

Title:

Filing Bankruptcy!

Word Count:

399

Summary:

Bankruptcy is a legal procedure designed both to protect an individual or business that can't meet its financial obligations and to protect the creditors involved. To begin the process, proper papers must be filed.

What are the Bankruptcy rates?

According to Scripps Howard News Service, nearly 1 in 60 households in the United States are bankrupt. This figure is based on the nearly 2.04 million people who filed for bankruptcy before the new bankruptcy laws took effect. Why ...

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money,sue,sues,liable,cash,money,credi

Article Body:

Bankruptcy is a legal procedure designed both to protect an individual or business that can't meet its financial obligations and to protect the creditors involved. To begin the process, proper papers must be filed.

What are the Bankruptcy rates?

According to Scripps Howard News Service, nearly 1 in 60 households in the United States are bankrupt. This figure is based on the nearly 2.04 million people who filed for bankruptcy before the new bankruptcy laws took effect. Why is it so prevalent? Bankruptcy filings for the first quarter of 2006 slowed to a 20 year low, although the number of bankruptcies will expected begin to rise again later this year.

There are specific chapters of the federal bankruptcy law. Proceedings under Chapter Seven (known as straight bankruptcy) involve taking most of the borrower's property. The court appoints a trustee to sell off the assets and distribute the cash among the creditors. Proceedings under Chapter Thirteen (known as wage earner's bankruptcy) involve the borrower proposing a plan for repaying a portion of the debt in installments from the borrower's income. Chapter Eleven of the federal Bankruptcy Act is generally used by corporations and not by consumer debtors. Its proceedings are expensive and complex. Consumer

debtors normally use Chapter Seven or Chapter Thirteen.

Is the Borrower Liable?

Once the bankruptcy proceeding ends, the borrower is no longer liable. This occurs when the bankruptcy court enters a discharge order in a Chapter Seven case or the borrower has paid the debts due to the credit grantors according to a plan in a Chapter Eleven or a Chapter Thirteen case. In legal terms, the court has discharged the borrower from the debts. The borrower then starts over again with a clean financial slate, but the record of the bankruptcy will remain on the borrower's credit record for up to ten years.

Bankruptcy may be the best, or only, solution for extreme financial hardship. However, it should be utilized exclusively as a last resort, since it always has long lasting consequences. Be sure to consult a financial expert before resorting to bankruptcy as a means of solving your economic troubles.

New Bankruptcy Rulings

Our President signed a new act on April 20, 2005, entitled the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. This act went into effect on October 17, 2005. The new act is believed to be over 500 pages long, and changes almost every aspect when it comes to bankruptcy cases.