

WHAT IS CHAPTER 7 BANKRUPTCY?

Chapter 7 refers to a chapter in the U.S. Bankruptcy Code and is referred to as "liquidation" because in Chapter 7 you turn all your *non-exempt* property over to the trustee assigned to your case. It is important to keep in mind that much - if not all - of what you own is [probably exempt](#). For example, under the New Hampshire exemptions, up to \$100,000 for a single person and up to \$200,000 per couple in *equity* in your home is exempt. Up to \$4000 in equity in your automobile is exempt. Chances are very good that you will not have to give up your jewelry or your furniture, and you can keep qualifying retirement accounts regardless of their value.

Exempt property means property that is not subject to attachment by creditors or in a bankruptcy, which means you get to keep it. The exemptions vary by state, and you should consult a Chapter 7 bankruptcy attorney to determine what property may be claimed exempt in your state. In most situations, if you wish to keep houses or cars, you simply maintain your payments as scheduled to the creditor.

The theory in Chapter 7 is that all non-exempt assets are turned over to the trustee to be liquidated for funds to distribute to creditors. In reality, however, this only occurs if the debtor owns assets that are not exempt *and* does not wish to "buy back" the property. For example, suppose a debtor has a non-exempt car worth \$1,500 that he would like to keep. Rather than sell to someone else, the trustee is normally perfectly willing to sell back to the debtor for whatever price he could obtain from a third party. The debtor may actually get a better deal because the trustee incurs no costs of sale, and in many circumstances, payments can be spread out over a short period of time. When someone has non-exempt property that cannot be protected in a Chapter 7 bankruptcy or if someone has sufficient disposable income to pay a significant portion of their debt over time, [Chapter 13 bankruptcy](#) may provide an alternative form of debt relief.

Some kinds of debts usually cannot be discharged in Chapter 7. If your debt problem stems mostly from education loans, child support or spousal support arrearages, or tax liabilities, Chapter 7 may not be the option for you, as most of these kinds of debts are not dischargeable in bankruptcy. However, if your debt is primarily credit card debt and you could manage your other payments if you didn't have those to worry about, Chapter 7 might be right for you.

When you come to your appointment, bring a list of your creditors and what you believe you owe each of them. You should also make a list of your monthly expenses and your assets. If it is determined that a bankruptcy filing is right for you, you will have to have all those numbers – and more – listed anyway.

Chapter 7 is generally the simplest and quickest form of bankruptcy. Most people receive their **discharge within 5-6 months** of filing the case.