

What is the difference between Chapter 7 and Chapter 13 bankruptcy, and what is the difference between bankruptcy and debt relief programs?

Any form of bankruptcy provides people in financial difficulties something they need. Relief from creditors calls and a road map to financial recovery. The most powerful aspect of bankruptcy relief is the automatic stay. The stay is a rule which says that once a person files a bankruptcy petition, all efforts to collect debts from him or her must stop. The stay gives the debtor “breathing room” and allows the orderly, logical resolution of debts.

In Chapter 7 bankruptcy, you ask the bankruptcy court to discharge most of the debts you owe. By discharging the debt, the court tells creditors that you are no longer legally obligated to pay the debt. In exchange for the discharge, the bankruptcy trustee (a court appointed official) can take any property you own that is not exempt from collection (more on that below), sell it, and distribute the money from that sale to your creditors.

In Chapter 13 bankruptcy, you file a repayment plan with the bankruptcy court to pay back all or a portion of your debts over time. The amount you’ll repay depends on how much you earn, the amount and types of debt you owe (for example, a mortgage debt is treated differently from a medical bill debt) .

You lose no property in Chapter 13 bankruptcy, because you fund your repayment plan through your income, rather than by the trustee’s sale of your property.

In bankruptcy, your are allowed to keep certain select property (up to certain predetermined values), this property is called exempt property. Examples of exempt property are :

Equity in your home

Insurance

Retirement Plans

Tools for work

Cars

Debt relief and debt consolidation programs generally operate like a chapter 13 bankruptcy, with the debt relief agency dealing with creditors. However, the debt relief programs cannot offer the same protection as bankruptcy because these relief programs do not offer the automatic stay. Creditors can continue to contact a debtor even if they are enrolled with one of these programs. Likewise, the creditors must consent to the debt relief agencies plan to repay the debts, rather than the debtor proposing a plan and a court accepting it, thereby forcing the creditors to accept it.

Bankruptcy

Medical Malpractice

Consumer Protection

Municipal Court