

Appendix G. Comparison of Chapter 7 and Chapter 13

	Chapter 7	Chapter 13
Type of Bankruptcy	Liquidation	Reorganization
Who Can File?	Individuals and Business Entities	Individuals Only (Including Sole Proprietors)
Eligibility Restrictions	Disposable Income Must Be Low Enough to Pass the Chapter 7 Means Test	Cannot Have More Than \$383,175 of Unsecured Debt or \$1,149,525 of Secured Debt
How Long Does It Take to Receive a Discharge?	Typically Three to Five Months	Upon Completion of All Plan Payments (Usually Three to Five Years)
What Happens to Property in Bankruptcy?	Trustee Can Sell All Nonexempt Property to Pay Creditors	Debtors Keep All Property But Must Pay Unsecured Creditors an Amount Equal to Value of Nonexempt Assets
Allows Removing Unsecured Junior Liens from Real Property Through Lien Stripping?	No	Yes (If Requirements Are Satisfied)
Allows Reducing the Principal Loan Balance on Secured Debts Through a Loan Cramdown?	No	Yes (If Requirements Are Satisfied)
Benefits	Allows Debtors to Quickly Discharge Most Debts and Get a Fresh Start	Allows Debtors to Keep Their Property and Catch Up on Missed Mortgage, Car, and Nondischargeable Priority Debt Payments
Drawbacks	Trustee Can Sell Nonexempt Property. Does Not Provide a Way to Catch Up on Missed Payments to Avoid Foreclosure or Repossession.	Must Make Monthly Payments to the Trustee for Three to Five Years. May Have to Pay Back a Portion of General Unsecured Debts.

Source: NOLO Retrieved on September 21, 2015 from <http://www.nolo.com/legal-encyclopedia/what-is-the-difference-between-chapter-7-chapter-13-bankruptcy.html>