

# SADEK AND COOPER

# The B-word



Bankruptcy is not a dirty word

# IS CHAPTER 7 RIGHT FOR ME?

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*While bankruptcies vary based on the specifics of each case, many find that a Chapter 7 bankruptcy is best at helping individuals regain their financial footing.*

## What is a Chapter 7 Bankruptcy?

While a Chapter 13 bankruptcy is used to refinance debt into more manageable payments, a Chapter 7 works to completely erase the debt. The end result is a fresh financial slate. There is no debt limitation, making it possible to erase everything from small loans to overwhelming debts. The process is usually complete within 90 days of filing, helping struggling individuals to get on track in the shortest period of time possible.

## How is a Chapter 7 Bankruptcy Beneficial?

If you have no way to cover even refinanced payments then a Chapter 7 bankruptcy is the right choice for you. Through this type of bankruptcy, you can see your debt payments completely done away with. Imagine going from monthly debt payments that are in the thousands to none – it's truly life-changing.

## Chapter 7 Limitations

There are some limitations to a Chapter 7 bankruptcy. While it does work to erase many debts, it doesn't generally relieve debt due to student loans, child support, alimony, or taxes. Some liens and mortgages may also remain in place after the bankruptcy. There is also an income limitation that keeps high-earners from being able to completely erase their debts.

## Who Should File for Chapter 7?

If you are unable to function under your debt load and don't see refinancing as a viable option, a Chapter 7 bankruptcy is probably your best option. While we know that filing for bankruptcy can seem scary, a good bankruptcy lawyer can help you through every step of the way.

We are proud to offer a free consultation to help you evaluate your options and offer a zero-down Chapter 7 bankruptcy plan that allows you to start your path to financial freedom now and then pay your legal fees after your finances are back in order. With a Chapter 7 bankruptcy, you can seek to take back control of your finances along with the rest of your life.



# IS CHAPTER 13 A BETTER OPTION THAN DEBT CONSOLIDATION?

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*Debt consolidation is one of the many options you may consider. When some of them hear about Chapter 13 bankruptcy, they ask, "Well, why wouldn't I just do debt consolidation and save my credit score?"*

## **Debt Consolidation With a Settlement Company**

When you take the debt consolidation option you work with a company that is going to charge you a fee. These fees generally range from 15% to 25%. Additionally, some of these companies may try to settle your debts instead of paying them all the way off.

According to CNBC, **Americans have \$38,000 in personal debt on average** in 2019 (although that average has surely increased with the pandemic). Most debt settlements hover in the 60% to 80% range, depending on the age of the debt. Keep in mind - new debts almost never settle - but we'll be generous for this exercise and say all your debts can be taken care of.

We'll call the settlement an even 70%. That means you'll have \$26,600 left to pay off. You're going to pay another \$5,200 in fees. If the debt consolidation company puts you on a 5-year plan, you'll end up paying \$530 a month. Assuming the debt is interest-free, the total amount paid is \$31,800.

## ***"Payments totalling as if you never settled at all."***

Meanwhile, your credit score is plummeting, because you're putting notation after notation on your credit report that says, "Debt settled for less than the full amount." And since they're settling them one by one, creditors will continue to call and have the opportunity to sue you.



## Chapter 13 Bankruptcy

Now let's look at the math, when you go into Chapter 13 bankruptcy, you, your attorney, and the bankruptcy trustee will take a look at your family's budget to evaluate what is left over after your essentials are covered.

Let's say the proposed payment comes out to \$250 to the trustee - depending on how much you make it may well be acceptable. No interest is accruing. There are no fees other than the filing fees associated with bankruptcy, and your legal fees, both of which are far smaller than debt consolidation fees or loan costs.

Let's use \$250 a month. At the end of your 5-year term, you'll have paid \$15,000, plus filing fees and attorney fees. Your trustee will distribute that month after month. And at the end of 5 years, you receive a discharge, with all your debts being wiped out. Your credit score increases, because all those items are no longer sitting on your credit report. You don't pay any taxes on the \$23,000 you did not pay your creditors. And throughout that 5 year period, you are protected by the automatic stay, which means creditors can't call you, sue you, or take any of your property. Which option makes more sense to you?



You

$\$250/\text{month} \times 5 \text{ years from you to trustee} = \$15,000$



Trustee



You

Filing fee + legal fees



Attorney

Total fees = \$15,000 vs. \$31,800

**\$23,000 in savings!**

# LIFE AFTER BANKRUPTCY

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*Understanding what exactly goes into rebuilding your credit is the first step to getting back on track. Here are some tips and tricks to help expedite credit recovery.*

After declaring bankruptcy, it feels like a fresh start. A great way to start new financial habits is to continue paying your ongoing and existing debts on time. Depending on the type of bankruptcy you file for it may not wipe away all debt and these lenders will continue to report the payments to credit reporting agencies. Keeping up with these payments will put you on the fast track to getting back on your feet.

Opening a secured credit card or other lines of credit is another way to build your credit score. Secured credit cards require a deposit that is equal or close to the maximum line of credit. If payments are ever missed or not completed, they will borrow from your original deposit to make the payments. A downside of secured credit cards is the additional fees. Annual fees or administration fees are often added on top of the line of credit and is something to consider.

Taking out other lines of credit, such as car loans, is another option to rebuild credit. These loans are often given with high-interest rates, as those who have filed for bankruptcy can be seen as risky borrowers. If you can afford these higher interest rates, this is another great way to build up your credit.

It is important to avoid credit repair agencies. Many of these agencies do not do anything you cannot do for yourself. There are also several agency scams. These scammers will collect monthly fees from you while disputing negative information, even if it is correct. One thing to always remember is rebuilding your credit will take time. Just like it took time to build when you started your credit history, it takes time to rebuild and get back into a place where you have good credit.

## Exploring All of Your Financial Options

As the pandemic and economic uncertainty continue, you are probably grappling with the right way to maintain your finances and keep from getting further into debt.

At this point, simply trying to survive the pandemic might be all you are focusing on. But there are financial solutions that can help you



## Are Courts Open?

The pandemic has changed almost everything about our lives, however, it has not slowed the ability of those in need of financial help to be able to file for bankruptcy. Chapter 13 bankruptcy filings are still happening in full-force virtually. If you are struggling to pay your existing bills, you can still pursue a better payment plan and work to eliminate your debt.

## Is Now a Good Time to File?

Families across the country are grappling with difficult financial decisions due to layoffs, reduction in resources, and quarantine orders. It can be easy to simply get caught up in the unfolding economic uncertainty and let growing debts mount. We understand the challenges that you are facing!

While you may have no control over your situation or the amount of money that you currently make, you can take action to start lowering your debt load now.

While other people may find themselves getting deeper in debt as they struggle to keep up with existing bills, by filing for bankruptcy you can take control and have a payment plan in place that is both manageable and moves your family toward financial freedom at the time you need it most - now.

## When Should You File for Bankruptcy?

If you are facing financial struggles and wondering when you should file for bankruptcy, the answer is most definitely sooner rather than later! While the world as we know it will return, there are likely to be uncertain times in the future.

By getting your finances in order through a Chapter 13 or Chapter 7 bankruptcy, you can endure any difficult times knowing that you and your family are secure. Having your debt under control through bankruptcy makes it possible to start planning for a brighter future.



# BRAD J. SADEK, ESQ



Brad Sadek is a passionate advocate for people facing financial distress. In 2006 Brad Sadek began his own law firm, now known as Sadek and Cooper, with zero clients, but a zealous drive to provide affordable and high-quality legal services for the people in the East Pennsylvania and New Jersey Regions.

Brad has used his knowledge of bankruptcy law, foreclosure defense, and debt relief to help over 4000 clients. He has helped individuals and married couples with saving their homes, defend themselves against creditors in civil court, and launch fresh financial starts through the consumer bankruptcy system, it is his passion.

Brad has remained an active contributor to the field of bankruptcy law. He has been on countless radio shows and is consistently recognized as a Philadelphia Super Lawyer. Contact Brad to feel your relief and see why he has over 500 5 star reviews.

## Areas of Practice

Chapter 7 Bankruptcy • Chapter 13 Bankruptcy  
Mortgage Foreclosure Defense  
Tax Foreclosure • Student Debt Relief

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Northeast Philadelphia, PA  
(215) 545-0009

Delaware County, PA  
(610) 432-3111

Montgomery County, PA  
(610) 951-4655

Bucks County, PA  
(215) 545-1055

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