BANKRUPTCY UNDERSTOOD

A Straightforward Guide To Financial Freedom

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We Are A Debt Relief Agency.
We Help People File For Bankruptcy Relief Under The Bankruptcy Code
The Choice Of A Lawyer Is An Important Decision And Should Not Be Made Solely On The Basis Of An Advertisement.

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INTRODUCTION

When I was younger, before my professional identity had taken shape, and I knew the mark I wanted to leave on this world, I met several people touched by huge financial challenges. These were good, hardworking folks who, through bad luck or careless error, found themselves struggling to make ends meet.

I've built houses in California. I've sold satellite dishes door to door in Reno. Here in Missouri, I've scooped ice cream, worked in offices, and made, delivered, and served more pizza that you can possibly imagine. In all of those places in my life, I was surrounded by people doing the best with what they had. Some struggling to get ahead. Some struggling just to keep up.

Their financial problems bled over into other areas of their lives, prompting tears, embarrassment, the breakdown of relationships, and depression. Seeing these proud people in such a state left an indelible impression on me and inspired my journey to be of service.

If you've been touched by a financial crisis, or you've seen a loved one dragged through the ringer, you understand.

For instance, take John and Becky. They had just closed on their dream house and moved in with their twin five year olds and pet Bichon Frise, Elsa, when two devastating setbacks hit them within just eight days. First, Becky, the primary breadwinner, wrenched her back while unpacking a heavy box from the move and found herself out of work for 6 months. Then John discovered that his business partner had cheated a vendor, who decided to sue for six figures. John hadn't yet set up a corporate entity for his partnership, so suddenly all his personal assets were at play.

John and Becky had to confront the very real possibility that they'd lose their house and have to move back in with Becky's mother.

Or what about Bernice, a 72-year-old retired woman who, after tragically losing her partner of 40 years to cancer, was victimized by insurance fraud, which depleted her savings and effectively wiped out her safety net.

Mandy, a 26-year-old entrepreneur, racked up $50,000 in credit card debt trying to get her online business off the ground. Barely able to keep up with the monthly payments, she developed crippling anxiety from the harassing calls from debt collectors and grew afraid of even answering the phone.

I became a bankruptcy attorney to serve people like these – good people who need protection from negative forces that they do not understand and do not have the skills or knowledge to control.

Ever since I started doing bankruptcy work, I've discovered it to be not just a rewarding pursuit, but also a spiritual one, because I see it as a tangible opportunity to give back to the community and help people escape pain.

Being a successful bankruptcy attorney requires more than just intellectually understanding the law and having the skill to identify and deploy the right strategies at the right time to fight creditors and protect essential assets. This work also requires the ability to empathize and to connect with people.

My clients have been through heartrending situations, and I am proud to be able to provide people the connection and reassurance they need.

If you are thinking about filing bankruptcy, it is your job to ask questions. Bankruptcy is a complicated process that can eliminate debt and catapult you forward to success or lose everything to the trustee. I have spent years learning the secrets of bankruptcy and, in the following chapters, I will answer some of the most common questions that I am asked every day by my clients. I encourage you to take notes and write down any other questions you may have.

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Why Did I Choose to Help People File Bankruptcy?

I've always been a fan of the underdog. I wouldn't play with the cool kids when I was little because they were mean to the other kids. When I got older, I spent my time helping as many people as I could. I started clubs in college to help my friends get school funding for their hobbies. I joined the student government so I could put my thumb on the scale for the little guys.

I've never been mainstream. I could never ride a Harley or root for the Yankees. Everybody does that. I'd much rather join up with the struggling few because that is where I can do the most good. I've always been good at working the system in favor of the people that get the short end of the stick.

Every day I come to work is a great day. I get to meet hardworking, earnest and dedicated people who are stuck but also hopeful. My clients come to me in pain. They are ashamed that they can't pay their bills. They are frustrated that they can't support their families and give their children the lives they deserve. They are scared socially, dreading upcoming high school reunions or chance encounters with exes at a supermarket. And they are exhausted from the harassing calls and scary letters from creditors.

Many of my clients live in a perpetual touch-and-go state. It's month-to-month or sometimes even day-to-day. I know how to relieve their pain, stop the phone calls, and reclaim their natural dignity, making what I do both an honor and a privilege. It's why I get up the morning. It's why everyone on my team busts their humps every day for every client.

At the Jeppson Law Office, we are always looking for new and better ways to serve our clients. We use technology to bring the gift of a debt free future to people that can't get off work or live too far away to get a decent attorney. We know that it's the little hinges that swing the big doors so we go out of our way to do all of the little things necessary to prevent the problems that most attorneys have never even thought of.

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What I Do in a Nutshell: Offer Good People a Release from Stress, Shame, Fear and Uncertainty

When my clients first see me, they get instant relief in that very first meeting. Why? It's not necessarily because of anything I say or do – the strategies I lay out for them, the action plan, etc. Rather, the relief comes because *I sit there and listen* attentively.

In my opinion, people these days are starved for empathy – for the need to "feel felt." This is especially true for folks who've been through the wringer, who've confronted demons in multiple areas of their lives – financial, medical, psychological, and spiritual.

I listen to them and just let them share their stories. I always keep a box of Kleenex handy, because this cathartic retelling often leads spontaneously to tears. These are the tears of finally being able to express oneself fully after months or years of holding back and "sucking it up" to put on a brave face to the world.

All too often, when people come to others for help with problems, the response tends to be intellectual and distant. We sympathize, diagnose, tell stories about ourselves, and offer "practical" solutions. Obviously, at some point, we need to get to the nuts and bolts. But first, the person in pain needs to feel understood.

If you're raising two kids at home with another on the way, and you're in credit card debt, and then you get into a car accident… sure, you want practical insight, but you also need someone just to acknowledge the scope of your challenge. When I do that, I immediately notice a shift and a sense of release, because my clients know they're no longer dealing with this alone and in a vacuum.

I get excited about the challenge of every difficult case because I know that creative solutions to complex problems are what I do best. That said, I find that the most rewarding part of my job is the look of astonishment from the clients that have been told no for so long that they don't know what to do with somebody that is so excited to tell them yes. The hugs are good, too.

The Jeppson Law Office: A Holistic Approach

At the Jeppson Law Office, we strive to learn from every client. Month after month, year after year, every case that we file is better than the one before it. My continued studies and practical knowledge have earned a certification from the American Board of Certification as a consumer bankruptcy specialist.

Our clients don't hire us to fill out some papers and cut them loose. They hire us because we think ahead. They hire us because we help our clients to avoid the problems that prevent other people from getting the relief and freedom that they deserve. They hire us because we care about their future.

Over the years, we have helped thousands of people to recover from their financial hardships and get a new lease on life. That may sound cliché, but I really do mean lease. There is no finish line. All success is temporary and just like breathing, the next breath is always more important than the last.

I don’t see that we ever stop representing our clients on their bankruptcy case. To be fair, it gets much easier once the case is closed, but I reach out and encourage each and every client to tell me about any problems that they face, whether it’s next month, next year, or next decade. If I don’t know about the problem, I can’t help and I can’t learn.

This approach has allowed me to learn more about the long-term effects and consequences of all of the little decisions we make now. I have used these lessons to shape the way that I represent my clients. My clients sometimes think I have a screw loose for insisting on doing things in a way that may not make sense right now. They will probably never understand why we did it that way because they won't suffer the consequences that other people did in the past.

The most important thing to me is that we listen to each client and understand where they are and what they are trying to accomplish. Once we know where they are now and where they would like to be, we can help them put together a plan of action to accomplish their own individual goals.

CHAPTER 1: What is Bankruptcy?

Bankruptcy is a legal proceeding in which a Judge reviews your assets and liabilities to see if you can afford to pay your debts. If you can show the Judge that you can't afford to pay your debts and that you are otherwise eligible for help under the bankruptcy code, the Judge will enter an order discharging your debts.

The discharge order means that you are no longer legally required to pay the debts.

Even though the primary function of bankruptcy is to discharge debt, that is not really the purpose. It's the means, not the end. The tool that we use to achieve your real goals. We don't care that somebody somewhere has your name down in a ledger that says you owe money.

What we care about is how they plan to collect on that debt.

Harassing phone calls, letters, lawsuits, garnishments, repossessions, foreclosures. Those are the reasons to file. We use bankruptcy to make creditors leave you alone. To leave your family and your possessions alone. We use bankruptcy to eliminate all of the stress that has built up over the years and to let you get back to living your life.

Bankruptcy is a reflection of America's commitment to the wellbeing of our people and the pioneering spirit of the entrepreneur. It is a safety net to allow people to recover from financial disaster and to encourage people with big dreams to take the big risks that drive our country forward.

We are a not a nation of debtor's prisons. We are a nation of second chances.

Bankruptcy is the financial tool that millions of people use every year to hit the reset button on their finances and get back to living the life they deserve.

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A Brief History of Bankruptcy in America

The word bankruptcy is from the latin words bancus (table or bench) and ruptus (broken). Merchants used to set up tables in the market to sell their goods or services to shoppers. If the merchant could no longer afford to stay in business, his table was broken to show that he was no longer welcome to do business in the market.

The United States Constitution empowered Congress to "legislate for uniform laws on the subject of Bankruptcies." Bankruptcy reflected the changing nature of the society as the law evolved from breaking the tables of merchants to protecting and rehabilitating people.

There have been several bankruptcy acts and many more laws and amendments. Bankruptcy is a statutory practice which means that the law was written to create clear rules and make sure that everybody would be treated the same regardless of where they filed or which Judge was presiding over the case.

More than any other area of law, bankruptcy is a great big pile of rules. It doesn't matter who golfs with the prosecutor or any of that. Whoever knows the rules the best is going to win.

The most recent major amendment to the Bankruptcy Code was the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. This act, known as BAPCPA, made several changes to make it more difficult to file Chapter 7 bankruptcy and encourage people to instead set up a payment plan under Chapter 13 in an attempt to repay some or all of their debts.

Since the new law went into effect, only 61% of Chapter 7 cases filed without an attorney succeeded compared to the 95% success rate of those cases filed with an attorney. Only 1% of Chapter 13 cases filed without an attorney were even allowed to start.

Read on to see how a good attorney can help you build your future.

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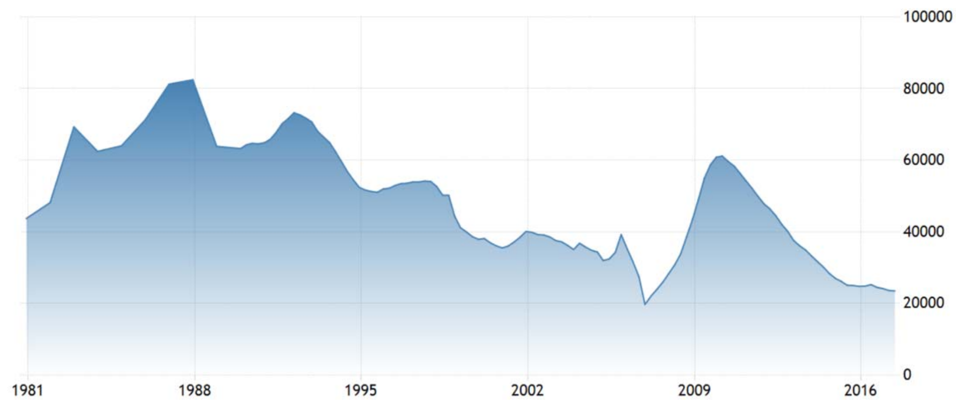
Bankruptcy By the Numbers

There were 771,894 Chapter 7 and 13 bankruptcy cases filed in 2016. As recently as 2010, there were more than twice that many cases filed. Why the decrease?



SOURCE: ADMINISTRATIVE OFFICE OF THE U.S. COURTS

There are noticeable highs and lows in the bankruptcy filings throughout the years that correspond pretty closely to changes in the bankruptcy law. The small bump before the 1994 amendment and dip right after were nothing, however, compared to the massive surge of people that rushed to file before the Bankruptcy Abuse Prevention and Consumer Protection Act went into effect in September 2005. Not only did BAPCPA make it harder to file, but it increased the time that you had to wait between filings. The resulting drop in filings was only reinstated by the housing crash in 2008. Millions of people lost everything as the economy lost trillions of dollars worth of value overnight. Ordinary people lost their investments, savings, jobs, homes, and everything else you can imagine.

Bankruptcy filings increased as people struggled to maintain status quo. To staunch the bleeding and hold on to the good life. That worked at first but they weren't the only ones struggling. The banks were going under as well. They were out of money and scared of their shadows and so they got really conservative and stopped lending.

Bankruptcy filings have decreased steadily since that time because no new loans means no new defaults. Thanks to Obamacare, the number of medical bankruptcies dropped off a cliff. The bankruptcy numbers painted a pretty rosy picture of the economy but I predict this is the calm before the storm.

Household incomes have remained stable but mismanagement has led to a revival of medical bankruptcies and the average household debt has increased from around $8 trillion in 2004 to a staggering record of $12.84 trillion at the end of June 2017. That's $12,840,000,000,000.00.

Now more than ever, it is critical that you know how to defend your family against the market forces rising against us all.

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Who Files Bankruptcy?

Bankruptcy is a financial tool used by men and women, young and old. Most cases are filed by people facing unavoidable circumstances.

When surveyed, 64.5% of people that filed bankruptcy said it was because of a loss of income. Unexpected expenses caused 55% of the cases filed. Another 42.3% had lost their jobs. Illness or injury caused 31.1%.

I've found that when dealing with injury, job loss, and divorce, one tends to lead to the others. Injury will lead to unexpected medical expenses and loss of employment. The financial stress can become overwhelming and lead to divorce.

Females file 52.4% of bankruptcies, which is slightly more than men when you consider that women make up 51% of the population. Married people filed 65.1% of all bankruptcy cases.

People with some college experience but no degree file 28.9% of the cases and college graduates file 28.8% of the cases.

Most people are employed, but 16.2% were unemployed and another 9.3% were retired.

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CHAPTER 2: Can I Keep My House?

The bank cannot take your house, even if you are filing for bankruptcy, as long as you keep making your mortgage payments.

When you buy a house, you sign bunches of paper for the mortgage. If you are like me and most other people, you still have the massive folder full of paper that you haven't looked at since that day.

One of those documents is the note, which is the agreement listing the details of the mortgage. The bank or mortgage company pays the seller of the house so you can buy it and, over time, you make payments back to the bank to repay them with interest. The note also says that if you don't live up to your end of the deal by making those payments as agreed, you give them permission to sell your house and use the proceeds of the sale to pay down the balance of your mortgage. That sale is called a foreclosure.

The other document that matters in a foreclosure is the document filed with the County Recorder to attach the loan to the house. In Missouri, it's called a Deed of Trust. In Kansas, it's called a Recorded Mortgage.

The note provides the bank with a right to receive payments. The Deed of Trust or Recorded Mortgage gives the bank the right to sell the house if those payments aren't made. As long as you make all of the mortgage payments, the bank does not have the right to sell your house.

In a Chapter 7 bankruptcy, we file a document called the Statement of Intention. On that form, we tell the Court that you intend to retain the house and, in most cases, reaffirm the debt. A Chapter 7 bankruptcy takes your name off of all loans, including the mortgage. The reaffirmation agreement puts your name back on the loan so you can keep the house and continue to get the good payment history on your credit report.

If you are behind on your mortgage payments, you'll need to get current, apply for a modification or rehabilitation plan with your bank, or file a Chapter 13 bankruptcy, which can allow you to make back payments over the course of a five-year repayment plan.

In a Chapter 13 bankruptcy, we set up a payment plan that allows you to resume the regular monthly payments plus a little extra to get current over a 3-5 year payment plan.

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CHAPTER 3: Can I Keep My Car?

The simple answer is "it depends."

Let's say Jennie owes money on her Toyota Prius, which she bought because she wanted to help the environment in her small way. She is able to keep her car because she can afford to make ongoing payments, and she owed more than the Prius was worth.

Douglas, however, had too much equity in his motorcycle. If he filed for Chapter 7, he would lose the vehicle. By opting for Chapter 13 protection instead, he was able to keep his beloved hog.

Nobody loses anything simply because they file bankruptcy. In order to be eligible to discharge your debts in a bankruptcy, you need to show that you can't afford to pay them yourself. There are two main ways that you can afford to pay your debts: use your wages or other income to make payments, or sell things to get money to pay the debts.

If you are still making payments on your vehicle, you need to have enough income to continue to make the payments. If you can't afford to make the payments, you can't keep the vehicle.

A panel Trustee is appointed to every Chapter 7 case. The Trustee's job is to look for things that she can sell to make money to pay the creditors. You are allowed to protect certain amounts of certain types of property like clothes, furniture, houses, and cars. In Missouri, for example, you can keep up to $3,000 of equity in vehicles. That means that your car loan can actually help to protect your car.

If you owe $8,000 on your car and can protect $3,000 of the equity, the trustee would have to be able to sell the car for at least $11,000 before she makes the first dollar for the other creditors. If your car is only worth $10,000, the trustee won't take and sell the car because she can't make any money for the other creditors off of it.

However, if that same car is worth $20,000, the trustee would be able to make $9,000 for the other creditors by selling your car, so Chapter 7 is probably not your best option - you would be better off in a chapter 13 bankruptcy.

The Chapter 13 Trustee is never given the authority to take or sell any of your property. Instead, you are able to set up a payment plan to pay that same $9,000 over a period of up to 5 years. You keep your car. The creditors still get paid some of what is owed to them. Everybody wins.

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CHAPTER 4: How Does Bankruptcy Affect My Credit?

Here's an astonishing fact: filing for bankruptcy can actually *boost* your credit score.

You read that right.

If that sounds too good to be true, consider that credit bureaus look at what's known as "debt to income ratio" when determining a borrower's level of risk. When you get rid of your unsecured debt via bankruptcy, this ratio improves; hence, your credit score can also improve. This isn't to say that bankruptcy is magic – that you will suddenly be able to buy your dream home or vehicle at amazing rates - but the idea that bankruptcy is a kind of death sentence for your credit rating or your ability to secure loans or buy property is a myth.

Jason, for instance, really needed a car. His 3-year-old went to daycare on one side of town, while his job was located clear across town in the exact opposite direction. Plus, he needed to drop off and pick up his child at his ex-wife's house 20 miles away every week. Without a car, his life would grind to a halt, literally.

After filing strategically for Chapter 7 bankruptcy, Jason qualified for a car loan almost immediately after the discharge of his case. His rates were not ideal, but he got the car. He also qualified for a credit card.

With proper financial planning and dedication, Jason hiked his credit score back to

720 just 11 months after he filed for bankruptcy. He even managed to land a promotion that allowed him to telecommute, thus cutting his weekly driving in half.

Jason’s story of rebuilding quickly after bankruptcy is no anomaly. That’s because bankruptcy is *not* a scarlet letter you must wear for life. It’s quite the opposite – a mechanism designed to give borrowers like Jason a *fresh start* and a chance to turn their life around.

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CHAPTER 5: What About Debt Negotiation?

Let's face it: most of us, when given our druthers, choose the path of least resistance. It seems infinitely easier to call a debt settlement company and have them "take care of it" than to find a qualified bankruptcy attorney and go through a whole legal process.

This tempting shortcut, however, can lead to all sorts of chaos.

Consider Kelly, who ran up $35,000 in credit card debt trying to launch an online art store while she was working a retail job at Costco.

Once Kelly realized that she was subconsciously rearranging her life to avoid looking in the mailbox (so she wouldn't have to see the big fat bills from the credit card companies), she knew she needed to take action.

Rather than call an attorney, she followed the path of least resistance. She called a debt settlement company she heard about from a friend of a friend. The company promised it would save her 50 percent on her debt repayment. Sounded good!

What Kelly didn't realize was the company's fee would be 20 percent of the 50 percent the company would help her save. The company charged her $5,000, which was slotted into her payment plan. It *seemed* like she was putting that $5,000 towards whacking at her debt. In reality, though, that $5,000 went right into the settlement company's pockets.

Kelly wasn't making any forward progress on her debt; she was just making the debt settlement company richer.

Finally, after a creditor filed to garnish her Costco wages, she knew it was time to get serious. Filing bankruptcy freed her of her consumer debts and allowed her to escape the seemingly endless cycle in which the debt settlement company had her trapped.

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CHAPTER 6: Can I Use a Consumer Credit Counseling Agency?

Credit counseling businesses are not completely ineffective, but their powers are limited. For instance: they cannot negotiate with the Internal Revenue Service (IRS); they cannot help with your mortgage (and help you keep your house); and they don't even work with all credit card companies.

They can, however, create a workable debt management plan for you. In some situations, particularly if your debt is mild and confined to credit cards, opting for a counseling service might be a solid idea.

You do still need to find a trustworthy service and execute the debt repayment plan. In any case, it doesn't hurt to speak with a qualified bankruptcy attorney first to get a lay of the landscape and understand your options.

The key is to use the most appropriate tool for the situation.

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CHAPTER 7: Is Bankruptcy Right For Me?

Here's a simple litmus test.

Debbie and Shonda both accrued serious credit card debt. I separately asked each one: "if you could no longer use *any* of your credit cards, starting today, would you be able to pay them all down within a reasonable timeframe?"

Debbie, who's struggling just to make her monthly minimums, said no, so I suggested she give strong consideration to the option of bankruptcy to get out from under her debt.

Shonda, on the other hand, said that she *could* pay down the cards, but it would take planning and discipline. I told Shonda it may be in her best interest to explore other options before choosing bankruptcy.

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CHAPTER 8: Do I Need Help With Bankruptcy, or Can I Do It Myself?

The short answer is yes, you can file a bankruptcy on your own. We call those cases "Pro Se" which is latin for "for oneself." The longer answer is that it's not a good idea. Since 2005, only 61% of Chapter 7 cases filed without an attorney succeeded compared to the 95% success rate of those cases filed with an attorney. Only 1% of Chapter 13 cases filed without an attorney were even allowed to start.

While it is possible for me to buy my own jet and fly it to Los Angeles myself, it is cheaper and safer to buy tickets and have a professional do it for me.

Rodrigo was a natural born entrepreneur – a self-made success story who started his own auto shop and built it from the ground up. Then a customer sued the business after an accident, claiming that Rodrigo's employee botched a brake inspection. Suddenly, Rodrigo found himself in financial duress, and he chose the bankruptcy option. Rather than hire a lawyer, he defaulted to the approach he knew best: "do it yourself" (DIY).

The problem is that winning a bankruptcy case is a lot like launching a rocket ship successfully into outer space. There are myriad technical details you must know that you just can't learn on the fly.

Lack of knowledge and finesse can destroy an easily winnable (by a qualified bankruptcy attorney) Chapter 13 or Chapter 7 case.

For example: a federal statute governs bankruptcy proceedings, but local and state laws and regulations also help determine how cases play out. Intrepid Rodrigo might find a website that explains some technical details about how to file for bankruptcy, and he then uses that information as his guide, but that site may only have *national* relevance, not relevance to his specific state or jurisdiction. A judge in one county may have a different philosophy than a judge one county over. It helps to know that!

Filing for bankruptcy is not a "plug and play" situation. It's not like the judge will say: "You own XYZ assets, and you owe ABC debts; therefore, according to this special formula, here's exactly what you'll get." There's both a science *and an art* to the process. An experienced bankruptcy attorney who knows the ins and outs of the local system can maximize asset protection and get you the best results.

A "DIY" adherent like Rodrigo might object and argue "at least I'll save on legal fees." This, too, is short-sighted. If you go about a bankruptcy in the wrong way – even the *slightly* wrong way – you could face extra expenses and the loss of assets that could have been preserved, not to mention loss of peace of mind.

A DIY-er like Rodrigo also might not be aware of certain resources at his disposal. For instance, maybe creditors have been coming into his shop after hours, hounding him or leaving nasty messages even after he filed his bankruptcy. Our team at the Jeppson Law Office would leverage laws like the Telephone Consumer Protection Act (TCPA) and the Fair Debt Collection Practices Act (FDCPA) to sue these wrongdoers and collect money to help pay Rodrigo's legal and filing fees and beyond.

Finally, think of bankruptcy holistically. This is not a "one and done" project, but rather a stepping-stone to a better life. You have one opportunity to get this right and break the downward spiral.

When someone like Rodrigo comes to us, we help him discharge his credit card debts and free up resources to put groceries on the table for his family. It's possible for bankruptcy to give you that clean slate you desire, but put pride aside, and allow a professional to help you do it the right way!

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CHAPTER 9: Shouldn't I Have to Pay My Debts?

Our culture teaches us that truly resourceful people somehow find ways to "pick themselves up by the bootstraps" when things go south. Obviously, there is a lot to be said about self-reliance, resiliency, and agency – these are all important and worthy values.

Most clients I see *do* possess these values, and in spades. Sadly, though, they don't appreciate the extent to which external, negative forces have challenged them. Instead, they blame themselves.

I see this as tragic for a few reasons. First, from a practical point of view, if you blame yourself for your debt, you may be inclined to accept bad treatment from creditors, the loss of your vehicle, and other negative results as “punishment” for your behavior. Second, when you blame yourself, you’re unlikely to act aggressively to defend your interests and are more likely to fall into apathy or depression, making dealing with your debt that much harder. Finally, this attitude is liable to yield only short-term thinking that will fail to protect your long-term financial interests.

Consider Sal, a 48 year-old construction worker raising a family of three. Sal fell off a slippery ladder while painting his house and smashed four bones in his spine, making him unable to work. A bad reaction to his pain medication led to several additional hospitalizations and $60,000 in surprise hospital bills that his insurance decided not to cover. Even if you accept the proposition that it was partially Sal's "fault" for slipping off the ladder, that's a huge, outsized price to pay for a momentary lapse of attention.

Or what about Kassidy, whose husband deserted her on the eve of their third wedding anniversary, leaving her to raise their two children on her small bookkeeper's salary?

Then there's Paul and Catalina, victims of a financial scam that left them underwater on their house with no recourse in the U.S. courts, since the scam artists worked anonymously overseas.

Public perceptions to the contrary, most people in need of bankruptcy did not get into financial trouble by carelessly racking up credit card debt while shopping and leading hedonistic lifestyles. They just encountered bad luck or bad timing. Or maybe they made a few decisions that, in retrospect, were financially unwise.

In any case, let go of the guilt, and get the help you need and deserve to move beyond what's happened to you.

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CHAPTER 10: Chapter 7 vs Chapter 13

Let’s quickly go over these terms. Chapter 7 offers borrowers a chance to *liquidate* many of their debts, discharging obligations to pay credit cards, hospital bills and other debts that are unsecured. Chapter 7 also takes care of deficiencies you owe (e.g. as a result of a vehicle repossession or home foreclosure).

Chapter 13 bankruptcy, on the other hand, gives you a chance to *reorganize* your debts, so you can pay them off in an easier, more strategic fashion. In some ways, Chapter 13 is akin to debt consolidation, but it’s superior to that approach in that you don’t need to negotiate with creditors. Instead, once the court approves the plan (assuming it hews to the bankruptcy code's requirements), creditors can't intervene or object.

I like to explain it to my clients this way: We start by putting all of your debts and property into one of two buckets. Bucket 1 is where you put the things you want to keep or have to pay for - the house and car along with the loans attached to them. Taxes, child support, and anything else that must be paid also go into bucket 1. Bucket 2 is everything else that we CAN get rid of. Credit cards, medical bills, payday loans, etc.

A Chapter 7 bankruptcy dumps out bucket 1 and lets you deal with bucket 2 on your own. The credit cards and other unsecured debts go away, while you continue to make the house and car payments yourself.

In a Chapter 13, a payment plan is created to help with bucket 1, plus whatever portion of bucket 2 that you can afford to pay. If your budget shows that you can afford to get caught up on the house and car, but you can't afford to pay any of the unsecured creditors in bucket 2, then that's what happens. You pay the Trustee, the Trustee pays the lenders of the house and car but nothing else. At the end of the payment plan, anything left in bucket 2 gets dumped out and goes away, just like in a chapter 7.

After the court signs off, the Trustee collects your payments and then divvies them up to pay your creditors.

The Chapter 13 option can be particularly useful if you're seeking to save a large asset, such as your home.

To prevent foreclosure if you haven't been paying your mortgage, Chapter 13 lets you create a 5-year repayment plan to catch up and get current. If you owe more on the house than its value, the process can effectively transform your second mortgage into unsecured debt and discharge it, so you'll only need to pay down the first mortgage.

Rachel developed a medical condition that sapped her strength (and earning power) and she slowly fell into debt and behind on her house payments. She used Chapter 13 to save her home and landscaping business assets by paying some money to her unsecured creditors. Had Rachel chosen the Chapter 7 liquidation option, she would have gone over her allowed exemptions.

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CHAPTER 11: Does Chapter 13 Only Reorganize My Debt? Can It Also Discharge Some of It?

When learning about Chapter 13, many people hear the term "reorganization" and imagine that the process simply pushes debt around, much like a snowplow doesn't melt snow as much as it "reorganizes it" to make driving easier.

That's not the case!

In fact, the process can significantly discharge your unsecured debt. Prior bankruptcy laws called upon judges to order people to pay 20% minimum to creditors holding unsecured debt, but changes to the law in 2005 revealed that there was no basis in the bankruptcy code for this 20% minimum. Since then, judges have often resolved Chapter 13 cases in which unsecured creditors get *nothing*.

In a Chapter 13, we set up a payment plan to help get current or pay off the debts on the house and cars you want to keep plus whatever portion that you can afford to pay of the unsecured debts like credit cards and medical bills. If your budget shows that you can afford to get caught up on the house and car but that you can't afford to pay any of the unsecured creditors in bucket 2, then that's what happens. You pay the Trustee, the Trustee pays the house and car but nothing else. At the end of the payment plan, any of the unsecured debt that hasn't been paid is discharged and goes away, just like in a chapter 7.

CHAPTER 12: Can I Keep My Retirement Savings?

Warren had accrued $40,000 in IRAs and 401(k) plans after decades of saving. When doctors diagnosed his wife, Sarah, with fibromyalgia and an immune system disorder, he was forced to raid these retirement accounts to pay for her medical expenses. In addition to paying fees and taxes for the early withdrawals, he and Sarah found themselves unable to keep up with other bills and thus accrued extensive credit card debt. Eventually, they had to file for bankruptcy to right the ship.

Stories like Warren and Sarah's are tragic because retirement accounts, such as pensions, IRAs and 401(k) accounts, are considered exempt assets. In other words, creditors cannot go after what you've saved in those accounts.

Frustratingly, many people don't realize that they have this protection until after they've drained their retirement savings to pay unsecured debts. Had they known or talked a bankruptcy lawyer first, Warren and Sarah could have discharged ALL their debts and kept ALL their retirement money.

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CHAPTER 13: Will Everyone Find Out That I Filed Bankruptcy?

Jamie is a very private person from a "respectable" family, and she worries about what might happen not only to her reputation, but also to her career prospects if she chooses bankruptcy.

Here's the truth: Jamie's bankruptcy *will* go on the public record.

I would argue that her concerns might not be as warranted as she fears. First of all, for someone to find out about the bankruptcy, he or she would have to look actively for a record of it. Frankly, most people are too busy or preoccupied with their own concerns to do that.

Secondly, and much more importantly, bankruptcy is not to be stigmatized! Bankruptcy is an honorable option, used to give worthy people a fresh start after hard times.

I would also suggest to Jamie that what other (needlessly judgmental and catty) people think about her is far less important than her ability to clear her debts, stop living in fear of the phone and mailbox, and create a path to a better financial future.

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CHAPTER 14: Will Filing for Bankruptcy Stop Creditors From Calling and Bothering Me at Home and Work?

There is a watershed moment in the bankruptcy process that effectively "jolts the heavens." It's called the *automatic stay*. As soon as you file for bankruptcy, this stay instantly prevents creditors from directly trying to collect from you. They are frozen out. No calls. No statements. No letters. No wage garnishments. If a creditor has started a wage garnishment, it is immediately stopped.

In Aniqua's case, most of her creditors respected the stay, but one did not. Instead, he got really angry and started calling her at work and leaving rude messages on her voicemail.

Aniqua had grounds to sue the creditor and recover damages. In other words, not only was the creditor compelled to stop, but he now also faced a judgment at federal district court or in the bankruptcy court.

I love working for people like Aniqua – folks contending with harassment and bad treatment – because I know *exactly* how to stop such atrocious behavior and punish it in the courts, if necessary. If a creditor violates a law like the Fair Debt Collection Practices Act (FDCPA), we can and <u>will</u> demand justice.

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CHAPTER 15: Can Taxes Be Discharged?

Most people believe that bankruptcy cannot wipe out IRS debts. In many cases, this conventional wisdom is correct. However, it’s not always the case!

Consider Angel, who ran up a debt to the IRS while putting himself through school. Ironically, Angel was so afraid of accumulating crushing student loans that he chose to fall behind on his taxes rather than risk being burdened with a loan.

A bankruptcy attorney would look at Angel’s situation and examine the details of his finances, his debts and the relevant laws to determine whether he might meet the standards to discharge at least some of his IRS debt through bankruptcy.

Even if he couldn't get his desired result this way, he might still opt for bankruptcy to reorganize his debt. Filing for Chapter 13 can be an excellent way to manage a priority creditor like the Internal Revenue Service. Angel might establish a payment plan that lets him preferentially pay the IRS first, ahead of unsecured debt owed to credit card companies, preventing the IRS from garnishing his wages or taking his assets.

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CHAPTER 16: Why Should I Work With The Jeppson Law Office?

As someone in a financially vulnerable position, you may have been taken advantage of by settlement companies, harassed by creditors, or blindsided by a huge medical bill or unexpected layoff. You are in a conservative mood, and you want and need to be cautious about your next steps.

Why should you choose *our* team as opposed to another qualified bankruptcy law firm?

Here's what distinguishes what I do – and what my team does – for our clients:

1. **We are attentive listeners.**

We see it as our job to listen to and *really "get"* our clients – where they're coming from, what their values are, and what they want to achieve.

2. **We explain everything in clear, action-oriented language.**

Bankruptcy can be a wildly sophisticated process. The terms and ideas used can sound like a foreign language. We translate "bankruptcy-ese" into normal human language, and we are extremely good at what we do. We've seen it all, and we understand exactly how to leverage the law and exploit nuances in the process (in an ethical fashion) to get our clients the results they need to get back on their feet.

3. We help our clients fight back against creditors.

Creditors who do not follow the law and who bother our clients do not make us happy. We defend our clients’ rights. Period. Full stop.

4. We provide ongoing assistance.

We can help you rebuild your credit score and equip you with resources to stay self-sufficient and thrive after bankruptcy.

We see bankruptcy law as more than just a job. It’s a calling. It’s a call to service, a call to help the unfairly disempowered, a call to restore people’s dignity and freedom. We have the facility, passion and track record to help you win.

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Your Next Steps

Thank you for spending time with me, letting me pull back the curtain on the bankruptcy process and lay to rest some common misconceptions about how it works and what you can expect from it.

In exchange for your investment in time, I'd like to reciprocate and offer you a free gift. Normally, I charge $295 for a 1-hour consultation with prospective bankruptcy clients. **If you call our offices and mention this book, that fee will be entirely waived.**

Come in and talk to me. We will dig down together and figure out what's *really* happening with your debt and what strategies we can use to reclaim your future and your freedom.

Jeppson Law Office: 1-816-307-1825

Please call our offices to schedule this private, completely confidential consultation. It won't cost you a penny, and but the benefits for your peace of mind will be priceless.

Looking forward to hearing from you shortly,

Joseph C. Jeppson, VI

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