

You should be able to keep assets

Chapter 13 bankruptcy is a viable alternative to Chapter 7 remedy

By **PERRY A. BERG**

An alternative to a Chapter 7 Bankruptcy for consumers is Chapter 13 wage earner reorganization.

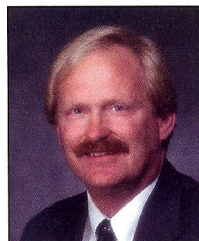
The Chapter 13 remedy is generally used when consumers have too much income to qualify for a Chapter 7, their assets exceed the allowed amount or they are behind on house or car payments.

A Chapter 13 allows you to make payments to a bankruptcy trustee for three to five years. Those payments can be used to make up the payments you are behind on for your house or car(s), to pay priority claims like unpaid income taxes, child support or alimony.

A Chapter 13 also allows you to keep all of your assets even though they exceed the amounts you are allowed to exempt under the bankruptcy code. The filing of a Chapter 13 will stop home foreclosures and vehicle repossessions.

Once you have completed your plan payments any unsecured debt not paid by the plan will be discharged. Unsecured debts are typically credit cards, medical bills, signature loans, vendor bills and loans from friends and family.

Once you have retained a bankruptcy attorney, you can request that your creditors not call or harass you and your attorney will generally handle those calls. After the bankruptcy is filed, creditors cannot pursue lawsuits against the debtor, foreclose, garnish their wages, harass them with phone calls or letters or take any collection activity against the debtor, unless they get permission from the court. >>>



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>>> The bankruptcy will be reported on your credit history, however most individuals will be able to qualify for credit within a couple of years if they are employed and manage what debt they have appropriately.

Chapter 7 bankruptcy can only be used once every eight years; however, a successful bankruptcy can often improve your credit situation, and the impact of a bankruptcy on a debtor's credit-worthiness decreases over time. Your ability to handle credit certainly improves immediately after filing bankruptcy because you have discharged all of your unsecured debt.

A Chapter 7 bankruptcy does not discharge a lien against secured property such as your house or a vehicle. However, the bankruptcy does discharge your personal

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liability. Therefore, a bankruptcy does provide several options for dealing with debt against your property. For example, if you owe more against your vehicle than what it is worth, you can choose

to surrender the property and the lender cannot pursue you for a deficiency when they sell it for less than what you owe.

A Chapter 7 bankruptcy does not require you to surrender your vehicles or to discharge the vehicle debt, so if you choose to keep making the monthly payments you can keep the vehicle and the bankruptcy has no impact on that loan or property.

Bankruptcy Law is a very complicated legal topic, and recent changes are having wide-ranging impacts on debtors. Having an experienced bankruptcy attorney assist you with the process is very important to achieve the best results.

Bankruptcy attorneys will be able to help you maximize the amount of your assets that are protected under bankruptcy exemptions, preserve or avoid secured debt, and be relieved from most unsecured debts.

— *Perry A. Berg has more than 27 years of experience in helping both debtors and creditors in bankruptcy and other financial matters. He is a 1982 graduate of William Mitchell College of Law and has offices in Owatonna, Waseca and Janesville.*