

Options to save your home in a Chapter 7 bankruptcy

Written by Australian Business

September 27, 2013 /**24-7PressRelease**/ -- Options to save your home in a Chapter 7 bankruptcy

Article provided by Law Office of Robert C. Nisenson, L.L.C. Visit us at <http://www.nisensonlaw.com>

The reality of facing a bankruptcy is a grim one for any person, no matter the circumstances. It can bring feelings of shame, embarrassment and fear to the surface. One of the biggest things that homeowners contemplating a bankruptcy worry about is whether or not they will lose their homes.

While in some situations, the loss of a home is unavoidable, it is not a guarantee by any means. In 2012, a total of 31,534 people filed for bankruptcy in New Jersey with nine of those being Chapter 7 bankruptcy filings in Middlesex County. The laws concerning homes in a bankruptcy vary from state to state and in New Jersey, debtors must rely on the federal home exemption clause to know whether or not their homes will be saved.

The difference between secured and unsecured debts in Chapter 7

Chapter 7 bankruptcies are the most commonly filed type of cases with an estimated 70 percent of all bankruptcies filed according to the American Bankruptcy Institute. It is commonly called the "liquidation" bankruptcy because it provides an opportunity for creditors to be repaid the debts owed to them through liquidating your secured assets. Unsecured assets, in contrast, are not part of the equation.

A secured debt is one that is guaranteed with some form of collateral. For example, if you take out a line of credit and use your car that is fully paid for as collateral, that car could be used to repay your debt to that creditor. During the Chapter 7 process, some creditors are willing to renegotiate repayment options to avoid taking your personal items. This process is called "reaffirmation of debt" and is done under the management of an appointed trustee.

Any unsecured debts, like store credit cards, are most often discharged completely in the Chapter 7 proceedings. No collateral means no option to repay the debt exists. People with a large amount of unsecured versus secured debt find Chapter 7 their best option for this reason.

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The federal homestead exemption

A mortgage is a secured debt yet may be able to be protected in bankruptcy. The federal homestead exemption provides homeowners with the ability to keep some part of a home's equity out of bankruptcy proceedings, as follows:-Up to \$22,975 for non-married persons or married persons filing a single bankruptcy-Up to \$45,950 for married persons filing a joint bankruptcy

Loss of home value in the past decade has resulted in lower equity amounts, making these thresholds more possible to meet than before. Through this means, you can save your home even when filing a Chapter 7 bankruptcy.

The laws are complex in bankruptcies and there are many nuances to understand. Working with a bankruptcy attorney is critical to ensure that your case is properly handled and you lose as little of your property as possible.