

TOPIC: BANKRUPTCY: WHEN ALL FAILS

Bankruptcy helps people who can no longer pay their debts get a fresh start by liquidating assets to pay their debts or by creating a repayment plan. Bankruptcy laws also protect financially troubled businesses.

What Is Bankruptcy?

- Bankruptcy is a legal proceeding initiated when a person or business is unable to repay outstanding debts or obligations. It offers a fresh start for people who can no longer afford to pay their bills.
- The bankruptcy process begins with a petition filed by the debtor which is most common, or on behalf of creditors, which is less common. All of the debtor's assets are measured and evaluated, and the assets may be used to repay a portion of the outstanding debt.
- Bankruptcy is a legal proceeding carried out to free individuals or businesses from their debts.
- Creditors still have an opportunity for repayment with the bankruptcy process.
- Bankruptcy is handled in federal courts, and rules are provided **(find these out)**
- A bankruptcy will stay on your credit reports for a number of years and make it more difficult to borrow in the future.

Bankruptcy Pros and Cons

Pros

- Allows debtors to emerge from default
- Wipes clean certain unsecured debts
- Avoids legal judgment

Cons

- Leaves a scar on one's credit score
- Secured debts will have the collateral seized
- Certain debts like child support not eligible for discharge