

Understanding the Basics of Chapter 7 Bankruptcy

You may be wondering whether filing for Chapter 7 bankruptcy is a good option for you. It may be an option if you have a large amount (generally, more than \$10,000.00) of unsecured debt and assets that have little equity. Unsecured debt is "dischargeable" in bankruptcy. This means that at the end of your case, your unsecured debts will be "discharged" or forgiven, relieving you of your legal obligation to pay the debts. Examples of unsecured debts that are dischargeable in bankruptcy include credit card debt that is not secured by property and unpaid hospital, doctor and dentist bills.

Deficiencies resulting from the sale of a vehicle after repossession or the sale of a house after a mortgage foreclosure are also dischargeable in bankruptcy. Also if you are making payments on a piece of secured property that you can no longer afford, such as a boat, motorcycle or other property, you can turn the item in to the secured creditor and list the deficiency on your bankruptcy petition for discharge.

You will also want to familiarize yourself with those debts that are not dischargeable in a Chapter 7 bankruptcy case. This list is rather long and includes certain taxes, any debts you forgot or failed to list in the schedule, domestic support obligations, most fines and penalties owed to governmental units, most student loans, certain debts incurred while driving while intoxicated and debts which have been ruled nondischargeable during the case.

Other exceptions to the discharge include federal criminal restitution debts, debts incurred to pay nondischargeable taxes, marital property settlement debts, certain condo and homeowner association fees, certain court fees and costs owed by prisoners and debts for repayment of loans from pension plans.

An analysis of whether you qualify for a Chapter 7 bankruptcy will include a detailed look at your income, expenses, and assets. The bankruptcy laws permit you to have a certain amount of equity in your home and your vehicle. Your retirement account will generally be protected from your creditors. Any asset with a value which exceeds the federal bankruptcy exemptions may have to be turned over to the bankruptcy Trustee to be sold for the benefit of your creditors. However, if the value of your property is within the federal bankruptcy exemptions you will be permitted to keep the property.

For more information regarding whether you qualify for the protection offered by Chapter 7 or other sections of the bankruptcy code, please contact me to schedule a consultation at 717-657-7770.

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