CONSUMER CREDIT COUNSELING SERVICE

Family & Community SERVICES, INC.

Budget and Credit Counseling, Bankruptcy Certification Session
More than One Way Out, Personal Bankruptcy, Consequences and Alternatives

BANKRUPTCY AGENDA

1) OVERVIEW OF BANKRUPTCY

a) Bankruptcy is a fresh financial start and was created to prevent loss of income due to legal action such as garnishment. In 2005 the Bankruptcy Abuse Prevention and Consumer Protection Act was put into place, requiring that you complete an approved session of budget and credit counseling and receive a certificate of bankruptcy education before you can file for bankruptcy. Your attorney needs this certificate of bankruptcy education before they can file your bankruptcy petition. Your bankruptcy certificate will be provided at end of session and is valid for 180 days (6 months).

b) You are not alone and you may be surprised to learn that there is no "typical" filer. In virtually all categories of people who file for bankruptcy have an average level of unsecured debt that exceeds their average annual income. This means that they have a debt-to-income ratio (a comparison of their monthly debt payments to their monthly income) which far exceeds their ability to make their monthly payments. The specific reasons for filing bankruptcy vary widely. Unexpected unemployment, large medical expenses, and divorce are the most common reasons for filing a bankruptcy. However, some people do simply spend beyond their means or use credit cards to supplement the cost of living rather than working on a structured budget that allows them to live within their means.

c) Role of Pre-Filing Counseling is to review the basics of how bankruptcy works and terms you will hear during your bankruptcy process, the consequences of bankruptcy and the pros and cons of other possible alternatives to bankruptcy. By nature we will look to see if there is a possibility of an alternative solution in your situation. Most often we find that most people have already exhausted the alternatives or the other alternatives are not an option to their particular financial situation.

2) ELIGIBILITY AND THE FINANCIAL MEANS TEST

UNITED STATES TRUSTEE PROGRAM—MEANS TESTING
Census Bureau Median Family Income by Size
(Case Filed On & After November 1st, 2014)

	1 EARNER	2 PEOPLE	3 PEOPLE	4 PEOPLE
OHIO	$43,276	$53,551	$62,134	$77,367
PENNSYLVANIA	$48,200	$56,946	$71,703	$84,396
W VIRGINIA	$43,554	$46,658	$54,097	$66,009

* for cases filed on or after 11-1-2014, add $8,100 for each individual in excess of 4.

Second Means Testing: If your current monthly income minus allowable expenses leaves you with less than $100.00 per month, you may be eligible to file a Chapter 7 case regardless of the median income.

3) BUDGET ANALYSIS

Your Consumer Credit Counselor will review your typical household budget and expenses to help you determine if there is a possibility to adjust expenses to make your budget balance more easily. Sometimes a change of lifestyle and/or reconsidering priorities may be necessary to balance your budget. They will also review assets and liabilities in order to advise you of possible options or alternatives. Consumer Credit Counselors arehere to help people with their budgets and credit education. The ultimate goal would be to visit a Credit Counselor as soon as you feel a financial strain. The earlier you address your financial situation, likely the more options you will have to resolve your issues.

4) ALTERNATIVES TO BANKRUPTCY

1) Options

a) Increasing Income and applying self administered plan/budget and power payments:

- A self administered budget, re-payment and power payment plan is done by designing a disciplined budget and repayment plan by dividing your disposable income so that each creditor receives at least the minimum payment due each month. Many people will focus on paying off the lowest balance debt first by applying any extra cash available to that debt. Once that debt is paid in full,you reallocate the money from that payment and apply it to the next smallest or lowest interest rate debt.

b) Debt Management Plans

- A DMP is a systematic way to pay down your outstanding debt through monthly deposits to an agency, which then distributes these funds to your creditors. By participating in this program, you may benefit from reduced or waived finance charges and fewer collection calls.

c) Debt Settlement for Profit Companies

- Debt settlement is an approach to debt reduction in which the debtor and creditor agree on a reduced balance that will be regarded as payment in full. Some settlement companies may charge excessive fees which also slows the process of paying the debts. Also, any amount over $599.00 waived by your creditor/collector will be taxed at the end of that tax year. The creditor/collector will send a 1099c form which must be filed with your taxes as earned income.

d) Debt Consolidation

- Debt consolidation is a form of debt refinancing that entails taking out one loan to pay off many others. This commonly refers to a personal finance process of individuals addressing high consumer debt. The process can secure a lower overall interest rate to the entire debt load and provide the convenience of servicing only one loan. However, due to the "credit crunch", many lenders will not offer a consolidation loan without collateral; Meaning, that they want security of something of value such as, equity in a home, vehicle or other property.

2) Other NON Recommended Options

a) Credit "repair" clinics

- If you want to clean up your credit file, steer clear of credit repair clinics. These companies claim they can fix your credit, qualify you for a loan, or get you a credit card. But you shouldn't have to pay for these services: These companies can legally do only what you can easily do yourself. And some of them use questionable tactics that can land you in hot water. Consumer Credit Counseling can provide you will all the tools necessary to "fix" your credit at no charge to you.

b) Payday Cash Advance Loans

- A payday loan (also called a payday advance, salary loan, payroll loan, small dollar loan, short term, or cash advance loan) is a small, short-term unsecured loan. There are many different ways to calculate annual percentage rate of a loan. Depending on which method is used, the rate calculated may differ dramatically. E.g., for a $15 charge on a $100 14-day payday loan, it could be (from the borrower's perspective) anywhere from 391% to 3733%.

c) Subprime Loans

- Sub-prime loans are offered by reputable lenders and are reasonably priced loans with reasonable terms for someone who has a damaged credit history. Given the increased risk you represent because of your bankruptcy, the loan will come with higher interest rates and stricter guidelines and penalties for late payments or default.

5) CONSEQUENCES OF BANKRUPTCY

a) Limits on future bankruptcies

- You may file a Chapter 7 bankruptcy once every 8 years
  You may file a Chapter 13 bankruptcy once every 6 years.

b) Loss of Property

- In a Chapter 7 bankruptcy, you will have to turn over non-exempt assets to a court-appointed Bankruptcy Trustee who will sell them to help repay your creditors. There are exemption allowances that protect some of your property. Items such as clothing, household goods, and tools of your trade are typically exempt from liquidation as the exempt allowances have been increased significantly over the last few years. Some individuals may opt to file a Chapter 13 Bankruptcy to protect assets that may otherwise be seized under a Chapter 7 Bankruptcy.

c) Impact on Credit History/Credit Reports & Score

- The record of your bankruptcy will be on your credit report under the public record section for ten years and may lower your score significantly. There is no way to tell exactly how low the score may go.

d)Limited availability of future credit/subject to higher interest rates and fees/ predatory lenders

- Predatory lenders will offer low lines of credit, with high interest rates and fees. They may also charge a monthly maintenance fee or annual fee. These lines of credit are set up to increase default probability, which is a huge money maker for the creditors.

e) Impact on Reputation

- There is not a STIGMA now as it used to be years ago. Bankruptcy is a matter of Public Record and is available for review by your creditors and anyone else at the Federal Bankruptcy Court Clerk's office. Your information would only be available on the Internet with a "paid" background check and is typically printed in the local Legal News.

f) Security deposits

- Security deposits may be required for apartment rentals because many landlords use credit reports to determine if they will rent to you. Utility services may require a deposit just as when you started out with your first service – even if you have had the account for years.. Vehicle insurance premiums may be increased due to your credit score as well as your driving record.

g) Can impact employment offers

- For some types of jobs, particularly those that involve financial responsibilities, potential employers are likely to request a credit report that will show that you have filed for bankruptcy. It may be that weighing you against another job candidate, the bankruptcy filing will work against you in the decision-making process.

CHAPTER 7 VS CHAPTER 13 AND THE DIFFERENCES

1) When your attorney files your Bankruptcy Petition it will include a Statement of Financial Affairs with a set of Schedules. You will have to provide a complete list including your income statements for the last 60 days, the last two years of Federal Income Tax returns and your most recent Federal Income Tax return during your pending case, monthly budget, claim of exempt property, assets and debts. You cannot have used any credit cards in the past 90 days before filing or you will have to pay for the 90 days of purchases.

2) The primary responsibility of the Bankruptcy Trustee is to protect the interests of the creditors. The Trustee will review all papers filed in your case, such as the income, budget, assets and will take a position on whether you have any assets that are not exempt property. The Trustee will represent and contact the creditors involved in the bankruptcy.

Your Chapter 7 bankruptcy will be reviewed by the Bankruptcy Trustee assigned to your case. The Trustee will determine whether you have property of value above and beyond the exemption allowances. If so, they sell the property to raise cash to repay some of your debt before your final discharge.

Your attorney will prepare a Chapter 13 reorganized repayment plan based on a minimum of three years and maximum of five years repayment depending on your median income (the income among a certain population which lies at the halfway point of all of the incomes in that population). You are required to submit all of your disposable income to the Chapter 13 Trustee to fund the repayment plan while in effect. The Court may enter an order that directs your employer to deduct the monthly payment from your pay check and forward it to the Chapter 13 Trustee. All assets are protected under a Chapter 13. The Trustee will receive confirmation of the plan from the creditors. Depending on the ability to pay the debt back your re-payment can be as low as 1% pay back or $0.10 on the dollar.

Modification/Conversion to Chapter 7 due to financial hardship (extenuating circumstances such as severe medical condition) requires going back to court and more attorney fees. Dismissal is a lack of payment and failure of the plan in which full payment of the debts would come due.

As you make your regular monthly payment in a Chapter 13 your credit may start to rebuild. You may also request that your Utility companies and Landlord report to the bureaus to help rebuild credit history.

3) Exempt property is protected from seizure by the Trustee for liquidation. Non-exempt property must be surrendered to the Trustee for liquidation. Priority debts such as secured debts, taxes and judgments will be paid in full first, then any remainder will be distributed to unsecured debts equally. If the Trustee determines that you do not have any non-exempt property that should be liquidated, the Trustee will issue a "no distribution report" (also known as "NDR"). In rare cases if the Trustee recovers more than is needed to pay your creditors in full with interest, the remaining funds are returned to you.

EXEMPTION ALLOWANCES AS OF 2013

Automobile	$3,675
Household Goods	$12,250
Jewelry	$1,550
Tools of Trade	$2,325
Any Property	$1,225
Homestead Equity	$132,900

4) "341" Meeting of the Creditors (Section 341 of the Bankruptcy Code requires such a meeting). The Bankruptcy Trustee will conduct the meeting and your Attorney will accompany you. The meeting typically lasts about 15 minutes and offers the opportunity to the creditors to ask questions about your assets or liabilities, but it is reported that it is very rare that they do. The Trustee may inquire if you have received a recent inheritance, sold property etc. And they may ask how that money was spent and why was it spent that way. You should take your photo ID and Social Security card for identity purposes.

5) Once the Petition for Bankruptcy is filed within the Court there will be an **Automatic Stay**. All collections on the debts will stop when the creditors are notified with your bankruptcy case number. You may have the opportunity to do a reaffirmation on a debt such as a vehicle to keep it out of the Bankruptcy. **Exceptions to the Automatic** Stay, for example; **does not stop criminal proceedings, a pre-bankruptcy order of eviction from a residence or collections such as maintenance fees on a rental property or a co-signer on a loan who share responsibility for a debt(exception under chapter 13-Co-Debtor Stay).**

6) Discharge is the final step filed with the Courts. **Non-dischargeable debts: Student Loans, Criminal Restitution, Alimony, Child Support, Taxes (including credit card debt to pay for taxes) and certain claims that creditors can prove you incurred by fraud, embezzlement, or larceny, or that resulted from willful and malicious injury.** The discharge is the court order that releases the individual from the legal obligation to pay debts and prohibits creditors from taking action against you to collect on the debts entered into the bankruptcy. An objection or rejection of a Discharge generally will relate to misconduct such as concealment of assets, making a knowing and fraudulent false oath in connection with the case, or failure to obey a lawful order of the Bankruptcy Court. Typically your final discharge will be 2-4 months from your file date with a Chapter 7. Or in the case of a Chapter 13, when the final pay off is complete. The Discharge is the Court order which prohibits creditors from taking action against you to collect on debt included in the Bankruptcy.

BANKRUPTCY RESOURCE INFORMATION:

1) U.S. Trustee Program Census Bureau Median Family Income By Family Size-
http://www.justice.gov/ust/eo/bapcpa/20141101/bci_data/median_income_table.htm

2) Ohio Bankruptcy Law-
http://www.ohiobankruptcy.com/faq.html

I (we) acknowledge receipt of information and counseling on each of the nine (I-IX) major points regarding personal bankruptcy. I (we) understand that, following this appointment, I (we) will be provided a copy of this agenda that covers these topics.

Client: ______________________ (signature) **Client:** ______________________ (signature)

Client: ______________________ (print) **Client:** ______________________ (print)

Date: ______________________ **Date:** ______________________

FREQUENTLY ASKED QUESTIONS

1) Can a creditor enforce a waiver of my right to receive a discharge?

- Some loan documents contain a provision where you waive your right to receive a bankruptcy discharge; you agree in advance that if you default on the loan and file for bankruptcy later, you will not be entitled to receive a discharge of your debt.

THIS TYPE OF AGREEMENT IS NOT ENFORCEABLE UNLESS YOU ENTERED INTO IT IN WRITING AFTER YOUR BANKRUPTCY PETITION WAS FILED AND IT WAS APPROVED BY THE COURT.

2) Are there any exceptions to the Bankruptcy Briefing and Financial Management requirement?

- The only way the briefing or financial management classes can be waived entirely is if the Court determines that you are unable to complete the briefing because of "incapacity, disability, or active military duty in a military combat zone."

3) How much does a bankruptcy cost?

- The average cost for an attorney Chapter 7 bankruptcy can be between $800.00 and $1,500.00 and for a Chapter 13 bankruptcy it may be up to $3,000.00. It currently costs $306 to file for bankruptcy under chapter 7 and $281 to file for bankruptcy under chapter 13, whether for one person or a married couple.

4) Do I need an attorney to file for bankruptcy?

- You are not required to be represented by an attorney, but the advice of an attorney is helpful in understanding your rights and the consequences of your bankruptcy case.

5) Can I keep my credit cards after filing?

- Whether you will continue to have and use any given credit card account is up to the issuer of the card. Some creditors may permit to keep your account if you "reaffirm" payment of your debt to the creditor. Most attorneys will recommend that you file on any and all debt to have a complete fresh financial start. An alternative that will help you re-build your credit score is a secured credit card that will function more like a debit card than a credit card. It is reported to the credit bureaus as an unsecured card and will appear more favorable to a potential lender in the future. Secured credit cards can help establish or rebuild your credit history. Unlike prepaid cards, secured credit cards give you a credit line, and your payment activity will be reported to the major credit bureaus.

  A secured card requires a cash collateral deposit that becomes the credit line for that account. For example, if you put $500 in the account, you can charge up to $500. You may be able to add to the deposit to add more credit, or sometimes a bank will reward you for good payment and add to your credit line without requesting additional deposits. You can find secured credit card issuers via the internet, possibly your local bank or if you're a credit union member, ask about a secured card there. Many credit unions offer secured cards to their members and may offer lower interest rates and waive annual fees. Look for a card that doesn't charge an application fee. Most secured cards charge an annual fee, and the fees will vary. Read the fine print. Some people have gotten secured cards and found their entire limit consumed with fees before they ever used the card.

6) Can I be fired for declaring bankruptcy?

- The Bankruptcy Code generally prohibits termination of employment or discrimination with respect to employment solely because an individual has filed a bankruptcy case, has been insolvent before the case was filed, or has not paid a discharged debt.

CREDIT AND BANKRUPTCY TERMS

APR: Annual percentage rate. This is the interest percentage you are charged each year to borrow money.

Creditor: A person or organization to whom you legally owe money as the result of borrowing money from them or entering into other legally enforceable obligations.

Debt Management Plan (DMP): A DMP is a systematic way to pay down your outstanding debt through monthly deposits to an agency, which then distributes these funds to your creditors. By participating in this program, you may benefit from reduced or waived finance charges and fewer collection calls.

Debtor: A person who legally owes money to someone or some entity.

Deductions: Any money taken out of your income before you receive it. These can be mandatory, such as federal or state withholding taxes, Social Security, Medicare, child support or spousal maintenance (alimony), or voluntary, such as retirement contributions, union dues, savings deposits, or investments.

Deductible: The amount you have to pay for a loss before your insurance company pays the remaining amount of the loss.

Individual Retirement Account (IRA): Every tax payer in the United States can start and IRA. An IRA is a retirement investing tool. There are several types of IRAs: Traditional IRAs, Roth IRAs, SIMPLE IRAs, and SEP IRAs. Many types of accounts can be designated as IRAs, including savings accounts, mutual funds, certificates of deposit, money market funds, and others. Depending on the type of IRA, taxes are either deferred or reduced on all the money earned in those accounts. This offers a major tax benefit to the individual for retirement.

Levy: To take property upon a court ordered writ of execution to pay a money judgment that was granted in a lawsuit. A sheriff or other official makes the levy at the judgment holder's request. The property will then be sold at a sheriff's sale in order to provide the money to satisfy the unpaid judgment.

Liability: A debt you owe or any other financial obligation.

Universal Default: Universal default allows other credit card issuers to raise the cardholder's interest rates on other accounts, even if those other accounts are not in default.

Vested: This normally applies to an amount in a company retirement plan that is yours permanently even if you leave the company. If you are not yet "vested," and you leave the company, the non-vested funds are returned to the company.

TYPES OF CREDIT

Secured Debt: Debt backed or secured by collateral to reduce the risk associated with lending. An example would be a mortgage; your house is considered collateral toward the debt. If you default on repayment, the bank seizes your house, sells it and uses the proceeds to pay back the debt. Nearly all mortgages and home equity loans are secured loans using your home as collateral.

Collateral: Properties or assets that are offered to secure a loan or other credit. Collateral becomes subject to seizure on default. For example, if you borrow money to buy a home, that home is "collateral" for the mortgage (loan). If you don't make your payments, the lender (mortgagee) can sell your home and use the proceeds to repay the loan.

Unsecured Debts: Debts with no collateral. A creditor has no legal right to take your property if it is not specifically listed as collateral on a loan. Credit card debt is generally unsecured debt.

Predatory Lending: In the strictest and legal sense of the word, predatory lending refers to secured loans such as home or car loans that are made by the lender with the intention that the borrower can't really pay them which would allow the lender to seize the car or home and sell it for a profit. The word has been expanded to refer to the practice of convincing borrowers to agree to unfair and abusive loan terms. This could be done either through outright deception or through aggressive sales tactics, taking advantage of borrowers' lack of understanding of extremely complicated transactions. Predatory loans, for instance, for the purchase of a home, could lead to foreclosure.

Home Equity: This is the difference between how much your home is worth on the market and how much you owe to a lender. If you have a $100,000 mortgage, and your home is worth $200,000, then you have $100,000 in equity. If you sold your home, you would receive $200,000, pay back the lender the $100,000 you owe, and keep $100,000 in profit-your equity. It is one of your assets.

Home Equity Loan: A loan whereby a consumer borrows money and uses the collateral in their home to secure a second mortgage on their home. The loan is based on the difference between the amount the homeowner has paid off on the first mortgage and the home's current market value. Like the first mortgage, a default on the loan can enable a lender to foreclose on the home (after the first lender receives any owed amount).

Home Equity Line of Credit: A home equity line of credit is a type of home equity loan in the form of revolving credit in which your home serves as collateral. With a home equity line, the lender will approve a specific amount of credit. This is your credit limit, and it is the maximum amount you may borrow at any one time under the plan. Interest rates are usually variable, interest is usually tax deductible, and your monthly payments usually vary depending upon how much of your credit line you have borrowed and what the current interest rate is. There may also be significant penalties if you close the credit line in less than one or two years.

CREDIT SCORES

Fico Score: Is what most lenders use – Range from 300-850.

Vantage Score: Places less emphasis on past borrowing behavior – Range from 501-990.

INCOME TERMS

Net Income: Your weekly, monthly or annual income after deductions are taken out.

Gross Income: Your total income, either weekly, monthly, or annually. This is the total amount of your income before any deductions are taken out.

Gross Value: The total, positive value of something before you reduce it by an amount owed on that item.

BUDGETING TERMS

Asset: Something of value that you possess and that can be valued in cash.

Variable Expenses: Monthly expenses over which you exercise the greatest control and that vary based upon your behavior. Entertainment expenses, dues, subscriptions, etc., fall in this category.

Periodic Expenses: Non-monthly expenses that occur at varying times and in varying amounts throughout the year. These might include car repairs, medical bills, college tuition payments, etc. You should figure out a monthly amount to save for these periodic expenses.

Fixed Monthly Expenses: Expenses that are approximately the same every month and that are fairly predictable. These would include mortgage or rent payments, utility payments, loan payments, etc.

Net Value: The gross value minus any amount owed on that item. The net value of your car is the "blue book" value of that car minus the amount of any loans on the car.

COLLECTION TERMS

Charge Off: Charge off is when an unpaid debt goes into permanent collection status whether internally with the original creditor or if they have sold the account to or hired a collection agency to collect the debt.

Write Off: In the credit world "write off" means the same as "charge off". Many people confuse the term to mean that the debt is erased. Very rarely an old debt may be written off of the books by a physician to reflect a zero balance owed. However, a collector will NOT erase a debt.

Lien: In law, a lien is a form of security interest granted over an item of property to secure the payment of a debt or performance of some other obligation. The owner of the property, who grants the lien, is referred to as the lienee and the person who has the benefit of the lien is referred to as the lienee or lien holder.

Judgment: The legal collection procedure to collect a debt by filing within the courts a request for payment by garnishment, property seizure, lien of property or a checking/savings account sweep.

Foreclosure: When the bank sells your home because you failed to make your mortgage payments on time.

Garnishment: When the government or a judgment creditor takes money out of your paycheck before you are paid to pay back a debt you owe or some other type of legal obligation (such as court-ordered child support). Your employer must honor the garnishment and send a check directly to the government or creditor before paying you the remainder of your wages.

BANKRUPTCY TERMS

Bankruptcy: A legal proceeding filed in the United States Bankruptcy Court (a federal, not a state court) that permits a person to obtain a discharge of his or her obligation to pay certain debts. The bankruptcy laws are intended to allow an honest, but unfortunate debtor to obtain a "fresh start". The debtor in a Chapter 7 case must surrender any asset that is not exempt property to a bankruptcy trustee, who liquidates the non-exempt property in order to make payments to creditors.

Bankruptcy Petition: A legal pleading filed in the United States Bankruptcy Court in which a debtor declares bankruptcy and sets in motion the legal proceedings necessary to obtain a discharge of debts. The bankruptcy petition is accompanied by a number of other papers and schedules submitted under penalty of perjury in which the debtor makes a full public disclosure of all the debtor's debts and assets.

Bankruptcy trustee: The person who has been appointed by the United States Trustee (a representative of the United States Department of Justice) to take control of the debtor's non-exempt property during the course of the bankruptcy proceedings. Protecting the interests of the creditors is the bankruptcy trustee's responsibility.

Chapter 7 Bankruptcy: A Chapter 7 bankruptcy is a case in which a bankruptcy trustee is appointed to liquidate any assets of the debtor that are not exempt property for the purpose of making payments to creditors. For that reason, a Chapter 7 case is often referred to as a "straight bankruptcy" or a "liquidation case".

Chapter 13 Bankruptcy: A Chapter 13 bankruptcy is a case in which the debtor with regular income proposes a plan to repay some or all debt over three to five years. For that reason, a Chapter 13 case is sometimes referred to as a "wage earner plan". The Chapter 13 trustee does not take possession of the debtor's non-exempt property, but supervises the case and administers the payments to creditors under the Chapter 13 plan.

Reaffirmation: A reaffirmation is a voluntary agreement, between a debtor and a creditor, that the debtor will pay all or a portion of an otherwise dischargeable debt after the debtor has filed bankruptcy. To be valid, the agreement must be made before a discharge is granted and must satisfy a number of other technical and disclosure requirements. Unless the reaffirmation agreement is supported by an affidavit from your attorney, it must be approved by the Bankruptcy Judge. The debtor has the right to rescind a reaffirmation agreement any time prior to discharge or within 60 days after it is filed with the Court (whichever is later).

Non-exempt Property: Property you own that can legally be sold by the bankruptcy trustee to obtain cash to help repay your debts.

Liquidity: The ease which something can be converted into cash. Cash, by definition, is perfectly liquid. Checks, debit cards, and bank drafts are also fully liquid since they access cash almost immediately. A home is not liquid. The process of converting a home to cash normally takes several weeks or months.

Means Test: If you are filing for a Chapter 7 bankruptcy, this is a test your attorney will apply to your situation to determine if you qualify or if you must file under Chapter 13. The means test was adopted by Congress in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 and is intended to measure your ability to pay back a portion of your debts.

Median Income: The median is the middle of a distribution: half the scores are above the median and half are below the median. Therefore, a median income is the income among a certain population which lies at the halfway point of all the incomes in that population.

Exempt Property: In a Chapter 7 bankruptcy, exempt property is the debtor's property protected by law that cannot be seized or liquidated to pay back debt; non-exempt property can be liquidated by the Chapter 7 trustee. Depending upon the state in which you file and the circumstances of your case, you may have the option to claim exemptions under federal or state laws, or may be restricted to the exemption laws of a particular state. The Chapter 7 trustee and creditors have the right to object to the debtor's claim of exempt property. If there is an objection, the validity of the claim of exemption is decided by the Bankruptcy Judge.

Discharge: A court order that precludes a creditor from taking any action to collect a debt. A debtor does not need to repay a debt that has been discharged. Some debts (known as "non-dischargeable debts"), however, are not discharged and must be paid after the bankruptcy.

Priority Debt: The right to be first, or to be ahead of others' rights or claims. In bankruptcy law, taxing authorities, judgment holders, secured creditors, bankruptcy trustees and attorneys and certain other creditors have the right to be paid before other creditors, who are known as the "general unsecured creditors".