
VLP BANKRUPTCY RESOURCE GUIDE

Chapter 7: Individual filing, debt is discharged – the only type of filing at the VLP

Chapter 13: Individual filing, debt is restructured (often done to save a home)

Chapter 11: Business filing, debt is restructured

The VLP assists people who live at or below 200% of the Federal poverty level with filing a "Chapter 7" Bankruptcy. Below are some Frequently Asked Questions:

I declared bankruptcy 5 years ago under Chapter 7 – can I file again?

No, you may only file a Chapter 7 bankruptcy once every eight years.

I own a home – can I declare bankruptcy?

It depends on whether you live in the home and how much equity you have in it. If the home is your primary residence and you have less than \$170,825 in equity, then you can likely keep the home as an exemption under the bankruptcy code.

I owe the IRS a lot of money in taxes – is that a dischargeable debt?

Generally, no – most tax debt is non-dischargeable unless it was income tax, more than three years old, filed timely and not fraudulent. Non-dischargeable debts include debts owed to municipalities (Ex: parking tickets, toll fines), most student loans, child support, alimony, court fines and criminal restitution.

Dischargeable debts include credit card debt, auto loans, personal loans, medical debt and debt owed to individuals.

If you have both dischargeable and non-dischargeable debt, then you could still file for Chapter 7 and only the dischargeable debt would be wiped away.

Can I keep any of my belongings if I declare bankruptcy?

Yes, many personal belongings can be kept and exempted under the bankruptcy code, including a cell phone, laptop, TV, furniture, clothing, etc.

I've thought about working with a debt settlement company instead of declaring bankruptcy. How does that work exactly?

Debt settlement companies charge very high up-front fees for their services and some are outright scams. These companies also advise people to stop paying their bills which results in damaging your credit score and getting sued in court.

I'm expecting an inheritance – should I declare bankruptcy?

Probably not – once you file a Chapter 7 petition, an inheritance is an asset that becomes part of the bankruptcy estate and would be used to pay creditors.

For more information please call the VLP help line at (718) 624-3894 or visit www.brooklynvlp.org to start an online intake.