

# Myths About Bankruptcy

By Kristen M. Jackson, Attorney At Law

Don't indulge the myths. There is a light at the end of the bankruptcy tunnel.

When considering Chapter 7 bankruptcy, ask yourself whether lenders or credit card companies would rather loan money to those with so much debt they are unable to meet their monthly payment obligations, or those who have filed Chapter 7 bankruptcy thereby eliminating burdensome debts and enabling their ability to meet their monthly obligations. There are many myths about bankruptcy: that it is shameful to file bankruptcy and everyone will know; that you will lose everything you have; that you will never be able to get credit again and can never buy or refinance a home, buy a car, or get a loan; etc. Nothing could be farther from the truth as there is light at the end of the bankruptcy tunnel. Let's discuss a few of these myths.



they have. If you have a mortgage or a car loan, you can keep your home and car as long as you keep making the payments.

## RE-ESTABLISHING CREDIT

Generally within a few months after filing a bankruptcy, credit card offers will start arriving again in the mail. Credit card companies are generally first in line to approach you with their

own motives for getting you back onto credit cards. If careful, you can use this to your own advantage to rebuild your credit. But, you do not want your previous history to repeat itself. You must be extremely careful not to use your new credit cards to limits you cannot afford to pay back.

## LOANS, CARS AND HOMES

Regarding loans, if you have just filed bankruptcy and are thinking of buying a new car or a property, think twice. You will find it hard to obtain financing, and for those willing to extend you credit, their interest rates may be excessively high. Most people are unaware that they can renew or reaffirm a mortgage any time during or after filing bankruptcy. The lender generally requires that you demonstrate some form of steady income and proof that you can keep paying your mortgage payments. If you do not presently have a car loan, or a mortgage, then shortly after your bankruptcy is discharged, you will be able to arrange for a vehicle. Usually within two years, with a minimum down payment and evidence of income, you will be able to secure a mortgage to purchase a home.

## ROAD TO RECOVERY

Be aware that the stigma associated with filing for bankruptcy has virtually vanished. The truth is that most people who hear the word "bankruptcy" and then shudder, know little about it. Though a Chapter 7 bankruptcy will remain on your credit report for up to 10 years, you don't have to wait that long to start putting your financial life back together. Remember, bankruptcy is a constitutionally provided road to a fresh start, and you need not be ashamed if you have no other alternatives.

Don't indulge the myths. Take time to research your financial alternatives and you most likely will find there is light at the end of what seems to be a very dark tunnel. If you decide bankruptcy is your only course of action, you should consult an experienced bankruptcy attorney to protect your interests to give you a fresh start. **■**

## DON'T BE ASHAMED

Although filing for bankruptcy should not be high on anyone's to-do list, it is important to remember that filing bankruptcy is a respectable option when all other efforts to survive financially have been unsuccessful. Bankruptcy is a constitutionally sanctioned path to a fresh start, not a shameful disgrace. Throughout the process, you will not be criticized for filing bankruptcy, nor will you be asked why your financial burdens escalated to the point of filing bankruptcy.

## NO ONE NEEDS TO KNOW

Unless you're a prominent person or a major corporation and the filing is picked up by the media, the chances are very good that the only people who will know about a filing are you and your creditors. Though it is a public legal proceeding, the number of people filing is so voluminous that publishers are apprehensive to use publication costs to print such insignificant news.

## YOU WON'T LOSE EVERYTHING

People who would genuinely benefit from filing for bankruptcy are often prevented from doing so due to the misconception and hearsay from others that they will lose everything they have. Such misinformation leads to the belief that the government will sell everything you own and you will have to start over living under a bush in the park. While the bankruptcy laws vary from state to state, Florida has exemptions that protect certain kinds of assets, such as your house, your car (up to a certain value), money in qualified retirement plans, household goods and clothing. For most people, they'll pass through a bankruptcy case and keep most of what



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**Kristen M. Jackson**, attorney and founding partner of the Jackson Montoya Law Firm (407-363-9020), has over 29 years of experience in estate planning, business, real estate and family law. She has earned an AV rating from Martindale Hubbell signifying the highest level of professional excellence as obtained through opinions from members of the Bar and Judiciary.