

Number 1

Myth: I can keep certain property and debts out of my bankruptcy paperwork.

You cannot keep certain things out of your bankruptcy paperwork. For example, many people want to keep their car, so they do not list their car or their car loan in the bankruptcy paperwork.

Fact: No, there is no such thing as a “partial bankruptcy.”

All property and debts must be listed in your bankruptcy paperwork. Before you file, you must sign the paperwork under penalty of perjury, swearing that you have completely and honestly listed all your information. You must read the paperwork yourself to make sure it is correct.

Number 2

Myth: I will lose all my property if I file for bankruptcy.

Fact: No, you are allowed to keep certain property when you file for bankruptcy.

You are allowed to claim certain things you own as “exempt.” For example, you are allowed to keep clothes, household furnishings, and the value of your home and car up to a certain amount. Many people are allowed to keep their home and their car after their bankruptcy.

Number 3

Myth: All my debts will be discharged, or cancelled, in bankruptcy.

Fact: No, some debts will not go away.

Both Chapter 7 and Chapter 13 bankruptcy can get rid of most debts, but not all debts. You may still be responsible for paying debts like family and child support orders, certain tax debts, criminal restitution, and – most of the time – student loan debt.

Number 4

Myth: I will just file bankruptcy and dismiss it later. No big deal.

Fact: No, filing for bankruptcy is a big deal.

Filing for bankruptcy is different than other court cases. If you file for Chapter 7 but what to dismiss the case after you file, the Court must approve your request. Also, once you file bankruptcy, no matter if you dismiss the case or receive a discharge of debts, the bankruptcy stays on your credit report for up to 10 years. If you want to file, be prepared to follow through to the end. Otherwise, your credit will be damaged without you receiving the benefit of getting debts discharged.

Number 5

Myth: Only irresponsible people file for bankruptcy.

Fact: No, life happens.

Many bankruptcies are filed because of hardships like job loss, medical debt, or divorce. Regardless of your reason, bankruptcy can be a tool for you to take control of your finances and receive a financial fresh start. There are two common kinds of consumer bankruptcy: Chapter 7 and Chapter 13. If your income is below the median income for your state, you can file a Chapter 7. If your income is too high for a Chapter 7, you can file a Chapter 13 and pay some of your debts back over time.

Number 6

Myth: Paying off my debts is always better than filing for bankruptcy.

Fact: No, paying off your debts is not always the best option.

Sometimes, filing for bankruptcy is the better solution to your financial problem. For example, if your debts are more than 50% of your annual income, and you will not be able to pay them off within five years, bankruptcy may be better for you.

Number 7

Myth: Filing for bankruptcy is easy.

My friend told me everything I need to know.

Fact: No, there is a lot of misinformation about bankruptcy.

Everyone's situation is different, and you must get good legal advice about *your* specific situation. The best place to get information about bankruptcy is from an experienced bankruptcy attorney or the Bankruptcy Court. What you don't know about bankruptcy may hurt you and your financial situation. If you do not have the money to hire an attorney, there are free legal resources available to you.