

Ethics and Bankruptcy

(1) Scams

- (a) Recent fictitious email to debtors' attorneys from what appears to be from a Bankruptcy Court email address asking them to see the attachment. This was a phishing scam.
- (b) Recent letter to debtors stating they failed to disclose assets and that they needed to pay \$450 to avoid having it reported to UST. Scammer "Bankruptcy Fraud Watchdog Group."
- (c) Mortgage Rescue Schemes- individual or business contact debtors to "help" save them from foreclosure sale. In some cases, fraudsters ask debtors to transfer title to home and then charge them exorbitant fees that usually results in debtor losing home anyway.
- (d) UST Notice to Pro Se Debtors- inquiry on assistance received on petition and schedules-preparation.

(2) Use of Artificial Intelligence in Bankruptcy

- (a) What is it? Common uses.
- (b) How is it being used in Law and Ethical considerations?
- (c) ABA Formal Ethics Opinion -dated 7-29-24
- (d) Court Restrictions and Rules
- (e) Delaware Bankruptcy Rules Regarding AI
- (f) Delaware Supreme Court Interim Policy for Internal Use of AI
- (g) The Delaware Personal Data Privacy Act -effective 1/1/25-attached

(3) Special problems for Lawyers in Chapter 13

- (a) Judicial Estoppel on pre -petition Third party claims
- (b) Duties on Repeat/serial filers
- (c) Proper Preparation of Petition Schedules/Bare Bones filings without sufficient information, providing basic service, meeting with client, failing to query Pacer for repeat filings etc.

SCAMS

(a) **Recent fictitious email** to debtors' attorneys from what appears to be from a Bankruptcy Court email address asking them to see the attachment. This was a phishing scam.

-See attached email used in Phishing scam.

(b) **Recent letter to debtors** stating they failed to disclose assets and that they needed to pay \$450 to avoid having it reported to UST. Scammer "Bankruptcy Fraud Watchdog Group."

-See Notice from the US Trustee and copy of letter used sent by scammers.

(c) **Mortgage Rescue Schemes-** individual or business contact debtors to "help" save them from foreclosure sale. In some cases, fraudsters ask debtors to transfer title to home and then charge them exorbitant fees that usually results in debtor losing home anyway.

-See Notice from US Trustee on Bankruptcy foreclosure or Mortgage Rescue Scams

(d) **UST Notice to Pro Se Debtors-** inquiry on assistance received on petition and schedules-preparation.

-See US Trustee Notice to Pro Se Debtors seeking information on petition preparers.

----- Original message -----

From: updates8@uscourts.gov.ecf.digital

Date: 11/6/24 2:18 PM (GMT+01:00)

To: [REDACTED]

Subject: NOTICE OF ELECTRONIC FILING [NEF] - [REDACTED]

***** IMPORTANT NOTICE - READ THIS INFORMATION *****
NOTICE OF ELECTRONIC FILING [NEF]

To: [REDACTED]

Receiver: [REDACTED]

Official File Stamp: 11-6-2024

Notification Date: 11-6-2024

Court: US District

Attn: [REDACTED]

The attached filing has been submitted to the court.

The Case and filing information are in the filing document.

You're required to provide a response to the filing by **Wednesday November 6th, 2024**.

You may review this filing by following the information in the attached file.

Please let me know if you have any questions.

United States District Court.

CAUTION - EXTERNAL EMAIL: This email originated outside the Judiciary. Exercise caution when opening attachments or clicking on links.

U.S. Trustee Program Warns Consumers of Bankruptcy Fraud Alert Scam

Wednesday, November 13, 2024

Individuals in financial distress are common targets for scammers. A scam operator calling itself the “Bankruptcy Fraud Watchdog Group” has recently set its sights on consumer debtors, sending letters falsely accusing debtors of failing to disclose assets in their bankruptcy cases. These letters threaten referrals to “the United States Bankruptcy Trustee” for fraud unless the debtors promptly pay “a one-time amnesty fine” of \$450 in Bitcoin via a QR code to avoid “further legal consequences.” They also falsely state that debtors who share the letters with their attorneys will face “immediate referral for criminal prosecution.”

As the *actual* watchdog of the bankruptcy system, the U.S. Trustee Program (USTP) identifies and helps investigate allegations of fraud or abuse, including schemes exploiting vulnerable consumers in bankruptcy. Accordingly, debtors should report contacts from the so-called “Bankruptcy Fraud Watchdog Group” or other suspicious communications to the USTP’s bankruptcy fraud hotline or to their local U.S. Trustee office.

Consumer debtors can help protect themselves by looking out for common signs of schemes. For more information on these telltale signs and how to avoid falling victim to a scam, visit the websites of the Federal Bureau of Investigation and the Federal Trade Commission.

Updated November 13, 2024

Topic

BANKRUPTCY

Component

U.S. Trustee Program

Related Content

BEWARE; Troubling Scam Perpetrated on New Debtors

The Academy (<https://considerchapter13.org/authors/the-academy/>).

- November 3, 2024 (<https://considerchapter13.org/2024/11/>)

Link to Post: (<https://considerchapter13.org/2024/11/O3/beware-troubling-scam-perpetrated-on-new-debtors/>)

Attached here (https://cdn.considerchapter13.org/content/uploads/2024/11/02220639/Bankruptcy-Scam-Khawaja_Redacted.pdf) is a letter that was reported to Chapter 13 Trustee Doug Neway by debtor attorney, Rehan N. Khawaja (<https://fla-bankruptcy.com/>). Khawaja received the letter from one of his clients who recently filed for a Chapter 13 bankruptcy in the Middle District of Florida. Khawaja stated that his client received the attached letter in the mail within days of filing bankruptcy and within the same time period his client was receiving copies of the Petition, etc. from his office. It appeared to the client to be a 'normal' piece of correspondence related to her bankruptcy. Thankfully, she did question it enough to send it to her attorney.

It appears to be a new scam using the public information available from the filed bankruptcy petition. It accuses the debtor of nondisclosure of assets and threatens being reported to the UST. As you can see, the author of the letter offers an out by making an amnesty fine payment to avoid criminal consequences.

If you represent debtors in bankruptcy filings, you should alert them to this scam and tell them to share it with you and do nothing regarding the demand. Scammers are always looking for new ways to compromise vulnerable people and educating your clients is the best way to combat this. If you receive anything that seeks to scam a bankruptcy client, please forward to your Chapter 13 Trustee, the UST and/or the appropriate law enforcement agencies to investigate.

BANKRUPTCY FRAUD WATCHDOG GROUP

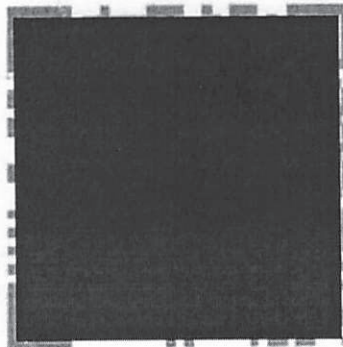
Dear [REDACTED]

We are writing to inform you of a serious matter concerning your recent bankruptcy filing under case 3:24-bk-3[REDACTED]. During our review of your case, we found that you failed to disclose assets in your bank account on your bankruptcy filing. Records show that you intentionally withheld assets in your bank account tied to your Social Security number xxx-xx[REDACTED].

It is important for you to understand that bankruptcy fraud is a criminal offense. Under federal law, not declaring all assets in a bankruptcy filing can lead to substantial penalties, including fines and imprisonment.

To avoid referral of your case to the United States Bankruptcy Trustee for fraud, a one-time amnesty fine of \$450 may be paid to avoid further legal consequences. To pay this fine, you must send payment via Bitcoin in the amount of \$450 using the below QR code. Bitcoin may be purchased using CashApp, Venmo, PayPal or via cash deposit at a local Bitcoin ATM. Locations of Bitcoin ATMs can be found at: www.BitcoinDepot.com

When prompted for the Bitcoin wallet address of where to send the payment, scan the below QR code that is unique to you.



[REDACTED] Failure to pay the \$450 fine within 24 hours will result in referral to the United States Bankruptcy Trustee for fraud. This is a confidential matter. Sharing a copy of this letter with your attorney Rehan Khawaja will result in immediate referral for criminal prosecution.

Sincerely,

Bankruptcy Fraud Watchdog Group



‘Bankruptcy Foreclosure’ Or ‘Mortgage Rescue’ Scams

Don't get “locked out” of your home by a bankruptcy scam operator

Are you having trouble making your home mortgage payments? Are you facing foreclosure on your home? Get all the facts before you pay someone to help you work out your mortgage problems.

“Bankruptcy foreclosure scams” or “mortgage rescue scams” target people whose home mortgages are in trouble. Scam operators advertise over the Internet and in local publications, distribute flyers, or contact people whose homes are listed in the foreclosure notices. Sometimes they direct their appeals to specific religious or ethnic groups.

These scam operators may promise to take care of your problems with your mortgage lender or to obtain refinancing for you. Sometimes they also ask you to pay your mortgage payments directly to the scam operator. They may even ask you to hand over your property deed to the operator, and then make payments to the operator in order to stay in your home.

But instead of contacting your lender or refinancing your loan, the scam operator pockets all the money you paid, and then files a bankruptcy case in your name — sometimes without your knowledge.

A bankruptcy filing often stops a home foreclosure, but only temporarily. If a bankruptcy is filed in your name but you don't participate in the case, the judge will dismiss the case and the foreclosure proceedings will continue.

If this happens, you will lose the money you paid to the scam operator — AND YOU COULD LOSE YOUR HOME.

You will also have a bankruptcy listed on your credit record for years afterward.

Proceed with care if an individual or company:

- Calls itself a “mortgage consultant,” “foreclosure service,” “mortgage rescue service,” or similar name.
- Contacts or advertises to people whose homes are listed for foreclosure.
- Collects a fee before it provides services to you.
- Tells you to make your home mortgage payments directly to the individual or company.
- Tells you to transfer your property deed or title to the individual or company.

If you think an individual or company is running a mortgage foreclosure scam, contact the local office of the United States Trustee. The United States Trustee is a Justice Department official who monitors the bankruptcy system. Look for your local United States Trustee's telephone number on our Web site's [Nationwide Office Locator](#).

Press Contact:

Public Information Officer
Executive Office for U.S. Trustees
(202) 305-7411


Updated July 9, 2024

 **Executive Office for U.S. Trustees**

441 G Street, NW Suite 6150

Washington, DC 20530

ustrustee.program@usdoj.gov

 202-307-1391

IMPORTANT NOTICE REGARDING YOUR CASE

The Office of the U.S. Trustee reviews bankruptcy cases filed without an attorney to ensure that the people filing them have been treated lawfully. Individuals can file for bankruptcy without an attorney but they are sometimes victimized by various dishonest actors seeking to take advantage of a difficult situation.

To assist our review of your case, please complete the form below.

You are not required to fill out the form; it is voluntary.

However, the information you provide can help our office determine if you've been treated unlawfully and/or if you were overcharged for services. Common red flags that indicate wrongdoing include:

- You were advised not to open court mail or attend hearings.
- You were told the case would not be a "real" bankruptcy.
- You were told to lie about a person's assistance that they provided to you.

Voluntary Statement of Bankruptcy Filers Without an Attorney

Name(s): Case Number:

Phone Number: Email:

Where did you get the bankruptcy forms that you filed?

- The Court's website
- Other website:
- Given to me by:
- Other:

Did you sign the bankruptcy forms filed in your case? No. Yes.

Did you have any help completing the bankruptcy forms?

- No.
- Yes. *Please provide the name and contact information for the person or company who helped you if you have it:*

Name:

Email: Phone Number:

Address:

Website:

Did you pay this person or promise to pay them in the future? No. Yes.

If yes, how much have you paid or agreed to pay?

Did this person file your documents with the Court for you? No. Yes.

Did this person talk to you about any of the following: (Check all that apply)

- | | |
|--|--|
| <input type="checkbox"/> Whether to file bankruptcy | <input type="checkbox"/> What property you can keep after bankruptcy |
| <input type="checkbox"/> The different types of bankruptcy | <input type="checkbox"/> Tax consequences of bankruptcy |
| <input type="checkbox"/> How to list your assets or debts | <input type="checkbox"/> Any other advice about bankruptcy |

Before you filed for bankruptcy, did anyone agree to help you with your debts? For example, did anyone offer to help you reduce your credit card or other debt or offer to help prevent the foreclosure of your home or repossession of your car?

- No.
- Yes. *If yes, please complete the information below.*

Name:

Email: Phone Number:

Address:

Website:

Did this person talk to you about bankruptcy options? No. Yes.

Did you sign a contract or agreement with them? No. Yes.

Did you pay this person or promise to pay them in the future? No. Yes.

If yes, how much have you paid or agreed to pay?

Thank you for completing this form. If you have a contract, payment receipts, emails, texts, letters or other documents related to anyone you've identified on this form, you can include a copy of those documents when you submit this form.

Debtor Signature

Joint Debtor Signature

If you have any questions regarding this form, please contact Hannah McCollum at J. Caleb Boggs Federal Building, 844 N. King Street, 2nd Floor, Lockbox 35, Wilmington, DE 19801; (302) 483-2303.

Thank you!