

## BANKRUPTCY INFORMATION

*This page provides some general information about bankruptcy. You are encouraged to seek legal advice from the Law Offices of Wayne G. Nelson prior to proceeding with bankruptcy.*

### **W**hat are chapter 7, 13, 11 and 12 cases?

#### **Chapter 7**

A liquidation bankruptcy in which you discharge your unsecured Debts. Usually consumers are able to keep their home, their automobile or automobiles in a case filed by a husband and wife and their household goods and personal property. I can advise you specifically on the property which can be claimed as exempt and protected in your bankruptcy. In Minnesota you have a choice of using the state exemptions or the federal exemptions, depending on which set of exemptions is advantageous to you.

#### **Chapter 13**

This is a wage earner plan bankruptcy in which you make a monthly payment to the trustee, who then pays your creditors on a pro rata basis. You and I will go over your budget, including your income and expenses, and determine what is a reasonable amount that you can afford to pay to the trustee each month. Usually a chapter 13 bankruptcy lasts for between three and five years, but it can be shorter.

#### **Chapter 11**

This is a reorganization bankruptcy used primarily by large businesses. In chapter 11, you may continue to operate your business, but your creditors and the court must approve a plan to repay your debts.

#### **Chapter 12**

This is like chapter 13, but it is only for family farmers.

### **H**ow long does bankruptcy affect credit records?

Bankruptcy may be reported on your credit record for as long as ten years. It may affect your ability to receive credit in the future. Bankruptcy may actually help you with your credit if it enables you to get rid of substantial debts. In that case, lenders may be more willing to work with you.

### **W**hat is a bankruptcy discharge and how does it operate?

A discharge is a court order which states that you do not have to pay most of your debts. The discharge only applies to debts that arose before the date you filed the bankruptcy. Some debts cannot be discharged. For example, you cannot discharge debts for:

- Most taxes;
- Child support;
- Alimony;
- Most student loans, unless a hardship can be proven;
- Court fines and criminal restitution; and
- Personal injury caused by driving drunk or under the influence of drugs.

If the judge finds that you received money or property by fraud, that debt may not be discharged.

It is important to list all your property and all debts in your bankruptcy schedules. If you do not list a debt, it is possible the debt will not be discharged.

The judge can also deny your discharge if you do something dishonest in connection with your bankruptcy case, such as destroy or hide property, falsify records, lie, or if you disobey a court order.

You can only receive a chapter 7 discharge once every eight years. No one can make you pay a debt that has been discharged, but you can voluntarily pay any debt you wish to pay.

Some creditors hold a secured claim (for example: the bank that holds the mortgage on your house or the loan company that has a lien on your car). Usually you will choose to continue to pay the secured claim in order to protect your house and to keep your car. In order to keep the property, you will probably need to file a Reaffirmation Agreement, which is an agreement in which you promise to continue paying on the debt and the creditor maintains its lien. If you do not agree to continue to pay the debt, you can choose to surrender the property and not owe the creditor anything further.

*If you want more information, please call me to schedule a free consultation. I can help you determine whether bankruptcy makes sense for you.*

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**W**e are a debt relief agency.  
We help people file for bankruptcy relief under the bankruptcy code.

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