

The Main types of Bankruptcy

Bankruptcy is a way for you to get out of your hard financial times and it is something that you have to do when you can no longer afford to pay your existing debts.

Keep in mind that there are many types of bankruptcy, but the most commonly filed form of bankruptcy is chapter 7 and a chapter 13.

Chapter 7 is the most common for the individual. It is the complete erasing of qualifying debt. The debtor is then released from all repayment obligations. Keep in mind that chapter 7 bankruptcies are very serious and should not something that is taken lightly.

While giving you an immediate fresh start in repairing your finances, it remains on your credit report for 10 years. You still will be seen as a high risk and you will also be noted as a person who is financially irresponsible.

Chapter 13 is less harmful to your credit. Though there are still marks against you, since you will be working to repay your debts on a payment plan, you do not look like you are financially irresponsible, though you are still considered a slight credit risk. With a chapter 13 you will be able to keep your home and they will not start selling your assets to pay back your creditors like you would in chapter 7.

In 2005 an act passed legislation that now makes it more difficult for individuals to receive a chapter 7 bankruptcies. You now need to do pre-filing credit counseling sessions and also post-filing financial counseling, so that you can get yourself back on the right track.

It is very important that you weigh all sides of the chapter 7 and the chapter 13 bankruptcies. You need to decide which one will do you more harm than good. You'll also want to make sure that you pick a bankruptcy that will help you to resolve some of your financial problems.