

I am fond of saying that Virginia is not really for lovers, but rather for creditors. It is no secret that Virginia tends to have a creditor bend to it. Case in point, Virginia's bankruptcy exemptions which can only be described as meager. In fact, the bankruptcy exemption laws in Virginia have not been increased since 1977! That's not a typo folks. The last time Virginia's legislatures modified the categories and amounts that one is permitted to exempt when filing for chapter 7 bankruptcy was when President Jimmy Carter was in office and Star Wars made its big screen debut. In fact, Virginia has not even bothered to adjust the exemption amounts in order to keep up with inflation for the past 30 plus years. And it is certainly no surprise that today Virginia has some of the stingiest bankruptcy exemption laws in the Country.

Why am I being so hard on Virginia regarding its bankruptcy exemptions? Well, as my immediate members of my family know (because they are forced to read my blog), if you are considering filing for bankruptcy but have substantial assets, such as equity in your home, Virginia's inadequate bankruptcy exemptions may force you into filing a chapter 13 rather than a chapter 7. What does this mean? Put simply, it means that you would have to pay thousands of dollars in order to complete a chapter 13 bankruptcy filing rather than be able to file a chapter 7 and pay nothing to your unsecured creditors. If you would like more insight into this matter please see my previous blog article titled [Bankruptcy and the Disadvantage of Having Equity in Virginia](#).

But for others considering filing for bankruptcy, the situation is much worse. Being forced into a chapter 13 bankruptcy may mean not being able to file for bankruptcy at all. Why? Because the amount of money that the individual would be expected to pay in a chapter 13 plan may simply be cost prohibitive; they would have to pay far more than they can afford.

So what does this all mean? Who is really affected by Virginia's low bankruptcy exemptions? Here are 2 composite stories that highlight the great need for why Virginia's bankruptcy exemptions must be increased.

Grandma Rose: Working hard for the last 30 years, Grandma Rose was forced into an early retirement due to poor health. Her only source of income since retirement has been her monthly \$2,200 pension. She continues to live in the house she raised her family in and over the years has built up \$70,000 in equity. After depleting her [retirement savings](#) to keep up with the mortgage and her other expenses, Grandma Rose has to turn to credit cards in order to meet her

monthly expenses, and life's other emergencies that have come up along the way. She manages to live this way for many years, but finally, she reaches her breaking point. She now owes \$60,000 to the credit card companies and cannot even keep up with the monthly minimum monthly payments owed to the credit card companies any more. She hopes that bankruptcy can offer her some relief.

Divorcee Janet: After 15 years of marriage, Janet and her husband filed for divorce. Because it was agreed that she would have sole physical custody of the two boys, the divorce settlement stated that Janet would keep the marital home. The home has about \$50,000 in equity. Having been a stay-at-home mother for the last 12 years, Divorcee Janet had recently re-entered the workforce and began working as an office manager. Living under one income, Janet manages for several years and is beginning to feel secure in her new life. But then the economy takes a turn for the worse and Janet loses her job. After 2 years of menial part-time work with no health insurance, Janet finally lands a full time job, one that barely keeps her afloat in her expenses. Meanwhile, her credit card debt has spiraled out of control, reaching \$30,000 in debt. Janet wants to file for bankruptcy.

So can Grandma Rose and Divorcee Janet find some relief by filing for bankruptcy? In at least 40 states in the country, these ladies could file a chapter 7 bankruptcy, wipe out their credit card debt, and move on with their lives. But not in Virginia. As a result of their sizable equity in their respective homes, their only option is a chapter 13 bankruptcy filing. In this scheme, Rose would be expected to pay something along the lines of \$50,000 over the course of 5 years, and Janet would be expected to pay the full amount of \$30,000 over the next 5 years. That's payments of over \$800 per month for Grandma Rose and \$500 per month for Divorcee Janet! After paying their mortgage and utilities, these women can barely put food on the table let alone pay an additional \$800/\$500 to the credit card companies. Bankruptcy is essentially not an option for them. These women cannot get any financial relief. These women will likely have to deal with creditors hounding them, phone calls at all hours of the day, lawsuits, and garnishment for the rest of their lives.

And if you think the foregoing illustrations are unique situations, you are mistaken. Unfortunately, Grandma Rose and Divorcee Janet are not the exceptions to the rule, they are the norm. Virginia's bankruptcy exemptions should not bar such individuals from obtaining relief and getting a fresh start in life. Virginia's bankruptcy exemptions should not punish its citizens for having

equity in their principal residence. If 40 other states have deemed it fair and practical to allow its citizens to get a fresh start in life despite the fact that they have equity in their home, Virginia should get on board and help its citizens in the same fashion. In my next blog article, I will tell you exactly how to help individuals like Grandma Rose and Divorcee Janet. Don't worry, I won't be asking you for money nor will I be taking up a lot of your time. 😊