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## What is Bankruptcy?

**\*\*\*This is not intended to provide legal advice, and is a summary of only some of the aspects of bankruptcy. If you have questions or need advice on filing bankruptcy, seek appropriate legal representation.\*\*\***

- ◆ **Bankruptcy is a federal court process that can help consumers eliminate overwhelming debts or establish a plan to repay them.** Bankruptcy should be the last resort as it can have long term negative impact on ability to obtain credit, find a job, get insurance or rent a place to live. Landlords, insurers, employers and lenders may turn you down based on a bankruptcy. There are two types of personal bankruptcy: Chapter 7 and Chapter 13.
- ◆ **Chapter 7**  
A trustee is appointed to take over your property and to sell any property of value. Property sold is typically called non exempt assets. The money will be used to pay your creditors. You may be able to keep some personal items or real estate depending on the law in your state. Property you are allowed to keep is typically called exempt assets. Debts owed to creditors not paid by the trustee may be discharged. You can only receive a Chapter 7 discharge once every 6 years.
- ◆ **Chapter 13 – (Also called “Wage Earners Bankruptcy”)**  
You can usually keep your property, but must earn wages or have other income to pay part of your debts. The Court must approve your repayment plan and your budget. A trustee is appointed and will collect the payments from you, pay your creditors, and make sure you live up to the terms of your repayment plan.
- ◆ **If you have already filed bankruptcy under Chapter 7, you may be able to change your case to another chapter**
- ◆ **Your bankruptcy may be reported on your credit record for as long as ten years**
- ◆ **Unsecured debts (medical bills, credit cards, collection debt) can generally be included in either a Chapter 7 or 13 bankruptcy.**
- ◆ **Secured debts (car loans, mortgages) are sometimes included in a Chapter 13 bankruptcy, but generally cannot be discharged in a Chapter 7. However, if you DO include a secured debt, the creditor can still take the secured property if payments are not kept up to date.**
- ◆ **You can never discharge debts for most taxes, child support, alimony, student loans, court fines or restitution and debts or judgments based on fraud or illegal activities such as drunken driving, malicious injury to a person or property, embezzlement or larceny.**



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