

Bankruptcy in the US

Today, when all the economies in the world is facing hard times, it is natural that, people are having a difficult time managing their finances.

In the past consumer spending had increased to gigantic proportions, due to easy credit available through credit cards. This resulted in increased spending. Now with increase in interest rates, people are finding it difficult to repay their loans.

Some misfortunate ones have to resort to filing for bankruptcy. Bankruptcy should be considered only after trying out other debt management methods like [debt consolidation](#), repayment refinancing and IVA's.

Bankruptcy is the legal action that can be taken by a person to reduce the amount of debt a person has and there are various options under which a person can file for bankruptcy. Chapter seven bankruptcy forgives all unsecured debt. But secured debt has to be repaid and it is not forgiven.

Similarly chapter 13 bankruptcy deals with repaying some part of your debt in 3-5 years time. The person going for bankruptcy is placed on a budget with money allotted for basic necessities and the remaining amount is used to pay off the creditors. He has to follow the budget to get discharged of his debts. Such a person cannot take another loan or get into new debt.

A person filing under any of the above mentioned two sections will not have any claim over his assets, as they will be used to repay as much of the debt as possible. Non dischargeable debts like student loans, alimony, child support, taxes and cash advances will not be forgiven.

Apart from these chapters there is chapter 11, used by individuals and businesses that have huge amount of debts. Chapter 12 deals with particular needs of farmers and their families who are in deep financial problems. This section helps farmers and their families to reorganize their debts so that they can keep their land and farms with them.

A person filing for bankruptcy has to pay different fees like the filing fee and lawyer fee. Any one having financial problems must consider other options like taking the help of a financial counselor or consumer credit counseling service before thinking about bankruptcy option.

There are after effects of bankruptcy such as the details staying on a person's credit report for about ten years. A person applying for a job, loan or a place to stay will encounter problems as others are less likely to trust him. When applying for a loan he may be unable to get one at reasonable interest rate and may have to pay substantially higher rates than normal.

About the Author

Refinancing..? Struggling with the mountings of credit cards, debit cards, store cards and loans..? Need to [manage your debt](#), but don't know where to start..? Let your debt gremlins out of the closet and speak to the experts at [debt-free.org.uk](#) today... Help is just one click away!

Source: <http://articles.peuan.com>