

What Are the Differences Between Chapter 7 and Chapter 13 Bankruptcy?

Being in debt can be a stressful, confusing, and often scary situation. It can feel like you are in a deep hole and all you want to do is climb out but creditors are continually throwing dirt down to bury you. Sometimes, the best option to get out from that hole and escape the wrath of creditors is by filing for bankruptcy.

Bankruptcy can be a confusing process if you are going at it alone and many people are unaware that there are different options available when filing. There are two classifications of bankruptcy that individuals can file for: chapter 7 and chapter 13.

Chapter 7 bankruptcy is referred to as a liquidation plan. In chapter 7 bankruptcy, debtors ask for the bankruptcy court to discharge most of the debts they owe in exchange for any property that is nonexempt from collection. There is no plan of repayment of debts as in chapter 13, however the debtors property that is collected by a trustee is sold with the proceeds used to pay creditors in accordance to Bankruptcy Code. Chapter 7 lasts about 3 1/2 months and you make no payments to the court during that time.

A common question people have who are considering a chapter 7 filing is in regards to the loss of property. Generally, if a debtors property is subject to liens and mortgages that pledge the property to other creditors, those pieces of property are going to be given up. The Bankruptcy Code, however, does allow the creditor to keep certain exempt property. It is important to realize that filing a petition under chapter 7 could result in the loss of property.

Chapter 13 is called the wage earner's plan and allows people with a regular income to develop a plan for repayment of debt. Under Chapter 13, debtors propose a repayment plan to pay all or a portion of their debt over the period of three to five years, depending upon monthly income. So, under chapter 13 the time period is longer and debtors pay monthly payments to creditors similar to a debt consolidation plan, and the debtor does not give up any property.

While the differences are minimal, there are additional differences in the cost of filing. Chapter 7 charges \$245 to file a case with a \$39 administrative fee and a \$15 trustee surcharge. Chapter 13 charges \$235 to file a case with a \$39 administrative fee.

Finally, there are differences in eligibility for chapter 7 and chapter 13. Many of these differences are based on net worth and an individual's ability to pay back debts. The best way to find out more of these details is by contacting a competent bankruptcy lawyer.

If you are seriously considering bankruptcy and you live in Los Angeles, you need to consult with an attorney who understands California bankruptcy laws. Not all bankruptcy attorneys are the same. While the process appears complicated, a Los Angeles bankruptcy attorney will be able to help you understand your options and avoid making bad decisions. You get one chance to file bankruptcy right the first time. The attorneys at Borowitz, Lozano & Clark know what they're doing, because bankruptcy is all they do. Unlike many firms, they never leave a paralegal or secretary in charge of a case. That's why their cases succeed at such a high rate—even higher than many other bankruptcy firms. For a free consultation, contact a qualified Los Angeles bankruptcy attorney from BLC Law toll-free at 800-509-3200, or visit www.blclaw.com.

About the Author

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