Bankruptcy may make it possible for you to:

? Eliminate your responsibility for many of your debts and get a fresh start. When a debt is discharged at the close of a successful bankruptcy, you have no further legal obligation to pay that debt.

? Stop foreclosure on your house or manufactured home and allow you an opportunity to catch up on missed payments.

? Prevent repossession of your car or other property, or force the creditor to return property even after it has been repossessed.

? Stop wage garnishment, debt collection harassment, and other similar collection activities to give you some breathing room.

? Prevent termination of utility service or restore service if it has already been terminated.

? Lower the monthly payments on some debts, including car loans.

? Allow you an opportunity to challenge the claims of creditors who seek to collect more than they are legally entitled.

Bankruptcy, however, cannot cure every financial problem, nor is it an appropriate step for every individual. In bankruptcy, it is usually not possible to:

? Eliminate certain rights of “secured” creditors. A “secured” creditor has taken some form of lien on your property as collateral for a debt. Common examples are car loans and home mortgages. You can force secured creditors to take payments over time in the bankruptcy process, but you generally cannot keep the collateral unless you continue to pay the debt.

? Discharge certain types of special debts, such as child support, alimony, most student loans, court restitution orders, criminal fines, and some taxes.

? Protect all cosigners on their debts. When a relative or friend has cosigned a loan and you discharge the loan in bankruptcy, the cosigner may still have an obligation to repay all or part of the loan.

? Discharge debts that are incurred after bankruptcy has been filed.

Source: National Consumer Law Center, Surviving Debt [50th NCLC Anniversary Edition], updated at www.nclc.org/library
Source URL: https://library.nclc.org/sd/2402