



Should I file for Chapter 7 Bankruptcy?

❖ Read this *only* if you live in Washington State.

❖ You can find all the fact sheets we link to here at [WashingtonLawHelp.org](https://www.washingtonlawhelp.org).

What is bankruptcy?

Bankruptcy is a legal process to help people who are unable to pay their outstanding debts.

How are Chapter 7 and Chapter 13 bankruptcies different?

Chapter 7: The court cancels (discharges) your debt. Your bills “vanish.” You are no longer responsible for them. You get a clean slate and a chance to start over with no debt.

Chapter 13: The court puts you on a 3 to 5-year payment plan to repay your debts. This can help you try to avoid foreclosure of your home or to pay off other debts, such as traffic tickets or legal financial obligations (LFOs), that you cannot discharge.

My wages are being garnished. Can a bankruptcy help?

Probably.

The day you file for bankruptcy, the court issues a “**stay**”. This means all collection action, including garnishment, must stop immediately.

Which bills can I discharge in a Chapter 7?

You can discharge **most** bills, including credit card debt, hospital and medical debt, debt owed to a former landlord, and debt owed due to the repossession of a vehicle.

You **cannot** discharge:

- Child support debt.

- Student loan debt unless you can show “undue hardship.”
- Most federal income tax debt.
- Legal financial obligations.
- Traffic tickets and fines (but you can discharge the collection and interest charges). Read [My Driver’s License was Suspended. Can I Get it Back?](#) to learn more.

When should I think about Chapter 7 bankruptcy?

You can only file for bankruptcy **once every 8 years**.

Before filing for Chapter 7, at least one of these should be true:

- A.** You have a lot of debt **and** income and/or assets a creditor could take.
- B.** You lost your driver license after being in an accident while uninsured. You need your license back.

If you are a homeowner:

You have a lot of debt **and** close to the homestead exemption amount of **equity** in your home. The homestead exemption is the equity value in your home that you can protect from creditors, even without bankruptcy. The homestead exemption amount is the greater of (a) \$125,000; or (b) the county median sale price of a single-family home in the preceding calendar year.

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- ❖ **Equity** is the amount of money you would keep after you sold your home and paid off the mortgage and other liens. You can find the **median sale price of homes in your county** at wcrer.be.uw.edu/archived-reports.
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I’m still paying for my car or furniture. Does Chapter 7 bankruptcy make sense for me?

Maybe not. To keep a secured property (like a car or furniture that creditors could repossess) when you file for Chapter 7, you must **reaffirm** (sign a new agreement on) this debt.

Reaffirmation may be a bad idea, especially if it is a high interest loan or for an asset worth less than you still owe. It can lead to more financial trouble that bankruptcy cannot fix. **Always discuss reaffirmation of debts with a bankruptcy lawyer before reaffirming a debt with a creditor.**

When do I *not* need bankruptcy?

- You are not working.
- You do not have assets that creditors can take (garnish).
- Your income is protected from garnishment.

Examples: Creditors cannot garnish Social Security, Supplemental Security Income (SSI), unemployment benefits, Temporary Assistance for Needy Families (TANF) or Aged, Blind, or Disabled (ABD) benefits, child support you receive, retirement pensions, or federal student loan proceeds.

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- ❖ Read [Money that cannot be taken from you \("garnished"\) to pay off a debt](#) to learn more.
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If the creditor cannot collect from you, you do not need to file for bankruptcy.

I need to file for Chapter 7 Bankruptcy. Do you have tips?

- File only if you really need to. You can only file for Chapter 7 once every 8 years.
- If you file for Chapter 7, **you should list all your debts in the bankruptcy petition.** Generally, you cannot discharge debts not listed.
- Before filing, get a copy of your **free** credit report from all three credit-reporting agencies. The reports may list different debts so you want to get your report from all three agencies. Read [Coronavirus \(COVID-19\): You can get a free credit report every week until April 2022.](#)
- After you discharge your debts in a bankruptcy, check your credit report. All the discharged debts should show a zero (0) balance. If they do not, then immediately speak to the lawyer who helped you file the bankruptcy.

What are the downsides of Chapter 7?

- It may be harder to get credit. Credit could cost you more. (**Example:** you may only be able to get credit to buy a car with a very high interest rate.)
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- ❖ You can start rebuilding your credit immediately after filing for bankruptcy. Talk with a credit-counseling agency that does not charge for their services. (The National Foundation for Consumer Counseling has a list of member agencies online at nfcc.org.) Learn how to get a secured credit card, keep up with your debts that were not discharged, and how to make a budget.
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- It will be on your credit report for 10 years.
 - You will lose the credit cards you currently have.
 - The court may not consider some belongings, such as an expensive car, exempt. You could lose them as part of the bankruptcy.
 - Depending on the kind of debt, the court may not discharge all your debts in the bankruptcy.
 - You cannot file a Chapter 7 bankruptcy again for eight more years.

Get Legal Help

- **Facing Eviction?** Call 1-855-657-8387.
- **Apply online** with [CLEAR*Online -nwjustice.org/apply-online](https://nwjustice.org/apply-online)
- **Facing Foreclosure?** Call 1-800-606-4819.
- **Facing a legal issue in King County** (other than Eviction or Foreclosure)? Call 2-1-1 (or toll-free 1-877-211-9274) weekdays 8:00 am - 6:00 pm. They will refer you to a legal aid provider.
- **Facing a legal issue outside of King County** (other than Eviction or Foreclosure)? Call the CLEAR Hotline at 1-888-201-1014 weekdays between 9:15 am - 12:15 pm or apply online at nwjustice.org/apply-online.
- **Seniors (age 60 and over)** with a legal issue outside of King County can also call CLEAR*Sr at 1-888-387-7111.
- **Deaf, hard of hearing or speech impaired callers** can call any of these numbers using the relay service of your choice.

CLEAR and 2-1-1 will provide interpreters.

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