

STATEMENT OF INFORMATION REQUIRED BY FEDERAL LAW: 11 U.S.C. §341

INTRODUCTION. Pursuant to the Bankruptcy Reform Act of 1994 and the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, the Office of the United States Trustee, United States Department of Justice, has prepared this information sheet to help you understand some of the possible consequences of filing a bankruptcy petition under Chapter 7 of the Bankruptcy Code. This information is intended to make you aware of:

- (1) The potential consequences of seeking a discharge in bankruptcy, including the effects on credit history;
- (2) The effect of receiving a discharge of debts;
- (3) The effect of reaffirming a debt; and
- (4) Your ability to file a petition under a different chapter of the Bankruptcy Code.

There are many other provisions of the Bankruptcy Code that may influence your situation. This information sheet contains only general principles of law and is not a substitute for legal advice. If you have questions or need further information as to how the bankruptcy laws apply to your specific case, you should consult with your lawyer.

WHAT IS A DISCHARGE? The filing of a Chapter 7 Petition is designed to result in a discharge of most of the debts you listed on your bankruptcy Schedules. A discharge is a court order that says you do not have to repay your debts, but there are a number of exceptions. Debts which may not be discharged in your Chapter 7 case include, for example, most taxes; child support; alimony; student loans; court-ordered fines and restitutions; debts obtained through fraud and deception; and personal injury debts caused by driving while intoxicated or taking drugs. Your discharge may be denied entirely if you, for example, destroy or conceal property; destroy, conceal or falsify records; or make a false death. Creditors cannot ask you to pay any debts that have been discharged. You can only receive a Chapter 7 discharge once ever six (6) years.

WHAT ARE THE POTENTIAL EFFECTS OF A DISCHARGE? The fact that you filed bankruptcy can appear on your credit report for as long as 10 years. Thus, filing bankruptcy petition may influence your ability to obtain credit in the future. Also, you may not be excused from repaying any debts that were not listed on your bankruptcy Schedules or that you incurred after you filed bankruptcy.

WHAT ARE THE EFFECTS OF REAFFIRMING A DEBT? After you file your petition, a creditor may ask you to reaffirm your debt or you may seek to do so on your own. Reaffirming a debt means that you sign with the court a legally enforceable document, which states that you promise to repay all or a portion of the debt that may otherwise have been discharged in your bankruptcy case. Reaffirmation Agreements must generally be filed with the court within 60 days after the first meeting of creditors. Reaffirmation Agreements are required only if you intend to retain and make payments on items of collateral. Reaffirmation Agreements must not impose an undue burden on you or your dependents and must be in your best interest. If you decide to sign a Reaffirmation Agreement, you may cancel it at any time before the court issues your Discharge Order or within 60 days after the Reaffirmation Agreement was filed with the court, whichever is later. If you reaffirm a debt and fail to make payments required in the Reaffirmation Agreement, the creditor can take action against you to recover any property that was given as security for the loan and you may remain personally liable for any remaining debt.

OTHER BANKRUPTCY OPTIONS. You have a choice in deciding what chapter of the Bankruptcy Code will best suit your needs. Even if you have already filed for relief under Chapter 7, you may be eligible to convert your case to a different chapter.

Chapter 7 is the *liquidation chapter* of Bankruptcy Code. Under Chapter 7, a Trustee is appointed to collect and sell, if economically feasible, all property you own that is not exempt from these actions.

Chapter 11 is the *reorganization chapter most commonly used by businesses*, but it is also available to individuals. Creditors vote on whether to accept or reject a plan, which also must be approved by the court. While the debtor normally remains in control of the assets, the court can order the appointment of a Trustee to take possession and control of the business.

Chapter 12 offers bankruptcy relief to those who qualify as *family farmers*. Family farmers must propose a plan to repay their creditors over a three-to-five year period and must be approved by the court. Plan payments are made through a Chapter 12 Trustee who also monitors the debtors' farming operations during the duration of the plan.

Chapter 13 generally *permits individuals to keep their property by repaying creditors out of their future income*. Each Chapter 13 debtor writes a Plan that must be approved by the bankruptcy court. The debtor must pay the Chapter 13 Trustee the amounts set forth in their Plan. Debtors receive a Discharge after they complete their Chapter 13 Repayment Plan. Chapter 13 is only available to individuals with regular income whose debts do not exceed \$1,162,075 (\$290,525 in unsecured debts and \$871,550 in secured debts).

AGAIN, PLEASE SPEAK TO YOUR LAWYER IF YOU NEED FURTHER INFORMATION OR EXPLANATION, INCLUDING HOW THE BANKRUPTCY LAWS RELATE TO YOUR SPECIFIC CASE.

Debtor

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