



Bankruptcy or Debt Settlement

Which is Better?

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Bankruptcy or Debt Settlement. Which is Better?

If you have debt problems, it is easy to assume that you have the "right" to choose the way to solve them. But that assumption ignores reality. For example, there may be only one way to resolve some types of debts. Although bankruptcy eliminates many debts, bankruptcy can't get rid of some debts.

What you can afford to pay is also a factor to determine which choices you have. Every person's debt problems are unique. So solving your debt problem is not "one size fits all."

Choose Chapter 7 Bankruptcy if...

- After paying your living expense, you have no money left. You do not have savings or a place where you can obtain your creditors a settlement.
- You have more than 5 creditors, and your debts add up to more than \$20,000.
- Your income has gone down during the past year.
- A creditor sued you and obtained a judgment. As a result, there is a high risk that this creditor will garnish your wages or attach your bank account(s).
- You have not filed a Chapter 7 bankruptcy during the past 8 years.

Choose Debt settlement if...

- **You only owe a few creditors but have fallen far behind on paying them.**
- **You have some savings you could use to settle your debts, or someone will give you money to settle.**
- **You own things you would lose by filing bankruptcy, such as a second home, investment account valued at more than \$10,000, property overseas, a pending injury claim, or inheritance.**
- **You have money available in your budget to pay part of your debts, and you have the discipline to save up to settle your debts.**
- **Your debts are not eligible to be eliminated in bankruptcy. For example, you have student loans, past-due child support, or casino markers.**
- **You or your spouse's income will make qualifying for Chapter 7 a problem.**

Choose Chapter 13 Bankruptcy if ...

- **Your mortgage is in foreclosure, and you don't want to lose it.**
- **You are behind on your car payments and don't want to lose it.**
- **You owe taxes but cannot afford a payment plan. Or, you aren't sure you can eliminate your taxes debt in Chapter 7 bankruptcy.**
- **You cannot file a Chapter 7 because you:**
 - a) **make too much to qualify for chapter 7,**
 - b) **can afford to pay some, but not all of your debts and your creditors refuse to settle,**
 - c) **filed Chapter 7 during the past 8 years and can't qualify to file another Chapter 7 case,**
 - d) **need protection from creditors or need an "escape route" if your circumstances should change.**

Credit Repair Issues to consider...

- **How important is your credit score?** When you have overwhelming debt problems, deciding how to solve them based on your credit may seem foolish. Just as some people worry about their hair when paramedics are *en route*, many consider credit issues when evaluating solutions to their debt problems. However, not to worry. All my clients receive help to rebuild their credit, whether they choose bankruptcy or debt settlement. Concerns about your credit are "normal," but it shouldn't be your most crucial worry.
- **How much damage will each solution do?** If you have a good credit score now, both bankruptcy and debt settlement will damage your score. With bankruptcy, bouncing back is easier and quicker. Surprisingly, debt settlement usually damages your credit more than bankruptcy.
- **Mortgage Issues:** After bankruptcy, most lenders require you to wait at least 1 year to obtain a new mortgage. If you are behind on an existing mortgage, you might want to modify your mortgage to resume making payments and put the past due amount at the end of your loan. Unfortunately, this is not a realistic option because lenders want their payments now. For all its flaws, Chapter 13 bankruptcy is usually the best solution to getting back on track if your mortgage is delinquent.

This eBook is a general guide to help you consider ways to solve your debt problems. Don't assume that a solution suggested in this eBook applies in every circumstance. Nothing can be as effective as a comprehensive consultation with an attorney who understands both Bankruptcy and debt settlement.



I love being able to offer both bankruptcy and debt settlement.

Deciding how to solve your debt problems is important and comes with a lot of stress. You usually are being pressured to do something right away. Not knowing your rights, dealing with legal action, and criticism from your own family and friends just makes choosing even more difficult.

I have been working to solve debt problems since I was a little girl, when my mother came to me crying and asking for advice. Professionally, I have been answering questions and taking legal action to solve debt problems since 1979. There aren't many financial problems I haven't seen.

Some people see me as a "mean mommy" because while I won't accept excuses, I do have the answers you need. I always will tell you the truth and recommend what is in your best interest, even when the solution doesn't earn me a fee. Of course, my advice comes with a small dose of legal mumbo-jumbo. I just can't help it!

If you would like more information about bankruptcy, debt settlement, or both, I have eBooks that explain both. Of course, I would be happy to send you a copy. Just email me at dorothy@afreshstartlaw.com.