

SOME MYTHS ABOUT BANKRUPTCY

Here are some of the top myths your creditors want you to believe...and the reason why every one of them is NOT TRUE.



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Myth 1: *Under the NEW bankruptcy law, there's no more bankruptcy and no more help (or, it's too late to file).*

Not true. In fact...nothing could be further from the truth. The truth is that you can do almost everything under the NEW law that you could do under the OLD law. In some ways, the new law actually increased the benefits of filing bankruptcy. In fact, bankruptcy filings are UP 35% in the last 12 months and are projected to exceed 1.2 million new filings by years end.

Myth 2: *Everyone will know you have filed for bankruptcy.*

Unless you're a very prominent person or a major corporation and the filing is picked up by the media, the chances are very good that the only people who will know about your filing are your creditors and the people whom you tell. While it is true that your bankruptcy is a matter of public record, the number of filings is so massive that unless someone is specifically trying to track down information about you, there is almost no likelihood that anyone will even know you filed. However...telling someone that someone else filed bankruptcy is good gossip...just like telling someone you heard so-and-so is getting a divorce. So, if you don't want everyone to know

you filed a bankruptcy, you need to keep the information to yourself. As for newspapers, the fact is that most newspapers don't include information about who filed bankruptcy...and even if they did, think about it - who would be interested enough to read about it?

Myth 3: *You will lose everything you have.*

Nothing but nothing could be further from the truth. The fact is, most people who file bankruptcy don't lose ANYTHING! First, while laws vary from state to state, every state has exemptions that protect certain kinds of property up to a certain dollar amount. Using California as an example, since that is where we are, there are exemptions to protect such things as your house, your car, your truck, household goods and furnishings, clothing, pensions and IRAs, the cash value in life insurance, wages and your tools of the trade, just to name a few.

Second, 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 may as long as you keep paying on the debt. If you makes 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.

Myth 4: You will never be able to own anything again.

Surprisingly, a large number of people actually believe this. In reality, it is completely false. In the future, you can buy, own and possess whatever you can afford.

Myth 5: You will never get credit again.

Quite the contrary. Filing bankruptcy gets rid of debt...and getting rid of debt puts you in a position to handle more credit...making you look more attractive to would-be lenders. Ironically, it will not be long before you start receiving credit card offers again. Be careful! We do not want you to get right back in debt again! At first, the would-be lenders might want more money down and will want to charge you higher interest rates.

However, over time, if you are careful, and keep your job, and start saving money, and pay your bills, and do things that will put good marks on your credit report, the quality of your credit will get better and better. Generally, if a client has not reestablished good credit in 2-3 years, sufficient to buy a car or even a house, it is for some other reason than that they filed bankruptcy - more often than not, something else happened AFTER the bankruptcy to damage their credit.

Myth 6: Filing bankruptcy will hurt your credit for 10 years.

Not true. People get two completely concepts confused with each other. They are getting the fact that bankruptcy is reported on your credit report for 10 years mixed up with the effect that reporting will have on your credit. Just because something is reported on your credit report does NOT necessarily mean it will have a negative effect on your credit standing.

First, let's get one thing out in the open. By the time most people make the decision to file bankruptcy, their credit is already damaged, maxed out, or both. This being the case, the fact is that most people filing for bankruptcy no longer have any credit for the bankruptcy to hurt!

Second, as mentioned above, if you have not reestablished good credit in 2-3 years after you file bankruptcy, most likely it has nothing to do with the fact that you, once upon a time, filed bankruptcy...and it certainly has absolutely nothing to do with the fact that your credit history still shows an old bankruptcy.

Myth 7: If you're married, both you and your spouse have to file for bankruptcy.

Not true. In many cases, where both husband and wife have a lot of debt, it makes sense and saves money for them both to file...but it is never a requirement under the law. There are many instances in which only one spouse files for bankruptcy. The good news is that generally, if it makes sense for both spouses to file together, they can both file for the same fee as if it were a single filing.

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

Preposterous on its face. There is a reason over 1,000,000 Americans file bankruptcy each year... and its not because they are bad people. Lots of good, honest, hard-working people fall on hard times, especially now, and many prominent and well-respected figures, including sports stars, entertainment icons, political leaders - even former presidents - have filed for bankruptcy.

Life is not always easy, and sometimes the money is just not there. The bankruptcy laws were created with this in mind - to make sure that you have a way, if need be, to break free from the burden of debt so that you and your family can have the "fresh start" that is the foundation of the bankruptcy laws.

Myth 9: Filing for bankruptcy will hurt your credit.

As mentioned above, by the time you decide to file bankruptcy, your credit is already damaged, maxed out, or both. How could bankruptcy possibly hurt it? Bankruptcy actually helps you rebuild your credit. Why? Bankruptcy gives you

a point at which you can start over and thereby rebuild your credit. In other words, you can't start to rebuild unless you get to that starting point. If you do nothing, things will either stay the same or get worse. Short of winning the lottery, you will never be able to rebuild your credit.

Myth 10: Even if you file for bankruptcy, creditors will still harass you and your family.

This is NOT true. In fact, it is just dead wrong. The minute you file bankruptcy, the Bankruptcy Court issues an order telling all of your creditors to leave you alone. No more phone calls, no more collection letters, no more lawsuits, no more repossessions, no foreclosures, NOTHING. This order has a name - it is called the "automatic stay," and it is pursuant to 11 United States Code, Section 362. The automatic stay prohibits creditors from any and all collection actions. After you file bankruptcy, the creditor is not even allowed to talk to you. In addition, the creditor must stop any collection attempts already started. The automatic stay is very powerful, and puts the full weight of the United States 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 Bankruptcy Court for contempt, and to be compensated accordingly. Bankruptcy Court judges do NOT take kindly to creditors who ignore the automatic stay, and these judges have been known to punish offending creditors severely. Very simply, once you file for bankruptcy, creditors must leave you alone or suffer the consequences.

Myth 11: If you file for bankruptcy, it may cause more family troubles and may even lead to divorce.

This is NOT true. Usually, it works just the opposite. Filing bankruptcy is not the problem. The problem is not being able to pay your bills! All good, honest, hard-working people feel a strong need to pay their bills, and not being able to do so causes them to feel tremendous stress. Unless you do something to relieve this stress, the stress can quickly build to the breaking point - your marriage. Bankruptcy is designed to get you out from under the burden of debt, to protect

your property and to lower your stress level. If your experience is like that of other couples, you will find that filing bankruptcy...and lowering the stress level...can be a crucial first step in bringing the love and caring back into your relationship.

Myth 12: You can't get rid of back taxes through bankruptcy.

You can, IF the taxes are over three years old. Under the law, there are certain other requirements that have to be met, but if they are, these taxes are discharged as well. Please note: Filing bankruptcy does NOT get rid of withholding or sales taxes, no matter how old they are.

Myth 13: You can only file once for bankruptcy protection.

Not true. You can only file a Chapter 7 bankruptcy once every eight years...but after 8 years if need be, you can file again. As for filing a case under Chapter 13 of the Bankruptcy Code, there is no such restriction.

Myth 14: You can pick and choose which debts and property to list in your bankruptcy.

Sorry, but you cannot. Doing so would be against the law. Under the law, when you file bankruptcy, you have to list all of your property and all of your debts. Many people want to leave out a debt because it is their intention to keep paying it. The good news is that you can achieve the same goal, AFTER the bankruptcy. After the bankruptcy, you can go back and pay anybody you want. Moreover, some debts you HAVE to keep paying on.

For instance, if you have a car, truck or home loan, even though you list the debt in your bankruptcy, if you want to keep that car, truck or home, you have to keep paying on the debt. More importantly, as long as you stay current on the loan, and keep the property properly insured, you are protected under the law and you get to keep the property, because under the law, the creditor is stuck with you and cannot do anything about it even if they wanted to.