

Iowa Chapter 7 Bankruptcy Summary

Here in Iowa the vast majority of all bankruptcy clients file under Chapter 7 of the United States Bankruptcy Code. Chapter 7 provides for a complete discharge of credit card, medical and most other consumer debt. The major non-dischargeable debts are some back taxes, student loans and child support. The other major consumer bankruptcy chapter is Chapter 13 repayment. Under Chapter 13 you repay normally for five years based on your “ability”. Because your ability to repay is calculated after allowing fairly limited expenses using IRS Collection Guidelines the repayment amount can be fairly high. Most of the people who file Chapter 13 bankruptcy cannot make the payments, often due to unforeseen expenses. People who fail in a Chapter 13 have their case dismissed and are back at square one. Hence, unless there is a really good reason to file a Chapter 13 repayment (like better treatment of tax liabilities or fraud claims) you are normally better off to file a Chapter 7 from the start.

Once you file your Chapter 7 the Automatic Stay prevents creditors from starting or continuing collection action against you. So if you are being garnished, it must stop. Foreclosures stop. Collection calls and letters have to stop. Of course there are exceptions like child support, taxes, student loans and criminal prosecutions.

Your bankruptcy hearing usually is set around a month after your case is filed. Creditors can appear at the 341 Examination (hearing) but they often do not attend. At your hearing the bankruptcy trustee can examine you concerning the accuracy of your petition and any assets that may be available to administer. But the Court wants you to be able to continue your life so you are allowed exemptions that allow you to keep most or all of your property. Your Iowa bankruptcy attorney can advise you before filing your bankruptcy what is and is not exempt. Pre-bankruptcy planning is totally legal so with good planning most debtors avoid loss of property.

After your hearing, creditors have time to object to discharge, but usually there are no objections. Normally your discharge letter will come about 9 weeks after your hearing, so the entire process takes about 3-4 months although in my office it is quicker because I do not make my clients fill out long packets just to get started. Most of my clients report that their Iowa bankruptcy was easier and less stressful than expected!