

Understanding Bankruptcy



To begin the bankruptcy process, you must show you cannot repay your debts and complete credit counseling.

List of items that you CANNOT file bankruptcy on:

- Court ordered alimony
- Court ordered child support
- Most student loans
- Reaffirmed debt
- Federal tax lien for taxes owed to the government
- Government fines/penalties

Additional Notes:

- Tax refund may be used to pay down federal tax debts.
- May be required to sell possessions to repay creditors: Real estate, vehicles, Jewelry, furniture, business.
- May face criminal charges if not honest when filing.
- Possible eviction if rent is behind.
- Car insurance premium can increase.
- Cannot be undone once case is finalized.

Alternatives to Bankruptcy:

- Seek help with a credit counselor/financial coach:
- Approach your creditor to find out about a more manageable payment plan.
- Personal Loan for debt consolidation or refinancing
 - Applications: [ItsMyCU.org](https://itsmycu.org)
- Sell your assets. (Likely to get more from selling yourself rather than in a bankruptcy auction.)
- Pursue additional income.

Bankruptcy can affect others:

- Co-signers can be held responsible for debt.
- Public information. Anyone can access from future employers to family and friends

Bankruptcy can affect your future loans:

- Denials
- Higher interest rates
- Less favorable terms
- Higher down payment and/or closing costs

Resources:

Financial Coach at It'sMyCU: 1-309-451-8400

GreenPath Financial Services: greenpath.com/partner/itsmycu

GreenPath Financial Services: 1-877-337-3399



Chapter 7

Likely lose property

Average attorney filing fees:
\$1000-\$1750

Remains on credit report for
10 years

Cannot file Chapter 7 again
for 8 years

CU may accept or decline
reaffirmation agreement as
well as require all loans to be
reaffirmed.

Must wait 4 years to apply
for a mortgage

If lenders take a loss, they
may not extend credit to
you in the future.

If reaffirmed and payments
are missed, collection
actions may escalate.

Chapter 13

Allows you to keep property
in exchange for
partial/complete repayment

Average attorney filing fees:
\$3300

Remains on credit report for
7 years

Cannot file Chapter 13 again
for 2 years

3-5 year repayment plan

Must wait 2 years from
discharge date to apply for a
mortgage

Trustees and attorneys are
paid first before funds are
distributed to any debts.

If default on repayments,
assets may be at risk.