



Feature

## Bankruptcy Attorneys Are Not Debt Saviors

The bankruptcy laws have changed since October 17, 2005, making it harder for individuals to file for a Chapter Seven or Chapter 13 bankruptcy. Not only did the requirements change, but the filing fees were increased. Before the new bankruptcy laws went into effect, individuals were not steered towards any kind of debt management or counseling to help with a possible repeat of filing again. Many bankruptcy attorneys have seen a decrease in activity. The week before the laws were changed there were many filings made in order to beat the deadline, a true sign of a society needing to purge itself of unwanted debt. Since then, credit card companies have noted an increase in raised interest rates to combat the losses they took during that time. Bankruptcy attorney jobs are unique — they are part accountants and part counselors to those who choose to file a Chapter Seven or Chapter 13 bankruptcy. Seven and 13 are personal bankruptcies, while Chapter 11 bankruptcy is a business or corporate restructuring of debt.



Bankruptcy attorneys help debtors file for financial relief who cannot pay their debts due to a job loss or unforeseen tragedy such as the death of a family member; many times bankruptcy is the last option explored if all other avenues have been

determined and exhausted. Bankruptcies such as Chapter Seven and 13 are filed in federal court within the states residence of the person filing. Creditors are notified by a bankruptcy filing that lists them as one of the top creditors as given by the debtor and by obtaining and reviewing an updated credit report.

A debtor is someone who owes money for services rendered or for purchases that are bought on store credit or on a major credit card that has a revolving credit line. Debts are bills that are generally cycled for months and that have a remaining balance that is to be paid by the debtor. Creditors have the right to charge interest for any past-due amount that is not paid within a certain amount of time. Some credit card companies use interest to make money on those who use their services and decide to pay in monthly installments.

### Chapter Seven

A person bankruptcy is also called a liquidation of debts. This filing gives the debtor a fresh start after all non-exempt property or assets are turned over to the trustee of the court. The trustee in turn sells the assets for cash and pays the top 20 creditors listed on the Chapter Seven list of creditors. Those creditors who are on the bottom of the list many times receive no compensation and have to absorb the debt for their business. A discharge of debt is given to the person who filed, releasing them of any personal responsibility.

### Chapter 13

This bankruptcy filing is not a liquidation of debts. It is a plan to pay back debts to a creditor over a three-to-five year

period. Debtors are allowed to keep their property and set up a payment plan that will allow them to pay their creditors. Payments are made through the trustee of the court and those funds are allocated to the top 20 creditors listed on the bankruptcy filing. If a creditor is not listed they will not be paid.

### Chapter 11

Chapter 11 is considered a reorganization or restructuring of debt, and is commonly a business bankruptcy filing. This allows for the business to continue operating, but relieves it of debts so that they can focus on paying back their debtors as listed on the top 20 creditors list. A court trustee who works for the filing business, or one from the court, will set up a repayment plan. Many corporations file under Chapter 11 — in recent months there have been many high-profile insurance filings. Businesses usually have ties to the community and have a large stake in local affairs. They are protected under the bankruptcy laws just as an individual.



Bankruptcy attorney jobs are usually listed within the corporate attorney departments. The business departments of a law firm generally work with the corporate and bankruptcy lawyers so that if a

situation arises, the attorneys who work on the corporate clients will have a general knowledge of the creditors.

Bankruptcy attorneys are educated with a Juris Doctor in law and generally have extensive knowledge of accounting and finance. Some bankruptcy attorneys are helped by paralegals or legal assistants, who help with gathering data or financial information to assist the attorney who in turn drafts pleadings and creates creditor lists and scheduled meetings with creditors.



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Depending on where a bankruptcy attorney works, bankruptcy attorneys are typically paid very well. Larger firms may pay their lawyers \$100,000 per year; a smaller firm will pay less. The duties of a bankruptcy attorney include obtaining information on the individual who is considering filing for bankruptcy. A thick packet is given to the potential client, who is to completely fill out all the requested information so that the attorney can determine which chapter to file. A filing fee and payment plan is determined if a Chapter 13 is considered is set up and approved by the person seeking debt relief through bankruptcy.

## Conclusion

Bankruptcy attorney jobs are still a needed part of the legal system. Even though requirements to file Chapter Seven or

Chapter 13 bankruptcy have changed, the need for attorneys who understand the importance of helping and counseling those who need to file is on the rise. As our economy changes and financial problems begin to burden those who find themselves in impossible situations, federal laws still exist to protect debtors. Having these laws to help protect debtors against foreclosure, garnishments, lawsuits and liens is not a free ticket to abuse the system. Many filings have to be approved by the courts in order to proceed with a bankruptcy filing; if there is negligence on a debtor's part they are subject to federal laws regarding their actions.

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