

Bankruptcy Process: How Long Does A Bankruptcy Case Last?

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A question I get quite often from clients thinking of filing for bankruptcy is how long the actual bankruptcy case will last. The answer to that question depends on what type or chapter of bankruptcy you will be filing. Chapter 7 bankruptcy cases are relatively short matters that are wrapped up in a few months whereas chapter 13 bankruptcy cases can last anywhere from 3 to 5 years. In the following paragraphs I will go over a typical timeline for a chapter 13 and a chapter 7 bankruptcy case.

Chapter 7 Bankruptcy

A chapter 7 bankruptcy case begins when a bankruptcy petition is filed with the bankruptcy court. After the bankruptcy petition is filed a Meeting of Creditors is held approximately 30 days later. The Meeting of Creditors is an opportunity for the bankruptcy trustee to ask you questions about the documents you filed with the court.

Subsequent to the Meeting of Creditors you will be required to complete a credit counseling class. Approximately 2 to 3 months after the Meeting of Creditors the bankruptcy court will enter your discharge. The discharge order is issued by the bankruptcy court and is the formal document that eliminates your debts. In most chapter 7 cases the discharge effectively ends your bankruptcy case.

Chapter 13 Bankruptcy

While chapter 7 bankruptcy is a complete discharge of your debts, a chapter 13 bankruptcy is more of a personal restructuring of your debts. Because of this a chapter 13 case will take anywhere from 3 to 5 years to complete. The chapter 13 bankruptcy case begins just as the chapter 7 bankruptcy with the filing of a bankruptcy petition. Like the chapter 7 case, a chapter 13 case also requires you to attend a Meeting of Creditors with your trustee approximately 30 days after your cases filed.

However, in a chapter 13 case you are required to make monthly payments to your bankruptcy trustee. This is done based on a plan that is submitted to the court at the time your case is initially filed. After the Meeting of Creditors is held, your creditors will have an opportunity to provide input on the plan you proposed to the bankruptcy court.

Anywhere from two to six months after the Meeting of Creditors your bankruptcy trustee will issue a recommendation as to whether your plan should be approved by the court or not. This recommendation is essentially a punch list of items the trustee would like you to address prior to having your plan confirmed by the bankruptcy court. Confirmation of the plan simply means that the bankruptcy trustee and the bankruptcy judge have approved a plan.

Once your bankruptcy case is confirmed your job is to simply continue making the monthly payment to the trustee who will then distribute the funds to your creditors. Whether your case is a three-year case or a five-year case depends on your monthly income at the time the case was filed.

Those families filing for bankruptcy whose household income is below the average income in Arizona for a family of their size will have the option of completing a three-year plan. However, if your household income is above that of the typical family of your size in Arizona, you will be required to complete a five-year chapter 13 plan.

I will regularly get the question of whether a chapter 13 plan can be paid off early. Generally the answer to this question is no. If you begin to get additional income during your chapter 13 case, you will be required to turn over any increase in disposable income to the bankruptcy court that will then pay those funds to your creditors.

I offer a free bankruptcy consultation where we can discuss your specific situation and determine if bankruptcy is a good option for you.

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