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## What Really Happens After Filing for Bankruptcy?

Knowing what happens after you file bankruptcy can make it seem less intimidating. Read on to learn about filing Chapter 7 bankruptcy, the meeting of creditors, keeping your car, and why creditors must stop contacting you after filing.

When you're deciding whether it makes sense to file for bankruptcy, there's a lot to consider. Of course, you'll want to understand how Chapter 7 or Chapter 13 will benefit you. But it doesn't end there. It's also important to know what to expect afterward. Here's what happens after bankruptcy.

## Fresh Start

Your new life begins after the court notifies your creditors that you received a discharge order wiping out your qualifying debts. Those creditors won't be able to sue you, garnish your wages, attach your bank account, call you, or send you mail about the forgiven balances. You'll get your fresh start.

Be aware, however, that it's not uncommon for a creditor to inadvertently attempt to collect a debt that was forgiven as part of your bankruptcy. If that happens, here's what to do: Keep your bankruptcy paperwork handy. Most will stop calling once you give them the case number, filing date, and discharge date. If the calls persist, notify your attorney.

## Meeting with your Trustee and Creditors

After filing bankruptcy, a trustee will be assigned to your case to manage your bankruptcy estate, including payments to creditors in a Chapter 13 case and liquidation of non-exempt assets if there are any in a Chapter 7 case.

Soon after filing, you will be required to attend a meeting with this trustee and any creditors who choose to attend. This is commonly known as a 341 hearing or a meeting of creditors.

While this meeting is not held in a courtroom or before a judge, all questions will be asked under oath. The trustee will ask questions to ascertain the accuracy of your bankruptcy documents and make a decision about whether your debts are all dischargeable as well as whether there are any non-exempt assets which can liquidated to raise money for creditors.

While creditors are not required to attend, and in fact rarely do attend, they too can ask questions if they choose to attend. If recent cash advances or excessive charges appear to have been made without the intent to repay, creditors may come with questions related to apparent fraud.

In Chapter 7 cases, you may file a reaffirmation agreement to keep certain secured debts within 60 days of this first meeting of creditors. Before reaffirming a debt, make sure that you are financially capable of handling the payments. Your attorney may

advise you not to sign any reaffirmation agreements as it may not be in your best interests

Your attorney should be present with you at your meeting of creditors.

## What to Expect in Bankruptcy Court

If your bankruptcy is uncontested, you may never see the inside of a courtroom. Most negotiations will happen between your attorney, the trustee, and your creditors. If creditors file adversarial motions, you may need to appear at the confirmation hearing for your Chapter 13 repayment plan, or if a motion needs to be filed to modify your bankruptcy filing, court appearances might be necessary.

## How does filing bankruptcy affect you?

The effects of bankruptcy will vary largely depending on what kind of bankruptcy you file, your financial situation after bankruptcy, and how responsibly you manage the process of rebuilding your credit.

It may be difficult to secure credit or larger loans for several years. Financial responsibility after bankruptcy can minimize the effects somewhat, and some credit card companies actually seek out individuals who have just filed for bankruptcy to get them as a customer.

## What happens after a bankruptcy discharge?

- If you filed Chapter 7, and the trustee issued a report that there are no non-exempt assets once you receive your discharge the case is over. There will no longer be any contact with the trustee or the bankruptcy court. If however, the trustee found that there are non-exempt assets, then the trustee will continue to work with creditors and manage the liquidation of non-exempt assets. You will be required to cooperate with the trustee even after a discharge is granted, and the trustee can request that the court revoke a discharge up to a year after it has been granted if he or she becomes aware of fraud or non-disclosure of assets.
- If you file a Chapter 13 Bankruptcy, your case will be closed shortly after making your final payments. The discharge will be granted, the final disbursements will be made by the trustee to your debtors, and after the trustee's final report the case will be closed.

# When can I buy a house after declaring bankruptcy?

Immediately after bankruptcy, it will be very difficult to get a home loan. As you build your credit back, lenders will start considering you for a home loan. Many people can build their credit enough to qualify for an FHA loan in as little as two years.

FHA loans at low interest rates can be had with a credit score as low as 580\*. This is far below any conventional mortgage company would allow, and a great resource for recently bankrupt individuals looking to own their own home.

Those interested in buying a home can even secure FHA loans with scores below 580, but it will be quite difficult.

## Credit After Bankruptcy

Most people understand that their credit will take a hit for a time after bankruptcy—and there's no denying that the change will likely affect your financial life. Your credit report tells creditors, employers, insurance companies, and potential landlords about your finances and they use the information to determine whether to work with you.

There's an upside, however. Although a bankruptcy filing will remain on your credit report for up to ten years, the impact on your credit score will lessen with time.

Here's what you can expect:

### Your Credit Score After Bankruptcy

Your credit score will likely decrease, but not necessarily.

### Credit Cards After Bankruptcy

Credit card companies will send you credit offers soon after you receive your discharge.

\*At the time of this publication

## When can I buy a car after bankruptcy?

After you file bankruptcy, it will be difficult, but certainly not impossible, to find a willing auto lender at a low interest rate. There are auto lenders who lend to people who have just filed bankruptcy, but the interest rates charged are usually higher than the typical market rate.

If you file Chapter 7, you can apply for a loan as soon as you receive your discharge. Many lenders may not feel comfortable granting an unsecured line of credit immediately after bankruptcy, and those that do will be charging exorbitant rates in exchange for taking on what they consider a risky loan.

If you file for Chapter 13 instead, you will have to wait until your debts are discharged or the case is dismissed to get an unsecured loan. While this could take up to five years, your credit will be in a much better place if you successfully complete your payment plan. Individuals under a confirmed Chapter 13 case can get auto loans with a letter from the Chapter 13 Trustee and have even been able to purchase homes and take out a mortgage while under the Chapter 13 case with Court approval.

## How Bankruptcy Affects Credit Scores

Bankruptcy lowers the credit score and stays on your credit report for 10 years. How much the bankruptcy will affect your score depends more on your personal finances before filing than on the bankruptcy itself.

If you are delinquent on your bills, your credit score is most likely poor already. In this case, the bankruptcy filing would not make the situation that much worse and may even improve the situation.

## Do credit agencies treat Chapter 7 and Chapter 13 differently?

The initial impact on your credit score will be the same whether you filed Chapter 7 or Chapter 13 bankruptcy.

However, Chapter 7 bankruptcies remain on your credit report for ten years, while Chapter 13 may only remain on your record for seven years.

## Can you remove a bankruptcy from your credit report?

Legitimate bankruptcies will remain on your credit report for a fixed period of time, and there is little that can be done to remove the record before that time. For Chapter 7 bankruptcies, the reporting period is ten years. Chapter 13 bankruptcies are reported for seven years.

Experian, Equifax, and TransUnion will automatically remove the record of bankruptcy after the reporting period, and no action is required on the part of the consumer.

## Still have any bankruptcy questions?

Click the link below to schedule a time for your free consultation with our licensed, Bankruptcy Attorney:

[www.myfreshstartmeeting.com](http://www.myfreshstartmeeting.com)

Or, call Hollins Bankruptcy Law Office at our Toll-Free number at 844-233-2837 for a free consultation. I look forward to hearing from you and working with you to achieve your “fresh start.”

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