

Bankruptcy Myths

Each and every one of these statements is **false**

Bankruptcy relief is no longer available

You can't file bankruptcy if you have a job

Medical bills can't be discharged in bankruptcy

Chapter 13 plans require repayment in full of debt

People who file bankruptcy can't get credit for 10 years

You lose everything you own in bankruptcy

Bankruptcy is a sign of personal or moral failure

Bankruptcy costs our society too much

There is a minimum amount of debt required to file bankruptcy

Married couples must file together

Myth: Bankruptcy relief is no longer available Almost all of the relief formerly available through bankruptcy survives in today's bankruptcy code. It is a little more involved and somewhat more expensive, but it still works.

Myth: You can't file bankruptcy if you have a job The new "means test" is supposed to divert some filers who make more than the median income for households of their size in their state of residence to Chapter 13. The only way to fund a Chapter 13 plan is to HAVE a job. So, this is utterly untrue.

Myth: Medical bills can't be discharged in bankruptcy A variation on this myth is that "you can't discharge credit card debt in bankruptcy." This has the sound of the law-as-described-by-bill-collectors. Almost all unsecured contract debt, like credit cards, personal loans, and medical bills, remain dischargeable in bankruptcy.

Myth: Chapter 13 plans require repayment in full of debt Chapter 13 plans range from plans that pay general unsecured creditors nothing to plans that pay 100%, with every variation calculable in between. How much you must pay in 13 is driven by the interplay between your disposable income, the value of your non exempt assets, and the total of priority debts you have.

Myth: People who file bankruptcy can't get credit for 10 years Nonsense. People in Chapter 13 can borrow money *during* the case; people who've filed Chapter 7 get inundated with credit card offers after

they get their discharge. This is not credit at the best rates, but credit *is* available. The myth probably got its start in the fact that the Fair Credit Reporting Act allows the reporting of a bankruptcy filing for 10 years.

Myth: You lose everything you own in bankruptcy Well over 95% of bankruptcy cases filed by individuals are "no asset" cases in which the debtor keeps everything he owns. That's because exemptions provide for assets that the debtor can keep and some assets, like pensions, are beyond the reach of bankruptcy trustees and creditors.

Myth: Bankruptcy represents personal or moral failure More than 90% of bankruptcy filings are traceable to job loss; illness; or divorce, factors largely out of anyone's control. Bankruptcy is a safety valve to prevent individuals from being buried by debts they can never repay.

Myth: Bankruptcy costs our society too much Credit card issuers are wildly profitable despite the small percentage of loans discharged in bankruptcy. Our economy has benefited by the purchasing power facilitated by credit and the pricing of credit takes into account that not everyone will be able to repay. The "\$400 per family bankruptcy tax" bruited about in Congress was a number picked out of the air by a bank lobbyist who made an arithmetic error in the process. Prof. Warren exposes the myth. Tom Friedman says bankruptcy essential in the global economy.

Myth: There is a minimum amount of debt required to file bankruptcy Bankruptcy law does not set any minimum amount of debt necessary to file. If the debt appears to be beyond your ability to pay, you can elect to file bankruptcy if it represents a smart choice in your personal and financial situation.

Myth: Married couples must file together Spouses may file a joint case; they do not have to file together. If only one spouse files, careful attention is required to understand what property will be treated as property of the bankruptcy estate.

A bankruptcy lawyer can evaluate your financial situation and talk about your options, in and out of bankruptcy.