

Appendix B. United States Department of Justice Summary of Bankruptcy Chapters²⁰

The Bankruptcy Code appears in title 11 of the United States Code, beginning at 11 U.S.C. 101. Its principal chapters (7, 11, 12, 13 and 15) are briefly outlined below:

Chapter 7

Chapter 7 bankruptcy is a liquidation proceeding available to consumers and businesses. Those assets of a debtor that are not exempt from creditors are collected and liquidated (reduced to money), and the proceeds are distributed to creditors. A consumer debtor receives a complete discharge from debt under Chapter 7, except for certain debts that are prohibited from discharge by the Bankruptcy Code.

Chapter 11

Chapter 11 bankruptcy provides a procedure by which an individual or a business can reorganize its debts while continuing to operate. The vast majority of Chapter 11 cases are filed by businesses. The debtor, often with participation from creditors, creates a plan of reorganization under which to repay part or all of its debts.

Chapter 12

Chapter 12 allows a family farmer or a fisherman to file for bankruptcy, reorganize its business affairs, repay all or part of its debts, and continue operating.

Chapter 13

Chapter 13, often called wage-earner bankruptcy, is used primarily by individual consumers to reorganize their financial affairs under a repayment plan that must be completed within three or five years. To be eligible for Chapter 13 relief, a consumer must have regular income and may not have more than a certain amount of debt, as set forth in the Bankruptcy Code.

Chapter 15

Chapter 15 provides debtors, creditors, and other parties in interest involved in insolvency cases in foreign countries a mechanism by which they can assert their rights. Generally, a chapter 15 case is supplementary to a primary case or proceeding commenced in a debtor's home country. One of the primary goals of this chapter is to encourage cooperation and communication between the courts of the United States and parties in interest and foreign courts and parties in interest in cross-border cases.

²⁰ <http://www.justice.gov/ust/bankruptcy-fact-sheets/overview-bankruptcy-chapters>.