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### **Managing Tough Times – Chapter 13**

When someone files for bankruptcy under Chapter 13 their aim is to have the opportunity to repay some or all the debts in their name, in better terms, such as lower or no interest. Unlike Chapter 7 which involves liquidation of assets, this process involves restructuring debts which allows the debtor to use whatever income they may have in the future to pay off the creditors for a period of 5 years. Filing Chapter 13 Bankruptcy is for a debtor who has a regular income, and thus can afford to request for such adjustments or reductions.

The chapter 13 stops collection actions and prohibits collections action for a 5 year period. It freezes your debt at current levels and requires the creation of a bankruptcy plan that must be approved by the courts. It will spell out in detail how you plan to repay your debt. You have only 15 days after you file your bankruptcy petition to complete this plan to the court's satisfaction and have it on file.

The largest reason to file a chapter 13 over a chapter 7 is that you can save yourself from losing your home to foreclosure. After the bankruptcy however, you will have to make all your mortgage payments as per the terms of the bankruptcy plan, or you will risk losing your home anyway. Another advantage is that all creditors are paid by the bankruptcy trustee, so you make a single payment, similar to what you would do with a debt consolidation loan.

While debtors are allowed to keep all of their property, the court approves a new interest-free plan for repayment. A written plan is created giving details of all the transactions that will occur, and the duration of the same. The repayment must begin within thirty to forty-five days after the case has started. Also, as per the law the creditors must strictly adhere the repayment plan approved by the court and are in fact prohibited to collect any claims from the debtor. Your attorney will prepare new repayment plan to best suit your situation.

The one advantage of Chapter 13 over Chapter 7 Bankruptcy is the full discharge option which is not applicable under Chapter 7 filing. For example, if a debtor manages to complete all necessary payments in the plan, he/she is given a full plan discharge. (There are a few exceptions to this case, which your attorney will guide you about if necessary.) Yet another advantage of the Chapter 13 filing is that a repayment can be created even if creditors disagree with it, as long as it is approved by the Court. Although, in all fairness the court allows creditors also to file an objection, in case they may have any.

For more information about chapter 13 check out  
<http://www.bankruptcyhome.com/chapter13.htm>