FREQUENTLY ASKED QUESTIONS

1. The Cost.

The attorney fees and filing fees (court costs that the bankruptcy court charges) for filing a Chapter 7 or a Chapter 13 bankruptcy vary from case to case, but generally the total amount of fees and costs for all services leading up to the filing of the Petition are $1,695. It is the filing of the petition which protects you from your creditors. The cost is more if IRS debt and/or a business is involved, or if either client has owned or operated a business within the past year. For Chapter 13 cases, which generally last up to five years, the pre-filing amount is the same as in a Chapter 7, and fees up to the point of plan confirmation will be billed through the plan and paid by the Chapter 13 case trustee from plan payments at the base amount of $3,995 as an administrative expense. In other words, these fees do not need to be raised or paid by you prior to the filing of the case. They are paid over time from plan payments. Clients are given a wide range of installment options to assist with raising the fees that must be paid prior to the filing of the case.

This money does not have to be raised right away. You can begin the process of exploring your options with our firm at no charge, and without any obligation to hire us. We do accept credit cards (there is a $75 processing fee for that), and we do, under extraordinary circumstances, offer installment plan payments that extend beyond the filing date, but the clients that are approved for this option by our firm end up paying more than they would if they are able to raise all the fees prior to filing.

Additional fees may be charged for any attorney or paralegal time that you request in the preparation of your filing (over and above the intake phone call, initial consultation and signing appointment that you have with attorneys and paralegals), or for any issues that arise post-filing. These charges are billed at the conclusion of your case several months after filing. Generally, the fees and costs you pay upfront cover the cost of preparing and completing your bankruptcy, but some clients want more assistance and guidance than others on matters that are not directly related to obtaining your bankruptcy discharge. We are here to help all clients in whatever capacity they need help. The clients who want to keep their fees to a minimum elect not to take advantage of these services, while those who do will be billed for it several months later, hopefully after you have a clean slate from your creditors, and are in a better position to pay for it. Examples of tasks that may incur additional fees in the future include (but are not limited to) filing amendments, reaffirmation agreements, lien avoidances, help with loan modifications, reinstatements, foreclosure, repossession, lawsuits and adversary proceedings. It costs $85 per amendment (done only if you forget a creditor). You will be billed $0.25 per photocopy and downloaded copy, and for the actual cost of postage and mileage to hearings. If you want us to recover lost assets or money that rightfully belong to you pursuant to applicable law, we may be willing to do that, upon your request, on a contingent or hourly fee, subject to our approval, and at our sole discretion. Keep in mind that all phone calls, letters, and emails that you initiate to our office may be billed at hourly rates.

Other costs that are collateral to your bankruptcy that will have to be incurred is the cost to take a pre-filing credit counseling course through an independent credit counseling agency, names of which we can provide, and a second course after filing. The cost of the pre-filing course ranges from $15 to $65, and the post-filing course is usually $10 to $35. You may also want to pull a credit report to identify most of your creditors. Our office can pull one for you for $35 if you do not have access to one.

2. I'm broke. How do I afford the bankruptcy fees and costs?

This is a typical dilemma. Potential bankruptcy candidates do not have sufficient funds to pay their bills, so how can they afford to file for bankruptcy? If you cannot borrow the money from friends, employers, colleagues or family members, start saving your money instead of paying your unsecured creditors (i.e. credit cards, medical bills, etc.). Any creditor you intend to discharge through bankruptcy, stop paying them and use that money toward your bankruptcy fees. If you do this, you are at risk to judgments being entered, wages being garnished, and bank accounts being levied. Because of this, if you decide to undertake this technique, it is always a good idea to empty your bank accounts and live off of your cash until the bankruptcy filing. It is also recommended that you save up as quickly as possible to file as quickly as possible to avoid these judgments from being entered and from these wage garnishments and bank levies from occurring prior to the time that you file the bankruptcy. You also may have assets that you will lose to your creditors if you file bankruptcy. You may be able to sell these assets before you file and use the proceeds for bankruptcy fees. Your attorney can help advise you on which assets to sell and which you can protect through a bankruptcy proceeding. However, if you sell an

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asset for less than its fair market value, or if you sell it to a family member, business associate or friend, the Bankruptcy Court may set it aside and "undo" the sale, potentially creating additional financial problems for you and the purchaser of the asset. Any transfer of assets within two years of filing bankruptcy are subject to extreme scrutiny, so consult an attorney and be sure to disclose all such transfers to your attorney.

3. What Happens After the Petition is Filed?

Approximately one month after filing your Petition, you will need to attend the "first meeting of creditors" (the 341 Meeting). You will receive notice of this meeting from the bankruptcy court, and I encourage you to appear 15 minutes early in order to watch other proceedings. This will give you a glimpse at how the meeting is held, and should alleviate your anxiety. I may meet with you a few minutes before your meeting is scheduled to begin. **All individual debtors must provide picture identification to the trustee at the meeting of creditors. Do not miss this meeting.** Besides the Section 341 hearing with your creditors you may be required, in some cases, to appear in court again. Sometimes this happens if your creditors object to your property exemptions or the debts you're asking to have discharged. If they do, the bankruptcy court will decide which side will win. You also will be required to bring bank and brokerage statements to the 341 meeting and sign and return all Reaffirmation Agreements before this meeting. Prior to closing your case, you must complete a course in Personal Financial Management. I will send you more information on agency locations where this can be completed after you file. If you want to reaffirm certain secured debts and retain those accounts, the court may require you to attend a hearing regarding your Reaffirmation Agreements to determine whether these are in your best interest. This hearing will be held approximately 4 months after your Petition is filed.

4. Do I have to list all debts?

You must list all of your debts. If you want to pay a creditor back, you may call the creditor, explain to them that you are filing bankruptcy and are listing their debt, but that you intend to pay it back after the bankruptcy is completed. **Failing to list a debt, concealing assets, or attempting to secretly transfer assets to others within one year of filing bankruptcy without disclosing it on your schedules is fatal to your case. You will be kicked out of bankruptcy and forced to pay back the debts you attempted to discharge in bankruptcy**. Any creditor receiving more than a total of $599 within 90 days of your bankruptcy may have to pay that money to the Bankruptcy Trustee.

5. What about Judgments and Garnishments?

It is possible that a judgment or garnishment will attach between the time that you pay the retainer and the time you file. In the event a judgment is obtained, we can discharge it in bankruptcy, and we can stop any garnishment action with the filing of your case in bankruptcy. If a judgment was entered prior to the filing of your bankruptcy, it may appear as a lien on your real estate that you own. Bankruptcy does not eliminate, discharge, or remove liens on real estate, but it will discharge the personal liability or obligation you have to repay the debt. The creditor can still foreclose the real estate however to satisfy the debt if there is a judgment lien. You can remove these liens from your homestead by hiring an attorney to do a lien avoidance proceeding during the bankruptcy, or to do a homestead plat after your bankruptcy is concluded. You will likely save a considerable amount in attorney fees and costs if you elect to do the lien avoidance during the bankruptcy proceedings, as opposed to waiting to do the homestead plat later. Both procedures are entirely optional. Be sure to contact your bankruptcy attorney during the bankruptcy proceedings if you elect to hire the attorney to perform the lien avoidance.

6. Will I lose everything if I file bankruptcy? Can I keep my car? My home?

Most people who file bankruptcy are aware of some of the exemptions or protections available to debtors and their assets. You may protect your home, a car (up to $7,000 of equity), household goods and furnishings, musical instruments and clothing (up to $7,000), jewelry (up to $2,000), tools of the trade (up to $10,000), retirement plans and cash value life insurance (if you name a spouse or child as a beneficiary), and a small amount in checking or savings (up to $1,000 in addition to the accrued wages and tax refund). There are a few other minor miscellaneous exemptions as well. These exemptions are doubled for joint debtors. **If your car or home is secured by a loan against it, you may keep the asset only if you agree to pay that debt. Some creditors want you to sign a document called a "Reaffirmation Agreement". If you do not want to repay these secured loans, you must "surrender" the home or**

car. If your budget does not justify reaffirming a car or other personal property secured by a loan, the bankruptcy court may reject your Reaffirmation Agreement which could allow the creditor to repossess the item, though this is not likely if you remain current on your monthly payments. Surrendered secured assets, such as cars and homes, can be kept for a few weeks to a few months depending on how vigilant the creditor is. (If you are significantly behind in your house payments and you want to keep your house, we will discuss the benefits of a Chapter 13 bankruptcy to your situation, as that may be the best alternative for you).

Home, cars, secured debt and Reaffirmation Agreements

You can choose whether to keep your secured assets (home, car) and keep paying back the loans that secure those assets, or you may surrender those assets and discharge the loans. If you wish to keep a secured asset, you must remain current on the monthly payments to the creditor, or the creditor has the right to repossess or foreclose, even though you have filed bankruptcy. You will most likely receive a document called a Reaffirmation Agreement where your lender will encourage you to sign a contract obligating you to repay the original loan under the same terms and conditions. They will lead you to believe that you are required to sign the document to keep your car or your home. In reality, very few creditors repossess a secured asset for failure to sign a Reaffirmation Agreement, so long as you remain current on your monthly payment.

There are advantages to refusing to sign this agreement. The major one is that if you ever decide you do not want the secured asset in the future, due to the asset losing its value or inability to repay (or any reason), you can stop paying back the loan at any time and not be legally obligated to repay it, but you will also be required to surrender the asset to the secured creditor. Not signing the agreement gives you some flexibility. For example, a car loan for $10,000 on a car worth $5,000; if you were to get into a car accident, rendering the vehicle worthless, you could walk away from the remaining $10,000 loan if you never signed a Reaffirmation Agreement. On the other hand, if you signed one, you would still be required to repay the remainder, even though you filed bankruptcy earlier. Due to the unforeseen nature of what your circumstances will be in the future, I can never advise anyone to sign one, and yet, most of my clients choose to sign one anyway. The other draw back is that the work we perform relating to reaffirmation agreements costs on average $100 - $150 per agreement, which we bill at the conclusion of your case.

The benefits of signing a reaffirmation agreement is that you have the security of knowing that the creditor will not repossess (as unlikely as that is if you continue making monthly payments), and it may improve your credit score in the future. It may also help you refinance loans in the future, obtain credit, and remain friendly with this particular creditor who may be willing to extend more credit to you in the future. Sometimes your credit report will reflect that you have discharged the debt in bankruptcy, and that you are not repaying the loan if you choose NOT to sign the reaffirmation agreement, so this is perhaps the biggest benefit of choosing to sign one. There are pros and cons each way, and if you decide you wish to sign a Reaffirmation Agreement, that is fully within your rights. The court will set a hearing, and if the court thinks it is in your best interest, the court will approve the reaffirmation agreement. Read the document carefully to make sure that the amounts, interest rate, and terms of the loan are correct, and to make sure that you sign the document in all the correct locations, then send it directly to the creditor at their address for filing with the court. It will be up to your creditor to file the document with the court in time. If you indicate in your questionnaire and during our meetings that you want to reaffirm these debts, we will proceed accordingly if your creditor requests one. You will need to notify us ahead of time if you do not want us to perform that work, or incur that expense.

You also may receive some Reaffirmation Agreements for unsecured debts. Under no circumstances should you sign one of those. Even if you do, the court would probably not approve it, as the court will

review all Reaffirmation Agreements to determine whether they should be approved or not. The court review is done at a hearing, so by signing a Reaffirmation Agreement, you may have to attend an additional hearing.

7. What do I do with my credit cards? Can I get one after Bankruptcy? How long will it stay on my credit report?

It may be possible to keep a credit card by having a credit card with a zero balance at the time you file bankruptcy. Keep in mind that anything you charge on a credit card within 90 days of filing bankruptcy may have to be repaid. Bankruptcy will remain on your credit report for ten years, and certain lenders will always be able to determine that you have filed bankruptcy in the past. However, it is possible to obtain credit from certain lenders after filing bankruptcy. Many credit card companies and car dealers do not view bankruptcy as an impediment to obtaining future credit. Your interest rates may be higher, but credit may become available to you in the near future, depending on your income, assets, and debt ratio.

Filing bankruptcy will most likely negatively affect your credit score. If you are attempting to improve your credit score by filing bankruptcy, or if you are using bankruptcy as a technique to improve your credit score, you are doing so at your own risk. Factors that affect your credit score are numerous and complex, and the undersigned has no specialized knowledge or training for determining which techniques will improve that score, other than remaining current on all monthly obligations. The undersigned attorney is not taking any steps, or making any recommendations with an eye toward improving your credit score. All legal advice and decisions are made with an eye toward maximizing the potency of your bankruptcy proceedings in the form of discharging the most possible debt, and protecting as many exempt assets as possible. This includes advice on whether to sign and file reaffirmation agreements, the legal advice of which is based on issues other than improvement of credit score. (It is presumed that reaffirmation agreements are not in your best interest, and if your creditors do not prepare and send you a reaffirmation agreement after receiving notice of your bankruptcy, then it is presumed that they are not requiring one of you). The undersigned presumes, and represents to all clients, that such action will impair your credit score now, and in the future. The undersigned makes no representations as to how long it will be until your credit score begins to improve. If client's primary goal is to improve his or her credit score, the undersigned advises client to avoid filing bankruptcy, as this process will most assuredly negatively impact your credit score. It has been the experience of many clients that their credit score improves faster by filing bankruptcy as opposed to not filing bankruptcy, but this is not a guarantee. The undersigned will never advise a client to sign a reaffirmation agreement for the purpose of improving one's credit score, even though it may be possible that such action could improve your score. The decision whether to, or whether not to sign a reaffirmation agreement will be made based on issues unrelated to your credit score, and the legal advice given will be done so with complete disregard for whether your credit score will improve or not, simply because the undersigned attorney has no specialized knowledge or proof that a credit score is positively or negatively affected by the signing, or not signing of a reaffirmation agreement.

8. Tax Refunds

You may be able to protect ***some*** of your tax refund in a Chapter 7 proceeding (but not in a Chapter 13 where the Trustee considers all tax refunds "disposable income" and requires them to be turned over). In a Chapter 7 you may be able to protect less than $1,000.00 of your combined State and Federal refund less accrued wages at the time of filing, ($2,000 for joint debtors), but failing to turn over your refund to the Trustee may result in your case being dismissed. SEND ALL REFUNDS (even exempt funds) to my attention, and I will disburse it back to you. If you usually receive more than $1,000.00 in tax refunds, you may want to consider changing your W-4 before filing, or waiting to file until after you have received and spent your refund.

9. Will my Bankruptcy be reported in the newspaper?

Whether your bankruptcy filing will be reported in a newspaper is up to the newspaper. Bankruptcy is a public filing, and your Petition will be a public record. Anyone can access it for a fee, but hardly anyone ever does (other than creditors and the bankruptcy Trustee). Some newspapers make a practice of obtaining this information and publishing the names of people who have filed bankruptcy. Some do this on a monthly basis, others on a quarterly basis, and often

times the news agencies do not catch all of the names of people who have filed. It is very likely that your name will be published by a newspaper, but it is not a guarantee.

10. How should I handle telephone calls from creditors until I file bankruptcy?

Use caller ID and turn off your answering machine. Answer calls only from those phone numbers you recognize. Turn off your ringer if you must and check caller ID periodically to determine who to call back. You pay a lot of money for your phone service. It is your tool, not your creditors' tool. Use it that way. You have no duty to talk to your creditors or to answer their calls or letters, so don't.

11. Are you a debt relief agency helping people file for bankruptcy protection under the bankruptcy code?

Yes, according to federal law, we are a "debt relief agency" helping people file for bankruptcy under federal bankruptcy law, and, according to the 2005 bankruptcy code amendments, I must tell people that, but many attorneys believe that this disclosure is confusing, and some have even gone to court over whether this disclosure should be made, because it is so confusing. I think most people envision an agency that prepares debt management plans as a "debt relief agency" (like a Consumer Credit Counseling Service) and that is why I think it is confusing to require attorneys to state this, because most attorneys, including myself, do not prepare debt management plans. In summary, we are a "debt relief agency" because the men and women we sent to Congress in 2005 say that we are, but in reality, we are just a group of highly specialized bankruptcy attorneys who can help you invoke the powers of the bankruptcy laws to eliminate debt, which is so much more powerful than anything implied by the term "debt relief agency."

12. What if I owe money to family members or friends? Can I pay them back before I file?

In short, NO. Do NOT pay back any money to family or friendly creditors prior to filing bankruptcy without first discussing it with your lawyer. If you prefer one creditor or a family member or business partner over other creditors, you may jeopardize that payment and force your family member, friend or business partner into a situation where they have to pay that payment to the bankruptcy trustee. If they already spent the money, it could put them in a bind.

Bankruptcy: an Important Decision

Whether or not to file for bankruptcy is an important decision. Bankruptcy can offer you a fresh start if you find yourself overwhelmed by debt. This can happen for legitimate, and sometimes foreseeable, reasons. For example, people can become financially overextended because of losing a job or having a medical problem.

But bankruptcy has many possible consequences for your property assets, for your future ability to get credit, and for the people to whom you owe money. You should discuss all your options with your lawyer before deciding on a course of action.

The Bankruptcy Laws

In the United States, the main laws covering bankruptcy are federal laws, so they apply in all 50 states. A special federal bankruptcy court system has been set up to administer these laws.

However, each state has its own bankruptcy laws, too. In some cases, there are even local bankruptcy rules. And judges may have some differences from district to district. The result is that bankruptcy can be a complex legal matter.

All together, the law provides five different forms of bankruptcy. Most likely, though, only two of these will apply to your situation: **Chapter 7** and **Chapter 13**. "Chapter" refers to where in the Federal Bankruptcy Code the law can be found.

THE BASICS OF BANKRUPTCY

Procedures

Like most legal matters, bankruptcy involves a variety of forms, procedures, requirements and paperwork. This is all standard and must be followed. It assures that the laws are obeyed, and that the rights of your creditors, that is, all the people you owe money to, are protected.

You need to know that failure to follow the rules or to give complete and honest information throughout the process may cause your case to be dismissed. This could endanger your right to file bankruptcy, could cause delays, and could end up costing you more money.

Discharge of Debts

Getting relief from the burden of your debts by having them canceled is one of the most important benefits of bankruptcy. When a debt is canceled so you don't owe it anymore, this is called a **discharge**. Will ALL of your debts be discharged? This depends on several factors.

There are certain debts that are generally NOT discharged. These include taxes, school loans, child support, maintenance, and traffic fines. But there are some rare exceptions in these cases. Also, there are certain debts that are dischargeable in Chapter 13 but not in Chapter 7.

The discharge of debts is a complex issue, so you need to be careful here. Your attorney will be able to advise you about your own particular situation.

Secured v. Unsecured

Your debts fall into two major categories, which are treated differently in bankruptcy.

One type of debt is called **secured debt**. It's called "secured" because it's backed up by some property. If you took out a loan from a bank or other financial institution to buy a house, motorcycle, trailer, boat, truck or car, etc., it's probably a secured debt. Before the lender gave you the loan, you had to sign documents that gave the lender a "security interest" in your property, that is, you gave the lender some rights to the house, motorcycle, etc. that you were buying with the loan. These documents guarantee that you'll repay the full loan amount plus interest. They also prohibit you from selling the property without repaying the debt.

In general, after bankruptcy the lender's security interest (lien/mortgage) in your property still remains.

The second type of debt is called **unsecured debt**. Such debts are usually for consumer goods and services, such as what you owe to local stores, credit cards, medical bills and utilities. These debts are often discharged in bankruptcy.

CHAPTER 7 BANKRUPTCY

A Chapter 7 bankruptcy is commonly known as a **straight** or **liquidation** bankruptcy. Its goal is to relieve you of indebtedness.

Trustee

An individual known as a **trustee** is appointed to oversee your bankruptcy. The trustee is usually either a local attorney or a federal employee.

The trustee in a Chapter 7 bankruptcy must make sure all the procedures are being followed according to the law. He or she also reviews the information in all the documents you filed with the court.

Will Property Be Liquidated?

In a sense, the trustee takes possession of any of your non-exempt property or assets, and may liquidate it to raise money. This money is then used to pay certain creditors who are eligible under the law.

Does that mean you'll lose everything in this process? Not at all. In most cases, you'll lose little, if any, of your property or assets. That's because most of your property is either secured or exempt, so little, or sometimes nothing, may be left to pay your creditors.

How Long Does It Take?

The entire Chapter 7 bankruptcy procedure generally takes about four months. In the end, it results in the cancellation of many of the debts you owe. Free from harassment by your creditors, you get a fresh start.

You can only file a Chapter 7 bankruptcy once every eight years.

CHAPTER 13 BANKRUPTCY

A Chapter 13 bankruptcy is also known as a **wage earner's** or **repayment** bankruptcy. Just as its name implies, it provides a way to repay all, or at least some, of the money you owe to your creditors from the income or wages you earn. Some think of it as sort of a debt consolidation.

Developing a Repayment Plan

In a Chapter 13, you develop a repayment plan with the help of your attorney, and submit it to the court within 14 days after you file for bankruptcy. Your plan lets you pay back the money you owe at a rate that you can afford. This repayment plan usually takes five years.

You prepare a budget showing all your necessary living expenses, including your house payments. These types of expenses are paid before any payments are made to the plan for your creditors.

How Much of Your Debt Do You Pay?

It's common in a repayment plan to pay less than the full amount you owe, and still receive a discharge of the full amount at the end of the plan. But that's only if you've met all of the requirements of your plan.

The money that you pay to your plan goes to a court appointed bankruptcy trustee, who distributes the money to your creditors according to the terms of the plan.

Property Exemptions

Similar to a Chapter 7 bankruptcy, in a Chapter 13 you're allowed to claim or declare **exemptions**. That is, certain property of yours is exempt from your creditors, although the effect of the exemptions on your property may be different in a Chapter 13 than in a Chapter 7. Your attorney can advise you based on your specific situation.

Your Section 341 Hearing

Also like a Chapter 7, you'll have to prepare a lot of the necessary paperwork and attend a Section 341 hearing. At this meeting, the bankruptcy trustee will review your proposed plan. You may be asked questions so the trustee can determine if your plan is really your best good faith effort. This is, are you paying your creditors as much as you can afford?

If the trustee believes that your plan meets all the necessary requirements, he or she will recommend that the bankruptcy court accept or confirm your plan.

Automatic Stay

Again, as in a Chapter 7, a Chapter 13 gives you an automatic stay that stops any of your creditors from suing you, garnishing your wages and harassing you in any manner. In both Chapters 7 and 13, the automatic stay is not unlimited.

You can file a Chapter 13 more often than once every eight years.

CHAPTER 7 OR CHAPTER 13?

How do you decide whether a Chapter 7 or a Chapter 13 is best for you? The answer to this can only come through the consultation and advice of someone like an attorney, who has studied and understands the bankruptcy laws, knows the rules, and also fully understands your situation.

Provide All Necessary Information

Before your attorney can give you advice, you'll have to provide complete information, such as employment information, including the wages you and your spouse earn; a list of all creditors with their addresses, the amount you owe, your schedule of payments, and any collateral or papers you signed for the debt. **(You also need to list money you owe and intend to pay back, even if it's to a relative.)** Also, a list and description of all your property and assets, including boats, automobiles, furniture, jewelry, checking and savings accounts; a legal description of all real estate; and a list of your monthly expenses including mortgage or rent, food, transportation, utilities, child support, income tax returns, real estate tax, and other regular expenses.

Be forthright and open with your attorney. Complete information is essential, so don't hold back information because you think it may not be important. Let your attorney decide if the information is important. Otherwise he or she won't be able to do an effective job of representing your interest. Only by reviewing all the information you provide will your attorney be able to fully understand your particular situation and your determination or ability to repay debts. Only then can he or she advise whether you should declare bankruptcy, and if so, which kind to file?

Paperwork

If the decision is made to file for bankruptcy, the bankruptcy court requires a lot of necessary forms and paperwork to be filled out and submitted; these include a petition that requests that the court accept your case, a statement of affairs that answers pertinent questions about you, a list of all of your assets, debts, income and expenses, plus certain other forms required by the local rules of your bankruptcy court. Your attorney prepares these from the information you provided.

Does Your Spouse File?

If you're married, you and your spouse may be filing a joint petition, or in some cases your spouse may not file. Again, your attorney can help advise you whether you should file together or separately.

ADDITIONAL INFORMATION

Can You Ever Borrow Again?

Naturally, many people wonder if they'll ever be able to get credit again after filing for bankruptcy. That depends on a lot of factors. The bankruptcy may be on your credit record for up to 10 years. Many lenders still appear to be willing to grant credit, although they may look at why you went bankrupt to make sure you've corrected the situation that led to your bankruptcy. Getting credit cards depends on the company's policy. It might be difficult or expensive to be issued credit cards.

Co-Signers

Co-signers of any of your debts are treated differently in Chapter 7s and 13s. To some, this is a very important issue. Generally, in a Chapter 7 liquidation bankruptcy creditors can pursue co-signers of your loans if you default, but in a Chapter 13, your co-signers have more protection if you follow your plan.

GLOSSARY

Attachment--Process of seizing a debtor's property in order to secure the debt or claim of a creditor in the event that a judgment is taken against a debtor.

Bankruptcy--A condition where a debtor cannot pay debts now or as they come due and uses the protection of the law to either liquidate property or reorganize his or her financial affairs.

Bankruptcy Code--Federal law which governs bankruptcy proceedings.

Bankruptcy court--Special courts under federal law which deal exclusively with administering bankruptcy proceedings, presided over by a bankruptcy judge.

Bankruptcy estate--The property of a debtor which comes under the jurisidiction of the bankruptcy court and trustee when a person files for protection under the Bankruptcy Code.

Bankruptcy trustee--A person appointed by the Bankruptcy Court to take charge of the bankruptcy estate and handle any actions on behalf of the estate.

Creditor--One who is owed money or some other thing by obligation or promise.

Debtor--One who owes a debt.

Default--A failure to perform an obligation imposed by law or contract.

Deficiency--The unpaid balance of a debt on which there is a security agreement, where the sale of the secured property has failed to pay the full amount of the debt owed.

Discharge--The cancellation of an obligation.

Eviction--The action of depriving a person of the possession of land or rental property which the person has held or leased.

Execution--The legal process of enforcing a judgment. A money judgment is usually executed by seizing and selling property of the debtor.

Exemption--A privilege allowed by law to a judgment debtor that he or she may hold certain property from all liability to being seized or sold on execution or by any other court order.

Foreclosure--A process by which a creditor with a mortgage can force a debtor to give up his or her interest in the property because of default. The creditor can then have the property sold to satisfy the debt. Also may be referred to as foreclosure by sale, or performance foreclosure.

Garnishment--A process under law where a debtor's property, money or credits under another party's control are applied as payment of a debt to a creditor.

Homestead--A building which can be used for a home and an amount of land at least one-quarter acre, if available, and not exceeding 40 acres (outside city limits) and ½ acre inside city limits.

Judgment--A determination of law as the result of an action in court as to whether a legal duty or liability does or does not exist.

Judgment creditor--A person who has obtained a money judgment in court and can now enforce the judgment by execution.

Judgment debtor--A person who has a money judgment taken against him or her which has not been satisfied.

Judgment lien--A lien which can be filed by a judgment creditor against real property of a judgment debtor in order to satisfy the judgment.

Lien--An interest in collateral which provides that the collateral may be taken and sold in order to pay a debt if a debtor defaults. See also security interest.

Mortgage--A lien on real property.

Personal property--Movable property.

Purchase money security interest--A lien which is created when a debtor uses money loaned by a creditor to make a purchase and gives the creditor a lien on the property purchased with the creditor's money.

Real property--Land, real estate.

Redemption--The right of a debtor to regain title to property under a foreclosure judgment by paying the judgment or fulfilling other conditions.

Replevin--An action to recover personal property by a party with a lien or security interest on the property.

Secured debt--A debt subject to a security interest.

Secured party--A creditor, seller or other person who holds a security interest in the property of a debtor.

Security agreement--A written document which creates or provides for a security interest.

Security interest--An interest in collateral which provides that the collateral may be taken and sold in order to satisfy a debt if a debtor defaults. See also lien.

Unsecured debt--Debt not subject to a security interest

Unsecured party--A creditor, seller or other person who is owed a debt without having obtained a security interest through a security agreement on property of the debtor.