

FILING BANKRUPTCY FOR CONSUMERS

Filing bankruptcy can be scary and confusing. And with all the misinformation and myths about it, it is nearly impossible to know what to do or where to begin. This book is aimed at clearing your path to a fresh start.

Everything you need
to know before filing

TABLE OF CONTENTS

<u>CHAPTER 1: AN INTROCUCTION TO BANKRUPTCY</u>	#
<u>CHAPTER 2: WHEN TO FILE</u>	#
<u>CHAPTER 3: BANKRUPTCY ALTERNATIVES</u>	#
<u>CHAPTER 3: COMMON MYTHS ABOUT BANKRUPTCY</u>	#
<u>CHAPTER 3: THE MOST FREQUENTLY ASKED QUESTIONS</u>	#
<u>CHAPTER 3: THE AUTOMATIC STAY</u>	#
<u>CHAPTER 3: YOUR “COURT HEARING”</u>	#
<u>CHAPTER 3: MEDICAL BILLS, PAYDAY LOANS & CREDIT CARDS</u>	#
<u>CHAPTER 3: STUDENT LOANS AND WHAT GETS MISSED BY ATTORNEYS</u>	#
<u>CHAPTER 3: GARNISHMENTS AND LAWSUITS</u>	#
<u>CHAPTER 3: CO-SIGNERS</u>	#
<u>CHAPTER 3: IRS & TAX DEBT</u>	#
<u>CHAPTER 3: ATTORNEYS FEES & COSTS</u>	#
<u>CHAPTER 3: DIFFERENCES BETWEEN CHAPTER 7 & 13</u>	#
<u>CHAPTER 3: LOSING YOUR HOME</u>	#
<u>CHAPTER 3: YOUR CAR</u>	#
<u>CHAPTER 3: DOING IT YOURSELF</u>	#
<u>CHAPTER 3: YOUR CREDIT & RECOVERING FROM BANKRUPTCY</u>	#

CHAPTER ONE: INTRODUCTION

So you've decided to look into bankruptcy? You've dealt with enough stress and now you're searching the Internet for options and you're coming across advertising that claims to help you reduce your debts? Your pride wouldn't allow you to mention the word bankruptcy, but you've realized that you should at least explore the option? By the time you reach this point, you are probably suffering from a lot of anxiety and confusion and knowing where the turn is very difficult, as we have never experienced anything like this before in your life. And possibly, this may be your second time because of an unfortunate turn of events.

Well, you are not alone. Millions of Americans turn to Bankruptcy every year. And in the past few decades, tens of millions of Americans have chosen to file for relief under the bankruptcy code in one form or another. Millions of American corporations have done the same. So when I say that you are not alone, I have facts to back me up.

I often tell my clients something that keeps their situation in its proper perspective: "if you are on an elevator with 10 people, odds are that five of them have filed for bankruptcy before. And odds are that nine of them have suffered from insurmountable that in one form or another, and we're not able to meet all of their obligations due to reduction in income, or increase in monthly expenses, or crippling interest-rate on debt.

By the time you reach this point, there are only 3 sources of information for all of your questions: attorneys are professionals, friends and family, and the Internet.

Unfortunately, the latter two sources of information (friends/family and the Internet) are the worst sources that you can ever seek out. Allow me to break down why:

Friends/family: one of my clients start a sentence by all my friends told me that Bankruptcy will ruin my credit, and call or call my friends told me that I can never get alone again," or "my brother told me that I will never be able to buy a home again and I will lose everything that I have, and " I always respond by asking "as your brother or

friend ever filed for bankruptcy before, or done it themselves?" Anytime I ask that of someone who is afraid of bankruptcy, the response is invariably "no."

The reason for that is that there is far too much miss information about bankruptcy among the American populace. Hollywood and propaganda have perverted the purpose of the bankruptcy code in created myths about it that have no basis or foundation and fat. Once in a while you hear about a horror story it applies to one person, and at Storie Morse and evolved into something that is on real estate and downright untrue. Sofyan anytime but the story is repeated from one person to another, it is completely and totally changed from its original form. That is true in all of life, in bankruptcy rumors are no exception.

As for the Internet, the age of walking has given a microphone and a platform for anyone to spout off opinions that others may believe are true or authoritative. A teenager might be blogging about bankruptcy or foreclosure, and an unsuspecting person might read the blog post and a staycation for truth or for authority.

The only form of information that one can trust when it comes to something as serious and important is filing for bankruptcy is the opinion of a licensed attorney. We license attorneys make a living by helping people with legal problems. And when it comes to bankruptcy, only attorneys that specialize in this art are capable of giving good advice when it comes to filing bankruptcy.

When I first became an attorney, I had a passion to help people. I couldn't imagine spending the rest of my career working in a corporation or representing Insurance companies. It was faceless, meaning less work it always was aimed at Kipling the little guy. I myself am a little guy, and I came from a family of little guys. I get a little bit of everything when I was first license, and then a few years later the economic collapse happened. It was then that I truly honed my skills as a bankruptcy practitioner.

Ever since then I've been on a whirlwind Journey that has allowed me to be tens of thousands of my fellow Americans personally, and tens of millions on television and radio, and know who this book.

So as you read through my book, you will see my passion for the subject come through. And you also and it is at helping guide people through the bankruptcy process in the right way; and this time, the room will be coming from the mouth of a professional with experience rather than propaganda or rumor.

CHAPTER TWO: WHEN TO FILE

The decision on when to file is the first and most important decision you'll ever make one filing bankruptcy. If you file too soon, you run the risk of losing very important assets and possibly even being denied for the discharge altogether. If you file too late, you run the same exact risk and you run the risk of getting your wages or bank account or other assets seized by your creditors before you go into the bankruptcy.

Later in this book, I would explain why it is extremely important only file bankruptcy with the use of an attorney rather than trying to do it yourself. So when deciding when to start the day, I always tell people to have their first bill for their attorney the moment that they feel themselves struggling to make minimum payments on their bills. I would definitely meet with an attorney no later than the first time you receive notice that you are being sued by anyone claiming that you owe money.

Bankruptcy attorneys are very dynamic professionals and can often give advice on a whole array of legal subjects, not only bankruptcy. So bankruptcy is not an option that suits you or if there are better options available to you than bankruptcy, a bankruptcy attorney can usually spot them and explain them to you.

And almost every bankruptcy attorney I have ever met, including myself, offers a free initial consultation when you meet with them. So you literally have nothing to lose and everything to gain.

One of the reasons that it is important for this meeting to take place immediately is because your attorney won't want to do something with you that we referred to as "exemption planning." Exemption planning refers to the study of your assets and what can be kept in a bankruptcy and what must be given up.

For example, if you have \$15,000 in your savings account and you are single, your attorney will probably advise that federal law only allows approximately 11

or \$12,000. So you should use the excess money on purposes that you are allowed to use them for that event to fall back if she immediately and get them on. Maybe you have rent coming up? Or perhaps you have a leaky roof that you haven't got around to fixing that needs to be fixed before the winter sets in.

There is also an exemption that protects your retirement savings in a seemingly unlimited amount from the bankruptcy trustee. And when you meet with your attorney, you inform him that you were planning of withdrawing some of the money in order to get you through the next few months only to have the attorney want you not to remove anything from the account to after the bankruptcy is filed. Have you not met with the attorney, you may have withdrawn the funds from your retirement account and had them shoes by your creditor. Whereas withdraw them after you file the bankruptcy he protects them. These are two of the many reasons to have your meeting as soon as possible.

After you and your attorney have figured out what assets you have to protect, and how soon your creditors will be coming after you, you will then have clear understanding of when you should file. At that you have to discuss his fees and what payment plan will be fashioned to help you afford them. For a detailed breakdown on how attorney fees work, dive into My chapter on attorney fees for my tips and advice.

CHAPTER TWO: BANKRUPTCY ALTERNATIVES

When it comes to bankruptcy alternatives, there are several. I read carefully before deciding to choose one of those alternatives. As an attorney to help people with bankruptcy alternatives, I, of all people, and caution you on their use. Sometimes they are much better for you than bankruptcy. In this chapter, I will explain what they are and when they are more advisable than filing for bankruptcy.

I'd like to first start out by laying out what the alternative to bankruptcy are and how they work. Then I will compare them to Bankruptcy and explain why these bankruptcy alternatives work sometimes, but often are not the right solution.

What you need to remember about any debt relief option, including Bankruptcy, is that when you are speaking to a lawyer from her company that only specializes in doing representing their clients in one of these solutions, and you might not receive the proper advice.

For example, if there is something wrong with your car, and you consult with a mechanic that only specializes in selling new transmissions, and that mechanic is more likely to tell you that your vehicle needs a new transmission. Even if the solution to your vehicle's problem is something as simple as getting a tune-up, or replacing your muffler. The reason for that is simple: selfish human interest.

It is not in that mechanic's best interest to turn you away from his business and send you to someone else to help you. It is better for him or her to keep you as a customer and to sell you his product.

Likewise, if you call it off from the company that claims to be a "credit repair and the wall from a company, they will likely tell you that the solution to all of your problems is simple old-fashioned credit repair. And only after you've wasted hundreds, potentially thousands, of dollars and months or years waiting around for them to solve your financial problems, only then do you realize that you have made a mistake.

On the other hand, the same holds true for a better future. If you consult with an attorney who only does bankruptcy, where is your problem could've been fixed with a debt settlement program, or debt consolidation, or credit repair, that attorney is likely to advise you that Bankruptcy is your best route even if that is not the case.

So I urge my clients to consult with different professionals. And at Fairmax Law, we pride ourselves on offering our clients every debt relief option that exists. We don't only do bankruptcy, but we also do debt settlement programs, credit repair, creditor harassment, that negotiation, and other debt relief and credit repair options.

That allows our attorneys to guide potential clients in the right direction, rather than their direction. Meaning, our attorneys are always able to lay out all of the potential options out there for our clients and allow the client to the side of the path that best suits them and their families.

Here are the bankruptcy alternatives:

Credit counseling and debt consolidation: this is the least viable option to get out of unsecured debt. This involves a credit counselor rolling all of your unsecured debts into one monthly payment, and having you pay them all off, info, with interest, and faster than you would if you were simply making minimum payments.

This option is very counterintuitive for the obvious reasons. Irrational person, after hearing this option would ask "if I am having trouble making the minimum payments on my debts, how on earth can I afford to make higher payments in order to pay off my debts?"

And that person would be right. It is impossible to make this happen. And what's worse, your Ward for all of this is that the credit counseling agent will have your creditors shut off all of your lines of credit, and this will also damage your credit. And you have to pay the credit counseling agent approximately \$600 per year for their services.

So not only are you paying off all of your dads with interest, you are also losing all of your credit lines and your credit is being damaged.

There is no upside to these programs, and so they are a dying breed and almost no Americans exercise these options.

Debt settlement: this is an extremely popular option and it is on the rise. Our firm offers this option would be for that purpose. To learn more about the details of debt settlement, download and read my free book titled "debt settlement; how to Cut your bills down, get completely out of that, and avoid bankruptcy entirely." Here's a brief synopsis of how debt settlement works:

You work with your attorney to come up with an affordable monthly payment that fits into your budget. You then stop making your payments to your predators, and start paying that monthly budget into a savings account that is set up for you by your attorney. While you were doing that, your attorney negotiates reductions in your debt directly with your creditors, and act as a buffer between you and her then so as to protect you from harassment and collection efforts.

This is done entirely in private, and you never need to go to court or have anything public file in your name. Many Americans like this when they are unable to muster the strength to file bankruptcy, or when Bankruptcy is not a suitable option for other reasons.

The essential effective this option is that it reduces what you pay on your debts to approximately half, and you get out of debt within 2 to 3 years rather than struggle under the burden of minimum payments for 11 years and pay triple what you all. It is a very enticing option for millions of Americans, especially when Bankruptcy is not a good option for certain reasons.

If you're interested in debt settlement, Speak to one of our attorneys or download our free book and read it at your leisure.

Credit repair: this is a total waste of time for people suffering from that. I will offer my office for repair, but it is solely for people who have inaccuracies on their credit report. It is not meant to ever be used as a way of getting out of debt as it will be a total waste of your time and money. Stay clear away from any company proposing to help you repair your credit and go until you are out of that. And even then, very weary of these companies. They are often a scam and a total

waste of money.

If you search the Internet for any matter revolving around your credit, these companies will immediately pop up and then will claim to eliminate negative items from your credit report. That is an untruth plane and not at all possible to do.

More importantly, even if something is removed from your credit report, doesn't mean that it goes away. Stillwold at that. What appears on your credit report is merely a reflection of your credit worthiness. But it doesn't mean that it that is more or less about. As an example, you might have inaccurate items on your front porch. That doesn't mean that you owe that debt. And vice versa.

Act like an ostrich: OK, that might be a Creswell putting it, but this is what I referred to as waiting around for something bad to happen before you actually take a proactive approach to your dads. Ironically, this is the action that the majority of Americans choose. That's why courts are so busy with processing garnishment requests from lawyers that represent creditors and banks. It is precisely because people stop paying on their debts long ago, and just sat back and wished the problem to go away.

This option is particularly dangerous when it is engaged in by the head of the household. When a man or woman as dependents who are relying on them for their sustenance, it is absolutely irresponsible and dangerous to wait around for your creditors to come after you. Because I can assure you, they will always come after you. They have an assembly line approach to suing people, and you are just a number. They do not have a heart or a conscious. They are out for blood, and they will come for you no matter where you hide.

My analysis: now that I have laid out the various options that are available, let me dissect how a person should analyze them. If you are in debt and you qualify for Chapter 7 bankruptcy (she wiped out all of your debt without you having to repay any), then I would always opt for a Chapter 7 bankruptcy unless there were assets that I would lose (like a home or a business, which are usually protected in a Chapter 7 but once in a while they may not be).

However if I did not qualify for a Chapter 7, that I would look at the cost difference between a chapter 13 bankruptcy or a debt settlement program. Whichever one of those two options were cheaper and faster for me, that would be the option that I would choose.

I would always stay away from credit counseling, debt consolidation, and credit repair as debt relief options.

CHAPTER TWO: COMMON MYTHS & QUESTIONS

There are more myths about bankruptcy on the Internet and in the minds of Americans than there are truths. The worst source of information when considering bankruptcy is our friends and family, and the Internet. Unless you are reading a technical website on the Internet or a book such as this written by a professional, in which case your information is coming from a better source.

Here are some of the most common myths and questions that I hear from Mike:

Bankruptcy prevents you from ever getting a job again: that is categorically false. That has no basis in reality or fact. Ignore the myth and don't even think about it. It doesn't even deserve an exclamation. Millions of Americans file bankruptcy every year. Tens of millions of American adults are walking around today having formerly filed bankruptcy. Some of them are very famous, and some are even running for president of the United States during the writing of this book.

As a matter of fact, one of our most famous and great presidents of all time, Harry S. Truman, filed for bankruptcy. Specifically, chapter 7.

That if she makes you give up all of your assets: this is also absolutely false. The vast majority of people who file bankruptcy give up absolutely nothing beyond the money they pay their attorney, and their meeting of creditors hearing lasts a few minutes with no one showing up.

The only place I can think that this myth originates from is the fact that Hollywood has sensationalized bankruptcy. As kids growing up, we are reminded of images of the main characters in a movie having people come to their home and take their furniture after a financial calamity befalls them. I remember watching a movie with Steve Martin when I was a child. It was called *Hope for the Future* until after his business sale, a moving company came to his mansion and took away all of his furniture and belongings, and left him with nothing.

These are the images we learn from Hollywood, but they are completely unfounded in truth. If I file bankruptcy, I will never be able to get another loan: this is also completely false. As a matter of fact, you will be flooded with credit card offers the minute your bankruptcy is complete.

And you can fly for a home loan within 12 months.

The things that hurt your credit can you file bankruptcy are the debts and delinquency of that lead you into the bankruptcy in the first place. Not the bankruptcy itself. You file for bankruptcy successfully, you're getting a "fresh start, and predators recognize that you are more likely to repay any loans they give you now than you were before you file bankruptcy. If they would have loaned you money before you file bankruptcy, then that that you owed them would essentially be thrown on top of the pile of the other debts that you had.

Bankruptcy is shameful: this is absolutely false and is a very sad myth. The most common reason for filing bankruptcy are an interruption in income, a medical problem, or a divorce. And no matter how strong or proud a person may be, or how good they are at paying their debts, very few people are able to sustain such tragedies and still keep up with their financial obligations. Unless you come from a rich family or have a rich parents to support you, you will likely need file bankruptcy when some of these things happen. You are not big enough to find an insurance company when they deny coverage on a \$30,000 medical bill when your child or spouse had to be admitted for an emergency surgery.

And you will also have an impossible time keeping up with your rent and car payment if your employer notify you that they are closing your division and relocating get to Mexico to find a cheaper labor.

In my many years representing people in bankruptcy, I seldom remember a bad person walking to my office. I don't recall anyone ever coming in because they were trying to "game the system." And that is why I love what I do.

CHAPTER TWO: CREDIT CARDS, PAYDAY LOANS AND MEDICAL BILLS

Credit cards, payday loans and medical bills are by far the biggest reason that people file bankruptcy. Since these are the most common form of unsecured debt, that is no surprise.

Credit cards: The rule that most follow what advise the client about his "don't use, don't pay." To have a credit card with a limit still left on it is not an asset. Most people actually look at it that way. It actually believe that the remaining limit on the credit card your property. It is important to remember that a credit card company can cut it down at anytime for any reason, or no reason at all. And there is nothing that you can do about it. And if you think about the money you will save every month by not having the credit card payment, you will actually have more money left over than what you use the credit card for.

Here is what I mean: typical minimum payment of \$15,000 of credit card is approximately \$600 per month. That is over \$7000 per year. For a person making \$35,000 per year, that represents 25% of your gross income and nearly 40% of your take-home income.

Yet when I give these numbers two clients one meeting them for the first time, they are still reluctant to stop making the minimum payments. And the reasoning for that is "how will I live and pay my bills if they shut off my credit limit."

This shows a significant development in the typical psychology of an American and. We have become conditioned to rely I depend on credit card companies for our daily survival. And that is very sad. What we need to remember is that the credit card companies are the reason that most people are forced into bankruptcy. If there were no such thing as credit cards, it would be much less economic suffering in our country. For evidence that I am right on this, we need look no further than the amount of profits that are made every year by credit card companies from interest. It is in the tens of billions of dollars. And all of that interest is charged to Lowrey dumb people who are making minimum payments.

Rich people don't ever carry balances forward on their credit card. They pay them in full at the

end of every month, and only you the credit card in return for the points that they get from them. The interest is only charge two middle and lower income people who make just the minimum payment and nothing more.

So if you eliminate the credit card companies, then the majority of Americans would have a bunch of money left over with which to pay their bills and survive. And we would be forced to live within our means rather than spend beyond our means.

Credit cards are automatically discharged in a Chapter 7 or Chapter 13 bankruptcy, unless the creditors can show that you committed fraud. This is where they can establish that you use the credit cards on the eve of bankruptcy, or when you use them in a way that establishes that you had no intention on repaying them. Be very careful when using credit cards, and do not change your pattern of usage when you decide that you were going to file bankruptcy. As a matter of fact, do not use them at all after you had made that decision. Creditors will find out, and they will get your bank if she denied.

Medical bills: medical bills rival credit cards as the biggest reason for people to file consumer bankruptcy, Chapter 7 and Chapter 13. And they are tied in with the problem that Americans face with rising credit card usage. Because if the average American wasn't burdened with the bath amount of credit that they had to pay every month, they could easily afford to pay for better health insurance which in turn would prevent them from devastating go bills due to lack of insurance or under insurance.

And like credit cards, medical bills are automatically discharged and Chapter 7 and Chapter 13 bankruptcy. There is no question whatsoever. **And a creditor can almost never allege fraud with medical bills as they could with credit cards. It is possible, but inconceivable.**

CHAPTER TWO: WHEN TO FILE

Student loan mistakes.

CHAPTER TWO: WHEN TO FILE

Transferring assets out of your name before filing.

CHAPTER TWO: WHEN TO FILE

Garnishments.

CHAPTER TWO: WHEN TO FILE

Co-signers.

CHAPTER TWO: WHEN TO FILE

IRS and tax debt.

CHAPTER TWO: WHEN TO FILE

Attorney's fees.

Show me he's in being a different depending on the check for your file. The two main chapters that are consumer would ever be concerned with are chapter 7 and chapter 13, I will only address those. 98% of all bankruptcy filings are under those two chapters.

And a Chapter 7, you are seeking to liquidate and wipe out all of your debts, and your face is very quick and short. So your attorney fees have to be paid prior to your place reason for that is because most attorneys do not want to become a predator of their own quiet and so they well

CHAPTER TWO: WHEN TO FILE

Chapter 7

CHAPTER TWO: WHEN TO FILE

Chapter 13.

CHAPTER TWO: WHEN TO FILE

Chapters 11, 12, and 15.

CHAPTER TWO: WHEN TO FILE

Your home.

CHAPTER TWO: WHEN TO FILE

Doing it yourself.

CHAPTER TWO: WHEN TO FILE

Your credit.

CHAPTER TWO: WHEN TO FILE

Your car.

CHAPTER TWO: WHEN TO FILE

The automatic stay.

CHAPTER TWO: WHEN TO FILE

Your "court hearing."

CHAPTER TWO: WHEN TO FILE

Paste all of the relevant laws and statutes. And quote the Nlc book a lot.

Relevant BK forms.