

11.0 PERSONAL BANKRUPTCY ISSUES

11.1 Overview

The damages and dislocation caused by a disaster are expected to make some individuals think about filing bankruptcy. Below is a summary of certain applicable sections of the Bankruptcy Code and answers to common questions asked about bankruptcy. This outline is meant to only be a bankruptcy primer. It is not a substitute for seeking legal counsel.

The current Bankruptcy Code was enacted in 1978 and has been amended periodically since then. The most significant amendments to the Bankruptcy Code were implemented in 2005 by the Bankruptcy Abuse Prevention and Consumer Protection Act (the "BAPCPA"). Any storm victim considering bankruptcy is advised to consult a qualified bankruptcy attorney. To the extent that state law is relevant, the emphasis is on Texas law.

11.2 Most Common Issues/Questions

- The bankruptcy process and decision to file
- Prerequisites or other requirements for filing
- The federal district for filing
- Types of debts discharged in bankruptcy
- Types of property exempt in bankruptcy
- How marriage, divorce, and child support affect bankruptcy
- The automatic stay

11.3 Summary of the Law

There are four different chapters of the Bankruptcy Code affecting individuals: Chapter 7, Chapter 11, Chapter 12, and Chapter 13. Of these, Chapters 7 and 13 are generally most relevant to individuals. Subchapter V of Chapter 11 is the most relevant to individuals who own small businesses.

A. *Chapter 7*

A Chapter 7 case is sometimes called a "liquidation." In any individual bankruptcy case, certain types of property that the debtor owns are exempt from creditors and will not be liquidated. In a Chapter 7 case, all of the debtor's assets for which the debtor does not, or cannot, claim an exemption are subject to being liquidated by the Chapter 7 trustee, with the net proceeds distributed in order to pay creditors' claims. Still, in most individual filings, due to the exemptions, the debtor will keep most or all of their property, and once the case is completed, most (and sometimes all) of the debtor's debts that existed prior to filing the petition (see the first paragraph of the answer to [Q. 11-1](#) below) are "discharged" (making it illegal for a creditor to collect on them).

As explained below, eligibility for Chapter 7 is subject to a "means test," which requires debtors making an income above certain levels to instead file a Chapter 13 case. This section of these materials contemplates debtors who file voluntary bankruptcy petitions. However, Chapter 7 cases may also be involuntarily instituted by a debtor's creditors. There are no limits on the amount of debt that an individual may have and still file a Chapter 7.

B. Chapter 13

A Chapter 13 case is sometimes called a “reorganization.” In Chapter 13, a debtor who has regular income is required to follow a “plan” that obligates the debtor to pay some or all of their debts over a 3-5 year period. Chapter 13 is available only to an individual with regular income that owes, on the date of the filing of the petition, noncontingent, liquidated debts of less than \$2,750,000 or an individual with regular income and such individual’s spouse (except a stockbroker or a commodity broker) that owe, on the date of the filing of the petition, noncontingent, liquidated debts that aggregate less than \$2,750,000. [11 U.S.C. § 109\(e\)\(1\)](#). (Under [11 U.S.C. § 104](#), the foregoing dollar figures are adjusted periodically; the figures provided throughout this section will be current until June 21, 2024.) A Chapter 13 case must be voluntary.

As noted above, debtors with income above a certain threshold (but below the debt thresholds listed in the previous paragraph) cannot file Chapter 7 cases and instead must file under Chapter 13.

Even though a Chapter 13 case requires a repayment plan that lasts several years, Chapter 13 does offer certain benefits compared with Chapter 7. For example, some homeowners who would lose their home in a Chapter 7 case might be able to keep it in a Chapter 13 case. (With respect to Chapter 7 filings and home ownership, the “homestead” exemption is discussed in the answer to Q. 11-19 below.) In addition, when the debtor is facing foreclosure of a mortgage, a mortgage lender cannot foreclose on a home during the automatic stay that goes into effect after the filing of a petition (the automatic stay is discussed below); and, in a Chapter 13 case, missed payments can be cured over the term of the plan, thereby reinstating the mortgage.

Under both Chapters 7 and 13, certain debts cannot be discharged (these include alimony and child support, private student loans under some circumstances, or debts relating to death or injury due to the debtor’s drunk driving), but Chapter 13 contains a “super discharge” that allows for discharge of some debts, upon completion of the plan, that would not be dischargeable in a Chapter 7 case (explained below). Chapter 13 also allows the debtor to retain possession of their property, even some non-exempt property, while making payments under a repayment plan. However, Chapter 13 requires that creditors be paid at least as much as they would receive under Chapter 7, which means that the amount repaid under the plan must equal or exceed the value of the retained non-exempt property.

C. Subchapter V

Subchapter V is a subchapter of Chapter 11, and it is primarily used by small businesses that need to reorganize. In February 2020, the Small Business Reorganization Act was implemented to help small businesses reorganize by making it easier and cheaper than a regular Chapter 11 business reorganization. Subchapter V is available only to businesses that have debts less than \$7,500,000, and at least 50% of the debt must come from the commercial or business activities of the debtor. [11 U.S.C. § 1182\(1\)\(A\)](#). (Under [11 U.S.C. § 104](#), the foregoing dollar figures are adjusted periodically. In March 2020, the limit was increased from \$2,725,625 to \$7,500,000 to accommodate for hardships brought on during the COVID-19 pandemic. This limit is set to expire on June 21, 2024, and will decrease to \$2,700,000). Once a debtor files for subchapter V, the business will continue to operate under the same management, and the court will appoint a trustee to monitor its operations. [11 U.S.C. § 1183](#).

Subchapter V differs from a Chapter 11 reorganization in a number of ways. In subchapter V, only a debtor may propose a plan of reorganization, and it must be filed within 90 days of the petition date. [11 U.S.C. §](#)

1189. The debtor also does not need approval from the debtor's creditors to confirm the plan if the court finds the plan to be fair. 11 U.S.C. § 1191 (b). The debtor must pay all projected disposable income to its creditors for three to five years. 11 U.S.C. § 1191(c)(2). Debtors also do not need to file a disclosure statement describing how they will pay creditors. In sum, these changes make subchapter V a more expeditious and cost-effective process for small businesses.

D. Chapter 11

Chapter 11 is primarily used by businesses that need to reorganize in order to get out from under debt, although individuals may also file Chapter 11 if they otherwise do not qualify under the Chapter 13 debt limits. In Chapter 11, the debtor proposes a plan for paying some or all of their debts, and their creditors get a chance to vote on whether to accept or reject that plan. Chapter 11 may be the only recourse for a consumer debtor with an extremely large mortgage that causes the debtor's secured debt to exceed the limit for Chapter 13. Its procedures and requirements are significantly more expansive than in Chapter 13.

E. Chapter 12

Chapter 12 is for "family farmers" and "family fishermen." The Code defines this to be someone who earned more than 50% of their gross income from farming or fishing during the year immediately preceding the year of filing for bankruptcy. [11 U.S.C. § 101](#)(18)(A), (19A). There are special provisions for Chapter 12 debtors, and this will include filing a plan as well and devoting income in the future to pay creditors.

F. Benefits & Concerns with Filing

In general, a major benefit of bankruptcy is that an automatic stay is implemented which prevents further collection actions by creditors once the bankruptcy case is filed. [11 U.S.C. § 362](#). There are several requirements on debtors, including: (1) increased filing and disclosure requirements, (2) a requirement to complete credit counseling before filing for bankruptcy, and (3) a requirement to complete a personal financial management course before receiving a discharge of debts.

Filing bankruptcy will be reported on credit reports and may affect future credit applications. In addition, a bankruptcy filing could affect a debtor's eligibility to benefit from the protections of certain provisions under the Bankruptcy Code in the event of a future filing. Therefore, it is important to evaluate how this may affect an individual before proceeding.

Finally, a note about the dollar figures in this section. Every three years, on April 1st, certain dollar amounts in the Bankruptcy Code (such as figures used in the means test) are adjusted. [11 U.S.C. § 104](#)(a). Therefore, if you are looking at the Bankruptcy Code in a printed source or even online, be careful to note that the dollar figures you see might not be up to date, even if the source otherwise contains the current law. The April 1, 2022 adjustments are contained [here](#). [Further adjustments](#) were made on June 21, 2022, and those are scheduled to remain in force until June 21, 2024.

11.4 Relevant Courts/Agencies

Bankruptcy law is federal law, and the bankruptcy courts follow the same district (and division, if applicable) boundaries of the U.S. district courts. You can find the proper federal district for your client's

case [here](#). Consult the website of the U.S. bankruptcy court for your particular federal district for updates and information.

- [Southern District of Texas](#)
- [Northern District of Texas](#)
- [Western District of Texas](#)
- [Eastern District of Texas](#)

There are a number of forms that debtors must file as part of the bankruptcy process. The forms can be found [here](#).

A particularly useful link which provides a good summary of the bankruptcy process under BAPCPA can be found [here](#).

Again, although debtors have this information available to them, if at all possible they should not file bankruptcy without an attorney. Bankruptcy is highly specialized, filled with traps and pitfalls for attorneys, let alone a pro se debtor. It may be difficult for a debtor to fix any mistakes they make when filing for bankruptcy pro se, and it may be harder for an attorney to correct those mistakes if the case is dismissed.

11.5 FAQs

Q. 11-1 What is involved in the bankruptcy process?

A bankruptcy case begins with the filing of a petition. The debtor's petition must ultimately be supported by schedules (forms in which the debtor lists all property, assets, secured claims, unsecured claims, income, expenses, claimed exemptions, and other information), and a statement of financial affairs (which provides personal background information). In a Chapter 7 case, the debtor must also file a statement of intention with respect to any secured property indicating which such property they will surrender, reaffirm, or redeem. If the Chapter 7 debtor fails to carry out ("perform") the statement of intention within the appropriate time, the automatic stay (explained below) may be lifted with respect to this property. [11 U.S.C. §§ 521\(a\)\(2\), 362\(h\)](#).

Debtors must file copies of all payments received from an employer within 60 days before filing, an itemized statement of monthly net income, a statement disclosing anticipated increases in income or expenditures within the next 12 months, evidence of attendance from a credit counseling agency (discussed below), and a "record" of any interest in an education IRA or tuition savings program. [11 U.S.C. § 521\(a\)–\(c\)](#). The debtor must also file a certificate proving that the debtor received certain required notices. [11 U.S.C. § 521\(a\)](#). The debtor must provide certain tax returns to the trustee and any creditor that requests copies. [11 U.S.C. § 521\(e\), \(f\)](#). Failure to comply with filing requirements will likely result in dismissal. [11 U.S.C. § 521\(i\)](#).

In a Chapter 7 (liquidation) case, the court will appoint a trustee to represent the interests of the creditors. About a month after filing, the debtor must attend the "Section 341 meeting" of creditors conducted by the trustee to answer questions under oath regarding the debtor's assets and schedules. Creditors are invited, though in routine bankruptcy cases they do not usually appear and ask questions. The Section 341 meeting is usually pretty quick, although a debtor's lack of compliance with requirements, incomplete information, or responses to questions may result in the hearing lasting longer than usual or being

continued. After the Section 341 meeting, the trustee will often file a “no-asset report,” informing the debtor(s) and creditors that the trustee will not liquidate (“administer”) any assets, and that the debtor(s) can keep all their property. Sometimes, the trustee will file a report announcing that they do intend to gather and attempt to sell certain nonexempt property. The debtor can sometimes purchase the nonexempt property from the trustee. The trustee may also file lawsuits to recover funds of the bankruptcy estate that are considered to be “preferences” and/or fraudulent transfers or to pursue other claims that a debtor may have. (“Preference” is a term referring to a debtor’s payment or transfer of assets to a creditor shortly before the bankruptcy was filed.) The proceeds from all sales and lawsuits are eventually distributed to the creditors once all such property is administered. As a general matter, the debtor will receive a discharge of debt a few months after the Section 341 meeting. If the trustee filed a no-asset report, the case will be closed very soon after the discharge order is entered. If the trustee filed a report indicating that they plan to liquidate some nonexempt asset(s), the case will remain administratively open until all assets are administered and the proceeds distributed. In these cases, the debtor may receive a discharge while the case is still open.

In all consumer bankruptcy cases, the debtor must attend a credit counseling class before filing the case and a financial management class before a discharge will be granted. [11 U.S.C. § 109\(h\)\(1\), 727\(a\)\(11\), 1328\(g\)](#). These classes are usually conducted online or by phone and must be done by an approved provider. See this [website](#) for a list.

The Federal government does have the authority to waive this counseling requirement for a district if it determines that “the approved nonprofit budget and credit counseling agencies for such district are not reasonably able to provide adequate services to the additional individuals who would otherwise seek credit counseling.” [11 U.S.C. § 109\(h\)\(2\)\(A\)](#). The Justice Department exercised this authority in Louisiana and in the Southern District of Mississippi after Hurricane Katrina, but there is no guarantee that any such waiver authority will be exercised in the future.

A Chapter 13 (wage earner) case begins by filing similar papers as under a Chapter 7. Unlike Chapter 7, where all assets that are not exempt are subject to being sold by a trustee, in Chapter 13 the debtor will file a repayment plan. The debtor makes payments under this plan from future income each month directly to the Chapter 13 trustee, who is an administrator for the benefit of the creditors. It is extremely important that you check your local rules for any special procedures regarding mortgage payments. Once the plan is approved (“confirmed”) by the court, the trustee pays creditors according to the terms of the plan. The plan typically has between a three- to five-year term. The plan may provide for the cure of arrearages on a home mortgage, property taxes, and automobile loans and, in certain instances, permit a write down of the debt to the value of the automobile, as well as a reduction in interest rate - if the vehicle has been owned long enough by the debtor. The plan may also strip off a wholly-unsecured second lien on a debtor’s homestead or reduce the amount owed on other secured items that the debtor has owned longer than 1 year. When the debtor has repaid creditors according to the plan, the debtor will be discharged of all dischargeable debts (some debts are non-dischargeable, see Q. 11-5 below), even if the plan did not pay them in full. The percentage paid to unsecured creditors will be dependent on the disposable income a debtor has, the amount of nonexempt property, and an amount calculated by the disposable income test. The amount of personal expenses will be potentially subject to adjustment by the court, if excessive, in order to permit disposable income to be allocated to creditors under the plan. Use the IRS standards located [here](#) as a guide for household expenses. The requirements for the plan can be found at [11 U.S.C. § 1321 et seq.](#)

Q. 11-2 Should I file for bankruptcy?

Filing bankruptcy is a strictly personal decision. The ratio of a debtor’s assets to liabilities is an important factor. The type of debt a debtor has is another factor. A debtor cannot discharge all debts. So, it is very important to determine before any filing whether certain types of your debts may be “nondischargeable” in a bankruptcy proceeding (see Q. 11-5 below). The effect bankruptcy might have on your credit rating, ability to borrow in the future, or reputation may be important. The impact bankruptcy might have on prior transfers of money or property may be a factor. The need to cure mortgage debt arrearages might be important. The desire to retain nonexempt property might also be a factor. The decision as to whether and when to file a bankruptcy petition should be based upon the facts of each debtor’s individual case. The debtor’s income source is also important. Consider whether the debtor is judgment proof – is their only income source protected from garnishment or seizure (VA benefits or Social Security). Are all their assets exempt under state law such that a creditor could not seize any belongings?

Q. 11-3 Are there any prerequisites to filing for bankruptcy?

Before an individual debtor can file a bankruptcy petition, they (or if filing as spouses, both) must complete an approved credit counseling course within 180 days before filing. [11 U.S.C. § 109\(h\)\(1\)](#). Such a course must outline opportunities for credit counseling and provide budget analysis assistance. These courses can be taken online. The debtor must file a certificate of compliance. [11 U.S.C. § 521\(b\)\(1\)](#). However, the law provides for a **temporary** waiver (thirty days) of this requirement if a debtor can show “exigent circumstances” and that they requested credit counseling but were unable to receive it within seven days of the request. [11 U.S.C. § 109\(h\)\(3\)\(A\)\(i\), \(ii\)](#). This is rarely allowed. Case law has consistently held that a pending foreclosure IS NOT an exigent circumstance. The law also provides an exemption if such services are not available in the area where the debtor resides or if the debtor is incapacitated, disabled, or on active military duty. [11 U.S.C. § 109\(h\)\(2\), \(4\)](#). This would only be applicable in very rare circumstances, particularly given the access to online courses. As mentioned above, the Justice Department temporarily exercised authority to suspend the counseling requirement in Louisiana and in the Southern District of Mississippi after Hurricane Katrina, but there is no guarantee that any such waiver authority will be exercised in the future.

Q. 11-4 How does the “means test” work?

BAPCPA mandated a “means test” for Chapter 7 bankruptcies. [11 U.S.C. § 707\(b\)\(2\)\(A\)](#). The purpose of the test is to prevent abuse of Chapter 7. If a debtor has primarily consumer debt (as opposed to business debt) and does not meet the “means test,” a presumption of abuse arises, and a Chapter 7 case may be dismissed or converted to a Chapter 13 case. Debtors must file Official Bankruptcy Form B 122A-2, which contains the “means test” calculation. The form is available [here](#).

The formula for the means test is quite complex, but in short, it works as follows:

First, the debtor’s “current monthly income” must be determined. “Current monthly income” is defined as the average of the last six months income received by the debtor excluding benefits received under the Social Security Act, payments to victims of war crimes, payments to victims of international or domestic terrorism, benefits received due to disability or combat related injury/death, and payments made by the federal government in response to COVID-19. [11 U.S.C. § 101\(10A\)](#). The debtor’s “current monthly income” (on an annualized basis—i.e., multiplied by twelve) must then be compared to the “median family income” for their state. The median incomes for each state can be found [here](#). If the debtor’s current

monthly income is lower than the state median, no presumption of abuse arises, and the debtor is allowed to file a Chapter 7 case. [11 U.S.C. § 707\(b\)](#).

If, however, the debtor's current monthly income exceeds the state median, the "means test" applies and the debtor must calculate certain expense amounts based on IRS standards in order to determine if the debtor is eligible for a Chapter 7 bankruptcy. These allowed expenses are deducted from the current monthly income and then multiplied by sixty (in other words, the total amount over five years) to arrive at "disposable income." Disposable income excludes benefits received under the CARES Act, child support payments, foster care payments, and disability payments for a dependent child. If disposable income is greater than (1) 25 percent of the debtor's nonpriority unsecured debt or \$6,000, whichever is greater, or (2) \$10,000, a presumption of abuse arises. [11 U.S.C. § 707\(b\)\(2\)\(A\)](#). (Nonpriority unsecured claims include obligations such as credit card and medical-related debts.) Unless this presumption is rebutted, the case may be dismissed or converted to a Chapter 13 case.

It is worth noting that the concept of "current monthly income" also impacts certain calculations for Chapter 13 repayment plans. [11 U.S.C. § 1325\(b\)](#). For debtors whose annualized "current monthly income" is less than the applicable state median but who nevertheless file a Chapter 13 bankruptcy, the repayment plan must be no longer than three years (unless there is court approval for cause for a period of up to five years). [11 U.S.C. § 1322\(d\)\(2\)](#), [§1329\(d\)\(2\)](#). If the debtor's "current monthly income" is equal to or greater than the applicable state median, the plan generally must be for no longer than five years. [11 U.S.C. § 1322\(d\)\(1\)](#).

As discussed above, median incomes and expense deductions used to calculate the "means test," as well as other dollar amounts under the Bankruptcy Code, are adjusted periodically. [11 U.S.C. § 104\(a\)](#).

Q. 11-5 *Which debts are not discharged in bankruptcy?*

Certain debts are not dischargeable in bankruptcy, meaning bankruptcy does not affect them.

In a Chapter 7, 11, 12, or 13 case, you cannot as a general matter, obtain a discharge for, among other things: (1) domestic support obligations, including alimony, child support, and certain property settlements; (2) private student loans, absent extreme hardship (if you are going to pursue this option, make sure you do extensive case review—in the Fifth Circuit, which covers Texas, this standard is virtually impossible to meet). If you have Federal student loans, there is new guidance effective 2022. You should make sure to review this guidance located here: [Student Loan Discharge Guidance](#); (3) damages resulting from driving under the influence of alcohol or drugs; (4) court-ordered restitution or a criminal fine included in the sentence for conviction of a crime; (5) taxes that are generally less than three years old or, if older, arising under late or fraudulent tax returns; (6) damages for willful and malicious injury awarded for personal injury or death of another person; (7) debts incurred by fraud; (8) damages for willful and malicious injury to someone else's person or property; (9) certain taxes and tax penalties, or debts incurred to pay non-dischargeable taxes; (10) debts that were or could have been listed in a prior case in which you waived or were denied a discharge; (11) property settlements in a divorce; (12) condominium or cooperative housing fees and assessments (i.e., HOA dues); (13) court filing fees; or (14) damages resulting from securities fraud. [11 U.S.C. §§ 523, 1328](#). Note, however, that in Chapter 13 you can restructure the payments under the plan and provide some relief to immediate payment demands for these types of debts.

“Luxury goods or services” and cash advances are also not discharged. Consumer debts to a single creditor for luxury goods or services greater than \$800 incurred within ninety days before filing are presumed non-dischargeable. [11 U.S.C. § 523\(a\)\(2\)\(C\)\(i\)\(I\)](#). Likewise, cash advances greater than \$1,100 obtained within seventy days before filing are also presumed non-dischargeable. [11 U.S.C. § 523\(a\)\(2\)\(C\)\(i\)\(II\)](#).

Q. 11-6 *What happens if I leave out a debt on my petition?*

Generally, if the debt is not listed on your schedules, then you may not get the benefit of the discharge and will have to repay that debt. [11 U.S.C. § 523\(a\)\(3\)](#). However, there is some case law to suggest that the debtor may still be able to get the discharge in a no-asset Chapter 7 case, absent any fraud or intent to hinder a creditor. If you fail to list the debt with the intent to conceal and defraud, then you may lose your discharge in its entirety.

Find more information about listing debts on a bankruptcy petition [here](#) (note that this is a private, third-party resource, and its content has not been reviewed for accuracy in preparing these materials).

Q. 11-7 *Does a bankruptcy filing stop a wage attachment?*

Yes. This is a result of the automatic stay that occurs when you file a bankruptcy petition. However, the stay only applies to debts incurred before you filed the bankruptcy petition. The automatic stay also does not apply to payments for child support or alimony.

Q. 11-8 *What is a discharge in bankruptcy?*

A “discharge” in bankruptcy means that the debtor is legally free and clear of any obligation to repay certain debts. The creditor no longer has any right to demand or collect that debt. The debtor no longer has any obligation to repay it. [11 U.S.C. § 727](#) & [11 U.S.C. § 1328](#).

Find more information on discharge in bankruptcy [here](#) (note that this is a private, third-party resource, and its content has not been reviewed for accuracy in preparing these materials).

Q. 11-9 *How can I escape from my student loan debt?*

Student loans are dischargeable only on a showing of “undue hardship.” [11 U.S.C. § 523\(a\)\(8\)](#). The undue hardship standard is very hard to meet. Unlike practically every other legal liability, student loans never go away—there is currently no statute of limitations for student loan debt. The definition of student loans to encompass all types of lenders, including nongovernmental lenders. [11 U.S.C. § 523\(a\)\(8\)](#). The Department of Education has issued new guidance on Federal student loans. Find more information here: [New Process to Discharge Student Loans in Bankruptcy](#) (note that this is a private, third-party resource, and its content has not been reviewed for accuracy in preparing these materials).

Q. 11-10 *Can I repay a creditor if I want to, even after bankruptcy?*

Voluntarily repaying a debt even if it would be (or already was) discharged by your bankruptcy is not prohibited (see [11 U.S.C. §524\(f\)](#)), but you should be very careful if you consider pursuing this option. Once a discharge is obtained, the discharge will operate as an injunction against efforts to collect the discharged debt, and creditors cannot force a debtor to pay any amounts that are discharged. In a Chapter

7 case, if you choose to do this, you must use exempt assets (assets you listed on your schedules as being exempt) or post-petition earnings (money you earned after you filed the petition), so it may be wise to wait until the bankruptcy case is closed before making such voluntary payments. Be warned that in some instances if you pay on a debt that has been discharged you may be reaffirming the debt and the creditor may have the right to expect further payment.

See this [resource](#) (note that this is a private, third-party resource, and its content has not been reviewed for accuracy in preparing these materials).

Q. 11-11 What is the automatic stay?

The “automatic stay” prevents a creditor from continuing to enforce a claim against a debtor during the pendency of the bankruptcy case. Some examples of actions by a creditor that would violate the stay are (1) filing a new lawsuit or continuing to prosecute a lawsuit that had already been filed, (2) sending collection letters, (3) filing a “financing statement” to perfect a security interest, (4) refusing to issue a transcript of school records, or (5) seeking to foreclose on property.

There are several exceptions to the automatic stay, however. The automatic stay does not apply to certain proceedings involving certain domestic matters (i.e., paternity, domestic violence, and dissolution of marriage matters), the withholding of income to pay domestic support obligations (i.e., child support, alimony), the restriction or suspension of a driver’s license, and certain pre-existing eviction actions. [11 U.S.C. § 362\(b\)](#). In addition, the stay now automatically terminates after thirty days if the case is filed by a debtor within one year after they had another bankruptcy case dismissed, unless the court finds that the new filing is in good faith and signs an order extending the stay within 30 days of filing. [11 U.S.C. § 362\(c\)\(3\)](#). If the debtor files a third bankruptcy within one year after two previous bankruptcy cases were dismissed, the automatic stay does not go into effect when the third case is filed, and the debtor must ask the court to impose a stay. [11 U.S.C. § 362\(c\)\(4\)](#). The automatic stay also automatically terminates with regard to secured debt if a statement of intention is not filed timely (within thirty days after the filing of the petition or by the date of the Section 341 meeting, whichever is earlier). [11 U.S.C. § 521\(a\)\(2\) & 362\(h\)](#).

Q. 11-12 I’m married. Can I file by myself?

Yes, but your spouse will still be liable for any joint debts, and all community property not in the non-filing spouse’s exclusive/separate control will be included in the debtor’s bankruptcy schedules. If you file together, you will be able to double your exemptions. In some cases where only one spouse has debts, or one spouse has debts that are not dischargeable, then it might be advisable to have only one spouse file. If the spouses have joint debts, the fact that one spouse discharged the debt may show on the other spouse’s credit report.

Find more information [here](#) (note that this is a private, third-party resource, and its content has not been reviewed for accuracy in preparing these materials).

Q. 11-13 Where do I file if I haven’t lived in the same state or district for the last six months?

Under [28 U.S.C. § 1408](#), the case should be filed where the debtor has lived “for the one hundred and eighty days immediately preceding such commencement, or for a longer portion of such one-hundred-and-eighty-day period...” See also [11 U.S.C. § 522\(b\)\(3\)\(A\)](#). This means that the case should be filed in the

bankruptcy district in which the debtor has lived for the greatest portion of the last six months. Typically, your case will be handled within the district in the closest division, and the bankruptcy judges regularly conduct hearings at each of the divisions' courts.

In order to receive certain state exemptions in the bankruptcy, such as a homestead exemption, the debtor must have lived in Texas longer (see Q. 11-19 for more details).

Q. 11-14 How will my ex-spouse's filing bankruptcy affect our divorce decree or settlement?

Alimony, maintenance, and/or support obligations are protected from discharge. The exceptions to discharge broadly include "domestic support obligations" as well as property settlements not otherwise covered as "domestic support obligation[s]," including attorney's fees. [11 U.S.C. § 523\(a\)\(5\)](#), (15). In addition, domestic support obligations are now given the first priority for payment of unsecured debt. [11 U.S.C. § 507\(a\)\(1\)\(A\)](#). If the debtor is filing a Chapter 13 case, the debtor cannot receive confirmation of a repayment plan or discharge under Chapter 13 unless the debtor has paid all domestic support obligations coming due after the bankruptcy filing. [11 U.S.C. § 1325\(a\)\(8\)](#).

Q. 11-15 Will my retirement plan or IRA be protected?

Generally, yes, if the funds are in a qualified account. Retirement plans that are ERISA-qualified are protected under current state and Federal laws in all jurisdictions and are not included as property of the bankruptcy estate.

However, the exempted assets in an individual retirement account (IRA), except for a simple employee pension or a simple retirement account, may not exceed \$1,512,350 in a case filed by a debtor who is an individual, except that such amount may be increased if the interest of justice so requires. [11 U.S.C. § 522\(n\)](#).

Q. 11-16 What effect does bankruptcy have on child support?

Bankruptcy does not allow an ex-spouse to discharge past due child support obligations. Any back payments owed for child support cannot be discharged in a bankruptcy proceeding. As noted above, the automatic stay no longer applies to proceedings to establish or modify domestic support obligations or to withholding of income for payment of domestic support. [11 U.S.C. § 523\(a\)\(5\)](#), (15) & [§ 362\(b\)\(2\)](#).

Q. 11-17 What about co-signers on loans?

If someone has co-signed a loan with you and you file for bankruptcy, the co-signer may have to pay your debt. Chapter 13 extends the automatic stay to co-debtors for consumer debt in most cases pending confirmation of a plan. [11 U.S.C. § 1301](#). Nevertheless, if the co-signed debt is not fully repaid by a debtor, the co-signer is still liable for the balance. Additionally, there is a chance that the cosignerr/guarantor's credit report will reflect a bankruptcy filing for this specific debt.

Q. 11-18 Will my filing bankruptcy stop a foreclosure?

Yes and no. Filing bankruptcy temporarily stalls your lender's right to foreclose (the automatic stay, discussed above), until it gets permission to go forward with the foreclosure proceedings. However, a bankruptcy filing won't stop a foreclosure forever. Eventually, a debtor in bankruptcy will still have to

provide “adequate protection” to a secured creditor by making payments on the debt (and/or satisfying certain other criteria), or the automatic stay can be lifted. See [11 U.S.C. §§ 361, 362](#). Moreover, in order to keep the secured asset, the debtor will have to become current on the mortgage in a Chapter 7 case or cure the arrears in a Chapter 13 case. Note that the Chapter 13 plan cannot modify the principal mortgage on a loan secured by the debtor’s principal residence. [11 U.S.C. § 1322\(b\)\(2\)](#). A debtor may be able to strip a wholly unsecured second lien from their principal residence, however.

Q. 11-19 What property is exempt from the trustee in a Chapter 7 case?

In a Chapter 7 filing, certain property is exempt from the debtor’s estate, meaning that the trustee and the debtor’s creditors cannot liquidate the property in order to recover on the debtor’s assets. In Texas, a debtor can elect either federal or state property exemptions, [11 U.S.C. § 522\(b\)](#), assuming the debtor can meet the residency provisions discussed below for relying on state law (see also [Q. 11-13](#)). The federal exemptions are listed at [11 U.S.C. § 522\(d\)](#). However, because Texas generally has more generous homestead property exemptions than are provided under federal law, most debtors will elect to take state law exemptions.

To claim a state’s exemptions, the debtor must have lived in the state for at least 730 days (two years). Otherwise, the debtor can only claim the exemptions of the state in which they resided for the largest portion of the 180-day period preceding the last two years. [11 U.S.C. § 522\(b\)\(3\)\(A\)](#). This is intended to prevent a debtor from moving to the state to take advantage of its more generous homestead laws and then immediately filing bankruptcy. Be careful if your resident has moved. You don’t want to be in a situation where your debtor lives in Texas but is forced to take California bankruptcy exemptions.

Certain Southern and Western states, including Texas, historically have had generous exemptions for a debtor’s personal residence, known as the “homestead exemption.” BAPCPA imposes a \$189,050 cap on filers for any equity interest in a homestead purchased during the approximately forty months (1,215 days) prior to the bankruptcy filing. [11 U.S.C. § 522\(p\)\(1\)](#). Clearly, this has a significant impact on residents who recently moved to Texas. There is no cap on the homestead exemption for property owned for more than 1,215 days. The cap also does not apply to equity rolled over from a prior residence located in the same state if the prior residence was acquired before the 1,215-day period. [11 U.S.C. § 522\(p\)\(2\)](#).

The following exemptions are allowed under Texas state law (again, these are available to individuals who meets the residency requirements):

<u>ASSET</u>	<u>EXEMPTION</u>	<u>PROVISION</u>
Homestead	Urban: ten acres of land on one or more contiguous lots, along with improvements, used by a single adult or head of a family for purposes of a home or as both a home and a place of business. Rural: 200 acres for a family; 100 acres for a single adult.	Tex. Prop. Code § 41.002

	<u>Note:</u> A person cannot have both a rural and an urban homestead	
Personal Property Exemption (overall)	<p>Overall limit: Single Adult: \$50,000 Family: \$100,000</p> <p>The following are specifically exempt, which means they are not included as part of the overall limit above:</p> <p>(1) current wages for personal services, except for the enforcement of court-ordered child support payments;</p> <p>(2) professionally prescribed health aids of a debtor or a dependent of a debtor;</p> <p>(3) alimony, support, or separate maintenance received or to be received by the debtor for the support of the debtor or a dependent of the debtor; and</p> <p>(4) a religious Bible or other book containing sacred writings of a religion that is seized by a creditor other than a lessor of real property who is exercising the lessor’s contractual or statutory right to seize personal property after a tenant breaches a lease agreement for or abandons the real property.</p>	Tex. Prop. Code § 42.001
Personal Property Exemption (specific items)	<p>The overall exemption above may include the following (within the aggregate limits above):</p> <p>(1) home furnishings, including family heirlooms;</p> <p>(2) provisions for consumption;</p> <p>(3) farming or ranching vehicles and implements;</p>	Tex. Prop. Code § 42.002

	<p>(4) tools, equipment, books, and apparatus, including boats and motor vehicles used in a trade or profession;</p> <p>(5) wearing apparel;</p> <p>(6) jewelry not to exceed 25 percent of the overall limits above;</p> <p>(7) two firearms;</p> <p>(8) athletic and sporting equipment, including bicycles;</p> <p>(9) a two-wheeled, three-wheeled or four-wheeled motor vehicle for each member of a family or single adult who holds a driver's license or who does not hold a driver's license but who relies on another person to operate the vehicle for the benefit of the non-licensed person;</p> <p>(10) the following animals and forage on hand for their consumption:</p> <ul style="list-style-type: none"> (A) two horses, mules, or donkeys and a saddle, blanket, and bridle for each; (B) twelve head of cattle; (C) sixty head of other types of livestock; and (D) 120 fowl; and <p>(11) household pets.</p>	
Insurance	Any policy proceeds or cash values under an insurance policy issued by a life, health, or	Tex. Ins. Code § 1108.051

	accident insurance company or an annuity plan used by an employer.	
Retirement Accounts	Right to assets or payments, whether vested or not, in stock bonus, pension, annuity, IRAs, and other plans if qualified under Internal Revenue Code of 1986. <u>Note:</u> IRA or annuity contributions, except to Roth IRAs, in excess of the amounts deductible for tax purposes are not exempt.	Tex. Prop. Code § 42.0021
College Savings Plans	“a qualified tuition program of any state that meets the requirements of” IRS Code §529.	Tex. Prop. Code § 42.0021 ¹
Worker’s Compensation	Worker’s compensation and death benefits.	Tex. Lab. Code § 408.201
Unemployment Benefits	Benefits received are exempt if not mingled; right to future benefits is exempt	Tex. Lab. Code § 207.075 (b), (c)

Q. 11-20 *What if I cannot afford to hire a lawyer to file a bankruptcy case?*

Bankruptcy is a complex process, and there are many legal and factual matters to consider in deciding whether a bankruptcy case should be filed. While a person can file an individual case pro se, the procedural rules and requirements and the substantive legal issues make any such case extremely hard to complete and to obtain a discharge. If you cannot afford to hire an attorney, you may be able to obtain assistance in certain circumstances, if you qualify, by contacting one of the entities listed below. Use this convenient [tool](#) to find which legal aid provider serves your county or zip code.

Houston area:

[Houston Volunteer Lawyers](#)

(Primarily Harris County)
1111 Bagby, Suite FLB300
Houston, TX 77002
1-713-228-0735

[HVL Online Screening Tool](#)

[Lone Star Legal Aid](#)

(Houston and Greater Southeast Texas)
1415 Fannin St.
Houston, TX 77002
1-800-733-8394

[LSLA online intake](#)

¹ This section of the property code appears to be repealed as part of the Acts 2019, Texas Acts of the 86th Leg.-Regular Session, ch. 320, Sec. 4.

Dallas/Fort Worth

[Dallas Volunteer Attorney Program](#)

1515 Main St.
Dallas, TX 75201
1-214-243-2236

[Legal Aid of NorthWest Texas](#)

(Dallas/Fort Worth and North and West Texas)
600 East Weatherford St.
Fort Worth, 76102
1-817-336-3943
[LANWT Apply Online](#)

Austin/San Antonio

[Texas RioGrande Legal Aid](#)

(Austin/San Antonio and Greater West Texas)
301 South Texas Avenue
Mercedes, TX 78570
1-833-329-8752

The person should reference the “Bankruptcy Assistance” program when he/she calls.

Q. 11-21 What about obtaining payment from my company or someone I did business with before the disaster who is now out of business?

If you have a claim for payment (somebody owes you money), you might contact a lawyer for assistance in collecting the debt. For debts less than \$20,000, seek relief in a justice of the peace small claims court. [How to Sue in Justice Court \(Small Claims Court\)](#) (note that this is a private, third-party resource, and its content has not been reviewed for accuracy in preparing these materials).

If you decide to file for bankruptcy and have not collected on this payment, you will need to list this amount you are owed as an asset.

Q. 11-22 Virtually all my property and my apartment were destroyed in the disaster. Should I file bankruptcy?

If you only have property that is exempt from creditors, then there would appear to be no immediate need to file a bankruptcy case. As a general matter, exempt property cannot be taken from debtors except by creditors that have obtained a lien on the property when it was bought, or for unpaid taxes. However, the decision whether to file is something an individual debtor should evaluate, looking at all the facts and circumstances of their situation and future. If a creditor obtains a judgment against a debtor, the creditor may later garnish or get a turnover order for the debtor’s bank account.

Q. 11-23 My business was affected by the disaster. Can it file bankruptcy?

Businesses can file bankruptcy cases. Many businesses can file Chapter 7, Subchapter V, or Chapter 11 cases, but only individuals can file Chapter 13 cases. If your business is unincorporated and a “dba,” then any bankruptcy by the business will place you into bankruptcy as well. To avoid being personally liable for business debts for unincorporated businesses, many business owners file both a business bankruptcy and

a personal bankruptcy. A business bankruptcy does not protect the owners from personal liability for the business debts. These matters should be reviewed with an attorney.

Q. 11-24 *Can I keep my secured item?*

In Chapter 7, you have three options. You can try to redeem the item (pay market value – depending on how long you have had the item). You can surrender (return) the item. Finally, you can reaffirm the item. To reaffirm, you must file a reaffirmation agreement with the court, and the judge must sign an order approving the agreement. The debtor must indicate how they are able to pay on this debt. “A reaffirmed debt remains your personal legal obligation to pay. Your reaffirmed debt is not discharged in your bankruptcy case. That means that if you default on your reaffirmed debt after your bankruptcy case is over, your creditor may be able to take your property or your wages. Your obligations will be determined by the Reaffirmation Agreement, which may have changed the terms of the original agreement. If you are reaffirming an open end credit agreement, that agreement or applicable law may permit the creditor to change the terms of that agreement in the future under certain conditions.”

In a Chapter 13, you have the same options as listed above. The very significant difference is that you can pay off the reaffirmed or redeemed debt in your chapter 13 plan.

Note that the “ride through” no longer exists. If you do not redeem/reaffirm/or surrender your item, your secured creditor has the right to repossess the item as soon as the automatic stay is lifted or if your case is dismissed.