

Bankruptcy Solutions – Solving Debt Problems Through Bankruptcy

By Arizona Bankruptcy Attorney John Skiba

www.skibalaw.com

At the end of many of the bankruptcy consultations the person I am meeting with often tells me "I never thought I would be in this situation." People filing for bankruptcy are usually experiencing debt problems due to a loss of job, a reduction in pay, or due to a serious health problem. I meet with several people on a daily basis to discuss filing for bankruptcy and I can honestly say that over the years I have only run into a handful of people who I thought were trying to game the system. Most are going through an incredibly difficult time in their life and simply don't know how to solve the problem.

Bankruptcy is not the best solution for every debt problem. However, I see many people dismiss it out of hand without taking the time to learn what the process is, what bankruptcy can do for them, and what the actual consequences are. In this blog I wanted to go over some of the pros and cons of bankruptcy and how it can help you solve your debt problem.

PROS

Eliminate Debt: It is no surprise that the purpose behind filing bankruptcy is to eliminate debt. Chapter 7 bankruptcy is particularly good at eliminating unsecured credit card/medical bill type of debts. In a Chapter 7 bankruptcy they are completely eliminated (or discharged in bankruptcy lingo).

Collection Calls Will Stop: Immediately upon the filing of your bankruptcy case the bankruptcy court issues an order that stops all collection efforts against you. This means the telephone calls will stop. Lawsuits will stop. Your bank won't even be able to foreclose on your home. The order issued by the bankruptcy court is called the "Automatic Stay." This order allows you some breathing room from your creditors - time to take a step back and put a plan together for moving forward.

Fresh Start: It is almost a cliché in the bankruptcy world, but the filing of a bankruptcy case really does give you a fresh start. This is most clear in situations where a client has recently gone through a divorce. Many times divorce is immediately followed up with a bankruptcy filing, mostly due to the fact that each spouse took on a hefty amount of debt through the divorce decree without an ability to pay it. Eliminating the debt allows you to start over, rebuild your credit, and move on with your life.

CONS

Credit Score: The biggest impact of bankruptcy on most people is the damage done to the credit score. Bankruptcy will stay on your credit report for 10 years. However it is by no means a 10 year sentence of no credit. In fact most are surprised to learn that you can get loans and credit cards relatively soon after filing bankruptcy. You can even get an FHA home loan two years after you Chapter 7 bankruptcy discharge. Also, for most of my clients, by the time we actually file the bankruptcy case the damage has already been done, and in fact the filing of a bankruptcy may actually help improve your credit more quickly than it otherwise would.

Stigma: Many people are worried what others will think of them if they file for bankruptcy. It is important to know that while bankruptcy is a "public proceeding", no one other than your creditors will know of your bankruptcy unless you tell them. Sure, the bankruptcy court would let them know you filed if they asked, but they would literally have to go down to the bankruptcy court and make a request to get information on your bankruptcy case. Not likely to happen. Also, sometimes it helps to know that you are not alone. In Arizona approximately 40,000 families per year have filed for bankruptcy over the last few years - nearly double the yearly amount when compared to 2006 time frame.

Bankruptcy is not the best solution for everyone, and if it isn't, I will tell you. But if you are suffering through overwhelming debt it is worth your time to learn what the bankruptcy options are. I offer a free bankruptcy consultation where we can discuss your specific situation.

Arizona bankruptcy attorney John Skiba can be reached at (480) 420-4028 or via email at john@skibalaw.com