

Bankruptcy Still an Option Even Under New Rules

I was laid off last week and have no prospects yet. I've heard the bankruptcy laws have changed. If I can't get ahead soon, will I still be able to file?

The changes in bankruptcy law, effective Oct. 17, change the rules on filing for bankruptcy. Bankruptcy is never a pretty option, but if it comes down to that, you will be able to file even under the new rules. You'll have to provide a lot more information than before, though. And you'll risk losing more of your assets than before.

Two things don't change — the definitions of Chapter 7 and Chapter 13 bankruptcies. In Chapter 7, you eliminate nearly all of your personal debt. You list your assets, your liabilities, and give control of your property to the court. Much of it is sold to repay your debt; you can walk away from any other debt that remains. In Ohio, you can retain \$5,000 in equity in your home and \$1,000 in your car; about everything else is fair game.

In Chapter 13 bankruptcy, you keep your property but make arrangements through the court system to pay off your debts. You need to have a stable job with a high enough income to make this work.

Of course, there are a lot of changes in the bankruptcy code. They include:

- More paperwork. You'll need to provide documentation, including tax returns, pay-check stubs, and other paperwork required



or risk automatic dismissal. This information will help determine whether you're eligible to file under Chapter 7 or not. If you make more than the state's median income (\$36,109 for an individual) and can afford to pay at least \$6,000 over five years, you must file under Chapter 13.

- Credit counseling and financial education requirements. Before you can file for bankruptcy, you need to be able to prove that you've undergone at least 90 minutes of credit counseling within the past 180 days. You also must complete a financial education course from an approved provider before the bankruptcy is completed. The classes can take place in person, over the phone, or on the Internet. Approved agencies are listed on the U.S. Trustee Program's Web site, <http://www.usdoj.gov/ust/>.

In the meantime, don't wait until your finances get to that point. Contact your county office of Ohio State University Extension and ask for money management publications, especially the August 2000 bulletin, "In Over Your Head: Life-Saving Strategies for Financial Crisis." Or, get online at <http://ohioline.osu.edu>, choose "Home," and download that publication or any of several others that can help you manage your money now and in the future.

Family Fundamentals is a monthly column on family issues especially regarding finances and relationships. It is a service of Ohio State University Extension and the Ohio Agricultural Research and Development Center. Send questions to Family Fundamentals, c/o Martha Filipic, 2021 Coffey Road, Columbus, OH 43210-1044, or filipic.3@osu.edu.



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Dear Subscriber: Family Fundamentals is a new monthly column on family issues. This column, the third in the series, was reviewed by Sharon Seiling, Ohio State University Extension specialist in family resource management and associate professor of consumer sciences in the College of Human Ecology. OSU Extension is currently applying to become an approved provider of financial education required of those who declare bankruptcy. Watch the U.S. Trustees Web site listing of providers for updated information.

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