

Wipe Out Your Debt and Keep Your Property

June 1, 2010

(CHAPTER 7 - WIPE OUT ALL OF YOUR UNSECURED DEBT, KEEP YOUR HOME, KEEP YOUR CAR, KEEP YOUR JEWELRY, KEEP YOUR RETIREMENT PLAN, KEEP YOUR OTHER PROPERTIES.)

One of my objectives in writing these blogs is to educate people about all of the misconceptions that are out there about bankruptcy.

So many people that I meet with and who file bankruptcy simple have no idea what bankruptcy is all about before they have met with me. Once they learn about all of the benefits, and there are so few negatives, they always say they wish they would have done this a lot sooner.

Had they known all the benefits of bankruptcy, they could have filed six months or a year ago, instead of having wasted a lot of money on debt consolidation or having paid bills that it could have been easily wiped out along time ago by filing for bankruptcy sooner.

One of the most common misconceptions I hear is that people believe that if they file for bankruptcy they are going to have to give up their house, car, jewelry, and other valuable personal possessions. Nothing could be farther from the truth.

When you file a successful Chapter 7 you wipe out all of your unsecured and you keep all of your property.

So, when you successfully file a Chapter 7, you get a discharge from all of your debts, meaning all of your unsecured debts are legally forgiven, within about 4 months after you have filed your case. Once your case is filed, none of your creditors can pursue you anymore. All lawsuits have to stop. All wage executions have to stop. Any freezes on your bank account have to be released. None of your creditors can call you, write to you, or have any contact with you whatsoever. If they do they are violating the law and you could actually ask the bankruptcy court to give you money because they have violated your right.

I practice in New Jersey and New Jersey follows the Federal Bankruptcy Law with respect to what property you are allowed to keep and still wipe out your unsecured debt. The term that is used to describe the property that you can keep is “exemptions”.

Exemptions basically define what properties you are allowed to keep and still wipe out your unsecured debts. You can own a house and still wipe out your unsecured debts, but there are some limitations on how much equity you can have in your house.

The term “equity” generally means how much money you would ultimately end up with if you sold your property and paid off any obligations attached to that property.

For example, let’s say you and your wife own a house worth \$200,000 and you have a mortgage on the house of \$150,000. Here is how equity would be calculated. First, you would deduct hypothetical cost of sale, if you sold your house, your closing cost would be about 10%. So we deduct \$20,000 from \$200,000 and get \$180,000.

After that, we deduct the amount of your mortgage balance which is \$150,000. When we deduct \$150,000 from \$180,000 you get \$30,000.

Therefore, \$30,000 is the amount of money you and your wife would hypothetically put in your pocket if you sold your home.

The federal bankruptcy exemption permits a minimum of \$43,250 equity in a couple's home. This means that as long as you don't have more than \$43,250 equity in your home, as a married couple, you can still keep all your property when you file for bankruptcy.

This amount could actually be increased by another \$2,300, depending on what other property you own.

It can get a little bit complicated, but the bottom line is this. When you file a successful Chapter 7 you wipe out all of your unsecured debts and you keep all of your property.

You are forever protected from the bill collectors on those unsecured debts. You obtain a discharge which is the legal term that means that you have honorably wiped out and discharged your debts. They don't exist anymore, plain and simple.

So if anyone tells you that when you file for a Chapter 7 you have to give up your house, your car, or your other property, why don't you ask them where did they go to law school, and let them read this blog and check out my website at www.WipeOutYourBills.com.

Feel free to call me if you have any questions. I am easily accessible by phone and very much enjoy educating people about their rights. You can easily reach me during the week from 8am to 8pm at 856-696-8300.

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