CHAPTER 7 BANKRUPTCY

A Practical Client Guide

What to expect before filing, after filing, and through discharge

THE BELSKY LAW FIRM

Maryland Consumer Bankruptcy Representation

Purpose A fresh start through discharge of qualifying debts.	**Court Fee** $338 currently; court fees can change.	**Typical Timing** Discharge often occurs about four months after filing.
Trustee An independent Chapter 7 trustee reviews the case.	**341 Meeting** Usually 21–40 days after filing.	**Counseling** Credit counseling before filing; debtor education after filing.

IMPORTANT

This guide is educational. Your facts determine whether Chapter 7 is appropriate, what property is protected, and which debts can be discharged. Your signed engagement agreement controls the scope of the Firm's representation and fees.

Read this guide before your petition-review meeting and keep it with your bankruptcy papers.

1 UNDERSTANDING CHAPTER 7

What Chapter 7 is

Chapter 7 is a federal bankruptcy process designed to discharge qualifying debts and give an honest individual debtor a financial fresh start. Filing creates a bankruptcy estate and a trustee is appointed to review your assets, debts, exemptions, income, expenses, and financial history. Most individual Chapter 7 cases are “no-asset” cases, meaning there is no nonexempt property for the trustee to distribute to unsecured creditors.

What Chapter 7 may do — and what it does not automatically do

Chapter 7 may help you…

- Discharge many credit-card, medical, personal-loan, utility, and other unsecured debts.
- Stop most collection activity, lawsuits, garnishments, and collection calls through the automatic stay.
- Eliminate personal liability on many judgments and unsecured claims.
- Allow you to keep property that is fully protected by applicable exemptions or otherwise not administered by the trustee.

Chapter 7 does not automatically…

- Erase valid mortgages, vehicle liens, or other liens from collateral.
- Discharge every tax, domestic-support obligation, student loan, criminal fine, restitution order, or fraud-based debt.
- Guarantee that you can keep collateral if payments are not maintained or the property is not otherwise protected.
- Protect property that has nonexempt value merely because you want to keep it.

Debts that require special analysis

- Taxes — some older income-tax liabilities can be dischargeable, but the rules depend on return-filing, due, assessment, extension, and prior-bankruptcy dates.
- Student loans — they are not ordinarily discharged automatically; discharge generally requires separate litigation and an undue-hardship determination.
- Domestic support — child support and alimony are generally not dischargeable and ongoing obligations must be kept current.
- Fraud or intentional misconduct — a creditor may seek a determination that certain debts are nondischargeable.
- Secured debts — discharge removes personal liability on qualifying debt, but a valid lien may survive and allow the creditor to pursue the collateral.

PUBLIC RECORD AND CREDIT

A bankruptcy case is a federal court proceeding and is generally a public record. Bankruptcy can significantly affect credit and future borrowing. The effect varies by person and lender, and rebuilding credit usually occurs over time rather than immediately.

2 BEFORE YOU FILE: FULL DISCLOSURE MATTERS

Bankruptcy requires complete disclosure. Your petition, schedules, and Statement of Financial Affairs are signed under penalty of perjury. The safest rule is simple: **tell us everything and let us decide what is legally relevant.**

Tell us about all property and rights to receive money

- Real estate, vehicles, bank accounts, cash, payment-app balances, security deposits, cryptocurrency, investments, retirement accounts, life insurance cash value, valuable personal property, and business interests.
- Tax refunds, inheritances, insurance proceeds, pending settlements, unpaid wages, commissions, bonuses, and money owed to you.
- Any lawsuit, personal-injury claim, workers' compensation claim, employment claim, malpractice claim, warranty claim, or other right to sue — even if no lawsuit has been filed.
- Property titled jointly with another person, property in someone else's possession that belongs to you, and property titled in your name that you believe belongs to someone else.

Tell us about recent financial activity

- Gifts, sales, transfers, title changes, removal of your name from accounts or property, or property given away.
- Repayment of money owed to relatives, friends, business partners, or other "insiders."
- Garnishments, levies, repossessions, foreclosures, bank setoffs, and money seized by creditors.
- Large payments to creditors, unusual purchases, cash withdrawals, closing accounts, or movement of money between accounts.
- Prior bankruptcy cases, pending divorce or support proceedings, tax audits or assessments, and business ownership or closure.

Do not do these things without speaking with us first

- Do not transfer, sell, give away, hide, retitle, or "temporarily" move property to another person.
- Do not repay relatives or favored creditors because you believe it will simplify the bankruptcy.
- Do not incur new debt, take cash advances, or use credit with the expectation that the debt will be discharged.
- Do not cash out protected retirement funds to pay debts without first obtaining advice.
- Do not ignore lawsuits, garnishments, foreclosure notices, repossession notices, tax notices, or court deadlines while waiting to file.

WHY THIS MATTERS

Transfers, concealment, false statements, missing records, or incomplete disclosures can cause loss of property, litigation, denial of discharge, or other serious consequences. Problems are often manageable when disclosed before filing; undisclosed problems are much harder to fix.

3 PREPARING AND FILING YOUR CASE

Documents we commonly need

- Government-issued photo identification and proof of Social Security number.
- Income information for the six-month means-test period, including pay statements and other household income records.
- Recent federal and state tax returns and information about expected refunds.
- Recent statements for bank, credit-union, investment, retirement, payment-app, and other financial accounts.
- Mortgage statements, deeds, property tax information, vehicle titles, loan statements, lease documents, and insurance information.
- Collection letters, judgments, garnishment papers, lawsuits, liens, domestic-support orders, tax notices, and student-loan information.
- Documents relating to any transfer, gift, repayment, business interest, inheritance, insurance claim, or lawsuit right.

Credit counseling is required before filing

An individual ordinarily must complete an approved credit-counseling briefing during the 180-day period before filing. It must be completed **before** the petition is filed, subject only to limited statutory exceptions. Each joint debtor receives a separate certificate.

The papers you review and sign

- Voluntary Petition and creditor mailing information.
- Schedules listing assets, debts, income, expenses, contracts, and other financial information.
- Statement of Financial Affairs describing transactions and financial history.
- Statement of Intention concerning secured consumer debts and leases.
- Chapter 7 current-monthly-income and means-test forms.
- Exemption schedules identifying property claimed as protected.

YOUR REVIEW IS ESSENTIAL

A credit report is useful, but it is not a substitute for your knowledge. You must identify every creditor, every asset, and every material financial event. Review every page carefully before authorizing filing and tell us immediately if anything is missing or wrong.

Filing fee

The Chapter 7 filing fee in the U.S. Bankruptcy Court for the District of Maryland is currently $338. Court fees can change. In appropriate cases, the Bankruptcy Code and court rules may permit an installment application or fee-waiver application, subject to eligibility and court approval.

4 WHAT HAPPENS AFTER FILING

1. The case is filed	The bankruptcy estate is created, a Chapter 7 trustee is appointed, and the clerk sends notice to listed creditors.
2. The automatic stay begins	Most pre-bankruptcy collection activity must stop. Important exceptions exist, and the stay can be limited in some repeat filings.
3. The trustee reviews the case	The trustee reviews your petition, schedules, tax information, account records, exemptions, transfers, and other documents and may request additional information.
4. You attend the § 341 meeting	The trustee conducts the meeting of creditors, generally 21–40 days after filing. You answer questions under oath about your financial affairs and the papers filed in your case.
5. You complete debtor education	A separate approved personal-financial-management course must be completed after filing. Failure to complete it can prevent entry of discharge.
6. Discharge and case closing	In a routine case, discharge commonly occurs about four months after filing. The case may close at about the same time, but an asset case or contested matter can remain open longer.

The automatic stay: what it usually stops

- Collection lawsuits and continuation of many pending collection cases.
- Wage garnishments and many bank-account levies.
- Most collection calls, letters, and demands for pre-filing debts.
- Repossession or foreclosure activity while the stay applies, unless relief from stay is obtained or an exception applies.

CALL US IF A CREDITOR KEEPS COLLECTING

Do not assume every post-filing contact violates the stay, but send us collection letters, court notices, garnishment notices, repossession activity, foreclosure notices, or other creditor communications promptly.

5 PROPERTY, EXEMPTIONS, CARS, HOMES, AND SPECIAL ISSUES

Exemptions protect property — but exemption planning is technical

A Chapter 7 debtor may keep property that is exempt or otherwise not administered by the trustee. Maryland has its own exemption system, and a debtor entitled to use Maryland exemptions generally may not elect the federal bankruptcy exemption package. Recent moves between states can change which exemption law applies. Exact exemption amounts and eligibility must be reviewed before filing.

Home and real-estate equity

Owning a home does not automatically prevent Chapter 7, and filing Chapter 7 does not automatically mean losing a home. The analysis depends on fair market value, mortgages and other liens, ownership interests, applicable exemptions, and the trustee's ability to realize value for creditors. Never rely on an online estimate alone when equity is close.

Cars and other secured personal property

- Surrender — return the collateral and seek discharge of qualifying personal liability.
- Reaffirmation — enter a new agreement to remain personally liable on the debt, subject to bankruptcy-law requirements and careful review.
- Redemption — in qualifying circumstances, pay the creditor the allowed value of certain personal property in a lump sum under 11 U.S.C. § 722.
- Other retention arrangements may depend on the creditor, the type of collateral, applicable law, payment status, and the Statement of Intention.

Judgment liens and lien avoidance

A discharge eliminates qualifying personal liability, but a recorded judgment lien may remain attached to real property. In some cases, a judicial lien that impairs an exemption can be avoided by motion. Title and judgment information should be reviewed before filing when you own real estate.

Preferences, garnishments, and possible recoveries

The trustee may be able to recover certain payments made to creditors during the 90 days before filing and certain payments to insiders during the one-year period before filing, subject to statutory requirements and defenses. In some circumstances, if the trustee does not pursue an avoidable involuntary transfer and the debtor could exempt the recovered property, the debtor may have a limited right to pursue recovery. Recent garnishments or seizures should always be disclosed immediately.

SEPARATE OR ADDITIONAL LEGAL WORK

Some matters are outside the ordinary no-asset Chapter 7 representation and may require a separate written fee arrangement—for example, contested trustee matters, adversary proceedings, lien avoidance, redemption, dischargeability litigation, preference/avoidable-transfer recovery, appeals, and post-bankruptcy credit-reporting disputes. Your engagement agreement controls.

Keep us informed after filing

Tell us immediately if you acquire or become entitled to significant property after filing. In particular, an inheritance, certain divorce/property-settlement rights, or life-insurance/death benefits acquired or becoming payable within 180 days after filing can become property of the bankruptcy estate.

6 CHAPTER 7 GLOSSARY — A THROUGH M

RM	PLAIN-ENGLISH MEANING
1 Meeting / Meeting of Creditors	A required meeting at which the Chapter 7 trustee questions the debtor under oath about the petitic schedules, assets, debts, transfers, and financial affairs. Creditors may attend and ask permitted questions.
ersary Proceeding	A lawsuit filed within the bankruptcy case. Examples include some dischargeability disputes and avoidance/recovery actions.
et Case	A Chapter 7 case in which the trustee identifies nonexempt value that can be liquidated or recovere for distribution to creditors.
omatic Stay	The statutory injunction that begins when a bankruptcy petition is filed and stops most collection actions, subject to exceptions and possible court-ordered relief.
kruptcy Estate	The legal estate created when the case is filed. It generally includes the debtor's legal and equitabl interests in property as of filing, plus certain later-acquired property specified by law.
ateral	Property securing a debt, such as a home securing a mortgage or a vehicle securing an auto loan.
dit Counseling	The approved pre-filing briefing an individual ordinarily must complete within the 180-day period before bankruptcy filing.
ditor	A person or entity to whom the debtor owes money or against whom a claim may exist.
tor	The person who files the bankruptcy case.
tor Education / Financial Management Course	The separate post-filing course an individual debtor generally must complete to receive a discharge
charge	The court order that releases an individual debtor from personal liability for qualifying debts and prohibits collection of discharged debts from the debtor personally.
chargeability	Whether a particular debt is legally subject to the bankruptcy discharge.
ity	The value of property above valid liens and encumbrances. Equity is central to exemption and liquidation analysis.
mption	A law that protects specified property or value from administration for creditors. Exemption rules ar technical and state-specific.
nishment	A legal process by which a creditor takes wages, bank funds, or other property to satisfy a judgmer
der	A person or entity with a close relationship to the debtor, such as certain relatives or business insic Transfers to insiders can receive special scrutiny.
icial Lien	A lien obtained through judgment or legal process. Some judicial liens that impair exemptions may avoidable.
n Avoidance	A procedure to eliminate certain liens when statutory requirements are met; it is not automatic mer because a bankruptcy case is filed.
uidation	The sale or recovery of nonexempt estate property by the trustee for distribution according to bankruptcy law.
ns Test	The statutory income-and-expense calculation used in many consumer Chapter 7 cases to determ whether a filing is presumptively abusive.

7 CHAPTER 7 GLOSSARY — N THROUGH Z

RM	PLAIN-ENGLISH MEANING
Asset Case	A Chapter 7 case in which there is no nonexempt property available for distribution to unsecured creditors. Most individual Chapter 7 cases are no-asset cases.
dischargeable Debt	A debt that is not eliminated by the discharge. Some debts are automatically nondischargeable; oth require a creditor to obtain a court determination.
tion	The document that commences the bankruptcy case when filed with the bankruptcy court.
ference	A qualifying pre-bankruptcy transfer to or for a creditor that the trustee may be able to avoid and recover. The general lookback is 90 days; certain insider transfers are reviewed for up to one year.
rity Debt	An unsecured debt that bankruptcy law gives special payment priority, such as certain tax and domestic-support claims.
ffirmation Agreement	An agreement in which the debtor agrees to remain personally liable on a debt that otherwise coul discharged, usually to retain secured personal property. Reaffirmation has important consequence and requires careful review.
emption	A Chapter 7 procedure allowing a debtor, in qualifying circumstances, to retain certain personal property by paying the secured creditor the allowed value in a lump sum.
edules	Official bankruptcy forms listing assets, exemptions, secured and unsecured debts, income, expen contracts, co-debtors, and other information.
ured Debt	A debt backed by collateral that the creditor may have the right to repossess or foreclose upon if th debt is not paid.
ement of Financial Affairs (SOFA)	Official questions concerning income, payments, transfers, lawsuits, repossessions, gifts, business activity, and other financial history.
ement of Intention	The Chapter 7 form stating what the debtor intends to do with certain secured consumer debts and leases.
render	Giving collateral back to the secured creditor rather than retaining it.
stee	The independent fiduciary appointed to administer the Chapter 7 estate, review the debtor's papers conduct the § 341 meeting, investigate assets and transfers, and liquidate nonexempt value when appropriate.
ecured Debt	Debt not backed by collateral. Credit cards, medical bills, and many personal loans are common examples.
ed States Trustee	A component of the U.S. Department of Justice that oversees bankruptcy administration, private trustees, means testing, and related matters in Maryland.

Questions? Contact us before acting.

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Primary sources used for this guide

- U.S. Courts — Chapter 7 Bankruptcy Basics; Bankruptcy Basics Glossary; Discharge in Bankruptcy.
- U.S. Bankruptcy Court for the District of Maryland — Chapter 7 required forms, filing fees, Bankruptcy Checklist, and Bankruptcy Overview.
- U.S. Trustee Program, U.S. Department of Justice — Credit Counseling, Debtor Education, Means Testing, and Chapter 7 trustee information.
- Maryland Code, Courts and Judicial Proceedings § 11-504 — Maryland exemptions.
- United States Bankruptcy Code, including 11 U.S.C. §§ 109, 362, 522, 541, 547, 722, and 727.