



Bankruptcy Basics

Benefits and risk of filing

Different kinds: Chapters 7 and 13

What to know before filing

What to bring to the Clinic

Idaho Legal Aid Services, Inc.

hosts a free, monthly Bankruptcy Clinic to teach the basics of filing for bankruptcy “pro se” (on your own).
Every Month at **310 N. 5th St., Boise, Idaho 83702**

Considering Bankruptcy?

If you’ve fallen behind on debt, you might have considered declaring bankruptcy. Filing for bankruptcy is a serious decision and may not be your best option. This brochure covers two kinds of bankruptcy: Chapter 7 and Chapter 13. Both kinds have benefits and disadvantages.

• Bankruptcy helps cancel many debts.

When you file for **bankruptcy**, many (but not all) kinds of debt are **automatically stayed**. That is, collectors will have to stop trying to collect the debt.

After you file, the court may issue a **discharge** and most kinds of debt will be cancelled. However, some kinds of debts (such as taxes, spousal support, child support and student loans, court fines) are **not** discharged in bankruptcy.

• Bankruptcy may cost money and hurt credit.

There are costs to filing for bankruptcy: For one thing, the filing fee itself is almost **\$300**. Also, you may have to hire a private attorney (which usually costs between **\$800 and \$1200**). Many people wonder how they can pay a lawyer if they can’t pay their debts. Still, bankruptcy may be cheaper than having to pay back all of the debt.

Bankruptcy also damages your “**credit report**.” It may be harder to get credit or loans after you file.

What’s the difference between Chapter 7 and Chapter 13?

• Chapter 7 “liquidates” some of your property.

Under Chapter 7, the court chooses a **trustee** to **liquidate (sell)** some of your property to pay back creditors. However, much of your property may be “**exempt**” from creditors and you will get to keep it. You will have to show the trustee documents proving that you have **exempt** income and assets.

Chapter 7 may be for you if you have no income and little property.

After liquidation, the court will issue a **discharge** and you will be released from liability for the debts.

You can only file Chapter 7 once every **8 years**.

• Chapter 13 takes some of your wages.

Under Chapter 13, the court chooses a **trustee** and sets up a **repayment plan**: a portion of each of your paychecks will go to pay back creditors. You probably won’t have to sell off your property, but you will have to pay back some of the debt.

Chapter 13 may be for you if you have some income or some valuable property. Chapter 13 cases last longer and cost more than Chapter 7.

After completing your repayment plan, the court may issue a **discharge** from many kinds of debt.

You can only file Chapter 13 once every **8 years**.

1. Before the Bankruptcy Clinic, figure out your financial facts...

What you owe

- Who are your **creditors**?
- How much do you owe each of them?
- Ever borrowed from friends or family?
- Have you paid any of it back?
- Have you ever made any **credit card** transfers?
How much of your credit card debt have you paid?
- What other debts do you have? *Student loans? Child or spousal support? Court fines?*

What you've lent, given, or sold

- Does anyone owe you money?
- Does anyone have property of yours?
- Ever lent money to friends or family?
- Have they paid any of it back?
- Have you given away or sold any valuable property in the last year? *Be very accurate: don't forget holidays or birthdays gifts!*

What you own and are owed

- What are your **assets**? *List all your property!*
- Do you own real estate? Does it make rental income for you?
- Do you own stocks and bonds?
- Does anyone have property of yours?
- Are you expecting any inheritances?

What you earn

- How often do you get paid?
- Have you ever had your wages garnished?
- How much income taxes have you paid?
- Have you gotten an income tax refund? Will you get a refund this year?



2. ...and make copies of your financial documents!

3. Bring copies of all these documents to the Bankruptcy Clinic.

What you owe

- List of all bank and business **creditors**.
- List of all personal **creditors**.
- All **credit card** statements, bills, records.
- Records and proof of all other debts, including:
 - Mortgage statements*
 - Student loans*.
 - Car title loans contracts*
 - Child or spousal support orders*.
 - Court fines*.
 - Other loans and debts*.

What you've lent, given, or sold

- List of all money & property **lent** in last 2 years.
- List of all money & property **given** in last 2 years.
- List of all money & property **sold** in last 2 years.

What you own and are owed

- List of all the **personal property** you own.
- Most current Bank statements**.
- Proof you own real estate & rental income, if any.
- Proof you own stocks and bonds, if any.
- List of inheritances you might get.

What you earn

- Proof of Income for the last **6 months**.
(Paystubs, bank statements, deposit slips)
- Federal and state tax returns and refund statements for **the most recently filed year**.
- Records of garnishment, if any.

Other documents to bring

- Records of any previous bankruptcies you've ever filed.
- Copies of any court documents (such as Complaints or Summons) that you've received.
- Any other documents you think might be important for your Bankruptcy. (Depending on your unique case, you might need to gather other documents before you file).