

Bankruptcy Secrets About Chapters 7 and 13

By Lawrence 'D' Pew, [Arizona Bankruptcy Lawyer](#)

A Chapter 7 bankruptcy is also known as a straight liquidation bankruptcy. Consumers often confuse this and falsely believe it means they have to liquidate or get rid of all their assets, like their house or car. In fact, it really means that it liquidates or wipes out all your debts! It's almost as if those debts never existed. In most cases, you are allowed to keep certain assets in exchange for wiping away those debts. This is the preferred type of bankruptcy for most people. That's your fresh start bankruptcy! It let's you start over, move on and get a fresh start after discharging your debts.

Chapter 13 is also known as reorganization. It includes creating a three to five year plan whereby you make payments on your debts to your court appointed trustee. Your trustee collects the money you agreed to pay and gives a percentage of it to your creditors. Here's the secret they don't want you to know: you don't have to pay to all your creditors back! And the ones you do pay back only receive a small percentage of what you owed them! The credit card companies, the banks, the mortgage companies and the medical bills only get a small portion of what you pay, depending on how much you can afford to pay each month.

There are advantages to each kind of bankruptcy, but one size does not fit everyone. That's why here at the Pew Law Center we sit down with you, find out exactly what's going on and give you all your options regarding what's going to be best for you, your family and your future.

Example Situation

We had a client come in a few months ago and she qualified for a Chapter 7 bankruptcy. She didn't make all that much money; had a lot of debt; so why did we recommend she file for Chapter 13? Here's why: she owed a lot on her car so she went and took out a title-loan from one of those terrible title loan companies. Come to find out they were charging her over a 100% a year interest! Instead of her car payment being just a few hundred dollars per month, which she could barely afford, her car payment was now over \$1,000 every month! She simply couldn't come close to affording that. If she had filed a Chapter 7, she would have discharged most of her debt, but she still would have had to deal with the title-loan if she wanted to keep her car! So instead, we helped her file a Chapter 13 and one of the secrets they don't want you to know is with a Chapter 13 bankruptcy you can change interest rates on car loans. Yes, that's right—you can change interest rates on a car loan, but only on a Chapter 13. So we stuck it to the title loan company and helped her lower her interest rate to 4.25% on her title loan, then we spread the term out to 3 years. That gives her plenty of cushion and keeps her car payments very small, something that she can afford. Now, in her Chapter 13 we only paid \$50 to loan security creditors so we removed most of her car debt just like a Chapter 7, but we allowed her to keep her car.

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Lawrence 'D' Pew is Managing Attorney for the Pew Law Center, one of the leading bankruptcy and tax law firms in Arizona. They have worked with over 2,000 clients to help them file bankruptcy and eliminate over \$100 Million dollars in taxes and debt.

When founding the Pew Law Center, Mr. Pew's vision is of a premier, client oriented law firm that is designed to consistently exceed client expectations and achieve stellar legal representation. Mr. Pew's concern and compassion for his clients adds to the excellent service and standards at the Pew Law Center. He has worked tirelessly in order to produce fantastic results and outcomes for the firm's clients. Mr. Pew is a member of the State Bar of Arizona and the National Association of Consumer Bankruptcy Attorneys (NACBA). He continually educates himself on the latest trends and developments in the areas of bankruptcy and tax to ensure the highest service possible for his clients. Given his diverse background and experience, Mr. Pew provides real world answers and practical solutions to complicated problems. Mr. Pew continues to practice law because of the difference he can make in people's lives, especially during their darkest most trying hours.

Read Lawrence 'D' Pew's book – *Bankruptcy Secrets "They" Don't Want You to Know*.

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