

Chapter 13 Bankruptcy— What You Need To Know



- Can't make all your monthly payments?
- Being sued by creditors?
- About to lose your home?

A Chapter 13 Plan might let you keep your property and pay your debts.

How Is Chapter 13 Different From Other Bankruptcy?

People file bankruptcy to protect income or property from creditors, when there is no other good way to protect it. The two most common kinds of bankruptcy are Chapter 7 and Chapter 13. A Chapter 7 lets you get rid of (or discharge) debts which you cannot pay. A Chapter 13 sets up a court-approved payment plan to pay all or part of your debts over time, with court protection from creditors.

How Does Chapter 13 Work?

Before you file a Chapter 13, you and your lawyer work out a payment plan. Then you ask the bankruptcy court to approve the plan. A few weeks after your lawyer files your Chapter 13 papers, you and your lawyer meet with a Chapter 13 Trustee. Chapter 13 Trustees receive Chapter 13 payments and make sure the money goes to the creditors each month. If the Court approves your Chapter 13 Plan, you make payments to the Court until your Chapter 13 Plan is completed. Usually, the Plan payments are taken directly out of your check and sent to the Trustee.



Who Can File A Chapter 13 Plan?

Anyone with enough regular income to pay basic living expenses **plus** Chapter 13 payments. Your income does not have to come from a job.

Basic living expenses are rent, food, lights, heating and cooling, clothing and transportation. Try adding up these costs to see if you would have money left each month for a Chapter 13 Plan. Do not count your monthly payments to creditors.

You will need a lawyer to tell whether a Chapter 13 Plan will work for you. Most lawyers will take your case without requiring you to pay up front. You pay the lawyer's fee and court filing fee as part of your Chapter 13 payments.

How Much Would My Chapter 13 Payments Be?

This depends on (1) how much you owe; (2) how long the Plan will last, and (3) how much you can afford each month. You and your lawyer together come up with an amount that works for you.

Should I Put All My Debts Into My Chapter 13 Plan?

You **must** list all your debts in your Chapter 13 papers. Your lawyer will tell you how your debts will be paid through your Chapter 13 Plan.

Will I Lose My Home If I File A Chapter 13?

Not if your Chapter 13 Plan provides for making your house payments and catching up any back payments. Many people file Chapter 13 in order to keep their homes.

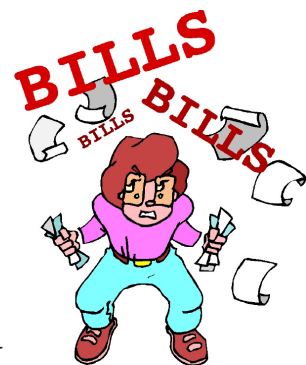
What If They Have Repossessed My Car?

A Chapter 13 Plan may help you get the car back if it has not been sold. But, you must have enough income to pay for your car through the Chapter 13 Plan. The size of the payment may depend on the car's value. Also, if you are paying for your car through your Chapter 13 Plan, you must keep insurance on the car. If you do not, you will have to give up the car.

Should I Do A Chapter 7 Or A Chapter 13?

Your bankruptcy lawyer will advise you about the type of bankruptcy that is best for you. In some cases, only a Chapter 7 will work. But in many cases, a Chapter 13 is better.

Chapter 13 usually works better if you have secured debts that are backed by items the creditor can repossess if you do not pay. In a Chapter 7, you must either pay a lump sum for the secured items or get the creditor to let you make regular payments. With a Chapter 13, you do not need the creditor's OK. If your Chapter 13 Plan meets certain requirements, you have the right to pay on the debt and still keep the property even without the creditor's OK. Your lawyer



will explain this to you. In some cases, you can even lower the amount owed or the payment amount.

In a Chapter 13, you should be able to pay your debts at a rate you can afford. In most cases, you keep your property while paying for it through the Plan. You can file a Chapter 7 only once every 6 years. If you get into debt trouble again during that 6 years, you cannot file another Chapter 7. Also, Chapter 13 usually hurts your credit rating less than a Chapter 7.

What Happens To My Credit Rating After I File A Chapter 13?

That depends. If you need a Chapter 13, you probably have a poor credit rating already. If you pay all of your debts through a Chapter 13, the credit bureau should note this on your credit record.

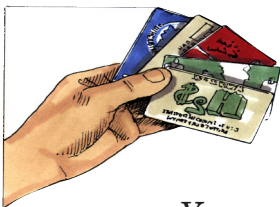
What If I Cannot Make My Chapter 13 Payments?

You should call your lawyer **BEFORE** you miss any payments. If you have a good reason, the Court may let you change your Plan. The Court could:

- Cut your payments a little,
- Stretch your Plan out over a longer period of time,
- Add new debts to the Plan, or even
- Stop your payments for a short time.

But, if you miss payments without the Court's OK, the Court will dismiss your Plan. Your property will no longer be protected. Also, you might not be able to file another Chapter 13 for 180 days.

What If I Need To Buy Something While I Am In Chapter 13?



While paying on your Chapter 13 Plan, you are not allowed to buy anything on credit unless it is necessary. Talk with your lawyer. You must get a special OK from the Court to buy something on credit or to borrow money.

You may also want to ask for our pamphlets about Chapter 7 bankruptcy, bill collectors, garnishment and protecting your property after you have been sued.

NOTE: This information cannot take the place of advice from a lawyer. Each case is different and needs individual legal advice.

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Tennessee Alliance for Legal Services

Legal Aid Society of Middle Tennessee

Nashville Office

211 Union Street, Suite 800
Nashville, TN 37201
(615) 244-6610

Clarksville Office

120 Franklin Street
Clarksville, TN 37040
(931) 552-6656

Gallatin Office

650 N. Water Avenue
Gallatin, TN 37066
(615) 451-1880

Murfreesboro Office

526 North Walnut Street
Murfreesboro, TN 37130
(615) 890-0905

Legal Services of South Central Tennessee

Columbia Office

104 West 7th Street
Columbia, TN 38402-1256
(931) 381-5533

Tullahoma Office

123 North Atlantic Street
PO Box 1293
Tullahoma, TN 37388
(931) 455-7000

West Tennessee Legal Services

Jackson Office

210 West Main Street
PO Box 2066
Jackson, TN 38302-2066
(901) 423-0616
FAX (901) 423-2600

Dyersburg Office

208 South Church Street
PO Box 366
Dyersburg, TN 38024
(901) 285-8181

Huntingdon Office

PO Box 287
Huntingdon, TN 38344
(901) 986-8975

Memphis Area Legal Services

Memphis Office

109 North Main Street, 2nd Floor
Memphis, TN 38103
(901) 523-8822

Covington Office

899-A Highway 51 South
Covington, TN 38019
(901) 476-1808

Knoxville Legal Aid Society

502 South Gay Street, Suite 404
Knoxville, TN 37902-1502
(423) 637-0484

Legal Services of Upper East Tennessee

Johnson City Office

311 West Walnut Street
PO Drawer 360
Johnson City, TN 37605-0360
(423) 928-8311 or 1-800-321-5561

Kingsport Office

150 Cherokee Street
Colonial Square
Kingsport, TN 37660
(423) 246-8734

Rural Legal Services

Oak Ridge Office

226 Broadway, Jackson Square
PO Box 5209
Oak Ridge, TN 37831-5209
(865) 483-8454
FAX (865) 483-8905

Cookeville Office

95 S Jefferson Avenue, Suite 102
Cookeville, TN 38501
(931) 528-7436

Southeast Tennessee Legal Services

Chattanooga Office

700 Chattanooga Bank Bldg.
737 Market Street
Chattanooga, TN 37402
(423) 756-4013

Cleveland Office

85 Central Ave., NW
Cleveland, TN 37311
(423) 479-8577

Mike Murphy

Legal Assistance for Elderly

9111 Cross Park Drive, Suite D100
Knoxville, TN 37923
(865) 691-2551 1-800-522-0127

Aging Services for the Upper Cumberland

1225 S. Willow Ave.
Cookeville, TN 38506-4194
(931) 432-4210