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What You May Not Know about Chapter 7 Bankruptcy

If you are contemplating filing for bankruptcy, you should make sure you are knowledgeable about the bankruptcy options open to you. One of the types of bankruptcies you can file for is Chapter 7 bankruptcy, also known as liquidation bankruptcy. Under this bankruptcy, your non-exempt assets are liquidated to pay off your debts and when all this is done, any debt left over is forgiven. But there are lots of other factors that come into play which can be confusing at times. Here are some facts about Chapter 7 bankruptcy to clear the air.

1. You will not lose your home The prospect of losing the roof over your head has caused many a potential filer to avoid Chapter 7 bankruptcy and thereby bypass a good opportunity to wipe the slate clean and start again financially. But under the bankruptcy rules, you will not lose your primary home if it is worth below a certain amount. This also applies to your car. However, if you live in an expensive home, then you may want to consider filing for Chapter 13 bankruptcy (wage earner plan) instead to keep your home.
2. You will not lose your retirement funds Another exempted asset that is protected under Chapter 7 bankruptcy are your retirement funds like your 401(k) or IRA (Individual Retirement Account). These retirement assets cannot be used to pay off your debts. However, if you have recently withdrawn money from any of your retirement plans to pay debts, then this money is no longer exempted.
3. You will still be able to secure loans Granted, there will be an inevitable effect on your credit score once you file for Chapter 7 bankruptcy which will last for 7 to 10 years. But this does not mean you will be shunned by banks and financial institutions when you apply for loans. If you stay current on all your loan obligations for 2 years or so, there should be no reason why you cannot secure loans from lending institutions.

4. You can file for Chapter 7 bankruptcy more than once There is some confusion as to how many times you are legally allowed to file for Chapter 7 bankruptcy. There is no limit in the law with the proviso that you cannot file a Chapter 7 bankruptcy petition within 8 years after your last Chapter 7 bankruptcy.

5. You can qualify for Chapter 7 bankruptcy provided you pass a means test Due to the nature of Chapter 7 bankruptcy, it can be open to abuse. That is why the government passed the Bankruptcy Abuse and Consumer Protection Act 2005. After this Act was introduced, it is now easy to qualify for Chapter 7 as long as you pass a means test. The means test is to see if your household income falls below the average set by your state.

If you are considering filing for bankruptcy, call us at (813) 200 4133 for a free consultation.