

10 Myths about Bankruptcy

- 1.) Bankruptcy is irresponsible – The idea behind this myth is that people who file bankruptcy simply don't want to pay their bills and are taking the easy way out. The reality is that consumers have multiple economic responsibilities such as providing for their families, saving for investment, saving for retirement, and providing fair treatment to all creditors. When debt becomes so overwhelming that they are unable to meet their other economic responsibilities, then seeking bankruptcy discharge becomes a responsible economic decision which provides a fresh start for the consumer and equal treatment for the creditors.
- 2.) The 2005 Amendments made it impossible to discharge credit card debt – For the vast majority of consumers this myth is completely false. While the 2005 amendment added some technical requirements to the bankruptcy process, complete or very substantial relief remains available for the vast majority of consumers.
- 3.) Bankruptcy filings are published in the newspaper – In the past this was true, but does not seem to be true at this time. Bankruptcy filings are public record, but newspaper space is limited and, unless you are a public personality, bankruptcy filings are of little interest to the press.
- 4.) I won't be able to get credit for 10 years – Not true under normal circumstances. Normally, people begin receiving solicitations for credit soon, if not immediately, after having their debts discharged. While it is true that a bankruptcy discharge can be reported on your credit report for up to 10 years, the determination of whether or not to extend credit is dependent upon a variety of factors. There is certainly no legal prohibition arising out of a bankruptcy discharge which would preclude you from applying for and receiving credit following bankruptcy. Additionally, individuals should carefully review the terms of any credit offers received.
- 5.) An individual is limited to two bankruptcy discharges in a lifetime – Prior recent bankruptcy filings can, in some specific circumstances, have an impact upon the options and type of relief available through bankruptcy, but there is no two bankruptcy limit.

- 6.) If I have a good credit score, then I am financially stable – Credit scoring is done through an undisclosed formula which has little or no value with regard to assessing wealth or long-term stability.
- 7.) Most people filing bankruptcy do so because of careless money habits – While a small number of people filing for bankruptcy may have mishandled their finances, the vast majority of people have experienced unexpected financial hardships such as divorce, unemployment, illness, or business failures which make it impossible for them to reasonably pay their debts.
- 8.) Bankruptcy is immoral – While this is certainly an issue of personal opinion, bankruptcy can be a protection against exploitation and financial enslavement of the individual and his/her family. The need for a financial fresh start is recognized in the Bible (Deuteronomy 15:1) which requires that debts be forgiven every 7 years. Our founding fathers recognized the oppression of debt when they included bankruptcy in Article I, section 8 of the U.S. Constitution.
- 9.) Successful People never file bankruptcy – Completely untrue. Many successful people have suffered economic setbacks and have had to file for bankruptcy protection either personally or for their business. The list of such individuals is very long and includes individuals important to the development of the American economy such as: Former Secretary of U.S. Treasury, Henry Ford; Walt Disney; P.T. Barnum; Donald Trump; Larry King; Mark Twain; John Connelly; Jerry Lewis; Mickey Rooney; and Tammy Wynette.
- 10.) Consumers are limited to one bankruptcy filing every 10 years – While consumers seeking discharge under Chapter 7 do need to wait 8 years following a prior discharge, significant relief does remain available pursuant to Chapter 13.