

# Legal Terms to Know as a Debtor Considering Bankruptcy

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**§341 Meeting of Creditors (“Creditors’ Meeting”)** – A meeting that a debtor must attend after filing for bankruptcy. The bankruptcy trustee runs the meeting and asks basic questions about debtor’s financial situation. Creditors are allowed to ask factual questions, but most creditors don’t attend the meeting.

**Assets** – Everything you own (including your car and house even if you are still paying for them).

**Automatic Stay** – The legal protection when you file bankruptcy that stops all collection actions by creditors (such as lawsuits, foreclosures, garnishments, and repossessions). The automatic stay gives you breathing room so you can be free from collections while in bankruptcy.

**Bankruptcy** – The legal process by which a debtor who cannot repay their debts can get financial relief.

**Bankruptcy Estate** – All the debtor’s property becomes the “bankruptcy estate” when the debtor files for bankruptcy. The estate is controlled by the bankruptcy trustee until the bankruptcy case is finished.

**Chapter 13 Plan** – A 3-to-5-year debt repayment plan that lets the debtor repay their debts during the bankruptcy case without having to sell their property.

**Consumer Debt** – Debts when you buy things for personal or household use.

**Creditor** – A group or person to whom you owe money.

**Debts** – All the money you owe.

**Debtor** – A group or person who owes money to a creditor and may file bankruptcy.

**Debt Collector** – A person or company who collects payments on debts, either for a creditor or for themselves (if they have bought old debts from a creditor).

**Discharge** – A Court Order finding your debts are wiped clean.

**Dischargeable Debt** – Debt that can be wiped clean at the end of a successful bankruptcy such as credit cards, personal loans, and medical bills.

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**Exempt Property** - Property that your creditors cannot take and that you are allowed to keep in your bankruptcy (also called “protected property”).

**Judgment-Proof** – A debtor is judgment proof when all their property and income are protected by law from being taken by a creditor or debt collector to pay off debts.

**Lien (pronounced “lean”)** – The legal claim of a creditor against your property. The creditor can take your property if you don’t pay (example: a car creditor being able to repossess your car if you are behind on payments).

**Liquidation** – In Chapter 7 bankruptcy, a trustee will liquidate, or sell, all the debtor’s “non-exempt” property to pay creditors.

**Non-Dischargeable Debt** – Debt that you still must pay back after bankruptcy (examples: child support and spousal maintenance or alimony).

**Schedules** – Forms that you fill out when you file bankruptcy. These forms contain information about the assets you own and the money you owe as well as your income and expenses.

**Secured Debt** – A debt is “secured” if a creditor can take property if you do not pay the debt (examples: home mortgage or a car loan).

**Trustee** – The person who oversees your bankruptcy case. The Trustee is different than a judge and does not work for the bankruptcy court.

**Unsecured Debt** – A debt is “unsecured” if the creditor does not have a right to take your property if you do not pay back the money (examples: credit cards and medical bills).

**Wage Garnishment** – If a creditor has a judgment against you, the creditor may try to garnish your wages. Garnishing wages means that the creditor takes part of your paycheck to pay back the debt. Bankruptcy can stop a wage garnishment.

**Reorganization** – In a Chapter 13 bankruptcy, you file a “reorganization plan” as part of the bankruptcy. You then pay some of your debts as part of this Chapter 13 plan.