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## Should you file for Bankruptcy?

Bankruptcy is a federal court procedure that helps individuals and entities to eliminate or repay some or all of their debts under the protection of the federal bankruptcy court.

If you are thinking about bankruptcy, this guide will help you understand the difference between the chapters in bankruptcy court, what bankruptcy is, and how it applies to you.

- **Chapter 7:** This bankruptcy is the most common, simplest, and quickest in the United States. Chapter 7 proceedings typically last between three to six months. Chapter 7 bankruptcy is a liquidation bankruptcy because a trustee assigned by the court may liquidate your assets, which are not protected by an exemption, to pay back some of your debt. This is why a Chapter 7 bankruptcy is known as a straight bankruptcy. Chapter 7 bankruptcy is available to both businesses and individuals. Businesses must cease operations during Chapter 7 Bankruptcy. After all creditors are paid in full, any residual amount is returned to their owners.
- **Chapter 9:** Municipal bankruptcy; a federal mechanism for the resolution of municipal debts. This form of bankruptcy is available exclusively to municipalities (i.e. cities and counties) to restructure their debt. For example, in California, Orange County filed a Chapter 9 in 1994, and the City of San Bernardino filed a Chapter 9 bankruptcy in 2013.
- **Chapter 11:** A Chapter 11 bankruptcy is a reorganization of a debtor's finances to enable the debtor to continue operating the debtor's business subject to court supervision. Both individuals and business entities qualify to be a debtor in a Chapter 11 bankruptcy. This type of bankruptcy requires a debtor to obtain the votes of the debtor's creditors in favor of a debtor's plan. An organization takes over a year, and requires extensive legal work to obtain court approval regarding the debtor's business operations.
- **Chapter 12:** This type of bankruptcy is only available to debtors that have at least 80% of their debts arising from a family farm or fishery.
- **Chapter 13:** A Chapter 13 bankruptcy enables individuals with regular income to develop a plan to repay all or part of their debts. Under Chapter 13 bankruptcy, the debtor proposes a plan, which the court confirms, to pay his or her creditors over a 3-to-5 year period. The minimum amount to repay depends on how much you earn.
- **Chapter 15:** This type of bankruptcy involves debtors with assets or operations located in a foreign country with jurisdiction over the debtor.