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Pros and Cons of Declaring Bankruptcy under Chapter 13

There's no question that deciding whether to declare bankruptcy is very difficult. It affects your future credit, your reputation and your self-image. It can also improve your short-term quality of life considerably, as the calls and letters stop. Here is a list of pros and cons to consider as you decide whether Chapter 13 bankruptcy is the best option for you.

CONS	PROS
It can take up to five years for you to repay your debts under a Chapter 13 plan.	While it generally takes longer for you to pay off your debts, you will have more time to make your payments, and Chapter 13 trustees may be flexible on the terms of your payments. You may be able to stretch out your debt payments or reduce the amounts of your payments or giving up an item of your property that you are making payments on. Also, once you successfully complete a repayment plan under Chapter 13, individual creditors cannot obligate you to pay them in full.
Debts must be paid out of your "disposable" income, which is whatever income you have left over after necessities (such as food, shelter, medical care) are paid. All of your extra cash is thus tied up during the entire repayment plan.	While you are making payments under a Chapter 13 plan, you get to keep the property you are making payments on.
Bankruptcy will ruin your credit for some time to come. A Chapter 13 bankruptcy can remain on your credit report for up to 10 years.	Although a Chapter 13 bankruptcy stays on your record for years, missed debt payments, defaults, repossessions, and lawsuits will also hurt your credit, and it may be more complicated to explain to a future lender than bankruptcy.
You will lose all your credit cards.	Your credit cards probably got you in trouble to start with, so it's hard to see that as a bad thing. You may also be able to obtain new lines of credit within one to three years of filing bankruptcy, although at a much higher interest rate.
Bankruptcy will make it nearly impossible to get a mortgage, if you don't already have one	There are lenders who specialize in lending to "bad risks," although that is an unfair characterization to make of someone who has taken a major step to solve financial difficulties.

<p>You cannot file for Chapter 7 bankruptcy if you previously went through bankruptcy proceedings under Chapter 13 within the last six years.</p>	<p>If, however, you obtained a Chapter 13 discharge in good faith after paying at least 70% of your unsecured debts, the six-year bar does not apply.</p>
<p>Declaring bankruptcy under Chapter 13 now will make it harder to declare under Chapter 7 later.</p>	<p>Declaring bankruptcy now can get you started sooner on rebuilding your credit. Although, you can only file under Chapter 7 once every six years, you can always get a Chapter 13 plan if there is another disaster before you are entitled to file for Chapter 7. You may file for a Chapter 13 plan repeatedly, although each filing appears on your credit record.</p>
<p>Bankruptcy will not relieve you of your obligations to pay alimony and/or child support.</p>	<p>Short of a court order from family court, nothing else will relieve you of your alimony and child support obligations. At least bankruptcy will alleviate many of your other financial obligations.</p>
<p>Bankruptcy will not get rid of your student loan debt.</p>	<p>Nothing will get rid of student loan debt, and at least bankruptcy will prevent your lenders from aggressive collection action.</p>
<p>You will have to explain to a judge or trustee how you got into a financial mess.</p>	<p>Both judges and trustees have heard worse stories than yours.</p>
<p>You cannot file for Chapter 13 bankruptcy if a previous Chapter 7 or Chapter 13 case was dismissed within the past 180 days because:</p> <ul style="list-style-type: none"> • you violated a court order, OR • you requested the dismissal after a creditor asked for relief from the automatic stay 	<p>You can avoid these harsh limitations against refiling for bankruptcy by observing all court orders and court rules, and by not asking to have your case dismissed when a creditor asks for relief from the stay. Even if these limitations apply to you, they don't last forever. You're only prevented from refiling for six months. It may make sense to at least consult with an attorney prior to filing for bankruptcy to avoid limiting your bankruptcy options in the future.</p>
<p>You may still be obligated to pay some of your debts, such as a mortgage lien, even after bankruptcy proceedings are completed.</p>	<p>If you don't owe money on the type of debts that survive bankruptcy, the amount and number of debts that a bankruptcy court can relieve you from paying are potentially unlimited.</p>

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