

Is Chapter 7 or Chapter 13 better?

Your lawyer will tell you what kind of bankruptcy is best for you. In some cases, only a Chapter 7 will work. But in many cases, a Chapter 13 is better. In some cases, you may have to file Chapter 13 instead of Chapter 7.

Do you have property that can be taken away (repossessed), if you don't pay? Then Chapter 13 usually works better. In most cases, Chapter 13 lets you keep what you bought while you pay for it. It lets you pay your debts at a rate you can afford. In some cases, you can have lower payments or pay less than the full debt.

With a Chapter 13 bankruptcy you make one payment each pay period or each month. This way you pay all or part of your debts. While you pay, your creditors through the bankruptcy plan can't take your property or attempt to collect a debt, including filing a lawsuit.

Note: This pamphlet cannot take the place of legal advice.



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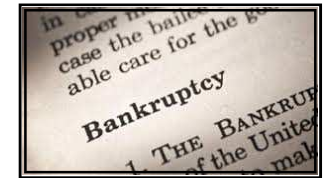
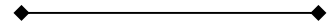
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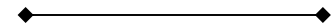
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WHAT IS BANKRUPTCY AND HOW CAN IT APPLY TO YOU?



Bankruptcy is the legal way to "discharge" debts. Once the bankruptcy is granted, creditors can't collect on discharged debts.



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BANKRUPTCY

Chapter 7 and Chapter 13 Bankruptcy

A Chapter 7 or “full bankruptcy” lets you get rid of (or discharge) debts without paying them.

With a Chapter 13 bankruptcy you make one payment each pay period or each month. This way you pay all or part of your debts. While you pay, your creditors through the bankruptcy plan can’t take your property or attempt to collect a debt, including filing a lawsuit. Prior to filing your bankruptcy, you will be re

Should I file bankruptcy?

You need a lawyer to tell you when bankruptcy will help you the most. Usually, you do NOT need bankruptcy in Tennessee if you answer NO to 4 questions.

1. Did you put anything up as security (collateral) that the creditor can take if you don't pay?
2. Do you earn more than \$217.50 per week? (This is after subtracting Social Security and taxes only.)
3. Do you own or are you buying a home or other real estate?
4. Do you have personal property (cars, furniture, cash, etc.) worth more than \$10,000?

Did you say “No” to all 4 questions?

Then you don’t need bankruptcy to keep your creditors from taking your money and belongings. If they sue, you just file a paper with the court. The paper is called a Affidavit of Exemption. You can file it yourself without a lawyer. The paper will protect your money and belongings.

Can I get rid of all my debts by filing bankruptcy?

No. Bankruptcy does NOT protect you from having to pay:

- Tax debts
- Alimony
- Child support
- Debts from doing something illegal.
- You must still pay student loans.

This is true unless you prove that repaying them would cause “undue hardship.” Also, you must still pay some debts you run up just before you file bankruptcy.

Are there other ways to handle debt problems?

- Yes. Bankruptcy is not always the best way.
- You may be able to set up a plan to pay your debts in small payments. A consumer debt counseling service may help you set this up.
- A “Request to Make Installment Payments” can help if you are sued over just one or two debts. This lets you make small payments through the court. (Ask for our booklet on garnishment.)
- A Chapter 13 bankruptcy may be better for you than a Chapter 7. With a Chapter 13 bankruptcy you make one payment each pay period. This way you pay all or part of your debts.
- Bankruptcy filings stay on your credit report for 10 years.