Title:
Debt Consolidation Refinance Advice: Chapter 13 Bankruptcy versus Ch. 7 BK

Word Count:
365

Summary:
Under the old bankruptcy laws, most debtors chose between a liquidation proceeding under Chapter 7 of the Bankruptcy Code and a wage-earner repayment plan under Chapter 13. Under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA), new bankruptcy law, a two-part means (income) test now determines if your are eligible for Chapter 7 or must file under Chapter 13 for relief. Filing for bankruptcy should always be a last resort, since it damages your credit for many years.

Keywords:
Mortgage Refinance,Chapter 13 Bankruptcy,Chapter 7 Bankruptcy,debt consolidation loans,bk,home equity loans,second mortgage,fixed rate mortgage, equity loans,credit card consolidation,interest rates

Article Body:
Under the old bankruptcy laws, most debtors chose between a liquidation proceeding under Chapter 7 of the Bankruptcy Code and a wage-earner repayment plan under Chapter 13. Under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA), new bankruptcy law, a two-part means (income) test now determines if your are eligible for Chapter 7 or must file under Chapter 13 for relief. And, because the new law imposes stricter requirements on lawyers, it's harder to find an attorney to represent you in a bankruptcy case.

The new law mandates that all debtors must get credit counseling with an agency approved by the United States Trustee's office before they can file for bankruptcy. Once the bankruptcy case is over, all debtors must attend additional counseling on budgeting and debt management before bankruptcy discharge of debts can occur.

"There are dozens of catches that will make it difficult for people who legitimately need to file for bankruptcy," says Travis Plunkett, legislative director for the Consumer Federation of America. "The strategy of the people who supported this bill appears to be death by a thousand cuts. There are a lot of traps and gotchas designed to snare people and keep them from discharging debt that they really may need to get out from under."

Filing for bankruptcy should always be a last resort, since it damages your credit for many years. Besides, the new bankruptcy law makes it much more expensive and time-consuming to file. Unsecured loans probably won't provide enough money for any debt consolidation loans. So, if you are a homeowner a debt consolidation loan may provide you some relief by saving you money on interest. You may want to consider mortgage refinancing or a home equity loan (second mortgage) to pay your credit card debt and secured loans, especially if the new law for minimum payments has you considering bankruptcy.

Ideally, you should apply for a fixed mortgage rate loan due to increasing interest rates. But, if you need short-term relief and plan to refinance later on when your finances are in order or you plan on moving soon, adjustable rate mortgages may work out well for you due to their initial low interest and lower monthly payments.