

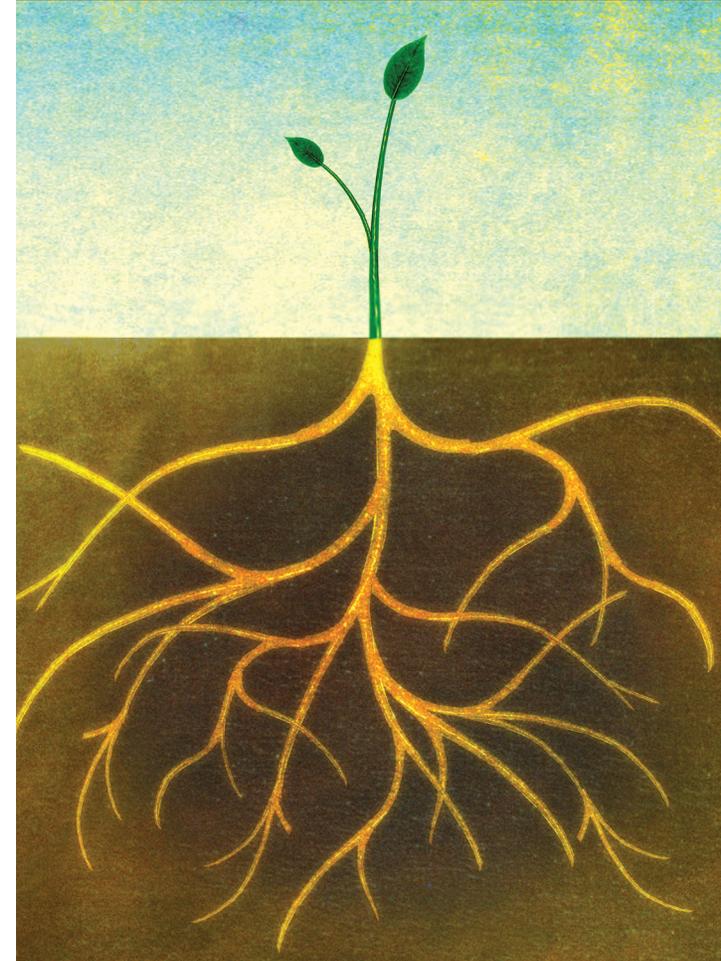
From the
“broken bench”
to a new
beginning.

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A Fresh Start

A Consumer's Look At Chapter 7



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In Medieval Italy, when a businessman did not pay his debts, it was the practice to destroy his trading bench. The word “bankruptcy” comes from the Italian word for broken bench–“banca rotta.”

Fortunately, over time, customs and laws have moved away from destroying assets and toward financial rehabilitation.

The U.S. Congress passed its first laws dealing with bankruptcy in 1800. Bankruptcy law has been revised many times since. For example, in 1978, the Bankruptcy Reform Act became law. In 2005, the Bankruptcy Abuse Prevention and Consumer Protection Act was signed. Generally, rules governing bankruptcy are referred to as **The Bankruptcy Code**.

Chapter 7 Bankruptcy

Chapter 7 bankruptcy can be filed by individuals, married couples, corporations, and partnerships. It involves the appointment of a trustee. You probably qualify for a chapter 7 bankruptcy if your family income is less than the median annual income in Michigan for a family of your size.

What To Do Before Filing

Within 180 days prior to filing, you must work with an approved non-profit budget and credit counseling agency to perform a budget analysis and obtain a briefing that outlines opportunities for credit counseling. We will help you with this requirement prior to filing.

What you can keep

Certain property can not be taken by creditors. In most cases, the Bankruptcy Code allows you to keep most household goods, jewelry, and miscellaneous items. If your payments are current, you can generally keep your home and vehicles.

Your Credit Rating

A bankruptcy will negatively affect a credit score. However, most individuals seeking bankruptcy have low credit ratings already, as the result of late and missed payments. A more constructive question may be “Can bankruptcy help me in the long run?”

Who Will Know?

When a chapter 7 case is filed, it becomes public record. Names of the persons filing may be published by some credit reporting agencies.

Employers are not usually notified. Besides, it is illegal for either private or government employers to discriminate against a person because of a chapter 7 case.

You are also generally eligible for student loans even if you file bankruptcy.

The “First Meeting Of Creditors”

Your first–and generally only–court appearance is called the “First Meeting of Creditors” or “341 Meeting.” This hearing is usually held about a month after the case is filed. Despite the name, creditors rarely show up. Usually only the trustee, you and your attorney attend.

You must bring photo identification, a Social Security card and your most recent pay stub. You will take an oath and be asked by the trustee your debts, assets, income and expenses. The trustees in the Western District of Michigan are professional and courteous. These meetings usually go quite smoothly.

Secured Creditors

Secured creditors (those with valid mortgages or liens against your property, homes or vehicles) are not paid by the trustee. If you want to keep your property and are eligible to do so, you must continue to pay for it. If you give up the property, the debt associated with the property will be discharged (eliminated) through your chapter 7 case.

Unsecured Creditors

Unsecured creditors (without valid liens or mortgages against your property) can include credit cards, personal loans, medical bills, some taxes more than three (3) years old, deficiency claims from repossessed vehicles, and foreclosed homes. These debts will be discharged (eliminated) by your bankruptcy. If assets are liquidated, unsecured creditors may be

paid a percentage of the debt owed. However, this is rare in a chapter 7 case, which allows for a reasonable number and size of exempt assets–i.e., those you are allowed to keep.

Your Chapter 7 Discharge

A chapter 7 discharge is a **Court Order** releasing a debtor from all of his or her dischargeable debts and ordering creditors to immediately stop all collection efforts from the debtor.

A form called “Discharge of Debtor” is usually mailed four (4) months after a chapter 7 is filed.

How Long Does A Chapter 7 Case Last?

A successful chapter 7 case begins with the filing of the bankruptcy forms and ends with the closing of the case by the court. If there are no non-exempt assets for the trustee to collect, the case will be closed four (4) months after the case is filed. If there are non-exempt assets to collect, it may take longer.

About Re-paying Discharged Debt

You may re-pay as many dischargeable debts as desired and feasible after filing a chapter 7 case. By re-paying one debt, you do not become legally obligated to re-pay any other debts.

Conclusion

Deciding to file bankruptcy is not easy. However, Congress designed the Bankruptcy Code to provide financial relief to honest people who need to start over.

The attorneys at KELLER & ALMASSIAN, PLC can provide you with expert, constructive guidance toward your new start, based on years of experience through the bankruptcy process.

We are a debt relief agency. We help people file for bankruptcy relief under the bankruptcy code.