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Changes in the Bankruptcy Code

Filing for bankruptcy can be a daunting task and most laymen and women would not attempt to do so without proper legal guidance. But these days, it has become even more complicated and difficult because of certain changes in the law.

Significant changes to the Bankruptcy Code affecting both Chapter 7 and Chapter 13 bankruptcies have made it much harder to be eligible for Chapter 7 bankruptcy. This is especially true for those who earn higher incomes. Chapter 7 bankruptcy allows the debtor to liquidate his or her assets to pay off debts and discharge the remainder of the debts that cannot be settled by liquidation. With the new Bankruptcy Code regulations, such debtors could be required to settle a portion of their debts through Chapter 13 bankruptcy that provides for a more protracted period of repaying debts, normally up to five years.

Another new regulation will enforce compulsory credit counseling sessions with added sessions on budgeting and debt management upon potential bankruptcy applicants. Here are some pertinent points in the changes to the bankruptcy laws that may affect you.

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Previously, bankruptcy filers could choose which Chapter of the bankruptcy code to file their bankruptcies under. Most would choose Chapter 7 liquidation over Chapter 13 repayment processes for obvious reasons. But now, the option for making such a choice is no longer open. Debtors who earn more than a certain median income level cannot apply for Chapter 7 bankruptcy but would have to opt for Chapter 13 instead.

The regulations now state that an individual desiring to file for Chapter 7 bankruptcy must show that his income level is lower than the median income level of a family of similar size in that state (the amount of income varies according to the states). If the income of the bankruptcy filer is lower, then he or she is eligible to apply for Chapter 7 bankruptcy. If the income is higher, then the debtor is subjected to a 'means test' to determine his or her net disposable income and subsequently is only qualified for a Chapter 13 payment plan.

When under a Chapter 13 bankruptcy, the debtor has to repay his or her debts over a period of up to five years using the net disposable income. This disposable income is derived after certain allowable monthly expenses are deducted from the gross income. This leaves the net disposable income which is used to repay a portion of the outstanding debt over a certain repayment period determined by the court.

To enhance your chances of successfully applying for bankruptcy, call us at (813) 200-4133 for a free consultation or visit <http://tampabankruptcy.pro> for more information.

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