

Wilson Legal Services



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What to Expect *During Your* *Bankruptcy*

Free eBook



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Why Choose Bankruptcy?

The thought of filing for bankruptcy causes different emotions for different people, and the decision to file for bankruptcy isn't one that's made lightly.

The word "bankruptcy" carries many negative connotations, and many people are embarrassed at the thought of filing for bankruptcy. However, bankruptcy is nothing to be ashamed of. Bankruptcy is purely financial planning for the future. Bankruptcy happens to people from all walks of life. Abraham Lincoln, Walt Disney and Henry Ford all filed for bankruptcy. Filing for bankruptcy can change your financial circumstances in the short term, and it can change your life in the future.

If you're in the situation where you're overwhelmed by the bills that are piling up, take a step back and try to take a new perspective on your situation. Bankruptcy isn't right for everyone, and whether it is right for you depends on many different factors. If you're considering filing for bankruptcy, the best thing you can do is to meet with an experienced bankruptcy attorney. An attorney will help you determine whether or not bankruptcy is the right choice for your situation.

The purpose of this eBook is to help you determine if filing for bankruptcy is right for you and to guide you through the process of filing for bankruptcy. In this eBook, we'll go through what to expect before, during and after bankruptcy.

Chapter 7 vs. Chapter 13

Bankruptcy is a process in which people can either eliminate or repay some or all of their debts under the protection of the federal bankruptcy court. For the most part, bankruptcies are divided into two types: Chapter 7 and Chapter 13.

A Chapter 7 bankruptcy is known as a liquidation bankruptcy and is designed to help a debtor discharge all of his or her dischargeable debts. The debtor must first pass the means test in order to qualify. A Chapter 7 bankruptcy typically lasts from three to six months.

Chapter 13 is a reorganization bankruptcy designed for debtors with a steady income that can pay back at least a portion of their debts through a repayment plan. People who make too much money to qualify for a Chapter 7 often qualify for Chapter 13 bankruptcy. A Chapter 13 bankruptcy typically lasts three to five years. There are numerous benefits a Chapter 13 bankruptcy can provide that are not available in Chapter 7. An experienced bankruptcy attorney can explain whether those benefits are present in your situation.



Steps to Take Before Bankruptcy

1. Take a look at your financial situation

Prior to meeting with an attorney, you'll need to take a look at your financial situation. You don't need to have everything figured out, but having a general idea as to what your financial situation looks like will help an attorney review your case during the consultation.

To begin taking stock of your current financial situation, begin by listing out all of your debts. Here are a few items to record when you're making your list:

- Credit cards (*examples: Visa, Discover, American Express, etc.*)
- Store cards (*examples: Macy's, Target, Sears, etc.*)
- Gas cards (*examples: Mobil, Shell, etc.*)
- Outstanding medical bills
- Personal debts, such as money owed to family members
- Secured creditors (*examples: car loans, furniture loans, home loans, etc.*)

Steps to Take Before Bankruptcy

When making a list of these debts, write down the balance owed for each card, loan or bill as well as the monthly payments for each one. Also, you need to determine the interest you're paying on your secured creditors' debts. This will help you get a better understanding of the money you owe.

Make a list of all of your assets, including real estates, household goods, vehicles, jewelry, etc. You don't need to have specifics, but it's important that you have a ballpark value for each item. Websites such as Zillow, eBay and Kelly Blue Book can help in determining the value of an asset.

Next, you'll need to look at all forms of income coming into your household. This is simple if you're a one-income household or if you're in a two-income household with a steady, consistent income. However, it becomes more complicated when someone is self-employed or works on commissions. If this is the case, look at several time periods to determine an average monthly income.

Steps to Take Before Bankruptcy

2. Create a budget

Although making a budget is painful for many people, it's a necessary step in filing for bankruptcy. Creating a budget will help an attorney determine whether bankruptcy is right for you and what options you have. When creating a list of your monthly expenses, it's important to distinguish between fixed expenses (mortgage payment, car payment, etc.) and discretionary expenses (eating out, entertainment, etc.). Start with your fixed expenses then move to your discretionary expenses. Don't be embarrassed if you have a high number of discretionary expenses. Bankruptcy attorneys aren't there to judge you. Their goal is to help you make the right financial decision for your future.



Steps to Take Before Bankruptcy

3. Choose a bankruptcy attorney

When looking for a bankruptcy attorney, it's important to do your research. Look at an attorney's website. Ask your friends, family members, bankers, accountants and other lawyers who the best bankruptcy attorney in their area is. This will help you narrow down your decision. The best thing you can do is to find a personal referral and do your research by looking at websites.

Here are a few things to look for when choosing a bankruptcy attorney:

- Years of practice
- Testimonials
- Office location(s)
- Other areas of expertise

Once you've found a few bankruptcy attorneys that you think will be a good fit for you, call to schedule a consultation with a few of them. Most bankruptcy attorneys offer a free initial consultation. This will help you narrow down your selection and find the right bankruptcy attorney for you.

Steps to Take Before Bankruptcy



4. Schedule a consultation

Many bankruptcy attorneys offer free initial consultations. Take advantage of this option and meet with more than one attorney. Although this may take some time, it's in your best interest to seek out the advice of an experienced attorney and to find someone that you trust. Your bankruptcy will take anywhere from six months to five years, and you'll want an attorney that you can see yourself working with for an extended period of time. It's important to have a strong and trusting relationship with the bankruptcy attorney that you choose.

During your consultation, the attorney will begin by asking you about your financial situation. This is where the planning you did earlier will be helpful. The attorney will discuss your income, expenses, assets and liabilities. They'll also discuss the procedure of filing a bankruptcy case, other options you may have besides bankruptcy and the different bankruptcy chapters.

During Your Bankruptcy

Pre-Bankruptcy Credit Counseling

Once you've met with a bankruptcy attorney and determined that bankruptcy is right for you, the next step is to complete pre-bankruptcy credit counseling. The purpose behind this consultation is to see whether there is a feasible way to handle your debt outside of bankruptcy, such as through an informal repayment plan. After completing credit counseling, you'll receive a certificate stating you completed the session. You'll need to include this paperwork when you file for bankruptcy.

Documents You'll Need

In addition to filling out paperwork, you'll also need documents to back up the information you provided in your paperwork. The documents that you'll need are generally the same whether you're filing for Chapter 7 or Chapter 13, but your bankruptcy attorney will be able to give you the exact details on what documents you need.

Here are some of the most commonly required documents that you'll need when filing for bankruptcy:

- Identification, such as photo identification and Social Security card
- Tax returns for the last two years

During Your Bankruptcy

- Income documentation (examples: paystubs, W-2s, Social Security income, profit and loss statements if self-employed)
- Real estate documentation
- Vehicle sales contracts, registration, etc.
- Bank statements

Automatic Stay

Once you file for bankruptcy, the automatic stay goes into effect. It stops creditors from continuing to try and collect debt from you. It also stops any lawsuits that have been filed against you, prevents eviction and protects your property from creditors, collection agencies and government entities. The automatic stay is automatically applied, and there's no action required besides filing a bankruptcy petition. The automatic stay applies for both Chapter 7 and Chapter 13 bankruptcy cases.

Meeting of Creditors

Before the meeting of creditors, the court will appoint a bankruptcy trustee to oversee your case. It's the bankruptcy trustee's job to review your bankruptcy petition, look for fraud and to attend the meeting of creditors.

During Your Bankruptcy

When you file for bankruptcy, you'll need to attend the meeting of creditors. This meeting is also called the 341 meeting. This meeting is an opportunity for your bankruptcy trustee and creditors to ask questions about your finances and assets. During the meeting, you'll sit at a table with your attorney and your trustee and creditors will ask you questions.

Some of the questions your trustee will ask you include:

- The accuracy of your income that you listed in your paperwork
- If you have dependents
- If you're married, divorced, separated or single
- If you owe child support, alimony or other domestic support
- The stability of your job and steadiness of your income
- Your sources of income
- The value of your property
- Whether all of your expenses are reasonable and necessary

If your creditors attend the meeting, they'll also have the opportunity to ask you questions, however it's uncommon that creditors attend this meeting.

During Your Bankruptcy

Pre-Discharge Financial Management Class

After you file bankruptcy, you'll need to attend a course on financial management. You need to take this class from an approved agency before you're able to receive your final discharge. This course is geared toward teaching you how to rebuild your finances after bankruptcy, how to create a budget, how to use a credit card and more. The goal is to teach you how to properly manage your money after bankruptcy.

Bankruptcy Discharge

A bankruptcy discharge is a court-ordered injunction that releases you from personal liability for certain types of debts. Once you're given a bankruptcy discharge, you are not longer required to pay back any debts that have been discharged. The court will issue a bankruptcy discharge at the end of the case.

During Your Bankruptcy

You'll get your bankruptcy discharge after you have:

- Completed all of the requirements for your case
- Attended the meeting of creditors
- Provided the court with accurate records of your debts, assets and income
- Completed your financial management class
- If you're filing a Chapter 13 bankruptcy, made all of your payments under your plan

Not all debts are dischargeable. Your bankruptcy attorney will be able to explain to you which debts can and cannot be discharged through bankruptcy.

Some of the debts that cannot be discharged in bankruptcy include:

- Recent taxes
- Student loans
- Alimony
- Child support

Life After Bankruptcy

Life after bankruptcy is a fresh financial start to those who strategize and plan their financial future correctly. How you move forward after bankruptcy depends on the steps you take to safeguard yourself from future financial catastrophes. One of the most important steps you can take after bankruptcy is to work on rebuilding your credit.



Life After Bankruptcy

Steps You Can Take to Rebuild Your Credit

Create a budget

Creating a budget can be tedious, but there are many websites that can assist you. Monitoring your expenses will allow you to see where your money is going and will help you find places where you can cut your spending.

Pay your current bills on time

Make it a priority to pay all of your current bills on time. Repaying your existing bills on time is one of the best things you can do when trying to rebuild your credit.

Save money

Saving money is a great way to set yourself up for a strong financial future. If you have money saved up, you're less likely to rack up new credit card debt. Saving money can also help you discipline yourself when it comes to spending. A little bit of restraint can go a long way in helping you secure your financial future.

Life After Bankruptcy



Obtain a secured credit card

A secured credit card allows you to deposit money into an account, and the balance on the card becomes your credit limit. By charging small amounts each month and repaying your debts as you go, you'll be able to gradually rebuild your credit.

The word “bankruptcy” carries many negative connotations and is often scary to think about. However, bankruptcy is not the end of the world. Stepping back and looking at your situation through a different lens can help you realize that bankruptcy can be extremely beneficial.

The process of filing for bankruptcy isn't as intimidating as it seems, and knowing what to expect can help you have peace of mind throughout the process.

What should you expect from a Board Certified Bankruptcy Specialist?

Scott D. Wilson is a Board Certified Consumer Bankruptcy Specialist. ABC certification encourages bankruptcy attorneys to strive towards excellence and recognizes those attorneys who have met the ABC's rigorous standards. When you are considering hiring a bankruptcy attorney, you have a right to know which attorneys have met the ABC's stringent standards. Why settle for less?



Ready to take the Next Step?

If you're ready to take the next step by looking into filing for bankruptcy, contact Wilson Legal Services today to set up a free consultation!

**Request a Free
Consultation
Today!**

