

Will Bankruptcy Help?

Filing for bankruptcy to [stop foreclosure](#) is likely the last resort for most homeowners. They have exhausted all other means to try to solve the matter to no avail. Before taking the plunge into the chaos that is bankruptcy it is best you fully understand what you are committing yourself to and just how difficult the entire process is.

Filing for bankruptcy is a matter of collecting a great deal of financial and sometimes personal information. The process demands filling out long schedules and forms about your family's income, assets, and debts. Debt listings include home mortgages, car loans, revolving credit (credit cards), medical debts, and personal loans just to list a few. There are other types of debts that may be involved as well. You may be questioned about spending habits, which for some people is a personal and highly emotional topic. If there is a lawsuit involved things can get complicated very quickly, but for the most part the bankruptcy process is actually straightforward albeit painful and shameful for some.

The majority hires a lawyer to steer them through the bankruptcy process. Costs range from a few hundred to few thousand dollars depending on the case.

Federal laws govern bankruptcy. There are federal courts throughout the country that hear these cases. The most important decision a debtor has to make is what type of bankruptcy they will file. Will it be a Chapter 7 liquidation or Chapter 13 payout plan?

A Chapter 7 requires the debtor to give up all non-exempt property for the benefit of their creditors. In exchange for this they will be discharge from most of their old debts. Some debts survive the bankruptcy. Home mortgages, car loans, child support, and taxes still have to be paid in full. Even afterwards you could still lose your home and any equity built up if you fail to make your mortgage payments. In essence all the bankruptcy did was give you a fresh start in a relative sense. You got rid of the credit card, medical debt, and any unsecured debt but you may still have substantial debts to pay.

Chapter 13 is an alternative to Chapter 7 in that the debtor tries to repay all or part of their debts over time under the supervision of a court appointed trustee. If the payment plan is approved and the promised payments are paid, they may keep all their property and receive a discharge from the portion of the debts they did not pay. Chapter 13 plans typically involve a 3 - 5 year time frame.

Regardless on which bankruptcy plan you choose to pursue to [avoid foreclosure](#) it is important to understand that this solution is not as easy to achieve as it was several years ago. Tough new laws are in place now making it harder for people to even file, much less get a discharge from their debts. So before you decide on this course of action understand the ramifications and the long-term effects it will have on your credit for years to come.