



U.S. Department of
JUSTICE

U.S. Trustee Program Annual Report of Significant Accomplishments, FY 2025



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Executive Office for U.S. Trustees

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INTRODUCTION

In Fiscal Year 2025, the U.S. Trustee Program (USTP or Program) built on earlier management initiatives to effectively leverage its dispersed workforce and improve efficiency while delivering exceptional results in performing its statutory mandate. Through the extraordinary efforts and resiliency of the Program's staff across the country, the USTP achieved another year of significant accomplishment.

Notably, the Program:

- Successfully managed a 25 percent staffing reduction and \$40 million in cost savings in accordance with the government's broader efficiency initiatives. The Program began the fiscal year in October 2024 with about 950 staff members and 89 field offices. In reducing expenses, the USTP's staffing level decreased to about 710 employees as of October 2025. The USTP also significantly cut rent costs, including by closing or consolidating smaller offices to end with 82 overall. Other substantial cost reductions derived from decreased contract spending and information technology enhancements.
- Completed the nationwide transition to conduct the mandatory meeting of creditors in chapter 7, 12, and 13 cases by video. The elimination of travel and other costs for the debtor, the trustee, and creditors increases the meetings' efficiency and efficacy, including because higher attendance rates by debtors result in fewer continuances and creditors' participation is also enhanced.
- Continued to undertake its core statutory duties to ensure that the bankruptcy process functions smoothly and to combat fraud and abuse, including by taking more than 25,000 formal and informal civil enforcement actions across all chapters of the Bankruptcy Code with a potential monetary impact of more than \$916 million in debts not discharged, fees returned, fines, penalties and other relief; referring more than 2,200 bankruptcy and bankruptcy-related matters to the Program's law enforcement partners; and participating in more than 75 new appellate matters to help clarify the law.

Beyond these impressive results, the USTP's success in accomplishing its mission is remarkable as staff also handled a percentage increase in filings that continued to grow by double digits for the third year in a row. Significantly, chapter 7 filings—which constitute almost two-thirds of all bankruptcy cases—grew by more than 15 percent, and pending chapter 11 cases reached the highest number in nearly a decade. Among chapter 11 filings, subchapter V cases increased nearly 60 percent over the past three fiscal years.

Please review this report to learn more about the USTP's accomplishments this past fiscal year and visit www.justice.gov/ust for regular updates on the Program's work.

ABOUT THE USTP

BACKGROUND

The U.S. Trustee Program is a litigating component of the Department of Justice whose mission is to promote the integrity and efficiency of the bankruptcy system for the benefit of all stakeholders—debtors, creditors, and the public. Often described as the “watchdog of the bankruptcy system,” the USTP acts to prevent fraud, dishonesty, and overreaching. The USTP has standing to participate in every individual and business bankruptcy case in the 88 federal judicial districts under its jurisdiction.

The Program consists of 21 regions with 82 field offices nationwide and an Executive Office in Washington, D.C. The USTP’s expansive field structure enables it to participate before about 300 bankruptcy judges, detect and address multijurisdictional violations through coordinated enforcement efforts, and ensure meaningful access to the bankruptcy system by both debtors and creditors. For a full list of the USTP’s office locations, visit <https://www.justice.gov/ust/us-trustee-regions-and-offices>.

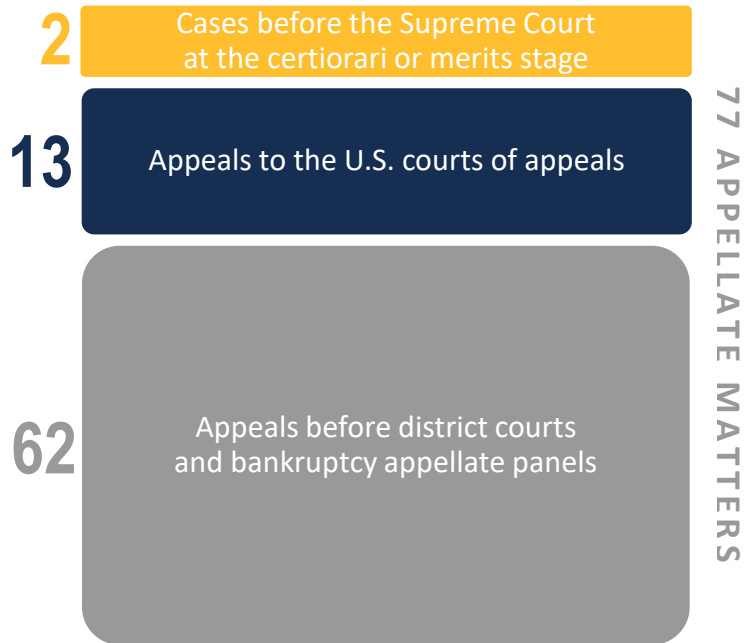
CORE DUTIES AND RESPONSIBILITIES

The USTP has broad administrative, regulatory, and litigation and enforcement authority in the bankruptcy system. Among its many duties and activities are:

- **Civil enforcement.** A core function of the USTP is to combat bankruptcy fraud and abuse through civil enforcement. The USTP seeks civil remedies against debtors who engage in fraud or otherwise abuse the bankruptcy system and supports the investigation and prosecution of criminal matters related to bankruptcy cases. Through its consumer protection practice, the Program pursues civil remedies against unscrupulous bankruptcy petition preparers as well as lawyers and other professionals whose conduct harms their clients.
- **Chapter 11 oversight.** Chapter 11 cases present an array of issues and challenges, and the USTP has significant discretion to take action to ensure the integrity of the chapter 11 process. The Program’s role in chapter 11 includes monitoring and commenting on matters such as debtors’ plans of reorganization and disclosure statements to creditors; applications to employ professionals seeking to assist with the administration of the bankruptcy estate; and professionals’ applications for compensation and reimbursement of expenses. The USTP also supervises the administration of small business cases filed under subchapter V of chapter 11 and ensures that debtors who elect subchapter V treatment are eligible for its benefits.
- **Trustee oversight.** The USTP appoints and supervises more than 900 private trustees to handle the day-to-day administration of cases under chapter 7 (liquidation), chapter 12 (debt adjustment for family farmers or family fishermen), and chapter 13 (debt adjustment for individuals with regular income). The USTP also oversees the activities of about 240 private trustees who serve in small business cases under the streamlined procedures of subchapter V of chapter 11. Subchapter V trustees are appointed case by case to facilitate the development of a consensual plan of reorganization.

- Advocating for the system through appeals.** The USTP has a unique national perspective and a mandate to promote the coherent and consistent application of bankruptcy law throughout the country. One of the USTP’s most critical responsibilities is to identify and raise issues for review on appeal to ensure that the law is shaped, interpreted, and applied evenly in all judicial districts. The Program handles a significant number of appeals annually, many of which have a profound and longstanding effect on the bankruptcy system.

- Criminal enforcement.** The USTP refers matters that “relate to the occurrence of any action which may constitute a crime” to the U.S. Attorneys’ offices for investigation and prosecution, and assists the U.S. Attorneys in carrying out prosecutions based on that action. The Program maintains strong partnerships with law enforcement by participating in bankruptcy fraud working groups; developing and presenting joint training programs; serving as Special Assistant U.S. Attorneys in investigating and prosecuting cases; and consulting on bankruptcy law and testifying as expert, process, or fact witnesses. The USTP also offers a convenient means for individuals to report suspected bankruptcy crimes through its Internet hotline.



In addition to their specific statutory duties and responsibilities, U.S. Trustees “may raise and may appear and be heard on any issue in any case or proceeding” under the Bankruptcy Code. Because it is a neutral participant with no pecuniary interest in a case, the USTP helps provide stability to the system through its independence, balanced enforcement, and oversight.

Visit www.justice.gov/ust for more about the Program.

THE BANKRUPTCY SYSTEM

CHAPTERS

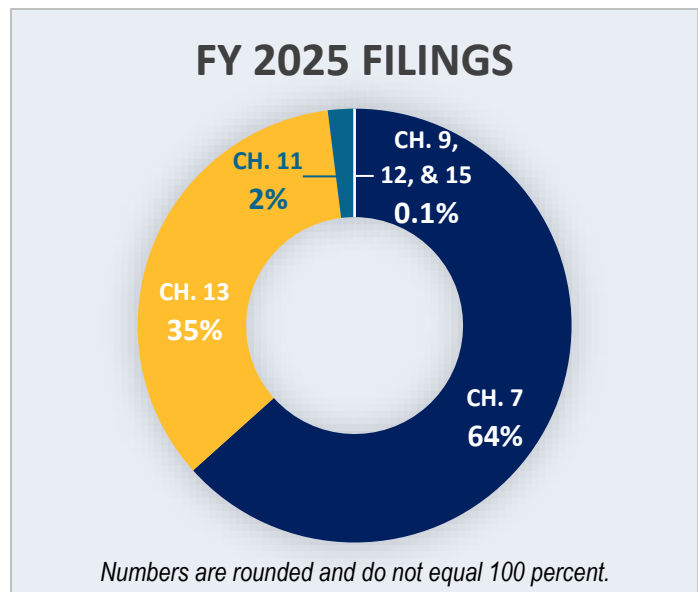
The Bankruptcy Code—a federal law codified as title 11 of the United States Code—governs all bankruptcy cases. Individuals and businesses file a bankruptcy case seeking to discharge or reorganize their financial obligations as provided in the Bankruptcy Code. Almost all bankruptcy cases are filed under chapter 7 (liquidation), 11 (reorganization), or 13 (debt adjustment for individuals with regular income).

- Chapter 7 bankruptcy is a liquidation proceeding available to consumers and businesses. In these cases, the private trustee appointed by the U.S. Trustee collects and reduces to money the debtor’s non-exempt assets and distributes the proceeds to creditors in accordance with the Bankruptcy Code’s priority scheme. An individual debtor receives a discharge of pre-petition debts, other than certain debts that are exempt from discharge under the Bankruptcy Code.
- Chapter 11 provides a procedure by which a business can reorganize debts while continuing to operate, and generally the company’s management retains control of the business during the case. Most chapter 11 cases are filed by businesses, although individuals may file under chapter 11 as well. The debtor, often with participation from creditors, proposes a plan of reorganization to repay part or all its debts. Small business debtors that meet certain debt and other criteria may elect to proceed under the streamlined procedures of subchapter V of chapter 11, enacted in 2020.
- Chapter 13 allows individuals with regular income and less than a specified amount of debt to repay creditors under a plan administered by a private trustee appointed by the U.S. Trustee. The plan must be completed within three to five years.

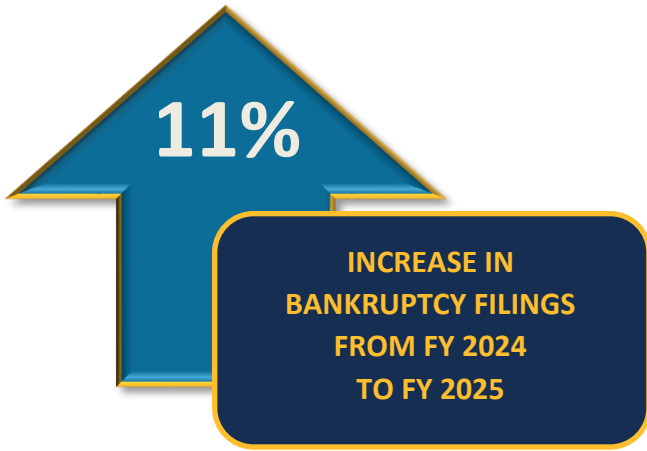
FILING TRENDS

New bankruptcy case filings in the judicial districts covered by the Program in FY 2025 totaled 527,886:

- 335,898 cases filed under chapter 7;
- 182,779 under chapter 13;
- 8,721 under chapter 11; and
- 488 under chapters 9, 12, or 15.¹



¹ There are three other chapters under which certain debtors may seek relief. Chapter 9 is reserved for municipalities; chapter 12 for family farmers or fishermen; and chapter 15 for foreign entities.



Overall, filings were up by 11 percent in FY 2025 compared with FY 2024. Growth was particularly strong among chapter 7 filings, which increased 16 percent. Though chapter 11 filings were down by 1 percent, the chapter 11 filing total was the second highest in the past 12 fiscal years, and pending chapter 11 cases were up 11 percent from the end of FY 2024 to the end of FY 2025.

When combined with cases filed in previous years that remain open, the Program oversaw more than 1 million active cases during the fiscal year. Bankruptcy cases compose nearly half of all pending cases in the federal judicial system.

ENHANCING EFFICIENCY

STREAMLINING THE USTP

The USTP continued to streamline its operations while ensuring the efficient administration of cases and the effective enforcement of the bankruptcy laws. Among other things, the USTP reduced staffing by about 25 percent; significantly cut rent costs, including by closing several field offices and public meeting rooms; decreased contract spending; streamlined its training functions; and adopted cheaper, higher-efficiency information technology solutions.

In line with the government's broader efficiency initiatives, the USTP is pursuing ways to reduce expenses while improving the flexibility and consistency of its operations. It has made strides toward automating technical functions and is leveraging its nationwide structure to handle bankruptcy cases regardless of where they are filed. The USTP is piloting a program to test a new staffing model centered on consolidated activities while maintaining proper coverage as case filings continue to increase. And the USTP has made progress in retooling other work processes in carrying out the Program's mission to optimize its efficiency and efficacy.

MODERNIZING THE BANKRUPTCY SYSTEM

Technological innovations have dramatically altered how Americans interact. The USTP seeks to use them to reduce costs and strengthen its oversight of the bankruptcy system. These enhancements have benefited both debtors and creditors and facilitated more efficient administration of bankruptcy cases while maintaining crucial safeguards.

One example of this approach is the USTP's effort to improve the efficiency of the meeting of creditors required by section 341 of the Bankruptcy Code in every bankruptcy case, where debtors must testify under oath about their financial affairs. The USTP completed the nationwide transition to conduct the section 341 meetings virtually by videoconference in chapter 7, 12, and 13 cases. The transition has been well received by all the participants in these meetings—debtors, trustees, and creditors—because of the elimination of costs related to in-person attendance, including travel, and the reduced time commitment, which has led to fewer continuances. It also has resulted in greater participation by creditors in the meetings. Because the vast majority of debtors in these cases are individuals, to further enhance the meetings' efficiency, the USTP developed a series of short videos, including mock 341 meetings, to ensure that debtors are better prepared and understand the technology. The videos are available at <https://www.justice.gov/ust/moc>.

The USTP also seized on the increasing role of technology in the financial system to enhance its oversight of funds held by private trustees for the estates that they administer for compliance with 11 U.S.C. § 345. Trustees must collateralize any estate funds that exceed deposit insurance limits with a surety bond or by pledging securities at the Federal Reserve. To ensure compliance with the statute, banks and financial institutions that hold estate funds have agreements with the USTP to regularly provide reporting needed to monitor the collateral. Banks and financial institutions have shifted most of this reporting to electronic systems. After engaging in robust outreach with stakeholder groups, including participating banks and financial institutions and the trustees' software vendors, the USTP implemented a revised agreement that provides for the electronic transmission of statements and a streamlined, fillable form for ease of use.

COMBATING FRAUD AND ABUSE

One of the USTP’s core functions is to combat bankruptcy fraud and abuse. Although most of the Program’s actions in consumer cases address debtor violations, a significant number focus on remedying wrongdoing by attorneys, nonattorney bankruptcy petition preparers, creditors, and others who attempt to exploit debtors and the bankruptcy system.

In FY 2025, the USTP’s initiated more than 10,000 inquiries involving fraud and abuse matters among chapter 7 and 13 debtors—a group predominantly consisting of consumers—and more than 2,400 actions seeking dismissal, conversion to another chapter of the Bankruptcy Code, or denial of the debtor’s bankruptcy discharge. These actions had a total potential monetary impact of about \$886 million.

CIVIL ENFORCEMENT ACTIVITY IN DEBTOR FRAUD/ABUSE MATTERS

TYPE OF ACTIVITY	INQUIRIES	ACTIONS	ACTION SUCCESS RATE	POTENTIAL FINANCIAL IMPACT ²
§ 707(a) Dismissal for Cause	1,093	731	98.8%	\$57,328
§ 707(b) Dismissal for Abuse	7,714	723	98.4%	\$240,820
§ 727 Denial of Discharge	1,227	575	99%	\$582,534
§ 1307(c) Dismissal or Conversion	82	270	98%	\$0
§ 1328(f) Denial of Discharge	8	110	99%	\$5,278

ADMINISTERING AND ENFORCING THE MEANS TEST

One of the USTP’s major responsibilities is to administer and enforce the “means test,” which is a statutory formula used to determine eligibility for chapter 7 bankruptcy relief by individuals with primarily consumer debts and income above their state median. If a debtor’s case is presumed abusive under the statutory formula, the USTP is required by law to file either (1) a motion to dismiss the case where the debtor has an ability to repay creditors or (2) a statement explaining why a motion to dismiss is not appropriate after consideration of special circumstances, such as a recent job loss or continuing medical debt.

The USTP’s prudent exercise of its responsibilities under the means test has furthered the statutory objective of denying chapter 7 relief to debtors who are able to pay a meaningful portion of their debts. In FY 2025, the USTP declined to file motions to dismiss in more than 70 percent of presumptively abusive cases after consideration of special circumstances that justify an adjustment to the current monthly income calculation. In cases where the USTP filed an action that was either adjudicated or resulted in the debtor voluntarily dismissing or converting the case, the

² Dollars in thousands.

USTP had a 98 percent success rate, demonstrating the Program’s discretion in bringing only the most meritorious cases.

INVESTIGATING BAD FAITH AND OTHER DEBTOR VIOLATIONS

Even if a chapter 7 case is not presumptively abusive under the means test, the USTP may seek dismissal on grounds such as the debtor’s bad faith or ability to pay a meaningful amount to creditors. The USTP also may seek to deny or revoke an individual debtor’s bankruptcy discharge for improper conduct that threatens the integrity of the bankruptcy system, such as fraudulently concealing property; making a false oath; refusing to obey a court order; or failing to keep financial records. Without a discharge, debtors remain personally liable for their debts, and creditors are free to pursue payment from them after the cases are closed.

In one prominent example, a pickleball entrepreneur who was forced into bankruptcy by investors he lured with promises of generous returns agreed to waive his discharge after a USTP investigation, preventing the discharge of more than \$47 million in unsecured debt. The debtor solicited investments from pickleball players and fans from across the United States, usually in the form of promissory notes with generous interest rates, until several unpaid investors filed an involuntary bankruptcy petition against him. As part of its extensive investigation, the USTP’s Indianapolis office obtained the debtor’s personal and business financial records and examined him under oath. Ultimately, the debtor—who also faced allegations from multiple creditors—agreed to waive his discharge.

DEBTORS WHO HID FOREIGN ASSETS WAIVE \$14.6 MILLION DISCHARGE BEFORE TRIAL

A couple who failed to disclose foreign assets waived their chapter 7 discharge of more than \$14.6 million after a USTP investigation. The debtors listed a \$2 million home as their only real estate and two bank accounts with small balances. They also disclosed that they had established a trust for their descendants but claimed no interest in trust assets as owners or beneficiaries. An investigation by the USTP’s Dallas office, however, revealed that the debtors owned several other properties and bank accounts in Dubai and Pakistan and that they used funds from the trust to pay personal expenses. The USTP filed a complaint to bar the debtors’ bankruptcy discharge for making false oaths; concealing assets; failing to maintain financial records; failing to cooperate with the case trustee’s document requests; and refusing to obey a court order. One day before trial, the debtors agreed to waive their discharge.

DEBTOR WHO CONCEALED CASH FROM SBA LOAN LOSES DISCHARGE AFTER USTP TRIAL VICTORY

The USTP’s St. Louis office obtained a judgment after trial against a debtor who lied in his chapter 7 case about the proceeds of a \$500,000 loan from the Small Business Administration to his restaurant business. Before bankruptcy, the debtor cashed out his business account and stashed the money in a safe. In his schedules of assets and liabilities, the debtor disclosed his personal guarantee of the SBA loan but did not mention the cash in his possession. After the USTP inquired about the use of the loan proceeds, the debtor finally disclosed the cash in his safe and turned it over to the chapter 7 trustee to administer as part of the bankruptcy estate. The USTP filed a complaint to deny the debtor a discharge, and the debtor argued in defense that the loan funds belonged to the business and did not need to be disclosed. After a trial, the Bankruptcy Court for the Eastern District of Missouri found the debtor’s explanation was not credible and entered judgment in the USTP’s favor, preventing the debtor’s chapter 7 discharge of more than \$2.2 million in unsecured debt.

DEBTOR AUDITS

Under federal law, the Program contracts with independent firms to perform audits of individual chapter 7 and 13 cases to determine the accuracy, veracity, and completeness of information that debtors provide in their bankruptcy papers. The most substantial audit findings may prompt the USTP to seek dismissal of a debtor’s case or denial of a debtor’s bankruptcy discharge. For more information, see the [public reports on debtor audits by the USTP](#).

CONSUMER DEBTOR PROTECTION

The USTP maintains a robust consumer protection practice to investigate and pursue actions against fraudsters and others who exploit consumers in financial distress. In FY 2025, the Program initiated more than 2,300 actions and informal inquiries to protect vulnerable debtors from wrongdoing by bankruptcy petition preparers, attorneys, creditors, and others. The USTP also takes steps to address emerging issues and remedy patterns of misconduct, especially when the misconduct is large-scale or spread across multiple jurisdictions.

**CIVIL ENFORCEMENT ACTIVITY
IN CONSUMER PROTECTION MATTERS**

TYPE OF ACTIVITY	INQUIRIES	ACTIONS	ACTION SUCCESS RATE	POTENTIAL FINANCIAL IMPACT ³
§ 110 Bankruptcy Petition Preparers	342	67	98.3%	\$523
§ 329 Attorney Fee Disgorgement	1,161	216	99.2%	\$3,381
§ 526 Debt Relief Agencies	64	10	100%	\$1,461
Other Attorney Misconduct	288	29	95%	\$29
Abusive Conduct by Creditors	143	9	100%	\$199

Through its appellate group, the USTP successfully preserved the Program’s ability to combat abuse by bankruptcy professionals and others by ensuring that bankruptcy courts remain the forum for deciding those claims. The U.S. Court of Appeals for the Third Circuit agreed with the USTP’s position and held that a bankruptcy court did not deny a law firm its constitutional right to a jury trial by ruling on its debtor clients’ motion challenging its fees.⁴ The bankruptcy court ordered the firm to disgorge all fees already paid and canceled all fees still owed in connection with the bankruptcy case, which totaled over \$150,000, because the firm had failed to comply with its disclosure obligations under the Bankruptcy Code and Bankruptcy Rules, including failing to disclose a post-filing fee agreement to the bankruptcy court and other stakeholders. When the dispute reached the Third Circuit, the USTP filed an amicus brief that was crucial to the resolution of the matter. The Third Circuit affirmed the bankruptcy court’s order as a valid exercise of its constitutional and statutory authority to address abusive conduct.

³ Dollars in thousands.

⁴ *In re Aquilino*, 135 F.4th 119 (3d Cir. 2025).

Bankruptcy Petition Preparers

A particularly successful element of the Program’s consumer protection practice is its initiative to root out and stop unscrupulous bankruptcy petition preparers. The Bankruptcy Code strictly regulates the services of bankruptcy petition preparers, commonly known as BPPs. BPPs are not attorneys, cannot give legal advice or practice law, and generally are limited to typing information provided by debtors into bankruptcy forms for the debtors to file. The Code requires BPPs to disclose information about their fees and their services to the debtors and to the bankruptcy court. In FY 2025, the USTP took 67 enforcement actions against BPPs, with a 98.3 percent success rate.

For example, the USTP’s Shreveport office obtained a judgment imposing more than \$1.1 million in civil penalties, fines, damages, and fees against 12 defendants who collaborated in a nationwide scheme to defraud homeowners facing foreclosure.⁶ After a trial on the USTP’s complaint, the Bankruptcy Court for the Western District of Louisiana entered judgment based on “overwhelming evidence” that the defendants carried out a scheme in which homeowners were “shunted into frivolous *pro se* bankruptcy cases” so that the defendants could continue billing the homeowners under the pretense of gaining time to negotiate loan modifications. The USTP introduced evidence at trial showing that the scheme resulted in at least 186 abusive bankruptcy filings. The court concluded that each of the defendants had abused multiple sections of the Bankruptcy Code governing BPPs, debt relief agencies, and attorneys.

4 INDIVIDUALS SANCTIONED FOR FORGING BANKRUPTCY PETITIONS FOR DEAD PERSON

In the Northern District of Georgia, the USTP’s Atlanta office obtained sanctions against four individuals connected to the filing of four fraudulent bankruptcy petitions bearing forged signatures of a dead person in a scheme to stall a foreclosure and gain possession of real property.⁵ Each of the four successive petitions halted a scheduled foreclosure sale of the decedent’s property, which had been fraudulently deeded postmortem to a company controlled by one of the four individuals. Based on evidence presented by the USTP, the court found that the four individuals knowingly engaged in a fraud on the court and entered an order prohibiting them from presenting further bankruptcy petitions to the court unless they are the named debtor or the named debtor’s attorney.

Attorney Misconduct

Another USTP priority is addressing misconduct by consumer debtors’ attorneys. This includes attorneys failing to carry out their basic obligations by not meeting with the debtors, not attending court proceedings, or engaging in other unprofessional behavior. In egregious cases, attorneys have engaged in fraud by lying to their clients or the court or misrepresenting their services. In FY 2025, the Program took nearly 1,700 formal and informal actions against attorneys who violated the standards imposed by the Bankruptcy Code and Rules, with a total of more than \$3.4 million in attorney’s fees refunded to debtors. The USTP’s enforcement actions in this area have also led to other remedies such as the cancellation of retention contracts, civil penalties, injunctions, and other sanctions.

In one notable action, the USTP’s Detroit office obtained a judgment imposing more than \$392,000 in penalties and a three-year suspension against a nationwide consumer bankruptcy law firm that made false and misleading

⁵ *Townson v. Clark, et al. (In re Acree)*, No. 23-53135, 2025 Bankr. LEXIS 377, 2025 WL 567155 (Bankr. N.D. Ga. Feb. 20, 2025).

⁶ *Asbach v. Kealy, et al. (In re Martin)*, 675 B.R. 754 (Bankr. W.D. La. 2025).

disclosures in more than 200 bankruptcy cases.⁷ The Bankruptcy Court for the Eastern District of Michigan found that the law firm intentionally violated provisions of the Bankruptcy Code and Bankruptcy Rules governing disclosure of attorney compensation and the practices of debt relief agencies. The court credited the USTP's evidence of 220 cases filed in the district in which the firm was responsible for untrue or misleading disclosures about its involvement or its fee-sharing arrangements.

⁷ *Sweet, et al. v. Majors Law, PLLC, et al. (In re Shastal)*, Ch. 7 Case No. 20-31468, Adv. No. 24-03033, 2025 Bankr. LEXIS 2323, 2025 WL 2671579 (Bankr. E.D. Mich. Sept. 17, 2025).

CHAPTER 11 BUSINESS CASES

The USTP carries out significant responsibilities in chapter 11 business reorganization cases, which are the most resource-intensive and high-profile bankruptcies. The Program does not substitute its business judgment for that of a debtor's management or creditors. Rather, the USTP works to protect the interests of all stakeholders in a case by advocating for strict compliance with the law and promoting transparency and accountability.

CIVIL ENFORCEMENT ACTIVITY IN CHAPTER 11 CASES

TYPE OF ACTIVITY	INQUIRIES	ACTIONS	ACTION SUCCESS RATE
§ 327 Employment of Professionals	1,778	446	92.7%
§ 330 Professional Fee Requests	1,552	280	91.2%
§ 503(c) Key Employee Retention Plans	39	16	81.3%
§ 1103 Employment of Professionals	134	8	85.7%
§ 1104 Appointment of Trustee/Examiner	12	46	94.7%
§ 1112(b) Conversion or Dismissal	1,811	1,952	98.4%
§ 1125 Disclosure Statements	209	228	91.2%
§ 1129 Plan Confirmation	749	660	91.5%
DIP Financing/Cash Collateral Agreements	490	280	94.1%

One prominent outcome of the USTP's advocacy was the Supreme Court's 2024 decision in *Harrington v. Purdue Pharma L.P.*⁸ In *Purdue Pharma*, the court agreed with the Program's long-standing position that although the Bankruptcy Code allows the adjustment of debtor-creditor relationships, it does not authorize releases of creditors' claims against non-debtor third parties without those creditors' consent. The Court did not define what constitutes consent for non-debtor releases in bankruptcy cases.

Because the issue remains unsettled, the USTP continues to litigate against non-debtor releases that would bind creditors without their affirmative and voluntary consent. The post-*Purdue* litigation is important and advances the USTP's role as the watchdog of the bankruptcy system. Offending consent provisions deny creditors who are involuntary parties to the debtor's bankruptcy the right to decide for themselves how to pursue their claims against other non-debtors. And the USTP's efforts have made a difference. For example, a USTP objection prompted the

⁸ *Harrington v. Purdue Pharma L.P.* (In re *Purdue Pharma*), 603 U.S. 204, 144 S. Ct. 2071, 219 L. Ed. 2d 721 (2024).

Diocese of Rockville Centre, N.Y., to amend the proposed third-party releases in its plan of reorganization. The diocese filed for chapter 11 relief to deal with more than 500 new sexual abuse claims against clergy members after the statute of limitations was extended. As originally proposed, the plan required the survivors to release any claims against the diocese’s insurance carriers as a condition to receiving distributions from the bankruptcy estate—which rendered the releases involuntary and contrary to the *Purdue* ruling. After the USTP objected on those grounds, the diocese amended the plan to let abuse claimants choose whether to retain their claims against the insurance carriers or instead receive additional compensation from the insurers in exchange for a release. The bankruptcy court subsequently confirmed the diocese’s plan.¹⁰

The USTP’s other responsibilities include:

- Moving to dismiss chapter 11 cases—or convert them to chapter 7 liquidations—when they are not progressing toward financial rehabilitation;
- Appointing chapter 11 trustees and examiners;
- Appointing official committees to represent creditors’ interests;
- Objecting to the retention and compensation of professionals, such as attorneys and financial advisors, who have conflicts of interest or who fail to disclose their connections to other parties;
- Reviewing and objecting to disclosure statements and plans of reorganization to ensure compliance with the Code;
- Appointing consumer privacy ombudsmen to assist the bankruptcy courts in evaluating debtors’ sales of private data;

USTP APPOINTS OMBUDSMAN TO PROTECT PRIVACY OF CONSUMERS’ GENETIC DATA

The Bankruptcy Code provides for the appointment of an independent consumer privacy ombudsman, or CPO, when a debtor proposes to sell personally identifiable information in a manner inconsistent with the debtor’s privacy policy. The CPO’s role is to assist the court in evaluating the proposed sale in light of the significant public policy interest in protecting consumers’ privacy.

In the Eastern District of Missouri, the international genetic testing company 23andMe filed for chapter 11 bankruptcy and sought an expedited sale of its assets, including the databases containing genetic, health, and other personal information for more than 15.5 million customers. The case raised unique issues regarding the handling and potential sale of genetic information. The debtor initially proposed a “consumer data representative” that it alone would select, with a far narrower role in analyzing the sale. The USTP’s St. Louis office opposed the debtor’s request and filed a motion to appoint a CPO or examiner. Twenty-seven state attorneys general joined in the USTP’s motion or filed complementary motions. Ultimately, the debtor agreed to an order granting the CPO motions,⁹ and the USTP—after consulting with multiple parties and conducting a national search—appointed an expert in privacy and information law as the CPO. Following the CPO’s report, the bankruptcy court approved the sale.

⁹ *In re 23andMe Holding Co.*, No. 25-40976, Dkt. No. 346 (Bankr. E.D. Mo. Apr. 29, 2025).

¹⁰ *In re the Roman Catholic Diocese of Rockville Centre, New York, et al.*, No. 20-12345, Dkt. No. 3465 (Bankr. S.D.N.Y. Dec. 4, 2024).

- Appointing patient care ombudsmen to ensure that medical providers in bankruptcy maintain adequate levels of care; and
- Enforcing the Code’s limits on executive compensation.

The USTP also has substantial duties in small business cases filed under the streamlined provisions of subchapter V of chapter 11. These include the appointment and supervision of subchapter V trustees, whose primary functions are to evaluate the viability of a debtor’s business and facilitate the development of a consensual plan of reorganization. In addition, the USTP plays an integral role in policing debtors’ eligibility to elect subchapter V to ensure that it is available only to the small business debtors that Congress intended to benefit from the favorable provisions of subchapter V. Among other eligibility criteria, a small business debtor cannot proceed under subchapter V if its liabilities exceed certain statutory limits, and at least half of its debt must arise from its commercial or business activities.

CHAPTER 11 TRUSTEES AND EXAMINERS

By default, a chapter 11 debtor remains in possession of the bankruptcy estate with virtually all the rights, powers, and duties of a trustee. But that privilege is not absolute. When a debtor’s managers have engaged in fraud, dishonesty, incompetence, or gross mismanagement, the USTP seeks the appointment of a trustee to take control of the debtor’s affairs and develop a plan of reorganization. Alternatively, the USTP may request the appointment of an examiner to investigate the debtor’s financial affairs and file a public report of the investigation’s findings.

USTP PREVAILS IN APPEAL BY DEBTOR WHO WRONGLY CLAIMED SUBCHAPTER V ELIGIBILITY

The U.S. Court of Appeals for the Ninth Circuit agreed with the USTP’s position and affirmed the lower courts’ decisions sustaining the USTP’s objection to an individual debtor’s election to proceed under subchapter V.¹¹ The debtor was a doctor who had incurred substantial debt to attend medical school, then worked for several years as an employee of other medical practices before opening her own. When she filed her bankruptcy petition, she claimed that her medical school debt—which made up the majority of her total liabilities—arose from commercial or business activities because her medical degree was required in order to own and operate her own practice. The Ninth Circuit agreed with the USTP, and affirmed the rulings of the bankruptcy court and the district court that the debtor was ineligible for subchapter V relief because the medical school debt did not arise from the debtor’s commercial or business activities. The panel noted that the debtor did not own or operate a business until more than a decade after she began medical school, and that the debtor had not shown that she had a concrete plan to open her own medical practice either at the time she took out her student loans or in the years immediately following her graduation from medical school.

For example, in the District of Nebraska, the USTP successfully moved for the appointment of a chapter 11 trustee to administer the estate of Rock Medical Group based on several questionable transfers before and after the health care company’s bankruptcy filing.¹² An investigation by the USTP’s Omaha office revealed that in the year before the filing, one of the company’s principals transferred more than \$615,000 from company accounts, including numerous transactions through Venmo and withdrawals at ATMs near casinos. Additionally, several of the principal’s family members were on the company payroll and received thousands of dollars before and after the bankruptcy filing

¹¹ *Reis v. Garvin (In re Reis)*, No. 24-4201, 2025 U.S. App. LEXIS 4473, 2025 WL 618363 (9th Cir. Feb. 26, 2025).

¹² *In re Rock Med. Grp., LLC*, No. 24-81090, Dkt. No. 95 (Bankr. D. Neb. Feb. 4, 2025).

despite providing no services to the debtor. The debtor initially objected to the USTP's motion to appoint a chapter 11 trustee but eventually withdrew its opposition, and the bankruptcy court granted the motion.

PROFESSIONAL RETENTION, DISCLOSURES, AND FEES

The Bankruptcy Code requires professionals whose fees are paid from the bankruptcy estate, such as attorneys and financial advisors for the debtor and official creditors' committees appointed by the USTP, to be free of conflicting interests and to be retained on reasonable terms that do not take advantage of the debtor or other parties with interests in the estate. To ensure their ability to provide undivided loyalty and untainted advice, in seeking retention estate-paid professionals must disclose all of their connections to the debtor, creditors, and any other interested party. The Program objects to retention applications when the disclosures are incomplete or vague or when a professional's connections amount to a conflict of interest. The USTP also objects when a professional seeks to condition the employment on inappropriate, overreaching terms, such as limitations of liability. Once professionals are retained, the USTP monitors their requests for fees and reimbursement of expenses, and objects when the amounts sought are unreasonable or do not benefit the estate.

For instance, the USTP successfully objected to the debtor's retention of a law firm as bankruptcy co-counsel to chapter 11 debtor Franchise Group, Inc.¹⁵ The retention application and the firm's supporting disclosures revealed the firm's extensive representations of the debtor's chief executive and his affiliated companies in pre-bankruptcy matters, including a take-private transaction involving the debtor. An inquiry by the USTP's Wilmington office also revealed two matters that the firm was required to disclose. The USTP objected to the retention based on the firm's lack of full disclosure and conflict of interest, and after an evidentiary hearing, the Bankruptcy Court for the District of Delaware agreed and denied the retention application.

USTP WINS APPEAL BY CREDITORS' GROUP THAT SOUGHT IMPERMISSIBLE LEGAL FEES

The U.S. District Court for the District of Delaware agreed with the USTP's position and affirmed the bankruptcy court's decision denying a request for \$21 million in counsel fees by an ad hoc coalition of sexual abuse tort claimants in the Boy Scouts of America bankruptcy.¹³ Tort lawyers representing 60,000 survivors formed the coalition because of strategic disagreements with the official tort claimants' committee appointed by the USTP. After the Boy Scouts confirmed a plan of reorganization, the coalition sought its legal fees from the bankruptcy estate, arguing that either of two Bankruptcy Code provisions authorized payment. The district court agreed with the USTP that the bankruptcy court properly denied the fee request under both provisions. The district court held that the payment could not be approved as a valid exercise of the debtors' business judgment because the Bankruptcy Code's plain language only authorizes debtors to make such requests. And it held that the bankruptcy court did not err in finding that the coalition did not make a substantial contribution to the chapter 11 case because its services were duplicative or designed to serve its own interests, not the estate's. The coalition then appealed again, to the U.S. Court of Appeals for the Third Circuit, which affirmed the lower courts' decisions for similar reasons.¹⁴

¹³ *Coal. of Abused Scouts for Just. v. Off. of the U.S. Trustee (In re Boy Scouts of Am.)*, 666 B.R. 489 (D. Del. 2025).

¹⁴ *In re Boy Scouts of Am., et al.*, No. 25-1136, 2025 U.S. App. LEXIS 30514, 2025 WL 3251775 (3d Cir. Nov. 10, 2025).

¹⁵ *In re Franchise Grp., Inc.*, No. 24-12480, Dkt. No. 976 (Bankr. D. Del. Feb. 13, 2025).

EXECUTIVE COMPENSATION

The Bankruptcy Code restricts debtors' executive compensation and bars inappropriate bonuses to insiders. This is intended to limit debtors' use of a "key employee retention program," or KERP, to pay large sums to managers for staying with the debtor through bankruptcy. Debtors frequently seek approval of compensation programs that are designated as incentive plans but in reality are veiled retention plans, which are subject to more stringent standards for approval. The USTP closely scrutinizes proposed bonus plans, no matter how they are labeled, and is frequently the only party to object to inappropriate bonuses.

The USTP's Houston office successfully litigated against a disguised retention plan in the chapter 11 case of Wellpath Holdings in the Southern District of Texas.¹⁶ Wellpath sought approval to pay about \$4.6 million in bonuses to 12 officers and directors in what the debtor characterized as an incentive plan. The USTP objected, arguing that the bonuses were effectively retention payments because they were unnecessary to incentivize their intended recipients. Each performance target was already required by a pre-bankruptcy restructuring support agreement and was either already achieved or easily accomplishable, and therefore did not meet the Code's narrow criteria for a permissible incentive plan. After a contested hearing, Wellpath withdrew the request.

¹⁶ *In re Wellpath Holdings, Inc.*, No. 24-90533, Dkt. No. 1533 (Bankr. S.D. Tex. Feb. 24, 2025).

TRUSTEE OVERSIGHT

The USTP appoints and supervises private trustees who administer bankruptcy cases under chapters 7, 12, and 13 of the Bankruptcy Code. The private trustees support the bankruptcy system in affording “honest but unfortunate” debtors a fresh start and efficiently distributing assets to repay creditors, which benefit the national economy. In FY 2025, there were more than 900 chapter 7, 12, and 13 private trustees appointed by the Program who handled the day-to-day activities of more than 1 million pending bankruptcy cases. On average, these trustees distribute about \$7 billion annually to creditors and other parties from the administration of bankruptcy estates.

The Program also oversees the activities of nearly 240 private trustees under subchapter V of chapter 11. The USTP appoints subchapter V trustees case by case from pools across the country. The trustees’ primary goal is to facilitate the confirmation of consensual plans of reorganization by qualifying small business debtors.

Trustees are fiduciaries of the bankruptcy estates they administer, and trustee supervision is a top USTP priority. Effective supervision takes many forms, including providing policy guidance to private trustees concerning their duties to debtors, creditors, and other parties in interest; training trustees and evaluating their performance; and auditing their financial operations.

When necessary, the USTP takes enforcement or remedial action to ensure the trustees’ effective administration of estate assets and compliance with the Bankruptcy Code. In the rare situation in which a trustee demonstrates an inability to perform their duties appropriately or otherwise commits misconduct, the USTP may suspend or terminate the trustee from receiving new cases. Circumstances that may prompt suspension or termination include:

- **Conflicts of interest.** Trustees must be “disinterested”—free of any connections or conflicts with debtors, creditors, or other parties—when administering cases. Trustees are expected to decline assignments to cases that might give rise to a conflict and to resign from cases where conflicts develop.
- **Ineligibility.** Trustees must reside or have an office in the judicial district in which they administer cases (or in an adjacent district).¹⁸ They must be physically present to preserve, safeguard, and administer estate assets and personally involved in fulfilling their duties and fiduciary obligations as trustees.

USTP PREVAILS IN APPEAL OVER CHAPTER 7 TRUSTEE’S REMOVAL FOR MISCONDUCT

The Bankruptcy Appellate Panel of the Ninth Circuit agreed with the USTP’s position and upheld the removal of a private chapter 7 trustee for personal misconduct.¹⁷ The trustee challenged a bankruptcy court order granting the USTP’s motion to remove the trustee from her assigned cases because, among other reasons, she misrepresented her finances on a Small Business Administration loan application and misused the proceeds. On appeal, the trustee argued that conduct unrelated to her work could not constitute cause for removal. The panel rejected that argument, agreeing with the USTP that the statutory definition of “cause” for removal was broad enough to encompass misconduct outside the performance of a trustee’s duties.

¹⁷ *Schoenmann v. U.S. Trustee (In re Li’s Cap. LLC)*, No. NC-24-1096-FBC, 2025 Bankr. LEXIS 902, 2025 WL 1066799 (B.A.P. 9th Cir. Apr. 8, 2025), *appeal docketed*, No. 25-3556 (9th Cir. June 5, 2025).

¹⁸ 11 U.S.C. § 321(a)(1).

- **Performance deficiencies**, including failure to safeguard or account for estate funds and assets; failure to perform duties in a timely and consistently satisfactory manner; failure to comply with the Code, the Bankruptcy Rules, and local court rules; and failure to cooperate and comply with orders, instructions, and policies of the court, the clerk of the bankruptcy court, or the USTP.

The Bankruptcy Code also provides that a court can remove a trustee from one or more of their assigned cases for cause. In the most egregious instances of performance deficiencies or misconduct, the USTP—or the court itself or other parties—may raise whether the trustee’s removal is warranted.

As part of its oversight responsibilities, in FY 2025 the USTP:

- Reviewed about 35,000 final reports to ensure that chapter 7 cases were administered in compliance with the Bankruptcy Code and funds were properly distributed to creditors and other parties.
- Reviewed more than 700 interim reports prepared by chapter 7 trustees to monitor their case administration progress and ongoing accountability for estate funds and other assets.
- Reviewed about 2,200 chapter 12 and chapter 13 monthly reports, which allow the USTP to monitor activity in the trust and expense accounts and other information related to collateralization of funds and the amount of the trustees’ bonds.
- Oversaw 189 audits of chapter 7 trustees by independent certified professional accountants and conducted 12 field exams of chapter 7 trustees by USTP staff. These audits and exams are designed to verify that the trustees’ accounting, reporting, and case management practices are sufficient to safeguard bankruptcy estate funds and that bankruptcy cases are being properly administered. As a result of findings of inadequate internal control practices or procedures, two chapter 7 trustees resigned in lieu of termination, and the USTP suspended two other chapter 7 trustees while they address the adverse findings.
- Oversaw 165 audits of chapter 13 trustees and 4 audits of chapter 12 trustees by independent certified professional accountants to determine the adequacy of internal controls over trust funds, the accuracy of amounts and disclosures in the trustees’ required annual reporting, and compliance with the Code, as well as USTP policies and guidelines regarding case administration and the handling of estate funds.
- Reviewed 191 annual budgets for chapter 12 and chapter 13 trustees to ensure requested expenditures were reasonable and necessary for the administration of cases, in compliance with the Code.
- Reviewed nearly 1,000 monthly reports prepared by chapter 11 subchapter V trustees.

CRIMINAL ENFORCEMENT

The USTP has a statutory duty to refer matters that “relate to the occurrence of any action which may constitute a crime” to the U.S. Attorneys’ offices for investigation and prosecution, and to assist the U.S. Attorneys in “carrying out prosecutions based on such action.”¹⁹ In addition, federal law requires designation of a prosecutor and a Federal Bureau of Investigation agent in each judicial district to address bankruptcy-related crimes,²⁰ affirming the importance of the partnership between the USTP and law enforcement in protecting the integrity of the bankruptcy system and the detection and prosecution of other serious crimes.

The USTP’s role in criminal enforcement includes:

- Referring and assisting in the investigation of suspected bankruptcy fraud;
- Serving as Special Assistant U.S. Attorneys who lead or assist in the prosecution of bankruptcy and bankruptcy-related crimes;
- Testifying as expert, process, or fact witnesses; and
- Serving as a resource for information, education, and training on the bankruptcy system and its interaction with crimes such as identity theft, mortgage fraud, federal benefits fraud, money laundering, and credit card fraud.

CRIMINAL REFERRALS

In FY 2025, the USTP made 2,263 bankruptcy and bankruptcy-related criminal referrals, a 2.4 percent increase from the previous fiscal year. The five most common allegations involved tax fraud; false oaths or statements; a bankruptcy fraud scheme; mail or wire fraud; and concealment.

BANKRUPTCY FRAUD HOTLINE

On its website, the USTP maintains a bankruptcy fraud hotline²¹ that offers a convenient means to report suspected bankruptcy fraud. Users can also provide supporting documentation and specific information that may be useful in investigations. In FY 2025, the USTP documented more than 700 submissions from the public and made more than

DEBTORS’ PRINCIPAL GETS 120 MONTHS IN PRISON FOR PPP LOAN FRAUD SCHEME

In May 2025, in the District of Kansas, a former principal of two chapter 11 debtors was sentenced to 120 months in prison followed by two years of supervised release and ordered to pay \$3,778,695 in restitution. A federal jury found him guilty of making false statements in loan applications, wire fraud, and aggravated identity theft. Among other things, the defendant made false statements in Paycheck Protection Program loan applications submitted on the debtors’ behalf, including omitting the fact that the debtors were in bankruptcy and that the defendant had filed his own individual bankruptcy. He also forged the names of two of his business partners and directed his employees to pretend to be those partners to obtain business funding. The USTP’s Wichita office referred the matter to the U.S. Attorney and provided additional information about the bankruptcy process and the bankruptcy case to law enforcement.

¹⁹ 28 U.S.C. § 586(a)(3)(F).

²⁰ 18 U.S.C. § 158.

²¹ <https://www.justice.gov/ust/report-suspected-bankruptcy-fraud>.

120 referrals based on a hotline submission or other tip. Although not all submissions rise to the level of a criminal referral, they may lead to a civil enforcement action.

BANKRUPTCY FRAUD WORKING GROUPS

During FY 2025, the USTP participated in nearly 50 local bankruptcy fraud working groups and other specialized task forces throughout the country. Members of these working groups and task forces include representatives from the U.S. Attorneys' offices, the FBI, the U.S. Postal Inspection Service, Internal Revenue Service–Criminal Investigation, and offices of the Inspector General for the Social Security Administration, the Department of Housing and Urban Development, the U.S. Secret Service, and the Federal Housing Finance Agency. Working groups and task forces provide an effective forum for consultation between the USTP and its law enforcement partners and allow the USTP to draw on the collective experience and expertise of the groups to investigate and effectively address fraud and abuse in the bankruptcy system.

One example of a successful collaboration was in the Western District of Wisconsin. In June 2025, a former chapter 11 individual debtor was sentenced to 84 months in prison followed by three years of supervised release, ordered to pay a \$500,000 fine, and ordered to reimburse the government for the cost of his public defender. A federal jury convicted the defendant of making a false declaration in relation to his bankruptcy case, bankruptcy fraud, and criminal contempt of court. The defendant filed for bankruptcy in 2022. In his bankruptcy schedules, he falsely stated that he had no real estate, retirement accounts, trusts, partnerships, or business-related property, and that he had only one bank account with a balance of \$195. In reality, he had about \$20 million in assets hidden behind dozens of sham trusts and partnerships. His bankruptcy documents also stated he had not sold real estate in the past two years, when in fact he had sold a waterfront home in Key West, Florida, for more than \$3 million. The defendant also violated a bankruptcy court order that prohibited him from transferring assets held by businesses he owned and any other business he was associated with during the bankruptcy case. The defendant violated the order by transferring real estate and draining bank accounts. He also hid more than \$1 million in cash in a crawl space under his house and used an unwitting individual to transfer a parcel of real estate. The USTP's Madison office successfully moved to convert the chapter 11 case to chapter 7 and obtained a waiver of the debtor's discharge. The office discussed the matter at a bankruptcy fraud working group meeting that included the FBI and also referred the matter to the U.S. Attorney and provided information to the FBI and state and local law enforcement.

ANNUAL REPORT TO CONGRESS

Section 1175 of the Violence Against Women and Department of Justice Reauthorization Act of 2005, Pub. L. No. 109-162, requires the EOUST's Director to submit a "report to Congress detailing—(1) the number and types of criminal referrals made by the United States Trustee Program; (2) the outcomes of each criminal referral; (3) for any year in which the number of criminal referrals is less than for the prior year, an explanation of the decrease; and (4) the United States Trustee Program's efforts to prevent bankruptcy fraud and abuse, particularly with respect to the establishment of uniform internal controls to detect common, higher risk frauds, such as a debtor's failure to disclose all assets."

For more information about the USTP's criminal enforcement efforts, see the [Reports to Congress on Criminal Referrals by the USTP](#).