



BANKRUPTCY COURSE NOTES

(an in-depth summary of the course material)

BEFORE WE DIVE IN

A FEW THINGS TO KNOW BEFORE WE GET STARTED

You might have mixed feelings about filing for bankruptcy. But remember, Chapter 7 bankruptcy was designed to help folks who can no longer pay their debts get a fresh start, and take control of their financial future. It was created to help you!

What we'll cover in this course:

- The Chapter 7 bankruptcy process in a nutshell
- How you can get relief right away with the automatic stay
- What property you can keep
- How bankruptcy will affect your house
- What happens to your debts
- How to prepare and file your bankruptcy petition
- How to prepare for your bankruptcy hearing
- Things that could complicate your bankruptcy and how to handle them
- Steps to take after your bankruptcy

Important:

- You might be tempted to head straight to the sessions about filling out your forms. Don't do that! Bankruptcy forms can only be filled out with some underlying knowledge about the bankruptcy code and how the forms work.
- The worksheets are important. They will make filling out the bankruptcy forms much easier.

THE BASICS OF CHAPTER 7 BANKRUPTCY

WHAT IS CHAPTER 7 BANKRUPTCY, AND WHAT CAN IT DO FOR YOU?

Bankruptcy is a legal proceeding that offers a fresh start to individuals (and businesses) who are unable to pay their bills and meet their financial obligations.

- starts when a debtor files a petition in a bankruptcy court
- the judge, and a court-appointed Trustee, evaluate the case
- any assets that can be liquidated (as permitted by the bankruptcy code) are sold and distributed to the creditors
- debts (at least those that qualify)-- are cancelled
- can give some creditors an opportunity to be paid--and best of all it gives the debtor a clean slate

Some people feel embarrassed about filing for bankruptcy. It's much more helpful to see bankruptcy as one of several tools that's available to help when financial catastrophe strikes.

What Chapter 7 bankruptcy can do for you:

- put a stop to collection efforts
- stops mortgage foreclosures from moving forward
- halts repossession of vehicles and other property
- stops wage garnishment and other forms of aggressive collection
- prevents lawsuits from being filed against you
- stops the IRS from seizing your property
- eliminates your eligible debt

- as part of the process you'll be required to receive credit counseling- so you'll move forward better educated and more equipped to build a strong financial future
- although a bankruptcy will be reflected on your credit report- it actually puts you on the path to rebuilding your credit

Downsides of Chapter 7 bankruptcy:

- you'll be responsible for the costs of the bankruptcy; \$350-\$400 for court fees, Trustee fees, and credit counseling fees; \$1000-\$2000 in attorney fees
- you'll have to provide the court with a lot of information
- your bankruptcy will show up on your credit report for 10 years
- for the first several years you could encounter difficulty securing financing for a home, car, or other items
- when you do get financing- you can expect to pay a pretty hefty interest rate
- your credit score may go down—(although some people report that their score actually increases)
- your bankruptcy will be a matter of public record
- if you rent your home, you could have trouble renting in the future
- if you've secured a debt jointly with a co-borrower or co-signor—they'll still be on the hook to pay the debt.

TYPES OF BANKRUPTCY: IS CHAPTER 7 RIGHT FOR YOU?

There are 6 types of bankruptcies under the Bankruptcy code. Chapter 7 and Chapter 13 are used by individuals:

- Chapter 7 is available to individuals and businesses. Chapter 13 is available to individuals only (sole proprietors are included)
- Chapter 7 focuses on getting rid of unsecured debts. Chapter 13 focuses on getting you caught up on secured debts while allowing for the possibility of discharging unsecured debt at the end of the repayment period.
- Chapter 7 liquidates your property (if it's not protected by an exemption); Chapter 13 allows you to keep all your property.
- Chapter 7 bankruptcy- you don't make any payments to your unsecured creditors; Chapter 13- you'll make payments to creditors over a 3-5 year period
- Chapter 7- your unsecured creditors are paid the proceeds that come from the sale of your property (which may be nothing, if your property is covered by an exemption or if you have minimal property that doesn't have much value).; Chapter 13 your unsecured creditors must receive what they would have gotten if you had filed a chapter 7 bankruptcy
- Chapter 7 requires that you meet certain income requirements. If you don't—chapter 13 is still an option
- Chapter 7 offers no protection for co-borrowers or co-signors; Chapter 13 bankruptcy does.
- Chapter 7 AND chapter 13 bankruptcies leave some debts in place like taxes, child support and alimony, some student loans, and debts for personal injuries caused by drunk driving—those can not be discharged in either bankruptcy.
- Chapter 7— it's definitely possible to represent yourself in the proceeding; Chapter 13 bankruptcy is much more complicated. Best to hire an attorney

ALTERNATIVES TO BANKRUPTCY

- #1- Negotiate with creditors
- #2- Offer your creditors a one-time lump sum payment
- #3- Negotiate with your mortgage lender
- #4- Consolidate your debt and create a repayment plan
- #5- Sell some of your assets
- #6- Do nothing

THE BANKRUPTCY PROCESS IN A NUTSHELL

We'll review these in detail later. For now, here is the bankruptcy process in a nutshell:

- Mandatory credit counseling
- Determine where to file
- Fill out and file the paperwork
- Receive notice
- Receive the "automatic stay"

- Trustee oversees your case
- Attend the 341 Hearing
- Financial management course
- Creditor objection period
- Transfer property to the Trustee
- Receive your "Order of Discharge"

ARE YOU ELIGIBLE?

ARE YOU ELIGIBLE: AN INTRODUCTION

In order to qualify to file for bankruptcy, you must meet certain financial requirements in a 2-part test. Together these two tests are referred to as "The Means Test":

- Part one: the Median test. You'll calculate your average monthly income. Then you'll compare your income to the median income of similarly sized households in your state. If your average monthly income is less than or equal to the median income of similarly sized households in your state, you pass the test—and you qualify to seek a chapter 7 bankruptcy discharge.
- Part two: the Means test calculation. Required if you do not pass the Median test. Here, you'll subtract certain allowable deductions from your income. This determines how much disposable income you have each month. Assuming it's lower than the bankruptcy code's threshold—you'll be eligible to request a discharge under chapter 7

A WORD FOR VETERANS, RESERVISTS & BUSINESS OWNERS

These folks are exempt from having to take both parts of the Means test. If you qualify for any of these exemptions, claim your exempt status by filling out a special form—form 122A-1 Supplement

THE MEDIAN TEST

Compares your average household income to the average median income for a household of the same size in your state. Use the Median Test Worksheet provided in the course materials.

You will:

- add up all your average income during the six months prior to your bankruptcy
- multiply that by 12 (this will give you your annual income)
- compare your annual income to your state's median income
- if your annual income is LESS THAN or EQUAL TO your state's median income, you are eligible to request a Chapter 7 discharge

THE MEANS TEST CALCULATION

The purpose of the Means Test Calculation is to see if you have any money left over after paying your monthly expenses (known as disposable income). If you have too much of it, you'll be required to convert your Chapter 7 bankruptcy to a Chapter 13 bankruptcy, and use that money to pay your creditors over a period of time (3-5 years) before your debt is discharged.

Use Form 122A-2 "Chapter 7 Means Test Calculation"; We recommend you watch the sessions devoted to Forms 122A-1 and 122A-2.

THE AUTOMATIC STAY

THE AUTOMATIC STAY: ANOTHER WAY TO SAY 'RELIEF'

Becomes effective the moment you file the bankruptcy petition. Gives you a "breathing spell from your creditors." Also puts your creditors on a level playing field.

- Notice is sent to all your creditors
- Automatic stay will be in place throughout the duration of your bankruptcy until the order of discharge is entered

- You'll tell the court what you plan to do with your secured debt on the "Statement of Intention"
- There are some situations that are not covered by the automatic stay
- Sometimes creditors file a "Motion for Relief from the Automatic Stay." Here the creditor asks the court to lift the stay for that particular creditor. Common for secured creditors. If a creditor gets a court order lifting the stay, they can move forward to collect your debt or repossess the property.

YOUR PROPERTY: WHAT CAN YOU KEEP?

YOUR BANKRUPTCY ESTATE: WHAT'S INCLUDED... WHAT'S NOT?

When you file for bankruptcy, nearly all the property you own on the date of your filing, becomes part of your 'bankruptcy estate'. This is subject to the authority of the bankruptcy Trustee and can be sold to pay off your unsecured creditors. Property outside the bucket is off limits to the bankruptcy Trustee. Some property in your bankruptcy estate will be exempt (you'll get to keep it). You need to know what property is in and what property is out of your bankruptcy estate.

What goes in: nearly everything including:

- Property you've recently given away
- Preferential transfers
- Property that is legally yours, which you haven't received yet
- Some property acquired 180 after you file for bankruptcy (inheritances, death benefits, divorce settlement)

What property is NOT included:

- Income you make after the filing date
- Property you acquire after the filing date
- Property in your possession that belongs to someone else
- 529 college savings plans
- Pension plans and retirement accounts
- Property you've given to a pawn broker to secure a loan

YOUR PROPERTY WORKSHEETS

Before you can figure out what property you can keep—you first need to determine what property you have and what it's worth. Your bankruptcy forms will require you to list and value all the property that's in your bankruptcy estate.

To help you do this, we've created two worksheets:

- The Personal Property Inventory worksheet: will help you identify all the personal property you own (personal property is the stuff you can touch and feel)
- Property Valuation worksheet: you'll estimate the value of ALL your property

These will help you complete Bankruptcy Form 106-Schedule A/B

EXEMPTIONS: THE KEY TO KEEPING YOUR PROPERTY (AN INTRODUCTION)

Exemptions are the key to being able to keep your property. If property is exempt it can NOT be sold to pay your creditors. Exemptions do not come to you automatically. You have to claim them.

HOW EXEMPTIONS WORK

The United States Bankruptcy Code and each state have designated certain property that everyone is entitled to keep (it is exempt). (See state and federal exemptions in the course material)

- Some states allow their residents to choose between their state's exemptions and the federal exemptions; other states prohibit this. These are called 'opt-out' states.
- You cannot mix and match exemptions.
- In order to use a state's exemptions, you must have lived in that state for 2 years. Prior to the date of your bankruptcy filing.

- If you have not lived in your current state for the last 2 years, then the 180 day rule kicks in. (where were you living during the majority of the 180 days PRIOR to the last 2 years?)
- Also, some states prohibit non-residents from using their exemptions.
- Different kinds of exemptions:
 - o Exemptions that allow you to keep certain types of property regardless of value
 - o Exemptions that allow you to keep certain property UP TO a set dollar amount
 - o Wild card exemptions- dollar amount that can be applied to anything
- Married couples: if filing jointly, each spouse is entitled to claim an exemption for his/her own property (subject to some limitations)
- How do you claim your exemptions?: Form 106-Schedule C

FINDING YOUR EXEMPTIONS

How do you figure out what exemptions you're entitled to? Start by looking up your state in the digital exemption chart provided in the course materials

- Find out if your state allows you the option of using the federal bankruptcy exemptions, or if it has opted out
- The "statutory reference" is the name of the state's law where the exemptions are recorded
- Look at the chart that lists the exemptions. NOTE: exemptions change periodically. Be sure to check each state law to make sure you're getting the current exemption amount.

USING EXEMPTIONS TO YOUR ADVANTAGE

Use the Property Valuation Worksheet. This will help you:

- look at all the property you have,
- what it's worth,
- determine which exemptions you qualify for,
- determine the best way to apply them

How it works:

- If the item is completely covered by an exemption, you get to keep it
- If it's not covered (or partially covered), you'll have to give it to the Trustee. If it is partially covered, you'll receive the cash amount of the exemption
- If you have to surrender property because it's not fully covered by an exemption:
 - o Check for a wild card exemption
 - o Ask the Trustee to accept an item of exempt property in place of non-exempt property
 - o Buy the non-exempt property from the Trustee
 - o Remember: if the value is minimal, the Trustee may decide to abandon it
- If you live in a state that allows you to choose state or federal exemptions, you cannot mix and match. You'll need to compute two scenarios and choose the most favorable
- There are some exemptions that exist outside the federal bankruptcy code exemptions called "Federal non-bankruptcy exemptions." Must be a member of a very specific group to qualify (see course materials)

SPECIAL CIRCUMSTANCE: YOU'RE NAMED ON SOMEONE ELSE'S BANK ACCOUNT

- Confirm that you are actually a co-owner (rather than a co-signer)
- Two approaches:
 - o Take your name off the account before you file for bankruptcy (be sure to disclose this on your Statement of Financial Affairs)
 - o Declare the property in your bankruptcy forms and explain it is not yours
 - o If the account contains substantial funds, talk to an attorney

SPECIAL CIRCUMSTANCE: YOUR PROPERTY IS HELD IN A TRUST

If your property is held in a living trust, will that shield it from creditors? This depends on the type of trust:

- Revocable trust: most common. Can be changed or amended at any time. Creditors can reach this property.
- Irrevocable trust: You permanently transfer property and have no right to control the assets. Creditors probably won't be able to reach this property. But talk to an attorney.

PREBANKRUPTCY PLANNING TO MAXIMIZE EXEMPTIONS

Some people want to 'strategize' their exemptions. This is complicated and can be risky. If you're thinking of doing this- talk to an attorney.

YOUR HOUSE

EQUITY AND THE HOMESTEAD EXEMPTION

Most states and the federal government have a special exemption for homes (the homestead exemption). Whether you can keep your home boils down to how much equity you have in your home and whether your homestead exemption will fully cover that equity. If your equity is not fully covered, the Trustee can sell your home, pay you the exemption amount, pay off the mortgage/lien holders, and then use anything left over to pay your unsecured creditors.

Refer to the Home Equity/Homestead Exemption Worksheet

THE CATCH: IF YOU'VE BOUGHT YOUR HOME RECENTLY

If you've bought your home in the last 40 months, the federal government imposes a cap on the amount you can claim as exempt. The exemption amount tends to be high. If you have substantial equity in your home, it would be a good idea to meet with an attorney.

TENANCY BY THE ENTIRETY STATES

Some states recognize a special way for spouses to co-own property... "tenancy by the entirety." If you hold title to your home in tenancy by the entirety and bankruptcy is being sought by only one spouse- this could keep your home out of bankruptcy entirely.

Property that is owned as tenancy by the entirety can NOT be taken or sold to pay debts owed by only one spouse. Application of the law is determined by where the property is located.

If this applies to you, it would be wise to meet with a bankruptcy attorney.

FORECLOSURE: AN INTRODUCTION

Foreclosure is a legal process that allows a lender to take control of a home after the borrower misses several mortgage payments. It's not uncommon for folks who are facing bankruptcy- to also be facing a foreclosure as well. Each state has different foreclosure laws. See the following sessions for more info.

LOANS VS. LIENS

Loan: your agreement to pay the lender back

Lien: the lender's 'right to' or 'interest in' your property. Allows the lender to take the property back if you don't pay the loan

In a Chapter 7 bankruptcy, the loan will be discharged (you won't be under a legal obligation to pay it). But the lien is NOT discharged. If you want to stay in your home you'll need to continue to make on-time payments.

Other liens might exist on your home:

- Home equity loan or second mortgage
- IRS lien

- Judgment lien (can be extinguished in bankruptcy)

HOW DOES FORECLOSURE WORK? (AND HOW TO BENEFIT FROM THE PROCESS)

Foreclosures come in 2 flavors: Judicial and Non-judicial. State law determines which type is used.

Judicial foreclosure: mortgage company is required to take the homeowner to court by filing a lawsuit

Non-judicial: mortgage company is not required to file a lawsuit

End result: home is sold at foreclosure auction or sale and proceeds are used to pay what is owed on the home

Judicial foreclosure process:

- Notice of default
- Mortgage company files complaint with court
- Foreclosure hearing
- Foreclosure sale
- Homeowner leaves property

Non-judicial process:

- Notice of default
- Home is sold at auction
- Homeowner leaves property

The entire foreclosure process can take some time. Non-judicial foreclosure: around 4 months; Judicial foreclosure: 1 ½ – 2 years to complete! This can be valuable time in which to remain in your home without making mortgage payments! This money can be set aside and saved for future housing.

FORECLOSURE DEFENSES

If you're facing foreclosure, you have the option of defending the foreclosure in court. Judicial foreclosure: you can challenge it by responding to the mortgage company's complaint. Non-judicial: you can challenge the foreclosure by filing a lawsuit. This will stop the process until a court reviews the foreclosure.

Defenses are:

- Lender failed to follow the procedures required by your state's law
- Excessive fees that are against state/federal law
- Violation of laws regarding interactions with homeowners
- Charging above certain amount of interest
- Misrepresenting your loan
- Record keeping mistakes

WILL BANKRUPTCY HALT A FORECLOSURE?

Yes. Some lenders will ask the court to lift the automatic stay. Judges typically grant this motion. Some lenders will simply wait out the bankruptcy and then move forward.

SHOULD YOU FILE FOR BANKRUPTCY BEFORE OR AFTER FORECLOSURE?

Typically makes sense to file before losing your home to foreclosure. Why?:

- Deficiency judgment. When a house is sold in foreclosure sometimes the sales price of the house is not enough to cover the amount owed. In some states the mortgage company can ask a court for a deficiency judgment against you. By filing for bankruptcy before the foreclosure you can avoid the deficiency judgment—because the loan is discharged in the bankruptcy. So the lender will not have any grounds for a deficiency judgment. (note: if you file for bankruptcy after foreclosure, you can still get a deficiency judgment wiped out. But there is peace of mind in knowing a deficiency judgment cannot be issued against you in the first place)

- Taxes: If there is a deficiency, sometimes the lender will cancel the deficiency debt. This is then considered taxable income
- Other loans secured by your home: your liability on the loans is erased
- Filing for bankruptcy before foreclosure will enable you to maximize the amount of time you stay in your home without having to make mortgage payments
- Losing your home in bankruptcy will typically be a better deal than losing it in foreclosure because you may be entitled to a homestead exemption. Also, the Trustee will try to collect as much money as possible for your home. The lender only cares about getting enough money to cover your debt.

FORECLOSURE AVOIDANCE

Every mortgage company has a responsibility to work with borrowers to avoid foreclosure. 5 options that may help you keep your home and avoid foreclosure:

- Reinstatement: making your mortgage loan current by making up all the missed payments
- Repayment plan: you continue to make regular ongoing payments, but you also make up missed payments over a period of time
- Forbearance agreement: mortgage company allows you to make reduced payments for a period of time. At the end of the forbearance, you resume making regular payments plus you pay back the amount you missed.
- Loan modification: mortgage company allows you to change the terms of your original mortgage loan agreement
- Chapter 13 bankruptcy

FORECLOSURE ALTERNATIVES

If you're going to lose your home there are a number of options that will allow you to move through the process of transitioning ownership of your home, without the stain of a foreclosure on your credit report. These foreclosure alternatives are:

- Deed in lieu of foreclosure: you walk away from the home and the mortgage loan is considered paid.
- Cash for keys agreement: similar, except here the lender pays the homeowner cash to turn over the keys and leave peacefully
- Short sale: lender agrees to allow you to sell the home for less than what is owed on the loan. Could have tax consequences. Typically not used if you have equity in the home.

THE RIGHT OF REDEMPTION

A legal tool that allows a homeowner to reclaim their home after foreclosure by paying what they owe. Very few homeowners are able to do this. But it's good to know it's an option in case you receive an unexpected windfall.

YOUR DEBTS

YOUR DEBTS: AN INTRODUCTION

In these sessions, we'll help you understand different types of debt, and what happens to that debt in bankruptcy. We'll also explore the options you have in dealing with debt during your bankruptcy process and what that will mean for you.

UNDERSTANDING SECURED DEBTS...IT'S ALL ABOUT THE LIENS

Secured debt: backed by some sort of collateral. If you fail to pay the debt, the lender can take the property back. The company's legal right to take the car back is called a "lien"

Unsecured debt: loan is not backed by collateral. The lender has no lien. This kind of debt is completely discharged in bankruptcy

Secured debt falls into the following categories, depending on the type of lien that secures the debt:

- Consensual liens: voluntary. You give your consent to the lender taking a security interest in the property

- Purchase money security interest loans: the lender gives you money to buy the specific property that the debt secures (example: home, car)
- Non purchase money security interest loans: you don't use the loan to buy the property that secures the loan. You offer up for collateral property which you already own. Lender gives you money you might use for something entirely unrelated to the collateral property (example: home equity line of credit to pay for tuition, medical expenses)
- Non-consensual liens: obtained without your consent:
 - Tax liens
 - Materialman's or Mechanic's liens
 - Judgment liens

Why do these distinctions matter? Different types of liens provide creditor with different rights. They also determine what options you have for dealing with the debt in the bankruptcy process. (see next sessions)

Perfecting a lien: the law requires the lien holder to take specific steps to ensure that others have been put on notice about the lien. If the lender does not do this, the lien is not enforceable. Also- 'first to file' creditor is the one with priority over other creditors.

WHAT HAPPENS TO SECURED DEBTS IN BANKRUPTCY?

- Will the Trustee sell your property? This depends on how much equity you have in the property and the extent to which that equity is protected by an exemption.
- If you get to keep the property what happens? You will be relieved of the "obligation" to pay the debt. But the lien holder will still have the right to take the property
- Bankruptcy offers some strategies to reduce or eliminate the liens on some secured debt. Where this isn't available there are other approaches to help you deal with the debt (see next sessions)

WORKING AROUND LIENS

In bankruptcy your personal obligation to pay a secured debt is discharged. But the lien doesn't go away. Unless you continue to make payments, the lienholder can take the property. Bankruptcy offers the ability to reduce or completely avoid two different types of liens:

- Certain non-purchase money security interest liens
- Judgment liens

(see next sessions)

NON-PURCHASE MONEY SECURITY INTEREST LIENS

Generally purchase money security interest liens cannot be erased in bankruptcy. But some non-purchase money security interest liens CAN.

Rules:

- cannot be real estate
- property must be in your possession (since the creditor is not in possession of the property it is called a "non-possessory, non-purchase money security interest lien")
- only works if the property is partially or entirely exempt
- only certain types of property are covered: "household goods" (no homes or cars)
- must ask for these liens by filing a "motion to avoid nonpossessory, non-purchase money security interest"

JUDGMENT LIENS

Judgment liens can be reduced or completely eliminated in Chapter 7 bankruptcy.

Requirements:

- property to which the judgment lien is attached is fully or partially exempt
- the lien would result in the loss of some of all of the exempt equity if the property were to be sold
- must file a "motion to avoid judicial lien"

OTHER OPTIONS FOR DEALING WITH SECURED DEBT

Form 108, "Statement of Intention" requires you to tell the bankruptcy court what you plan to do with the collateral for your secured debts. You have several options:

- Surrender the property: Creditor takes the property back. Loan is discharged. Lien goes away.
- Redeem the property: You pay the creditor the property's current replacement value.
 - o Must be 'tangible property'
 - o Must be personal property (no real estate)
 - o Must be consumer debt (no business debt)
 - o Must be claimed as exempt, or abandoned by the Trustee
- Reaffirm the debt: You and the lender agree that you'll still be responsible for the debt after the bankruptcy is over. The lien and the loan survive the bankruptcy. (must be reviewed by the judge)
- Retain the property and pay the debt: not officially part of the bankruptcy code. Also known as "ride through" option. You agree with the lender that you will keep the property and continue making payments. You DON'T reaffirm the debt or redeem the property. You just keep making payments on time. If you fail to make payments the lender can repossess the property but can't come after you for a deficiency.

How do you exercise these options?:

- Surrender the property: hand it over to the creditor
- Redeem the property: Creditor signs a redemption agreement; you pay the creditor the replacement value
- Reaffirm the debt: sign a reaffirmation agreement with the creditor. Attend a reaffirmation hearing. **If you've made the attempt to reaffirm the debt but it was denied by the bankruptcy judge, the debt will be discharged. Most lenders are happy to let you hang on to your property as long as they keep getting paid

DEBTS THAT DON'T GO AWAY IN BANKRUPTCY

- Domestic support obligations
- Most student loans
- Tax debt and other debt that's owed to the government (bankruptcy code has a complex formula for determining what income tax is dischargeable. But usually- recent tax debt cannot be discharged.) Also, most government fines and fees are nondischargeable
- Debt resulting from criminal misconduct

BANKRUPTCY AND MARRIED COUPLES

BANKRUPTCY AND MARRIED COUPLES: AN INTRODUCTION

Married individuals considering bankruptcy may file:

- Individually, or
- Jointly with a spouse

The correct filing choice depends on state law. State law determines how jointly owned property is treated in bankruptcy.

States fall into two categories:

- Community property states
- Common law states

Community property states:

- Arizona
- California
- Idaho
- Louisiana
- Nevada

- New Mexico
- Texas
- Washington
- Wisconsin

Residents of community property states should review: "Community Property States" session
Residents of all other states (and Washington, D.C.) should review: "Common Law States" session

Some states recognize tenancy by the entirety for married couples. Tenancy by the entirety commonly applies to jointly owned real estate. This can significantly affect whether spouses file jointly or individually. If you live in a tenancy by the entirety state and own a home with a spouse, review the "Tenancy by the Entirety" session

COMMUNITY PROPERTY STATES

In a community property state, property acquired during the marriage is considered joint property. Title does not control ownership in community property states. Property acquired during marriage is community property even if titled in only one spouse's name.

The same rule applies to debt. Most debt incurred during the marriage is considered community debt. Creditors may pursue community property to pay community debt.

One spouse's creditors may reach community property acquired during the marriage. Creditors cannot pursue a spouse's separate property. Separate property includes:

- Property owned before the marriage
- Property received by inheritance
- Property designated as separate by a prenuptial agreement

Income generated from separate property remains separate. Property purchased with separate property remains separate. Separate property can become community property if it is commingled. Commingling occurs when separate property becomes difficult or impossible to trace

In community property states:

- All community property must be listed in the bankruptcy
- Nearly all debt incurred during the marriage is community debt
- Non-exempt community property may be sold to pay creditors
- A spouse's share of community property may be used to pay debt, even if the spouses viewed the property as belonging to only one spouse

COMMON LAW STATES

In a common law state, ownership of property is determined by title. Property titled in one spouse's name is that spouse's separate property. If property does not have an official title, ownership is generally based on which spouse purchased, uses, or possesses the property.

Property may also be jointly owned. When property is jointly owned, each spouse owns a separate one-half interest in the property.

How property is treated in bankruptcy depends on how the case is filed. If both spouses file jointly, all property and all debt become part of the bankruptcy.

If only one spouse files for bankruptcy, only the filer's non-exempt separate property and the filer's non-exempt one-half interest in jointly owned property may be used to pay creditors.

Exemptions may protect the filer's interest in property. If the filer's interest is fully exempt, the Trustee cannot sell the property.

If the filer's interest in jointly owned property is not fully exempt and the property is not easily divisible, the Trustee may seek court approval to sell the property. If a sale occurs, the non-filing spouse must receive their share of the equity. Before selling jointly owned property, the Trustee will often offer the non-filing spouse the opportunity to purchase the filer's interest, sometimes at a discounted amount to avoid sale-related costs. As an alternative to selling the property, the Trustee may place a lien on the property so creditors are paid when the property is sold in the future. If jointly owned property is easily divisible, the Trustee may sell only the filer's share and leave the non-filing spouse's share intact.

In summary, in a common law state:

- A non-filing spouse's separate property cannot be sold by the Trustee
- A non-filing spouse's one-half interest in jointly owned property cannot be sold
- Jointly owned property that cannot be easily divided may still be subject to sale under limited circumstances

DIVORCE AND BANKRUPTCY

Bankruptcy and divorce often overlap. Whether to file Chapter 7 bankruptcy before or after a divorce depends on several factors.

Filing jointly before a divorce can be more cost effective.

- Bankruptcy filing fees are the same for a joint filing as for an individual filing
- Filing jointly before divorce can reduce overall costs

Filing bankruptcy before a divorce can also simplify the divorce process.

- A joint bankruptcy can discharge qualifying debts for both spouses
- Fewer debts means fewer issues to resolve in divorce court
- Reducing debt can make divorce proceedings faster and less expensive

Another advantage of filing bankruptcy before a divorce is avoiding future liability for joint debts.

- Divorce orders do not change a creditor's right to collect from either spouse
- If one spouse fails to pay a joint debt after divorce, the creditor can pursue the other spouse
- Bankruptcy before divorce helps ensure neither spouse remains responsible for joint debts
- Seeking reimbursement after divorce often requires additional court action and expense

State law can affect whether filing jointly before a divorce is beneficial.

- Some states allow spouses to double exemption amounts when filing jointly
- Doubling exemptions can help protect more property in bankruptcy
- If a state does not allow doubling and property exceeds exemptions, filing after divorce may be preferable

Income also plays a role in the timing of bankruptcy.

- Joint filers must report combined household income
- Combined income may be too high to qualify for Chapter 7
- Each spouse's individual income may qualify if filing separately
- In some cases, waiting until after divorce and separate households is necessary to qualify

GETTING DOWN TO BUSINESS: PREPARING & FILING YOUR BANKRUPTCY PETITION

AN INTRODUCTION

All bankruptcy cases use the same federal forms nationwide. These forms include about 23 documents, collectively called the bankruptcy petition. Forms are available through the U.S. Courts [hyperlinked list](#) is included in your course materials.

Although the forms are standardized, each bankruptcy court may require additional local forms. These are available from the court or the court's website.

The forms may seem overwhelming at first, but this course walks through each one step by step. If you completed the course worksheets, much of the information is already prepared.

IF YOU NEED RELIEF IMMEDIATELY!

A complete set of bankruptcy forms can be 40–60 pages long and takes time to prepare. In urgent situations—such as foreclosure, eviction, repossession, or wage garnishment—there may not be enough time to complete all documents.

In these cases, the bankruptcy code allows for an emergency filing, sometimes called a skeleton petition. An emergency filing opens a bankruptcy case with only a few required documents. The remaining forms must be filed within 14 days.

The documents typically required for an emergency filing include:

- Form 101 (Voluntary Petition)
- Form 121 (Statement About Your Social Security Numbers)
- Creditor mailing list
- Certificate of completion for a credit counseling course
- Filing fee

Some courts may require additional documents. Court-specific requirements can be found by contacting the bankruptcy court or reviewing its website.

Filing these documents begins the bankruptcy case and triggers the automatic stay. If the remaining forms are not filed within 14 days, the case will be dismissed.

Whenever possible, filing all bankruptcy forms at once is recommended. However, if immediate creditor relief is needed, an emergency filing may be used to stop collection actions quickly.

WHERE WILL YOU FILE FOR BANKRUPTCY?

Bankruptcy is a federal proceeding and must be filed in federal bankruptcy court. The federal court system is divided into 94 judicial districts, and each state has at least one district.

Where you file is determined by the 180-day rule, which looks at where you lived for most of the 180 days before filing. For most people, this will be the district near their home. If you moved recently, you will need to file in the district where you lived longer during that period.

In some situations, filing location may be based on where most of your assets are located or, for businesses, where the principal place of business is located.

To find your bankruptcy court use the Federal Court Finder on the U.S. Courts website. Local court websites typically provide helpful information.

GET READY... GET SET... GET EVERYTHING IN ORDER

Before completing your bankruptcy petition, it's important to get organized. Doing this upfront makes the process smoother and helps meet court requirements.

First step: gather information about your debts

- Obtain a copy of your credit report from Experian, Equifax, and TransUnion
- Review the report carefully to identify all listed accounts
- Some debts may not appear, such as medical bills, personal loans, and tax debts
- Use the Creditor Worksheet in your course materials to create a master list of all debts

Gather recent tax and income records.

- Collect tax returns for the past two years or IRS transcripts if returns are unavailable
- Be prepared to explain in writing if you have not filed recent tax returns

Gather pay stubs or proof of income for the past two months

Additional documents you may need include:

- Bank, retirement, and brokerage account statements
- Mortgage and car loan information
- Property and vehicle valuations
- Vehicle registrations and insurance
- Divorce or separation agreements

Before filing, you must complete a required credit counseling course.

- The course must be taken within six months before filing
- It must be completed through an approved provider
- The course takes about one hour and costs approximately \$10-\$50
- Reduced fees or fee waivers may be available
- A certificate of completion is required to file your case

Review your local bankruptcy court's requirements.

Finally, prepare to pay the filing fee.

- The fee is due when you file your petition
- You may request to pay in up to four installments
- If income is below 150% of the federal poverty level, you may apply for a fee waiver
- Requests for installments or a waiver are made using Form 103A or 103B

TIPS FOR SUCCESS

Most of this course has focused on preparing you to complete your bankruptcy forms and file your case. Before filing, keep these tips in mind to help your case proceed smoothly.

Be honest throughout the entire process.

- Disclose all property, debts, and financial information
- Communicate truthfully with the bankruptcy Trustee
- Hiding assets or providing false information can lead to dismissal, fines, or criminal penalties

File only after you are fully prepared.

- Gather all required documents before filing
- Missing documents, such as tax returns, can delay your case or cause dismissal
- Deadlines are strict, and delays can create serious problems

Respond promptly to Trustee requests.

- The Trustee may request additional information or documents
- Cooperating and responding quickly helps keep the case moving forward

Keep your contact information current.

- Notify the Trustee and the court of any changes to your address, phone number, or email
- Some bankruptcy deadlines and communications are time sensitive

COMPLETING THE REQUIRED BANKRUPTCY FORMS

All required Chapter 7 bankruptcy forms are listed in the course materials under "Required Chapter 7 Bankruptcy Forms." Each form is hyperlinked to the current version on the U.S. Courts website.

Recommended approach: complete the forms electronically using the court's built-in form tools. After completing each form, save a digital copy and print it. Typed forms are cleaner, easier to read, and preferred by the Trustee. Handwritten forms are allowed but not recommended.

Course materials include a sample completed set of bankruptcy forms. These are provided as a reference to help you understand how completed forms should look.

When filling out your forms, keep these tips in mind:

- Consider using a printed blank form as a draft before entering information digitally
- Pause each session as needed and complete the forms at your own pace
- Be thorough and disclose all property and debts
- Answer every question; write "N/A" if a question does not apply
- Attach additional pages if more space is needed, clearly labeled with your name and the line number
- If filing jointly, "you" refers to both spouses; be consistent when identifying Debtor 1 and Debtor 2
- Seek help or consult an attorney if you encounter complex issues

Although the number of forms may seem intimidating, the sessions ahead walk through each form line by line. Completing the course worksheets in advance will make this process easier.

SEE SESSION VIDEOS FOR INSTRUCTIONS ON FILLING OUT EACH FORM

FORM 101: VOLUNTARY PETITION FOR INDIVIDUALS FILING FOR BANKRUPTCY

FORM 101A: INITIAL STATEMENT ABOUT AN EVICTION JUDGMENT AGAINST YOU
(REQUIRED ONLY IF YOUR LANDLORD HAS OBTAINED AN EVICTION JUDGMENT)

FORM 101B: STATEMENT ABOUT PAYMENT OF AN EVICTION JUDGMENT AGAINST YOU
(REQUIRED ONLY IF YOUR LANDLORD HAS OBTAINED AN EVICTION JUDGMENT)

FORM 103A: APPLICATION FOR INDIVIDUALS TO PAY THE FILING FEE IN INSTALLMENTS
(REQUIRED ONLY IF YOU WISH TO PAY YOUR APPLICATION FEE IN INSTALLMENTS)

FORM 103B: APPLICATION TO HAVE THE CHAPTER 7 FILING FEE WAIVED
(REQUIRED ONLY IF YOU WISH TO HAVE THE APPLICATION FEE WAIVED)

FORM 106 DECLARATION: DECLARATION ABOUT AN INDIVIDUAL DEBTOR'S SCHEDULES

FORM 106 SUMMARY: SUMMARY OF YOUR ASSETS AND LIABILITIES

FORM 106A/B: PROPERTY

FORM 106C: THE PROPERTY YOU CLAIM AS EXEMPT

FORM 106D: CREDITORS WHO HOLD CLAIMS SECURED BY PROPERTY

FORM 106E/F: CREDITORS WHO HAVE UNSECURED CLAIMS

FORM 106G: EXECUTORY CONTRACTS AND UNEXPIRED LEASES

FORM 106H: YOUR CO-DEBTORS

FORM 106I: YOUR INCOME

FORM 106 J: YOUR EXPENSES

FORM 106J-2: EXPENSES FOR SEPARATE HOUSEHOLD OF DEBTOR 2

(REQUIRED ONLY IF A MARRIED COUPLE IS FILING JOINTLY FOR BANKRUPTCY BUT MAINTAINS SEPARATE HOUSEHOLDS)

FORM 107: STATEMENT OF FINANCIAL AFFAIRS

FORM 108: STATEMENT OF INTENTION

(REQUIRED ONLY IF CREDITORS HAVE CLAIMS SECURED BY YOUR PROPERTY OR YOU HAVE LEASED PERSONAL PROPERTY AND THE LEASE HAS NOT EXPIRED)

FORM 121: YOUR STATEMENT ABOUT YOUR SOCIAL SECURITY NUMBERS

FORM 122A-1: CHAPTER 7 STATEMENT OF YOUR CURRENT MONTHLY INCOME

FORM 122A-1 SUPP: STATEMENT OF EXEMPTION FROM PRESUMPTION OF ABUSE UNDER § 707(B)(2)

FORM 122A-2: CHAPTER 7 MEANS TEST CALCULATION

OTHER FORMS THAT MIGHT BE REQUIRED BY YOUR LOCAL BANKRUPTCY COURT

Although bankruptcy forms are standardized nationwide, each bankruptcy court has its own local procedures. Some courts require additional local forms, such as cover sheets or signature pages. These court-specific forms can usually be found on the court's website or by contacting the bankruptcy court directly.

ADDITIONAL DOCUMENTS THAT MIGHT BE NEEDED

Most bankruptcy cases use the standard required forms, but some situations require additional documents. Example:

- Reaffirming a debt requires filing a reaffirmation agreement
- Asking the court to avoid a judicial lien requires filing a motion

Whenever a special document may be needed, this course identifies it. Sample additional documents are included in the course materials under "Additional Documents."

HOW DO YOU FILE YOUR FORMS?

After completing your bankruptcy forms, they must be filed with the bankruptcy court. Some courts allow electronic filing through an online system. If this option is not available, forms may be filed in person or by mail. Filing in person is generally recommended because it is faster and more secure.

Before filing, check your court's specific requirements by calling the clerk's office or visiting the court's website.

Important details include:

- Filing fees and accepted payment methods
- Number of copies required
- Order and formatting of documents
- Whether documents must be stapled, hole-punched, or paperclipped
- Any required local forms
- Whether a self-addressed, stamped envelope is needed

Once your documents are assembled, review them carefully for errors. Making corrections before filing can save time and avoid additional fees later.

If filing in person, locate your court using the Federal Court Finder. After checking in with the bankruptcy clerk, your documents will be stamped, filed, and returned to you.

If filing by mail, follow the court's instructions closely and use a trackable mailing method. After processing, the clerk will file your documents and mail stamped copies back to you.

Once the court accepts your paperwork, your Chapter 7 bankruptcy case is officially filed.

YOU FILED... NOW WHAT?

WHAT HAPPENS AFTER FILING?

After your bankruptcy forms are filed, a typical Chapter 7 case lasts about 3–6 months. The process is routine and follows a predictable timeline.

Upon filing, the automatic stay goes into effect.

- Creditors must stop collection efforts, wage garnishments, foreclosures, evictions, and utility shutoffs
- The stay lasts until the case is closed, unless a creditor asks the court to lift it

The court sends out notice to creditors

- You'll receive a copy of the notice with your case number
- The notice includes the date and location of your 341 hearing
- It identifies the Trustee assigned to your case
- Creditors may contact you before they receive notice; if so, provide your case number and court name

If you filed an emergency (skeleton) petition:

- You must file the remaining forms within 14 days
- Failure to do so will result in dismissal

Before the 341 hearing, you must provide documents to the Trustee.

- Typically required at least 7 days before the hearing
- Common documents include recent tax returns and pay stubs
- The Trustee may request additional financial records
- Sensitive information may be redacted

The 341 hearing usually occurs 20-40 days after filing.

- It is typically brief (5-10 minutes)
- The judge does not attend
- The Trustee verifies your identity and information
- Creditors may attend, but usually do not

After the 341 hearing:

- The U.S. Trustee determines whether you passed the means test
- Most cases are no-asset cases
- If assets exist, the Trustee may collect and sell non-exempt property

Deadlines to be aware of:

- Objections to exemptions: 30 days after the 341 hearing
- Statement of Intention actions: within 30 days of the first date set for 341 hearing date
- Reaffirmation hearings (if applicable): up to 60 days after the 341 hearing

Before receiving a discharge, you must complete a financial management course.

- The course is about two hours
- It must be taken from an approved provider
- A certificate of completion must be filed with the court

The discharge is typically issued about 60 days after the 341 hearing.

- It eliminates most dischargeable debts
- Certain debts are not discharged, such as child support, most student loans, many tax debts, and some misconduct-related debts
- Keep copies of your discharge order for your records

After discharge, the Trustee completes any remaining asset administration. Once finished, the case is officially closed.

THE 341 HEARING

A LOOK AT THE 341 HEARING

As part of the bankruptcy process, you must attend a 341 hearing, also called the meeting of creditors. Although many people feel nervous about this step, the hearing is informal and usually brief.

The 341 hearing is not held in a courtroom.

- It typically takes place in a conference room or classroom-style setting
- No judge is present

- The hearing is conducted by the bankruptcy Trustee

Creditors have the right to attend but rarely do.

- If a creditor appears, it is usually due to a dispute
- Creditors may ask limited questions but cannot harass you or object to your case

Preparing for the hearing is important.

- Review your bankruptcy forms in advance
- Be prepared to confirm that all information is true and complete
- If you discover an error, file an amendment or disclose it at the hearing

What to bring to the hearing:

- A valid photo ID
- Your Social Security card or an approved substitute
- A copy of your bankruptcy paperwork
- Any additional documents requested by the Trustee

Plan to arrive early.

- Hearing details are included in the notice mailed after filing
- Arrive 15-20 minutes early to allow time for parking and security
- Multiple hearings are scheduled in the same room, and cases are called in order

What happens during the hearing:

- You will be placed under oath
- The Trustee verifies your identity
- The Trustee reviews your paperwork and asks routine questions
- Questions focus on income, assets, debts, accuracy, and completeness

Common questions may include:

- Is everything in your documents is true and correct?
- Did you review your bankruptcy petition before you filed it?
- Did you disclose all your assets?
- Did you list all your creditors?
- How did you arrive at the value for a particular piece of property?
- Does anyone owe you money?

If you have non-exempt property:

- The Trustee may offer the option to pay its value to keep it
- Otherwise, the property may be collected and sold
- Most cases are declared no-asset cases

Once questioning is complete, the hearing ends.

- Most hearings last 5-10 minutes
- In rare cases, the hearing may be continued to gather more information

With preparation and honesty, the 341 hearing is a straightforward step in the bankruptcy process.

MANAGING YOUR CASE

YOU FOUND A MISTAKE: AMENDING YOUR PETITION

Mistakes can happen. If you discover an error after filing, you can correct it by filing an amendment. Amendments can usually be filed at almost any time, but it's best to file as soon as possible to show good faith and avoid delays (including the possibility of an additional 341 hearing).

Common reasons to amend include:

- Mistyped information (such as an address)
- Miscalculated totals
- Missing creditor or asset
- Changes after filing (such as a new living situation)
- Name on the petition does not match your government ID

If you correct one form, be sure to update any other related forms affected by the change.

To file an amendment, first check your local court's procedures and fees.

- Whether a cover page is required
- Whether you must retype the full form or only enter updated information
- Required order of documents and number of copies
- Whether an amendment fee applies

Then complete the corrected form.

- Use a fresh form
- If allowed, insert the updated information and mark it as ADD, CHANGE, or DELETE
- Clearly label the form at the top as AMENDED and indicate what is being updated

Make copies for:

- The court (required number)
- You
- The Trustee
- Any creditor affected by the amendment

Finally, file the amendment with the court and send copies to the Trustee and any affected creditors.

YOU WANT OUT: DISMISSING YOUR CASE

If you change your mind after filing your bankruptcy case, you can ask the court to dismiss it by filing a "motion for voluntary dismissal."

Common reasons for requesting dismissal include:

- Discovering an asset is not exempt and may be lost
- Learning a debt is not dischargeable
- Receiving funds that allow you to pay your debts

A dismissal is not automatic. Granting the request is within the court's discretion and varies by court.

The court will consider whether you have a compelling reason.

- If assets are available to pay creditors, dismissal is less likely
- If the case is a no-asset case and creditors do not object, dismissal may be granted
- The court decides based on what it believes is in your best interest

Dismissal can have serious consequences:

- You may be barred from re-filing for 180 days
- You may lose the protection of the automatic stay in a future case
- Multiple bankruptcies on your record

To request dismissal, start by checking your local court's requirements.

Then prepare two documents:

- Motion for voluntary dismissal

- Proposed order granting voluntary dismissal

Sample documents are included in the course materials. After completing and signing the documents, file them with the court and follow any additional instructions from the bankruptcy clerk.

YOU WANT BACK IN: REOPENING YOUR CASE

After a bankruptcy case is closed, there are situations where it may need to be reopened.

Common reasons include:

- Failing to disclose a potential lawsuit or legal claim
- Accidentally leaving out a creditor
- Failing to complete required steps, such as the financial management course

Reopening the case allows you to correct the issue and avoid serious consequences, including loss of legal rights or allegations of fraud.

To reopen a case, you will file:

- A motion to reopen case
- A proposed order to reopen case

If the case was closed without a discharge, you will also need to file:

- A motion for discharge
- A proposed order to enter discharge

Sample documents are included in the course materials and should be tailored to your specific situation.

Before filing, contact the bankruptcy court clerk to confirm local requirements, formatting rules, fees, and copy requirements.

Once completed, sign the documents, make the required copies, file them with the court, and follow any additional instructions from the bankruptcy clerk.

WHEN YOU MIGHT NEED TO HIRE AN ATTORNEY

Many people can successfully handle a Chapter 7 bankruptcy on their own, but some situations call for professional help. An experienced bankruptcy attorney should be consulted if you are uncertain or facing a more complex issue.

Common situations in which you should seek out help:

- You're not sure where to file
- You're not sure which exemptions to claim
- You're not sure how a particular asset fits within an allowed exemption
- You have a situation that you're not sure how to handle in the bankruptcy forms
- You're considering doing some pre-bankruptcy planning to maximize your exemptions
- You own a home, you're facing foreclosure, and you have significant equity
- You can't figure out how to correctly fill out one of your bankruptcy forms
- You're uncertain about whether you pass the means test
- You have questions about the local bankruptcy court requirements
- You need help dismissing or reopening your case
- A creditor asks the court to lift the automatic stay
- One or more of your exemptions are disputed
- You want representation at a hearing
- It looks like your case may need to be converted to chapter 13 bankruptcy

If cost is a concern, remember that even a short consultation may prevent serious problems. Many bankruptcy attorneys offer free consultations, and free or low-cost legal assistance may be available through local legal aid or pro bono programs.

If you feel unsure, overwhelmed, or face a special circumstance, getting professional guidance can help protect your bankruptcy case.

THINGS THAT COULD COMPLICATE YOUR BANKRUPTCY PROCEEDING

YOU FAIL THE MEANS TEST

Within 10 days after your 341 hearing, the U.S. Trustee will review your means test to determine whether you passed. If you did not pass, the Trustee may file a motion to dismiss your case or convert it to Chapter 13 based on presumed abuse. Creditors may also file this type of motion.

If a motion to dismiss or convert is filed, you are entitled to a hearing. At the hearing, you must prove that your filing is not abusive and that your case should proceed. There are two main ways to do this:

- Show that the party bringing the motion misinterpreted your information or misapplied the bankruptcy code, and that you actually passed the means test
- Demonstrate special circumstances that justify additional expenses or income adjustments for which there is no reasonable alternative

The bankruptcy code gives limited examples of special circumstances, including:

- A serious medical condition
- Active-duty military service

Other situations may qualify, but the law is unclear and courts vary in how they evaluate these claims.

Because proving special circumstances can determine whether your debts are discharged, consult with a bankruptcy attorney.

A CREDITOR PETITIONS TO HAVE THE AUTOMATIC STAY LIFTED

The automatic stay begins immediately when you file for bankruptcy and stops creditors from collecting debts during the case. A creditor may ask the court to lift the stay by filing a "motion to lift stay." If granted, that creditor may resume collection efforts. The creditor has the burden of proving a valid reason to lift the stay. Courts usually consider these motions only when the debt involves a lien or contract rights

If a motion is filed:

- You must file a timely written response
- A hearing will be held
- You must show the creditor will not be harmed if the stay remains in place

Because these motions can significantly affect your case, consulting a bankruptcy attorney may be helpful.

AN EXEMPTION IS DISPUTED

After the 341 hearing, the Trustee and creditors have 30 days to object to exemptions you claimed on Schedule C. Objections must be filed in writing with the court, and you must receive a copy.

Two most common reasons for objections:

- Disputing the value you listed for an asset
- Claiming an exemption you are not eligible to use (such as using the wrong state's exemptions)

If an objection is filed:

- A hearing will be scheduled
- The Trustee or creditor must prove the exemption is improper
- You should respond in writing and appear at the hearing to explain why your exemption is correct

THE BANKRUPTCY DISCHARGE

UNDERSTANDING YOUR BANKRUPTCY ORDER OF DISCHARGE

The discharge order is the official court document that permanently stops creditors from collecting on your pre-bankruptcy debts. It is a major milestone in your Chapter 7 case.

The discharge order does not list individual debts. Instead, it states that all debts existing at the time of filing are discharged, except for certain non-dischargeable debts, including:

- Domestic support obligations (child support and alimony)
- Most student loans
- Most government fines and fees
- Many tax debts (some older income tax debts may be dischargeable)
- Most debts resulting from misconduct, such as DUI-related injuries or criminal penalties

The court sends notice of your discharge to creditors using your creditor mailing list. Keep copies of your discharge order in case a creditor contacts you in error. Creditors holding non-dischargeable or reaffirmed debts may resume collection, as the automatic stay ends with discharge.

Although the discharge is entered, the case may remain open. You must continue to cooperate with the Trustee and keep your contact information current. Failure to do so could result in revocation of the discharge.

LIFE AFTER BANKRUPTCY

THE BASICS

After receiving your discharge, you can move forward with a fresh financial start. There are a few important things to keep in mind.

A Chapter 7 bankruptcy typically remains on your credit report for 10 years from the filing date and is removed automatically.

Because of the bankruptcy, access to credit will be limited at first. Rebuilding credit will take time and intentional effort.

If you ever need to file bankruptcy again:

- You must wait 8 years from the Chapter 7 filing date to file another Chapter 7
- A recent dismissal for cause may delay filing or affect eligibility for discharge

Next sessions:

- Things that could still affect your case
- How to get back on track

THINGS THAT COULD STILL AFFECT YOUR CASE

Even after your bankruptcy case is closed, there are some things that could still affect your case. Example: a creditor might attempt to collect a debt that was discharged.

Keep copies of your bankruptcy paperwork, including your petition, schedules, correspondence, and discharge order. If a creditor attempts to collect a discharged debt, this documentation can resolve the issue. Creditors may still pursue co-signers or collect non-discharged debts.

You must notify the trustee if, within 180 days of filing, you receive:

- An inheritance
- Property from a divorce settlement
- Life insurance or death benefit proceeds

You must also report any property you later discover should have been disclosed. If the property is non-exempt and valuable, the Trustee may reopen the case.

Failure to report required information can result in revocation of your discharge.

GETTING BACK ON TRACK

A bankruptcy discharge offers a fresh financial start and an opportunity to build better habits and rebuild credit.

Build a budget.

- Track every expense for one month
- Calculate your net monthly income
- List necessities first, then non-essential expenses
- Adjust spending so expenses do not exceed income
- Monitor spending regularly using a tool or simple tracking system

Start saving money.

- Include savings as part of your monthly budget
- Aim to save consistently, often around 10% of income
- Use automatic transfers or payroll deductions
- Build an emergency fund to reduce reliance on credit

Monitor your credit reports.

- Review reports from Experian, Equifax, and TransUnion
- Ensure discharged debts show a zero balance
- Dispute errors and include bankruptcy documentation
- Allow time for updates to appear on reports

Reestablish good credit.

- Pay all bills on time
- Ask utility providers if payments are reported to credit bureaus
- Consider secured credit cards or credit builder loans
- Use unsecured credit cautiously and always pay balances in full
- Maintain steady employment

By budgeting, saving, monitoring credit, and rebuilding responsibly, you can protect your fresh start and work toward long-term financial stability.

CONCLUSION

A FINAL WORD

CONGRATULATIONS! Look at what we learned!:

- What bankruptcy is
- How it can help you
- How it works from start to finish
- What property you can keep
- What happens to your house
- What happens to your debts

- What forms to fill out
- How to complete and file them
- How to navigate your 341 hearing
- How to manage your case
- How to move forward after bankruptcy

YOU CAN DO THIS!