

## Should You File For Bankruptcy?

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Making the decision to file a bankruptcy case is very difficult and confusing for most people. To make matters worse, there is so much misinformation about bankruptcy, both in the press and among the public, that most people have no idea where to find real answers to their bankruptcy questions.

Recently, I was watching the “Today” show and heard that an upcoming segment would address bankruptcy. I looked forward to hearing what Carmen Wong-Ulrich, a financial reporter for CNBC, had to say. I was deeply disappointed to hear her say that in a Chapter 7 case, “you lose all of your assets.” That is completely incorrect, yet millions of Americans now believe what this “expert” said on national television.

However, there is some good, accurate information available, and I recently found an excellent article on the [U.S. News and World Report](#) website. The author, Kimberly Palmer, interviewed several bankruptcy attorneys, and in particular quoted Carey Ebert, president of the National Association of Consumer Bankruptcy Attorneys, who is a bankruptcy attorney and Chapter 7 trustee in Hurst, Texas. Those attorneys offered the following tips:

1. Take a close look at your budget. Consumers are required to take a credit counseling class before filing a bankruptcy case, in order to give them a chance to consider other ways to resolve their debt. A bankruptcy attorney can give you the names of credit counseling organizations that are approved by the bankruptcy courts in case you decide to file a bankruptcy case afterward. If you take such a course from an unapproved agency, you will have to take the course again from an approved company before filing bankruptcy.

**Kraft & Associates**  
2777 Stemmons Freeway  
Suite 1300  
Dallas, Texas 75207  
Toll Free: (800) 989-9999  
FAX: (214) 637-2118  
E-mail: [info@kraftlaw.com](mailto:info@kraftlaw.com)

2. Prioritize your payments. Pay for your important assets first, such as your house and cars. Credit card payments should come last, after your home, vehicles, food, utilities, and other necessities. If you are unable to buy groceries, gasoline, clothing, and other necessities, but are still making your credit card payments, you should seriously consider speaking to a bankruptcy attorney.
3. Exhaust your other options. Some people are able to negotiate alternate payment plans with their creditors or obtain loan modifications. However, most people who enter into even reputable debt payment plans are not able to complete the programs, and end up back where they started, sometimes after paying thousands of dollars. Often, a bankruptcy case will cost much less than the amount of money spent on a failed attempt to complete such a program.
4. Consider your credit score. Most people who are considering bankruptcy already have troubled credit reports, and wiping the slate clean enables many people to recover and begin improving their credit after the bankruptcy case is concluded. A bankruptcy case does stay on your credit report for 10 years, but has less effect as time goes by. If a debtor continues to make on-time mortgage and car payments during and after the bankruptcy, their credit score will improve quickly.
5. If it's the right decision, don't wait. Once you consider your other options and decide bankruptcy may be the best decision for you, there is no reason to wait. Continuing to make payments to creditors is usually a waste of money if you have decided to file a bankruptcy case.
6. Get professional help. Bankruptcy attorneys usually offer free initial consultations and arrange for payment plans. And bankruptcy attorneys know how to protect your assets and avoid unnecessary loss of your property. Often, people do such things as use up their retirement funds or transfer property in the mistaken belief that they would otherwise lose those assets in bankruptcy. It is much better to learn the facts before making any bad decisions.
7. Stay away from scams. Ads in newspapers, on the radio and TV, and on the internet that promise to cut your debt without bankruptcy are often scams. Normally, the companies charge up-front fees, and then require large monthly payments to build up a fund to use for settlement with creditors. During that time, creditors continue to add interest and late fees, and the balances on the accounts grow to a point

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where settlement is impossible. By the time the debtor realizes that the settlement companies have

already received their fees, while the debtor is left with the same or higher debts than before.

8. Keep your car and house after filing. In most cases, debtors are able to keep their homes and cars after filing bankruptcy, along with most or all of their other assets. Often, adjustments can be made to interest rates on vehicles, and in a Chapter 13 case, affordable monthly payments can be made to catch up on past-due mortgage and vehicle payments.

9. "Hang in there". Bankruptcy is not a simple process, but with the assistance of a good lawyer, most people find they are much happier after filing bankruptcy than they were before. Protection from creditor harassment and the opportunity to get a fresh start enable you to provide a solid financial foundation for your family.

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FAX: (214) 637-2118  
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