

Level the playing field and get a fresh start

Contributed by alder mickie
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{bot_wrgoogle}Chapter 7, or straight bankruptcy, is what most people typically think of as bankruptcy. In this Chapter, a debtor's non-exempt assets are liquidated or sold and the proceeds are used to pay toward unsecured debts (credit cards, loans, medical bills, etc.). In the overwhelming majority of cases, however, people do not lose any property which means unsecured creditors get nothing. At the end of the bankruptcy, roughly 3-4 months after filing, the debts are discharged and the creditor can never collect on the debt.

Chapter 13 is a debt reorganization or consolidation bankruptcy. If a person has regular monthly income, then his debts (mortgage arrears, car payments, credit cards, medical bills, loans, student loans, etc.) are rolled into one low monthly payment. Because the debtor is paying back his creditors through this repayment plan, the debtor does not risk losing any assets as he might under Chapter 7. Furthermore, while in the repayment plan, typically 3-5 years, creditors are stopped from contacting the debtor without first going through the debtor's attorney and the court.

Millions of people declared bankruptcy last year alone to get the fresh start they needed. Contrary to what many believe, your credit is not permanently damaged and you will still be able to have credit. The new bankruptcy laws that went into effect in 2005 changed bankruptcy very little.

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