

Changes to the Scope of Chapter 13 Discharge

The new bankruptcy laws narrow the scope, or range, of debt you can discharge with a Chapter 13 bankruptcy. The following is a list of these restrictions.

Cash Advances

A cash advance is an amount of money that is paid before it is earned. An example of a cash advance would be money that a check casher lends you before you receive your next pay check. The check casher would then expect you to pay back the loan, including the loan's interest. With the new law in effect, you can't discharge a cash advance that is more than \$750 and made within 90 days of filing for your Chapter 13 bankruptcy.

Student Loans

The new law will include student loans from for-profit institutions as non-dischargeable. Examples of for-profit educational institutions include beauty schools and truck driving schools.

Luxury Goods

You will not be able to discharge any purchases made within 90 days of filing that are worth \$500 or more. Under the old bankruptcy laws the limit to dischargeable purchases was \$1,500.

Credit Card Purchases and Fraud

Credit card fraud includes lying about income on a credit card application in order to get a higher balance on your credit card. It is also fraud to wrack up high credit card debts immediately before filing for bankruptcy. Under the new law, creditors will be able to prosecute these forms of fraud with an adversary proceeding in Chapter 13. An adversary hearing is a separate trial within a bankruptcy case. Your attorney will then have to prove your credit card debt is not fraud. These new, additional procedures could make your bankruptcy proceedings more costly and could result in discharging less debts under Chapter 13 than in the past.

Conclusion

The new law will narrow the scope of your dischargeable debts. It will restrict your options while going through the bankruptcy process. In the case of adversary hearings, the new law will make filing for a Chapter 13 bankruptcy more expensive.