



*Bankruptcy
Law Professionals
of Colorado*

Bankruptcy Basics

Bankruptcy Discharge

The discharge prohibits *any* attempts to collect from the debtor a debt that has been discharged.

But...

- creditors can enforce a valid lien after the bankruptcy.
- a debtor may voluntarily pay any debt that has been discharged.

Debts That Are Discharged

Most, but not all, debts that existed on the date the bankruptcy was filed.

Debts that are **Not** Discharged.

- a** Most taxes
- b** Domestic support obligations
- c** Student loans;
- d** Fines or criminal restitution;
- f** Fraud
- g** Reaffirmed Debts.

Chapter 7 vs. Chapter 13

Chapter 7 – Liquidation Bankruptcy

- Debtors must qualify.
- Discharge obtained in 4 months.
- On credit for 10 years
- Trustee sells you nonexempt property.
- Only available once every 8 years.

Chapter 13 – Personal Reorganization

- Save home from foreclosure.
- Remove unsecured mortgages.
- Pay back taxes.
- “Stretch-out” secured loans (e.g., cars) over the life of the chapter 13 plan to reduce monthly payments.
- “Cram Down” secured debts to reduce the total amount owed.
- Protect co-signers.
- No direct contact with creditors while under chapter 13 protection.
- 6 years on Credit Report.
- Retain possession of and control over non-exempt property.
- Can be filed once every 4 years.

The Automatic Stay

Unsecured Creditors

(e.g., collections, lawsuits, garnishments, credit cards, medical bills)

Secured Creditors

(relief may be granted if requested)

or

AUTOMATIC STAY

Non-Exempt Property
(trustee)

Exempt
Property
(yours)

Child Support
(no stay)

The Automatic Stay is...

a powerful injunction preventing any creditor from doing anything at all to enforce a claim against a debtor during the bankruptcy case.

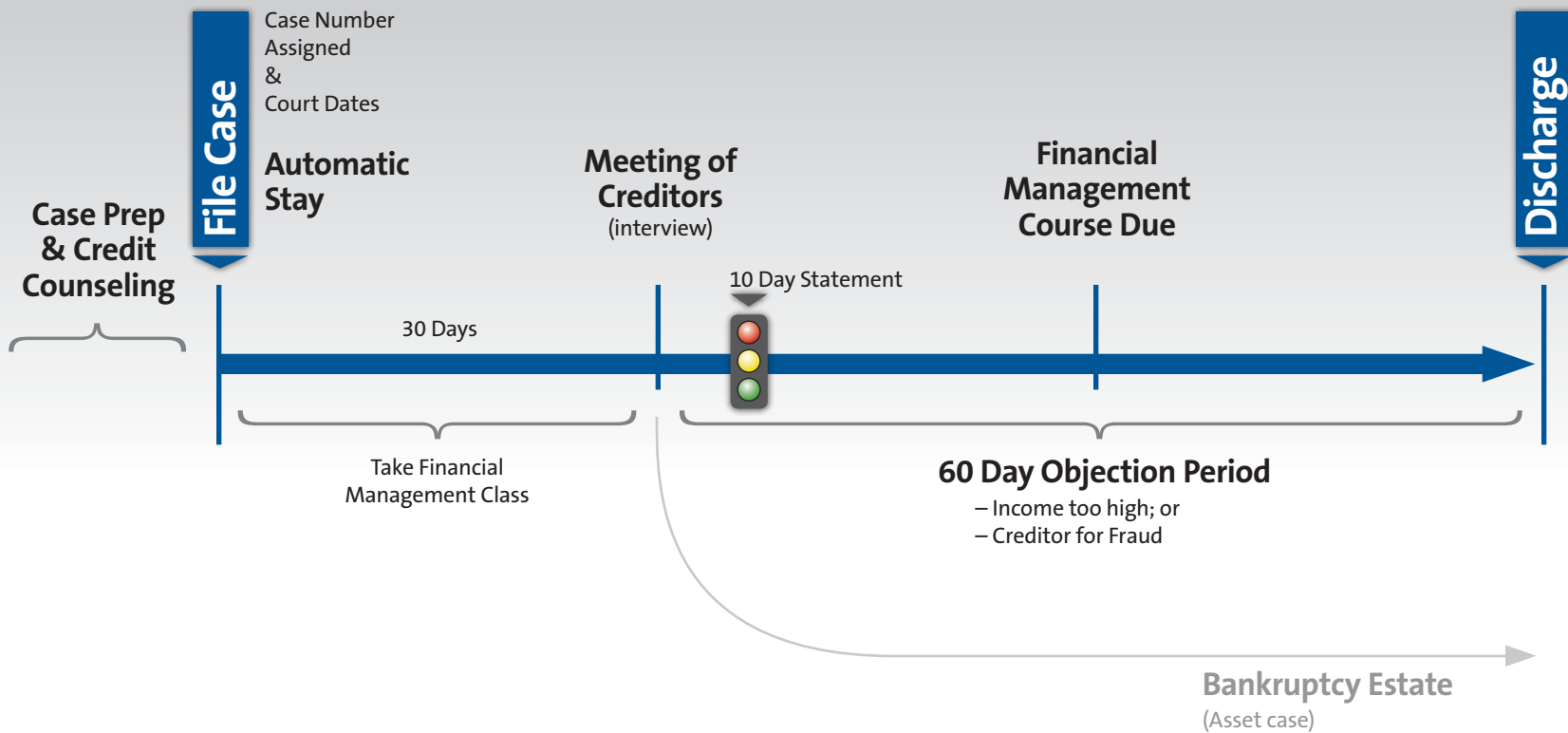
Purpose:

- 1 **STOP** the race to court
- 2 **Preserve** assets for the estate
- 3 **Protect** debtors from creditors.

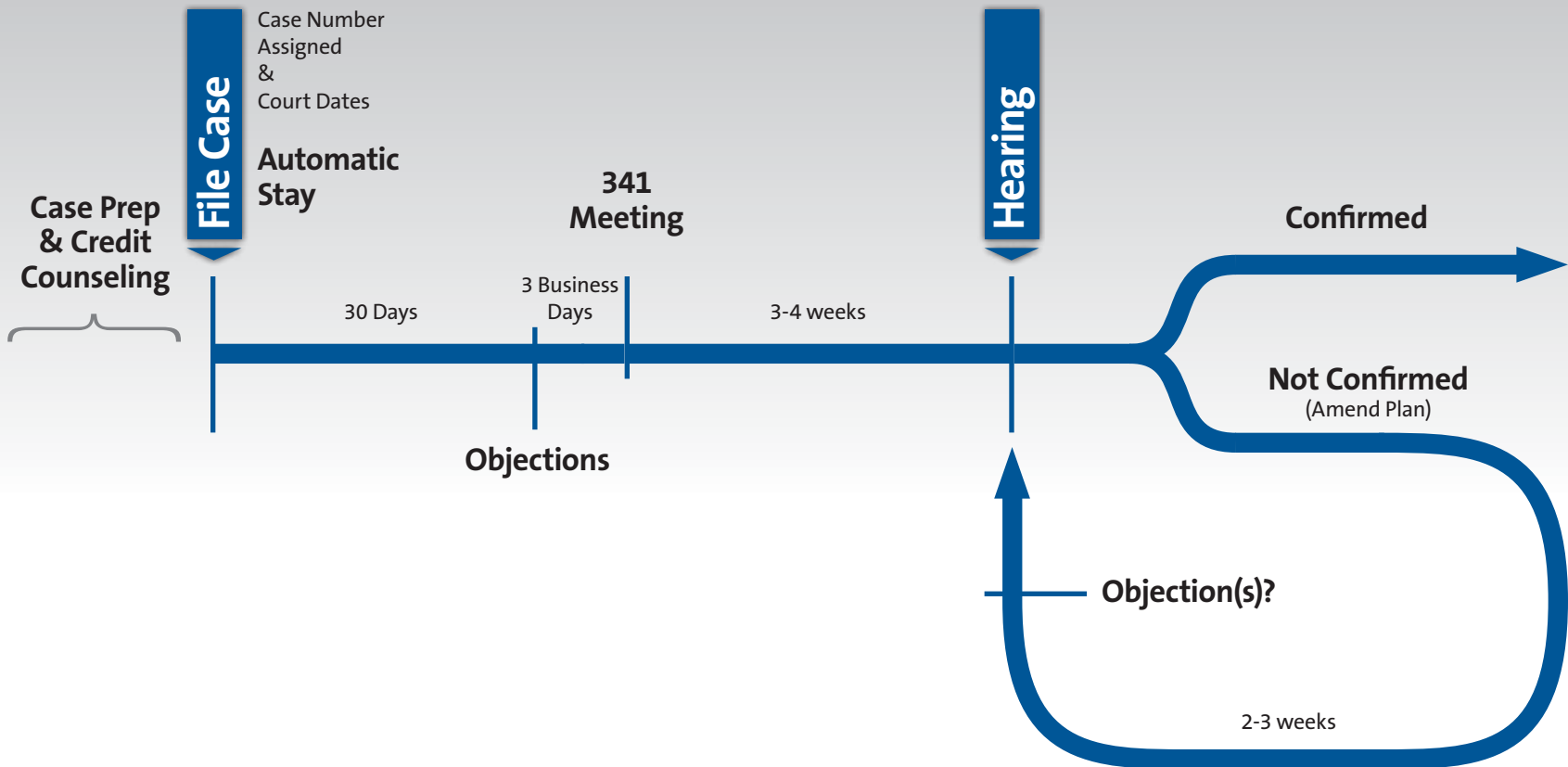
Exemptions

		<i>Colorado</i>	<i>Yours</i>
<i>Home</i>	=	\$60,000	\$ _____
<i>Household Goods</i>	=	\$3,000 ea.	\$ _____
<i>Jewelry</i>	=	\$1,000 ea.	\$ _____
<i>Cars</i>	=	\$5,000 ea.	\$ _____
<i>Tools of Trade</i>	=	\$20,000 ea.	\$ _____
<i>Clothes</i>	=	\$1,500 ea.	\$ _____
<i>IRA/401k</i>	=	100%	\$ _____

Chapter 7



Chapter 13



Chapter 13 Plan

YOUR PMT

\$

Four Classes

Example

Yours

1 Attorney Fees.....	=	\$2,500	\$ _____
Taxes.....	=	\$3,000	\$ _____
Domestic Support.....	=	\$0	\$ _____
2 Mortgage Arrears.....	=	\$12,000	\$ _____
3 Automobiles (and other secured debts).....	=	\$13,500	\$ _____
4 Everyone Else*	+	\$24,000	\$ _____
		Subtotal =	\$55,000
		10% to Trustee =	\$5,500
		Grand Total =	\$60,500

Payment = Grand Total to Trustee ÷
36,48 or 60 months = \$1,008.33/mo \$ _____

* **Class 4** amount is determined by multiple variables including means test, priority taxes, preferences, fraudulent transfers, non-exempt assets, and current and projected budget and income.