

## **Filing Bankruptcy**

It is sometimes said that filing a bankruptcy is a last resort. This is not always right, for bankruptcy is truly a uniquely compassionate, powerful, even-handed, salutary area of law that is aimed at providing relief from overwhelming debt for ordinary citizens, working folks, farmers, families, small business owners, as well as businesses in financial trouble. A properly prepared bankruptcy can eliminate or reduce your debt, preserve your property, give you peace of mind, and provide you with a new beginning, a fresh start. Our firm has been helping clients through bankruptcy for more than 25 years.

Bankruptcy law provides for the reduction or elimination of most debts, and can provide time to repay those debts that will not be discharged (eliminated). It also enables individuals and organizations to repay secured debts -- typically mortgage debts (secured by real estate) and vehicles pledged as collateral -- on more favorable terms.

Bankruptcy comes in five varieties:

Chapter 7 provides for the cancellation of unsecured debts, such as credit cards and personal (signature) loans. Secured debt is not affected -- the collateral (the property pledged) remains in the borrower's possession as long as timely payments are being made. Chapter 7 is always available to individuals with primarily business debts and corporations, and to individuals who meet certain income requirements.

Chapter 9 deals with the reorganization of municipalities and related local entities, like county-owned hospitals and school districts. Individuals and corporations cannot file bankruptcy under Chapter 9.

Chapter 11 is the most comprehensive and complex chapter of the Bankruptcy Code, providing different options to reorganize debt, repaying some debts, cancelling others, and restructuring the remainder. Although individuals can file for Chapter 11 relief, the complexity, high filing fees, and administrative costs make Chapter 7 or Chapter 13 bankruptcies more appropriate for most individuals.

Chapter 12 provides for the restructuring of debts for family farmers, including family-owned corporations. It offers a very powerful set of tools for restructuring farm indebtedness and is the most successful reorganization chapter, albeit limited to farmers.

Chapter 13 permits the debtor to eliminate many debts and repay others over a period of three to five years. It may also permit a reduction in principal owed on secured debts, or the elimination of these debts altogether and can be used to structure a repayment plan for debts that cannot be eliminated (discharged) in bankruptcy. Only individuals may file under this chapter.

Especially if you are currently facing foreclosure on your home or other real estate, collection lawsuits, garnishment of wages, creditor harassment, bankruptcy may be the best option for keeping your property, freeing yourself of debt, and beginning with a clean slate. We will carefully analyze your specific circumstances, explain and help you evaluate all your options, and answer all your questions and concerns before deciding which option is right for you. There is no charge for this initial free appointment.