

Bankruptcy sounds scary. Just what is involved in a bankruptcy?

A recent prospective client told me "Bankruptcy sounds scary" and wanted to know how it all worked. That was a clear statement of the issue that comes up often as people start to come to grips with the fact that their financial life isn't working and that filing bankruptcy may be a good path for them. So I've outlined here how a "normal" Chapter 7 bankruptcy works in California. Chapter 7 is the type of bankruptcy that gets rid of (discharges) your debts quickly and is the type that most people want. All specific numbers below are for California in December 2011. I'll put links at the end of this article to additional material for those who want more information.

In General

A Chapter 7 bankruptcy will eliminate ("discharge") your unsecured debts, meaning those debts (like credit card debts) that are not secured by your property (like your car loan or home mortgage). It will do that quickly, normally in 3-4 months after filing. It's the one most people want.

What would you have to give up in a Chapter 7 bankruptcy?

Often, nothing or not much. You get to keep all of your assets (money and other things you own) that are "exempt" under the exemption laws of your state. In California, if you don't have equity in your home (the amount it's worth less the amount you owe), you get to exempt from creditors \$23,250 worth of anything you own, including cash and bank accounts. In addition, there are specific exemptions such as an exemption of \$3,525 of the equity in your car and an exemption for all of your household goods as long as none of them are worth more than \$550 each. There are other specific exemptions.

Do you qualify for a Chapter 7 bankruptcy?

If you don't make much money, you probably qualify. See the links at the end for more information.

What is the process?

- You give your bankruptcy attorney the information he or she requests. You do the required credit counseling (easy and low cost). Your attorney prepares your filing papers and you review and sign them. Your attorney files your Chapter 7 case with the court. You do the required financial management course (easy and low cost).
- Approximately one month after filing, you and your attorney attend a "Creditors Meeting" with the bankruptcy trustee assigned to your case. It's usually a short meeting with no creditors showing up.
- You wait another 2-3 months and you get your discharge of debts. You now have your Fresh Start!

That sounds simple. Is there more to it than that?

Of course. There's a lot of work involved for both you and your attorney, but the outline above is the usual course of a Chapter 7 bankruptcy case.

Additional information

More detailed information about bankruptcy and the different chapters under which you can file.

<http://ca-bankruptcylaw.com/bankruptcy-info>

How do I work? <http://ca-bankruptcylaw.com/how-do-i-work>

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