

## Chapter 13 Bankruptcy

Eligibility: To be eligible to be a chapter 13 debtor, individuals must meet, among other things, the following two requirements: (i) they must have a regular income, and (ii) their debts must not exceed a certain amount. If the individual's current monthly income is less than the applicable state median income, the plan will generally be set up for three years, although the court may approve a longer plan. If the debtor's current monthly income is greater than the applicable state median, the plan is generally for five years.

Chapter 13 is designed to provide for adjustment of debts of an individual with regular monthly income. Subject to ceilings placed on total debt, individuals who earn regular income may reorganize payments, terms and interest rates, as well as discharge the remaining portion of debts upon completion of a plan. Chapter 13 allows a debtor to keep property (such as a home) and pay debts over three to five years. A chapter 13 trustee will administer the plan, receiving payments from debtors and disbursing payments to creditors. Debtors usually keep their property but must make regular payments going forward. Debtors receive a discharge upon successful completion of their plan and upon finishing a personal financial management course.

### Chapter 13 Advantages:

- Opportunity to save a home from foreclosure
- Provide for cure of debtor's mortgage payment over time
- Provides protection for third parties such as co-signors who are liable with the debtor on consumer debts
- Acts much like a consolidation loan
- Creditors are prohibited from engaging in collection activity for debts that arose before the bankruptcy filing

Learn more about Chapter 13 at:

The American Bankruptcy Institute

The US Courts

comprehensive. Further, it is for informational purposes only and is not to be considered legal advice. You should consult with an attorney for advice about your specific legal situation.