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Just What Is Chapter 7 Bankruptcy?

Chapter 7 is a liquidation bankruptcy. You may qualify for Chapter 7 if, after paying your regular reasonable living expenses, you do not have enough money left over to pay a meaningful payment to your creditors. If you earn less than the median income for a household of your size, you probably qualify for Chapter 7. Even if your income is over the median, you may qualify for Chapter 7 if after completion of the Means Test provided for in the Bankruptcy Code, it shows that based on your income and IRS standards for costs of living, you still don't have money left to make meaningful payment to creditors.

In Chapter 7 you get to keep your exempt property, which in Florida includes

- the equity in your homestead
- cash value of life insurance policies, retirement plans, annuities,
- \$1000 equity in a car titled in my name,
- \$1000 of personal property-furniture, furnishings clothes and things,
- if you don't own a homestead another \$4000 of personal property in the wild card exemption)
- prescribed health-aids such as scooters, lifts and the like; and
- assets owned jointly with your spouse where you and your spouse have no joint debt.
- a host of other less commonly used exemptions

If you have assets that are worth more than your allowable exemptions, you may be able to buy them back from the Chapter 7 trustee by paying the value over a short period of time. Or you may choose to surrender that nonexempt property and let the Trustee sell them and use that money to pay your creditors pennies on the dollar.

In Chapter 7 you don't wipe out secured debts like car loans or mortgages unless you surrender the car or house. But arrangements can be made to keep the property and handle the debt. You could reaffirm the debt by promising to pay it just as if you had never filed a bankruptcy. You could also redeem the property by paying the creditor the fair market value of the property you want to keep.

Chapter 7 is a powerful tool to get you a fresh start quickly. You can start rebuilding your credit just as soon as you get your discharge, typically only 100 days after filing your bankruptcy.

To contact our office to arrange a personal consultation about how bankruptcy applies to your situation click the link on the left or call our office at 850-425-4700. It's time to start your own Phoenix rise from the ashes.