

From the Book - NOLO Foreclosure Survival Guide

Chapter 7 Bankruptcy

Can Delay or Stop Foreclosure

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Chapter 7 bankruptcy will delay a foreclosure rather than block it permanently. If you're behind on payments and want to keep your house, you'll have to file for Chapter 13 bankruptcy because Chapter 7 doesn't have a mechanism that will allow you to catch up (see Ch. 5). But even if you'll have to give up your house, Chapter 7 bankruptcy can still be very valuable when you're facing foreclosure, depending on your situation. If you want to keep your house and are current on your house payment, you can get other debt canceled, freeing up money that may make it easier to pay your mortgage. It's important to understand that unlike Chapter 13, a Chapter 7 bankruptcy will not wipe out (discharge) a second or third mortgage. If you keep your house, you'll have to pay all of the debt associated with the home, even if its value is less than what you owe on the first mortgage. Even though the debt gets wiped out, if you don't stay current on your payment, the lender will use its lien rights to foreclose on the property. If you decide to give up your house, you might be able to:

- delay foreclosure proceedings for two to four months, and
- get all or most of your debts permanently canceled so that you can have a fresh start after foreclosure.

Bankruptcy is a wonderful way to deal with various debts. Simply put, with a few exceptions, qualifying debts all go away. Credit card debts, medical bills, and most money judgments arising from lawsuits over breach of contract or negligence are all dischargeable. So if you are up to your neck in these types of bills, bankruptcy is something to seriously consider. Whether discharging debt will free up income you can use to pay your mortgage, or whether you are headed toward a foreclosure and want to get a fresh start, Chapter 7 bankruptcy might be the right chapter for you. Of course, Chapter 7 bankruptcy is not for everyone. You have to qualify to file and if you have good credit, it will take a hit. However, most people filing for bankruptcy already have bad credit, in which case filing for bankruptcy

won't make a huge difference. Interestingly enough, with a little work, there's a good chance that your score will recover fairly quickly after bankruptcy.

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CAUTION If you're interested in modifying your mortgage, see a HUD-approved counselor or bankruptcy lawyer before you file for bankruptcy. If you are seeking a modification of your mortgage principal or payments, or are attempting to refinance your current mortgage either in or out of the government programs described in Ch. 4, talk to a HUD-approved housing counselor before filing bankruptcy. A lawyer can also advise you about the modification process in bankruptcy.

How Chapter 7 Bankruptcy Helps You Whether or not you plan to give up your house, you can buy some time just by filing for bankruptcy. As soon as you do, foreclosure proceedings must stop—at least for a while. When you file for bankruptcy, the federal bankruptcy court automatically issues a court order called a stay. It bars creditors, including mortgage lenders, from taking any measures to collect a debt you owe unless the creditor seeks permission from the bankruptcy court to proceed, and the court grants permission after notice and a hearing. The automatic stay immediately stops foreclosures as well as most other creditor actions. If, for example, your home is due to be sold at auction on December 5 at 10 a.m., and you file for bankruptcy at 9:59 a.m. that day and notify the lender of the filing, the sale is “stayed” and has no effect even if it goes ahead after you file. But if you file at 10:01 a.m., just one minute after the sale, the sale would go through. In most cases, it takes about four months to complete a Chapter 7 bankruptcy case. After the court grants a Chapter 7 discharge, the party seeking to foreclose on your home is free to continue with the foreclosure and take the next step under your state's foreclosure laws. Keep in mind that there is no guarantee the foreclosure will remain stayed during the entire bankruptcy. A foreclosing lender can file a motion asking the court to lift the automatic stay so that it can move forward with the foreclosure (more below). A good rule of thumb is to seek help from a knowledgeable attorney whenever significant assets are at risk.

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What Happens to Property in Chapter 7 Bankruptcy? Chapter 7 bankruptcy is what most people think about when they think about bankruptcy. It's called “liquidation” bankruptcy because it cancels your debts, but you might have to let the bankruptcy court liquidate (sell) some of your property for the benefit of your creditors. When you file Chapter 7, most types of property you own automatically become part of your “bankruptcy estate,” under the control of the bankruptcy court. The bankruptcy trustee might have authority to sell some of the property in the bankruptcy estate to pay your creditors. But every state lets you claim some or all of your bankruptcy estate as exempt, meaning you get to keep it. As a general rule, exemption laws let you keep necessities, such as furniture, clothing, personal effects, tools of the trade, cars, books, TVs, and home computers. Most states also allow you to keep at least some equity in the house where you're living when you file for bankruptcy; this is known as a homestead exemption. When home equity is low, very few people lose property to the bankruptcy trustee.

RESOURCE Check the exemptions in your state. What property you may exempt, and to what value, varies by state. You can find the exemptions in your state on Nolo.com. In the “Bankruptcy” section choose “Bankruptcy Exemptions.”

Whether you can keep a certain piece of property also depends on how much equity you have in it. Exemptions protect equity in property. If you have no equity, you can keep the property without using an exemption. For example, if your car is worth \$20,000 but the remaining car loan balance is \$20,000, you have no equity and wouldn’t need to use an exemption in order to keep it. You’d still need to be current on your payments to avoid repossession, and pay back the loan after bankruptcy. Even though you might have to give up nonexempt property to help pay off your debts, many people don’t have any nonexempt property.

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But if you own luxury items outright, such as a boat, an RV, a valuable coin collection, corporate securities, an ownership interest in a business, or an expensive car in which you have considerable equity, they might be sold by the bankruptcy trustee to repay some of your debts. It’s important to learn which property your state will allow you to protect in bankruptcy.

What Happens to Debts in Chapter 7 Bankruptcy? Once the bankruptcy trustee has paid creditors whatever money is available, your remaining qualifying debt is canceled (discharged). There are certain kinds of debts, though, which can’t be discharged in bankruptcy. These include: • student loans (with rare exceptions) • most back taxes • back child support and alimony • criminal fines and penalties (state or federal) • liabilities arising from willful and malicious actions such as assault or theft • liabilities for personal injury or death arising from drunk driving • debts arising from acts the creditor proves were fraudulent (for instance, misstatements on a loan application) • traffic tickets, and • HOA (homeowners’ association) fees that accrue after you file for bankruptcy.

Using Chapter 7 Bankruptcy to Keep Your House You can use Chapter 7 bankruptcy to save your house if both of the following are true: • You are current on your mortgage payments when you file, and • Your equity in the house is adequately protected by the exemption laws available to you in your state.

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If you are not current on your payments, Chapter 7 bankruptcy will be only a temporary remedy unless you are able to modify your loan (which isn’t guaranteed). The lender will be able to proceed with a foreclosure within two or three months. You should instead explore Chapter 13 bankruptcy, which provides a way for you to keep your house by spreading out your missed payments over several years. (See Ch. 5.)

Staying Current on Payments Suppose you are current on your payments but expect to fall behind in the very near future for one reason or another. This might be the case if your mortgage interest rate is due to reset higher, you’ve reached the principal cap on an interest-only loan, or you have just lost some work hours or been laid off. In these and similar situations, filing for Chapter 7 bankruptcy could be a big help. Except for a few categories of debt, such as those mentioned above, you can eliminate virtually all

your unsecured debt in about three months and you can even stop paying them before you file. That's right, all your credit card debt, personal loans, medical debts, money judgments and car repossession deficiencies go away. Once your unsecured debt load is eliminated or greatly reduced, you will have a much better chance of being able to pay your mortgage.

Protecting Equity In every Chapter 7 case, the bankruptcy trustee is primarily interested in finding property belonging to the debtor that can be sold for the benefit of the creditors. Unless selling the property would produce money for the creditors, the trustee isn't interested in it. The measure of value in property that might benefit creditors is the equity. The primary purpose of exemptions is to protect equity by requiring the trustee to pay you the amount of the exemption if the property is sold. Selling property that's entirely covered by an exemption would benefit you, not your creditors, so the trustee won't sell it—and you'll get to keep it (subject to any outstanding loans against it).

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CAUTION Once you file, you may not be able to change your mind. If you file for Chapter 7 and then discover that you won't be able to keep your house because it has too much equity, you probably won't be allowed to back out and dismiss your bankruptcy case. Your right to dismiss is based on the best interests of your creditors, and if the creditors would receive a distribution from the sale of your house, their interests may require the bankruptcy to go forward. If the trustee sells your home, you'll receive the amount you're entitled to exempt, and your creditors will get paid out of the remaining proceeds.

Most states let you keep at least some home equity when you go through Chapter 7 bankruptcy. Protection for home equity varies dramatically from state to state. As of April 2019, you get \$500,000 in Massachusetts, \$145,425 in Ohio, and just \$15,500 in Alabama. In some states, two exemption lists, one state and one federal, are available. You can pick the one that's most advantageous to you. (If you haven't resided for at least two years in the state where you file for bankruptcy, however, you must use the exemptions for the state where you resided before the beginning of that two-year period.) If your equity is under the amount that's protected and you're current on your payment, you should be able to keep your house when you go through Chapter 7 bankruptcy.

EXAMPLE: Stuart and Stephanie have built up \$25,000 of equity in their house, and they've managed to stay current on the mortgage payments. But credit card and medical debts (their young son has been ill) have piled up alarmingly, and they're considering bankruptcy. They live in Maine, which lets them keep \$95,000 of equity under the state's homestead exemption. If they filed for bankruptcy, the trustee would not take their house and sell it. That's because after paying off the mortgage, only \$25,000 would be left—and that wouldn't be available to creditors because it's within Maine's \$95,000 homestead exemption, which means it would have to be paid to Stuart and Stephanie.

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If you have a lot of unprotected equity, however, the bankruptcy trustee is going to want it for your creditors.

EXAMPLE: Petra owns a house in South Carolina, which she inherited from her grandfather. The house carries a mortgage of \$300,000 but is valued at \$500,000, meaning Petra has equity of \$200,000. In South Carolina, you can protect only \$60,975 worth of equity in your house. Petra is in a jam. She can't borrow against her equity because she can't afford to pay down another loan, but she needs the protection of bankruptcy against several creditors who are threatening to sue her. She's managed to keep current on her mortgage payments, but she won't be able to keep that up if her creditors sue her and garnish her wages. If Petra filed for Chapter 7 bankruptcy, the bankruptcy trustee would sell her house, pay off the mortgage, give Petra her \$60,975 exemption and use the rest to pay Petra's creditors and the bankruptcy trustee. If there were anything left over, Petra would get that as well. If this is not the result Petra wants—and it probably isn't—she should not file for Chapter 7 bankruptcy.

RESOURCE How much home equity can you keep? If you have home equity and you want to find out how much your state protects or what other property is protected under your state's exemption laws, visit Nolo.com and in the "Bankruptcy" section choose "Bankruptcy Exemptions."

You Cannot Eliminate Payments on a Second or Third Mortgage When property values fall, second and third mortgages are frequently left unsecured. In other words, the property no longer has sufficient value to guarantee their payment.

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After the 2008 economic downturn, many properties were worth less than the amount the homeowner owed. Although this situation has reversed itself for the most part, property equity in some areas still hasn't bounced back. If your home is worth less than what you owe on your first mortgage, you can wipe out a subsequent mortgage, such as a second or third, in a Chapter 13 bankruptcy. However, this option is not available in a Chapter 7 case. A homeowner who keeps a house in a Chapter 7 bankruptcy must pay all loans secured by the property, regardless of the value of the property. It isn't because Chapter 7 doesn't wipe out the mortgage—it still does. It's because the lender retains a lien right allowing for foreclosure if the debt isn't paid.

EXAMPLE: Paula owes \$200,000 on a first mortgage, \$100,000 on a second mortgage, and \$50,000 on a third mortgage. Her house is worth \$275,000, leaving the second mortgage partially unsecured, and the third mortgage wholly unsecured. If she files for Chapter 7 bankruptcy and keeps the home, she'll have to continue paying all three mortgages to keep the house. If, however, she files for Chapter 13 bankruptcy, she can file a motion asking the court to strip off the wholly unsecured third mortgage. (Partially secured mortgages remain in a Chapter 13 bankruptcy. Only wholly unsecured mortgages will qualify for discharge.)

Using Chapter 7 Bankruptcy to Delay a Foreclosure Sale in Good Faith The instant you file for bankruptcy, all foreclosure proceedings must cease. This means that if you file for bankruptcy at 11:59 a.m., a foreclosure sale at 12:00 p.m. would be void. Because of this instant relief, many people turn to bankruptcy as a last resort when their efforts to work something out with their lender have failed to materialize. As mentioned, a Chapter 7 bankruptcy filing will give you two or three months of relief before the foreclosure can proceed again, but it's definitely not a permanent fix.

As a general rule, filing for Chapter 7 bankruptcy is a bad idea if you have little or no debt that would be discharged and your only reason for filing is to buy some extra time in your house. You won't be able to get another Chapter 7 discharge for eight years, so why waste it just to get a little extra time? Also, the courts frown on filers using bankruptcy for tactical purposes. However, if you are facing foreclosure, you also probably have some serious debt issues. If your Chapter 7 would eliminate that debt as well as buy you some more time in your home, the equation changes and Chapter 7 bankruptcy becomes a valid option you could file in "good faith."

How Much Time You'll Get A Chapter 7 bankruptcy takes about three to four months (sometimes longer) from the date of filing to the date of discharge (cancellation) of your debts. Unless the judge gives the lender permission, no foreclosure sale can take place during that time. The lender can, however, file a formal request (motion) asking the bankruptcy court to lift the automatic stay and let the foreclosure sale proceed. Lenders usually must provide at least 25 days' advance notice of the hearing on their motion unless they get the judge's permission to shorten that time. Generally, the lender must hire a lawyer to file the motion, so it is a relatively expensive procedure. For this reason, some lenders skip the expense, let the bankruptcy proceed and simply reschedule the foreclosure sale once it's complete. This leaves your three- to four-month delay intact. A lender who thinks it's worthwhile to ask the court to let the foreclosure go ahead usually files a motion 30 to 45 days after you file. A court hearing on the request will be scheduled about 25 to 30 days later. The court will likely grant the motion to lift the stay unless you can show that any of the following apply:

- The proposed foreclosure is illegal in some way.
- The lender hasn't complied with state procedural requirements (see Ch. 7).

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- The party bringing the foreclosure hasn't produced the necessary paperwork or evidence to show it has authority to seek the foreclosure.
- There is substantial equity in the property that you cannot protect with an exemption. In this case the trustee would likely sell the property. If the court lifts the stay, the lender will then be free to resume the foreclosure process. If the court refuses to lift the stay, then the foreclosure will be stalled until you receive your bankruptcy discharge. After the discharge (or after the court lifts the stay), the lender can proceed with the foreclosure. Unlike Chapter 13 bankruptcy, Chapter 7 doesn't force the lender to let you make up your missed payments over time or preserve your right to keep ownership of your house.

Timing Your Filing Sometimes you don't have the luxury of deciding when to file for Chapter 7 bankruptcy. If your wages are about to be garnished, you'll most likely file as soon as possible. However, if there's no emergency, it sometimes helps to wait until your filing has the best possible effect on delaying your foreclosure sale. In most cases, this means waiting to file until just before the sale date.

Keeping Money Saved Before Filing for Bankruptcy If you're sure you'll be giving up your house sooner or later, it makes excellent financial sense to keep living in it and give it up later. If you are current on your mortgage when you make this decision, you'll likely be able to save at least three or four months' worth of mortgage payments before foreclosure proceedings even begin. And depending on how long

you have before the actual sale, you will probably be able to save at least several more months' worth of mortgage payments. (More on this in Ch. 9.)

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However, if you would like to file for Chapter 7 bankruptcy, you should first figure out whether you'll be able to keep what you've saved before you file, or whether you'll have to give it up to be used by the trustee to pay down your unsecured debt. This issue doesn't arise for any money you save after you file your Chapter 7 bankruptcy; it applies only to what you have in the piggy bank on the day you file. You can keep your savings through the bankruptcy process if you can claim it as exempt. Every state has its own rules about how much money is exempt from creditors—in other words, how much you are allowed to keep when you go through bankruptcy. And there is a separate set of federal exemption rules; in states that allow it, you can pick whichever system works better for you. However, most states don't allow you to keep much—if any—savings. But that's not always the case. For example, in California, under the exemption system that just about everybody uses when there is no home equity to protect, you can protect roughly \$30,825 worth of any type of property, including cash in a bank account. You can also keep such commonly owned items as household furnishings and personal effects, as well as \$8,725 in the tools you need in your profession and \$5,850 of vehicle equity. So, if you have \$10,000 in the bank, you could keep that \$10,000 and still have enough remaining to protect other property. To find out how much money you are allowed to keep when filing for Chapter 7 bankruptcy, check your state's page in the appendix. It might be that the exemptions available to you in your state won't let you keep the cash you've saved as well as all your other property. In that case, you'll have to pick and choose what property you keep and what you give up. For example, if you have \$50,000 worth of home equity, and your state makes you choose between the home equity and your savings account, you might have to give up the savings account. In the end, the only way to know for sure how much property (and cash in the bank) you can keep in a Chapter 7 bankruptcy is to review the exemptions.

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EXAMPLE 1: Jon lives in California. He has no home equity. He has not been paying his \$2,500 mortgage for seven months before he files for bankruptcy to stave off a scheduled foreclosure sale. With money earned from his job, he has put \$2,500 a month in a bank account, giving him savings of \$17,500. In addition to hand-me-down furniture and normal personal effects, Jon's only other property is a classic 1967 Chevrolet Camaro Rally Sport worth \$20,000. In one of the two available exemption systems in California, Jon is entitled to exempt \$5,850 worth of motor vehicle equity and \$30,825 of any other type of property (the wild card exemption). Jon wants to hold on to his Camaro but will have to use \$14,150 of the wild card exemption to supplement the \$5,850 motor vehicle exemption to fully exempt it. That leaves him \$16,675 from the wild card exemption. Because there is no specific exemption for a bank savings account (as there is for a motor vehicle, for example), Jon will be able to exempt only \$16,675 of his savings. He'll have to give up the rest (\$825) as nonexempt property, to be used by the bankruptcy trustee to pay down his unsecured debt. If he is eligible to make retirement plan contributions, he might be able to exempt his cash by depositing \$825 into an IRA account. He can also use the money for

necessary items, such as food, utilities, and clothing, but he should keep good records in case he is asked about the funds.

EXAMPLE 2: Amy lives in Massachusetts in a house she inherited. She has home equity of \$200,000, but she doesn't have enough income to borrow against her equity and she has a lot of credit card debts to deal with. Bankruptcy seems like the best way out. Amy learns that the Massachusetts homestead exemption fully protects her equity. Unfortunately, the Massachusetts exemption system provides very little protection for savings, so if Amy has saved money before filing for bankruptcy, she'll have to give it up if it isn't needed for necessary purchases. If Amy had no home equity to protect, she could use the federal exemptions (an alternative system to the Massachusetts state exemptions) to protect her savings, because they provide \$13,900 "wildcard" protection for any type of property (including a bank account) for single filers and \$27,800 for joint filers.

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The Chapter 7 Bankruptcy Process: An Overview Chapter 7 bankruptcy is a very straightforward process. It typically consists of six steps: Step 1: Before filing, complete a mandatory credit-counseling course by phone or online. Step 2: File the official bankruptcy forms listing all your property and creditors and providing information about your financial transactions during the previous two years (fillable forms are available at www.uscourts.gov/forms/bankruptcy-forms). Step 3: Mail the bankruptcy trustee appointed to the case a copy of your most recently filed income tax return, plus any other documents the trustee asks for—usually bank statements and paycheck stubs. Step 4: About 30 days after you file, attend a creditors' meeting. The creditors' meeting occurs in a small hearing room and is conducted by the trustee. Creditors seldom appear. At this meeting, you are required to answer any questions the trustee has about the information in your papers, or provide other information the trustee thinks is relevant. A typical meeting lasts five minutes or less. You are not required to have a lawyer represent you at this meeting—you will have to answer the trustee's questions directly, whether or not you have a lawyer with you, about matters reasonably related to your financial situation. Step 5: No later than 60 days after the creditors' meeting, you must attend mandatory budget counseling (by phone or online) and file a simple form telling the court that you have completed it. You'll attach a certificate of completion from the counseling agency.

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Step 6: Wait until the court sends you a written discharge of your debts. That will come about 60 to 75 days after the creditors' meeting. During that period, creditors can, but seldom do, object to a discharge (cancellation) of your debt. The trustee arranges for you to turn over nonexempt property, if you have any.

The Chapter 7 Bankruptcy Timeline Before you file Mandatory credit counseling Filing date Papers filed to start the bankruptcy About a month after you file Creditors' meeting held Up to 60 days after the creditors' meeting Mandatory budget counseling

60 days after the creditors' meeting Court sends written discharge of your debts

Do You Qualify for Chapter 7 Bankruptcy? To qualify for Chapter 7 bankruptcy, you must pass the means test. It's a two-step process. Here is how it works.

Means Test: The Six-Month Gross Income Test You'll qualify for Chapter 7 bankruptcy if your average monthly gross income in the six-month period prior to the month in which you file for bankruptcy is below the annual median household income for your state. You'll double your six-month income before comparing it to the state annual median income. A household is defined by most courts as all members of an economic unit; that is, an arrangement where income and expenses are shared for the benefit of all. For example, domestic partners and their children are one economic unit, as are groups of people living together as "families." Roommates, on the other hand, are typically not considered

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an economic unit, assuming they handle their income and expenses separately and only share the rent. Similarly, arrangements in which a debtor lives with his or her parents, but the income and expenses are not shared, are not considered economic units. A few courts reject the economic unit definition of "household" and instead look to the tax rules. In these courts, if a member of the household is not a dependent of the bankruptcy debtor for tax purposes, he or she would not be considered part of the household. To see whether or not you qualify under this income test, add up all your gross income for your household for the six calendar months immediately preceding the current month. Then multiply the total by two.

Figuring Your Gross Income

Total household income for last six calendar months $\times 2$ Average annual income = \$

Then compare this figure to the median household income for your state. You can find the most current figures on the website of the U.S. Trustee at www.justice.gov/ust (choose "Means Testing Information" and then click on the appropriate date range under "Data Required for Completing the 122A Forms and the 122C Forms"). If you pass the means test, you are halfway there. You also have to provide information about your current income and living expenses (called Schedules I and J). You should be fine if your current living expenses are reasonable, necessary, and use up virtually all of your monthly income. If the schedules show that you have more income per month than you really need for living expenses, the trustee might seek to dismiss your case.

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EXAMPLE: Preston and Megan live in Kansas with their two children. In September they examine their gross income from all sources (which includes bonuses, commissions, overtime, and even lottery winnings) for the months March through August. Their total income for that period is \$36,600. They multiply that figure by two to arrive at an annual figure of \$73,200. They find that Kansas has a median annual household income of \$85,144 for a family of four. Their annual gross household income is less than the Kansas median annual household income, which means they pass the income test and can receive a debt discharge in Chapter 7 bankruptcy.

TIP If you wait, you may qualify later. If your income is higher than the median income for your state based on your gross income for the previous six months, but your income has recently gone down, you might consider waiting for another month or two to file. The delay may render your income for the new six-month period low enough to produce an average below your state's median.

Means Test: Deducting Expenses If your household income is above the median for your state and household size, you might still qualify for a Chapter 7 discharge after taking the second half of the means test. You'll have to show that your allowable expenses and certain standard deductions leave you with inadequate funds to repay a substantial portion of your unsecured debts. (An unsecured debt is a debt that isn't attached to particular collateral— for example, credit card debt.) If you pass, you can file for Chapter 7 bankruptcy. If you don't pass, you'll have to consider filing a Chapter 13 bankruptcy. But check with a bankruptcy lawyer first. An experienced bankruptcy lawyer might be able to help you pass the means test.

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The Actual Income and Expenses Test Again, even if you pass the income or means test, some bankruptcy courts will require you to file for Chapter 13 bankruptcy rather than Chapter 7 bankruptcy if, looking forward, your actual income will exceed your actual expenses. This determination is based on the income and expense schedules that must be filed with every bankruptcy. If your income exceeds your expenses, you might have to pay the excess to creditors in a Chapter 13 case.

Will You Need a Lawyer? Will you need a lawyer to represent you in Chapter 7 bankruptcy? Opinions on this differ. Those who feel you can go it alone point to the fact that for the vast majority of filers, there's no court appearance (although you will have to appear at the meeting of creditors) and no legal advocacy is needed. If you do decide to represent yourself, be aware that the legal system holds you to the same legal standards as a licensed attorney. You are responsible for knowing and correctly following the laws and for completing your paperwork properly. When you appear at the meeting of creditors, the trustee will not provide you with legal advice or help. Instead, the trustee will scrutinize your case looking for assets to take and reasons to have your expenses disallowed. If you file under the wrong chapter, incorrectly believe you can keep certain property, or make other mistakes, you will bear the consequences. For some mistakes, you might need to amend your papers and attend one or more extra creditor meetings. But other mistakes can be much more costly. For example, the trustee or your creditors may ask the court to deny your bankruptcy or you might lose assets or other valuable legal rights.