

C is for Creditor

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This one is pretty basic but you may be surprised as to how many people aren't quite sure what the difference between a creditor and a debtor is. In the bankruptcy world if you are filing for bankruptcy you will now be known as the Debtor. Owing debts = Debtor. If you are owed money, you are the creditor.

While anyone that is owed money is a creditor, in bankruptcy not all creditors are created equally. Whether a creditor gets paid or not or is discharged/eliminated or not in your bankruptcy case depends a lot on what type of debt is owed. For instance...

Secured Creditors

Secured creditors are the kings of debt hill. If you owe a debt that has property or collateral attached to it then you will need to continue to pay that debt even while you are in bankruptcy. The most common secured debts are mortgages and car loans. Simply put, if you want to keep your house or keep your car, you have to pay for it – even if you are in bankruptcy.

Unsecured Priority Creditors

Next down on the totem pole are the unsecured priority creditors. These creditors don't have any property or collateral securing their loan, but they are given special status. The most common unsecured priority debts are taxes and child support. Generally these types of debts do not go away through the bankruptcy process and if you are needing to file a [Chapter 13 bankruptcy](#) these debts must be paid in full. Further, these creditors will receive payment before any of the creditors in the next group down, the general unsecured creditor.

General Unsecured Creditors

These are the Great Unwashed in the debt world. General unsecured creditors have few rights or protections in bankruptcy and of all debts they will be paid last if there is any money to distribute. The most common general unsecured debts are [credit cards](#) and [medical bills](#). The reason why you often pay such high interest rates on credit cards is because there is significant risk for the bank. In bankruptcy they typically get ZERO. Thus you pay for that risk with your high interest rate. On the other hand, if you are suffering with high credit card debt or medical bills, [Chapter 7 bankruptcy](#) will eliminate these types of debts completely.

I offer a free consultation where we can review your creditors and evaluate which ones need to be paid and which debts can be eliminated through a bankruptcy filing. I can be reached at (480) 420-4028 or via email at john@skibalaw.com.

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