

Which Type Of Personal Bankruptcy Is The Best For You

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If you have caught yourself in the nasty trap of debts and your financial situation is not strong enough to pay off all these debts, you must be into a dilemma of, what to do or what not to do. May be, you are planning to file for personal bankruptcy. However, do you know that there are two types of personal bankruptcy and you can choose only one? The bankruptcy laws have provided two options for the people, willing to file for personal bankruptcy. The first option is to choose to go for the straight bankruptcy, i.e. chapter 7 bankruptcy and the second option is to choose the Wage earner plan i.e. chapter 13 bankruptcy. This article intends to explain these two options for you and the circumstances in which you can use them. Let us go exploring.

Chapter 7 Bankruptcy

It is important for you to understand that chapter 7 bankruptcy is the most common form of bankruptcy and usually is termed as straight or liquidation bankruptcy. In general, when people talk about personal bankruptcy, they have the concept of liquidation bankruptcy in the mind. Therefore, you must note that the liquidation bankruptcy is not the only type of bankruptcy. As per the chapter 7 bankruptcy, all your assets are sold off, under the supervision of the trustee, appointed by the bankruptcy court. The money thus collected, is then used to pay off the respective debts of the creditors. The creditors get their share as per the priority level, as approved by the bankruptcy court. However, now with the inclusion of the new bankruptcy laws, not everybody can easily qualify for this type of personal bankruptcy. It is mandatory for you to pass the means test and go through the US government approved credit-counseling agency, before you file court petition for chapter 7 personal bankruptcy.

Chapter 13 Bankruptcy

Chapter 13 bankruptcy is commonly known as wage earner plan or reorganization personal bankruptcy. As the term suggests, as per this type of personal bankruptcy, your assets are not sold off. Instead, you are asked by the bankruptcy court to continue with your business venture, and pay the reduced claims of the various creditors simultaneously. As per this form of personal bankruptcy, you may be granted your request to pay off the debts at the rate of 75 cents on each dollar, or may be lesser than that.

There are basically two types of personal bankruptcy –chapter 7 bankruptcy and chapter 13 bankruptcy. The first form is better known as liquidation bankruptcy, where all your assets are sold off, to pay off the debts, and the latter type of bankruptcy is known as wage earner plan, where you get a chance to reorganize your finances, while paying off the debts simultaneously. Visit [Filing Bankruptcy](#) for more bankruptcy information; to know about filing bankruptcy costs and the need and role of a bankruptcy lawyer or filing bankruptcy online.

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