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## Understanding the Basic Concepts Behind a Chapter 13 Bankruptcy Filing

Unlike a Chapter 7 where a debtor pursues a clean slate, a Chapter 13 Bankruptcy is one where a debtor seeks approval of a repayment plan. Chapter 13 is also referred to as a "reorganization."

### Who Qualifies for Chapter 13?

Chapter 13 is the second most common Bankruptcy process for individuals with consumer debts. Often, Chapter 13 is chosen because a debtor's income is too high or he/she has previously filed for Chapter 7 relief. A Bankruptcy lawyer can explain more.

### How Does it Work?

After the initial filing and disclosures, a Chapter 13 debtor must submit a proposed repayment plan to the Court. The repayment plan is just what it sounds like. The debtor agrees to repay his/her creditors (usually at a reduced rate) for a period of time (3-5 years). If approved, the debtor follows the plan and seeks discharge at the end of it.



## Things to Know About Creating a Chapter 13 Repayment Plan

If you've filed for Chapter 13 Bankruptcy protection, a critical part of the process will be to develop a repayment plan for your debts. A qualified Bankruptcy attorney can help you do this, but there are some key elements you should keep in mind.

- 1. Reasonableness** - Develop a repayment schedule that fits your income and the amount of debt you owe. You must repay creditors at least as much as they'd get under Chapter 7 liquidation.
  - 2. Full Disclosure** - You must fully disclose all of your assets.
  - 3. Follow the Law** - Bankruptcy law dictates which creditors get priority over others in terms of repayment. Your plan must adhere to it.
- If your Bankruptcy plan is not feasible, it won't be approved by the Court and you'll have to go back to the drawing board or risk dismissal of the case.



## What to Do About Your Damaged Credit After a Bankruptcy

Once you've completed the Bankruptcy process, you may, in theory, have a fresh start. However, you may also find it extremely difficult to get financing for a new home, car or even qualify for a credit card as your credit score will have taken a huge hit. While there is no magic fix for damaged credit, there are a few things you can do to begin to rebuild it.



- 1. Be patient.** You didn't get into financial trouble overnight. It will also take time to rebuild your credit score.
- 2. Start small.** If you don't qualify for a credit card, try applying for a secured credit card (they work similar to a debit card) and pay it off every month.
- 3. Develop a budget and stick to it.** Work toward reducing your monthly bills by paying off loans you have.

Over time, your good habits will pay off and you'll see your FICO score improve.

Your case is important to us. If we can't help you, we'll do our best to refer you to someone who can.

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