

Are all bankruptcy attorneys created equal?

This is a touchy subject for a bankruptcy attorney to write about, but a recently-received email contained the following sentence that got my attention.

"Completely pay up one or more of your credit cards before filing for bankruptcy."

I followed the link and it went to an article published by a bankruptcy law firm that had an impressive website. I followed a link in the article and found the same article on the blog of the bankruptcy law firm. That article includes this paragraph:

"Completely pay up one or more of your credit cards before filing for bankruptcy. You may need to raise some cash to pay off your card by liquidating some assets that have fewer consequences. Do it, because by bringing your card balance down to zero, this card will not be listed as one of your creditors and hence, even after filing for bankruptcy, you can keep the card to build up credit at a lower interest rate than you could possibly get after bankruptcy."

Is that good advice for people contemplating bankruptcy? No. Why not? Let me count the ways:

1. The person would probably lose that paid-off and not-included-in-bankruptcy-filing credit card account anyway. Credit card companies routinely monitor bankruptcy filings and close existing accounts of filers even if there is a zero balance and the debt isn't listed in the filing schedules. That's not 100% certain to happen, but highly likely.

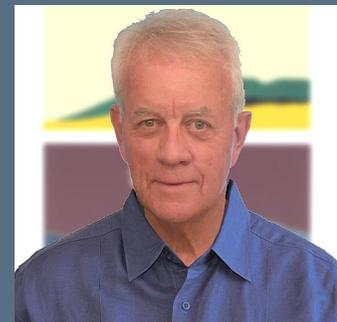
2. The payment to the credit card company would need to be listed in in the bankruptcy filing (Statement of Financial Affairs, item #3) if it was more than \$600 within 90 days before filing. That payment would be recoverable by the trustee (as a preferential payment) to be distributed to all creditors, negating any supposed benefit from paying off that card.

3. The person would lose that in-short-supply cash, which might have been able to be "exempted" (protected from creditors and therefore kept following bankruptcy), for no good reason.

The point is that this advice from a bankruptcy law firm, with a very impressive website, is not only not valuable but would likely cause financial harm to anyone who followed it prior to filing bankruptcy. Last but not least, that same article from the bankruptcy law firm said "You should be wary of bankruptcy specialists who charge high fees." **Would you trust your bankruptcy preparation and filing to this low-fee law firm?**

What's the moral of this story? **Be very careful out there** when choosing a bankruptcy attorney.

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