

Dear Homeowner,

We are in the business of providing you with education and creating options for you and your house in this unfortunate foreclosure situation. However, our materials are general in nature and may not be applicable to your particular situation; therefore, they do not constitute legal advice. Changes in government policy occur frequently with little or no notice. If you believe that you have a legal problem please consult with an attorney. We hold no liability for the information we provide. If you are unsure of some of the information we provide or have further questions, please seek legal advice.

Bankruptcy

We do not recommend this option because you may end up losing more than your home and bankruptcy damages your credit rating. Bankruptcy may create higher interest rates on the same loans you already possess. While there are several different types of bankruptcy procedures, the two most commonly used by individual consumers are Chapter 7 and Chapter 13.

Chapter 7

Under this arrangement, a trustee collects your assets, sells them for cash, and makes distributions to creditors. It involves the complete liquidation of your property and the proceeds are used to pay off the debts. You may keep assets that are exempt either under Federal or state law. You cannot repeat this filing for six years. The cost to file is \$200. In most states, you may protect at least 75% of earned but unpaid wages.

Chapter 13

This is designed for an individual debtor who has a regular income and a stable job. Under this procedure, a plan is formed on the amount of wages creditors will use to repay your debts over the next three-to-five years. This ties up your cash and income over the repayment period. The cost to file is \$185. Generally the creditors expect to get more than they would have received from the debtor's estate if the debtor had sought a complete liquidation under Chapter 7. If you fail to comply, the Court treats the matter as a Chapter 7 liquidation. Some debts in Chapter 13 may survive after your bankruptcy is closed and you must continue paying.

Is your home safe?

No. You will almost certainly lose your house if you file a Chapter 7 bankruptcy. A homestead exemption may help you retain a certain amount of equity, but does not save your home. Chapter 13 bankruptcy may delay the loss of your home but does not save it. Your mortgage lender may ask the bankruptcy court to release the house and resume foreclosure proceedings.

Resources:

www.findlaw.com

www.state.tx.us