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Sterling Bankruptcy Center
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Bankruptcy Myths

Bankruptcy Myth 1: Only irresponsible people file for bankruptcy protection.

Not true. Most people who file bankruptcy are good, honest, hard-working people, who file bankruptcy a last resort. Usually, it was some life altering event such as a divorce, job loss, a failed business, illness, or death in the family that has caused the financial difficulties and they have struggled for months or years to pay the bills and recover financially with no success or hope of paying the debts off.

Bankruptcy Myth 2: You will lose everything if you file for bankruptcy protection.

This is not true. In fact, most people keep everything when they file for chapter 7 bankruptcy and chapter 13 bankruptcy. The bankruptcy code allows for very generous allowances of assets that you get to keep. These are called exemptions. While most debtors get to keep all of their assets, sometimes, they must surrender property that is worth more than the allowable exemption, but many times, if circumstances permit, and they usually do, the debtor can negotiate to keep non-exempt assets. It's important to know that filing bankruptcy does not generally wipe out liens. Therefore...if you want to keep a car, truck, home or business equipment that serves as collateral for a loan....you need to keep paying on the debt. If you make these payments and have exemptions to cover any value above what is owed....you can rest assured you will be able to keep these items.

Bankruptcy Myth 3: You can pick and choose which property and debts you list in your bankruptcy petition.

Unfortunately you can't. While most people want to keep out certain debts because they want to continue paying it, they can't do that. Under the bankruptcy law, you are required to list ALL your property and ALL your debts. The good news is that you can pay these debts if you want to, even though you have to list the debt. You have the option to continue paying on certain debts even after you file. For example, if you list your dentist as a creditor, that debt will be discharged. The dentist cannot take any action to collect the debt. However, if you want to pay your dentist back you can.

Bankruptcy Myth 4: Everyone will know you have filed for bankruptcy.

While bankruptcy is a matter of public record, most people will never know you filed for bankruptcy protection, unless you're a prominent person or a major corporation and the filing is picked up by the media. In fact, the chances are very good that the only people who will know about a filing are your creditors and the people who you tell. So, if you don't want everyone you know you filed bankruptcy, don't tell anyone.

Bankruptcy Myth 5: You will never get credit again.

Not True. Even in today's economic climate, most debtors report that they are able to obtain credit after filing bankruptcy. Remember, after your discharge, you have eliminated most if not all of your debt and this will positively effect your income to debt ratios, making you more attractive to some would be lenders. At first, the would-be lenders may require more money down and may charge you higher interest rates. However, if you make timely payments and do things that will put good marks on your credit report, your credit score will improve and over time you will have the opportunity to reestablish your credit. In my experience, if a client has not re-established sufficient good credit within 2 to 4 years to buy a car or even a house, it's not because they filed bankruptcy. It generally means that something else has happened after the bankruptcy to hurt their credit.

Bankruptcy Myth 6: Married couples both have to file for bankruptcy.

Not true. While it is often in a couples best interest for both spouses to file bankruptcy, particularly when the debt is jointly held by both, but it's not uncommon for only one spouse to file bankruptcy. This usually happens when the debt is only in one spouse's name because it was incurred prior to marriage, primarily business debt of one spouse or for numerous other reasons. This allows the non-filing spouse to remain un-affected by the filing spouse's bankruptcy.

Bankruptcy Myth 7: It's really hard to file for bankruptcy.

The decision to file bankruptcy is hard, but with an experienced bankruptcy attorney, such as those at Ziulkowski & Associates and Sterling Bankruptcy, the process can be relatively easy for you. Our experienced bankruptcy attorneys will do strive to make the process as easy as possible for you. We make every effort to ensure that you have all the information you need and that there are no surprises. Bankruptcy is a joint effort with you and your bankruptcy attorney. You must make sure you provide the attorney with all the information requested on a timely basis.

Bankruptcy Myth 8: Filing bankruptcy means you're a bad person.

Not true. There's a reason Americans are filing for bankruptcy protection every 30 seconds. It is NOT because they are bad people. Lots of good, honest, hard-working people fall on hard times. Let's face it, the economy is at its all time lows, an average of 600,000 people are losing their jobs each month, and money is just not there. The bankruptcy laws were created to make sure you have a way to get free from the burden of debt so that you and your family can have a second chance at a "fresh start".

Bankruptcy Myth 9: Filing for bankruptcy will hurt your credit.

That's not true. Think about it, by the time you come to a bankruptcy attorney, your credit is probably already bad, or you've maxed out your credit cards and your FICA score is low. And if your credit is already messed up or maxed out, how can bankruptcy hurt it? Or, your credit may not be bad yet, but you are probably at a point where you know you can't keep going on like this. Something has to give, either your credit cards or your mortgage payment will be late. So it's only a matter of time before your credit is affected. You may realize that even if your credit isn't bad now, it will be soon because you can't keep paying everything much longer.

You may be surprised to hear that bankruptcy can actually help re-build your credit.

Bankruptcy gets rid of debt, and by getting rid of debt you may be in a better position to handle new credit. Bankruptcy is often the first step in the process of re-building your credit.

Myth 10: Bankruptcy doesn't stop creditors from harassing you or your family.

Nothing could be further from the truth. Once your bankruptcy case is filed, the court enters an order that requires your creditors to stop calling you and making any attempts to collect on a debt. This is called the automatic stay. The automatic stay is very powerful, and puts the full weight of the United States Bankruptcy Courts to work for you, to make sure your creditors leave you alone. If a creditor violates the automatic stay, you have the right to bring the creditor before the Court for Contempt of Court, and to be compensated accordingly.

Myth 11: You can't discharge back taxes in bankruptcy.

We get rid of old "income" taxes for our clients all the time. The bankruptcy law allows you to discharge certain income taxes that are more than 3 years old, however, you must meet certain qualifications to discharge these debts. Please note: Filing bankruptcy does NOT get rid of withholding or sales taxes, no matter how old they are.

Myth 12: You can only file once for bankruptcy protection.

The truth is....you can file and get a 'discharge' under Chapter 7 once every 8 years. As for filing a Chapter 7 after filing and getting a discharge in Chapter 13, the wait is 6 years, computed from 'date of filing' to 'date of filing'. As for filing a case under Chapter 13 of the Bankruptcy Code....the wait is only 4 years after a prior discharged Chapter 7 or 2 years after a prior discharged Chapter 13 case, computed from 'date of filing' to 'date of filing'.

Myth 13: I can max out all my credit cards, file for bankruptcy, and never pay for the things I bought.

Not true. That's called fraud, don't do it. The trustee will ask you when you made purchases and if most of your debts are more than six months old. If you max out your credit cards intending to discharge them in bankruptcy, you could lose your right to a discharge, the debts be deemed forever non-dischargeable and you could be subject to federal criminal charges. So again, don't do it.

We are a debt relief agency. We help individuals and businesses file for bankruptcy under the bankruptcy code. The information contained herein does not create an attorney client relationship and is not intended as legal advice. You should consult and retain an attorney.