

CREDIT AND BANKRUPTCY

This section outlines some basic information about credit and bankruptcy. Taking the time now to become educated about credit and how it works could save you from future stress and frustration.

CREDIT REPORTS

There are three major credit reporting companies that maintain credit reports about consumers. Credit reports contain information about where a person lives, the extent to which a person pays his or her bills on time, how much debt a person has, and whether a person has filed for bankruptcy. Credit reports typically include a three-digit score. Prospective lenders use this score to determine the creditworthiness of prospective borrowers.

You can obtain a free copy of your credit report once every twelve months. The credit reporting companies are required to provide copies of this information to consumers under the Fair Credit Reporting Act. 15 U.S.C. §1681j.

BANKRUPTCY

There are several different forms of bankruptcy. Chapter 7 bankruptcy (named after the section of the Bankruptcy Code in which it is set forth) is a “liquidation” form of bankruptcy, whereby the debtor’s eligible property is sold to pay off creditors. Chapter 11 (for business debtors and individuals with very large debts) and Chapter 13 (for individuals with a regular source of income) are “rehabilitation” forms of bankruptcy. Under these forms, the court and the debtor develop a plan to repay creditors from the debtor’s income.

Filing for bankruptcy protection serves to eliminate or “discharge” debts owed to creditors. However, not all types of debt can be discharged, and some types of debt can only be discharged through certain forms of bankruptcy. Debts that are not dischargeable under any circumstances include certain tax debts and spousal and child support obligations. Student loan debts are not dischargeable unless the bankruptcy court finds that repaying the loans would create an “undue hardship” on the debtor. 11 U.S.C. §523.

Individuals concerned with debt should consult with a bankruptcy attorney to make an informed decision about whether seeking bankruptcy protection is the best available option.

CREDIT COUNSELING

Individuals are required to participate in credit counseling with a credit counseling agency before filing for bankruptcy. The agency analyzes an individual’s assets and debts and attempts to create an informal debt repayment plan. The individual does not have to agree to the plan, but he or she must file a copy of the plan with the court as part of the bankruptcy process. Please see below for information on approved credit counseling agencies.

Getting Help

General Legal

Student Legal Services, 858.534.4374 or <http://sls.ucsd.edu>

General Credit Information,

U.S. Federal Trade Commission,

<http://www.ftc.org>

For Information and to Obtain Your Credit Report,

<http://www.AnnualCreditReport.Com>

General Bankruptcy Information,

U.S. Bankruptcy Court for the Southern District of California – website includes an online “law library” of bankruptcy resources

<http://www.casb.uscourts.gov/>

U.S. Bankruptcy Trustee’s Office,

Credit counseling agency information may be found at

<http://www.usdoj.gov/ust/eo/bapcpa/ccde/index.htm>