

IS BANKRUPTCY RIGHT FOR YOU?

LEARN MORE:

The **National Association of Consumer Bankruptcy Attorneys** website includes a list of local bankruptcy attorneys and additional tips (see Resources).

Visit www.nacba.org.



THE RIGHT TO FILE BANKRUPTCY is an important tool for people with debt problems. There are pros and cons, and the decision to file bankruptcy should be made only after careful exploration of your options.

In the short term, bankruptcy prevents continued efforts by creditors to collect debts. In the long term, bankruptcy can completely eliminate repayment obligations so that you can get a fresh financial start. Bankruptcy can be the right choice if you have no other options to deal with your debts.

Although you may want to try other options first, do not wait until the last minute to think about bankruptcy because some important bankruptcy rights may be lost if you delay. Get advice early about bankruptcy if you are hoping to use the bankruptcy process to help save your home or your car.

ABOUT BANKRUPTCY



Common Types of Bankruptcy

There are two main types of consumer bankruptcies: chapter 7 and chapter 13. A chapter 7 is often called a “liquidation.” In chapter 7, your assets are examined by a court-appointed trustee to determine if anything is available to be sold for the benefit of creditors.

Chapter 13 is often called “reorganization.” In chapter 13, you submit a plan that details how you will repay your creditors over time for some or all of what you owe them. A chapter 13 plan normally requires monthly payments to the bankruptcy trustee over a period of three years. However, plans can last for as long as five years.

What Does It Cost?

The initial fee to file bankruptcy is currently \$306 for chapter 7 and \$281 for chapter 13. The fee can be paid in up to four installments over a period of 120 days (or up to 180 days with court permission). If you cannot afford to pay the filing fee in installments in a chapter 7, and your household income is below a certain amount (150% of the official poverty line), you can ask the bankruptcy court to waive the filing fee.

Getting Professional Help

Bankruptcy is a legal proceeding with complicated rules and paperwork. You may want to get professional legal help, especially if you hope to use bankruptcy to prevent foreclosure or repossession. Many bankruptcy attorneys will provide a free consultation to help you decide whether bankruptcy is the right choice for you.

Credit Counseling Requirement

The bankruptcy law requires that you get credit counseling from an approved credit counseling agency within 180 days of the time your bankruptcy case is filed. If you decide to go ahead with bankruptcy, you will need to file a certificate from the credit counseling agency stating that you received counseling. You must receive the counseling from an agency that has been approved by the United States Trustee Program for the state where you are filing. Ask the local bankruptcy court or a bankruptcy attorney for a list of approved agencies. Approved agencies are allowed to provide the counseling in-person, by telephone, or over the Internet. Most agencies will charge between \$25–\$50 for the pre-filing counseling. However, if you cannot afford the fee, you should ask the agency to provide the counseling free of charge or at a reduced fee.

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