

Bankruptcy 101

**Credit
Advisors**
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* For general information only. For actual advice please speak to an attorney.

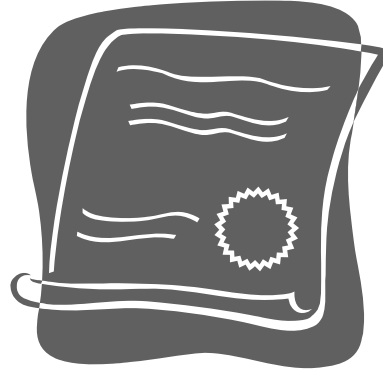
The Two Main Types

Chapter 7

- All consumer assets are sold (except those exempt) to pay off debt
- Exempt items may include:
 - Necessary motor vehicles
 - Reasonable necessary clothing
 - Reasonable necessary household goods and furnishings
 - Household appliances
 - Jewelry (up to a certain value)
 - Necessary professional items
 - Some unpaid but earned wages
 - Public benefits
 - Damages awarded for personal injury
- Majority of unsecured debt is forgiven
- Collateral from secured debt must be claimed as exempt, surrendered to creditor holding security agreement, or debt must be reaffirmed
 - Reaffirmed means that the debtor agrees to repay debt, usually in the amount of the actual value of the collateral rather than the greater balance amount
- May be filed and discharged only once every eight years
- Stays on your credit report for 10 years

Chapter 13

- Sometimes referred to as wage-earner plan
- All debts usually paid off in three to five years
- In most cases, you keep everything you own
- Debtor proposes plan to pay off debts
- Payment plan must be approved by a bankruptcy judge
- Debtor makes payments to bankruptcy trustee who then pays debtor's creditors
- Some judges require all debts to be paid off others decide that only partial payments need to be made
- Can be filed at any time during financial difficulty
- Stays on your credit report for 10 years



Filing For Bankruptcy

- Consider other alternatives first. Filing for bankruptcy will lower your credit rating
- Contact Credit Advisors to find out what your options may be
- Contact the your state bankruptcy trustee
 - Visit (http://www.usdoj.gov/ust/eo/ust_org/office_locator.htm) to find your state trustee's office
- Obtain a bankruptcy attorney
- Six months before you file you must receive approved credit counseling and earn a certificate
 - Credit Advisors offers this counseling at www.yourbankruptcypartner.com
- Prior to discharge you must obtain a separate debtor education certificate

www.creditadvisors.org