., and Wells Fargo Bank N.A. After those settlements, the servicers identified further violations that they reported to the USTP, resulting in an additional \$6.3 million in relief for consumers.

The Program's Peoria office objected to proofs of claim filed in multiple cases by health care providers, credit unions, and banks that failed to redact the personally identifiable information (PII) of their patients and customers who were in bankruptcy. Generally, the Bankruptcy Rules require certain private information such as Social Security numbers, birth dates, names of minor children, and financial account numbers to be redacted from documents filed with the bankruptcy court. In each case, upon the filing of the U.S. Trustee's objection the proof of claim was immediately removed from public view and the creditor had 28 days to remedy the deficiency. Partnering with the chapter 13 trustee, the U.S. Trustee protected a number of debtors from possible identity theft by assuring their PII was not publicly accessible.

Criminal Enforcement

Criminal enforcement is another key component of the Program's efforts to uphold the integrity of the bankruptcy system. In FY 2016, the Program made 2,158 bankruptcy and bankruptcy-related criminal referrals. The Program works with its federal and state law enforcement partners and is a member of more than 70 national and local bankruptcy fraud working groups, mortgage fraud working groups, and other specialized task forces throughout the country. Approximately 25 attorneys throughout the Program are designated as Special Assistant U.S. Attorneys to assist U.S. Attorneys' offices in the prosecution of bankruptcy and bankruptcy-related crimes. In addition, many other staff—including attorneys, bankruptcy analysts, and paralegals—are called upon to assist with investigations and to provide expert or fact testimony at criminal trials.

The success of the Program's criminal enforcement work results in part from its expansive training of federal, state, and local law enforcement personnel; USTP staff; private trustees; and members of the bar and other professional associations. In FY 2016, the USTP presented more than 100 training programs that reached approximately 3,900 individuals, including agents and other representatives from the Federal Bureau of Investigation, Internal Revenue Service Criminal Investigation, U.S. Postal Inspection Service, Department of Housing and Urban Development Office of the Inspector General, and Secret Service. Notable among these programs were presentations made at a conference for crime victims and at a white collar crime seminar.

The USTP's San Antonio office referred and assisted law enforcement in the investigation of a chapter 7 debtor who subsequently pleaded guilty in the Western District of Texas to bankruptcy fraud, conspiracy to commit mail fraud, and tax evasion. Ultimately, the debtor was sentenced to four years in prison and ordered to pay almost \$3.5 million in restitution. The debtor, aided and abetted by his co-workers, operated the law offices of several personal injury attorneys. He admitted that he engaged in schemes to steal money from clients by fraudulently endorsing personal injury settlement checks and that he willfully evaded paying more than \$1.6 million in federal income taxes, penalties, and interest. He also admitted that in his bankruptcy case he concealed nearly \$430,000 worth of assets, including two homes, two boats—a 33-foot Chris Craft cabin cruiser and a 29-foot Seaswirl—and a truck. The U.S. Trustee also obtained the waiver of the debtor's chapter 7 discharge.

The Program's Shreveport office referred and helped investigate a consumer bankruptcy attorney who collected or attempted to collect bankruptcy filing fees in 479 chapter 13 cases without disclosing those fees to the court. After pleading guilty to bankruptcy fraud, the attorney was sentenced to 34 months in prison and three years of supervised release and ordered to pay more than \$69,000 in restitution. This amount reflected, in part, the result of a separate civil enforcement action litigated by the Shreveport office in which the Bankruptcy Court for the Western District of Louisiana ordered the attorney to refund more than \$58,000 in filing fees he collected from debtor clients.

Chapter 11 Business Reorganization Issues

The Program carries out significant responsibilities in chapter 11 business reorganization cases. These responsibilities include appointing official committees of creditors; objecting to the employment and compensation of professionals, such as attorneys and financial advisors, whose applications do not meet statutory standards; appointing trustees and examiners when warranted, such as when there is suspected financial wrongdoing; reviewing and objecting to disclosure statements to ensure adequate information is provided to stakeholders; and moving to dismiss or convert about one-third of chapter 11 cases each year because they are not progressing toward financial rehabilitation.

The Program's responsibilities also include enforcing the statutory limitations on insider and executive compensation under 11 U.S.C. §503(c), often as the only party to raise a challenge to excessive management bonuses. The changes sought by the USTP include removing top executives from the list of bonus recipients and imposing more challenging performance milestones that must be reached before the bonus is paid. Many of the Program's objections to bonuses are resolved informally, through the debtor's voluntary modification of the proposal, rather than through court actions.

While the USTP does not substitute its business judgment for that of management, the Program's role is critical to protecting the interests of all stakeholders by advocating for strict compliance with the law and promoting management and professional accountability.

Figure 4. Chapter 11 Case Administration and Oversight Activity, FY 2016

Type of Activity	Actions	Inquiries	Action Success Rate
§ 1112(b) Conversion or Dismissal	2,489	1,670	98.2%
§ 1125 Disclosure Statements	515	366	98.4%
§ 1129 Plan Confirmation	281	263	92.2%
§ 1104 Appointment of Trustee or Examiner	93	28	90.9%
§ 330 Professional Fee Requests*	386	946	92.8%
§ 503(c) Key Employee Retention Plans	48	40	55.6%

Source: Executive Office for U.S. Trustees

*Professional fee requests under 11 U.S.C. § 330 arise primarily in chapter 11 cases, but also in cases filed under other chapters.

Professional Fees

Under the Bankruptcy Code, the court must approve all professional fees that are paid from the bankruptcy estate under criteria set forth by statute. U.S. Trustees monitor and, when appropriate, object to applications for compensation filed by professionals such as attorneys, accountants, turnaround specialists, and others who are paid from bankruptcy estate funds.

The requirement to obtain bankruptcy court approval of professional compensation reflects the unique environment in which bankruptcy cases arise. Often, there is urgency to the bankruptcy filing due to impending foreclosure, lack of cash to continue operations, or other emergencies that result in a filing. As a result, the client control present in other business litigation often is absent. Moreover, a bankruptcy case often involves multiple parties with varying interests that are affected by the conduct of the case and varying levels of financial ability to assert their interests. Therefore, non-debtor parties seldom exercise oversight or do so only as a litigation tactic. Because of the unique dynamics in a bankruptcy case, attorney and other professional costs may be inflated, and the USTP is often the only party to object to professional fees.

Fee Guidelines for Bankruptcy Professionals

In light of record-breaking fee awards in major bankruptcy cases and escalating bankruptcy rates at a time when the non-bankruptcy marketplace was imposing more cost-conscious controls on outside counsel, in 2013 the Program issued new Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. § 330 for Attorneys in Larger Chapter 11 Cases (Guidelines). The Guidelines are based upon statutory authority, but do not have the force of law. Although it is difficult to quantify any resulting cost savings, law firm practices have improved, fee applications are more restrained, and there is greater consistency in fee review.

Following the success of the Guidelines for attorneys' fees, the USTP is pursuing two additional guidelines affecting chief restructuring officers and financial professionals, including investment bankers, in chapter 11 cases. The Program plans to follow the model established with attorneys' fees, including outreach to the industry, publication of draft guidelines for comment, and a public meeting in which stakeholders participate, followed by final guidelines that set forth the Program's criteria for reviewing applications for retention and compensation.

Attorneys' Fees for Defending Applications for Compensation

An important question relating to professional fees is whether law firms may recover fees for defending objections to their fee applications in bankruptcy court. In June 2015, the Supreme Court held in *Baker Botts v. ASARCO LLC*, 576 U.S. ____, 135 S. Ct. 2158, that law firms cannot recover fees for defending applications for compensation. Law firms almost immediately challenged the boundaries of the *ASARCO* decision.

The first chapter 11 case to test this issue was that of debtor Boomerang Tube, Inc., in the District of Delaware. In that case, law firms sought to enter into agreements with an official committee under 11 U.S.C. § 328 for the payment of fees for fee application defense. In FY 2016, in *In re Boomerang Tube, Inc.*, 548 B.R. 69 (Bankr. D. Del. 2016), the bankruptcy court sustained the objection of the USTP's Wilmington office and held that such agreements were not permissible under the Bankruptcy Code as interpreted by *ASARCO*.

Appellate Practice

One of the most important roles the Program plays in the bankruptcy system is to identify and raise issues for review on appeal, thereby ensuring that the law is shaped, interpreted, and applied evenly in all judicial districts. When substantial rights and financial interests of creditors large and small are affected, the clearer the standards and the law, the better for stakeholders—not only in the case at hand but in the larger marketplace as well. Predictability is good, both in law and in business.

During FY 2016, the Program participated in 99 appeals to bankruptcy appellate panels, district courts, courts of appeals, and the Supreme Court. Many appeals arise from enforcement actions prosecuted by the USTP, but the Program also intervenes as *amicus curiae* (friend of the court) in other cases.

In all litigation activities, but especially in deciding the Program's position on bankruptcy appeals, the USTP is guided by its role to define the boundaries of bankruptcy practice so that monied interests in the case do not exercise power beyond what Congress allows. Sometimes, the Program's strict adherence to the Bankruptcy Code puts it on the side of large creditors. In other instances, the USTP supports the position of other stakeholders, such as the corporate debtor's employees. And still other times, the USTP is the sole objector to agreements made by creditors and management that favor their stake in the case over the interests of other creditors who lack the financial ability to raise a challenge.

Czyzewski v. Jevic Holding Corp., U.S. Supreme Court, No. 15-649 (March 22, 2017), illustrates the USTP's role in advocating for the most faithful reading of the Bankruptcy Code. Reversing the Court of Appeals for the Third Circuit, the Supreme Court ruled in the government's favor on the issue of whether a settlement and structured dismissal may be used to distribute bankruptcy estate funds without following the Bankruptcy Code's priority scheme. The USTP sided with the truck drivers whose employer fired them, filed bankruptcy the next day, and then denied them their right to priority payment under bankruptcy law.

The Program argued that the issue had potentially broad implications for a number of creditor practices in corporate reorganization cases. The USTP was a signatory on the briefs filed by the Office of the Solicitor General in FY 2016 urging the Supreme Court to grant review in the case and, later, urging the Supreme Court to rule for the truck drivers.

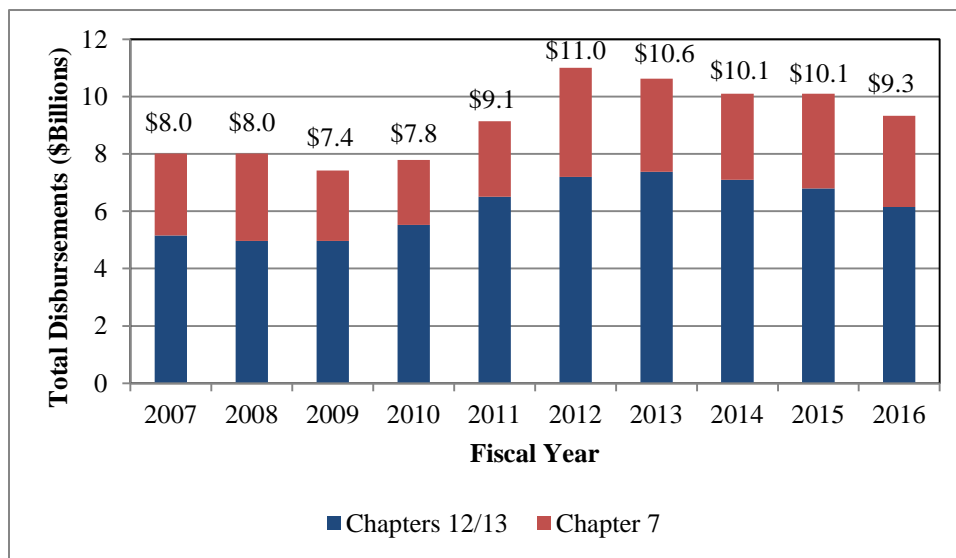
Congress wrote a comprehensive set of rules to ensure predictability and fairness in bankruptcy. The nation's judicial system depends on consistent application of the laws as written by Congress. When the rules are clear and consistently applied by the courts, then the system works fairly for all. In the long run, that benefits all stakeholders—debtors, creditors, and the American public. In *Jevic*, the Supreme Court agreed.

Private Trustee Oversight

Another core duty of the U.S. Trustees is to appoint and supervise the private trustees who administer consumer bankruptcy estates and distribute dividends to creditors. The Program trains the trustees, who are not government employees; evaluates their overall performance; reviews their financial accounting; and ensures their prompt administration of bankruptcy estate assets.

In FY 2016, U.S. Trustees supervised the activities of approximately 1,400 private trustees appointed by them to handle the day-to-day activities of around 1.7 million ongoing cases. These trustees distributed \$9.3 billion from the assets of bankruptcy estates.

Figure 5. Total Disbursements in Chapter 7, 12, and 13 Cases, FY 2007-2016



Source: Executive Office for U.S. Trustees

Assistance for Individuals with Limited English Proficiency

To help ensure that individuals with limited English proficiency can fully participate in the section 341 meeting, the Program offers free telephonic interpreter services at the meetings.

In FY 2016, more than 15,000 calls were made for interpreter services in 80 languages. The top five cities for use of interpreter services were Los Angeles, California; Newark, New Jersey; Riverside, California; Chicago, Illinois; and Brooklyn, New York. The top three languages requested were Spanish, Korean, and Vietnamese.

Credit Counseling and Debtor Education

To ensure that debtors are aware of alternatives to bankruptcy and to provide tools to avoid future financial problems when they exit bankruptcy, the Bankruptcy Code requires individual debtors to receive credit counseling (including a discussion of options outside of bankruptcy) before filing, and to take a personal financial management education course before receiving a discharge of debts.

U.S. Trustees are responsible for the approval of providers who meet statutory qualifications to offer credit counseling and debtor education services to debtors. At the end of FY 2016, there were approximately 120 approved credit counseling agencies and 200 approved debtor education providers. Services are provided through walk-in facilities, over the Internet, and over the telephone.

Credit counseling and debtor education are accessible at a relatively modest cost. Around 20 percent of credit counseling certificates and debtor education certificates are issued at no or reduced cost. For those debtors paying the full fee, the average combined cost of pre-bankruptcy credit counseling and post-bankruptcy debtor education is around \$50.

Figure 6. Delivery Method for Services Received, FY 2016

Type of Service	In-Person	Internet	Telephone
Credit Counseling	1%	88%	11%
Debtor Education	4%	88%	8%

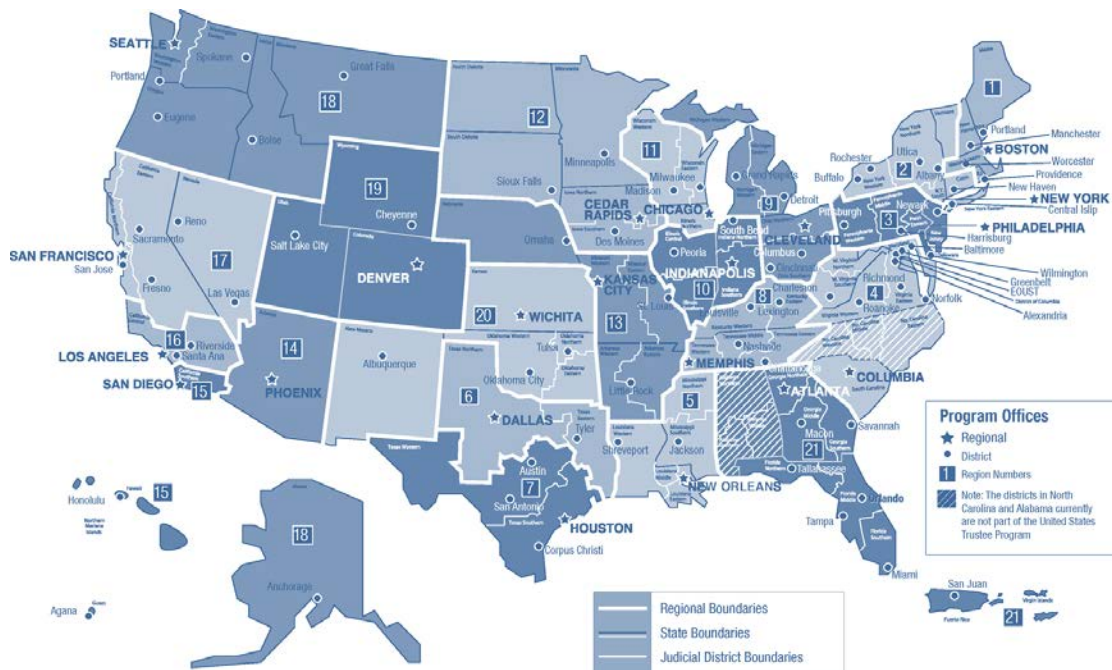
Source: Executive Office for U.S. Trustees

Organization and Funding

Organization

The USTP is led by a Director headquartered in the Executive Office for U.S. Trustees located in Washington, D.C. The Executive Office oversees the Program by providing leadership, central policy and management direction, and administrative and information technology services to the field offices. The Program's 21 regions are managed by U.S. Trustees appointed by the Attorney General and include 92 field office locations supervised by Assistant U.S. Trustees.

Figure 7. USTP Map of Regions and Offices



At the conclusion of FY 2016, the Program employed approximately 1,075 staff members consisting of attorneys, financial analysts, paralegals, and support staff. The majority of field offices have seven or fewer employees, and more than 90 percent of the Program's employees are located in its field offices.

Four USTP employees were recognized in FY 2016 for their outstanding contributions to the Program's national creditor enforcement initiative, receiving the Attorney General's Award for Excellence in Legal Support (Paralegal Category). The commitment and efforts of these employees from USTP offices in Columbus, Dallas, Indianapolis, and Spokane were critical in helping the Program identify and document deficient mortgage servicing practices.

USTP employees continue their public service in their off hours. In FY 2016 an Auditor in the Program's Honolulu office was one of two Justice Department employees to receive the Attorney General's Volunteer Award for Community Service. The USTP employee co-founded the Friends of the Children's Justice Center of Oahu, a charitable nonprofit organization that provides a supportive environment for children who have been victims of sexual and physical abuse or who have been witnesses to a crime.

Funding

The USTP is funded through appropriations made by Congress. The Program receives a portion of the filing fees paid by consumer and business debtors, quarterly fees based on disbursements from chapter 11 debtors, interest on investments, and other miscellaneous revenue. These funds are placed in the United States Trustee System Fund and are used to offset amounts expended by the USTP pursuant to Congressional appropriations.

The USTP continually examines internal operations to increase cost-efficiency, adopting innovative personnel, financial, and work flow strategies. Over the past several years, the Program has consolidated functions previously performed in all field offices so they can be performed more centrally and with greater efficiency; assigned staff located throughout the country to address local workload problems and national initiatives; shared information technology and other services within the Program and in partnership with other agencies; and reduced space and the number of office locations.

The Program's ability to sustain its high level of productivity would not be possible without the extraordinary efforts of its staff across the country who work hard, assume new duties, and creatively address challenges in order to protect the integrity of the bankruptcy system for the benefit of all stakeholders—debtors, creditors, and the public.

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