

BANKRUPTCY IN PLAIN ENGLISH

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Bankruptcy Explained

Bankruptcy is protection, it lets a person or business, in financial trouble pay off debts by dividing assets among creditors. Certain types of bankruptcy let a person or business use income to pay off debts. When finished, debts are erased and hope is restored.

Bankruptcy also lets a person or business free themselves from financial obligations, even if the debts are not paid in full. Hearings take place in the United States Bankruptcy Courts .

The most common type of bankruptcy is Chapter 7; in this type a trustee collects unprotected property, sells it and distributes proceeds.

Under Chapters 11, 12, and 13 income is used to pay off debts. A trustee is appointed to supervise assets. Generally after a bankruptcy is filed creditors must stop collection activity.

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