

## Can I pay my mother what I owe her before I file bankruptcy?

I've borrowed money from my mother. I want to make sure she gets paid back before I file bankruptcy.

**If you did pay your mother back before filing bankruptcy** (as many people do), **then you've "preferred" one of your creditors over your other creditors** and the bankruptcy trustee might sue your mother for that money, win the lawsuit, and **take that money from her and pay it to your creditors**. I don't think that's what you had in mind. You've just given a very good example of why you should consult with a qualified bankruptcy attorney as soon as you're even thinking about the possibility of filing bankruptcy.

**The bankruptcy trustee can "look back" for one year before the date you filed bankruptcy for payments to "insider" creditors** for the purpose of getting that money back. What's an insider? In simple terms, a relative or business partner. How about "friends"? Friends usually don't qualify as insiders, but they might if the "friend" has some special relationship with and control over you.

**For non-insiders** (for example, a local business that you want to make sure gets paid), **the look-back period is 90 days**.

Note that preferences don't apply to payments made in the normal course of business. So there's no problem with your home mortgage payments or car payments.

Now that you know the problem with paying certain creditors before filing bankruptcy, **how can you make sure they get paid? By waiting until after your bankruptcy to pay them**. I tell all my clients that they can pay anyone they want after their bankruptcy is over. That's the time to pay them, not before filing the bankruptcy. Actually, you can pay anyone after your bankruptcy case is filed, as long as you pay them from "exempt" funds or property; ask your bankruptcy attorney before doing that.

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