

Nos. 25-2878 and 25-2879 (cons.)

**IN THE
UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT**

IN RE:

STEPHEN FALKNER and AHMED ALAYAH,

Debtors-Appellees,

APPEALS OF: CITY OF CHICAGO

Appeals from the United States Bankruptcy Court for the Northern District of
Illinois, Eastern Division, Nos. 25-bk-09387 and 25-bk-09060
Hon. Donald R. Cassling, Judge Presiding

BRIEF AND APPENDIX OF APPELLANT CITY OF CHICAGO

MARY B. RICHARDSON-LOWRY
Corporation Counsel
of the City of Chicago
2 N. LaSalle Street, Suite 580
Chicago, Illinois 60602
(312) 742-0115
stephen.collins@cityofchicago.org

MYRIAM ZRECZNY KASPER
Deputy Corporation Counsel
DAVID PAUL HOLTKAMP
Deputy Corporation Counsel
SUZANNE M. LOOSE
Chief Assistant Corporation Counsel
STEPHEN G. COLLINS
Assistant Corporation Counsel Supervisor

TABLE OF CONTENTS

TABLE OF AUTHORITIES	ii
JURISDICTIONAL STATEMENT	1
STATEMENT OF THE ISSUES	2
STATEMENT OF THE CASE.....	2
SUMMARY OF ARGUMENT.....	9
ARGUMENT.....	10
I. The Bankruptcy Court Erred by Confirming Plans That Do Not Apply All Disposable Income During the Commitment Periods to Unsecured Creditors.....	11
A. Debtors’ attorneys are ineligible for payments from disposable income during the commitment periods because they are not creditors.....	12
B. The bankruptcy court erred by concluding that debtors’ attorneys are both creditors and administrative expense holders.....	15
1. An entity may not be both a creditor and an administrative expense holder.....	15
2. The City’s position that debtors’ attorneys are not creditors does not conflict with other provisions of the Code.....	21
II. Alternatively, the Plans Should Not Have Been Confirmed Because They Provide for Payment to Creditors Who Did Not Submit a Proof of Claim.....	26
CONCLUSION	28

TABLE OF AUTHORITIES

CASES	Page(s)
<i>Bufkin v. Collins</i> , 604 U.S. 369 (2025).....	19
<i>Hamilton v. Lanning</i> , 560 U.S. 505 (2010).....	2
<i>In re Ames Department Stores, Inc.</i> , 582 F.3d 422 (2d Cir. 2009)	13, 14, 16, 17, 18
<i>In re Barbee</i> , 82 B.R. 470 (Bankr. N.D. Ill. 1988).....	17, 22
<i>In re Brooks</i> , 784 F.3d 380 (7th Cir. 2015).....	11
<i>In re CM Holdings, Inc.</i> , 264 B.R. 141 (Bankr. D. Del. 2000)	14, 17
<i>In re Health Diagnostic Laboratory, Inc.</i> , 557 B.R. 885 (Bankr. E.D. Va. 2016)	14
<i>In re Heller</i> , 105 B.R. 434 (Bankr. N.D. Ill. 1989).....	17
<i>In re Henson</i> , 289 B.R. 741 (Bankr. N.D. Cal. 2003).....	17
<i>In re hhgregg, Inc.</i> , 949 F.3d 1039 (7th Cir. 2020).....	4, 13
<i>In re Hickman</i> , 156 B.R. 243 (Bankr. W.D. Ark. 1993).....	22
<i>In re Klein Sleep Products, Inc.</i> , 78 F.3d 18 (2d Cir. 1996)	20
<i>In re Kmart Corp.</i> , 359 F.3d 866 (7th Cir. 2004).....	17

In re Lanning,
 545 F.3d 1269 (10th Cir. 2008)..... 11, 12

In re marchFirst, Inc.,
 448 B.R. 499 (Bankr. N.D. Ill. 2011)..... 5, 27

In re Miceli,
 587 B.R. 492 (Bankr. N.D. Ill. 2018)..... 24

In re MicroAge, Inc.,
 291 B.R. 503 (B.A.P. 9th Cir. 2002) 17

In re Midway Airlines Corp.,
 406 F.3d 229 (4th Cir. 2005)..... 13

In re Momenta, Inc.,
 455 B.R. 353 (Bankr. D.N.H. 2011) 19

In re Pajian,
 785 F.3d 1161 (7th Cir. 2015)..... 26

In re Reed,
 405 F.3d 338 (5th Cir. 2005)..... 20

In re Sanders,
 341 B.R. 47 (Bankr. N.D. Ala. 2006)..... 21, 22

In re Willett,
 544 F.3d 787 (7th Cir. 2008)..... 23

Peterson v. Somers Dublin Ltd.,
 729 F.3d 741 (7th Cir. 2013)..... 24

Ross v. Blake,
 578 U.S. 632 (2016)..... 12

United States v. Melvin,
 948 F.3d 848 (7th Cir. 2020)..... 10

United Student Aid Funds, Inc. v. Espinosa,
 559 U.S. 260 (2010)..... 1

STATUTES AND OTHER AUTHORITIES

11 U.S.C. § 101(5)(A) 4

11 U.S.C. § 101(10)4, 13, 16

11 U.S.C. § 301(b) 4, 13

11 U.S.C. § 330(a)(4)(B).....4, 14, 21

11 U.S.C. § 348(d) 13

11 U.S.C. § 5014, 18, 20, 26

11 U.S.C. § 5024, 18, 19

11 U.S.C. § 503*passim*

11 U.S.C. § 507 20, 21

11 U.S.C § 704(a)(1) 2

11 U.S.C. § 707(b)(2)(A)(ii)(III) 12

11 U.S.C. § 726 20, 22

11 U.S.C. § 1306(b) 2

11 U.S.C. § 1322 2, 3, 20, 22, 23

11 U.S.C. § 1324(a) 2

11 U.S.C. § 1325*passim*

11 U.S.C. § 13265, 22, 23

15 U.S.C. § 1692a(4) 15

28 U.S.C. § 158(d)(2)(A)..... 1

28 U.S.C. § 586(e)(2)..... 12

151 Cong. Rec. S2316 (daily ed. Mar. 9, 2005) (statement of Sen. Feingold) 25

Fed. R. Bankr. P. 1002 2

Fed. R. Bankr. P. 2016 4, 18

Fed. R. Bankr. P. 9013 4, 18

Fed. R. Bankr. P. 3015(b)..... 3

Fed. R. Bankr. P. 3002 4, 18, 19, 26

Fed R. Bankr. P. 3004(a)..... 26

Fed. R. Bankr. P. 5003(b)..... 4, 18

2 Norton Bankr. L. & Prac. 3d § 48:17 4

5 Norton Bankr. L. & Prac. 3d § 152:3 24

JURISDICTIONAL STATEMENT

In these consolidated cases, the City of Chicago appeals from bankruptcy court orders confirming the Chapter 13 plans of Ahmed Alayah and Stephen Falkner over the City's objections as an unsecured creditor. The court confirmed Alayah's plan on September 25, 2025, Alayah R. 35; A7, and the City filed a notice of appeal on October 8, 2025, Alayah R. 40. The court confirmed Falkner's plan on October 9, 2025, Falkner R. 33; A21, and the City filed a notice of appeal on October 15, 2025, Falkner R. 37.¹

The courts of appeals have jurisdiction over appeals from final bankruptcy court orders when the parties certify that one or more of the factors under 28 U.S.C. § 158(d)(2)(A) are satisfied and the court of appeals grants a petition for direct appeal. 28 U.S.C. § 158(d)(2)(A). All these jurisdictional requirements are met here. To begin, the orders appealed from are final because an order confirming a bankruptcy plan is final. *United Student Aid Funds, Inc. v. Espinosa*, 559 U.S. 260, 269 (2010). Additionally, the parties certified that the orders satisfy section 158(d)(2)(A) because it involves legal issues on which there is no controlling precedent from this court or the Supreme Court, and because an immediate appeal would materially advance the progress of the case. Alayah R. 45, Falkner R. 42. Finally, this court granted the City's petitions for direct appeal. Accordingly, this court has jurisdiction pursuant to 28 U.S.C. § 158(d)(2)(A).

¹ "Falkner R. __" and "Alayah R. __," refer to the records in *In re Falkner*, 25-bk-09387 (Bankr. N.D. Ill.) and in *In re Alayah*, No. 25-bk-09060 (Bankr. N.D. Ill.), respectively. We cite the appendix to this brief as "A__."

STATEMENT OF THE ISSUES

1. Whether the bankruptcy court erred in ruling that debtors' attorneys are "creditors" that may be paid from the debtors' "projected disposable income" under 11 U.S.C. § 1325(b)(1)(B).

2. Whether the attorneys, if determined to be creditors, may receive distributions under debtors' plans without having filed a proof of claim, contrary to Fed. R. Bankr. P. 3002(a).

STATEMENT OF THE CASE

Alayah and Falkner filed petitions under Chapter 13. Alayah R. 1; Falkner R. 1. We begin with an overview of the statutory framework governing the Chapter 13 plan confirmation process, the allowance of administrative expenses and creditors' claims, and the trustee's distributions once a plan is confirmed. We then summarize the proceedings in the bankruptcy court.

I. Chapter 13 Statutory Framework

In contrast to liquidation proceedings under chapter 7, in which a trustee liquidates all non-exempt property for the benefit of creditors, 11 U.S.C § 704(a)(1), a debtor proceeding under chapter 13 keeps possession of his property, 11 U.S.C. § 1306(b). In return, the debtor agrees to commit a portion of his future income to repay creditors under a court-approved plan, *Hamilton v. Lanning*, 560 U.S. 505, 508 (2010), for a period of up to five years, 11 U.S.C. § 1322(d).

A case begins when the debtor files a bankruptcy petition, Fed. R. Bankr.

P. 1002(a), and then the debtor has 14 days after that to file a proposed plan, Fed. R. Bankr. P. 3015(b). A plan must, among other things, “provide for the submission of all or such portion of future earnings . . . to the supervision and control of the trustee as is necessary for the execution of the plan.” 11 U.S.C. § 1322(a)(1). Any party in interest may object to a plan’s confirmation. 11 U.S.C. § 1324(a). If an unsecured creditor or the chapter 13 trustee objects, the plan may not be confirmed unless “the plan provides that all of the debtor’s projected disposable income to be received in the applicable commitment period beginning on the date that the first payment is due under the plan will be applied to make payments to unsecured creditors under the plan.” 11 U.S.C. § 1325(b)(1)(B).² “Disposable income,” as it pertains to Alayah and Falkner, is defined as monthly income minus what is “reasonably necessary to be expended . . . for the maintenance or support of the debtor.” 11 U.S.C. § 1325(b)(2)(A)(i). And the duration of a plan’s “commitment period” depends on whether the debtor’s income is above or below the median in his state. 11 U.S.C. § 1325(b)(4)(A). Alayah and Falkner have below-median incomes. Alayah R. 4 at 3; Falkner R. 4 at 3. In general, the commitment period for a below-median debtor is three years. 11 U.S.C. § 1325(b)(4)(A)(i). A plan may extend beyond the commitment period, for a duration of up to five years in all. 11 U.S.C.

² Section 1325 also provides that a plan may be confirmed over an unsecured creditor’s objection if the objecting creditor will be fully paid under the plan. 11 U.S.C. § 1325(b)(1)(A) (plan is confirmable if “the value of the property to be distributed under the plan on account of such claim is not less than the amount of such claim”). This provision is not at issue; there is no dispute that Alayah’s and Falkner’s plans did not provide for full payment to the City. For the court’s convenience, we have included 11 U.S.C. §§ 1325 and 1326 in the appendix to this brief.

§ 1322(d)(2).

The Code also defines the term “creditor.” A creditor is an “entity that has a claim against the debtor that arose at the time of or before the order for relief concerning the debtor.” 11 U.S.C. § 101(10). A “claim” is a “right to payment,” 11 U.S.C. § 101(5)(A), and in a Chapter 13 case, the bankruptcy petition constitutes the “order for relief,” 11 U.S.C. § 301(b). “A creditor . . . may file a proof of claim,” 11 U.S.C. § 501(a), but if the creditor wants to receive distributions under the Chapter 13 plan, it “*must* file a proof of claim,” Fed. R. Bankr. P. 3002(a) (emphasis added); Necessity of filing, 2 Norton Bankr. L. & Prac. 3d § 48:17. A proof of claim is not noticed for presentment like a motion; instead, it is filed on the Bankruptcy Court’s claims register. *See* Fed. R. Bankr. P. 5003(b). A claim that has been filed “is deemed allowed, unless a party in interest . . . objects.” 11 U.S.C. § 502(a). The Code specifies the various grounds on which a bankruptcy court “shall allow” or “shall disallow” a claim if an objection has been filed. 11 U.S.C. § 502(b)-(i).

The Code treats administrative expenses of the estate differently. Administrative expenses “are costs incurred in the preservation and administration of the estate.” *In re hhgregg, Inc.*, 949 F.3d 1039, 1047 (7th Cir. 2020). Under Chapter 13, “compensation to the [Chapter 13] debtor’s attorney for representing the interests of the debtor in connection with the bankruptcy case,” 11 U.S.C. § 330(a)(4)(B), is an administrative expense, 11 U.S.C. § 503(b)(2). Administrative expense holders make a “request for payment,” 11 U.S.C. § 503(a), by timely filing an application or motion and presenting it at a hearing, Fed. R. Bankr. P. 2016,

9013; 11 U.S.C. § 503(b). Administrative expenses may not be “asserted in a proof of claim.” *In re marchFirst, Inc.*, 448 B.R. 499, 508 (Bankr. N.D. Ill. 2011) (internal quotation marks omitted). The Bankruptcy Court must enter an order approving administrative expenses for them to be allowed and paid. *See* 11 U.S.C. § 503(b).

After confirmation, the debtor makes monthly payments to the chapter 13 trustee for distribution to creditors, administrative expenses holders, and to the trustee for the trustee’s fees. 11 U.S.C. § 1326(b), (c); Official Form 113. The trustee must make distributions in compliance with the confirmed plan. 11 U.S.C. § 1326(a)(2); (c).

II. Bankruptcy Court Proceedings

Alayah filed a Chapter 13 plan on September 18, 2025. Alayah R. 32; A13. After accounting for his monthly expenses, he had a net monthly income of just over \$750. Alayah R. 1 at 38. His plan proposed to apply that income to make payments to secured creditors on two vehicle loans, to the trustee for his fee, to priority claimants, and to his attorneys for their fees. Alayah R. 32 at 3, 5, 8; A15, A17, A20. The plan also made some funds available to general unsecured creditors. Alayah R. 32 at 5, 8; A17, A20. The plan committed Alayah to making payments over 36 months, with “additional monthly payments [to] be made to the extent necessary to make the payments to creditors specified in this plan.” Alayah R. 32 at 1; A13. In all, the plan specified that Alayah’s attorneys would receive \$5,411.71 for their fees and that \$800 would go to general unsecured creditors on a pro rata basis.

Alayah R. 32 at 5; A17. The City possesses a general unsecured claim of \$12,511.66. Alayah R. 1 at 27.

Falkner filed a Chapter 13 plan on September 30, 2025, Falkner R. 31; A25, and has a net monthly income of just over \$825, Falkner R. 1 at 40. His plan proposed to apply that income to make payments to a secured creditor on a vehicle loan, to the trustee for his fee, and to his bankruptcy attorneys for their fees.

Falkner R. 31 at 3, 5, 8; A27, A29, A32. The plan committed Falkner to making payments over 36 months, with “additional monthly payments [to] be made to the extent necessary to make the payments to creditors specified in this plan.” Falkner R. 31 at 1; A25. In all, Falkner’s attorneys would receive \$5,529.71 for their fees under the plan. Falkner R. 31 at 5; A29. The plan did not provide for any payments to general unsecured creditors. Falkner R. 31 at 5; A29. The City has a general unsecured claim of \$7,766.10. Falkner R. 1 at 25.

The City filed two objections in each case. Alayah R. 30, R. 31; Falkner R. 25, R. 26. First, the City objected pursuant to 11 U.S.C. § 1325(b)(1)(B). Alayah R. 30.³ The City asserted that under that provision of the Code, each plan had to “provide[] that all of the debtor’s projected disposable income to be received in the applicable commitment period beginning on the date that the first payment is due under the plan will be applied to make payments to unsecured creditors under the plan.” 11 U.S.C. § 1325(b)(1)(B); Alayah R. 30 at 1. The City argued that the plans could not be confirmed because they did not satisfy section 1325(b)(1)(B)’s requirement that

³ The objections the City filed in *Alayah* and *Falkner* were substantively identical. For brevity, we cite only the objections the City filed in *Alayah*.

all projected disposable income go to unsecured creditors during the applicable commitment period, which in Alayah's and Falkner's cases was the first three years of the plans. Alayah R. 30 at 1.

As the City further argued, the plans proposed to pay the fees of the debtors' attorneys out of the debtors' projected disposable income during the applicable commitment period. Alayah R. 30 at 1. The City argued that paying the attorneys with disposable income was improper, because under section 1325(b)(1), "all" disposable income during the applicable commitment period must be paid to "unsecured creditors." Alayah R. 30 at 3. Debtors' attorneys are not "creditors" under the Bankruptcy Code at all, the City argued, so they could not be "unsecured creditors" entitled to payment pursuant to section 1325(b)(1)(B). Alayah R. 30 at 7-9. The City explained that the Code defines "creditor" as someone with a claim against the debtor that arose *prepetition* or is deemed to have arisen *prepetition*, while the fees of the debtors' attorneys are *postpetition* administrative expenses to be charged against the bankruptcy estate. Alayah R. 30 at 8-9.

Second, the City filed alternative objections and argued that if debtors' attorneys are deemed creditors, they were not entitled to payment under the plans because the attorneys failed to submit a proof of claim, which is required for a creditor to receive a disbursement. Alayah R. 31 at 1-5. Thus, the City asserted that because debtors' plans provide for payment to purported creditors who did not submit a required proof of claim, their plans could not be confirmed. Alayah R. 31 at 6.

The bankruptcy court confirmed Alayah’s and Falkner’s plans over the City’s objections. Alayah R. 35; A7; Falkner R. 33; A21. In each case, the court stated from the bench that it was overruling the City’s objections for the same reasons it overruled identical objections by the City in *In re Gordon*, No. 24-bk-18109 (Bankr. N.D. Ill.) and *In re White*, No. 24-bk-18215 (Bankr. N.D. Ill.). Alayah R. 39 at 2-4; A9-A11; Falkner R. 46 at 2-3; A23-A24. In *Gordon* and *White*, with respect to the City’s primary objection, the court concluded that the debtors’ attorneys qualified as unsecured creditors because their fees are “unsecured administrative expenses that arise during the bankruptcy.”⁴ Gordon R. 30 at 3; A3. Relying on the definition of “creditor” in the Fair Debt Collection Practices Act, the court stated that “[w]here one party owes money to another, the party to whom the money is owed can safely be labeled a ‘creditor.’” Gordon R. 30 at 5; A5. The court also determined that the debtors’ attorneys’ fees were administrative expenses that “must be first in line to be paid with the projected disposable income” pursuant to provisions of the Code that give priority to administrative expenses. Gordon R. 30 at 4; A4. Thus, according to the court, the debtors’ plans to pay their attorneys with their projected disposable income complied with the Code. Gordon R. 30 at 3-4; A3-A4. And with respect to the City’s alternative objection, the court concluded that the debtors’ attorneys did not have to file a proof of claim because administrative expenses do not require a proof of claim. Gordon R. 30 at 5; A5.

⁴ The bankruptcy court’s reasons for overruling the City’s objections were the same in *Gordon* as in *White*. For brevity, we cite the opinion the court issued in *Gordon*, as “Gordon R. 30.”

The court thus confirmed the plans in *Alayah* and *Falkner*. *Alayah* R. 35; A7; *Falkner* R. 33; A21.

SUMMARY OF ARGUMENT

The bankruptcy court erred when it overruled the City's objections and confirmed *Alayah's* and *Falkner's* plans. Under the plain language of section 1325(b)(1), the City's objections to confirmation of debtors' chapter 13 plans gave rise to a requirement that the plans devote *all* projected disposable income to paying unsecured creditors during the commitment period. Debtors' plans violate this requirement. Rather than apply all debtors' projected disposable income to payments to unsecured creditors, the plans reserve a large portion of debtors' disposable income to pay their bankruptcy attorneys. But a debtor's attorneys are not creditors – let alone unsecured creditors – and thus, under the Code, may not be paid with the debtor's disposable income during the commitment period. Instead, Chapter 13 expressly classifies attorneys' fees as administrative expenses. And, by definition, administrative expense holders cannot also be creditors; those classifications are mutually exclusive. The confirmation of *Alayah's* and *Falkner's* plans should be reversed on this basis alone.

As an alternative basis for reversal, the bankruptcy court also erred when, after erroneously deeming debtors' attorneys to be "creditors," it ruled that debtors' counsel may bypass the mandatory requirement that creditors file a proof of claim. So, even on the bankruptcy court's erroneous view that debtors' attorneys are

creditors, the plans should not have been confirmed. The confirmation order should be reversed.

ARGUMENT

The City's objections to debtors' plans triggered a requirement under the Code that, during a plan's commitment period, all of a debtor's projected disposable income be directed to paying unsecured creditors. But here, the plans pay nothing toward the City's unsecured claims, while they commit a substantial portion of the debtors' disposable income to paying debtors' bankruptcy attorneys, who are *not* unsecured creditors. That violates the Code. A debtor's attorneys are not creditors at all; under chapter 13, they are administrative expense holders. Thus, they may not be paid with plan funds that must go only to unsecured creditors. The bankruptcy court erred by confirming the plans despite their failure to comply with this statutory confirmation requirement.

In addition, the bankruptcy court erred by approving payments to debtors' attorneys without requiring them to submit a proof of claim. On the bankruptcy court's erroneous view that the attorneys are creditors, those attorneys could not be paid unless they submitted a proof of claim, which they did not do. On this basis as well, it was error to confirm the plan.

This appeal turns on the proper interpretation of the Bankruptcy Code and Rules. This court "review[s] questions of statutory interpretation and of rule interpretation *de novo*." *United States v. Melvin*, 948 F.3d 848, 851 (7th Cir. 2020). Under this standard, the orders confirming debtors' plans should be reversed.

I. The Bankruptcy Court Erred by Confirming Plans That Do Not Apply All Disposable Income During the Commitment Periods to Unsecured Creditors.

The bankruptcy court's confirmation of the plans in this case runs afoul of a straightforward requirement in the Code. If an unsecured creditor objects to a plan's confirmation, the bankruptcy court may not approve the plan unless it "provides that all of the debtor's projected disposable income to be received in the applicable commitment period beginning on the date that the first payment is due under the plan will be applied to make payments to unsecured creditors under the plan." 11 U.S.C. § 1325(b)(1)(B). Accordingly, the plans in this case could be confirmed only if they required every dollar of disposable income to go to unsecured creditors during the plans' commitment periods. This court has emphasized this very requirement: "A Chapter 13 debtor's plan will be approved only if it provides that *all* of the debtor's projected disposable income during the repayment period will be applied to the reimbursement of unsecured creditors." *In re Brooks*, 784 F.3d 380, 383 (7th Cir. 2015).

Indeed, the requirement that all disposable income go "to unsecured creditors" during a plan's commitment period was the result of a 2005 amendment that pointedly added that language. Previously, the statute required only that disposable income "be applied to make payments under the plan." See *In re Lanning*, 545 F.3d 1269, 1275 (10th Cir. 2008), *aff'd sub nom. Hamilton v. Lanning*, 560 U.S. 505 (2010) (internal quotation marks omitted). But Congress amended section 1325(b)(1)(B) to specify that, during the commitment period, disposable

income must go to *unsecured creditors*, thus “narrow[ing]” the range of potential recipients of disposable income under a confirmable plan. *Id.* “When Congress amends legislation, courts must presume it intends [the change] to have real and substantial effect.” *Ross v. Blake*, 578 U.S. 632, 641-42 (2016) (internal quotation marks omitted). With this amendment to section 1325(b)(1)(B), then, Congress clearly mandated that when there is an objection to confirmation, a debtor’s disposable income must go to unsecured creditors, and to no one else, during a plan’s commitment period.

As we explain below, the plans at issue here violate this requirement. That is because they direct payment of disposable income during the plans’ commitment periods to debtors’ attorneys, who are not unsecured creditors – indeed, they are not creditors at all.

A. Debtors’ attorneys are ineligible for payments from disposable income during the commitment periods because they are not creditors.

Despite the Code’s clear mandate, debtors’ plans provide for a large portion of their projected disposable income to pay debtors’ attorneys. Alayah R. 32 at 5, 8; A17, A20; Falkner R. 31 at 5, 8; A29, A32. The allocation of disposable income to debtors’ attorneys is improper because the attorneys are not creditors; rather, they are administrative expense holders.⁵

⁵ The plans also provide for payment to the trustee, which is governed by other statutory provisions. *See, e.g.*, 11 U.S.C. § 707(b)(2)(A)(ii)(III) (for above-median debtors, trustee’s fee may be deducted before calculating disposable income); 28 U.S.C. § 586(e)(2) (standing trustees “shall collect such percentage fee from all payments received by [that trustee] under plans in the cases under [chapter 13] of

“Creditor” is a defined term in the Bankruptcy Code. A creditor is an “entity that has a claim against the debtor that arose at the time of or before the order for relief concerning the debtor.” 11 U.S.C. § 101(10)(A). In a chapter 13 case, the bankruptcy petition constitutes the “order for relief.” 11 U.S.C. § 301(b). The definition of creditor also includes an “entity that has a claim against the estate of a kind specified in section 348(d), 502(f), 502(g), 502(h) or 502(i) of this title.” 11 U.S.C. § 101(10)(B). Each of those enumerated sections identifies a postpetition claim that is treated “as if” it had arisen before the filing of the petition. 11 U.S.C. §§ 348(d), 502(f)-(i). Thus, the Code’s definition of creditor “include[s] only holders of prepetition claims (and certain postpetition claims deemed to be prepetition claims).” *In re Ames Department Stores, Inc.*, 582 F.3d 422, 429 (2d Cir. 2009) (per curiam).

Elsewhere, the Code provides for administrative expenses. “The term ‘administrative expense’ is not defined in the Code, but courts agree that an administrative expense has two defining characteristics: (1) the expense and right to payment arise after the filing of bankruptcy, and (2) the consideration supporting the right to payment provides some benefit to the estate.” *In re Midway Airlines Corp.*, 406 F.3d 229, 237 (4th Cir. 2005); accord *In re hhgregg, Inc.*, 949 F.3d at 1047 (noting that administrative expenses generally “are costs incurred in the preservation and administration of the estate”). Because administrative expenses are for preserving and administering the bankruptcy estate, they, “by definition,

title 11 for which such individual serves as standing trustee”). We do not challenge the authorization of payments to the trustee in this case.

arise during the postpetition period.” *In re CM Holdings, Inc.*, 264 B.R. 141, 159 (Bankr. D. Del. 2000).

There is one statutory exception to the general rule that administrative expenses, by definition, arise postpetition, and that is found in section 503(b)(9). *See In re Health Diagnostic Laboratory, Inc.*, 557 B.R. 885, 893 n.16 (Bankr. E.D. Va. 2016) (Section 503(b)(9) “created a single exception to the general requirement that an administrative claim must arise postpetition.”). That section provides that “the value of any goods received by the debtor within 20 days before the date of commencement of a case under this title in which the goods have been sold to the debtor in the ordinary course of such debtor’s business” is an administrative expense. 11 U.S.C. § 503(b)(9). That exception is not at issue here.

Thus, the Code sets up a clear dichotomy: creditors are those with prepetition claims or postpetition claims that are statutorily treated as prepetition claims. *In re Ames Department Stores, Inc.*, 582 F.3d at 429. On the other side, administrative expense holders are those with postpetition claims or prepetition claims statutorily treated as postpetition claims, such as under § 503(b)(9).

The Code treats a chapter 13 debtor’s attorney’s fees as arising postpetition by making them an administrative expense of the estate. *See* 11 U.S.C. § 330(a)(4)(B); 11 U.S.C. § 503(b)(2). In particular, the Code makes attorney’s fees compensable under section 330(a), 11 U.S.C. § 330(a)(4)(B), and compensation under section 330(a) is statutorily designated as an administrative expense, 11 U.S.C. § 503(b)(2). A holder of postpetition claims against the estate does not meet the

definition of “creditor” under the Code. Thus, debtors’ attorneys are ineligible for payments with funds that, under section 1325(b)(1)(B), must go only to “unsecured creditors” during a plan’s commitment period.

B. The bankruptcy court erred by concluding that debtors’ attorneys are both creditors and administrative expense holders.

The bankruptcy court nevertheless adhered to its rationale in *Gordon* and *White*, where the court ruled that the debtors’ attorneys were unsecured creditors as well as administrative expense holders. *Gordon* R. 30 at 3-4; A3-A4. It also ruled that the City’s interpretation of section 1325(b)(1)(B) to require payment of all disposable income to unsecured creditors conflicted with other provisions of the Code. *Gordon* R. 30 at 4-5; A4-A5. Both of these aspects of the court’s decision were legally erroneous.

1. An entity may not be both a creditor and an administrative expense holder.

The bankruptcy court ruled that debtors’ attorneys were creditors because, according to the court, the Code “contains no limitations on *when* the unsecured debts arose” for one to qualify as an unsecured creditor. *Gordon* R. 30 at 4; A4. Citing the definition of “creditor” in the Fair Debt Collection Practices Act, *Gordon* R. 30 at 5; A5, which provides that a creditor is someone “to whom a debt is owed,” 15 U.S.C. § 1692a(4), the court concluded that “[w]here one party owes money to another, the party to whom the money is owed can safely be labeled a ‘creditor.’” *Gordon* R. 30 at 5; A5. And because debtors owed money to their attorneys, the court deemed their attorneys to be creditors. *Id.* At the same time, the court

determined that debtors' attorneys' fees were administrative expenses that "must be first in line to be paid with the projected disposable income" pursuant to Code provisions that grant priority to administrative expenses. Gordon R. 30 at 4; A4. Thus, the court concluded that counsel were creditors eligible for payment out of debtors' disposable incomes under section 1325(b)(1)(B), and also administrative expense holders. Gordon R. 30 at 3-4; A3-A4. For several reasons, all of this was erroneous.

To start, the bankruptcy court was wrong to depart from the Code for the definition of creditor. The Code *does*, in fact, make one's status as a "creditor" depend on when the underlying obligation to pay arose, 11 U.S.C. § 101(10), contrary to what the court believed. As we explain above, a creditor is "a holder of a prepetition claim or a deemed prepetition claim." *In re Ames Department Stores*, 582 F.3d at 429 (citing 11 U.S.C. § 101(10)). Yet, the bankruptcy court relegated the Code's definition of creditor to a passing footnote, Gordon R. 30 at 4; A4, and failed to apply or even consider its plain language. Instead, the court relied on the definition of creditor from a *different* statute, concluding that debtors' counsel are creditors merely because they are owed money. Gordon R. 30 at 5; A5. But Congress chose a narrower meaning of that word for bankruptcy law. 11 U.S.C. § 101(10). Under the Code's definition, only those who are owed prepetition debts are creditors. Thus, the bankruptcy court's determination that debtors' attorneys were unsecured creditors merely because attorneys' fees are not "secured by any form of collateral," Gordon R. 30 at 3; A3, is wrong.

Furthermore, in holding that debtors' attorneys were both unsecured creditors *and* administrative expense holders because they held "unsecured administrative claims," Gordon R. 30 at 4; A4, the bankruptcy court conflated two mutually exclusive categories. The Code's definition of creditor does not include "holders of postpetition claims for administrative expenses under section 503." *In re Ames Department Stores, Inc.*, 582 F.3d at 429; *accord In re Henson*, 289 B.R. 741, 753 (Bankr. N.D. Cal. 2003) (administrative expense holder is not a creditor); *In re Heller*, 105 B.R. 434, 439 (Bankr. N.D. Ill. 1989) ("[t]he term creditor . . . does not include administrative expense claimants"); *In re Barbee*, 82 B.R. 470, 474 (Bankr. N.D. Ill. 1988) (debtor's counsel was not a creditor because he did not have a prepetition claim; rather, he was an administrative expense holder). So, "by definition, an administrative expense claimant is not considered a 'creditor' pursuant to § 101(10)." *In re CM Holdings*, 264 B.R. at 158; *see also In re MicroAge, Inc.*, 291 B.R. 503, 509 (B.A.P. 9th Cir. 2002) ("the term, 'creditor,' is defined in the Bankruptcy Code in such a way as to exclude administrative claimants"). As this court has pointedly explained, "[p]re-filing debts are not administrative expenses; they are the antithesis of administrative expenses." *In re Kmart Corp.*, 359 F.3d 866, 872 (7th Cir. 2004) (bankruptcy petition "effectively creates two" entities: one prepetition, and the other postpetition, and administrative expenses lie against only the post-petition entity).

Thus, "administrative expense claims are claims that are entitled to distinct treatment separate and apart from pre-petition, or deemed pre-petition, creditor

claims.” *In re Ames Dept. Stores*, 582 F.3d at 429 (internal quotation marks omitted). And since creditors’ claims and administrative expenses are entirely distinct, a claim must be one or the other, and they cannot be both at the same time, as the bankruptcy court believed.

A host of provisions in the Bankruptcy Code and Rules of Procedure governing the payment of creditors’ claims and administrative expenses further illustrate this dichotomy between creditors and administrative expense holders. Under the Code, a creditor “may file a proof of claim,” 11 U.S.C. § 501(a), and the Rules state that “every creditor *must* file a proof of claim” for it “to be allowed,” Fed. R. Bankr. P. 3002(a) (emphasis added). A proof of claim is not filed and presented for hearing like a motion would be; instead, a proof of claim is filed on the court’s claims register. *See* Fed. R. Bankr. P. 5003(b). If no one objects to a claim filed on the claims register, it “is deemed allowed.” 11 U.S.C. § 502(a). If there is an objection, the Code provides that the court “shall allow,” 11 U.S.C. § 502(b), or “shall disallow,” 11 U.S.C. § 502(d), (e), the claim, depending on various factors set out in section 502.

The Code puts the process for payment of administrative expenses on a different track. *See* 11 U.S.C. § 503. An administrative expense holder does not file a proof of claim on the claims register. Rather, it files a “request for payment of an administrative expense,” 11 U.S.C. § 503(a), which is done by filing a motion or application on the court’s docket and presenting it at a hearing, Fed. R. Bankr.

P. 2016, 9013. The court may then “[a]fter notice and a hearing” allow or deny the administrative expense by applying section 503(b) and (c). 11 U.S.C. § 503(b).

Importantly, the Code provisions governing the distinct procedures for the allowance of creditor’s claims and administrative expenses both use the word “shall.” *In re Momenta, Inc.*, 455 B.R. 353, 363 (Bankr. D.N.H. 2011). “[T]he word ‘shall’ imposes a mandatory command.” *Bufkin v. Collins*, 604 U.S. 369, 379 (2025). And the Rules similarly convey that creditors “must” file proofs of claims. Fed. R. Bankr. P. 3002(a). Because the procedures governing the payment of creditors’ claims and administrative expenses are both distinct and mandatory, a creditor’s claim cannot also be subject to the procedures governing administrative expenses, or vice versa. *In re Momenta*, 455 B.R. at 363. An administrative expense “shall be allowed” if it meets the requirements of section 503, 11 U.S.C. § 503(b), and thus cannot also be subjected to the claims process under sections 501 and 502. Likewise, a creditor’s claim is “deemed allowed” if there is no objection, 11 U.S.C. § 502(a), and if there is an objection the court “shall allow” the claim unless the objector shows it should be disallowed under section 502. Here, debtors’ counsel have administrative expenses subject to the procedures in section 503 and thus cannot also be creditors subject to the procedures under sections 501 and 502.

The distinction between creditors and administrative expense holders permeates other parts of the Code as well. For example, section 726 provides priorities for distribution of the estate’s assets in a Chapter 7 liquidation case. 11 U.S.C. § 726. That provision grants top priority to “claims of the kind specified in,

and in the order specified in, section 507 of this title, proof of which is timely filed under section 501 of this title.” 11 U.S.C. § 726(a)(1). Section 507 refers to various types of claims, including administrative fees and expenses. 11 U.S.C. § 507. Section 501, in turn, covers only claims by creditors. 11 U.S.C. § 501. In *In re Reed*, 405 F.3d 338 (5th Cir. 2005), the court drew a clear distinction between administrative expenses and creditor claims, explaining that “[a]lthough § 726(a)(1) at first seems to include [administrative fees and expenses] by its reference to claims of the kind specified in § 507, they are winnowed out by the reference to § 501, because they are not of the kind proof of which is timely filed under § 501 for pre-petition claims by creditors.” *Id.* at 342 (internal quotation marks omitted); see also *In re Klein Sleep Products, Inc.*, 78 F.3d 18, 28 (2d Cir. 1996) (interpreting similar language in § 502(a) to exclude administrative expenses).

Yet another distinction between administrative expenses and creditors’ claims lies in the extent to which each is paid. A plan must “provide for the full payment” of administrative expenses, unless the administrative expense holder agrees otherwise. 11 U.S.C. § 1322(a)(2). The Code does not require full payment of creditors’ claims. Rather, if an unsecured creditor in a Chapter 13 case objects to a plan, it (along with other unsecured creditors) is entitled to all of the debtor’s disposable income during the commitment period, which may or may not result in the objecting creditor’s being paid in full. 11 U.S.C. §§ 1325(b)(1)(A) and (B).

In short, the Code draws a clear line between creditors’ claims, which arise prepetition or are deemed to have arisen prepetition; and administrative expenses,

which are postpetition or are deemed to have arisen postpetition. All claims against a debtor fall on one side or the other – not both. And under the Code, a Chapter 13 debtor’s attorney’s fees expressly fall on the administrative expense side of that line. 11 U.S.C. §§ 330(a)(4)(B); 503(b)(2).

Debtors’ attorneys, therefore, are not creditors, making them ineligible for payments with funds that, under section 1325(b)(1)(B), must go only to unsecured creditors during the plan’s commitment period.

2. The City’s position that debtors’ attorneys are not creditors does not conflict with other provisions of the Code.

The bankruptcy court also believed the City’s position “would cause Section 1325(b)(1)(B) to conflict with other provisions of the Bankruptcy Code that give priority to administrative claims over prepetition unsecured claims.” Gordon R. 30 at 4; A4. The court identified section 507(a)(2), which grants priority to administrative expenses, and section 1326(b)(1), which states that claims under section 507(a)(2) “shall be paid” “[b]efore or at the time of each payment to creditors under the plan.” 11 U.S.C. §§ 507(a)(2), 1326(b)(1); *see* Gordon R. 30 at 4; A4. There is no conflict.

Here, again, the court misinterpreted the Code. To begin, the City’s reading of section 1325(b)(1)(B) does not conflict with section 507(a)(2)’s priority structure. “The specific means by which § 507 is implemented varies in each Chapter” of the Code where it applies. *In re Sanders*, 341 B.R. 47, 50 (Bankr. N.D. Ala. 2006). For example, in a Chapter 7 liquidation case, the Code provides that priority claims

under section 507 are paid first, and in the order section 507 specifies. 11 U.S.C. § 726(a)(1). But in Chapter 13, “[t]here is not a similar provision . . . requiring priority creditors to be paid in the order specified in section 507.” *In re Sanders*, 341 B.R. at 51 (internal quotation marks omitted). Rather, Chapter 13 plans must simply provide that administrative expenses will be paid in full by the end of the plan. 11 U.S.C. § 1322(a)(2). So “the court can and often does provide that the amounts to be paid to a debtor’s attorney for fees be spread over part or all of the life of the plan.” *In re Barbee*, 82 B.R. at 473.

There is no conflict between section 1325(b)(1)(B) and section 1326, either. Section 1325(b)(1)(B) describes a plan confirmation requirement: it states that a plan may not be confirmed unless it provides that all disposable income goes to unsecured creditors during the applicable commitment period. 11 U.S.C. § 1325(b)(1)(B). Section 1326 does not set forth requirements that must be satisfied before a plan may be confirmed. Rather, section 1326 says how a trustee will distribute payments under a plan that *has been* confirmed. Sections 1326(a)(2) and (c) require the trustee to make payments in accord with the plan’s terms. *See* 11 U.S.C. §§ 1326(a)(2), (c); *see also In re Hickman*, 156 B.R. 243, 246 (Bankr. W.D. Ark. 1993) (“[T]he trustee is under an affirmative duty to disburse the payment in accord with the confirmed plan.”).

Section 1326(b), in turn, states that “[b]efore or at the time of each payment to creditors under the plan, there shall be paid-- (1) any unpaid claim of the kind specified in section 507(a)(2) of this title” 11 U.S.C. § 1326(b)(1). This provision

does not conflict with section 1325(b)(1)(B), which is triggered only when an unsecured creditor objects to confirmation. That objection means the plan may not be confirmed unless it provides that all disposable income during the commitment period goes to unsecured creditors. Once such a plan is confirmed, a trustee carrying out distributions under section 1326 would be obligated to distribute disposable income only to unsecured creditors during the commitment period, because that is what the plan would provide for, and again, the trustee is required to make distributions according to the plan. *See* 11 U.S.C. § 1326(a)(2), (c). Any other interpretation would nullify the requirement in section 1325(b)(1)(B) that disposable income go to unsecured creditors. “[S]tatutory provisions should not be construed in a way that renders other provisions of the same statute inconsistent, meaningless, or superfluous.” *In re Willett*, 544 F.3d 787, 792 (7th Cir. 2008).

The City’s interpretation ensures that both sections 1325(b)(1)(B) and 1326(b) can be given effect. For example, if no unsecured creditor objects to a plan’s confirmation, then section 1325(b)(1)(B)’s requirement that disposable income go to unsecured creditors is not triggered, and the trustee would proceed with distributions in accordance with section 1326(b). Additionally, section 1325(b)(1)(B) controls only during a plan’s commitment period. After the commitment period has expired, section 1326(b) would dictate the sequence of remaining payments under a plan. Thus, for example, a below-median debtor may have a commitment period lasting three years, 11 U.S.C. § 1325(b)(4)(A)(i), and a total plan duration of up to five years, 11 U.S.C. § 1322(d)(2). Section 1325(b)(1)(B) places no restriction on the

use of disposable income after the commitment period expires, and section 1326(b) would control the order of payments at that time. In other words, section 1326(b) serves to limit the trustee's discretion over the timing of payments in cases where the plan leaves such discretion to the trustee.

Section 1326(b) does not, however, allow a bankruptcy court to confirm a plan over an unsecured creditor's objection despite the plan's noncompliance with section 1325(b)(1)(B). Indeed, in the context of another one of section 1325's confirmation requirements, a court observed that section 1325 "prevents expedited repayment of attorney's fees through a plan" pursuant to section 1326(b) "if the result" of such a payment is noncompliance with section 1325. *In re Miceli*, 587 B.R. 492, 501 (Bankr. N.D. Ill. 2018). And at least one leading treatise agrees that section 1326(b) does not negate the requirement that all disposable income go to unsecured creditors during the commitment period. *See* 5 Norton Bankr. L. & Prac. 3d § 152:3 ("When making payments under a plan, the Chapter 13 trustee shall make payments as follows: (1) pay the creditors pursuant to the terms of the plan, (2) pay administrative expenses under Code §§ 503(b) and 507(a)(2), (3) pay [the trustee]."). Thus, sections 1325(b)(1)(B) and section 1326(b)(1) can be read together.

But even if the relationship between sections 1325(b)(1)(B) and 1326(b)(1) created an ambiguity, the legislative history supports the City's position. A court may use legislative history "to decipher . . . ambiguous language." *Peterson v. Somers Dublin Ltd.*, 729 F.3d 741, 749 (7th Cir. 2013). Here, the legislative history makes clear that when Congress amended section 1325(b)(1)(B) in 2005, it intended

to accomplish exactly what the words of that provision say. Again, section 1325(b)(1)(B) prohibits the confirmation of a plan over an unsecured creditor's objection unless the plan provides that all disposable income in the applicable commitment period "will be applied to make payments *to unsecured creditors.*" 11 U.S.C. § 1325(b)(1)(B) (emphasis added). Congress added the words "to unsecured creditors" in 2005. While the amendment was being debated, one senator commented that by requiring all disposable income to be applied to unsecured creditors, the amendment could impair the ability of debtors' attorneys to get paid. The senator first noted that, in the then-existing version, disposable income was being used to pay "administrative expenses, secured creditors and unsecured creditors," but that the proposed amendment would instead require that "all disposable income must go to unsecured creditors," with none being used for administrative expenses, which include attorneys' fees. 151 Cong. Rec. S2316 (daily ed. Mar. 9, 2005) (statement of Sen. Feingold); Alayah R. 30-1 at 14. The senator proposed a substitute that would have "allow[ed] administrative expenses, including attorneys' fees, to be included in the plan payments," *id.*, but the law passed without that change, *see* 11 U.S.C. § 1325(b)(1)(B). Thus, Congress was well aware of the effect the amendment would have on attorneys' fees, and passed it with that knowledge.

For all these reasons, the bankruptcy court erred by confirming debtors' plans over the City's objections that the plans do not commit all of debtors' disposable income to payments to unsecured creditors during the plans' commitment periods.

On this basis, the bankruptcy court's orders confirming the plans should be reversed.

II. Alternatively, the Plans Should Not Have Been Confirmed Because They Provide for Payment to Creditors Who Did Not Submit a Proof of Claim.

The bankruptcy court also erred by approving a plan that paid debtors' counsel even though counsel did not submit a proof of claim. This provides an alternative basis for reversal.

As we have explained, debtors' bankruptcy attorneys are not creditors and are thus ineligible to be paid out of debtors' disposable income during the plans' commitment periods. But on the bankruptcy court's view that debtors' attorneys do qualify as creditors, the attorneys were required to file a proof of claim to be eligible for payments. That requirement is mandatory. The Bankruptcy Code provides that a creditor "may file a proof of claim," 11 U.S.C. § 501(a), and the Rules of Bankruptcy Procedure specify that "every creditor *must* file a proof of claim" for it "to be allowed," Fed. R. Bankr. P. 3002(a) (emphasis added). Thus, in *In re Pajian*, 785 F.3d 1161 (7th Cir. 2015), this court held that "[a] creditor must file a proof of claim in order to participate in Chapter 13 plan distributions." *Id.* at 1163.

Under the Rules, a creditor has 70 days after the filing of the petition to file a proof of claim. Fed. R. Bankr. P. 3002(c). And a debtor has an additional 30 days after the creditor's deadline to file a proof of claim on behalf of the creditor. Fed. R. Bankr. P. 3004(a). Alayah filed his petition on June 14, 2025, Alayah R. 1, and Falkner filed his on June 20, 2025, Falkner R. 1. Their attorneys never submitted a

proof of claim. By the time the bankruptcy court confirmed debtors' plans on September 25, 2025, Alayah R. 35; A7, and October 9, 2025, Falkner R. 33; A21, respectively, the deadline for filing a proof of claim had passed. The bankruptcy court thus erred by confirming the plans, which provided for payments to purported creditors who failed to file a proof of claim.

In *Gordon* and *White*, which the bankruptcy court here adopted, the court did not acknowledge *Pajian* or the Rule requiring creditors to file a proof of claim for a claim to be allowed. Instead, it concluded that debtors' counsel did not need to file a proof of claim because attorneys' fees are administrative expenses, which "do not require the filing of . . . proofs of claim." *Gordon* R. 30 at 5; A5. The court thus determined that counsel were "creditors" eligible for payment out of debtors' disposable income for purposes of section 1325(b)(1)(B), but that they could avoid the obligation to file a proof of claim that applies to every other creditor. The court cited *In re marchFirst* for the proposition that an administrative expense holder does not file a proof of claim. *Id.* But *marchFirst* does not support the court's conclusion that a *creditor* may receive payment under a plan without filing a proof of claim. The administrative expenses in *marchFirst* were for the estate's postpetition use of computer equipment, 448 B.R. at 504, and for "the subsequent loss of the equipment," *id.* at 508. The court simply noted that administrative expense holders do not file proofs of claims. *Id.* It did not say that *creditors* need not comply with that requirement.

The law unquestionably establishes that if debtors' attorneys are creditors, as the bankruptcy court ruled, then they may not receive payment without filing a proof of claim. It is undisputed that debtors' attorneys did not file a proof of claim. The court's decision to confirm the plans regardless, thus providing payments to supposed creditors that never filed a proof of claim, was erroneous.

CONCLUSION

For the foregoing reasons, the bankruptcy court's orders confirming debtors' plans should be reversed.

Respectfully submitted,

MARY B. RICHARDSON-LOWRY
Corporation Counsel of the City of Chicago

By: s/ STEPHEN COLLINS
STEPHEN COLLINS
Assistant Corporation Counsel Supervisor
MYRIAM ZRECZNY KASPER
Deputy Corporation Counsel
2 North LaSalle Street, Suite 580
Chicago, Illinois 60602
Direct: (312) 742-0115
stephen.collins@cityofchicago.org

RULE 30(A) APPENDIX

TABLE OF CONTENTS OF RULE 30(A) APPENDIX

<i>In re Gordon</i> , Order Overruling Objections to Confirmation, April 25, 2025	A1
<i>In re Alayah</i> , Order Confirming Plan, September 25, 2025.....	A7
<i>In re Alayah</i> , Transcript of Proceedings, September 25, 2025.....	A8
<i>In re Alayah</i> , Chapter 13 Plan, September 18, 2025.....	A13
<i>In re Falkner</i> , Order Confirming Plan, October 9, 2025	A21
<i>In re Falkner</i> , Transcript of Proceedings, October 9, 2025	A22
<i>In re Falkner</i> , Chapter 13 Plan, September 30, 2025	A25
11 U.S.C. § 1325.....	A33
11 U.S.C. § 1326.....	A38

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

IN RE:) Bankruptcy No. 24 B 18109
)
JADE GORDON,) Chapter 13
)
Debtor.) Judge Donald R. Cassling

ORDER OVERRULING OBJECTIONS TO CONFIRMATION (DOCKET NOS. 15 & 27)

The matter is before the Court on the objections of the City of Chicago (the “City”) to the confirmation of the plan of Debtor, Jade Gordon. For the reasons that follow, the Court overrules the objections and will allow confirmation of the Debtor’s plan to proceed.

BACKGROUND

The Debtor filed her case on December 4, 2024, under Chapter 13 of the Bankruptcy Code. According to the Debtor’s Schedules I and J, her projected monthly disposable income is \$425.09.¹ Her proposed plan provides for 36 monthly payments of \$425 and a 0% dividend to prepetition unsecured creditors. (Dkt. No. 7.) The plan additionally provides for payment of attorneys’ fees and costs, if allowed through application to the Court,² of \$4,528.96 and estimated trustee’s fees of \$1,040.40. (*Id.*) According to the Debtor, the monthly plan payments cover attorneys’ fees, trustee’s fees, a claim secured by her vehicle, and potential distributions to unsecured creditors.

The City, a prepetition unsecured creditor, objects to confirmation of the Debtor’s plan, arguing that the plan fails to meet the requirements for confirmation. According to the City, the BAPCPA Amendments of 2005 require that all projected disposable income be paid only to “unsecured creditors” during the applicable commitment period, starting with the first payment. 11 U.S.C. § 1325(b)(1)(B). The City argues that the statute’s use of the term “unsecured creditors” must mean, under any fair reading of Section 1325(b), “general [prepetition] unsecured creditors,”

¹ The Debtor’s income is below the median income threshold, as indicated on her Official Form 122C-1. (Dkt. No. 4.)

² The Debtor’s counsel has filed an application for attorneys’ fees using the Court-Approved Retention Agreement, Local Form 13-8, which the Court is considering alongside confirmation of the Debtor’s proposed plan. (Dkt. No. 13.)

meaning prepetition creditors whose debts are unsecured and who do not hold priority claims. (*See* Obj. to Confirmation, Dkt. No. 15, at 8.) The City cites to no statute or case law in support of this interpretation. The City next argues that “[p]ayments [through the plan] for maintenance or support, like mortgages or car payments, are not considered disposable income, so they do not go to unsecured creditors. However, attorneys’ fees are not maintenance or support.” (Reply in Support of Obj. to Confirmation, Dkt. No. 26, at 1.) Instead, the City argues, debtors’ attorneys are holders of post-petition administrative expenses, which are distinct from debtors’ prepetition unsecured creditors. Therefore, according to the City, “attorneys’ fees may not be deducted from disposable income[,] nor may they be paid out of disposable income[.]” (*Id.*) By contrast, the City does not object to the payment of trustee’s fees under a confirmed plan, citing Section 707(b)(2)(A). 11 U.S.C. § 707(b)(2)(A).

The apparent policy basis for the City’s interpretation of Section 1325(b)(1)(B) is that “a significant amount from [plan] payments will go into [the Debtor’s] attorneys’ pockets” while “the majority of Chapter 13 cases fail well before distributions to unsecured creditors begin.” (Obj. to Plan Confirmation, Dkt. No. 15, at 1.) According to the City, “debtors with plans such as [the one proposed by the Debtor, whose plans fail] are . . . left with no debt relief (or actually owing more money) and they are out . . . thousands of dollars their attorneys took from the plan payments.” (*Id.*)³

In response, the Debtor argues that a “holistic” approach must be followed in interpreting Section 1325(b)(1)(B), and that the City’s interpretation of that statute is inconsistent with the Code’s requirement that post-petition administrative claims be paid ahead of prepetition unsecured claims under Section 507(a)(2). As the discussion below indicates, resolution of this dispute over statutory construction must begin with a challenge to the City’s unsupported premise that the statute’s use of the term “unsecured creditor” must mean “*prepetition* unsecured creditor.”

³ On April 2, 2025, the City filed an alternative objection to the confirmation of the Debtor’s proposed plan. (Dkt. No. 27.) Its alternative argument is that, if the Court finds that the Debtor’s attorney is a creditor of the Debtor’s estate, then confirmation of the Debtor’s plan must be denied as it provides for payment to a creditor who did not file a claim. This alternative argument is rejected for the reasons set forth in the discussion which follows.

DISCUSSION

“[W]hen a statute’s language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms.” *Sebelius v. Cloer*, 569 U.S. 369, 381 (2013) (quoting *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000)). Where the language of the statute is not plain and unambiguous, the Courts may of course look for guidance in related statutory provisions, not just in a statute’s immediate terms, when resolving disputes about a statute’s meaning. *Harrington v. Purdue Pharma L. P.*, 603 U.S. 204, 221 (2004).

The City is correct that Section 1325(b)(1)(B) plainly requires that “unsecured creditors” must be paid from a debtor’s “projected disposable income” and paid *only* to unsecured creditors from the first months of the plan. 11 U.S.C. § 1325(b)(1)(B). Both sides agree that “projected disposable income” is the amount left over after paying mortgages, utilities, car payments, food, and other reasonable necessities of life.⁴ See *In re Farrar-Johnson*, 353 B.R. 224, 227-28 & n.5 (Bankr. N.D. Ill. 2006). Here, the Debtor’s documents indicate that her projected monthly disposable income is \$425.09, and she must therefore make that amount as a payment to unsecured creditors each month.

The issue presented by this case is whether the term “unsecured creditors” includes unsecured administrative expenses that arise during the bankruptcy, or whether that term is limited to unsecured non-administrative claims that arose prior to the bankruptcy filing date. For the reasons which follow, the Court concludes (1) that both of these classes of debts are included as “unsecured creditors” within the meaning of Section 1325(b)(1)(B) because neither debt is secured by any form of collateral; and (2) that administrative expenses arising during bankruptcy have, by statute, a higher priority status than unsecured claims that arose prior to bankruptcy. The Court’s interpretation has the merit of affirming the plain meaning of not only Section 1325(b)(1)(B) but of the related statutes as well.

First, the term “unsecured creditors” unambiguously covers all creditors whose loans or other debts owed are unsecured by consensual, judgment, or statutory liens on any property of the

⁴ These “necessities of life” are normally derived from a debtor’s Schedule J if a debtor’s income is below the median threshold.

debtor. The City’s unsupported assertion that the only “fair reading” of the statute forbids inclusion of unsecured administrative claims is refuted by the language of the statute itself. On its face, the term “unsecured creditors” contains no limitations on *when* the unsecured debts arose or on *whether* those debts are entitled to priority under the Bankruptcy Code. Congress could have chosen to add temporal or priority limitations to the statute by adding limitations such as “*prepetition* unsecured creditors” or “*non-administrative* unsecured creditors.” But it did not do so, and the Court will not alter the statute by adding restrictions which Congress did not place there.⁵

Second, the City’s interpretation would cause Section 1325(b)(1)(B) to conflict with other provisions of the Bankruptcy Code that give priority to administrative claims over prepetition unsecured claims, such as Section 507(a)(2). Under the latter section, administrative expenses arising during the bankruptcy are to be paid before or at the time of each payment to prepetition unsecured creditors under a plan. *See* 11 U.S.C. § 1326(b)(1). By contrast, the Court’s interpretation gives full effect to both statutes, allowing only unsecured debts to be paid initially out of “projected disposable income,” but doing so in a way that preserves the payment hierarchy set forth in Section 507. Under the Court’s interpretation, if an administrative expense such as attorneys’ fees are allowed by the Court in a case under Chapter 13 of the Bankruptcy Code, then such unsecured fees must be first in line to be paid with the projected disposable income made available to the case trustee because they are the highest priority of unsecured debts to be paid from the estate’s assets. Any remaining proceeds are then to be paid to categories of unsecured claims with lower priorities, such as holders of unsecured, prepetition claims.

Finally, given the context of the priority hierarchy of Title 11 described above, the Court notes that it would be inequitable to debtors and their counsel to read the reference to “unsecured creditor” in Section 1325(b)(1)(B) as a provision that would prevent counsel from receiving

⁵ The Court recognizes that various decisions have concluded that post-petition administrative expenses are distinct from unsecured prepetition claims. *See* 11 U.S.C. § 101(10); *marchFirst*, 448 B.R. at 508; *In re Ames Dep’t Stores, Inc.*, 582 F.3d 422, 429 (2d Cir. 2009). That is inarguable. But both types of debts can have features in common in addition to features which are distinct. Here, it is the feature they hold in common—the lack of collateral to secure repayment—that brings both types of debts within the plain language of Section 1325(b)(1)(B).

payment through a Chapter 13 plan where it is anticipated that such administrative fees have been incurred by a debtor's estate and are owing.

The City filed an alternative objection to the plan, arguing that even if one treats an administrative expense as a general unsecured "claim", the Debtor's attorneys never filed a proof of claim for their fees and therefore cannot be paid under Section 1325(b)(1)(B). The Court overrules this objection as well. Section 501 defines "proof of claim" and "proof of interest." 11 U.S.C. § 501. Claims which have been made for collection of prepetition secured or unsecured debts are called "proofs of claim" and claims which have been made for preservation or recognition of equity interests are called "proofs of interest." Administrative expenses fall into neither category, and therefore do not require the filing of either proofs of claim or proofs of interest in order to be approved and paid under a plan. *See MarchFirst, Inc.*, 448 B.R. at 508.

Significantly, Section 1325(b)(1)(B) does not employ the terms "claim," "proof of claim," "interest," or "proof of interest." Instead, it uses the term "unsecured creditor." In the Court's view, administrative expenses sought by a debtor's counsel are obviously moneys which are owed by that debtor to their counsel. Where one party owes money to another, the party to whom the money is owed can safely be labeled a "creditor." *See generally* 15 U.S.C. § 1692a(4) & (5) (defining creditor as person who offers or extends credit creating debt or to whom debt is owed, and debt as obligation to be paid). And, to the extent that the debts owed to them are not secured by collateral, they are "unsecured debts" held by "unsecured creditors." But because the Code does not require that counsel file a proof of claim to be entitled to its fees, the Court rejects the City's alternative argument.

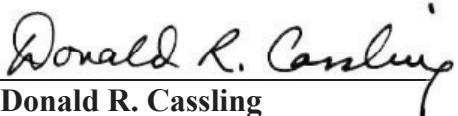
To sum up, the Court overrules both of the City's objections, holding that the term "unsecured creditors" in Section 1325(b)(1)(B) includes all holders of debt unsecured by collateral, whether arising prepetition or post-petition, and whether entitled to administrative priority or not.

CONCLUSION

For the foregoing reasons, the Court overrules the City's objections to plan confirmation.

ENTERED:

DATE: April 25, 2025


Donald R. Cassling
United States Bankruptcy Judge

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

AHMED ALAYAH,) No. 25 B 09060
)
) Chicago, Illinois
) September 25, 2025
Debtor.) 10:00 a.m.

TRANSCRIPT OF ZOOM VIDEOCONFERENCE PROCEEDINGS
BEFORE THE HONORABLE DONALD R. CASSLING

APPEARANCES:

For the Debtor: Ms. Brittni Hayes;
Mr. Michael Miller;
For the City of Chicago: Mr. David Holtkamp;
For Santander: Ms. Cari Kauffman;
For the Chapter 13 Trustee: Ms. Autumn Knight.

Court Reporter: MARY C. KELLY, CSR
United States Courthouse
219 South Dearborn Street
Room 661
Chicago, Illinois 60604

1 THE CLERK: Ahmed Alayah.

2 MS. HAYES: Brittini Hayes on behalf of
3 the debtor.

4 MS. KAUFFMAN: Cari Kauffman for
5 Santander.

6 MR. HOLTKAMP: And David Holtkamp for
7 the City of Chicago.

8 MR. MILLER: Michael Miller on behalf of
9 the debtor as well.

10 THE COURT: All right.

11 MS. KAUFFMAN: Your Honor, Santander's
12 objection has been resolved.

13 THE COURT: Okay.

14 MR. HOLTKAMP: And the City filed
15 identical -- more or less identical objections that
16 we -- that you have already ruled on in the Gordon
17 and White case objecting to the plan and
18 confirmation of the plan.

19 THE COURT: Okay. I just wanted to make
20 sure I had the right one in mind.

21 MR. HOLTKAMP: Yes.

22 THE COURT: And that one is currently on
23 appeal, I believe. I think it's at the Seventh
24 Circuit level at this point, correct?

25 MR. HOLTKAMP: Yes, Your Honor.

1 We -- we're not filing these just to be
2 annoying. We just don't --

3 THE COURT: No, no. I --

4 MR. HOLTKAMP: -- think it's a bad --

5 THE COURT: You have the right --

6 MR. HOLTKAMP: -- idea -- it's not a bad
7 idea to have a few in reserve.

8 THE COURT: No. You have got a right to
9 file whatever you want that's in accordance with
10 the Rules and the City.

11 All right. Ms. Knight, where are you?

12 THE TRUSTEE: The Trustee's objections
13 are all resolved, Your Honor.

14 THE COURT: Well, I guess the issue is
15 do we wait for the Seventh Circuit to rule on Mr.
16 Holtkamp's objection or can we go ahead?

17 MR. HOLTKAMP: My intention here is to
18 have a few on reserve on appeal.

19 So what I envisioned happening was Your
20 Honor would just adopt your reasoning from your
21 previous opinion and that we could appeal and maybe
22 stay it on appeal just so we have it.

23 I filed it in five cases before you,
24 today I think three have been continued to other
25 dates. But the idea is just to have more on appeal

1 in case of, you know, dismissals and those types of
2 things.

3 MS. HAYES: Your Honor has already ruled
4 on this specific issue. And I'm of the opinion
5 that this is inefficient for both the court and the
6 debtor to have to reconsider it, and we'd
7 respectfully request that this objection be
8 overruled and the plan confirmed.

9 MR. HOLTKAMP: And that's what I
10 envisioned would happen, Your Honor. You would
11 just adopt your reasoning, and we can appeal
12 confirmation.

13 THE COURT: And refresh my recollection,
14 Mr. Holtkamp, the name of the prior case just so I
15 can state it right on the record.

16 MR. HOLTKAMP: It is Jade Gordon and
17 Juanita White.

18 THE COURT: Okay. Based for the same
19 reasons in those cases, I will overrule the City's
20 objection.

21 I'll confirm the plan is that at Docket
22 32, Ms. Knight?

23 THE TRUSTEE: Yes, Your Honor.

24 THE COURT: I'll confirm the plan at
25 Docket 32, allow compensation, and the Trustee's

1 motion is withdrawn.

2 MS. HAYES: Thank you, Your Honor.

3 MR. HOLTKAMP: Thank you.

4 (Which were all the proceedings had
5 in the above-entitled cause,
6 September 25, 2025, 10:00 a.m.)

7 I, MARY C. KELLY, CSR, DO HEREBY CERTIFY THAT THE
8 FOREGOING IS A TRUE AND ACCURATE TRANSCRIPT OF
9 PROCEEDINGS HAD IN THE ABOVE-ENTITLED CAUSE./S/
(f)

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Fill in this information to identify your case:

Debtor 1 Ahmed Alayah
 First Name Middle Name Last Name

Debtor 2 (Spouse, if filing) _____
 First Name Middle Name Last Name

United States Bankruptcy Court for the: Northern District of: Illinois
 (state)

Case number (if known) 25-09060

Check if this is an amended plan, and list below the sections of the plan that have been changed
2.1, 3.2, 5.1, 8.1

Official Form 113

Chapter 13 Plan

12/17

Part 1: Notices

To Debtors: This form sets out options that may be appropriate in some cases, but the presence of an option on the form does not indicate that the option is appropriate in your circumstances or that it is permissible in your judicial district. Plans that do not comply with local rules and judicial rulings may not be confirmable.

In the following notice to creditors, you must check each box that applies.

To Creditors: Your rights may be affected by this plan. Your claim may be reduced, modified, or eliminated.

You should read this plan carefully and discuss it with your attorney if you have one in this bankruptcy case. If you do not have an attorney, you may wish to consult one.

If you oppose the plan's treatment of your claim or any provision of this plan, you or your attorney must file an objection to confirmation at least 7 days before the date set for the hearing on confirmation, unless otherwise ordered by the Bankruptcy Court. The Bankruptcy Court may confirm this plan without further notice if no objection to confirmation is filed. See Bankruptcy Rule 3015. In addition, you may need to file a timely proof of claim in order to be paid under any plan.

The following matters may be of particular importance. **Debtors must check one box on each line to state whether or not the plan includes each of the following items. If an item is checked as "Not Included" or if both boxes are checked, the provision will be ineffective if set out later in the plan.**

1.1	A limit on the amount of a secured claim, set out in Section 3.2, which may result in a partial payment or no payment at all to the secured creditor	<input checked="" type="checkbox"/> Included	<input type="checkbox"/> Not included
1.2	Avoidance of a judicial lien or nonpossessory, nonpurchase-money security interest, set out in Section 3.4	<input type="checkbox"/> Included	<input checked="" type="checkbox"/> Not included
1.3	Nonstandard provisions, set out in Part 8	<input checked="" type="checkbox"/> Included	<input type="checkbox"/> Not included

Part 2: Plan Payments and Length of Plan

2.1 Debtor(s) will make regular payments to the trustee as follows:

\$200.00 per month for 3 month(s)
 and \$750.00 per month for 33 month(s)

If fewer than 60 months of payments are specified, additional monthly payments will be made to the extent necessary to make the payments to creditors specified in this plan.

Debtor 1 Ahmed Alayah Case number 25-09060
First Name Middle Name Last Name (if known)

2.2 Regular payments to the trustee will be made from future income in the following manner:

Check all that apply.

- Debtor(s) will make payments pursuant to a payroll deduction order.
- Debtor(s) will make payments directly to the trustee.
- Other (specify method of payment):

2.3 Income tax refunds.

Check one.

- Debtor(s) will retain any income tax refunds received during the plan term.
- Debtor(s) will supply the trustee with a copy of each income tax return filed during the plan term within 14 days of filing the return and will turn over to the trustee all income tax refunds received during the plan term.
- Debtor(s) will treat income tax refunds as follows: On or before April 20th of the year following the filing of the case and each year thereafter, the Debtor(s) shall submit a copy of the prior year's filed federal tax return to the Chapter 13 Trustee.

2.4 Additional payments.

Check one.

- None.** *If "None" is checked, the rest of § 2.4 need not be completed or reproduced.*

2.5 The total amount of estimated payments to the trustee provided for in §§ 2.1 and 2.4 is \$25,350.00

Part 3: Treatment of Secured Claims

3.1 Maintenance of payments and cure of default, if any.

Check all that apply.

- None.** *If "None" is checked, the rest of § 3.1 need not be completed or reproduced.*

Debtor 1 Ahmed Alayah Case number 25-09060
 First Name Middle Name Last Name (if known)

3.2 Request for valuation of security, payment of fully secured claims, and modification of undersecured claims.

Check one.

- None.** If "None" is checked, the rest of § 3.2 need not be completed or reproduced.
The remainder of this paragraph will be effective only if the applicable box in Part 1 of this plan is checked.
- The debtor(s) request that the court determine the value of the secured claims listed below. For each non-governmental secured claim listed below, the debtor(s) state that the value of the secured claim should be as set out in the column headed *Amount of secured claim*. For secured claims of governmental units, unless otherwise ordered by the court, the value of a secured claim listed in a proof of claim filed in accordance with the Bankruptcy Rules controls over any contrary amount listed below. For each listed claim, the value of the secured claim will be paid in full with interest at the rate stated below.

The portion of any allowed claim that exceeds the amount of the secured claim will be treated as an unsecured claim under Part 5 of this plan. If the amount of a creditor's secured claim is listed below as having no value, the creditor's allowed claim will be treated in its entirety as an unsecured claim under Part 5 of this plan. Unless otherwise ordered by the court, the amount of the creditor's total claim listed on the proof of claim controls over any contrary amounts listed in this paragraph.

The holder of any claim listed below as having value in the column headed *Amount of secured claim* will retain the lien on the property interest of the debtor(s) or the estate(s) until the earlier of:

- (a) payment of the underlying debt determined under nonbankruptcy law, or
- (b) discharge of the underlying debt under 11 U.S.C. § 1328, at which time the lien will terminate and be released by the creditor.

Name of creditor	Estimated amount of creditor's total claim	Collateral	Value of collateral	Amount of claims senior to creditor's claim	Amount of secured claim	Interest rate	Monthly payment to creditor	Estimated total of monthly payments
Carmax Auto Finance	\$14,106.71	Toyota Avalon 2013	\$10,125.00		\$10,125.00	7.50%	\$202.89	\$12,173.40

3.3 Secured claims excluded from 11 U.S.C. § 506.

Check one.

- None.** If "None" is checked, the rest of § 3.3 need not be completed or reproduced.
- The claims listed below were either:
- (a) incurred within 910 days before the petition date and secured by a purchase money security interest in a motor vehicle acquired for the personal use of the debtor(s), or
 - (b) incurred within 1 year of the petition date and secured by a purchase money security interest in any other thing of value.

These claims will be paid in full under the plan with interest at the rate stated below. These payments will be disbursed either by the trustee or directly by the debtor(s), as specified below. Unless otherwise ordered by the court, the claim amount stated on a proof of claim filed before the filing deadline under Bankruptcy Rule 3002(c) controls over any contrary amount listed below. In the absence of a contrary timely filed proof of claim, the amounts stated below are controlling. The final column includes only payments disbursed by the trustee rather than by the debtor(s).

Name of creditor	Collateral	Amount of claim	Interest rate	Monthly plan payment	Estimated total payments by trustee
Santander Consumer Usa Inc.	2017 Toyota Camry	\$12,283.21	10.50%	\$264.02	\$15,841.20

Disbursed by:

- Trustee
 Debtor(s)

Debtor 1 Ahmed Alayah Case number 25-09060
First Name Middle Name Last Name (if known)

3.4 Lien avoidance.

Check one.

- None.** *If "None" is checked, the rest of § 3.4 need not be completed or reproduced.*
The remainder of this paragraph will be effective only if the applicable box in Part 1 of this plan is checked.

3.5 Surrender of collateral.

Check one.

- None.** *If "None" is checked, the rest of § 3.5 need not be completed or reproduced.*

Debtor 1 Ahmed Alayah Case number 25-09060
First Name Middle Name Last Name (if known)

Part 4: Treatment of Fees and Priority Claims

4.1 General

Trustee's fees and all allowed priority claims, including domestic support obligations other than those treated in § 4.5, will be paid in full without postpetition interest.

4.2 Trustee's fees

Trustee's fees are governed by statute and may change during the course of the case but are estimated to be 6.80% of plan payments; and during the plan term, they are estimated to total \$1,723.80

4.3 Attorney's fees

The balance of the fees owed to the attorney for the debtor(s) is estimated to be \$5,411.71

4.4 Priority claims other than attorney's fees and those treated in § 4.5.

Check one.

- None. If "None" is checked, the rest of § 4.4 need not be completed or reproduced.
- The debtor(s) estimate the total amount of other priority claims to be \$2,867.16

4.5 Domestic support obligations assigned or owed to a governmental unit and paid less than full amount.

Check one.

- None. If "None" is checked, the rest of § 4.5 need not be completed or reproduced.

Part 5: Treatment of Nonpriority Unsecured Claims

5.1 Nonpriority unsecured claims not separately classified.

Allowed nonpriority unsecured claims that are not separately classified will be paid, pro rata. If more than one option is checked, the option providing the largest payment will be effective. Check all that apply.

- The sum of \$800.00
- 0.00% of the total amount of these claims, an estimated payment of \$0.00
- The funds remaining after disbursements have been made to all other creditors provided for in this plan.

If the estate of the debtor(s) were liquidated under chapter 7, nonpriority unsecured claims would be paid approximately \$691.79 Regardless of the options checked above, payments on allowed nonpriority unsecured claims will be made in at least this amount.

Debtor 1 Ahmed Alayah Case number 25-09060
First Name Middle Name Last Name (if known)

5.2 Maintenance of payments and cure of any default on nonpriority unsecured claims. *Check one.*

None. *If "None" is checked, the rest of § 5.2 need not be completed or reproduced.*

5.3 Other separately classified nonpriority unsecured claims. *Check one.*

None. *If "None" is checked, the rest of § 5.3 need not be completed or reproduced.*

Debtor 1 Ahmed Alayah Case number 25-09060
 First Name Middle Name Last Name (if known)

Part 6: Executory Contracts and Unexpired Leases

6.1 The executory contracts and unexpired leases listed below are assumed and will be treated as specified. All other executory contracts and unexpired leases are rejected. *Check one.*

- None. If "None" is checked, the rest of § 6.1 need not be completed or reproduced.
 Assumed items. Current installment payments will be disbursed either by the trustee or directly by the debtor(s), as specified below, subject to any contrary court order or rule. Arrearage payments will be disbursed by the trustee. The final column includes only payments disbursed by the trustee rather than by the debtor(s).

Name of creditor	Description of leased property or executory contract	Current installment payment	Amount of arrearage to be paid	Treatment of arrearage (Refer to other plan section if applicable)	Estimated total payments by trustee
Marozas Apartments	Yearly Lease	\$650.00	\$0.00		\$0.00

Disbursed by:

- Trustee
 Debtor(s)

Part 7: Vesting of Property of the Estate

7.1 Property of the estate will vest in the debtor(s) upon.

Check the applicable box:

- plan confirmation.
 entry of discharge
 other

Part 8: Nonstandard Plan Provisions

8.1 Check "None" or List Nonstandard Plan Provisions

- None. If "None" is checked, the rest of Part 8 need not be completed or reproduced.

Under Bankruptcy Rule 3015(c), nonstandard provisions must be set forth below. A nonstandard provision is a provision not otherwise included in the Official Form or deviating from it. Nonstandard provisions set out elsewhere in this plan are ineffective.

The following plan provisions will be effective only if there is a check in the box "Included" in § 1.3.

- Santander Consumer Usa Inc. shall receive pre-confirmation adequate protection payments in the amount of \$123.00 per month and will retain its lien until the earlier of payment of the underlying debt in full as determined under non-bankruptcy law or discharge pursuant to section 1328.
- Carmax Auto Finance shall receive pre-confirmation adequate protection payments in the amount of \$68.00 per month.

Part 9: Signature(s):

9.1 Signatures of Debtor(s) and Debtor(s)' Attorney

If the Debtor(s) do not have an attorney, the Debtor(s) must sign below; otherwise the Debtor(s) signatures are optional. The attorney for the Debtor(s), if any, must sign below.

X _____ X _____
 Signature of Debtor 1 Signature of Debtor 2
 Executed on _____ Executed on _____
 MM / DD / YYYY MM / DD / YYYY

X /s/ Brittni Hayes _____ Date 9/18/2025
 Signature of Attorney for Debtor(s) MM / DD / YYYY

By filing this document, the Debtor(s), if not represented by an attorney, or the Attorney for Debtor(s) also certify(ies) that the wording and order of the provisions in this Chapter 13 plan are identical to those contained in Official Form 113, other than any nonstandard provisions included in Part 8.

Exhibit: Total Amount of Estimated Trustee Payments

The following are the estimated payments that the plan requires the trustee to disburse. If there is any difference between the amounts set out below and the actual plan terms, the plan terms control.

a.	Maintenance and cure payments on secured claims <i>(Part 3, Section 3.1 total)</i>	<u>\$0.00</u>	
b.	Modified secured claims <i>(Part 3, Section 3.2 total)</i>	<u>\$12,173.40</u>	
c.	Secured claims excluded from 11 U.S.C. § 506 <i>(Part 3, Section 3.3 total)</i>	<u>\$15,841.20</u>	
d.	Judicial liens or security interests partially avoided <i>(Part 3, Section 3.4 total)</i>	<u>\$0.00</u>	
e.	Fees and priority claims <i>(Part 4 total)</i>	<u>\$10,002.67</u>	
f.	Nonpriority unsecured claims <i>(Part 5, Section 5.1, highest stated amount)</i>	<u>\$800.00</u>	
g.	Maintenance and cure payments on unsecured claims <i>(Part 5, Section 5.2 total)</i>	<u>\$0.00</u>	
h.	Separately classified unsecured claims <i>(Part 5, Section 5.3 total)</i>	<u>\$0.00</u>	
i.	Trustee payments on executory contracts and unexpired leases <i>(Part 6, Section 6.1 total)</i>	<u>\$0.00</u>	
j.	Nonstandard payments <i>(Part 8, total)</i>	+ \$0.00	
	Total of lines a through j	<table border="1"><tr><td><u>\$38,817.27</u></td></tr></table>	<u>\$38,817.27</u>
<u>\$38,817.27</u>			

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF ILLINOIS

Eastern Division

In Re:
Stephen C Falkner

)
)
)
)
)
)
)
)

BK No.: 25-09387

Chapter: 13

Honorable Donald R. Cassling

Debtor(s)

Order Confirming Plan

The plan under Chapter 13 of the Bankruptcy code, filed as docket No. 31, having been found by the Court to comply with the provisions of the 11 U.S.C. section 1325, THE PLAN IS HEREBY CONFIRMED.

Enter:



Honorable Donald R. Cassling

United States Bankruptcy Judge

Dated: October 09, 2025

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

STEPHEN C. FALKNER,) No. 25 B 09387
)
) Chicago, Illinois
) October 9, 2025
Debtor.) 10:00 a.m.

TRANSCRIPT OF ZOOM VIDEOCONFERENCE PROCEEDINGS
BEFORE THE HONORABLE DONALD R. CASSLING

APPEARANCES:

For the Debtor: Ms. Brittini Hayes;
For the City of Chicago: Mr. David Holtkamp;
For the Chapter 13 Trustee: Ms. Autumn Knight.

Court Reporter: MARY C. KELLY, CSR
United States Courthouse
219 South Dearborn Street
Room 661
Chicago, Illinois 60604

1 THE CLERK: Stephen Falkner.

2 MS. HAYES: Brittini Hayes on behalf of
3 the debtor.

4 MR. HOLTKAMP: Good morning again, Your
5 Honor. David Holtkamp for the City of Chicago.

6 MS. HAYES: Your Honor, I'm asking that
7 this case be confirmed.

8 MR. HOLTKAMP: And, Your Honor, this is
9 another one where we filed our objection that we
10 filed before in the Jade Gordon case and the
11 Juanita White case objecting to disposable income
12 going to pay the attorneys as opposed to unsecured
13 creditors. That's on appeal in the Seventh
14 Circuit.

15 THE COURT: Refresh my recollection, Mr.
16 Holtkamp, because I know this has come up before.
17 I would like to handle all of these consistently,
18 and I just don't recall exactly how we handled it
19 the last time this came up.

20 MR. HOLTKAMP: Well, Your Honor, you
21 just adopted your reasoning from your opinion in
22 the Jade Gordon case and overruled my objection and
23 confirmed the plan, which is what I would assume
24 here. And then last time I just appealed, and I'll
25 just appeal the confirmation order in this one,

1 too.

2 THE COURT: Okay. I couldn't recall.

3 All right. Ms. Knight, are you ready to
4 confirm?

5 THE TRUSTEE: Yes, Your Honor. All
6 trustee objections have been resolved.

7 THE COURT: Okay. And that's the one at
8 Docket 31, am I correct?

9 THE TRUSTEE: Yes, Your Honor.

10 THE COURT: All right. I will confirm
11 the plan filed at Docket 31 over the objections of
12 the City of Chicago for the same reason that I
13 overruled those objections on the cases that are
14 currently pending before the Seventh Circuit, and I
15 will allow compensation, and the trustee's motion
16 to dismiss is withdrawn.

17 THE TRUSTEE: Thank you.

18 MR. HOLTkamp: Thank you, Your Honor.

19 (Which were all the proceedings had
20 in the above-entitled cause,
21 October 9, 2025, 10:00 a.m.)

22 I, MARY C. KELLY, CSR, DO HEREBY CERTIFY THAT THE
23 FOREGOING IS A TRUE AND ACCURATE TRANSCRIPT OF
24 PROCEEDINGS HAD IN THE ABOVE-ENTITLED CAUSE./S/
(f)

25

Fill in this information to identify your case:

Debtor 1 Stephen C Falkner
First Name Middle Name Last Name

Debtor 2 (Spouse, if filing) _____
First Name Middle Name Last Name

United States Bankruptcy Court for the: Northern District of: Illinois
(state)

Case number (if known) 25-09387

Check if this is an amended plan, and list below the sections of the plan that have been changed
8.1

Official Form 113

Chapter 13 Plan

12/17

Part 1: Notices

To Debtors: This form sets out options that may be appropriate in some cases, but the presence of an option on the form does not indicate that the option is appropriate in your circumstances or that it is permissible in your judicial district. Plans that do not comply with local rules and judicial rulings may not be confirmable.

In the following notice to creditors, you must check each box that applies.

To Creditors: Your rights may be affected by this plan. Your claim may be reduced, modified, or eliminated.

You should read this plan carefully and discuss it with your attorney if you have one in this bankruptcy case. If you do not have an attorney, you may wish to consult one.

If you oppose the plan's treatment of your claim or any provision of this plan, you or your attorney must file an objection to confirmation at least 7 days before the date set for the hearing on confirmation, unless otherwise ordered by the Bankruptcy Court. The Bankruptcy Court may confirm this plan without further notice if no objection to confirmation is filed. See Bankruptcy Rule 3015. In addition, you may need to file a timely proof of claim in order to be paid under any plan.

The following matters may be of particular importance. **Debtors must check one box on each line to state whether or not the plan includes each of the following items. If an item is checked as "Not Included" or if both boxes are checked, the provision will be ineffective if set out later in the plan.**

1.1	A limit on the amount of a secured claim, set out in Section 3.2, which may result in a partial payment or no payment at all to the secured creditor	<input type="checkbox"/> Included	<input checked="" type="checkbox"/> Not included
1.2	Avoidance of a judicial lien or nonpossessory, nonpurchase-money security interest, set out in Section 3.4	<input type="checkbox"/> Included	<input checked="" type="checkbox"/> Not included
1.3	Nonstandard provisions, set out in Part 8	<input checked="" type="checkbox"/> Included	<input type="checkbox"/> Not included

Part 2: Plan Payments and Length of Plan

2.1 Debtor(s) will make regular payments to the trustee as follows:

\$400.00 per month for 3 month(s)
 and \$825.00 per month for 33 month(s)

If fewer than 60 months of payments are specified, additional monthly payments will be made to the extent necessary to make the payments to creditors specified in this plan.

Debtor 1 **Stephen** **C** **Falkner** Case number **25-09387**
First Name Middle Name Last Name (if known)

2.2 Regular payments to the trustee will be made from future income in the following manner:

Check all that apply.

- Debtor(s) will make payments pursuant to a payroll deduction order.
- Debtor(s) will make payments directly to the trustee.
- Other (specify method of payment):

2.3 Income tax refunds.

Check one.

- Debtor(s) will retain any income tax refunds received during the plan term.
- Debtor(s) will supply the trustee with a copy of each income tax return filed during the plan term within 14 days of filing the return and will turn over to the trustee all income tax refunds received during the plan term.
- Debtor(s) will treat income tax refunds as follows: On or before April 20th of the year following the filing of the case and each year thereafter, the Debtor(s) shall submit a copy of the prior year's filed federal tax return to the Chapter 13 Trustee.

2.4 Additional payments.

Check one.

- None.** *If "None" is checked, the rest of § 2.4 need not be completed or reproduced.*

2.5 The total amount of estimated payments to the trustee provided for in §§ 2.1 and 2.4 is \$28,425.00

Part 3: Treatment of Secured Claims

3.1 Maintenance of payments and cure of default, if any.

Check all that apply.

- None.** *If "None" is checked, the rest of § 3.1 need not be completed or reproduced.*

Debtor 1 Stephen C Falkner Case number 25-09387
First Name Middle Name Last Name (if known)

3.2 Request for valuation of security, payment of fully secured claims, and modification of undersecured claims.

Check one.

- None.** If "None" is checked, the rest of § 3.2 need not be completed or reproduced.
 The remainder of this paragraph will be effective only if the applicable box in Part 1 of this plan is checked.

3.3 Secured claims excluded from 11 U.S.C. § 506.

Check one.

None. If "None" is checked, the rest of § 3.3 need not be completed or reproduced.

The claims listed below were either:

- (a) incurred within 910 days before the petition date and secured by a purchase money security interest in a motor vehicle acquired for the personal use of the debtor(s), or
- (b) incurred within 1 year of the petition date and secured by a purchase money security interest in any other thing of value.

These claims will be paid in full under the plan with interest at the rate stated below. These payments will be disbursed either by the trustee or directly by the debtor(s), as specified below. Unless otherwise ordered by the court, the claim amount stated on a proof of claim filed before the filing deadline under Bankruptcy Rule 3002(c) controls over any contrary amount listed below. In the absence of a contrary timely filed proof of claim, the amounts stated below are controlling. The final column includes only payments disbursed by the trustee rather than by the debtor(s).

Name of creditor	Collateral	Amount of claim	Interest rate	Monthly plan payment	Estimated total payments by trustee
<u>AMERICAN CREDIT ACCEPT</u>	<u>2022 Chevrolet Trailblazer LT AWD</u>	<u>\$30,732.36</u>	<u>7.50%</u>	<u>\$615.82</u>	<u>\$36,949.20</u>

Disbursed by:

- Trustee
 Debtor(s)

Debtor 1 Stephen C Falkner Case number 25-09387
First Name Middle Name Last Name (if known)

3.4 Lien avoidance.

Check one.

- None.** *If "None" is checked, the rest of § 3.4 need not be completed or reproduced.*
The remainder of this paragraph will be effective only if the applicable box in Part 1 of this plan is checked.

3.5 Surrender of collateral.

Check one.

- None.** *If "None" is checked, the rest of § 3.5 need not be completed or reproduced.*

Debtor 1 Stephen C Falkner Case number 25-09387
First Name Middle Name Last Name (if known)

Part 4: Treatment of Fees and Priority Claims

4.1 General

Trustee's fees and all allowed priority claims, including domestic support obligations other than those treated in § 4.5, will be paid in full without postpetition interest.

4.2 Trustee's fees

Trustee's fees are governed by statute and may change during the course of the case but are estimated to be 6.80% of plan payments; and during the plan term, they are estimated to total \$1,932.90

4.3 Attorney's fees

The balance of the fees owed to the attorney for the debtor(s) is estimated to be \$5,529.71

4.4 Priority claims other than attorney's fees and those treated in § 4.5.

Check one.

None. If "None" is checked, the rest of § 4.4 need not be completed or reproduced.

4.5 Domestic support obligations assigned or owed to a governmental unit and paid less than full amount.

Check one.

None. If "None" is checked, the rest of § 4.5 need not be completed or reproduced.

Part 5: Treatment of Nonpriority Unsecured Claims

5.1 Nonpriority unsecured claims not separately classified.

Allowed nonpriority unsecured claims that are not separately classified will be paid, pro rata. If more than one option is checked, the option providing the largest payment will be effective. *Check all that apply.*

- The sum of \$0.00
- 0.00% of the total amount of these claims, an estimated payment of \$0.00
- The funds remaining after disbursements have been made to all other creditors provided for in this plan.

If the estate of the debtor(s) were liquidated under chapter 7, nonpriority unsecured claims would be paid approximately \$0.00 Regardless of the options checked above, payments on allowed nonpriority unsecured claims will be made in at least this amount.

Debtor 1	<u>Stephen</u>	<u>C</u>	<u>Falkner</u>	Case number	<u>25-09387</u>
	First Name	Middle Name	Last Name	(if known)	

5.2 Maintenance of payments and cure of any default on nonpriority unsecured claims. *Check one.*

None. *If "None" is checked, the rest of § 5.2 need not be completed or reproduced.*

5.3 Other separately classified nonpriority unsecured claims. *Check one.*

None. *If "None" is checked, the rest of § 5.3 need not be completed or reproduced.*

Debtor 1 Stephen C Falkner Case number 25-09387
First Name Middle Name Last Name (if known)

Part 6: Executory Contracts and Unexpired Leases

6.1 The executory contracts and unexpired leases listed below are assumed and will be treated as specified. All other executory contracts and unexpired leases are rejected. *Check one.*

None. If "None" is checked, the rest of § 6.1 need not be completed or reproduced.

Part 7: Vesting of Property of the Estate

7.1 Property of the estate will vest in the debtor(s) upon.

Check the applicable box:

- plan confirmation.
- entry of discharge
- other

Part 8: Nonstandard Plan Provisions

8.1 Check "None" or List Nonstandard Plan Provisions

None. If "None" is checked, the rest of Part 8 need not be completed or reproduced.

Under Bankruptcy Rule 3015(c), nonstandard provisions must be set forth below. A nonstandard provision is a provision not otherwise included in the Official Form or deviating from it. Nonstandard provisions set out elsewhere in this plan are ineffective.

The following plan provisions will be effective only if there is a check in the box "Included" in § 1.3.

1. AMERICAN CREDIT ACCEPT shall receive pre-confirmation adequate protection payments in the amount of \$190.00 per month.

Part 9: Signature(s):

9.1 Signatures of Debtor(s) and Debtor(s)' Attorney

If the Debtor(s) do not have an attorney, the Debtor(s) must sign below; otherwise the Debtor(s) signatures are optional. The attorney for the Debtor(s), if any, must sign below.

X _____
Signature of Debtor 1
Executed on _____
MM / DD / YYYY

X _____
Signature of Debtor 2
Executed on _____
MM / DD / YYYY

X /s/ Brittni Hayes

Signature of Attorney for Debtor(s)

Date 9/30/2025
MM / DD / YYYY

By filing this document, the Debtor(s), if not represented by an attorney, or the Attorney for Debtor(s) also certify(ies) that the wording and order of the provisions in this Chapter 13 plan are identical to those contained in Official Form 113, other than any nonstandard provisions included in Part 8.

Exhibit: Total Amount of Estimated Trustee Payments

The following are the estimated payments that the plan requires the trustee to disburse. If there is any difference between the amounts set out below and the actual plan terms, the plan terms control.

a.	Maintenance and cure payments on secured claims <i>(Part 3, Section 3.1 total)</i>	<u>\$0.00</u>	
b.	Modified secured claims <i>(Part 3, Section 3.2 total)</i>	<u>\$0.00</u>	
c.	Secured claims excluded from 11 U.S.C. § 506 <i>(Part 3, Section 3.3 total)</i>	<u>\$36,949.20</u>	
d.	Judicial liens or security interests partially avoided <i>(Part 3, Section 3.4 total)</i>	<u>\$0.00</u>	
e.	Fees and priority claims <i>(Part 4 total)</i>	<u>\$7,462.61</u>	
f.	Nonpriority unsecured claims <i>(Part 5, Section 5.1, highest stated amount)</i>	<u>\$0.00</u>	
g.	Maintenance and cure payments on unsecured claims <i>(Part 5, Section 5.2 total)</i>	<u>\$0.00</u>	
h.	Separately classified unsecured claims <i>(Part 5, Section 5.3 total)</i>	<u>\$0.00</u>	
i.	Trustee payments on executory contracts and unexpired leases <i>(Part 6, Section 6.1 total)</i>	<u>\$0.00</u>	
j.	Nonstandard payments <i>(Part 8, total)</i>	+ \$0.00	
	Total of lines a through j	<table border="1"><tr><td><u>\$44,411.81</u></td></tr></table>	<u>\$44,411.81</u>
<u>\$44,411.81</u>			

United States Code Annotated

Title 11. Bankruptcy (Refs & Annos)

Chapter 13. Adjustment of Debts of an Individual with Regular Income (Refs & Annos)

Subchapter II. The Plan

11 U.S.C.A. § 1325

§ 1325. Confirmation of plan

Currentness

(a) Except as provided in subsection (b), the court shall confirm a plan if--

(1) The plan complies with the provisions of this chapter and with the other applicable provisions of this title;

(2) any fee, charge, or amount required under chapter 123 of title 28, or by the plan, to be paid before confirmation, has been paid;

(3) the plan has been proposed in good faith and not by any means forbidden by law;

(4) the value, as of the effective date of the plan, of property to be distributed under the plan on account of each allowed unsecured claim is not less than the amount that would be paid on such claim if the estate of the debtor were liquidated under chapter 7 of this title on such date;

(5) with respect to each allowed secured claim provided for by the plan--

(A) the holder of such claim has accepted the plan;

(B)(i) the plan provides that--

(I) the holder of such claim retain the lien securing such claim until the earlier of--

- (aa) the payment of the underlying debt determined under nonbankruptcy law; or

- (bb) discharge under section 1328; and

- (II) if the case under this chapter is dismissed or converted without completion of the plan, such lien shall also be retained by such holder to the extent recognized by applicable nonbankruptcy law;

- (ii) the value, as of the effective date of the plan, of property to be distributed under the plan on account of such claim is not less than the allowed amount of such claim; and

- (iii) if--
 - (I) property to be distributed pursuant to this subsection is in the form of periodic payments, such payments shall be in equal monthly amounts; and

 - (II) the holder of the claim is secured by personal property, the amount of such payments shall not be less than an amount sufficient to provide to the holder of such claim adequate protection during the period of the plan; or

- (C) the debtor surrenders the property securing such claim to such holder;

- (6) the debtor will be able to make all payments under the plan and to comply with the plan;

- (7) the action of the debtor in filing the petition was in good faith;

- (8) the debtor has paid all amounts that are required to be paid under a domestic support obligation and that first become payable after the date of the filing of the petition if the debtor is required by a judicial or administrative order, or by statute, to pay such domestic support obligation; and

(9) the debtor has filed all applicable Federal, State, and local tax returns as required by section 1308.

For purposes of paragraph (5), section 506 shall not apply to a claim described in that paragraph if the creditor has a purchase money security interest securing the debt that is the subject of the claim, the debt was incurred within the 910-day period preceding the date of the filing of the petition, and the collateral for that debt consists of a motor vehicle (as defined in section 30102 of title 49) acquired for the personal use of the debtor, or if collateral for that debt consists of any other thing of value, if the debt was incurred during the 1-year period preceding that filing.

(b)(1) If the trustee or the holder of an allowed unsecured claim objects to the confirmation of the plan, then the court may not approve the plan unless, as of the effective date of the plan--

(A) the value of the property to be distributed under the plan on account of such claim is not less than the amount of such claim; or

(B) the plan provides that all of the debtor's projected disposable income to be received in the applicable commitment period beginning on the date that the first payment is due under the plan will be applied to make payments to unsecured creditors under the plan.

(2) For purposes of this subsection, the term “disposable income” means current monthly income received by the debtor (other than child support payments, foster care payments, or disability payments for a dependent child made in accordance with applicable nonbankruptcy law to the extent reasonably necessary to be expended for such child) less amounts reasonably necessary to be expended--

(A)(i) for the maintenance or support of the debtor or a dependent of the debtor, or for a domestic support obligation, that first becomes payable after the date the petition is filed; and

(ii) for charitable contributions (that meet the definition of “charitable contribution” under section 548(d)(3)) to a qualified religious or charitable entity or organization (as defined in section 548(d)(4)) in an amount not to exceed 15 percent of gross income of the debtor for the year in which the contributions are made; and

(B) if the debtor is engaged in business, for the payment of expenditures necessary for the continuation, preservation, and operation of such business.

(3) Amounts reasonably necessary to be expended under paragraph (2), other than subparagraph (A)(ii) of paragraph (2), shall be determined in accordance with subparagraphs (A) and (B) of section 707(b)(2), if the debtor has current monthly income, when multiplied by 12, greater than--

(A) in the case of a debtor in a household of 1 person, the median family income of the applicable State for 1 earner;

(B) in the case of a debtor in a household of 2, 3, or 4 individuals, the highest median family income of the applicable State for a family of the same number or fewer individuals; or

(C) in the case of a debtor in a household exceeding 4 individuals, the highest median family income of the applicable State for a family of 4 or fewer individuals, plus \$925 [originally "\$525", adjusted effective April 1, 2025]¹ per month for each individual in excess of 4.

(4) For purposes of this subsection, the "applicable commitment period"--

(A) subject to subparagraph (B), shall be--

(i) 3 years; or

(ii) not less than 5 years, if the current monthly income of the debtor and the debtor's spouse combined, when multiplied by 12, is not less than--

(I) in the case of a debtor in a household of 1 person, the median family income of the applicable State for 1 earner;

(II) in the case of a debtor in a household of 2, 3, or 4 individuals, the highest median family income of the applicable State for a family of the same number or fewer individuals; or

(III) in the case of a debtor in a household exceeding 4 individuals, the highest median family income of the applicable State for a family of 4 or fewer individuals, plus \$925 [originally “\$525”, adjusted effective April 1, 2025)¹ per month for each individual in excess of 4; and

(B) may be less than 3 or 5 years, whichever is applicable under subparagraph (A), but only if the plan provides for payment in full of all allowed unsecured claims over a shorter period.

(c) After confirmation of a plan, the court may order any entity from whom the debtor receives income to pay all or any part of such income to the trustee.

CREDIT(S)

(Pub.L. 95-598, Nov. 6, 1978, 92 Stat. 2649; Pub.L. 98-353, Title III, §§ 317, 530, July 10, 1984, 98 Stat. 356, 389; Pub.L. 99-554, Title II, § 283(y), Oct. 27, 1986, 100 Stat. 3118; Pub.L. 105-183, § 4(a), June 19, 1998, 112 Stat. 518; Pub.L. 109-8, Title I, § 102(g), (h), Title II, § 213(10), Title III, §§ 306(a), (b), 309(c)(1), 318(2), (3), Title VII, § 716(a), Apr. 20, 2005, 119 Stat. 33, 53, 80, 83, 93, 129; Pub.L. 109-439, § 2, Dec. 20, 2006, 120 Stat. 3285; Pub.L. 111-327, § 2(a)(44), Dec. 22, 2010, 124 Stat. 3562; Pub.L. 116-136, Div. A, Title I, § 1113(b)(1)(B), (2)(A)(ii), Mar. 27, 2020, 134 Stat. 311, 312; Pub.L. 116-260, Div. N, Title III, § 320(e), (f)(2)(A)(v), Dec. 27, 2020, 134 Stat. 2016, 2017.)

Footnotes

1 See Adjustment of Dollar Amounts notes set out under this section and 11 U.S.C.A. § 104.

11 U.S.C.A. § 1325, 11 USCA § 1325

Current through P.L. 119-36. Some statute sections may be more current, see credits for details.

United States Code Annotated

Title 11. Bankruptcy (Refs & Annos)

Chapter 13. Adjustment of Debts of an Individual with Regular Income (Refs & Annos)

Subchapter II. The Plan

11 U.S.C.A. § 1326

§ 1326. Payments

Currentness

(a)(1) Unless the court orders otherwise, the debtor shall commence making payments not later than 30 days after the date of the filing of the plan or the order for relief, whichever is earlier, in the amount--

(A) proposed by the plan to the trustee;

(B) scheduled in a lease of personal property directly to the lessor for that portion of the obligation that becomes due after the order for relief, reducing the payments under subparagraph (A) by the amount so paid and providing the trustee with evidence of such payment, including the amount and date of payment; and

(C) that provides adequate protection directly to a creditor holding an allowed claim secured by personal property to the extent the claim is attributable to the purchase of such property by the debtor for that portion of the obligation that becomes due after the order for relief, reducing the payments under subparagraph (A) by the amount so paid and providing the trustee with evidence of such payment, including the amount and date of payment.

(2) A payment made under paragraph (1)(A) shall be retained by the trustee until confirmation or denial of confirmation. If a plan is confirmed, the trustee shall distribute any such payment in accordance with the plan as soon as is practicable. If a plan is not confirmed, the trustee shall return any such payments not previously paid and not yet due and owing to creditors pursuant to paragraph (3) to the debtor, after deducting any unpaid claim allowed under section 503(b).

(3) Subject to section 363, the court may, upon notice and a hearing, modify, increase, or reduce the payments required under this subsection pending confirmation of a plan.

(4) Not later than 60 days after the date of filing of a case under this chapter, a debtor retaining possession of personal property subject to a lease or securing a claim attributable in whole or in part to the purchase price of such property shall provide the lessor or secured creditor reasonable evidence of the maintenance of any required insurance coverage with respect to the use or ownership of such property and continue to do so for so long as the debtor retains possession of such property.

(b) Before or at the time of each payment to creditors under the plan, there shall be paid--

(1) any unpaid claim of the kind specified in section 507(a)(2) of this title;

(2) if a standing trustee appointed under section 586(b) of title 28 is serving in the case, the percentage fee fixed for such standing trustee under section 586(e)(1)(B) of title 28; and

(3) if a chapter 7 trustee has been allowed compensation due to the conversion or dismissal of the debtor's prior case pursuant to section 707(b), and some portion of that compensation remains unpaid in a case converted to this chapter or in the case dismissed under section 707(b) and refiled under this chapter, the amount of any such unpaid compensation, which shall be paid monthly--

(A) by prorating such amount over the remaining duration of the plan; and

(B) by monthly payments not to exceed the greater of--

(i) \$25 [originally “\$25”, adjusted effective April 1, 2025 (resulting in no change in text)]¹; or

(ii) the amount payable to unsecured nonpriority creditors, as provided by the plan, multiplied by 5 percent, and the result divided by the number of months in the plan.

(c) Except as otherwise provided in the plan or in the order confirming the plan, the trustee shall make payments to creditors under the plan.

(d) Notwithstanding any other provision of this title--

(1) compensation referred to in subsection (b)(3) is payable and may be collected by the trustee under that paragraph, even if such amount has been discharged in a prior case under this title; and

(2) such compensation is payable in a case under this chapter only to the extent permitted by subsection (b)(3).

CREDIT(S)

(Pub.L. 95-598, Nov. 6, 1978, 92 Stat. 2650; Pub.L. 98-353, Title III, §§ 318(a), 531, July 10, 1984, 98 Stat. 357, 389; Pub.L. 99-554, Title II, §§ 230, 283(z), Oct. 27, 1986, 100 Stat. 3103, 3118; Pub.L. 103-394, Title III, § 307, Oct. 22, 1994, 108 Stat. 4135; Pub.L. 109-8, Title III, § 309(c)(2), Title XII, § 1224, Title XV, § 1502(a)(10), Apr. 20, 2005, 119 Stat. 83, 199, 217.)

Footnotes

1 See Adjustment of Dollar Amounts notes set out under this section and 11 U.S.C.A. § 104. 11 U.S.C.A. § 1326, 11 USCA § 1326 Current through P.L. 119-36. Some statute sections may be more current, see credits for details.

CERTIFICATE OF COMPLIANCE

In accordance with Fed. R. App. P. 32(a)(7)(C), I certify that the foregoing brief complies with the type-volume limitation provided by Fed. R. App. P. 32(a)(7)(B)(i). This brief contains 7,527 words, beginning with the words “Jurisdictional Statement” and ending with the words “Respectfully submitted” in the Conclusion section, as recorded by the word count of the Microsoft Word word processing system used to prepare the brief.

s/ Stephen Collins

STEPHEN COLLINS, Attorney

CERTIFICATE OF COMPLIANCE WITH SEVENTH CIRCUIT RULE 30

In accordance with 7th Cir. R. 30(d), I certify that the materials required by 7th Cir. R. 30(a) and 7th Cir. R. 30(b) are included in the appendix to this brief.

s/ Stephen Collins

STEPHEN COLLINS, Attorney

CERTIFICATE OF SERVICE

I certify that on December 23, 2025, I electronically filed the attached Brief with the Clerk of the Court for the United States Court of Appeals for the Seventh Circuit by using the CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the CM/ECF system.

s/ Stephen Collins

STEPHEN COLLINS, Attorney