

Our goal when dealing with bankruptcy is twofold. First, we want to get your head above water so you can breathe again. Credit Card debt and mortgage foreclosures have a devastating effect on both you and your family. In addition, medical bills can create an insurmountable obstacle to a debt-free life. A bankruptcy may be the TEMPORARY solution you need. Our second goal is to give you the tools and understanding of lending laws to empower you never to need to go down this road again. When your child falls and skins his knee, you put a bandage on it. Over time, he learns not to fall. Bankruptcy is like a bandage: it is a quick fix, but we want to teach you how not to fall again. In order to achieve this end we will refer you to financial planners. In order to understand bankruptcy, a fundamental knowledge of the types of debt is necessary. Generally speaking, there are three types of debts:

**1. Unsecured Debts** - These are debts that are not secured by any collateral. An example would be your credit card balance, your doctor bills, or even the \$3.81 that you owe the video store for a late movie. In deciding if it is an unsecured debt, ask yourself : “If I don’t pay, what can they take away from me?” If the answer is nothing, then it is most likely an unsecured debt.

**2. Secured Debts** - Secured debts are debts in which your lender has retained a security interest. These commonly include your home, your car and rental furniture. The key difference between this and an unsecured debt is that failing to pay these will result in your lender taking them from you.

**3. Priority Unsecured Debts** - These debts, although unsecured are treated differently. They include, but are not limited to Taxes, Student Loans, Child Support, and Alimony.

It is important to understand these classifications, because each is treated differently in the various forms of bankruptcy and debt resolution.

## Chapter 7

A chapter 7 bankruptcy requires your attorney to complete a “ [means test](#) ” in order to verify that you are entitled to file under this chapter. The means test looks at your household income for

the past six months, amount of debts, amount of assets, and household size. Once these figures are calculated, we can determine if you are eligible for a chapter 7 bankruptcy. This is something that must be done during a consultation and cannot be done over the phone.

If you qualify for a chapter 7 then you will be entitled to keep a certain percentage of you assets. Your unsecured debts will then be discharged or removed. You will have the option of keeping your secured debts or turning them back in to your lender. Priority Unsecured Debts will continue and cannot be discharged.

## Chapter 13

A chapter 13 bankruptcy is commonly referred to as a wage earner. Under this type of bankruptcy, we will take all of your unsecured debt, and based upon your disposable income, repay a certain amount of that debt over a period of time for pennies on the dollar. You will have the option of keeping your secured debts or turning them back in to your lender. Priority Unsecured Debts will not be affected and must be paid in full.

## Ticket In/Ticket Out

In order to file for bankruptcy you will need to first complete a debtor education course, commonly referred to as a "Ticket In". Our office will be happy to provide you with a list of organizations in this area that provide these counseling services.

Before your bankruptcy can be completed, you will need to go through another education class, commonly referred to as the "Ticket Out" In keeping with our goals listed above, our office pays for our clients to attend their "Ticket Out" class online through [Dave Ramsey's FPU](#) . Mr. Ramsey is a Christian Financial Advisor that teaches a course about finances.

**WE STRONGLY RECOMMEND THAT YOU COMPLETE HIS COURSE BEFORE CONSIDERING FILING FOR BANKRUPTCY.**

## Bankruptcy Packet

**Whoever you decide to use for your bankruptcy, be it our firm or someone else, you will need certain information. □ We have provided a copy of the bankruptcy packet that we use in our office and you can access it by □ [clicking here](#) □ for a PDF version or [here](#)**

for a Word Document.