

A Personal Decision

Bankruptcy is a personal decision. Most people file bankruptcy because of crushing debts, often caused by financial hardships such as unemployment, lack of adequate insurance, catastrophic medical expenses, marital problems, overextended credit or, more rarely, out of control spending. Bankruptcy laws were passed in order to give people a fresh start, and to give debt-burdened consumers an organized, systematic way of paying back creditors.

If you're over your head in debt and you can't see being able to repay all the money you owe, you may be interested in filing bankruptcy. If you can pay back creditors but need to get out from under wage garnishments, repossession threats or a home foreclosure, you may want to consider bankruptcy.

Call Sterling Bankruptcy Center today to learn more about your options.

You Are Not Alone:

- In 2008, 41,247 bankruptcies were filed in the Metro Detroit area alone.
- Michigan ranks #1 in unemployment
- Michigan ranks in the top 5 states in foreclosures.
- According to the Federal Reserve, more than 40% of families spend more than they make.
- Celebrities who have filed bankruptcy include:
 - ⇒ Thomas Jefferson
 - ⇒ Kim Bassinger
 - ⇒ Willie Nelson
 - ⇒ Toni Braxton
 - ⇒ Debbie Reynolds
 - ⇒ Burt Reynolds
 - ⇒ Wayne Newton
 - ⇒ MC Hammer
 - ⇒ Mike Tyson
 - ⇒ Marvin Gaye
 - ⇒ Larry King



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- National Association of Consumer Advocates
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- Macomb County Bar Association

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- U.S. Court of Appeals, 6th Circuit
- Federal District Court, E.D. Michigan
- Federal District Court, W.D. Michigan
- State of Michigan

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Sterling Bankruptcy Center

Bankruptcy Information Brochure



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A Guide To Bankruptcy

Even if you are in financial crisis, you have options. Bankruptcy is an option if you are facing serious financial problems. Through bankruptcy, you may be able to cancel debts, save your home from foreclosure, remove a second mortgage from your home, stop collections calls and get a fresh financial start.

Time Matters

When debt gets overwhelming, the worst thing you can do is nothing. Don't wait until your house sells at foreclosure or your paycheck is garnished by a creditor. Take your life back into your own hands and let the experienced attorneys at Sterling Bankruptcy Center advise you on both bankruptcy and non bankruptcy options.

When To Consider Bankruptcy

You should consider bankruptcy when you cannot pay your bills, your mortgage payment is behind, or when a particular crisis such as job loss, illness, or accident makes the future payments of your bills unlikely. Begin thinking about bankruptcy *before* your house sells at auction or when you receive a summons and complaint. If you received a judgment against you, bankruptcy may be used to stop the creditor from garnishing your wages and bank accounts or seizing or placing liens on your property.

What is Bankruptcy?

Bankruptcy is a legal proceeding in Federal Bankruptcy Court, in which you will seek a "discharge" of debt when you cannot pay your bills. As soon as you file bankruptcy, an *automatic stay* typically stops your creditors from attempting to collect your debts, this includes any act by a creditor to repossess, garnish or foreclose upon your property. There are two main types of bankruptcy for individuals and business owners: Chapter 7 and Chapter 13.

Chapter 7 Bankruptcy

In Chapter 7 (straight bankruptcy), the bankruptcy court forgives most debts that are not secured by assets or property (such as your house or car). In addition, you are allowed to retain certain "exempt assets." The allowable exemptions are very generous and in most cases you will get to keep all of your property. However, under Chapter 7, a court-appointed trustee may take possession of your non-exempt property, arrange for its sale or liquidation and is responsible for paying as many of your debts as possible with the proceeds. (Not all debts can be erased by bankruptcy.)

Chapter 13 Bankruptcy

Chapter 13 (reorganization bankruptcy), may be your only choice if you have the income to repay your debts after all of your reasonable and necessary living expenses are paid. Filing for Chapter 13 bankruptcy allows you to pay your debts in installments, (many interest free) usually over a three to five year period. If you are behind on your mortgage and it has not sold at a foreclosure sale, Chapter 13 can save your home and allow you to catch up on your mortgage payments. In some circumstances Chapter 13 also allows you to strip or remove your second mortgage provided your house is worth less than you owe on the first mortgage. Many people who want to keep property, such as a house or car, turn to Chapter 13.

What Can I Keep?

In most cases, everything. The law allows you to keep certain exempt property, such as:

- \$20,200 in **equity** in your home (equity is the value of property minus the amount you owe on mortgages and other liens);
- \$3,225 equity in your car;
- \$2,025 in things you need for your job;
- \$10,775 in household goods;
- \$1,350 in jewelry;
- \$1,075 in any property, plus up to \$10,125 of any unused exemption from your home;

- Social Security benefits, unemployment, VA benefits, public assistance, child support, alimony, IRAs, pensions, regardless of the amount.

The exemption amounts are doubled when a married couple files together.

Does Bankruptcy Wipe Out All My Debts?

In Chapter 7 bankruptcy you can wipe out all debts except:

- Child support, alimony, fines, property settlements, criminal restitution, some taxes and limited other debts;
- Debts not listed in your bankruptcy;
- Loans or debts incurred by fraud;
- Debts resulting from willful and malicious harm;
- Student loans;
- Debts for death or personal injury caused while driving intoxicated;
- Debts incurred to pay taxes.

Some of these debts can be wiped out in a Chapter 13 bankruptcy.

Secured Creditors

Some of your creditors may have a security interest in your home or personal property like your car. This means that you gave the creditor a mortgage on your home or put your property up as collateral for the debt. If you don't make your payments on the debt, the creditor may be able to take and sell the home, car or other secured property. In many cases, you can keep this property. In most cases you **MUST** continue making payments if you want to keep it and some creditors require you to sign a reaffirmation agreement which will exclude the debt from being discharged in bankruptcy.

Does Bankruptcy Affect My Credit?

Yes. The fact that you've filed a bankruptcy can appear on your credit report for 10 years. But since bankruptcy wipes out your old debts, you should be in a better position to pay your current bills, so bankruptcy may actually help you get credit.