

Arizona Bankruptcy Attorney: Do I Have Enough Debt To File Bankruptcy?

By Arizona Bankruptcy Attorney John Skiba

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A question I get quite often is if a person has enough debt to file for bankruptcy. The answer to this question is like many legal questions – it depends. There is no magic number or threshold that once met means that you should automatically file for bankruptcy. I have had people come in with minimal debt that we have filed bankruptcy for and then had those carrying extremely large amounts of debt that bankruptcy was not a good option for. Recently I had a young woman come in who had about \$12,000 in credit card. Compared with what I see on a daily basis this is a very minimal amount of credit card debt. Typically, if a person has a decent paying job or the ability to repay the debt I will recommend either paying the debt or seeking some type of settlement. This woman had no job, lived with her parents, had no family that could help, and no prospects of a job in quite some time. For this particular person, the \$12,000 in credit card debt might as well have been \$120,000, because there was no way she would ever pay it off. For her, even though her debt was relatively minimal, bankruptcy made sense.

I have had other clients whose debts are considerable but there is enough income to repay the debts. One client had nearly \$100,000 in credit card debt. However, after all of his monthly expenses were paid he had approximately \$3,000 of disposable income. In a situation like that bankruptcy may not be the best option. A good rule of thumb is to estimate whether you will be able to pay a debt off within a five year period. If you can then bankruptcy may not be the best option. There are numerous calculators on the Internet that can help you determine how long it will take you to pay off a debt (one of the best sites for this is www.bankrate.com). For instance, if you owe \$20,000 on a credit card and your interest rate is 10%, it will take you nearly 33 years to pay off the debt. If you are behind on your credit card payment and have an interest rate of 28% nearly 36 years to pay off the debt! In deciding if bankruptcy is a good options these calculators can help you see clearly if you are in a manageable situation or if your debt is out of control.

While there is no minimum amount of debt required to file bankruptcy, there is a maximum amount of debt in a chapter 13 bankruptcy case. The Bankruptcy Code requires that you have less than \$1,081,400 in secured debts (mortgages, car loans, etc.) and less than \$360,475 in unsecured debts (credit cards, medical bills, student loans). If you have more debt that allowed you will likely need to file a chapter 7 bankruptcy or a chapter 11 bankruptcy case.

Arizona bankruptcy attorney John Skiba offers a free bankruptcy consultation where you can discuss your specific situation. Mr. Skiba can be reached at (480) 464-1111.