

For Texans who need debt relief, Chapter 7 or Chapter 13 could be right

Written by Australian Business

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While the cable news networks may have declared the economy to be in recovery, many in Texas and across the nation are still hurting financially. If you number among the thousands of Americans who are struggling to make payments, bankruptcy might be the only way to get your finances back on track.

But how exactly does a consumer bankruptcy work? While you might know a little about the bankruptcy process, there are some common misconceptions that can be cleared up with a brief overview of the difference between the two main types of consumer bankruptcy: Chapter 7 and Chapter 13.

Chapter 7 offers quick discharge of debt, while Chapter 13 protects valuable assets

The type of bankruptcy that is right for you depends on a variety of factors, including the amount and type of your debt, your income (if any), and your own personal preferences. You should consult a Texas bankruptcy lawyer before making any final decision, but this general outline might give you a better idea of whether Chapter 7 or Chapter 13 would best meet your needs.

Chapter 7 is the most common type of consumer bankruptcy. Chapter 7 is probably what you think of when you hear the word "bankruptcy." Chapter 7 is sometimes called "liquidation." This is a reference to nonexempt property being liquidated, or sold off in return for cash, in order to partially repay creditors before debts are discharged.

Liquidation can be a scary word if you are considering bankruptcy, but the reality of Chapter 7 is that many filers do not have to give up a single item of their personal property. When you file for bankruptcy, you can opt to use the Texas exemptions or the federal exemptions -- each has its own advantages in different situations, depending largely on the type and value of property you own. Some exemptions have a dollar limit, but they are also quite generous and you will receive some type of exemption for a wide array of property types, including your home, automobile, household goods, retirement accounts, and jewelry.

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The great advantage of Chapter 7 is that it is very quick. Your case will likely be wrapped up in a matter of months, with most types of debt completely discharged at the conclusion.

Chapter 13 bankruptcy differs significantly from Chapter 7. Chapter 13 generally does not involve liquidation. Instead, a Chapter 13 filer and his or her lawyer come up with a repayment plan that spans three to five years. Under the plan, debts will be consolidated, and payments on certain types of debt may be lowered. If the court approves the plan, and the filer lives up to its terms, at the end of the three to five year period most types of remaining debt will be discharged completely.

Chapter 13 bankruptcy may be advantageous for those who wish to escape from a burdensome debt load, but who also have a regular income. In addition, it is often the right choice for those bankruptcy filers who have significant equity in various assets and wish to protect their property from the liquidation process.

Which type of bankruptcy is right for you? Contact a Texas bankruptcy lawyer to find out

You probably are not sure whether Chapter 7 or Chapter 13 is the best choice for you after reading this brief introduction to consumer bankruptcy. But, a Texas bankruptcy lawyer can analyze your circumstances and help decide on the best pathway out of debt for you personally. Take the first step toward a debt free future and get in touch with a Texas bankruptcy lawyer today.