

Personal Bankruptcy- Which Is Right Ch 7 Or Ch 13

In the United States, bankruptcy laws are created and amended by the federal government. The Bankruptcy law courts are responsible for administering these laws. The aim of the courts is to mediate in a dispute where one person owes other people or businesses a sum of money. The courts will try to retrieve as much money as possible from the debtor and distribute it to the creditors. However it will do this in a manner that doesn't completely ruin the debtor and allows him/her to recover with prudent financial management. The estimate is that around a million people will go bankrupt the US this year. They will think about filing for bankruptcy if they cannot pay their debts. This article will discuss the options available to them if they want to file for personal bankruptcy.

Filing under chapter 7 personal bankruptcy

Chapter 7 bankruptcy is the most well understood form of personal bankruptcy law. The aim of chapter 7 is to liquidate your assets with the help of a court appointed trustee. The money derived from the sales will be used to pay off creditors. The process involves drawing up a list of assets by the individual that is filing for bankruptcy. This list will be used by the trustee. In many cases personal items like a home and car will be exempt from this list. Chapter 7 costs around \$300 for a filing fee. It can only be used once every seven years by the individual in question.

Filing For Chapter 13 Bankruptcy

Unlike chapter 7, chapter 13 bankruptcy does not cancel out your debt but it does allow you to keep all your assets. chapter 13 is a way to set up a payment plan and an agreement between debtor and creditors about how the debt will be paid off. This agreement is reached in the bankruptcy law courts. A trustee is assigned to the debtor by the courts. The trustee is responsible for drawing up the payment plan and ensuring that it is followed through. The debtor will give money to the trustee each month that will then be apportioned to the various creditors. The debt is only canceled out when all the outstanding debts have been paid but the aim of chapter 13 bankruptcy is to structure the payment plan so that the debtor can meet the conditions of the creditors without harassment.

Both of these types of bankruptcy will result in you removing your debt. One is quicker than the other but has longer lasting repercussions to your credit history. Each has some criteria that are worth understanding before deciding if it is right for you. Chapter 7 for instance, does not exempt personal items from liquidation unless they are of a certain value. For instance, your home is not exempt unless you owe 80% of the mortgage. Your car is not exempt unless its value is less than \$2000. In chapter 13, your unsecured debt must not be more than two hundred fifty thousand dollars. Your secured debt cannot be more than seven hundred and fifty thousand dollars.

The bottom line is that you know the rules and regulations of the various chapters well before ever filing for one or the other. It may be an idea to employ a lawyer versed in the bankruptcy laws who can advise you on the best option for your particular case.

About the Author

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