

Are You Thinking About Filing For Bankruptcy Protection?

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Are You Thinking About Filing For Bankruptcy Protection?

By Tony Merlino

Bankruptcy Overview

Bankruptcy, when you come right down to it, is the process that enables those who are unable to pay their debts get a fresh start. It allows for some or all of these debts to be discharged or reorganized. Individuals or businesses may file bankruptcy.

This enables you to clean the slate and get a 2nd chance with your finances. In most instances, bankruptcy provides a fair method for compensating your creditors as well.

The bankruptcy process need not be your worst nightmare. However, there are certain requirements that must be met. You will be required to file a list of all of your outstanding debts and a complete list of your assets. This is done with the help of your lawyer thru the Federal Courts.

To make this process easier to understand, your "Assets" fall into two categories.

They are: Exempt and Non-Exempt

Exempt assets are the property or belongings that you do NOT have to use to pay off the debts you have incurred.

In other words, exempt assets are off the table, (not in play) and may not be touched by your creditors. In most instances this includes a certain amount of equity in your home, and some of the equity in a vehicle. For the most part, your clothing, and other personal items are deemed exempt. This does not include the expensive jewelry, furs and the big boys toys.

Next, you will be assigned a "trustee" by the Federal Bankruptcy Court to administer the payment of your debts. Your debts also fall into two categories. They are: Secured debts and Unsecured debts.

A Secured debt is one in which the creditor retains a "security interest." Most often it is the same property that was purchased with the credit that creditor extended. Secured debts occupy the first position. This means they enjoy priority over non-secured debts, and must be satisfied first.

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If you are unable to pay off secured debts, the creditor has the option to repossess that property and sell it. If there is any "short fall", that remaining debt is now considered unsecured. It doesn't go away, it has only changed from secured to unsecured.

Once you have filed for protection, the court will issue an "automatic stay". This stops your creditors in their tracks. They may not take additional action against you beyond the bankruptcy.

This allows you to avert impending repossessions and foreclosures.

Chapter 7

In Chapter 7 Bankruptcy you are in fact liquidating your assets. This means that you are only permitted to keep "exempt" property. The remaining non-exempt property will be sold to the highest bidder. The proceeds of the sale are applied to the outstanding debt. The shortfall or amount left unpaid by the sale is then discharged.

In Chapter 7 Bankruptcy there are a few debts that are not dischargeable. They include taxes, back child support, DWI fines and student loans.

Chapter 13

In Chapter 13 Bankruptcy you are trying to regroup, recoup and get back on track. It is commonly known as the "reorganization bankruptcy for individuals."

Individuals who want to pay off their debt over a period of three to five years file Chapter 13 bankruptcy.

Chapter 11

Chapter 11 Bankruptcy is commonly used as the reorganization tool for businesses. This kind of bankruptcy is attractive if you own "non-exempt" property that you want to protect. Chapter 11 will also help you to catch up on bills that have fallen into arrears. It effectively blocks an impending repossession or foreclosure.

Not everyone is eligible for a Chapter 13 bankruptcy. You must have a reliable source of income that is sufficient to pay your reasonable everyday expenses and still have an amount of positive cash flow with which you begin paying off past due bills.

If you file a Chapter 13 you are required to submit a plan to repay your debts that includes a set timeframe and set amounts to be repaid. Upon approval of the bankruptcy court, both parties (debtors & creditors) are obliged to accept the terms of the order

What To Do Now

Choosing your bankruptcy lawyer is an important decision.

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This beginning process allows you to evaluate and determine your best course of action. This discussion is also your opportunity to satisfy yourself that the Jersey Justice sponsoring attorney's fees are reasonable for your type of case.

Am I Making The Right Decision?

In all likelihood you are stressed and feeling the pressure to seek professional help with your finances. Your decision to look for an experienced bankruptcy attorney may be the best financial decision you have made in a long time.

Even taking the beginning steps to consult with an attorney takes enormous courage. You may even be thinking about struggling through all the mess on your own. That could be a very lonely path.

Before you make the decision to go it alone, ask yourself a few questions. If two or more of these are you, then it could be the perfect time to seek the services of a bankruptcy professional.

Are You:

receiving harassing or threatening phone calls from people you owe?

paying the minimum payment possible on your credit cards?

taking out Payday Loans? (which by the way are illegal in NJ)

begging for loans from friends and family?

about to lose your job?

behind in your taxes?

receiving foreclosure notices?

behind in child support or alimony?

gambling to try and make ends meet?

sick and unable to even go to work?

If your answers indicate that you are in financial deep water, bankruptcy may be your best solution, but you will never know for sure until you get the advice of an attorney.

How Will Bankruptcy Effect My Life? Your Bankruptcy Attorney will be able to explain some other very important considerations.

Are You Thinking About Filing For Bankruptcy Protection?

What happens after bankruptcy?

What will my life be like?

Will I ever be able to get credit again?

How do I live within a budget?

How do I start all over?

How do I rebuild my credit?

If these nagging questions are on your mind, then a bankruptcy attorney is right for you.

It is true. A bankruptcy can be a persistent source of blemishes on your credit report for up to 10 years. The good news is you are able to start re-establishing your credit the moment your case is closed.

How good is your present report? It is probably already suffering the consequences of late payments, delinquencies and every other known credit report disorder.

Think about this. Your credit score could actually improve due to the elimination of most of your debt. Lenders actually believe that you are a better credit risk now since they know that you may not file bankruptcy again for another six years.

At about 18 months to 24 months into your bankruptcy you will even be able to qualify for a new home loan if you are able to come up with a minimum down payment backed up with proof of income that supports the debt service.

Auto loans are available to individuals upon discharge of your existing debt. And believe it or not you will start receiving offers for credit almost immediately. But "caution" is the watchword at this critical point in time.

The offers of credit could have been what got you into trouble in the first place.

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Bankruptcy

Are You Thinking About Filing For Bankruptcy Protection?

By Risto

Bankruptcy by Risto

For the average person that is suffering through mounds of debt, filing for bankruptcy is the only apparent way out. It seems like the easiest way to handle the load. The fact of the matter is, when a person files for bankruptcy, they have announced to most creditors that they cannot afford to be leant any credit. A bankruptcy stays on your credit report actively for up to six months, but remains on your file forever. That means that you have permanently lowered your chances to buy a new home, or a new car, and many other purchases that require a payment plan,

Before you consider filing for bankruptcy, it is wiser to utilize all of the resources that you can. It will appear better to a future creditor. It is best for you to try to consolidate your debts so that you can afford to pay off your creditors first. Consolidation will help to lower your monthly payments so that you can focus on something else. Bill consolidation helps you to get your credit standing back on track. In the end, isn't that what it's all about? Why permanently damage your credit with a bankruptcy, when you can get your credit rating back?

Written by Risto – Webmaster of credit cards comparison site

Credit Cards Info



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