

Do I Have Enough Debt To File Bankruptcy?

By John N. Skiba, Arizona Bankruptcy Lawyer

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Often at the end of a bankruptcy consultation I get hit with the question – would you file bankruptcy with this amount of debt? People are worried that the amount of debt they have is not enough to warrant a bankruptcy filing. There is no magical number or threshold amount of debt that is necessary in order to file for bankruptcy. As with most legal questions the answer as to whether you have enough debt to file bankruptcy is – it depends.

A while back a young woman came in for a bankruptcy consultation and she had about \$12,000 in credit card debt. Twelve thousand dollars is a lot of money, but frankly, I routinely see people with \$80,000 up to \$200,000 in credit card. However, in this woman's situation \$12,000 might as well have been \$1.2 million. She was unemployed, living with her parents, and had no good prospects for employment in the near future.

She simply did not have the ability to pay this debt. For her, a bankruptcy made sense. The rule of thumb is not how much debt you have but your ability to repay it that should be the determining factor as to whether bankruptcy is a good option.

You Can Have Too Much Debt

On the other end of the spectrum you can have too much debt. In a chapter 13 bankruptcy you are limited as to how much debt you can have. 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.

I offer a free bankruptcy consultation where we can discuss your specific situation and determine whether a chapter 7 bankruptcy or a chapter 13 bankruptcy would better suit your current financial difficulties.

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