



## What is Bankruptcy?

In the United States, it is common for many people to have debt. Borrowing money to buy a car, house, or other expensive item is normal. Yet, if you have too much debt it can lead to stress and not being able to pay your bills and other expenses. For anyone with debt, it may be important to think about your options to get out of debt. One option you may have been told about is bankruptcy.

The bankruptcy process usually begins when someone with debt files a written request with the bankruptcy court to get a fresh start by selling things they own to pay their debts or make a debt repayment plan. A written request for bankruptcy can be filed by an individual person, spouses, and even businesses.



Bankruptcy should be considered as a **last resort** when all other options have been exhausted. It is a viable option only if there is no realistic way for you to pay your biggest debts in years to come.

There are two main types of personal bankruptcy.

**Chapter 7 Bankruptcy:** You sell your assets (things you own) to pay off as much debt as possible. This is called discharging your debts, which can remove your responsibility to pay certain debts you can't afford to pay off. However, *this bankruptcy will stay on your credit report for 10 years* and can make it difficult to get credit, buy a home, or even get a job.

**Chapter 13 Bankruptcy:** You make a plan to pay off all or part of your debts in 3-5 years. It will stay on your credit report for seven years.

Bankruptcy has long-lasting consequences and should not be taken lightly. However, it is a legal procedure that can offer a fresh start for those who have, for example, experienced a sharp drop in income.

Filing for bankruptcy could cost between \$1,500 – \$2,000. You should consult a financial professional or a bankruptcy attorney first, and you most likely will need to hire an attorney for the process.

To get connected with a bankruptcy expert, you can contact the Wisconsin Bar Association Lawyer Referrals numbers (608) 257-4666 or 1-800-362-9082.

You can also visit the website of the Catholic Charities of the Diocese of Green Bay for more information on access to debtors education and credit counseling: <https://catholiccharitiesgb.org/bankruptcy>

You can talk about ways to get out of debt, and other financial and family topics, with your county's financial educator. Visit <https://counties.extension.wisc.edu/> for more information.