

Going Bankrupt - Now More Than Ever

These days, it seems as if everyone has heard of someone who has filed bankruptcy. In this year alone, more people will file bankruptcy than will suffer a heart attack, graduate from college, or undergo cancer treatment. In fact, more people will file bankruptcy this year than during the entire decade of the 1960s.

The reasons behind these startling statistics are varied. Some debtors (those who owe debts, as well as those who file bankruptcy) have lost their jobs, incurred unexpected medical bills, or become disabled. Other debtors simply have become overwhelmed by their general level of debt that has grown over a number of years. A growing number of bankruptcy cases result from debtors who have had their identities stolen. Occasionally, a few potential debtors try to commit fraud by filing bankruptcy without disclosing their true financial position.

Bankruptcy law is federal law, and a qualified bankruptcy attorney can assist you in determining whether you qualify to file Chapter 7 or Chapter 13. The idea that filing bankruptcy is morally wrong keeps many Americans from even investigating whether bankruptcy may improve their financial health and their credit scores. In fact, a recent study suggests that almost half of all American households could benefit from filing bankruptcy. It is understandable, indeed laudable, that most Americans would repay their debts if they had sufficient funds to live and to repay their creditors over time.

Unfortunately, time is in short supply when dealing with creditors and bill collectors, who have powerful tools under state law to collect debts owed to them. The tactics many creditors and bill collectors use to intimidate debtors bring many Americans to consider filing bankruptcy. Late-night, repetitive phone calls, phone calls at work, and phone calls to relatives all drive even the most bankruptcy-wary individual to consider all of his options in order to end the harassment. If you are in this situation, you should consider consulting with an experienced bankruptcy attorney who may be able to stop this harassment. As time goes on, the harassment grows and increases the stress and anxiety felt by the person who owes the debt, as well as her family members and friends.

Despite harassment by creditors and bill collectors, many potential clients still worry about the effect of filing bankruptcy on their credit score. What many people do not realize is that their credit score is already suffering, even if they are current on some or all of their

obligations, when their debts outpace their income. Debt-to-income ratios have risen dramatically in the last two decades, based in part on the new availability of so-called "sub-prime lending." Sub-prime lenders make funds available to those who would not otherwise qualify for credit based on less-than-desirable credit histories. The negative aspect of sub-prime lending is that it can overload borrowers with more credit than they reasonably can repay.

However, one positive aspect of sub-prime lending is its ability to help bankruptcy debtors re-establish their credit. Sub-prime lenders can provide debtors with access to credit after their bankruptcy cases have been discharged, allowing bankruptcy debtors to rebuild their credit much more quickly than even 10 years ago. Furthermore, the tight profit margins in today's credit industry benefit bankruptcy debtors who may qualify for lower interest rates than those who have not filed bankruptcy. If a debtor rebuilds his credit responsibly after his bankruptcy discharge, he often can qualify for unsecured credit cards, auto financing, and even home mortgages within 1-3 years after his bankruptcy case is complete. Furthermore, if a debtor already owns a home, keeps the payments up-to-date, and retains the property after his bankruptcy case, a debtor can rebuild his credit and raise his credit score even more quickly.

The moral of the story is that all potential clients should investigate their bankruptcy options with an experienced bankruptcy attorney. Gone are the days when a bankruptcy debtor had to fear endless credit rejections after filing bankruptcy. These days, debtors would be wise to consider the advice of financial professionals such as some mortgage advisers, who advocate that some of their clients file bankruptcy to improve their financial situation, and even their credit scores, in a shorter period of time than the time it would take to repay an overwhelming level of debt.