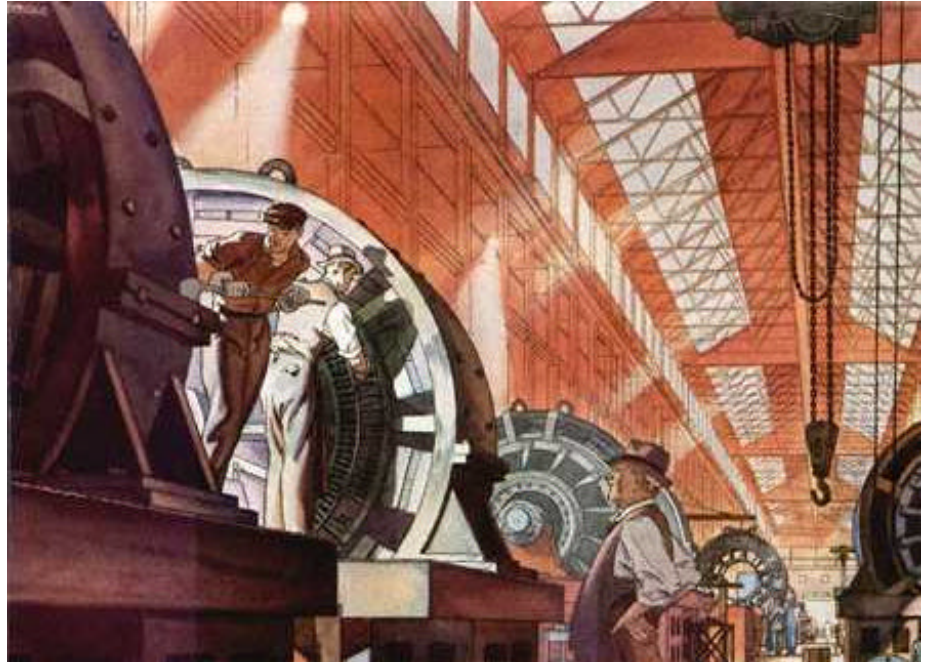


Bankruptcy: Is it right for you?

Each year more than 1,200,000 Americans file for protection under the federal bankruptcy laws, according to the American Bankruptcy Institute. Some are credit abusers or are financially irresponsible. But average working families who try to pay all of their bills can find themselves in financial trouble, too. The sudden loss of a job, medical bills, a divorce or even a natural disaster can quickly wipe out a life's savings. For many, bankruptcy provides a second financial chance. Bankruptcy is usually used as a last resort, after other attempts to solve a financial crisis fail.

WHAT IS IT?

Bankruptcy can relieve the honest but unfortunate debtor from the pressures of excessive debt by providing a fresh start. It allows you to discharge some of your debt or allows you time to get back on your feet without harassment by creditors. The bankruptcy laws also benefit creditors by providing a method for them to obtain at least partial payment of a debt in an orderly fashion. For many, making the decision to file for bankruptcy is difficult. You may think bankruptcy is a sign of failure and an indication that you can't manage your own affairs. In truth, most people who file for



Most bankruptcies result from sudden financial problems like the loss of a job through downsizing

bankruptcy intend to pay their bills but can't.

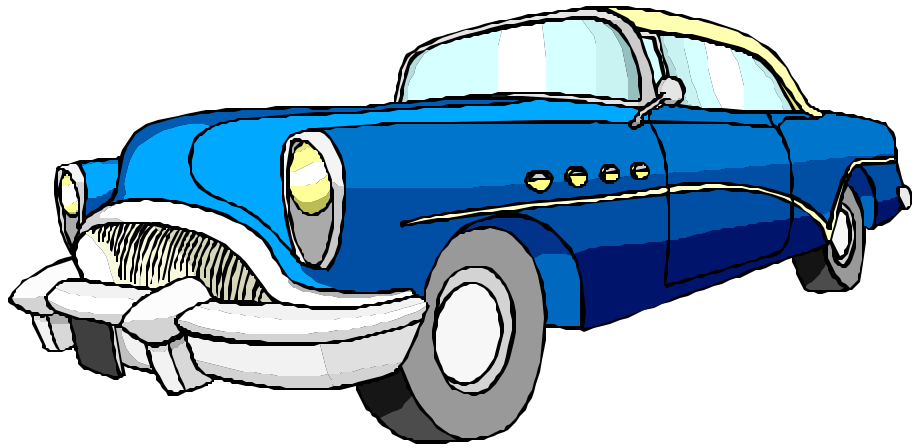
By filing for bankruptcy, you can start again with a clean slate, free of the stress and depression that result from being just one step ahead of the bill collector. At the same time, the decision to file bankruptcy should be carefully considered. It is a Federal court proceeding that can affect your legal right to keep or to use your property. Once you start a bankruptcy case, it may be impossible to stop. There are two main types of bankruptcy available to individuals. In Chapter 7, your nonexempt assets may be sold to pay creditors while most of your debts are discharged. In Chapter 13, you prepare a reorganization plan to pay off creditors in full or in part. **Once you file a bankruptcy petition, an automatic stay prevents creditors from starting or continuing most efforts to collect.**

CHAPTER 7

In Chapter 7 bankruptcy, your nonexempt property may be sold by an appointed trustee, who then makes partial payments to your creditors. You have the right to retain at least a partial interest in certain assets, such as your residence, car, clothing, household appliances and furnishings, life insurance, pensions and tools of your trade. **In most cases, you may not have to give up any of your personal property.** Creditors do retain the right to any collateral you have pledged to secure a loan. You should gather the following information before you decide to file for bankruptcy:

- Deeds, mortgages, contracts on your home and mortgage statements.
- Any papers relating to past bankruptcies.
- Copies of tax returns for the past two years.

- All legal papers, summonses, complaints and notices of attachment, execution or garnishment.
- Credit card bills, medical bills and any other documents regarding outstanding debt.
- Statements and passbooks for savings and checking accounts for the past year.
- Student loan papers



In a straightforward proceeding, the entire procedure usually takes six to eight months. You can file for Chapter 7 bankruptcy only once every six years, and notice of the filing will usually remain on your credit report for up to 10 years. Also note that, although your debt may be discharged, anyone who has co-signed a loan with you will remain responsible even after your bankruptcy.

CHAPTER 13

If you have a regular income, Chapter 13 bankruptcy provides a method for repaying your debt over a period of time, according to a court-approved plan. The period of time allowed ranges from three to five years. A trustee will be appointed to supervise your performance, to make regular payments to your creditors and to provide the court and other parties with information about your finances.

NONDISCHARGEABLE DEBTS

Certain debts cannot be discharged through a bankruptcy proceeding. These include certain taxes, alimony and child support, student loans and some property

Many filers are able to keep property such as cars and homes by using the exemptions the law provides

settlements. Other nondischargeable debts result from fraud, willful or malicious injury, certain fines or penalties, and claims incurred from driving under the influence of alcohol or drugs.

WILL IT EVER END?

A bankruptcy filing generally will stay on your credit record for up to 10 years, but it need not be a permanent handicap. In fact, there are laws that forbid discrimination against persons who have declared bankruptcy. For example, you may not be denied a job, be denied or evicted from public housing or be denied a driver's license just because you filed for bankruptcy.

The emotional impact on you and your family may take some time to heal. You may want to seek emotional support by contacting a professional counselor or clergy member or discussing your problems with a friend or family member.

Bankruptcy will tarnish your credit report, but it is still possible to gain renewed confidence from creditors. You can typically

obtain credit if you demonstrate a consistent employment record and signs of financial rehabilitation. Start by opening a savings account and obtaining a secured credit card. Make the payments on time to build a positive credit profile.

WHERE TO NOW?

If you think bankruptcy may be an option, contact me and I'll be happy to help you decide.

A Chapter 7 bankruptcy will cost about \$1000.

There are no advance attorney fees for a Chapter 13 bankruptcy. The \$1300 attorney fee is paid over time through the court.



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