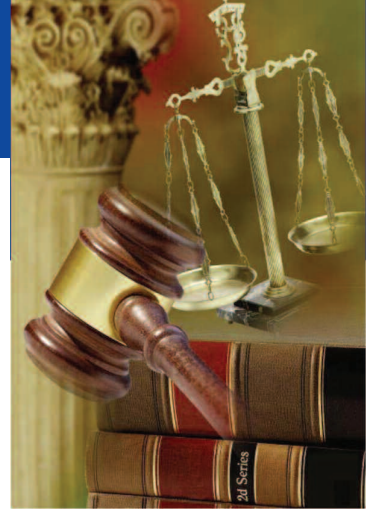


Bankruptcy Information



Bankruptcy is a process under federal law to help consumers when they can't pay their creditors. Bankruptcy can eliminate or reduce some debts and allow an opportunity to get current on other debts. Bankruptcy has serious consequences and consumers should research carefully before choosing this option. If you are considering borrowing from relatives or your retirement fund or refinancing your mortgage to pay off debt, you should seek counseling before taking any action.

Chapter 7

Chapter 7 is a liquidation or "straight" bankruptcy. Most debts are eliminated. In exchange, the consumer may have to give up property that is not exempt under state or federal law. You may not be able to file a Chapter 7 bankruptcy if your income is above the median income for your state.

Chapter 13

Chapter 13 is a reorganization of the consumer's debt. Some or all of the debt is paid back under a court supervised plan in three to five years. This plan is usually used by consumers who want to keep some property that would have to be liquidated in a Chapter 7 bankruptcy. It is also used by consumers whose income is above the median income for their state and who cannot file a Chapter 7.

Some Things You Should Know About Bankruptcy

- Bankruptcy will not discharge all debts. Alimony, child support, student loans, taxes and criminal fines are generally not dischargeable.
- If you want to keep property that is collateral for a loan, you will have to catch up on the payments. The payment may be reduced.
- Automatic stays are available to stop foreclosures, repossessions, utility shut offs and other creditor action. These stays are temporary.
- If someone has co-signed a loan for you, they will still be liable if you file for bankruptcy.

Rebuilding Credit After Bankruptcy

Bankruptcy is a very negative mark on your credit. It is important to reestablish credit even if you don't plan to borrow again. Your credit score also affects insurance rates, renting an apartment and getting a job or promotion.

Recent bankruptcy filers should be very careful when re-establishing credit. They will receive offers that carry high interest rates and onerous terms. They should read each offer carefully and wait for an offer that is reasonable. It is very easy to get back into debt after a bankruptcy. Consumers may want to seek additional financial and budgeting advice after the bankruptcy is discharged.

Additional Requirements

Within 180 days before your bankruptcy case is filed, you must receive counseling from an approved credit counseling agency. The agency will review your budget and go over your options, including bankruptcy.

After you file, you must complete an approved financial education course.

Resources to Help You

United States Department of Justice, Bankruptcy Trustee (www.usdoj.gov/ust/) provides a list of approved credit counseling agencies and median income requirements.

Bankrate

www.bankrate.com

Provides information about bankruptcy.

National Consumer Law Center

www.consumerlaw.org

Provides information about bankruptcy and other consumer issues.

NovadebtSM

www.novadebt.org

An approved counseling agency for bankruptcy counseling and bankruptcy education. The web site has educational material about many financial topics and referrals to other agencies. The agency is non-profit and provides counseling by telephone and in-person to consumers in need.

Yahoo

www.finance.yahoo.com

Provides information on bankruptcy. It also includes links to other sites.

Legalhotlines.org

Provides a list of organizations that provide a low cost or free legal services.

This brochure is meant as an overview of bankruptcy and is for general information purposes only. If you are considering filing you should consult an attorney. Novadebt does not provide any legal counseling or advice.

An Educational Message from

novadebtSM

A Garden State Consumer Credit CounselingSM Organization



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