

### Appendix C. Comparison of Federal Bankruptcy Chapter 7 and Chapter 13

	<u>Chapter 7</u>	<u>Chapter 13</u>
Type of Bankruptcy	Liquidation	Reorganization
Who is this for?	Debtors barely able to pay for living expenses. Must pass a means test in order to qualify.	Debtors able to afford living expenses but having difficulty repaying debt.
What happens to debtors unsecured assets?	Sold to repay debt	Remain with the debtor
What happens to creditors owed unsecured debt?	Debtor's non-exempt assets are sold to repay unsecured creditors.	Unsecured creditors receive monthly payments of at least as much as they would have received in a Chapter 7 bankruptcy.
Length of process	3-4 months	3-5 years
What happens to the home of the debtor?	The debtor may only save their home if the homestead exemption is greater their equity. Upon completion of the bankruptcy, the mortgage holder may continue with foreclosure if arrangements have not been made for repayment.	The debtor will save the home by maintaining current mortgage payments and working out an arrearage payment plan over the life of the bankruptcy.
How is bankruptcy reflected on credit report?	Stays on report for 10 years.	Stays on report for 7 years.