

TOP 10 MYTHS OF BANKRUPTCY (UNLESS YOU'RE COUNTING)

1. YOU CAN'T FILE BANKRUPTCY UNDER THE NEW LAW

*No, THE 2005 REFORM ACT just made it more difficult and added SPEED BUMPS to overcome

*This is why you need to consult a consumer bankruptcy attorney before you do anything if you are in financial distress

2. YOU MUST BE BEHIND IN YOUR BILLS OR BROKE TO FILE BANKRUPTCY

--No, do not wait until it is an emergency with bank restraints and income executions.

-Figure out where you will be financially 6 months from now. Will it be better or worse?

3. YOU CAN'T WORK AND FILE BANKRUPTCY

- No, the starting point is the MEDIAN INCOME set in the Means Test under the new law which is currently \$46,523 for single person
 - \$57,006 for family of 2
 - \$110,636 for family of 8 in NY
 - Each state is different
 - This is just a starting point. Certain expenses will qualify you.

4. YOU WILL LOSE MY HOME IF YOU FILE BANKRUPTCY

*NO: each state has different protection for homes

*NY HAS \$50K HOMESTEAD PROTECTION FOR EQUITY FOR EACH PERSON ON DEED

5. IT WILL DESTROY MY CREDIT IF I FILE FOR BANKRUPTCY

MY CREDIT SCORE WILL GO DOWN

*Let's face it: most clients already have bad credit

*Question is: What are you going to do about your debt?

*Most credit scores will go up after filing bankruptcy, particularly in a Chapter 13

6. , YOU WILL NEVER GET ANOTHER JOB OR BE ABLE TO RENT AN APARTMENT

*You have a better chance of landing that job if you take action to fix your finances

*Employers do not want harassment at work or income executions

*Landlords want tenants who can use their salary to pay rent, not the Marshal or credit cards

7. IF YOU FILE BANKRUPTCY , MIGHT AS WELL MAX OUT CREDIT CARDS

*WRONG! Stop using the cards and stop paying them and see a consumer bankruptcy professional

*Maxing out those cards will create more problems in your bankruptcy filing and may be bad faith

*Bankruptcy is meant for the UNFORTUNATE but HONEST debtor

8. YOU SHOULD DO ANYTHING TO AVOID BANKRUPTCY INCLUDING CASHING IN 401K OR RETIREMENT FUNDS

*WRONG! Your retirement funds are protected!

*And, you will be taxed and penalized on retirement withdrawals by the IRS!

*Don't listen to those Cable Talkingheads who tell you to cash in your retirement!

9. IMMIGRATION STATUS WILL BE AFFECTED AND YOU WILL NEVER BECOME A CITIZEN

*NOT TRUE: Filing bankruptcy is NOT a crime and will NOT affect your Green Card or CITIZENSHIP!!

10. THOSE TALKING HEADS ON CABLE KNOW WHAT THEY ARE TALKING ABOUT

**Cash in your retirement*

**Do anything to avoid Bankruptcy*

**Talk to a professional consumer Bankruptcy Attorney*

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11. MY BANKRUPTCY WILL BE IN THE NEWSPAPERS AND EVERYONE WILL KNOW ABOUT IT.

*Not unless you are a celebrity.

*Not published in newspapers although it is a matter of public record

*12. THOSE DEBT MANAGEMENT PLANS ADVERTISED ON TV AND RADIO WORK!**

*NO! If you pay the DMP and do not pay your creditors, you will be sued by the creditor

*Most DMP are being investigated by the Attorney Generals

13 YOU CAN KEEP 1 CREDIT CARD (JUST DON'T TELL YOUR BANKRUPTCY ATTORNEY)

*No. Bankruptcy allows a Fresh Start. You need to list all of your debts

*It is likely that the card will be closed anyway

14. YOU CAN'T AFFORD TO FILE BANKRUPTCY

*Most bankruptcy attorneys have payment plans

*In Chapter 13, most of the fees can be paid through the plan payments

*You are generally instructed to stop all credit card payments freeing up money for fees

15. YOU ARE A FAILURE IF YOU FILE BANKRUPTCY

*Studies show that bankruptcies are generally caused BY

HEALTH PROBLEMS

EMPLOYMENT PROBLEMS and MATRIMONIAL PROBLEMS

16. YOU HAVE TO PAY EVERYTHING BACK ANYWAY, SO WHY FILE BANKRUPTCY

*In A Chapter 7 bankruptcy debts are wiped out with the exception of certain taxes, child support/alimony and student loans

*In Chapter 13 you pay back debts that must be paid, such as certain taxes, mortgage arrears if you are keeping the house

17. YOU HAVE TO WAIT 6 MONTHS AFTER CREDIT COUNSELING TO FILE BANKRUPTCY

*Another myth from the cable talking heads. You need to take credit counseling through your bankruptcy attorney WITHIN 180 days of filing.

-THERE GO THOSE TALKING HEADS AGAIN.