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## Understanding a Chapter 7 Bankruptcy Proceeding

Chapter 7 Bankruptcy is the most common choice for individual debtors with mostly consumer debts. While you may feel overwhelmed about going to court, the process itself can be relatively painless.



### What Will Chapter 7 Do for Me?

As soon as you file, your creditors cannot continue to seek collections against you. If you qualify, a Chapter 7 Bankruptcy will allow you to liquidate your assets and seek discharge of much if not all of your debt. Once approved, this means you'll no longer be obligated to pay them. It offers qualifying debtors a clean slate.

### How Do I Know If I Qualify?

A Bankruptcy attorney can walk you through it, but qualification depends on an analysis of your net monthly income after deducting approved expenses.

### How Long Does It Take?

If things go smoothly, a Chapter 7 Bankruptcy can be concluded in just a few short months.

## Understanding Needs-Based Bankruptcy

After 2005, U.S. Bankruptcy law underwent massive change. The changes in the law were designed to reduce the number of "wealthy debtors" from filing for Chapter 7 Bankruptcy protection. The idea is to reserve Chapter 7 for those filers who actually need it. Congress developed a "means test" to determine whether an individual debtor's income is within an allowable range.



### Meeting the Means Test

Again, the means test is designed to exclude filers with high income from being able to seek discharge of their debts. The means test is fairly complex, but in general, a debtor must fill out detailed schedules disclosing their gross income. They are then allowed to subtract certain expenses from that gross amount to arrive at their net monthly income. It's the net monthly income that must fall within the statutory standard for Chapter 7 eligibility.

# Understanding What Happens with Domestic Support Obligations in Bankruptcy

When you file for Bankruptcy (either Chapter 7 or Chapter 13), not all of your debts will be discharged. One of the biggest exclusions that discharge debtors face are domestic support obligations.

## What Are Domestic Support Obligations?

Family or domestic support would most likely be something the debtor was ordered to pay by a family court judge (after a divorce or custody case for example). Domestic support is usually child support or alimony.

## Will My Domestic Support Obligations Be Discharged?

Generally speaking, no. Even after filing for Bankruptcy, you will still be obligated to pay under your support order. If you have concerns about the monthly amount, you may need to bring that to the attention of the family court and request a reduction.

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