

Bankruptcy: Chapter 7 vs. Chapter 13

Deciding whether to file for bankruptcy is a complicated and important decision. If it is indeed the right choice for you, you and your attorney will need to decide what type of bankruptcy to file, Chapter 7 or [Chapter 13](#). Let's take a look at the pros and cons of each.

Chapter 7 bankruptcy is also known as liquidation or straight bankruptcy. It is the simplest and usually the quickest form of bankruptcy. To be eligible for [Chapter 7](#), you must first pass a means test, which examines your income and expenses and compares them with the norm for your geographic region.

Pros:

- No maximum or minimum amount of debt
- After asset distribution, balance is erased
- Creditors cannot claim wages earned or assets acquired after filing
- Proceedings go quickly, sometimes it's over within six months

Cons:

- Can only file Chapter 7 once every eight years
- Stays on credit report for 10 years
- Filing for Chapter 7 damages credit rating
- Very difficult to withdraw from a Chapter 7 filing

Chapter 13 bankruptcy is for the individual (or sole proprietor) who has an income as well as the means to repay some of his or her debt over the course of a few years. With Chapter 13, you work out a payment plan.

Pros:

- Avoids wage garnishment
- Delays foreclosure
- Can file immediately after Chapter 7
- Can extend payment terms on debts

Cons

- Stays on credit report for seven years, after completed
- Not all debts are discharged
- Amount of debt you can erase is limited
- Legal fees are usually higher than Chapter 7

Still not sure which is the right form of bankruptcy for your situation? Contact an experienced bankruptcy attorney such as [Harold Shepley & Associates](#) and schedule a free consultation.

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