**Chapter 7 or 13-Which is Best?**

**What are Chapter 7 and Chapter 13?**

These are two kinds of bankruptcy that are generally available to individual debtors. Chapter 7 is the "traditional” bankruptcy, and Chapter 13 is a "debt-payment plan".

A Chapter 7 bankruptcy allows you to discharge many debts, which means that you are no longer legally responsible for them. A Chapter 13 case allows you to repay all or part of your debts in regular installments (usually monthly) under a 3 to 5 year plan. The amount of your installment payments depends on your ability to pay. You must have a reliable source of income.

Your attorney will carefully review all your financial circumstances, and help you decide which option is best for you.

**What are the most important differences?**

* A Chapter 7 case usually lasts only a few months, while a Chapter 13 case may last up to five years.
* In a Chapter 7, you are seeking a discharge of debts, except those you agree to pay or the law won’t let you discharge. In Chapter 13 you are repaying some or all of your debts through a plan.
* In a Chapter 7, if you are behind in mortgage or car payments, you must normally catch up payments, or make arrangements to do so, if you want to keep your home or car. In Chapter 13, you may be able to catch up payments through your plan, under terms you can afford.
* In Chapter 7, state “exemption” laws allow you to keep certain amounts of property you own. In Chapter 13, you’ll usually keep all of your property, regardless of value, if your plan is approved.
* You may receive a Chapter 7 discharge only once every eight years. Different rules apply for Chapter 13's.

**Why would I want to file a Chapter 13 case?**

If you have a steady, reliable income, it may be advisable to file a Chapter 13 in the following circumstances:

* If you are behind in mortgage or car payments, and want to keep your home or car.
* If you have more than one car payment, and want to keep your vehicles, a Chapter 13 case may allow you to reduce your payments
* If you have substantial non-dischargeable debts such as taxes or student loans, and you have been unable to work out payments with your lenders.
* If you have co-signers on your debts, whom you wish to protect. (It is often easier to do this in a Chapter 13 than in a Chapter 7).
* If you are ineligible for Chapter 7 discharge (such as under the 8 year rule).
* If you own too much property to keep it all in a Chapter 7.
* If you prefer to pay your debts, but need them extended, reduced, or both, in order to pay them.
* If your household income is over the median income in your state, under some circumstances you may only file a Chapter 13.

**Is there a difference in the cost?**

The court filing fee for a Chapter 7 case is currently $335, and for a Chapter 13 it is $310. These fees are revised from time to time. In Chapter 7 cases, if your income falls below 150% of the HHS Poverty Guidelines, you may qualify for a filing fee waiver. You may also be allowed to pay the filing fee in installments.

If you hire a private attorney for a Chapter 7, attorney fees vary and are set by the attorney. They fees may depend on how complicated your case is. Chapter 13 fees are usually higher – but they may be included in your payment plan, making them affordable to you.