

Changes to Chapter 7 and Chapter 13 Bankruptcy: Overview

Every aspect of bankruptcy, including the filing process, debt repayment, and re-filing for bankruptcy has changed dramatically. Here is a brief summary of how the changes apply to Chapter 7 and Chapter 13 bankruptcy proceedings.

Changes to both Chapter 7 and Chapter 13 Proceedings:

Before the New Law	After the New Law
You can file for bankruptcy at any time.	Before you can file for either Chapter 7 or Chapter 13 bankruptcy, you will have to attend a credit counseling session within six months of filing.
Honoring your bankruptcy arrangements will relieve your debts.	You will have to pay for and attend a debtor education class in order to relieve any of your debts.

Changes to Chapter 7 Proceedings:

Before the New Law	After the New Law
The courts decide whether you qualify for a Chapter 7 bankruptcy.	A new two-part Means Test decides whether you qualify for a Chapter 7 bankruptcy. If you fail the Means Test, you may have no choice but to file for Chapter 13 and repay your debts.
You can file another Chapter 7 bankruptcy in 6 years.	The new bankruptcy law will extend the waiting period between Chapter 7's from 6 to 8 years.

Changes to Chapter 13 Proceedings:

Before the New Law	After the New Law
<p>The court decides what debts you are able to pay. The court also helps you decide how much money you will reasonably need for your expenses.</p>	<p>The court will use guidelines set by the IRS to decide for you how much money you will reasonably need for your expenses. These IRS guidelines are stricter. If you do not agree with the court's decision, you will have to argue the decision in court.</p>
<p>You decide how long you have to stay in your payment plan, usually from 3-5 years.</p>	<p>If your income is above your state's median income, you must pay your debts in a five-year plan.</p> <p>Learn more about your state's median income here.</p>
<p>You can relieve most of your debts by filing a Chapter 13 bankruptcy.</p>	<p>The new law reduces the types of debts you can discharge. Debts like those incurred for breach of fiduciary duty, or recent credit card usage can no longer be discharged in Chapter 13.</p>