

Why File Bankruptcy?

- ❖ You are trying to keep debts current, but are borrowing from one card to pay the other.
- ❖ You are trying to keep debts current by using your savings.
- ❖ You are trying to keep debts current but you are going without life's essentials.
- ❖ You have defaulted on debt and are being harassed at home and at work by collectors that are not willing to help you.
- ❖ You have defaulted on a debt and are being sued or already have civil judgments against you.
- ❖ You have looked into debt consolidation but have found out that they demand a payment you can not afford, or worse have scammed you out of money.
- ❖ You have lost your job or have had a significant loss of income.
- ❖ You have fallen behind in home or car payments and fear foreclosure or repossession.
- ❖ You have incurred substantial medical debt due to an accident or injury.

Bankruptcy is not an end...It's a beginning...

Bankruptcy will help you to achieve a fresh financial start, or reduce your debt into manageable amounts. Some common misconceptions associated with bankruptcy are that you will have to give up all of your belongings or that you will never be able to obtain credit again.

Neither is true.

In fact; bankruptcy can help you to **keep your property** from being foreclosed or repossessed.



What is a Chapter 7 Bankruptcy?

The purpose of a chapter 7 bankruptcy filing is to discharge your debts. In exchange for having your debts erased, you must give up all of your property to your creditors. This is not as extreme as it sounds; you only have to surrender your **non-exempt** property. Which after the exemptions are applied, amounts to nothing. Usually most if not all of your property is exempt. Prior to filing your attorney will discuss any property that is not exempt.

If your income exceeds the median based on household size, a “means test” is conducted to see if you qualify for a chapter 7 discharge. The means test applies to people that have a family income greater than the median income.

2010 Median Income for Massachusetts*

~Family of one: \$53,315.00

~Family of two: \$69,204.00

~Family of three: \$82, 297.00

~Family of four: \$99, 293.00

Add \$7,500.00 for each family member above four.

* As of 3/15/2010

What is a Chapter 13 Bankruptcy?

A chapter 13 bankruptcy filing is different than a chapter 7. Where a chapter 7 filing will erase debts; a chapter 13 allows you to repay those debts through a plan that you will pay into on a regular basis.

Initially a chapter 13 sounds less attractive than a chapter 7 filing, in some cases a chapter 7 is more advantageous.

However **there are** benefits to filing a Chapter 13.

- ❖ A Chapter 13 can defend against **foreclosure**. Allowing you to satisfy arrearages in mortgage or tax bills over time, when your lender is requiring a lump sum. **Keeping you in your home!**
- ❖ A Chapter 13 filing remains on your credit report for three fewer years than a Chapter 7 which stays on for ten.
- ❖ There is no reaffirmation in a Chapter 13
- ❖ Property is not liquidated like in a Chapter 7, it is a reorganizational chapter.
- ❖ Chapter 13 payments are usually quite low, allowing a debtor to pay pennies on the dollar to unsecured creditors.

What is the “automatic stay?”

Once your attorney has filed your bankruptcy petition the “automatic stay” stops all collection efforts and proceedings against you, including foreclosure.

What is a credit counseling certificate, and why do I need one?

The 2005 bankruptcy reform brought the addition of two financial education courses that must be completed to file a bankruptcy petition and to receive a discharge of bankruptcy. The two courses do not take long to complete and can be done by internet or by phone. Once a course is complete, a certificate is issued as proof that you completed the course and is filed with your petition.

The first course (credit counseling) must be completed **before** your petition can be filed.

The second course (debtor education) can not be completed until **after** your petition has been filed. You will need your bankruptcy case number for the second course.

~ Failure to complete the second course could result in dismissal of your case. ~

Will I have to go to court?

Very seldom do bankruptcy filers have to go to court. All filers regardless of chapter filed will have to attend a meeting of creditors commonly called a 341 meeting.

What is a Reaffirmation Agreement?

Even if a debt can be discharged, you might have a special reason why you want to pay it. An example might be your car, the bank that provided you with the loan to purchase your car might send a “reaffirmation agreement” for you to sign. Reaffirmation agreements are under special rules and are voluntary; they are not required by bankruptcy law, or any other law.

Reaffirmation Agreements:

- ❖ Must be voluntary;
- ❖ Must not place too heavy a burden on you or your family;
- ❖ Must be in your best interest and
- ❖ Can be cancelled before the court issues your discharge or within 60 days after the agreement is filed with the Court, whichever ever gives you the most time.

However...

If you reaffirm the debt and fail to pay it, you owe the debt. The debt will not be discharged; and the creditor **can take action to recover that property**. The creditor can also take legal action to recover a judgment against you.

Are all debts dischargeable?

Not all debts are dischargeable, most taxes, child support and alimony are not dischargeable. Your attorney will discuss any non-dischargeable debts with you previous to filing.

We are a debt relief agency. We help people file for bankruptcy relief under the Bankruptcy Code.